

Environmental and Social Report 2005

—Taking Our Beautiful Earth into Tomorrow—



NIPPON EXPRESS

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Editorial Policy

This report covers Nippon Express' initiatives during fiscal 2004 on conserving the environment and benefiting society and comprises such features as an explanation of our environmental management structure, reports on our activities and performance data.

- We have attempted to provide an understanding of the freight industry's environmental conservation efforts by describing industry conditions, environmental challenges, recent policy measures and other factors behind our initiatives.
- In addition to the use of illustrations and photographs, we have endeavored to keep the text easy to understand.
- In writing the report we have referred to the *Environmental Reporting Guidelines (2003 Version)* (published in March 2004 by Japan's Ministry of the Environment) and the *GRI Sustainability Reporting Guidelines 2002*.
- This report also includes some information about ongoing initiatives launched in fiscal 2003 or previously in order to provide an overall understanding of Nippon Express' business and its environmental involvement.

Scope of This Report

In its description of our conservation-related initiatives and environmental management structure, this report covers Nippon Express as a whole, including some group companies. Also included are data on ISO 14001-certified business divisions in relation to electric power consumption, waste generation and other topics.

Applicable Period

April 1, 2004 to March 31, 2005
 In certain places we have used data covering up to July 2005 for matters deserving special mention.

About the Cover
 Illustrations

Front cover:
 "Busy River Transport Steamer Traffic in Ryogoku District of Tokyo"
 By Sadakichi Nozawa, c. 1877

Back cover:
 "Famous Tokyo Sights: Shimbashi Station Steam Railway"
 By Hiroshige Utagawa, c. 1875

Message from the President

For companies to achieve sustainable development in tandem with society, they need to discharge their social responsibilities under their own initiative and gain society's trust. As such, it is more urgent than ever that companies structure themselves to undertake their corporate social responsibility (CSR). We too addressed this challenge by creating a CSR Department in February 2005, thereby making a clear statement both internally and externally that our management will revolve around CSR.

Since assuming the presidency in May 2005, my management stance has been "increasing company value and developing human resources."

While a company must naturally maintain stable profits to increase company value, I also believe a company needs to discharge its CSR, which cannot be shown numerically. If a company follows society's rules and does business honestly and openly, society will commend it. I would venture to say that becoming a company well-liked by society is the most important responsibility that modern companies have.

I need not write at length about the fact that manpower is a company's most important resource for discharging this vital responsibility. In my thinking, the foundation supporting a company is none other than people who can come to terms with the changing times and pursue reform. I believe that what's truly important for human resources development is fostering reform-minded employees, and fairly and impartially crediting employees who clearly assert their own ideas and who both speak and act.

With the entry into force of the Kyoto Protocol in February 2005, we are asked to deal even more seriously with environmental problems.

Our current guiding principles underlying management and planning proclaim "constantly working for earth-friendly environmental conservation." So that we can help build a sustainable, recycling-based society by offering high-quality freight services, we shall endeavor to push further ahead with compliance-oriented and environmentally conscious management that will win society's trust and empathy and create a new 21st-century Nippon Express Group that will be the chosen company of customers and society.



Masanori Kawai

Masanori Kawai
President

For Nippon Express to keep going as a company, I believe it is important that it unfailingly discharges its corporate social responsibility (CSR).

If we divide CSR into two main components, one is CSR involving everyday business operations. Specifically, it is the social responsibility as a company to all stakeholders for observing the law, market principles and ethical responsibilities. The other is CSR involving social activities. Specifically, in our view this encompasses activities by which society and shareholders approve of a company, as well as investment to benefit society, such as donations and volunteer activities. I think that if Nippon Express were to limit its CSR to investment that benefits society, it would be impossible to continue gaining society's trust and approval. First comes social responsibility, meaning that a company's compliance in the legal, market and ethical dimensions. Only after that has been achieved do activities for benefiting society take on life.

In February 2005, we created the CSR Department in our headquarters to set up a CSR system with the aim of taking the initiative in discharging our social responsibility as a company (which includes observing laws and corporate ethics, protecting human rights, taking the environment into consideration and benefiting the local community). The CSR Department comprises the Legal Affairs & Compliance Division, the Personal Data Protection Division and the Environment Division, which were created by reorganizing existing departments. We view this new division as the nucleus of our efforts to carry out company activities that are both honest and fair. Further, beginning this year, we are issuing this document as the *Environmental and Social Report*, which adds the social dimension to the former *Environmental Report*.

While abiding by the various laws and other rules that affect the company, Nippon Express aims to continue company activities that can reconcile the economy, society and the environment as a good corporate citizen who is a member of society.

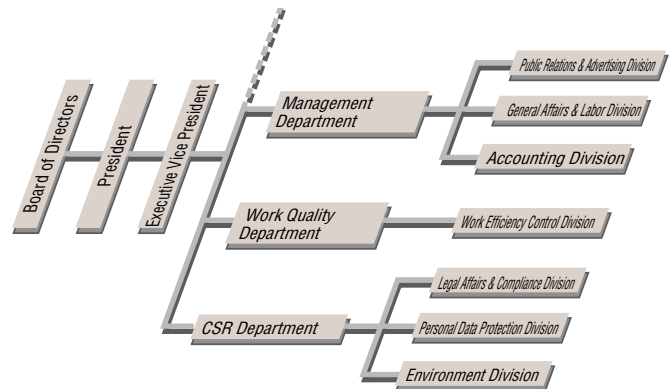


Masataka Izumikawa

Masataka Izumikawa
Environmental Measures Committee
Chairman
(Executive Vice President in Charge of
the CSR Department)

Creation of CSR Department

On February 1, 2005, Nippon Express established its CSR Department to set up a system to take the initiative in discharging as a company its social responsibility (including observing laws and corporate ethics, protecting human rights, taking the environment into consideration and benefiting the local community). This new department comprises the Legal Affairs & Compliance Division, the Personal Data Protection Division and the Environment Division.



Introduction of Digital Operation Recorders and Operation Management System

We began installing digital operation recorders in April 2004 and finished installing them in all target vehicles by March 2005. Operation data for individual vehicles are now accumulated in our operation management system's server via the company intranet as data items standardized for the entire company, enabling everyone in house to share objective data on fuel economy, engine idling and other information. These are proving effective in reducing fuel consumption, cutting indirect costs by automatically outputting daily duty reports and raising driver awareness toward safe driving.



Digital operation recorder

Increased Acquisition of Green Management Certification

In March 2004, Nippon Express began acquiring certification for Green Management (truck division), whose certification and registration are performed by the Foundation for Promoting Personal Mobility and Ecological Transportation, and which is recommended by the Ministry of Land, Infrastructure and Transport. By March 2005, we gained certification for 90 facilities. Group companies also started gaining certification and, as of March 2005, seven companies had obtained certification for seven facilities.



One effort to win Green Management certification (checking diesel particulates)

Award of Distribution Environmental Prize

Nippon Express and Shosen Mitsui Ferry Co. were awarded the Sixth Distribution Environmental Prize offered by the Japan Federation of Freight Industries for instituting new high-speed RORO (roll-on/roll-off) vessels with groundbreaking low fuel consumption on a regular domestic route, the Tokyo-to-Kyushu/Seto Inland Sea route, with which the companies jointly applied for the prize. Thus far Nippon Express and Shosen Mitsui Ferry have each built two of the same type of high-speed RORO vessels (a total of four) for regular service on the Tokyo-Hakata route and have been operating them jointly since October 2003. We won the prize because, in building these new vessels, we achieved to a high degree the conflicting objectives of higher cargo capacity and speed through larger size, and lower environmental burden by such means as reducing CO₂ emissions through saving energy.



Himawari 5

Basic Philosophy

Nippon Express has a philosophical foundation called “Our Principles” that serves as the basis for company activities. While these principles certainly present no new concepts, they are still the basis for our position vis-à-vis our stakeholders.

Company Creeds

To justify society’s trust by devotion to the mission of transportation

To work for the company’s future by improving operations

To lead a proper life by keeping mind and body healthy and whole

(Adopted April 1, 1958)

Nippon Express Conduct Charter

Company activities rest on a foundation of public trust and empathy. Further, a company is not simply an economic entity that pursues profit through fair competition, but rather must also widely be of service to society and to its customers.

Nippon Express therefore establishes that, based on the following 10 items, we shall in Japan and abroad abide by all laws and international rules, and the spirit thereof, and shall act in accordance with good social sense.

- ① Win the customer’s trust by offering safety-conscious, high-quality services that benefit both society and the customer.
- ② As a leading company in the industry, take the initiative in competition that is fair, transparent and open. Also, maintain a sound and normal relationship with political and administrative authorities.
- ③ Cut off relationships with all antisocial interests and organizations that threaten the order and safety of civil society, and resolutely confront them.
- ④ As a “good corporate citizen,” vigorously conduct activities that benefit society.
- ⑤ Maintain communication with not only shareholders, but also broadly with society, disclosing company information actively and impartially.
- ⑥ Be aware that environmental initiatives are requirements for company existence and activities, implement environmental measures autonomously and actively, and benefit society through environmental business as well.
- ⑦ Encourage composure and broad mindedness among employees, create workplace environments offering safe and pleasant and working conditions, and respect employees’ characters and individuality.
- ⑧ Regarding overseas activities, respect the cultures and customs of the countries concerned, and manage operations in ways that contribute to local development.
- ⑨ Executives shall perceive the realization of this charter’s spirit as their own role, and having taken the initiative to serve as examples, keep each individual concerned fully aware. Also, they shall always listen to what people inside and outside the company have to say, build effective in-house institutions, and provide for thorough observance of corporate ethics.
- ⑩ In the event of a situation that violates this charter, executives shall demonstrate a stance, both in-house and externally, toward personally solving the problem, and endeavor to investigate the cause and prevent a recurrence. They shall also promptly and appropriately discharge their duty to provide the public with information and explanation and, having clearly defined authority and responsibilities, dispense strict discipline, including to themselves.

(Revised October 2003)

Compliance Regulations (Excerpts)

Observance of Laws and Regulations

Article 4

In the performance of operations, Nippon Express shall comply with the laws and agreements pertaining to each business, company rules and regulations, manuals, and other provisions (below, “laws and regulations”).

2. Nippon Express shall engage in its activities with a full understanding of and respect for the purpose of laws and regulations mentioned in the clause above.

Assuring Fair, Transparent, and Free Competition

Article 5

Nippon Express shall bar coercing customers into unfair transactions, and other abuses of its dominant position, actions as a cartel, offers of illegal benefits or advantages, and illegal or improper transactions or acts such as insider trading, and shall engage in fair, transparent, and free competition in accordance with laws, regulations, and market rules.

Assuring Proper Business Relationships

Article 9

In relations with customers or outside business associates, it is forbidden to go beyond the framework of normal business practices with entertainment that is generally considered socially unacceptable, with presenting monetary gifts or valuables, and with accepting the like.

2. It is forbidden to have other monetary interests that might cause misunderstanding.
3. It is forbidden to provide entertainment, offer money or valuables, offer benefits or the like to public servants or people corresponding thereto (de facto public servants).

Respect for Human Rights and Character

Article 14

Being respectful to the human rights and characters of individuals as well as recognizing the Universal Declaration of Human Rights proclaimed by the United Nations, Nippon Express shall refrain from acts that lead to discrimination, sexual harassment and the like.

(Adopted October 2003)

Environmental Charter (Excerpts)

Basic Philosophy on Environmental Conservation

Nippon Express shall be mindful of its responsibilities as a corporation to society and the general public, shall contribute to environmental conservation as a “good corporate citizen,” and shall strive to earn the full trust and confidence of society at large.

Basic Guidelines on Environmental Conservation

1. We will work to find solutions for global environmental problems and urban pollution.
2. We will do our part to build a resource-conserving, recycling-based society.
3. We will conduct educational and awareness-raising activities on the environment.

(Adopted May 2001)

Personal Data Protection Policy (Items)

1. Respect for individuals’ personal data
2. Personal data protection system
3. Secured management of personal data
4. Compliance with laws and other regulations pertaining to protecting personal data
5. Continuing improvement of program for compliance with personal data protection policy

(Adopted April 1, 2005)

Environmental Management Structure

As a “global logistics company” that discharges its social responsibility, Nippon Express endeavors to increase its corporate value and reinforce the structuring of corporate governance with the aims of helping to benefit customers with high quality, to benefit shareholders and investors with profits, to benefit employees with rewarding jobs, and to benefit society with environmental initiatives and other efforts.

We established the CSR Department on February 1, 2005 and placed three divisions underneath: the Legal Affairs & Compliance Division, the Personal Data Protection Division and the Environment Division. Of the three aspects of corporate activities—environmental, social and economic—the first two are now under integrated, companywide control, thereby encouraging effective initiatives in branches and affiliates. By doing so, we intend to build a system that can broadly publicize our group and its activities to society.

Corporate Governance

Nippon Express’ fundamental thinking on corporate governance comprises “expeditious management through speedy decision-making” and “clear assigning of responsibility.”

Specifically this has involved reducing the board of directors from 25 members or less to 15 members or less and shortening their terms from two years to one year in June 2001 to further vitalize the board and accelerate its decision-making and to clarify the directors’ management responsibilities in each business year. At the same time, we created an operating officer system for the purposes of speedy decision-making and performing operations.

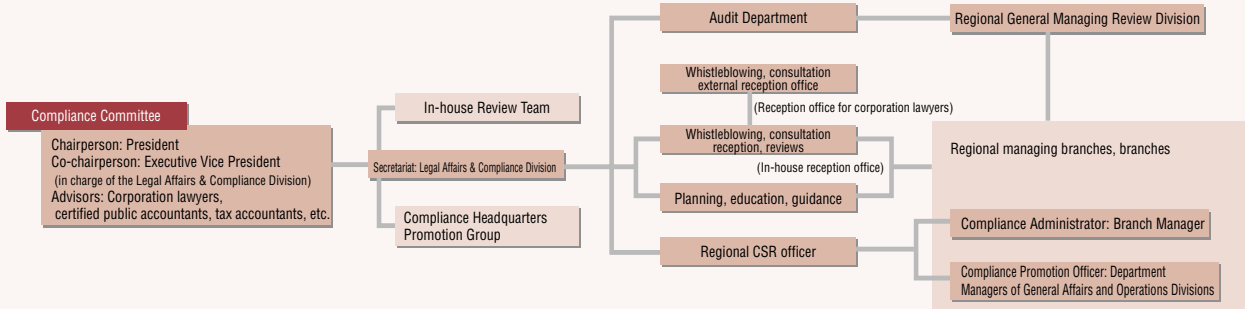
As of March 31, 2005, we had 14 directors and 25 executive officers (13 of whom doubled as directors). In addition, our auditors attend board meetings and other important meetings, review important documents, visit our main facilities for audits, perform reviews at subsidiaries and report all results at meetings of auditors and the board of directors. The auditors

function as a supervisory institution that operates from an objective stance. As of March 31, 2005, we had four auditors (three of whom were outside auditors).

Creation of the Legal Affairs & Compliance Division

Nippon Express created the Compliance Division in June 2003 because it believes in the importance of legally compliant business management. This further reinforced our management system. In October of the same year, we established “Nittsu Speak Up,” a whistleblower system, one of several measures we have instituted to encourage honest and fair company activities. In February 2005, we established the Legal Affairs & Compliance Division by upgrading the former Compliance Division with functions to address legal and intellectual property issues and adding functions for compliance with and guidance for laws on rationalizing motor vehicle businesses and those on freight transport, and compliance with laws on warehousing and fair trade.

Compliance-oriented Management Organization

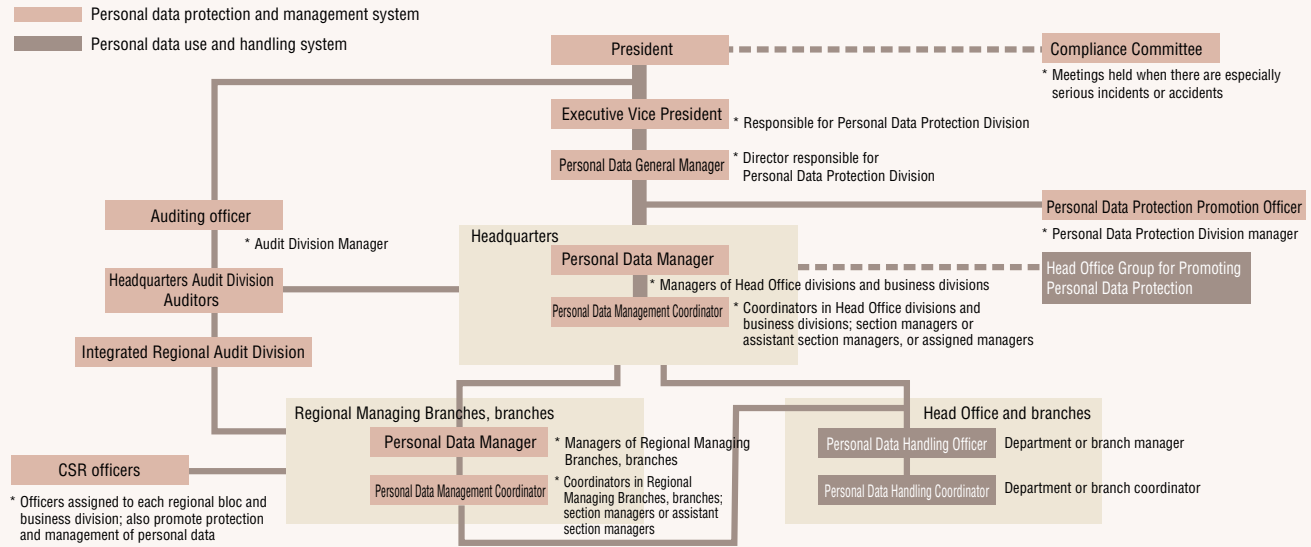


Creation of the Personal Data Protection Division

Upon creating the CSR Department in February 2005, we also established the Personal Data Protection Division for the purpose of splitting off the operations for protecting and managing personal information, which was formerly the province of the Compliance Division, and building a system that would be stronger and leak-proof. The division institutes our Personal Data Protection Policy, which sets the company's stance on protecting and managing personal information, as well as our

in-house rules on protecting personal data and ensures that all employees know about them. The division also sets up the system for assigning personal data managers and management officers and it conducts personal data protection education for all employees. In this way, the division has raised the consciousness toward personal data throughout the company. In the future, the division will be working to obtain Privacy Mark for Nippon Express.

