



English Translation

February 14, 2022

To Whom It May Concern

Name of the company	NIPPON EXPRESS HOLDINGS, INC.
Name of Representative	Mitsuru Saito, President and Chief Executive Officer (Code No. 9147 First Section of the Tokyo Stock Exchange)
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### **Notice Concerning Revision of Business Plan**

At a meeting held February 14, 2022, the Nippon Express Holdings, Inc. (“the Company”) board of directors resolved to make a partial revision to Nippon Express Business Plan 2023~“Dynamic Growth”~ (fiscal 2019 to fiscal 2023), published originally on February 22, 2019.

On January 4, 2022, the Nippon Express Group transitioned to a holding company structure, with Nippon Express Holdings, Inc. serving as the holding company. The group also introduced a new brand, changing its name from Nippon Express (Nittsu) Group to NX Group. The group also changed the name of the business plan from Nippon Express Group Business Plan to NX Group Business Plan.

#### 1. Background and direction of business plan revision

##### A. Background

The group is striving to achieve the long-term vision of becoming a logistics company with a strong presence in the global market as it heads toward its 100th anniversary in the year 2037. To this end, the group launched the NX Group Business Plan 2023 ~“Dynamic Growth”~ (launched on April 1, 2019), which consists of initiatives in three areas: growth strategy for core businesses, strategy to enhance domestic businesses in Japan, and efforts to implement the long-term vision. The group is engaged in basic strategies and specific measures related to these initiatives, striving for improved corporate value.

The main reasons for revising the current business plan are as discussed below.

- The Company announced from the start that it would review fiscal 2023 targets after three years.
- COVID-19 continues to have a strong impact on the global economy and cargo trends. The future remains highly uncertain, and the pandemic is expected to have a significant impact on business as originally formulated in certain regions and businesses.
- The Company believes it is necessary to add new and specific initiatives to a strategy that has already made significant progress over the past three years.

## B. Future direction of revisions

The Company believes that it has made progress with the business plan over the past several years, and that there is no need to make changes to the fundamental initiatives and basic strategies therein. However, to accelerate the transformation of the NX Group over the remaining two years of the plan, the Company has decided to clarify priority initiatives under the structure of holding company, as well as revise numerical key performance indicators and KPIs.

In the meantime, the Company will continue to pursue other initiatives to complete the business plan as originally formulated.

## 2. Revision details

### A. Plan period

Original: April 1, 2019 to March 31, 2024

After revision: April 1, 2019 to December 31, 2023

Reason for the revision: As announced in *Notice Concerning Change in Fiscal Year (Fiscal Year End)*, published April 28, 2021, the Company has changed its fiscal year to the 12 months from January 1 to December 31.

### B. Revised plan details (as shown in the attached document)

The main revisions and reasons for said revisions to the performance indicators and KPIs are as follows.

	FY2023 Targets (Initial)	FY2023 Targets (Revised)	Vs Initial Target	FYE December 2021 Results (Reference)
Revenues	¥2,400.0 billion	¥2,400.0 billion	–	¥2,337.1 billion *1
Operating income	¥100.0 billion	¥110.0 billion	+¥10.0 billion	¥97.0 billion *1
Operating income margin	4.2%	4.6%		4.2% *1
Net income	¥63.0 billion	¥72.0 billion	+¥9.0 billion	¥66.1 billion *1
Overseas sales	¥600.0 billion	¥720.0 billion	+¥120.0 billion	¥686.1 billion *1
ROE	10.0%	10.0%		8.9% *2
Forwarding volume	Ocean 1,300,000 TEU/Air 1,400,000 t	Ocean 1,100,000 TEU/Air 1,200,000 t	Ocean (200,000) TEU/Air (200,000) t	Ocean 750,000 TEU/Air 970,000 t *1

