

NIKON

Nikkon Advances from Nippon to Global Stage
and on Toward the Future

 **NIKON Holdings Co., Ltd.**

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<https://www.nikon-hd.co.jp/en/>

 **NIKON Holdings Group**

Basic Philosophy

Leading the way in creating

joy that we can share,
value that we can identify with, and
an environment in which we can live together,

we will contribute to the prosperity of our customers, shareholders, employees, and society through business logistics based on a global perspective.

Code of Conduct

NIKKON Holdings Co., Ltd. and its subsidiaries adhere to the NIKKON Holdings Group Basic Philosophy and follow sound business practices to fulfill our corporate responsibilities to customers, shareholders, and local communities, contributing to the development of society. To this end, the Company and its subsidiaries have established the following NIKKON Holdings Group Code of Conduct, which all employees collectively uphold.

- 1 We place the highest priority on safety and aim for zero accidents and zero occupational injuries.
- 2 We comply with laws and regulations, social rules, and internal rules, and conduct business activities with the aim of being a company trusted by society.
- 3 We proactively address environmental issues and aim to be a company that is friendly to the global environment.
- 4 We actively disclose information about the Company to shareholders, customers, and local communities in an impartial manner.
- 5 We strive to properly manage and protect personal information and customer data.
- 6 We strive to contribute to society by providing services that benefit society.
- 7 We engage in fair, transparent, and free competition, and aim to be a company that employees and their families can be proud of.
- 8 We stand firm against antisocial forces and groups that threaten social order and safety.
- 9 Should a situation arise that violates the spirit of this Code, we will take swift and strict action to resolve the problem and prevent its recurrence.

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Cautionary note regarding forward-looking statements

This report contains forecasts and forward-looking statements regarding NIKKON Holdings Co., Ltd.'s future plans, strategies, and performance. These statements are based on the information available at the time this report was prepared. They involve many risks and uncertainties, including those related to economic conditions, exchange rates, tax and other regulatory systems. For this reason, actual results may differ from our forecasts.

Companies covered by this report

NIKKON Holdings Co., Ltd. and its 72 subsidiaries
4 affiliated companies
Total: 76 companies

Period of this report

FY2023 (April 1, 2023-March 31, 2024).
However, some information from outside of the above period is included in the report.

Referenced guidelines

The International Integrated Reporting Council's (IIRC, now part of IFRS Foundation) "International Integrated Reporting Framework"
The Japan Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation

Tool map

Financial information		Non-financial information	
Website: https://www.nikkon-hd.co.jp/en/			
Integrated Report (in Japanese and English)			
		Business Report	
		Corporate Governance Report	
Summaries of Consolidated Financial Results		Annual Securities Report	
		Financial Results Meeting Materials	

Editorial policy

The NIKKON Group has compiled this report to provide various internal and external stakeholders with an understanding of the value creation process through which we contribute to national and local communities in which we operate. The report summarizes key points about our trajectory of growth from our establishment to the present, what sets us apart from other companies, and our growth strategy for the future. In addition to this report, more detailed information is also available on our website.

Cover page design

The use of the Group's logo and corporate color as design elements conveys our strong message that, united as a group, we will connect society toward the new era to come and further increase the value of our existence, while the overlapping lines express a sense of speed.



Our Value Creation Journey

The NIKKON Group is a pioneer in integrated logistics that can provide one-stop services for all logistics-related needs. Centered on the four core businesses of packaging, transportation, warehousing, and testing, we have expanded our business, from automotive maintenance to import/export customs clearance, real estate, insurance agency, and consulting services, and progressed together with the development of the Japanese economy while building a solid customer base. We will continue to respond to the needs of customers and society and deliver high-quality, stable logistics services.

External Environment

1950

1950s –
From post-war reconstruction to mass production and mass consumption
Development of logistics infrastructure nationwide

1960

1960s –
Infrastructure development progressed on the occasion of the Tokyo Olympics
Transportation volume expanded in response to high economic growth

1980

1980s –
Collapse of the bubble economy and shift to production of multiple types of products in small quantities
Small-lot deliveries increased and logistics became more diversified

2000

2000s –
The e-commerce market expanded and transportation demand increased
Awareness of environmental conservation and measures against climate change spread

2020

2020s –
Market environment has changed significantly since the COVID-19 pandemic
Further business growth by promoting digital transformation (DX) in logistics

History of the NIKKON Group Growing while providing services that satisfy our customers' needs Committed to both business feasibility and environmental friendliness

Founding period

Starting point for social contribution through valuable logistics

In 1953, NIPPON KONPO UNPAN CO., LTD. was founded for the purpose of engaging in land parcel forwarding, freight forwarding, and rail freight forwarding, and we began freight transportation with bicycle-drawn carts and three-wheelers. In 1959, we established an integrated system for transportation, storage, and packaging.



Development period

Toward a high-quality and stable logistics service system

In 1968, the company name was changed to NIPPON KONPO UNYU SOKO CO., LTD. In 1970, the Company was listed on the Second Section of the Tokyo Stock Exchange. We developed high-quality and stable logistics services by opening business offices and establishing subsidiaries.



Expansion period

Expanding our network of bases overseas and freight handled

Since the establishment of a US subsidiary in 1987, we have promoted our overseas business and built a global network that extends to nine countries. We have expanded freight handled, mainly for automotive parts and completed vehicles, to include housing equipment, agricultural machinery, and general consumer goods.



Growth period

Realizing a prosperous future through logistics that meets expectations

Responding to changes of the times, we provide high value-added logistics that contribute to safety and environmental conservation. By capturing the needs of customers and society to meet their expectations, we are realizing a more prosperous future through growth strategies from a long-term perspective.



222,324
million yen
15,507

Consolidated net sales

■ NIPPON KONPO UNYU SOKO CO., LTD.
■ Other Group companies
👤 Number of employees

*The number of employees for the fiscal year ended March 31, 2024 is the total number of employees of NIPPON KONPO UNYU SOKO CO., LTD. and other Group companies.

1953/8
Founding and establishment of NIPPON KONPO UNPAN CO., LTD.
Founder: Tsuneo Kuroiwa

20
million yen
48

1957
Introduction of double-decker vehicles (Mammoth); launch of special vehicle development

1968/10
Company name changed to NIPPON KONPO UNYU SOKO CO., LTD.

18,302
million yen
1,310

1987/12
Establishment of US subsidiary

49,916
million yen
2,228

1994/3
Establishment of Chinese subsidiary
1994/11
Establishment of Thai subsidiary

2000/2
Establishment of Philippine subsidiary

2002/7
Establishment of Indonesian subsidiary

2006/3
Establishment of Vietnamese subsidiary

2011/1
Establishment of Mexican subsidiary
Establishment of Indian subsidiary

2015/11
Establishment of Malaysian subsidiary

2015/10
Transition to holdings company structure, and the company name changed to NIKKON Holdings Co., Ltd.

1954 1960 1970 1980 1990 2000 2010 2020 2024 (year ended March 31)

(billion yen)
220.0
200.0
150.0
100.0
50.0
0

At a glance

Net sales/CAGR

Net sales **222.3** billion yen
CAGR **3.4** % (last 5 years)

Sales increased 4.8% from the previous fiscal year due to factors such as a recovery in business volume in the automotive industry and acquisition of new customers. In the most recent five years, sales have continued to increase from the previous fiscal year, excluding FY2020, which was affected by the COVID-19 pandemic.

Overseas sales ratio

Approx. **15** %

Net sales in the North America segment increased 21.5% year on year due to the strong U.S. economy. Going forward, we will aim to increase the overseas sales ratio to approximately 30%, by focusing on the United States and India where growth is expected.

Operating profit/Operating profit ratio

Operating profit **21.2** billion yen
Operating profit ratio **9.6** %

Operating profit increased 8.5% year on year due to the effect of increased sales, improved operational efficiency, and cost reduction efforts, despite pressure on profit from higher fuel prices and outsourcing costs. We have maintained one of the highest operating profit ratios in the industry.

Percentage of operating profit by business segment

Transportation **26** % Warehousing **39** %
Packaging **16** % Testing **16** %
Other **3** %

Profit increased in transportation, packaging, and testing businesses. In particular, the testing business achieved a profit growth of 49.8% year on year. We have maintained a well-balanced earnings structure by providing one-stop services.

ROE

ROE **7.0** %
Target **8.0** %

ROE was almost the same level as the previous fiscal year (7.1%). As part of its capital strategy to increase corporate value, setting a target ROE of 8.0% which is higher than capital cost (7-8%), we will work to further improve capital efficiency.

Growth Investments

23.0 billion yen per year

In the 13th Medium-Term Business Plan, we plan to make capital investments of approx. 23.0 billion yen annually. In the first year of the plan, we invested 3.1 billion yen in business vehicles, 13.2 billion yen in land and buildings, and 6.8 billion yen in others.

Since its founding in 1953, the NIKKON Group has broadened the scope of value to offer, responding to changes of the times. In order to respond to a wide variety of needs, we have developed warehousing facilities and special vehicles equipped with advanced functions, and have challenged the sophistication of distribution processing and logistics networks. Looking ahead to the next era, we will create new solutions and contribute to the creation of a sustainable and affluent society.

Number of Domestic and Overseas Business Locations

Japan **47** companies **291** business locations
Overseas **9** countries **29** companies

As a result of making MP CO., LTD. and KOGA KANKYO SERVICE CO., LTD. subsidiaries, the number of business locations increased by two companies and three sales offices in Japan. The number of overseas business locations is unchanged from the previous fiscal year.

Number of vehicles owned

Business vehicles **4,633**
(including 791 tractors)
Car carrier trailers **700**
Full trailers (Double trailer trucks) **222** sets

A total of 284 vehicles were purchased, including additional new vehicles and replacements for old ones. We have one of the largest fleets of car carrier trailers in the industry. We are also striving to reduce CO₂ emissions by introducing environmentally friendly vehicles.

Group-owned warehouses

2,644,605 m²
Equivalent to 57 Tokyo Dome baseball stadiums
(Japan) Group-owned warehouses account for **70** % or more of the total owned area

Warehousing facilities are composed of in-house facilities that are optimal for handling cargo. As a result of establishment of two new warehouses in Japan and one overseas, as well as acquisition of two subsidiaries, the total area of the Group-owned warehouses continued to increase from the previous fiscal year.

CO₂ emissions (Consolidated)

FY2023/3 **180,048** t-CO₂
FY2024/3 **177,732** t-CO₂
Medium-Term Business Plan Final Target
FY2026/3 **173,340** t-CO₂

We have set our target to reduce CO₂ emissions in FY2025 by 3.7% compared to the FY2022 level. Toward achieving this target, we will promote modal shift as well as introduction of environmentally friendly vehicles and solar power generation systems.

Number of employees (consolidated)

[FY2024/3] **15,507**
(Japan: 11,526; Overseas: 3,981)
Percentage of women in management positions **8.5** %
(Japan: 2.0%; Overseas: 21.8%)

Targets by FY2026/3

Percentage of female employees **26.5** %
Percentage of women in management positions **13.2** %

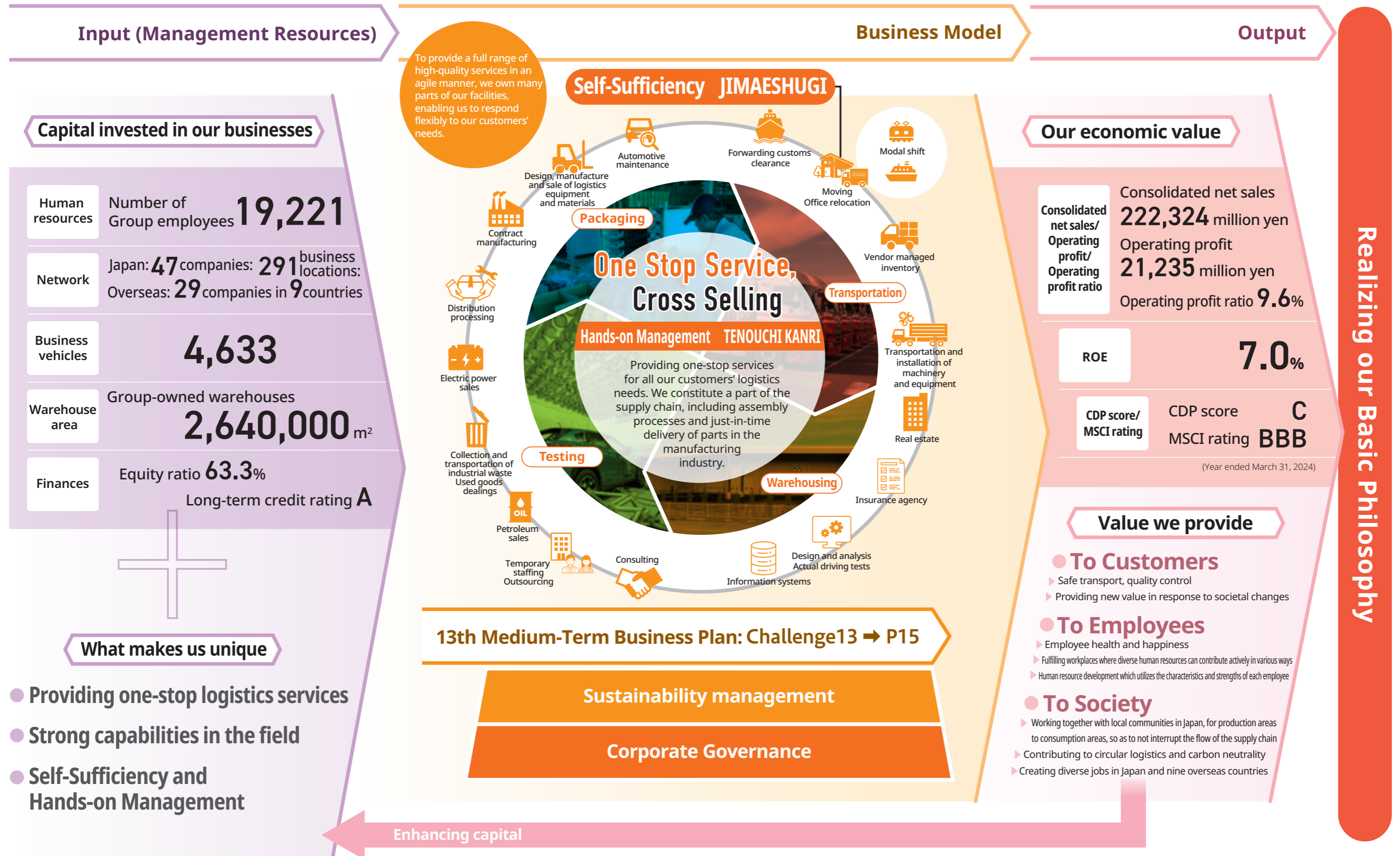
Number of directly hired drivers (consolidated)

Male **3,394**
Female **106**

The Group secures a large number of drivers in the form of direct employment in an effort to maintain and stabilize transportation capacity. Moving forward, we will focus on creating an attractive work environment to increase the employment of female crew members.

Value Creation Process

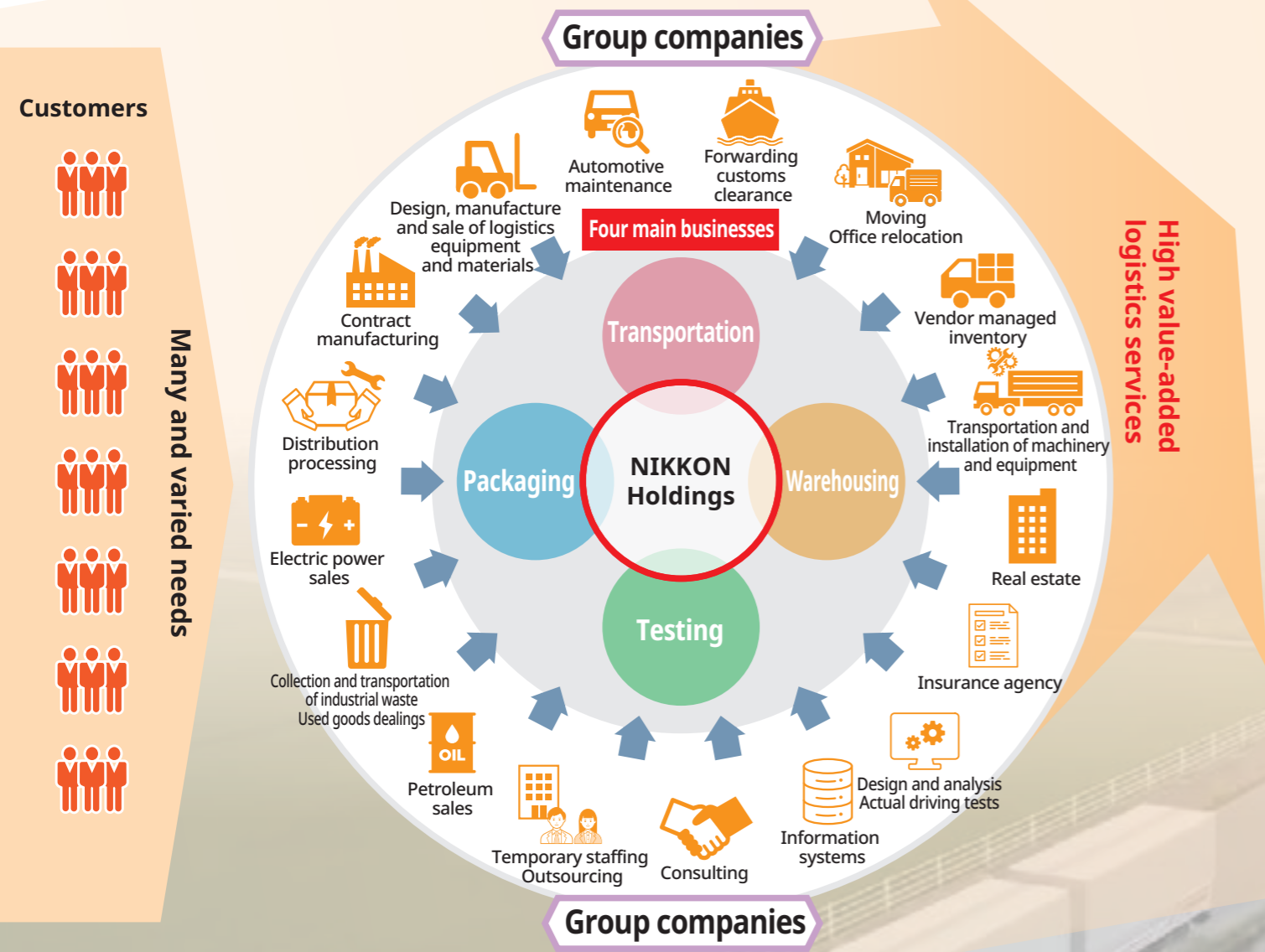
What sets the NIKKON Group apart from other companies is self-sufficiency, JIMAESHUGI, and hands-on management, TENOUCHI KANRI, rooted in our customer-first approach. Each Group company owns the resources necessary for each function of packaging, transportation, and warehousing, which enables the provision of agile and flexible services. In this way, we realize the provision of one-stop facility management services to meet a wide variety of customer needs as a Group. We will lead the logistics business of tomorrow as a true supply chain partner that supports the development of our customers.