Diagram of the System for Personal Data Protection, Management and Use

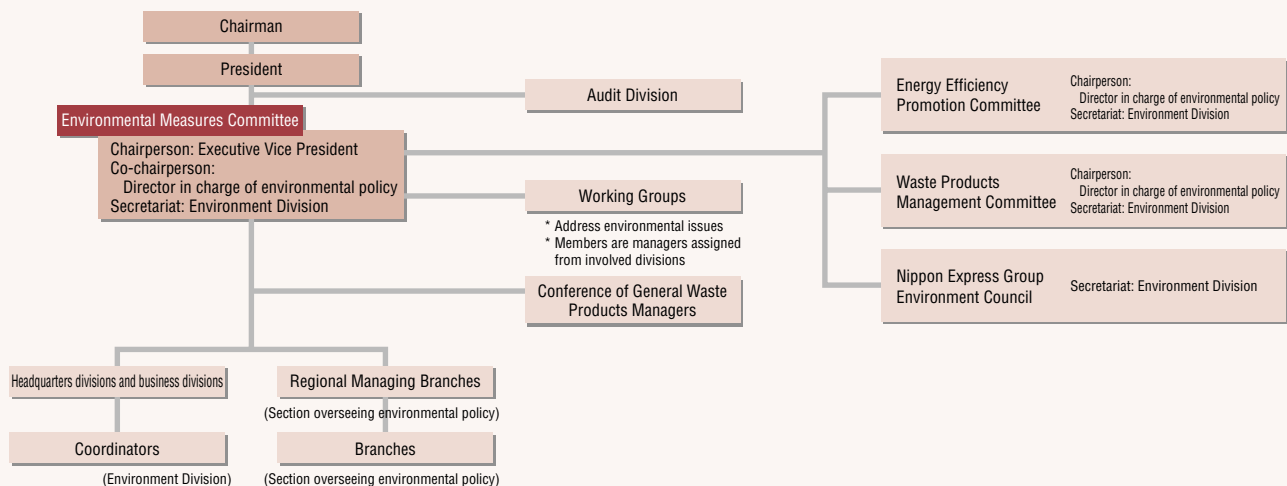


History and Promotion of Environmental Management

Nippon Express' environmental management initiatives began in 1991 with establishment of the Environmental Measures Committee. Organizational changes followed in response to the types of problems faced and, in January 2003, the present Environment Division was created. We also have pursued environmental conservation

by establishing groups such as the Nippon Express Group Environment Council, which furthers environmental management in the Nippon Express Group, and the Waste Products Management Committee and the Conference of General Waste Products Managers, which discuss measures for appropriate waste management and for promoting recycling.

Environmental Management Organization



Initiatives in Freight Operations to Check Global Warming

While a number of environmental problems affect our freight operations, one requiring an especially quick response is global warming. In conjunction with the entry into force of the Kyoto Protocol (1997), in February 2005, an international agreement that established reduction targets, deadlines and other requirements for greenhouse gas emissions,* the government and the private sector are working hand in hand on a variety of initiatives toward meeting Japan's greenhouse gas reduction target of a 6% reduction from the baseline year (1990) between 2008 and 2012.

***What are greenhouse gases?**
 There are six types: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆).

Current State of Global Warming

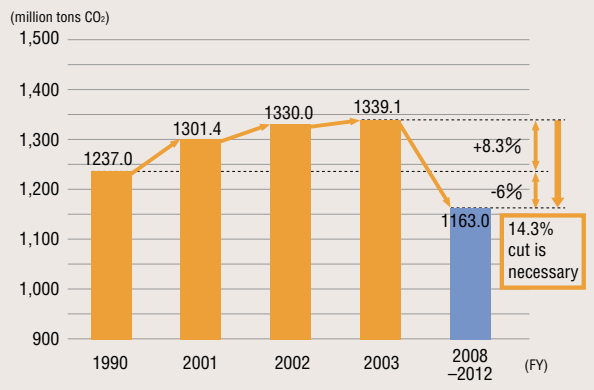
Japan's greenhouse gas emissions in 2003 exceeded those of the baseline year 1990 by 8.3%, making necessary a cut in average emissions between 2008 and 2012 of 14.3%, from the 2003 figure in order to meet the Kyoto Protocol commitment of a 6% reduction from the 1990 level.

Characteristics of Transport Sector CO₂ Emissions

A by-sector examination of 2003 emissions of CO₂, which accounts for 90% of greenhouse gases, shows that transport accounts for 20.6%, the next largest share after the industrial sector's 37.9%. Compared with 1990, the industrial sector has increased a mere 0.3%, while transport has risen 19.8%, thereby constituting one of the causes of Japan's overall CO₂ emission growth.

CO₂ emissions from vehicles account for almost 90% of the transport sector's emissions and about 50%

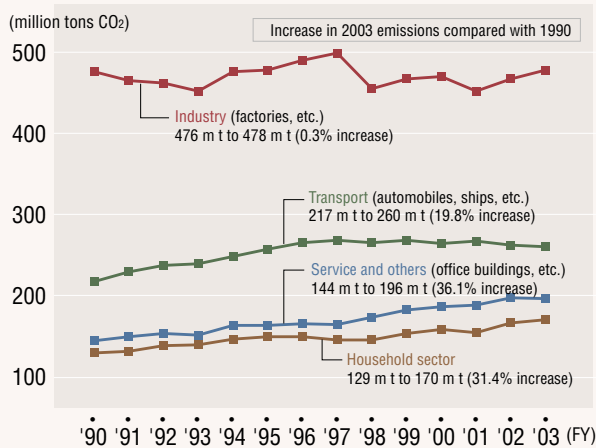
Japan's Greenhouse Gas Emissions



Source: Prepared using data from the National Institute for Environmental Studies' Greenhouse Gas Inventory Office database

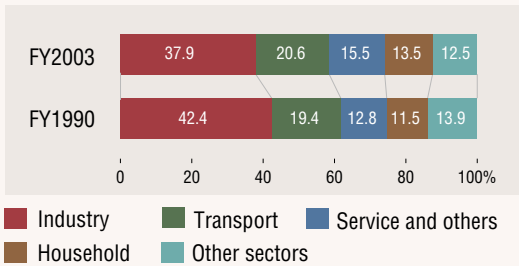
of the sector's emissions are from private vehicles. In 2003, private vehicle emissions were about 50% over those of 1990, while those from trucks (commercial and private) were about 5% under those of 1990. Hence, the biggest cause of increased transport sector emissions is private automobiles.

CO₂ Emissions by Sector



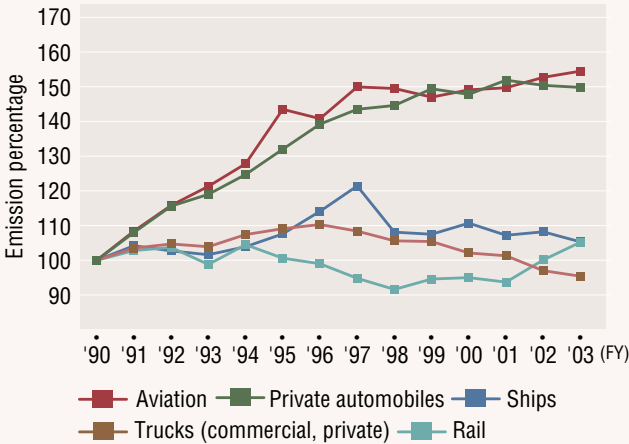
Note: Each sector in industrial process and waste products (e.g. electric power plants) not included

CO₂ Emission Shares by Sector



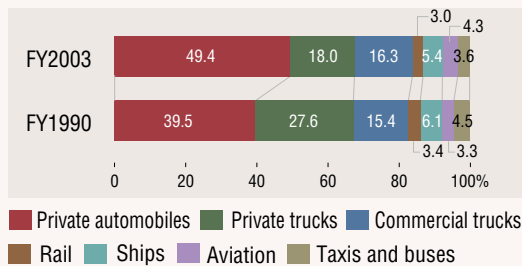
Source: Prepared using data from the National Institute for Environmental Studies' Greenhouse Gas Inventory Office database

Transport Sector CO₂ Emissions by Transport Mode (with 1990 as 100)



Note: Buses and taxis not included

Transport Sector CO₂ Emissions by Transport Mode Share



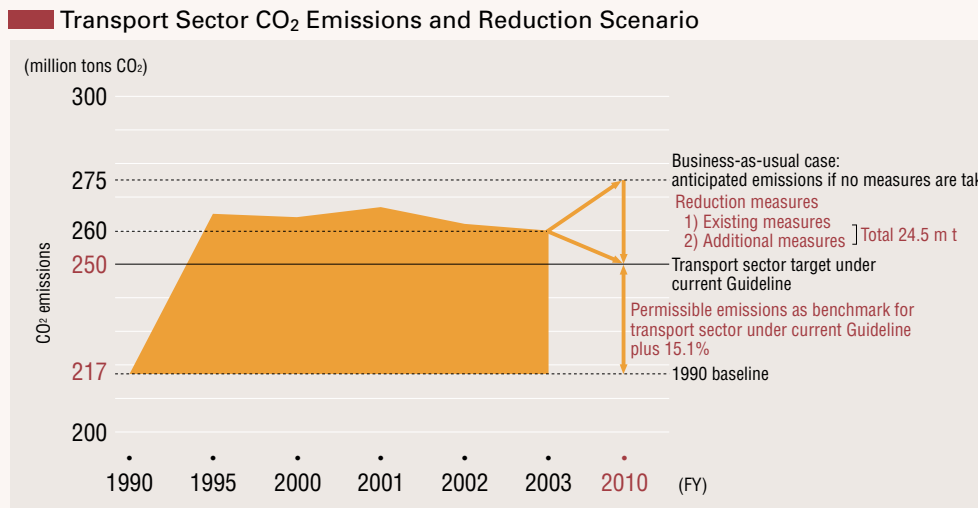
Source: Prepared using data from the National Institute for Environmental Studies' Greenhouse Gas Inventory Office database

Scenario for Reducing Transport Sector CO₂ Emissions

Under the Kyoto Protocol Target Achievement Plan (April 28, 2005), the transport sector's permitted CO₂ emissions in 2010 are 15.1% over 1990 or 250 million tons. Because 2003 emissions were 260 million tons or 19.8% over 1990, the sector must pare emissions by 4.7 points

or 10 million tons by 2010.

As such, additional measures will be necessary in addition to existing measures and, for the transport sector, there are plans to cut 24.5 million tons as shown in the graph (including existing measures).



Measures		Planned CO ₂ reductions (10,000 t)	Specific measures
Motor vehicle traffic	Measures for individual vehicles and environmental considerations for type of use	820 <-> (*)	<ul style="list-style-type: none"> • Encouraging wider use of clean energy vehicles • Encouraging environmentally compatible driving habits, etc.
	Traffic flow	510 <320>	<ul style="list-style-type: none"> • Adjusting demand for motor vehicle transportation • Promoting intelligent traffic systems (ITSs), etc.
Building transport system with low environmental burden	More efficient freight transport	840 <410>	<ul style="list-style-type: none"> • Encouraging use of rail and marine transport (encouraging modal shift) • For trucks, commercial-private use conversion, enlargement, higher load capacity, etc.
	Encouraging use of public transport, etc.	280 <330>	<ul style="list-style-type: none"> • Building new rail lines, encouraging bus use • Improved individual energy efficiency of rail and air transport, etc.
Total		2,450 <1,060>	* Additionally, there is an anticipated 21.1 m t CO ₂ cut by introducing an individual-vehicle measure under which users adopt vehicles that meet "the top-runner standard."

Note: Numerals in <> are the reductions achieved by 2002.
(Source: "Ministry of Land, Infrastructure and Transport's Measures to Combat Global Warming," Ministry of Land, Infrastructure and Transport, March 10, 2005, with additions and revisions.)

Transport (Truck) Sector Initiatives to Curb Global Warming

To build a freight transport system with low CO₂ emissions and facilitate the "greening" (mitigating the environmental burden) of the freight transport system overall, the Kyoto Protocol Target Achievement Plan calls for (1) cooperation between senders and transport companies to reduce CO₂ emissions and (2) more efficient freight transport as thorough modal shift and more efficient truck transport.

In response, the Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure and Transport; Japan Institute of Logistics Systems; Japan Federation of Freight Industries; and Nippon Keidanren launched the Green Freight Transport Partnership Conference in November 2004. This conference supports, and broadens the application of, advanced initiatives for improving freight transport systems through collaboration and cooperation (partnerships) between senders and freight companies.

The government has enacted the Law for the Consolidation and Improved Efficiency of Freight Operations and

has provided comprehensive support for introducing the 3PL business, the joint performance of transport and delivery, and freight operations such as transport, storage, and processing for distribution enhanced by taking advantage of IT, thereby fostering greater efficiency for environment-friendly distribution.

Meanwhile, an amendment of the Law Concerning the Rational Use of Energy requires that from April 2004 freight and passenger transport companies and freight senders develop energy conservation plans and report their energy consumption. In these and other ways, measures in the transport field are coming under legal guidance.

Green Freight Transport Partnership Conference



Effectively pursuing CO₂ emission cut measures through collaboration between sender and freight transport companies

Nippon Express' Environmental and Social Involvement

To discharge its social responsibility as a global logistics company, Nippon Express is consistently pursuing eco-conscious initiatives in everything from transport to office operations both in Japan and abroad. We place importance on working hand in hand with stakeholders and, in addition to making our activities more transparent, we are putting effort into environmental conservation.

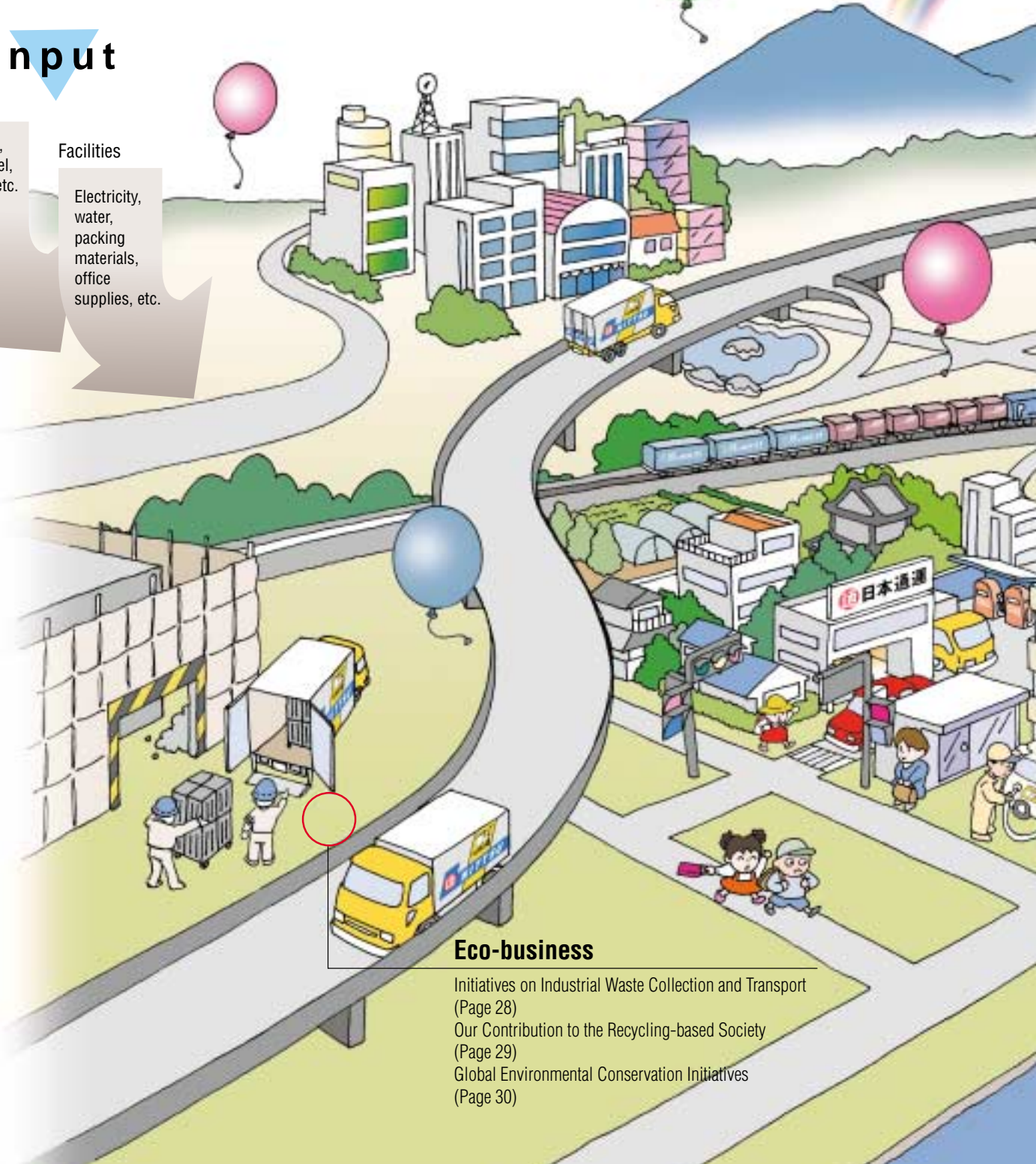
Input

Vehicles

Gasoline, diesel fuel, fuel oil, etc.

Facilities

Electricity, water, packing materials, office supplies, etc.



