20250714152287

# Årsredovisning för
# APC Logistics AB
(556634-1748)

## Räkenskapsåret
## 2024-01-01 - 2024-12-31

**Fastställelseintyg**

Undertecknad Verkställande direktör i APC Logistics AB intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkning fastställts på årsstämma den 24 Juni 2025.

Stämman beslöt att disponera vinstmedlen i enlighet med förslag.

Stockholm 2025-06-24

Tomas Hammar

20250714152888

# Årsredovisning för
# APC Logistics AB

(556634-1748)

Räkenskapsåret
2024-01-01 - 2024-12-31

20250714153289

# Förvaltningsberättelse

Styrelsen och VD för APC Logistics AB med säte i Stockholm avger härmed årsredovisning för räkenskapsåret 2024-01-01 – 2024-12-31.

## VERKSAMHETEN

### Allmänt om verksamheten

APC Logistics AB startades 2006 och var 2024 ett helägt dotterbolag till Asia Pacific Cargo Pvt Ltd, som i sin tur ägs sedan den 1 november 2012 av den japanska koncernen Nippon Express. APC Logistics drivs som ett separat bolag i oförändrad form. Efter verksamhetsårets slut har ägarstrukturen förändrats, se vidare beskrivning not 23.

APC Logistics koncernen finns representerad i 7 länder och omfattar mer än 20 kontor och 300 anställda.

Bolaget bedriver internationell flyg- och sjötransport, främst mot Fjärran Östern.
Den operativa verksamheten, med kontor i Stockholm, Göteborg och Malmö, har under året fortsatt att fokusera på kundnära, kostnadseffektiva och miljöanpassade logistiktjänster.

I egenskap av IATA agent har APC Logistics AB ett nära samarbete med ett antal utvalda erkänt duktiga flygbolag, därmed kan bolaget erbjuda en förstklassig flygprodukt och service till bolagets kunder.

### Hållbarhetsrapport

Hållbarhetsrapport har upprättats av moderbolaget i den största koncernen Nippon Express Co. Ltd, med säte i Tokyo, Japan, där APC Logistics AB ingår.https://www.nipponexpress-holdings.com/en/sustainability/

### Händelser under räkenskapsåret

En stor del av APCs resultat beror precis som tidigare tre år på marknadsomständigheterna som varit, med svåra supply chain problem för både tillverkande kunder samt transportbolag.

I slutet av 2023 började Houthi rebellerna i Jemen att attackera handelsfartyg som gick igenom Suezkanalen på väg till Europa. Detta gjorde att alla fartyg till och från Asien och Mellanöstern behövde ändra rutt och gå runt Afrika. Detta gav en 2 veckors längre ledtid och skapade obalanser i hamnar men även i företags försörjningskedjor och det skapade stort tryck på flygtransporter och höjde även fraktpriserna väsentligt på sjön.

Det gjorde att 2024 såg ökade fraktpriser på nästan all last till och från Asien som är APCs största marknad. Turbulensen gjorde att det blev mycket mer komplicerat att transportera och svårare att få leveranskvalitet. APC fortsatte att vinna mycket nya kunder under 2024 och många av våra kunder som under 2023 hade minskade volymer ökade nu på sina volymer igen så tillväxten var väldigt stark under 2024.

Bolaget har fortsatt att jobba med IT system för att förenkla både internt men även ut mot kund. Ett nytt Track & Trace system implementerades 2024 och det är ett stort lyft mot för tidigare system och väldigt uppskattat av våra kunder. Fokus på de kommersiella aktivisterna var fortsatt väldigt stark under 2024.

Under 2024 påbörjades även en integration av Cargo-Partner Sverige AB som hade kontor i Stockholm och Göteborg. Aktierna köptes i november och fusionen blev klar 3 februari 2025. Ett stort arbete lades ned för att försöka bibehålla både de nya kollegorna och de nya kunderna under Q4 2024.

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## Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Att APC Logistics AB är ett "asset-light" företag ger företaget förmågan att agera snabbt på skiftningar i marknaden, de anställda är företagets viktigaste komponent och genom det kommer APC Logistics AB kunna fortsätta att erbjuda sina kunder förstklassig och personlig service även under svagare marknadsförhållanden. Under 2024 har bolaget både breddat och utökat sin kundkrets samt har utökat personalstyrkan kraftigt. Dels med cargopartner integrationen men även med andra nya medarbetare. Det har gjort att vi kan anställa mer specifika funktioner som kan driva företaget vidare under 2025 på ett mer fokuserat sätt och öka kvalitén i vårt arbete.

APC Logistics AB har en stabil personalstyrka som med stor kunskap arbetar för bättre kvalitet och har en god service nära sina kunder.

De risker och osäkerhetsfaktorer som APC Logistics AB utsätts för är delvis olika operationella och finansiella risker, inkluderande stora marknadsförändringar, kundstrukturer, inköp och leverantörsrisker samt finansiering, valuta och kundkreditrisker.

De risker som kan anses väsentliga för företagets verksamhet omfattar främst försäljningsområde, marknadsrisker, leverantörsrisker samt kundkreditrisker.

### Utländska filialer

APCs filialer i Finland och Tyskland har trots utmaningarna med den globala marknaden, inte tappat nämnvärt i lönsamhet men dock heller inte kunnat utvecklas som tidigare och man har behövt se över sin kostnadsbas mycket mer noggrant.

Belgien hade ett tufft 2024 resultatmässigt.
Filialerna har nu vänt den ekonomiska utvecklingen och inkluderas i bolagets resultat 2024 med minus 865 062kr

Vad beträffar resultat och ställning i övrigt, hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

I årsredovisningen är SEK tillämpad valuta.

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# FLERÅRSÖVERSIKT

Beloppen i flerårsöversikten är angivna i tusental.
(TSEK)

| | **2024** | **2023** | **2022** | **2021** | **2020** |
|---|---|---|---|---|---|
| Nettoomsättning | 695 811 | 456 424 | 1 229 190 | 1 054 212 | 404 319 |
| Rörelseresultat | 36 698 | 5 814 | 61 371 | 55 137 | 5 500 |
| Resultat före skatt | 38 195 | 6 343 | 64 124 | 46 537 | 2 946 |
| Soliditet % | 58,2 | 60,2 | 50,6 | 24,5 | 38,2 |
| Antal anställda | 61 | 61 | 61 | 52 | 45 |
| Balansomslutning | 274 556 | 215 753 | 248 384 | 306 666 | 100 677 |

## EGET KAPITAL

| | Aktiekapital | Övrigt fritt kapital | Årets resultat | Summa eget kapital |
|---|---|---|---|---|
| Belopp vid årets ingång, enligt fastställd balansräkning | 1 000 000 | 125 320 744 | 3 628 955 | 129 949 699 |
| Resultatdisp enl beslut av årsstämma | | 3 628 955 | -3 628 955 | |
| Omräkningsdifferens | | 278 937 | | 278 937 |
| Årets resultat | | | 29 639 697 | 29 639 697 |
| Belopp vid årets utgång | 1 000 000 | 129 228 636 | 29 639 697 | 159 868 333 |

## RESULTATDISPOSITION

| | |
|---|---|
| Medel att disponera: | |
| Balanserat resultat | 129 228 636 |
| Årets resultat | 29 639 697 |
| **Summa** | **158 868 333** |

**Förslag till disposition beträffande bolagets vinst**
Styrelsen och verkställande direktören föreslår att bolagets vinst behandlas enligt följande:

| | |
|---|---|
| Utdelning | 0 |
| Balanseras i ny räkning | 158 868 333 |
| **Summa** | **158 868 333** |

Bolagets resultat och ställning framgår av efterföljande resultat- och balansräkningar med tilläggsupplysningar.

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# Resultaträkning

| | Not | 2024-01-01<br>2024-12-31 | 2023-01-01<br>2023-12-31 |
|---|---|---|---|
| **Rörelseintäkter** | | | |
| Nettoomsättning | 3 | 695 811 295 | 456 423 549 |
| Övriga rörelseintäkter | | 2 412 521 | 4 150 353 |
| **Summa rörelseintäkter** | | **698 223 816** | **460 573 902** |
| | | | |
| **Rörelsekostnader** | | | |
| Kostnad för utförda tjänster | | -567 094 114 | -365 774 003 |
| Övriga externa kostnader | 4,5 | -25 667 505 | -22 990 970 |
| Personalkostnader | 6 | -66 756 443 | -65 603 439 |
| Avskrivningar av materiella anläggningstillgångar | 11 | -343 999 | -391 207 |
| Övriga rörelsekostnader | | -1 663 671 | 0 |
| **Summa rörelsekostnader** | | **-661 525 732** | **-454 759 619** |
| | | | |
| **Rörelseresultat** | | **36 698 084** | **5 814 283** |
| | | | |
| **Resultat från finansiella poster** | | | |
| Ränteintäkter och liknande resultatposter | 7 | 3 036 925 | 3 075 399 |
| Räntekostnader och liknande resultatposter | 8 | -1 540 039 | - 2 546 429 |
| **Summa finansiella poster** | | **1 496 886** | **528 970** |
| | | | |
| **Resultat före skatt** | | **38 194 970** | **6 343 253** |
| | | | |
| **Skatter** | | | |
| Skatt på årets resultat | 9 | -8 919 046 | -2 728 124 |
| Övriga skatter | | 363 773 | 13 826 |
| **Summa Skatter** | | **-8 555 273** | **-2 714 298** |
| | | | |
| **Årets resultat** | | **29 639 697** | **3 628 955** |

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# Balansräkning

| | Not | 2024-12-31 | 2023-12-31 |
|---|---|---|---|
| **TILLGÅNGAR** | | | |
| **Anläggningstillgångar** | | | |
| *Materiella anläggningstillgångar* | | | |
| Inventarier, datorer och installationer | 10 | 686 656 | 643 656 |
| *Summa materiella anläggningstillgångar* | | *686 656* | *643 656* |
| | | | |
| *Finansiella anläggningstillgångar* | | | |
| Andra långfristiga fordringar | 11 | 7 502 189 | 7 032 304 |
| Aktier i Dotterbolag | 12 | 1 | 0 |
| Uppskjuten Skattefordran | 13 | 108 329 | 108 329 |
| *Summa finansiella anläggningstillgångar* | | *7 610 519* | *7 140 633* |
| **Summa anläggningstillgångar** | | **8 297 175** | **7 784 289** |
| | | | |
| **Omsättningstillgångar** | | | |
| | | | |
| *Kortfristiga fordringar* | | | |
| Kundfordringar | | 76 308 304 | 41 554 115 |
| Kundfordringar hos koncernbolag | | 14 239 018 | 11 381 368 |
| Förskott från kunder | | 0 | 20 447 |
| Övriga fordringar | | 3 375 996 | 16 707 610 |
| Skattefordringar | | 7 087 351 | 0 |
| Förutbetalda kostnader och upplupna intäkter | 14 | 10 467 217 | 3 559 462 |
| **Summa kortfristiga fordringar** | | **111 477 888** | **73 223 002** |
| | | | |
| *Kassa och bank* | | | |
| Kassa och bank | 19 | 154 780 829 | 137 322 645 |
| **Summa omsättningstillgångar** | | **266 258 715** | **210 545 647** |
| | | | |
| **SUMMA TILLGÅNGAR** | | **274 555 890** | **218 329 936** |

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# Balansräkning

| | Not | 2024-12-31 | 2023-12-31 |
|---|---|---|---|
| **EGET KAPITAL OCH SKULDER** | | | |
| **Eget kapital** | | | |
| *Bundet eget kapital* | | | |
| Aktiekapital | 15 | 1 000 000 | 1 000 000 |
| *Summa bundet eget kapital* | | *1 000 000* | *1 000 000* |
| | | | |
| *Fritt eget kapital* | | | |
| Balanserat resultat | 16 | 129 228 636 | 125 320 744 |
| Årets resultat | | 29 639 697 | 3 628 955 |
| *Summa fritt eget kapital* | | *158 868 333* | *128 949 699* |
| **Summa eget kapital** | | **159 868 333** | **129 949 699** |
| | | | |
| **Avsättningar** | | | |
| Direkt Pension | 17 | 5 353 329 | 4 943 235 |
| **Summa Avsättningar** | | **5 353 329** | **4 943 235** |
| | | | |
| **Kortfristiga skulder** | | | |
| Leverantörsskulder | | 13 833 862 | 15 545 364 |
| Skulder till koncernbolag | | 50 705 804 | 24 358 494 |
| Förskott kund | | 16 419 | 0 |
| Aktuella skatteskulder | | 0 | 2 577 060 |
| Övriga skulder | | 1 621 042 | 1 651 493 |
| Upplupna kostnader och förutbetalda intäkter | 18 | 43 157 101 | 39 304 591 |
| **Summa kortfristiga skulder** | | **109 334 228** | **83 437 002** |
| | | | |
| **SUMMA EGET KAPITAL OCH SKULDER** | | **274 555 890** | **218 329 936** |

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| **Kassaflödesanalys** | **2024** | **2023** |
|---|---|---|
| *Den löpande verksamheten* | | |
| Rörelse Resultat | 36 698 084 | 5 814 283 |
| **Justeringar för poster som ingår i kassaflödet** | | |
| 'Avskrivningar | 364 241 | 386 000 |
| 'Realisationsvinst | 0 | 0 |
| 'Omräkningsdifferens | 278 937 | 689 151 |
| Erhållen ränta | 3 036 925 | 3 075 399 |
| Erlagd ränta | -1 540 039 | -2 546 429 |
| Betald inkomstskatt | *-18 219 684* | *-23 009 816* |
| ***Kassaflöde från den löpande verksamheten före förändringar av rörelsekapitalet*** | ***20 618 464*** | ***-15 591 412*** |
| Förändring av rörelsekapital (exl likvida medel) | | |
| - Ökning / + minskning Rörelsefordringar | -31 167 532 | 40 069 839 |
| + Ökning / - minskning Rörelseskulder | 28 884 379 | -30 670 455 |
| ***Kassaflöde från den löpande verksamheten*** | ***18 335 311*** | ***-6 192 028*** |
| *Investeringsverksamheten* | | |
| Investeringar i maskiner och inventarier | -407 241 | -286 886 |
| Försäljning av maskiner och inventarier | 0 | 0 |
| - Ökning av långfristiga fordringar | -469 886 | -2 295 381 |
| ***Kassaflöde från investerings verksamheten*** | ***-877 127*** | ***-2 582 267*** |
| ÅRETS KASSAFLÖDE= | 17 458 184 | -8 774 295 |

| | | |
|---|---|---|
| *Förändring av likvida medel* | 17 458 184 | -8 774 295 |
| *Likvidamedel vid årets början* | 137 322 645 | 146 096 940 |
| *Likvida medel vis årets slut* | 154 780 829 | 137 322 645 |

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## NOTER TILL ENSKILDA POSTER

### Not 1 Tilläggsupplysningar

**Redovisningsprinciper**
Årsredovisningen har upprättats enligt årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Principerna är oförändrade jämfört med föregående år.

**Värderingsprinciper**
***Fordringar***
Fordringar har upptagits till de belopp varmed de beräknas inflyta.

***Tillgångar, avsättningar och skulder***
Tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

***Leasingavtal***
Leasingavtal där de ekonomiska fördelarna och risker som är hänförliga till leasingobjektet i allt väsentligt kvarstår hos leasingtagaren, klassificeras som operationell leasing
Samtliga leasingavtal bokförs linjärt över leasingperioden.

***Intäktsredovisning***
Intäkten av en importtjänst tas när avsändarens gods är i bolagets besittning. Intäkten för exporttjänster tas när godset lämnats till transportören. På detta sätt redovisas intäkten i den period då den anses kunna vara tillförlitlig att beräkna för bolaget.
På samma sätt tas kostnaden för importtjänster när avsändarens gods är i bolagets besittning, och för export när transporten bokats av bolaget. Genom detta förfarande uppnås matchning i samma period mellan kostnader och intäkter.

***Materiella anläggningstillgångar***
Materiella anläggningstillgångar redovisas till anskaffningsvärde med avdrag för ackumulerade avskrivningar och eventuella nedskrivningar. Tillgångarna bokförs linjärt över tillgångarnas nyttjandeperiod.
Nyttjandeperioden omprövas per varje balansdag. Följande nyttjandeperioder tillämpas:

| | **Antal år** |
|---|---|
| Datorer | 3 |
| Inventarier och övriga anläggningar | 5 |
| Installationer | 5 |

***Finansiella instrument***
Finansiella instrument redovisas i enlighet med reglerna i K3 kapitel 11, vilket innebär att värdering sker utifrån anskaffningsvärdet
En finansiell tillgång eller finansiell skuld redovisas i balansräkningen enligt instrumentets avtalsenliga villkor. En finansiell tillgång bokas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången upphör, regleras eller när bolaget förlorar kontrollen över den. En finansiell skuld, eller del av finansiell skuld, bokas bort från balansräkningen när den avtalade förpliktelsen fullgörs eller på annat sätt upphör.
Vid det första redovisningstillfället värderas omsättningstillgångar och kortfristiga skulder till anskaffningsvärde. Långfristiga fordringar samt långfristiga skulder värderas vid det första redovisningstillfället till upplupet anskaffningsvärde. Kundfordringar värderas till anskaffningsvärde med avdrag för befarade förluster. Leverantörsskulder och andra icke-räntebärande skulder värderas till nominella belopp.
Vid värdering efter det första redovisningstillfället värderas omsättningstillgångar enligt lägsta värdets princip, det vill säga det lägsta av anskaffningsvärdet och nettoförsäljningen på balansdagen.