Business Model

Self-Sufficiency Hands-on Management

We co-create high value-added logistics services with the power to create and connect



Self-Sufficiency

The Group has adopted a policy of “self-sufficiency,” in which about 70% of its warehousing assets in Japan and about 50% of the drivers and sales vehicles it operates are Group-owned. This allows the flexible control of facility operations and operation schedules according to customers’ needs, 24 hours a day, 365 days a year. In particular, in the event of natural disasters and other problems, we have been able to recover quickly by operating our Group-owned facilities at full capacity without time constraints.

Another advantage of having Group-owned facilities is the ability to customize our warehouses and vehicles flexibly according to the cargo and goods being handled. In this way, we are working to improve the quality of our services by updating facilities according to the circumstances. This includes installing warehouse cranes, changing to automated warehouses, retrofitting air-conditioning equipment, and developing special-purpose vehicles for specific cargo.

We are working toward the company-wide reduction of costs associated with warehousing facilities and vehicles by appropriately allocating the timing of new capital investments and depreciation. As a result, in the medium to long term, we will be able to operate our Group-owned facilities at a lower cost than the use of leases.

Hands-on Management

Through “hands-on management,” in which we manage the functions of our Group-owned facilities ourselves by identifying various changes on the ground and responding to them meticulously, we provide services that are tailored to customer needs. In the event of a problem, we investigate the cause in detail and take prompt and appropriate measures in a responsible manner. At the same time, we also accumulate expertise to prevent similar problems from happening again. Through this “hands-on management,” we will foster a corporate culture of self-reliance, self-motivation, and ingenuity and help to improve service quality, thereby further increasing customer satisfaction.

Cross-selling along the service axis

By leveraging the benefits of using Group-owned facilities and our strength in providing one-stop packaging, transportation, warehousing, customs and overseas services, we will deploy cross-selling strategies that involve expanding the range of services offered to each customer, such as providing distribution processing services to warehouse customers and storage functions to transportation customers.

Cross-selling along the Group company axis

We will strengthen collaboration among operating companies by sharing sales information and promote sales activities across Group company boundaries and the provision of services on a reciprocal basis. We will make efforts to optimize and maximize Group synergies and to expand opportunities.

Cross-selling along the regional axis

Through collaboration in our network of business locations in Japan and overseas and the provision of seamless services, we will cover areas with sales activity blank spots and implement cross-selling between regions. We will promote the development of new customers in growth industries.

Message from the President



Together with the Group and our employees, we will contribute to society through the company and aim to be a company that has value in its existence.

Masakatsu Kuroiwa

President and Representative Director

Q Could you tell us about the social mission and long-term vision of the NIKKON Group and about your recognition of the underlying social issues?

We will anticipate changes in the world and address solutions to environmental issues and labor shortages

There is no need to think in terms of “for the sake of the company.” The company is simply the means, not the objective. I want the NIKKON Group to be the means by which you contribute to society. This is what I tell employees whenever I have the opportunity. I say that I want them to first start with what they can do for the sake of the local communities closest to them. We have also incorporated this aim of solving society’s issues through business in our Long-term Vision (2030 Vision).

Over the past several years, the logistics industry has been pressed to respond to a variety of social issues, including CO₂ emissions and other environmental issues, and labor shortages resulting from the “2024 problem” of truck drivers’ overtime hours being capped by law in 2024. On the other hand, the declining birth-rate, aging population and labor shortages have been issues for a long time, and I understand that, no matter what era we are in, companies have been urged to take action in anticipation of social change and to make changes themselves.

Since it was founded as a packaging and transportation business, NIPPON KONPO UNPAN CO., LTD., in 1953, the NIKKON Group has conducted its business by creating logistics that offer value of its own accord. In 2015, we transitioned to a holding company structure. Since then, through a network of 80 Group companies, and with the packaging and transportation businesses as our foundation, we have expanded our operations from warehousing and auto parts testing to automotive maintenance, customs clearance, real estate, and insurance agency operations. We now conduct business globally in nine countries.

The 70-plus years of our history since our foundation have been a time of continuous challenge in response to unrelenting change. If we look at our original business of transportation, we began hauling freight by bicycle-drawn carts, then in three-wheelers, and later heavy-duty trucks. In 1957, we became the first company in Japan to introduce double-decker vehicles, which were loaded with motorcycles on two floors. This is an example of how we have developed special vehicles tailored to the characteristics and logistics of the freight. In 2018, in response to the issues of environmental considerations and driver shortages, in a first for the logistics industry, we introduced 21-meter double trailer trucks (21-meter full trailer trucks), which significantly improve transportation efficiency and reduce environmental impact. This is typical of the way in which we have grown with a frontier spirit.

On the other hand, in the years ahead, due to the declining birthrate, both the number of workers and the

number of people buying goods will decrease. Risks of supply chain disruptions, such as geopolitical risks and natural disasters, will also increase. As such, how do we change and build the structure of our business? It is crucial that we constantly think about this and correct our course accordingly.

As a means of resolving such issues, one of the Group’s strengths is its policy of “self-sufficiency” and “hands-on management.”

“Self-sufficiency” refers to each Group company owning the resources and peripheral functions that it needs for the business that it conducts. That is simply the means; the objective is the realization of “hands-on management” of providing integrated services that are tailored to all manner of logistics needs of our customers. With the realization of proactive and flexible service provision, even in the event of sudden changes in the business environment, we will be able to make a swift recovery. In addition, that practice of hands-on management with self-sufficiency across all our services is precisely what enables us to accumulate expertise. This gives us a head start in engaging in various reforms, such as being able to make an immediate start on improving wasteful lines of flow, for example.

Of course, the form of that “self-sufficiency” will change with the changes in logistics (fluctuation of logistics volumes) and the times. For example, the “2024 problem” is exacerbating the problems of longer construction periods and higher costs in the construction industry. This will have an impact on the construction of warehouses and other facilities. In response to such changes in the business environment, we review our facility plans and business plans at each juncture.

Q Along with the progress of the 13th Medium-Term Business Plan, what areas did you address in your business activities in FY2023?

Thorough efficiency improvements in the domestic business and acceleration of the overseas business with M&As

In the 13th Medium-Term Business Plan, which began in FY2023, we set out four policies, namely “streamlining and review of existing businesses,” “establishment of growth drivers,” “enhancement of corporate value through ESG-oriented management,” and “establishment of human resource foundations.” As priority themes for our next core businesses that will be our growth drivers, we have selected “environment (circulation),” “food, clothing, and shelter (three-temperature-zone control),” and “overseas (United States/India).”

In the future, in a country with a declining population and shrinking markets, we will thoroughly identify waste and improve efficiency in costs and processes in our existing businesses in Japan to improve profitability. At the same time, I believe that our mission to ensure the survival of the company is to accelerate our overseas expansion and contribute to corporate logistics by bringing new vitality to the global movement of

TOP MESSAGE

goods. In our overseas business in particular, we have declared our aim to be a company that can compete on the global stage in our long-term vision toward 2030 and set a target of achieving an overseas sales ratio of 30% by FY2030.

As one initiative that we undertook in FY2023, in the area of “streamlining and review of existing businesses,” we leveraged our logistics expertise to launch CIRRUS, a system developed in-house that expands our cloud-based warehouse management system, also developed in-house, to include three new modules of distribution processing, packaging, and procurement. This system centralizes data that had previously been managed in separate systems in a cloud environment, enabling inventory management and other in-depth services to be understood in real-time on a tablet or other device. The additional functions have turned this system into a product that shippers outside the Group can also use, and we expect that the promotion of “visualization” in this manner will lead to further improvements in efficiency.

Other initiatives include the expansion and use of WMS at our locations all over Japan and cost-cutting measures such as the use of logistics robots and DX.

One measure implemented for the “establishment of growth drivers” was the execution of M&As in Japan and overseas. Overseas, where we are focusing these efforts, we made Supreme Auto Transport, LLC., a car carrier transport business based in Colorado, U.S.A., a consolidated subsidiary in May 2024. We operate a similar business in Japan, so we will pursue synergies with existing customers to expand the car carrier business globally. Going forward, positioning the United States, which is predicted to achieve solid economic growth with its growing population and the world’s largest GDP, and India, which has high growth potential, as our priority regions, we will promote collaboration with companies with which we can expect synergies as part of our growth strategy of “buying time.”

In the priority area of the circulation business, in December 2023, we acquired KOGA KANKYO SERVICE CO., LTD., a business that collects and transports industrial and general waste. We have positioned this company as one that will play an important role in our aspirations to expand the circulation business in the future. In the area of food, clothing, and shelter, in anticipation of climate change, we plan to promote investment in facilities capable of three-temperature-zone control. In addition to the food sector, this will include facilities for chemicals, precision instruments, and batteries, which require temperature control. We will also allocate resources and concentrate our efforts on the testing business, where we expect to see further growth in demand for EV development support for automakers.

Q Could you tell us about your guidelines, initiatives, and outcomes regarding ESG in the Medium-Term Business Plan?

We will work to reduce CO2 reductions with “unmoving logistics,” which eliminates unnecessary movement

For the reduction of CO2 emissions, we are accelerating our initiatives toward our target of a 30% reduction by FY2030. This includes the introduction of environment-friendly vehicles that I mentioned earlier and the installation of solar panels. In Japan, we are working toward a 2030 start for the introduction of EV vehicles into our heavy-duty truck fleet, but there are still many issues to resolve. They include the development of infrastructure, load capacities, and the passing on of the costs of their introduction to our prices.

However, the need to change to an environmentally responsive style of logistics is established policy, and even if we are unable to drastically reduce CO2 emissions all at once, it is important that we pursue initiatives to ensure that we at least do not increase our emissions further and that we are reducing them toward our target. We are pursuing a range of measures, including installing solar panels on the roofs of warehouses and trucks, eco-driving, eliminating unnecessary travel with flexible operational management, and transporting large loads through consolidated freight on full trailers and modal shift. This includes demonstration testing.

Our goal is “unmoving logistics.” In other words, how do we operate logistics services that have eliminated unnecessary movement through visualization? The fact that we are able to embark on these kinds of initiatives flexibly and swiftly is due to our resolute pursuit of “self-sufficiency.” While each individual effect may be small, by having all 80 Group companies engage in these efforts, we will fulfill our social responsibility as a logistics company.

Q Could you tell us about the HR Management Department, which is under your direct control, and about the human capital management initiatives that you are pursuing?

We will offer many diverse opportunities for motivated people to contribute actively

We are in a period of transformation from existing logistics to new forms of logistics, which makes the development of human resources who will lead more advanced logistics in the future an urgent challenge. In our core operations that cannot be outsourced, how do we get our “own” human resources to make an active contribution? We have adopted a policy of “self-sufficiency” in our human resources development as well.

To encourage our people to actively engage in self-development, in addition to a range of education and



training programs, our Overseas Trainee Program, and the NIKKON Business School, which aims to develop the next generation of management executives, we are also promoting a range of measures at the individual Group companies.

Of course, as with M&As, bringing outstanding, front-line-ready talent into the company from outside is also effective. While identifying the aptitudes and wishes of each individual, we will develop them in-house, and if there is something that they want to do, we will provide them with places for them to learn and participate actively. The capacity to offer many diverse opportunities to all employees, so that anybody who wants to work hard can contribute actively, regardless of their gender, is another of the distinctive features that comes from conducting so many different businesses in the Group.

In addition, to promote women’s participation and advancement, we have set a numerical target of 26.5% for the percentage of all employees who are women by 2025. Even the logistics industry, which has long had a strong image of a male-oriented society, is seeing more women working as forklift operators and in other positions who are more careful and have better skills. My view is that, as long as a person has a consciousness of wanting to contribute to society, it does not really matter what gender or age or nationality they are, and I am not concerned about percentages. We have many foreign nationals and seniors participating actively at the company.

I am personally involved in promotion interviews, final recruitment interviews, and the like, and I actively try to create opportunities for dialogue. On those occasions, I always ask the interviewees if they have any questions. The times have changed greatly, and with the company also being pressed to transform, I want our employees

to have an awareness of the issues and a sense of curiosity. I view being asked questions as a valuable opportunity to reflect objectively on myself and on the state of the company.

Q Could you conclude with a message for stakeholders?

We will aim to enhance corporate value by cherishing the “substance” behind the numbers

Although our operating profit ratio is one of the highest in the industry, it is not a matter of gratuitously chasing high profits. Rather, profits follow from the contributions that we are making to society. In my view, it is the responsibility of top management, who lead our business activities, to strike a balance between the two. For the enhancement of corporate value as well, instead of only achieving quantitative figures, it is the qualitative “substance,” such as consideration of the environment and employees’ work styles, that are important. I would love it if our stakeholders would look carefully to determine whether the NIKKON Group is truly contributing to society and whether our existence has value for society, and to give us their opinions.

To that end, I look forward to opportunities to actively engage in dialogue with our many stakeholders, including our shareholders and investors. I hope that our stakeholders will hold high expectations of NIKKON Holdings in the future and extend their guidance and support.

13th Medium-Term Business Plan

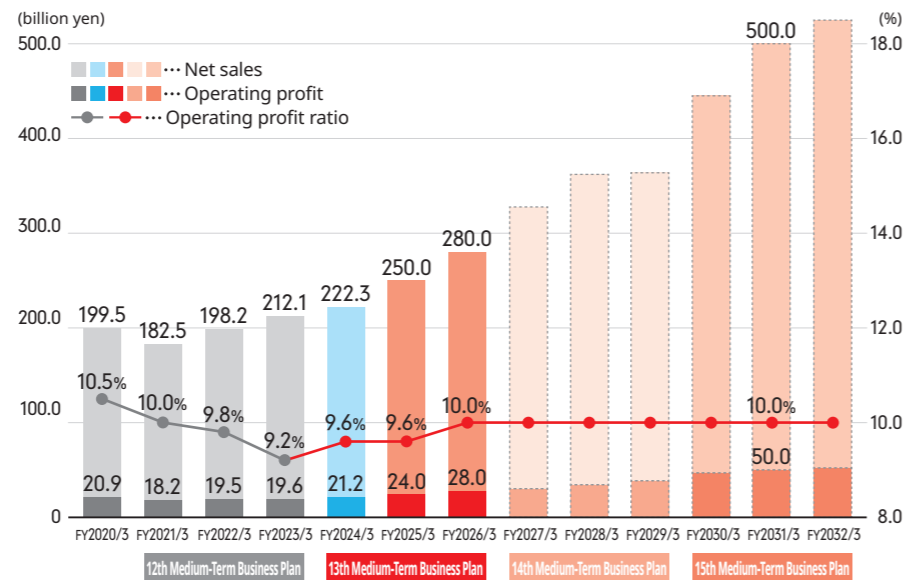
In the first year of the Medium-term Business Plan, both sales and profits increased due to factors such as a recovery in business volume in the automobile industry. Although sales, at 222.3 billion yen, fell short of the sales target of 230.0 billion yen due to the postponement of an initially planned M&A, ordinary profit and net profit exceeded 100% of the plan due to factors such as foreign exchange gains resulting from the depreciation of the yen. With regard to the target of 250.0 billion yen for the fiscal year ending March 31, 2025, the path toward achieving that target is coming into view to a certain extent, as the sales and profits of the acquired companies will be included in the consolidated financial statements, and the operation rates of new warehouses will increase.

In the circulation business, which is a core part of these measures, we will accelerate initiatives in the circulation business, including the development of the industrial waste intermediate treatment business and the collection and transportation of lithium-ion batteries in cooperation with the Japan Auto Recycling Partnership (JARP+). In terms of three-temperature-zone control, we will expand the handling of goods that require temperature control beyond food to goods such as chemicals, precision machinery, and battery storage. In the overseas business, we will continue to make aggressive investments in regions where growth is expected, while also working to quickly demonstrate synergies with the American car carrier trailer business that we have acquired.

Long-term Vision (2030 Vision)

- Becoming a Company Needed by Society - Aim to be a company that can compete on the global stage.

- Solve the issues society faces through our business activities
- Provide new value to people and society through our traditional enterprising spirit
- Place the company on a sustainable growth trajectory through a stable earnings structure
- Share the joy of social contribution and create a rewarding and ethical workplace

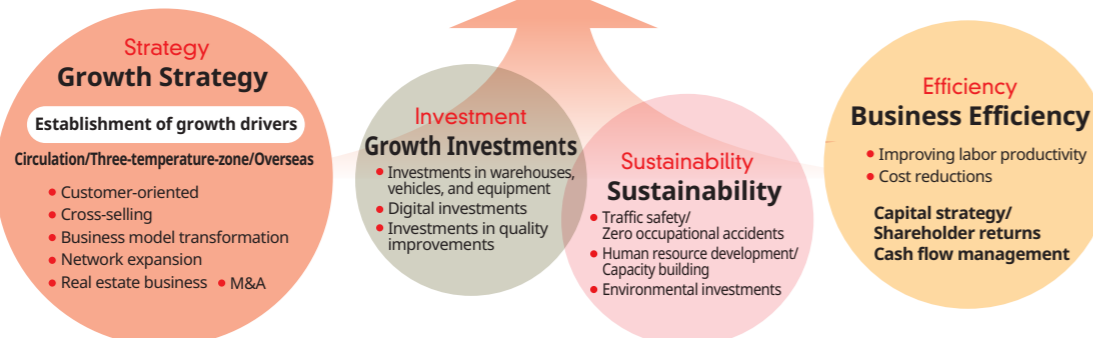


Framework of the 13th Medium-Term Business Plan

Challenge 13

“Contribute through our business activities to the realization and sustainable growth of a prosperous society that enables people to feel truly happy”

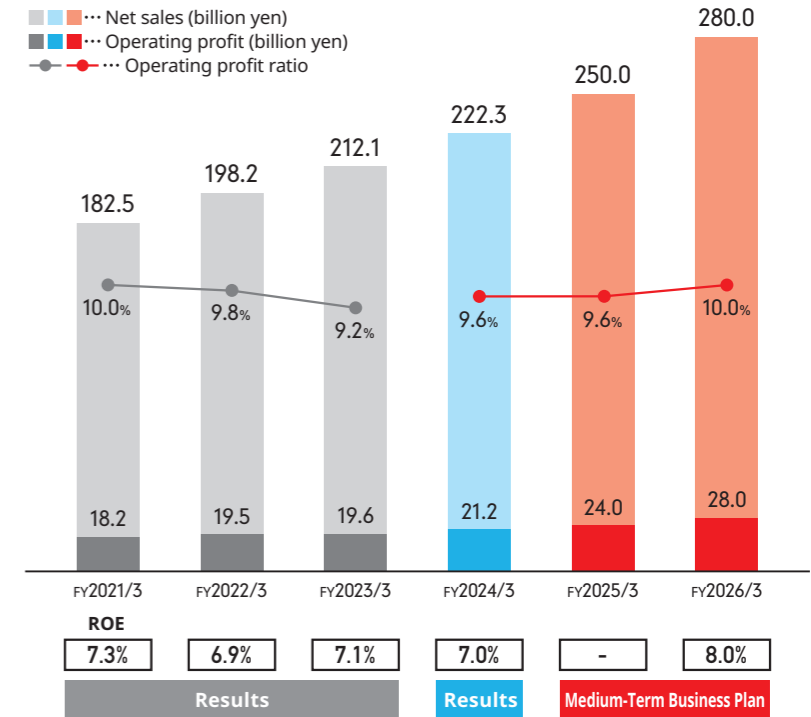
- ▶ Streamlining and review of existing businesses/ Improvement of profitability
- ▶ Establishment of growth drivers/ Expansion of businesses while simultaneously creating the next core businesses
- ▶ Enhancement of corporate value through ESG-oriented management/ Continuation of efforts to remain a company needed by society
- ▶ Establishment of human resource foundations/ Development and securing of next-generation human resources to ensure sustainable growth



Medium-Term Business Plan Financial Targets

Our plan for net sales is to continue stable growth through new customer development and constant capital investment, aiming for a CAGR of 9.7%, or 280.0 billion yen. Given the uncertainty of future cost conditions, such as rising fuel and labor costs, as well as the cost of addressing social issues, we intend to aggressively reduce costs and pass on costs to customers as necessary to achieve an operating profit ratio of 10.0%. We recognize that our current cost of capital is 7-8%, and we aim to achieve an ROE of 8.0%, which exceeds the capital cost. At the same time, we will strive to lower the cost of capital by improving the market liquidity of shares and other means.

