May 13, 2025

NIPPON EXPRESS HOLDINGS, INC.

Financial Results for Q1, Fiscal Year Ending December 2025:
Questions and Answers (Summary)

The financial results presentation on May 13 was conducted via online meeting. The following summarizes questions received and explanatory answers.

FY2025 Results and Full-Year Forecast

Q1. What factors contributed to the approximately 1 billion yen outperformance in business profit in Q1 results? Also, could you comment on the status of operating income?

A1. The approximately 1 billion yen outperformance in business profit was primarily driven by Logistics Support. Logistics Japan posted a profit increase of several hundred million yen, while Logistics Overseas recorded a decline. Overall, performance in the Logistics segment is roughly in line with our expectations.

Operating income fell short of initial expectations due to a delay in the planned sale of land, which pushed the transaction back. As a result, the difference between business profit and operating profit widened compared to the initial forecast.

Q2. To what extent did Simon Hegele, which was newly consolidated this fiscal year, impact results?

A2. The figures currently disclosed for Simon Hegele are based on FY2023, prior to the acquisition. Annual revenue was approximately 50 billion yen, with EBIT of around 500 to 600 million yen, reflecting upfront investment costs. Current performance appears broadly in line with these levels. However, we have also seen some positive contributions from ongoing business operations, and we expect a slight increase in profit going forward. Note that we began including Simon Hegele results in consolidated financial results in February.

Q3. The full-year financial results forecast includes downward revision to segment income in Europe and upward revisions in other segments. What are the reasons behind these revisions and how do you view the future outlook?

A3. Going by segment, Logistics Japan performed largely in line with expectations in Q1. Revenue in the Americas declined due to the liquidation of AGS last year, but profit increased due to the absence of liquidation costs and improved profitability. We expect this trend to continue from Q2 onward, with some pressure on revenue but continued improvement in profit.

We continue to face difficult conditions in Europe, particularly in Italy and the Netherlands.

Performance in the Netherlands declined due to a negative rebound from temporary warehouse-related compensation received in the previous year and we have not yet been able to pass on the increase in warehouse rent that took effect earlier this year to customers. In Italy, handling of high fashion products has slowed. Luxury apparel subsidiaries in Shanghai of the former Franco Vago Group, which are included in the Europe Segment, are currently facing difficult business conditions. corrective action and expect to see improvement in the second half. However, we have been taking appropriate measures and expect conditions to improve in the second half.

East Asia remained relatively stable. Impacts from the exclusion from de minimis application were immaterial. The Company has been focusing on consolidating sites to cut costs, given that financial results in the region have been declining since the previous year or the year before. We returned part of a large warehouse in Hong Kong in November 2024, reducing rent significantly and generating monthly savings of just under 100 million yen. As a result of these efforts, we expect further profit improvement in the second half.

Performance in South Asia is also generally stable. However, we plan to work with GBHQ at the holdings level to address sluggish growth in our key markets of Thailand, Malaysia, and the Philippines.

Logistics Support showed strong performance across multiple areas, including NX Trading sales of logistics equipment and packaging for exports. We expect the segment to remain solid throughout the full year.

<u>Impact of Tariff Policies on Financial Results</u>

Q1. What impact do you expect from the exclusion from de minimis application? Is it correct to assume that you handle relatively little cross-border e-commerce cargo? Also, what scenarios do you anticipate if space becomes available on Chinese carrier flights that handle cross-border e-commerce?

A1. NX handles a limited volume of cross-border e-commerce cargo. In contrast, cargo-Partner processes a certain volume, mainly shipments from China to Europe. We expect some negative impact on cargo bound for the Americas, but nothing material. The exclusion from de minimis application in February 2024 caused some disruption due to the sudden change. However, advance notice this time allowed cargo-Partner to prepare and manage space accordingly.

Looking ahead, exclusions from de minimis application and mutual tariff measures could lead to excess capacity and softening of supply-demand conditions in air forwarding. We will continue working to maintain gross profit per unit at an appropriate level, but close monitoring of market conditions remains necessary.

Q2. Have you observed any changes related to tariffs as of April? Also, do you believe the recent agreement on U.S.–China tariff policy has reduced the risk of significant impact on your business?

A2. We have not seen any significant changes related to tariffs through April. Most customers appear to be taking a wait-and-see approach, and supply chains have not shifted abruptly. Pre-tariff hike demand surges have also settled for now. Our presentation today noted that profit could fall by up to 10 billion yen, but we believe the recent temporary U.S.–China tariff reductions should help mitigate risk and ease the impact.

Q3. Do you expect any positive effects from tariff-related developments, including lower procurement costs or temporary demand driven by customers relocating production sites?

A3. Our executive in charge of China reports that U.S.-bound e-commerce cargo has slowed, with numerous suspensions in freighters. Certain foreign-affiliated customers are reportedly requesting freight rate reductions amid softened supply-demand conditions and declining U.S. rates. However, freight rate trends outside the U.S. remain mostly unchanged, and we have not seen any major shifts overall. Profits can temporarily improve when cargo capacity stabilizes and freight rates fall. However, we expect rates to eventually return to an appropriate level, as unit sales prices and purchase unit prices generally move in parallel in air forwarding.

Changes in production locations or supply chains may increase demand for our logistics services, but we have not observed any major changes so far. We will continue to gather and analyze customer information while maintaining close communication with customers to drive proactive response efforts.

<u>Progress on Real Estate Sales and Monetization</u>

Q1. Could you provide an update on the progress of real estate sales and monetization under the business plan?

A1. Regarding the monetization of real estate, we are currently organizing ROIC on a market-value basis for each site. We plan to finalize our property prioritization criteria for discussion at the Board of Executives within the month. We will then coordinate with each branch that currently uses the properties and move forward with implementation. Figures for this year remain under review, but after setting our direction in May, we intend to clarify the target scale and timeline over the following two to three months. Regarding our approach to real estate sales, we do not view these sales as only as a source of gain but also as a way to improve profitability in the Logistics Business. For this reason, we plan to involve executives from Nippon Express's logistics division in joint discussions to align real estate sales with broader profit improvement efforts. Q1 FY2025 land sales totaled 2.6 billion yen based on sale price.

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