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Kortfristiga skulder värderas till nominellt belopp. Långfristiga skulder värderas efter det första redovisningstillfället till upplupet anskaffningsvärde.

***Nedskrivning av finansiella anläggningstillgångar***
Vid varje balansdag analyseras de redovisade värdena för finansiella anläggningstillgångar för att fastställa om det finns indikation på att dessa tillgångar minskat i värde. Exempel på sådana indikationer är finansiella svårigheter hos låntagaren, avtalsbrott eller om det är sannolikt att låntagaren kommer att försättas i konkurs.

**Avsättningar**
Avsättningar redovisas när företaget har en befintlig förpliktelse (legal eller informell) som en följd av en inträffad händelse, det är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen och en tillförlitlig uppskattning av beloppet kan göras.

En avsättning omprövas varje balansdag och justeras så att den återspeglar den bästa uppskattningen av det belopp som krävs för att reglera den befintliga förpliktelsen på balansdagen, med hänsyn tagen till risker och osäkerheter förknippade med förpliktelsen. Avsättningen redovisas till nuvärdet av de framtida betalningar som krävs för att reglera förpliktelsen.

**Inkomstskatter**
Skatt på årets resultat utgörs av aktuell skatt och uppskjuten skatt. Inkomstskatt redovisas i resultaträkningen utom då den underliggande transaktionen redovisas direkt mot eget kapital, varvid även tillhörande skatteeffekt redovisas i eget kapital.

Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller på balansdagen.

Uppskjuten skatt är inkomstskatt för skattepliktigt resultat avseende framtida räkenskapsår till följd av tidigare transaktioner eller händelser.

Uppskjuten skatt beräknas på temporära skillnader. En temporär skillnad finns när det redovisade värdet på en tillgång eller skuld skiljer sig från det skattemässiga värdet. Temporära skillnader beaktas ej i skillnader hänförliga till investeringar i dotterföretag, filialer, intresseföretag eller joint venture om företaget kan styra tidpunkten för återföring av de temporära skillnaderna och det inte är uppenbart att den temporära skillnaden kommer att återföras inom en överskådlig framtid. Skillnader som härrör från den första redovisningen av goodwill eller vid den första redovisningen av en tillgång eller skuld såvida inte den hänförliga transaktionen är ett rörelseförvärv eller påverkar skatt eller redovisat resultat utgör inte heller temporära skillnader.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

**Ersättningar till anställda**
Ersättningar till anställda i form av löner, bonus, betald semester, betald sjukfrånvaro mm samt pensioner redovisas i takt med intjänandet. Beträffande pensioner och andra ersättningar efter avslutad anställning klassificeras dessa som avgiftsbestämda eller förmånsbestämda pensionsplaner. Bolaget har endast avgiftsbestämda pensionsplaner. Det finns inga långfristiga ersättningar till anställda.

*Pensioner*
Avgiftsbestämda pensionsplaner
Avgifter för avgiftsbestämda pensionsplaner kostnadsförs löpande.

**Fordringar och skulder i utländsk valuta**

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**Värdering av utländskfilial**
Vid varje balansdag räknas monetära & ickemonetära poster i utländsk valuta om till balansdagens kurs. Utländska filialernas intäkter och kostnader räknas om till genomsnittskursen.
Valutakursdifferenser redovisas i rörelseresultatet eller som finansiell post utifrån den underliggande affärshändelsen, i den period de uppstår

**Kassaflödesanalys**
Kassaflödesanalys upprättas enligt indirekt metod. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- eller utbetalningar.

**Not 2 Uppskattningar och bedömningar**
Bolaget gör uppskattningar och bedömningar om framtiden. De uppskattningar för redovisningsändamål som blir följden av dessa kommer, definitionsmässigt, sällan att motsvara det verkliga resultatet. De uppskattningar och antagande som innebär en risk för justeringar i redovisade värden för tillgångar och skulder under nästkommande år behandlas i huvuddrag nedan. Det föreligger viss bedömning vid beräkning vad gäller redovisning av intäkter i den period då den anses kunna vara tillförlitlig.
Vid varje balansdag räknas monetära & ickemonetära poster i utländsk valuta om till balansdagens kurs. Utländska filialernas intäkter och kostnader räknas om till genomsnittskursen.
Valutakursdifferenser redovisas i rörelseresultatet eller som finansiell post utifrån den underliggande affärshändelsen, i den period de uppstår

Osäkra kundfordringar har värderats individuellt utifrån fordrans ålder, kundens betalningshistorik samt betalningsförmåga enligt UC´s rating.

| **Not 3 Inköp och försäljning inom koncernen** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Andel av försäljningen som avser koncernföretag | 52 509 153 | 60 948 978 |
| Extern försäljning | 645 714 663 | 398 792 441 |
| | | |
| Andel inköp som avser koncernföretag | 145 933 548 | 100 748 105 |
| Externt inköp | 567 094 114 | 265 025 898 |
| *Transaktioner mellan företaget och dess närstående har skett på marknadsmässiga grunder.* | | |

**Fördelning av omsättning geografiskt**

| | | |
|---|---|---|
| Omsättning fördelas: | | |
| Sverige | 520 758 545 | 278 426 585 |
| Asien | 48 246 381 | 49 160 707 |
| Europa | 112 644 100 | 111 674 829 |
| Resten av världen | 14 162 268 | 17 161 427 |
| Summa | **695 811 295** | **456 423 549** |

| **Not 4 Leasingavtal – Operationell Leasing leasingtagare** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Framtida leasingavgifter för icke uppsägningsbara leasingavtal förfaller till betalning enligt följande: | | |
| Inom 1 år | 4 799 271 | 4 609 795 |
| Mellan 2 till 5 år | 2 174 901 | 5 089 087 |
| Senare än 5 år | 0 | 0 |
| **Summa leasing** | **6 974 172** | **9 698 882** |

20250714153299

| **Not 5 Ersättning till revisorer** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Deloitte Revisionsuppdrag | 468 198 | 482 570 |
| Övriga tjänster | 0 | 0 |
| **Summa revision** | **468 198** | **482 570** |

| **Not 6 Personal** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Medelantalet anställda bygger på av bolaget betalda närvarotimmar, relaterade till en normal arbetstid. | | |
| *Sverige* | | |
| Antal anställda | 45 | 43 |
| Varav kvinnor | 15 | 15 |
| Varav män | 30 | 28 |
| | | |
| *Filialer* | | |
| Antal anställda | 16 | 18 |
| Varav kvinnor | 10 | 11 |
| Varav män | 6 | 7 |
| | | |
| *Könsfördelning* | | |
| Fördelning mellan kvinnor och män i företagets styrelse | | |
| Kvinnor | 0 | 0 |
| Män | 2 | 2 |
| | | |
| Fördelning mellan kvinnor och män i företagsledningen | | |
| Kvinnor | 2 | 2 |
| Män | 6 | 6 |
| | | |
| *Löner, ersättningar och sociala kostnader Styrelse & Företagsledning* | | |
| Löner och andra ersättningar | 1 685 554 | 4 367 182 |
| Sociala kostnader | 575 616 | 1 415 111 |
| Pensionskostnader | 423 653 | 1 570 499 |
| **Totala löner, ersättningar och sociala kostnader** | **2 684 823** | **7 352 792** |
| | | |
| *Löner, ersättningar och sociala kostnader anställda* | | |
| Löner och andra ersättningar | 45 357 153 | 42 646 121 |
| Sociala kostnader | 10 510 600 | 8 723 925 |
| Pensionskostnader | 6 045 236 | 6 709 837 |
| **Totala löner, ersättningar och sociala kostnader** | **61 912 989** | **58 079 883** |

| **Not 7 Övriga ränteintäkter och liknande resultat-poster** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Externa Räntor | 3 036 925 | 3 075 399 |
| **Summa övriga ränteintäkter** | **3 036 925** | **3 075 399** |

20250714153000

| **Not 8 Övriga räntekostnader och liknande resultatposter** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Externa Räntor | 494 502 | 105 996 |
| Koncern Räntor | 94 767 | 62 403 |
| Finansiell Valutakursförlust | 950 770 | 2 378 029 |
| **Summa övriga räntekostnader** | **1 540 039** | **2 546 429** |

| **Not 9 Skatt på årets resultat** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Aktuell skatt | -8 919 046 | -2 728 124 |
| *Avstämning av effektiv skatt* | | |
| Resultat före skatt | 38 194 970 | 6 343 253 |
| | | |
| Skattekostnad 20,60% | -7 868 164 | -1 306 710 |
| Skatteeffekt av: | | |
| Ej avdragsgilla kostnader | -588 617 | -1 421 414 |
| Ej skattepliktiga intäkter | 51 709 | 0 |
| Avdrag Skatt Finland | -513 973 | 0 |
| **Summa skatt på årets resultat** | **-8 919 046** | **-2 728 124** |

| **Not 10 Inventarier, datorer och installationer** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| Ingående anskaffningsvärde | 2 266 721 | 1 979 835 |
| Årets inköp | 407 250 | 286 886 |
| Försäljningar/utrangeringar | 0 | 0 |
| **Utgående ackumulerade anskaffningsvärden** | 2 673 971 | 2 266 721 |
| | | |
| Ingående avskrivningar | -1 623 065 | -1 237 065 |
| Försäljningar/utrangeringar | 0 | 0 |
| Årets avskrivningar | -364 241 | -386 000 |
| Utgående ackumulerade avskrivningar | -1 987 306 | -1 623 065 |
| **Utgående redovisat värde** | **686 665** | **643 656** |

| **Not 11** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| **Hyresdeposition Sverige** | | |
| Ingående anskaffningsvärde | 390 125 | 390 125 |
| Förändring | 0 | 0 |
| Utgående ackumulerade anskaffningsvärden | 390 125 | 390 125 |
| | | |
| **Kapitalförsäkring Sverige** | | |
| Ingående anskaffningsvärde | 4 943 234 | 2 642 909 |
| Förändring | 410 094 | 2 300 325 |
| Utgående ackumulerande anskaffningsvärde | 5 353 329 | 4 943 234 |
| | | |
| **Hyresdeposition Filialer** | | |
| Ingående anskaffningsvärde | 1 698 945 | 4 736 924 |
| Förändring | 59 790 | -3 037 979 |
| Utgående ackumulerade anskaffningsvärden | 1 758 735 | 1 698 945 |
| **Utgående redovisat värde** | **7 502 189** | **7 032 304** |

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## Not 12 Andelar i Koncernbolag

| Företagets namn | Org.nr | Säte | Eget Kapital | Resultat |
|---|---|---|---|---|
| Cargo-Partner AB | 559100-3073 | Göteborg | 422 883 | -10 005 142 |

## Not 13 Uppskjuten Skatt

| | 2024-12-31 | 2023-12-31 |
|---|---|---|
| Uppskjuten skatt Kapitalförsäkring | 108 329 | 108 329 |

## Not 14 Förutbetalda kostnader och upplupna intäkter

| | 2024-12-31 | 2023-12-31 |
|---|---|---|
| Hyra | 534 320 | 655 599 |
| Leasinghyra | 197 591 | 120 814 |
| Försäkring | 672 917 | 614 567 |
| It & Telefoni | 236 795 | 276 326 |
| Förutbetalda fraktkostnader | 8 215 479 | 1 400 210 |
| Övriga Interimsfordringar | 610 126 | 491 946 |
| **Summa förutb kostnader och uppl intäkter** | **10 467 217** | **3 559 462** |

## Not 15 Upplysningar om aktiekapital

| | Antal aktier | Kvotvärde per aktie |
|---|---|---|
| Antal/värde vid årets ingång | 10 000 | 100,00 |
| Antal/värde vid årets utgång | 10 000 | 100,00 |

## Not 16 Omräkningsdifferens

| | 2024-12-31 | 2023-12-31 |
|---|---|---|
| Omräkningsdifferens utl filial | 278 937 | 689 151 |

## Not 17 Pension

| | 2024-12-31 | 2023-12-31 |
|---|---|---|
| Direkt Pensionsplan | 5 353 329 | 4 943 235 |

## Not 18 Upplupna kostnader och förutbetalda intäkter

| | 2024-12-31 | 2023-12-31 |
|---|---|---|
| Upplupna semesterlöner | 3 770 149 | 3 205 339 |
| Beräknade sociala avg. på semesterlöner | 1 111 476 | 916 732 |
| Beräknad löneskatt pension | 1 064 794 | 2 300 156 |
| Övriga interimsskulder Sverige | 16 726 612 | 10 041 384 |
| Övriga interimsskulder Filialer | 1 018 791 | 1 039 295 |
| Fraktkostnader | 19 465 278 | 21 801 685 |
| **Summa upplupna kostnader och förutb intäkter** | **43 157 101** | **39 304 591** |

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## Not 19 Ställda säkerheter

| **Ställda säkerheter** | **2024-12-31** | **2023-12-31** |
|---|---|---|
| *Panter och därmed jämförliga säkerheter som har ställts för egna skulder och avsättningar* | | |
| Tullverket | 2 100 000 | 890 813 |
| Tullverket FI €100,000 | 1 146 360 | 1 109 600 |
| IATA | 200 000 | 200 000 |
| **Summa ställda säkerheter** | **3 446 360** | **2 200 413** |

## Not 20 Resultatdisposition

| | |
|---|---|
| Medel att disponera: | |
| Balanserat resultat | 129 228 636 |
| Årets resultat | 29 639 697 |
| **Summa** | **158 868 333** |

### Förslag till disposition beträffande bolagets vinst

| | |
|---|---|
| Styrelsen och verkställande direktören föreslår att bolagets vinst behandlas enligt följande: | |
| Utdelning | 0 |
| Balanseras i ny räkning | 158 868 333 |
| **Summa** | **158 868 333** |

## Not 21 Koncernförhållanden

APC Logistics AB, har med stöd av Årsredovisningslagen (1995:1554) 7 kap. 2 § punkt 1, inte upprätta någon koncernredovisning

Minsta koncernredovisning upprättas av:
APC Asia Pacific Cargo (H.K.) Ltd., med säte i Hong Kong S.A.R.

Övergripande koncernredovisning upprättas av:
Nippon Express Co. Ltd, med säte i Tokyo, Japan

Koncernredovisning finns tillgänglig hos:
NIPPON EXPRESS (H.K.) CO., LTD.
RM.1101 CHINACHEM GOLDEN PLAZA,
77 MODY ROAD, T.S.T. EAST, KOWLOON, HONG KONG.

## Not 22 Definition av nyckeltal

*Soliditet*
Justerat eget kapital i procent av balansomslutning

20250714153303

## Not 23 Händelser efter balansdagen

Efter räkenskapsårets utgång har APC fusionerat Cargopartner vilket trädde ikraft den 3 mars 2025.
Efter det har också ägarförändringar inom APC koncernen skett. 1 april 2025 flyttade ägarskapet av APC Sverige och filialer från Nippon Express East Asia Region till Nippon Express (Europe) GmBH. Detta innebär att APC nu rapporterar in till ett subkluster inom Nippon Express (Europe) GmBH som kallas för North East Europe och i praktiken bryts då APC koncernen upp i 2 delar. 1 Asien del och 1 Europa del.
Filialen i Belgien kommer att läggas ner under år 2025

I övrigt har nya handelstullar satts på plats av USA som skapar en stor oro på marknaden, men det är vid skrivande stund fortsatt svårt att veta vad det praktiskt kommer att innebära för APC Sverige. En farhåga är att transportefterfrågan till och från USA kommer att minska på grund av detta.

Det är styrelsens bedömning att effekterna på bolagets/koncernens resultat och ställning är hanterbara men det inte kan uteslutas att effekterna blir väsentliga."

20250714153O4

# Underskrifter

Arlanda 24 Juni 2025
Ort och datum

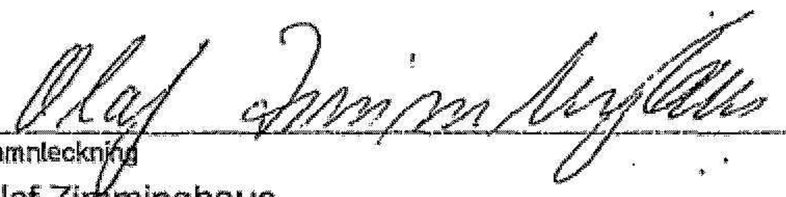
Namnteckning

Jasper van Oudenhoven
Namnförtydligande

Styrelseordförande
Titel

20250714153O5

Arlanda 24 Juni 2025
Ort och datum



Namnteckning
Olaf Zimminghaus
Namnförtydligande
Ledamot
Titel

20250714153306

Arlanda 24 Juni 2025
Ort och datum

Namnteckning

Tomas Hammar
Namnförtydligande

Verkställande direktör
Titel

## REVISORSPÅTECKNING

Vår revisionsberättelse har lämnats i

Umeå 2025-06-25
Ort och datum

Namnteckning

Camilla Backlund
Namnförtydligande

Auktoriserad revisor
Titel

Deloitte AB
Revisionsbyrå

20250714153307

Deloitte.