	FY2026/3
Net sales	280.0 billion yen
Operating profit	28.0 billion yen
Operating profit ratio	10.0%
ROE	8.0%



13th Medium-Term Business Plan (ESG-based KPIs)

1 CO₂ emissions

	FY2023/3	FY2024/3	FY2026/3	FY2030	FY2050
CO ₂ emissions reduction: Scope 1, 2	Targets	—	173,340	126,034	0
	Results	180,048	177,732	-3.73%*	-30%*
CO ₂ emissions reduction: Scope 3	Results	—	286,007		

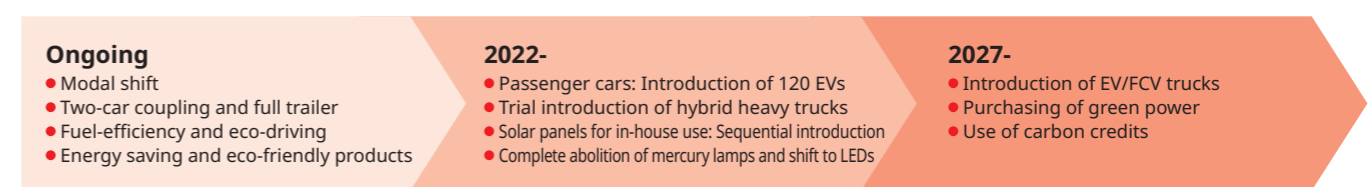
2 Percentage of women

	FY2023/3 Results	FY2024/3 Results	FY2026/3 Plan	
Percentage of women in management positions	Japan	1.6%	2.0%	7.7%
	Overseas	21.6%	21.8%	25.0%
	Total	8.1%	8.5%	13.2%
Percentage of women in positions of responsibility	Japan	10.0%	11.6%	17.2%
	Overseas	39.8%	41.7%	41.3%
	Total	19.4%	21.3%	25.5%
Percentage of all employees who are women	Japan	18.2%	18.3%	22.2%
	Overseas	37.3%	38.3%	39.4%
	Total	23.4%	23.5%	26.5%

3 Mercury lamp reduction

	FY2023/3 Results	FY2024/3 Results	FY2026/3 Plan
Number of mercury lamps	12,347	8,995	33
Reduction	—	-3,352	-6,008

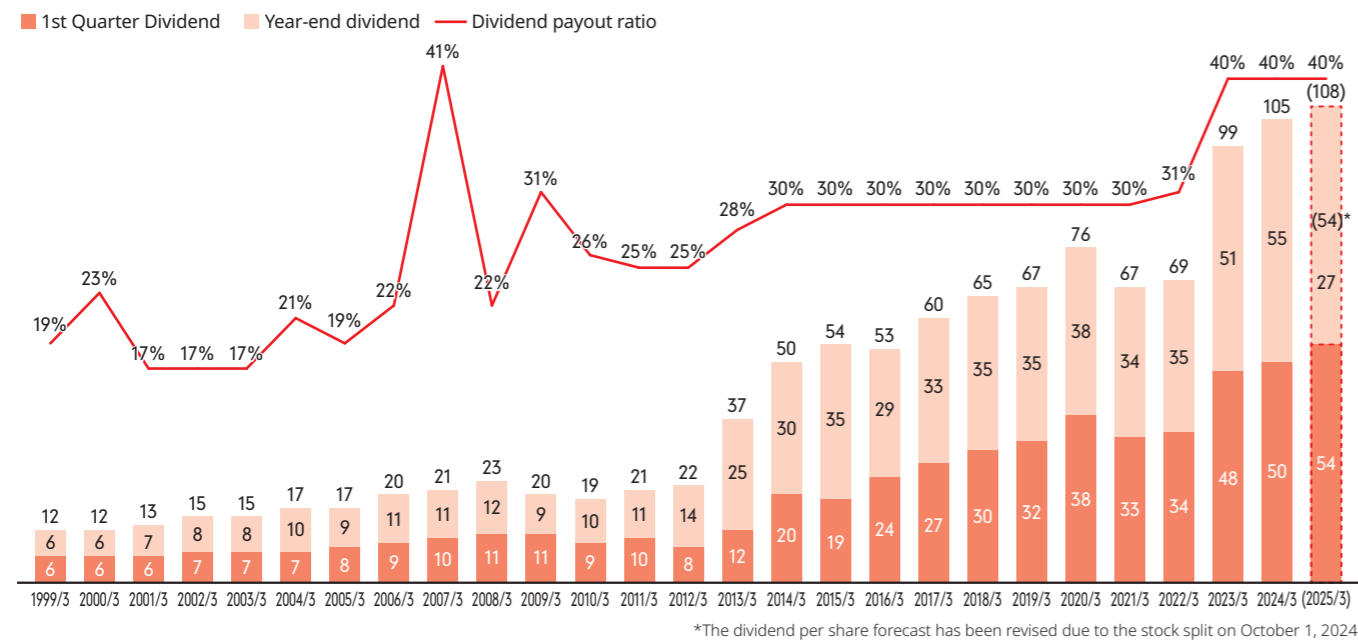
Measures for CO₂ emissions reduction



13th Medium-Term Business Plan

Shareholder Return (Dividend Payout Ratio/Share Buybacks)

- From the fiscal year ended March 31, 2023, we raised our target dividend payout ratio from around 30% to around 40%. We also introduced a progressive dividend scheme from the fiscal year ended March 31, 2024.
- We announced a policy of continuous share buybacks of approximately 10.0 billion yen over a period of three years from the fiscal year ended March 2023, consisting of approximately 3.0 billion yen in the fiscal year ended March 2023, approximately 4.0 billion yen in the fiscal year ended March 2024, and approximately 3.0 billion yen in the fiscal year ending March 2025.
- Going forward, we will continue this practice of constant share buybacks. Our policy is to cancel, as a general rule, those treasury shares that we do not plan to use for stock-based compensation, M&As, and other activities, and not to hold treasury shares in excess of 5% of the total number of issued shares.



Growth Strategy

As part of the key strategies of the Medium-Term Business Plan, we will focus our efforts on establishing growth drivers to expand our businesses, while simultaneously creating the next core businesses.

Circulation business

- Realize circulation businesses -

- Acquisition of business of KOGA KANKYO SERVICE CO., LTD.
- Expand into the intermediate treatment business of industrial waste

Enhance transportation and storage under three-temperature-zone management

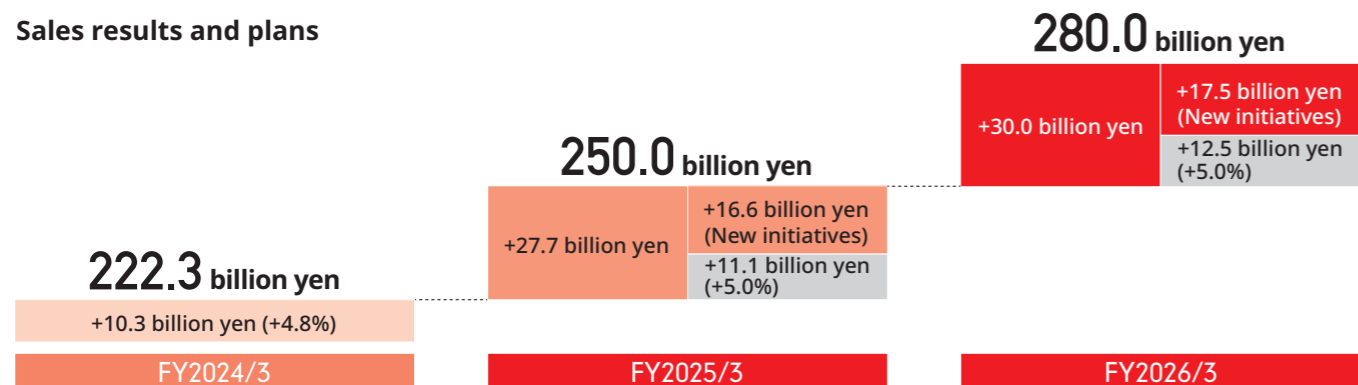
- Promote initiatives that cover three temperature zones for, as well as food, other goods that require temperature control, such as chemicals, precision machinery, and battery storage

Overseas businesses

- Expand overseas businesses -

- Acquire U.S. car carrier trailer business and pursue synergies with existing businesses
- Expand investments in growing and emerging regions

Sales results and plans

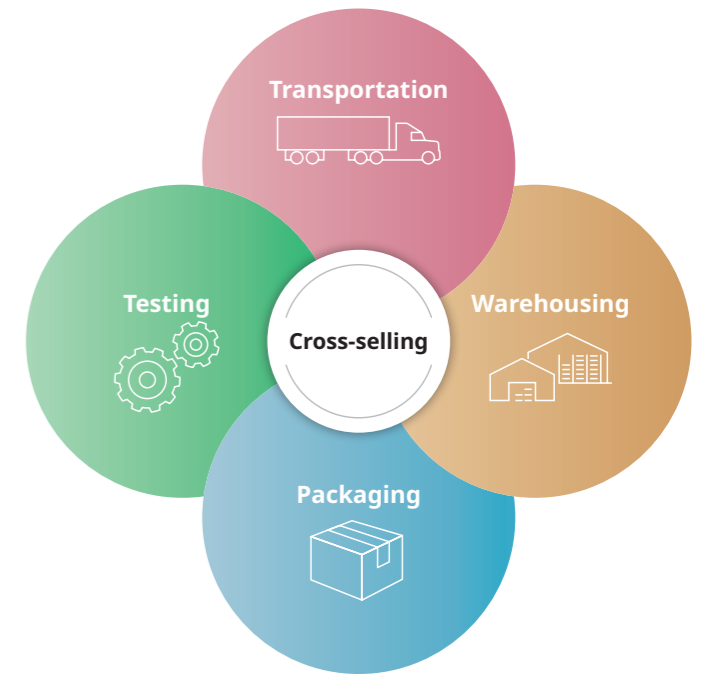


Expand Existing Businesses

1. Organic Growth Strategy

(1) Provision of multifaceted services through cross-selling and expansion of business base

The Group provides all manner of logistics services in one stop, including packaging, transportation, warehousing, customs clearance, and overseas services, in Japan and nine other countries, and we support the key functions of our customers' supply chains. By implementing cross-selling across diverse service axes and providing a wide range of added value not only to new customers but also to existing customers, we have secured depth for our businesses and received high commendation for our services.



(2) Expansion of business base through constant capital investment

We plan to make capital investments (excluding M&A) of 23.0 billion yen annually within the scope of operating cash flow. In FY2023, we made capital investments worth a total of 23.1 billion yen. In the previous Medium-Term Business Plan, we planned capital investments of 20.0 billion yen per year, and actual investments exceeded 28.0 billion yen in both FY2021 and FY2022. In a similar way, we will continue to increase our investment amounts flexibly according to customer needs. As the Group has been conducting capital investments according to demand forecasts based on customers' business plans, our warehouse facilities have high operating rates of 95% or more. As this shows, we are achieving business expansion in line with our capital investment.

2. Inorganic Expansion Strategy: M&A Targets

[Supplementation of areas with blank spots]

- Business enterprises that own land for sales offices and warehouses (5,000 tsubo/approx. 16,500 m²) Kansai Region (Osaka Senshu Area, Higashi Osaka), Chugoku Region (Hiroshima, Mihara, Fukuyama, Asaguchi), Chubu Region (Suzuka Area, Aichi, Gifu)

[Development of new shippers]

- Logistics, warehousing and distribution processing companies whose major shippers (direct contractors) are manufacturers
- Logistics subsidiaries of manufacturers
- Logistics companies whose major customers handle pharmaceuticals, precision equipment, and food products (frozen and refrigerated warehouses)

[Upstream and downstream logistics businesses]

- Packaging businesses, packing materials, and distribution processing companies
- Driving schools (must offer truck training; 7,000 tsubo (approx. 23,100 m²) or more, Kanto Region)
- Industrial waste treatment (intermediate treatment), recycling businesses
- Automotive R&D and testing businesses
- Temporary staffing agencies for industrial work

[Overseas projects]

- Companies that provide comprehensive logistics support to Japanese manufacturers that have already expanded overseas or are planning overseas expansion (any country or region)
- Priority on the United States and India, which have high growth potential
- Businesses with potential for cross-selling, including export/import, customs clearance, warehousing, transportation, and distribution processing (excluding warehousing specialists and transportation specialists)

Initiatives to Improve Efficiency

Labor saving and automation initiatives

In the warehousing business, we are working to improve work efficiency by introducing labor saving and automation equipment, such as vertical conveyors, warehouse robotics, automated guided vehicles, and mobile racks, resulting in more efficient use of warehouse space, while working to ensure worker safety and reduce workloads. In the transportation business, we will expand the introduction of our fleet of double trailer trucks, which can handle about twice the volume of cargo compared to regular heavy-duty trucks.

Systemization initiatives (building a digital platform)

We will build a proprietary development environment and self-develop a totally optimized platform to have our own in-house business management system. During the period of the previous Medium-Term Business Plan, we developed a new warehouse management system, WMS, and began using it. In the 13th Medium-Term Business Plan, we intend to develop a transportation and delivery management system, TMS, and a logistics management system, LMS, among others.

Message from the CFO



We will maintain a financial base for conducting flexible investment and aim to enhance corporate value with strategies that are conscious of cost of capital

Yasunori Matsuda

Director and Managing Executive Officer

Assessment of FY2023 results and the progress of the Medium-Term Business Plan

Business Plan is progressing well with increases in sales and profits, with the same projected for FY2024

The first year of the 13th Medium-Term Business Plan ("the Medium-Term Plan") has concluded. In our financial results for FY2023, while, on the one hand, the short-ages of semiconductors and other automotive parts were resolved and the economy showed a gradual recovery, on the other hand, there was a sense of uncertainty due to cost increases, such as fuel and personnel costs, the slump in the Chinese economy, and other factors. Nevertheless, thanks to increases in the volume of business in the automotive sector and acquisition of new customers, we achieved increases in sales and profits.

In terms of the progress of the Medium-Term Plan, both sales and operating profit fell slightly short of our initial plans, due mainly to the impact of stagnation of production at some automakers and the postponement of an initially planned M&A. However, ordinary profit and net profit both finished the year ahead of projections, so our assessment is that performance was almost completely according to plan.

In our management indicators as well, against the target of 10.0% for the fiscal year ending March 31, 2026, operating profit ratio rose to 9.6% in FY2023.

The NIKKON Group boasts one of the highest operating profit ratios in the industry. One reason for this is that, under our policy of "self-sufficiency," we conduct capital investments in a planned, strategic manner, and we have many Group-owned assets. Capital investments are subject to a statutory depreciation burden for a certain period after the investment. For example, commercial vehicles are depreciated over four years and commercial warehouses

over 26 years. However, these assets actually stay in use for many years after that depreciation has ended, and by making optimal allocations of new capital investments and the timing of depreciation, we achieve higher cost benefits over the long term than if we were to use leases.

In addition, since we manage these assets ourselves, we are able to use them efficiently in terms of both time and operations, which has helped to boost our operating profit ratio. A second reason is that, in addition to our mainstay business of transportation, we are also engaged in the warehousing and packaging businesses, which have relatively high profit ratios. In the testing business, given that we handle highly confidential data of our customers, these operations are conducted by our regular, permanent employees, and we have an advantage in price negotiations as well. Going forward, the testing business will increase with the electrification of automobiles, so we can expect to see even further increases in our profit ratio.

As opposed to such positive factors, such as the automotive industry and the strong U.S. economy, the business environment also saw pressure on transportation capacity due to the "2024 problem" and cost increases resulting from changes to drivers' wages structure. In light of these factors, as well as the additional sales and profits that will be gained from making two companies into subsidiaries through M&As, our plans for FY2024 are 250.0 billion yen in sales, up 12.4% year on year, and 24.0 billion yen in operating profit, up 13% year on year.

Approach to financial strategy

"A" credit rating from R&I. Improvement of asset efficiency is an issue

In our financial strategy, our main source of financing is basically corporate bonds, but we have also taken out

loans from financial institutions. Regarding capital investment, based on stable cash flow, we have announced that we will conduct investments in the range of 23.0 billion yen per year. In the fiscal year ended March 31, 2024, we made investments of 23.1 billion yen. However, we have a separate quota for M&A investments, which are not included in this 23.0 billion-yen plan.

In the Medium-term Plan, we declared "circulation," "food, clothing, and shelter," and "overseas" as priority themes for our next growth drivers, and in FY2024, we conducted an M&A of a U.S. company. Going forward, our focus will be on projects in the United States and India, which we have identified as priority overseas regions, and on investments in the other two themes. The "A" credit rating we have received from R&I has allowed us to keep our financing costs relatively low. Our equity ratio in the fiscal year ended March 31, 2024 was 63.3%, almost equal to that of the previous year, so I believe that financing capacity is sufficient for the time being.

Our greatest concern in terms of the financial risks of procurement is foreign exchange movements. Due to our M&As of U.S. companies, our foreign currency-denominated lending has increased, so if the yen rises, there is a risk of incurring foreign exchange losses. We will watch currency movements closely, keeping in mind the possibility that risk hedging may become necessary in certain circumstances.

As I mentioned earlier, our large number of Group-owned assets resulting from our policy of "self-sufficiency" has given strength to our business. On the other hand, non-current assets account for the majority of total assets on the balance sheet, which means that asset efficiency, including total asset turnover, tends to be lower than that of other companies. We will also need to consider increased construction costs when it comes to rebuilding warehouses, so how to balance the ratio of Group-owned assets will become an issue.

To improve asset efficiency, conscious of slimming down our balance sheet, we are pursuing the liquidation of accounts receivable, and we have been continuously reducing our cross-shareholdings. We have announced that we will not divest our shares in our strategic partner, Honda Motor Co., Ltd., which account for about one-third of our cross-shareholdings, in the immediate future. However, regarding our other cross-shareholdings, if we receive a request to sell from the other party, we intend to comply with such requests.

Initiatives to enhance corporate value

We will strive to improve asset efficiency with the aim of ROIC above WACC

In May 2024, we announced our Capital Strategy Aimed at Enhancing Corporate Value Conscious of Cost of Capital. While there is no change in the KPIs set forth in the 13th Medium-Term Business Plan, which began in FY2023, namely ROE of 8% and operating profit ratio of 10%, we believe that it will become increasingly important to be highly conscious of the cost of capital and to carefully

examine other indicators, such as ROIC, when making investment decisions. With the aim of ROIC that exceeds WACC, which is currently around 6%, we intend to work on the improvement of capital efficiency, such as making active use of debt for M&A and other growth investments, and we will continue to conduct buybacks of our own shares. Another significant issue is that, despite an increase in net assets per share, our PBR has fallen below 1 due to sluggish growth in our share price. In addition to continuously strengthening shareholder returns, we will actively pursue dialogue with investors and disclose the nature of such dialogue.

