

Title: Picture of Naikoku Tsu-un Co., Ltd.
 Artist: Unknown
 Year produced: Third decade of the Meiji era (1887-1896)
 Owner: Museum of Logistics (entrusted by Nippon Express Co., Ltd.)

This picture depicts the head office of Nippon Express' predecessor Naikoku Tsu-un. Naikoku Tsu-un had been using the offices of Izumi-ya (an Edo-based courier organization) in Sanai-cho (in Tokyo's Nihonbashi district, now part of Nihonbashi 1-chome, Chuo-ku) until the new Western-style premises shown in the picture were completed in December 1887. Flying high in front of the company premises is the flag of Naikoku Tsu-un, with the letter "E" repeated on both sides of the encircled "tsu" character in the center. This "E" is said to stand for "Express," taken from the express transport services offered in the US at the time using railroads and other means. Also depicted are horse-drawn wagons and carts marked with the encircled "tsu" character, and this is one of only a few precious records showing the transport means being used at the time by Naikoku Tsu-un.

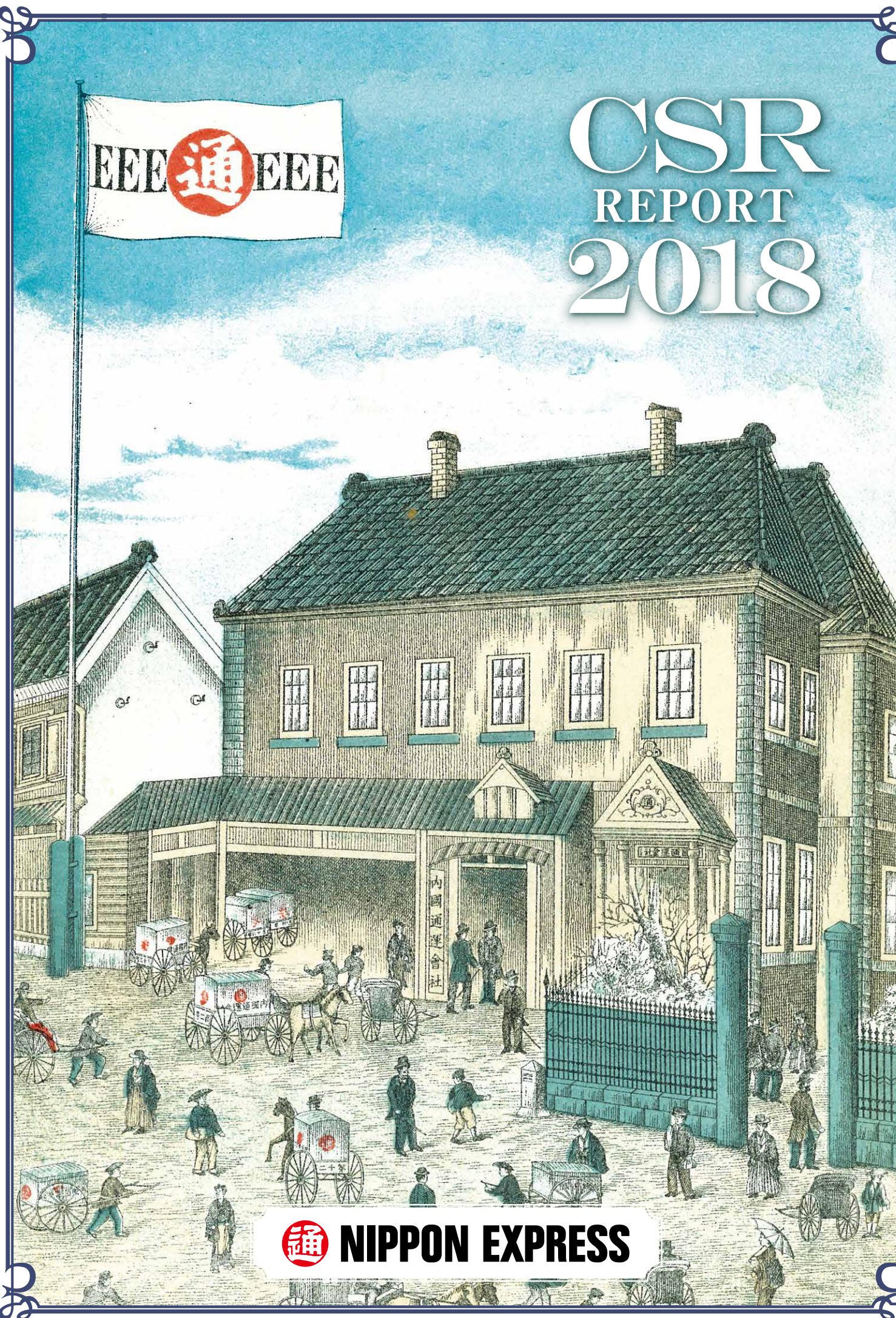
Nippon Express' history began in June 1872 when five Edo-based courier organizations came together to form Riku-un Moto-Kaisha, a transport company organized as a modern stock company. These were later joined by former courier organizations in the Kansai area, and transport companies across the country eventually came under its purview, forming a nationwide network of scheduled road and river transport. A business format suited to the new age was then adopted and the company renamed "Naikoku Tsu-un Kaisha" in 1875.

Planned and Edited by
 Corporate Social Responsibility Division,
 Nippon Express Co., Ltd.

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CSR REPORT 2018



Carbon Footprint (CFP):
 Visualization of CO₂ emission
<http://www.cfp-japan.jp>
 CR-DD01-18005

The CFP value is calculated upon waterless print dedicated Product Category Rule (PCR)

We calculated the carbon footprint in making the Nippon Express Group CSR Report 2018. The 1,800g stated in the upper part of the mark at left is the value after converting the greenhouse gas emitted from the entire lifecycle of the report, from material procurement to recycling into CO₂ amount.



Scan this code to download a digital version of this CSR Report from our website.

Nippon Express Group Corporate Philosophy

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

Since our founding, the Nippon Express Group has employed our logistical strengths to connect people, businesses and regions throughout the world. In so doing, we have continuously supported social development.

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

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

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

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

Nippon Express Group Charter of Conduct

To assist in creating a sustainable society, the Nippon Express Group will carry out its corporate social responsibilities through its various business operations, based on the following principles.

- | | |
|--|--|
| ■ Pursuit of Safety and Quality | ■ Contribution to International Society |
| ■ Sound Company Conduct | ■ Social Contribution Activities |
| ■ Public Communications, Disclosure of Information and Protection of Information | ■ Respect for Human Rights |
| ■ Respect for Employees | ■ Severance from Antisocial Forces |
| ■ Responsibilities to the Earth's Environment | ■ Responsibilities of Top Management |
| | ■ Resolution of Problems by Top Management |

The Nippon Express Group has established the Nippon Express Group Charter of Conduct to set out guidelines governing day-to-day activities and indicate concrete courses of action. Similar to the Nippon Express Group Corporate Philosophy, the Nippon-Express Group Charter of Conduct presents universal values held across the Nippon Express Group.

*Please see the Nippon Express website for further details:
<http://www.nipponexpress.com/about/corporate/charter/>

Editorial Policy — CSR Report 2018 has sought to disclose information in a comprehensive manner, focusing on safety- and quality-related efforts and on activities pursuant to the priority strategies set out in the Corporate Strategy. We have also documented in this report our efforts to enhance our CSR activities, among these being examining connections between the Nippon Express Group's businesses and the UN's Sustainable Development Goals (SDGs) as well as incorporating the opinions of experts from outside the Company.

Scope of This Report — This report covers CSR-related activities and the management structure of the Nippon Express Group (including Group affiliates in Japan and overseas). Some of the material reported applies only to Nippon Express Co., Ltd.

Applicable Period — Fiscal 2017 (April 1, 2017-March 31, 2018)
(Certain sections may include information from or prior to fiscal 2016 and up to June 2018.)

Reference Guidelines — GRI ("GRI Standard")
This report was prepared in keeping with the disclosure items listed in "GRI 403: Occupational Health and Safety 2016."
Ministry of the Environment, "Environmental Reporting Guidelines (FY2012 Edition)"

NIPPON EXPRESS Group Corporate Message

We Find the Way

NIPPON EXPRESS Group brings customers' possibilities to reality.

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

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



Contents

3 Message from the President

Special Edition

5 The Nippon Express Group: 80 Years of Working with Society to Create the Future

7 Building on 80 Years of History to Create the Next Future

9 Business Outline

10 Global Network

11 Corporate Strategy

12 Nippon Express' Global CSR

13 Stakeholder Engagement

17 Category 1 Safety and Quality

26 Category 2 For the Environment

39 Category 3 Working with Business Partners

41 Category 4 Community Involvement

46 Category 5 Working with Employees

54 Category 6 Corporate Governance

57 Category 7 Compliance

Message from the President



The Nippon Express Group's business activities help better the lives of people worldwide and develop sustainable societies.

The world now faces a number of issues that hinder sustained development. With the Nippon Express Group striving for growth as a genuinely global logistics company in the midst of abnormal weather events, frequent natural disasters and other environmental problems stemming from global warming as well as widespread and increasingly serious human rights issues emerging in the wake of emerging countries' development, it must align itself with international efforts such as the Paris Agreement and the Sustainable Development Goals (SDGs) to pursue "sustainability management" aimed at achieving sustained development alongside the rest of society.

In April 2017, Nippon Express set two long-term environmental goals: (1) reduce CO₂ emissions by 30% from their FY2013 levels no later than by FY2030, and (2) reduce industrial waste generation vis-à-vis sales each year by 1% from the previous year until FY2030. We have set specific reduction targets and introduced a system to "visualize" the results so that all employees will take a personal interest in these goals and manifest them in measures that can be implemented during their day-to-day activities. These goals will not be easily attainable, but we will strive to achieve them by FY2030.

Nippon Express also serves in the capacity of a nationally designated public institution in times of disaster. During such major events as the 2011 Great East Japan Earthquake or the 2016 Kumamoto Earthquake, we utilized our infrastructure to give top priority to transporting emergency and relief supplies, helping to support the livelihoods of the victims and the prompt restoration of lifelines. Given predictions for other major disasters such as a Nankai megathrust earthquakes, we are always conscious of our mission of coming together as one to provide such support.

The Logistics Engineering Strategy Division newly created in May 2017 is looking into the use of self-driving vehicles and drones as well as practical applications for AI and IoT in the hope of using state-of-the-art technology to stimulate innovation in logistics. As a pioneer in the logistics industry, we will be contributing to social development and the resolution of social issues by improving the efficiency of logistics.

Safety and compliance are essential preconditions to continuing in business as a going concern. We must remain keenly aware that both of these are foundations on which our quality relies and, as such, are our mission and our responsibility.

Our company's mainstay business of logistics is only viable because we make use of public social infrastructure. Based on our conviction that having each and every employee grasp proper social norms and act at all times in accordance with these norms should be given utmost priority in order to achieve a safe and secure society, we are committed to imbuing this idea in our employees and affiliates.

Even as society's expectations of companies have expanded, the roles that we should play have also broadened in scope. I believe that regarding safety and compliance as our top priorities in any and all circumstances as we go about our business will earn us the trust of customers and the larger public and will in fact lead to the resolution of social issues.

Nippon Express celebrated its 80th anniversary last year, having overcome countless changes in the business environment to get to that point. Remaining ever grateful to all of our stakeholders, we in the Nippon Express Group will continue to carry out our corporate activities to help better the lives of people around the world and develop sustainable societies through business.

A handwritten signature in black ink that reads "Mitsuru Saito".

Mitsuru Saito
President & CEO
Nippon Express Co., Ltd.

Special Edition

The Nippon Express Group: 80 Years of Working with Society to Create the Future

In the eighty years since its establishment in 1937 as a statutory company under the Nippon Express Co., Ltd., Act, the Nippon Express Group has moved forward hand-in-hand with its customers and developed alongside Japanese society.

Its business began with deliveries to/from both ends of rail transport routes and, via the merger of transport companies nationwide and its fresh postwar start as a general trading company, continues to expand into a variety of sectors and locales to this very day.

1937

Nippon Express Co., Ltd., established

Social Landscape

In the early years of the Showa era (1926-), Japan extended its rail network nationwide, and underground railways were built and opened in Tokyo and Osaka. Infrastructure now allowed a variety of cargo as well as people to circulate nationwide.

1949	Full-scale entrance made into the ocean cargo business
1951	Fine arts transport operations begun
1955	Domestic air freight forwarding operations begun
1957	International air freight forwarding operations begun
1958	First representative to New York dispatched

1995

Transported relief supplies as a designated public institution after the Great Hanshin-Awaji Earthquake

Nippon Express Co., Ltd., has been named a designated public institution under the Disaster Countermeasures Basic Act.

The importance of logistics as a lifeline on par with water and gas supply was highlighted by the Great Hanshin-Awaji Earthquake. After the disaster, the Company deployed 3,200 trucks and 225 cargo vessels to provide substitute transport in areas with damaged rail lines. A Disaster Countermeasures Headquarters was quickly set up at Nippon Express, and a round-the-clock system was put in place to transport relief supplies via land, sea, and air. Further, Nippon

Express assists disaster-stricken areas overseas at the request of international organizations such as the Japanese Red Cross Society. The Company has provided emergency transport in the wake of the 2008 Sichuan Earthquake and the April 2015 Nepal earthquake.



Truck carrying relief supplies after the Great East Japan Earthquake

1960

Transported construction materials for Kurobe Dam

The Nippon Express Group has long supported businesses essential for Japan's development via logistics.

Japan's rapid postwar economic recovery led to a serious shortage of electric power. In assisting construction on the Kurobe Dam, undertaken to alleviate this shortage, the Nippon Express Group transported 550,000 tons of cement, 23,000 tons of steel materials, and more than 380,000 tons of other materials. Bringing huge quantities of materials to construction sites deep in the precipitous Japan Alps compelled the Omachi Branch (Omachi, Nagano Prefecture) in charge of this transport to adopt methods never before used in Japan, including bulk transport of cement by truck. The branch was presented with a letter of appreciation from Kansai Electric Power Company at a ceremony marking completion of the dam.



Nippon Express trucks moving up a mountain road

Social Landscape

With the collapse of the bubble economy in the early 1990s, Japan entered a prolonged period of low growth. Volcanic eruptions, earthquakes and numerous other natural disasters also occurred, heightening awareness of the need for disaster countermeasures.

1991	Environmental Measures Committee established Relocation work performed for the Tokyo Metropolitan Governments Building
1992	First electric vehicle introduced
1997	Recycling transport business started
1998	Tokyo Air Service Branch (now the Air Freight Business Branch) becomes first Group organization to obtain ISO 14001 certification
2000	Environmental Report issued

1970

Provided transport services for the Japan World Exposition as a designated transport/customs clearance company

Social Landscape

Significant economic development and technological innovation improved Japan's international status during its period of rapid economic growth. Even as appliances became increasingly commonplace in households and the nation's living standards improved, though, environmental problems began to emerge.

1961	Nippon Express Scholarship Society established
1962	Nippon Express U.S.A., Inc., established; full-scale overseas expansion gets underway
1964	"Venus de Milo" transported
1965	Security transport operations started Nittsu Gakuen Educational Corporation and Ryutsu Keizai University (University of Transportation Economics) opened
1974	"Mona Lisa" transported
1983	Space Shuttle transported

Japan's first world exposition was held in Suita, Osaka Prefecture on a site covering 3.3 million square meters and hosting pavilions for 77 countries and 124 organizations. A total of 64.21 million visitors made the event a tremendous success far exceeding expectations. The Nippon Express Group was involved in the exposition as a designated transport/customs clearance company, providing customs clearance, conveyance, installation and removal services for pavilion construction materials and exhibits brought in from countries around the world. The total cargo handled was nearly 100,000 tons.



Setting up the Apollo Command Module

2008

SS7000 Shanghai-Singapore overland transport route established

Japanese companies as well as manufacturers from countries worldwide were setting up production bases in China, Thailand, Vietnam and elsewhere in Asia and, with the region expected to be a next-generation growth area, demand for intra-regional transport was on the rise. Nippon Express created SS7000, a long-haul overland transport route spanning nearly 7,000 km from Shanghai to Singapore and crossing the borders of six countries. This new route enabled the Company to substantially reduce transport time vis-à-vis conventional maritime transport, and offered valuable logistics support for Asia's growth and development.

Truck operating between Thailand and Cambodia



Social Landscape

Together with economic globalization and the impressive performance of developing countries, global warming and other environmental issues became conspicuous, prompting the UN and individual countries/companies to undertake efforts to ensure planet-wide sustainability.

2011	NEES energy visualization system goes into operation
2012	Transport begun for wide-area disposal of disaster-related debris Efforts begun to create emission credits through eco-driving in Malaysia
2014	New ECO-TOWMAS waste management manifest system goes into operation Global CSR efforts begun
2017	Long-term targets established for preventing global warming and building a recycling-oriented society

Building on 80 Years of History to Create the Next Future

The Nippon Express Group implemented three projects to commemorate its 80th anniversary.

Formulating a Corporate Message

A “Corporate Message” was formulated to encapsulate in a simple phrase the unique value provided by the Nippon Express Group, i.e., the “Nippon Express brand.”
Instilling this idea inside and outside the Company and ensuring that all employees consider and understand the value provided by the Nippon Express Group and apply this idea in modifying their day-to-day behavior will enable the Corporate Message to serve as a driving force helping to continue new value creation and social development through logistics.

Corporate Message

We Find the Way

NIPPON EXPRESS Group brings customers’ possibilities to reality. There are often many solutions, but only one way is *the way*. We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

Coming up with a message embodying public expectations and employee pride that serves as a catalyst for taking on new challenges

We undertook this project to boost corporate value. The Nippon Express Group does not produce visible “products,” so its corporate value is manifested in its employees. We therefore formulated a Corporate Message as a fundamental principle making clear to employees the kind of company the Nippon Express Group is and enabling them to undertake their duties with pride.
In formulating this Corporate Message, we solicited opinions from far and wide, inside and outside the Company, to identify the Nippon Express’ strengths and distinctive features. Interviews with outside experts led us to understand that the expectations of Nippon Express were far higher than we had imagined, with people even wanting us to play a leading role in setting up logistics systems incorporating AI and autonomous driving technology. At the same time, we learned from workshops attended by employees from across the country that they take pride in the quality and service they offer in their day-to-day duties and that they are acutely aware of the need to comply with relevant laws/regulations. “We Find the Way” expresses these collective strengths and distinctive features in an easily comprehensible manner.
We will be seeking through in-house training and other venues to instill this Corporate Message, and we hope all employees will make “We Find the Way” a catalyst for taking on new challenges at their respective jobs.

Employee opinions on the Corporate Message

- I think it plants a positive attitude in employees’ minds, and it reminds me that I should always stay forward-looking.
- I was once asked by a customer what the Corporate Message means and, finding myself unable to answer straight away, I gave more thought to the meaning of the words, took them to heart, and was thereafter able to explain them.
- The employees at our branch discussed what they each thought about “We Find the Way.” The Corporate Message prompted employees of differing backgrounds to come together on the basis of a common message in pursuing their day-to-day work.



Branding Task Force
Azusa Ioka
Heavy Haulage & Construction Business Division

Renovation of the Izu Training & Education Center

To remain a presence needed and trusted by the public, we will be renovating our Izu Training & Education Center to make it a facility symbolic of the safety and quality that serve as our moorings as well as sources of pride.

Making the Center a venue for conveying the importance of safety and quality far and wide to a diversity of employees across the globe

The Izu Training & Education Center was opened as part of the commemoration of the Company’s 60th anniversary. Twenty years on, we decided to renovate the facility as a joint project among the Business Division, the Corporate Social Responsibility Division and the Finance & Accounting Division to evolve it into a resource able to convey the Nippon Express Group’s safety and quality more extensively.
The renewal plan included a number of solutions to problems noted at the Izu Training & Education Center. Particular attention has been given to making sure that female employees, foreign employees, and other employees from a variety of religious, cultural or customary backgrounds feel welcome, to incorporating eco-friendly features such as solar power generation, and to giving the facility’s structure greater resilience against earthquakes and other major disasters. New training facilities will be built to expose trainees to the specialized techniques needed to ensure safety and quality in transporting fine art works, household goods, and heavy equipment. By acquainting not only employees from organizations in charge of such transport but also new and newly-promoted employees with these professional techniques and attitudes, we are seeking to improve the safety and quality of the Nippon Express Group as a whole.



Conceptual diagram of completed facilities

Safety & Quality Task Force

Takumi Iwashita

Finance & Accounting Division



Izu Training & Education Center Renewal Project Plan

- [Facility renewal details]
Rebuilding the training and accommodation facilities; newly constructing bathroom facilities and a second maintenance building
- [Eco-friendly features]
High-performance insulated glass, use of thinned wood for interiors, LED lighting, emergency generators, solar power generation
- [Construction period]
October 2017–November 2021

Bloodmobiles Donated to the Japanese Red Cross Society

In keeping with our responsibility and commitment to support society and develop alongside it through logistics and in appreciation of having reached our 80th anniversary, we decided to donate bloodmobiles to the Red Cross.

