

Corporate Governance Report

28th June 2019

NIPPON EXPRESS CO., LTD.

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The corporate governance of NIPPON EXPRESS Co., Ltd. ("Nippon Express" or "Our company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other

Basic Information

1. Basic Policy **[UPDATED]**

A. Basic Views on Corporate Governance

Nippon Express upholds its mission to resolve social issues through logistics and support social sustained development and growth in accordance with the "Nippon Express Group Corporate Philosophy." We also believe that working hand-in-hand with all stakeholders, including shareholders and investors, and respecting their viewpoints is indispensable to the realization of sustained growth and improvement of corporate value. To this end, ensuring compliance and guaranteeing management transparency, as well as speedy management through rapid decision-making and the clarification of responsibility, are important. Building such a system and ensuring that it functions properly comprises our basic policy on corporate governance. On the grounds of these basic views, our company strives for continuous progress and reinforcement of its corporate governance.

【Nippon Express Group Corporate Philosophy】

Our Mission

Be a Driving Force for Social Development

Our Challenge

Create New Ideas and Value that Expand the Field of Logistics

Our Pride

Inspire Trust Every Step of the Way

B. Implementation of Practical Measures for Corporate Governance

Nippon Express is a company based on an Audit & Supervisory Board structure. In addition to the Board of Directors and Audit & Supervisory Board, our company has introduced a Board of Officers system with the goal of ensuring rapid decision-making and business execution.

The Board of Directors consists of 9 members, including three outside Directors, and meets once per month or whenever necessary to make important management decisions and to supervise business execution. Additionally, in order to obtain the opinions of independent outside Directors concerning important matters such as the compensation and nomination of Officers, our company has established a fair and transparent discretionary Compensation and Nomination Advisory Committee, Committee—with three out of four committee members as independent outside directors, as an advisory body to the Board of Directors. Board members serve a one-year term. This enables us to clarify the Board's responsibilities for each fiscal year.

The Audit & Supervisory Board (“Audit & Supervisory Board” or “A & S Board”) consists of five members, including three outside Audit & Supervisory Board Members, and generally meets once every three months or whenever necessary. The Audit & Supervisory Board Members attend important meetings, including Board of Directors meetings, where they offer their opinions from the viewpoint of objectivity and fairness on overall management as well as on individual matters. They also provide oversight of company Directors by inspecting the legality of business activities and the status of internal control. In addition, the Audit & Supervisory Board Members examine important documents, make visiting audits to major offices and inspect subsidiaries. They then report their results to the Audit & Supervisory Board and the Board of Directors, while checking the task enforcement of the Corporate Affairs Division.

The Board of Executive Officers is comprised of 33 members, including 5 serving as Directors, and generally meets once per month or whenever necessary. The executive officers communicate decisions and instructions made by the Board of Directors while reporting on the status of Company operations and deliberating on important matters. Like the Directors, they serve a

[Reasons for Non-compliance with Principles of the Corporate Governance Code] [UPDATED]

Japan’s Corporate Governance Code was established by the Tokyo Stock Exchange. Our company is in compliance with all of the principals of JPX’s Corporate Governance Code

[Disclosure Based on Principles of the Corporate Governance Code] [UPDATED]

Our company included the disclosure based on each principle and our policy and implementations regarding all 78 principles—general principles, Principles and Supplementary Principles—in the “Nippon Express Policy and Implementations of JPX’s Corporate Governance Code.” We published these at the end of this report and on our website.

(Japanese)

<https://www.nittsu.co.jp/ir/governance/index.html>

(URL of the Global Site)

<https://www.nipponexpress.com/ir/governance/>

Our implementations of the eleven principles of disclosure are as follows:

[Principle 1.4 Cross-Shareholdings]

In principle, our company will reduce cross-shareholdings. However, we may hold such shares if we decide that the action would improve our mid to long-term corporate value by increasing the number of business transactions, expanding our business scope, strengthening our relationship with business partners and promoting cooperative collaborations.

For cross-shareholdings, our board of directors will annually review the rationality of holding each share name including capital costs and benefits of holding. The benefits will be evaluated not only from quantitative aspects but also from qualitative aspects. Specifically, we will review the benefits using the following criteria:

1. Whether or not the benefits of cross-shareholdings are in proportion with the weighted average cost of capital (WACC) in our company’s capital policy.
2. Whether or not holding these shares has contributed in expanding our company’s marketing area (i.e. whether or not it has created reasonable sales against the market value of the shares).
3. Whether or not holding these shares has contributed in increasing our corporate value (i.e. whether or not it has strengthened our relationship with business partners or promoted cooperative collaborations).
4. Whether or not we can expect an improvement of our corporate value in the future according to our business strategy (i.e. an increase in the number of business transactions or expansion of our business scope).

If we find that it is not rational to keep shares after review, we will sell all or part of such shares as required, while taking our company’s fund situation and share market movement into consideration.

Our company opposes the following actions regarding exercising voting rights on cross-shareholdings.

1. Actions which may lose the balance between holding on cross-shareholding and the purpose of cross-shareholding.
2. Actions which hinder the maintenance and expansion of the relationship with our business partners.

Our company will have regular meetings with the issuing companies of the shares and check our agreed upon standpoint concerning these shares. However, if we see a rapid deterioration in an issuing company's business performance or a sign of a weakening in our business relationship with a company, we will set up a meeting as soon as possible and utilize the results when deciding whether or not to approve actions.

【Principle 1.7 Related Party Transactions】

When a board director engages in competing transactions, transactions between a board director and our company or transactions involving any conflict of interest, the director must seek approval at a meeting of directors including independent outside officers. We conduct an investigation each year to see if any of our board directors, corporate officers or A & S Board Members engage in transactions with our company or a consolidated subsidiary. We disclose the results in our annual securities report in accordance with regulations including the "Accounting Standards for Related Party Disclosures." Currently, there is no such transaction in existence.

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

In order to support our employees' asset formation and reduce management risk of corporate pension funds, we adopted the fixed contribution pension system in 2007.

In order to teach our employees how to increase their assets, we are working to educate them in how to properly do this. As a part of new employee education, we implement fixed contribution pension seminars and teach basic knowledge on the systems used to start asset management and relevant precautions.

We conduct investment educational seminars once a year for our pension fund beneficiaries and teach employees the importance of long-term investments, continuous investments and diversified investments, depending on their individual future plans. In order to make this more effective and realistic, we review the educational content based on the monitoring results of operation status in cooperation with the operation management institution.

【Principle 3.1 Full Disclosure】

(i) Company objectives (i.e. business principles), business strategies and business plans;

In addition to the "Nippon Express Group Corporate Philosophy" and the "Nippon Express Group Charter of Conduct," we established the "Nippon Express Group Corporate Message" in 2017 and published it on our websites.

(Japanese) <https://www.nittsu.co.jp/corporate/philosophy-charter/>

(Japanese) <https://www.nittsu.co.jp/corporate/message.html>

(Our global website) <https://www.nipponexpress.com/about/policy/>

We also published our management plans on our websites.

(Japanese) <https://www.nittsu.co.jp/ir/event/policy-meeting/>

(Our global website) <https://www.nipponexpress.com/ir/event/plan/>

(ii) Basic views and guidelines on corporate governance based on each of the principles of the code;

Our company upholds its mission to resolve social issues through logistics and support social sustained development and growth in accordance with the "Nippon Express Group Corporate Philosophy." We also believe that working hand-in-hand with all stakeholders, including shareholders and investors, and respecting their viewpoints is indispensable to the realization of sustained growth and improvement of corporate value. To this end, ensuring compliance and guaranteeing management transparency, as well as speedy management through rapid decision-making and the clarification of responsibility, are important. Building such a system and ensuring that it functions properly comprises our basic policy on corporate governance. On the grounds of these basic views, our company strives for continuous progress and reinforcement of its corporate governance.

Our basic view on corporate governance is on our websites:

(Japanese) <https://www.nittsu.co.jp/ir/governance/index.html>

(Our global website) <https://www.nipponexpress.com/ir/governance/>

【Nippon Express Group Corporate Philosophy】

Our Mission: Be a Driving Force for Social Development

Our Challenge: Create New Ideas and Values that Expand the Field of Logistics

Our Pride: Inspire Trust Every Step of the Way

(iii) Board policies and procedures in determining the remuneration of senior management and directors;

Our company has established rules for directors' remuneration and bonuses. Based on their duties and performance, the remuneration and bonuses for them are determined at the board meeting. The remuneration for A & S Board Members is determined via discussion among the members. We have also established internal rules for decision-making procedures for officer remuneration. We have established a discretionary Remuneration and Nomination Advisory Committee, and the majority of the members are independent outside directors. The committee holds a meeting in accordance with internal rules, and remuneration is determined based on the outcome. Specific amounts will be within those limits, as resolved by the 100th annual shareholder meeting held on June 29, 2006, while taking into consideration company performance, industry standards and employee salary levels.

In addition to the existing officer remuneration and bonuses, as of September 2016, our company introduced a performance-based stock compensation plan using trusts for our directors and corporate officers (excluding outside directors and those who do not reside in Japan) with a goal to further enhance the motivation of officers to contribute to the improvement of our company's corporate value and shareholder value over the mid to long-term. This plan uses part of the existing basic remuneration as funds for share-based remuneration and grants, varying numbers of our company's shares depending on the recipient's position and level of attainment of performance goals. We have already finished three business years, the period required for the first evaluation. Upon approval at the annual shareholder meeting in June 2019, we change the evaluation period to five business years and continue this system. At the end of each fiscal year and at the end of the period for evaluation, we will evaluate performance based on indicators such as net sales, operating income and return on equity (ROE).

At the same time as the granting of shares, a portion of the shares are paid in cash after being converted within the trust, in order to use this amount for the payment of taxes, including income tax. The number of our company shares to be granted is determined based on share delivery rules which stipulate the calculation method, time of delivery and other relevant matters.

(iv) Board policies and procedures in the appointment/dismissal of senior management and the nomination of director and A & S Board Member candidates

When selecting director candidates, our board selects individuals who have the appropriate character, knowledge, experience of business management, expertise in law, accounting and other fields and skills as well as academic backgrounds .

When we select candidates for outside directors and outside A & S Board Members, we select individuals who meet all criteria for these positions, as stipulated in Items 15 and 16, Article 2 of the Companies Act and from the viewpoints of whether or not they are suitable candidates for monitoring the overall operation of our company with excellent character and knowledge and abundant prior management experience.

For the appointment and dismissal of these officers, we have established a discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members as independent outside directors—as an advisory body of our board. We make hiring decisions based on the committee's report.

(v) Explanations with respect to the individual appointments/dismissals of executive managers and nominations of candidates for directors and A & S Board Members based on (iv).

Personal history and reasons for the selection of each candidate for director or A & S Board Member positions is stated in the "Convening Notice of the Annual Shareholder Meeting" and is posted on our website :

(Japanese) <https://www.nittsu.co.jp/ir/event/general-meeting/>

(Our global website) <https://www.nipponexpress.com/ir/event/meetings/>

【Supplementary Principle 4.1.1 Scope of Matters to be Delegated to the Management】

Our board determines matters stipulated by the law or the article of incorporation and important business management matters in accordance with the board's regulations and agenda standards. However, for the purpose of agile decision-making and to improve the supervision capacity of the board, we delegate individual business management matters to the corporate officers who are in charge of implementation as often as possible.

【Principle 4.9 Independence Standards and Qualifications for Independent Directors】

Taking into consideration the requirement for outside directors stipulated in the Companies Act and the criteria set by securities exchanges, our company has established our own standards; and we appoint outside directors and outside A & S Board Members in accordance with these standards.

When the following items do not apply to an outside director or an outside A & S Board Member candidate, we consider that they have the appropriate independence.

1. An individual who is an executive officer* of our company or our group company or has been one ten years before the selection;
2. An individual who is a shareholder or a representative of a shareholder who owns 10% or more of the total voting rights of our company shares;
3. An individual who is the executive officer of a business partner of our group company with more than 2% of our consolidated sales;
4. An individual who has received more than 10 million yen per business year from our company as remuneration as a consultant, a lawyer or a public accountant;
5. An individual who works at the auditing firm of our company's A & S Board Member; or
6. An individual who belongs to one of the groups which received an average of 10 million yen of donations during the last three business years from our company or our group company.

* An "executive officer" signifies an executive director, a corporate officer or an employee.

【Supplementary Principle 4.11.1 Policies on the Board of Directors as a Whole and Appointment Procedures】

Our board consists of nine directors including three outside directors and five A & S Board Members including three outside members.

When we select director candidates, we select individuals, regardless of gender, who have the knowledge and experience to execute our company's business management in an accurate, fair and effective manner, execute each strategy in our management plan swiftly without fail and have sufficient social credibility. In order to create new values through innovation and become a corporate group with a strong presence in the global logistics market, we allocate individuals who have the necessary qualities.

When we select A & S Board Member candidates, we select at least one individual who has knowledge and experience on financial accounting, as well as the above criteria.

When we select director and A & S Board Member candidates, we make decisions based on the report from the discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members who are independent outside directors—as the advisory body of the board of directors.

【Supplementary Principle 4.11.2 Concurrent Positions of Directors and Audit & Supervisory Board Members at Other Companies】

Our company annually discloses the status of our outside directors and outside A & S Board Members holding additional posts through the Convening Notices of General Shareholder Meetings, annual securities reports and corporate governance reports.

Our board regularly checks whether or not our executive directors are serving as officers at other companies. Currently, there is no interlocking position which may limit the directors from fulfilling their roles and responsibilities. No full-time A & S Board Members are serving as officers at other companies, so they can concentrate solely on their roles within our company.

【Supplementary Principle 4.11.3 Analysis and Assessment of the Effectiveness of Board of Directors as a Whole】

Our board reports the execution status of the roles of each director, and we implement a survey on the effectiveness of the entire board to directors and A & S Board Members, including outside officers, and collect their opinions using an external institution.

The survey results are analyzed and evaluated, and the board discusses and investigates the outcomes. The board checks the accumulation results from the institution on the structure, operation, management and business strategies, corporate ethics, risk management, evaluation of the management and the status of remuneration. From our last survey results, we decided that the effectiveness of the entire board was maintained.

The structure of the board was extracted as an issue from the survey, so we changed the proportion of outside directors to one third. We are also striving to improve effectiveness, i.e. by improving the quality of the presentations of the progress reports of major strategies at board meetings.

【Supplementary Principle 4.14.2 Training Policy】

Our company provides opportunities for seminars and social gatherings for directors and A & S Board Members to deepen their understanding of our company's business challenges and acquire the necessary knowledge of financial affairs and laws. We bear the expenses of these. We expect our A & S Board Members to acquire wide knowledge through attending various meetings of the Japan Audit & Supervisory Board Members Association as its members and seminars held by the Japan Industrial Management & Accounting Institute.

For our outside directors and outside A & S Board Members, we provide opportunities to acquire knowledge concerning our company's business operations through participating in various internal events and site visits.

For our corporate officers and the candidates for our company's senior managers, we provide external training courses, such as a Master of Business Management, so that they can acquire knowledge necessary for executive managers including global business management, financial literacy, business strategies and governance.

We consider the above trainings a good method for training successors of senior managers.

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

For dialogues with shareholders and investors, the Investor Relations Promotion Group of the Corporate Planning Division within the Corporate Strategy Unit, which is managed by our top managers, responds to requests. Giving consideration to topics and dates, our top managers, the director in charge and/or senior managers (including corporate officers) attend the meetings.

As methods used to hold dialogues, we hold one-on-one base meetings in Japan and overseas as well as telephone conferences during the first and third quarters and financial settlement briefings during the second quarter and at the end of the year. We also hold site visits, business result presentations and small meetings as necessary. We attend small meetings and Investor Relations Conferences held by securities firms in order to create opportunities for dialogues with shareholders and investors.

Opinions gained from shareholders and investors through dialogues are reported at the board meetings regularly. We also send feedback to outside directors and senior managers (including corporate officers) as well as other relevant internal divisions to reflect our corporate activities.

Inside our company, the Investor Relations Promotion Group serves as the secretariat for information disclosure. The Group establishes, implements and amends the Disclosure Policy with cooperation from other divisions such as the Public Relations & Advertising Division, the General Affairs & Labor Division, the Financial Planning Division, the Accounting Division and the Corporate Planning Division. The Group also discusses the appropriateness of information disclosure activities with these divisions. The results are then reported to the board for it to make a final decision. Based on the Disclosure Policy resolved at the board, one of the top managers or another officer who is nominated as the individual responsible discloses the information. The board obtains the progress of our information disclosure activities through reports by the director in charge of the Corporate Planning Division and also checks the appropriateness of the policy.

Our company's Disclosure Policy is available on our websites:

(Japanese) <https://www.nittsu.co.jp/ir/disclosure/>

(Our global website) <https://www.nipponexpress.com/ir/disclosure/>

2. Capital Structure

Ratio of Foreign Shareholders	Between 20% and 30%
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Principal Shareholders^[Updated]

Name	Number of shares	Holdings (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	9,355,500	9.88
Japan Trustee Services Bank, Ltd. (Account in Trust)	8,563,000	9.05
Asahi Mutual Life Insurance Company	5,601,967	5.92
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	4,150,000	4.38
Sompo Japan Nipponkoa Insurance Inc.	3,972,752	4.19
Nippon Express Employees' Shareholding Association	3,418,014	3.61
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	1,784,100	1.88
Japan Trustee Services Bank, Ltd. (Account in Trust No. 9)	1,694,500	1.79
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,492,138	1.57
Japan Trustee Services Bank, Ltd. (Account in Trust No. 5).	1,458,600	1.54

Majority Shareholder (excluding the parent company)	None
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Parent Company	None
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Supplemental Information ^[Updated]

Information on "Major Shareholders" shown above is based on the status as of March 31, 2019.