Eco-business

- Initiatives on Industrial Waste Collection and Transport (Page 28)
- Our Contribution to the Recycling-based Society (Page 29)
- Global Environmental Conservation Initiatives (Page 30)

Nippon Express' Involvement with Stakeholders

Customers

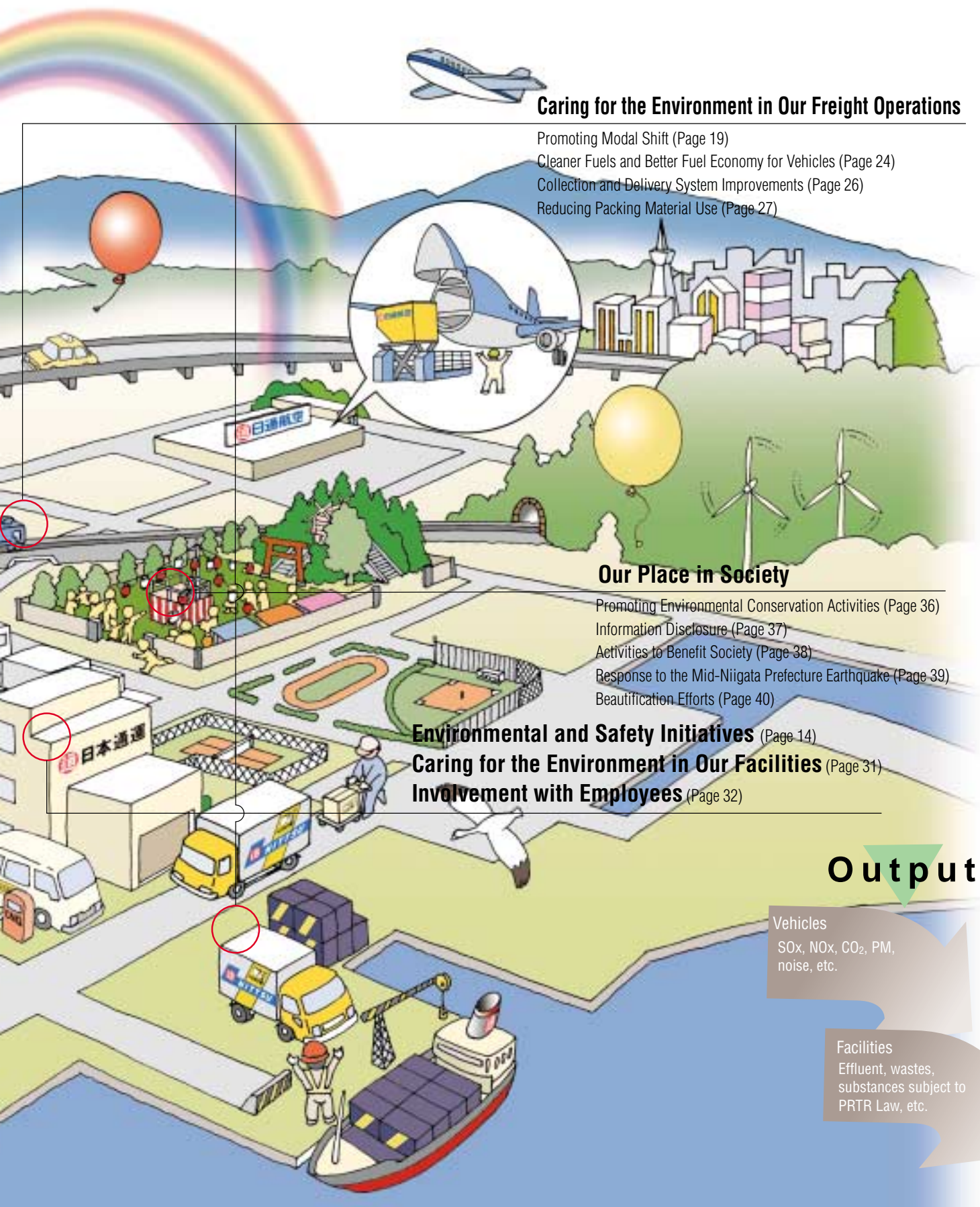
- Providing secure and reliable freight transport services
- Disclosure of company information

Shareholders

- Disclosure of IR information
- Accountability for environmental conservation and compliance

Community

- Showing consideration for the community
- Cooperation in environmental conservation



Caring for the Environment in Our Freight Operations

- Promoting Modal Shift (Page 19)
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Caring for the Environment in Our Facilities (Page 31)

Involvement with Employees (Page 32)

Output

Vehicles
SOx, NOx, CO₂, PM,
noise, etc.

Facilities
Effluent, wastes,
substances subject to
PRTR Law, etc.

Administrative Authorities

- Permits, authorization, notifications
- Cooperation for transport- and traffic-related measures

Suppliers

- Requests for facilitating the introduction of low-emission vehicles
- Requests for legal compliance

Employees

- Initiatives for human resource development and respect for human rights
- Promoting occupational safety and health

Targets and Performance

Although Nippon Express is aware of the amounts of fuels used to run its business, it previously lacked accurate companywide figures on the electricity, water and other resources used, and the wastes generated at our approximately 2,000 facilities. However, our efforts to implement a companywide IT conversion have made it possible to compile data starting in 2005. The data will be used to gauge performance and set targets.

Item	FY2004 goal	Achievements	FY2005 goal
Introduce use of eco-friendly vehicles	1,650 CNG, hybrid, and other vehicles	Total of 1,637 vehicles in 2004	Between 2,000 and 3,000 vehicles
Introducing environmental management system; acquiring Green Management certification (truck division)	Acquire at 100 facilities nationwide	Acquired at 97 facilities in Nippon Express Group as a whole	Acquire at 200 facilities nationwide
Better fuel economy	10% improvement over previous year by installing digital operation recorders	In 2004, a 5.07% improvement for company as a whole. Effectiveness was limited because implementation times differed by region	10% improvement over previous year
Reduce use of printed forms	Reduce use of carbon-backed accounting forms through IT conversion. Reduce use of daily duty report forms by using digital operation recorders	These forms no longer used except for a few operations	Eliminate use of slips, daily duty reports, and forms
Modal shift rate: Calculate by weight from portion of total freight we shipped Jan–Dec 2004 that was shipped by rail and sea	50%	47.8%	50%
Build system that integrates all data on wastes generated and the electricity, water, gas, and other resources used companywide	Completion of network using company intranet by means of promoting IT conversion	Nationwide network created except for a few operations	Beginning in 2005; accurately determine amounts of wastes, resources, and energy

Fuel Consumption and Emissions of CO₂ and NO_x in Transport Operations (companywide)

FY	Fuel used (kL) ^{*1}			CO ₂ emissions (t) ^{*2}		NO _x emissions (t) ^{*3}	
	Diesel	Gasoline	Fuel oil C		Index ^{*4}		Index ^{*4}
2000	149,701	13,275	47,965	568,094.3	75	3,046.0	66
2001	146,319	12,930	56,464	583,317.0	77	3,016.3	66
2002	139,008	11,469	55,003	556,246.3	73	2,864.5	63
2003	125,654	11,345	61,359	539,326.0	71	2,645.0	58
2004	115,731	11,282	66,306	527,480.3	70	2,483.6	54

^{*1} Fuel consumption: CO₂ and NO_x emissions calculated from amounts of fuels purchased.
^{*2} CO₂ emissions: Emissions coefficients are values given in Eco-Action 21, a program for evaluating environmental activities (announced by the Environment Ministry in September 1999). CO₂ emission coefficient for diesel fuel, 2,644 kg-CO₂/kL; for gasoline, 2,359 kg-CO₂/kL; for fuel oil, 2,939 kg-CO₂/kL.
^{*3} NO_x emissions: Emissions coefficients are values given in Eco-Action 21, a program for evaluating environmental activities (announced by the Environment Ministry in September 1999). NO_x emission coefficient for diesel fuel, 18.4 kg/kL; for gasoline, 8.2 kg/kL; for fuel oil, 4.12 kg/kL.
^{*4} Indexes: Calculated with 1990 emissions as 100.

PCB Storage (FY2004)

Stabilizers and other equipment containing PCBs are appropriately stored and managed according to in-house management rules that are based on legal regulations.

Equipment type	Stabilizers	Capacitors	Transformers
Number of units	4,626	145	17

Emissions of Substances Reportable under the PRTR Law (FY2004)

Although none of our facilities is required to report under the PRTR Law (Law Concerning Reporting of Releases into the Environment of Specific Chemical Substances and Promoting Improvements in Management), the following facilities handle reportable substances.

Facility type	No. of facilities	Amount used (t/y)	Main substance	Main use
Reportable business category but amount used by facility is under reporting threshold	11	0.331	Aluminum phosphide	Warehouse fumigation
Not reportable business category but facility uses reportable substance	30	123.402	Methyl bromide, hydrogen cyanide	Fumigation for operations incidental to import customs clearance, not warehouses

Environmental Accounting

The introduction of environmental accounting is regarded as a very important indicator for evaluating environmental management. In the future, we intend to develop more detailed indicators but, for this year, we quantified and compiled the main investments in environmental conservation and, as indicators of conservation effectiveness, CO₂ emission reduction by means of modal shift and the reduction in use of previously used materials through the employment of reusable packing materials.

Investments in Environmental Technology (FY2004)

(million yen/y)

Investment category		Major examples	Amount
Investment in modal shift		• Rail transport containers (Eco L10-ton, BIG Eco, etc.)	170
		• Ship container (R&S container)	186
		• Tractors and trailers for freight containers	1,294
Investment in reusable packing materials for moving		• Eco-packing • Netted blankets, High-pad, etc.	384
Vehicle-related investments	Eco-friendly vehicles	• CNG, hybrid, and LPG vehicles, new long-term-regulation vehicles, ultra-low-particulate vehicles, etc.	1,931
	Exhaust mitigation equipment (retrofitted)	• Oxidizing catalytic converters, diesel particulate filters, speed limiters	124
	Vehicle operation management	• Digital operation recorders installed (four years)	4,000
Costs for appropriate waste disposal and management		• Costs related to Manifest Management Center • Preparation of educational video and text	54
Costs for environmental management registration		• ISO 14001 and Green Management certification	17
Investment in planting greenery		• Landscape gardening and other work at branches	45
Total			8,205

Note: Investment in vehicle operation management is that of the first four years of digital operation recorder use.

Environmental Conservation Effect

Effect (CO₂ reduction) of Modal Shift (January to December 2004)

Transport type	Transport amount (1,000 t)	CO ₂ reduction effect (1,000 t)
Rail transport	20,101.4	2,742.7
Marine transport	1,963.9	276.7
Total	22,065.3	3,019.4

Note:

- The CO₂ reduction effect is the difference between the CO₂ that would be emitted if the freight Nippon Express currently transports by rail (container) and ship (coastal routes) were shipped by truck instead and the CO₂ currently emitted from transporting it by rail and ship.
- The average distance that rail-carried freight is transported by rail was set at 895km on the basis of data for rail freight transport in "Freight Transport in Figures 2004" by the Japan Federation of Freight Industries. Distance for truck pickup and delivery at each end was set at 15km.
- The average distance for transport by ship was set at 1,164km based on the average of our ship routes. Distance for truck pickup and delivery at each end was set at 50km.
- The following values for CO₂ emission intensity are used, based on "Table of Intensities in Measures to Support Demonstration Experiments Meant to Build a Freight Transport System with a Low Environmental Burden" by the Ministry of Land, Infrastructure and Transport (2001).
 - Rail: 0.021kg/t-km
 - Ship (ferry, RORO vessel): 0.038kg/t-km
 - Full-size trucks: 0.174kg/t-km

Reduction in Previously Used Packing Materials due to Use of Reusable Packing Materials for Moving (FY2004)

Material	Reduction amount
Rolled cardboard	About 1,370,000 rolls
Bubble wrap	About 340,000 units
Cardboard hanger boxes	About 690,000 boxes
Packing rope	About 170,000 rolls
Kraft tape	About 720,000 rolls
Cartons	About 780,000 cartons
Dinnerware wrapping paper	About 4.7 million sheets

- Note:
- Reduction amount of each material = number of movings × average amount used in one moving
 - Average amounts used in one moving are our estimates.
 - Reusable packing materials for moving are materials (such as netted blankets, rental hanger boxes and High-pad) that can be used multiple times in place of rolled cardboard, bubble wrap and other materials.

Environmental and Safety Certification

To further intensify environmental activities at its facilities, Nippon Express is seeking to obtain certification for ISO 14001, the international standard on environmental management systems and for Green Management at each facility.

ISO 14001 Certification at More Facilities

In June 1998, Nippon Express gained ISO 14001 certification for three service centers (since consolidated into two) at the Tokyo Air Service Branch in Baraki (Ichikawa City, Chiba Prefecture), followed by five centers in March 2000, two centers in March 2001 and, in March 2002, two more centers: Nagoya Air Cargo Center and Takamatsu Air Cargo Center. We are working to obtain and enhance ISO certification at still more facilities, including those other than the Air Cargo Business Division.



Obtaining Green Management Certification

In October 2003, Nippon Express launched an effort to obtain certification for Green Management (truck division), for which the Ecology and Mobility Foundation had begun offering certification. In March 2004, our first certifications were obtained by two branches, Shinsuna and Funabashi. Efforts to gain certification continue at over 100 of our approximately 1,100 truck transport facilities nationwide. This certification requires continu-

First certifications, June 24, 1998

- Tokyo Air Service Branch: Baraki Export Cargo Center
- Tokyo Air Service Branch: Baraki Air Cargo Distribution Center

Additional certifications, March 30, 2000

- Tokyo Air Service Branch: Narita Airport Logistics Center
- Nagoya Air Service Branch: Nagoya Distribution Center
- Osaka Air Service Branch: Nanko Air Cargo Center
- Fukuoka Air Service Branch: Fukuoka Air Cargo Center
- Tokyo Air Service Branch: Yokohama International Air Cargo Center (moved)

Additional certifications, March 30, 2001

- Hiroshima Air Service Branch: Hiroshima Domestic Air Cargo Center
- Sendai Air Service Branch: Sendai Airport Logistics Center

Additional certifications, March 29, 2002

- Nagoya Air Service Branch: Nagoya Air Cargo Center
- Takamatsu Air Service Center: Takamatsu Air Cargo Center

New certification, May 31, 2005

- Shikoku Heavy Haulage Construction Branch

ing activities to mitigate environmental burdens. It is also recommended by the Ministry of Land, Infrastructure and Transport, and there is heightened interest in gaining Green Management certification not only in the transport industry but also among corporate customers. As of July 2005, Nippon Express as a parent company alone had certification for 129 facilities, while group companies had certification for eight facilities in eight companies.

What are vehicle conditions affecting the environment?

Specific initiatives to obtain Green Management certification involve recognizing the environmental impacts in the table below, taking steps to deal with them and recording the results.

Inspection/repair items with environmental impacts	Specific impacts	Responses
Exhaust gases	<ul style="list-style-type: none"> • Black smoke: needs maintenance 	<ul style="list-style-type: none"> • Routine visual checks for black smoke are important. • Regularly use tester to measure black smoke concentration. • Immediate inspections (determining causes) and maintenance are important when something is wrong.
Air filter	<ul style="list-style-type: none"> • Poor fuel economy: increases CO₂ • Black smoke: needs maintenance 	<ul style="list-style-type: none"> • Regular cleaning and changing are important.
Engine oil	<ul style="list-style-type: none"> • Poor fuel economy: increases CO₂ 	<ul style="list-style-type: none"> • Regular oil changes are important.
Tire air pressure	<ul style="list-style-type: none"> • Black and white smoke • Poor fuel economy: increases CO₂ (10% pressure drop worsens fuel economy about 3%) 	<ul style="list-style-type: none"> • Routine tire pressure checking with tire gauge is important.
Muffler	<ul style="list-style-type: none"> • Improper installation or damage cause noise. 	<ul style="list-style-type: none"> • Listen for unusual noises.
Air conditioner	<ul style="list-style-type: none"> • Leaking refrigerants are greenhouse gases. • Dirty evaporators cause air conditioner inefficiency, which worsens fuel economy. 	<ul style="list-style-type: none"> • If air conditioner cools poorly, immediately inspect and repair. • Regularly clean the evaporator.

A Manager's Perspective

Initiatives at the Nagano Branch



Kaneko Kazuya
Assistant Manager (work management)
Nagano Branch

Green Management certification was initially obtained at the Suwa Branch in December 2004, followed by the Matsumoto and Ina branches in March 2005 and by the Nagano Branch in July 2005, marking the completion of certification for all authorized business sites under management of the Nagano Regional Managing Branch.

One great difficulty we faced was getting all our drivers to learn about and carry out inspections and maintenance on four environmental impacts.

Eco-driving raises drivers' consciousness about the importance of inspections and maintenance and enables us to show drivers that environmental measures like changing air filters and engine oil are not incompatible with cost cutting. Further, because Nagano Prefecture is an area where many customers are enacting environmental measures, our initiatives are effective in a business sense as well.



Checking air pressure of tires



Key cord in use

A Manager's Perspective

Initiatives at the Ube Branch



Hiroaki Mizooka
Assistant Manager, Management Section
Ube Branch

Green Management is one of the priorities of the Shimonoseki Regional Managing Branch's Two-Year Business Plan (2004-2005), and all the Ube Branch's authorized facilities eligible for Green Management certification gained it in the second half of 2004. Under guidance from the regional managing branch, they are working actively toward their declared goal of 3% better fuel efficiency.

At first, there was little progress owing to a low environmental consciousness, but environmental education and the operation management system helped change people's thinking little by little, thereby raising their consciousness not only about environmental problems but also about safe driving and cost cutting.

Ube City, where this branch is located, is commended for its advanced environmental measures (the "Ube System"), and businesses here also have cutting-edge environmental initiatives. We intend to pursue still more initiatives to respond to the needs of society.



Checking black smoke (JR Container Section)



Poster made by the Shimonoseki Branch

Qualification an Excellent Safety Facilities

To enable users to select transport companies with better safety, the Japan Trucking Association, in 2003, started the Truck Transport Business Safety Evaluation Program to fairly evaluate, certify and publicize the safety of trucking businesses in order to create an environment that raises the consciousness of the truck transport business as a whole toward improving safety. Nippon Express also works actively to qualify.

Overview of the Safety Evaluation Program

The program evaluates individual authorized business sites of general cargo motor transport businesses that desire to be evaluated. Scores are awarded in three areas by the National Freight Motor Transport Rationalization Program Implementation Agency (the Japan Trucking Association) based on evaluation criteria in the areas of: (1) legal compliance pertaining to safety; (2) accidents and violations; and (3) vigorousness of safety efforts. Results are referred to the Safety Evaluation Committee; and the evaluation is issued after the committee's report.

To ensure that the safety evaluation program is rigorous, fair and transparent, the Safety Evaluation Committee deliberates on not only evaluation decisions but also matters necessary to program implementation. The committee comprises experts, persons associated with labor unions whose members work in the truck transport business, customer organizations, consumers, officials from the Ministry of Land, Infrastructure and Transport, and officers of implementation organizations nationwide.

Nippon Express Initiatives

In 2003, 220 facilities qualified as excellent safety facilities, followed by 386 in 2004, for a total of 606. In addition, 85 facilities at affiliated operations companies have also qualified. Nippon Express will continue efforts for qualification at more facilities with the additional purpose of raising consciousness about improving safety at all facilities.



Excellent safety facility logo

A Manager's Perspective

Advantages of Qualifying as an Excellent Safety Facility



Hiroya Ishikawa
Kanazawa Nishi Branch Manager

We are proud that our qualification as an excellent safety facility is a positive estimation of the long years of efforts in our workplace for accident prevention, education and training.

This achievement would have been impossible without the strong determination of each employee to improve safety and without persistent initiatives such as legal compliance, positive efforts to maintain transport quality and efforts to reduce our environmental burden through energy-conserving vehicle operation, which took shape through Nittsu Safety Group (NSG) activities and other endeavors. A major change that resulted from qualification was the high acclaim from our customers. Needless to say, this is a big advantage in terms of business strategy and, in fact, for some customers we are proposing that in addition to using our storage and delivery services, they consider a modal shift from trucks to JR containers for transport with greater safety and a lower environmental burden. We will continue working with customers for safe and eco-friendly services.

