

BUSINESS REPORT



NIPPON EXPRESS

Securities Code No. 9062

For the 115th Term From April 1, 2020 to March 31, 2021

The Future in Logistics





I would like to take this opportunity to thank our shareholders for their continued support and understanding. I, hereby, present the Business Report for the 115th Term.

President and Chief Executive Officer

Mitsuru Saito

During the consolidated fiscal year ended March 31, 2021 (FY2020), the global economy experienced a historic decline due to the spread of the novel coronavirus disease (COVID-19). However, with the gradual resumption of economic activities and the effects of economic stimulus measures taken by national governments, the economy began to pick up from the second quarter and launched on a moderate recovery track, driven by the US, China and other major economies. On the other hand, despite the emergence of new lifestyles and nesting demand, the business environment was difficult overall due to the uncertain future.

Under these economic conditions, the logistics industry also saw a recovery in cargo movement, which had fallen sharply, due to the gradual resumption of production and sales activities in countries around the world including Japan. As seen in the rapid recovery in demand for semiconductors due to factors such as the shift to 5G, cargo movement was particularly strong for some commodities. International trade also began to recover, led by the US and China. In addition, EC demand associated with new lifestyles and demand for digital-related products remained strong throughout the fiscal year. However, the impact of COVID-19 was still strong, and cargo movement of daily necessities, production machinery, and other equipment-related cargo was slow, resulting in sluggish cargo movement overall.

In this economic environment, the Nippon Express Group entered the second year of its “Nippon Express Group Business Plan 2023 – Dynamic Growth –,” the five-year business plan launched in April 2019. In this second year of the plan, the Group implemented measures stated in the Business Growth Strategy and the Efforts to Implement Our Long-term Vision as our first step toward reforms for achieving our long-term vision.

“Business growth strategy”

In our efforts for the customer (industry) axis in our “growth strategy for core businesses,” we promoted initiatives in the pharmaceutical/medical industry, including the

establishment of a dedicated base for pharmaceutical products, strengthened our proposals for logistics optimization to the automobile and semiconductor industries, and accelerated our efforts in our five priority industries, such as the electric and electronics industry and the apparel industry, by providing services that responds to the characteristics of our customers. In terms of the business axis, we worked to maintain the supply chain of customers during the COVID-19 pandemic by expanding air charter transportation, and strengthened the ocean cargo business by establishing a Global NVOCC Center. In addition, we have strengthened our logistics business originating from warehouses by reviewing the supply chain in face of the COVID-19 pandemic and capturing EC demand.

As for area axis, we have consolidated MD Logistics, Inc. and MD Express, Inc., both of which have strengths in pharmaceutical logistics networks in the US, and made them a part of Group companies, and worked to build a global pharmaceutical logistics network by promoting the acquisition of GDP certification at logistics bases in various countries. In addition, we have worked to maintain and expand our global supply chain by strengthening our intra-regional logistics operations through the establishment of new bases in various regions, expanding our China-Europe rail service, and strengthening our initiatives for non-Japanese companies. In our “strategy to enhance domestic businesses in Japan,” we have been working to further improve the profitability of the domestic logistics business in Japan and strengthen the management base in face of the COVID-19 pandemic by streamlining the office operations and warehousing business, reducing outsourcing costs by utilizing the Group’s capabilities, and further reassigning back office personnel. In addition, we have been implementing the selection and concentration of businesses, including the transfer of the ferry business and withdrawal from the travel business and driving school business.

“Efforts to implement our long-term vision”

In our measures to innovate IT strategy for “reinforcing functions to support challenges,” in addition to efforts to strengthen information security and promote the spread of robotic process automation (RPA) for greater office productivity, we promoted a review of the communication infrastructure to respond to the new normal in face of the COVID-19 pandemic. We also strove to “establish ESG-oriented business management to realize sustainable development and improve corporate value.” In terms of Environment (E), focused on CO2 emissions reductions, we promoted the use of renewable energy at our facilities, drove modal shift, and developed integrated transport products using rail and ocean transportation. In terms of Social (S), which aims to transform ourselves into the company that makes employees feel satisfied and fulfilled, we have been working to create an organization in which diverse human resources can work actively, as well as implementing various reforms such as personnel systems, eradicating long working hours, and focusing on ensuring the health and safety of employees during the COVID-19 pandemic. Under Governance (G), a key to supporting sustainable improvement of corporate value, we have been working to improve capital efficiency by reducing assets, including the liquidation of real estate assets, and reviewing our business portfolio, as well as promoting various studies to strengthen the Group management system.