3. Corporate Attributes

Listed Stock Exchanges and Section	Tokyo / First Section
Fiscal Year End	March
Industry Type	Land Transportation
(Consolidated) Number of Employees as of the Last Fiscal Year-end	Over 1000
(Consolidated) Sales as of the Last Fiscal Year-end	Over 1 trillion yen
Number of Consolidated Subsidiaries as of the Last Fiscal Year-end	Between 100 and 300

4. Guidelines for Protecting Minority Shareholders in Transactions with Majority Shareholders

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5. Other Major Factors That Influence Corporate Governance

Nothing of note

II. Organization

1. Organizational Structure and Operation

Type of Organization	Company with an Audit & Supervisory Board
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Board Members^[Updated]

Number of Board Members under the Articles of Incorporation	15
Term for Board Members under the Articles of Incorporation	1 year
Chairperson of Board of Directors	Chairman (Unless double as the president)
Number of Board Members	9
Number of Outside Directors	3
Number of Independent Directors in Outside Directors	3

Relationship with our Company (1)

Name	Former Status	Relationship with company (*1)										
		a	b	c	d	e	f	g	h	I	j	K
Masahiro Sugiyama	Professor											
Shigeo Nakayama	Lawyer											
Sadako Yasuoka	Other	▲										

(*1)

○: This person is currently or was recently placed in this category.

△: This person was previously placed in this category.

●: A relative of this person is currently or was recently placed in this category.

▲: A relative of this person was previously placed in this category.

- An operating officer of our company or its subsidiary
- An operating officer or non-executive Director of the parent company of our company
- An operating officer of a fellow subsidiary of our company
- An entity or an operating officer thereof that our company is a primary trading partner of
- An entity or an operating officer thereof that is a primary trading partner of our company
- A consultant, professional accountant or lawyer receiving a large sum of money or other properties other than Director compensation from our company
- A major shareholder of our company (if such a major shareholder is a corporation, an operating officer of the corporation)
- An operating officer of a trading partner of our company (not placed in the categories d, e or f) (Applies only to the said person)
- An operating officer of an entity with which our company has a reciprocal outside officer appointment (Applies only to the said person)
- An operating officer of an entity which our company makes donations to (Applies only to the said person)
- Other

Relationship with our Company (2) **[Updated]**

Name	Independent Officer	Additional Information	Reasons of Appointment
Masahiro Sugiyama	○		Mr. Masahiro Sugiyama is well qualified as outside Director, because he has excellent character and insight, as well as abundant experience, including many years of research in the area of transport and freight as a university professor. He does not fall under any of the cases of potential conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange. For these reasons, there is considered to be no risk of conflict of interest with our company's general shareholders, and no problem with his independence, and he has been designated as an Independent Officer.
Shigeo Nakayama	○		Mr. Shigeo Nakayama is well qualified as outside Director, because he has excellent character and insight, as well as expert knowledge in legal affairs and abundant business experience acquired through many years of activities as a lawyer. He does not fall under any of the cases of potential conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange. For these reasons, there is considered to be no risk of conflict of interest with our company's general shareholders, and no problem with his independence, and he has been designated as an Independent Officer.
Sadako Yasuoka	○	A relative of Ms. Yasuoka previously served as an operating officer of our Company.	Ms. Sadako Yasuoka is well qualified as outside Director, because she has excellent character and insight, as well as profound education and abundant experience, including educational activities, such as the study of the Analects of Confucius, with people of various ages. Meanwhile, her father has served as an operating officer of our company in the past. However, it has been 23 years since he retired from the post and there is no special relationship that may affect our decisions in doing business. For these reasons, there is considered to be no risk of conflict of interest with our general shareholders, and no problem with her independence, and she has been designated as an Independent Officer.

Discretionary Committee Equivalent to the Nomination Committee or Compensation Committee	In Place
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Establishment of Discretionary Committee, Composition of Committee, and Attributes of Head (Chairperson) of the Committee **[UPDATED]**

	Nam of Committee	Members (persons)	Full-time members (persons)	Internal Directors (persons)	Outside Directors (persons)	Outside Experts (persons)	Others (persons)	Head (Chairperson) of the Committee
Committee Equivalent to the Nomination Committee	Compensation and Nomination Advisory Committee	4	0	1	3	0	0	Internal Directors
Committee Equivalent to the Compensation Committee	Compensation and Nomination Advisory Committee	4	0	1	3	0	0	Internal Director

Additional Information^[Updated]

In order to obtain the opinions of independent outside Directors concerning important matters such as the compensation and nomination of Officers, our company has established a fair and transparent discretionary Compensation and Nomination Advisory Committee with three out of four committee members as independent outside directors, as an advisory body to the Board of Directors. This committee functions as both the Nomination Committee and Compensation Committee.

Audit & Supervisory Board Members

Audit & Supervisory Board	Formed
Number of Audit & Supervisory Board Members under the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Collaboration between Audit & Supervisory Board Members, Accounting Auditors, and Audit Division

Our Audit & Supervisory Board Members and accounting auditors hold meetings periodically or whenever necessary. Additionally, our Audit & Supervisory Board Members meet with the staff members of the Audit Division. In cooperation with the Division, Audit & Supervisory Board Members review accountant reports, conduct internal inspections and observe checkups on the Division.

Outside Audit & Supervisory Board Members	Selected
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members who are Independent Directors	3

Relationship with our Company (1)

Name	Former Status	Relationship with company (*2)												
		A	B	c	d	E	f	g	h	I	j	K	l	m
Tadashi Kanki	From other company										△			
Toshiaki Nojiri	From other company	△												
Yoshio Aoki	From other company													

(*2)

○: This person is currently or was recently placed in this category.

△: This person was previously placed in this category.

●: A relative of this person is currently or was recently placed in this category.

▲: A relative of this person was previously placed in this category.

- a. An operating officer of our company or its subsidiary
- b. A non-executive Director or an accounting counselor of our company or its subsidiary
- c. An operating officer or non-executive Director of the parent company of our company
- d. An Audit & Supervisory Board Members of the parent company of our company
- e. An operating officer of a fellow subsidiary of our company
- f. An entity or an operating officer thereof that our company is a primary trading partner of
- g. An entity or an operating officer thereof that is a primary trading partner of our company
- h. A consultant, professional accountant or lawyer receiving a large sum of money or other properties other than Director compensation from our company
- i. A major shareholder of our company (if such a major shareholder is a corporation, an operating officer of the corporation)
- j. An executive officer of a trading partner of our company (not placed in the categories f, g or h) (Applies only to the said person)
- k. An operating officer of an entity with which our company has a reciprocal outside Director appointment (Applies only to the said person)
- l. An operating officer of an entity which our company makes donations to (Applies only to the said person)
- m. Other

Relationship with our Company (2)**[UPDATED]**

Name	Independent Officer	Additional Information	Reasons of Appointment
Tadashi Kanki	○	Mr. Tadashi Kanki has, in the past, served as a business executive at Mizuho Financial Group, Inc., the parent company of Mizuho Bank, Ltd., which is one of our company's main trading banks, and companies in the Mizuho Group (Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.), Mizuho Trust & Banking Co., Ltd., Mizuho Securities Co., Ltd. and Mizuho Research Institute Ltd.)	Mr. Tadashi Kanki is a person of integrity and insight with sufficient experience as a company Director to monitor the management of all aspects of corporate affairs. He has an extensive experience and broad expertise as a manager of other companies. He has, in the past, served as a business executive at Mizuho Financial Group, Inc., the parent company of Mizuho Bank, Ltd., which is one of our company's main trading banks, and companies in the Mizuho Group (Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.), Mizuho Trust & Banking Co., Ltd., Mizuho Securities Co., Ltd. and Mizuho Research Institute Ltd.) However, the amount of borrowings from Mizuho Bank, Ltd. is about 6% of consolidated total assets in the fiscal year ended March 31, 2019 and the amount is a little less than 30% of the Group's overall borrowings. We also have transactions with other banks. Therefore, we recognize that this level of dependence is not high. We have business transactions with Mizuho Financial Group, Inc., Mizuho Bank, Ltd., Mizuho Trust & Banking Co., Ltd., Mizuho Securities Co., Ltd. and Mizuho Research Institute Ltd. However, the amount of these transactions for the fiscal year ended March 31, 2019 is less than 1% of respective overall net sales and is regarded as having minimal impact. For these reasons, there is considered to be no risk of conflict of interest with our general shareholders, and no problem with his independence, and so he has been designated as an Independent Officer.
Toshiaki Nojiri	○	Mr. Toshiaki Nojiri, in the past, served as an operating officer (researcher) of Nittsu Research Institute and Consulting, Inc., a subsidiary of our company	Mr. Nojiri is a person of integrity and insight with sufficient experience as a company Director to monitor the management of all aspects of corporate affairs. He has specialized in the study of Antimonopoly Law and transportation business policy and, with thorough knowledge especially in distribution-related policies, he has held many public offices as a person with relevant knowledge and experience at government offices and business organizations. Mr. Nojiri served as a researcher of Nittsu Research Institute and

			<p>Consulting, Inc., a subsidiary of our company, from April 1979 to March 1989. The period of his service was 10 years and it has been 30 years since he retired from the post. Therefore, there is no special relationship that can potentially influence our decision-making. Currently, he serves as President of Ryutsu Keizai University, and on June 1, 2016, he assumed the office of Director of Nittsu Gakuen Educational Corporation, the operating entity of Ryutsu Keizai University. However, we assume that it has no impact on the Educational Corporation's operation, and therefore said Corporation's independence is sufficiently ensured.</p> <p>For these reasons, there is considered to be no risk of conflict of interest with our general shareholders, and no problem with his independence, and so he has been designated as an Independent Officer.</p>
Yoshio Aoki	○	None.	<p>Mr. Aoki is a person of integrity and insight with sufficient experience as a company Director to monitor the management of all aspects of corporate affairs. He has a wealth of experience as a certified public accountant as well as specialized knowledge concerning finance and accounting. In addition, he does not fall under any of the cases of potential conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange. For these reasons, there is considered to be no risk of conflict of interest with our company's general shareholders, and no problem with his independence, and so he has been designated as an Independent Officer.</p>

Independent Officers

Number of Independent Officers	6
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Other Matters Regarding Independent Officers^[Updated]

All outside Directors and outside Audit & Supervisory Board Members who satisfy the qualifications for Independent Officers are designated Independent Officers.

[Independence Criteria for Independent Outside Directors]

Taking into consideration the requirement for outside directors stipulated in the Companies Act and the criteria set by securities exchanges, our company has established our own standards; and we appoint outside directors and outside A & S Board Members in accordance with these standards.

When the following items do not apply to an outside director or an outside A & S Board Member candidate, we consider that they have the appropriate independence.

1. An individual who is an executive officer* of our company or our group company or has been one ten years before the selection;
2. An individual who is a shareholder or a representative of a shareholder who owns 10% or more of the total voting rights of our company shares;
3. An individual who is the executive officer of a business partner of our group company with more than 2% of our consolidated sales;
4. An individual who has received more than 10 million yen per business year from our company as remuneration as a consultant, a lawyer or a public accountant;
5. An individual who works at the auditing firm of our company's A & S Board Member; or
6. An individual who belongs to one of the groups which received an average of 10 million yen of donations during the last three business years from our company or our group company.

* An "executive officer" signifies an executive director, a corporate officer or an employee.

[Outside Officers' Status of Combined Offices]

Our company discloses the status of our outside directors and outside A & S Board Members holding additional posts through the Convening Notices of General Shareholder Meetings and annual securities reports.

[Board Meeting Attendance]

Directors Masahiro Sugiyama, Shigeo Nakayama and Sadako Yasuoka attended all board meetings held in 2018.

A & S Board Members Tadashi Kanki, Toshiaki Nojiri and Yoshio Aoki attended all board meetings and A & S Board Meetings held in 2018.

Incentives

Incentives for Board Members	Introduction of Performance-based Stock Compensation Plan
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Additional Information

We have introduced stock options as part of Director compensation. In addition, from the fiscal year ended March 31, 2017 we have introduced a performance-based stock compensation plan.

Recipients of Stock Options	-
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Additional Information

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Compensation for Board Members

Disclosure of Individual Compensation for Directors	Not disclosed
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Additional Information**(UPDATED)**

- 113th term (April 1, 2018 - March 31, 2019)
- Compensation for Directors and Audit & Supervisory Board Members
- Directors: 630 million yen for 16 Directors (including 36 million yen for 3 outside Directors)
- Audit & Supervisory Board Members: 102 million yen for 6 Audit & Supervisory Board Members (including 46 million yen for 4 outside Audit & Supervisory Board Members)

As well as the above remuneration, our company calculated 34 million yen as provisions for the performance and share-based remuneration for thirteen directors (excluding three outside directors) during the current business year. This plan was introduced at the 110th Annual Shareholder Meeting on June 29, 2016.

Existence of Policies for Determining the Amount or Method of Calculating Compensation for Directors and Audit & Supervisory Board Members	Yes
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Disclosure of Policies for Determining Compensation and Methods of Calculation **(UPDATED)**

In order to seek appropriate advice from independent outside directors on important matters including officers' remuneration, we established a discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members who are independent outside directors. Our board makes decisions based on the report from the committee. Our policy for officers' remuneration is as follows:

(Policy for Officers' Remuneration)

1. Basic Policy

- (1) The remuneration system should allow our company to employ excellent individuals who can achieve our corporate philosophy.
- (2) The remuneration system should provide a continuous improvement to our corporate value.

2. Remuneration Structure

- (1) Officers' remuneration consists of monthly fixed remuneration and performance-based remuneration.
- (2) Outside directors receive a monthly fixed remuneration since they are independent and their roles are limited.

3. Basic Remuneration

Officers' basic remuneration is determined by their roles, while taking into consideration industry standards, and is based on an investigation by an outside specialist institution.

4. Performance-Based Remuneration

- (1) As short-term performance-based remuneration, we pay bonuses using the officers' performance per year as the indicator.
- (2) As mid-term performance-based remuneration, we pay share-based remuneration based on our company's achievement of the mid-term business plan and improvement of corporate value (share price).

Directors' remuneration is determined by the board after the Remuneration and Nomination Advisory Committee hold an evaluation based on the directors' duties and performance in accordance with the above policy and then submit a report to the board. The remuneration for A & S Board Members is determined via discussion among the members.

Specific amounts will be within those limits—the maximum is 55 million yen per month for a director (excluding a portion of the employee's salary for directors who concurrently serve as employees), and the maximum is 1 million yen for an A & S Board Member—as resolved by the 100th Annual Shareholder Meeting held on June 29, 2006, while taking into consideration company performance, industry standards and employee salary levels.

Bonus amounts were determined at the 113th Annual Shareholder Meeting on June 27, 2019. A total of 110 million yen will be paid to the eleven directors, excluding the three outside directors, (as of the end of the business year) by taking into consideration our normal bonus payments and their performance during the year.

Separate from the above remuneration, the introduction of a performance and share-based remuneration system for directors and corporate officers (excluding outside directors and those who do not reside in Japan) with a goal to further enhance the motivation of officers to contribute to the improvement of our company's performance and corporate value over the mid to long-term was determined at the 110th Annual Shareholder Meeting on June 29, 2016. Both the continuation and partial amendment of this system were resolved at the 113th Annual Shareholder Meeting on June 27, 2019.

The board has the right to determine the amounts which include officers' remuneration and the calculation method. However, the discretionary Remuneration and Nomination Advisory Committee, which was established as an advisory body of our board, discusses the base amounts including officers' remuneration and policies regarding the determination of officers' remuneration. The board makes a decision based on the committee's report.

[Outline of Performance-based Stock Compensation Plan]

This plan is a stock compensation system that is linked to the medium to long-term performance of our company using the Executive Compensation BIP (Board Incentive Plan) Trust (hereinafter the "BIP Trust"). The BIP Trust is an executive incentive plan based on US Performance Share Plans and Restricted Stock Plans, and is a system which grants benefits (hereinafter "grants etc.") to Officers, etc. in the form of company stock or the cash equivalent of our company stock price based on business performance, etc.

[Content of the trust agreement]

(1) Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party beneficiary trust with beneficiaries yet to exist)
(2) Purpose of trust	To provide incentives to the Officers of our company
(3) Entruster	Our company(Nippon Express)
(4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
(5) Beneficiaries	Officers who satisfy the beneficiary requirements
(6) Trust administrator	Third party having no conflict of interest with our company (certified public accountant)
(7) Date of trust agreement	August 2016 (Plan to change to August 2019 to extend the trust period)
(8) Trust term	September 2016 to August 2019 (Plan to extend to August 2024 by changing the August 2019 trust agreement)
(9) Commencement of the plan	September 2016
(10) Exercise of voting rights	Voting rights will not be exercised
(11) Class of shares to be acquired	Common stock of our company
(12) Upper limit of trust money	400 million yen (including trust fees and trust expenses) (Plan to change to 800 million yen by changing the August 2019 trust agreement)
(13) Share acquisition period	September 2, 2016 to September 5, 2016 (Plan to be August 8, 2019 to August 30, 2019 by changing the August 2019 trust agreement)
(14) Share acquisition method	Purchased from the stock market
(15) Rights holder	Our company(Nippon Express)
(16) Residual assets	Our company, as the rights holder, may receive residual assets within the scope of the reserve for trust expenses after deducting funds to acquire our shares from trust money.

[Number of Shares Offered to Directors]

Maximum 90,000 shares (Trust period: three years)

(This will be changed to 115,000 shares with a trust period of five years at the time of the amendment of the trust contract in August 2019.)

(Note) Our company conducted a reverse stock split at the rate of ten ordinary shares to one share on October 1, 2017. Therefore, the above figures signify the number of shares after the split.

[Individuals Eligible for Beneficial Interest and Other Interests]

Directors who meet the requirements.

Regarding indicator of Performance-based Compensation plan, as short-term performance-based remuneration, we pay bonuses using the officers' performance per year as the indicator, and as mid-term performance-based remuneration, we pay share-based remuneration based on our company's achievement of the mid-term business plan including consolidated Revenues, Operating income and ROA (ROE, upon approval at the annual shareholder meeting in June 2019) and, etc. These are the same target of our company's business plan and we select them as performance evaluation indicators because the remuneration plan is for incentive to achievement of business plan's numerical target.

