

September 13, 2024  
NIPPON EXPRESS HOLDINGS, INC.

### 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 1: Accelerate Growth in the Global Market

Speakers: Satoshi Horikiri, President and CEO; Tadahiro Furue, Senior Managing Executive Officer; Hideshi Otsuki, Managing Executive Officer; Satoshi Otsuji, Managing Executive Officer

Q1: Have account management initiatives for major global clients led to an increase in competitive bid wins for target clients?

A1. While we don't calculate winning percentages for bids, we conduct a review of each and investigate the causes of victory and defeat. We then provide feedback and instructions to each region based on the results. Competition does exist, including competition from global forwarders, and we do not win every bid. The global competition for customers involves multiple trade lanes, and while we are winning in the lanes where we are strong, we are not winning in the lanes where we are weak.

For forwarding, the market environment, our procurement capabilities, and strategic pricing are all factors that make the difference between winning and losing. At the same time, we take advantage of opportunities in Japan in the Logistics Business where we bring our strengths to bear. In several cases, these opportunities resulted in expansion into other regions. Further, the Logistics Business entails long-term transactions. We hope to strike a good balance between forwarding and logistics volume.

Q2. You indicated that sales is increasing in each of your priority industries. Are you achieving your targets in terms of profitability? Or, since you work on a volume strategy, are you planning to increase profitability over a longer span of time?

A2. We aim to scale first for global clients, so we may have to take low commissions to begin with. Our goal is to first enter the market, increase our visibility, and then increase market share among our customers.

Q3. Semiconductors and India are future growth areas. What strengths of your company do you plan to leverage in these areas? Also, where do you need to add strength?

A3. Forwarding, in particular, is based on volume results in our mother market of Japan. In semiconductors, for example, our strength lies in our ability to accurately transport large-scale, precision, high quality goods, such as manufacturing equipment. Manufacturing equipment is frequently replaced when new factories are built or existing factories are expanded. The transportation of maintenance parts is also a potential development. Therefore, we want to strengthen our relationship with semiconductor and equipment manufacturers. We also want to engage in the next stage after equipment transportation, which is logistics. In India, the government is working to bolster the semiconductor industry as part of overall strategy. With this in mind, we identified India as an area of particular focus. We want to appeal to our knowledge and experience from Japan to the Indian market to raise awareness of our products and work with customers at a high level of quality.

Logistics in India is still in a state where the winners and losers are not yet clear. That includes the mega forwarders from Europe and the U.S. Mega forwarders in Europe and the U.S. operate platform-based businesses. Their platforms are not complete at this time, so it is difficult for them to showcase their strengths yet. At the same time, our strength is in providing end-to-end solutions. We have earned the trust of customers in Japan and elsewhere, regarded highly for our attention to quality. We are receiving inquiries from customers who want us to expand our presence in India. We believe there are many opportunities to grow our business.

Q4. Under the topic of air forwarding, do you have any comments on the impact of cross-border e-commerce from China?

A4. We understand that about 9,000 tons of cross-border e-commerce-related cargo is moving from China every day. We are aware that this cargo is transported mainly by charter aircraft. The competition for space from China continues to impact procurement purchasing. I think the point of discussion will also be the return flights of aircraft departing from China. We are beginning to see some moves to sell at lower prices strategically to take up space. We intend to keep a close eye on trends and respond accordingly. Another point of discussion is the U.S. import system, where there is a movement to lower the maximum amount imported by individuals without paying a duty. Consumers would then have to pay duties for items that did not require taxes in the past. This development would have a negative impact on the volume of e-commerce goods

from China. Nevertheless, with such a large volume of goods in motion, we are taking measures to increase e-commerce volume. First, cargo-partner is seeing e-commerce related cargo moving from China and Hong Kong. In addition, NX established a dedicated e-commerce response team within the GBHQ in August of this year to handle sales, operations, and aircraft chartering arrangements for Chinese e-commerce platformer cargo. This month, we contracted with a client to charter around eight flights per month, and we are making steady progress in e-commerce.

Q5. There are concerns about the potential clash between your customer focus and area focus in the future. What are your thoughts on priorities?

A5. Our priority for GAM and GTA customers is to secure volume, so there could be an argument about profits. For example, certain areas are profitable while certain areas are not. First, we must discuss what kind of presence we want to have for our customers, what are the areas where we can contribute, and where do the business opportunities exist? Then, we reach a consensus under an account plan. The basic idea is to evaluate the less profitable areas based on contribution to the account and other factors. We are reaching the stage to discuss the profits for each customer, each forwarding trade lane, etc., in detail, putting the numbers on the table.

The question is how to achieve overall optimization. Under our previous business plan, the focus was on area over business and customer. Under our new plan, beginning this year, we moved the area focus lower and plan to focus more on customer and business. This is a change to achieve overall optimization. Our approach shows that although an area must operate independently, overall optimization takes precedence. We are moving forward in efforts under this policy. In addition, we are working to understand profits by customer and by business in a manner supported and explained by data. Rather than simply waiting on that process, we are discussing in various forums how to achieve overall optimization. We held a meeting of representatives and executives from each region in April of this year. The meeting included a discussion about the profit situation of particular customers in particular areas, and in some cases, we involved the customer and changed to a format acceptable to all. We are doing this type of activity on a daily basis.

Q6. As you become more data-driven and visualized, will you show the sales growth status of the GAM50, as well as the downward impact on earnings over the short term and other disadvantages? Will you explain to investors from a medium- to long-term time frame your plans and targeting for how long it will take to monetize upfront investments? In that

case, I think we will have a good feel for the strategy to expand business overseas. Do you have any plans to step up the level of information shared in the future?

A6. I want to take time to consider how best to explain our performance and plans. Since this is an important measure, we may need to show our efforts over a period of six months or a year and what kind of results we have achieved. There could be some disadvantages placing negative pressure on earnings at the same time as growth. However, our basic policy is to grow operating income margin to about 5% in our global business as we aim for a 10% ROE. We plan to take corrective measures for any decline in operating income margin, but we do not anticipate any major negative impact on margins, with the exception of the initial stages of M&A.

We categorize sales targets by industry focus under GAM. We are discussing sales targets, including whether targets should be viewed as a percentage of overall group sales, on an industry focus, or as a component of overseas sales.

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