# REVISIONSBERÄTTELSE

**Till bolagsstämman i APC Logistics AB**
**organisationsnummer 556634-1748**

## Rapport om årsredovisningen

### *Uttalanden*

Vi har utfört en revision av årsredovisningen för APC Logistics AB för räkenskapsåret 2024-01-01 - 2024-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av APC Logistics ABs finansiella ställning per den 31 december 2024 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

### *Grund för uttalanden*

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till APC Logistics AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### *Styrelsens och verkställande direktörens ansvar*

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

### *Revisorns ansvar*

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- *Identifierar och bedömer vi riskerna för väsentliga* felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande *direktörens uppskattningar i redovisningen och tillhörande* upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens *planerade omfattning och inriktning samt tidpunkten för den*. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

20250714153308



## Rapport om andra krav enligt lagar och andra författningar

### *Uttalanden*

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för APC Logistics AB för räkenskapsåret 2024-01-01 - 2024-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

### *Grund för uttalanden*

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till APC Logistics AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### *Styrelsens och verkställande direktörens ansvar*

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

### *Revisorns ansvar*

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

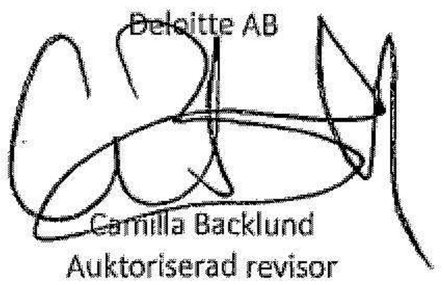
Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

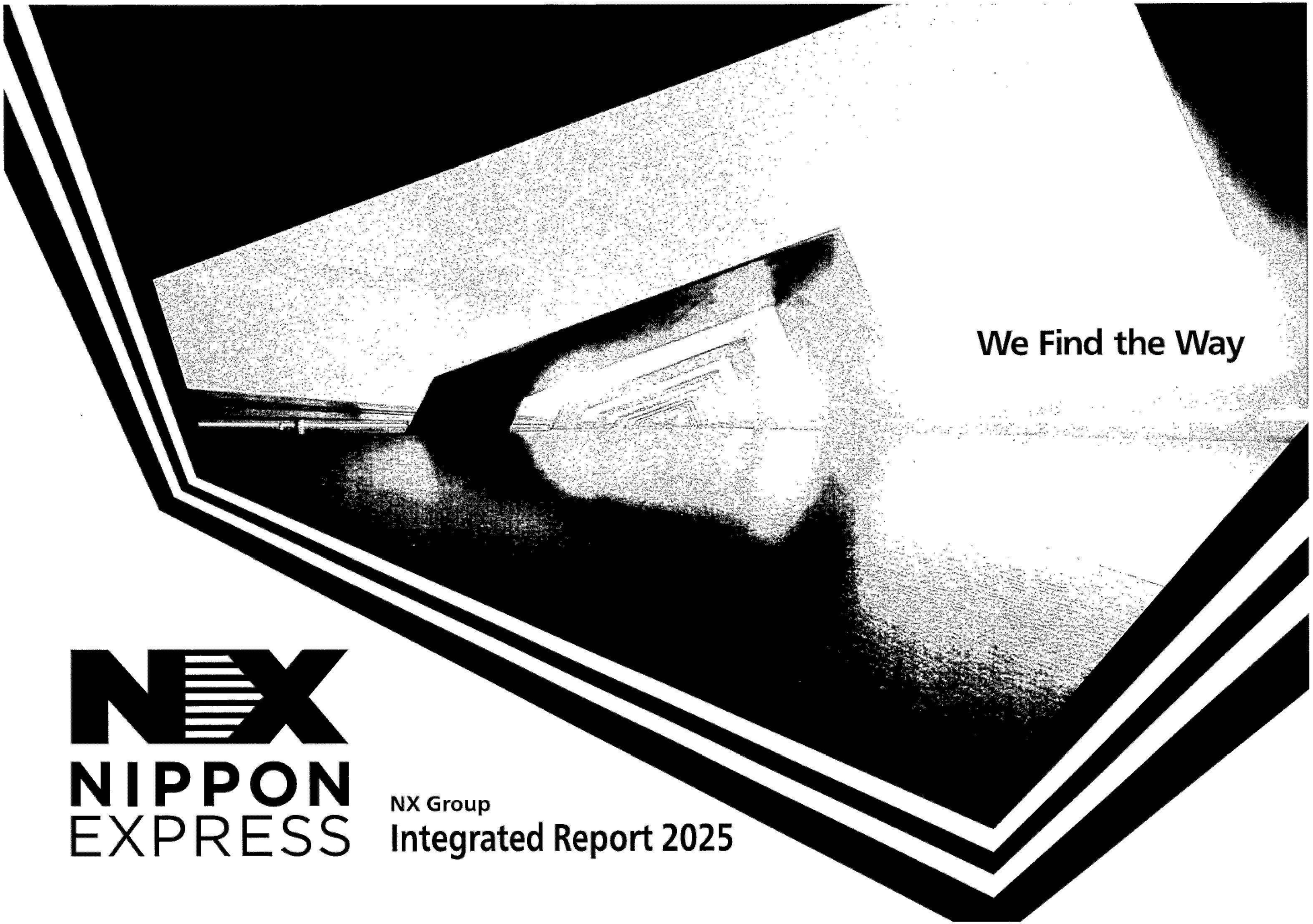
Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Umeå 2025-06-25

Deloitte AB



Camilla Backlund
Auktoriserad revisor




NIPPON EXPRESS

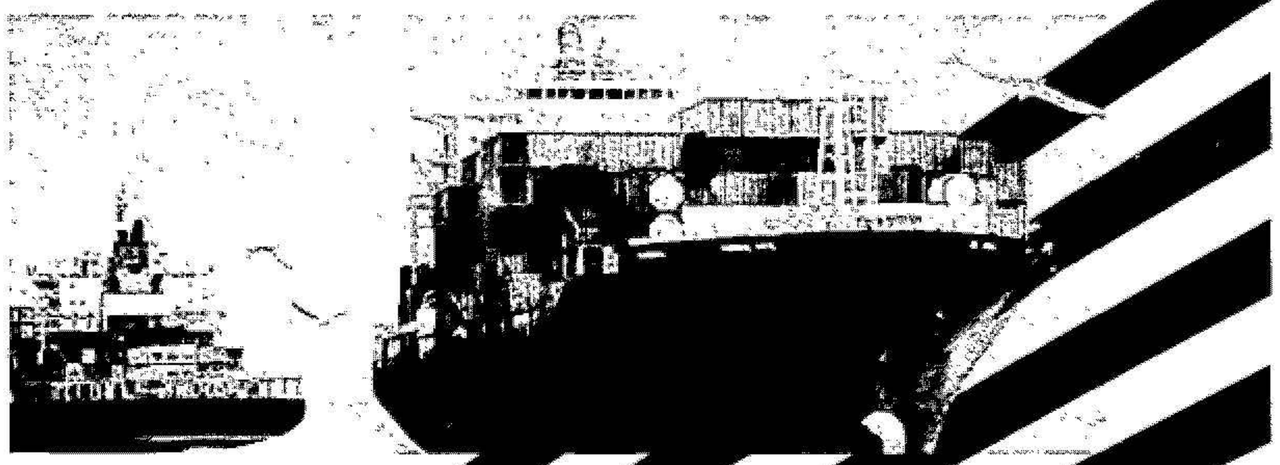
NX Group

# Integrated Report 2025

# NX Group will create new values with logistics based on its unwavering philosophy and values, and achieve growth while contributing to a sustainable society





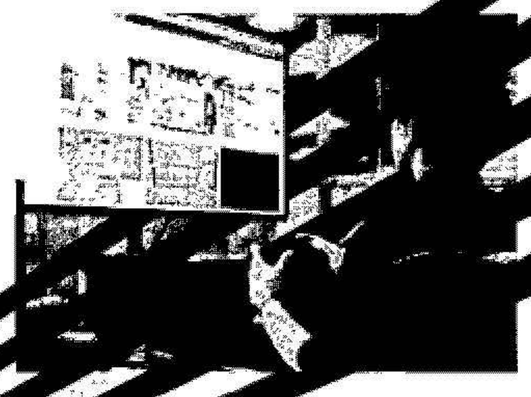



## NX Group Corporate Philosophy

**Our Mission** Be a Driving Force for Social Development
**Our Challenge** Create New Ideas and Value that Expand the Field of Logistics
**Our Pride** Inspire Trust Every Step of the Way

*Since its founding, NX Group has employed its logistical strengths to connect people,* businesses and regions throughout the world. In so doing, we have continuously supported social development.
While our mission never changes, we advance continuously to meet the world's changing needs.
Making no compromise in safety and maintaining a deep focus on environmental issues, we continuously strive to deliver innovative solutions at the next frontier of logistics.
We will forever take pride in our ability to inspire trust and answer the call of society.
Every move we make is aimed at advancing society and bringing an enriched life to future generations.







## NX Group Corporate Message

# We Find the Way

NX Group brings customers' possibilities to reality.
There are often many solutions, but only one way is the way.
We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

# At a Glance

## NX Group in Figures*1

### Establishment

1937

### Number of Countries and Regions

57 Countries and Regions

### Number of Group Companies

339 Companies

### Number of Employees (Number of Employees Working Overseas)

76,389 (26,438)

### Forwarding Quantity

Ocean 899,000 TEU

Air 921,000 t

### Forwarder Ranking

6th in the World

### Warehousing Area (Japan/Overseas)

8,545,000 m²

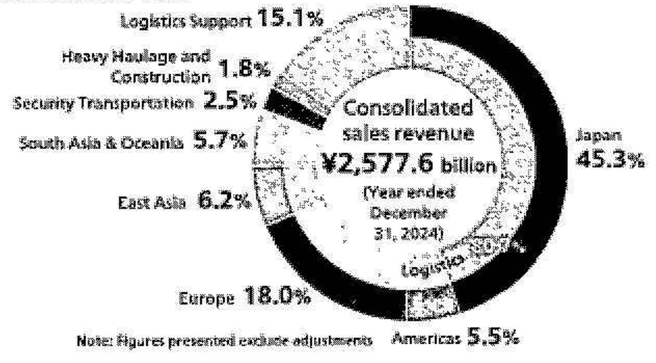
(4,096,000m²/4,449,000m²)

*1 As of December 2024

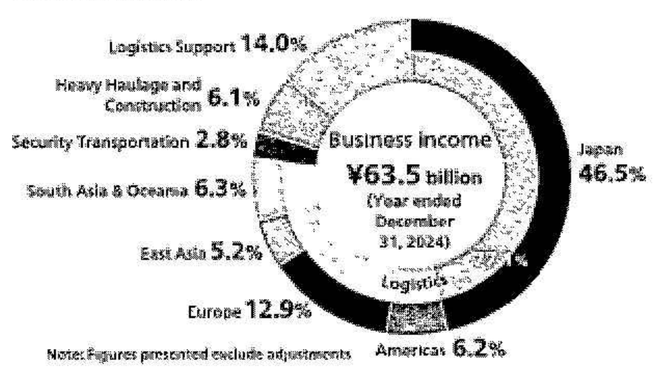
## Financial Information (FY2024 Results)

| | |
|---|---|
| Sales revenue | ¥2,577.6 billion |
| Business income | ¥63.5 billion |
| Business income ratio | 2.5% |
| Overseas sales revenue | ¥926.2 billion |
| ROE | 3.8% |

Reportable Segment Sales Revenue Breakdown




Reportable Segment Business Income Breakdown




## Sustainability Management Information (FY2024 Results)

$CO_2$ Emissions by Scope*2, 3, 4

| | |
|---|---|
| Scope 1 | 528,894t-$CO_2$ (-17,780t-$CO_2$ from previous fiscal year) |
| Scope 2 | 190,207t-$CO_2$ (-12,535t-$CO_2$ from previous fiscal year) |
| Scope 3 | 18,052,883t-$CO_2$ (+9,342,634t-$CO_2$ from previous fiscal year) |

Engagement Score 72pt (Up 1pt from previous fiscal year)

*2 Scope 3 is calculated according to the calculation of the GHG Protocol.
*3 Results are significantly higher from FY2024 due to adding Category 11 emissions to Scope 3.
*4 Please see our website for Scope 3 emissions by category.
Environmental Data (https://www.nipponexpress-holdings.com/en/sustainability/data/e.html)

# NX Group Business Overview

## Logistics

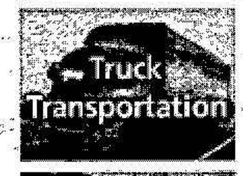
### ■Domestic and International Transport




Forwarding business for domestic and international cargo with airplanes.




International transportation business focused on intermodal transportation, domestic transportation focused on regular domestic cargo and RORO ships, and the port and harbor transportation business.




Combined transportation, charter transportation, and other trucking businesses. We are also building and expanding the transportation network overseas.




Provision of various transportation services that use railway transport around the world.

### ■Warehousing and Logistics Solutions




Services that combine storage, receiving, and shipping of cargo, distribution processing functions, and information functions such as cargo tracking systems in Japan and overseas.

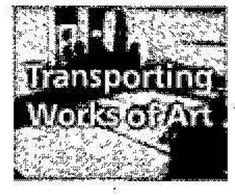



Provision of warehouse management system (WMS) according to the size of sites and needs and other information systems built on our track record and know-how.

### ■Specialized Transportation




Moving business for individual and corporate customers as well as relocation of offices.




Transport of works of art with packing skills of technical staff and transport method that meticulously considers vibration and air conditioning.

## Security Transportation

### ■Solutions for Financial Institutions

Commissioning of cash processing and other physical goods processing businesses. Enables outsourcing of all operations related to cash including set-up services for transporting cash and securities and in-house processing operations.

### ■Solutions for General Businesses

Provisions of sales revenue management service that integrates the collection of cash, gift certificates, and other revenue for depositing to banks and digitizing data.

## Heavy Haulage and Construction

Transportation, installation, and assembly of large devices, complex-shaped equipment, and large-scale structures anywhere based on meticulous planning through the use of specialized machinery and equipment for infrastructure building operations in various industries in and outside Japan.

### ■Main Business Domains

- ☐ Substation equipment
- ☐ LNG and hydrogen power generation equipment
- ☐ Semiconductor manufacturing equipment
- ☐ Wind power generation equipment
- ☐ Petrochemical plant equipment
- ☐ Traffic infrastructure equipment

## Logistics Support

### ■Sales of Logistics Equipment and Construction

Provision of installation work of machines and instruments in warehouses and logistics terminals, sales of construction materials, and other various services through a nationwide network.

### ■Maintenance of Construction Machinery and Manufacture of Trailers and Cargo Containers

Inspection and repair of vehicles and construction machinery, vehicle inspections, and maintenance of cargo. Manufacture of various trailers and truck bodies, and manufacture of products that match the mode of transport.

### ■Packaging of Components and Equipment and Designing Packaging

Provision of packaging service for components and machinery for exporting. Provision of optimal packaging specifications that match the characteristics of the components and products, mode of transport, transport environment, cargo and storage conditions, and other logistical requirements.

### ■Sales of Petroleum and LP Gas

Sales of automobile fuel for companies that own vehicles, sales of marine fuel, and sales of LP gas for households and various industries.

### ■Real Estate

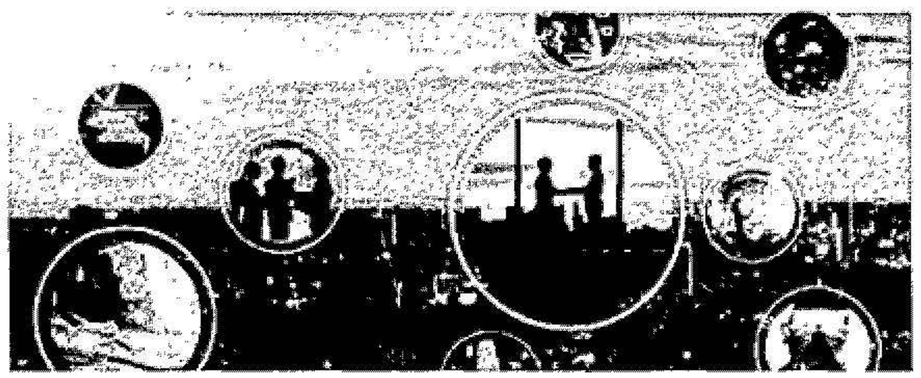
Facility management, brokerage business, and construction design focusing on logistics facilities.

# Major Updates

**Engage in initiatives beyond anything before and increase the speed of innovation to achieve the long-term vision, "a logistics company with a strong presence in the global market"**

### 1 Strengthen the approach toward improving the corporate value

Enhance and expand equity spread by optimizing asset holding strategies, strengthening balance sheet management, revising capital policies, as well as promoting more effective business portfolio management.