Our performance and share-based remuneration is managed by a point system with one company share per point. (We adjusted the points after the reverse stock split on October 1, 2017.) In July each year, the "share-based remuneration per role" divided by the "system-standard share price" is given as the standard point for the individual entitled to receive it.

The evaluation period is the same time period as our company's business plan. We set performance evaluation indicators in accordance with the business plan and conduct an evaluation each business year. As the level corresponding to the achievement of performance goal set as the standard at 100 percent, we adjust the points between 0 and 150 percent for all the mid-term

evaluations at the end of each business year and the evaluation period. After conducting a final evaluation, we determine the number of points.

After the end of each business plan, we grant the same number of shares as the points. Half of the shares each eligible individual holds is delivered in the form of a company share, rounding down any share less than one unit. Our company's shares corresponding to the remaining points are sold in order to use a portion for tax payments, including income taxes. The individual receives the amount after taxes in the form of cash.

In the current business year, an achievement of indicators related to the performance and share-based remuneration are 99.5 percent in consolidated sales, 106.1 percent in consolidated operating income and 115.4 percent in consolidated return on assets (ROA) against the business plan's numerical target.

Support Structure for Outside Directors / Outside Audit & Supervisory Board Members

The General Affairs & Labor Division as a secretariat of the Board of Directors, and other divisions, depend on the agenda, explains about our company's situation to outside Directors appropriately. The Audit Division, in charge of internal auditing, provides the necessary job-related communication information that the occasion demands in order to support the duties of Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members.

Status of Former President and Representative Director, etc.

The Names, etc. of Consultants, Advisors, etc. Who Are Former President and Representative Director, etc.

Name	Roles and Positions	Work Description	Work Style and Condition (Full-time/Part-time, with or without Compensation, etc.)	Date of Retirement as President, etc.	Term
Shoichiro Hamanaka	Senior Advisor	External activities and such at industry organizations, etc.	Part-time, with compensation	June 27, 2003	Undetermined
Masahiko Okabe	Senior Advisor	External activities and such at industry organizations, etc.	Part-time, with compensation	June 29, 2011	Undetermined
Masanori Kawai	Senior Advisor	External activities and such at industry organizations, etc.	Part-time, with compensation	June 29, 2017	Undetermined

The Total Number of Senior Advisors, Consultants, etc., Who Are Former President and Representative Director, etc.	3
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Other Matters

- Our Company does not provide an advisor and consultant system in its Articles of Incorporation. Though we have established internal rules regarding the treatment of advisors and consultants who are not involved in management, we currently have no consultants in office.
- Although advisors are involved in external activities at industry organizations, etc., that would bring value to the development of our company and the logistics industry utilizing their experience and knowledge obtained through engagement in the management and sales of our company, they do not have any authority that may have an impact on management judgment and are not involved in any managerial decision-making.
- "Date of Retirement as President, etc." in the above table shows the date of retirement as the Chairman and Representative Director, Chairman and Director, or Director of our company.

2. Matters Regarding Functions of Execution of Duties, Auditing and Supervision, Appointment, Decisions on Compensation, etc. (Overview of Current Corporate governance) [Updated]

(i) Overview of the Implementation of Corporate Governance

- Our Company is a company based on an Audit & Supervisory Board structure. In addition to the Board of Directors and Audit & Supervisory Board, our company has introduced a Board of Officers system with the goal of ensuring rapid decision-making and business execution.

(ii) Business Execution

- To guarantee transparency and legality through deliberation, decisions concerning company operations will be made at Meetings of the Board of Directors at which 3 outside Directors and 5 Audit & Supervisory Board Members, including 3 outside Audit & Supervisory Board Members are present. Alternatively, such decisions will be made at meetings of the Board of Executives; meetings of the Board of Officers; or department head meetings attended by the chief managing officer and general manager, if attended by 3 Audit & Supervisory Board Members, including 1 outside Audit & Supervisory Board Members.
- Duties will be carried out by the executive officers selected by the Board of Directors to perform the duties in accordance with Board of Directors resolutions, and the Board of Directors will oversee the performance of the duties.
- The Board of Directors resolves matters defined by laws, regulations and the Articles of Incorporation, as well as matters concerning important business executions. However, with the aim of facilitating a rapid decision-making process and enhancing the supervisory function of the Board of Directors, we have established management meetings as the location to discuss overall execution policies, and decision on matters concerning each business to be executed is delegated as much as possible, to an Executive Officer who is responsible for the execution of business.

(iii) Compensation and Nomination

- In order to obtain the opinions of independent outside Directors concerning important matters such as the compensation and nomination of Officers, our company has established a fair and transparent discretionary Compensation and Nomination Advisory Committee chaired Committee with three out of four committee members as independent outside directors, as an advisory body to the Board of Directors, and bases its decisions on the Committee's report.

(iv) Audits

- Audit & Supervisory Board Member audits are conducted through inspection audits of major business locations and examinations of subsidiary companies in collaboration with staff in charge at the Auditing Division.
- In appointing Audit & Supervisory Board Members, our company appoints personnel who possess diversified skills including integrity and insight, and expertise in law and accounting, etc. Particularly for outside Audit & Supervisory Board Members, we strengthen the function of the Audit & Supervisory Board such as by appointing those who have academic backgrounds and expertise in finance, accounting, and other fields.
- For internal auditing, the Auditing Division was set up in the Head Office, which conducts internal audits in line with the audit plan, such as visiting audits and paper audits, and reports to the President on a timely basis.
- Ernst & Young ShinNihon LLC has been selected as an accounting auditor. This audit corporation conducts audits as an independent third party, and it audits our company and its consolidated subsidiaries in accordance with the yearly accounting audit plan and in collaboration with our internal auditing departments and the Audit & Supervisory Board.
- Objectivity in auditing is maintained by conducting internal audits, Audit & Supervisory Board Member audits and accounting audits in an independent and complementary fashion.
- The names of the certified public accountants performing the audit operations at the aforementioned audit corporation in FY2018 and the numbers of persons assisting in these audit operations are given below:

[Names of certified public accountants performing audit operations]

Representatives and Partners: Motoki Yoshimura, Ichirou Ogawa, Chihiro Yasunaga

※Comments have been omitted as the above persons have each conducted these audits for less than seven consecutive years.

Numbers of persons assisting in auditing operations: 31 certified public accountants, 54 other persons

(v) Overview of Agreements to Limit Liability

•In accordance with the Articles of Incorporation, our company and outside Directors Masahiro Sugiyama, Shigeo Nakayama, Sadako Yasuoka, outside Audit & Supervisory Board Members Tadashi Kanki, Toshiaki Nojiri, and Yoshio Aoki have entered into an agreement to limit their liability, providing that they satisfy conditions prescribed by laws. Under the agreement, the limit of liability shall be an amount stipulated by laws.

3. Reasons for Adopting Current Corporate Governance Structure^[UPDATED]

By including 3 outside Directors among 9 Directors, our company aims to draw on the knowledge of outside experts in making important management decisions, and to strengthen the function of the Board of Directors in supervising business execution. In addition, audits by Audit & Supervisory Board Members, including 3 outside Audit & Supervisory Board Members, are conducted. By adopting such structure, we determine that the objectivity and neutrality of management supervision functions are ensured at the sufficient level.

III. Implementation of Measures

1.Measures to Revitalize Shareholders' Meetings and Facilitate Voting^[UPDATED]

Early Notification of General Meetings of Shareholders	Notices of General Meetings of Shareholders are sent out 21 days prior to the meetings. And we also announce these notices electronically through TDnet and our company's websites before sending these notices to shareholders 4 weeks before annual shareholder meetings.
Electronic Voting Facilities	Our company has adopted an online voting system that enables investors to exercise their voting rights via the Internet, smartphone or cellular phone.
Measures Including Platform for Electronic Exercising of Voting Rights to Improve Voting by Institutional Investors	Our company has introduced an Electronic Voting Platform called the Toshō Platform for institutional investors to vote electronically.
Provision of an English summary of the Convocation Notice of the General Meeting of Shareholders	In the interest of creating an active shareholders' meeting and to facilitate voting, an English version of the convocation notice will be made available.
Others	Both the English and Japanese versions will be posted on our company's web site.

2.IR Activities^[Updated]

	Note	Explanation in Person by Representative
Establishment and Announcement of Disclosure Policy	Respecting the principles of the "Fair Disclosure Rules" set forth in the Financial Instruments and Exchange Act, our company has established and posted the disclosure policy on its website for the purpose of enriching communication, and maintaining and improving relationships of mutual trust, through timely and appropriate disclosure of fair and highly transparent information, as well as through dialogue with stakeholders including shareholders and investors. https://www.nipponexpress.com/ir/disclosure/	

Regular Meeting for Private Investors	<ul style="list-style-type: none"> •Our company participate in meetings held by securities firms at least once a year and report our company's business operations and achievements to private investors. (Our last participation in such a meeting was on March 15, 2019 in Osaka.) 	No
Regular IR Meetings for Financial Analysts and Institutional Investors	<ul style="list-style-type: none"> •Our company holds Results Meetings twice a year on the day of releasing the full-year and interim business results, and President and Representative Director explains the contents thereat and answers questions. (Actual results: October 31, 2018 for the interim results and April 26, 2019 for the full-year results) •At the time of releasing the business results for the first and third quarters, the staff in charge of IR explains the contents of the business results and answers questions in a teleconference. (Actual results: July 31, 2018 for the first quarter results and January 31, 2019 for the third quarter results) •The contents of and main questions and answers at the above quarterly Results Meetings are posted on our website. https://www.nipponexpress.com/ir/event/presentations/ •A small meetings between analysts/institutional investors and the President were held on February 25 & 26, 2019. •IR Meetings between analysts/institutional investors and three Executive Vice Presidents, COO and Representative Directors were held on June 11, 2019 . 	Yes
Regular IR Meetings for Overseas Investors	<ul style="list-style-type: none"> •The President and Representative Director visits institutional investors in North America and Europe on a regular basis (once a year). (Actual results: North America from July 2 to 5, 2018 and from May 29 to June 3; and Europe from May 29 to June 1, 2018) •The Director in charge of IR visits institutional investors in Asia on a regular basis (once a year). (Actual results: From March 13 to 15, 2019) •The Director in charge of IR takes part in conferences sponsored by securities companies, whether in Japan or overseas, and conducts interviews with overseas investors on a regular basis. 	Yes
Posting of IR Materials on Nippon Express Website	<p>Annual Report, Fact Book, Earnings Report, Earnings Presentation Materials, Main Questions and Answers at Earnings Presentations, Securities Report, Management Plan, Reports, IR Calendar, CSR Report, and Monthly Report are posted on our company's website. https://www.nipponexpress.com/ir/</p>	-
Person or Division in Charge of IR	<p>The Investor Relations Promotion Group has been established within the Corporate Planning Division and the Director in charge of the Corporate Planning Division manages IR activities.</p>	-

3. Initiatives Relating to Respect for Shareholders' Positions **[Updated]**

Internal Guidelines for Respecting Shareholders' Positions	Respect for each and every stakeholder forms an integral part of our corporate ideal, our corporate charter, and our guidelines for compliance.
Implementation of Environmental Protection Activities, CSR Activities, etc.	<p>Our company practices environmental management, establishing in the "Nippon Express Group Environmental Charter" a basic philosophy of the Nippon Express Group that the Group actively contributes to the environmental conservation by being aware of its social and public mission as a corporate as well as through practicing environmental management as a "good corporate citizen."</p> <p>In fiscal 2017, we formulated two long-term targets, to "reduce CO2 emissions by 30% from the 2013 level by fiscal 2030" and to "reduce industrial waste per unit of sales by 1% annually through fiscal 2030."</p> <p>We will engage in various initiatives, such as a "modal shift" from truck-dependent transport system to rail and sea transport system and the systematical introduction of eco-friendly facilities and vehicles. By achieving these long-term targets, we will actively contribute to the realization of sustainable societies.</p> <p>We publish the "Nippon Express Group CSR Report" in order to report the Nippon Express Group's policies and activities concerning CSR to the stakeholders in a clear and easy-to-understand manner.</p> <p>The website of Nippon Express Group CSR Report (Environmental and Social Reports)</p> <p>https://www.nipponexpress.com/about/csr/report/</p>
Establishment of Policy on Providing Information to Stakeholders	<p>Our Company has established a disclosure policy on its approach to timely and appropriate disclosure of fair and highly transparent information, and discloses information accordingly.</p> <p>The disclosure policy is disclosed on our website.</p> <p>https://www.nittsu.co.jp/ir/disclosure/ (URL of the Global Site)</p> <p>https://www.nipponexpress.com/ir/disclosure/</p>
Other	<p>[Initiatives for Promoting Diversity]</p> <p>In order to promote diversity, our company clearly sets the goal, the necessity and the determination to promote it strongly throughout our company. Members of our senior management, including the CEO and branch managers, have established their commitment to diversity.</p> <p>The goal of our company's diversity promotion is to create a company where each employee can feel that our company provides a great place to work by achieving "growth as a genuine global logistics company" and "employee self-realization." In order to promote our plan appropriately, we have established a diversity promotion master plan for steady implementation of the four cycles of change, i.e. changes in awareness, workplace climate, working conditions and behavior. We are striving to achieve this with an innovative work style, which is listed in our management plan.</p>

IV. Internal Control Systems

1. Basic Policies on Internal Control Systems and Implementation of Policies

A. Internal Control Systems

Our company has established the Nippon Express Charter of Conduct as a standard to ensure board members and employees comply with laws, the Articles of Incorporation and other internal regulations, as well as socially accepted norms. In this charter, we clarify the roles and responsibilities that must be fulfilled by employees.

To give this charter teeth, we have enacted a set of Compliance Regulations. It serves as a guideline for all employees to comply with laws and guarantee ethical behavior. One concrete measure we have taken is the establishment of the Compliance Committee, chaired by the President at the head office, for the implementation of compliance across our company. At the same time, we have appointed staff members in charge of compliance as well as compliance promoters at the head office and each branch office to ensure thorough compliance by employees.

We also initiated "Nittsu Speak Up," an internal reporting system for the prevention, early detection and correction of legal violations, dishonesty or ethical misconduct by employees.

Moreover, we enacted the Basic Policy Relating to the Establishment of an Internal Control System.

B. Risk Management System

Our company has created a series of "Crisis Management Guidelines" to reduce risks that would adversely affect business operations and, in times of crisis, when we are exposed, to facilitate risk management in the most rapid and concise fashion. In addition, we have established a "Board of Risk Management" to develop and implement risk management systems.

C. Internal Audit System

As for the Internal Audit Division, our company has set up the Audit Division at the head office, which conducts onsite audits and paper audits to examine whether employees perform their duties in accordance with laws and regulations, the Articles of Incorporation and others, and then report to the President accordingly, pursuant to the "Nippon Express Group Auditing Regulations." Moreover, the Internal Audit Division proactively provides advice and recommendations in accordance with the "Nippon Express Group Auditing Regulations" in order to prevent the risk of losses caused by management.

D. System for Ensuring Operational Integrity of our company and Entire Group

Nippon Express Group have set out basic policies shown below, regarding "establishing systems specified by an ordinance of the Ministry of Justice (i.e. internal control system) necessary to ensure the operational integrity of corporation and corporate group comprising the subsidiary and its subsidiaries, such as a system to ensure that business execution by Directors complies with laws and the Articles of Incorporation."

(i) System to ensure that business execution by Directors complies with laws and the Articles of Incorporation

- a. Our Company shall establish the "Nippon Express Charter of Conduct" as a standard to ensure Directors comply with laws, the Articles of Incorporation and other internal regulations, as well as socially accepted norms.
- b. The Board of Directors meetings shall be convened and issued shall be resolved in compliance with provisions stipulated by the "Regulations on the Board of Directors" and "Standards for Discussions in Board of Director Meetings."
- c. The Representative Director and other Directors shall report on the status of execution of duties and important issues to the Board of Directors in compliance with provisions stipulated by the "Regulations on the Board of Directors" and "Standards for Discussions in Board of Director Meetings."
- d. Pursuant to provisions stipulated by the "Regulations on the Audit & Supervisory Board Members" and "Auditing Standards for Audit & Supervisory Board Members," Audit & Supervisory Board Members shall conduct audits to ensure that Directors properly execute their duties in compliance with laws, the Articles of Incorporation and others.

(ii) System to store and manage information concerning business execution by Directors

Pursuant to provisions stipulated by the "Document Management Regulations," documents and other information concerning business execution by Directors must be managed by properly storing or destroying them. Also, inspections on status of application of the management as well as reviews of regulations shall be conducted when necessary.

(iii) Rules to manage the risk of losses and other systems

- a. Our Company shall set out a series of "Crisis Management Guidelines" and establish the "Board of Risk Management" at the head office, with the aim of preventing the materialization of risks that would adversely affect business operations and establishing a risk management structure that enables us to take prompt and accurate action when a crisis occurs.
- b. The Internal Audit Division shall provide advice and recommendations in accordance with provisions stipulated by the "Nippon Express Group Auditing Regulations," in order to prevent the risk of losses caused by management.

(iv) System for ensuring efficient business execution by Directors

- a. The Board of Directors meetings shall be convened and issues shall be resolved in compliance with provisions stipulated by the "Regulations on the Board of Directors" and "Standards for Discussions in Board of Director Meetings."
- b. Operations of our company shall be performed by "executive officers" elected and delegated its designated duties by the Board of Directors in accordance with matters resolved by the Board of Directors. The Board of Directors shall also supervise their performance.

(v) System to ensure that business execution by employees complies with laws and the Articles of Incorporation

- a. Our company shall establish the "Nippon Express Charter of Conduct" and "Compliance Regulations." The Charter of Conduct and Regulations serve as a guideline for employees to comply with laws, the Articles of Incorporation and other internal regulations as well as socially accepted norms.
- b. In order to ensure thorough compliance by employees, we shall establish "Compliance Committee" at the head office and appoint staff members in charge of compliance and compliance promoters at the head office and each branch office.
- c. We shall set up "Nittsu Speak Up," an internal reporting system for the prevention, early detection and correction of legal violations, dishonesty or ethical misconduct by employees.
- d. In accordance with provisions stipulated by the "Nippon Express Group Auditing Regulations," the Internal Audit Division shall conduct an audit to confirm that business execution by employees is conducted according to laws, the Articles of Incorporation and others.