\*1: Pro forma basis \*2: Financial results for April to December 2021

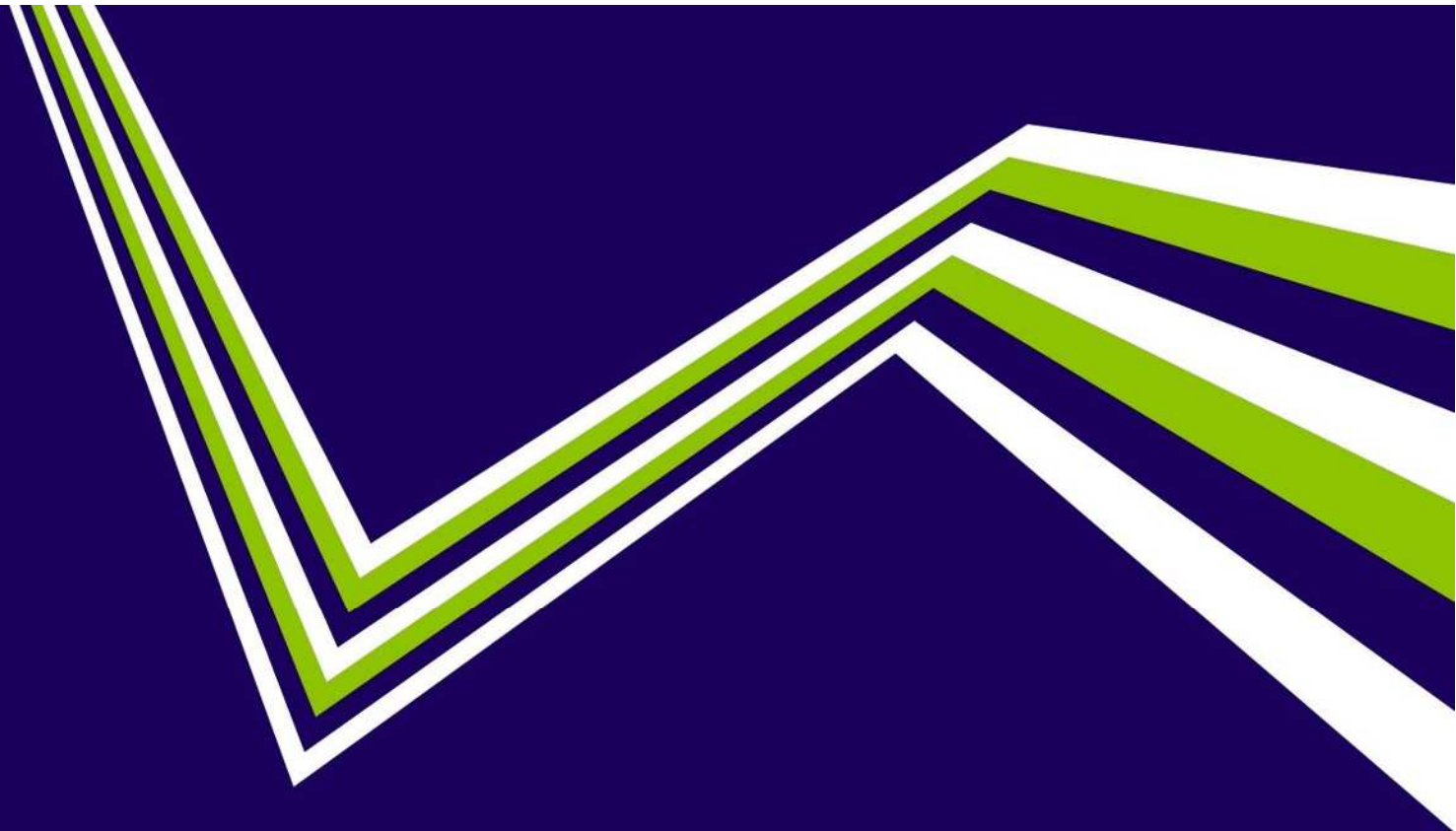
Targets by Segment	Revenues	Operating income	Operating income margin	Revenues	Operating income	Operating income margin	Revenues	Operating income	Revenues *1	Operating income	Operating income margin	
Logistics	Japan	¥1,340.0 billion	¥62.0 billion	4.6%	¥1,373.0 billion	¥65.8 billion	4.8%	+¥33.0 billion	+¥3.8 billion	¥1,338.2 billion	¥54.6 billion	4.1%
	Americas	¥135.0 billion	¥7.2 billion	5.3%	¥121.0 billion	¥7.2 billion	6.0%	¥(14.0) billion	–	¥109.7 billion	¥6.5 billion	5.9%
	Europe	¥160.0 billion	¥6.4 billion	4.0%	¥186.0 billion	¥8.7 billion	4.7%	+¥26.0 billion	+¥2.3 billion	¥165.3 billion	¥7.6 billion	4.6%
	East Asia	¥170.0 billion	¥5.1 billion	3.0%	¥231.0 billion	¥8.9 billion	3.9%	+¥61.0 billion	+¥3.8 billion	¥224.7 billion	¥8.3 billion	3.7%
	South Asia and Oceania	¥135.0 billion	¥6.3 billion	4.7%	¥182.0 billion	¥14.2 billion	7.8%	+¥47.0 billion	+¥7.9 billion	¥186.3 billion	¥16.6 billion	9.0%
Heavy haulage and construction	¥54.0 billion	¥4.5 billion	8.3%	¥53.0 billion	¥6.1 billion	11.5%	¥(1.0) billion	+¥1.6 billion	¥45.3 billion	¥5.9 billion	13.2%	
Security Transportation	¥76.0 billion	¥1.1 billion	1.4%	¥69.0 billion	¥1.1 billion	1.6%	¥(7.0) billion	–	¥68.8 billion	¥(0.1) billion	(0.2)%	
Logistics Support	¥530.0 billion	¥14.4 billion	2.7%	¥382.0 billion	¥12.0 billion	3.1%	¥(148.0) billion	¥(2.4) billion	¥393.4 billion	¥12.9 billion	3.3%	