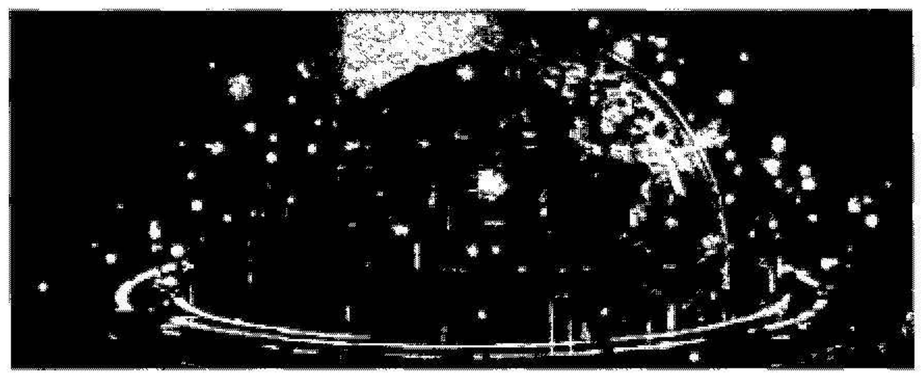
### 2 Accelerate the growth of businesses and improve profitability to increase earning power

Expand global business through organic strategy, accelerate the improvement of the profitability of businesses in Japan, promote PMI of acquired companies, and further utilize M&A.



### 3 Continuous improvement of corporate value through integrating sustainability management and business activities

Transition from building infrastructure for promoting sustainability to an execution phase aiming to coordinate with business activities, and reduce risks and capture growth opportunities to continuously improve corporate value.



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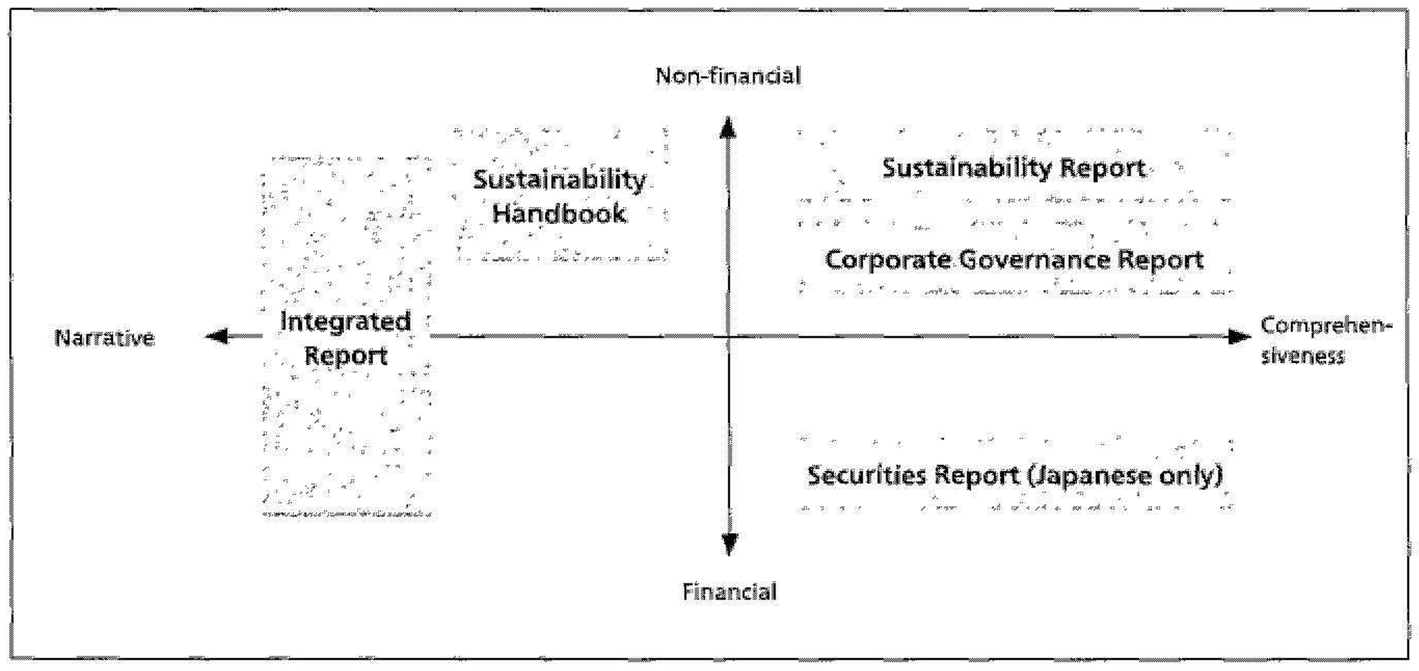
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# Editorial Policy

## Information Systems

The Integrated Report is a compilation of financial and non-financial information for the purpose of deepening stakeholder understanding of NX Group's medium- to long-term value creation.

More details on non-financial information are available in the Sustainability Report.




## Voluntary Disclosures

- **Sustainability Report**
  https://www.nipponexpress-holdings.com/en/sustainability/report/
- **Sustainability Handbook**
  https://www.nipponexpress-holdings.com/en/sustainability/report/

## Legal Disclosures

- **Securities Report (Japanese only)**
  https://www.nipponexpress-holdings.com/ja/ir/library/securities/
- **Corporate Governance Report**
  https://www.nipponexpress-holdings.com/en/ir/governance/

## Scope of This Report

This integrated report addresses NX Group (including domestic and overseas Group companies). NX Group has been voluntarily adhering to the International Financial Reporting Standards (IFRS) since the time our Annual Securities Report for the fiscal year ended December 31, 2022 was published. This Integrated Report, with the exception of certain pages, has been prepared in accordance with IFRS.

## Reporting Period

Fiscal 2024 (January 1, 2024–December 31, 2024)
(Certain information references time frames on or prior to 2023 and subsequent to 2025)

## Issue Date

June 2025

## Reference Guidelines and Assurances

We used the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI).

The information disclosed in our sustainability report conforms to the GRI*1 Standards for Sustainability Reporting.

*1 Global Reporting Initiative: An organization that aims to create and promulgate international guidelines for sustainability reporting. The GRI content index is available on our Sustainability page (https://www.nipponexpress-holdings.com/en/sustainability/)

## Reference Guidelines

- IIRC International Integrated Reporting Framework
- GRI Standards for Sustainability Reporting (reference)
- Ministry of the Environment's Environmental Reporting Guidelines (2018 Edition)
- SASB Standards

## Caution Regarding Forward-Looking Statements

The forward-looking statements in this report, including NX Group's future plans, forecasts, and strategies, are based on certain assumptions that the company considered reasonable at the time of disclosure. Actual business performance may differ significantly from forecasts due to future economic conditions and other factors.

# NX Group's History of Value Creation

Major Initiatives of NX Group

## 1872- Wartime and Postwar Reconstruction

### Establishing a nationwide domestic transport network

While expanding our truck transportation network throughout Japan, we established an intermodal transportation system that combined land, sea, and air transportation in an organic manner.

## 1960- Rapid Economic Growth and Manufacturing Industry Globalization

### Building a global network

As Japan entered a full-scale economic recovery in the 1950s, we launched an international forwarding business in cooperation with Japanese companies expanding overseas.

## 1990- Growth in the Service Industry and Rising Uncertainty

### Maintaining supply chains in Japan and overseas; diversifying our services

At the time of the Great Hanshin-Awaji Earthquake in 1995, Nippon Express Co., Ltd. established a disaster-response headquarters and carried out emergency transportation of relief supplies and other goods from Japan and overseas.

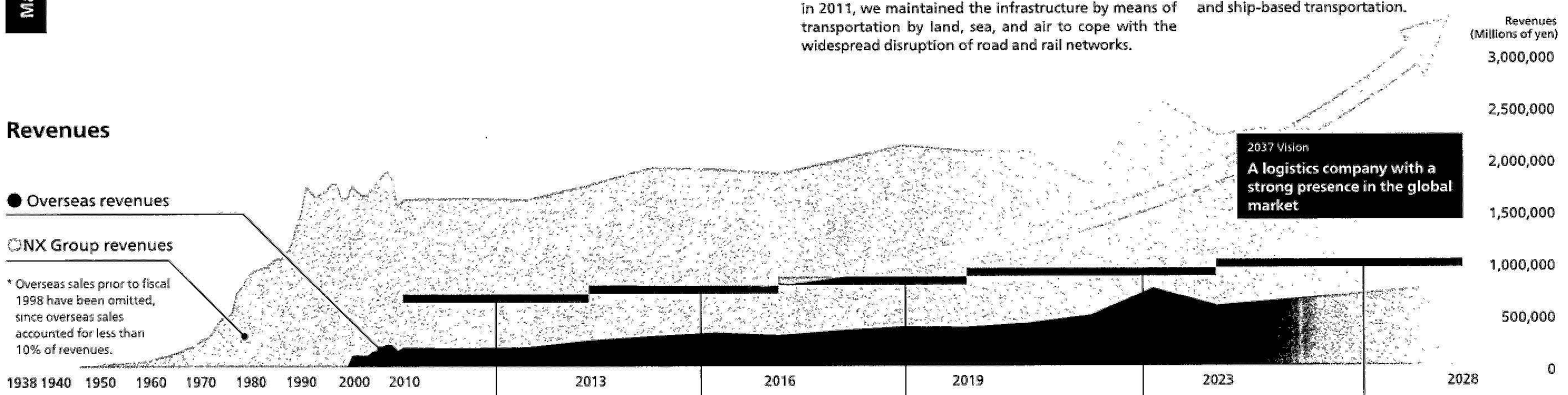
In the aftermath of the Great East Japan Earthquake in 2011, we maintained the infrastructure by means of transportation by land, sea, and air to cope with the widespread disruption of road and rail networks.

## 2010- Environmental and Social Sustainability

### Contributing to environmental and social sustainability

We took the lead in addressing the issue of exhaust gas emissions when environmental problems became more prominent at the beginning of the 1990s. We pursued environmentally friendly transportation through low-pollution vehicles, saving resources used in packaging materials, improving efficiency through joint deliveries, and using modal shifts to move to rail- and ship-based transportation.

## Revenues




## NX Group Management Policy

**Establishment of long-term goals for global growth and structural reforms**

**Raise the profit ratio of combined business in Japan to 3%**

**Expand transactions in Tokyo, Nagoya, and Osaka, and focus investment in South Asia**

NX Group Business Plan 2023
**"Dynamic Growth"**

**Growth Strategy for our Core Business**
- Growing in the global market
- Focusing on management resources in large Japanese cities

**Strategy to Enhance Domestic Businesses in Japan**
- Improving specialty business profitability
- Improve sales and administrative profitability
- Promoting fundamental reform in low profit businesses

**Efforts to Implement Our Long-Term Vision**
- Inorganic growth strategy
- Reinforcement of functions to support challenges
- Establishment of an ESG-oriented business management to realize sustainable development and improve corporate value

NX Group Business Plan 2028
**Dynamic Growth 2.0**

**Business Growth Strategy**
- Accelerating growth in the global market
- Rebuilding Japanese businesses

**Sustainability Management Strategy**
**Corporate strategy supporting business growth**
**Initiatives to Improve Corporate Value**

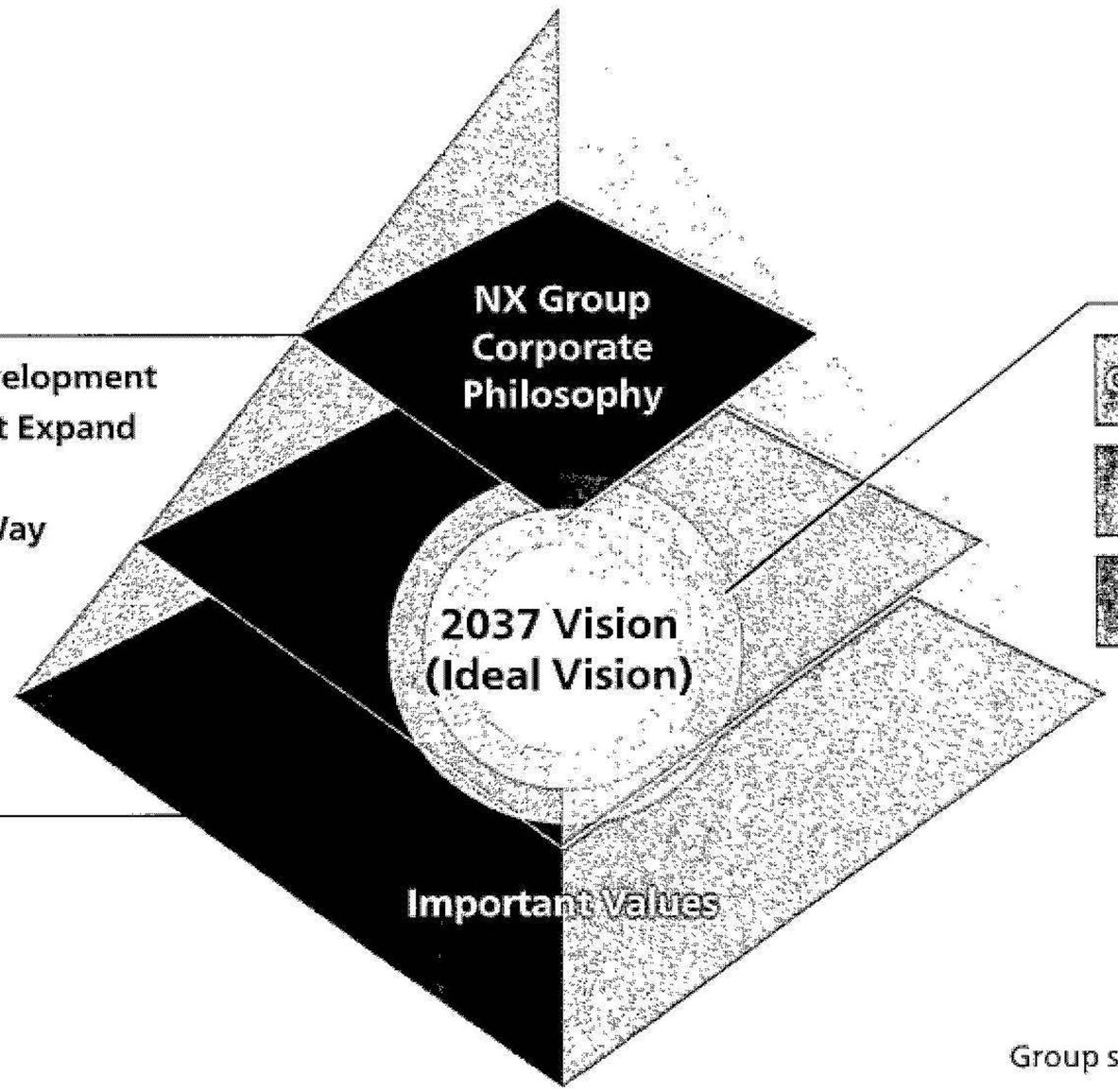
# Long-Term Vision

## NX Group Corporate Philosophy

| | |
|---|---|
| Our Mission | Be a Driving Force for Social Development |
| Our Challenge | Create New Ideas and Value that Expand the Field of Logistics |
| Our Pride | Inspire Trust Every Step of the Way |

## Important Values

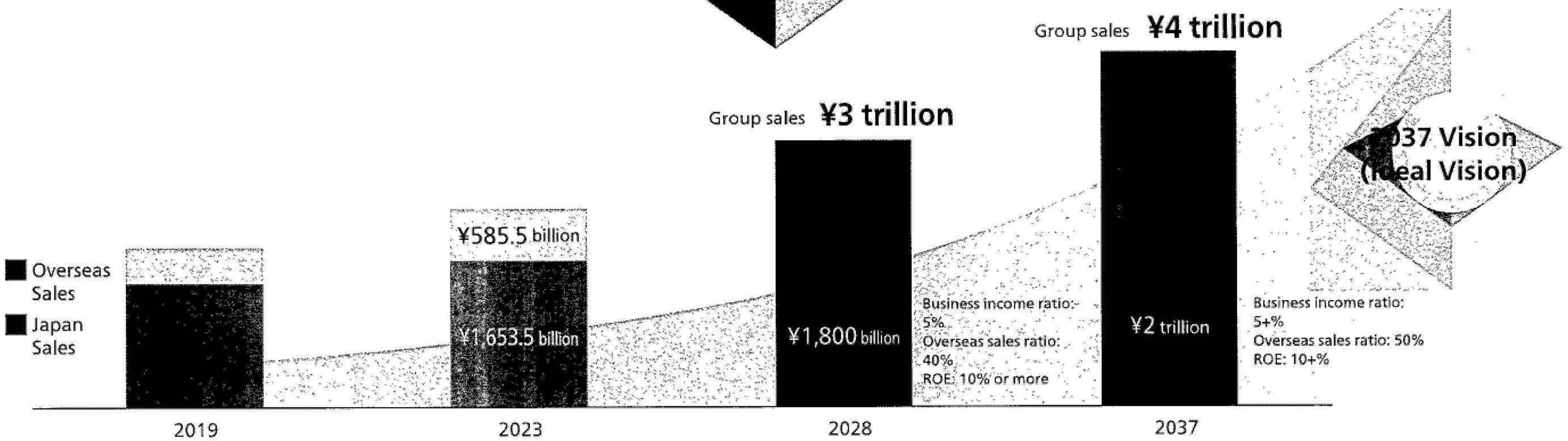
Creating new value through innovation
Safety, Compliance, Quality
We Find the Way