(VI) System for ensuring operational integrity of the corporate group comprising our company, parent company and its subsidiaries

- a. Pursuant to regulations stipulated by our company, Directors of the Group shall report important matters concerning business operations to relevant departments in charge of administrative operations within our company.
- b. In order to respond to various risks related to the Group, each group company shall cooperate with relevant departments in charge of administrative operations within our company and manage risks.
- c. Group companies shall establish "Regulations on the Board of Directors" that clarify responsibilities and roles of the Boards of Directors and shall execute roles accordingly.
- d. All operations for the Nippon Express Group are conducted in accordance with provisions stipulated by the "Nippon Express Charter of Conduct" and "Nittsu Group Compliance Guideline." Business activities shall be sound, transparent and fair; they should be based on social norms such as laws, socially accepted morals and ethics as well as internal norms such as Internal Regulations.
- e. We shall set up "Nittsu Speak Up," an internal reporting system for the prevention, early detection and correction of legal violations, dishonesty or ethical misconduct by the Group.
- f. Audit & Supervisory Board Members conduct inspections of the Group in terms of consolidated management and operational enforcement relating to consolidated statements.
- g. Audit & Supervisory Board Members shall cooperate and exchange information with Audit & Supervisory Board Members of the Group and perform effective audits, in order to prevent improper transactions or accounting procedures between us and our Group and others.
- h. In accordance with provisions stipulated by the "Nippon Express Group Auditing Regulations," the Internal Audit Division shall conduct audits to confirm that business operations of the Group are conducted according to laws, the Articles of Incorporation and others.

(VII) Matters related to employees who support Audit & Supervisory Board Members and matters to ensure the effectiveness of instructions given to such employees, in cases where Audit & Supervisory Board Members require employees to support them with their duties.

•Matters concerning support for the duties of Audit & Supervisory Board Members shall be in accordance with the instructions given by Audit & Supervisory Board Members and implemented by "Audit & Supervisory Board Members' staff" , which belongs to the Audit Division in charge of internal auditing.

(VIII) Matters related to the independence from Directors of the employees described in the preceding item

•For personnel matters concerning "Audit & Supervisory Board Members' staff," serious consideration must be given to opinions of the Audit & Supervisory Board.

(IX) System for Directors and employees to report to Audit & Supervisory Board Members; system for Directors, Audit & Supervisory Board Members, and employees who execute operations of our company's subsidiaries and those who received information from these persons can report to Audit & Supervisory Board Members of us; system for ensuring no person who has reported such matters is unfavorably treated on the grounds for doing so

• Directors and Directors of the Group shall report promptly to Audit & Supervisory Board Members, either directly or through relevant departments in charge of handling administrative work within our company, on the matters set out below. The Group must comply with laws to ensure that those who reported such matters will not be treated unfavorably as a result of doing so.

a. Important management matters and implementation of internal audits

b. Serious violations of laws or Articles of Incorporation, or misconducts on business execution

c. Matters that may inflict significant losses on us

(X) System for ensuring effective audits by Audit & Supervisory Board Members and other matters

a. Audit & Supervisory Board Members shall attend Board of Directors' meetings and in order to grasp the important decision-making process and implementation of business execution, shall attend meetings of the Board of Executives, and the Board of Officers as well as other important meetings. In case they do not attend these meetings, Audit & Supervisory Board Members shall receive explanations about the discussions and read relevant materials.

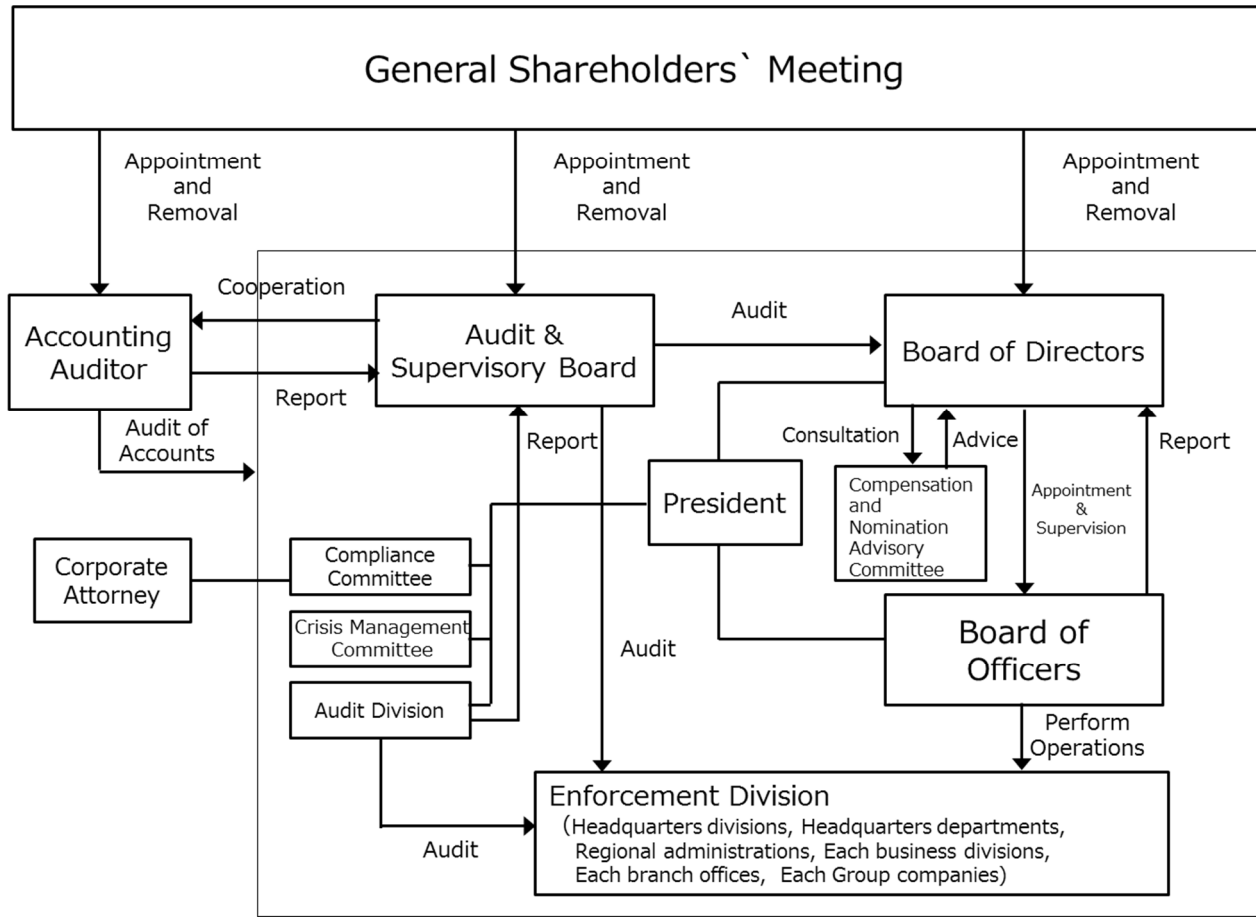
b. Audit & Supervisory Board Members and the Audit & Supervisory Board shall meet with the Representative Director on a regular basis and make efforts to enhance mutual understanding and deepen their trust. To this end, they shall exchange their opinions concerning not only management policies, issues to be addressed and risks surrounding our company but also on status of improvements in the auditing environment of Audit & Supervisory Board Members, important issues in auditing, and others.

c. In accordance with regulations on "Important Documents to be Returned to Audit & Supervisory Board Members," Audit & Supervisory Board Members shall review major approval documents and other important documents on business execution, and as needed, they should seek explanations from and provide their opinions to the Directors, executive officers or employees.

d. If the Audit & Supervisory Board Members deem it necessary, they may utilize lawyers, certified public accountants, consultants or other outside experts who support the audits of Audit & Supervisory Board Members and our company shall bear the relevant expenses.

Internal control systems function as summarily shown in the "Corporate Governance Organization Chart."

Structure



2. Basic Policies for Elimination of Antisocial Forces and Implementation of Policies

Our company will take firm action to practice social justice and recognizes our social responsibility to not conduct any business with forces or groups that cause societal harm. Our basic policy states clearly that any relationship with forces harmful to society is prohibited as described in the Nippon Express Charter of Conduct and the Compliance Regulations. We have established an educational system to have executive officers and employees comply with the basic policy.

In addition, we established an internal countermeasures division to collect information daily from outside specialists to familiarize employees with countermeasures against forces harmful to society. To prepare for such contingencies, we are developing a system for prompt action to guard against funding forces harmful to society, in close collaboration with the relevant government institutions, corporate lawyers, and other outside specialists.

V. Other

1. Introduction of Takeover Defense Measures

Introduction of Takeover Defense Measures	Not in Place
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Additional Information **(UPDATED)**

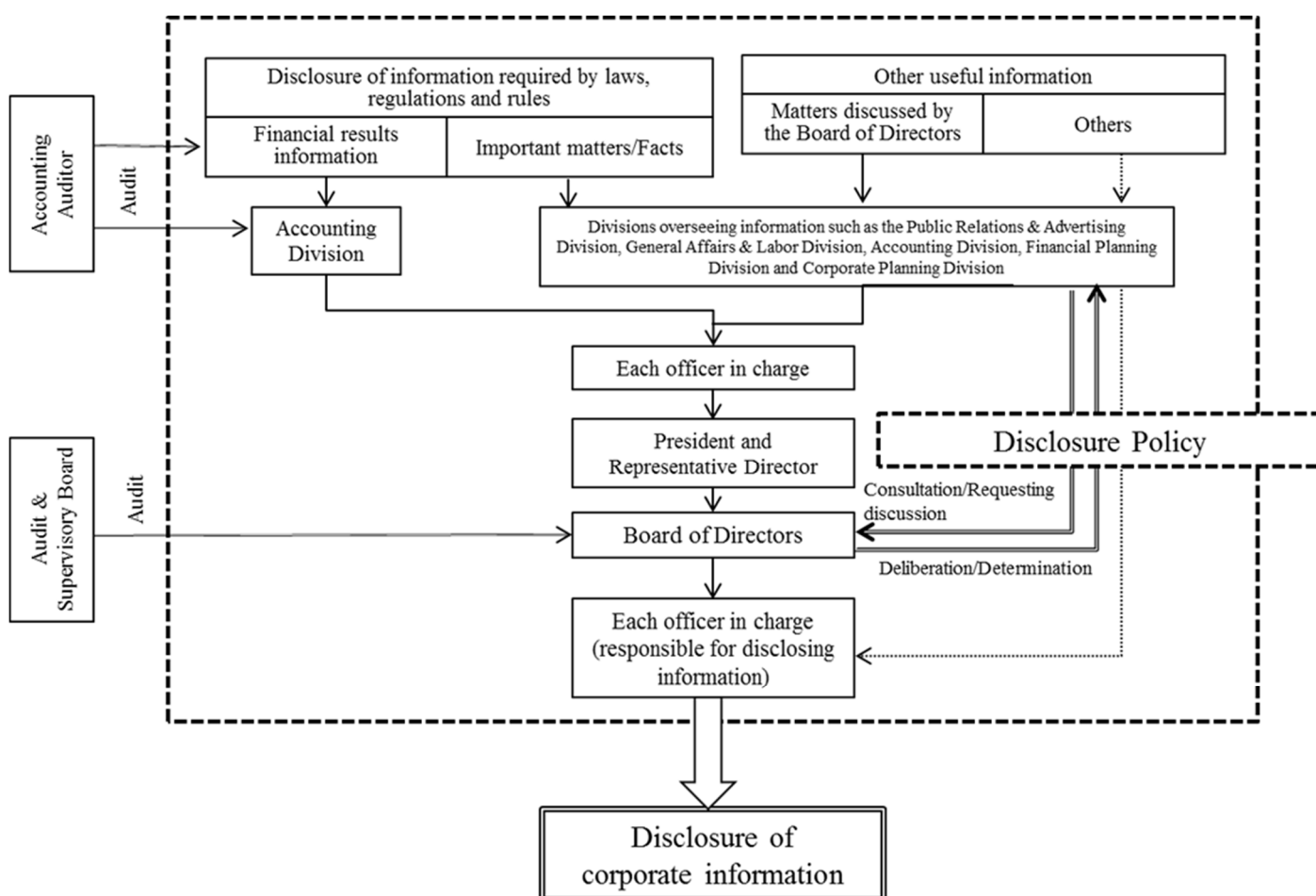
Our company determined at the Board of Directors' meeting held on May 9, 2017 not to continue the takeover defense measures. As a result, the measures were abolished upon the expiry of their effective period at the conclusion of the Ordinary General Meeting of Shareholders held on June 29, 2017. We have no intention of introducing the measures again.

2. Other Corporate Governance Measures

Because our company considers fundamental the timely disclosure of Company information to its investors, and in conformance with that principle, a system has been put in place to ensure that whenever important issues or material facts come to light, all submissions, resolutions, and reports issued by the Board of Directors as prescribed by Board guidelines are swiftly and adequately disclosed by the Representative Director or such other person responsible for such disclosures.

This system is illustrated by the "Disclosure Structure."

Disclosure Structure



Disclosure Policy **[Updated]**

(1) Basic Policy

Our company respects the principles of the “Fair Disclosure Rules” set forth in the Financial Instruments and Exchange Act, and through timely and appropriate disclosure of fair and highly transparent information, and through dialogues with stakeholders including shareholders and investors, we strive to raise the quality of corporate management and enhance corporate value in a sustainable manner, while enriching communication, and maintaining and improving relationships of mutual trust.

(2) Disclosure Standards

Our company, pursuant to relevant laws and regulations as well as rules set forth by the Tokyo Stock Exchange, properly manages important information to be disclosed regarding us and our Group companies, etc., and discloses such information while ensuring accuracy of disclosed details. In specific terms, important information denotes information subject to insider trading regulations, and definitive final financial results information that have yet to be announced and that could significantly impact the price of securities. Additionally, we proactively disclose information which it deems to be useful for deepening the understanding of our management policy and businesses (“useful information”), in addition to information set forth in laws, regulations and disclosure rules, etc.

(3) Disclosure Methods

Our company discloses important information via TDnet, the Timely Disclosure network system of the financial instruments exchange, and via EDINET, the Electronic Disclosure for Investors’ NETWORK for the disclosure of annual securities reports and other documents pursuant to the Financial Instruments and Exchange Act, and upon disclosure, promptly posts the contents of such disclosures on our website.

Additionally, we distribute useful information externally and widely through news releases, press conferences, briefings, materials posted on our website and IR email distribution, etc.

(4) Internal Framework for Disclosures

Our company, in an effort to encourage dialogues with shareholders and investors, has established the Investor Relations Promotion Group in the Corporate Planning Division, while the Director in charge of the Corporate Planning Division oversees IR activities. The Investor Relations Promotion Group serves as the secretariat for information disclosures and the Disclosure Policy is determined by the Board of Directors based on the consultation with the Public Relations & Advertising Division, the General Affairs & Labor Division, the Accounting Division, the Financial Planning Division and the Corporate Planning Division on the appropriateness of information disclosure policies and information disclosure activities. Based on this Disclosure Policy, we disclose information, under the responsibility of the Representative Director or the officers in charge of each information to be disclosed.

The Board of Directors shares details of the disclosure activities reported by the Director in charge of the Corporate Planning Division and confirms the appropriateness of such activities.

(5) Dialogues with Shareholders and Investors, and Feedback

The Investor Relations Promotion Group of the Corporate Planning Division is responsible for setting up dialogues with shareholders and investors, and the Directors and the executive personnel (including Executive Officers) participate in the actual interviews, upon taking into account the contents of the dialogues and the schedule, etc.

In addition to individual interviews conducted in Japan and overseas, the methods of dialogues include teleconferences conducted at the first and third quarters and the full-year and interim results briefings. Our company is endeavoring to create opportunities for dialogues by holding tours of its facilities, business briefings and small meetings sponsored by us as appropriate, as well as taking part in small meetings and IR conferences sponsored by securities companies.

Opinions, etc. obtained through dialogues are periodically fed back to the Board of Directors via the Director in charge of the Corporate Planning Division. Additionally, such feedback is shared with executive personnel including the Executive Officers and the relevant divisions in our company, and reflected in corporate activities.

(6) Handling of Undisclosed Important Information

To prevent undisclosed important information from being disclosed to only a select few capital market participants, our company thoroughly communicates the principles of the Disclosure Policy and the importance of information management to parties handling such information.

(7) Quiet Period

To prevent leaks of financial results information and to ensure the fairness of disclosures, our company establishes a quiet period from the day following the fiscal year-end to the date of announcement of the financial results. During this period, we refrain from answering questions relating to our financial results, financial forecasts and plans. However, in the event it becomes likely during the quiet period that our company's financial results will deviate widely from the financial forecasts, we will disclose information, as necessary, pursuant to laws, regulations and disclosure rules.

(8) Financial Forecasts and Future Predictions

The financial forecasts and the future predictions regarding management strategies and other matters that our company discloses are based on certain assumptions considered to be reasonable in accordance with information available at the date of disclosures. Accordingly, actual business performance may differ from the disclosed forecasts and predictions due to a number of factors.

(9) Third Party Financial Forecasts

In principle, our company does not offer any comments in regard to third-party opinions, recommendations or financial forecasts. However, we may issue statements regarding opinions, etc., issued by third parties that contain major factual errors or misrepresentations to identify these errors as such

Disclaimer:

This English translation has been prepared for general reference purposes only. Our company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released June 28, 2019.

**Nippon Express Policy and Implementations
of JPX's Corporate Governance Code.
(June, 2019)**

NIPPON EXPRESS Co., Ltd.