Shareholder return policy

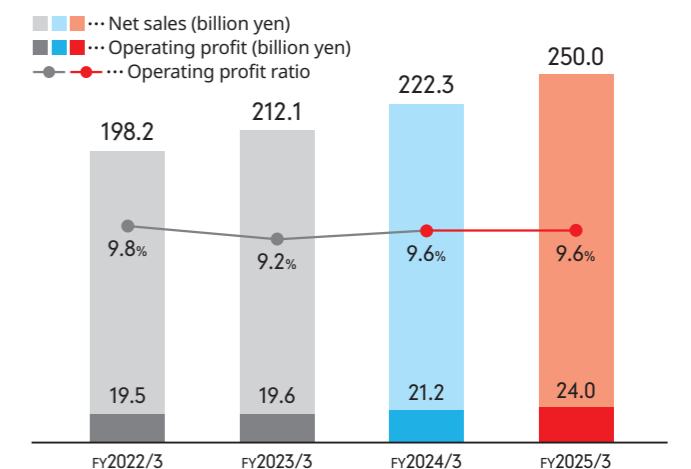
We will maintain a payout ratio of 40% and continue with progressive dividends

In line with this capital strategy, from FY2023, we have raised our dividend payout ratio from 30% to 40% and increased the dividend for the fiscal year ended March 31, 2024 from the planned amount of 100 yen per share to 105 yen per share, due to the increase in net profit. We have also forecasted a dividend of 108 yen for the fiscal year ending March 31, 2025. There having been very few cases of a reduction in our dividend in the past, we will continue to conduct "progressive dividends," in which the dividend per share is maintained at a level higher than the previous year, and we will be conscious of the balance between investment needs for both stocks and bonds.

Going forward, we will aim to enhance our corporate value while continuing to pursue a capital policy and financial strategy that satisfies our various stakeholders, including shareholders and investors, as much as possible.

Operating and Financial Cash Flow Targets, etc. in 13th Medium-Term Business Plan

Growth Investments	Capital investment in warehouses and vehicles; investment in robotization and labor-saving; DX investment; M&A Around 23.0 billion yen per year in line with operating and financial cash flows
ESG investment	Environmental investments; human resources investments
Dividend payout ratio	40% Buyback own shares 10.0 billion yen in buybacks conducted intermittently over three years from FY2022



Individual Business Strategies

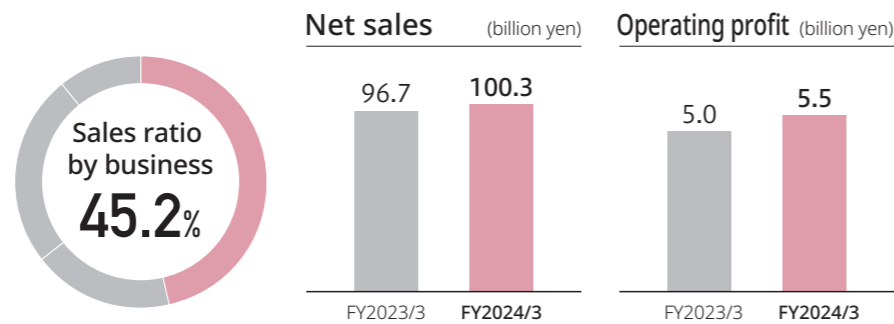


Business description

Since our founding, we have provided optimal transportation methods, including vehicles, by developing special vehicles tailored to the characteristics and volume of freight. We deliver our customers' valuable products and merchandise to users, such as completed automobiles and motorcycles, automotive parts, housing equipment, and agricultural machinery.

Business Overview and Review of FY2023

Net sales were 100,398 million yen (up 3.8% year on year) due mainly to a recovery in freight handled. Operating profit was 5,585 million yen (up 10.3% year on year) due to the effect of increased sales and improved transportation efficiency, despite an increase in costs such as fuel prices.

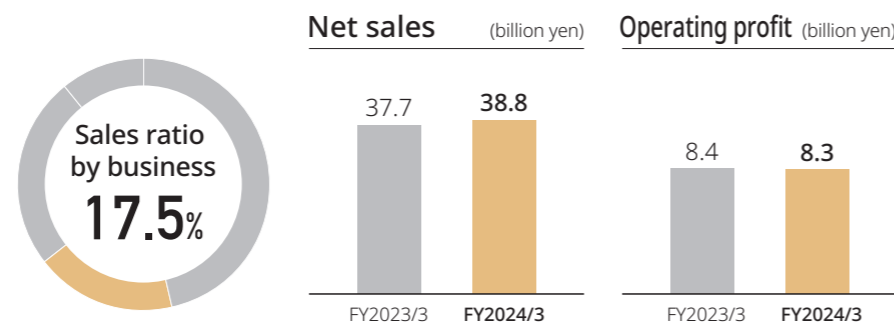


Business description

We own warehousing facilities of more than 2 million m² in Japan and overseas, and possess technologies, achievements, and experience in storage, product receiving and shipping management for a variety of items ranging from industrial products such as automotive parts and precision machinery to housing equipment and food products.

Business Overview and Review of FY2023

Net sales were 38,863 million yen (up 3.0% year on year) due to an increase in freight stored, partly as a result of ongoing construction and expansion of warehouses in Japan and overseas. Meanwhile, operating profit was 8,328 million yen (down 1.1% year on year) due to an increase in expenses such as labor costs and depreciation.

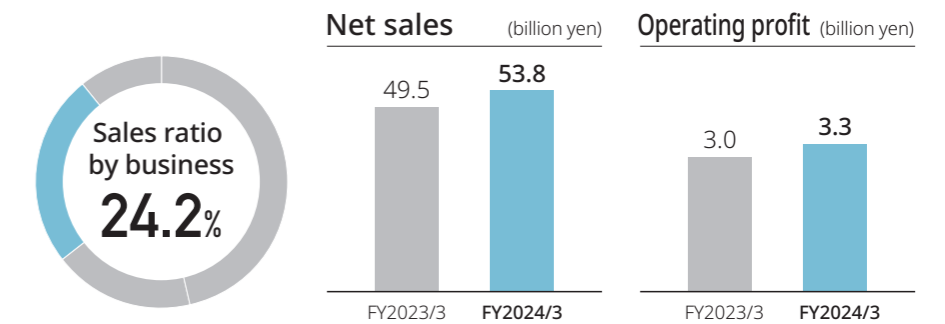


Business description

We provide packaging processing services that meet customers' needs in a wide range of fields, including vendor managed inventory for automotive parts, etc., distribution processing, export packaging, as well as design of packaging specifications and development of packaging materials such as buckets and carts. In addition, we are also engaged in the installation, assembly, accuracy refinement, operation trials, dismantling, transportation, and integrated operations in Japan and overseas of machinery facilities and production lines.

Business Overview and Review of FY2023

Net sales were 53,809 million yen (up 8.5% year on year) due mainly to a recovery in business volume. Operating profit was 3,320 million yen (up 10.4% year on year) as a result of efforts to improve productivity in addition to the effect of increased sales.

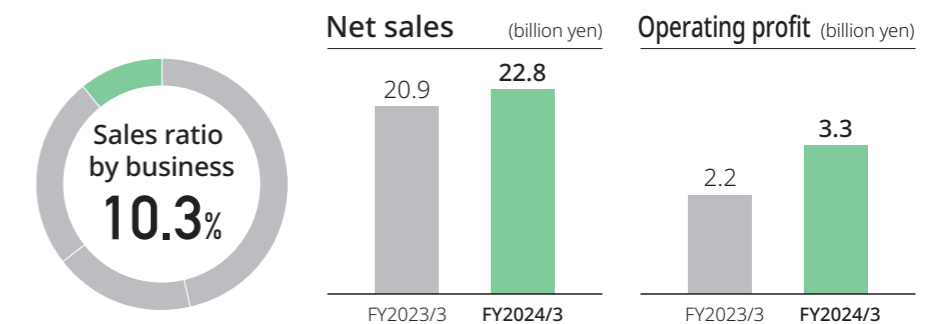


Business description

We support customers' research and development and quality assurance by confirming performance, durability, and safety of automobiles, motorcycles, general-purpose products, and component parts through physical property tests, unit tests, strength tests, and actual driving tests using various testing facilities.

Business Overview and Review of FY2023

Net sales were 22,881 million yen (up 9.3% year on year) as business volume increased with a recovery from the COVID-19 pandemic, and operating profit was 3,329 million yen (up 49.7% year on year) due to the effect of increased sales and a reduction in outsourcing costs as employees became more proficient in business operations.



System for Promoting Sustainability Management

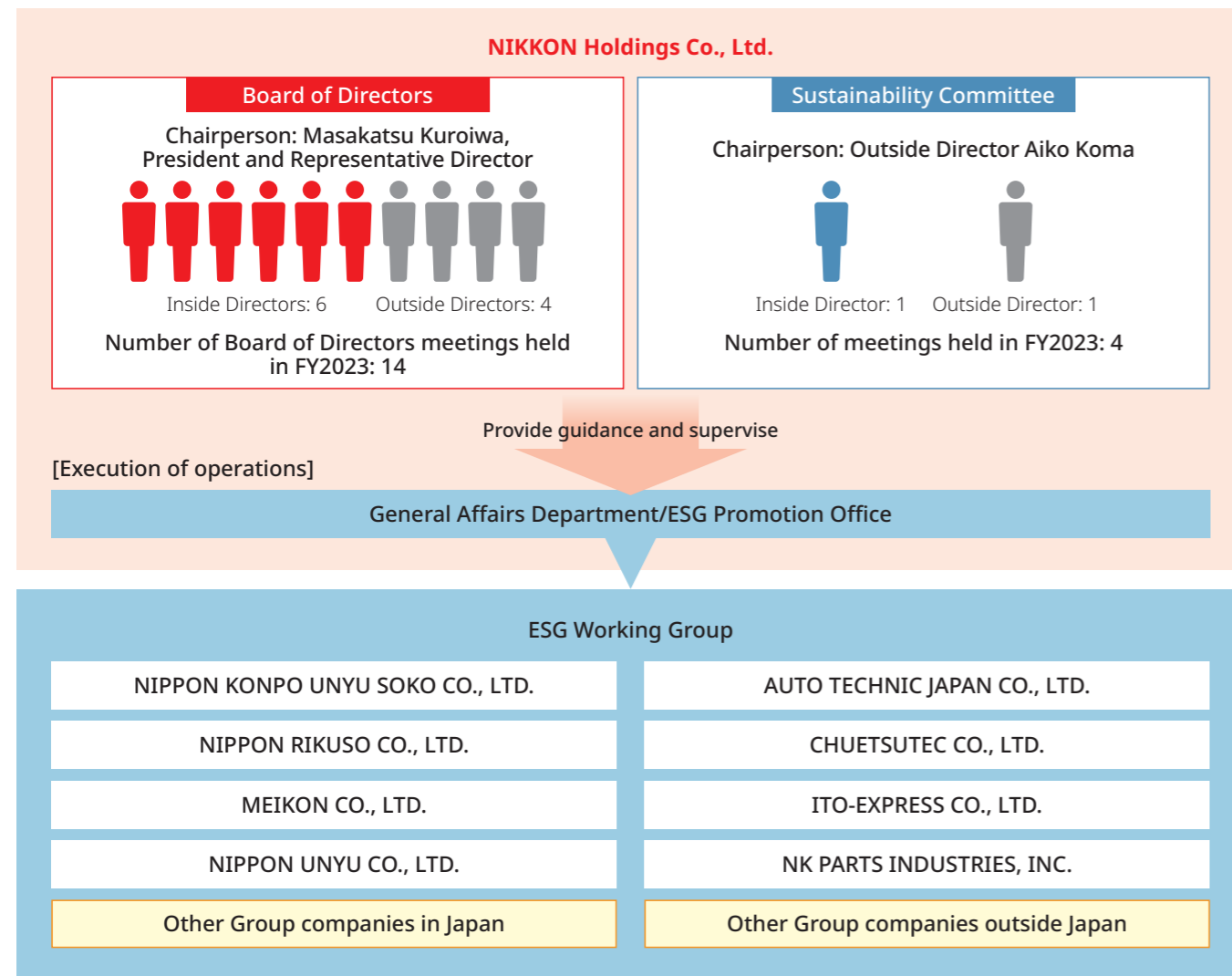
Basic Approach to Sustainability

Society is undergoing rapid changes, as exemplified by environmental issues, the declining birthrate and aging population, and human rights issues. In the midst of these changes, we at the NIKKON Group are determined to contribute to national and local communities by squarely facing the issues at hand and creating new value with all stakeholders through our logistics business, thereby realizing a sustainable society and enhancing our corporate value.

System for Promoting Sustainability Management

The NIKKON Group believes that enhancing systematic measures regarding its environmental, social, and governance (ESG) criteria is one of management's most important tasks. To achieve this, we have established a system in which directors directly supervise ESG activities and quickly formulate policies and provide guidance, so as to promote highly effective ESG activities. In July 2021, we established the ESG Promotion Office to execute the Group's ESG activities. The office conducts Group-wide, cross-sectional activities led by a working group of members from eight core companies. In addition, the Sustainability Committee we established in October 2021 effectively functions as an organization that oversees ESG activities and reports directly to the directors. The Sustainability Committee is chaired by a female independent outside director who, under the direction of the President and Representative Director, oversees and provides guidance on the execution of all ESG-related matters, including diversity and environmental action, from the perspective of shareholders and other stakeholders.

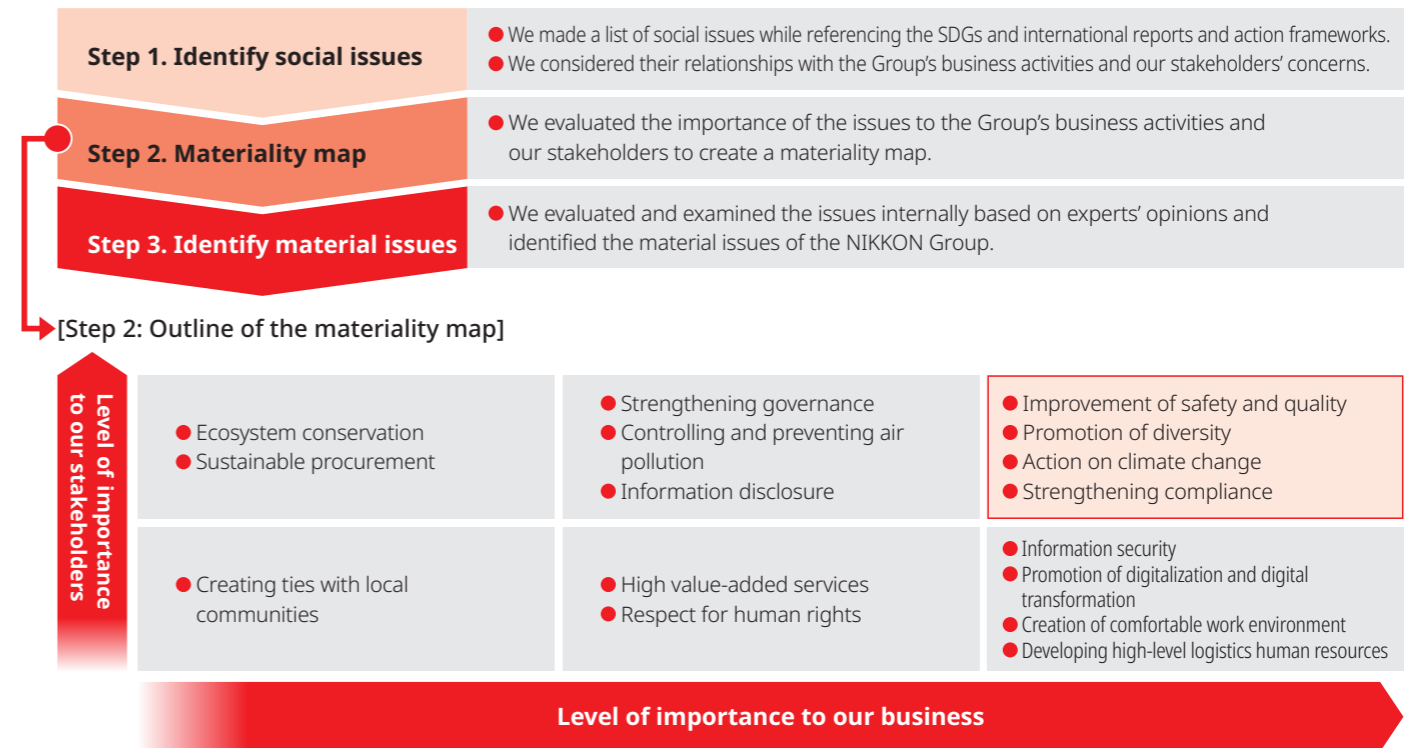
Nikkon Group's organizational framework for sustainability



Material Issues

Material Issue Identification Process

The ESG Promotion Office created a list of social issues, identified their relevance to the Group's business activities and stakeholders' expectations, and ordered them by priority.



Priority Themes and Main Initiatives & Targets Based on Material Issues

Material Issues	Priority themes	Main initiatives	13th Medium-Term Business Plan FY2025 targets	Related SDGs
Improvement of safety and quality →P25	Traffic safety	<ul style="list-style-type: none"> Providing education and training on transportation safety 	<ul style="list-style-type: none"> Number of fatal traffic accidents caused by employees: 0 	3 GOOD HEALTH AND WELL-BEING
	Occupational safety and health	<ul style="list-style-type: none"> Improving the work environment Strengthening health and safety training Early detection and prevention of diseases 	<ul style="list-style-type: none"> Number of fatal and serious work-related accidents: 0 	
	Provision of high-quality services	<ul style="list-style-type: none"> Improving safety and quality through small-group activities 	<ul style="list-style-type: none"> Percentage of employees who took periodic health checkups: 100% 	
Promotion of diversity →P27	Realization of diverse workstyles	<ul style="list-style-type: none"> Creating comfortable infrastructure and work environments Fostering next-generation human resources Promoting the active participation of women by formulating career and education plans Providing training to transform awareness Revising the personnel system Employing more people with disabilities 	<ul style="list-style-type: none"> Percentage of female employees: Japan 22.2%, Overseas 39.4% Percentage of women in positions of responsibility: Japan 17.2%, Overseas 41.3% Percentage of women in management positions: Japan 7.7%, Overseas 25.0% 	5 GENDER EQUALITY, 8 ECONOMIC GROWTH
Action on climate change →P29	Achieving carbon neutrality	<ul style="list-style-type: none"> Improving transportation efficiency Promoting modal shift Switching to renewable energy Introducing environmentally friendly equipment 	<ul style="list-style-type: none"> CO₂ emissions reduction target: -3.73% (Compared to 180,048 t-CO₂ in FY2022) CO₂ emissions: 173,340 t-CO₂ Number of remaining mercury lights: 33 	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 15 LIFE ON LAND
Strengthening compliance →P33	Ensuring stakeholders' trust	<ul style="list-style-type: none"> Increasing the compliance awareness of Group employees through education Establishing a hotline and strengthening the system for receiving reports Fostering mutual trust through fair deals 	<ul style="list-style-type: none"> Participation rate of those eligible for harassment training: 100% Participation rate of those eligible for information security policy training: 100% 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR GROWTH

Improvement of Safety and Quality



Basic Approach

The NIKKON Holdings Group understands that safety is the most important issue in our business operations. Based on this understanding, we make Group-wide efforts to ensure workplace safety and the healthy lifestyles of our employees, and contribute to the development of national and local communities through logistics services.