As a result of the above, our consolidated business results for the 115th term were as follows: **Revenues of ¥2,079.1 billion** (down 0.1% year-on-year), **operating income of ¥78.1 billion** (up 31.9% year-on-year), **ordinary income of ¥8 1.2 billion** (up 4 1.5% year-on-year), and **profit attributable to owners of parent of ¥56.1 billion** (up 222.3% year-on-year).

The Nippon Express Group will continue making united efforts to implement the measures for “business growth strategy” and “efforts to implement our long-term vision,” in order to achieve the targets based on the “Nippon Express Group Business Plan 2023 – Dynamic Growth –,” the five-year business plan launched in April 2019.

“Business growth strategy”

- We will work on our “growth strategy for core businesses” with an approach on three axes: customers (industries), businesses, and areas. With respect to the five priority industries on the axis of customers (industries), we will accurately capture logistics needs, develop global logistics proposals utilizing our network, and work to build a digital platform centered mainly on pharmaceutical distribution. On the axis of businesses, we will strive to expand our contribution to our customers’ global supply chains by continuing our efforts in air charter transportation and strengthening our ocean transportation and logistics businesses. On the axis of areas, we will expand our

investments focusing on strengthening the five priority industries, and we will also work to expand our business in emerging areas such as India and Africa.

- Regarding the “strategy to enhance domestic businesses in Japan,” we will focus on cost control such as reducing outsourcing costs to improve profitability. In addition, we are working to improve productivity in warehouse operations and expand sales of network products through a wide range of methods that leverage our comprehensive strengths.

“Efforts to implement our long-term vision”

- In our effort to innovate R&D strategy for “reinforcing functions to support challenges,” we will actively introduce cutting-edge technologies such as autonomous collaborative picking robots to solve labor shortages and realize safe and secure operations. In our measures to innovate IT strategy, we will further expand the use of AI and RPA to improve productivity and achieve workstyle reforms.

- In our efforts for “ESG-oriented business management to realize sustainable development and improve corporate value,” in terms of Environment (E), we will reduce CO2 emissions by introducing environmentally friendly vehicles and using LED lighting in our facilities, and further engage in modal shifts through the development of integrated transport products using railway and ocean transportation. In terms of Social (S), we will promote diversity management with the aim of transforming ourselves into a company that makes employees feel satisfied and fulfilled, and we will also work toward workstyle reform through the opening of new integrated locations for the Group. In terms of Governance (G), we will work to reinforce group management through the transition to a pure holding company structure, strengthen our global governance structure for greater overseas business growth, and enhance the Group corporate management system.

The Nippon Express Group will transition to a pure holding company structure through prescribed procedures. In order to realize our long-term vision of becoming a logistics company with a strong presence in the global market, we need to evolve our group management from a medium- to long-term perspective and aim to maximize our value as a corporate group. To do so, the Company has determined that the transition to a pure holding company structure that separates the Group’s management strategy functions from its business execution functions is the optimal solution. The Nippon Express Group will continue to accelerate its transformation to realize its long-term vision, and strive to achieve further growth and enhance our corporate value in order to meet the expectations of all shareholders. We would be grateful for your continued understanding and support.

June 2021

Revenues

¥2,079.1 billion
(down **0.1** % year-on-year)

Operating income

¥78.1 billion
(up **31.9** % year-on-year)

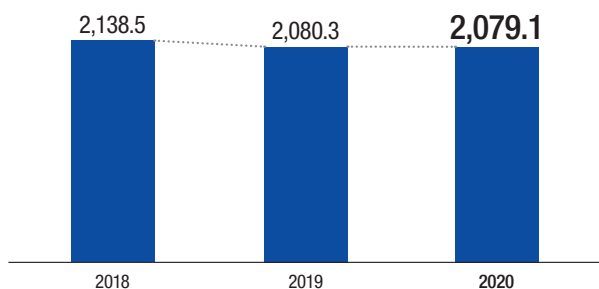
Profit attributable to owners of parent

¥56.1 billion
(up **222.3** % year-on-year)