Contributing to society by supporting volunteer activities

The Nippon Express Group has for many years cooperated in blood drives at the Head Office and other business locations. After learning through its activities that bloodmobiles were very much in demand, the Group made the decision to donate bloodmobiles. The point emphasized in making a social contribution as a commemorative project was that of giving something welcome and useful to society. The donation was proposed after hearing directly from the Japanese Red Cross Society and being convinced that bloodmobiles could be of use to the public for an extended period of time. The number of people participating in blood drives has declined in recent years as the population has aged and the birthrate declined. We are hoping that the donation of bloodmobiles to Red Cross chapters in Tokyo, Aichi and Osaka will contribute in some small way to society.



Donated bloodmobile

Social Contribution Task Force

Takashi Kita

General Affairs & Labor Division



Remarks from the Japanese Red Cross Society

Bloodmobiles regularly operate throughout the country, but the fact is that we have found it difficult to increase our number of vehicles, in part because of the high cost. That is why we appreciate and are extremely grateful for the donation of three bloodmobiles. Giving many more people the opportunity to donate blood is most assuredly a major social contribution. We look forward to Nippon Express making further contributions to society, not just by assisting in blood drives but by also cooperating in various other ways.

Masahiro Takigawa

Business Outline

The Nippon Express Group is made up of the parent company and subsidiaries, including second-tier subsidiaries, of which 265 are consolidated companies for a total of 293, and 64 affiliates, making a grand total of 358 companies. Beyond our core business of transportation and distribution, which includes trucking, rail transport, and air and marine cargo, we are expanding our scope in the areas of security services, travel, trade services, real estate, and driving education. (Figures are as of March 31, 2018)

Nippon Express Company Profile

Name: Nippon Express Co., Ltd.	Headquarters: 1-9-3 Higashi-Shimbashi, Minato-ku, Tokyo 105-8322, Japan	Number of shareholders: 51,140
Founded: 1872, as Riku-un Moto Kaisha (Land Transportation Company)	Name of representative: Mitsuru Saito, President & CEO	Number of employees: 31,871
Established: October 1, 1937	Paid-in capital: ¥70,175.27 million	Number of commercial freight transport vehicles: 14,521
		Consolidated companies: 265

Motor Transport

Utilizing networks that extend across the whole of Japan, we provide consolidated, charter and other trucking services. We are establishing and expanding trucking networks overseas as well.



Railway Transport

We have offices at almost every rail station in Japan handling containers to enable us to provide rail cargo forwarding services.



Air Freight

We draw fully on our worldwide network to offer a wide range of domestic and international air cargo forwarding services.



Marine Transport

We link up the world with multimodal door-to-door transport and other international transport services, coastal transport centered on domestic liner container/RORO vessels, and port and harbor transport.



Moving Services

Taking advantage of our networks extending across Japan and the rest of the world, we provide individual and corporate customers with a substantial menu of moving services that incorporate a wide range of transport modes.



Fine Arts Transport

Highly experienced and knowledgeable specialist staff provide transport services tailored to works of fine art using a comprehensive system that includes vehicles and warehouses specially equipped for art works.



Courtesy of the Mucha Foundation

Security Transport

We convey cash, securities and other valuables between financial institutions' head offices and branches and between the Bank of Japan and financial institutions, and we provide collection/delivery services for customers' stores.



Heavy Haulage & Construction

We transport and install heavy equipment, construct and maintain plant facilities, and transport and erect high-tech plant facilities in Japan and abroad.



Trading Company Sales

Nittsu Shoji Co., Ltd., and other Group companies sell and lease logistics-related materials and equipment, vehicles, petroleum, and LP gas, and offer vehicle maintenance and insurance agency services.



Warehousing

In addition to cargo storage services, we provide services combining information functions such as warehouse shipping/receiving management and cargo tracing systems with distribution processing functions across Japan and overseas.



Travel & Event Management

Nippon Express Travel Co., Ltd., utilizes know-how cultivated over many long years of experience as a pioneer in the travel industry and Nippon Express' extensive overseas network to offer travel-related services.



Other Business Activities

Group companies are engaged in a broad spectrum of primarily logistics-related businesses, including logistics consulting, capital financing, building design and construction contracting, labor pool management, and driving schools.



Global Network

Spanning 45 countries and operating in 293 cities across the globe, the Nippon Express Group network is impressive both in scale and depth.

■ Number of countries	■ Number of cities	■ Number of locations	■ Number of employees overseas
45	293	711	21,460
			(As of March 31, 2018)

EUROPE

NIPPON EXPRESS EUROPE GMBH
NIPPON EXPRESS (DEUTSCHLAND) GMBH
NIPPON EXPRESS (NEDERLAND) B.V.
NIPPON EXPRESS (U.K.) LTD.
NIPPON EXPRESS (RUSSIA) LLC
etc.

EAST ASIA

NIPPON EXPRESS (CHINA) CO., LTD.
NIPPON EXPRESS (H.K.) CO., LTD.
NIPPON EXPRESS (SOUTH CHINA) CO., LTD.
NIPPON EXPRESS (TAIWAN) CO., LTD.
NIPPON EXPRESS KOREA CO., LTD.
etc.

AMERICAS

NIPPON EXPRESS U.S.A., INC.
NIPPON EXPRESS CANADA LTD.
NIPPON EXPRESS DE MEXICO, S.A. DE C.V.
NIPPON EXPRESS DO BRASIL LTDA.
NIPPON EXPRESS TRAVEL USA, INC.
etc.

SOUTH ASIA & OCEANIA

NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE., LTD.
NIPPON EXPRESS (SINGAPORE) PTE., LTD.
NIPPON EXPRESS (MALAYSIA) SDN. BHD.
NIPPON EXPRESS (THAILAND) CO., LTD.
NIPPON EXPRESS (VIETNAM) CO., LTD.
etc.

■ Some large facilities established in fiscal 2017



Thilawa Logistics Center, Nittsu Logistics Myanmar Co., Ltd.

The Thilawa Logistics Center is a new multi-function logistics warehouse completed in June 2017 in the Thilawa Special Economic Zone (SEZ). This warehouse offers temperature-controlled dehumidified storage spaces for apparel and chemical products requiring temperature control and mildew-proofing measures in Myanmar's hot and humid climate.



Laredo Logistics Center, Nippon Express U.S.A., Inc.

Nippon Express USA's business location in Laredo, Texas was relocated in September 2017 and has since been operating from an expanded facility offering both logistics center functions and truck control center functions.



Semarang Logistics Center, PT. NEX Logistics Indonesia

This Logistics Center opened for business in February 2018. Located in the Candi Industrial Estate, which offers good access to the Port of Tanjung Emas north of Semarang and to major highways leading to other cities, the Center is primarily utilized as a sales logistics base for the Central Java area.

Corporate Strategy

Even as it positions Japan as a key region and works to improve the profitability of its domestic business, the Nippon Express Group is striving to become a genuinely global logistics company. It will actively invest in priority business fields and growth regions, and orient Group administration around profit.

2016–2018 Nippon Express Group Corporate Strategy 2018 –New Sekai-Nittsu–

Basic Policy

Further enhance profitability of businesses in Japan and focus investment in B2B in the priority business fields and the growth region with the aim of becoming a truly global logistics company.

Numerical targets for FY2018

Revenues : ¥2,150.0 billion
Operating income : ¥75.0 billion
Net income : ¥45.0 billion
ROA : 2.8%

Key strategies

- ▶ Thoroughly strengthen sales activities
- ▶ Strengthen and upgrade core businesses
- ▶ Strengthen Group management
- ▶ Reinforce the management infrastructure
- ▶ Further strengthen the Group's CSR management
 - a. Safety first
 - b. Reinforce compliance
 - c. Strengthen initiatives for creation of an employee-friendly workplace
 - d. Establish business based on CSR

Functional strategies

Area strategies

Overseas
Drive growth of the Nippon Express Group
Japan
Achieve both growth and profitability

Vision of the Nippon Express Group
“Global Logistics Company”

The approaches listed below are being taken to better administer Group CSR efforts; specific examples of activities within these approaches and employees' views on these are introduced as “Pick Up Activities.”

a. Safety first

- 1 Thorough commitment to safety measures throughout the Group ▶ p. 17
- 2 Thorough implementation of the Nittsu Safety & Health Management System (NSM) ▶ p. 18

b. Reinforce compliance

- 1 Commitment to ensuring compliance throughout the Group ▶ p. 57
- 2 Ensuring fairness of transactions ▶ p. 39

c. Strengthen initiatives for creation of an employee-friendly workplace

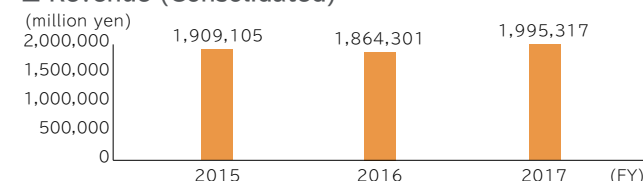
- 1 Deployment and improvement of a workplace environment that promotes safety and wellbeing of employees ▶ p. 46
- 2 Greater support for employees' childcare ▶ p. 47

d. Establish business based on CSR

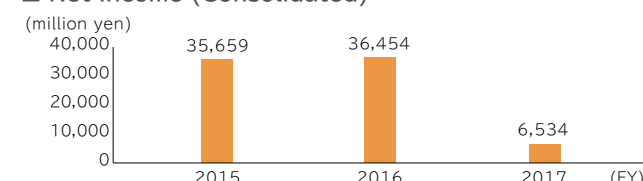
- 1 Planning, development, and sales of environmentally friendly services ▶ p. 26
- 2 Global development of low-carbon supply chain ▶ p. 27

Financial Information

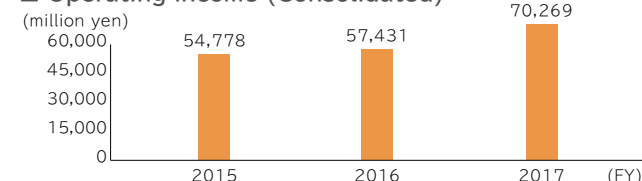
■ Revenue (Consolidated)



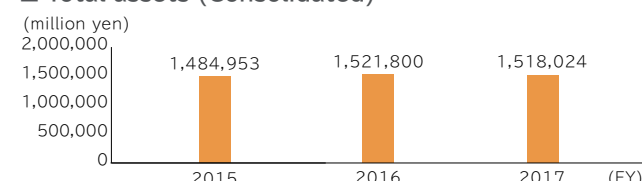
■ Net income (Consolidated)



■ Operating income (Consolidated)



■ Total assets (Consolidated)



Nippon Express' Global CSR

The increasing globalization of corporate activities and the consequent positive and negative impacts on society have been receiving close attention in recent years. As a responsible global logistics provider, the Nippon Express Group has selected three important issues to be given immediate priority by the Group as a whole, and efforts to address these issues will constitute part of Nippon Express' Global CSR.

Responsibilities to the Earth's Environment
Sound Company Conduct
Respect for Human Rights

Process

Fiscal 2013

We examined important CSR issues to be addressed globally on a priority basis in line with international CSR-related guidelines such as ISO 26000 and the views of stakeholders inside and outside the Company.

Fiscal 2014

After careful discussion, our Board of Executives selected three issues—Responsibilities to the Earth's Environment, Sound Company Conduct, Respect for Human Rights—as important CSR issues to be tackled by the Group as a whole. Specific topics within each of these three key global CSR issues were determined in accordance with various guidelines and the views of stakeholders inside and outside the Company, filtered through the twin perspectives of the impact the Company has on society and the impact that these issues have on the Company.

Fiscal 2015

A dialogue with experts revealed that specific issues pertaining to “Respect for Human Rights” had not been identified, so some of the content was revised accordingly. The issues selected the previous fiscal year were retained unchanged for the most part, although issues regarding “customer satisfaction” were deleted as not directly relevant to respect for human rights.

Fiscal 2016

Partial revisions were also made in the descriptions of specific issues to make them easier to understand.

Fiscal 2017

To fulfill our responsibilities toward the global environment, we formulated and began pursuing long-term targets to be met by fiscal 2030 for preventing global warming and building a recycling-oriented society.

Key Priorities for the Nippon Express Group

Responsibilities to the Earth's Environment

- Effective responses to climate change
- Reduction of energy use
- Reduction of waste
- Reduction of pollution

Sound Company Conduct

- Adherence to fair business practices, and cooperation with suppliers and business partners
- Prevention of corruption
- Prevention of anti-competitive behavior

Respect for Human Rights

- Actualization of safety and security for employees (focus on occupational safety and health, creation of employee-friendly workplaces, prevention of discrimination in the workplace, provision of opportunities for further development of abilities)
- Improvement of labor practices of suppliers
- Recruitment of human resources in areas where business is conducted
- Protection of customer information
- Consideration for the impact of human rights in global business (e.g., child labor, security practices)
- Establishment of an on-going human rights due diligence system and a grievance mechanism

*This list contains specific issues deemed particularly relevant to CSR by the Nippon Express Group, but this in no way implies that issues not appearing in this list are unimportant.

Stakeholder Engagement

The Nippon Express Group believes that it is vitally important to engage in two-way communication with a diverse range of stakeholders in order to best respond to their expectations and concerns.

■ Engagement with main stakeholders



Dialogue with New Employees

Every year at Nippon Express, staff members of the CSR Division hold a dialogue about CSR as part of new employee training. New employees read the CSR Report beforehand and engage in the dialogue with an understanding of our initiatives.

In April 2018 we conducted three dialogue sessions as part of new employee training for 351 new employees. Vigorous exchanges of opinion took place on such subjects as progress toward long-term environmental targets and efforts from fiscal 2030 onward, approaches to modal shifts and joint transport, harassment education, and precautions to be taken when using SNS.



New employee training

Relationship with the Worker's Union

The Nippon Express Worker's Union was founded in 1946, and boasted 22,737 members as of March 31, 2018. The percentage of workers who send representatives to the Safety & Health Committee is 100% for full-time workers. Leveraging the relationship of mutual trust they have built up over the years, Nippon Express and the Nippon Express Worker's Union have confirmed their commitment to working together toward their shared goals of growing the Company and improving its work environment, all the while respecting each other's positions and maintaining a proper labor-management order.

Nippon Express emphasizes communication between labor and management in order to reflect the consensus of employees in corporate management, and has set up a Central Management Council as a venue for comprehensive labor-management discussions where opinions on corporate management can be exchanged.

Nippon Express also holds special committee meetings between labor and management, focusing on specific issues such as occupational safety and health, as part of our efforts to realize a well-ordered working environment that ensures job satisfaction. At these meetings, we analyze the current situation and discuss future initiatives.

Expectations of, and Recommendations for, the Nippon Express Group from Outside Experts

The Nippon Express Group has identified "respect for human rights" as one of the Group's shared CSR priorities. The thoroughgoing safety and health efforts made by the Group as a whole in addressing respect for human rights are deserving of high praise. As required by law, Nippon Express discloses statistics on the numbers of vehicle collisions and accidents resulting in injury or death, and it is very important that the president and the rest of the management team demonstrate the firm determination not to allow recurrences, and that the Company explain the measures put in place and enforced to prevent recurrences and otherwise present a robust safety-first posture to stakeholders inside and outside the Company. Environmental and social data, including data on health and safety, has not yet been disclosed for Nippon Express' overseas locations. While this may stem from the many difficulties faced in collecting information and enforcing measures in overseas locations with different laws/regulations and cultures, we would urge Nippon Express to take positive action in this regard.

In addition, it will be important for Nippon Express as a global logistics company to help achieve global sustainability targets such as those in the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement. In doing so, it will be critical to determine how the Company should be involved in SDGs and other sustainability issues and how it can contribute, and then to act on these decisions both in Japan and globally. Success will require that all employees look and move in the same direction, and a shared understanding fostered by in-depth education on sustainability will be the cornerstone for this. CO₂ emissions from truck transport and other business operations are also an issue, and it is vital that the Company identify and reduce the impact of these emissions on the environment and society, formulate a sustainability strategy aimed at having a positive impact, and disclose all relevant information; interest in such matters among the Nippon Express Group's stakeholders will undoubtedly grow. Moves to reduce disposable plastic that are especially prominent in Europe are also accelerating. These global environmental and social issues cannot be resolved by any single company, but steady progress could be achieved if the Nippon Express Group becomes sensitive to these global issues and takes the initiative in tackling them.



Takeshi Shimotaya
Managing Director
Sustanavision Ltd.

Global logistics networks will likely continue to expand beyond 2030 and 2050. Accordingly, we hope that the Nippon Express Group as a global logistics company will pursue strategic sustainability management with the future in mind.

It seems there has been a strong tendency in Japan's logistics industry heretofore to be relatively domestically-oriented when it comes to CSR. With economic globalization now making headway and environmental issues on a global scale needing to be addressed, I feel it is important for the Group to broaden its perspective, to carefully discern what is happening in the world and how the world will change, and then, as with business management, to steer toward a new conception of sustainability management.

Safety is the very foundation of all business activities, so attention should be paid first and foremost to the work environments of all front-line personnel, including drivers, and to supply chain management efforts. As for environmental issues, reducing CO₂ emissions naturally stands out as the principal issue. It is important, of course, to make this a fundamental part of one's day-to-day operations through safety measures and eco-driving practices, but I hope that the Group will go further to take on new activities that will complement its business. I would like to see you focus efforts on education and awareness-raising among employees, and involve employees in efforts to identify the material issues facing the Group. The Nippon Express Group's global CSR efforts span an enormously wide scope, and I believe that active participation in future sustainability management efforts by a broad cross-section of employees, including younger employees, will be necessary. The message that this is a new frontier of innovation should be disseminated across the Group, and I look forward to seeing the Group move away from inward-looking CSR activities that center on risk management and toward an evolution in sustainability management that enables the Group to find synergy between resolving the world's problems and expanding its own business operations. This will not only enhance the Company's public reputation and strengthen its brand value, but will also provide employees with even greater motivation.



Peter D. Pedersen
Executive Director
Leadership Academy TAOL

I have great empathy for the posture of safety first. Safety is important not only for employees and the general public who use roads and ports but for customers, too, as outstanding quality can only be expected when safety is assured.

The Nippon Express Group has been expanding its business in Asia in recent years, and interest in health and safety has risen in the countries of Asia. Many of the safety issues in those countries differ from those in Japan, and appropriate safety measures should be tailored to such local conditions as serious road congestion, inconsistent enforcement of traffic rules, and inadequate road paving. Meanwhile, the experience in driver instruction that the Group has cultivated in Japan should be put to good use by extending its driving and vehicle inspection/maintenance techniques to its overseas locations. Employee education is also important from the perspectives of securing personnel and improving retention rates. The Nippon Express Group's resources should be carefully matched up with the issues faced in each country so that they can help resolve these local issues. For example, eco-driving techniques and eco-friendly vehicles would appear to be effective means of dealing with the traffic congestion and air pollution that are particularly significant social issues in Asia, and I hope that these will be more actively extended.

Sustainability efforts are by their nature very innovative. Please create innovative activities that, through the expansion of your logistics operations, will leverage new technologies to generate new value, solve heretofore unresolvable issues and create still further demand.



Makiko Akabane
Director, CSR Asia Japan

Overseas Experts Dialogue

On September 14, 2017, Nippon Express hosted a dialogue with overseas experts to discuss CSR issues, and these experts brought up many valid points and offered advice primarily on protecting human rights in supply chains. Two of the experts participating asked about the degree to which we spread the Nippon Express Group's Corporate Philosophy, Charter of Conduct and compliance rules to our business partners, to which we explained that, in addition to creating opportunities to convey the Group's philosophy and rules through Safety Council*1 meetings and other means of direct communication, we also incorporate our philosophy and rules into the selection criteria when signing agreements with business partners. Asked about measures to combat forced labor and child labor that plague the entire world, we explained that all employees were educated on issues such as forced labor in accordance with the Nippon Express Group Charter of Conduct, prompting the experts to advise that we need to recognize these risks not only at primary business partners but at secondary and tertiary suppliers as well and to improve the risk awareness of each and every site manager.

Legislation governing supply chain management is expected to become more comprehensive in future, especially in Europe and the US. As a business company whose operations extend globally, Nippon Express will be reviewing the mechanisms and rules it has in place to guarantee fair trade and maintain its business activities so that it can appropriately cope with this new legislation.



[Participants]

The Danish Institute for Human Rights

Cathrine Bloch Poulsen-Hansen

Verisk Maplecroft

Sarah Kerrigan

Nippon Express

Kazuki Onaka (Group General Manager, CSR Division)

Sachiko Abe (then Group General Manager, CSR Division)

Noriko Ozawa (then Manager, CSR Division)

*1 See p. 40 for more details regarding the Safety Council.

External Evaluation

Stakeholders have assessed various initiatives taken by the Nippon Express Group.