Environmental Education

Handling of environmental problems requires the concerted efforts of administrative authorities, businesses, NGOs, NPOs and citizens, each with an awareness of the problems. Nippon Express strives to provide education and to raise awareness so that employees are able to work closely together for the environment in their respective workplaces based on this thinking.

Employee Training

So that each employee can continually be concerned about environmental problems and act with an awareness of environmental conservation, our environment-related training program offers a curriculum arranged by level and function. Especially in 2004, we put effort into education and awareness-raising that included appropriate waste disposal and fuel-efficient driving.

Appropriate waste disposal education involved a course at the headquarters for instructors (waste disposal instructor training course, attended by a total of

354 participants), who then conducted “education for waste management personnel” for those performing waste disposal at each branch.



Lecture in progress



Eco-business management lecture

Main Group Training Courses for Environmental Awareness-raising and Education (those sponsored by the Head Office, 2004)

Course title	Designed for	Purpose of education in environmental terms	Days	Number of Participants*
Conference for assistant general managers in charge of operations	Assistant general managers in charge of operations	<ul style="list-style-type: none"> • Providing thorough understanding of recent environmental conservation 	1	73
Training session for managers in charge of work efficiency	Managers in charge of work efficiency	<ul style="list-style-type: none"> • Understanding trends in environmental regulations and implementing company initiatives • Learning practical methods for environmental conservation in work 	4	340
Driving instructor training course	Driving instructors	<ul style="list-style-type: none"> • Learning how to evaluate the skills of drivers taught by driving instructors • Learning how to evaluate eco-driving (fuel-efficient driving) 	8	133
Training session for driving instructors	Driving instructors	<ul style="list-style-type: none"> • Improving the instructional skills of driving instructors who train new company employees and teach periodic driver training sessions • Learning eco-driving (fuel-efficient driving) methods and vehicle maintenance and inspection 	3	292
Basic course for drivers	Drivers	<ul style="list-style-type: none"> • Improving the instructional skills of driving instructors who train new company employees and teach periodic driver training sessions • Learning eco-driving (fuel-efficient driving) methods and vehicle maintenance and inspection 	4	388
Driving skills training course	Drivers	<ul style="list-style-type: none"> • Mastering superior driving and everyday maintenance skills sufficient for companywide education • Learning techniques as a promoter of eco-driving (fuel-efficient driving) 	4	53
Waste disposal instructor training course	Waste disposal instructors	<ul style="list-style-type: none"> • Ensuring appropriate waste disposal 	14	354
Eco-business management lecture	Eco-business managers	<ul style="list-style-type: none"> • Gaining basic knowledge of legal regulations and other provisions on 	2	71

Safe Driving and Eco-Driving

“Eco-driving” has two meanings: ecological driving and economical driving. The idea behind eco-driving, or driving in an eco-friendly manner, is to protect the environment and resources and come out ahead economically and further to work toward safety by endeavoring to drive moderately.

Every year from facilities around the country, Nippon Express gathers employees who play a central role in driving instruction and conducts comprehensive instructor training. This training is called the “driv-

ing instructor training course,” and its purposes include mastering eco-driving, learning how to drive safely and having participants see how smoothly driving without sudden acceleration and braking is an integral element of safe driving. Those who complete the course are designated as in-house driving instructors and then at their branches they train drivers by riding with them. This course enables instructors to understand eco-driving with both mind and body then take that back to their branches and teach it to their fellow drivers.

An Instructor’s Perspective

Driving Instructor Training Course



Keiji Okazaki
Driving Instructor
Sapporo Container Branch

At the Izu Training Center, we give practical instruction in eco-driving (fuel-efficient driving) and, among the many techniques covered, we give special emphasis to the

following three:

1. Accelerator use
2. Clutch use
3. Engine braking

By instruction focused on these three points, we can improve the trainees’ overall fuel efficiency by an average of 10 to 20% in one session. I think that effectively using digital operation recorders and raising awareness can still considerably improve the company’s overall fuel efficiency with just a little attention from our drivers in their everyday driving. It’s my belief that if site managers and drivers work hand in hand, significant benefits in the form of cost and CO₂ reductions will accrue through fuel efficiency efforts.



Company contest



Company contest



Nippon Express Izu Training Center



Vehicles specially used on the training course



The center’s large driving course

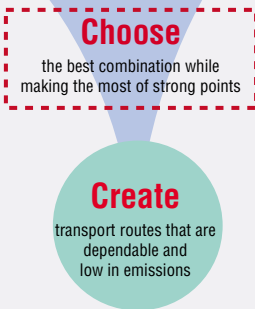
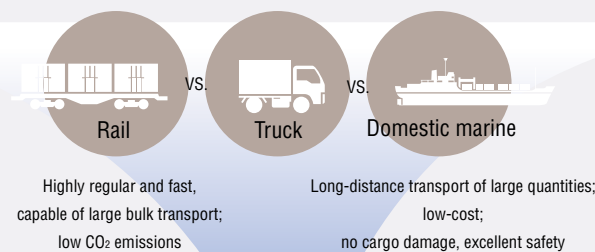


One-on-one teaching by instructors

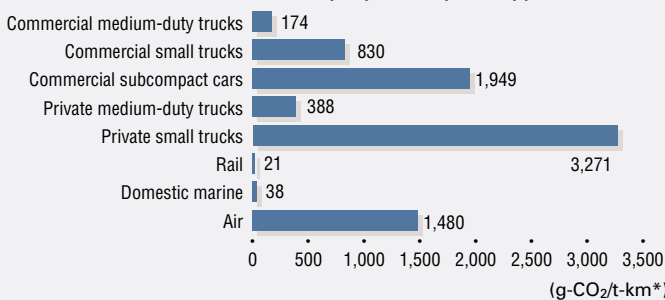
Promoting Modal Shift

Modal shift in freight transport means switching from transport mostly by trucks to transport making much use of rail and ships. As in 2003, Nippon Express in 2004 applied many times for the Ministry of Land, Infrastructure and Transport's "demonstration experiments for building a freight transport system with low environmental burden." If one is qualified, the government subsidizes one-third of the cost of the hardware and software needed for the experiment. Acceptance and qualification are determined in descending order of the biggest CO₂ reductions per 1 million yen. Out of 32 experiments qualified by the ministry, seven were connected with Nippon Express.

Comparing Characteristics of Transport Types



CO₂ Emission Intensity by Transport Type



Source: "Documents from Joint Meetings of Councils Related to Domestic Measures to Combat Global Warming"

*t-km: Value obtained when multiplying weight of transported passengers or freight by the distance traveled.

Energy Consumption by Transport Type (kJ/t-km)

Transport type	FY	1999	2000	2001	2002	2003
JR freight		505.0	473.5	483.1	484.2	458.6
Private rail		542.2	512.5	399.9	461.4	498.3
Rail (average)		505.4	474.0	482.0	483.9	459.0
Commercial motor vehicles		2,814.2	2,786.7	2,720.9	2,723.1	2,573.0
Private motor vehicles		10,427.5	11,077.2	11,639.4	11,965.8	11,817.9
Motor vehicles (average)		4,340.3	4,311.4	4,239.3	4,196.0	3,937.3
Domestic marine		549.0	541.3	542.2	538.5	554.6
Air (domestic)		21,704.5	22,077.5	22,056.6	21,913.7	22,185.8
Average		2,665.3	2,621.1	2,569.9	2,573.1	2,521.0

Source: Survey on Transport Energy by Ministry of Land, Infrastructure and Transport, Information Management Department



Modal Shift Campaign

Nippon Express is endeavoring to further expedite modal shift by establishing the Modal Shift Promotion Committee. We conducted a Modal Shift Campaign once each in the first and second half of 2004, in which we heightened awareness among employees, while for customers we held meetings to explain modal shift and offered tours of related facilities. In these and other ways, both inter-

nally and externally, we strongly encouraged the use of rail containers and domestic marine transport services.

Modal Shift Study Tours

As one part of our modal shift campaign, Nippon Express facilitated understanding of modal shift and tried to encourage increased use by inviting customers for tours of rail container and marine cargo terminals, and

other facilities. In 2004, we held 11 tours nationally with a total of 429 participants.



Modal shift campaign pamphlet



Modal shift facility tour (rail container terminal)



Modal shift facility tour (domestic marine cargo terminal)

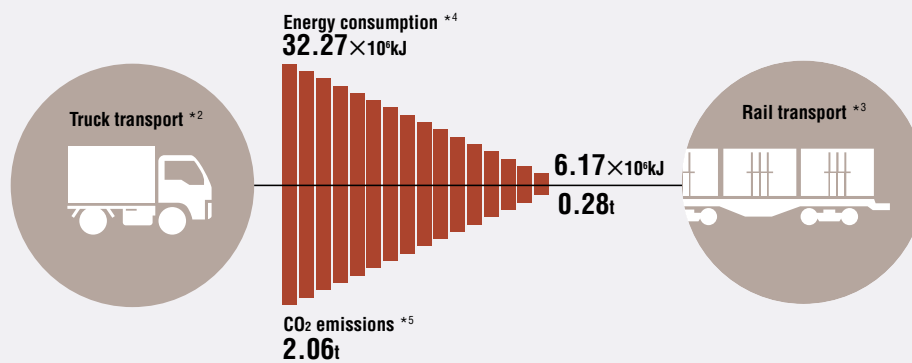
Modal Shift to Rail Transport

Rail transport can transport large quantities of freight with good regularity and economy as well as high energy efficiency. Another significant feature is that CO₂ emissions per unit distance and weight are lower than those of trucks.

Nippon Express has developed a mobile communications-based information system for collection and delivery vehicles and has taken other steps to actively promote the truck-to-rail shift, thereby improving service, heightening the efficiency of operations and de-

creasing energy use and the environmental burden. We have a wide variety of initiatives aimed at smoothing the switch from current truck transport to rail, such as using containers that suit the amount and type of cargo, and introducing a system that can easily transfer cargo between trucks and ships. In November 2003, we started using the Big Ecoliner 31, which has larger inside dimensions than our preexisting Ecoliner 31 container between Tokyo and Osaka. This further advanced the shift from trucks to rail containers.

Effect of Modal Shift from Truck to Rail *1
(Model case between Tokyo and Fukuoka)



Calculation conditions

- *1 Cargo weight is set at 10t.
 - *2 Truck transport distance is set at 1,186km.
 - *3 Rail transport distance is set at 1,185km. Total distance from shipper to departure station and from destination station to recipient is 20km, which is covered by truck.
 - *4 Consumption intensities were set at 2,720.9 kJ/t-km for truck and 483.1 kJ/t-km for rail.
 - *5 Emission intensities were set at 174 g-CO₂/t-km for truck and 21 g-CO₂/t-km for rail.
- Values for notes 4 and 5 are 2001 data from Ministry of Land, Infrastructure and Transport documents.

A Manager's Perspective

Case of Lion Logistics Service Co., Ltd.



Koichi Furubayashi
Umeda Container Section Manager
Osaka Container Branch

Lion Distribution Service has been using JR five-ton containers for 20 years, and freight sent from Osaka now accounts for about 40% of its total. However, freight originating in Kanto was mainly high-volume truck shipment with container shipping accounting for less than 10%.

We made use of subsidies under two programs, the Ministry of Land, Infrastructure and Transport's 2004 "demonstration experiments for building a freight transport system with low environmental burden" and the All Japan Freight Forwarders Association's "introduction of large

private high-standard container equipment" to make four new 31-ft containers with cargo collapse prevention mechanisms. With these, we successfully switched palletized freight from trucks between Osaka and Kanto.

The biggest problem in switching palletized freight from truck transport was transport quality. In consideration of preventing scraping accidents from the slight vibration characteristic of container transport and of safety when loading containers, we explored solutions with our group company Nittsu Shoji Co., Ltd. and were able to solve the problem with a pantographlike anchoring device which holds down the entire cargo load.



Case of Chubu Steel Plate



Naomichi Yamada
Sales Center Manager
Nagoya Container Branch

Chubu Steel Plate Co., Ltd. delivers fixed quantities of steel plate for machine tools to a number of customers in Tochigi and Gunma Prefectures. It used to transport the plate by truck about 450km every day but, in consideration of the cost of pulling the trailers and its efforts to address environmental problems, our branch explored the idea of using rail containers. Because the steel plate is large, heavy and loaded and unloaded with cranes, we decided on open containers. At first, we tried transporting with existing 20-ft containers but they were not quite wide enough for these large plates.

This required 22.5-ft containers and we were able to produce them by using a subsidy under the

2004 “demonstration experiments for building a freight transport system with low environmental burden,” for which the Ministry of Land, Infrastructure and Transport was seeking entries. Chubu Steel Plate commended our proposals highly for the social contribution and promotion achieved through modal shift.



Nippon Express Rail Containers



2-ton container
About half as big as the usual 5-ton container, and developed to enable use of rail transport even for small cargo. Used mainly in major cities nationwide.



Open-top container (new)
This container, with a double-door top, is adapted to loading and unloading construction surplus soil, sludge, incinerator ashes, and other industrial wastes. Shown here is the new type introduced in 2002, which can be loaded and unloaded by crane.



Ecoliner 31
Wing doors open on both sides of this container. More efficient loading and unloading shortens transport time. In use at 22 locations nationwide, including Tokyo, Nagoya, Osaka and Fukuoka.



Big Ecoliner 31
Wing-door rail container with larger internal dimensions than the Ecoliner 31. Volume is that of a large truck. Useful for the modal shift from truck to rail. Used between Tokyo and Osaka and other routes.



Rail drayage transport
We are switching to rail transport for international marine containers that have been hauled on trailers from port zones.

Specifications for Nippon Express Rail Containers

Container type *1	Length (ft) *2	Floor space (m ² , approx.)	Internal volume (m ³ , approx.)
2-ton container	6	4	8
5-ton container	12	8	18
Open-top container	20	12	15
10-ton container	20	14	30
L10-ton container	30	21	46
Ecoliner 31	31	21	47

*1 Container type

We also have a variety of other containers matched to cargo type and loading/unloading method, such as dual-use R&S containers for coastal shipping and rail, tank containers, and refrigerated containers.

*2 Units

One foot is about 30.5 cm.

Modal Shift to Domestic Marine Transport

In 1964, Nippon Express initiated combined land-sea services with Japan's first container vessel, the *Dai-ichi* (No.1) *Tennichi Maru*, between Tokyo and Muroran, followed by the *Dai-ni* (No.2) *Tennichi Maru* between Osaka and Muroran.

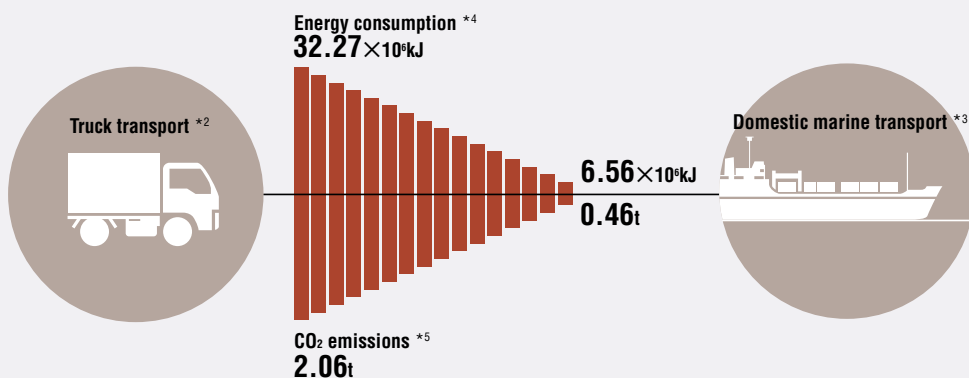
In 2003, Nippon Express and Shosen Mitsui Ferry Co. launched joint service between Tokyo and Hakata. Both companies have been operating regularly on this route but two high-speed RORO vessels by each company were phased into operation from October 2003 to January 2004. This not only increased both companies' total freight volume on this route by 30% but also enabled us to increase speed. At present, Nippon Express connects points nationwide with 10 large, ultra-modern ships, comprising the Tokyo-to-Kushiro "Akashia-Erimo Line" and two other regular routes and the vessels operated jointly with Shosen Mitsui Ferry.

Operating regular routes, assuring cargo safety

through door-to-door intermodal transport, creating information systems incorporating the latest information technology and engaging in other efforts enable us to accommodate increasingly diverse and sophisticated customer needs. Also, we are actively switching from truck to coastal marine transport and in other ways providing transport systems with a low environmental burden.

In response to the increasing demand for modal shift, in recent years we have increased the percentage of our shift from transport mainly by 12-ft containers to transport by RORO vessels that can handle trailer chassis. Further, in November 2003, we launched a collaborative service called "Shanghai Super Express," a Hakata-Shanghai route by Nippon Express and three other companies. The result is high-speed marine transport service between Shanghai and Tokyo with Hakata Port as a transit point.

Effect of the Modal Shift from Truck to Marine Transport *1
(Model case between Tokyo and Fukuoka)



Calculation conditions

- *1 Cargo weight is set at 10t.
 - *2 Truck transport distance is set at 1,186km.
 - *3 Domestic marine transport distance is set at 1,129km. Total distance from shipper to departure station and from destination station to recipient is 20km, which is covered by truck.
 - *4 Consumption intensities were set at 2,720.9 kJ/t-km for truck and 542.2 kJ/t-km for domestic marine transport.
 - *5 Emission intensities were set at 174 g-CO₂/t-km for truck and 38 g-CO₂/t-km for rail.
- Values for notes 4 and 5 are 2001 data from Ministry of Land, Infrastructure and Transport documents.

A Manager's Perspective

Case of Sen-ei Corp.