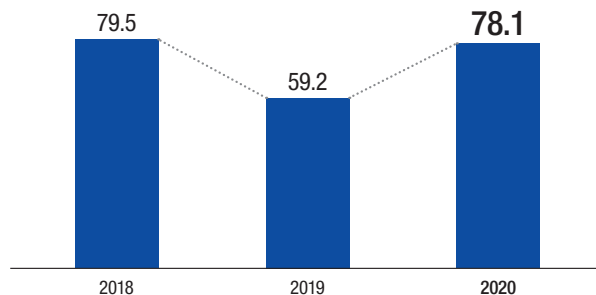
Year-end dividend

¥110.0

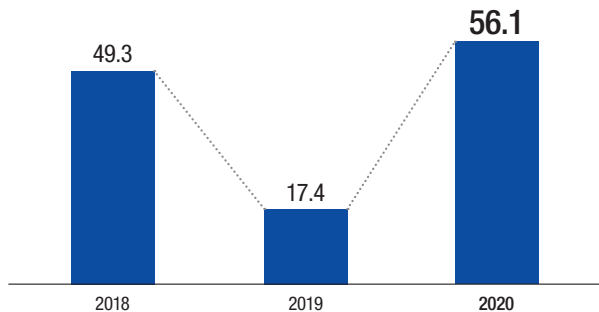
Revenues (Unit: Billions of yen)



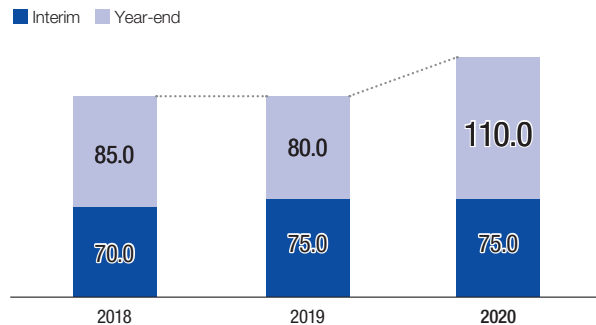
Operating income (Unit: Billions of yen)



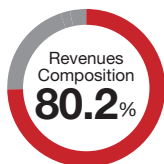
Profit attributable to owners of parent (Unit: Billions of yen)



Dividend per share (Unit: Yen)



Logistics



Japan	58.3%
The Americas	3.8%
Europe	5.6%
East Asia	6.9%
South Asia & Oceania	5.5%

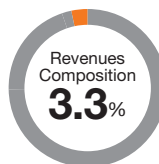
Revenues

¥1,666.5 billion
(up **2.5%** year-on-year)

Operating income

¥74.1 billion
(up **38.5%** year-on-year)

Security Transport



Revenues

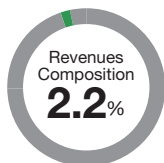
¥69.2 billion
(down **4.6%** year-on-year)

Operating loss

¥0.9 billion

(Operating loss was ¥1.0 billion for the previous corresponding period)

Heavy Haulage & Construction



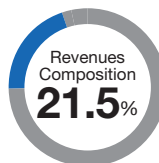
Revenues

¥45.8 billion
(down **12.4%** year-on-year)

Operating income

¥5.2 billion
(down **15.7%** year-on-year)

Logistics Support



Revenues

¥447.8 billion
(down **5.0%** year-on-year)

Operating income

¥13.6 billion
(up **10.4%** year-on-year)

* Compositions in the above chart exclude adjustments.

Transition to a Pure Holding Company Structure (HD Structure) (January 2022)

Accelerate the transformation to realize the long-term vision by drastically changing the form of the group management structure

Purposes of transition to HD structure

Group management structure that we should aim for

1. Reinforce group management

The holding company formulates group policies, drives the Group's growth strategy, optimizes the business portfolio, and generates group synergies (maximizing value as a corporate group).