Section 1: Securing the Rights and Equal Treatment of Shareholders

General Principle 1

COMPLY

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

Our company obeys the Financial Instruments and Exchange Act and related regulations, rules related to timely disclosure stipulated by the Tokyo Stock Exchange (JPX). We strive to provide information in a swift, accurate and fair manner in order to assure equal and substantial rights for all stakeholders including shareholders and investors in Japan and overseas. In particular, as we stated in our disclosure policy, we will actively disclose information which we determine to be useful for our stakeholders to deepen their understanding of our company's management policies and business details.

In order to establish the corporate governance we stated in our long-term vision, promote our company's sustainable growth and improve our mid to long-term corporate value, we are also making efforts to establish policies and systems which encourage constructive dialogue with our shareholders at locations other than general shareholder meetings.

In addition, we have established a global website for our overseas shareholders. We will assure equality in obtaining information by providing important information in English as well as in Japanese.

The investor relations section on our global website is:

https://www.nipponexpress.com/ir/?link=top_global_navi

Principle 1.1 Securing the Rights of Shareholders

COMPLY

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at general shareholder meetings.

Our company recognizes that general shareholder meetings provide a venue where we can have constructive dialogue with shareholders. In order to assure shareholder rights substantially and equally, we strive to establish swift disclosure of information and develop an environment where shareholders can easily exercise their voting rights.

Supplementary Principles 1.1.1

COMPLY

When the board recognizes that a considerable number of votes have been cast against a proposal by the company even though the proposal was approved, it should analyze the reasons behind the opposing votes, and should consider the need for a dialogue with shareholders or other measures.

In regard to agendas our company propose at general shareholder meetings, our board of directors analyzes the reasons for objections when we find it necessary to do so (i.e. when the percentage of the opposition is more than 30%). We also consider discussions with shareholders depending on analysis results.

Section 1: Securing the Rights and Equal Treatment of Shareholders

Supplementary Principles 1.1.2

COMPLY

When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

From the perspective of agile management decision-making, our company resolves matters from general shareholder meetings and important matters regarding company management at board meetings in accordance with the law and our articles of incorporation. Nine directors, including three outside directors, and five Audit & Supervisory Board Members ("A & S Board Members"), including three outside A & S Board Members, attend our board meetings in order to assure expertise and objectivity in business judgment. As for execution of resolved important matters, our board of directors elects an individual to be in charge of execution. This individual executes the matters, and the board supervises this person from a perspective of functional separation.

Supplementary Principles 1.1.3

COMPLY

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file shareholder lawsuits, since issues or concerns may occur when companies try to ensure minor shareholders to exercise these rights.

In regard to the rights of minor shareholders—such as the rights to propose agendas, to demand an elimination of illegal activities or to file shareholder lawsuits—which are stipulated in the Companies Act but cannot be exercised unless they own a certain number of company shares, our company stipulates the procedure necessary to exercise such rights in our internal shareholding regulations in order to handle these legally and appropriately.

Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings

COMPLY

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

Our company recognizes that general shareholder meetings provide an opportunity to hold constructive dialogue with shareholders and also provide the ultimate decision-making organization to decide our company's basic policies and important matters. We ensure that shareholders exercise their rights to attend general shareholder meetings, ask questions, express their opinions and be part of decision-making. As a way to reflect the opinions of the shareholders who cannot attend general shareholder meetings, we ensure their substantial rights by allowing them to exercise their voting rights by proxy, by post or via the internet.

Section 1: Securing the Rights and Equal Treatment of Shareholders

Supplementary Principles 1.2.1

COMPLY

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings

Our company discloses information in accordance with the law and JPX's rules for listing securities. We also post company information, including documents or news releases related to general shareholder meetings or additional information relevant to shareholders and investors, on our websites in a timely manner.

Supplementary Principles 1.2.2

COMPLY

While ensuring the accuracy of the information to be included in convening notices, companies should strive to send such notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agendas. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.

Our company's record date is March 31, as stipulated in our articles of incorporation. After securing a certain length of time for account settlement as prescribed by the law and any related auditing, we send Convening Notices for Annual Shareholder Meetings as early as possible. We also announce these notices electronically through TDnet and our company's websites before sending these notices to shareholders 4 weeks before annual shareholder meetings.

Supplementary Principles 1.2.3

COMPLY

The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

Our company recognizes that general shareholder meetings provide an opportunity for constructive dialogue with shareholders. Therefore, we set a date when most shareholders can attend after considering the time required for account settlement as prescribed by the law and any related auditing.

Supplementary Principles 1.2.4

COMPLY

Bearing in mind the number of institutional and foreign investors, companies should take steps create an environment which allows electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations for convening notices of general shareholder meetings.

Our company has already introduced a system to enable shareholders to exercise their voting rights via the internet, smart phones or mobile phones on both of our Japanese and English websites. We also use the JPX's Electronic Voting Platform for corporate investors. For non-Japanese speaking investors, we create convening notices and business reports in English and post them on our company's global website along with the Japanese versions.

The relevant page on our company's global website is:
<https://www.nipponexpress.com/ir/event/meetings/>

Section 1: Securing the Rights and Equal Treatment of Shareholders

Supplementary Principles 1.2.5

COMPLY

In order to prepare for cases where institutional investors who hold shares under the name of trust banks (shintaku ginko) express an interest in advance to attend the general shareholder meeting and exercise voting rights, companies should work with the banks and discuss such possibilities.

Our company only allows an institutional investor who holds shares in the name of a trust bank (shitaku ginko) to attend our general shareholder meetings when s/he expresses an interest in advance, brings an authorization document from the bank and confirms his/her identity. However, such investors must attend strictly as observers who cannot express their opinions, ask questions or exercise voting rights.

Principle 1.3 Basic Strategy for Capital Policy

COMPLY

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy concerning it.

Aiming to increase our mid to long-term corporate value by seeking sustainable corporate growth, our company sets the following standards and goals in order to maintain the levels of our growth investing and risk tolerance of shareholder equity.

- (1) Our company considers the return on equity (ROE) as an important management index and aims to reach at least 10% by the end of our management plan, FY 2023.
- (2) In order to increase our corporate value, our company has set the hurdle rate at 5% for investment projects by taking the weighted average cost of capital into consideration.
- (3) In order to ensure a firm financial basis to provide funds for growth investing and a certain level of financial security, our company has set the debt-to-equity (D/E) ratio as 1.0 or lower and the capital adequacy ratio at around 35%.
- (4) As for shareholder returns, our company will pay out shareholder returns steadily and continuously by dividend. We have set the dividend ratio to at least 30%. Also, we have set the total return ratio, including shareholder returns by dividend and acquisition of treasury shares, to at least 50% cumulatively over the duration of the 2019-2023 management plan.

Section 1: Securing the Rights and Equal Treatment of Shareholders

COMPLY

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings², they should disclose their policy concerning them, including their policies regarding the reduction of such shareholdings. In addition, the board should annually assess each individual cross-shareholding, whether or not the purpose of holding is appropriate and the benefits and risks from each holding meet the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards on the exercise of voting rights regarding cross-shareholdings and conduct voting in accordance with the standards.

In principle, our company will reduce cross-shareholdings.

However, we may hold such shares if we decide that the action would improve our mid to long-term corporate value by increasing the number of business transactions, expanding our business scope, strengthening our relationship with business partners and promoting cooperative collaborations.

For cross-shareholdings, our board of directors will annually review the rationality of holding each share name including capital costs and benefits of holding. The benefits will be evaluated not only from quantitative aspects but also from qualitative aspects. Specifically, we will review the benefits using the following criteria:

1. Whether or not the benefits of cross-shareholdings are in proportion with the weighted average cost of capital (WACC) in our company's capital policy.
2. Whether or not holding these shares has contributed in expanding our company's marketing area (i.e. whether or not it has created reasonable sales against the market value of the shares).
3. Whether or not holding these shares has contributed in increasing our corporate value (i.e. whether or not it has strengthened our relationship with business partners or promoted cooperative collaborations).
4. Whether or not we can expect an improvement of our corporate value in the future according to our business strategy (i.e. an increase in the number of business transactions or expansion of our business scope).

If we find that it is not rational to keep shares after review, we will sell all or part of such shares as required, while taking our company's fund situation and share market movement into consideration.

Our company opposes the following actions regarding exercising voting rights on cross-shareholdings.

1. Actions which may lose the balance between holding on cross-shareholding and the purpose of cross-shareholding.
2. Actions which hinder the maintenance and expansion of the relationship with our business partners.

Our company will have regular meetings with the issuing companies of the shares and check our agreed upon standpoint concerning these shares. However, if we see a rapid deterioration in an issuing company's business performance or a sign of a weakening in our business relationship with a company, we will set up a meeting as soon as possible and utilize the results when deciding whether or not to approve actions.

Section 1: Securing the Rights and Equal Treatment of Shareholders

Supplementary Principles 1.4.1

COMPLY

When shareholders who hold a company's shares for the purpose of cross-shareholding (cross-shareholders) indicate their intention to sell their shares, the company should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

Our company will never conduct any act which may deter the individuals who hold our company shares in cross-shareholding from selling their cross-held shares.

Supplementary Principles 1.4.2

COMPLY

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationality.

In transactions with individuals who wish to purchase our company shares in cross-shareholding, we will determine the conditions of transactions and whether or not we should continue such transactions. We will assess whether or not such transactions are rational. We will not conduct irrational transactions simply because the individuals are holding our company shares.

Principle 1.5 Anti-Takeover Measures

COMPLY

Measures which are to be implemented in order to be effective against takeover must not have any objective associated with self-protection of the management or the board. With respect to the introduction or implementation of anti-takeover measures, the board and A & S Board Members³ should carefully examine their necessity and rationality in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

Our company's board decided not to continue anti-takeover measures at the meeting on May 9, 2017. Therefore, the measures were abolished when the validity expired at the annual shareholder meeting held on June 29, 2017. We have no intention of introducing the measures again.

Section 1: Securing the Rights and Equal Treatment of Shareholders

Supplementary Principles 1.5.1

COMPLY

In case of the companies tendering their shares in the offer, companies should clearly explain the position of the board, including any counter-offers, and should not take measures that would prevent shareholders from selling their shares in response to the tender offer.

Our company decided to discontinue the anti-takeover measures at the board meeting on May 9, 2017. Therefore, the measures were abolished when the validity expired at the annual shareholder meeting held on June 29, 2017.

Having said this, even after the abolishment of our anti-takeover measures, if an individual intends to purchase a large number of our company shares, we will ask him/her to provide the necessary information for our shareholders to make an appropriate decision on whether or not we should accept such a purchase. From perspectives including whether or not such a purchase would improve our corporate value, our board of directors, including independent outside officers, will have a discussion and consider the matter carefully. By disclosing the board's opinions to our shareholders in a timely manner, we will strive to implement appropriate measures (i.e. giving enough time for shareholders to consider the matter and obtain information) to the extent permissible by the Financial Instruments and Exchange Act, the Companies Act and other relevant laws.

As for shareholders selling their shares in response to a tender offer, our company will respect the shareholder rights and not hinder such activities.

Principle 1.6 Capital Policy that May Harm Shareholder Interests

COMPLY

With respect to a company's capital policy that results in a change of control or in significant dilution, including share offerings and management buyouts, the board and A & S Board Members should, in order to not harm existing shareholders' interests, carefully examine the necessity and rationality from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

When our company implements a capital policy which results in a change of control or in a significant dilution of shares, we will announce the information, including the examination process and the purpose for the implementation, in a timely manner while respecting independent opinions from outside officers. We will provide explanations to shareholders at general shareholder meetings and/or financial settlement briefings as necessary.

Principle 1.7 Related Party Transactions

COMPLY

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns of such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition, the board should disclose these procedures and monitor to ensure such transactions are implemented in accordance with the procedures. This includes the approval of the transactions.

When a board director engages in competing transactions, transactions between a board director and our company or transactions involving any conflict of interest, the director must seek approval at a meeting of directors including independent outside officers. We conduct an investigation each year to see if any of our board directors, corporate officers or A & S Board Members engage in transactions with our company or a consolidated subsidiary. We disclose the results in our annual securities report in accordance with regulations including the "Accounting Standards for Related Party Disclosures." Currently, there is no such transaction in existence.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

General Principle 2

COMPLY

Companies should fully recognize that their sustainable growth and the creation of mid to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to cooperate with these stakeholders. The board and the management should exercise their leadership by establishing a corporate culture and climate where the rights and positions of stakeholders are respected and sound business ethics are practiced.

In order to create sustainable growth and mid to long-term corporate value aiming for development together with society, our company considers it essential to have interactive communication with as many stakeholders as possible and continues to make efforts to meet the expectations of stakeholders. In our Nippon Express Group Business Plan 2023, we listed “Contributing to customers and society through business,” “Contributing to resolving social issues through business,” and “Cooperating to create new corporate value with stakeholders.” We are working to achieve sustainable growth and improve our corporate value.

In particular, we promote environmental, social and corporate governance (ESG) management for our company’s sustainable growth and high corporate value. A “safe and sound” logistics service based on “compliance” is the prerequisite for our business operations, and by providing these to people all over the world, we want to contribute to resolving social issues and the development of a sustainable society. Under the leadership of the board, the Compliance Committee with our Chief Executive Officer as the chairperson, the “Environmental Management Promotion Committee” and senior management, each officer and employee are working to create a corporate culture and climate where the rights and positions of stakeholders and sound business ethics are respected in accordance with our “Corporate Philosophy.”

Principle 2.1 Business Principles as the Foundation of Corporate Value Improvement Over the Mid- to Long-Term

COMPLY

Guided by their position concerning social responsibility, companies should create additional value for all stakeholders while improving corporate value over the mid to long-term. Companies should establish business principles that will become the basis for such activities.

Our board adopted the “Nippon Express Group Corporate Philosophy” in 2007, 70 years after establishment, and outlined the meaning of the company’s existence. This was in line with the spirit of “Our Words (Warera no kotoba),” adopted in 1958 as the company rules, and stipulated the employee code of conduct.

[Nippon Express Group Corporate Philosophy]

Our Mission: Be a Driving Force for Social Development

Our Challenge: Create New Ideas and Values that Expand the Field of Logistics

Our Pride: Inspire Trust Every Step of the Way

As our long-term (ten-year) vision set in 2009 was coming to the end, we established a new set of long-term goals for the 100-year anniversary in 2037 to visualize the position our group wishes to achieve in the future. We aim to become “a logistics company with a strong presence in the global market.”

In order to achieve this goal, we will continue to develop globally in accordance with our corporate policies and our unchanged sense of values in workplace capability based on our commitment to “safety, compliance and quality” and a customer-first attitude as in our corporate message of “We Find the Way.” We will allow our company climate to be more competitive.

At the same time, we will clarify our company image for our customers/society, shareholders and employees and work together with these stakeholders to create new values through innovation. We have established improving our corporate value as a path leading to our long-term vision.

By sharing the 2037 vision with the entire group and working together in a unified manner, we will work to achieve it.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

Principle 2.2 Code of Conduct

COMPLY

Companies should establish and implement a code of conduct for employees and express their values concerning appropriate cooperation with stakeholders, respect their interests and carry out sound business activities. The board should be responsible for establishing and revising the code of conduct and should ensure its compliance across the organization, including the front line of domestic and global operations.

Our company clearly states the status of our corporate group as “contributing to society through logistics and bringing an enriched life to future generations” in our “Nippon Express Group Corporate Philosophy.” In order to embody this, we have established the “Nippon Express Group Charter of Conduct” to regulate our everyday activities and emulate the direction of our future actions and the “Nippon Express Group Compliance Regulations” to conduct appropriate business activities. We revise and abolish provisions by resolutions of the board.

Our board reviews the code of conduct as necessary and takes up important policies as agenda topics at meetings.

The code of conduct is posted on the company’s intranet and put up on the wall in each workplace for our staff to refer to and implement. We have written the “Compliance Handbook” in Japanese, English and Chinese and given one to each employee in our corporate group including those in our overseas subsidiaries. We also implement stratified trainings, group education trainings for new employees, workplace education and e-learning so that everyone becomes familiar with the code.

Supplementary Principles 2.2.1

COMPLY

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on whether or not the company has created a corporate culture and climate which embraces the intent and spirit of the code of conduct and not solely perform a perfunctory compliance check.

Our company has conducted an anonymous annual employee survey regarding compliance since 2004 in order to understand the degree of overall compliance. The result is disclosed to all officers and employees, and countermeasures based on the results are presented in detail.

Upon receiving the implementation status and the result of the annual survey, our board reviews the code of conduct including the “Nippon Express Group Charter of Conduct” and compliance regulations.

We pay careful attention to the content of the survey questions. We include questions to assess the overall awareness of compliance and to check the corporate culture and climate with respect to the meaning and the spirit of the code of conduct, so that the survey will not simply contain meaningless perfunctory checks. Using the results of the survey, we strive to make the appropriate improvements on each item which has low compliance.

As for important whistleblowing cases and the compliance committee’s decisions, we will share the information in the compliance handbook and the “CSR Letter,” the in-company newsletter we distribute to the entire corporate group. We post these on the e-learning website and utilize them as educational resources. We take them up at management trainings and share the information. We take measures to ensure that the code of conduct is implemented widely and effectively.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

COMPLY

Principle 2.3 Sustainability Issues, Including Social and Environmental Matters

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

Our company clearly states the status of our corporate group and how to relate with society as “contributing to society through logistics and bringing an enriched life to future generations” in our “Nippon Express Group Corporate Philosophy.”

As for our efforts to protect the environment in particular, we stipulated the “Nippon Express’ Environmental Charter” and the “Environmental Regulations” and have been purposefully implementing activities. At the same time, in order to promote environmental management of our company, we set up the “Environmental Management Promotion Committee” and established an environmental management promotion policy.

In April 2017 (with some additions in April 2018), our company, minus the corporate group, set up the following long-term targets to stop global warming and establish a recycling-based society. We have now set our corporate group’s long-term targets, and we are working on reducing carbon dioxide with the entire group.