Takakazu Yabu
Section Manager
Hakata Port Branch

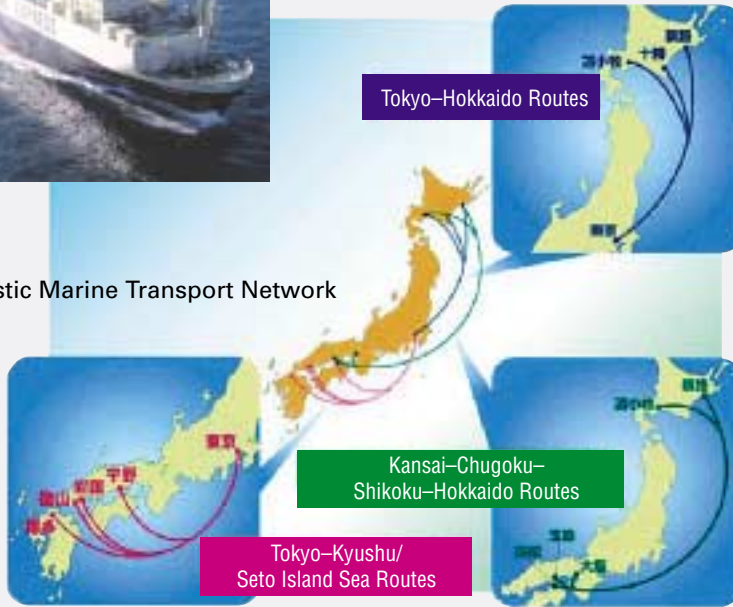
In early February 2005, the Head Office's Marine Transport Business Division referred us to an inquiry from Sen-ei Corp. about moving freight between Imari City, Saga Prefecture, and the Chugoku, Kanto and Hokkaido regions. I immediately visited Sen-ei. At that time, it was using trucks and JR in combination depending on the area so I explained the advantages of domestic marine transport in terms of CO₂ emis-

sion and cost reductions. At first, the clients had the preconception that ships would take longer than trucks but I convinced them otherwise after running a concrete transport schedule simulation. Further, I invited Sen-ei representatives to a "Modal Shift Center Study Tour" conducted by our branch that month and had them see the coastal vessel *Himawari*. In March, we conducted several transport tests and, in April, we initiated actual marine transport. Currently, we ship five to ten 12-ft containers a month. Sen-ei has expressed its great satisfaction and is now giving positive consideration to switching its current truck routes to the Chugoku region to marine transport.



Himawari 6

Domestic Marine Transport Network



Himawari 1

Nippon Express' Domestic Marine Shipping Service

Line name	Ship name	Capacity of 12-ft containers and trailers	Ports of call
Akashia-Erimo Line (Tokyo-Hokkaido route)	Himawari 1	260 containers 50 trailers	Tokyo-Tomakomai-Kushiro
	Himawari 2	260 containers 50 trailers	
	Himawari 3	300 containers 20 trailers	Tokyo-Tomakomai-Tokachi-Kushiro
	Musashino Maru	310 containers	
Kuroshio Line* (Tokyo-Kyushu/ Seto Inland Sea route)	Himawari 5	160 containers 251 passenger cars	Tokyo-Tokuyama-Hakata-Iwakuni
	Sunflower Tokyo	160 containers 251 passenger cars	
	Himawari 6	160 containers 251 passenger cars	Tokyo-Hakata-Uno
	Sunflower Hakata	160 containers 251 passenger cars	
Oyashio Line (Kansai-Hokkaido route)	Uruga Maru	434 containers	Osaka-Mizushima-Takamatsu-Osaka-Tomakomai-Kushiro
	Oyashio Maru	310 containers	

* Numbers of trailers for Kuroshio Line include 50 trailers specialized for 12-ft containers (150 containers).

Nippon Express Container and Trailer Specifications (domestic marine transport)

Container specifications	Load capacity (kg)	Volume (m ³)
12-ft container*	5,000	18.0
20-ft container	17,980	33.2
20-ft refrigerated container	13,790	28.0
13-m winged trailer	20,000	68.0
40-ft container	20,000	67.5

* 12-ft container types: In addition to ordinary containers there are, among others, refrigerated containers, high-profile containers, ventilated containers, and R&S containers for joint rail and sea transport.

Nippon Express Marine Transport Containers



12-ft container

Most widely used containers. They are useful at customer sites for improved loading and unloading efficiency, and more efficient use of carrying capacity (in the photo is a high-profile, double-door container for pallets.)



20-ft container

While accommodating cargo in huge lots, they are adaptable to loading/unloading site conditions. Especially good for heavy cargo.



20-ft refrigerated container

Can be set to maintain any constant temperature between -25°C and +25°C (although sometimes conditions change depending on product temperature or other factors). For transporting fresh and frozen items.



13-m winged trailer

Designed for large-lot freight, it provides a platform for modal shift. Further, the winged design is adapted to loading/unloading of palletized freight.



40-ft container

Best for freight that is large-lot or tends to be bulky, it also can handle unusually long items.

Cleaner Fuels and Better Fuel Economy for Vehicles

Nippon Express' vigorous efforts in this area include reducing emissions of CO₂ and particulate matters, putting eco-friendly vehicles into service to improve fuel efficiency and encouraging eco-driving.

Eco-friendly (Low-emission) Vehicles

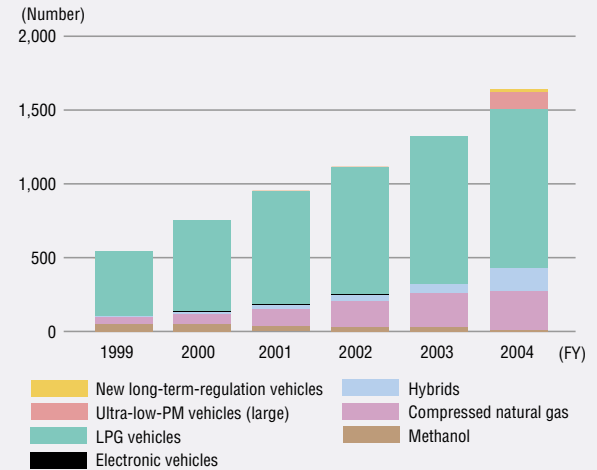
Instead of merely obeying the law, Nippon Express also actively introduces eco-friendly vehicles that include newly developed types. In 2004, we reviewed the definition of the clean energy vehicles that we had been adopting until then and revised our policy. We stopped purchasing electric vehicles and also methanol vehicles, whose manufacture as trucks had been discontinued and shifted emphasis to decreasing emissions of large vehicles. In 2004, we increased purchases of mainly hybrids and ultra-low-PM vehicles, which increased our total fleet of eco-friendly vehicles to 1,637. By the end of 2005, we intend to increase that number to at least 2,000.

Digital Operation Recorders and Operation Management System

By March 2005, we had installed digital operation recorders in all our commercial vehicles and completed building a system capable of integrally managing about 15,500 vehicles. As a result, operation data items standardized for the entire company are accumulated in our operation management system's server via the our intranet, enabling people in all sections, branches and the Head Office to share objective data on fuel economy, engine idling and other information.

This system now makes it possible to calculate for each vehicle eco-driving factors such as excessive vehicle speed, sudden acceleration and braking, idling time, and excessive engine speed. When values set in

Shift of the Number of Introduced Eco-friendly Vehicles



Vehicle type	FY	1999	2000	2001	2002	2003	2004
Methanol vehicles		52	50	33	32	31	8
Compressed natural gas (CNG) vehicles		41	63	117	171	228	264
Hybrid vehicles		7	18	30	44	61	155
Electric vehicles		5	5	3	2	2	0
LPG vehicles		441	616	759	866	998	1,079
Ultra-low PM vehicles (large type)							117
New long-term-regulation vehicles							14
Total		546	752	942	1,115	1,320	1,637

advance are exceeded, the date, time, place and other data are recorded on a card, and an operation manager will use the form that is output following vehicle operation to give the driver meticulous guidance. Fuel efficiency is improved through repeated guidance and supervision of drivers' everyday vehicle operation.

Eco-friendly Vehicles



Compressed natural gas (CNG) trucks
Fuel for these trucks is the same natural gas used by urban households, compressed under high pressure. CO₂ emissions are 20 to 30% lower than gasoline, NOx emissions are much lower than diesel and there is no PM. Problems to solve include making fuel tanks smaller and lighter and enhancing fueling stations.



Hybrids
Hybrids use a combination of motive force, including ordinary engines and electric motors. Energy created by the engine and braking is converted to electricity and stored, then used as supplemental driving power when launching, accelerating and climbing.



LPG trucks
Engines are fueled with liquefied petroleum gas, which is commonly used by taxis. NOx emissions are far lower than diesel and there is no PM. Because fueling stations (LPG stations) are found nationwide, this is the most common type of clean energy truck.

Natural Gas Stations

Lack of fueling stations is one hindrance to broadening the use of CNG vehicles. Nittsu Shoji Co., Ltd., one of our group companies that previously had two CNG/LPG fueling stations in Osaka, opened the first CNG/LPG

fueling station in the Kanto region in March 2005. The station is called Hachioji Eco-Station. Nippon Express will continue establishing joint CNG stations with group companies.



Small fueling unit supplying CNG



Fueling a truck



Hachioji Eco-Station



New Long-term-regulation Vehicles

Nippon Express is actively increasing its fleet of trucks that comply with the newest diesel exhaust regulations, which were

to take effect in October 2005. The large trucks in the photographs comply with the new long-term regulations with a de-

vice that decomposes nitrogen oxides (NOx) into harmless water and nitrogen by mixing the NOx with a urea/water solution.



Truck complying with new long-term regulations



Tank with blue cap contains urea/water solution

It was formerly difficult to reduce particulates and NOx at the same time but using the urea/water solution made it possible to reduce both emission types and to improve fuel economy.

Collection and Delivery System Improvements

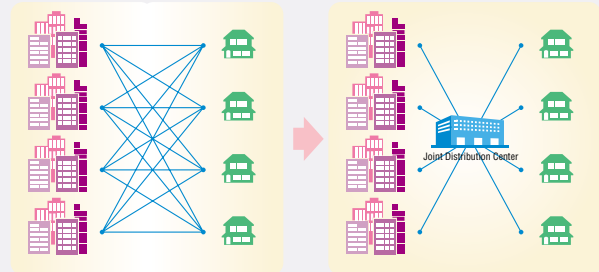
Joint Collection, Delivery and Operation

In urban areas, where transport is largely done by trucks, distribution has been causing major problems such as air pollution from CO₂, NO_x, PMs and other emissions, and traffic congestion. Many of these problems are seen to have resulted from higher frequency of collections and deliveries due to smaller lots, lack of cargo processing facilities, and increased streetside parking for pickups and deliveries.

To address this situation, we are advancing joint collection and delivery to cut exhaust emissions and to mitigate traffic congestion as well as to increase intra- and inter-city distribution efficiency by more effi-

cient use of truck carrying capacity. This involves creating Joint Distribution Centers to integrate the collection and delivery of multiple distribution companies, and such efforts are underway nationwide.

How Joint Collection and Delivery Works



Conventional collection and delivery Joint collection and delivery



Akihabara Consumer Electronics District TDM (Traffic Demand Management) Demonstrative Experiment

From October 12 to November 11, 2004, the “Akihabara Distribution Efficiency Improvement Committee” conducted a month-long joint delivery demonstrative experiment in Akihabara, one of the world’s biggest consumer electronics districts. The committee comprises the Akihabara Consumer Electronics District Promotion Committee, Tokyo Trucking Association, Nippon Express, and other distribution-related parties, experts, electronics makers, and relevant administration agencies such as municipalities.

Experiment Description (Distribution Component)

- Conversion to joint distribution: Established joint distribution centers for “neighborhood-type” stores dealing in small items like laptop computers (Nippon Express Kanda Central Global Logistics Branch), and for

“suburban-type” stores selling general white goods, and conducted joint distribution to stores.

- More efficient distribution through IT: Measured the labor-saving effect and shortening of streetside parking time for store deliveries achieved by using RFID for inspections.
- Securing and use of joint cargo processing space: Established several locations for loading/unloading and other tasks to reduce illegal streetside parking by processing vehicles.
- Operations of pickup/delivery vehicles in different time periods: Strived to eliminate illegal parking and traffic congestion by making deliveries as much as possible in the forenoon when there are fewer shoppers.

Experiment Result

More efficient and joint distribution reduced delivery vehicle working time.

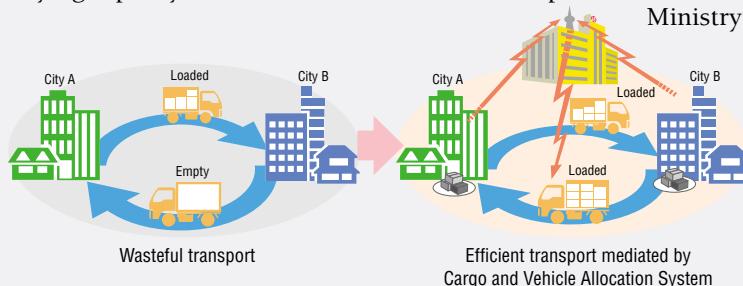


The electronic tags affixed to individual items contain information about them. The tags are instantaneously read via the UHF signals emitted by the antennas (the panels through which the worker is passing). The automatic reading system, which performs receiving inspections with these antennas and transceiver system, is called radio frequency identification (RFID).

- Number of delivery vehicles to affected area
Down about 80%
- Unloading time at stores
Down about 75%
- Total distance traveled by vehicles
Down about 68%
- NO_x and CO₂ emissions
Down about 70%

Overhauling Cargo and Vehicle Allocation System

Nippon Express operates a Cargo and Vehicle Allocation System, which provides for reinforcing our in-house transport coordination facilities and transport information system, and more efficiently uses truck carrying capacity on both outbound and return trips.



Until recently, the system covered facilities linked by leased lines but, since July 2003, when it was time for system renewal, we have been using an improved system developed by the Japan Institute of Logistics Systems under a commission from the former Ministry of International Trade and Industry and former Ministry of Transport. This improvement allowed us to operate the system with existing main-frame systems.

2004 System Performance

	Registered Information Items	Matches	Matching rate
Cargo	63,262	50,536	79.9%
Vehicle	57,220	52,086	91.0%

Reducing Packing Material Use

Nippon Express, which performs every task from packing small items to transport and installation, has developed a variety of packing materials that not only respond to customer needs, but also help improve transport efficiency and conserve resources.

Development of Reusable Packing Materials for Moving

Under the theme of resource conservation, waste reduction and improvement of operation efficiency, Nippon Express developed its own reusable packing materials for moving in 1992 and has been using them nationwide ever since. These materials can be used repeatedly because soiling and damage can be undone by cleaning and maintenance, helping us to substantially reduce the waste generated by the use of rolled cardboard and bubble wrap. Especially eco-packing, Ecologicompo, which was developed mainly by female employees, is an environment- and customer-friendly moving service in which Nippon Express employees do everything from advance preparation to cleanup afterwards. Our packing materials, developed by reviewing methods of packing all household goods, are all reusable. For example, our Tableware Trunk case offers simple packing in place of the conventional



Eco-packing materials



Bureau drawers are packed with clothing inside

Tableware case.
Tableware is merely placed inside



Folding containers

practice of wrapping tableware in paper. For jobs such as moving large offices, there are reusable packing materials such as OA Cartons for packing desktop and notebook computers, and folding containers.

Pasocompo

Pasocompo is packing material for personal computers and other IT equipment. By wrapping items in a special film, Pasocompo minimizes vibration and shocks to packed items. Because it is reusable, its post-use waste is far less than when using conventional cushioning materials such as bubble wrap and polystyrene foam. Main uses of the material include packing precision equipment, computers, and other items to be sent for repair. Pasocompo has been enjoying a good reputation among customers as a packing material that is friendly to both equipment and the environment.



Pasocompo

Estimated conventional packing materials saved in 2004 using Pasocompo (our estimate)

Bubble wrap (one roll = 1.2 m × 42 m): about 51,000 rolls
Polystyrene foam (1 bag = 100 sheets): about 2,110 bags

A Manager's Perspective

My Involvement in Developing Ecologicompo



Kaori Makine
Moving Division Supervisor
Nippon Express

Until we started developing Ecologicompo, we did not at all question the packing material waste that was generated in moving. To overturn the usual thinking and conceive moving procedures that do not generate waste was much harder than it seemed. In particular, we had trouble finding a replacement for cushioning tableware by wrapping each piece in paper, and continued trial-and-error attempts until the very last. However, we overcame problems one by one thanks to group unity and cooperation from those around us. In addition to eco-packing's environmental friendliness, another advantage of Ecologicompo is how it frees housewives from the onerous task of getting things together. When customers say they had an easy time moving, I feel happy as a woman who helped develop eco-packing.

Initiatives on Industrial Waste Collection and Transport

Nippon Express handles general industrial waste from generator to intermediate processing facilities and final disposal sites.

Spent Fluorescent Lamp Transport

Nippon Express collects and transports to a specialized processor the spent fluorescent lamps recovered from municipalities nationwide. Fluorescent lamps contain the hazardous substance mercury, but there are few facilities in Japan that can process mercury, requiring wide-area collection and transport. Our system uses rail containers to gather and transport the lamps safely, reliably, and with a low environmental burden.



Rail transport of spent fluorescent lamps

Power Plant Ash Transport

The post-combustion residue from thermal power plants is hauled in large specialized trailers to a detoxification facility with sophisticated processing technologies.



Power plant ash transport

Sludge Transport

Effluent sludge discharged from factories had been used for landfill, but it is now established practice to thermally recycle it as fuel at cement factories and other facilities in place of coal and oil. This inter-factory transport is often long-distance, and we send open-top containers by rail, a method suitable for this form of waste.



Effluent sludge transport truck

Regarding Eco-business

Nippon Express has obtained transport permits from all the 104 municipalities nationwide that are authorized to grant permits, ^{*1} and hauling industrial waste is part of our general logistics business. Recently we have also been engaging in recovery transport for recycling and reuse, for which there is high demand. As a general logistics company, Nippon Express supports customers' vein transport ^{*2} (as waste-stream transport) with wide-area transport that uses rail and ships for low environmental burden, consolidated product/waste logistics integrated with manufacturing and sales, and more comprehensive capabilities that other companies cannot match, as well as the reliable and safe services that we have cultivated for many years as a logistics company. We call these operations "eco-business," and we endeavor to help build a recycling-based society by actively offering suggestions.

^{*1} The 104 municipalities are Japan's 47 prefectures and 57 cities with public health departments. Permits have not been obtained for a few items.

^{*2} Vein transport (as waste-stream transport): With the flow of goods likened to the circulation of blood, the flow of manufactured products to companies and consumers is regarded as "artery transport," while the flow related to processing and recycling of wastes generated by companies and consumers is called "vein transport."

Our Contribution to a Recycling-based Society

By efforts such as the recovery of products whose recycling is required by such laws as the Law for the Promotion of Effective Utilization of Resources, we support manufacturers who are actively working on recycling.

Electroscrap Recycling

As the manufacturers' designated takeback location under the Law for the Recycling of Specified Kinds of Home Appliances, we perform electroscrap takeback operations and transport electroscrap to manufacturers' designated recycling facilities.

We are also striving for transport from retailers to designated takeback locations.



Acceptance of electroscrap at a designated takeback location

Discarded Business Electronics Recycling

We recover used business electronics mainly in response to requests from lease companies. Still-usable items are sent for reuse, and the rest are taken to intermediate processing facilities for recycling. Nippon Express performs recovery from companies using the equipment, transport to reusers, and transport to intermediate processing facilities.