(Partial excerpt) (Period covered: April 1, 2017-June 30, 2018; the dates shown are those on which the news releases were posted on the Nippon Express website or on which the award was received)

Jun 30, 2017	Awarded Logistics Environment Grand Prize at the 18th Logistics Environment Awards https://www.nittsu.co.jp/press/2017/20170703-2.html
Jul 6, 2017	Received Ministry of Land, Infrastructure, Transport and Tourism Maritime Bureau Director-General's Commendation from the Eco-ship Modal Shift Company Selection Committee https://www.nittsu.co.jp/press/2017/20170711-1.html
Oct 13, 2017	Awarded Gold merit chapter from the Japanese Red Cross Society https://www.nittsu.co.jp/press/2017/20171013-2.html
Nov 28, 2017	Received the Award for Best Company Working on Modal Shift (Grand Prize) at the 2017 Awards for Best Companies Working on Modal Shift https://www.nittsu.co.jp/press/2017/20171129-1.html
Dec 14, 2017	Received Minister of Land, Infrastructure, Transport and Tourism Award at the 2017 Awards for Outstanding Performance in Green Logistics Partnerships https://www.nittsu.co.jp/press/2017/20171214-2.html
Feb 21, 2018	Received Award for Excellence at the 21st Environmental Communication Awards
Mar 5, 2018	NittsuFarm Co., Ltd., obtained ASIAGAP*1 certification
Jun 29, 2018	Received Logistics Environment Special Award at the 19th Logistics Environment Awards https://www.nittsu.co.jp/press/2018/20180703-1.html

*1 ASIAGAP: A standard certifying that agricultural products have satisfied certain quality, safety, and eco-friendliness standards. ASIAGAP is an internationally-recognized GAP certification system from Japan.

Working toward the Sustainable Development Goals (SDGs)

The Earth is currently experiencing abnormal weather attributed to warming that has triggered natural disasters, as well as food and water shortages as a consequence of natural destruction and population increases, not to mention serious issues such as economic disparities and growing poverty, and dealing with these issues is recognized as a matter of concern for the entire world. To promote global efforts that address such social issues, the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015 established 17 goals and 169 targets for sustainable development to be achieved by 2030.

The Nippon Express Group, a corporate group seeking to grow as a global logistics company, will strive to achieve these SDGs and contribute to developing sustainable societies.



Safety and Quality

The Nippon Express Group wants to provide logistics that help all stakeholders live safe and secure lives. Aware of its own social and public missions, the Group places an emphasis on efforts to manage safety and improve quality so that stakeholders can enjoy peace of mind through this attention to safety.

Key Social Issues

- Ensuring the safety of public infrastructure such as roads, ports, railways, and airports
- Maintaining and reinforcing the logistics infrastructure/networks that support prosperous living

Nippon Express Group Efforts (Selected Examples)

- Introducing the Nippon Express Safety & Health Management System (NSM)
- Developing the human resources needed to provide highly-specialized transport services

Key Successes/Achievements

FY2017 accident statistics:
Users of Izu Training & Education Center in FY2017:

10 accidents

3,058 in total

*In accordance with the provisions of Article 2 of the Transportation Safety Management Regulation

Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Safety First

Thorough commitment to safety measures throughout the Group

“Technical Dojos” conducting safety education for drivers and forklift operators

The Air Freight Business Branch's Logistics Administration Division has been conducting “Technical Dojos” since the second half of 2011 with the aim of reducing the number of accidents/disasters to zero. These programs are designed to eliminate accidents and improve transport quality by helping drivers and forklift operators develop the mental and technical discipline they need to work as committed professionals. The instruction is divided into stages—a basic course, an instructor training course, and an instructor skill enhancement course—to provide a full range of instruction from basic techniques to advanced instructional approaches.

Because the participants check their ability to safely operate vehicles and equipment by using actual vehicles/equipment to faithfully reproduce work tasks, they are able to gain a practical grasp of techniques that they can then put to use at their respective workplaces. Participants thus far have remarked that the specialized content of the courses has proven helpful in their jobs and that they now recognize how weak their understanding of the basics was prior to the courses. In taking the lead in providing safety instruction and conveying other things they have learned to junior

colleagues, the persons who have completed these courses have gained a real sense of improved safety awareness at their workplaces, motivating them to put even greater effort into instruction to ensure their organizations achieve their goals.

Safe driving instruction for sales and administrative employees

In addition to its fleet of trucks and other heavy vehicles operated by technical personnel, Nippon Express has many passenger vehicles used by sales/administrative employees, so it is only natural to ensure that these passenger vehicles are also operated safely. Accordingly, the Air Freight Business Branch has been using images from drive recorders installed in trucks to examine video evidence of accidents, briefing drivers on vehicle features, and providing ride-along instruction, all with the intent of instilling a safety-first attitude among employees, regardless of their jobs, workplaces and positions.



Technical Dojo in progress. To avoid causing or being caught up in a collision, drivers check the difference between the tracks followed by the front and back inner wheels when turning.

Takashi Kudo/Hideki Ito
Logistics Administration Division,
Air Freight Business Branch

Thorough implementation of the Nittsu Safety & Health Management System (NSM)

Expanding the “circle of safety” through solidarity-building Challenge Circle activities

The Nagoya International Transport Branch is responsible for ocean cargo operations in the Chubu area, handling about 240 ocean cargo containers per day or about 5,000 per month. In moving enormous containers using tractor heads, ocean cargo container chassis, forklifts and other vehicles/equipment, situations frequently arise in which a single misstep could lead to a dangerous accident. Recognizing this, we began all-hands safety promotion efforts as part of our Challenge Circle activities*1.

These efforts got underway in earnest around June 2014, since which time we have pursued efforts to address a number of issues. For example, we created auxiliary fixation devices for container doors in light of minor accidents that have taken place at other companies, and we now attach grip tape to prevent falls when climbing on/descending from ocean cargo container chassis bumpers. While each of these steps may seem insignificant itself, consistently taking these measures lead to greater on-site safety. In fact, we have been told by customers and by subcontractor drivers that they feel a greater sense of security around Nippon Express' vehicles and chassis parking areas.

The Challenge Circle activities being pursued at individual workplaces constitute one of the pillars of the Nittsu Safety & Health Management System (NSM*1), the backbone of the Nippon Express Group's safety and health policies. Our Group stresses the importance of having everyone participate out of a sense of solidarity and pro-actively expressing their own ideas and opinions, frequently conducting questionnaire surveys



A meeting on Challenge Circle activities; importance is placed on listening to everyone's opinions and deciding on matters together.



Katsuya Suzuki
Nagoya Container Group
Container Transport Office
Nagoya International
Transport Branch

and putting up signs to stimulate communication. We also receive advice from other organizations within our branch, driver instructors, and the Head Office's Business Division, and we readily apply this to resolve difficulties we are facing or to upgrade our own activities. The result over time has been the spontaneous creation of a PDCA cycle.

There is no end to the pursuit of safety. We hope to expand our “circle of safety” beyond our own workplaces to the Nippon Express Group as a whole by continuing our Challenge Circle activities dedicated to achieving “no accidents, no disasters.”



Presentation being given at the fiscal 2017 Nippon Express Group Nationwide Safety and Health Conference on an example of best practices from Challenge Circle activities.



Bulletin board for reporting activity details and outcomes. Leader pays close attention every day to their bulletin boards.



Auxiliary container fixation device, a memorable first product of Challenge Circle activities.

*1 See p. 20 for further details on Challenge Circle activities and the Nittsu Safety & Health Management System (NSM).

Safety Initiatives

In conducting business that utilizes public facilities such as roads, ports, railways, and airports, the Nippon Express Group sees safety as its most important management issue and considers it a key responsibility to ensure safety. An underlying principle of our business is to work toward zero accidents/disasters with a firm commitment to safety as paramount.

Commitments to Safety by the President

Since fiscal 2014, posters clearly spelling out the commitment and responsibilities of the president have been prepared to boost safety awareness, and displayed in all workplaces.



Safety awareness poster

Safety & Health Management Policy

Every fiscal year, Nippon Express formulates a Safety & Health Management Policy for the Group as a whole, based on the previous fiscal year's safety and health record and the results of Group efforts in this regard.

Safety Pledge

The Nippon Express Group has composed a Safety Pledge to raise and extend safety awareness at all Group companies. This Safety Pledge expresses a strong commitment to preventing accidents and disasters, and the Nippon Express Group has undertaken a number of efforts to put this Pledge into regular practice.

It has also installed "Safety Symbols," monuments bearing engravings of the Safety Pledge, in the Nippon Express Head Office and the Izu Training & Education Center.



Safety Symbolic Sculpture
Poem of Wind and Light—A
Artist: Itaru Mishiku



Safety Pledge

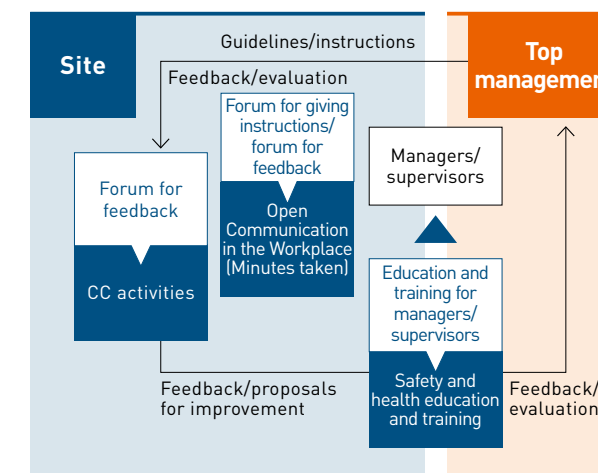
Nittsu Safety & Health Management System (NSM)

In April 2010, after a thorough review of the existing safety and health management program, the Nippon Express Group decided to launch the Nittsu Safety & Health Management System (NSM). NSM is built upon three solid sub-programs.

The first sub-program is "Open Communication in the Workplace," under which an efficient forum has been established for disseminating corporate policy and strategic direction to all employees. The second sub-program, "Challenge Circles (CC)," is based on holding small group discussions focused on both local, branch-level issues and more general concerns, e.g. what measures should be taken to better ensure a higher level of safety in the workplace and on the job. The third sub-program is health and safety training/education for supervisors and managers.

NSM is designed to realize a better workplace environment through the three sub-programs outlined above. Once implemented, the NSM will operate in accordance with the PDCA (plan, do, check, and act) cycle throughout the life of the program. By introducing NSM, we will come closer to achieving a safe, healthy work environment with built-in continuous improvement.

■ Structure of NSM



Instructional/Education System for Site Workers

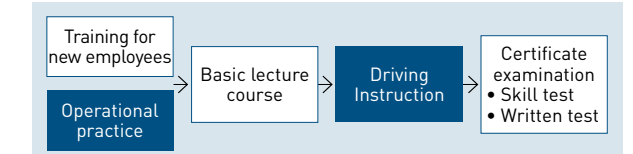
The Nippon Express Group has been focusing on the importance of safety education and training for truck drivers and forklift operators in order to prevent workplace accidents.

Nippon Express has established a proficiency examination system to certify whether Nippon Express employees possess sufficient knowledge and skill to operate vehicles, and whether they have learned the proper driving manners needed to operate vehicles safely. Only after they complete this in-house training and testing can they assume driving duties.

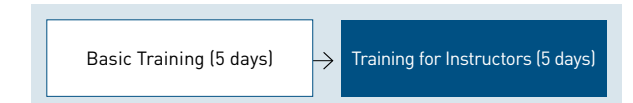
Instructors play a central role in providing guidance on knowledge, skills and driving manners, and they are assigned to positions as instructors after taking and completing the basic and step-up training courses for instructors offered at the Izu Training & Education Center in its instructor training program. At their respective branches, these instructors are involved in formulating instructional/educational plans to reduce accidents/disasters to zero, and in educating their colleagues to engrain basic behaviors and improve their skills. Instructors periodically undergo follow-up training after assuming instructor duties at their branches, and they are always striving to improve their skills and keep up-to-date in their knowledge.

A new Head Office Mentor System was created in fiscal 2016 under which the relevant Head Office divisions designate instructors with particularly robust skill sets, leadership capabilities and safety awareness as Head Office Mentors. These Head Office Mentors serve as training instructors to train branch-level instructors who play a central role in passing on high-quality skills, to improve and standardize work quality, and to boost safety awareness and improve skills.

■ Training Program for Drivers and Forklift Operators



■ Instructor System for Drivers and Forklift Operators



Fiscal 2018 Safety and Health Management Policy

Ensuring the safety and health of our employees is both a grave social responsibility and key to remaining a competitive entity. Our safety-first policy is realized through the adoption of the following measures, which when implemented must not compromise the spirit and dignity of the individual worker.

[Safety]

- Step 1 Building a disciplined workplace climate based on trust
- Step 2 Correctly understanding the basics and the rules and putting them into practice
- Step 3 Uncovering issues in your own workplace and establishing autonomous organizations able to resolve them

[Health]

Pursuing mental health measures
Implementing measures to combat lifestyle-related illnesses
Properly managing work hours and reducing total working hours

1. Targets

Safety

Overall:
Reduce serious accidents and disasters to zero
Improve accident/disaster rate by 1.0% or more year-on-year

Individual workplaces:
Reduce day-to-day accidents and disasters to zero at all workplaces

Health

Improve illness loss rate due to both mental health issues and lifestyle-related illnesses by 20% or more

2. Slogans

Safety

Don't overlook anything! Let's create safe workplaces through teamwork by eliminating unsafe conditions and behavior

Health

Don't overlook anything! Let's create a healthy workplace by looking out for critical physical and mental signs

TOPICS Nippon Express Group Nationwide Contest for Drivers and Forklift Operators

Every year the Nippon Express Group holds a Nippon Express Group Nationwide Contest for Drivers and Forklift Operators to improve driving and inspection skills, with particular attention to compliance with traffic rules and fuel-efficient driving. The contest's aims include preventing traffic and work accidents, lessening the Group's environmental impact, lowering operating costs, and making drivers and forklift operators aware and proud of their status as professionals eager to fulfill their social responsibilities.

The May 2017 contest marked a milestone as the 15th contest and, attended not only by Nippon Express' chairman, president and other executives but also by large numbers of supporters from around the country, it proved even more successful than usual. Participation among Group companies has been expanded beginning with this year's contest, and 58 drivers and 54 forklift operators from branches and Group companies across Japan took part. Following last year's precedent, four Chinese employees from the East Asia Region also participated and put on demonstrations. The contestants put their day-to-day safe driving and inspection skills on full display, and were rewarded with very vocal support from the audience.



Kazushi Ogawa, winner in the forklift operator counter category



Mariko Hino, winner in the women driver category



Participants from the East Asia Region

TOPICS Winning awards in competitions outside the company

To improve safety and quality in driving and operational tasks, the Nippon Express Group actively takes part in competitions hosted by extra-departmental organizations of the Ministry of Health, Labour and Welfare, and the Ministry of Land, Infrastructure, Transport and Tourism. The employees who compete devote themselves to practicing safe driving/operation, refining their skills, and acquiring knowledge, and they pursue personal growth by participating in these competitions.

In fiscal 2017, we participated in the 32nd National Forklift Operation Contest (hosted by the Land Transportation Safety & Health Association) and the 49th National Truck Driver Contest (hosted by the Japan Trucking Association). Twenty-seven employees from the Nippon Express Group participated in the National Forklift Operation Contest, with three of them taking home awards. The National Truck Driver Contest saw 34 employees from the Nippon Express Group participate and dominate the top rankings, winning in all categories (4-ton truck, 11-ton truck, trailer and women's categories) and claiming 13 awards in the 4-ton category. Nippon Express employees also won the Prime Minister's Award presented to the person with the highest total score in each division.

The winners of each year's National Truck Driver Contest pay courtesy calls on the prime minister, and the two Nippon Express winners from the 2016 contest visited Prime Minister Shinzo Abe in April. They received strong words of encouragement from Prime Minister Abe, who said "Trucks account for 90% of transport, and growing online sales have increased transport demand. It is vital that goods be delivered safely. I hope you will be inspired by this award to serve as role models for many other drivers."



Seiji Hiraoka, winner of the 11-ton category at the 48th Truck Driver Contest



Takanobu Ishigami, winner of the trailer category

Specialist Training

Specialist training in heavy haulage techniques

Having access to the latest information and knowledge is an absolute requisite for safely carrying out heavy haulage and construction. In addition to technical capabilities, employees must have strong communication and negotiating skills because of the large number of projects undertaken in collaboration with customers and subcontractors.

Nippon Express' Heavy Haulage & Construction Business Division had long focused on OJT in training its front-line personnel, but it created an educational system in 2009 designed to standardize and further improve service levels. Specialist training is systematically conducted on the basis of a unique curriculum, and tier-specific sessions ranging from beginner classes to instructor training were conducted on 23 occasions in fiscal 2017 for a total of 201 participants.

We are also conducting overseas training by dispatching Japanese staff to heavy haulage and construction branches in other countries to gain valuable experience, and by inviting national staff from overseas branches to Japan to learn Japanese approaches. We are endeavoring to improve knowledge, experience, and skills to ensure consistent Nippon Express quality around the world.



Training being provided to national staff from Singapore



Skills training



Year-end crime prevention training

Year-end crime prevention training for security transport personnel

Each year in November, before the crime-prone year end and New Year holidays, Nippon Express conducts extensive training at security transport sites around the country to ensure a high degree of security alertness to prevent crime.

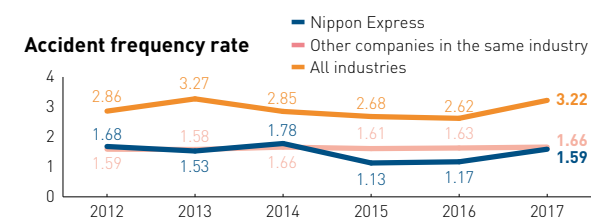
The training held by the Kanto Security Transport Branch in November 2017 featured 320 security personnel and an audience comprising guests from the Metropolitan Police Department's Joto Police Station and Nippon Express business partners. The knowledge and skills required of security personnel were put on display, including practical training using canes, soft batons, and sasumata poles, simulation drills based on past attacks, training in self-defense techniques by members of the Company's Karate Club, and training in emergency resuscitation techniques. Given its crucial mission of ensuring security, the security transport business continues to diligently improve through day-to-day operations and training.

Safety Education Overseas

The Nippon Express Group's overseas subsidiaries are seeking to make national staff the backbone of their business operations, and they are now working to create systems to foster local drivers and forklift operators locally. Head Office Mentors are being posted from Japan to sites overseas to provide education to newly hired employees as well as to train instructional staff, thereby helping to develop educational programs for these overseas subsidiaries.

Safety-related Data

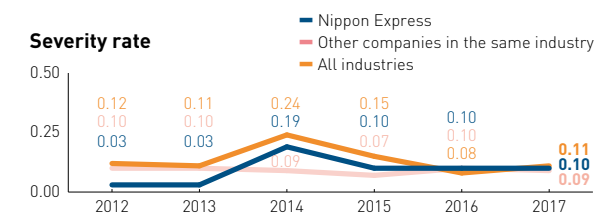
■ Index of labor accidents



* The accident frequency rate is an international indicator showing the rate at which labor accidents occur.

$$\text{No. of deaths and injuries per 1,000,000 hours worked} = \frac{\text{No. of deaths and injuries}}{\text{Total hours worked}} \times 1,000,000$$

* Other companies in the same industry refer to general freight haulers for goods transported by road.



* The severity rate is an international indicator showing the level of injury as a result of labor accidents.

$$\text{No. of days lost per 1,000 hours worked} = \frac{\text{No. of working days lost}}{\text{Total hours worked}} \times 1,000$$

* Other companies in the same industry refer to general freight haulers for goods transported by road.

System of rules on recording and reporting accident statistics

Nippon Express has established Safety & Health Rules and has put safety management systems in place at all offices. Safety officers at all business locations prepare and collect safety-related materials, record important items, investigate the causes of any accidents that occur, and study these accidents to apply the lessons learned to day-to-day safety activities.

Workers engaged in operations with a high incidence or high risk of diseases

Nippon Express has established Safety & Health Rules and has put safety management systems in place at all offices. Health officers at all business locations are to investigate risks, toxicity, etc., associated with operations and then institute measures based on their findings.



Training conducted by Head Office Mentor at Nippon Express (Taiwan)

■ Expenses for transport safety (FY2017)

Item	[Unit: million yen]
Labor cost of safety-related positions (domestic)	1,376
Educational costs (training at headquarters)	390
Material publishing	5
Nippon Express Group National Safety and Health Convention	1
Driving control system (digital tachograph), etc.	976
Accident and disaster prevention awareness materials, etc.	8
SAS screening test	25
Other safety measures	114
Total	2,895

■ Number of accidents relating to Article 2 of the Transportation Safety Management Regulation (FY2017)

Type of Accidents	[Unit: incidents]
Falling	1
Health reasons	3
Vehicle malfunction	6
Total	10

■ Offices certified for safety excellence (G-Mark) (as of January 2018)

	Licensed offices	G-Mark certified offices	Certification rate
Cumulative total of certified Nippon Express offices	536	513	95.7%
Certified Nippon Express Group offices	258	248	96.1%

(Reference) Certification across entire industry (as of December 2017)

	Offices	G-Mark certified offices	Certification rate
Nationwide [Japan]	84,604	24,482	28.9%

*G-Mark: The Japan Trucking Association evaluates the traffic safety measures of trucking companies and certifies those locations that have satisfied certain standards. This makes it easier for users to select companies offering higher levels of safety and heightens awareness of the need to improve safety among all trucking companies.

