IR Day 2024: Questions and Answers (Summary)

Nippon Express Holdings, Inc. held IR Day on September 13, 2024, in both video and live formats. The following summarizes questions received and explanatory answers.

Session 3 IT Strategy: IT Strategy (Enterprise Architecture)
Speaker: Satoshi Horikiri, President and CEO; Hideshi Otsuki, Managing Executive Officer; Takeshi Kunitani, Executive Officer

Q1. From the perspective of data pools and data lakes, what type of data do you collect and have you narrowed down the data targets? It appears that you have collected a large amount of data through your system. How do you plan to convert this data properly into a database? How will you retrieve data quickly for use to achieve KPIs?

A1. We are in the process of growing our data pool, which we call NX Data Station. We are beginning to pool data in response to demand, including historical data. We are also refining and structuring data, and developing a data catalog. However, data management is also an important element of this system, particularly with respect to customer behavior. We plan to integrate this type of data for use throughout the company.

Q2. Page 5 of the presentation shows your ideal vision. Should you link data to the procurement processes as well from the standpoint of NX business flow? We understand that you will need to link to CargoWise and SAP. What is your timeline for seamless integration of these systems?

A2. We are looking to the procurement process as well, while the visualization and optimization of our work force across land, sea, and air modes is underway. The goal of this initiative is to reduce logistics costs and improve efficiency. The link with SAP is most important, so CargoWise implementation is on a five-year timeline looking ahead to 2028. We plan to implement the project in phases by region, aiming for seamless linkage around 2028.

Q3. Do you plan to include IT skills in the skills matrix for outside directors in the future? Do you have any specific thoughts as to bringing in outside advisors who can check on the progress of IT development, an area of significant costs?

A3. The current skills matrix for outside directors does not include a section on IT skills. This being the first year of the institutional change, inviting persons with IT skills as part of our governance structure is an issue we expect to address. On the executive side, we brought in Mr. Kunitani from outside the company as a high-level IT professional. As we hire more on the executive side through these and other efforts, the next issue for consideration will be whether to include IT personnel from a governance perspective.

Q4. It appears that linking the entire platform will tie together procurement and the rest of the value chain, making decisions regarding overall optimization possible for each division. Failure to link data across the entire value chain to identify earnings bottlenecks would make it impossible to decide whether to close a branch or facility just because earnings happened to be below 4%. Building IT to support decisions is necessary for Japan's resilience, and something investors expect. Will you be able to achieve your goals by 2028, the aforementioned five-year time frame? When will the system be ready for use? When will you be able to make informed decisions?

A4. We have more than ten front-end systems across our businesses. Each business has its own system, but we plan to adopt CargoWise for air and ocean transportation. The front-end systems primarily manages sales, accounts receivable, and customer data. However, operational data must be managed in SAP and CargoWise. We want to link data from the front-end systems to operational data, understanding revenue and expenses by customer. However, we will need some time to achieve this goal. Currently, we are in the process of collecting and organizing data on revenues and expenses by major client to create a simplified profit tracker by section.

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