Safety & Quality Policies

- 1 Understand that placing the highest priority on safety is a social mission in the management of the Group, ensure that all employees understand its importance, and take actions together.
- 2 Build a safe and secure business environment through the proactive management of occupational health at workplaces and by striving to improve the work environment and promote the good health of employees.
- 3 Understand our role as a social infrastructure, as well as inherit the wealth of experience and technologies accumulated since our founding to create new innovations in logistics.

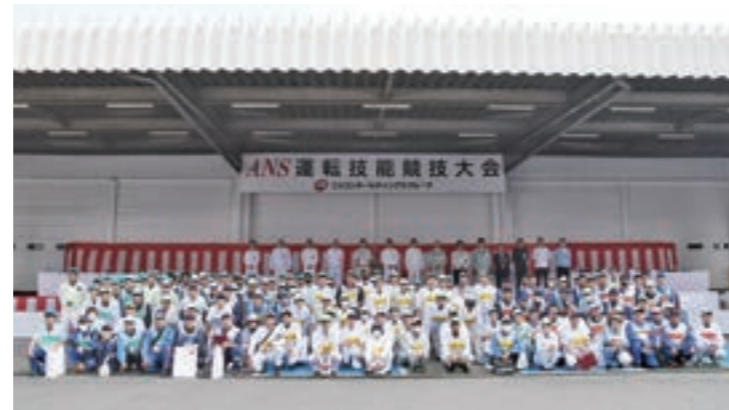
ANS Committee Activities

We have established the All Nikkon Safety (ANS) Committee, consisting of 12 operating companies in Japan, to share advanced knowledge and information on incidents and system technologies with the aim of increasing safety awareness and preventing traffic accidents. Led by our core operating company NIPPON KONPO UNYU SOKO CO., LTD., the members meet regularly to share information on their efforts to prevent traffic, product, and work-related accidents and to improve the overall level of their efforts.

Main Initiatives

ANS Driving Skills Competition

We hold the All Nikkon Safety (ANS) Driving Skills Competition every year with the aim of honing driving and operating skills for trucks and forklifts, as well as improving compliance, safety, and quality. The competition is an opportunity to showcase the professional skills of employees of each Group company who have worked hard to hone their skills through their operations and compete with each other in the truck driving, car carrier trailer loading and unloading, and forklift operations categories. At the same time, it is an important opportunity for each and every employee of the Group, whose basic policy is to prioritize safety above anything else, to think about "safety and security." The ninth competition held in FY2024 focused on safety technology and saw the participation of a total of 113 contestants, including the winners of preliminary competitions held across Japan, and 10 contestants selected from overseas subsidiaries (China, India, Vietnam, Thailand, and Indonesia). In recent years, female drivers have also been playing an active role, competing in the same field as their male contestants in both truck driving and forklift operations.



Diverse Education and Training Programs

NIPPON KONPO UNYU SOKO CO., LTD., a core operating company, continues to provide drivers, ranging from beginners to senior ones, with a variety of education and training programs at its Safe Driving Training Centers (in Saitama and Mie). For 21m and 23m full trailers (double trailer trucks), which require particularly high levels of driving skills, special safe driving skills training is provided prior to the start of full-time operation to help drivers understand the special characteristics of the structures of such trailers. Only those who have met the in-house standards are allowed to operate. Forklift operators receive training at least once a year at each business location to improve their safety skills.



Implementation of QC Circle Activities (AHK Group Convention)

As part of our efforts to create a vibrant workplace, we conduct QC circle activities and hold the AHK Group Convention every year to showcase the results of these activities. A total of 15 teams from Japan and overseas, selected from Group companies through preliminary competitions, participated in the Convention held in FY2023. Holding the event on a global scale broadens and energizes these activities, and enhances the Group's sense of unity and awareness of improvement activities. We will continue to hold these activities with the aim of improving safety (*Anzen*), quality (*Hinshitsu*), and efficiency and the environment (*Koritsu + Kankyo*) while increasing the number of participating teams.



Initiatives to Prevent Accidents

Japan

The quality and safety department of NIPPON KONPO UNYU SOKO CO., LTD. creates original educational videos on selected themes to prevent accidents and increase safety awareness, and utilizes them as teaching materials. By engaging in the creation of such videos on their own and devising their content, employees increase their knowledge, which leads to improving safety awareness.

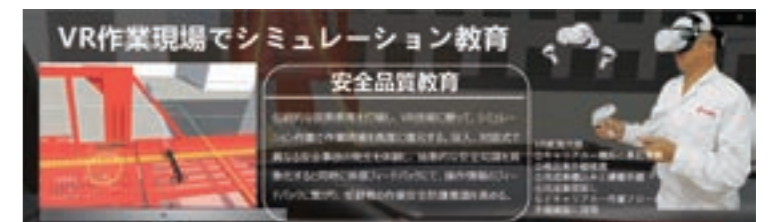
In addition, AUTO TECHNIC JAPAN CO., LTD., a company that supports research and development of automobiles and mobility, conducts a variety of safe driving training, including classroom lectures and distance learning, based on the idea that driving, the company's product, must never cause injury or damage. As development of advanced driver-assistance systems (ADAS) and autonomous driving (AD) has progressed and entered the phase of test driving on public roads, the company that conducts driver testing based on clear criteria conducts its own tests to check drivers' safe driving skills and knowledge of on-the-road driving in order to ensure the safety.



Outside Japan

Group companies outside Japan conduct new driver training, safety lectures, and on-the-job training for driving and operations, face-to-face training of new drivers under Japanese standards, including face-to-face roll call and training using digital tachograph data, as well as improve understanding of truck performance and design through training taught by external lecturers. We have proactively introduced various tools and systems to prevent accidents, including stickers to

alert truck drivers to maintain a distance from other vehicles, digital tachographs, dashcams, talking back-up alarms, a system that prevents drowsy driving, a GPS monitoring system, and safety lights and rear lights on forklifts. FUTIAN NIKKON LOGISTICS (GUANGZHOU) CO., LTD. in China utilizes virtual reality (VR) education that enables hands-on learning through simulations to understand and confirm car carrier trailer operating procedures. At subsidiaries in the United States, we provide lectures on accident prevention measures from an ergonomics perspective, and first aid and AED training on a regular basis. We work to optimize driving routes by installing the Omnitrac, a fleet management system equipped with GPS dashcams on our trucks.



Promotion of Diversity



Basic Approach

The NIKKON Holdings Group understands that safety is the most important issue in our business operations. Based on this understanding, we make Group-wide efforts to ensure workplace safety and the healthy lifestyles of our employees. In addition, we aim to improve medium- to long-term corporate value by implementing human capital management, and contribute to the development of national and local communities through logistics services.

Policies for Promoting Diversity

- We aim to become a company in which employees can have joy and pride in their work by promoting the active participation of women, persons with disabilities, foreign nationals, etc. through diverse workstyles, realizing diversity, equity and inclusion, and implementing human capital management.
- We engage in business activities by respecting human rights of individuals and without infringing on human rights through acts such as unequal or discriminatory treatment.

Main Initiatives

Promoting Women's Participation and Advancement

In our 13th Medium-Term Business Plan, we set a target of increasing the percentage of women among all employees from 23.4% in FY2022 to 26.5% in FY2025. Toward achieving this target, we will increase the number of new female graduate hires, and create a safer and friendlier work environment and infrastructure so that we can become a company in which women can see the appeal and potential of the logistics industry. In addition, we will strengthen support for female employees in formulating their career plans.

SETO JIDOU SHA UNSOU CO., LTD. focuses on creating a comfortable workplace for women, and began operating taxis with female drivers for the first time among taxi companies in the Seto and Owariasahi regions, Aichi Prefecture. The company has also registered with the Seto City Work-Life Balance Promotion Declaration, and have been officially certified by the City to promote women's participation and advancement.



Enhancing Trainee Program

We launched the trainee program in 2010 with the aim of expanding our overseas businesses. This year marked the 14th year of the program. (The program was cancelled during the pandemic in 2020 and 2021.) Under this system, ambitious young employees are selected from among applicants, and are assigned to a Group company outside Japan, where they work in overseas operations for about one year. In addition to helping trainees acquire operational expertise, this program aims to develop human resources capable of becoming future executives by allowing them to experience cross-cultural communications, and be equipped with a broad perspective and diverse values through real-life experience overseas.

So far, 45 men and 10 women have assigned to Group companies in the United States, Thailand, Vietnam, and Indonesia and returned to Japan with experience. Going forward, we will implement a trainee program from Group companies overseas to Japan and spread its effects throughout the Group, thereby producing a large number of human resources who can work globally.



Employment and Participation of People with Disabilities

We are working to promptly fulfill the legally mandated percentage of employees with disabilities at all sales offices that meet the criteria of the Act to Facilitate the Employment of Persons with Disabilities, while keeping an eye on the percentage of employment scheduled to increase in the future. We will create a comfortable work environment that enables all employees, including those with disabilities, to work enthusiastically and play an active role without any discrimination. By sharing initiatives of each Group company where people with disabilities work, and analyzing issues, we aim to improve the work environment from both tangible and intangible aspects. A company where everyone has a role and can accept each other, that is what the Group aims to be.

In October 2023, an employee of AUTO TECHNIC JAPAN CO., LTD. participated in the National Sports Festival for People with a Disability, a nationwide sports tournament for people with disabilities, and won a bronze medal in the swimming competition.



Contributing to Local Communities

In September 2023, AUTO TECHNIC JAPAN CO., LTD. held a hands-on traffic safety class "Learning by Sound" at the Tochigi Prefectural School for the Visually Impaired. In order to prevent visually impaired children from being involved in accidents caused by electric vehicles, this class provides them with the opportunity to experience the alert sound for approaching electric vehicle. Approximately 30 pupils and students participated in the class listened to alert sounds that differ depending on automobile manufacturers, understood how the sound is produced, and raised their safety awareness.

In addition, in February 2023, the Iwanuma Sales Office of NIPPON KONPO UNYU SOKO CO., LTD. concluded an agreement with Iwanuma City, Miyagi Prefecture, regarding the use of the facility as an evacuation shelter in the event of a tsunami. The Group will continue to contribute to local communities through various initiatives and contribute to the realization of a prosperous society.



Endowed Lectures

We have endowed lectures on logistics management at the Faculty of Commerce and Management, Hitotsubashi University. We began offering endowed lectures in 2021, and this year marked the 4th year of the program. Through these lectures and joint research with the university, we aim to help foster the next generation of human resources who will lead the future of logistics, and support the development of the logistics industry. Going forward, we plan to expand the scope of these initiatives by collaborating with universities and public institutions in countries where the Group has its overseas bases. The Group, which develops the logistics business globally, will contribute to the development of logistics throughout the world, and embody the vision set forth in the Basic Philosophy.



Action on Climate Change



Basic Policy

The NIKKON Holdings Group believes that it has a social responsibility to protect and maintain the global environment through sound business activities. We continuously engage in environmental conservation activities to achieve carbon neutrality by 2050.

Environmental Policy

- 1 Reduce environmental impact, prevent environmental pollution, respect biodiversity, and contribute to building a sustainable social infrastructure.
- 2 Provide services with less environmental impact to realize a decarbonized society through improved transportation efficiency, shifting to renewable energy, and the use of environment-conscious facilities.
- 3 Expand the circular logistics service business to actively promote the effective utilization of limited resources and the recycling of resources toward the achievement of a sustainable, recycling-oriented society.
- 4 Enhance the disclosure of information on our environmental initiatives to all stakeholders.

Main Initiatives

Modal Shift (Rail Transport)

NIPPON KONPO UNYU SOKO CO., LTD. has been engaged in container transport since 1967. In 1989, it developed 31-foot containers for the transport of motorcycles by rail and began rail transport between Fukuoka and Tokyo. We have developed unique containers that meet customer needs, such as a double-decker container with a hydraulic upper deck and roof for easy loading and unloading of motorcycles, and a semi-cylindrical container for passenger cars designed to match the shape of tunnels to maximize loading efficiency. Rail transport has a lower environmental impact, reducing CO2 emissions to one-tenth of those from truck transport. It also contributes to alleviating road congestion, optimizing truck drivers' working hours, and solving labor shortages. These efforts help us to realize logistics that are friendly to both workers and the environment.



Consolidation Transport by Double Trailer Truck

Our double trailer trucks (full trailer trucks) are environmentally friendly trucks that have double the load capacity of heavy-duty trucks and emit approximately 38% less CO2 than current heavy-duty vehicles. One driver is able to move large volumes of freight, which improves transportation efficiency and reduces environmental impact. The Group uses double trailer trucks for charter and long-haul consolidation transport and will continue to expand their use while optimizing driver working hours through transfer operations at terminal offices. In July 2024, NIPPON KONPO UNYU SOKO CO., LTD. received the Special Award at the 25th Logistics Environment Awards sponsored by the Japan Association for Logistics and Transport. This award recognized its achievements in reducing CO2 emissions and improving transportation efficiency by switching from two large extra-tonnage trucks to a single 21-meter full trailer truck for transporting auto parts between Tochigi and Hiroshima prefectures.



Switching to LEDs

The Group is actively working to reduce CO2 emissions by replacing fluorescent and mercury lights in its warehouses and offices with LED lighting. NIPPON KONPO UNYU SOKO CO., LTD. has been using LED lighting in all commercial warehouses completed since 2013. We have set the goal of eliminating mercury lights across the Group by the final year of the 13th Medium-Term Business Plan and are gradually switching to LEDs in our existing warehouses.



Solar Power Generation

Aiming to realize a decarbonized society, the Group has been helping to prevent global warming by supplying clean renewable energy from solar power generation facilities installed at Group locations in Japan. NIPPON KONPO UNYU SOKO CO., LTD. installed solar power generation facilities for in-house use at its Utsunomiya Sales Office in October 2015 and at its Kikuyo, Inzai, Kashiwabara, and Suzuka Center Sales Offices in 2023 with the aim of reducing its CO2 emissions. These efforts have reduced the amount of fossil fuel-derived electricity used at each location. In 2024 and beyond, we will increase power generation through the installation of these facilities. In 2025, we plan to start a wheeling service for in-house use to supply surplus power to our sales offices in the surrounding areas. We also introduced a demand control system for air conditioning in August 2023, reducing power consumption and CO2 emissions.

AUTO TECHNIC JAPAN CO., LTD. has switched to green power with zero CO2 emissions for testing and R&D activities at the Hamamatsu Development Center. By the end of FY2040, the company plans to gradually switch all of its facilities in Japan to this energy source. CHUETSUTEC CO., LTD. is conducting a verification test to improve fuel economy by an average of 5 to 10% by installing solar panels on truck roofs and using solar power to operate electrical components. We will continue to promote initiatives across the Group to lower the consumption of fossil fuel-derived electricity and reduce our CO2 emissions.



Automation and Labor Saving Initiatives

At some warehouses of NIPPON KONPO UNYU SOKO CO., LTD., mobile warehouse inventory transportation robots are in operation, delivering shelves of products to workers using a system that automatically optimizes shipping frequency through AI analysis. We are also introducing mobile rack systems and automatic following robots that perform unmanned transportation based on the characteristics of the stored cargo. In addition, our Chinese affiliate has introduced automated guided vehicles (AGVs) and is strengthening initiatives to improve productivity, save labor, and improve efficiency.



Circular Logistics

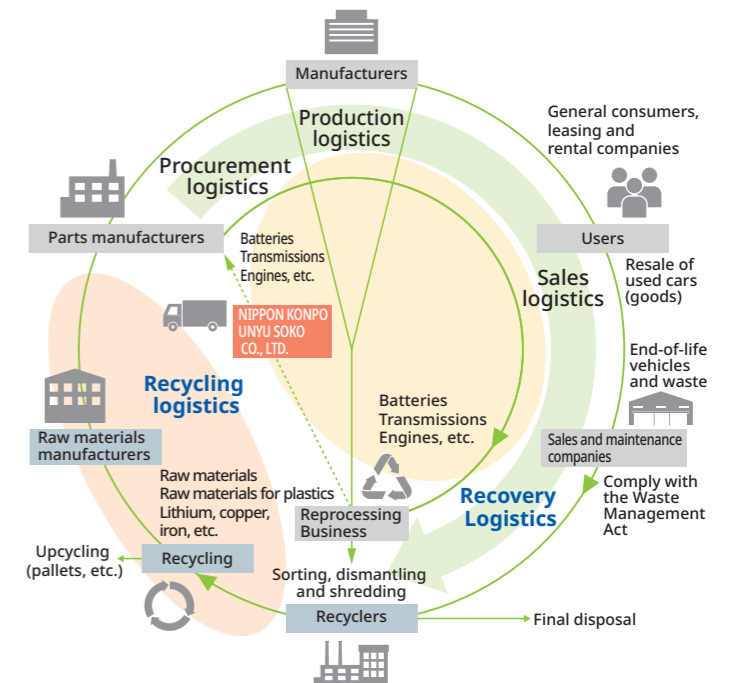
Recovery Logistics

We provide recycling and transportation services for housing-related materials, household storage batteries, automobile batteries (lithium-ion, nickel-hydrogen, and lead), smoke flares, bumpers, etc. To enhance circular logistics (3Rs: Recycle, Repair, Return), we will expand our operations by implementing a nationwide collection of lithium-ion batteries and venturing into new areas (waste plastics, fluorocarbons, airbags, etc.). At the same time, we will add value by integrating this initiative with our existing consolidated freight transportation network.

Recycling Logistics

As a company involved in logistics infrastructure, we believe it is our responsibility to contribute to a recycling-oriented society. Based on this recognition, the Group is working to recycle auto parts and other materials collected through recovery logistics. With a view to eventually establishing this as an intermediate processing business, we will expand our operations into the areas of "Reuse, Rebuild, and Remanufacture" to realize our circulation business.

Overview of Circular Business



Action on Climate Change

Climate-related Financial Disclosures

As global warming impacts the environment and social conditions change rapidly, we face many challenges in our pursuit of a sustainable society. In order to solve various social issues through its business activities and realize a sustainable society together with all stakeholders, the Group remains committed to leading the way in creating joy, value, and an environment that can be shared, as stated in our Basic Philosophy. As part of these efforts, the Group endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and appropriately discloses information in the four areas of governance, strategy, risk management, and metrics and targets, based on the framework of the recommendations.



Governance

The Group has constructed a governance system where Directors directly supervise ESG activities to address a range of social issues including global environmental problems caused by climate change, with a view to promoting and strengthening initiatives through sustainability management.

Specifically, the Group has established the Sustainability Committee, chaired by an Outside Director, as an advisory body to the Board of Directors, and the Committee functions as an organization under the direct control of the Directors to supervise and provide guidance on the implementation status of overall ESG-related matters. The Committee meets once every quarter and reports on matters related to sustainability including climate-related issues to the Board of Directors. It also engages in highly effective activities, such as conducting multifaceted discussions on highly important topics and working on speedy policy establishment under the direction of the Board of Directors. The ESG Promotion Office, which promotes practical ESG activities, seeks to collaborate with each department and Group company. It discusses and drafts sustainability strategies, and proposes them to the Sustainability Committee. It also identifies themes that should be practiced through corporate activities as well as important issues, and advances related initiatives.