Efforts to Improve Quality

The Nippon Express Group has expanded its logistics infrastructure and networks as the Japanese and global economies have developed. To support a high quality of life for customers in Japan and globally through logistics, we take our customers' opinions seriously in seeking to provide high-quality services that will allow us to continue enjoying customer trust and satisfaction.

Providing Special Transport Services

Fine arts transport and heavy haulage and construction are among some of Nippon Express' transport services requiring specialized skills and a wealth of experience as well as special facilities and equipment.

The Fine Arts Business Division transports articles for display at exhibitions held all across Japan and entire collections when art galleries and museums relocate. The numerous exhibits that come from overseas as well as treasures and Buddhist statuary from temples and shrines around Japan are all culturally/historically important, and many have been designated National Treasures or Important Cultural Properties. We work closely with relevant parties when transporting goods, paying particular attention to ensure that the value of goods being handled is not diminished in any way during transport.

The Heavy Haulage & Construction Division is involved in the transport and installation of heavy equipment and the construction of plant facilities, and thus handles many projects that help build or maintain

important social infrastructure in various locales both in Japan and abroad. Keeping in close contact with customers, government officials, and local residents, we are utilizing the advanced skills we have acquired in sites around the world to fulfill our responsibility to support social infrastructure.

We regard it as an important social responsibility to maintain and improve the quality of specialized transport services that Nippon Express is uniquely qualified to provide, and we remain committed to this principle.



Erecting a tower on Sakhalin

TOPICS Transporting a standing statue of Kisshoten

In 2017, a touring exhibition entitled "Celebrating the 1,250th Anniversary of the Founding of Saidai Temple, Nara: The Treasures of Eison and His School" was held in three venues—Tokyo, Osaka, and Yamaguchi—and Nippon Express was entrusted with transporting and setting up the exhibits.

The highlight of the Osaka exhibition was a standing statue of Kisshoten (a Japanese female deity), a hidden Buddhist statue and Important Cultural Property provided by Joruri Temple in Kyoto that ordinarily resides within a miniature shrine housing the temple's principal image and that was specially made available to the public for a limited period. To safely transport and install a Buddhist statue that is both a valuable work of art and an object of veneration, the staff of the Kansai Fine Arts Branch and the Tsu Logistics Center worked carefully as a close-knit team to complete the entire process.



Transporting the standing statue of Kisshoten

Developing Cutting-edge Logistics Technologies

As the impact of technological innovations being pursued in the information and telecommunications sector has begun to spill over into production sites and supply chains, Nippon Express has been developing new logistics services incorporating these new technologies. The Logistics Engineering Strategy Division set up in May 2017 is taking on a central role in conducting demonstration tests in seven areas and cooperating with outside research institutions.

AI and IoT are also expected to bring about significant changes to society, and we will be using these to improve our logistics systems and work sites.

[Main areas of activities of the Logistics Engineering Strategy Division]

- (1) Applying self-driving technologies to vehicle platooning
- (2) Utilizing robots for material handling and loading/unloading to bring greater sophistication to warehousing
- (3) Partially computerizing roll calls and inspections to reduce the workloads of drivers/managers
- (4) Researching and developing logistics solutions that utilize AI
- (5) Constructing a system for matching cargo with vehicles
- (6) Employing drones (small unmanned aerial vehicles)
- (7) Collecting information on cutting-edge technologies



A drone operating semi-autonomously, using a laser sensor to determine the positional relationship between cargo and the floor on a test course using pallets to simulate cargo

Improving Customer Service

Nippon Express has set up a consultation desk to handle inquiries and requests from customers.

Customer Consultation System (VOCS: Voice of Customer Solution)

Nippon Express has introduced a customer consultation system (VOCS) accessible from its website to centrally manage customer inquiries and requests, and this system is being shared throughout the company.

The inquiry page on the website is periodically redesigned by the Website Administration Committee to make it simpler for customers to submit inquiries. These improvements have led to an increased number of inquiries from customers. We will be compiling the opinions/requests received from customers into a database to catch any changes in social and economic conditions, and striving to develop new products, improve

service quality, and otherwise enhance customer convenience.

Inquiries/requests received in FY2017

Inquiries: 9,947
Requests: 572

Customer questionnaire survey based on ISO quality management system (ISO 9001)

Nippon Express air cargo transport organizations across the country have been obtaining ISO 9001 certification. We have set out nationwide targets for improving the level of customer satisfaction and we are conducting customer questionnaire surveys to ascertain and increase customer satisfaction with Nippon Express. The various opinions and requests we receive in these surveys are discussed in periodic "Review Meetings," and we are continually endeavoring to upgrade and improve the quality of our transport services.

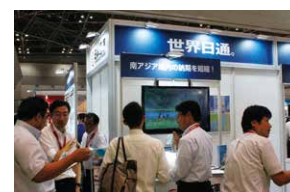
Questionnaire survey on removals services

We have been asking customers who make use of our removals services to respond to a questionnaire survey on our removals services. The opinions we receive from this survey will be utilized in making future business improvements and developing services in the hope that these will lead to greater customer satisfaction and improved service quality.

Disseminating Information through Exhibitions and Logistics Seminars

Nippon Express and the Nippon Express Group participate in various exhibitions and hold logistics seminars to enable a broad range of stakeholders to learn more about our businesses and services.

A number of our in-house organizations got together to arrange displays for the Logistics Solution Fair 2017 held in August of that year and to present service products such as "temperature-controlled transport solutions" that offer more sophisticated and efficient logistics. Nittsu Research Institute and Consulting, Inc., also holds "LogiSemi" logistics seminars on topics such as management classes on achieving work style reform.



Logistics Solution Fair 2017

For the Environment

Passing on the global environment to the next generation in a sustainable state is a vital issue of common interest to all mankind. The Nippon Express Group is striving to reduce its environmental impact across all of its business activities by such means as reducing the energy used in transport and cutting greenhouse gas emissions.

Key Social Issues	
<ul style="list-style-type: none"> Preventing global warming Forming a recycling-based society 	
Nippon Express Group Efforts (Selected Examples)	
<ul style="list-style-type: none"> Promoting eco-driving Promoting the 3Rs 	
Key Successes/Achievements	
Year-on-year change in CO ₂ emissions for FY2017:	3.1% decrease (total emissions down by 15,185 tons)
Year-on-year change in waste produced for FY2017:	7.6% decrease (emissions per unit sales down by 35.36 kg/million yen)
	3.7% decrease (waste per unit sales up by 0.81 kg/million yen)



Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Establish business based on CSR

Planning, development, and sales of environmentally friendly services

Reducing CO₂ by combining transport modes

Nippon Express-New Eco Transport ("NEX-NET") is the collective name for a number of eco-friendly logistics services designed by Nippon Express. In fiscal 2017, the Company began selling service products connecting Hokkaido with western Japan by rail and maritime transport, using Tokyo as a transit point. These services use 12-foot hybrid containers*1 developed by Nippon Express that enable through transport by sea and rail without transshipping the goods, reducing both CO₂ emissions and waste. The use of multiple transport modes makes these services a viable alternative during peak periods or following disasters.

Truck transport, the mainstay of domestic transport, offers granular coverage and is extremely convenient

but, in light of environmental concerns and driver shortages, we forecast that eco-friendly services such as NEX-NET will only gain in popularity.

There are still many ways in which we can address environmental concerns in domestic transport, including the development of rail transport routes that would be effective in cutting CO₂ emissions for both medium- and long-haul transport, and of transport containers that cut down on packing materials. We will be making improvements to evolve NEX-NET into services that better satisfy customers, and working to upgrade our eco-friendly services as a leading company in the logistics industry. We expect that someday eco-friendly services will become the default approach to transport.

*1 12-foot hybrid container: a container capable of being loaded aboard both trains and inland shipping vessels that facilitates modal shifts



12-foot hybrid container being transported by rail



Unloading container after maritime transport



Akinobu Okuda/Izumi Nakano
Network Transport Planning Division

Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Establish business based on CSR

Global development of low-carbon supply chain

Developing transport routes that lower CO₂ emissions

Our team developed cross-border through transport services between China and Europe.

To build transport routes straddling multiple countries, consideration must be given to compliance with the laws and regulations of these countries, of course, and to the environmental issues faced in these various locales. Transport from China to Germany passes through four other countries: Kazakhstan, Russia, Belarus and Poland. While these countries suffer from air pollution, deforestation and a variety of other environmental issues, they all share a common focus on reducing CO₂ emissions. In particular, China has placed tight restrictions on truck transport to hold down CO₂ and PM2.5 emissions, and this has had a major impact on our transport operations.

To reduce CO₂ emissions, we sought to substantially shrink transport time and did our best to incorporate transport modes with low CO₂ emissions. A modal shift to railways and ships is an essential element in reducing CO₂ emissions for long-haul transport. For

cross-border transport between China and Europe, we have designed routes that cut back on truck transport as much as possible, and we are making active use of ports such as Dalian and Ningbo equipped with railway sidings. By using electrified rail lines, we also keep the environmental impact lower than when using non-electrified sections.

The support available from the Nippon Express Group's network of business locations is what gives us such flexibility in choosing routes. Our transit experience from many years of connecting between China and Japan/South Korea as well as our know-how in multimodal transport enables us to smoothly transship cargo and clear it through customs at transit points in various countries.

Customers, too, have been consciously looking to reduce their environmental impact in recent years, which should boost demand for transport routes with low CO₂ emissions. We are committed to developing new multi-modal transport services to meet the expectations of customers, to resolve environmental issues in transit countries, and to aid in environmental conservation across the globe.

*See p. 30 for further details on cross-border through transport services between China and Europe.



Development Team members
We will continue to develop services that help bring about a better society.



China Railway Express connecting China and Europe



Masahito Hiyoshi/Svetlana Mikhailova/JIN WEN BI
Land Transport Division Cross Border Transport Team
Transport Network Business Headquarters
Nippon Express (China) Co., Ltd.

Nippon Express Group Environmental Charter

The Nippon Express Group has formulated the Nippon Express Group Environmental Charter in order to fulfill the Group's responsibilities for the global environment in line with the principle of "Responsibilities to the Earth's Environment," in particular, stipulated in the Nippon Express Group Charter of Conduct.

■ Nippon Express Group Environmental Charter

〈Basic Philosophy〉

The Nippon Express Group shall be mindful of its responsibilities as a corporate group to society and the general public, and shall proactively contribute to environmental conservation as a "good corporate citizen" by practicing environmental management.

〈Code of Conduct〉

Recognizing that preservation of the Earth's environment is a challenge facing all mankind as well as an indispensable requirement for our Group's existence and activities, we shall independently and proactively strive to fight global warming, preserve biodiversity and construct a recycling-based society.

1. We will promote green logistics.
2. We will work to more efficiently use natural resources and energy.
3. We will adhere to environmental laws and ordinances.
4. We will train environmental personnel.
5. We will promote an environmental social action programme.
6. We will report information about our environmental initiatives to society.
7. We will continually improve upon our environmental management system.

For the full text of the Environmental Charter, please refer to the website of Nippon Express.

<http://www.nipponexpress.com/about/csr/charter/>

Promotion of Environmental Management

In accordance with the Nippon Express Group Environmental Charter, the Group is working to implement environmental management. We have established the Environmental Management Promotion Committee, chaired by the president, to create a cross-organizational framework for promoting environmental management.

■ System to promote environmental management



Long-term Targets for 2030

Nippon Express has set long-term targets for 2030 in pursuing environmental management. It will continue to push ahead with environmental management focused on preventing global warming and creating a recycling-based society, and to support the development of a sustainable society.

■ Long-term Environmental Management Targets for 2030

- Reduce CO₂ emissions by 30% from their FY2013 levels no later than by FY2030
 1. Numerical targets for total emissions
FY2013 standard value: 490,513 tons
FY2030 target value: 343,359 tons (30% decrease)
 2. Numerical targets for output units per million yen in sales
FY2013 standard value: 469.72 kg/million yen
FY2030 target value: 328.80 kg/million yen (30% decrease)
- Reduce industrial waste generation vis-à-vis sales each year by 1% from the previous year (until FY2030).
FY2016 standard value: 21.96 kg/million yen
FY2030 target value: 19.08 kg/million yen

*See pp. 36 and 37 for the results from FY2017.

Promotion of Modal Shift

The Nippon Express Group is collaborating and cooperating with customers and logistics companies to make numerous modal shifts, switching from truck-centered transport to transport using railways and ships. Modal shifts that organically link up transport by truck, train, ship and aircraft reduce environmental impact and make transport more efficient, and they also provide alternatives within business continuity plans (BCP).

Modal shift to rail transport

The larger the volume of cargo and the longer the distance it is hauled, the more efficient and reliable railway transport becomes in comparison to truck transport. Being eco-friendly and highly energy-efficient, rail transport is effective in reducing CO₂ emissions. By working with customers to make modal shifts to secure and reliable railway transport for bulk as well as small-lot transport, we are simultaneously resolving the social issue of driver shortages and reducing our environmental impact.

Modal shift to domestic marine transport

Maritime transport is a mode of low-cost long-haul transport for large volumes of cargo that has a low impact on the environment.

In 1964, the Nippon Express Group put Japan's first container vessel, *Dai-ichi Tennichi Maru*, in service between Tokyo and Muroran, followed by *Daini Tennichi Maru* between Osaka and Muroran, and thus launched sea and land through transport services. The Group currently operates seven large state-of-the-art vessels, including *Himawari 8* and *Himawari 9*, launched in September and December 2017 respectively, along two scheduled routes that serve eight ports across Japan.

Among our additional efforts to reduce CO₂ emissions from fuel consumption are selecting optimal routes utilizing our optimal navigation plan support system and complying with on-time port departures.

[Environmental performance of Nippon Express' coastal vessels]

- *Himawari 5*, *Himawari 6*: These vessels use engines with automatic control that adjusts fuel injection to speed
- *Himawari 7*, *Himawari 8*, *Himawari 9*: these are energy-saving vessels equipped with high-efficiency variable-pitch propellers, high-performance reaction rudders with valves, low-friction paint, electronically-controlled main engines, and inverter-driven cooling seawater pumps



Himawari 8

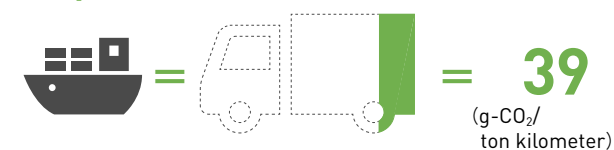
CO₂ emissions intensity by transport mode

Truck



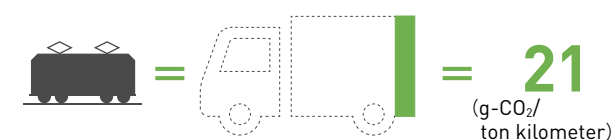
Truck as standard of 1

Ship



1/6th that of trucks

Rail



1/11th that of trucks

* Source: "CO₂ emissions in the transportation sector" from the Ministry of Land, Infrastructure, Transport and Tourism website (http://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html)

TOPICS Developing low environmental impact transport routes using railways and ships

Case 1

Cross-border through transport services between China and Europe

In November 2015 we began offering transport services between China and Europe for full container load (FCL) cargo. In response to customer demand for also shipping small-lot cargo by rail between China and Europe, we have been offering consolidated (less than container load, or LCL) cargo services since August 2016. Using Nippon Express' "Linton Tokkai" trunk line transport service to connect cities across China and a truck transport network in Europe, this service covered major cities across Europe, including the UK and Central/Eastern Europe. This through transport service reduces transport time considerably, and also cuts down on CO₂ emissions during transport.

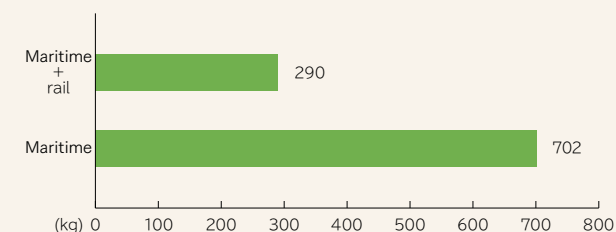
The cities in China and Europe where this service was available and the transport routes used were substantially expanded in May 2017, and transport services using railways within the Eurasian continent have all been unified under the appellation "Eurasia Train Direct."

Case 2

Cargo transport from Japan using China-Europe railways

We are currently developing services to transport cargo from Japan to Europe, using railways between China and Europe. Cargo bound for Europe from Japan is usually transported by sea or air, but developing multimodal transport services that combine maritime and rail transport enables us to cut customers' costs and reduce lead time. These transport services are thus eco-friendly in that they substantially reduce the CO₂ emitted during transport.

CO₂ emissions for transport from Japan to Europe (per ton kilometer)



Case 3

Using railway forwarding within China

Chongqing is a city located about 2,000 km inland from Shanghai at the mouth of the Yangtze River, and trade along this river can be traced back to ancient times. Maritime transport of cargo to overseas destinations from Chongqing has conventionally entailed transporting the cargo by domestic vessels to Shanghai, where it would then be loaded onto an oceangoing vessel. Relying on river shipping poses a number of problems, though, such as the long time required to sail to the mouth of the Yangtze River, the extra time required to transship at Shanghai Port, the unreliability of river shipping schedules during the construction of the Three Gorges Dam and for a certain period thereafter, and the restrictions placed on large vessel operation during the winter drought season due to lower water levels. To circumvent these problems, the Nippon Express Group in March 2018 launched its Chongqing Sea & Rail Service using rail for inland transport from Chongqing.

By using rail transport from Chongqing to Qinzhou, the departure port for cargo vessels, the shipment time from Chongqing to Tokyo can be cut to 16 days, halving the time required when using Yangtze River transport and also substantially reducing CO₂ emissions.



Train heading from Chongqing to Qinzhou Port

Case 4

New domestic multimodal through transport

Nippon Express developed a 12-foot hybrid container that can be loaded on both trains and coastal vessels, making it possible to switch transport mode from rail to ship without having to transship containerized cargo, and used these containers to launch its new "NEX-NET*1 Sea & Rail Tokyo Land Bridge West Bound & East Bound" service in 2017.

With Tokyo as a transit point, this service uses both railways and coastal vessels to help improve work efficiency by reducing loading/unloading operations and mitigate environmental impact, in addition to which it provides effective alternatives during traffic disturbances or peak periods.

*1 NEX-NET: Nippon Express-New Eco Transport

TOPICS Joint logistics for four Hokkaido beer companies

On September 12, 2017, Asahi Breweries, Kirin Brewery, Sapporo Breweries, and Suntory Beer began joint logistics in Hokkaido for the purposes of reducing environmental impact, coping with a shortage of drivers and other social issues, and developing reliable logistics networks for the future, and Nippon Express is providing transport support for these joint logistics operations.

The companies had previously arranged for large trucks and trailers to distribute their own goods, with one delivery destination for each company, regardless of whether the cargo constituted a full truckload. With joint logistics, the four beer companies' cargo is collected and sorted in a

Nippon Express warehouse and then delivered to the respective delivery destinations. Consolidating the cargo of these four companies bound for the same destinations improves loading efficiency, decreasing the number of trucks needed and lessening the impact on the environment. Railway containers are the preferred option for remote delivery destinations, so modal shifts are made in these instances.

Joint logistics operations for these four beer companies are anticipated to use railway transport 30% more, decrease long-haul truck transport by 40%, reduce CO₂ emissions by 28%, and improve truck loading efficiency by 18%.

Promoting Eco-driving

The Nippon Express Group's business of delivering customers' goods throughout the world necessarily entails energy consumption and CO₂ emissions due to the use of gasoline and other fuels. For that reason, we have been promoting eco-driving*1 in our truck transport operations as one approach to mitigating our environmental impact.

*1 Eco-driving: a method of driving that reduces CO₂ emissions and fuel costs by boosting fuel efficiency, and that also helps improve safety

Safe eco-driving education

We have incorporated "safe eco-driving" into the curricula for all types of driver training, including courses designed for newly-assigned drivers, to produce professional drivers thoroughly trained in safe eco-driving techniques that focus at all times on safety, ecology and economy. Driver instructors play a central role in regularly offering education and guidance through these training programs, and we are striving to ensure that all Nippon Express drivers engage in safe eco-driving.

The "Eco-driving Training" conducted at the Izu Training & Education Center, our in-house educational facility, uses fuel consumption gauges and, to heighten employee awareness of the benefits of eco-driving (in terms of the environment, safety and cost), Nippon Express in December 2012 became the first company in the logistics industry to be certified as an eco-driving training organization by the Foundation for Promoting Personal Mobility and Ecological Transportation.

Certified training has been provided to Company drivers since fiscal 2013, with 643 employees having completed this eco-driving training thus far.