## 2037 Vision

**A logistics company with a strong presence in the global market**

| | |
|---|---|
| Clients/Society | A company that contributes to achieving a sustainable society through logistics |
| Shareholders | A company that achieves sustainable growth by establishing corporate governance |
| Employees | A company whose employees come from a variety of backgrounds, are proud to be active in their work, support customers and society, and feel happy |



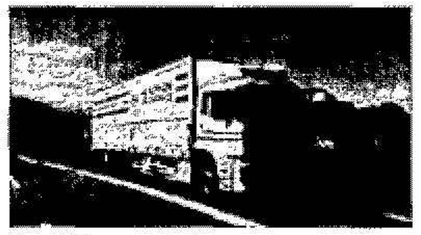
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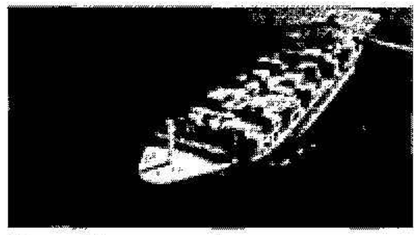
# NX Group's Value Creation Engine

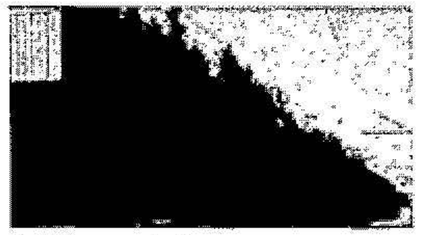
**Creating and commercializing solutions to logistics and social issues through an unwavering business creation process based on our corporate philosophy.**

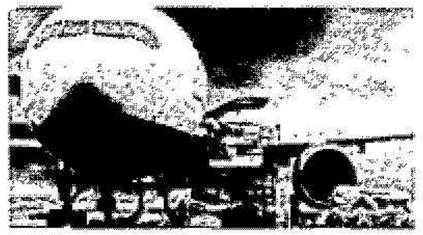
## Uncovering Issues that Reflect the Times and Social Needs

Logistics Issues
Social Issues


Truck Transportation

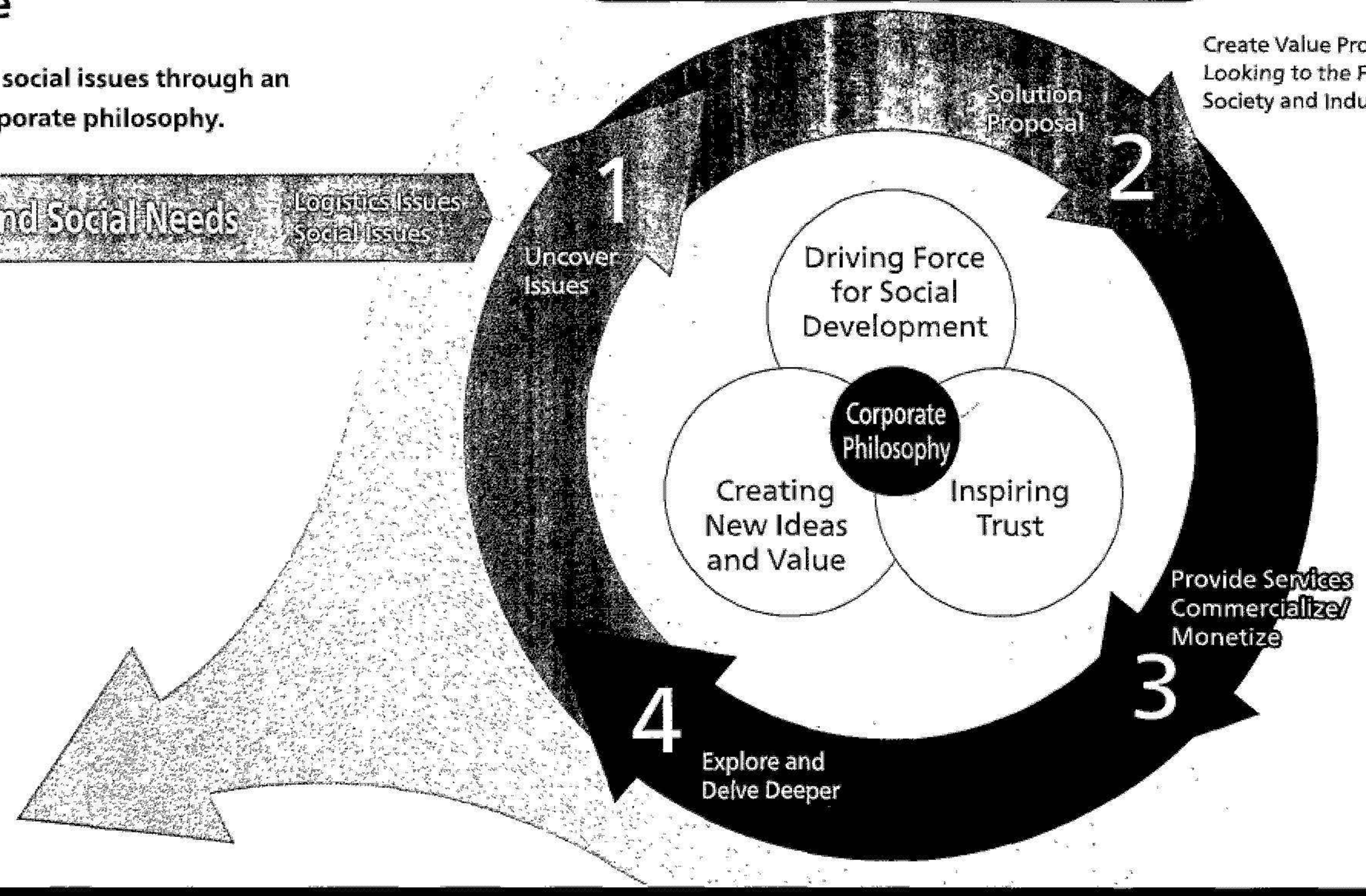

Ocean Transportation


Rail Transportation


Air Transportation

## Create Businesses that Meet the Needs of the Times

## NX Group Business Creation Process




## Support Lives Through Social Infrastructure Logistics

| | | |
|---|---|---|
| Green Logistics | Logistics Consulting | Specialized Transportation Services |
| Logistics Design | Mode-Specific Transportation Services | Logistics Information Systems |
| Global Logistics | Global SCM | Transportation Services by Industry |

**Technology (for electric/electronic applications and industrial equipment)**
- Respond to the increase in demand for electronic components driven by the spread of IoT

**Mobility (automotive, construction, agricultural, rail, and aerospace industries)**
- Strengthen distribution networks for production parts
- Respond to changes in supply chains driven by the spread of electric vehicles

**Lifestyle (apparel, furniture, decorations, and cosmetics)**
- Strengthen initiatives in the luxury apparel, fashion, and furniture industries using the capabilities of companies acquired in Europe
- Strengthen initiatives in fast fashion in Asia and other emerging markets

**Healthcare (pharmaceuticals and medical devices)**
- Reinvent business models leveraging the opportunity of tightened GDP guidelines

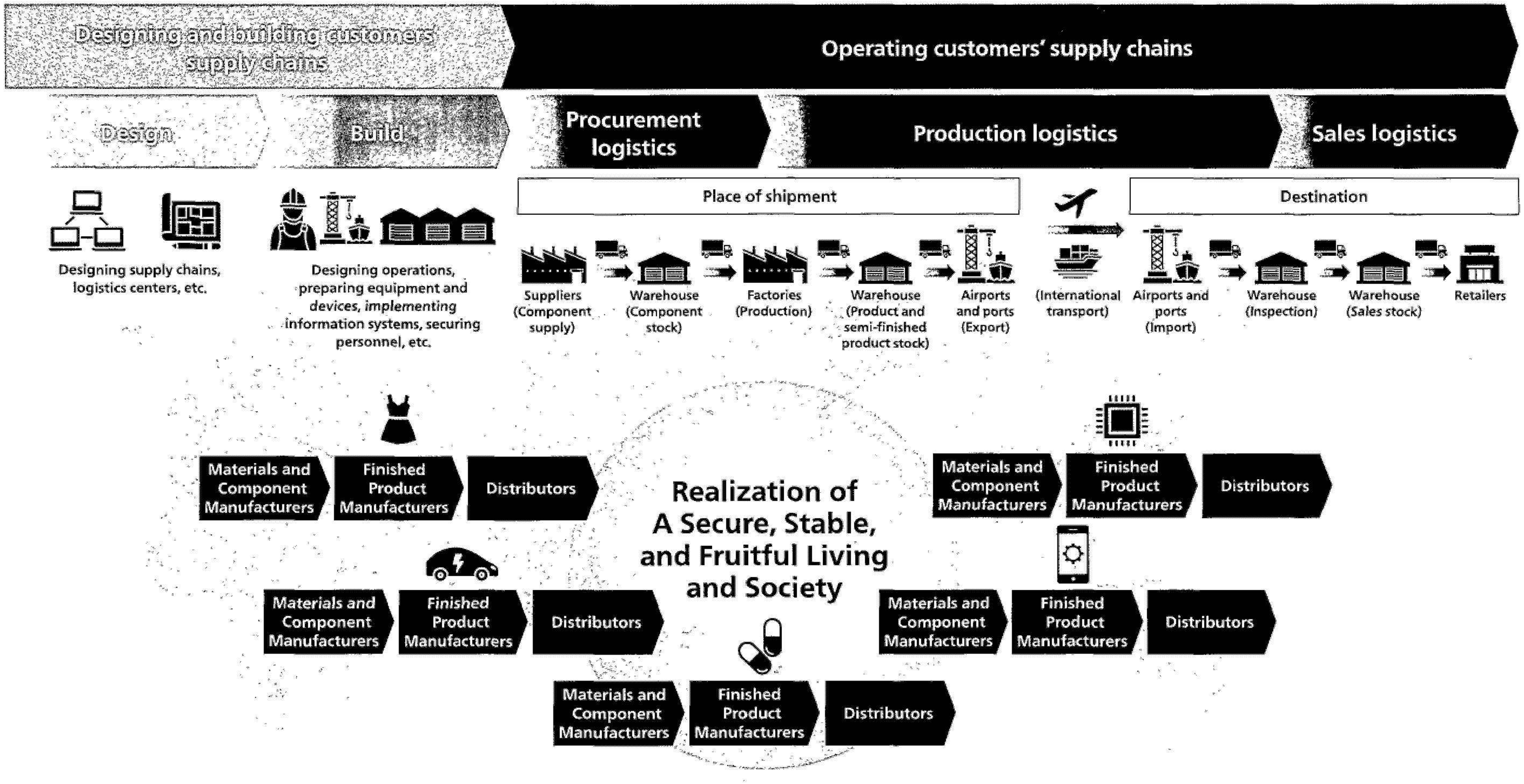
**Semiconductor**
- Strengthen initiatives in the rapidly growing semiconductor industry

## Contributing to Sustainable Societies

**Provide Solutions to Reach an Ideal Future by Anticipating and Envisioning Social Trends**

- Create Industry-Specific Platforms that Contribute to Solving Logistics and Social Issues and End to End platform
- Decarbonization logistics solutions

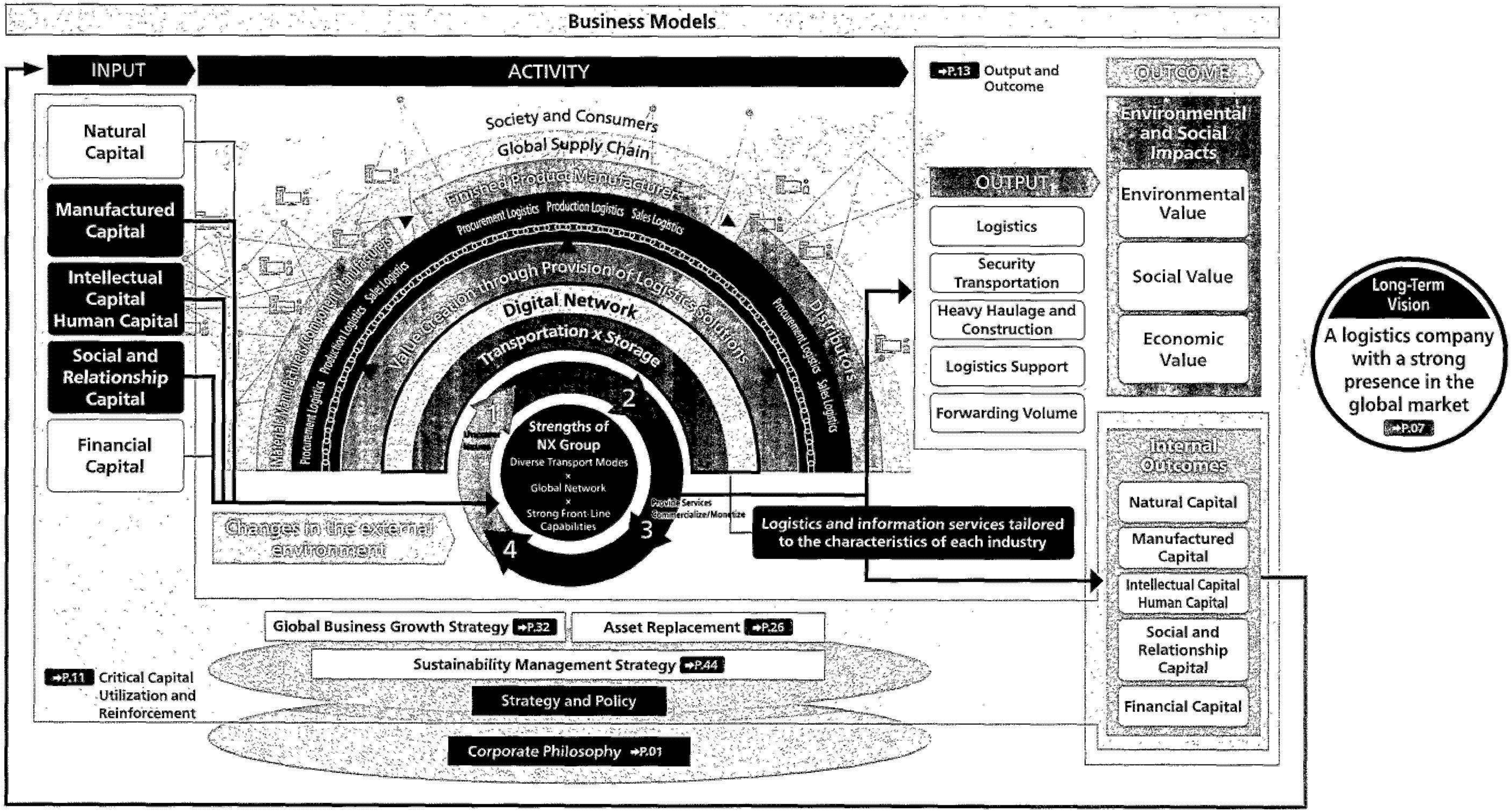
# NX Group's Business Models




**Operation of diverse transport modes, operation of supply chains that handle various things depending on their characteristics, as well as making proposals for optimizing End to End logistics of customers, including their design and building.**

# Value Creation Process

**We aim to achieve our long-term vision of being "a logistics company with a strong presence in the global market" by providing new values through logistics solutions that solve social and logistical issues as well as by continuously enhancing and utilizing capital through expanding logistical services in the global market.**