- Of the established numerical key performance indicators, the KPI for operating income upward from the initial target of ¥100 billion to ¥110 billion. The Company also revised the initial target for net income from ¥63 billion to ¥72 billion. These upward revisions are based on an expected decrease in costs as the Company's pharmaceuticals/medical business and other businesses become more profitable, while investments in various projects, including a shared group accounting infrastructure, are almost

completed and entering a stage in which the benefits will become apparent.

- The Company will also revise its target for overseas revenues upward from the initial target of ¥600 billion to ¥720 billion.
- The KPIs for forwarding volume and other targets will be revised downward in light of the recent turmoil in ocean and international air cargo transportation.
- The Company will numerical key performance indicators by segment to reflect the impact of COVID-19 and other factors affecting each business and region.

End



# Revision of NX Group Business Plan 2023 ~“Dynamic Growth”~

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NIPPON EXPRESS HOLDINGS, INC.

February 14, 2022

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# Business Plan Progress to Date

## KPIs

\*1: Pro forma basis \*2: Financial results for April to December 2021

		FY2018			FYE December 2021 Interim Target			FYE December 2021 Results		
<b>Revenues</b>		¥2,138.5 billion			¥2,250.0 billion			¥2,337.1 billion *1		
<b>Operating income</b>		¥79.5 billion			¥83.0 billion			¥97.0 billion *1		
<b>Operating income margin</b>		3.7%			3.7%			4.2% *1		
<b>Net income</b>		¥49.3 billion			¥54.0 billion			¥66.1 billion *1		
<b>Overseas sales</b>		¥427.9 billion			¥520.0 billion			¥686.1 billion *1		
<b>ROE</b>		9.2%			9.0%			8.9% *2		
<b>Forwarding volume</b>		Ocean 680,000 TEU/Air 900,000 t			Ocean 1,000,000 TEU/Air 1,200,000 t			Ocean 750,000 TEU/Air 970,000 t *1		
Progress by Segment		Revenues	Operating income	Operating income margin	Revenues	Operating income	Operating income margin	Revenues	Operating income	Operating income margin
<b>Logistics</b>	<b>Japan</b>	¥1,256.8 billion	¥55.9 billion	4.4%	¥1,300.0 billion	¥52.0 billion	4.0%	¥1,338.2 billion	¥54.6 billion	4.1%
	<b>Americas</b>	¥98.6 billion	¥4.2 billion	4.3%	¥120.0 billion	¥6.2 billion	5.2%	¥109.7 billion	¥6.5 billion	5.9%
	<b>Europe</b>	¥114.8 billion	¥2.2 billion	1.9%	¥135.0 billion	¥4.6 billion	3.4%	¥165.3 billion	¥7.6 billion	4.6%
	<b>East Asia</b>	¥122.7 billion	¥3.0 billion	2.4%	¥150.0 billion	¥4.1 billion	2.7%	¥224.7 billion	¥8.3 billion	3.7%
	<b>South Asia &amp; Oceania</b>	¥91.8 billion	¥3.7 billion	4.0%	¥115.0 billion	¥5.1 billion	4.4%	¥186.3 billion	¥16.6 billion	9.0%
<b>Heavy haulage &amp; construction</b>		¥47.7 billion	¥4.5 billion	9.4%	¥50.0 billion	¥4.0 billion	8.0%	¥45.3 billion	¥5.9 billion	13.2%
<b>Security Transportation</b>		¥72.6 billion	¥1.2 billion	1.7%	¥75.0 billion	¥0.3 billion	0.4%	¥68.8 billion	¥(0.1) billion	(0.2%)