We will continue to upgrade our safe eco-driving training to promote safe and eco-friendly business operations.



Eco-driving training

Digital tachograph

Since fiscal 2014 Nippon Express has been utilizing an "Operation Support System" (a blend of work management mechanisms) that incorporates vehicle operation management, loading and other operations, and attendance management. The Operation Support System is a mechanism whereby data of various types is centrally managed in a cloud environment (Nippon Express Cloud) by linking up digital-type tachometers with work terminals (smart phones). We have incorporated the latest in IoT technology to record the times drivers show up for and leave work by such means as authenticating driver identification with IC-equipped driver's licenses. We are also pairing IoT technology to Company education/training to eliminate traffic accidents and cut CO₂ emissions (achieve greater fuel efficiency).



Driver carrying work terminal (smartphone) and connecting with digital tachograph



Heading out



Checking vehicle operational status from the office

Using the NEES System to "Visualize" Energy Use

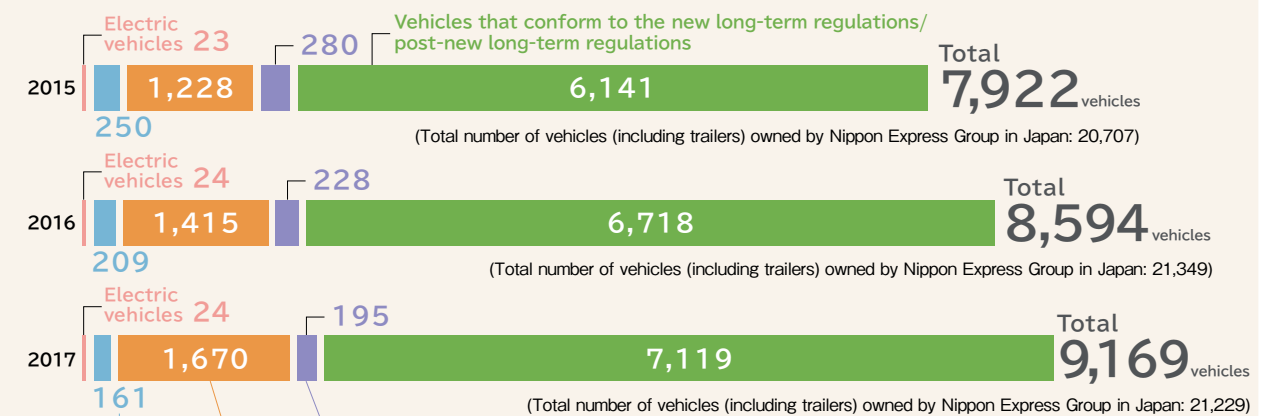
Nippon Express has been using its proprietary Nittsu Ecology & Economy System (NEES) to "visualize" energy since 2011. This system enables the Company to accurately ascertain present energy usage in terms of diesel oil, electricity, gas, etc., at approximately 2,000 business locations in Japan, and allows individual business locations to run environmental management systems and take steps to reduce energy use. The data collected is used for disclosing outside the Company the results of electricity-saving efforts and information on other energy conservation efforts, and it has proven

useful in formulating new energy conservation targets. We will continue making active use of NEES as a platform for striving to use energy more efficiently, employ resources more effectively, and prevent global warming.

Environmentally Friendly (Low-emission) Vehicles

Nippon Express actively adopts environmentally friendly vehicles. We have introduced CNG, hybrid and LPG trucks while focusing on low-emission diesel trucks that conform to new long-term regulations, with a fleet of 9,169 vehicles as of March 31, 2018.

■ Nippon Express Group: Number of environmentally friendly vehicles in fleet (as of March 31 of each year)



■ Compressed Natural Gas (CNG) Trucks

Fuel for these trucks is the same natural gas used by urban households, compressed under high pressure. CO₂ emissions are 20 to 30 percent lower than gasoline, NOx*1 emissions are much lower than diesel and there is no PM*2 exhaust. However, further problems that need to be solved include making fuel tanks smaller and lighter and increasing the number of fueling stations.

■ Bi-Fuel CNG Trucks

Used mainly in air service deliveries and for transport of valuables, these modified vehicles run on both CNG and regular gasoline. Once the CNG is depleted, the motor can be manually switched to gasoline, eliminating any concern of running out of CNG while out on the road and making it possible to cover a considerable distance in one day.

*1 NOx: Nitrogen oxide *2 PM: Particulate matter

■ Hybrids

Hybrids use a combination of motive force, including ordinary engines and electric motors. Energy created by the engine and braking is converted to electricity and stored, then used as supplemental driving power when starting, accelerating and climbing.

■ LPG Trucks

Engines are fuelled with liquefied petroleum gas, which is commonly used by taxis. Compared to diesel engines, NOx emissions are far lower and there is no PM exhaust.



Promoting Environmentally Friendly Facilities

The Nippon Express Group actively promotes environmentally friendly facilities through activities including construction of warehouses featuring solar panels and buildings hosting rooftop greenery. In January 2014, the Nippon Express Group formulated standards

for the installation of equipment when constructing logistics facilities and offices. These standards call for equipment to reduce greenhouse gases such as CO₂, including the proactive use of renewable energy, equipment that encourages biodiversity and equipment that is conducive to the enhanced safety and health of people working there and the local community, and to business continuation.

■ Items specified by the standards for the installation of environmentally friendly equipment (examples)

- Exterior**
- A-1 Super-insulation roofing material
 - A-2 Low-pollution external wall (coating) material
 - A-3 Super-insulating glass (multilayer glass, Low-E glass, etc.)
 - A-4 Rooftop greening
 - A-5 Heat-blocking pavement
 - A-6 Permeable pavement (drainage pavement)
 - A-7 Use of wood from thinned trees (Timber from company-owned forests)
 - A-8 Eco-sensitive planting
 - A-9 Hybrid external lighting
 - A-10 High-efficiency transformers (top runners)
 - A-14 Timer-controlled lighting
 - A-15 Solar power generating equipment
 - A-16 Power generation equipment for emergencies
 - A-17 Natural ventilation system

- Interior**
- A-3 Super-insulating glass (multilayer glass, Low-E glass, etc.)
 - A-11 LED lighting
 - A-12 LED guide lights
 - A-13 Human sensor-controlled lighting
 - A-17 Natural ventilation system
 - A-18 Fresh air ventilation system
 - A-19 High-efficiency gas water heater
 - A-20 Automatic water faucets
 - A-21 Water-saving toilets
 - A-23 Energy-saving vending machines

- Item related to interior and exterior in general**
- A-22 Eco-material (including green purchasing and use of recycled material)



Suitably Managing Fluorocarbons

Fluorocarbons not only harm the ozone layer but also have an extremely high greenhouse effect that is several thousand to over 10,000 times that of CO₂. Nippon Express strives to preserve the ozone layer and prevent global warming by promoting proper management of fluorocarbons in addition to reducing CO₂ emissions.

Fluorocarbon Management System ECO-FREONTIA (Trademark Registered)

The Act on Rational Use and Proper Management of Fluorocarbons ("Fluorocarbons Management Act") went into force in April 2015, and accordingly Nippon Express has since January 2016 been operating its proprietary ECO-FREONTIA fluorocarbon management system. This ECO-FREONTIA system creates a database of information about the commercial-use freezers, refrigerators, and air conditioners (Class I Specified Products) regulated under the Fluorocarbons Management Act and sends out e-mail alerts when the time comes to conduct simple and periodic inspections of this equipment in order to prevent missed inspections, and calculates the volumes of leaked fluorocarbons from the inspection data.

Using ECO-FREONTIA lets us properly manage inspections and helps us prevent leaks of fluorocarbons that adversely affect the environment.

Reducing and Properly Managing Waste

Nippon Express is reducing the waste generated by its business activities and pursuing the 3Rs toward the formation of a recycling-based society.

In October 2002, Nippon Express had its designation as a wide-area recycling-designated industrial waste processor revoked by the Ministry of the Environment for violations of the Waste Disposal Act, and withdrawing from those operations and being suspended from local governments' competitive bidding processes caused the Company tremendous damage. To prevent a recurrence of this error, we have improved our structures and strived to properly manage the waste generated by the Company.

Advancing the 3Rs

The 3Rs is a principle for efforts to build a recycling-based society. It stands for "reducing" the volume of waste generated, "reusing" materials whenever possible and "recycling" used products as resources. At Nippon Express we do our best to reduce waste from all offices as well as sort paper and other waste generated in our offices for easy recycling.



Eco-friendly Products

Eco-friendly and speedy moving service using reusable materials

Nippon Express makes active use of reusable materials (packaging materials that can be used repeatedly) to provide a moving service that is friendly to the global environment. The packaging of dishes, for instance, used to involve wrapping each dish in newspaper and then packing them into cardboard boxes together with rolled-up newspaper for cushioning. Using Nippon Express' original reusable dish trunks, dishes can simply be put into a cushioned trunk and transported as is, obviating the need to use newspaper and cardboard boxes. Removals are being completed more quickly, and this has been well-received by customers.



Dish trunk



Reusable materials

TOPICS Examples of eco-friendly facility enhancements

Environmental considerations at the Osaka Branch office building

Based on the concept of a facility resilient against disasters and featuring specifications in keeping with the times, the Osaka Branch office building should be completed by January 2019. The building has been designed to be a state-of-the-art structure with the latest in equipment and eco-friendly facilities, including private electric generators, solar power generation equipment, and a building energy management system (BEMS).



Rendering of completed building

LED lighting for Takasaki Air Sales Center's warehouse

The warehouse used by the Kita-Kanto Logistics Provider Branch's Takasaki Air Sales Center was erected 13 years ago, since when its facilities and equipment have become increasingly dilapidated and deteriorated. Ceiling mercury lamps have failed and defective lighting has been discovered so, out of concerns of lowered work quality and industrial accidents, a change was made to LED lighting. This change should result in a reduction of about 80% in CO₂.



LED lighting installed in the warehouse ceiling

Appropriate Waste Management by Nippon Express

Committee to oversee waste control

To properly manage waste, Nippon Express shares information on waste and disseminates instructions at meetings of the Board of Officers. In addition to in-house training and work site inspections, we operate a waste management manifest system to confirm that the waste generated by the Company is being disposed of properly.

Waste Management Manifest System ECO-TOWMAS (Trademark Registered)

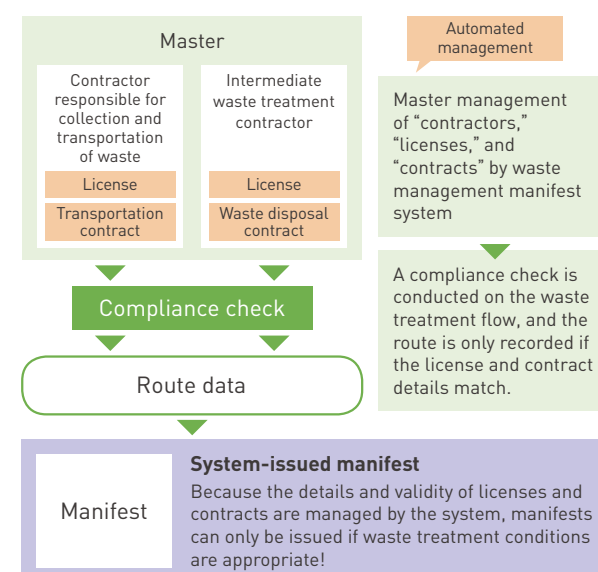
Nippon Express has been using its ECO-TOWMAS waste management manifest system to properly manage the industrial waste generated by the Company since October 2014. When a Nippon Express business location generates industrial waste, license and contract information on the disposal company to whom disposal is to be entrusted is automatically compliance checked on ECO-TOWMAS against the information input by the business location, and the system determines if the disposal is being properly outsourced; if not, no manifest is issued.

ECO-TOWMAS also deals with electronic manifests and, as a result of having promoted a transition to electronic manifests, the rate of electronic manifest routes reached 100% and that of electronic manifest issue 93.4% as of April 2018.

■ Appropriate waste management



■ Waste Management Manifest System



Environmental Management System

To further advance activities with respect to environmental conservation at its facilities, Nippon Express is actively working to obtain certification for ISO 14001, the international standard for environmental management systems, as well as Green Management Certification at each facility.

Obtaining Green Management Certifications

Numerous offices across the Nippon Express Group have been obtaining Green Management Certification granted to companies that engage in business with little environmental impact. As of the end of March 2018, 105 Nippon Express trucking offices, 10 warehousing offices, and one harbor transport office have received such certification. Among Group companies, 20 trucking offices have been granted Green Management Certification.

Increasing ISO 14001-certified business locations

Since the Air Freight Business Branch received ISO 14001 certification for its operations in the Baraki area (Ichikawa, Chiba Prefecture) on June 24, 1998, the following Nippon Express Group business locations inside and outside Japan have been similarly certified as of March 2018.

- Air Freight Business Branch: ISO Quality & Environmental Management Group, Logistics Administration Division
- Air Freight Business Branch: Baraki International Logistics Town No. 1 and No. 2
- Air Freight Business Branch: Narita Airport Logistics Center
- Sendai Air Service Branch: Sendai Airport Logistics Center
- Nagoya Air Service Branch: Nagoya Distribution Center

- Nagoya Air Service Branch: Nagoya Air Cargo Center
- Osaka Air Service Branch: Nanko Air Cargo Center
- Global Logistics Branch: Sharp Osaka Division
- Hiroshima Air Service Branch: Hiroshima Domestic Air Cargo Center
- Takamatsu Air Service Branch: Takamatsu Air Cargo Center
- Fukuoka Air Service Branch: Fukuoka Air Cargo Center
- Nittsu Panasonic Logistics Co., Ltd.
- Nittsu NEC Logistics, Ltd.
- NEX Transport, Inc. (United States)
- Nippon Express (Deutschland) GmbH (Germany)
- Nippon Express (Nederland) B.V. (Netherlands)
- Nippon Express Euro Cargo B.V. (Netherlands)
- Nippon Express (Belgium) N.V./S.A. (Belgium)
- Nippon Express (Shenzhen) Co., Ltd. (China)
- Nippon Express (South China) Co., Ltd. (China)
- NEP Logistics, Inc. (Philippines)

Environmental Data

■ Energy usage (Nippon Express Group, FY2017)

Type		Unit	Nippon Express (non-consolidated)	Affiliates		Total	Nippon Express non-consolidated CO ₂ emissions (t)	Domestic group company CO ₂ emissions (t)	Overseas group company CO ₂ emissions (t)
				Domestic	Overseas				
Energy	Electricity	1,000 kWh	223,002	97,857	95,333	416,192	114,504	48,963	54,124
	Diesel oil	kℓ	69,391	73,731	16,246	159,368	179,376	190,594	41,995
	Gasoline	kℓ	4,968	2,978	5,343	13,289	11,535	6,916	12,406
	Natural gas	1,000 m³	1,208	504	—	1,711	2,698	1,125	—
	LP gas	ton	2,760	2,202	—	4,963	8,278	6,604	—
	Heavy fuel oil	kℓ	627	3,258	—	3,885	1,699	8,829	—
	Heavy fuel oil (for ships)	kℓ	49,506	25,964	—	75,470	148,319	77,789	—
	Kerosene	kℓ	666	392	—	1,058	1,659	975	—
Total CO ₂							468,069	341,795	108,524

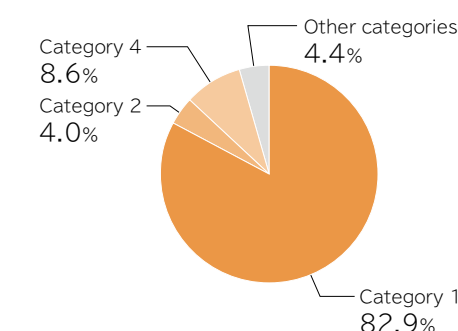
(Unit: thousand tons CO₂)

Scope, Category	Nippon Express(non-consolidated)	Domestic group companies	Overseas group companies	Total of whole group
Scope 1 (Direct emissions)	354	293	54	701
Scope 2 (Indirect emissions)	115	49	54	218
Scope 1+2	468	342	109	918
Scope 3 (Supply chain emissions)	3,313	1,796	2,470	7,579
(Breakdown)				
Category1 (Emissions from purchased goods/services)	2,780	1,193	2,312	6,285
Category 2 (Emissions from capital goods)	136	144	26	306
Category 3 (Energy-related)	31	22	8	61
Category 4 (Upstream transport/distribution)	196	404	53	653
Category 5 (Waste)	12	4	46	62
Category 6 (Emissions from employee business trips)	3	2	1	6
Category 7 (Emissions from employee commuting)	43	27	24	94
Category 15 (Emissions from investment destinations)	112	0	0	112

Notes:

1. The data shown here is the aggregate for 266 non-consolidated and consolidated companies (domestic: 169, overseas 96) as of the end of March 2018.
2. The Nippon Express non-consolidated and consolidated data for Japan was aggregated using the NEES system and DIVA system, and the data for the overseas consolidated companies was collected from questionnaire surveys.
3. The CO₂ emission intensities are from the Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5), released by the Ministry of the Environment in March 2018.

■ Ratios Scope 3 (Nippon Express Group, FY2017)



■ Power generated from renewable energy sources
(Nippon Express Group, FY2017)

Type	Annual power generation (kWh)	Of which electricity used in-house (kWh)	Of which electricity sold (kWh)
Solar power generation	6,595,286.91	1,001,009.91	5,594,277.00
Wind power generation	0.82	0.82	0.00
Total	6,595,287.73	1,001,010.73	5,594,277.00

Note: Renewable power generation, electricity used in-house and electricity sold are not included in the Nippon Express Group's energy use.

■ Water/paper usage and waste volume (Nippon Express Group, FY2017)

Type	Unit	Nippon Express (non-consolidated)	Affiliates		Total
			Domestic	Overseas	
Water	1,000 m³	1,292	—	—	1,292
Copy/printer paper	10,000 sheets	44,781	13,320	—	58,101
Waste	General waste	ton	16,289	3,854	20,143
	Industrial waste	ton	24,919	10,779	35,698
	Total		41,207	14,633	55,841

Note: Amount of copy paper is counted through conversion to A4 size.

■ Industrial waste emissions by item (Nippon Express, FY2017)

Industrial waste category	Item	Number of control manifests for industrial waste	Amount (kg)	Weight distribution ratio
Industrial waste	Wood shavings	4,885	11,773,412	47.25%
	Waste plastics	12,659	9,245,338	37.10%
	Waste metal	1,096	1,732,027	6.95%
	Mixture	683	934,373	3.75%
	Waste glass, china, porcelain	196	613,495	2.46%
	Sludge	141	326,132	1.31%
	Waste oil	103	58,194	0.23%
	Animal and plant residues	31	51,070	0.20%
	Waste paper	22	29,050	0.12%
	Debris, etc.	16	23,790	0.10%
	Combustion residue	3	11,100	0.04%
	Fiber waste	7	7,878	0.03%
	Products using mercury	27	6,971	0.03%
	Waste acid	7	6,620	0.03%
Industrial waste subject to special control	Waste alkali	1	115	0.00%
	Sub-total	19,877	24,819,564	99.60%
	Waste alkali	10	89,200	0.36%
	PCB etc.	18	6,244	0.03%
	Waste asbestos	3	3,200	0.01%
	Waste acid	6	335	0.00%
	Waste oil	2	200	0.00%
	Sub-total	39	99,179	0.40%
Total		19,916	24,918,743	100.00%

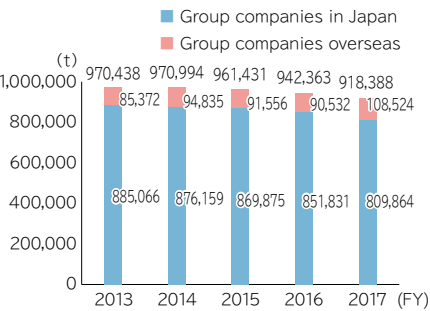
- Notes:
- Items expressed as volume [m³] were converted into weight based on a table of specific gravities by industrial waste item.
 - The aggregate does not include cases where waste cardboard and the like is handed over to a used paper recycler, or where in buildings leased for commercial use, the waste disposal for the entire occupied building is managed and the corresponding charge is included in the rent.
 - In contrast to 2. above, the emissions of a company occupying a Nippon Express facility may in some instances be aggregated into Nippon Express' emissions.

■ Emissions of substances reportable under the PRTR Law
(Nippon Express, FY2017)

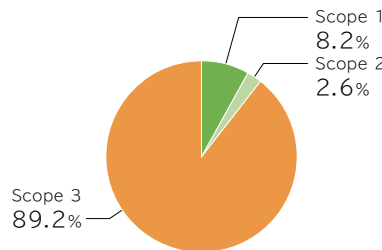
Although none of our offices are required to report under the PRTR Law (Law Concerning Pollutant Release and Transfer Register), the offices shown on the right handle reportable substances.