2. Strengthen global governance structure for greater overseas business growth

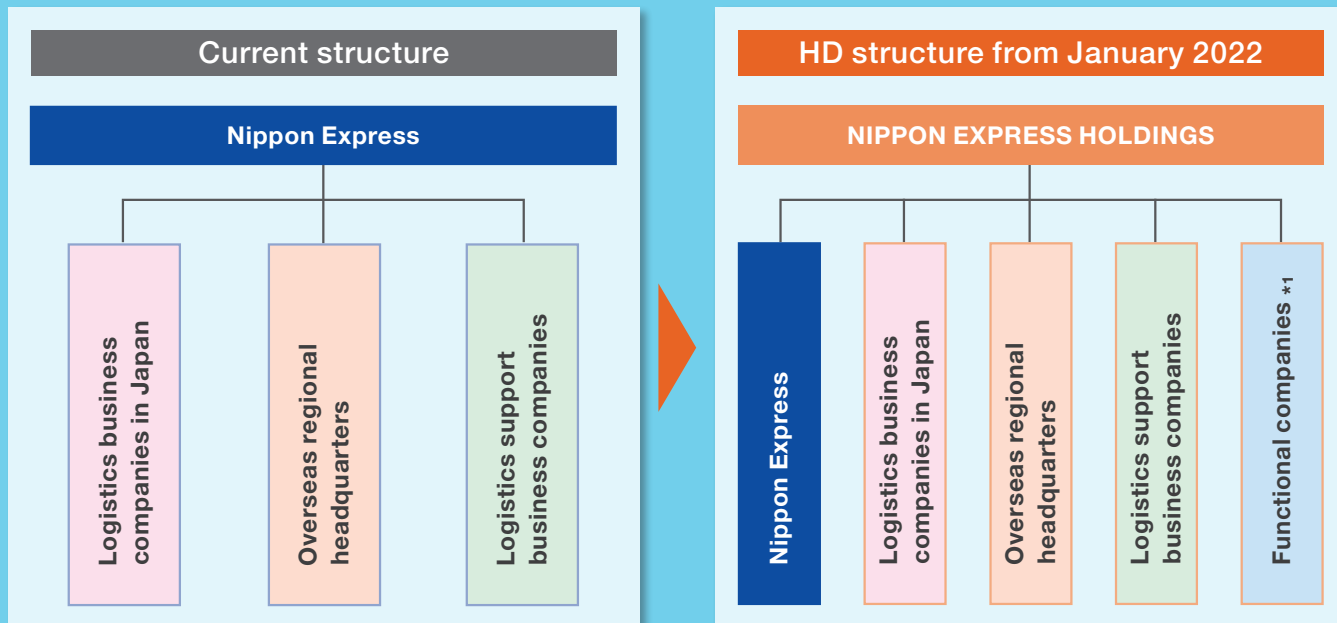
We will establish a governance structure that accelerates investment of management resources in overseas businesses, which are the growth areas, and strengthen the overseas governance system through collaboration between the holding company and overseas regional headquarters (strengthening global governance through offense and defense).

3. Enhance group business management system

We will enhance the business management system, including progress management of business strategies and appropriate business portfolio management, and introduce KPIs and mechanisms to promote overall group optimization that focuses on the customer and global business expansion (enhancing the group database).



Establishment of NIPPON EXPRESS HOLDINGS, INC.



*1 In-house service companies

Holding company (NIPPON EXPRESS HOLDINGS)

Formulate group policies with a medium- to long-term perspective, optimize and enhance group businesses, and promote allocation of management resources

Operating company (Nippon Express)

Further expand earnings through growth of global business originating in Japan and strengthening of domestic business in Japan



Accelerate the growth of the Group by clarifying the roles of the holding company and the Group's operating companies



Establishing a Pharmaceutical Supply Network

Under the “Nippon Express Group Business Plan 2023 – Dynamic Growth –,” we have positioned the pharmaceutical/medical industry as a priority industry and is working to build a pharmaceutical supply network that will realize the total optimization of pharmaceutical logistics.