<b>Logistics Support</b>		¥483.9 billion	¥12.7 billion	2.6%	¥505.0 billion	¥12.7 billion	2.5%	¥393.4 billion	¥12.9 billion	3.3%

# Business Plan Progress to Date

## Major Initiatives Implemented Between FY2019 and FYE Dec 2021

### NX Group Business Plan 2023 Overview

#### Growth Strategy for Core Businesses

##### Customer-Oriented Approach

- Expanded business with non-Japanese customers through account management, GAM/GTA initiatives, etc.
- Expanded volume in key industries (particularly in mobility and semiconductors)
- Endeavored in the pharmaceuticals/medical business (developed pharmaceutical centers, acquired MDL in the U.S., and obtained GDP certification in various parts of the world)

##### Business-Oriented Approach

- Established a global purchasing system by establishing the Global NVOCC Center (GNC)
- Growth in forwarding volume (70,000 TEU ocean freight and 70,000 tons air freight increase compared to March 2019, before the COVID-19 pandemic)

##### Area-Oriented Approach

- Steady growth in Overseas Business

#### Strategy to Enhance Domestic Businesses in Japan

##### Improve the Profitability of Specialized Businesses

- Consideration of spinning off the security transportation business (spin-off scheduled for January 2023)
- Real estate development business growth

##### Improved Business and Administrative Productivity

- Consolidated branches and streamlined of administrative organizations (March 2018: 54 specified branches ⇒ Jan. 2021: 31 specified branches)
- Expanded accounting SSC operations; initiatives for payroll SSC operations

##### Dramatic Reform of Low-Profit Businesses

- Transferred Seikan ferry business · Transferred driving school business · Liquidated travel business

#### Efforts to Implement Our Long-Term Vision

##### Inorganic Growth Strategy

- Strengthened pharmaceutical logistics business through the acquisition of MDL (U.S.)
- Nittsu Shoji (currently NX Shoji) shifted leasing business to off-balance sheet
- Established mechanism to liquidize logistics real estate

##### ESG Management for Sustainable Growth and Corporate Value Enhancement

- Work-style reforms (telework, easing of dress code, paperless operations, no assigned seating, organizational culture reform (call co-workers by name rather than by title), etc.)
- Employee system reform · Equal pay for equal labor across the group
- Group management structure · Stronger group governance (transition to holding company structure, integrated risk management structure)

##### Reinforcing Functions to Support Challenges

- Adopted Microsoft Office365 to reform communications (allows for telework, operations continuity during the COVID-19 pandemic)
- Secured human resources through professional recruitment (mid-career hiring)
- Introduced Group brand and launched new brand strategy initiatives

## Steady Results Over the Past Three Years

# Direction Forward for Business Plan Review

No major changes will be made to the plan; we will continue to work toward achieving our long-term vision.