Office type	Number of offices	Total amount used (kg/y)	Main substance	Main use
Reportable business category but amount used by office is under reporting threshold	9	267	Fenitrothion	Warehouse fumigation
Not reportable business category but office uses reportable substance	19	13,019	Methyl bromide	Fumigation for operations incidental to import customs clearance

■ CO₂ emissions (Scope 1, 2)



■ GHG emissions across the supply chain
(Nippon Express Group, FY2017)



■ Devices subject to the Act on Rational Use and Proper Management of Fluorocarbons and leakage
(Nippon Express, FY2017)

	Applicable devices (number of types)	Type of fluorocarbon	Actual leakage (kg)	Calculated leakage (t-CO ₂)
Class I specified products	9,474	R22	223	404
		R401A	2	2
		R404A	5	19
		R134a	165	235
		R410A	6	14
		Total	-	674

■ Investments in environmental conservation (Nippon Express)

Nippon Express proactively invests in projects and measures that facilitate environmental conservation.

Investment category	Major examples	Amount (million yen/year, rounded down less than ¥100,000 of each item)		
		FY2015	FY2016	FY2017
Investment in modal shift	Rail transport containers (Eco-Liner 31, Big Eco-Liner 31, etc.)	64	127	188
	Ship containers (R&S containers, etc.)	123	106	107
	Tractors and trailers for freight containers	713	1,051	1,034
Investment in reusable packing materials for moving	Netted blankets, high-pads, etc.	135	124	124
Vehicle-related investments (environmentally friendly vehicles, etc.)	CNG, hybrid and LPG vehicles, heavy-duty vehicles that meet fuel efficiency standards	4,408	5,105	5,985
Costs for appropriate waste disposal and management	Costs related to Manifest Management Center	34	26	35
	PCB equipment disposal costs	—	—	45
Costs for Environmental Management System registration	ISO 14001 and Green Management certification	25	6	8
Investment in planting greenery	Forest cultivation projects, landscaping work at branches	0	292	10
Others: Investment in facility energy saving	Others: Switchovers of lighting equipment, inverters, etc.	118	510	589
Total		5,620	7,347	8,125

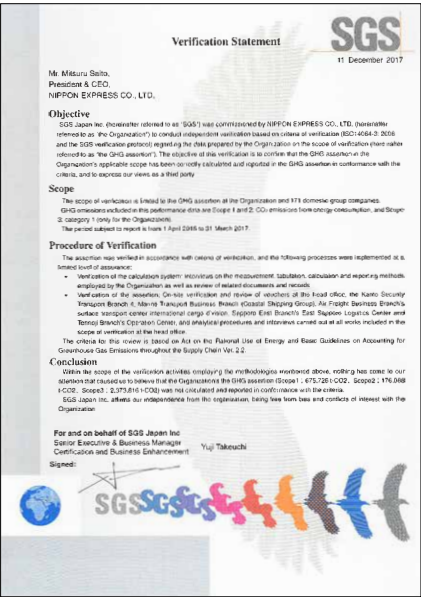
Third-party verification of CO₂ emissions data

Nippon Express commissioned SGS Japan Inc. to conduct third party verification of CO₂ emissions data for FY2016 based on ISO 14064-3:2006.

We are planning to have third party verification also on CO₂ emissions data for FY2017.

Nippon Express regards such independent verification as instrumental to ensuring the accuracy and reliability of data and thus advancing its efforts to reduce CO₂ emissions.

Scope of verification:
Scopes 1 and 2: CO₂ emissions from fossil fuel use in Japan; Scope 3: (Category 1: Nippon Express Co., Ltd. only)



Verification Statement

Working with Business Partners

Thinking of ourselves as partners who enjoy trusting relations on an equitable basis with all customers running businesses, we are seeking to build sustained and fair cooperative ties. We will be pursuing CSR activities throughout the supply chain to prove ourselves worthy of the expectations and trust of society.

Key Social Issues

- Ensuring fair transactions/competition
- Managing safety, quality, and fair trade in supply chains

Nippon Express Group Efforts (Selected Examples)

- Holding Subcontractor Safety Council meetings
- Concluding agreements based on business partner selection criteria

Key Successes/Achievements

Number of subcontractor companies participating in Subcontractor Safety Council meetings in FY2017:

2,166

Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Reinforce compliance

Ensuring fairness of transactions

Earning the trust of both customers and subcontractors and continuing fair transactions

Japan's logistics industry has taken on a multi-tier structure with secondary and tertiary subcontracting, and Nippon Express, too, works with numerous subcontractors in providing transport services to customers. It is essential to collaborate closely with subcontractors in working together to enhance safety and work quality.

Subcontractor Safety Councils*1 meet regularly every half-fiscal year at branches nationwide, and these meetings offer good opportunities for directly exchanging views, particularly on safety, with representatives from subcontractor companies. Citing examples of frequently-occurring accidents in Japan and accidents/disasters that occurred within

the Nippon Express Group, we have been employing illustrations and photographs as supplemental tools in conveying the key points for preventing accidents. In future, we hope to hold similar meetings on sector-specific topics such as removals and heavy haulage.

For Nippon Express to be a presence trusted by customers, it must earn the trust of personnel from the many subcontractor companies with which it carries out operations. Only when trusted by both customers and subcontractors can Nippon Express as a leading company in the logistics industry help continue and develop fair transactions across the industry as a whole. To that end as well, we certainly want to build relations with subcontracting companies through Subcontractor Safety Council meetings so that they also feel pride in working together with Nippon Express.

*1 See p. 40 for further details of Subcontractor Safety Councils.



Materials distributed at a Subcontractor Safety Council meeting. We have devised creative techniques to make them more visually appealing and easy to understand so that all participants will be of the same mind.



Subcontractor Safety Council meeting in progress. Views are vigorously exchanged at every meeting.

Hiroyuki Futamura
Business Division

Ensuring Fair Trading/Competition

Nippon Express enforces fair trading/competition throughout the Group to meet the expectations and win the trust of the public through its business endeavors. The Nippon Express Group Charter of Conduct requires that employees engage in fair, transparent, freely competitive and proper transactions as part of sound company conduct. This same Charter of Conduct assigns the management team responsibility for enforcing the Charter's principles throughout the company and promoting compliance with these principles among business partners and other links along the supply chain.

Business partner selection criteria

When seeking out dealings with new companies, Nippon Express selects its business partners on the basis of its own independent standards. The evaluation criteria cover a wide spectrum—including compliance, finances, and personnel management—and basic agreements are only concluded with those companies judged under these criteria to be partners with whom fair and equitable dealings can be pursued.

Ensuring Supply Chain Security

Since the September 2001 terrorist attacks in the US, measures have been demanded to both ensure the security and facilitate the flow of international logistics. Accordingly, the Nippon Express Group has helped develop secure and trouble-free international logistics for supply chains.

Proper management as an AEO

The Authorized Economic Operator (AEO) system is an international system granting preferential treatment in customs procedures to companies with proper cargo security management and compliance systems throughout their trade-related supply chains.

Nippon Express was approved as an AEO under the Specified Bonded Approval Program in January 2008 and as an Authorized Customs Broker in May 2012, and in these capacities the Company has been helping to make customs clearance procedures safer and quicker. The Nippon Express Group was an early mover in seeking to obtain AEO status overseas, with Nippon Express (Nederland) B.V. becoming the first Japanese company in Europe to obtain AEO certification in May 2008.



Safety Measures by Affiliate/Subcontractor Companies

Operation sub-agents are independent corporations but, as part of the Nippon Express Group, they need to implement safety measures that are on par with those implemented by the Company. The managers of management branches are conducting safety education/guidance for operation sub-agents in line with guidance from the Head Office.

Safety council meetings that focus exclusively on safety and quality are held with affiliate and subcontractor companies each half-year. These meetings are conducted by individual branches in an effort to provide safe and secure transport services to customers.

Community Involvement

The Nippon Express Group's business activities rely on local social infrastructure such as roadways, railways, ports, and airports. Recognizing our social and public missions as a logistics company, we will be actively communicating with local communities and engage in social action programs rooted in these communities.

Key Social Issues

- Protecting cultural assets and the natural environment
- Revitalizing local communities

Nippon Express Group Efforts (Selected Examples)

- Cooperating in projects for the Grand Egyptian Museum
- Pursuing forestation efforts in "Nittsu Forests"

Key Successes/Achievements

Total number of personnel dispatched to Egypt (for all projects): **1,864**

Total number of participants in "Nittsu Forests" forestation efforts: approx. **2,000**

Protection and Transmission of Cultural Heritage

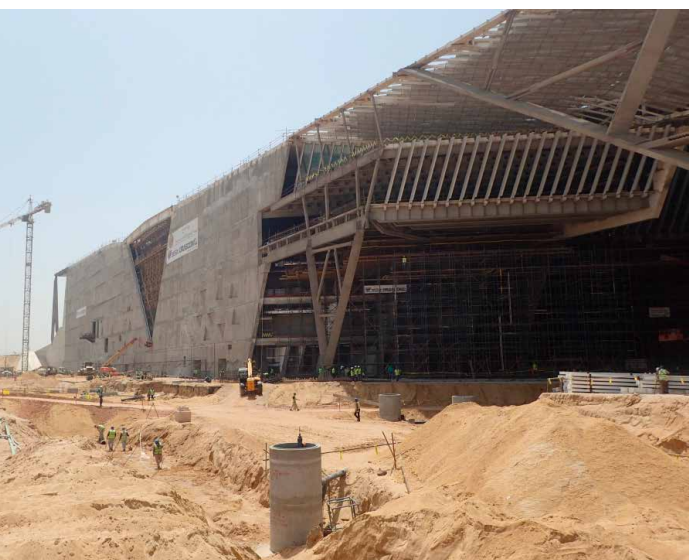
Providing technical support for joint conservation projects at the Grand Egyptian Museum

At the behest of the Japan International Cooperation Agency (JICA), Nippon Express has been taking part in the Grand Egyptian Museum Conservation Center Project ("GEM-CC Project") organized to prepare for the opening of the Grand Egyptian Museum under construction in Egypt.

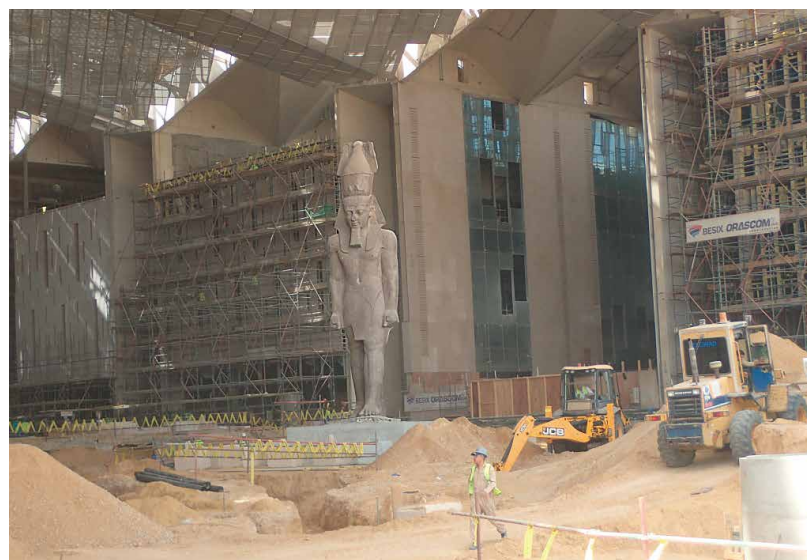
Between October 2009 and February 2015 we helped develop human resources capable of carrying out the conservation, repair and relocation of cultural

heritage, and from May 2016 through December 2017 we provided consulting services for the Grand Egyptian Museum Capacity Development Project for Management and Exhibition ("GEM-CD Project"), which aimed to formulate an exhibition plan to be independently carried out by the Grand Egyptian Museum and to improve the systems/capabilities for implementing the plan. Since December 2016, Nippon Express has also been helping in the relocation of exhibits in the newly launched the Grand Egyptian Museum Joint Conservation Project ("GEM-JC Project"), undertaking packing/relocation of 72 of the more famous cultural heritage of the Grand Egyptian Museum.

We hope through these technical cooperation projects for opening the Grand Egyptian Museum that we can contribute to the protection of cultural heritage and the development of Egyptian culture.



GEM construction site



Statue of Ramesses II

Supporting the operation of the Museum of Logistics

The Museum of Logistics, operated by the Forwarders Council, is the only museum in Japan wholly dedicated to logistics.

Starting life in 1958 as an archive of transportation-related materials held at the Nippon Express Head Office, the museum moved to its present location (Takanawa, Minato City, Tokyo) in 1998 with an eye toward introducing logistics to the general public. As of March 31, 2018, the museum has received around 157,000 visitors. The museum boasts an unrivaled collection of unique and valuable materials starting from the Edo period (1603-1868), which include approximately 6,000 historical documents, approximately 200 fine art and craft items, approximately 1,000 documents utilized in actual conveyance, more than 100,000 photographs, and approximately 300 films. The majority of the materials have either been donated by Nippon Express or are on loan.

Inside the building are a permanent display room and a video exhibit room that introduce the history of logistics, a large diorama model of a logistics terminal, and an area where visitors can try out vintage transport implements, and the museum is used by people of every age group. Movie screenings and lectures as well as fine arts packing courses for university students offered by Nippon Express' Fine Arts Business Division are available at various times of the year, and digitalized copies of important logistics-related films from the 1940s to the 1970s have been shown at the museum since May 2017.

In March 2018, Minister of Land, Infrastructure, Transport and Tourism Keiichi Ishii became the first minister to visit this museum.

Nippon Express remains committed to supporting the Museum of Logistics through donations and the provision of exhibits.



Minister of Land, Infrastructure, Transport and Tourism Keiichi Ishii being briefed on an exhibit

Interaction with Local Communities

Baseball classes conducted by Nippon Express Baseball Club

The Nippon Express Baseball Club conducts baseball classes to help young boys and girls develop soundly by teaching them the importance of observing rules through baseball practice. These classes are held annually in Saitama, Saitama Prefecture, the club's hometown, and in December 2017 skills instruction was provided to 102 fifth- and sixth-grade students by the members of the Nippon Express Baseball Club with the help of two distinguished guest instructors from Japan's national baseball team "Samurai Japan": Atsunori Inaba and Yoshinori Tateyama, the team's newly appointed manager and coach, respectively. Paying close attention to the advice offered by Mr. Inaba and the club members who represent the Company in Japan's industrial baseball league, the children practiced batting, fielding, and pitching. Mr. Inaba strongly encouraged the children to "Do your best in both baseball and your studies with the goal of making the Samurai Japan team."

This particular baseball class was made possible because Nippon Express supports Japan's national baseball team "Samurai Japan" as a Diamond Partner Sponsoring. The Nippon Express Baseball Club will continue its community-rooted social contribution efforts by holding baseball classes in its home city of Saitama as well as at camps and more distant locations elsewhere.



Samurai Japan manager Inaba coaching a participant



Samurai Japan coach Tateyama providing instruction

Community Involvement

Participating in local events

The Nippon Express Group participates in and cooperates with local festivals and events, invigorating communities and deepening its interactions with local residents.



Akita Kanto Festival (Akita Branch)
Seventy-three members of the Nippon Express Group from the Akita area participated, some of them appearing as performers demonstrating various techniques with the kanto lantern-bearing poles.



Aomori Nebuta Festival (Aomori Branch)
Nippon Express' nebuta floats are a favorite with Aomori residents, and 2017 saw the 71st consecutive appearance of a Nippon Express nebuta in the procession, the longest record of any participant. A total of 600 Aomori Branch and other Nippon Express Group members danced in the procession.

Educating the Next Generation

Arranging workplace visits and workplace experiences

One social contribution activity that we instituted for the purpose of career education is arranging workplace visits and workplace experiences for junior high and high school students.

Workplace visits focus on introducing students to the nature of the Company's business and allowing them to exchange views with employees. As their "elders," we are prepared to discuss not only the logistics industry but a wide range of topics that will help them grasp the sense of diligence and professionalism needed as a working adult. Workplace experiences offer students venues for fostering a sense of professionalism and provide them with actual experience at a company working at a warehouse, packing removals cargo, etc.

FY2017 programs

Workplace visits:
434 students in total
Workplace experiences:
149 students in total



Observing a trailer being loaded
(Matsue Branch Logistics Center Office)

Events/Concerts

Nippon Express sponsors Saori Yuki and Sachiko Yasuda

This duo of singing sisters decided to inspire today's school children to sing by sharing the beauty of the Japanese songbook. Their passion struck a chord with Nippon Express, leading to our sponsorship starting in 1995.

The duo also works with junior high school students in impromptu jam sessions through which a group "concert" emerges. The venues include school gymnasiums and assembly halls. These interactive concerts, which in Japanese have been dubbed "handmade school concerts," started in 2002. The effort has enjoyed our full support at the 97 schools that have participated to date.



Concert at Gyoda Junior High School (Gyoda, Saitama Prefecture)

Supporting Communities Outside Japan

Working with Aviation Security Seminars

The aviation security regime now in place is a common worldwide approach to preventing terrorism against aircraft, and equivalent measures are required from all countries.

In February 2018 Nippon Express cooperated in the "Aviation Security Seminar" hosted by the Ministry of Land, Infrastructure, Transport and Tourism and the Japan International Cooperation Agency (JICA), and training on the aviation security regime was conducted at the Air Service Freight Business Branch's Narita Airport Logistics Center No. 3 for 17 participants responsible for carrying out aviation security measures in developing countries.

The training comprised classroom learning on the aviation security measures expected of a specified air cargo forwarding company (Regulated Agent, or "RA") in accordance with Japan's aviation security regime; practical experience of aviation security measures ordinarily being implemented at the same facility, including confirming the identity of persons seeking entry to the facility, managing access via ID cards, checking using explosive detection devices and conducting body searches with metal detectors; and tours of the facilities. A dynamic question-and-answer session with the trainees ensured that the training will prove of use in carrying out security measures in their own countries.

TOPICS Hiring hurricane victims as employees

NEX Transport, Inc., is actively involved in various activities that contribute to society, including donations to the US' largest umbrella organization of charities, roadway cleanup efforts, and sponsorship of local festivals.

Hurricane Maria, a major Atlantic hurricane, made landfall in Puerto Rico on September 20, 2017, sending roofs flying, flooding houses, and otherwise causing extensive damage. NEX Transport was at that time considering bringing on more staff to carry out on-site operations at customers' warehouses, and it decided to hire new employees from among those persons who had lost their homes and jobs due to this hurricane and consequently relocated to the US mainland. Recruitment information was immediately disseminated and steps taken to secure housing and clothing for the new employees; as of the end of February 2018, 26 persons had been hired.



Assisting in the transport of pictures for the "Tsuzuki Botswana interchange elementary school students' Painting Exhibition"

Nippon Express' Air Freight Business Branch and Johannesburg Representative Office (Republic of South Africa) collaborated in arranging transport for the "Tsuzuki Botswana interchange elementary school student's Painting Exhibition." This exhibition involves reciprocal displays of paintings made by elementary school students from Tsuzuki Ward in Yokohama and elementary school students from the Republic of Botswana, and has been held since 2014.

The 2017 exhibition was held at Ben Thema Elementary School in Botswana and other locations. Paintings made by children from the Chigasaki Elementary School were transported by air to the Republic of South Africa, and then brought to neighboring Botswana by the Johannesburg Representative Office and a delegate sent from Japan. Once the Botswana exhibitions ended, those paintings as well as paintings made by students at Ben Thema Elementary School were transported to Yokohama and displayed in the Tsuzuki Ward Office and elsewhere. The children from both schools were thus able to interact by painting their messages to each other.



Ben Thema Elementary School

Supporting cultural exchange and social contribution through Nippon Express Foundation

Nippon Express U.S.A. established the Nippon Express Foundation in 1992 to make donations to social and cultural activities across the United States. Donations totaling \$78,320 were made in fiscal 2017 that went to support schools and other facilities.

Protecting the Environment

Carrying out cleanup activities during Environment Month

The UN has designated June 5 of each year to be "World Environment Day," while at the urging of the Ministry of the Environment, the month of June has been declared "Environment Month" in Japan and various events celebrating the environment are held across the country each year.

The Nippon Express Group has participated in cleanup efforts in the vicinities of its offices in seeking to contribute to local communities through environmental conservation activities and to foster greater interest in, and understanding of, environmental conservation among its employees. More than 9,000 employees participated in these efforts in fiscal 2017.



Cleanup activities
(in the vicinity of JR Shimbashi Station)

Forest cultivation activities in "Nittsu Forests"

As part of its environmental and social contribution activities, Nippon Express has established "Nittsu Forests" in three locations across Japan—Iidemachi in Yamagata Prefecture, Nichinancho in Tottori Prefecture, and Izunokuni in Shizuoka Prefecture—where employees and their families have been participating in forest cultivation efforts. There are three concepts underlying these activities—enhancing the multifaceted functions of forests, contributing to local communities, and educating participants on environmental matters—and participating employees and family members have been planting trees and cutting underbrush twice a year with cooperation and guidance from local government offices, local forestry cooperatives, and NPOs. Nearly 2,000 persons have taken part thus far, planting more than 7,000 saplings. We will continue to pro-actively cultivate and conserve forests, which serve as CO₂ sinks, perform multifaceted functions, and play a major role in global environmental conservation.