# Critical Capital Utilization and Reinforcement

**We are utilizing important capital that are the sources of value creation and working to strengthen capital through addressing Material Issues and business activities. We believe that the cycle of strengthened capital will lead to various transport modes, global network, and a strong front line, which are the strengths of the NX Group.**

| Value creation through capital utilization | | | Strengthen capital through materiality initiatives and business activities | |
|---|---|---|---|---|
| INPUT | | | ACTIVITY | INTERNAL OUTCOME |
| Capital by Category | Capital in Relation to Value | Input | Priority Issues | Main Impact on the Company |
| Natural Capital | While logistics requires the consumption of natural resources such as energy, the negative impact of business activities on the environment must be considered. | • Energy consumption (crude oil equivalent): 312,404kL<br>• Water consumption (total of Group companies in Japan): 1,003,000 m³ | Strengthen Response to Climate Change<br>■ Reduction of our $CO_2$ emissions (Scope 1, 2, 3)<br>Develop and Strengthen Sustainable Solutions<br>■ Development and deployment of $CO_2$ reduction products and services | ● Increase contribution to customers' $CO_2$ emissions reduction<br>● Reduction of $CO_2$ emissions |
| Manu-factured Capital | A unique global network of business sites, as well as vehicles and warehouses that meet a variety of industrial needs, support quality of service, response to diverse value, and stable supply. | • 56 overseas countries/regions, 389 cities, 903 locations, 196 companies<br>• Warehouse area: Approx. 8,550,000 m²<br>• Vehicle fleet: 32,419 vehicles<br>• Cargo handling and construction vehicles: 9,740 vehicles<br>• Inland Navigation Vessels (The Himawari, one of the largest RORO ships in Japan): 3 vessels | Accelerate Business Growth Globally<br>■ Expansion of our location network through M&A<br>Solidify Global Supply Chain<br>■ Improvement of efficiency/quality/profitability through the digitization of operations<br>■ Strengthen Logistics Solution offerings<br>■ Even more stable supply of services through strengthening of bases against disasters, etc. | ● Expansion of global location network<br>● Strengthen operational capabilities by improving productivity (other than personnel) |
| Intel-lectual Capital | The sophistication and diversification of quality and value are supported by diverse transportation and storage knowhow accumulated through the pursuit of quality in meeting various needs of various industries, and by deep industry knowledge in the supply chains of various industries. | • Diverse transport/storage know-how<br>• Supply chain-related industry knowledge | Solidify Global Supply Chain<br>■ Provision of services that solve industrial issues through logistics platforms, etc.<br>■ Social implementation in new business domains accessed by leveraging intellectual capital and relationships with diverse partners | ● Accumulation of data for data utilization infrastructure<br>● Accumulate know-how on safe, high-quality transportation and operations |
| Human Capital | The source of our value creation and competitiveness is our diverse human resource base and organizational culture. These are imbued with a strong awareness of safety, compliance, and quality, so that, under our philosophy, we always strive for the best in every situation to advance our customers' businesses and society. | • Number of employees (consolidated): 76,389<br>Japan: 49,951<br>Overseas: 26,438 | Enhancement of Human Capital to Foster Innovation<br>■ Improve employee happiness and engagement by promoting diversity, work style innovation, and health management<br>■ Recruitment/training to achieve a human resources portfolio with which to realize strategies for global human resources, DX human resources, and more<br>■ Strengthening digital skills through digitalization of current operations<br>Respect for Human Rights and Realization of Responsible Corporate Activities<br>■ Thoroughgoing safety/quality/compliance through the pervasiveness of our philosophy and "We Find the Way" mindset<br>■ Human Rights Initiatives<br>■ Group governance to ensure NX quality | ● Solid human resources and organizational culture in pursuit of quality<br>● Diverse human resources that support value creation<br>● Foster and acquire DX human resources<br>● Improve on-site efficiency and labor-saving<br>● Maintain and strengthen human resources |
| Social and Rela-tionship Capital | Trust built up over 80 years, as well as a domestic and international customer base that includes many leading companies upstream and downstream in the supply chain in a variety of industries—these form the cornerstone of our business stability and our ability to provide value across the supply chain. | • Trusted by society after more than 80 years of history since its founding<br>• Number of customers (Japan): approx. 38,000 companies<br>• Supplier base that support transportation domestically and internationally | Accelerate Business Growth Globally<br>■ Expand our customer/supplier bases through M&A<br>Respect for Human Rights and Realization of Responsible Corporate Activities<br>■ Risk/crisis management, or building resilient logistics infrastructure by reducing manpower while maintaining human resources<br>■ Build relationships of trust with stakeholders for co-creation<br>■ Enhance supplier management and engagement | ● Improve the stability of End to End business service infrastructure<br>● Improve customer loyalty based on trust toward quality and business continuity as a foundation<br>● Elimination of non-compliance |
| Financial Capital | A strong and disciplined financial base is the basis for sustainable growth. | • Assets: ¥2,297.1 billion<br>• Equity attributable to owners of parent: 37.2% | Asset Replacement<br>■ Generate cash for M&A and lead to innovation by optimizing the business portfolio<br>■ Strengthen financial governance by promoting pervasive ROIC management | ● Capital efficiency |

**Strengths of NX Group**
Diverse Transport Modes
×
Global Network
×
Strong Front-Line Capabilities

Enhanced capital returns

# Strengths of NX Group

**We increasingly have become the choice of numerous customers due to our ability to transport anything, anywhere, using every means of transportation in the best possible manner. The transportation modes, networks, and front-line capabilities we have cultivated since our founding are what have made this possible.**

## Strength 1 Diverse Transport Modes

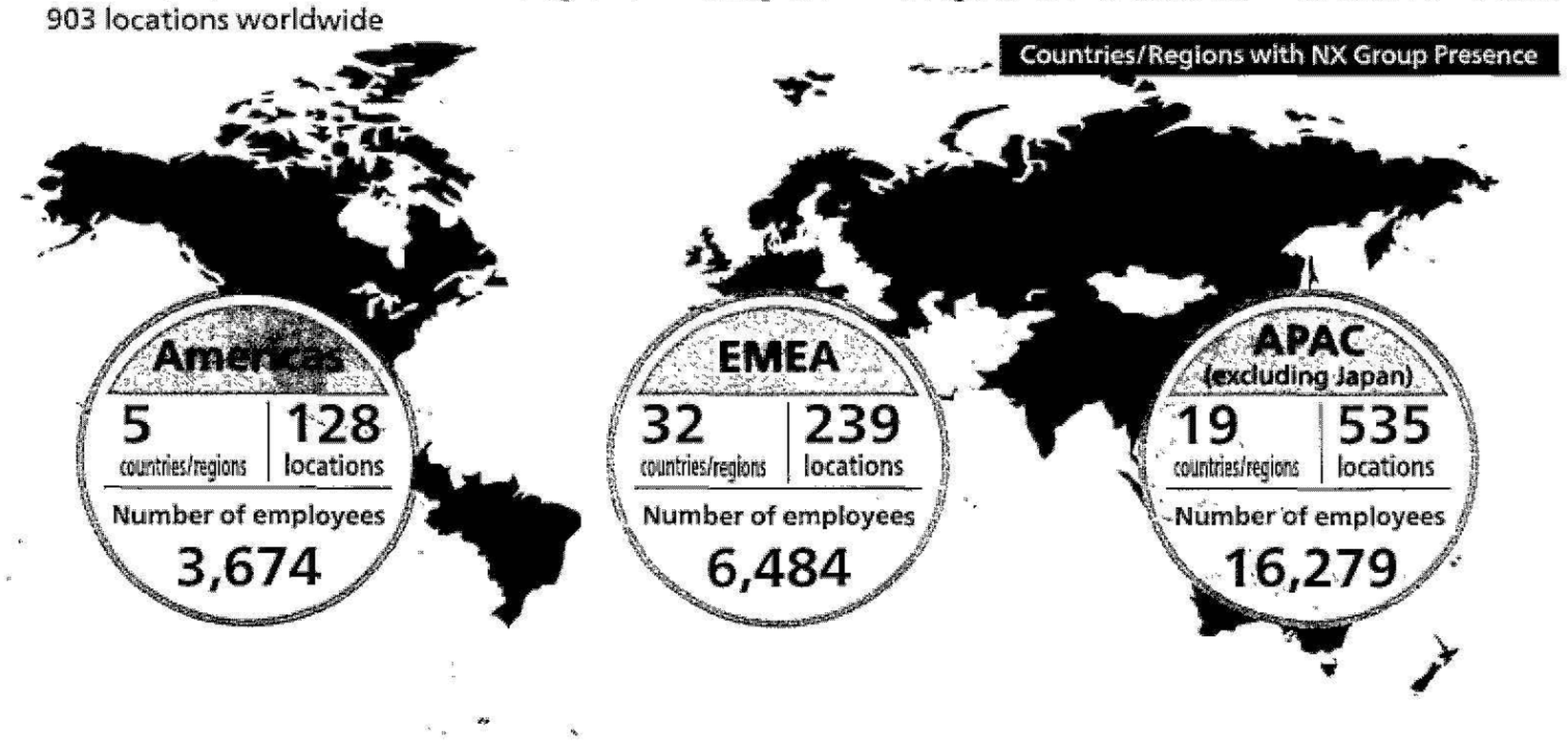
Customers have a variety of requirements, including cargo size, weight, and urgency. NX Group offers a full range of transportation modes, including truck, rail, ship, and air. We provide the most suitable method of transportation for shipments requiring special care, such as pharmaceuticals and perishable foods that require strict temperature control, precision instruments that require vibration control, and art works that require humidity control.

| | | |
|---|---|---|
| Number of vehicles*1<br>Japan 23,911<br>Overseas 8,508 | Number of cargo handling and construction vehicles*1<br>Japan 8,251<br>Overseas 1,489 | Warehousing space<br>Japan<br>(Nippon Express Co., Ltd.)<br>4,100,000 m² |
| Overseas warehousing space<br>4,450,000 m² | Forwarding volume (January 2024 to December 2024)<br>Ocean 899,000 TEU / Air 921,000t<br>(TEU: Twenty-foot Equivalent Unit, equal to the volume of one twenty-foot shipping container) | |

*1 The number of vehicles, as well as cargo handling and construction vehicles in Japan are the sums of vehicles owned by Nippon Express Co., Ltd. and NX Cash Logistics Co., Ltd. as of December 31, 2024 and those owned by other affiliated companies as of December 31, 2023. The numbers of vehicles, as well as cargo handling and construction vehicles overseas is the number of vehicles owned as of December 31, 2023.

## Strength 2 Global Network

NX Group operates in 56 countries/regions, including countries/regions in the Americas, EMEA and APAC, with 903 locations worldwide




## Strength 3 Strong Front-Line Capabilities

How will my precious cargo be handled? This is the single most important question when customers choose a transportation service. NX Group transports and stores cargo in the field, strongly committed to safety, compliance, and quality, and always placing the success of the customer first based on a deep understanding of the customer's business. At first glance, this approach may seem simplistic and obvious. However, customers have widely varying demands in terms of cargo size, weight, shape, and nature. We must meet every one of these demands, while maintaining strict safety and compliance. We can only accomplish this task through constant daily training, systems that support prompt communications, an autonomous organization capable of identifying and resolving issues in the field, a sense of ownership on the part of all employees, and a strong shared will on our front lines to find the single best way and to accomplish our mission, no matter what the situation.

We have the expertise and groundwork passed down from our predecessors, and we will continue pressing forward to strengthen our front-line capabilities.

**150+ years since our establishment**

**More than 76,000 logistics experts**[*2]

**Knowledge of the characteristics of each industry**

*2 "Logistics experts" means employees.

# Output and Outcome

INTPUT → ACTIVITY → OUTPUT → OUTCOME

## Logistics

**Japan**
Sales revenue ¥1,262 billion
Segment income ¥40.5 billion

**Americas**
Sales revenue ¥153 billion
Segment income ¥5.3 billion

**Europe**
Sales revenue ¥501.7 billion
Segment income ¥11.2 billion

**East Asia**
Sales revenue ¥173.9 billion
Segment income ¥4.5 billion

**South Asia & Oceania**
Sales revenue ¥157.6 billion
Segment income ¥5.4 billion

## Security Transportation

Sales revenue ¥68.5 billion
Segment income ¥2.4 billion

## Heavy Haulage and Construction

Sales revenue ¥50 billion
Segment income ¥5.3 billion

## Logistics Support

Sales revenue ¥420.4 billion
Segment income ¥12.2 billion

## Forwarding Quantity

Ocean 899,000 TEU
Air 921,000t

## Environmental and Social Impacts

### Environmental Value

- Contribution to a decarbonized society
  - $CO_2$ emissions (Scope 1, 2)[*1]: 719,000t-$CO_2$ (Scope 1: 528,000t-$CO_2$, Scope 2: 190,000t-$CO_2$)
- Contribution to the spread of renewable energy
  - Number of wind power generation facilities installed: 87

### Social Value

- New value for industry
  - Safe and secure supply of pharmaceuticals
  - Stable supply of semiconductors
- Stable social systems (uninterrupted supply chains)
- Role as a designated public institution in times of disaster
- Transportation of goods that contribute to international peace

### Economic Value

- Fair and stable opportunities for employment and businesses
- Development of logistics human resources
- Annual dividend: ¥300 per share

## Impact on the Company (strong capital that will be a strength in the continuous growth of the business and what differentiates us from others)

### Natural Capital

- Reduced reputation risk
  - CDP Climate Change: B evaluation
- Creation of solutions to facilitate customer decarbonization
  - EcoTrans Navi, etc.
- Increase contribution to customers' $CO_2$ emissions reduction
  - Ocean freight LCL transport credit offset rate: 100%
- Reduction of $CO_2$ emissions: -30,000t-$CO_2$ (Scope 1: -17,000t-$CO_2$, Scope 2: -12,000t-$CO_2$)

### Human Capital

- Solid human resources and organizational culture in pursuit of quality
- Diverse human resources that support value creation
  - Percentage of women with managerial positions: 3.8%[*2]
- *Foster and acquire DX human resources* • Total number of participants in the education program specialized for DX human resources: 80
- Improve on-site efficiency and labor-saving - Accumulated amount of productivity improvement effects from business reforms: ¥6.3 billion
- *Maintain and strengthen human resources - NX core Engagement score* (72pt)
  - Human capital ROI • Average years with the Company (15.2 years)[*3]

### Manufactured Capital

- Expansion of global location network
- Reduction of operation time through strengthening operational capabilities by improving productivity (other than personnel) and introduction of automation technology: -584,400 hours (compared to FY2023)

### Social and Relationship Capital

- Improve the stability of End to End business service *infrastructure*
  - Forwarder ranking: 6th
- Improve customer loyalty based on trust toward quality and business continuity as a foundation
  - *Increased number of customers and number of years of continuous business*
- Building a workplace environment according to human resources policy
  - NX Core Engagement Score: 72pt
- Elimination of non-compliance • Number of serious incidents due to compliance violations: *No serious incidents*
- Elimination of serious accidents and disasters •Serious traffic accidents: 17, serious labor accidents: 5, serious cargo accidents: 11

### Intellectual Capital

- Accumulation of data for data utilization infrastructure
- Building of systems and response measures during emergencies • Number of completed group-wide risk management systems
- Maintaining and strengthening trusted operations • Whistleblowing system: Number of reports and consultations (464)
- Accumulation of safe, high-quality transport and operation know-how • Compliance rate of voluntary inspections based on the safety and quality management standards

### Financial Capital

- Capital efficiency (ROE): 3.8%

*1 Figures for the $CO_2$ emissions are from January 2024 to December 2024
*2 *Six main companies in Japan*
*3 NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. (Employees (general staff), employees (area-based staff), employees (elderly), and temporary employees under direct contract)

# Analysis of Business Environment

## NX Group Business Environment

We identify changes in the external environment that affect the management of NX Group, evaluate and identify risks and opportunities based on such changes, and regularly review response to such changes as a group. See our latest Annual Securities Report, as well as Material Issues for more on sustainability-related opportunities and risks.

**NX Group Business Environment**

**External Environment**
- The global economy is expected to recover to some extent even if it starts at a slow start
- High economic security risks
- Rebuilding supply chains
- Acceleration of focus on sustainability (particularly decarbonization and low-carbon initiatives)

**Competition Environment**
- ○ Enhancing overall supply chain strategies, such as LLP and 4PL
- ○ Enhancing digitalization and transforming business models with DX
- ○ M&A, partnerships and joint ventures, etc. throughout Asia

**Technical Trends**
- ○ Quantum computing, AI, clean technology, automated driving
- ○ Reform business models with robotics, DX and technological innovation, and introduction of game changers, etc.

**Internal Issues**
- ○ Clarification of group global strategic businesses
- ○ Framework to achieve "overall optimization"
- ○ Visualization of information and data used as platform
- ○ Coordination and unification of business and DX/IT
- ○ Quantitative & qualitative enhancement to human resources, etc.