Strategy

We identify transition and physical risks and opportunities brought about by climate change, and consider measures to reduce each risk and seize opportunities based on the impact of these risks on the business.

Category	Subcategory	Risks/opportunities identified	Degree of impact	Time horizon	Impacts	Response measures
Transition risks	Policy and legal	Shift to low-carbon vehicles	Large	Medium-term	Increased purchase costs due to replacement of low-carbon vehicles such as EVs and FCVs	<ul style="list-style-type: none"> Promoting highly efficient transportation methods, such as joint transportation and full trailer transport Implementing a modal shift
	Policy and legal	Introduction of a carbon tax	Large	Medium-term	Increased payment costs resulting from the introduction of a carbon tax on GHG emissions	<ul style="list-style-type: none"> Replacing with low-emission vehicles Switching to renewable energy
	Technology	Delays in automakers' development of low-carbon heavy-duty vehicles	Large	Medium-term	A delay in our emissions reduction plan due to the slow adoption of low-carbon heavy-duty vehicles	<ul style="list-style-type: none"> Collecting information about automakers' development progress
	Market	Changes in customer needs	Large	Medium-term	Loss of business and reduced sales due to increased awareness of environmental conservation among customers	<ul style="list-style-type: none"> Visualizing GHG emissions Reducing GHG emissions as planned
Physical risks	Reputation	Impact on funding and share price	Medium	Medium-term	Difficulty in procuring funds from financial institutions and a decline of the share price due to the loss of investors resulting from the evaluation that our initiatives to reduce GHG emissions are insufficient	<ul style="list-style-type: none"> Improving information disclosure Reducing GHG emissions as planned
	Acute	Occurrence of a natural disaster	Medium	Long-term	Increased repair and compensation costs due to damage to warehouses, other facilities, and consigned cargo from more frequent wind and flood damage caused by rising temperatures. Suspension of logistics services	<ul style="list-style-type: none"> Decentralizing bases Promoting BCP measures
Opportunities	Chronic	Temperature rise	Medium	Long-term	Lower productivity due to a deteriorating work environment caused by rising temperatures. Increased air conditioning costs	<ul style="list-style-type: none"> Improving efficiency and saving labor through DX promotion
	Resources and efficiency	Reduced fuel costs through improved vehicle fuel efficiency	Large	Medium-term	Reduced fuel costs through the introduction of fuel-efficient vehicles such as EVs and FCVs	<ul style="list-style-type: none"> Replacing with low-emission vehicles
	Market	Introduction of new environment-friendly services	Medium	Medium-term	Creation of new business opportunities by developing and providing environment-friendly services	<ul style="list-style-type: none"> Shifting to transportation modes with lower environmental impact
	Market	Expansion of transactions through new business development opportunities in EV and FCV	Medium	Medium-term	Increased sales by developing new markets for EV and FCV-related businesses	<ul style="list-style-type: none"> Handling EV-related parts on consignment Storing and transporting other environment-conscious products on consignment
Market	Increased demand for temperature control	Medium	Medium-term	Creation of new business opportunities by developing and providing constant temperature management services	<ul style="list-style-type: none"> Identifying market needs Installing facilities such as temperature-controlled warehouses 	

Risk Management

Process for identifying and assessing climate-related risks

The Sustainability Committee as a supervisory body requests the ESG Promotion Office, the organization that actually carries out ESG activities, to identify and assess climate-related risks and opportunities and receives reports from the ESG Promotion Office. The ESG Promotion Office holds a series of discussions with ESG Working Group, which has been formed jointly with eight core subsidiaries. The discussions are made to create a list of social issues, identify their relevance to the business activities and stakeholders' expectations, and order them by priority.

Process for managing climate-related risks

The ESG Promotion Office is responsible for planning strategies for the entire Group related to ESG including climate change risks. It implements the Group's initiatives for addressing these risks and reports their progress to the Sustainability Committee. The Sustainability Committee convenes regularly once a quarter and on an ad hoc basis, as necessary. It submits reports and proposals to the Board of Directors and provides guidance to individual divisions.

Metrics and Targets

Metrics

The Group has set reduction targets using CO2 emissions (Scope 1 + 2) and the number of mercury lamps as metrics. These were drafted by the ESG Promotion Office under the guidance of the Sustainability Committee and resolved by the Board of Directors.

Targets

CO2 emissions (Scope 1 + 2 combined)

	FY2023/3	FY2026/3	2030	2050
CO2 emissions reduction targets Compared to FY2022	–	-3.7%	-30%	-100%
CO2 emissions (t-CO2)	180,048	173,340	126,034	0

Mercury lamp reduction

	FY2023/3 (Actual)	FY2024/3 (Actual)	FY2026/3 (Plan)
Number of mercury lamps	12,347	8,995	33
Number of planned reductions	–	-3,352	-6,008

Initiatives based on the Taskforce on Nature-related Financial Disclosures (TNFD)

The Group recognizes its responsibility to pass on a rich global environment to the next generation, and believes that contributing to the conservation of nature, including biodiversity, is essential for sustainable corporate management. In order to create a society in harmony with nature, it is necessary to identify priority areas for biodiversity conservation and make efforts while tracking progress toward the set targets. Through the Sustainability Committee, the Group will formulate basic policies, set key targets, and manage progress. With a view to disclosing information related to nature capital based on the TNFD, the Group will begin assessing and analyzing risks and opportunities and initiate discussions.

Strengthening Compliance



Basic Policy

The NIKKON Holdings Group practices highly transparent management by strengthening governance, with each and every employee acting with integrity and maintaining compliance and high ethical standards.

Governance Policies

- 1 Develop and strengthen our governance structure by positioning compliance as a management priority, and strive to ensure the effectiveness of the execution of management strategies.
- 2 Appropriately address all risks associated with business execution, ensure sound and appropriate business operations throughout the Group, and secure stable earnings.
- 3 Instill compliance with laws and regulations, internal rules, and corporate ethics through employee education and other means, promote sensible behavior as a member of society, and aim to become a company trusted by all stakeholders.
- 4 Ensure the transparency of our management through the timely and appropriate disclosure of information related to our corporate activities, including the risks associated with our business and the creation of new business opportunities, and promote understanding of our business through engagement with investors.
- 5 Foster mutual trust in our business activities, and establish a system to ensure fair and impartial transactions.
- 6 Refrain from forming any relationships, including business relationships, with antisocial forces and organizations, such as organized crime groups, that threaten the order and safety of society and hinder economic activities.

Main Initiatives

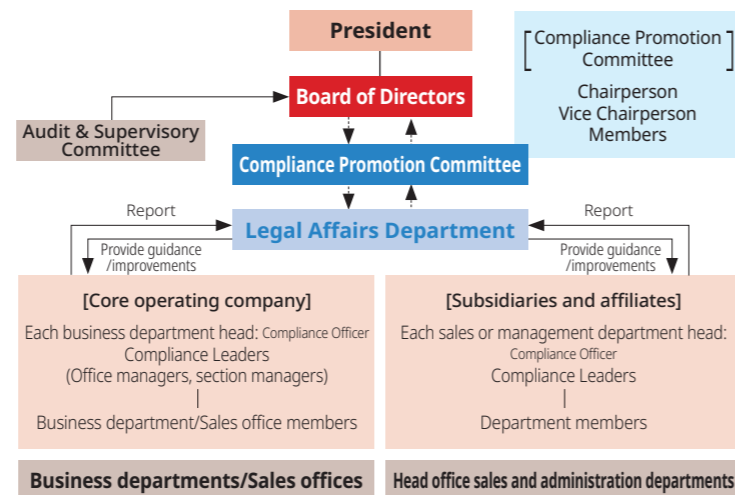
Compliance Promotion Committee

The committee establishes basic matters such as guidelines and policies related to compliance initiatives, formulates plans for the following three items, and oversees the implementation of these initiatives.

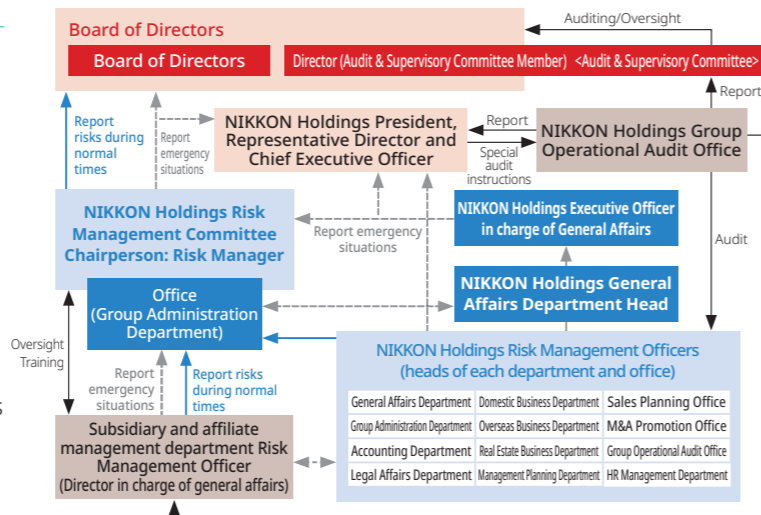
- (1) Establish an organizational structure for effective operation
- (2) Develop various measures and mechanisms to ensure effectiveness
- (3) Raise awareness of the necessity and importance of compliance, and foster a legal mindset

The committee reports on its initiatives to the Board of Directors four times a year and functions as an advisory body to the Board of Directors. In addition, the committee assigns compliance officers and compliance leaders to all Group companies and distributes compliance handbooks to all employees and officers to familiarize them with our compliance policies (Code of Conduct) and raise their awareness.

[Compliance Organization Chart]



[Risk Management Structure]



Risk Management Committee

The Group positions risk management as a top management priority and has established the Risk Management Regulations to ensure sound and appropriate business operations. The Risk Management Committee, chaired by a director, analyzes and evaluates potential disaster, accident, management, financial, information, and social risks for each Group company in accordance with the Regulations, and takes countermeasures in line with our management strategies. The committee reports the status of risks to the Board of Directors every three months for oversight purposes, and establishes systems to prepare for future risks.

Compliance Education

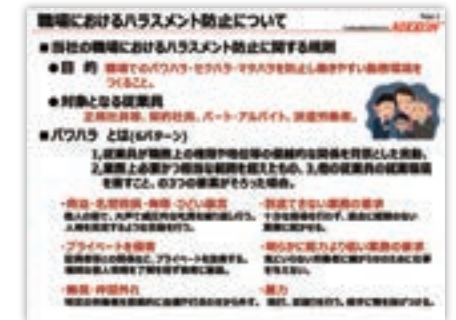
The Compliance Promotion Committee has established compliance-related rules to be observed by all officers and employees of the Group, formulated the Compliance Program to ensure that these rules are firmly embedded and implemented within the Company, and provided education based on this program.

Specific activities include preparing a Compliance Handbook and displaying posters to raise awareness of compliance issues, as well as devoting a large amount of time to compliance training, which is the most important topic in our training for new employees and newly appointed managers. In addition, we provide individualized training on specific themes, such as preventing insider trading and workplace harassment. These are part of the system we have established to ensure that the Group lives up to the trust and expectations of society. We also launched a new portal site to disseminate the Group's policies, such as the Basic Philosophy and Code of Conduct, and other important compliance matters.



Internal Reporting System

The Group has established an internal reporting system for the purpose of early detection, correction, and prevention of misconduct. We have a reporting desk (compliance hotline) to appropriately respond to reports and consultations regarding misconduct. Some of our subsidiaries have anti-harassment initiatives in place, with harassment counselors serving as a point of contact for employee consultations.



Information Security

The Group regards information leaks and cybersecurity threats as important risks and conducts annual training for all employees on our information security policy.

Through the training, employees recognize the importance of information risk management and learn how to protect their information assets from threats such as unauthorized access, information leaks, and system failures. We have also formulated an Information Security Policy as our basic policy for information security, and are working to establish an organized and systematic information security management system through its implementation.

At AUTO TECHNIC JAPAN CO., LTD., a new Information Security Committee was launched to create a comprehensive system for strengthening IT security. To further enhance awareness of information security, Information Security News is distributed monthly to employees.



Business Continuity Plan (BCP) Measures

In replacing its core system, NIPPON KONPO UNYU SOKO CO., LTD. shifted its server management from in-house to two dedicated data centers that are available 24/7, enhancing its preparedness for large-scale disasters and prolonged power outages. As emergency measures, we also share sales office hazard map lists and details within our groupware, register employees in a safety confirmation system, and conduct periodic disaster drills to prepare for unforeseen circumstances. For the safety confirmation system, we provide managers with e-learning training to help them learn the basic process of safety confirmation, system overview, and operation methods.

Corporate Governance

Directors and Officers



Masakatsu Kuroiwa
President and Representative Director
Chief Executive Officer

Reasons for Appointment

Since joining the Company, Mr. Masakatsu Kuroiwa has accumulated a wealth of business experience, including overseas assignments. After assuming the office of President and Representative Director, he has utilized this experience to appropriately direct and supervise management. In light of the fact that he has led business growth and contributed to the improvement of corporate value through management based on the Basic Philosophy, the Company has appointed him, judging that he is an appropriate person to lead realization of the long-term vision.



Seiji Ooka
Representative Director and
Senior Executive Officer

Reasons for Appointment

After having accumulated a wealth of business experience through engaging in the logistics business and the customs clearance business at the Group for many years, Mr. Seiji Ooka has been engaged in management utilizing such experience as President and Representative Director of a business company. Based on the above, the Company has appointed him, judging that he can significantly contribute to the Group's sustainable growth and improvement of corporate value.



Yasunori Matsuda
Director and
Managing Executive Officer

Reasons for Appointment

Since joining the Company, Mr. Yasunori Matsuda has been engaged in finance and accounting-related operations for many years, and held posts of General Manager of Accounting Department, General Manager of Affiliated Companies Management Department, General Manager of Legal Affairs Department, and General Manager of Overseas Business Department. Like this, he has cultivated broad knowledge regarding administration and operation, accumulating extensive experience. Based on the above, the Company has appointed him, judging that he is a necessary person for the Group to achieve a sustainable growth and improve its corporate value.



Hidehiro Motohashi
Director and
Executive Officer

Reasons for Appointment

Mr. Hidehiro Motohashi has been involved primarily in operations related to personnel affairs and information management in the Company's administration departments, and held many posts involved in human capital. Through many years of the business experience, he has cultivated professional knowledge on human resources development, administration and operations. Based on the above, the Company has appointed him, judging that he is a necessary person for the Group to achieve a sustainable growth and improve its corporate value.



Kioi Yamada
Director and
Executive Officer

Reasons for Appointment

He has been involved in steel product-related business at a major general trading company and its group companies, and served as a president of overseas subsidiaries. Therefore, he has a wealth of experience and deep insight regarding corporate management. After joining the Company, he has achieved many results as General Manager of Sales Planning Office. Based on the above, the Company has appointed him, judging that he can significantly contribute to the Group's business development.



Aiko Koma
Director

Reasons for Appointment Outside Independent

Ms. Aiko Koma has been engaged in corporate legal affairs as an attorney-at-law for many years. At the Company, she has provided accurate advice on corporate governance and diversity, and supervised the execution of duties by Directors, based on her specialized knowledge. Therefore, the Company has appointed her as an Independent Officer, judging that she can contribute to improving the effectiveness of the Board of Directors and strengthening supervisory function.



Ryutaro Ozeki
Director

Reasons for Appointment Outside Independent

Mr. Ryutaro Ozeki has served as a president and representative director of a trading company specializing in chemicals and electronic components for more than 20 years. Based on such abundant experience and broad insight, he has provided effective advice on overall management of the Company. As he has monitored management from an objective perspective without being constrained by the Company's logic, the Company has appointed him as an Independent Officer, judging that he can contribute to improving the effectiveness of the Board of Directors and strengthening the supervisory function.



Tetsuya Okuda
Director
(Audit & Supervisory Committee Member)

Reasons for Appointment Outside Independent

Mr. Tetsuya Okuda has been engaged in transportation administration for 35 years, and has a wide range of knowledge and experience mainly in the field of logistics. He has provided accurate advice on the Company's management from an outside viewpoint, and audited and supervised execution of duties by Directors. Therefore, the Company has appointed him as Independent Officer and Audit & Supervisory Committee Member, judging that he can contribute to improving the effectiveness of the Board of Directors and strengthening the supervisory function.



Hideki Kawasaki
Director (Full-time Audit & Supervisory Committee Member)
(Selected Audit & Supervisory Committee Member)

Reasons for Appointment

Mr. Hideki Kawasaki has been involved primarily in operations related to general affairs and audit at the Group's business companies, and held posts such as General Manager of General Affairs Department, General Manager of Information Management Department, General Manager of Legal Affairs Department, and General Manager of Operational Audit Office. As he has abundant business experience and knowledge on management and auditing, the Company has appointed him as Full-time Audit & Supervisory Committee Member, judging that he is an appropriate person to audit and supervise the execution of duties by Directors of the Company.



Kanako Takeda
Director
(Audit & Supervisory Committee Member)

Reasons for Appointment Outside Independent

Ms. Kanako Takeda has a wealth of experience and expertise as a tax accountant. The Company expects her to provide accurate and effective advice primarily on finance, accounting and tax affairs, and appropriately audit and supervise the execution of duties by Directors. Based on the above, the Company has appointed her as an Independent Officer and Audit & Supervisory Committee Member, judging that she can contribute to improving the effectiveness of the Board of Directors and strengthening the supervisory function.

Director Skill Matrix

In light of our medium- to long-term management direction and business strategy, we identified the skills that the Board of Directors should possess in order to properly fulfill its decision-making and management oversight responsibilities, as follows.

Corporate Management

As a listed company engaged in a wide range of logistic-related businesses in Japan and overseas, the Board of Directors is required to have corporate management skills to manage a business portfolio that contributes to sustainable growth in order to meet expectations of various stakeholders.

Legal Affairs

At the Company, which has systematically established a corporate governance system and is committed to active management in compliance with laws and regulations, the Board of Directors is required to have legal skills to determine its policies and conduct supervision.

Finance/Accounting

At the Company, which flexibly and proactively makes growth investments such as new business investments and M&A, aiming to increase corporate value and shareholders' value over the long term, the Board of Directors is required to have finance and accounting skills to examine appropriateness of capital policies and financial strategies.

Safety

As a logistics company, we place the highest priority on traffic safety and improvement of working environment. Therefore, the Board of Directors is required to have skills to evaluate and consider workplace safety, prevention of traffic accidents, and provision of high-quality services.

Internationality

Since the Company positions the expansion of overseas business as a growth driver in the Medium-Term Business Plan, the Board of Directors is required to have skills related to internationality in order to make important decisions on management.

Personnel Affairs/Human Resources Development

The Group's policies for human resources development, ensuring diversity, and developing an internal environment, need to be established specifically from a medium- to long-term perspective. Therefore, the Board of Directors is required to have skills to make important decisions related to personnel affairs and human resources development.

IT/Digital

Since the Company aims to create shared value with customers and society through logistics services that utilize digital tools, AI, and IoT technologies, the Board of Directors is required to have skills related to IT and digital in deciding its policies.