Recovering used business electronics

Automobile Recycling

As the manufacturers' designated takeback location under the Law for the Recycling of End-of-Life Vehicles, which entered into effect on January 1, 2005, Nippon Express performs airbag takeback operations and transport to manufacturers' designated recycling facilities.



Airbag units to be recovered

Construction and Demolition Waste Recycling

Construction and demolition waste from construction sites is collected in our self-developed NR boxes and hauled to manufacturers, where the waste is shredded and made into new products.



Plasterboard recovery

Container and Packaging Recycling (Compacting and Packaging Service)

Container and packaging plastic generated by households is passed on to recyclers by municipalities via the Japan Containers and Packaging Recycling Association. This requires packaging under compression in the size recommended by the association.

Nippon Express provides compacting and packaging services by visiting facilities with a vehicle-mounted compacting and packaging machine.



Vehicle-mounted compacting and packaging machine

Global Environmental Conservation Initiatives

Nippon Express joins in global environmental conservation efforts, including restoring illegal industrial waste dumpsites to their original state, and transporting material to revive contaminated soil at sites such as former factories.

Restoring Illegal Industrial Waste Dumpsites

Nippon Express is helping solve the illegal dumping problem on Kagawa Prefecture's Teshima Island by recovering an estimated 670,000 tons of waste, including contaminated soil, and transporting it to a new intermediate processing facility on Naoshima Island. For this task, we developed containers with excellent corrosion resistance, sealing, and watertightness in view of the nature of the wastes, as well as special trucks to haul the containers, and the *Taiyo*, Japan's first ship for hauling specially managed wastes, which was built with special consideration for safety. The *Taiyo* makes two round trips daily between Teshima and Naoshima, hauling up to 300 tons of waste a day. We are also actively offering recommendations on safety and transport quality regarding the illegal dumpsite on the border between Aomori and Iwate Prefectures, said to be Japan's biggest. Further, last year we test-hauled some of the wastes.



Illegal dumpsite on Teshima Island: Specially managed waste transport ship *Taiyo*



Illegal dumpsite on Teshima Island: Trucks for hauling special waste containers

Improvement of PCB Waste Transport

The manufacture of PCBs, which were used as insulation in transformers, capacitors, and other equipment in the 1960s and 1970s, was prohibited in 1972. During the more than 30 years which have passed since then, businesses with such equipment have been required to store it.

When these businesses leave or sell PCB storage facilities, they must move the equipment, and that is where Nippon Express comes in to provide assistance. Once disposal plants come into operation, collection and transport will become a full-blown operation, and for that day, we are planning collection and transport systems that are safe and reliable.

We move this equipment safely and reliably in accordance with the Collection and Transport Guidelines released by the Ministry of the Environment.



Moving a transformer containing waste PCBs

Commitment to Contaminated Soil Removal

The Soil Contamination Countermeasures Law, coming into force in 2003, requires the removal of contaminated soil from brownfields or other sites.

If brownfield soil is found contaminated with heavy metals or volatile organic compounds, we haul it to a remediation facility. We use rail and ship transport due to the limited number of processing facilities and the large volume.



Truck for hauling contaminated soil

Conserving Resources in Our Office Operations

Office operations at Nippon Express facilities involve initiatives to reduce waste and raise the recycling rate. There are also continuing efforts for green purchasing, electricity and water conservation, use of public transportation and more.

Advancing the Three R's

The Three R's are principles for efforts to build a recycling-based society. They stand for "reducing" the volume of wastes generated, "reusing" materials whenever possible, and "recycling" used products as resources. At Nippon Express facilities, we do our utmost not only to reduce resources and energy consumption, but also to collect and sort paper and other waste generated in our offices for easy recycling.

Initiatives at Facilities

An increasing number of branches among Nippon Express facilities are adding their own initiatives to efforts on the Three R's and holding down waste management costs. For example, the activities at branches under the Nagano Regional Managing Branch (Nagano, Matsumoto, Suwa, and Ina Branches) include abolishing wastepaper baskets for individual use, employees taking home their own trash, and, for employees who eat commercial lunches at the office, buying lunches only from purveyors who take the boxes back. Such initia-



tives encourage the Three R's not only by reducing waste generated by our business, but by having employees reduce theirs, too.

Also, the whole company will be following the lead of the Tokyo and Shikoku branches, which are building channels for recycling documents with personal information after safely and reliably pulping them by having the documents put directly into the pulpers of processors with whom they have contracted.

A Manager's Perspective

Developing Systems to Hold Down Company Waste Costs



Atsushi Yanagisawa
Supervisor (Operations)
Matsumoto Branch

For the project of "Creating a New Nippon Express for the 21st Century," which was sponsored by the headquarters in July 2002, the Nagano Branch launched a project team that would have young employees freely offer their ideas, and undertake efforts aimed at accomplishing the project. There were five members including myself, and our chosen theme was "developing systems to hold down company waste costs: Nagano Waste Minimization Operation."

Our purpose was, after having performed proper disposal under waste-related laws, and by also realizing cost reductions, to explore measures that are effective from the perspec-

tives of the Three R's. As a result, we made plans toward such goals as "compressing bulky waste plastics (installing compactors)" and "recycling corrugated cardboard."

For the entire regional managing branch, implementing these measures resulted in a substantial cost reduction in 2003 of 39.6% (22 million yen) over the same period of the previous year, and in 2004 a reduction of 23.5% (8 million yen) over the same period of the previous year, thereby meeting our original goal.

I'm very thankful for the great support we received through our activities from everyone in the regional managing branch, and I would like to use this very valuable experience to become an employee who — as stated in our Environmental Charter — will "win still better trust from society" by "contribut[ing] to global environmental conservation as a 'good corporate citizen.'"

Personnel Training and Workplace Environment Initiatives

Precisely because Nippon Express is in a labor-intensive industry — a service industry entailing mainly freight transport — training the people who are the company’s driving force is a major proposition. We put efforts into enhancing workplace environments to not only elicit the abilities of each employee, but also train employees to be industry people who make a social contribution.

Personnel System

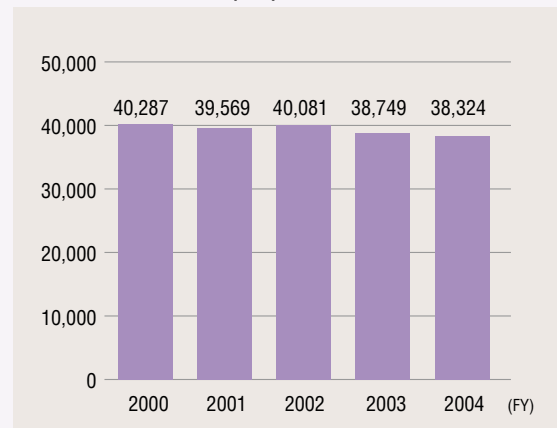
Nippon Express’ personnel system has a basic philosophy comprising the following three principles.

- **Human Dignity**
Regard each employee as an individual with emotions and will, not as mere labor.
- **Emphasis on Performance**
Implement an ability-focused personnel system based on demonstrable achievements.
- **Utilize Talent**
Endeavor to place talented employees in nonclerical jobs.

Employees (as of March 2005)

Total number of employees	38,324	Average age	40.5
Men	33,485	Average years of service	17.4
Women	4,839		

Number of Employees



Personnel Development System

The starting point of Nippon Express’ human resource development and employee skill development is the on-the-job training (OJT) conducted by the supervisor of each workplace through everyday operations.

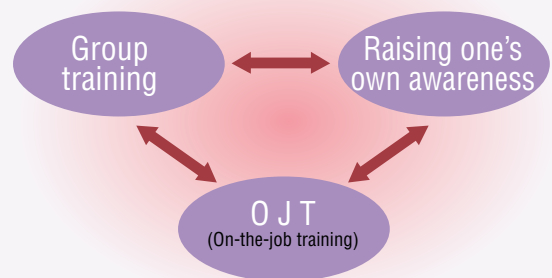
Our “job knowledge contests” conducted since 1997 are one element of OJT. Once a year, young employees ranking below assistant manager take an examination on the knowledge of their jobs. This helps improve each employee’s job knowledge, which in turn helps Nippon Express offer high-quality services.

Group training is provided for specific levels, divisions and skills. Level-based education has employees systematically understand and acquire the job performance capabilities, job knowledge, skills, and basic actions needed at each level so that individual employees discharge responsibilities corresponding to their roles. Its purpose is to enhance employees’ natural abilities. Division-based education is meant to have employees mas-

ter specialized and practical knowledge and skills, while the purpose of skill training is to improve skills and techniques. Furthermore, by training instructors in working divisions, we establish a training system for front-line staff and provide for higher-quality work.

In other ways as well, we help each employee with the challenge of setting and achieving goals, and assist and promote awareness-raising through distance learning.

Education System





A tour of our RORO vessel *Himawari 6* as part of new employee training

Personnel System Reform

To make the personnel system more acceptable to employees and to increase their job motivation through fair and impartial evaluations, we in April 1999 instituted a Job Function Qualification System and “personnel evaluation based primarily on attempting to achieve goals.”

The Job Function Qualification System sets capabilities that the company expects of each qualification category (job function requirements), and creates criteria to judge whether those capabilities have been attained (promotion criteria), thereby making it necessary to fulfill the established conditions and criteria for promotion. The system eliminates the seniority-based elements of the previous system and introduces reforms that reflect the value of work in a system that emphasizes performance, present value and strengthening market competitiveness. This arrangement rewards people for achievements, even if they are young, and makes employees’ jobs meaningful and rewarding.

Relationship with the Labor Union

The All Japan Express Workers Union was launched in 1946 and has 26,477 members, for a unionization rate of about 69%. With a strong relationship of trust, the company and labor union have affirmed that they mutually respect the other’s situation and will maintain the labor-management order as they cooperate in endeavors for better working conditions and company advancement, which both parties perceive to be their common objectives.

To reflect the collective will of union members in company management, we have established the Central Management Council in the headquarters, regional managing branch committees in the regional managing branches, and branch committees in the branches, which hold discussions and inquiries, or give reports.

Improvement of In-house Communication

Nippon Express uses its company newsletter *Nittsu Dayori* (Nippon Express News), which is sent directly to each employee’s home, to publish special features on such topics as CSR promotion, and in other ways, raise the awareness of employees and their families in various ways.

We also publish monthly newsletters to provide all employees with timely news on topics related to legal compliance, protecting personal information, and the environment: *Compliance News*, *Personal Information News*, and *Environmental News*.

Education Program

Item	Description	
OJT	Education through everyday work	
Group training	Level-based education	Training for new branch managers, etc. Total of seven courses.
	Division-based education	Proposal-based sales, etc. Total of 49 courses.
	Skill training	Training for driving instructors, etc. Total of 26 courses.
Distance learning	Level-based courses	Sales ability development training, etc. Total of 3 courses.
	Practical skills courses	Practical vehicle training, etc. Total of 14 courses. (Distance learning developed by Nippon Express)
	Awareness-raising courses	Foreign languages, etc. Total of 148 courses. Sessions begin twice yearly. Employees who complete the courses receive half their tuition back as encouragement for taking more courses.

Commitment to Human Dignity

Nippon Express’ compliance rules recognize the United Nations’ Universal Declaration of Human Rights,* and on that basis, prohibits all actions leading to discrimination, sexual harassment and the like.

In line with this thinking, we use every opportunity to provide training on discrimination against minorities and other human rights issues in group training and meetings. When hiring employees, we always use fair screening procedures, and completely exclude discriminatory treatment. In the event of sexual harassment, power harassment or other such treatment, we have arrangements for reporting and consultation through our whistleblower system, “Nittsu Speak Up,” which enables us to prevent and rectify discrimination and other such acts through swift action.

*Article 2 of the Universal Declaration of Human Rights, which was adopted by the UN General Assembly in 1948, reads, “Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.”



Occupational Safety and Health Initiatives

Nippon Express' greatest asset is employees who are healthy in both mind and body. We believe that assuring employee safety and health in the workplace by means of creating pleasant workplace environments and improving working conditions is a social responsibility that we must discharge.

Basic Guidelines on Occupational Safety and Health

With the aim of “zero accidents, injuries, or suspended business due to illness,” we have established basic rules including Safety and Health Rules in accordance with each relevant law. For each year, we also formulate specific safety and health management policies and pursue safety and health management founded on the principle of human dignity.

Since 2003, we have been running a “plan, do, check and act” (PDCA) cycle-based on the Occupational Safety and Health Management System, which follows Ministry of Health, Labour and Welfare guidelines, with emphasis on carrying out continuous improvement. Each regional managing branch keeps tabs on the implementation plans and specifics of each branch and facility.

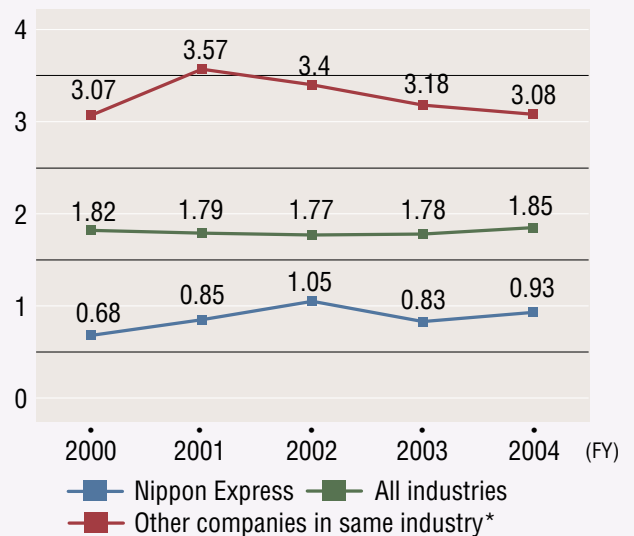
2005 Safety and Health Management Policy

- Carry out safety and health activities with the participation of all employees.
- Comply with laws and with the rules and regulations established by the company and its facilities; create a workplace culture that does not overlook violations of laws and rules.
- Provide all employees with the necessary and sufficient education for safety and health management.
- Endeavor to ensure safety in all operations, and implement anticipatory safety measures.
- Energize the workplace by encouraging workplace safety and health activities, and create workplaces that put the first priority on safety.
- Achieve comprehensive employee health by providing physical and mental health checkups.
- Make workplaces pleasant and orderly by promoting the Five S's (sort, straighten, sweep, spotless, self-discipline).
- Provide for continuous improvement of safety and health standards with the PDCA cycle.

Commitment to the Five S's

At Nippon Express, we regard the Five S's (sort, straighten, sweep, spotless, self-discipline) as the starting point for safety and health management. Implementing the Five S's is one of our activities aimed at building a safe and pleasant workplace environment and culture. We have also incorporated the Five S's into our safety and health management policy, and we are strengthening efforts for their implementation. A standard companywide Five S's Checklist has been developed, and scheduled patrols are carried out.

Accident Frequency Rate



* “Other companies in the same industry” refers to general freight haulers.
 * The accident frequency rate is an international indicator showing the rate at which labor accidents occur.
 Number of deaths and injuries per 1 million hours worked

$$= \frac{\text{Number of deaths and injuries}}{\text{total hours worked}} \times 1,000,000$$

NSG Activities

NSG stands for the Nittsu Safety Group. People from the same workplace who share the same purpose autonomously set up groups and decide on their own goals, then work on solving safety- and health-related problems in the workplace. These small-group activities have been in progress since 1981.

The ultimate goal of NSG activities is to achieve open, cheerful workplaces without accidents, injuries or illness. To eliminate accidents and injuries from workplaces and to make them open and cheerful, NSG activities are carried out periodically. The specifics of activities in workplaces are reported at Regional Managing Branch NSG Activity Case Presentation Meetings, and especially outstanding activities are commended as such at the Nippon Express Nationwide Safety and Health Convention held every year by the Head Office.



NSG activities (Matsuyama Branch)

In 2004, the activities of four groups chosen as representatives of the Kitami, Shikoku, Kagoshima and Kanazawa Branches were commended as outstanding activities out of more than 3,000 groups nationwide.

Workplace Healthcare

Nippon Express has assigned health advisors nationwide to provide employees with health guidance. Advisors conduct regular health checkups and give regular health counseling to individuals.

Especially to prevent ill health caused by mental health problems or overwork, our Health Management Policy, which sets forth the basic policy on health management, gives priority to enhancing remedial measures,

and clarifies the roles of workplace managers, health officers and health advisors. Additionally, we promote measures under the “Four Mental Health Care Types” given below. For the purpose of preventing traffic accidents by sleepy drivers, health advisors ask employees about sleep apnea at the time of regular health checkups. This is another example of prevention efforts in everyday healthcare.

Four Types of Mental Health Care

Nippon Express provides the following four types of mental health care under the Ministry of Health, Labour and Welfare’s “Guidelines for Advancing Worker Mental Health in the Workplace.”

1. Self-care
Offering a system on the company’s intranet allowing employees to check their own stress levels and thereby prompt them to notice stress themselves.
2. Care under the Organizational Structure
Education and training for workplace managers, etc.
3. Care by Industrial Healthcare Staff and Others at Facilities
Care such as individual counseling mainly by industrial physicians, health officers, and health advisors.
4. Care Using Resources Outside Company Facilities
Use of specialized institutions outside company facilities through health advisors, industrial physicians, the Nippon Express Health Insurance Association and others.

Promoting Environmental Conservation Activities

We believe that to build a sustainable society, it is important that administrative authorities, corporations, NGOs and citizens deepen their mutual awareness while exchanging information and opinions on environmental conservation activities. Nippon Express helps with these efforts by actively expanding the circle of interaction through a variety of opportunities.

Participation in Trade Fairs and Other Events

Name of event	Sponsor	How Nippon Express participated	Event dates
Second Exhibit on Leading 21st-Century Industries in Mie	Mie Prefecture	Environmental panel display about Nippon Express, demonstration of eco-packing, etc.	May 21–22, 2004
Eco-Car World 2004: Yokohama Red Brick Warehouse Event Plaza	Ministry of Environment, etc.	Display of CNG truck with two 5-t containers	June 5, 2004
Environmental Panel Exhibit	Minamata City	Environmental panel display about Nippon Express	June 1–30, 2004
Environmental Plaza Sapporo 2004	Sapporo City, etc.	Display of CNG truck with two 5-t containers	July 30–Aug. 1, 2004
Stop Global Warming! Osaka Action 2004	Osaka Prefecture, etc.	Environmental panel display about Nippon Express	Dec. 12, 2004
Exhibit of new long-term-regulation vehicles and demonstration of urea/water solution supply system	Chubu District Transport Bureau	Display of new long-term-regulation vehicles	Jan. 13, 2005

Cooperation with Environmental Policy (Participation in Outside Committees, etc.)