# Key Performance Indicators (KPIs)

		FY2023 Targets (Initial)			FY2023 Targets (Revised)		
Revenues		¥2,400.0 billion			¥2,400.0 billion		
Operating income		¥100.0 billion			¥110.0 billion [+¥10.0 billion]		
Operating income margin		4.2%			4.6% [+0.4%]		
Net income		¥63.0 billion			¥72.0 billion [+¥9.0 billion]		
Overseas sales		¥600.0 billion			¥720.0 billion [+¥120.0 billion]		
ROE		10.0%			10.0%		
Forwarding volume		Ocean 1,300,000 TEU/Air 1,400,000 t			Ocean 1,100,000 TEU/Air 1,200,000 t		
Targets by Segment		Revenues	Operating income	Operating income margin	Revenues	Operating income	Operating income margin
Logistics	Japan	¥1,340.0 billion	¥62.0 billion	4.6%	¥1,373.0 billion	¥65.8 billion	4.8%
	Americas	¥135.0 billion	¥7.2 billion	5.3%	¥121.0 billion	¥7.2 billion	6.0%
	Europe	¥160.0 billion	¥6.4 billion	4.0%	¥186.0 billion	¥8.7 billion	4.7%
	East Asia	¥170.0 billion	¥5.1 billion	3.0%	¥231.0 billion	¥8.9 billion	3.9%
	South Asia & Oceania	¥135.0 billion	¥6.3 billion	4.7%	¥182.0 billion	¥14.2 billion	7.8%
Heavy haulage & construction		¥54.0 billion	¥4.5 billion	8.3%	¥53.0 billion	¥6.1 billion	11.5%
Security Transportation		¥76.0 billion	¥1.1 billion	1.4%	¥69.0 billion	¥1.1 billion	1.6%
Logistics Support		¥530.0 billion	¥14.4 billion	2.7%	¥382.0 billion	¥12.0 billion	3.1%

# Growth Strategy for Core Businesses

## KPI

### Customer-Focused Approach (KPIs)

Growth Strategy of Core Businesses	Indicator	FYE December 2021 Results		FY2023 Target		FY2023 Targets (Revised)	
		Japan	Overseas	Japan	Overseas	Japan	Overseas
Electric and Electronics Industry	Revenues	¥112.3 billion	¥186.5 billion	¥120.0 billion	¥130.0 billion	→ (No change)	¥174.0 billion [+¥44.0 billion]
Automotive Industry	Revenues	¥85.4 billion	¥108.1 billion	¥110.0 billion	¥110.0 billion	→ (No change)	¥120.0 billion [+¥10.0 billion]
Apparel Industry	Revenues	¥15.5 billion	¥78.7 billion	¥24.5 billion	¥80.0 billion	¥20.0 billion [-¥4.5 billion]	→ (No change)
Pharmaceutical/Medical Industry	Revenues	¥15.9 billion	¥24.1 billion	¥36.0 billion	¥40.0 billion	¥30.0 billion [-¥6.0 billion]	→ (No change)
Semiconductor-Related Industry	Revenues	¥28.5 billion	¥16.7 billion	¥45.5 billion	¥15.0 billion	→ (No change)	¥20.0 billion [+¥5.0 billion]
Expand non-Japanese customers (GAM/GTA)	Revenues		¥74.1 billion		¥43.0 billion		¥86.9 billion [+¥43.9 billion]