No.	Name	Position	Committees	Independent Outside	Insight, Expertise, Experience							Gender	
					Corporate Management	Legal Affairs	Finance Accounting	Safety	Internationality	Personnel Affairs Human Resources Development	IT Digital		
1	Masakatsu Kuroiwa	President and Representative Director Chief Executive Officer	Nomination Committee member Remuneration Committee member		●	●	●	●	●	●	●	●	Male
2	Seiji Ooka	Representative Director Senior Executive Officer	Risk Management Committee member ★		●	●	●	●	●	●	●	●	Male
3	Yasunori Matsuda	Director Managing Executive Officer	Compliance Promotion Committee member ★ Sustainability Committee member		●	●	●	●	●	●	●	●	Male
4	Hidehiro Motohashi	Director Executive Officer	Risk Management Committee member ★		●	●	●	●	●	●	●	●	Male
5	Kioi Yamada	Director Executive Officer	Risk Management Committee member		●	●	●	●	●	●	●	●	Male
6	Aiko Koma	Outside Director	Remuneration Committee member ★ Sustainability Committee member ★	●		●							Female
7	Ryutaro Ozeki	Outside Director	Nomination Committee member ★	●	●								Male
8	Tetsuya Okuda	Outside Director Audit & Supervisory Committee Member	Audit & Supervisory Committee Member ★ Nomination Committee member	●				●	●				Male
9	Hideki Kawasaki	Director Full-time Audit & Supervisory Committee Member Selected Audit & Supervisory Committee Member	Audit & Supervisory Committee Member		●	●	●	●	●	●	●	●	Male
10	Kanako Takeda	Outside Director Audit & Supervisory Committee Member	Remuneration Committee member Audit & Supervisory Committee Member	●			●						Female

★ Chairperson ★ Vice Chairperson

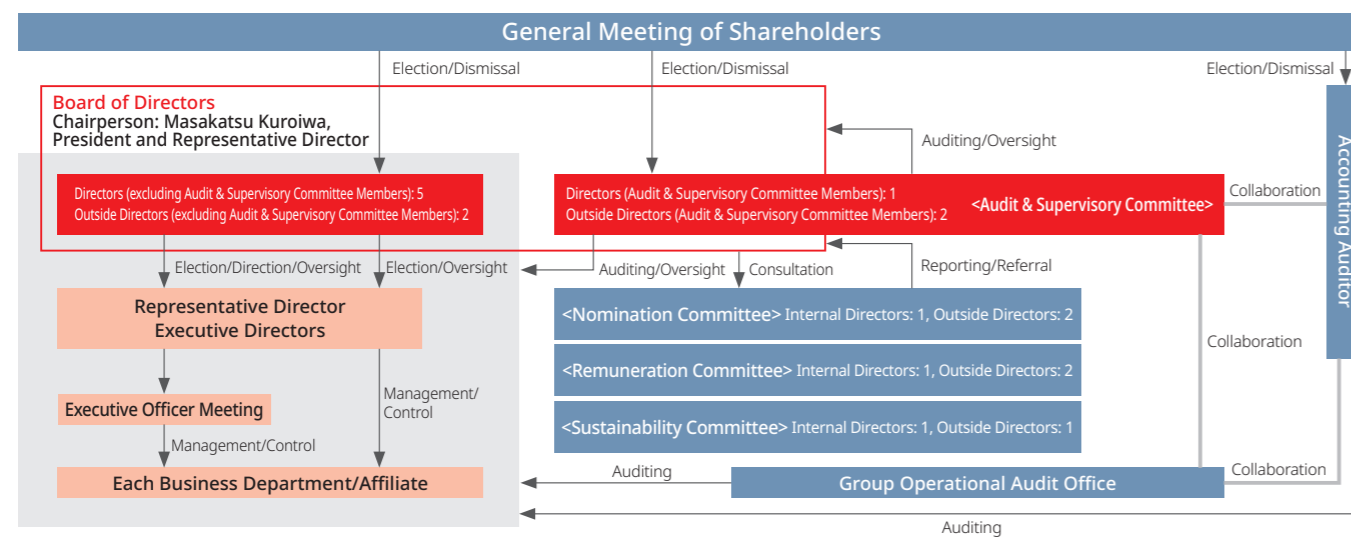
Corporate Governance

Basic Approach to Corporate Governance

The Company seeks enhancement of corporate value over the medium to long term based on the NIKKON Holdings Group Basic Philosophy.

Basic Philosophy: We will contribute to the prosperity of our customers, shareholders, employees, and society by leading the way in creating joy, value, and an environment that can be shared through business logistics based on a global perspective. To ensure corporate governance functions effectively for the realization of this philosophy, the Company is developing and strengthening the organizational structure and endeavoring to ensure the transparency of corporate activities, and it intends to fulfill its corporate responsibilities to all stakeholders including customers and shareholders, and contribute to the development of society.

Governance Structure Chart



Directors and Board of Directors

The Board of Directors is composed of 10 Directors (including four Independent Outside Directors). We hold monthly ordinary Board of Directors' meetings to approve material matters, monthly Management Strategy Council meetings to speed up material decision-making, and monthly Executive Officer meetings mainly for the purpose of reporting and exchanging information. This structure enables us to strengthen the oversight function, expand the scope of matters deliberated on and reported, and make flexible decisions.

Committees

We have established a Compliance Promotion Committee, Risk Management Committee, and Sustainability Committee to deal with material management issues, thereby building a structure for increasing expertise and flexibility. As a rule, each committee convenes regularly once a quarter, and additionally as necessary. Committees report and make proposals to the Board of Directors and also provide guidance to each division.

Audit & Supervisory Committee and Its Members

The Audit & Supervisory Committee is composed of three Audit & Supervisory Board Members (including two Outside Directors). We hold Audit & Supervisory Committee meetings and meetings of Audit & Supervisory Committee Members and seek to strengthen their independence and functions by adopting an audit structure in accordance with the Audit & Supervisory Committee Rules, the Audit & Supervisory Committee Auditing Standards, and the Audit & Supervisory Committee Auditing Standards for Internal Control System.

We have also adopted a structure which allows Audit & Supervisory Committee Members to adequately monitor Directors' performance of duties through attendance at Board of Directors' meetings and other important meetings; individual interviews with Directors, division managers, and other relevant persons; and business audits and reports on business locations in Japan and overseas.

Voluntary Nomination Committee and Remuneration Committee

We have established a voluntary Nomination Committee and Remuneration Committee, the majority of which comprises Outside Directors, to serve as advisory bodies to the Board of Directors. These committees serve as new functions to enhance the objectivity and transparency of the decision-making processes concerning the personnel matters of senior management, who play a role in the Company's sustainable growth and in building trust, and Directors' remuneration, and to further enhance and strengthen the management and governance structure.

Progress in Strengthening Governance

Initiatives to Strengthen Corporate Governance



Evaluating the Effectiveness of the Board of Directors

Each fiscal year, we conduct an evaluation of the effectiveness of the Board of Directors as a whole, aiming to confirm how the Board currently functions and improve its effectiveness. For the fiscal year ended March 31, 2024, the Directors conducted a self-evaluation in the form of a questionnaire with 30 questions on a five-point scale and a free response section. In addition, to ensure the objectivity of the evaluation process, a third-party organization was used to analyze the results of their responses.

Evaluation Results

Based on a comprehensive analysis and assessment of the results of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2024, we were able to confirm that, overall, the Board of Directors is generally effective. Areas receiving a high evaluation included verifications for reducing cross-shareholdings, the roles of the Group headquarters, value-sharing with stakeholders, the establishment and monitoring of a code of conduct, and the establishment, monitoring and supervision of the operation of internal control systems. On the other hand, the results revealed that in order to further improve the Board's effectiveness, further work was needed concerning discussing succession planning, promoting DX, providing training for Directors and providing information to the Board. The evaluation also found that discussions on sustainability strategies were insufficient.

Issues identified in the evaluation results	Directions for improvement
Clarification of succession plan	▶ Review of succession plan on the executive side
Cultivation of candidates in line with plans	▶ Strengthening discussions at the Nomination Committee and Remuneration Committee
Improvement of tools for effective use of DX	▶ Enhancement of supervision by the Board of Directors in line with the Digital Governance Code 2.0
Officer training	▶ Provision of training to fill gaps in skills and knowledge
Insufficient prior explanations to Outside Directors, insufficient communication outside meetings of the Board of Directors	▶ Improvements to advance briefings ▶ Verification of whether or not an expansion of communication opportunities is required
Insufficient discussions on strategies for sustainable growth	▶ Periodic monitoring of initiatives on the executive side ▶ Discussions on sustainability measures at meetings of the Board of Directors
Improvements to the internal reporting system	▶ Confirmation of the status of supervision with respect to the internal reporting system ▶ Improvements to reporting of status by the executive side
Delegation of authority	▶ Review of standards for determining matters to be submitted to the Board of Directors and streamlining matters to be submitted

Corporate Governance

■ Policies and Procedures for Determining Remuneration for Directors

The Company has established a voluntary Remuneration Committee as an advisory body to the Board of Directors, to ensure transparency and fairness in the process of making decisions on officers' remuneration. The Remuneration Committee is chaired by an Outside Director and deliberates and makes proposals to the Board of Directors on remuneration levels for Directors and Executive Officers and various systems related to evaluation and remuneration. Remuneration for Directors is determined within a maximum amount of remuneration resolved at the Company's Annual General Meeting of Shareholders. In addition, remuneration for Directors is determined by the Board of Directors based on the opinion of the Remuneration Committee, which is chaired by an Outside Director.

■ Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic policy

The basic policy is that remuneration for the Company's Directors shall be the kind of remuneration system that fully functions as an incentive for the sustained enhancement of the corporate value and shall be set at an appropriate level in light of the job responsibilities of individual Directors when determining remuneration for them.

Remuneration for the Company's Directors consists of fixed remuneration and officers' bonuses and stock-based remuneration, which are performance-linked remuneration. However, Outside Directors and Directors who are Audit & Supervisory Committee Members receive only fixed remuneration.

2. Policy for determining the amount of fixed remuneration (monetary remuneration) for individual Directors (including the policy for determining the time or conditions for giving remuneration, etc.)

(1) Fixed remuneration for Directors of the Company consists of monthly remuneration.

(2) Salary details and allocation of amounts are clarified based on full-time or part-time status.

(3) Monthly fixed remuneration for Directors (excluding Outside Directors) whose monthly fixed remuneration has not been revised for more than two years is determined, taking the inflation rate into consideration.

3. Policy for determining details and amounts of performance-linked remuneration and non-cash remuneration and determining their calculation methods (including the policy for determining the time or conditions for giving remuneration)

The Company uses profit attributable to owners of parent, which will be used to fund future investments and shareholder returns, as the indicator for officers' bonuses, which are performance-linked remuneration. Bonus allocations are made after the conclusion of the General Meeting of Shareholders, using a certain percentage as a rough guide.

The Company has established a performance-linked stock-based remuneration scheme using a Board Benefit Trust as non-monetary remuneration. Under the scheme, the Company grants, upon retirement, shares equivalent to points calculated according to factors such as position and the extent of achievement of the Medium-Term Business Plan target for profit attributable to owners of parent each fiscal year as determined by the Board of Directors. The purpose of the scheme is to raise awareness of the need to contribute to improving performance and increasing corporate value over the medium to long term.

4. Policy for determining the ratio of the amount of cash compensation, performance-linked remuneration or non-cash remuneration to the amount of remuneration for individual Directors

The percentages of each of type of remuneration for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) are determined by benchmarking companies that are of a comparable size or belong to the same industry/business, and the remuneration of more senior executives is weighted towards performance-linked remuneration and share-based remuneration.

5. Matters concerning decisions on the details of the remuneration paid individually to Directors

At the 77th Annual General Meeting of Shareholders held on June 28, 2018, it was resolved to set the maximum amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) at 300 million yen per year (including the maximum amount for Outside Directors of 24 million yen per year; this includes performance-linked remuneration and excludes the employee salary portion paid to Directors who serve concurrently as employees).

In addition, at the 80th Annual General Meeting of Shareholders held on June 29, 2021, it was resolved to introduce a performance-linked stock-based remuneration scheme using a Board Benefit Trust for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members), with 27,000 points (1 point = 1 share) and 40 million yen per fiscal year set as the upper limits respectively, outside the framework of the abovementioned amounts.

At the 77th Annual General Meeting of Shareholders held on June 28, 2018, it was resolved to set the maximum amount of remuneration for Directors who are Audit & Supervisory Committee Members at 72 million yen per year, and the amount of remuneration for individual Directors who are Audit & Supervisory Committee Members is decided through discussion among Audit & Supervisory Committee Members.

The Company resolved at a meeting of the Board of Directors held on January 10, 2020 to establish a Remuneration Committee as an advisory body to the Board of Directors. The Remuneration Committee consists of three or more members and is chaired by an Independent Outside Director. A majority of the members are Independent Outside Directors. Starting from the fiscal year commencing April 1, 2020, the remuneration for individual Directors of the Company is determined by resolution of the Board of Directors following discussion in the voluntary Remuneration Committee based on the Board of Directors' request for advice.

■ Cross-Shareholdings

(1) Policy for cross-shareholdings

The Company believes that long-term partnerships are essential for the stable continuation of the logistics business. The Company has a basic policy of holding shares of other companies as cross-shareholdings if they will help enhance its corporate value through stronger mutual cooperation including the maintenance and strengthening of business alliances and transactions.

(2) Verifying the appropriateness of cross-shareholdings

The Company reviews cross-shareholdings at meetings of the Board of Directors, taking into consideration their effectiveness in enhancing corporate value, and will reduce in an appropriate and timely manner any cross-shareholdings that are not deemed to contribute to the Company's sustainable growth or enhancement of its corporate value in the medium and long term. The number of stocks held as cross-shareholdings was 25 stocks as of the end of March 2021 but this number was reduced to 14 stocks as of the end of March 2024.

Of the total book value of cross-shareholdings of 28.6 billion yen, Honda Motor Co., Ltd., which has been a strategic partner since the Company's foundation and with which the Company also shares management plans and exchanges human resources, accounts for 19.9 billion yen; however, these cross-held shares are considered differently from other cross-held shares, and the Company currently has no plans to sell them because they have more than enough strategic significance. The book value of the Company's cross-shareholdings is equivalent to 11.6% of its net assets. If the cross-held shares of Honda Motor Co., Ltd. are excluded, the cross-shareholdings account for 3.6% of net assets.

(3) Standards for the exercise of voting rights related to cross-shareholdings

Taking into account the significance of holding listed shares, the Company exercises its voting rights based on whether a proposal will contribute to sustainable growth and improvement of corporate value in the medium to long term for both the Company and the investee company and based on consideration of other factors such as the status of compliance, including corporate fraud, and the status of ESG initiatives. The Company pays particular attention in cases where, for example, there are serious concerns in relation to corporate governance, business performance has been poor for a long time, damaging shareholder value, or shareholder value could otherwise be seriously damaged, and the Company makes judgments through careful consideration on a case-by-case basis. The Company also has a system of monitoring the status of the exercise of voting rights.

■ Policy for Constructive Dialogue with Shareholders

(1) As for management policies and initiatives for sustainable growth and enhancement of corporate value in the medium and long term, the Company's basic policy is to provide appropriate information in a timely manner and to engage in constructive dialogue with stakeholders through the reflection of shareholder feedback in management, etc.

(2) The Company's President, the Director in charge of finance, the Executive Officer in charge of IR, etc. engage in constructive dialogue to build trust-based relationships with shareholders.

(3) The Company holds a financial result and ESG briefing for shareholders and investors semi-annually to contribute to the Company's sustainable growth and enhancement of its corporate value in the medium and long term, and it also organizes an office visit once a year and briefings for individual investors on an irregular basis.

(4) In addition to establishing and complying with its own Insider Trading Prevention Regulations, the Company also has a quiet period starting from the closing date of each quarter and ending on the day it announces its results and enforces this among its officers and employees.



Round-table Discussion with Outside Directors

As Outside Directors, we will contribute to the cultivation of a corporate culture in which diverse human resources can contribute actively and achieve sustainable growth

Ryutarō Ozeki
Outside Director

Aiko Koma
Outside Director

Tetsuya Okuda
Outside Director

Three independent Outside Directors of the NIKKON Group, whose roles include strengthening the effectiveness of the Board of Directors and monitoring and supervising management and business strategies, spoke about their evaluation issues of corporate governance and related issues, as well as their recommendations for human capital management that is currently being promoted.

Commend the effectiveness of the Board of Directors as a forum for decision-making Expect added value from free discussion

—We would like you to evaluate the function and effectiveness of the Board of Directors from the standpoint of an Outside Director, so could you please first provide your opinion on the composition and operation of the Board of Directors?

Koma Following the General Meeting of Shareholders held in June 2024, I am in my third year as an Outside Director. Since my appointment in 2021, I have leveraged my experience of engaging in corporate legal affairs as an attorney-at-law in my efforts to contribute to the improvement of the Board of Directors' decision-making and management supervision functions. With regard to the sharing of materials for making decisions in advance, for example, I appreciate that we receive the materials about a week before the Board of Directors meeting, which gives us sufficient time to consider the matters at hand. In addition, another woman will be joining the Board of Directors as an Outside Director this fiscal year,

so I am hoping that the increased diversity will have a positive impact on the Board going forward.

Okuda This is my second year as an Outside Director, and I am serving as an Audit & Supervisory Committee Member. I try to make judgments and recommendations based on the knowledge that I gained through my work related to the automotive and logistics industries in the Ministry of Land, Infrastructure, Transport and Tourism. In meetings of the Board of Directors and the Audit & Supervisory Committee, I appreciate that Board members are given sufficient explanations of matters that require explaining and that appropriate decisions are made based on the Board members' firm understanding of the details.

Ozeki This is my second year as an Outside Director as well, and from my perspective as someone who has been engaged in corporate management for many years, my sense is that sufficient briefing materials related to the agenda of the Board of Directors meetings are provided and that the matters are explained adequately. As this is the Board of Directors of the holding company, the heads of the major consolidated subsidiaries of the Group attend Board meetings as Executive Officers. My impression is that the meetings are run properly, even

when there are many items on the agenda and matters to be reported.

Koma If I could cite one area for improvement, I think that the quality of information sharing could be further improved if we were given an opportunity for a pre-meeting briefing, in addition to the provision of the briefing materials. From the perspective of improving the quality of discussions based on the exchange of information between Outside Directors and internal Directors, it may be advisable from a long-term perspective to review the criteria for proposals to be resolved by the Board of Directors and consider the transfer of authority to the Executive Officers.

Okuda I agree. I believe that unexpected by-products can come out of multifaceted discussions. Separately from the Board of Directors, which is a forum for making decisions on important matters to be resolved, it would be good to have a forum for free discussion in view of achieving medium- to long-term management plans. For example, we could exchange opinions on the business portfolio for the realization of management that is conscious of cost of capital and share price, which is stated in the Governance Code, from the viewpoint of the stakeholders in our capacity as directors.

Ozeki It may be a good idea to try to set themes with a balanced contrast, such as topics that require speedy decisions and topics on which opinions from a wide range of Directors are sought.

Group-wide awareness of governance is evolving Penetration of the materiality of ESG promotion is an issue

— In connection with what you have just discussed, what are your thoughts on the monitoring and supervision of more specific business strategies and risk management by the Board of Directors?

Ozeki In light of recent changes in the business environment and the nature of the logistics business, risk management is positioned as one of the most important management issues. The Company has established the Risk Management Committee, which is chaired by a Director, and has put in place a system to analyze and evaluate risks anticipated for the Group companies, develop countermeasures against such risks, and regularly report the status of such risks to the Board of Directors. As such, my assessment is that the system for monitoring and supervising risk management is appropriate. On the other hand, from the perspective of a corporate manager, I believe that, in addition to establishing frameworks and measures based on the premise of "nipping risks in the bud before they emerge," we should also engage in more in-depth discussions in advance on how we should disclose information when problems arise, and the impact on stakeholders, including the entire Group.