## Position in the Global Market

The depth of NX Group's customer base has led to our proven track record in the global market. The internationalization of the logistics industry is occurring along with economic globalization. The global rankings are almost dominated by major logistics companies of advanced economies that have established international logistics networks. Driven by the growth of 3PL and international parcel delivery services, we believe that the restructuring of cross-border logistics services will continue to gain momentum.

| Rank | Head Office Location | Companies | Gross income (Millions of yen) *1 | Ocean Transportation (TEU) | Air Transportation (Metric tons) |
|---|---|---|---|---|---|
| 1 | | Kühne + Nagel | 5,007,800 | 4,338,000 | 1,983,000 |
| 2 | | DHL Supply Chain & Global Forwarding | 5,357,400 | 3,089,000 | 1,672,000 |
| 3 | | DSV*2 | 3,529,900 | 2,519,295 | 1,305,827 |
| 4 | | DB Schenker*2 | 3,340,100 | 1,783,000 | 1,148,000 |
| 5 | | Sinotrans | 2,268,300 | 4,309,636 | 902,000 |
| 6 | | Nippon Express (Excluding cargo-partner) | 2,519,600 | 1,698,161 | 693,546 |
| 7 | | CEVA Logistics | 2,388,518 | 1,150,000*3 | 450,000 |
| 8 | | C.H. Robinson | 2,648,900 | 1,353,750 | 266,475 |
| 9 | | Expeditors | 1,471,100 | 791,700 | 782,000 |
| 10 | | GEODIS | 1,977,300 | 961,084 | 308,489 |
| 10 | | Kerry Logistics | 960,627 | 1,261,775 | 556,823 |

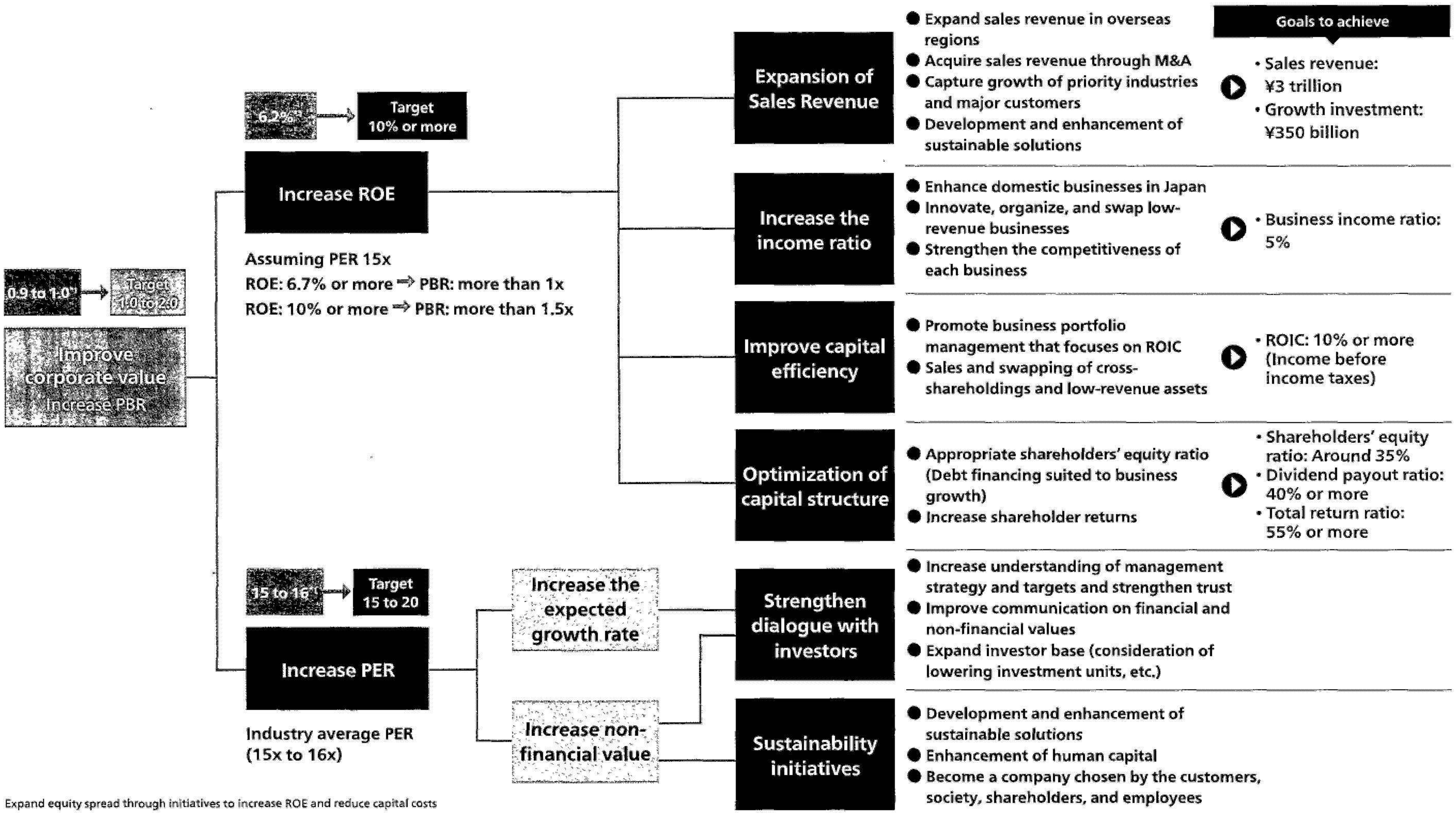
*1 Based on the exchange rate as of December 31, 2024 (US$1 = ¥158.18)
Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List 2023.
*2 Acquisition of DB Schenker by DSV has been completed on April 30, 2025.
*3 Includes LCL shipments

# Material Issues that Capture Medium- to Long-term Changes in the Business Environment

| Material Issues | Reasons for Selection | Internal Outcomes | | Environmental and Social Impacts*1 | Value Creation Through Our Business Operations | Source of Value Creation | Avoid Loss of Value |
|---|---|---|---|---|---|---|---|
| | | Risk | Opportunities | | | | |
| **Develop and Strengthen Sustainable Solutions** | To provide services to maintain and optimize society and industry as a whole, as sustainability of the natural environment, society, and industry on which every company's operations are based is becoming more important | ● Loss of existing customers to competitors that provide solutions to social issues | ● Increased sales from responding to customer needs | **Social Value**<br>● Realizing a safe society without accidents and disasters<br>**Environmental Value**<br>● Contributing to the realization of a carbon-neutral society<br>● Contributing to a recycling-oriented society<br>**Economic Value**<br>● Realizing an innovative society | ○ | | |
| **Solidify Global Supply Chain** | To contribute to social stability as a company that supports social infrastructure by maintaining logistics even in emergencies such as natural disasters, pandemics, and declining working population | ● Damage to customer trust due to operational disruptions<br>● Impedance of business growth due to human resource shortages | ● Increased sales from improving trust for stable provision of services | **Social Value**<br>● Realizing a stable supply chain | ○ | | ○ |
| **Strengthen Response to Climate Change** | To fulfill our responsibilities as a corporate citizen in response to the government's declaration of carbon neutrality by 2050 and the demands of the international community to address climate change. | ● Risk of suspension of business by customers and suppliers<br>● Loss of existing customers to competitors who pursue environmental measures | ● Increased sales from responding to customer needs | **Environmental Value**<br>● Contribution to a carbon-neutral society | | | ○ |
| **Enhancement of Human Capital to Foster Innovation** | To strengthen the foundation for value creation by encouraging employees to pursue well-being, improve engagement, and demonstrate the capabilities of diverse human resources through investing in employees who serve as the source of the value of our business | ● Risks associated with retaining and acquiring human resources with a high level of expertise<br>● Decline in competitiveness due to labor shortages in the field | ● Improved productivity and quality through human resource development<br>● Promote Innovation | **Social Value**<br>● The happiness of employees<br>● Providing fair and stable employment<br>**Economic Value**<br>● A logistics company that continues to be the preferred choice | | ○ | ○ |
| **Respect for Human Rights and Realization of Responsible Corporate Activities** | To respond to social demands for corporate governance, anti-corruption, and respect for human rights, foster a strong business foundation, and continue to be a Group trusted by employees and society | ● Litigation risk<br>● Risk of suspension of business by customers and suppliers | ● Improved efficiency in acquiring human resources and developing customers and business partners by improving reputation | **Social Value**<br>● Realizing a safe society without accidents and disasters<br>● The happiness of employees<br>● Providing fair and stable employment<br>**Economic Value**<br>● A logistics company that continues to be the preferred choice<br>● Providing fair and stable business opportunities | | ○ | ○ |

*1 Description of environmental and social impacts are provided according to social, environmental, and economic values as defined in the Sustainability Vision, which describes the vision of sustainability management. For details on the Sustainability Vision, please refer to P.45.

# Business Plan Initiatives to Improve Corporate Value




Expand equity spread through initiatives to increase ROE and reduce capital costs

*1 Results at the end of FY2023



Top Message

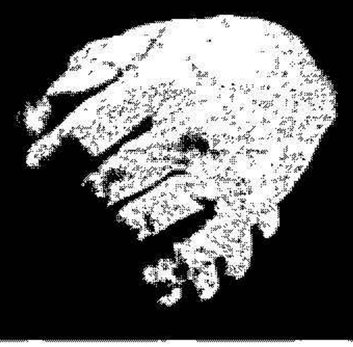
# To realize our long-term vision, we will strengthen our approach to improving corporate value and will work to accelerate business growth and enhance profitability.

**Fiscal 2025 is the second year of NX Group Business Plan 2028 "Dynamic Growth 2.0." President Horikiri has spoken of the need to engage in business at an unconventional level and shift to a higher gear of transformation to realize the long-term vision of becoming "a logistics company with a strong presence in the global market." Amid major changes taking place in the external environment, we spoke with President Horikiri about topics including initiatives to realize that long-term vision, ways for NX Group to transform and create new value from logistics, the company's progress, and management policies under its Business Plan.**

Geopolitical, economic, and security risks heightened in fiscal 2024 due to the prolonging of Russia's invasion of Ukraine, growing tensions in the Middle East, and conflict between the United States and China. On the other hand, global trade is on a recovery trend and global logistics demand has continued to recover from the second quarter. In addition, the company's earnings increased following the acquisition of cargo-partner (hereinafter "CP"). However, factors including decreased handling of pandemic-related materials and increased labor and other costs caused a decrease in non-operating profits compared to the previous fiscal year.

Trade barriers are currently on the rise due to U.S. tariff policies and other causes. This is creating concern over further economic fragmentation, which is seen as a factor of weighing down the global economy. Under these conditions, the global economic outlook released by the IMF in April 2025 predicted a global economic growth rate of 2.8% in 2025 and 3.0% in 2026, representing downward revisions from the IMF's report in January. As of the end of the first quarter of 2025, we foresee an increase in sales and profits from the previous year. Amid ongoing policy changes in countries around the world, however, downside risks are expected to increase. I believe that we need to be mindful of these conditions and plan accordingly.

**Satoshi Horikiri**
President, Chief Executive Officer
and Representative Director



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At the same time, I also consider it important that we maintain an unshakable stance grounded in a medium- to long-term perspective. We firmly intend to carry out the actions necessary to achieve our long-term vision. First, we aim to achieve the objectives of our Business Plan, which we position as the next step towards the realization of our long-term vision. At our current performance level, however, we face high hurdles to achieving business income of ¥150 billion and ROE of 10% or more, our targets for the last year of the plan, while the company's PBR currently sits below 1.0. For these reasons, I believe that we need to strengthen the strategies and measures formulated in the Business Plan and to accelerate their realization.

Looking at the competitive environment, competitors are actively engaging in M&A, as seen in the acquisition of DB Schenker by DSV. I note with some urgency that NX risks being left behind or finding itself the target of M&A if we do not enhance our scale and competitiveness through M&A.

Under these circumstances, I believe that achieving the objectives of our Business Plan and realizing our long-term vision of becoming "a logistics company with a strong presence in the global market" will demand new initiatives at a higher level than in the past and a shift to a higher gear of transformation. With this in mind, we made the decision to update the "Initiatives to Improve Corporate Value" that we announced last year.

## Strengthening our approach to improving corporate value

**—— What specific initiatives are considered in the updated "Initiatives to Improve Corporate Value"?**

In the revision, we set interim targets for fiscal 2026, reviewed our capital policies and improved our balance sheet management (including our asset holding strategies) and committed to advancing and strengthening our business portfolio management.

I recognize that our main reason PBR being at its current level is that our current ROE is below the 7.4% cost of shareholders' equity recognized by the company. For this reason, to enhance our corporate value, we updated our original five-year cash allocation plan and committed to a more robust approach to corporate value improvement.

We position this update as the first of our planned enhancement measures. As a framework for the initiative, we aim to secure and further expand equity spread through three approaches: (1) a shift to high-profit businesses and replacement of assets, (2) optimization of capital structure and appropriate use of financial leverage, and (3) reduction of the cost of shareholders' equity.

At the same time, what has come to light through our efforts to update "Initiatives to Improve Corporate Value" is the pressing issue of strengthening our earning power—that is, growing our business income. I consider it vital that we simultaneously implement both a business transformation and financial strategies, like the two wheels of a cart.

To enhance our earning power, we must accelerate the improvement of profitability by restructuring our Japanese businesses and by providing account management-based End to End solutions as organic strategies formulated in our Business Plan. We must also advance the post-merger integration (PMI) of CP and Simon Hegele while making further use of M&A, as inorganic growth strategies.

## Accelerating business growth in the global market

**—— Regarding enhancing earning power, what is the status of the company's initiatives for providing account management-based End to End solutions?**

The provision of account management-based End to End solutions is a concept by which we systematically expand the customer base for account management and heighten our activity level and assess customers' unique needs by doing so. We will address those needs through total logistics solutions focused on warehouse-centered logistics and forwarding services, and thereby comprehensively address specific customers' requirements. This concept forms the starting point for our strategy.

In providing these logistics solutions, we are working to build a knowledge sharing infrastructure that allows everyone in the NX Group to access logistics expertise primarily accumulated in Japan. At the initial stage, while leveraging organizations and structures built by Nippon Express Co., Ltd., we are working to share our logistics solutions success stories and implement them throughout the NX Group. Due to these successes, our high level of service in Japan is earning recognition for quality by Japanese and non-Japanese global account customers, which is increasingly leading to further demand for our services internationally. This has also led to an expansion in cargo volume handled by our forwarding business unit. With the addition of CP to our Group, the ocean and air volumes we handle in our forwarding business unit are increasing significantly, with yearly volumes of 1 million tons for air cargo and 1 million TEU for ocean cargo now in sight. Furthermore, we will continue to tackle the expansion of account management-based End to End solutions while making active use of M&A.

As part of our sales activities for account management under the initiative, I have had numerous discussions with our customer's top management, and I receive requests for cooperation in their business expansion and proposals for new initiatives. Some global accounts have even selected our company as the recipient of supplier awards which



demonstrates the strength of our partnerships with our clients. I see how our actions are yielding tangible results, as the number of accounts where we are significantly expanding our business is increasing. I believe that the degree to which we can increase such accounts, and whether we can effectively manage the account management process centered around the account manager as a whole represents challenges for us over the next four years.

**—— On the topic of business growth through additional M&A, what is your evaluation of past M&A? Including lessons learned from these acquisitions, what do you see as key points that will lead to successful M&A? Please share your outlook for future M&A activities.**

We position the use of M&A as a key factor in our company's growth and in improving corporate value and see our PMI with CP as a touchstone. These are issues of top importance in our Business Plan.

Looking at our M&A in the past, the NX Group has successfully completed 10 business acquisitions in domestically and internationally between 2012 and 2024, representing a total investment value of about ¥300 billion. M&A accounts for a growing percentage of our consolidated financial results.

Evaluating past acquisitions, I believe that our global network has been strengthened through our acquisition of logistics infrastructure in priority industries and expanded our network of sites in untapped areas. This has led to a strengthening of our customer base. Examples of this strength can be seen in our business growth in providing logistics services in priority industries such as in the lifestyle sector in Europe and health care sector in North America, and in the expansion of our network in Northern and Eastern Europe. Lifestyle and healthcare have become key industries through strategic business acquisitions. We view the strengthening of our business foundation through M&A as making our current growth and strategy possible.

At the same time, we can see mismatches involving value creation scenarios and overall optimization in our initial selection of target companies. We also recognize that our local subsidiaries' management of PMI has resulted in limited synergies with the NX Group as a whole, or in a lack of quickly achieving synergies. As a result, some business plans did not proceed as originally intended, and we have had to record impairments for some projects.

Based on our reviews of such situations, we are improving our structure for executing M&A, strengthening our Global Business Headquarters-centered PMI structure to create Group-wide synergies, and advancing PMI with CP and other companies. I see our synergies with CP as making steady progress in terms of implementing improvements at locations and strengthening our purchasing power. We are also making efforts to strengthen our responsiveness in human resource development and other areas of M&A execution and hope to leverage them in our future M&A strategy.

In the consideration of future M&A, we will continue to explore M&A opportunities overseas from three directions by: (1) acquiring overseas customer bases and expanding forwarding volume, (2) strengthening our functions in key industries and (3) strengthening our network in growth areas including India and Africa. We will continue to focus on M&A in Europe, but from here on out, areas outside of Europe will grow in priority. For example, the U.S. is a large market that still offers considerable room for action and growth on our part. In China, on the other hand, we need to consider what sort of growth strategy we can draw up as appetite for corporate investment in the country loses momentum. We have established many local logistics companies in logistics parks and bonded areas, and will once again examine optimal business structures, including the ideal role for these companies. We are now reviewing our business portfolio in Japan and intend to do the same for our overseas businesses.

## Restructuring our Japanese businesses

**—— You have stated your aim to improve profitability by restructuring the company's Japanese businesses. What are your concrete plans for doing so? In addition, Nippon Express transitioned to an internal company-based structure in January of this year. In these areas, what sort of initiatives do you plan to undertake, and toward what objectives?**

In terms of restructuring our Japanese businesses, we aim to raise business income margin from the 3.9% achieved in FY2023 to 5.9% in FY2028. We are taking three specific approaches to achieve this goal: (1) expansion of account management-based End to End solutions as a part of "transformation into a customer-oriented company," and monetiza-

tion and expansion of warehouse equipment and other up-front investment projects we have conducted in the pharmaceutical and semiconductor industries that we are prioritizing, (2) price revisions, administrative productivity improvement, and other actions for the "continuation and deepening of measures to enhance the robustness of our Japanese businesses," and (3) "continuous transformation and revision of our business foundations" through optimization of management resource allocation and advancement of business portfolio management.

Along with the strengthening of these initiatives, on the basis of "continuous transformation and revision of our business foundations," we have reorganized the business regions. Nippon Express has, until now, conducted Japan-based business management through six regional areas. However, by transforming our uniform management structure to yield a structure fitted to regional characteristics, we aim to accelerate the optimal and efficient re-allocation of management resources and improve our profitability and capital efficiency.