Forest cultivation efforts in Nichinancho,
Tottori Prefecture



Planting 400 Japanese beech tree saplings
(Iidemachi, Yamagata Prefecture)

Expanding the habitats of Blakiston's fish owls

The Blakiston's fish owl, one of the largest owl species in the world, has decreased sharply in number due to the destruction of its habitats by forest development, and is now designated a protected species and a nationally endangered species by the Japanese government.

As part of its biodiversity conservation activities, Nippon Express has been working since 2014 to expand the habitats of the Blakiston's fish owls on Company-owned forestland in Hokkaido, following the advice of Sumio Yamamoto, a leading researcher on Blakiston's fish owls. Land suitable for the owls was identified following an investigation into the owls' habitat environment, and nest boxes for the owls were put in place in January 2016, since which time studies of these nest boxes have been periodically conducted.



Blakiston's fish owls

Collection of oceanographic data by Himawari 8

Himawari 8, a coastal vessel operated by Nippon Express on routes between Tokyo and Hokkaido, is collecting oceanographic data using onboard oceanographic instruments provided by the non-profit organization VOS Nippon. This oceanographic data constitutes an

important basis for environmental research, and it can be of extensive help in meteorological and hydrographic forecasts, fishing condition forecasts for the fisheries industry, and bioenvironmental research. Given that the oceanographic data can also be used in improving the precision of navigation systems able to select the most efficient routes, lower energy consumption by coastal vessels is expected in future.

Appropriate Transport of Disaster Waste

Nippon Express has been collecting and conveying the waste generated by large-scale disasters such as the 2011 Great East Japan Earthquake and the 2016 Kumamoto Earthquake, and transporting contaminated waste to storage or receiving facilities. By appropriately removing large volumes of waste rapidly, we have supported recovery in disaster-hit areas and minimized environmental impacts.

- We collected and conveyed some of the wooden debris from Kumamoto City (estimated at 456,000 tons) resulting from the Kumamoto Earthquake (which produced an estimated 2.89 million tons in disaster waste across Kumamoto Prefecture as a whole) for wide-area disposal using railway containers (bound for Tokyo; from May 2017).
- We conveyed the four types of discarded electric appliances required by law to be recycled following heavy typhoon rains that drenched Miyako, Okinawa Prefecture, and Iwaizumi, Iwate Prefecture, from temporary storage sites to collection points (September–November 2017).

TOPICS Outside comments on oceanographic data

Comments from NPO VOS Nippon

Himawari 8 has been extremely reliable in measuring oceanographic data even during high-speed voyages exceeding 20 knots, thanks to the understanding of the significance of these observations and active cooperation by the crew of *Himawari 8*, the organizations responsible for allocating and operating vessels, the Port Transport Group, and other Nippon Express employees involved in maintaining and managing the instruments.



Oceanographic instruments installed in *Himawari 8*'s engine room

Oceanographic data is almost always disclosed in real time, making it available for a broad range of uses, including the determination of current fishing conditions in coastal

sea areas. We feel there is extremely high demand for real-time data on Japan's coastal areas collected with high frequency, and we are hoping to develop ways of using this data that can further contribute to society.

Comments from the Japan Agency for Marine-Earth Science and Technology (JAMSTEC)

The oceanographic data obtained by *Himawari 8* is being utilized to verify and improve forecasts in ocean current forecasting models. Ocean current forecasts provide key information utilized in various areas, from research on ocean current variations to ocean transport, fishing, and ocean development. We are extremely grateful to Nippon Express and to VOS Nippon for creating a framework for measuring and disclosing in real-time oceanographic data from Japan's coastal zones that had previously been lacking.

Working with Employees

Human resources are invaluable assets, and we believe that it is important to create environments in which all employees can exert their individuality and fully exercise their own particular talents, as well as to ensure that employees genuinely feel they work in such environments. We are thus striving to develop our human resources, establish safe and comfortable work environments, and create workplaces that offer employees true job satisfaction.

Key Social Issues

- Promoting diversity
- Addressing long working hours

Nippon Express Group Efforts (Selected Examples)

- Supporting both child/nursing care and work
- Properly managing working hours

Key Successes/Achievements

Employees taking childcare leave in FY2017: **134** (11 male, 123 female)
Average days of paid leave taken in FY2017: **6.1** days

Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Strengthen initiatives for creation of an employee-friendly workplace

Deployment and improvement of a workplace environment that promotes safety and wellbeing of employees

"Flat" workplaces characterized by mutual understanding of customary and cultural differences

Since joining the Company in 2015 after attending university in Japan, I have been responsible for coordinating import sales at the Air Freight Business Branch. Those of us hired under the new Employee (Global) program for full-time employees are expected to learn about Nippon Express' business during postings in Japan, and then to be assigned to subsidiaries in our home countries to serve as bridges between them and Japan. After accumulating a good deal of experience and knowledge in Japan, I hope that I can leverage my strengths to play an active role while working back at home in Vietnam.

Although I graduated from a Japanese university, I found myself uncertain about Japanese corporate practices and thinking when I first joined the Company. For example, the *ho-ren-so* (report, contact, consult) concept is very different from the

way things are done in Vietnam, where individuals tend to think and act on their own, and I had difficulties with this at first. However, my superiors and senior colleagues grasped the differences in our customs and cultures and kindly showed me what to do, so I was eventually able to cope with this. Learning has not simply been a one-way street, though, as my co-workers and senior colleagues often ask for my help in matters requiring English or Vietnamese. Ours is a very flat workplace, and I find it a very comfortable place to work because we can mutually express our own thoughts.

I am looking forward to trying out a variety of work in future, accumulating experience and studying other things beyond my home country.



At work, where I learned how to deal with inquiries from customers with a smile on my face.

*See p. 52 for further details about the hiring of foreign students as full-time employees.



The members of Commercial Sales Dept. No. 3, International Cargo Sales Division No. 2, for whom I have great respect.

PHAM THUY CHI

Commercial Sales Dept. No. 3
International Cargo Sales Division No. 2
Air Freight Business Branch

Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Strengthen initiatives for creation of an employee-friendly workplace

Greater support for employees' childcare

Boosting efficiency to create comfortable workplaces that readily allow time off

Young female employees make up more than half of the staff at our workplace, so we foresaw that changes in life stages were likely to occur in the near future. Finding oneself no longer able to work full-time due to sudden illnesses or life-stage changes requiring nursing care is something that can happen to anyone, not just female employees. In light of this, we perceived an inevitable need to make work style reforms and began to pursue these as Challenge Circle activities*1.

Our key proposition was that of having employees undertake work and perform it satisfactorily while enhancing their work-life balance. The aim was not to reduce working hours by cutting workloads, but rather by improving performance. I was impressed at the opinion voiced by the youngest member during this process: "I realized the importance of emphasizing priorities." It may seem a matter of course, but I think this project was successful because we managed to work out ways in which all employees could complete their assigned tasks within normal hours. During the second half of fiscal 2017 our monthly average overtime improved by more than 10% year-on-year, and the number of days of paid leave taken also increased. I feel that we are creating a balanced workplace environment in which we can all share in working and in taking time off.

The efforts that we have made are by no means difficult. Simply changing our seating arrangements, for example, sped up information sharing and improved efficiency so much that all members noticed the effect,

despite the fact that seating arrangements were the only change made. What I realized in implementing all of these measures was the importance of taking on the challenge of new things, no matter how small.

While we in fact have no need for child care support at the moment, I feel confident that, if a workplace has established proper teamwork, it will be able to cope adequately with such needs when they do arise.

* 1 See p. 20 for further details on Challenge Circle activities.



A team meeting.
Efforts were pared down to produce a more effective and specific plan.



Award being presented at the FY2017 Nippon Express Group Nationwide Safety and Health Conference.
We received an award as an example of best practices among Challenge Circle activities.

Human Resource Principles

Nippon Express manages human resources in line with three fundamental principles.

Respect for the individual

Treat each employee as an individual with individual needs and personality and not simply as part of a homogenous workforce.

Merit is awarded

Ensure performance is measured and achievements, once verified, are taken into consideration.

Proper placement

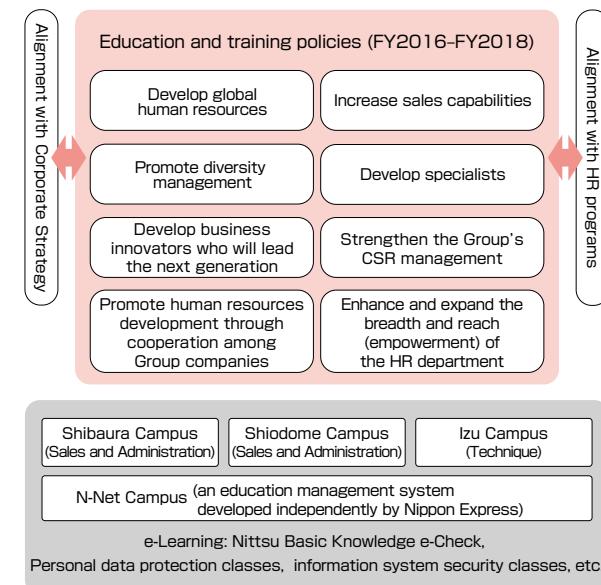
Ensure the appropriate level of skill and competency is matched to the position.

Tapping into the Human Potential

Developing human resources can be named as one of the key corporate strategies for continual growth by the Nippon Express Group. Our current society, where the business environment is changing significantly, makes it essential that we foster "autonomous human resources" who can think and act on their own.

The Nippon Express Group is cultivating personnel who can help achieve the Corporate Strategy by developing human resources in accordance with its 2016 Three-year Education & Training Policy.

Human resources development framework



Nittsu Group University

In April 2014, Nippon Express set up the Nittsu Group University (an internal organization) to train personnel capable of leading the logistics industry. The Nittsu Group University is working to unify the Company's educational programs, review educational content on the basis of each year's Education & Training Policy, and ensure that employees acquire/improve knowledge and skills. In fiscal 2017, 14,806 employees utilized NEX-TEC Shibaura's training facilities.

To foster attitudes and workplace climates that encourage self-learning and self-growth, we are also providing learning venues for employees to educate themselves by enhancing our distance learning programs and offering a "Nittsu Business School" featuring outside instructors.

Marshaling the Nippon Express Group's knowledge and skills will help us as a Group to develop the human resources we need to take on the challenge of creating new value.



NEX-TEC Shibaura (Shibaura Campus) training facility

Overseas business trainee system

Nippon Express first dispatched employees overseas in 1958, and started an overseas business training system in 1964.

In fiscal 2017, we dispatched 51 young employees to overseas subsidiaries around the world for a period of one year, providing them with business training through hands-on work. More than 2,000 trainees have been sent overseas heretofore, and this approach has been of great help in cultivating personnel for Nippon Express, whose aim is to become a global logistics company.



Fiscal 2017 overseas business trainees

Hidetoshi Hirose

Sales Group No. 3
Sales Division No. 2
Overseas Removals Business Branch



TOPICS Holding an inter-industry exchange workshop on SDGs

In December 2017, Nippon Express invited representatives from the UN Development Programme (UNDP) to participate in an inter-industry exchange workshop (FCAJ*) attended by 71 persons (17 from Nippon Express) from more than 40 companies/organizations (including Nippon Express).

The workshop was entitled “Building Sustainable Social Infrastructure with the SDGs*2 as a Starting Point” and, touching on the disasters mentioned in the SDGs, we offered a presentation and group work on disaster logistics using Nippon Express’ response to the April 14, 2016 Kumamoto Earthquake as a case study. People from different industries and jobs put forth ideas from a variety of perspectives, prompting a vigorous exchange of views.

*1 FCAJ: the abbreviation for Future Center Alliance Japan, an organization (a general incorporated association) that seeks out future-oriented ways of resolving social issues through inter-company cooperation. Leading companies across Japan participate in this intellectual platform, and Nippon Express became a member in 2015, since when it has been actively using FCAJ as a venue for interpersonal exchange and learning.

*2 SDGs: the abbreviation for Sustainable Development Goals. These are international goals for the period 2016-2030 listed in the “2030 Agenda for Sustainable Development” adopted at the September 2015 UN Sustainable Development Summit, comprising 17 major goals and 169 specific targets for achieving these goals.



Presentation on disaster logistics



Presentation of fruits of the meeting discussion

TOPICS Developing next-generation human resources capable of business innovation

In line with the FY2017 Education & Training Plan, a “Leader Training Program” was held for employees in their eighth or tenth year with the Company. This Leader Training Program is designed to uncover and cultivate executive candidates able to take the Nippon Express Group into the future.

The curriculum was given a full overhaul in fiscal 2017, the 11th year of implementation. In the first half, students studied “liberal arts” as an educational foundation for thinking about and assessing matters, while the second half focused exclusively on the “MBA method” for learning the essence of global-standard business. For the final recommendation phase, the 20 trainees were divided into four groups to consider the business approaches that the Nippon Express Group should undertake to fulfill its vision for 2030.

The recommendations were submitted to corporate executives in December 2017 in a presentation of results, and the subsequent question-and-answer session saw a very energetic exchange of opinions.

■ Curriculum for Leader Training Program



Mental Health Care

To catch any mental health issues in the workplaces early on and prevent work absences, Nippon Express has been promoting the four types of care listed below in the belief that it is essential to correctly inform employees about mental health care and to seek out appropriate collaboration with medical specialists.

● Self-Care

Six times each year, we send employees an e-mail magazine with information about mental health care. We have also joined with the Nippon Express Worker’s Union and the Nippon Express Health Insurance Association to prepare “Just Between You and Me” notebooks for distribution to all employees to help address any mental health problems among employees, their family members, or their work colleagues at an early stage.

● Management Awareness Training

In addition to tier-specific training for newly-promoted managers, we hold line care training sessions for workplace managers. We are also endeavoring to use group analyses of stress checks and organizational diagnoses in order to improve our workplaces.

● Care from Outside Experts and Institutions

We have set up a “Mind and Body Health Consultation” liaison desk for outside consultations and assigned specialist support staff to enable employees and their family members to easily schedule consultations on physical or mental concerns.

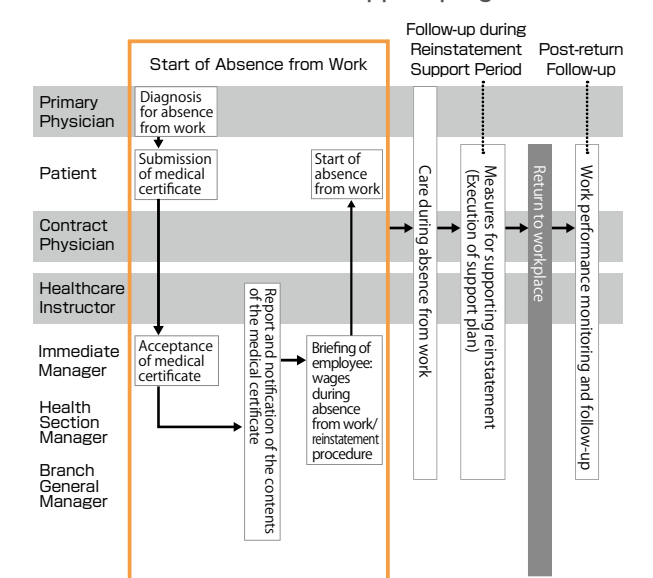
● Care by In-House Health Care Staff

We have posted about 170 qualified public health nurses or nurses nationwide as “Healthcare Instructor” to staff a nationwide mental health consulting system. These Healthcare Instructor undergo specialist training for psychological counselors so that they can improve their interview/counseling skills related to mental health care, and attend courses taught by outside instructors.

Caring for employees with mental health problems—A company-wide program for rehabilitation and return to the workplace

Nippon Express has established a program designed to support employees on leaves of absence due to undergoing treatment for mental health problems. Health care instructors appointed at the branch level, the primary physician, physicians under company contract, and the workplace work as one to facilitate a smooth return to the company post-treatment.

■ Flow of return-to-work support program



Promoting Diversity

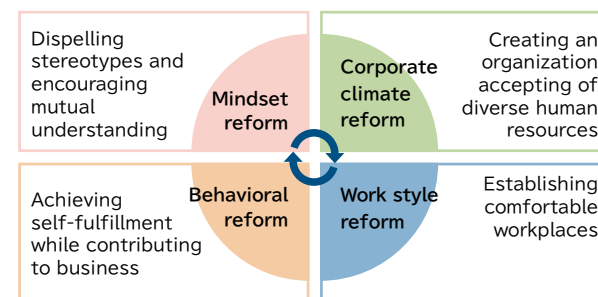
Policies for promoting diversity

In promoting diversity, Nippon Express has disseminated the executive commitment made by the president himself, and has made clear its determination to promulgate the objectives and necessity of diversity throughout the Company. We have also adopted a structure by which the Head Office's Diversity Promotion Group can collaborate with branch-level personnel responsible for promoting diversity in pursuing diversity management.

The Company's goals in supporting diversity are to simultaneously achieve growth as a genuinely global logistics company and self-fulfillment among employees, and to create a company in which all employees find their work rewarding. To keep such efforts on track, we have formulated a Diversity Promotion Master Plan that calls for steadily proceeding through four reform cycles—mindset reform, corporate climate reform, work style reform and behavioral reform—and we are primarily promoting active roles for female employees, stepping up the employment and cultivation of global management personnel, and fostering specialized professionals.

In future, we will be steadily implementing the various measures in this Master Plan and enhancing individual employees' autonomy and ability to act as we strive to be a company with a corporate climate allowing a diversity of personnel to maximize their potential and continue to create new value.

Diversity Promotion Cycle



Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace

1. Plan period

Three years from April 1, 2016 to March 31, 2019

2. Quantitative targets

- Ensure that at least 30% of new graduates hired for management track positions are women
- Increase women's length of service to at least 70% that of men

TOPICS Encouraging greater understanding of diversity

Opening a portal site

We have set up a Diversity Promotion Group portal site on Nippon Express' intranet as a tool for presenting information on diversity promotion and other efforts. This site is regularly updated to keep employees informed about, and interested in, diversity promotion, with a focus on content that introduces employees who embody diversity and workplaces that promote diversity.



Screenshot from portal site

Conducting employee education

We think that promoting diversity can be achieved robustly and quickly by ensuring that employees have access to accurate knowledge and share goals relating to diversity, and by having employees act on these with a sense of ownership.

In January 2017, Nippon Express conducted an e-learning-based "Basic Diversity Training" program for all administrative employees. We plan to implement an e-learning-based "Advanced Diversity Training" program in fiscal 2018 that will cover work style and corporate climate reform, as well as group training (e.g., a course on managing female subordinates) to teach concrete management methods for making the best use of subordinates' individuality at the workplace level.

Supporting employees balancing child/nursing care and work

Nippon Express offers support to employees trying to balance child/nursing care and work to provide them with a range of alternatives and keep them from having to leave work to care for a child or ailing family member.

To enable employees to fulfill their work responsibilities even when they find it difficult to show up for work at the office due to child/nursing care, or other such obligations, we have introduced a new at-home work program that helps individuals continue their careers. In addition to improving our personnel systems to allow employees to take longer childcare leave or work shorter hours, we are encouraging male employees to participate more in childcare and striving to reduce overtime work.

Given that the number of employees facing nursing care responsibilities is expected to increase sharply in future, we are utilizing educational courses and materials to convey accurate information about nursing care and the importance of work-life balance, endeavoring to create a workplace climate with open lines of communication in which employees can talk with each other about the circumstances they face.



Nippon Express has been certified as a "Childcare Supporting Company"

TOPICS Comments from a childcare leave taker

When my second child was born, I took childcare leave to help reduce the burden on my wife as much as possible. Taking leave gave me a keen sense of the difficulty of housework and of my wife's situation, and it made me appreciate my time with my family all the more.

Nobuaki Takahashi
Tama Branch



TOPICS Utilizing satellite offices

Implementing work style reform will require us to adopt work styles that offer changes of pace and improve hourly productivity.

In April 2018, Nippon Express began utilizing satellite offices at branches/offices in the Kanto area to improve productivity by letting employees reduce and make effective use of their commuting time, including cutting back on the time needed to return to the office after outings.

Employment of persons with disabilities

The Nippon Express Group has been expanding the scope of work opportunities available to persons with disabilities throughout its network in Japan. Nittsu Heartful CO., LTD. a special subsidiary company*1 that employs persons with disabilities, is responsible for the production of business cards and other printed matter, and for internal mail services within the Head Office building. The company is also actively engaged in providing business support services by dispatching persons with disabilities to suitable positions at Nippon Express offices in the Tokyo area.

*1 Special subsidiary company: a company whose operators give special consideration to employing persons with disabilities with the aim of providing stable employment for the disabled.

Hiring foreign students as full-time employees

For a Japanese company engaged in global business, it is vital to train future employees who will be capable of acting as a bridge between Japan and the rest of the world.