Koma The Board of Directors is expected to supervise matters for reporting, and if I look at the past two years from my perspective of an attorney-at-law, my

assessment is that awareness of governance in the entire Group has reached an appropriate level. If we are to aim for the further strengthening of the supervision function, from the perspective of there being so many Group companies, I would like to see a little more improvement in areas such as the systemization of mechanisms for information sharing that I mentioned earlier.

Okuda I perceive a need for us to improve ourselves even more if we are to improve our supervision function as Outside Directors. To this end, I would say that actually visiting sites ourselves is important as an opportunity for input. I have visited several Group companies, and I believe that gaining a real sense of the work being done on the ground will allow me to make better use of my "outside perspective" as an Outside Director in a way that is closer to the actual situation.

Koma I serve as the chair of the Sustainability Committee, which oversees "sustainability management" that has been promoted as a specific business strategy since 2021. We are currently promoting ESG activities across the Group, centered on a working group consisting of eight major Group companies. All employees of the Group are highly motivated to take things seriously, and I look forward to seeing quantitative and qualitative results in the future. However, I feel that we are still only halfway there in terms of the degree of penetration of materiality, or key issues declared by the Group, and in understanding the importance of initiatives to resolve those issues. I hope to make proposals that will encourage directors, including myself, to take the lead in stimulating interest in and initiatives for environmentally conscious ESG activities.

The President himself is promoting "human capital management" with a sense of crisis The participation and advancement of women and external human resources will be the key to growth in the future

— Companies are being called on to address management issues, such as labor shortages and the establishment of organizations that emphasize diversity. As such, "human capital management," which promotes management with "people" as the most important management resource, is taking on increasing importance. How do you view human resources, the capital that is the key to the growth of the NIKKON Group, and what kinds of initiatives are you pursuing in this regard? Could you describe your evaluation and awareness of the issues?

Koma Even in its response to the "2024 problem," the Group views it as a time to transform from existing logistics to new logistics, and is promoting strategies centered on "building next-generation logistics." To develop high-caliber logistics personnel who will be responsible for this challenge, in December 2022, we established the Human Resource (HR) Management Department under the direct control of the President, and we are promoting human capital management

I look forward to new developments through alliances with companies in other industries, including M&As in the overseas business.

throughout the entire Group. I highly commend the President's stance of taking the lead himself in establishing a new personnel system with a sense of crisis.

Okuda As a pioneer in integrated logistics, the NIKKON Group could be described as one of the companies that has propelled the Japanese economy forward. President Masakatsu Kuroiwa has always said that the driving force for growth is "human capital" and that it is important to improve the quality of people and educate employees. To leverage the strengths that we have accumulated in this way and connect them to business expansion that is our future aim and to the creation of the next core businesses, I believe that the key point will be how to recruit and develop a diverse range of human resources, including from outside the Company, in addition to training those already in the Company's employ.

Ozeki I feel the same way. The employees of the Company are aware that they are members of a top company in the logistics industry, and they are working steadily, putting safety first. In addition, many people with high levels of experience and qualities have joined the Company from outside. I believe that the key to our future growth lies in how we empower and activate the talent that has joined us mid-career from outside, in addition to the people who have been with the Company since graduation.

Koma In an era when innovation and transformation that are not merely an extension of conventional business are required, it is essential to cultivate a



corporate culture that is based on earnestness and that enables employees to create new ideas with a spirit of challenge.

Ozeki It is also important to provide opportunities for women and non-Japanese employees, including those from outside the Company whom we talked about earlier, to contribute actively in important roles. In the 13th (current) Medium-Term Business Plan, we have set numerical targets of increasing the percentage of women in the Group's Japan workforce from 23% in FY2022 to 27% in FY2025, the final year of the plan, and the percentage of women in management positions from 8% to 13%, respectively. In addition to achieving these numerical targets, we also need to create organizations and systems that will enable outstanding women to participate in executive management.

Koma This is an important theme that has been included in the materiality of sustainability management. If I may give my personal, slightly harsh opinion, while the Company has set a numerical target for female managers, it is a mainstream trend for companies to set their target for the percentage of women in management positions at 30%. In that respect, to be honest, I am concerned that the Company is falling behind. To address labor shortages and ensure diversity in the logistics industry, I hope to see the Company place efforts into recruiting more women and simultaneously training women as executive candidates with a sense of speed. These initiatives should be implemented by the top management of not only Company Headquarters,

As an Outside Director, I would also like to contribute to deepening discussions from the perspective of stakeholders



but also the top management of the individual operating companies, with a sense of resolve. In this regard, the NIKKON Business School is already being held for young Directors and Executive Officers with the aim of developing the next generation of management executives. I would love to see the school open its doors to more women.

Okuda The management team has also made it clear that they want women to participate actively and advance in the company. As a major premise to that, are we a company that will be chosen by the working generation? We also need to communicate our unique appeal and new initiatives that are unique to the NIKKON Group that will attract the attention of people, including women, who are considering changing jobs.

Ozeki We have already begun to see new developments in the overseas business, which is positioned as a growth strategy in the current Medium-Term Business Plan. In May 2024, in a departure from our conventional pattern of overseas business of following our main clients, the automotive manufacturers, in their overseas expansion, we announced the launch of a service for the transportation of completed automobiles through the acquisition of a U.S. company as a subsidiary. I look forward to seeing the synergy effects of this acquisition in the future.

Okuda To accelerate the overseas business, the development of human resources who will be responsible for that business will be a matter of urgency. At present, we have the "Overseas Trainee Program," in which selected employees work at overseas Group companies for approximately one year. I think it is also important to cultivate a corporate culture that has a spirit of challenge, which would encourage employees to voluntarily put their hands up and leap into new markets themselves. One way of achieving this may be to send them overseas to study when they are young.

Koma As you said, if we are to increase synergies through M&A with overseas companies, it is crucial that we have people who are capable of managing overseas markets. In an era when management strategies and human resources strategies are said to be linked, I also hope to see the realization of a succession plan that clearly states measures for discovering and developing human resources, with a view to developing successors.

I will make constructive proposals to promote the development of female executives as well as increasing the recruitment of female employees

Expectations for new growth drivers, such as recycling and overseas businesses

— What are your expectations and opinions for future growth by leveraging the strengths of the NIKKON Group?

Ozeki Centering on the three growth drivers set out in the current Medium-Term Business Plan, I expect the Group to achieve sustainable growth by entering new fields through alliances with companies in different industries and by creating next-generation core businesses both in Japan and overseas. As a corporate manager myself, I hope to make more appropriate recommendations and help to strengthen the supervision function.

Koma The logistics systems operated by the Group are essential infrastructure for society, and consideration of the environment is vital. In addition to actions such as reducing CO₂ emissions, which is already included in the Company's materiality, I would like to see the Company achieve sustainable growth for both society and its businesses through new forms of logistics business that are environmentally friendly, in particular, the recycling logistics business (circulation business), which the Company will focus on in the future. So that young people who identify with this kind of corporate stance will come together and the Group can further demonstrate its raison d'être as a company needed by society, I also hope to contribute to the future vision that the Group is aiming for.

Okuda They say that "young people, outsiders, and fools" are essential for revitalizing regional economies, which is a major social issue facing Japan. This is an era in which companies also need people who can propose bold ideas with new perspectives from outside. I also hope that the Group will cultivate a corporate culture that will carefully develop people that have such vitality and that will allow them, even when they make mistakes, to take on other challenges. So that the Company can demonstrate the strengths and potential that it has developed over its long history and realize further value creation, as an Outside Director, I will make proposals that will lead to sustainable growth and fulfill my duties of supervising the Directors.



Financial and Non-financial Highlights

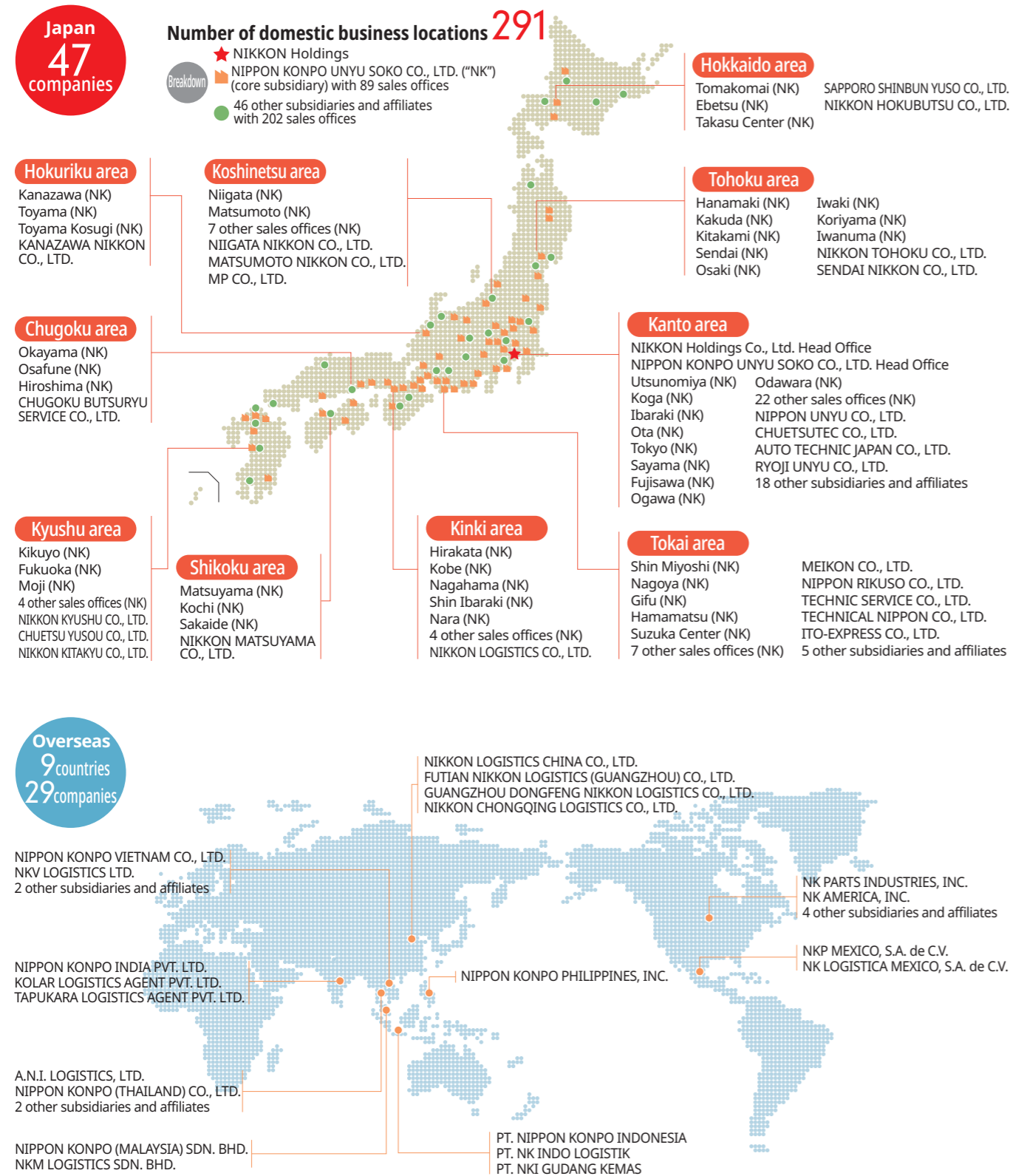
(Fiscal year ended March 31, 2014 - Fiscal year ended March 31, 2024)

IR Library: <https://www.nikon-hd.co.jp/en/ir/library/>

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Financial data											
Net sales (million yen)	165,205	170,076	174,031	179,312	187,819	197,693	199,512	182,536	198,159	212,071	222,324
Operating profit (million yen)	14,878	15,200	17,511	18,130	19,009	20,028	20,890	18,191	19,512	19,580	21,235
Profit before income taxes (million yen)	18,762	18,484	18,247	20,027	21,259	21,730	24,401	21,397	21,637	22,776	23,634
Profit attributable to owners of parent (million yen)	11,578	12,312	11,875	13,468	14,545	14,768	16,721	14,544	14,741	15,913	16,608
Total assets (million yen)	234,476	243,457	254,298	280,079	286,559	294,213	297,489	322,139	339,475	360,748	388,446
Equity (million yen)	146,480	155,842	159,179	170,910	182,101	186,338	192,780	207,747	218,478	228,873	245,939
Depreciation expense (million yen)	5,333	7,044	8,216	9,351	9,461	9,712	10,413	10,630	11,237	12,307	12,483
Total capital investment (million yen)	16,001	18,984	33,087	23,216	15,213	25,914	16,548	28,344	28,280	22,226	23,139
Cash flows from operating activities (million yen)	15,187	17,994	19,111	22,757	24,309	25,337	25,901	23,229	28,985	32,547	31,107
Cash flows from investing activities (million yen)	-22,051	-5,430	-28,334	-20,984	-22,884	-16,892	-19,867	-25,402	-31,567	-22,548	-24,340
Cash flows from financing activities (million yen)	11,906	-3,296	1,621	6,987	-8,330	-11,659	-584	1,473	759	-208	-4,408
Equity ratio (%)	62.5	64.0	62.6	61.0	63.5	63.3	64.8	64.5	64.4	63.4	63.3
Operating profit ratio (%)	9.0	8.9	10.1	10.1	10.1	10.1	10.5	10.0	9.8	9.2	9.6
ROA (%)	5.4	5.2	4.8	5.0	5.1	5.1	5.7	4.7	4.5	4.5	4.4
ROE (%)	8.2	8.1	7.5	8.2	8.2	8.0	8.8	7.3	6.9	7.1	7.0
Annual dividend per share (yen)	50	54	53	60	65	67	76	67	69	99	105
Earnings per share (EPS) (yen)	166.20	179.67	175.73	199.22	215.30	221.03	254.01	221.26	224.41	246.61	260.99
Book value per share (BPS) (yen)	2,099.93	2,306.28	2,355.31	2,529.33	2,702.46	2,810.70	2,932.77	3,160.46	3,334.70	3,566.33	3,899.85
Dividend payout ratio (%)	30.1	30.1	30.2	30.1	30.2	30.3	29.9	30.3	30.7	40.1	40.1
Non-financial data											
Number of Group employees	—	—	18,373	19,965	20,163	20,333	20,465	20,205	20,582	20,243	19,221
Male	—	—	9,143	9,322	9,425	9,645	9,605	9,493	9,498	9,511	9,686
Japan	—	—	9,143	9,322	9,425	9,645	9,605	9,493	9,498	9,511	9,686
Overseas	—	—	5,355	6,299	6,033	5,781	5,944	5,865	6,085	5,760	4,839
Female	—	—	1,593	1,714	1,805	1,936	2,017	2,057	2,132	2,187	2,235
Japan	—	—	1,593	1,714	1,805	1,936	2,017	2,057	2,132	2,187	2,235
Overseas	—	—	2,282	2,630	2,900	2,971	2,899	2,790	2,867	2,785	2,461
Number of vehicles owned by the Group	—	—	3,575	3,630	3,658	3,661	3,695	3,750	3,858	3,789	3,899
Japan	—	—	3,575	3,630	3,658	3,661	3,695	3,750	3,858	3,789	3,899
Overseas	—	—	758	703	688	782	757	756	773	760	734
Group warehouse area (m ²)	—	—	1,524,592.12	1,661,321.89	1,654,463.78	1,775,386.65	1,810,474.18	1,877,006.74	1,940,010.60	2,012,078.22	2,049,361.92
Japan	—	—	1,524,592.12	1,661,321.89	1,654,463.78	1,775,386.65	1,810,474.18	1,877,006.74	1,940,010.60	2,012,078.22	2,049,361.92
Overseas	—	—	320,924.00	373,859.00	395,482.65	432,690.25	469,169.90	474,877.34	492,840.74	492,840.74	595,243.54
CO ₂ emissions (Scope 1 + 2 combined) (t-CO ₂)	—	—	—	—	—	—	—	—	—	180,048	177,732

Group Companies

Outline of Domestic and Overseas Business Locations (as of March 31, 2024)



NIKKON NARA CO., LTD. changed its company name to NIKKON LOGISTICS CO., LTD., effective April 1, 2024.
HOKKAI BUTSURYU SERVICE CO., LTD. changed its company name to NIKKON HOKUBUTSU CO., LTD., effective April 1, 2024.

Company Profile and Stock Information

Company Profile (as of March 31, 2024)

Company name NIKKON Holdings Co., Ltd.

Established August 27, 1953

Capital stock 11,316 million yen

Website <https://www.nikkon-hd.co.jp/en/>

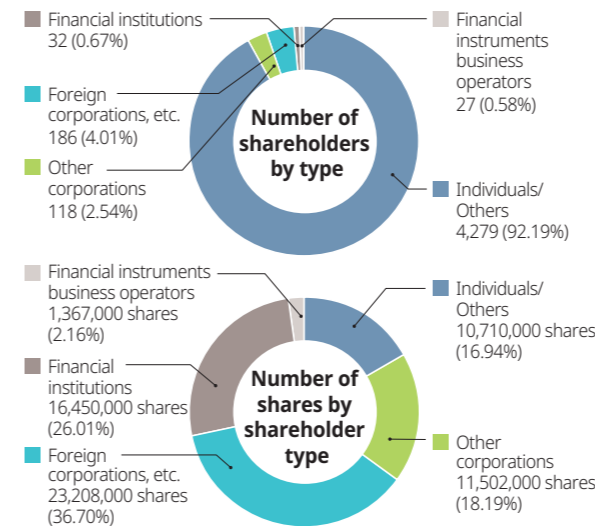
Number of Group companies 76 (72 subsidiaries and 4 affiliates)

Stock Information (as of March 31, 2024)

Shares status

- Total number of authorized shares **152,000,000**
- Total number of issued shares **63,239,892**
- Trading unit **100**
- Number of shareholders **4,642**

Distribution of shareholders



(Note) The treasury shares are included in the category "Individuals and others."

Our Website

Website of NIKKON Holdings Co., Ltd.	IR Information	Sustainability
https://www.nikkon-hd.co.jp/en/	https://www.nikkon-hd.co.jp/en/ir/	https://www.nikkon-hd.co.jp/en/sustainability/
The latest information on overall activities of the Group is posted.	Various IR materials including financial results information and management strategies are provided.	In addition to details of the concept and initiatives for sustainability in the entire Group, Integrated Report and ESG data are provided.



Shareholder	No. of shares held (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,320	13.18
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,196	5.06
GOLDMAN, SACHS & CO. REG	2,968	4.70
General Incorporated Association Kuroiwa-kai	2,560	4.05
Honda Motor Co., Ltd.	2,449	3.88
Custody Bank of Japan, Ltd. (trust account)	2,347	3.71
Isuzu Motors Limited	1,692	2.68
Hino Motors, Ltd.	1,494	2.36
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,454	2.30
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	1,412	2.23

(Notes) 1. The treasury shares are excluded from the calculation of shareholding ratios.
2. NIKKON Holdings Co., Ltd. implements a stock remuneration program. The treasury shares do not include 49,200 shares of NIKKON Holdings held by the Custody Bank of Japan, Ltd. (trust account) as assets in trust for this program.