Committee name	Hosted by
Study on Measures to Reduce NOx and PMs from Existing Vehicles	Suuri-Keikaku Co., Ltd., under management of the Ministry of the Environment
Energy Efficiency and Conservation Subcommittee of the Advisory Committee for Natural Resources and Energy	Agency for Natural Resources and Energy, under the Ministry of Economy, Trade and Industry
Waste and Recycling Subcommittee	Environmental Committee of the Industrial Structure Council, under the Ministry of Economy, Trade and Industry
Study Group on Fuel Consumption Standards for Heavy Vehicles	Energy Efficiency Standards Subcommittee of the Advisory Committee for Natural Resources and Energy, under the Ministry of Economy, Trade and Industry
Advisory Committee on Progress of Ubiquitous Network Society, and the Environment	Information Applications Promotion Office of the Information and Communications Policy Bureau, under the Ministry of Internal Affairs and Communications
Committee on Environment and Safety	Nippon Keidanren (Japan Business Federation)
Waste Recycling Subcommittee	Nippon Keidanren
Natural Resources and Energy Subcommittee	Nippon Keidanren
Green Logistics Partnership Conference (provisional)	Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure and Transport; Japan Institute of Logistics Systems; Japan Federation of Freight Industries; Nippon Keidanren
Conference on Green Logistics in Japan (plenary session, Planning and Management Committee, Reverse Logistics Committee, etc.)	Japan Institute of Logistics Systems
Eco-Friendly Logistics Study Committee	Japan Institute of Logistics Systems
National Logistics Conference	Japan Institute of Logistics Systems
Environmental Issues Committee and its subcommittees	Japan Federation of Freight Industries
Logistics Environment Manager Committee	Japan Federation of Freight Industries
Environmental Promotion Committee	Japan Long Haul Trucking Association
Environmental Issues Response Committee	Japan Trucking Association
Environmental Committee	Metropolitan Tokyo Chamber of Commerce
Operations and Finances Committee	All Japan Freight Forwarders Association
Public Relations Committee	Japan LP Gas Association

Presentations at Training Sessions and Other Venues

Name of session	Hosted by	Event dates
Industry Discussion Group (theme: Environment and Distribution: Working for Eco-Friendly Distribution)	Keizai Douyukai (Japan Association of Corporate Executives)	Feb. 3, 2005
Logistics and Environment Conference 2004 (theme: Environmental Problems and Initiatives in the Freight Industry)	Japan Institute of Logistics Systems	Oct. 9, 2004
Guest lecture at Ryutsu Keizai University (theme: Environmental Problems and Environmental Business in the Freight Industry)	Nippon Express	Apr. 28, 2004
Guest university lecture (theme: The Freight Industry and Environmental Problems), Waseda University	Japan Federation of Freight Industries	Apr. 27, 2004
Guest university lecture (theme: The Freight Industry and Environmental Problems), Yokohama National University	Japan Federation of Freight Industries	Aug. 2, 2004
Guest university lecture (theme: The Freight Industry and Environmental Problems), Kansai University	Japan Federation of Freight Industries	Dec. 9, 2004
Truck Transport Business (Advanced) Training (theme: Environmental Initiatives in the Private Sector)	Ministry of Land, Infrastructure and Transport	July 28, 2004
Logistics Environment Manager Training Course (theme: Environmental Ordinances)	Japan Federation of Freight Industries	Oct. 21, 2004
Policy IV Training Instructor of the College of Land, Infrastructure and Transport synthetic course (theme: Nippon Express' Initiatives on Environmental Problems)	Ministry of Land, Infrastructure and Transport	Nov. 25, 2004
Committee Entrusted by the Ministry of Economy, Trade and Industry—presentation at Committee Researching the Building of Cyclical Networks in Asia (theme: Freight Transport Situation in China, and Nippon Express' China Business)	Global Industrial and Social Progress Research Institute	Jan. 24, 2005
Chubu Council on Encouraging the Use of Low-Emission Vehicles (theme: Introduction of Low-Emission Vehicles by Nippon Express)	Chubu District Transport Bureau	Mar. 22, 2005
NPO-hosted debate: specialized session called "Let's put the brakes on global warming by changing Osaka."	Osaka People's Environmental Network	Apr. 18, 2004
PCB Environmental Forum of the North	Hokkaido and others	July 23, 2004

Information Disclosure

A company today must create symbiotic relationships while communicating not only with its stakeholders, but also with the society at large. Nippon Express has launched a vigorous effort to disclose information using the Internet.

Distribution Plaza

To build good relationships with end users as a good corporate citizen, Nippon Express publishes an e-mail magazine, *Distribution Plaza*, through which we strive for interactive communication. *Distribution Plaza* is produced jointly with Nittsu Research Institute and Consulting, Inc. and issued periodically with the latest news and topics in the freight industry, explanations of topical industry terms, and other information.

Featured in 2004 was a large volume of information relating to the logistics industry and the environment, such as global warming and the Kyoto Protocol, regulatory trends including the Law Concerning the Rational Use of Energy, modal shift, low-emission vehicles and eco-driving, and industry trends. The publication also timely presents the Act on the Protection of Personal Information and other information on legal regulations pertaining to the logistics industry.



Screenshots of *Distribution Plaza*

Production of Environmental Reports, and Environmental and Social Reports

Nippon Express started producing an *Environmental Report* in 2000, and has used it to provide information to the public, mainly pertaining to our efforts for environmental conservation.

Since beginning the report, we have received — and reflected in subsequent reports — questionnaires, tele-

phone calls, and e-mails from a variety of stakeholders, as well as opinions and questions via the customer inquiries office. Beginning this year, we have further developed the report into the *Environmental and Social Report*, which adds the social aspect to the environmental aspect covered from the outset.



2003 report



2004 report



2005 report

Activities to Benefit Society

Nippon Express has for some time engaged in many activities to benefit society. While just a few examples are presented here, we have many others including elementary school social studies field trips, training for school teachers at our company, hosting observer groups and other visitors from abroad, fellowship practice with local youth kendo clubs in our Head Office's kendo gym, and baseball training for elementary and junior high school students by the Nippon Express Baseball Club. Through interaction with the young people who will support the next generation, and activities that help preserve Japanese traditions and cultural assets, Nippon Express strives to achieve symbiosis with society as a good corporate citizen.

Participation in Local Festivals

At Nippon Express branches throughout Japan, we participate in local festivals as a company or as individuals. For example, the Aomori Branch has participated in the Aomori Nebuta Festival by making large figures of various entities every year, for a continuous 59 years of participation from 1947. Through participation in local festivals, Nippon Express carries on efforts for ensuring symbiosis with society and for passing traditional Japanese culture on to the next generation.



Aomori Nebuta Festival

Nippon Express Family Concerts

The Nippon Express Family Concerts, which Nippon Express co-sponsors and are concerts of children's songs performed by sisters Saori Yuki and Sachiko Yasuda, have for nearly 20 years since their inception in 1986 continued to charm many fans nationwide with the beauty of the Japanese language, richness of expression, and warm presentation. We also co-sponsor the Homemade School Concerts, which the sisters host by going to schools, as the singers wish to convey children's songs and singing to youth. Since 2002 and in many places nationwide, they have held these "homemade" concerts with students, teachers and parents, and have received warm expressions of appreciation from students and many other people. By supporting these concerts, Nippon Express would like to assist with delighting and moving people, and also passing traditional songs on to the next generation.



Homemade school concert

Museum of Logistics

The Museum of Logistics, created by the Forwarders Council, is Japan's first museum specializing in the freight transport industry. The museum was established in August 1998 in the Takanawa district of Tokyo's Minato Ward to widely promote the logistics industry to the public.

The collection, many of whose items Nippon Express owns, comprises about 10,000 documents, 2,000 artifacts, 40,000 photographs, and 100 videos and films. Many visits are from elementary school social studies field trips and junior high school students, and the museum occasionally hosts special exhibits and events. The museum's program is aimed at a broad range of ages, ranging from courses in reading ancient documents to hands-on courses based on logistics themes planned for children during summer vacation, such as "corrugated cardboard handicraft."



Museum of Logistics

Response to the Great Mid-Niigata Prefecture Earthquake

On October 23, 2004, a 6.8-magnitude earthquake shook the Chuetsu region of Niigata Prefecture. Nippon Express responded by storing and transporting relief supplies, carrying JR containers in place of trains in areas with sundered rail lines, and helping in other ways.

In its emergency transport for this disaster, Nippon Express made use of the many lessons it learned after the Hanshin-Awaji (Kobe) Earthquake, to which we responded as a designated public agency under the Disaster Measures Basic Law. Further, this has allowed us to realize once again that, in response to great public need, we should discharge our social responsibility by providing transport services at the time of large-scale disasters like this.

Storage and Transport of Relief Supplies

Starting on October 23, the day of the earthquake, Nippon Express' Niigata Branch responded to requests from Niigata Prefecture and other entities by transporting relief supplies. In answer to a request from the prefecture to make proposals on relief supply storage and transport, Nippon Express took the lead in setting up the Niigata Prefecture Relief Supply Storage Center and the Niigata Prefecture Relief Supply Delivery Center, which began operations on November 2. The system worked by first organizing and storing the many relief supplies from donors throughout Japan, and then delivering them in response to requests from disaster response headquarters in the earthquake-stricken area. To support the expeditious organizing delivery and other treatment of relief supplies, Nippon Express has also

deployed employees at the prefecture's disaster response headquarters and in Ojiya City to provide indirect support for evacuees.



Niigata Prefecture Relief Supply Delivery Center

Carrying JR Containers in Place of Trains

The earthquake severed JR regular train routes joining the Sea of Japan coastal region with Hokkaido and regions west of Kansai, and with the Chubu and Kanto regions. The transportation of vital supplies for industry and the general public accordingly became unavailable. Because it was learned that restoring rail service would require quite some time, we on October 28 started working with other rail freight transport companies to transport containers over routes whose JR train lines were severed, and endeavored to maintain the distribution lifeline.

We gathered large trucks (which each could carry two 5-ton JR containers) from Nippon Express branches nationwide, and at the maximum had about 90 on hand, substituting for JR on routes including Niigata-Toyama and Niigata-Koriyama. This transport continued for about two months until December 26, when rail service was restored on the Joetsu Line, which links the Kanto region with Niigata Prefecture.

*About the earthquake's name

The Meteorological Agency calls the earthquake the "Mid-Niigata Prefecture Earthquake," but in view of the severe damage, we have changed it to the "Great Mid-Niigata Prefecture Earthquake."



Loading a truck



A Tottori Branch truck hauling relief supplies

Beautification Efforts

Nippon Express mainly worked on beautification activities as environmental conservation activities in response to Environment Month in June 2004. As our partnership took place in various locations with local NPOs, administrative agencies and other entities, more than 14,000 employees and family members nationwide participated in the activities. Here are a few examples of our efforts.

The Nagoya Branch has continued twice weekly beautification activities around its branch building and, in March 2005, the branch received a commendation from the president of the Nagoya Urban Beautification League (the mayor of Nagoya).



Beautification activities around the Nagoya Branch building

In May 2005, the Gunma Branch's beautification activities cleaned up around Lake Haruna as 88 employees and family members participated, doubling as healthful exercise.



Beautification activities at Lake Haruna (sorting trash after collection)

The Sendai Branch participated in the Sendai City Central Zone Littering Prevention Campaign, hosted by Sendai City on June 3, 2004. Nippon Express joined other companies and groups in beautification activities around Sendai Station for nearly two hours.



Beautification activities around the Sendai Station area

In June 2004 and March 2005, a total of 90 employees conducted beautification activities around Shimbashi Station in Tokyo. The participants were from Nippon Express and its group companies, including Nittsu Real Estate, Nippon Shipping Co., Ltd., Nittsu Research Institute and Consulting, Inc., and Nittsu Heartful Co., Ltd.



Beautification activities at JR Shimbashi Station (discussing procedure beforehand)

Achievements of ISO Activities

Reduction of Electrical Power Consumption (Facilities with ISO 14001 Certification)

	Baraki Air Cargo Distribution Center	Narita Airport Logistics Center (general cargo)	Narita Airport Logistics Center (perishable cargo)	Nagoya Distribution Center	Nanko Air Cargo Center	Hiroshima Domestic Air Cargo Center	Takamatsu Air Cargo Center	Fukuoka Air Cargo Center	Sendai Airport Logistics Center	
Index	Consumption (kWh)			Consumption per ton of cargo handled (kWh/t)	Consumption (kWh)					
Target	15,000 kWh reduction from previous fiscal year	1% reduction from previous fiscal year	0.5% reduction from previous fiscal year (including fumigation warehouses)	1% reduction from previous fiscal year	1% reduction from previous fiscal year	1% reduction from previous fiscal year	1% reduction from previous fiscal year	Within previous fiscal year's performance	2% reduction from previous fiscal year	
Performance	FY2003	615,552	2,798,256	1,632,741	0.313	794,550	282,563	163,114	1,134,342	621,738
	FY2004	650,448	2,863,992	1,705,908	0.307	826,167	245,452	168,078	1,116,090	742,010
	Comparison with previous fiscal year	34,896	65,736	73,167	-0.006	31,617	-37,111	4,964	-18,252	120,272
		5.7 %	2.3 %	4.5 %	-1.9 %	4.0 %	-13.1 %	3.0 %	-1.6 %	19.3 %

Reduction/Reuse and Recycling of Waste (Facilities with ISO 14001 Certification)

	Baraki Air Cargo Distribution Center	Narita Airport Logistics Center (general cargo)	Narita Airport Logistics Center (perishable cargo)	Nagoya Distribution Center	Nanko Air Cargo Center	Hiroshima Domestic Air Cargo Center	Takamatsu Air Cargo Center	Fukuoka Air Cargo Center	Sendai Airport Logistics Center	
Index	Recycled amount (kg)	Recycled paper amount (kg)	Recycled amount (kg)	Number of pallets reused for wood (from FY2003)	Waste discharged (kg)			Waste discharged per unit weight handled (%)	Recycled amount (kg)	
Target	2% increase over previous fiscal year	10 tons or more per year	5% increase over previous fiscal year	1,200 sheets yearly (from FY2003)	3% reduction from previous fiscal year	1% reduction from previous fiscal year	3% reduction from previous fiscal year	1% reduction from previous fiscal year	5% reduction in annual emissions	
Performance	FY2003	185,650	16,252	154,280	1,689	47,266.4	12,020	7,108	0.1889	6,330
	FY2004	199,620	18,778	178,860	2,293	21,717.6	13,505	5,623	0.1774	10,908
	Comparison with previous fiscal year	13,970	2,526	24,580	604	-25,548.8	1,485	-1,485	-0.0115	4,578
		7.5 %	15.5 %	15.9 %	35.8 %	-54.1 %	12.4 %	-20.9 %	-6.1 %	72.3 %

Reductions in Fuel Costs/Improvements in Fuel Economy (Facilities with ISO 14001 Certification)

	Baraki Air Cargo Distribution Center	Narita Airport Logistics Center (general and perishable cargo)	Nagoya Distribution Center	Nanko Air Cargo Center	Hiroshima Domestic Air Cargo Center	Takamatsu Air Cargo Center	Fukuoka Air Cargo Center	Sendai Airport Logistics Center	
Index	Distance traveled per liter fuel consumed (km/L)		Fuel (diesel) consumption of pickup/delivery trucks (L)	Distance traveled per liter fuel consumed (km/L)			Fuel (diesel) consumption of pickup/delivery trucks (L)	Fuel consumed per km traveled (L/km)	
Target	2% improvement over previous fiscal year	1% improvement over previous fiscal year	1% improvement over previous fiscal year	6.17 km/L or more	0.5% improvement over previous fiscal year	1% improvement over previous fiscal year	Within previous fiscal year's performance	5% reduction over previous fiscal year	
Performance	FY2003	5.21	5.3	112,058	6.23	5.97	9.41	79,052	0.170
	FY2004	5.37	5.4	106,770	6.23	6.05	9.75	72,580	0.142
	Comparison with previous fiscal year	0.16	0.1	-5,228	0.00	0.08	0.34	-6,472	-0.028
		3.1 %	1.9 %	-4.7 %	0.0 %	1.3 %	3.6 %	-8.2 %	-16.5 %

Energy and Water Consumption at Head Office Building *

FY	Electricity (kWh)	Gas (m ³)	Heavy oil (L)	Water (m ³)	Wastewater (m ³)
2000	4,816,800	176,918	36,235	30,501	22,988
2001	4,800,580	191,007	25,141	29,144	21,982
2002	4,806,684	209,223	43,918	29,988	22,314
2003	10,337,311	361,964	0	29,895	29,505
2004	10,467,686	415,078	0	29,971	35,509

* Data for former Head Office building up to FY2002

Waste Generation and Recycling Ratio at Head Office Building *

FY	Amount generated (t)	Amount recycled (t)	Recycling ratio (%)
2000	228.6	149.5	65.4
2001	250.5	178.0	71.1
2002	261.4	178.4	68.2
2003	222.4	163.2	73.4
2004	219.5	167.0	76.1

* Based on "Waste Reuse Plan for Large Commercial Buildings" submitted each year to Minato Ward (Chiyoda Ward until FY2002).

GRI Guidelines Comparison Table

This table shows the pages in this report that correspond to the indicators.