○Long-term targets toward global warming prevention

Nippon Express

- Total reduction target: 30% reduction of carbon dioxide emissions by 2030 compared to that of 2013
- Intensity target: 30% reduction of carbon dioxide emissions per sales of 1 million yen by 2030 compared to that of 2013

Group Companies in Japan

- 20% reduction of carbon dioxide emissions by 2030 compared to that of 2013

Group Companies Overseas

- Set up their own targets in the same line with our company’s by taking their own situations into consideration

○Targets toward the establishment of a recycle-based society

- We set a target to reduce our discharged industrial waste amount per sale by 1% each consecutive year until 2030.
- We set the final target emissions value for our company for 2030.

We are a logistics company which uses fossil fuels and emits carbon dioxide. Therefore, we recognize that global environment protection is a very important issue. We actively promote modal shifts, joint distribution services and the introduction of more environmentally friendly vehicles.

We publish information regarding our activities in the CSR Report each year.

Supplementary Principles 2.3.1

COMPLY

With the recognition that dealing with sustainability issues is an important part of risk management, the board should take appropriate actions. Given the increasing demand and interest in sustainability issues in recent years, the board should address these issues positively and proactively.

In order to promote ESG management for our company’s sustainable growth and high corporate value, we recognize that corporate efforts for the (1) environment, (2) society and (3) governance including safety, compliance and quality are essential. Our board recognizes these efforts as an important risk management issue, and our executive board consistently takes up this matter as an agenda topic. Considering the changes in social and financial environments, we decided to implement efforts to fulfill unified corporate social responsibilities (CSR) globally as the “Nippon Express’ Global CSR” involving overseas subsidiaries in 2014. By displaying purposefully made posters with the slogan of “For a Sustainable Earth” in the local language of each office, we promote this activity. An overview of our efforts is published in our company’s CSR Report.

Our CSR Reports are available on our websites:
 (Japanese) <https://www.nittsu.co.jp/corporate/csr/report/>
 (Our global website) <https://www.nipponexpress.com/about/csr/>

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

Principle 2.4 Ensuring Diversity, Including Active Participation of Women

COMPLY

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and attributes. These ensure sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

In order to achieve sustainable growth as a global logistics company, we newly established a special division to promote diversity on May 1, 2017. We respect employee diversity and promote a healthy workplace environment where everyone can succeed. In particular, we will deepen our efforts toward increasing women's opportunities to become actively involved. In order to create an atmosphere where everyone can show individuality regardless of differences including gender, we are focusing on the following four goals:

- (1) Managing the employee turnover rate and the rate of taking annual paid leaves using KPIs (key performance indicators).
- (2) Providing information, opportunities and support for employees to establish their long-term career paths.
- (3) Developing an atmosphere to respect individualities through trainings at the management level.
- (4) Conducting an educational campaign toward creating an environment where employees utilize their annual paid leaves.

In addition, we are trying to secure and utilize various kinds of human resources through increasing the number of mid-career recruits and employing non-Japanese workers.

Principle 2.5 Whistleblowing

COMPLY

Companies should establish an appropriate whistleblowing system where employees can report illegal or inappropriate behavior, information disclosures, or any other serious concerns without fear of suffering disadvantageous treatment. Also, the system should allow an objective assessment of the reported issues, and the results should be utilized appropriately. The board should be responsible for both establishing such a system and monitoring its implementation.

Our company established internal rules regarding whistleblowing in 2003. There is a special help desk for whistleblowing. We notify everyone about the system and the help desk by publishing the information in the Compliance Handbook which we distribute to all employees, our company's intranet and newsletter "CSR Letter." We also display posters at each worksite. In order to make this system easy to use and effective for our employees, we also have an independent help desk for whistleblowing outside the company.

If issues are reported, the CSR Promotion Department will decide whether or not an investigation is necessary based on the report and determine the appropriate investigation method. Placing priority on protecting the informant, we conduct an investigation by working with the relevant departments, notify the informant of the progress of our actions and check the results with him/her.

Once our Compliance Committee, with our Chief Executive Officer as the chairperson, receives the full report on whistleblowing, the committee analyses the issues and reviews the operation status of the system. At the board meetings, the director who is in charge of the CSR Promotion Department reports the operation status of our whistleblowing system and the implementation status of the Compliance Committee. Upon receiving the operation status of the whistleblowing system, the board of directors discusses and determines which system, organization and policies are suitable for each situation.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

Supplementary Principles 2.5.1

COMPLY

As a part of establishing a system for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside A & S Board Members. In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

Our company has an internal help desk for whistleblowing and an outside help desk within a lawyer's office separate from our company. Regardless of which help desk is used, we will treat issues reported through whistleblowing as important and discuss the issues and their measures in the Compliance Committee, which includes A & S Board Members and outside lawyers. We then report the results to the Board of directors, ask for opinions from outside directors and outside A & S Board Members before reflecting their opinions.

In regard to the confidentiality of the informant and prohibition of disadvantageous treatment of the informant, we designate whistleblowing strictly confidential at our outside help desk. We state in our "Nittsu Speak-Up" that any information which may lead to identification of the informant remains confidential unless s/he agrees to disclosure within our company. Also, we instruct at our annual meeting of Compliance Promotion Officers to ensure confidentiality of informants and prohibition of disadvantageous treatment of the informant.

In addition, we make the "Nittsu Speak-Up" rules known to every employee through the Compliance Handbook, our intranet and "CSR Letter" newsletter.

Principle 2.6 Companies' Role as Asset Owners of Corporate Pension Funds

COMPLY

The management of corporate pension funds impacts stable asset formation for employees and each company's own financial standing. Therefore, companies should implement measures to improve human resources and operational practices, such as the recruitment or assignment of individuals who have the appropriate capacity to manage funds. The purpose of this is to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset management institutions so that the companies perform their roles as expected for asset owners of corporate pension funds. These measures should be disclosed. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

In order to support our employees' asset formation and reduce management risk of corporate pension funds, we adopted the fixed contribution pension system in 2007.

In order to teach our employees how to increase their assets, we are working to educate them in how to properly do this. As a part of new employee education, we implement fixed contribution pension seminars and teach basic knowledge on the systems used to start asset management and relevant precautions.

We conduct investment educational seminars once a year for our pension fund beneficiaries and teach employees the importance of long-term investments, continuous investments and diversified investments, depending on their individual future plans. In order to make this more effective and realistic, we review the educational content based on the monitoring results of operation status in cooperation with the operation management institution.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

General Principle 3

COMPLY

While ensuring appropriate information disclosure in accordance with the relevant laws and regulations, companies should also strive to actively provide information beyond that which is required by law. This includes both financial information, such as financial status and operating results, and non-financial information, such as business strategies, business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore should ensure that such information, particularly non-financial information, is accurate, clear and useful.

In the “Nippon Express Group Charter of Conduct” amended in April 2011, we stated that “in addition to communicating with our wide range of stakeholders and actively and fairly disclosing company information, we will endeavor to meet stakeholder expectations and deepen mutual understanding.”

In order to achieve this, even when disclosing information which is not required to be disclosed by laws and regulations, we will disclose such information, regardless of whether or not it is financial or non-financial in a timely and appropriate manner through news releases, press conferences, our websites and any other possible means if the information is considered useful during constructive dialogues with shareholders. We transmit such information actively and widely outside the company.

Principle 3.1 Full Disclosure

COMPLY

In addition to disclosing information in accordance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the JPX Corporate Governance Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance.

- (i) Company objectives (i.e. business principles), business strategies and business plans;
- (ii) Basic views and guidelines on corporate governance based on each of the principles of the code;
- (iii) Board policies and procedures in determining the remuneration of senior management and directors;
- (iv) Board policies and procedures in the appointment/dismissal of senior management and the nomination of director and A & S Board Member candidates
- (v) Explanations with respect to the individual appointments/dismissals of executive managers and nominations of candidates for directors and A & S Board Members based on (iv).

(i) Company objectives (i.e. business principles), business strategies and business plans;

In addition to the “Nippon Express Group Corporate Philosophy” and the “Nippon Express Group Charter of Conduct,” we established the “Nippon Express Group Corporate Message” in 2017 and published it on our websites.

(Japanese) <https://www.nittsu.co.jp/corporate/philosophy-charter/>

(Japanese) <https://www.nittsu.co.jp/corporate/message.html>

(Our global website) <https://www.nipponexpress.com/about/policy/>

We also published our management plans on our websites.

(Japanese) <https://www.nittsu.co.jp/ir/event/policy-meeting/>

(Our global website) <https://www.nipponexpress.com/ir/event/plan/>

Section 3: Ensuring Appropriate Information Disclosure and Transparency

(ii) Basic views and guidelines on corporate governance based on each of the principles of the code;

Our company upholds its mission to resolve social issues through logistics and support social sustained development and growth in accordance with the “Nippon Express Group Corporate Philosophy.” We also believe that working hand-in-hand with all stakeholders, including shareholders and investors, and respecting their viewpoints is indispensable to the realization of sustained growth and improvement of corporate value. To this end, ensuring compliance and guaranteeing management transparency, as well as speedy management through rapid decision-making and the clarification of responsibility, are important. Building such a system and ensuring that it functions properly comprises our basic policy on corporate governance. On the grounds of these basic views, our company strives for continuous progress and reinforcement of its corporate governance.

Our basic view on corporate governance is on our websites:

(Japanese) <https://www.nittsu.co.jp/ir/governance/index.html>

(Our global website) <https://www.nipponexpress.com/ir/governance/>

[Nippon Express Group Corporate Philosophy]

Our Mission: Be a Driving Force for Social Development

Our Challenge: Create New Ideas and Values that Expand the Field of Logistics

Our Pride: Inspire Trust Every Step of the Way

(iii) Board policies and procedures in determining the remuneration of senior management and directors;

Our company has established rules for directors’ remuneration and bonuses. Based on their duties and performance, the remuneration and bonuses for them are determined at the board meeting. The remuneration for A & S Board Members is determined via discussion among the members. We have also established internal rules for decision-making procedures for officer remuneration. We have established a discretionary Remuneration and Nomination Advisory Committee with three out of four committee members as independent outside directors. The committee holds a meeting in accordance with internal rules, and remuneration is determined based on the outcome. Specific amounts will be within those limits, as resolved by the 100th annual shareholder meeting held on June 29, 2006, while taking into consideration company performance, industry standards and employee salary levels.

In addition to the existing officer remuneration and bonuses, as of September 2016, our company introduced a performance-based stock compensation plan using trusts for our directors and corporate officers (excluding outside directors and those who do not reside in Japan) with a goal to further enhance the motivation of officers to contribute to the improvement of our company’s corporate value and shareholder value over the mid to long-term. This plan uses part of the existing basic remuneration as funds for share-based remuneration and grants, varying numbers of our company’s shares depending on the recipient’s position and level of attainment of performance goals. We have already finished three business years, the period required for the first evaluation. Upon approval at the annual shareholder meeting in June 2019, we change the evaluation period to five business years and continue this system. At the end of each fiscal year and at the end of the period for evaluation, we will evaluate performance based on indicators such as net sales, operating income and return on equity (ROE).

At the same time as the granting of shares, a portion of the shares are paid in cash after being converted within the trust, in order to use this amount for the payment of taxes, including income tax. The number of our company shares to be granted is determined based on share delivery rules which stipulate the calculation method, time of delivery and other relevant matters.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

(iv) Board policies and procedures in the appointment/dismissal of senior management and the nomination of director and A & S Board Member candidates

When selecting director candidates, our board selects individuals who have the appropriate character, knowledge, experience of business management, expertise in law, accounting and other fields and skills as well as academic backgrounds .

When we select candidates for outside directors and outside A & S Board Members, we select individuals who meet all criteria for these positions, as stipulated in Items 15 and 16, Article 2 of the Companies Act and from the viewpoints of whether or not they are suitable candidates for monitoring the overall operation of our company with excellent character and knowledge and abundant prior management experience.

For the appointment and dismissal of these officers, we have established a discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members as independent outside directors—as an advisory body of our board. We make hiring decisions based on the committee's report.

(v) Explanations with respect to the individual appointments/dismissals of executive managers and nominations of candidates for directors and A & S Board Members based on (iv).

Personal history and reasons for the selection of each candidate for director or A & S Board Member positions is stated in the "Convening Notice of the Annual Shareholder Meeting" and is posted on our website :

(Japanese) <https://www.nittsu.co.jp/ir/event/general-meeting/>
 (Our global website) <https://www.nipponexpress.com/ir/event/meetings/>

Supplementary Principles 3.1.1

COMPLY

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that the information does not lack detail

In order to establish long-term trust relationships with all stakeholders, including shareholders and investors in Japan and overseas, our board uses simple but detailed descriptions when disclosing information. We disclose such information using various means in order to enable our shareholders to access it easily in a timely, accurate, equitable and fair manner.

Supplementary Principles 3.1.2

COMPLY

Bearing in mind the number of foreign investors among shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

In preparation of our group's business expansion, we have established an English website. We issue our CSR Reports and Annual Reports in English, and we post the Convening Notices of Annual Shareholder Meetings and financial information in English on our website.

(Our global website) <https://www.nipponexpress.com/>

Section 3: Ensuring Appropriate Information Disclosure and Transparency

Principle 3.2 External Auditors

COMPLY

External auditors and companies should recognize that external auditors bear responsibility for shareholders and investors and should take appropriate steps to secure the proper execution of audits..

Our company's A & S Board and the Audit Division—which is responsible for internal audits—work hand-in-hand with external auditors to provide the best environment including an adjustment to the external auditors' schedules in order to ensure that audits are performed appropriately.

Supplementary Principles 3.1.1

COMPLY

The company's A & S Board should, at minimum, ensure the following:

- (i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and
- (ii) Verify whether or not external auditors possess the necessary independence and expertise to fulfill their

- (i) **Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and**

Our A & S Board selects and appoint external auditors by evaluating them from their attitudes to performing their duties, their audit policies, their planning, number of days and time it takes to perform audits, their audit methods and the contents of audit reports.

When we evaluate the external auditors, we ask them to submit audit reports and check the content of them and attend audit review meetings. We exchange opinions and information with the external auditors at the A & S Board meetings, which are held once each quarter, four times each year. We also have meetings to exchange opinions as necessary.

Based on the evaluation list stipulated by our A & S Board, we consider the independence of the external auditors' team as an evaluation standard, and we check on this from time to time.

- (ii) **Verify whether or not external auditors possess the necessary independence and expertise to fulfill their**

In regard to the independence of the external auditors, our A & S Board considers that the auditors should,

- (1) not have any special conflict of interest, economical or positional, with our company, and
- (2) follow what they believe to be fair and unbiased throughout any auditing procedures, including when implementing audits and expressing opinions.

We believe that "Ernst & Young ShinNihon LLC," our current external auditors, meet these requirements. In addition, EY has implemented audits legally and appropriately in accordance with accounting standards and accounting practices with due care. We believe that they are fulfilling auditor duties which require expert knowledge and skills.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

Supplementary Principles 3.1.2

COMPLY

The board and the A & S Board should, at minimum, ensure the following:

- (i) Give adequate time to ensure high quality audits;
- (ii) Ensure that external auditors have access, such as via meetings, to senior management including the CEO and the CFO;
- (iii) Ensure adequate coordination between external auditors and each of the A & S Board Members (including attendance at A & S Board Meetings), the internal audit department and outside directors; and
- (iv) Ensure that the company has established ways to respond to any misconduct, inadequacies or concerns identified by external auditors.

(i) Give adequate time to ensure high quality audits;

In our company, upon discussion with our external auditors, the Audit Division—which is responsible for internal audits—establishes its audit schedule based on our internal A & S Board Members' plan. As for the time of the audit, the A & S Board holds a discussion to ensure that the plan meshes well with our internal audits. Therefore, we ensure that internal audits work as a complement to Board Member' audits. Then we allocate adequate time for audits by taking further steps to ensure their accuracy, such as investigations, audit meetings and follow-up audits.

(ii) Ensure that external auditors have access, such as via meetings, to senior management including the CEO and the CFO;

Upon request from our external auditors, we set up yearly discussions before implementation of audits. Our president, vice presidents, chief financial director and a few other members, including full-time A & S Board Members, participate. We set up meetings at other times as requested.

(iii) Ensure adequate coordination between external auditors and each of the A & S Board Members (including attendance at A & S Board Meetings), the internal audit department and outside directors; and

As for coordination of our company A & S Board Members and the section for internal audits (the Audit Division) with our external auditors, we believe that adequate cooperation is secured through attendance by A & S Board Members at our internal audits, attendance of our company A & S Board Members at the audits by our external auditors and by holding an audit meeting each quarter.

As for Japanese Sarbanes-Oxley (J-SOX) internal control audits, we ask outside A & S Board Members to be involved in selecting group companies for company-level internal control assessments and establishment of these companies' business process descriptions. Through this system, outside members become familiar with our business operations. Coordination with outside directors is organized through the General Affairs and Labor Division, the administrative office for our board of directors, as necessary.

(iv) Ensure that the company has established ways to respond to any misconduct, inadequacies or concerns identified by external auditors.

If our A & S Board Members receive reports of a breach of law or a breach of our articles of incorporation from our external auditors, our A & S Board will hold a meeting, conduct the necessary investigation and take measures to advise or warn the director involved.

Section 4: Responsibilities of the Board

General Principle 4

COMPLY

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting broad major directives, such as corporate strategies;
- (2) Establishing an adequate environment which supports risk-taking by members of the senior management; and
- (3) Carrying out effective oversight of directors and management (including executive officers (shikkoyaku) and corporate officers (shikkoyakuin) from an independent and objective standpoint. (Translator's note: A "shikkoyaku" is an officer recognized in the Companies Act, while a "shikkoyaku-in" is not and holds an internal employee position.)

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization, i.e., a company with an A & S Board (where a portion of these roles and responsibilities is performed by its members and the A & S Board), a company with three committees (nomination, audit and remuneration) or a company with a supervisory committee.