In response to the changes in pharmaceutical logistics following the introduction of GDP* for pharmaceuticals in Japan, we are building a pharmaceutical supply network that achieves total optimization of pharmaceutical logistics, including BCP support for pharmaceutical supply and response to driver shortages, in addition to quality control based on GDP. We have completed the construction of all four of our planned domestic pharmaceutical centers that form the core of the supply network, starting with Kyushu (October 2020), followed by West Japan (December 2020), Toyama (January 2021), and finally East Japan (February 2021). We will provide services to customers in the pharmaceutical/medical industry by introducing specialized vehicles for pharmaceuticals and building a logistics platform that enables traceability of the movement of goods and logistics quality.

* GDP: Good Distribution Practices

For appropriate distribution standards for pharmaceuticals, a Japanese version of GDP guidelines for pharmaceuticals was issued by the Ministry of Health, Labour and Welfare on December 28, 2018.



East Japan Pharmaceutical Center



Toyama Pharmaceutical Center



West Japan Pharmaceutical Center



Kyushu Pharmaceutical Center



Introduction of specialized vehicles for in-house developed pharmaceuticals

We started the development of specialized vehicles for pharmaceuticals in order to support GDP, which is expected to be legislated in the future, and as a result of the repeated design and validation of specifications with the manufacturer, the first vehicle was completed in February 2020. After that, validation was carried out under the most severe environments in summer and winter, and we have now deployed an entire fleet (52 vehicles for the first plan (40 large vehicles and 12 medium vehicles)).

Features of specialized vehicles for pharmaceuticals

- The vehicles are equipped with an air conditioning system that can accommodate a wide range of temperature settings that vary depending on the type of product or raw material.
- In order to prevent problems such as temperature deviations, and to establish a quick backup system in the event of such problems, the vehicles are equipped with a real-time monitoring system for vehicle location, transportation status, and temperature.
- The vehicles feature thorough security measures and quality maintenance, complete with a security system to ensure safe and reliable operations.



Sekai-Nittsu

Nippon Express Launches Scheduled Cross-border Rail Freight Service from Suzhou, China to Europe

Nippon Express (China) Co., Ltd. and Nippon Express Europe GmbH launched a scheduled cross-border rail freight service from Suzhou, China to Europe in February 2021. Using the Suzhou West Station located in the eastern China where many companies are concentrated, we provide a scheduled service departing once a week (every Sunday) from Suzhou to Malaszewicze, Poland and Hamburg and Duisburg, Germany. Since November 2015, we have been providing China-Europe cross-border rail freight service from Xian Station and other major stations in China.



Nippon Express Begins China-Vietnam Cross-border Rail Freight Services from Suzhou, China to Hanoi, Vietnam

In February 2021, our East Asia Region launched a cross-border rail freight service from Suzhou, China to Hanoi, Vietnam using international rail lines connecting China and Vietnam. The train departs from Suzhou West Station, located in the eastern China where many companies are concentrated, and arrives at Yen Vien Railway Station (Hanoi) via Nanning South Railway Station. It is an environmentally friendly transportation service that provides stable lead time (8 to 10 days) by rail transportation and leads to BCP initiatives in case of ocean or truck transportation congestion.

In the future, we will continue to develop rail freight services from Vietnam to China, and will also consider freight services that combine rail and other transport modes.



Nanning South Railway Station



Route map

Nippon Express USA Completes Construction of Huntsville Logistics Center

Nippon Express USA, Inc. completed the construction of its Huntsville Logistics Center in Huntsville, Alabama. The Center will serve as a distribution center (DC) for automotive parts, providing services that are synchronized with production and aiming to establish itself as a major logistics partner. Led by the completion of this new center, Nippon Express USA will also strengthen the Group's business infrastructure by handling various businesses related to parts/materials suppliers and set manufacturers in the southeastern United States, as well as expanding its customer base beyond the automotive industry.



Exterior view of a new warehouse

Nippon Express de Mexico Completes Construction of Guanajuato-Apaseo Logistics Center

Nippon Express de Mexico S.A. de C.V. completed the construction of its Guanajuato-Apaseo Logistics Center within the Colinas de Apaseo Industrial Park in the Mexican state of Guanajuato, and began operations at this Center in October 2020.

This center was designed in-house from the drawing board based on Nippon Express de Mexico's accumulated know-how in automotive-related logistics, and then specially constructed to accommodate such logistics, enabling the Center to provide high value-added services coupled to customers' production plans. Consolidating the existing locations at Queretaro and Salamanca will also bring about greater operational efficiency.