### Business-Oriented Approach (KPIs)

			USD 673 million		USD 391 million (¥110/USD)		USD 790 million (¥110/USD)
Ocean forwarding business	Volume (TEU)		750,000 TEU		1,300,000 TEU		1,100,000 TEU [-200,000 TEU]
Expand air forwarding business	Volume (t)		970,000 t		1,400,000 t		1,200,000 t [-200,000 t]

# Strategy to Enhance Domestic Businesses in Japan

## Business Plan Post-Revision



### Priority measures

#### Improving profitability of specified business segment

- Heavy Haulage & Construction business
- Security Transportation business
- Fin Art business
- Removal and Relocation
- Real estate development

#### Improving productivity of sales and business process

- Further reorganization of Japanese domestic organizations to avoid marginalization
- Streamlining of administrative organizations
- Reform business process

#### Drastic reforms to low-profitable businesses

- Improving profitability of main businesses
- Revising service price
- Restructuring business portfolios

Strengthen Businesses by Spinning off the Security Transportation Business

Spin off business to shift from traditional cash transportation business to a cash logistics business.

### Restructure Business Portfolios

Conduct further business portfolio restructuring after transition to a holding company structure

- ✓ Reorganize overlapping group businesses (logistics finance and real estate businesses)
- ✓ Pursue an optimal business portfolio for the NX Group

Etc.

Thorough dedication to improving profitability in order to solidify group management foundations

■ We will also pursue and strengthen other strategies and measures without changing the plan

### KPIs

	Indicator	FYE Dec 2021 Interim Targets	FYE Dec 2021 Results	FY2023 Targets (Initial)	FY2023 Targets
Further reorganization of organizations/streamlining of administrative departments	Cost Reduction Effect	¥3.0 billion	¥3.37 billion	¥4.5 billion	In line with plan
Business Process Reform	Cost Reduction Effect	¥3.0 billion	¥2.96 billion	¥5.0 billion	In line with plan
Rate Revision	Profit Improvement Effect	¥3.0 billion	¥4.78 billion	¥5.0 billion	In line with plan
Improve Nippon Express Profitability	Cost Reduction Effect	¥2.0 billion	(Not calculated)	¥2.5 billion	Deleted from the list of KPIs*1

\*1: In the beginning, we listed improvement figures for specific business areas. Today, we strive to improve the profitability of our businesses as a whole. Therefore, we decided to remove this indicator from KPIs in consideration of appropriateness.

# Efforts to Implement Our Long-Term Vision

## Reinforce Functions to Support Challenges

### IT Strategy Innovation

- Improve value provided to customers
- Achieve productivity improvements and work-style reform
- Develop infrastructure for group-wide optimization

### R&D Innovation

- Strengthen the coordination of R&D functions within the group
- Streamline operations (automation and mechanization) and achieve labor savings
- Create new businesses through digitalization

### Human Resources Strategy Innovation

- Develop executives capable of global management
- Secure and develop professionals

### Public Relations Strategy Innovation

- Branding strategy to establish competitive advantage in the world
- Raise awareness of quality, competence, and achievements
- Improve name recognition overseas

### Business Plan Post-Revision

#### Innovation Through Digital Transformation (DX)

##### Business Transformation and Innovation Through DX

- Increase efficiencies and management sophistication by digitizing routine operations
- Strengthen the strategic nature of and coordinate R&D functions within the group
- Leverage DX to provide innovative value and create new business domains

#### Public Relations Strategy Innovations

##### Develop a Branding Strategy Leverage the NX Group brand

- Formulate an NX Brand awareness strategy to establish competitive advantage in the world
- Link quality, products, and services; DX, and ESG management with marketing efforts
- Establish a global public relations system and strategies for cutting-edge media and overseas media

#### (Additional) Engage in Open Innovation Through Co-Creation With Outside Entities

##### Strengthen Businesses and Explore New Business Areas Through Co-Creation With Outside Entities

- Pursue co-creation with partner entities
- Co-create with start-up companies through investment in VC funds