Our board is responsible for establishing management plans and making decisions on matters stipulated by the law or the articles of incorporation and important business management matters. As for our management plan, the board members including outside directors held numerous discussions and established a long-term vision toward the 100th anniversary of our company's foundation. In order to achieve the vision's goal, the board resolved our first 5-year plan for inorganic growth, the "Nippon Express Group Business Plan 2023—Dynamic Growth," on February 22, 2019.

By establishing the board's regulations, agenda standards, office organization, division of duties and delegation rules, we clarify the duties and responsibilities of the directors in each division, in order to establish an adequate environment to support risk taking. We are a company with an A & S Board, but we have established management meetings as the location to discuss overall execution policies. And by introducing a corporate officer system for the purpose of rapid decision-making and business execution, the board is responsible for monitoring such execution as well as resolving more important business matters.

We appoint outside directors and A & S Board Members to achieve highly transparent management. Remuneration and nomination are important aspects, so we have established a discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members as independent outside directors—as an advisory body of our board to discuss these matters. Our board makes decisions based on the committee's report.

Principle 4.1 Roles and Responsibilities of the Board (1)

COMPLY

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as a major aspect of its roles and responsibilities. It should engage in constructive discussions with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

Our board gains knowledge from outside directors and establishes a five-year mid-term business plan. Based on the plan, the board holds constructive discussions and determines matters stipulated by law or the articles of incorporation and important business management matters, in accordance with the board's regulations and agenda standards.

Section 4: Responsibilities of the Board

Supplementary Principles 4.1.1

COMPLY

The board should clearly specify what it should decide on its own and what or how much it should delegate to management. The summary of these results should be disclosed.

Our board determines matters stipulated by the law or the article of incorporation and important business management matters in accordance with the board's regulations and agenda standards. However, for the purpose of agile decision-making and to improve the supervision capacity of the board, we delegate individual business management matters to the corporate officers who are in charge of implementation as often as possible.

Supplementary Principles 4.1.2

COMPLY

Recognizing that a mid-term business plan is also a commitment to shareholders, the board and the senior management should do their best to achieve the plan's goals. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement, as well as the company's actions, should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

Our company do our best to achieve goals set in the plan.

Our progress in the management plan is reported at each financial settlement briefing and general shareholder meeting. Progress and outcomes of important matters, such as large-scale investment projects, are reported at board meetings by the director in charge. Should we fail to deliver on our management plan goals, we will analyze the reasons for the failure and the actions we have taken. Then we will explain these in financial settlement briefings with our shareholders and reflect the results in the next plan.

Supplementary Principles 4.1.3

COMPLY

Based on company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executive officers and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

We have a long procedure for the selection and development of corporate officers who lead our corporate group.

To the employees who are highly evaluated in each division, we give important positions or duties, such as positions as branch managers or heads of affiliates or subsidiaries in Japan or overseas—positions which cover many aspects in corporate management including customer services and business management—or our company's chief directors who establish and implement company-level management plans. We then evaluate their capacity as managers through the eyes of our representative directors, personnel managers and division managers based on the employees' performance and achievements. After repeating this process by changing their employment positions, we select the final candidates.

The Remuneration and Nomination Advisory Committee again evaluates the candidates' capacity as managers and sends its recommendation to the board; and the board determines which individuals will be the new corporate officers.

Division managers are not only members of the board but are also deeply involved in the entire appointment procedures, training and evaluation of the new corporate officers.

As for appointment of the CEO, the board determines the new CEO based on an evaluation and a recommendation from the Remuneration and Nomination Advisory Committee.

We give the candidates various opportunities to develop wider views and management literacy as well as allowing them to manage divisions which have major projects in management strategies.

The board closely evaluates the candidates' performances and outcomes as division managers.

Section 4: Responsibilities of the Board

Principle 4.2 Roles and Responsibilities of the Board (2)

COMPLY

The board should view the establishment of an adequate environment that supports risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine the various aspects of such proposals from an independent and objective standpoint with a goal to secure accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives which reflect mid to long-term business results, potential risks and healthy entrepreneurship.

When our board receives proposals from directors and corporate officers who are in charge of business operations, the board determines the execution of such proposals at a meeting including independent outside directors, based on the results of the management meeting. Resolved proposals are then implemented by the directors and corporate officers who submitted the proposals in a timely and appropriate manner.

Their remuneration consists of monthly remuneration, bonuses and performance-based stock compensation plan as mid to long-term incentives. Their monthly remuneration consists of fixed remuneration and share-based remuneration as mid to long-term incentives. Outside directors receive fixed remuneration only.

We have established internal rules for decision-making procedures for officer remuneration. Based on these rules, we have introduced a performance and share-based remuneration system as mid to long-term incentives, in order to provide a continuous improvement to our corporate value.

Supplementary Principles 4.2.1

COMPLY

The board should design management remuneration systems that operate as healthy incentives to generate sustainable growth and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid to long-term results and the proportion of cash payments and share-based remuneration should be set appropriately.

Our company has established rules for directors' remuneration and bonuses. Based on their duties and performance, the remuneration and bonuses for them are determined at the board meeting. The remuneration for A & S Board Members is determined via discussion among the members. We have also established internal rules for decision-making procedures for officer remuneration. The discretionary Remuneration and Nomination Advisory Committee, which has been established as an advisory body of the board with three out of four members from independent outside directors, holds a meeting in accordance with internal rules, and remuneration is determined based on the outcome. Specific amounts will be within those limits, as resolved by the 100th annual shareholder meeting held on June 29, 2006, while taking into consideration company performance, industry standards and employee salary levels.

In addition to the existing officer remuneration and bonuses, as of September 2016, our company introduced a performance-based stock compensation plan using trusts for our directors and corporate officers (excluding outside directors and those who do not reside in Japan) with a goal to further enhance the motivation of officers to contribute to the improvement of our company's corporate value and shareholder value over the mid to long-term. This is an incentive system which uses part of the existing basic remuneration as funds for share-based remuneration and grants, varying numbers of our company's shares depending on the recipient's position and level of attainment of performance goals. We have already finished three business years, the period required for the first evaluation. Upon approval at the annual shareholder meeting in June 2019, we change the evaluation period to five business years and continue this system. At the end of each fiscal year and at the end of the period for evaluation, we will evaluate performance based on indicators such as net sales, operating income and return on equity (ROE).

At the same time as the granting of shares, a portion of the shares are paid in cash after being converted within the trust, in order to use this amount for the payment of taxes, including income tax. The number of our company shares to be granted is determined based on share delivery rules which stipulate the calculation method, time of delivery and other relevant matters.

Section 4: Responsibilities of the Board

Principle 4.3 Roles and Responsibilities of the Board (3)

COMPLY

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in recruitment of senior management. In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal controls and risk management systems. Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

Responding to the entrustment of business management from shareholders, our board selects appropriate candidates who can fulfill their duties and responsibilities as directors. We have established a system in which relevant divisions work hand-in-hand and perform timely and accurate information disclosure, internal controls and risk management. We also conduct an investigation to see if there are any transactions between our company and its related parties and appropriately disclose the results in our annual securities report in accordance with regulations including the "Accounting Standards for Related Party Disclosures." Our performance results are reported at the board meeting each month and discussed as necessary.

Supplementary Principles 4.3.1

COMPLY

The board should ensure that the appointment and dismissal of senior management are based on highly transparent and fair procedures via appropriate evaluations of business results.

Our company established a fair and highly transparent discretionary Remuneration and Nomination Advisory Committee in July 2016, and the majority of the members are independent outside directors, in order to obtain opinions from independent outside directors on important matters such as remuneration and nomination of officers.

When we select director or corporate officer candidates, receiving a request from the board chairperson, the Remuneration and Nomination Advisory Committee—which has been established as an advisory body of the board with three out of four members from independent outside directors—holds a discussion. The committee submits a report to the board, and the board makes the final decisions.

Supplementary Principles 4.3.2

COMPLY

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

When appointing directors and representative directors, our board appoints individuals who have the appropriate character, knowledge, experience of business management, expertise in law, accounting and other fields and skills as well as a reputable academic background.

For the appointment of these directors, we have established a discretionary Remuneration and Nomination Advisory Committee—the majority of the members are independent outside directors—as an advisory body of our board. We make decisions based on the committee's report.

When we appoint outside directors and outside A & S Board Members, we also make decisions based on the committee's report. We appoint individuals who meet all criteria for outside directors and outside A & S Board Members, as stipulated in Items 15 and 16, Article 2 of the Companies Act, and from the viewpoint of whether or not they are suitable candidates for managing the overall operation of our company with excellent character, knowledge and abundant prior management experience.

Section 4: Responsibilities of the Board

Supplementary Principles 4.3.3

COMPLY

The board should establish objective, timely, and transparent procedures so that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that s/he is not adequately fulfilling his/her responsibilities.

When dismissing directors and representative directors, the discretionary Remuneration and Nomination Advisory Committee—which has been established as an advisory body of the board with three out of four members from independent outside directors—holds a discussion. The board determines directors' dismissals based on the committee's report. When there are unavoidable circumstances, the committee's chairperson initiates the discussion, and the board decides upon a dismissal based on the committee's report.

Supplementary Principles 4.3.4

COMPLY

The establishment of effective internal controls and proactive risk management systems for compliance and financial reporting has the potential to support sound risk-taking. The board should place priority on the appropriate establishment of such systems and the oversight of whether or not they effectively operate, and should not limit itself to the examination of compliance relating to specific business operations.

Our board has established the Compliance Promotion Division and the J-SOX (Japanese Sarbanes-Oxley Internal Control) Promotion Division for prevention and management of risks. The Compliance Promotion Division established the "Nippon Express Group Compliance Regulations" and the code of conduct for the employees. They are currently working on sharing these rules with all employees. The J-SOX Promotion Division monitors and ensures that the internal control of financial reporting is operating appropriately. It also monitors the status of company-level internal controls and the appropriateness of business processes. The inspection results are reported to the representative directors and A & S Board Members as necessary.

Principle 4.4 Roles and Responsibilities of A & S Board Members and the A & S Board

COMPLY

A company's A & S Board Members and the A & S Board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including an audit of the performance of directors' duties, appointment and dismissal of external members and the determination of their remuneration.

Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of the members and the A & S Board, in order to fully perform their duties including these roles, it would not be appropriate for the members or the A & S Board to interpret the scope of their functions too narrowly. They should positively and proactively exercise their rights and express their views at board meetings and to management.

One out of three full-time members of our A & S Board is an outside member and works with two part-time members—also outside members—as they fulfill roles and responsibilities as independent members. We have reported all outside members as independent officers to the Tokyo Stock Exchange (JPX).

All our A & S Board Members have high levels of specialized knowledge and abundant experience. One of them has been working in financial institutions for a long time, and all members utilize their own knowledge and experiences to voice their opinions at meetings of the board of directors. Working hand-in-hand with the internal audit division and other relevant divisions, the team plans site visits to our branches and subsidiaries in Japan and overseas. The audit results are reported to the representative directors. The audit plan is not a fixed plan and can be altered at members' discretion as necessary.

Our company holds meetings regularly with the A & S Board Members in the main subsidiaries in order to strengthen the governance of the audit policy as the parent company.

Section 4: Responsibilities of the Board

Supplementary Principles 4.4.1

COMPLY

Given that not less than half of the company's A & S Board must be composed of outside members and that at least one full-time member must be appointed in accordance with the Companies Act, the A & S Board should, in order to fully execute its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, the members of the A & S Board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without jeopardizing their independence.

Three out of five A & S Board Members are outside members on the A & S Board. Therefore, the structure of our board is highly independent. There are three full-time members, and they have formed a highly efficient board. Each member participates in the meetings of the board of directors as well as other important meetings related to business execution, such as management meetings and corporate officer meetings, and is able to express his/her opinions. We have a system and environment for the members to exchange their opinions with the directors at any time.

As for the results of A & S Board Members' audits, there are opportunities for the members to explain the results to each of the outside directors. By the members exchanging their opinions with outside directors as necessary, the team is establishing cooperation with outside directors.

Principle 4.5 Fiduciary Responsibilities of Directors and A & S Board Members

COMPLY

With due attention to their fiduciary responsibilities to shareholders, directors, A & S Board Members, and the management should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

Our directors, A & S Board Members and corporate officers provide necessary information to stakeholders in a timely and accurate manner. In order to increase the interest of the company and the common interests of our shareholders, our directors, A & S Board Members and corporate officers attend important meetings including board meetings, exchange opinions and decide on important matters including business plans and fulfill their fiduciary responsibilities to shareholders.

Principle 4.6 Business Execution and Management Oversight

COMPLY

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

Three out of nine directors on our board are outside directors. These directors oversee the board's business execution from independent and objective standpoints, thereby strengthening the company's oversight role and improving transparency of business management.

Section 4: Responsibilities of the Board

Principle 4.7 Roles and Responsibilities of Independent Directors

COMPLY

Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities.

- (i) Provision of advice on business policies and business improvement based on their knowledge and experience with a goal to promote sustainable corporate growth and increase corporate value over the mid to long-term;
- (ii) Monitoring management through important decision-making at the board level, including appointment and dismissal of senior management;
- (iii) Monitoring conflicts of interest between the company and its management or controlling shareholders; and
- (iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of management and controlling shareholders.

Our company has appointed three outside directors. They are university professors and lawyers who have specialized knowledge and abundant experience. Based on their knowledge and experience, these independent directors provide opinions and advice on our management policies and business plans from their independent standpoints. They also monitor business execution by our directors and conflicts of interest between our company and directors or controlling shareholders. From their fair and neutral positions, they pay attention to stakeholders' opinions.

We established a fair and highly transparent discretionary Remuneration and Nomination Advisory Committee in July 2016, and the majority of the members are independent outside directors, as an advisory body of our board in order to obtain opinions from independent outside directors on important matters such as remuneration and nomination of officers. Three of the independent directors are also members of the committee and provide their opinions on remuneration, appointment and dismissal of directors and monitor business management.

Principle 4.8 Effective Use of Independent Directors

COMPLY

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increase corporate value over the mid to long-term. Companies should therefore appoint at least two independent directors who have such qualities.

Irrespective of the above, if a company believes it needs to appoint at least one-third of its directors as independent directors based on a broad consideration of factors such as the type of industry, company size, business characteristics, organizational structure and circumstances surrounding the company, then it should appoint a sufficient number of independent directors.

Our company appoints three out of the nine directors from independent directors. All three of them have excellent character, specialized knowledge and abundant experience. There is no risk of them having conflicts of interest with general shareholders, and there is no issue regarding their independence. They are registered as independent officers.

Our current governance system with three independent outside directors is fully fulfilling its roles of overseeing and monitoring our business operations, and we do not think increasing the number of outside directors is necessary at this time. However, if the business environment surrounding us changes in the future, we will consider appointing another individual.

Section 4: Responsibilities of the Board

Supplementary Principles 4.8.1

COMPLY

In order to actively contribute to board discussions, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors would be one way of achieving this.

Our outside directors receive briefings of the agenda topics before board meetings, so that they can deepen their understanding of the topics. They organize unofficial meetings exclusively for outside directors after each board meeting. In order to exchange information and develop a shared awareness among themselves from an independent and objective standpoint, independent outside directors and independent outside A & S Board Members hold a meeting twice a year to exchange opinions.

Supplementary Principles 4.8.2

COMPLY

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with A & S Board Members or the A & S Board by, for example, appointing the lead independent director among themselves.

Our company does not have a lead independent director, but the corporate officer who manages the Office of the Board of Directors exchanges opinions with independent outside directors before each regular board meeting. Outside directors also exchange opinions with management, including the CEO, as necessary.

Our independent outside directors and full-time A & S Board Members hold regular meetings to exchange opinions. We have an excellent system which enables independent outside directors to cooperate with other directors and A & S Board Members.

Section 4: Responsibilities of the Board

Principle 4.9 Independence Standards and Qualifications for Independent Directors

COMPLY

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the criteria set by securities exchanges. The board should endeavor to select independent director candidates who will contribute to frank, active and constructive discussions at board meetings.

Taking into consideration the requirement for outside directors stipulated in the Companies Act and the criteria set by securities exchanges, our company has established our own standards; and we appoint outside directors and outside A & S Board Members in accordance with these standards.

When the following items do not apply to an outside director or an outside A & S Board Member candidate, we consider that they have the appropriate independence.

1. An individual who is an executive officer* of our company or our group company or has been one ten years before the selection;
2. An individual who is a shareholder or a representative of a shareholder who owns 10% or more of the total voting rights of our company shares;
3. An individual who is the executive officer of a business partner of our group company with more than 2% of our consolidated sales;
4. An individual who has received more than 10 million yen per business year from our company as remuneration as a consultant, a lawyer or a public accountant;
5. An individual who works at the auditing firm of our company's A & S Board Member; or
6. An individual who belongs to one of the groups which received an average of 10 million yen of donations during the last three business years from our company or our group company.

* An "executive officer" signifies an executive director, a corporate officer or an employee.

Principle 4.10 Use of Optional Approach

COMPLY

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

We are a company with an A & S Board as stipulated by the Companies Act. From the perspective of seeking appropriate advice and involvement of independent outside directors when we set policies and systems of remuneration of directors (except independent outside directors), a performance-based system and appointments/dismissals of directors, we are implementing changes to enhance governance functions including the creation of a discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members who are independent outside directors.

Section 4: Responsibilities of the Board

Supplementary Principles 4.10.1

COMPLY

If the organizational structure of a company is either a company with an A & S Board or a company with committees and independent directors who do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination and remuneration of senior management and directors, the company should seek appropriate involvement and advice from independent directors in the examination of such important matters by establishing independent advisory committees under the board, such as a discretionary nomination committee and remuneration committee consisting of mostly independent directors.

We are a company with an A & S Board and three independent outside directors. As for the board's functions on the matters of nomination and remuneration of our senior management, we seek advice from independent outside directors and A & S Board Members at the board meeting in order to obtain their objective standpoints.