In parallel with its efforts to train national staff, Nippon Express has been hiring foreign students under a new full-time employee system that offers foreign university students a greater scope of activity in which to utilize their distinctive talents. The foreign students hired are assigned to posts in Japan or in their home countries. We are very much counting on them to augment the business development of our overseas business locations, and we are looking to these students to serve as a driving force in creating new business domains that fuse diverse values.

Organizational Improvements to Eliminate Long Working Hours

Efforts to manage working hours

Nippon Express is using PC operating time and start/finish times on digital driving recorders to manage working hours. Linking up working hours with objective data has made it easier to accurately ascertain and manage working hours, and this information is being used as fundamental data for preventing long working hours across the entire Company.

Efforts to eliminate long working hours

Nippon Express is seeking to keep its employees from working more than a prescribed number of hours through top-down direction from the president to eliminate long working hours. More specifically, a company-wide system has been instituted that calls on workplace managers to pay particular attention to work assignments when overtime hours appear about to exceed the prescribed figure, with branch administrative units working in concert to improve their organizations as a whole.

If employees do end up working more hours than the stipulated figure, this fact will be reported to the Board of Directors and determined efforts made by the top corporate managers to rectify this. Keeping up these efforts will help eliminate long working hours.

Employee Data

		FY2015	FY2016	FY2017
Employees* ¹	Total	32,094	32,008	31,871
	Men	27,742	27,541	27,342
	Women	4,352	4,467	4,529
Employment status* ²	Full-time employees	27,075	27,173	27,530
	Non-full-time employees	5,019	4,835	4,341
Employees hired* ³	New graduates	732	923	1,173
	Men	501	618	779
	Women	231	305	394
	Mid-career hires	7	6	14
	Men	5	5	10
	Women	2	1	4
	Total	739	929	1,187
	Percentage of women	31.5%	32.9%	33.5%
Turnover* ⁴	Within three years of joining the company	37	42	54
Turnover rate* ⁴	Within three years of joining the company	7.0%	6.7%	6.8%
Average age* ³		42.0	42.2	43.1
Average years with the company* ³		17.5	17.6	17.8
		FY2015	FY2016	FY2017
Average days of paid leave taken* ³		4.8 days	5.6 days	6.1 days
Persons taking maternity leave		93	124	122
Persons taking childcare leave	Total	98	127	134
	Men	1	4	11
	Women	97	123	123
Persons taking family care leave		10	0	6
		FY2015	FY2016	FY2017
Persons with disabilities* ⁵	Employment rate of persons with disabilities	2.06%	2.08%	2.12%
	Number of persons with disabilities hired	8,019.5	8,154.5	8,340.5

Notes:

*¹ Employees (Japan), employees (global), employees (local), employees (elderly), and branch employees

*² "Non-full-time employees" are all branch employees.

*³ Only employees (Japan), employees (global) and employees (local)

*⁴ Only employees (Japan) in sales/administrative jobs

*⁵ Figures based on the calculation method in the Levy and Grant System for Employing Persons with Disabilities

Corporate Governance

Recognizing the importance of enhancing/strengthening corporate governance, enforcing compliance, and ensuring transparent management, we will improve our organizational structures for management and implement necessary measures in pursuit of our basic policies of achieving timely management through swift decision-making and establishing a clear-cut chain of responsibility.

Key Social Issues

- Clarifying accountability to shareholders and other stakeholders
- Responding to large-scale disasters

Nippon Express Group Efforts (Selected Examples)

- Setting up an organizational structure comprising a Board of Directors, a Compensation and Nomination Advisory Committee, an Audit & Supervisory Board, and a Board of Officers
- Developing a crisis-management framework

Key Successes/Achievements

Number of Board of Officers meetings in FY2017: **12** (one per month)

Corporate Governance System

Organizational configuration and organizational management

Nippon Express has a Board of Directors and an Audit & Supervisory Board as well as an executive officer system designed for the prompt execution of operations.

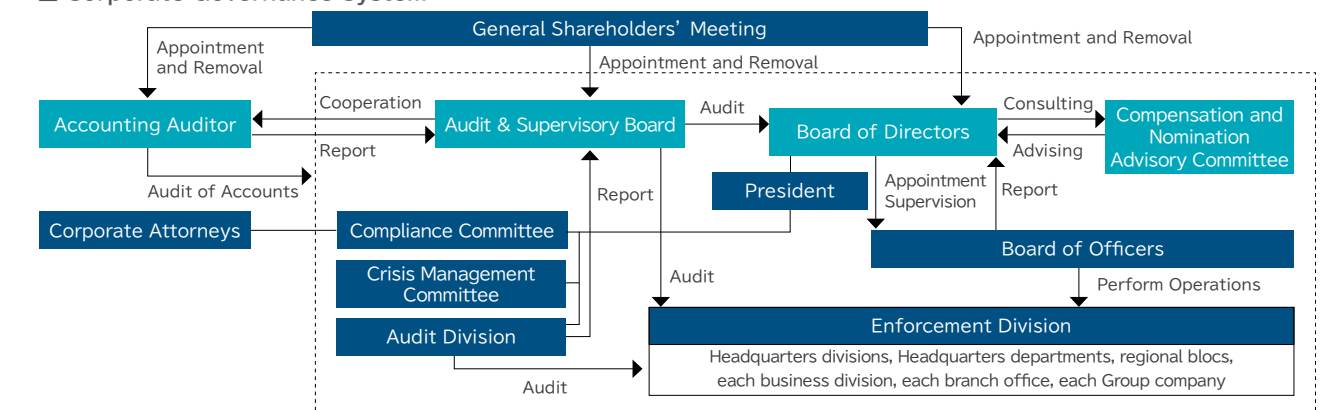
The Board of Directors meets once per month and whenever else necessary, making decisions on key management issues and overseeing the execution of operations. Appointing outside directors lets us incorporate the knowledge of outside experts and reinforce oversight of the performance of duties by the Board of Directors. Directors serve terms of one year, and their management responsibilities for each fiscal year are clearly delineated. To solicit the views of independent outside directors on the compensation and nomination of executives and other important matters, a voluntary, impartial and transparent Compensation and Nomination Advisory Committee has been set up as an advisory organ

to the Board of Directors, with independent outside directors making up a majority of its membership.

The Audit & Supervisory Board meets once every three months and whenever else necessary. The Audit & Supervisory Board operates as an independent organization, and Audit & Supervisory Board members attend Board of Directors meetings and other important meetings, inspect important documents, conduct on-site audits of key offices, and investigate subsidiaries as part of consolidated management. These members oversee the execution of operations by operating departments from an objective standpoint by reporting their findings to the Audit & Supervisory Board and the Board of Directors.

The Board of Officers meets once per month and whenever else necessary, conveying the decisions of the Board of Directors and issuing instructions while at the same time reporting on the status of operations and discussing important matters. Like directors, executive officers serve terms of one year.

■ Corporate Governance System



● Directors: 15 (of whom three are outside directors) ● Audit & Supervisory Board members: 5 (of whom three are outside corporate auditors)

● Executive officers: 30 (of whom 11 also serve as directors) (as of March 31, 2018)

Status of compliance with the Corporate Governance Code

For the sake of effective corporate governance, Nippon Express has decided to implement all 73 principles in the Corporate Governance Code (the code of conduct that stipulates principles to be observed by listed companies). The eleven items therein stipulated as disclosure items are posted in our “Report on Corporate Governance” and submitted to the Tokyo Stock Exchange.

Internal Control System

Nippon Express has constructed an effective control system to make certain that operations are executed properly on the basis of the regulations and organizational structures established for complying with laws and regulations, managing risks, conducting internal audits, and ensuring proper operations at Group companies.

Crisis Management System

Setting up a Crisis Management System

Nippon Express has established four sets of rules based on its Crisis Management Rules: Disaster Management Rules, Overseas Crisis Management Rules, IT System Risk Management Rules, and Pandemic Management Rules. These various rules lay out the measures to be taken in response to the various risks posed by wide-area disasters, outbreaks of new strains of influenza and other infectious diseases, information system risks, emergencies overseas, etc., and we are hoping to strengthen collaboration within the Group on the basis of the Nippon Express Group Disaster Management Rules.

System to ensure business continuity (BCM/BCP)

Nippon Express developed Business Continuity Management (BCM) as well as a Business Continuity Plan (BCP) in order to continue its operations even in an emergency situation such as a major disaster or the spread of a new influenza strain or other infections. We are ensuring our resilience by systematically preparing initial responses and relief activities to implement during an emergency.

The various Head Office divisions and other key business locations throughout Japan have stocked up on emergency supplies (food, drinking water, etc.) as well as medical supplies (masks, gloves, etc.) to combat new strains of influenza and other infectious diseases, and have been equipped with satellite telephones and priority mobile phones for use during disasters if telephone lines are cut. A liaison system for quick contact during emergencies has also been established.

BCM Basic Policy

- 1. Priority of human life and safety**
Whether faced with widespread disaster, new strains of influenza, conflagration, terrorism, system failure or any other risk, the company will place the lives and safety of its employees, as well as their family and related people, above all else.
- 2. Contribution to society**
Even in times of emergency, the company will work to achieve as much of its social mission as is possible. Also, when assistance is requested of us, whether by the national authorities, local authorities or the local community, we will respond to the best of our ability and contribute to the good of society.
- 3. Minimization of effects on customers**
In times of emergency, in times when our business operations are hindered or in cases when the continuity of all of those operations is in jeopardy, the company will continue to operate under the previously established priority operations for sustained continuity, place top priority on recovery and strive to minimize the effects of these issues on the customer.
- 4. Thorough compliance with laws and regulations**
Even in times of emergency, the company will adhere to all relevant laws, regulations and ordinances when conducting business.
- 5. Disaster preparation in times of normal business operations**
In times of normal business operations, the company will build cooperation between the members of the Nippon Express Group to protect against the occurrence of disasters and other accidents by promoting stocks of emergency food rations and hygienic supplies and by carefully conducting necessary training drills while working to secure the resources necessary for business continuity.

Disaster Management System

Based on its disaster management rules, Nippon Express stipulates that, when a disaster subject to reporting occurs in a region in which the company operates, information must be collected by each of the relevant locations and the necessary items reported in the Disaster Management System on its intranet in order to promptly confirm safety of its employees, assess the status of damage to its facilities, etc. and expedite relief efforts.

Safety Confirmation System

Confirming the safety of employees is one of the most important tasks among the initial responses taken during an emergency.

In accordance with its BCM Basic Policy, Nippon Express has adopted a Safety Confirmation System that automatically sends safety confirmation emails to employees, in response to earthquakes of a certain severity or warning issued by the Japan Meteorological Agency, in order to rapidly confirm the safety of employees during a disaster.

Social responsibility as a designated public institution

Nippon Express has been named a “Designated Public Institution” among motor truck transportation business operators in the Disaster Countermeasure Basic Act, the Act Concerning the Measures for Protection of the People in Armed Attack Situations, etc. (better known as the Civil Protection Act), and the Act on Special Measures for Pandemic Influenza and New Infectious Diseases.

The companies of the Nippon Express Group have developed crisis management and other systems so that they are able to continue their business operations and safeguard the lives and safety of employees and their families even during emergencies, and they are fulfilling the social responsibilities of a “Designated Public Institution” by transporting emergency supplies at the request of the national or prefectural governments.

Initiatives for the Protection of Personal Information

Nippon Express considers that ensuring proper management of personal information to protect such information is the basis of its business activities. With that belief, it has set the Policy for the Protection of Personal Data, ensures compliance with laws and regulations concerning the protection of personal information, and established voluntary rules and systems that are appropriate for the Corporate Philosophy and business of Nippon Express.

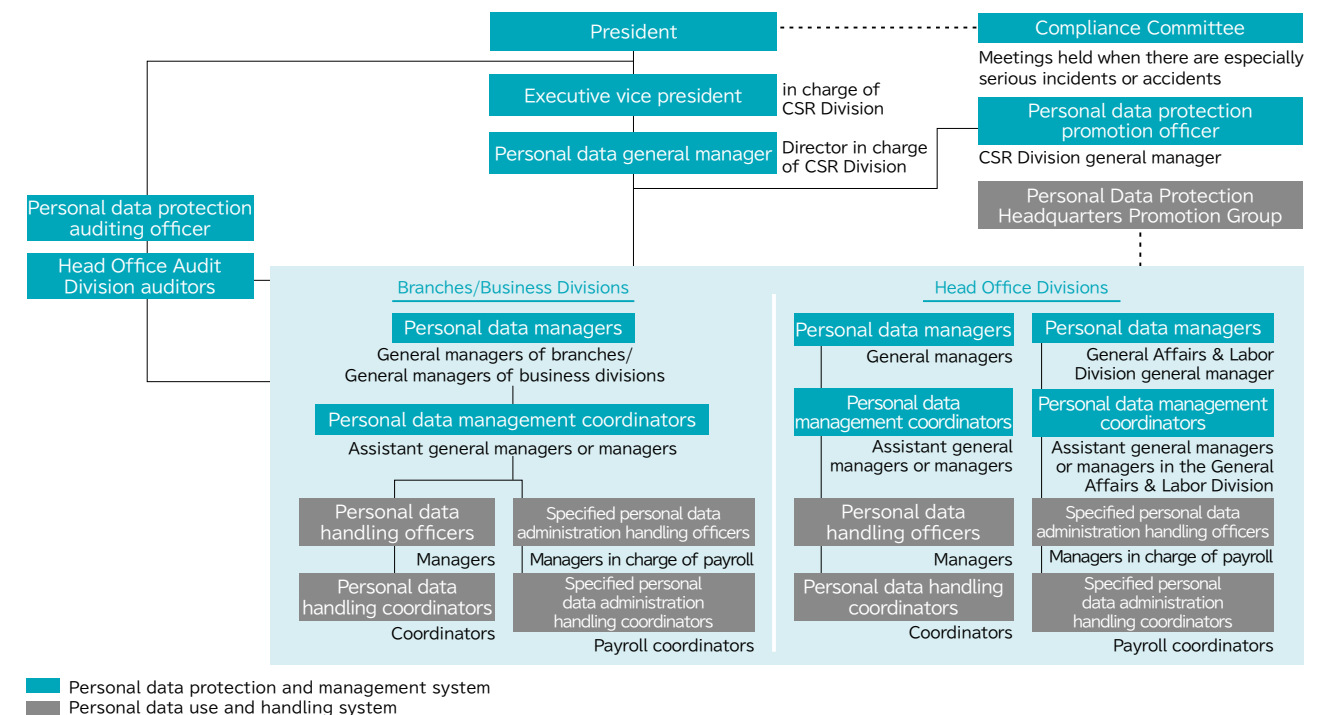
Policy for the Protection of Personal Data (Items)

1. Respect for individuals’ personal data
 2. Establishment of personal data protection system
 3. Implementation of secured management of personal data
 4. Compliance with laws, government guidelines, and other standards pertaining to the protection of personal data
 5. Response to complaints and counselling requests
 6. Continuing improvement of program for compliance with personal data protection policy
- Revised on May 1, 2017 (Formulated on April 1, 2005)

Received Certifications Related to the Protection of Personal Data

- Privacy marks
Nippon Express, Nittsu Shoji, Nippon Express Travel, Careerroad, Nago E-Technology, Nittsu Tokyo Ryutsu Service, Okinawa Nittsu Air Cargo Service, Wanbishi Archives
- ISMS (Information Security Management System) Certification
Nippon Express, Nittsu Shoji, Nippon Express Capital, Nittsu Information Systems, Nittsu Panasonic Logistics, Nittsu NEC Logistics, Wanbishi Archives
(As of March 31, 2018)

■ Organizational Chart for Personal Data Protection and Management/Personal Data Use



Compliance

The Nippon Express Group places great emphasis on compliance management, and has put in place a system centered on the Nippon Express Head Office enabling it to carry out its corporate activities fairly and in good faith.

We comply with all relevant laws and regulations and engaged in fair business practices while conducting business inside and outside Japan.

Key Social Issues	
• Fair business practices, legal/regulatory compliance	
Nippon Express Group Efforts (Selected Examples)	
• Holding meetings to promote compliance management	
• Continually providing compliance education	
Key Successes/Achievements	
Compliance Manager Conferences held in FY2017:	11
Participants in compliance training courses in FY2017:	65,416
Persons receiving compliance awareness questionnaire survey in FY2017:	70,916

Nippon Express Group Corporate Strategy 2018 Pick Up Activities: Reinforce compliance

Commitment to ensuring compliance throughout the Group

Readily comprehensible “Basic Compliance Education”

Wanbishi Archives Co., Ltd., has provided “Basic Compliance Education” to all its employees annually since 2004 to fulfill its responsibilities as a reliable corporate citizen, one principle in its corporate philosophy, and to prove worthy of the great trust of its customers and business partners, and the employees taking part in this training sign pledges to observe compliance. When conducting “Basic Compliance Education,” we strive to prepare easy-to-understand materials offering concrete examples so that our educational program helps each and every employee get a firm grasp of the content of the Compliance Handbook*1.

To strengthen compliance, it is important that all employees recognize the importance of compliance and realize that violations will not only affect themselves but will reverberate throughout the Nippon Express

Group. The increasing popularity of SNS and revisions to laws are changing society day by day, and the compliance thereby required is also changing. We use our annual education program to keep employees up-to-date on the latest knowledge/information pertaining to compliance.

In fiscal 2017 we introduced a new e-learning approach to make it easier for employees to take courses. We did have some difficulties in adjusting the speed to make sure that everyone taking the courses could comfortably hear and understand the content, but these courses have been well-received because of the ease of finding the time to take them.

*1 See p. 58 for further details on the Compliance Handbook.



Materials used in the FY2017 Basic Compliance Education program
We have added many images and illustrations to the text to creatively imprint ideas on the memories of employees taking the course.

Masaaki Maeda/Hisato Nakamura

General & Legal Affairs Office
Human Resources & General Affairs Division
Wanbishi Archives Co., Ltd.

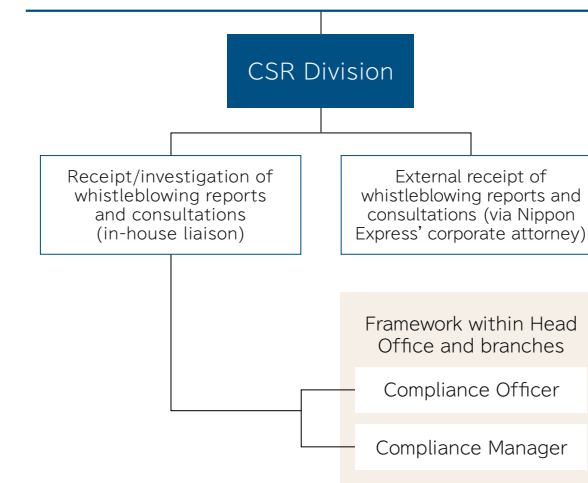
Compliance Management Structure

Nippon Express set up its Compliance Division (now the CSR Division) in 2003 to give greater importance to compliance management, and established its Compliance Regulations in October of that same year. A Compliance Committee headed by the president has been set up in the Head Office, and the “Nittsu Speak-up” whistleblower system and other measures put in place to ensure honest and fair corporate activities.

■ Compliance management system

Compliance Committee

- ① Committee Chair: President
- ② Committee Deputy Chair: Executive Vice President (in charge of CSR Division)
- ③ Committee members: Executive Vice Presidents (other than the Deputy Chair), CSR Division General Manager, etc.
- ④ Advisors: Corporate attorneys, certified public accountants, tax accountants, etc.



Imbuing a Culture of Compliance

Nippon Express distributes Compliance Handbooks to all Group employees. The Compliance Handbook summarizes behavioral guidelines and concrete examples of compliance in an easily comprehensible manner, and it is utilized in employee education as an effective tool to promote compliance management. The content was partially revised in April 2018 to reflect the establishment of a Corporate Message, changes in social norms such as the recognition of a broader range of behaviors constituting harassment, and approaches adopted by the company in response.

In fiscal 2015, we prepared both English- and Chinese-language versions of the Compliance Handbook, distributing more than 18,000 copies overseas, and the April 2018 revised edition is also scheduled for distribution. Continuing education using the Compliance Handbook is also being conducted overseas in ways tailored to the particular circumstances of individual Group companies: translating the Handbook into other languages, reflecting them in employment rules, developing them into e-learning courses, etc.

The CSR Division regularly distributes copies of the “CSR Newsletter” and the “Compliance Calendar.” In addition to providing information on compliance, the CSR Newsletter serves as a tool for improving employees’ knowledge, raising awareness and calling attention to CSR issues. The Compliance Calendar, designed to be displayed in workplaces, presents the best compliance slogans solicited from employees themselves.

Every year a compliance awareness questionnaire survey is conducted to ascertain employee attitudes and determine needed improvements. The fiscal 2017 survey targeted all Nippon Express employees, temporary workers, and 144 Nippon Express Group affiliate companies, and confirmed how far compliance has been assimilated and how much the Nippon Express Group Charter of Conduct is being put into practice.

We will be making further efforts to imbue a compliance mindset through education and workplace OJT in light of the survey results.



“Compliance Fair and Square!” calendar



Version of Compliance Handbook distributed in Japan