■ We will also pursue and strengthen other strategies and measures without changing the plan

# Efforts to Implement Our Long-Term Vision

## ESG Management for Sustainable Growth and Corporate Value Enhancement

**Commit to Reduce CO<sub>2</sub> Emissions as a Logistics Company**

**E Environment**

- Switch to LED lighting for facilities
- Switch to environmentally friendly vehicles

**Contribute Through Our Businesses**

- Pursue modal shift and joint deliveries
- Resource recycling sales initiatives

**Become a Company that Makes Employees Happy**

**S Social**

- Pursue diversity
- Work-style innovation

**Contribute Through Our Businesses**

- Designated public institution for disasters
- Contribute to local communities through employment and solutions to social issues

**Initiatives That Support Sustainable Corporate Value Growth**

**G Governance**

- Ensuring safety, compliance, and quality
- Shift to a holding company structure with an eye toward an evolution in global governance
- Capital policy (ROE 10%)
- Information disclosure

## Business Plan Post-Revision

**E Environment**

**KPI Revisions**  
(Upward revision of CO<sub>2</sub> emissions reduction target)

**S Social**

Additional:

- Improve employee engagement

**Additional KPIs and Numerical Revisions**  
(Added rate of male employees taking childcare leave)

**G Governance**

Additional:

- Strengthening global group governance through our holding company
- Strengthen risk management and crisis management

Additional: ESG Management Overall: Respond to Climate Change

### KPI

E Environment	Indicator	Initial Target (FY2023)	FY2023 Target (Revised)
Reduce CO <sub>2</sub> Emissions (Nippon Express Non-Consolidated)	Vs. 2013	10% reduction equivalent (440,069 tons in emissions)	30% reduction equivalent (350,000 tons in emissions)
S Social	Indicator	Initial Target (FY2023)	FY2023 Target (Revised)
Pursue Diversity	Annual paid vacation usage	Double vs. FY2017 (50%)	Usage rate 50% ⇒ Revised to 60%
	Rate of male employees taking childcare leave	*New KPI	Usage rate 40%

# Efforts to Implement Our Long-Term Vision

## ESG Management for Sustainable Growth and Corporate Value Enhancement

### Additional Measures for New Topics to be Addressed

#### **G** Governance **Strengthening Global Group Governance Through Our Holding Company**

**Transition to a holding company structure to pursue and strengthen strategies for management resource procurement, appropriate management resource allocation, business portfolio strategy, and risk management**

- Evolve global control functions (area control functions and global business control functions)
- Strengthen risk management and crisis management
- Strengthen business portfolio strategy and establish business portfolio management system
- Restructure group businesses
- Continue to improve corporate governance
- Strengthen group financial governance (through the use of ROIC)

# Efforts to Implement Our Long-Term Vision

## ESG Management for Sustainable Growth and Corporate Value Enhancement

### KPIs

#### Business Plan Post-Revision

#### **G** Capital Policies

	5-Year Cumulative through 2023 (Initial)	5-Year Cumulative through 2023 (Revised)
Operating CF	¥520.0 billion	¥520.0 billion
Investing CF	¥(360.0) billion	¥(180.0) billion
Free CF	¥160.0 billion	¥340.0 billion
Financing CF	¥(140.0) billion	¥(320.0) billion
Dividend	Dividend payout ratio: Over 30% Total return ratio: Over 50%	Per initial plan
Acquiring treasury shares		
Investment Area	Plan (5-Year Cumulative) (Initial)	Plan (5-Year Cumulative Total)
Equipment	¥360.0 billion	Per initial plan
IT	¥40.0 billion	Per initial plan
Vehicles	¥50.0 billion	Per initial plan
Group Total	¥450.0 billion	Per initial plan

Note, however, that the Company may engage in additional investments or reclassify investments according to future changes in the business environment.



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