In June 2016, we established a discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members who are independent outside directors—as the advisory body of the board of directors in order to seek the opinions of the independent directors on important matters such as officers' remuneration and nomination.

Principle 4.11 Preconditions for Board and A & S Board to Ensure Effectiveness

COMPLY

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to maintain an appropriate size while supporting diversity including gender and types of international experience. In addition, individuals with the appropriate experience, skills necessary and knowledge in finance, accounting and the law should be appointed as A & S Board Members. In particular, at least one person who has sufficient expertise in finance and accounting should be appointed as an A & S Board Member. The board should endeavor to improve its function by analyzing and evaluating the effectiveness of the board as a whole.

When we select director and A & S Board Member candidates, we select individuals, regardless of gender, who have the knowledge and experience to execute our company's business management in an accurate, fair and effective manner and have sufficient social credibility.

In particular, when we select A & S Board Member candidates, we select at least one individual who has knowledge and experience in financial accounting, as well as the above criteria.

Supplementary Principles 4.11.1

COMPLY

The board should establish a common view on the appropriate balance between knowledge, experience and skills of the board as a whole, as well as diversity and the appropriate size of the board. Additionally, the board should establish policies and procedures for nominating directors and disclose these.

Our board consists of nine directors including three outside directors and five A & S Board Members including three outside members.

When we select director candidates, we select individuals, regardless of gender, who have the knowledge and experience to execute our company's business management in an accurate, fair and effective manner, execute each strategy in our management plan swiftly without fail and have sufficient social credibility. In order to create new values through innovation and become a corporate group with a strong presence in the global logistics market, we allocate individuals who have the necessary qualities. When we select A & S Board Member candidates, we select at least one individual who has knowledge and experience on financial accounting, as well as the above criteria.

When we select director and A & S Board Member candidates, we make decisions based on the report from the discretionary Remuneration and Nomination Advisory Committee—with three out of four committee members who are independent outside directors—as the advisory body of the board of directors.

Section 4: Responsibilities of the Board

Supplementary Principles 4.11.2

COMPLY

Outside directors, outside A & S Board Members, and other directors and A & S Board Members should devote sufficient time and effort to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and A & S Board Members also serve as directors, A & S Board Members or managers at other companies, such positions should be limited to a reasonable number and disclosed each year.

Our company annually discloses the status of our outside directors and outside A & S Board Members holding additional posts through the Convening Notices of General Shareholder Meetings, annual securities reports and corporate governance reports.

Our board regularly checks whether or not our executive directors are serving as officers at other companies. Currently, there is no interlocking position which may limit the directors from fulfilling their roles and responsibilities. No full-time A & S Board Members are serving as officers at other companies, so they can concentrate solely on their roles within our company.

Supplementary Principles 4.11.3

COMPLY

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration relevant matters, including self-evaluations of each director. A summary of the results should be disclosed.

Our board reports the execution status of the roles of each director, and we implement a survey on the effectiveness of the entire board to directors and A & S Board Members, including outside officers, and collect their opinions using an external institution.

The survey results are analyzed and evaluated, and the board discusses and investigates the outcomes. The board checks the accumulation results from the institution on the structure, operation, management and business strategies, corporate ethics, risk management, evaluation of the management and the status of remuneration. From our last survey results, we decided that the effectiveness of the entire board was maintained.

The structure of the board was extracted as an issue from the survey, so we changed the proportion of outside directors to one third. We are also striving to improve effectiveness, i.e. by improving the quality of the presentations of the progress reports of major strategies at board meetings.

Principle 4.12 Active Board Deliberations

COMPLY

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views can take place, including the raising of concerns by outside directors.

Our board provides briefings of agenda topics to outside directors before board meetings so that they can attend meetings after obtaining the same level of understanding as other directors. They can actively state their opinions and join discussions.

Section 4: Responsibilities of the Board

Supplementary Principles 4.11.2

COMPLY

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active.

- (i) To distribute reference materials for board meetings sufficiently in advance of meeting dates;
- (ii) To provide sufficient information to directors (where appropriate, in organized and/or analyzed forms to promote easy understanding, in addition to the reference materials;
- (iii) To determine the schedule of board meetings for the current year and anticipated agenda topics in advance;
- (iv) To set the number of agenda topics and the frequency of board meetings appropriately; and
- (v) To allocate sufficient time for deliberations.

In order to make board deliberations active, our company is making the following efforts:

- (i) We provide reference materials for board meetings sufficiently in advance of meeting dates. Board meeting agenda topics should undergo a review by the management board, the consultative organization of business execution before each board meeting. Therefore, directors and full-time A & S Board Members will attend the board meeting with full understanding of the topics. We provide sufficient explanations to our outside directors concerning reference materials prior to each board meeting.
- (ii) As well as reference materials for board meetings, we provide additional explanations and reference materials to the directors as necessary.
- (iii) The annual schedule of board meetings, including standard agenda topics such as quarterly financial results, is determined before the beginning of each business year, and all directors and A & S Board Members are notified.
- (iv) Board meetings should be held monthly in principle, and the number of agenda topics and the frequency of the meetings are appropriately set.
- (v) We do not set any time limitations for sufficient deliberations.

Principle 4.13 Information Gathering and Support Structure

COMPLY

In order to fulfill their roles and responsibilities, directors and A & S Board Members should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and A & S Board Members, including providing sufficient staff.

The board and the A & S Board should verify whether information requested by directors and A & S Board Members is provided efficiently.

Our directors and A & S Board Members request information or reference materials necessary for execution of their roles and responsibilities to the relevant divisions within our company. The support system is provided mainly through the General Affairs and Labor Division, the administrative office for our board of directors, and the Audit Division, the administrative office for our A & S Board.

The content, amount, prior distribution and timing of explanations of information related to the agendas of the board meetings are matters which need to be inspected and reviewed in order to achieve effective evaluations of the board. Through the evaluation results, we are confident that a smooth provision of information is secured.

In accordance with the rules of the "Important Documents to be Forwarded to A & S Board Members," our A & S Board Members read important requests for approval and other documents related to business execution. They then ask our company to provide explanations to directors, corporate officers or employees as necessary and provide opinions. During the end of the year audit performed by A & S Board Members, we check that important documents are forwarded to members.

Section 4: Responsibilities of the Board

Supplementary Principles 4.13.1

COMPLY

Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, A & S Board Members, including outside members, should obtain information appropriately, including the use of their statutory investigative power.

In order to conduct transparent, fair, timely and decisive decision-making, our board requests relevant divisions to provide additional information if the information already provided is insufficient. The administrative office of the board reports important information to directors as necessary and provides additional information and advice in a timely manner. Outside directors exchange their opinions with representative directors as needed.

Our A & S Board Members attend board meetings and other important meetings in order to monitor the decision-making procedure by the corporate officers and understand the status of business execution. If the information they collect for audits is insufficient, full-time A & S Board Members play a central part in requesting explanations and necessary information from directors and relevant divisions.

Our A & S Board Members have meetings with the representative directors regularly and provide their opinions on our management policies, the issues our company is attempting to resolve and risks surrounding our company as well as the status of the preparation of the environment for A & S Board Members' audits and important issues regarding the audits.

In addition, our A & S Board sets opportunities to explain their audits and inspection results to outside directors individually. We consider this an excellent opportunity to provide company information to outside directors.

Supplementary Principles 4.13.2

COMPLY

Directors and A & S Board Members should consider consulting with external specialists at the company's expense, where they deem it necessary.

When our directors and A & S Board Members have issues of which they deem necessary to obtain opinions and views of a third party in order to complete their duties, they can consult a lawyer, a public accountant, a business consultant or other experts outside the company. Our company will bear these expenses.

Supplementary Principles 4.13.3

COMPLY

Companies should ensure coordination between the internal audit department, directors and A & S Board Members. In addition, companies should take measures to adequately provide necessary information to outside directors and outside A & S Board Members. One example would be the appointment of an individual who can act as a liaison and who is responsible for communication within the company such that any requests for information concerning the company by outside directors and outside A & S Board Members are appropriately provided.

In order to provide necessary information accurately to our outside directors and outside A & S Board Members, our company has an individual who acts as a liaison and coordinator within the General Affairs and Labor Division and the Audit Division. We secure cooperation between the internal audit section, directors and A & S Board Members.

Section 4: Responsibilities of the Board

Principle 4.14 Director and A & S Board Member Training

COMPLY

New and incumbent directors and A & S Board Members should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update the necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable for each director and A & S Board Member along with financial support for associated expenses. The board should verify that such opportunities and support are appropriately provided.

Our company appoints directors and A & S Board Members from candidates who have wide knowledge of business, finances and organization. On assumption of their positions, we provide opportunities for suitable trainings, including those outside our company. We bear the expenses of these.

Supplementary Principles 4.14.1

COMPLY

Directors and A & S Board Members, including outside directors and outside A & S Board Members, should be given the opportunity when assuming their positions to acquire any necessary knowledge of the company's business, finances, organization and other matters, and fully understand their roles and responsibilities, including legal liabilities. Incumbent directors should also be given a continuing opportunity to refresh such knowledge as necessary.

When directors and A & S Board Members assume their positions, our company provides internal orientation as required. They obtain the necessary knowledge of their roles and responsibilities by attending external seminars for newly appointed directors and A & S Board Members. Incumbent directors and A & S Board Members also have opportunities to acquire necessary knowledge about our company's business challenges, financial affairs and legal compliance as needed. Our company provides opportunities for seminars and social gatherings and bears these expenses.

Supplementary Principles 4.14.2

COMPLY

Companies should disclose their training policies for directors and A & S Board Members.

Our company provides opportunities for seminars and social gatherings for directors and A & S Board Members to deepen their understanding of our company's business challenges and acquire the necessary knowledge of financial affairs and laws. We bear the expenses of these.

We expect our A & S Board Members to acquire wide knowledge through attending various meetings of the Japan Audit & Supervisory Board Members Association as its members and seminars held by the Japan Industrial Management & Accounting Institute.

For our outside directors and outside A & S Board Members, we provide opportunities to acquire knowledge concerning our company's business operations through participating in various internal events and site visits.

For our corporate officers and the candidates for our company's senior managers, we provide external training courses, such as a Master of Business Management, so that they can acquire knowledge necessary for executive managers including global business management, financial literacy, business strategies and governance.

We consider the above trainings a good method for training successors of senior managers.

Section 5: Dialogue with Shareholders

General Principle 5

COMPLY

In order to contribute to sustainable growth and an increase of corporate value over the mid to long-term, companies should engage in constructive dialogues with shareholders outside general shareholder meetings.

During such dialogues, senior managers and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns and clearly explain business policies to them in an understandable manner. They should also endeavor to develop a balanced understanding of the positions of shareholders and other stakeholders and act accordingly.

Our company understands that holding constructive dialogues with shareholders is important for sustainable growth and an increase of the corporate value of our company over mid to long-term. We have established various policies and systems to promote such dialogues. Also, as stipulated in our Disclosure Policy, we proactively disclose information which we deem useful for shareholders to deepen their understanding on our company's management policies and business operations in order to improve the quality of our dialogues.

Through our investors' relationship (IR) activities, managed by the director in charge of the Corporate Planning Division, we explain our group's management strategies and policies clearly to shareholders. We report opinions from shareholders and investors to the board as necessary in order to utilize them for sustainable growth and an increase of corporate value over mid to long-term.

Principle 5.1 Policy for Constructive Dialogues with Shareholders

COMPLY

Companies should, positively and to the extent reasonable, respond to requests from shareholders to engage in dialogues (meetings) so as to support sustainable growth and increase corporate value over the mid to long-term. The board should establish, approve and disclose policies concerning measures and organizational structures aimed at promoting constructive dialogues with shareholders.

For dialogues with shareholders and investors, the Investor Relations Promotion Group of the Corporate Planning Division within the Corporate Strategy Unit, which is managed by our top managers, responds to requests. Giving consideration to topics and dates, our top managers, the director in charge and/or senior managers (including corporate officers) attend the meetings.

As methods used to hold dialogues, we hold one-on-one base meetings in Japan and overseas as well as telephone conferences during the first and third quarters and financial settlement briefings during the second quarter and at the end of the year. We also hold site visits, business result presentations and small meetings as necessary. We attend small meetings and Investor Relations Conferences held by securities firms in order to create opportunities for dialogues with shareholders and investors.

Opinions gained from shareholders and investors through dialogues are reported at the board meetings regularly. We also send feedback to outside directors and senior managers (including corporate officers) as well as other relevant internal divisions to reflect our corporate activities.

Inside our company, the Investor Relations Promotion Group serves as the secretariat for information disclosure. The Group establishes, implements and amends the Disclosure Policy with cooperation from other divisions such as the Public Relations & Advertising Division, the General Affairs & Labor Division, the Financial Planning Division, the Accounting Division and the Corporate Planning Division. The Group also discusses the appropriateness of information disclosure activities with these divisions. The results are then reported to the board for it to make a final decision. Based on the Disclosure Policy resolved at the board, one of the top managers or another officer who is nominated as the individual responsible discloses the information. The board obtains the progress of our information disclosure activities through reports by the director in charge of the Corporate Planning Division and also checks the appropriateness of the policy.

Our company's Disclosure Policy is available on our websites:

(Japanese) <https://www.nittsu.co.jp/ir/disclosure/>

(Our global website) <https://www.nipponexpress.com/ir/disclosure/>

Section 5: Dialogue with Shareholders

Supplementary Principles 5.1.1

COMPLY

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the individual who attends meetings should basically be a member of senior management or a director, including any individuals from the team of outside directors.

We deal with dialogues with shareholders as follows: the Investor Relations Promotion Group in the Corporate Planning Division is responsible for setting up dialogues with institutional investors. For private investors, the administrative procedures including dialogue applications are done through the Stocks team of the General Affairs & Labor Division and explanations concerning business operations are done through the Investor Relations Promotion Group in the Corporate Planning Division.

Depending on the number of shares of the shareholder who is requesting a dialogue, the top managers and/or the director in charge of the Corporate Planning Division attend the meeting. If shareholders request dialogues with other officers including outside directors and/or corporate officers, we respond to such requests as necessary.

Supplementary Principles 5.1.2

COMPLY

At a minimum, policies for promoting constructive dialogue with shareholders should include the following:

- (i) Appointing a member of management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;
- (ii) Measures to ensure coordination between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with an aim to support dialogue;
- (iii) Measures to promote opportunities for dialogue aside from individual meetings (i.e., general investor meetings and other investor relation activities);
- (iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and
- (v) Measures to control insider information when engaging in dialogue.

Our company's responses toward dialogue are as follows:

- (i) **The Investor Relations Promotion Group of the Corporate Planning Division within the Business Strategy Department, which is managed by our top managers, is responsible for dialogues with shareholders and investors.**
- (ii) **When we offer disclosure and explanations including our financial reports, the Group exchanges its opinions with other divisions such as the Corporate Planning Division, the Finance Division, the General Affairs Division and the Public Relations & Advertising Division based on their professional views. Through participation of the Group manager in various meetings with each business division, s/he has opportunities to share internal information.**
We have established a committee with the manager of the Group as the chairperson. The committee initiates regular meetings with other divisions and shares information, such as the various opinions of shareholders and investors the Group has obtained through dialogues. In order to review and promote the policies for appropriate information disclosure and promotion of dialogues, the Group aims to hold such meetings at least once each quarter.
- (iii) **Our company proactively accepts telephone interviews and site visits from investors. We also hold financial settlement briefings for financial analysts and institutional investors during the second quarter and at the end of the year, and a representative director or the finance manager conducts a presentation. We hold telephone conferences during the first and third quarter. We hold small meetings and business result presentations with our top managers and other managers as speakers. Our senior managers, such as the directors, attend small meetings and Investor Relations Conferences held by securities firms.**

Section 5: Dialogue with Shareholders

(iv) Opinions obtained through our dialogues are regularly sent to the board as feedback by the director in charge of the Corporate Planning Division. The board hold reviews and discussions on the content. If the board decides that certain matters should be reflected in our business operations, they are shared with senior managers (including corporate officers) and the relevant divisions within our company.

(v) Our company has established and implemented anti-insider trading regulations, and has thoroughly upheld the management of important internal information. In order to prevent leaks of our financial results information and to ensure fairness of disclosures, we have established a quiet period. During the time between the day after the end of each accounting period and the day of its announcement, we limit dialogues and interviews with investors. We stipulate our other standards for fair, timely, highly transparent and appropriate disclosure in our Disclosure Policy.

Our company's Disclosure Policy is available on our websites:

(Japanese) <https://www.nittsu.co.jp/ir/disclosure/>

(Our global website) <https://www.nipponexpress.com/ir/disclosure/>

Supplementary Principles 5.1.3

COMPLY

Companies should endeavor to identify their share ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

Our company conducts a survey on practical shareholders twice a year as a rule, but this can be done as often as necessary in order to understand our share ownership structure.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

COMPLY

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and basic capital policies, and present goals for profitability and capital efficiency after accurately identifying the company's capital costs. Also, companies should review their business portfolio and provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as capital investments and other investments such as R&D, human resources and any specific plans that will be taken in order to achieve their goals.

Our company resolved and announced our new business plan for inorganic growth, the "Nippon Express Group Business Plan 2023—Dynamic Growth," on February 22, 2019.

In the plan we established numerical figures for sales, operating profits, operating profit margins, net income and returns on equity (ROE) for 2023 as well as the third year figures as our mid-term goals. We show our capital policies based on financial strategies and disclose our plans to achieve the goals for shareholder returns, investment plans and ROE.

After taking into consideration the capital cost per business operation and determining hurdle rates, we allocate budgets and conduct evaluations. The board holds discussions as necessary by using the hurdle rates and business growth as judgment standards. We consider reviews of our business portfolio when necessary.

We report the progress of our management plans via financial settlement briefings and general shareholder meetings as needed. Information regarding the financial settlement briefings is disclosed on our websites:

(Japanese) <https://www.nittsu.co.jp/ir/event/data-room/index.html>

(Our global website) <https://www.nipponexpress.com/ir/event/presentations/>