Item	Indicator	Page
1 Vision and Strategy		
1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development	4–7
1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report	1–2
2 Profile		
Organisational Profile		
2.1	Name of reporting organisation	45
2.2	Major products and/or services	45
2.3	Operational structure of the organisation	45
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures	3, 25
2.5	Countries in which the organisation's operations are located	45
2.6	Nature of ownership; legal form	45
2.8	Scale of the reporting organisation	45
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation	10–11
Report Scope		
2.10	Contact person(s) for the report, including e-mail and web addresses	45
2.11	Reporting period (e.g., fiscal/calendar year) for information provided	Contents
2.12	Date of most recent previous report (if any)	44
2.13	Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope	Contents
2.14	Significant changes that have occurred since the previous report	2, 45
Report Profile		
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report	Contents
2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits	13
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and reliability that can be placed on the sustainability report	6–7, 14
2.21	Policy and current practice with regard to providing independent assurance for the full report	43
2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation's activities, including facility-specific information (if available)	45
3 Governance Structure and Management Systems		
Structure and Governance		
3.1	Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation	6–7
3.2	Percentage of the board of directors who are independent, non-executive directors	6
3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities	6–7
3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies	6–7
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation	4–5
Stakeholder Engagement		
3.9	Basis for identification and selection of major stakeholders	10–11
3.12	Circumstances regarding use of information resulting from stakeholder engagements	37, Questionnaire form
Overarching Policies and Management Systems		
3.15	Principal memberships in industry and business associations, and/or national/international advocacy organisations	36
3.19	Programmes and procedures pertaining to economic, environmental, and social performance	12
3.20	Status of certification pertaining to economic, environmental, and social management systems	14
4 GRI Content Index		
4.1	A table identifying location of each element of the GRI Report Content, by section and indicator	42
5 Performance Indicators		
■ Economic Performance Indicators		
Direct impacts		
Core indicators		
Customers		
EC1	Net sales	45
■ Environmental Performance Indicators		
Core indicators		
Emissions, Effluents, and Waste		
EN8	Greenhouse gas emissions. (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆)	12

Item	Indicator	Page
EN10	NO _x , SO _x , and other significant air emissions by type	12
Additional Indicators		
Transport		
EN34	Significant environmental impacts of transportation used for logistical purposes	12
Overall		
EN35	Total environmental expenditures by type	13
■ Social Performance Indicators		
Labor Practices and Decent Work		
Core Indicators		
Employment		
LA1	Breakdown of workforce	32
Labor/Management Relations		
LA3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country	33
Health and Safety		
LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	34
LA10	Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring	5, 33
Additional Indicators		
Labor/Management Relations		
LA13	Provision for formal worker representation in decision making or management, including corporate governance	33
Training and Education		
LA16	Description of programmes to support the continued employability of employees and to manage career endings	32–33
LA17	Specific policies and programmes for skills management or for lifelong learning	32–33
Human Rights		
Core Indicators		
Strategy and Management		
HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	5, 33
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	5
Non-discrimination		
HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	5, 33
Additional Indicators		
Disciplinary Practices		
HR10	Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights)	6, 33
Indigenous Rights		
HR12	Description of policies, guidelines, and procedures to address the needs of indigenous people	4
Society		
Core Indicators		
Community		
SO1	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	4, 38–40
Bribery and Corruption		
SO2	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption	5
Political Contributions		
SO3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions	4–5
Additional Indicators		
Community		
SO4	Awards received relevant to social, ethical, and environmental performance	3, 40
Competition and Pricing		
SO7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour	5
Product Responsibility		
Core Indicators		
Respect for Privacy		
PR3	Description of policy, procedures/management systems and compliance mechanisms for consumer privacy	45

The GRI Guidelines are available at: <http://www.globalreporting.org/>

A Third-party View

With the establishment of the CSR Division, the re-designing of the *Environmental Report* into the *Environmental and Social Report*, and other events, Year 2005 was a year of changes that created a system for discharging the company's responsibilities to society.

One can see that, as a company that offers a wide variety of services from freight transport to air travel services both in Japan and abroad, the sincere intention to start from things that can be done is communicated to everyone, so that the Head Office's philosophy reaches the front-line staff.

Especially commendable are the following points.

In terms of the environment, I highly value effective reduction of CO₂ emissions through endeavors centered around modal shift. Efforts can be seen to incorporate "environmental consideration" into their business, such as by joint operations with other companies, and service improvements that use cutting-edge technologies to respond to customer needs. Also, it is praiseworthy how the company works for overall improvement by guiding the approximately 1,100 facilities nationwide to receive Green Management Certification.

With respect to making an environmental contribution, I sensed that the beautification campaign during June, which is Environment Month, was an initiative intimately linked to the company's business. The concept of "showing gratitude for letting us use the roads as our workplace," consciousness-raising for the approximately 14,000 employees who participated, the contribution to local communities, and other components were, I think, significant activities both in-house and externally.

In the human rights and social arena, Nippon Express receives high marks for the role it played by storing and transporting relief supplies as a designated public agency under the Disaster Measures Basic Law at the time of the Great Mid-Niigata Prefecture Earth-

quake. With regard to employees' occupational safety and health, it is commendable that Nippon Express discloses the figures for its accident frequency rate, which indicates the rate at which labor accidents occur, that it has a rate lower than many other general cargo motor transport businesses, and that it has set an even higher accident prevention goal.

Efforts are needed in the following areas to realize still further improvement.

On the environment, more specific numerical targets or action plans should be set forth clearly for each division. I would like to see the formulation of the PDCA process leading to implementation actively promoted and publicized. In addition to initiatives to reduce CO₂ emissions at Nippon Express on a non-consolidated basis, desired would be efforts to improve the entire industry by actively motivating allied companies and customers.

As to issues involving human rights and society, there still appears to be room for improvement in areas outside of compliance. Further substantial progress can be expected as the company identifies the items that require effort by individual divisions, each of which has different stakeholders, and as the company clearly defines its objectives. I would especially like to see specific figures for the male-female ratio in management positions and for the recruitment of women in the report, and have them used as future targets.

It is said that "transport helps society flourish" and, precisely because this is an industry that underpins the livelihood of each person, it has a very big impact. I believe that efforts by each of Nippon Express' approximately 40,000 employees can lead to efforts by 100,000 or 1 million more people.

In the future, I will look forward to seeing major results achieved under the CSR system created this year.



Risa Tanaka

Risa Tanaka, Editor-in-Chief
Sendenkaigi and Kankyokaigi

Chronology of Our Endeavors for Environmental Conservation

- 1987

 - Trial use conducted of methanol vehicles (2-ton trucks)
- 1989

 - Nippon Express proprietary 2-ton containers for rail transport launched
- 1990

 - Sept. · Companywide initiatives taken to place vehicle keys on chains and have drivers attach the chains to their trouser belts to prevent vehicle engine idling while parked
- 1991

 - Sept. · Environmental Measures Committee established with the executive vice president serving as the committee chairman
 - Trial use conducted of electric vehicles (light vehicles on loan from the Tokyo Metropolitan Government)
- 1992

 - Mar. · Electric vehicles (1.5-ton trucks) added to fleet
 - Apr. · Node terminal established in Nakai, Kanagawa Prefecture
 - May · Companywide efforts commenced to sort and recover paper waste, use recycled paper, and otherwise reduce the amount used to make more effective use of paper resources.
- 1993

 - Jan. · Energy-Efficient Driving Handbook prepared (included in driver's logbooks)
 - Apr. · Basic corporate philosophy on environmental conservation drawn up
 - Trial use of hybrid vehicles (3.5-ton trucks) conducted
 - June · Reusable packing materials for moving developed and introduced
 - Operation commenced of company electric vehicle quick-charge station using nighttime electricity
 - July · LPG vehicles (1-ton trucks) added to fleet
- 1994

 - Apr. · Environmental Policy Group created in the Quality Control Division
 - Nov. · Joint transport commenced on truck business trunk lines (Tokyo–Osaka, Tokyo–Aichi)
- 1995

 - Mar. · Trial use conducted (in Tottori) of 3-ton trucks powered by liquefied petroleum gas (LPG) engines
 - Apr. · Seals introduced on Small Package Bags (Pelican bags) that do not generate trash
 - Joint transport expanded on truck business trunk lines (Tokyo–Aomori, Tokyo–Fukuoka)
 - June · Trial use conducted of compressed natural gas (CNG) vehicles (2-ton trucks)
- 1996

 - Feb. · Joined the Green Purchasing Network
 - June · “Environmental Measures Self-Diagnosis” conducted companywide as part of Environmental Month
 - Sept. · Node terminal opened in Sano, Tochigi Prefecture
- 1997

 - Jan. · Procompo, a new line of reusable packing materials for moving, developed
 - Mar. · *Nippon Express’ Policies on Environmental Conservation: To Preserve Forever Our Beautiful Earth* published as a pamphlet
 - Apr. · Large high-speed container ship *Uruga Maru* for coastal transport launched
 - July · Eco-driving stickers placed on all company vehicles
 - Dec. · High-speed RORO container ship *Hakata Maru* launched
- 1998

 - Feb. · Trial transport conducted of swappable body transport system between Tokyo and Osaka
 - June · ISO 14001 certification obtained for the Air Cargo Business Division (at three service centers in the Baraki district of Ichikawa City)
 - July · Packing bags (bearing Eco-mark) introduced, being made with recycled paper for Pelican small package delivery service
 - Oct. · Head Office and Tokyo Security Transport Branch presented Chairman’s Award sponsored by the Recycling Promotional Council, acknowledging the efforts of those who have promoted recycling
 - Dec. · Tokyo Air Service Branch presented Minister for Transport Award in first Eco-Drive contest sponsored by the EcoMo Foundation for Promoting Personal Mobility and Ecological Transportation
- 1999

 - Jan. · Nittsu Food Supply System (NFS), a nationwide joint foodstuffs delivery network, launched
 - Apr. · Operation commenced of swappable body transport system between Tokyo and Fukuoka
 - June · Participated in exhibit at 1999 Low-Emission Vehicle Fair during Environmental Month (entered every year since then; called “Eco-Car World” since 2001)
 - Nov. · Employees selected as winners in Environmental Motto Contest sponsored by Japan Long Haul Trucking Association (one grand prize winner, one first prize winner, and four honorable mentions)
 - Dec. · Director-General of the Environment Agency Award presented in the “Practice of Global Warming Prevention Activities Division,” sponsored by the Environment Agency
- 2000

 - Feb. · Participated in the exhibit at the Logistics and Environment Fair 2000 sponsored by the Japan Federation of Freight Industries
 - Mar. · ISO 14001 certification advanced in the Air Cargo Business Division (5 more service centers certified)
 - Apr. · Ecoliner 31 (wing-type containers) introduced (Tokyo–Osaka)
 - Construction of the Izu Training Center for the improvement of vehicle maintenance and driving skills completed
 - Pelican Spot distribution centers to reduce environmental impact launched
 - Construction of new node terminal, Tama Terminal, completed
 - July · Uniforms changed of Pelican couriers to polo shirts made of eco-materials
 - Participated in the exhibit at the Energy Exhibition held prior to Kyushu Okinawa Summit
 - Sept. · *Environmental Report 2000: Taking Our Beautiful Earth into Tomorrow* published
- Dec. · Ratings of A (deviation value of at least 55) awarded for all five categories in the Environmental Management Survey of non-manufacturing companies conducted by Nihon Keizai Shimbun, Inc.
- 2001

 - Feb. · Head Office presented special award from Chiyoda Ward in Tokyo for its “Three R’s” efforts
 - Participated in the exhibit at the Environmental Forum and Panel Exhibition sponsored by the Japan Federation of Freight Industries
 - Mar. · Ecoliner 31 (winged container) use expanded to routes between Osaka and Fukuoka
 - ISO 14001 certification advanced in the Air Cargo Business Division (2 more service centers certified)
 - Apr. · Large, high-speed RORO container ship *Himawari 1* launched
 - Use of Ecoliner 31 container expanded to Tokyo–Sapporo route
 - June · Nippon Express Group Environmental Council established
 - Logistics Environment Award presented in the Second Logistics Environment Award sponsored by Japan Federation of Freight Industries
 - Environmental Policy Group within the Quality Control Division relaunched as the Environmental Policy Office
 - July · Operation of regular Hokkaido route commenced using the large, high-speed RORO container ship *Himawari 2*
 - Sept. · *Environmental Report 2001* (Japanese and English versions) published
 - Oct. · Participated in the exhibit at Daily Life Festa Tokyo, a 2001 Tokyo Consumer Month project
 - Dec. · Ranked 13th in the Environmental Management Survey of non-manufacturing companies conducted by Nihon Keizai Shimbun
- 2002

 - Feb. · Participated in the exhibit at Logistics and Environment Fair 2002 sponsored by Japan Federation of Freight Industries
 - Mar. · ISO 14001 certification advanced in the Air Cargo Business Division (2 more service centers certified)
 - Aug. · Customer study tour of marine transport facilities conducted in conjunction with modal shift promotion (in Tomakomai)
 - R&S container (12-ft/5-ton) developed for dual marine/road transport
 - *Environmental Report 2002* (Japanese) published
 - Sept. · Participated in the exhibit of low-environmental-impact packing materials at Tokyo Pack 2002
 - Introduced world’s first capacitor-powered hybrid truck
 - Clean energy vehicles in fleet topped 1,000
 - Nov. · Introduced world’s first single-container CNG-powered trucks for JR containers
 - Dec. · Loglink Japan ASP service adopted for next vehicle and cargo allocation system
- 2003

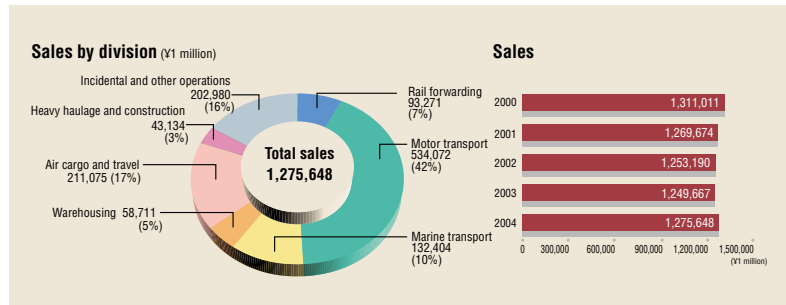
 - Jan. · Environment Division established in Head Office (responsible for environmental policy and conservation)
 - Provided cooperation to the Ministry of Land, Infrastructure and Transportation in the experiment to test truck/rail waste-stream transport system (for plastic waste) between Kawaguchi and Kawasaki
 - Mar. · Introduced Japan’s first 2-container CNG-powered trucks for JR containers
 - Wind turbine blade vertical transport system developed
 - Apr. · Commenced commissioned job of removing illegally dumped waste from Teshima Island, Kagawa Prefecture
 - May · Energy Efficiency Promotion Committee established
 - June · Eco-packing launched
 - Compliance Division created in the Head Office
 - Operation of Manifest Management Center commenced
 - July · Head Office building moved (from Akihabara to Shiodome)
 - Sept. · Speed limiter installation required for large vehicles
 - *Environmental Report 2003* (Japanese version) published (English version in December)
 - Oct. · Motor Vehicle NOx/PM Law and environmental ordinances of Metropolitan Tokyo and other municipalities took full effect
 - Nippon Express Conduct Charter revised
 - New high-speed RORO vessels entered into joint service with Shosen Mitsui Ferry on Tokyo–Hakata route (2 vessels per company, total of 4 vessels phased into service by following January)
 - Nov. · Whistleblower system, Nittsu Speak Up, launched
 - First Japan–China direct regular freight service (“Super Express,” Hakata–Shanghai) started
 - Logistics and Environment Conference established by the Japan Institute of Logistics Systems with Nippon Express participating as vice-chair
 - 31-ft container, Big Ecoliner 31, introduced
- 2004

 - Jan. · Company slogan “With Your Life” adopted
 - Mar. · Green Management Certification granted to Funabashi and Arasuna branches
 - June · Initiatives taken for environmental conservation and community benefit conducted as companywide activities
 - July · Modal shift campaign launched
 - Head Office facility committed to “summer energy-saving activities”
 - Sept. · First term of the Logistics Environment Manager Training Course by Japan Federation of Freight Industries offered
 - *Environmental Report 2004* (Sep. 30) published
 - Oct. · Hyogo Prefecture Diesel Emission Control Ordinance took effect (Oct. 1)
 - Dec. · Green Freight Transport Partnership Conference launched by government and private sector
- 2005

 - Jan. · Automobile Recycling Law entered into full force (Jan. 1)
 - Feb. · CSR Department established, Environment Division and Legal Affairs & Compliance Division reorganized, and Personal Data Protection Division created
 - Participated in the exhibits for modal shift, digital tachographs, etc. at ENEX 2005 (Tokyo and Osaka venues)
 - Kyoto Protocol entered into force (Feb. 16)
 - Mar. · Eighth Nippon Express Group Environment Council meeting hosted
 - Commendation given to the Nagoya Branch from president of Nagoya Urban Beautification League (mayor of Nagoya)
 - Eco-Rail Mark launched by the Ministry of Land, Infrastructure and Transport (with approval starting in April)

Company Profile (as of March 31, 2005)

Name: Nippon Express Co., Ltd.
 Founded: 1872, as Riku-un Moto Kaisha (Land Transportation Company)
 Established: October 1, 1937
 Headquarters: Higashi-Shimbashi 1-9-3, Minato-ku, Tokyo 105-8322, Japan
 Telephone: +81-3-6251-1111
 Name of Representative: Masanori Kawai, President
 Paid-in Capital: ¥70,175 million
 Number of Shareholders: 96,647
 Business volume: ¥1,275,648 million
 Total annual sales: ¥32,732 million
 Number of employees: 38,324
 Major branches: 69



Including Sapporo Branch, Sendai Branch, Chiba Branch, Tokyo Branch (Koto Ward, Tokyo), Yokohama Branch, Niigata Branch, Kanazawa Branch, Nagoya Branch, Osaka Branch, Shikoku Branch (Takamatsu), Hiroshima Branch, Fukuoka Branch, Tokyo Air Service Branch (Minato Ward, Tokyo), Tokyo International Transport Branch (Shinagawa Ward, Tokyo), and Tokyo Security Transport Branch (Koto Ward, Tokyo)

Major areas of business:

Rail Forwarding
 Motor Transport

Marine Transport

Warehousing
 Air Cargo and Travel

Heavy Haulage and Construction
 Incidental and Other Operations

- Rail forwarding
- Special combined cargo transport on regular routes
- Reserved vehicle general cargo transport
- Container-based domestic marine transport
- International multimodal transportation (principally marine transport of export and import cargo)
- Wharfside cargo moving operations
- Warehouse cargo storage and related operations
- Domestic and international air forwarding
- Domestic and international air travel services
- Transport and installation of heavy cargo, plant construction, maintenance services
- Services related to the above business, including on-site (factory) and moving-related operations, processing for distribution, etc.

Editors' Postscript

This year's *Environmental and Social Report* includes a number of our new attempts. Here we would like to briefly mention a few representative items.

To begin with, this report's front and back covers use color woodblock prints from the early Meiji period. Over the next few years, we are planning to show more of such prints in the possession of Nippon Express by using them on the report's covers.

As the change in this report's title suggests, we have begun to disclose information related to social aspects. While we have started with only a short section this time, we would like to amplify the content little by little in tandem with CSR Department activities. Another area we worked hard on is producing a report featuring real flesh-and-blood people. Previously, the report presented mainly our environmental initiatives as a company, but this time we let employees involved in operations speak for themselves as much as possible. From now on, we hope to introduce not only our environmental efforts, but also our contributions to society and involvement with employees.

At Nippon Express, we intend to continue releasing reliable information in an easy-to-understand for-

mat in the future. We look forward to hearing your opinions and thoughts.

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Note: The opinions, thoughts and personal information that people share with us are not used for any purpose other than producing the *Environmental and Social Report* and responding to their questions. Also, we will never disclose a person's name, gender, postal address, e-mail address, place of employment, or other information that could identify that individual.



The staff of the Environment Division



 **NIPPON EXPRESS**



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