Exterior view of a new warehouse

Directors, Officers and Corporate Auditors (As of June 29, 2021)

Directors

Representative Director and Chairman



Kenji Watanabe

Chairman of the Board of Directors

Representative Director, President and Chief Executive Officer



Mitsuru Saito

Chief Executive Officer
Corporate Strategy Section
Chief Managing Officer of Corporate
Strategy Headquarters

Representative Director, Executive Vice President and Chief Operating Officer



Takaaki Ishii

Business Solutions Section



Susumu Akita

Japan Business Section
Chief Managing Officer of Japan
Business Headquarters and
Network Transport Business
Promotion Headquarters



Satoshi Horikiri

Corporate Solutions
Section
Chief Managing Officer of
Corporate Support
Headquarters and CSR
Headquarters

Director and Managing Executive Officer



Takashi Masuda

In charge of Corporate
Planning Division and
Financial Planning Division

Director



Shigeo Nakayama



Sadako Yasuoka



Yojiro Shiba

* Directors Shigeo Nakayama, Sadako Yasuoka and Yojiro Shiba are Outside Directors.

Corporate Auditors

Full-time Audit & Supervisory Board Member



Naoya Hayashida



Shigeo Arima



Toshiaki Nojiri



Yoshio Aoki



Nobuko Sanui

* Audit & Supervisory Board Members Toshiaki Nojiri, Yoshio Aoki and Nobuko Sanui are Outside Audit & Supervisory Board Members.

Audit & Supervisory Board Member

Officers

Senior Managing Executive Officer

Akira Kondo

Eiichi Nakamura

Toshiro Uchida

Managing Executive Officer

Tatsuo Sugiyama

Tatsuya Suzuki

Masato Nakagawa

Atsushi Nagashima

Chihiro Sugiyama

Kazutoshi Hamashima

Shinjiro Takezoe

Executive Officer

Masayuki Yamada

Tadashi Fujishiro

Kenji Kato

Ken Sato

Tadahiro Furue

Hiroyuki Tanaka

Hideshi Ootsuki

Tatsuya Akama

Toshiya Abe

Tatsuya Fujimoto

Toshikazu Kitai

Haruyasu Toda

Sumitoshi Matsuo

Yoichi Satake

Toru Hirose

Shinichi Kakiyama

Tatsuya Toda

Satoshi Otsuji

Hiroshi Takahara

Profile

Company name:	Nippon Express Co., Ltd. (NIPPON EXPRESS CO., LTD.)
Headquarters:	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322 Tel. +81-3-6251-1111 https://www.nipponexpress.com/
Formal establishment:	October 1, 1937
Paid-in capital:	¥70,175 million
Employees:	34,766
Branches:	272
Consolidated subsidiaries and companies accounted by the equity-method:	Consolidated subsidiaries: 252 Companies accounted by the equity-method: 25
Details of operation	Road freight transportation Freight transportation Ocean freight transportation Marine and harbor transportation Railway freight transportation Warehousing Security Haulage, construction and installation of heavy equipment and related businesses Construction Customs clearance, etc.

Status of the Company's Shares

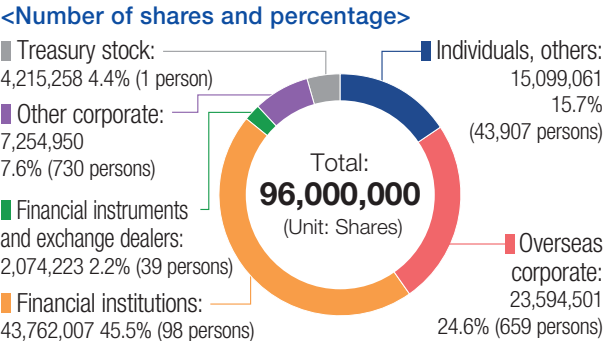
Number of shares	Total number of shares authorized	398,800,000 shares
	Total number of shares issued	96,000,000 shares
Number of shareholders	45,434 persons	

Major Shareholders

Major shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	10,082	11.0
Custody Bank of Japan, Ltd. (Account in Trust)	8,186	8.9
Asahi Mutual Life Insurance Company	5,601	6.1
Nippon Express Employees' Shareholding Association	3,719	4.1
Sompo Japan Insurance Inc.	3,567	3.9

* Shareholding ratio is calculated by excluding 4,215,000 shares of treasury stock.

Distribution of Shares by Type of Shareholder



Guide for System to Request Repurchase or Additional Purchase of Shares Constituting Less than One Share Unit

Request for repurchase

Under the system, holdings of less than 100 shares can be sold to the Company at market price.

(Example) If 60 shares are held, they cannot be sold on the market, but the Company will repurchase them at market price.

**Sell to the Company
at market price**



Request for additional purchase

Under the system, shareholders can purchase the number of shares needed to make up 100 shares (one share unit) from the Company at market price.

(Example) If 60 shares are held, an additional 40 shares can be purchased to make 100 shares.

**Buy 40 shares from the Company
at market price**



Contacts for various procedures

- 1) Shares held in a securities company account ➤
The securities company with which you have an account
- 2) Shares held in a special account ➤
Mitsubishi UFJ Trust and Banking Corporation
(* Please contact the address below.)

1-1, Nikkocho, Fuchu-shi, Tokyo
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Tel. 0120-232-711
<https://www.tr.mufg.jp/daikou/> (in Japanese)

Information on all procedures related to shares is also available on the Company website.

<https://www.nittsu.co.jp/ir/stock-info/procedure/>
(in Japanese)



Nippon Express Procedures related to shares

Search

Memos for Shareholders

Administrator of Shareholder
Registry/Account Managing
Institution of Special Account:

Mitsubishi UFJ Trust and Banking Corporation

Contact:

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
1-1 Nikkocho, Fuchu-shi, Tokyo
Tel. 0120-232-711
Mailing address: Shin-Tokyo Post Office Box No.29
137-8081
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division

Method of
Announcement:

Electronic announcement
If the Company is unable to make electronic announcement due to an accident or any other compelling circumstance, it will make an alternative announcement on the Nihon Keizai Shimbun circulated in Tokyo.
URL for electronic announcement
<https://www.nittsu.com/>

Nippon Express Channel

CORPORATION TVCM

We provide a wide range of up-to-date information, including description of our business and services, latest news, and investor relations materials.

<https://www.nipponexpress.com/>



SPORTS

We introduce the activities of sports clubs supported by Nippon Express as an effort to spread, promote and internationalize various sports.

<https://www.nittsu.co.jp/sports/> (in Japanese)



We communicate various initiatives pursued by Nippon Express to a wide audience through television commercials and television programs currently on air.

<https://www.nittsu.co.jp/corporate/cm/> (in Japanese)



“Professional Golfer Erika Hara” version

Women's professional golfer Erika Hara, who has an affiliation contract with Nippon Express, appears in this commercial.

The way she tackles challenges on the world stage symbolically expresses the philosophy of our corporate message “We Find the Way.”



Broadcast of TV commercial “Sekai-Nittsu – Nippon Express Pharmaceutical Products Logistics” version

TV commercial “Sekai-Nittsu – Nippon Express Pharmaceutical Products Logistics” version depicts the story of how pharmaceuticals developed overseas reach a patient. It introduces our temperature-controlled delivery and advanced transportation specializing in pharmaceutical products.

LinkedIn official account


We send various information to business users around the world, mainly focused on businesses conducted by Nippon Express Group companies overseas.

<https://www.linkedin.com/company/nippon-express-group/>



YouTube official channel

Information and videos about Nippon Express, including television commercials, corporate activities, and history, are available on YouTube.

<https://www.youtube.com/channel/UCatNmOs5hJzVWMfofQeUnaQ>



We Find the Way

どんなに困難な環境でも、
ただ一つの最善のルートを見つけ出し、
磨き上げた技術の全てでモノを運ぶ。
日本通運は、原英莉花プロとともに
世界へ挑戦します。

日本通運所属
原 英莉花プロ



www.nittsu.co.jp



NIPPON EXPRESS

1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322
Tel. +81-3-6251-1111
URL: <https://www.nipponexpress.com/>