Specifically, in the Kantokoshinetsu/Chubu/Kansai regions (collectively "Tokyo, Nagoy and Osaka area"), we undertook a reorganization into business units along the axis of businesses and the axis of customers to expand our areas of transaction with customers. In Hokkaido/Tohoku and in the Chugoku/Shikoku/Kyushu regions, we further delegated authority to raise the degree of regional management freedom by reorganizing these companies into an "East Company" and "West Company" business unit structures.

Our aim in the Tokyo, Nagoy and Osaka area is the maximization of profit in line with sales growth. In this area, with its large market scale and concentration of global companies' head offices, we will expand our areas of transaction with customers by strengthening account management, centered on a dedicated sales structure oriented along the customer axis. The region also features major airports, ports, and other international transport gateways. We want to further grow our global business out of Japan through the placement of a business axis organization in this region to oversee our Japan-based forwarding business.

Based on the East Company and West Company reorganization, we will focus on improving income margin and capital efficiency rather than increasing sales, with the aim of improving ROIC. We will accelerate organizational renovation, investment, recruitment, and personnel assignment in line with regional characteristics and will work to improve the efficiency of management. At low-profit locations, we will quickly move ahead with reduction of resources, while also optimizing the allocation of management resources and making investments in semiconductor-related and other areas where we expect future growth. On this point, we will do the same in the Tokyo, Nagoy and Osaka area, where we have adopted a regional business unit structure.

We consider the transition to an internal company-based structure along with the speed at which we can implement market-driven management changes that reflect regional characteristics to be key initiatives.

## Promotion of sustainability management

**— Please talk about achievements and issues in your efforts to promote sustainability management, one of the Basic Policies of the Business Plan.**

I view sustainability management as the starting point for considering all decision making. The importance of addressing social issues has increased dramatically, which constitutes a major risk for management. However, within this we also see opportunities leading to new businesses that will be keys to growth. Sustainability management is an essential undertaking not only for cutting the cost of shareholders' equity but also for increasing our expected income growth rate and PER.

About a year has passed since we established sustainability promotion as a Basic Policy. We have now moved from promoting sustainability to the implementation phase in which we aim to coordinate among business activities. We have seen some degree of progress in this, including concrete detailing of non-financial capital, clarification of spillover financial effects, and the construction of a mechanism for $CO_2$ management on a global scale to be strengthened through initiatives aimed at Material Issues. However, I believe that we are still midway along the path in terms of reducing risks and capturing growth opportunities.

$CO_2$ emission reduction, human rights management in the supply chain, and other factors are becoming requirements in calls for customer bids, especially by major non-Japanese customers. In addition, the realization of sustainability is increasingly an expectation that our company faces, with an increasing number of customers telling us that the way we provide solutions is important. The manner of integrating sustainability into our provision of End to End solutions will be a key point.

The logistics business has always been directly linked to sustainability, and I believe that we need to view sustainability and business as one. However, I feel that recognition of this has not sufficiently filtered through the organization. In promoting sustainability, we will categorize the solutions we have achieved to date in light of factors including the 17 SDGs, and will re-examine how our businesses can contribute to sustainability. Regarding business activities, I believe that it is important for business, sales, and corporate departments to collaborate in tackling sustainability, and will work to reform awareness through a variety of opportunities. I also see a key issue in the maintenance and improvement of safety, compliance, and quality, which form the foundation for tackling sustainability.

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Standing on this foundation to resolve social issues through business, we can sustain a virtuous cycle of corporate value improvement that will differentiate the NX Group from our competitors. I believe that this is an important theme for our continued success within a sustainable society.

**—— As the economic environment undergoes great change and competitors engage in M&A, will there be changes in the company's long-term vision and M&A policy?**

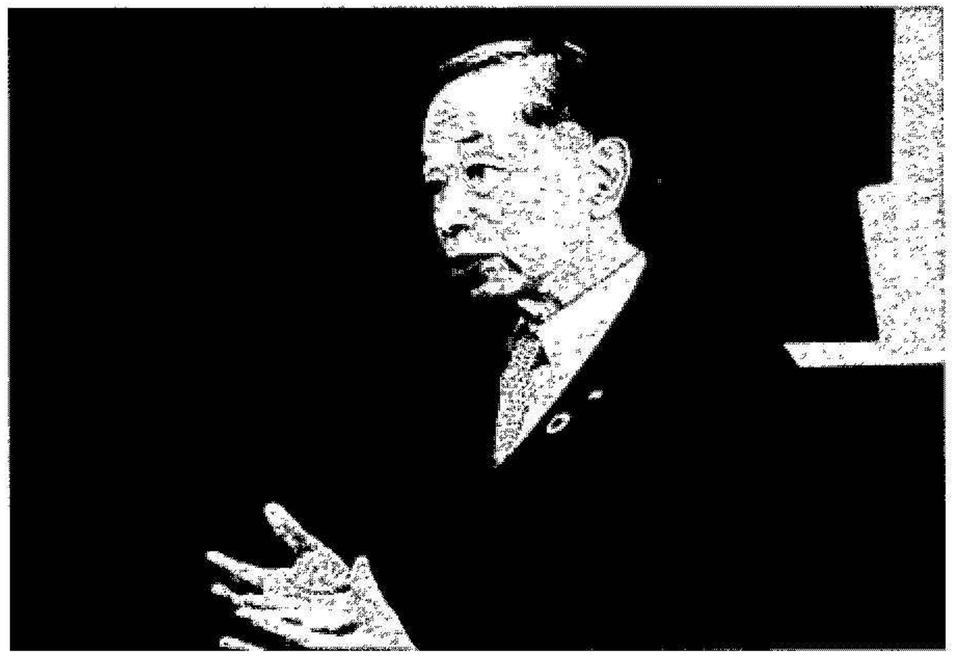
In our previous Business Plan, we set "a logistics company with a strong presence in the global market" as our long-term vision. More specifically, we put forth metrics including achieving global sales of ¥4 trillion, an overseas sales ratio of 50%, and maritime transport volume of 2 million TEU. I believe that if we can achieve figures on this level, we can establish a considerable presence. Recognizing the widening of the gap with global competitors through M&A and the potential for contraction of global trade under the U.S.'s tariff hikes and other factors, I believe that we need to envision a phase that demands a review of our long-term vision. At present, however, there is no change to that vision. To achieve our vision, we will continue advancing our M&A strategy together with our organic growth strategy by taking a long-term perspective. In our updated "Initiatives to Improve Corporate Value," we added ¥200 billion to the previous budget plan for the purpose of M&A and other growth investments. Based on the three directions for M&A that I have discussed, I hope to continue actively exploring M&A opportunities.

While scale is an important factor, I believe that our value is not determined by size alone. Our company has strength in being a logistics company with a presence in Asia, which I see as a factor in increasing our overall value to our customers. Customer-oriented provision of End to End solutions can also contribute to the expansion of customers' business and further lead to the resolution of social issues. I believe that providing value in terms of quality, not only scale, will be another factor in increasing our value to our customers.

## To Our Stakeholders

**—— What sort of value do you intend to provide to stakeholders and investors? In addition, what sort of changes do you want people to expect from NX?**

Because we find ourselves in a situation of growing uncertainty and difficulty in foreseeing the future, I think that our focus on providing "unwavering management" will be vital to our success. To me, this means offering employees, customers, and other stakeholders a sense of security, safety, and stability. Specifically, it means the capability to provide employees with an environment for working safely and securely, to provide customers with high-quality logistics services, and to provide investors with stable returns. I also want NX to be a company where people can discover new surprises and can hold dreams for the future and expectations for growth. I believe that putting these things into practice will lead to the enhancement of corporate value. I see my role in this as drawing out NX's potential by steadily advancing the initiatives I've described. There are three key themes in all of this, for which I invite stakeholders to closely observe to mark our progress.



The first theme is "continual change." As we engage in management, a variety of changes happen around us. What is important is that we maintain a mindset of viewing change as the norm. In the past, I believe that there have been areas where we have fallen behind. Reflecting on these, I want to show that we will not only respond to changes in the environment but will also continue to change with a sense of urgency that places us at the forefront of change. We will do so by leveraging advanced technologies such as digital transformation (DX) and by transforming our corporate climate, organizations, and structures.

The second theme is "acceleration of globalization." To achieve an overseas sales ratio of 50%, we are moving ahead with the promotion of foreign-national human resources to key positions in management and the expansion and diversification of global customers. However, our efforts are still at the halfway point. Unlike in the automotive industry, there has so far not been any Japanese logistics company capable of competing globally at the world's top level. Noting that, our company will keep growing, and striving to compete shoulder-to-shoulder with our rivals in the global market.

The third theme is "balancing growth with improvement of profitability." I want to simultaneously achieve both global growth and enhanced profitability. Toward that end, we will shift to a higher gear in our initiatives to improve corporate value.

As our Group unites to advance transformation, I ask for the continued support of our stakeholders.

# Status of Business Plan 2028 Initiatives

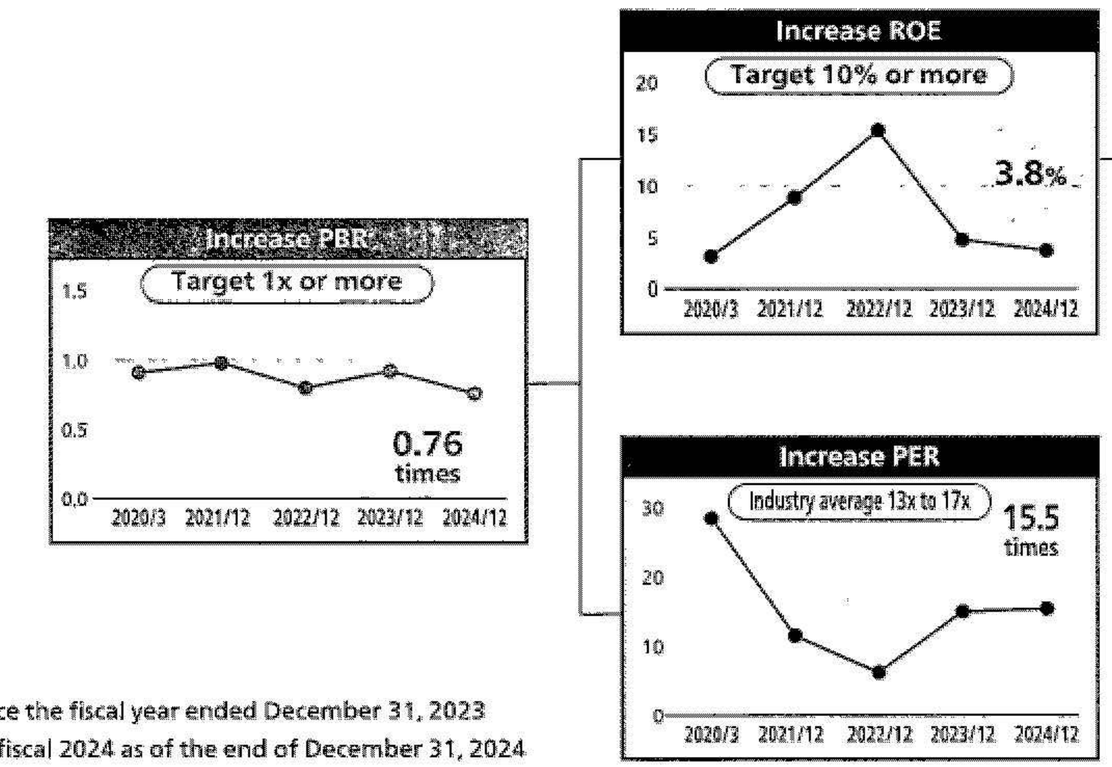
The NX Group launched a new business plan in January 2024: NX Group Business Plan 2028 "Dynamic Growth 2.0 – Accelerating Sustainable Growth." There are no changes to either our aimed-for stance or direction, but we have been undertaking with a greater sense of urgency various measures heralded in the business plan with the aim of achieving our long-term vision of becoming "a logistics company with a strong presence in the global market."

In the business plan, we also disclosed our "response to achieve management conscious of capital cost and share price." To improve corporate value (improve PBR), we believe that we need to expand equity spread after achieving capital profitability exceeding capital cost.

Against this backdrop, with regard to results for the current consolidated fiscal year, sales revenue rose year-on-year to ¥2,577.6 billion owing to a recovery in logistics demand and the addition of new cargo-partners to the NX Group. However, due to the effects of such external environment factors as a rise in energy prices and increased costs for human resources and the like, business profit fell year-on-year to ¥63.5 billion and the business income ratio fell year-on-year to 2.5%. There was an increase in equity capital and ROE remained at 3.8%, owing to an accumulation of retained earnings and an increase in foreign currency translation adjustments due to currency fluctuations.

(Amounts rounded off to the nearest ¥100 million)

| Item | FY2023 Results | FY2024 Results | Amount of Change (compared to the previous year) | Ratio of Change (compared to the previous year) | FY2028 Target |
|---|---|---|---|---|---|
| Sales revenue | ¥2,239.0 billion | ¥2,577.6 billion | ¥338.6 billion | 15.1% | ¥3,000.0 billion |
| Consolidated income by segment (business income) | ¥81.2 billion | ¥63.5 billion | (¥17.6 billion) | (21.7%) | ¥150.0 billion |
| Business income ratio | 3.6% | 2.5% | - | - | 5.0% |
| Operating income | ¥60.0 billion | ¥49.0 billion | (¥11.0 billion) | (18.3%) | ¥150.0 billion |
| Profit attributable to owners of parent | ¥37.0 billion | ¥31.7 billion | (¥5.3 billion) | (14.4%) | ¥100.0 billion |
| Overseas sales revenue * Excluding between segments | ¥585.5 billion | ¥926.2 billion | ¥340.7 billion | 58.2% | ¥1,200.0 billion |
| Overseas sales ratio | 26.2% | 35.9% | - | - | 40.0% |
| ROE | 4.8% | 3.8% | - | - | 10.0% or more |




*ROE: On an IFRS basis since the fiscal year ended December 31, 2023
*PBR and PER: Figures for fiscal 2024 as of the end of December 31, 2024

| | Goals to Achieve | Indicators | | FY2022 Performance | FY2023 Performance | FY2024 Performance | FY2028 Planned |
|---|---|---|---|---|---|---|---|
| Business Growth Strategy | Expansion of Sales Revenue | Sales revenue | | ¥2,618.6 billion | ¥2,239.0 billion | ¥2,577.6 billion | ¥3,000.0 billion |
| | | Growth investments (cumulative from FY2024 to FY2028) | Cumulative M&A investments | - | - | Not disclosed | ¥400.0 billion |
| | | | Accumulated capital investments (updates and increases) | - | - | ¥73.1 billion | ¥500.0 billion |
| | Increase the income ratio | Business income ratio | | 5.3% | 3.6% | 2.5% | 5.0% |
| | | Business income | | ¥137.5 billion | ¥81.2 billion | ¥63.5 billion | ¥150.0 billion |
| Financial Capital Policy | Improve capital efficiency | ROIC (Income before income taxes) | | 11.4% | 5.6% | 4.0% | 10% or more |
| | Optimization of capital structure | Shareholders' equity ratio | | 36.5% | 37.9% | 37.2% | Around 35% |
| | | Dividend payout ratio | | 32.8% | 71.7% | 82.3% | 40% or more |
| | | Total return ratio (cumulative from FY2024 to FY2028) | | - | - | 113.6% | 55% or more |

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# Analysis of Business Performance

## Status of Business Environment

In fiscal 2024, the global economy maintained solid growth. There were signs of domestic demand-led expansion in the U.S. and some emerging countries, along with support from a recovery in personal consumption due to a rise in real wages in other countries and regions. On the other hand, there was an increase in geopolitical risks and economic security risks including the increasing length of Russia's invasion of Ukraine, increased tensions in the Middle East situation, and the US-China confrontation, resulting in a future outlook that remains uncertain.

Against this economic climate, with respect to the logistics industry in international logistics demand for freight traffic is on the upswing due to such factors as an increase in air cargo transportation arising from the expansion of cross-border e-commerce from China. However, in ocean cargo transport, conditions remain unstable. The geopolitical and natural disaster risks that can have a direct impact on freight traffic remain, such as prolonging the avoidance of routes through the Suez Canal due to unstable conditions in the Middle East and a record-breaking drought along the Panama Canal. As for domestic logistics, while personal consumption showed signs of rallying, production-related freight traffic remained sluggish owing to a slowdown in capital investments and a lack of strength in cargo movement as a whole. Furthermore, the logistics industry remained pressed over how to respond to the 2024 problem and how to deal with such rising cost pressures as the rises in labor and fuel costs.

The situation continues to be such that we need to pay close attention these trends, such as the impacts of geopolitical risks and economic security risks on the supply chain as well as the increase in various procurement costs owing to labor shortages and rising fuel prices.

## Business Performance

Under this business environment, the NX Group launched a new business plan from January 1, 2024: NX Group Business Plan 2028 "Dynamic Growth 2.0 – Accelerating Sustainable Growth." There are no changes to either our aimed-for stance or direction, but we have been undertaking with a greater sense of urgency various measures heralded in the business plan and management aware of improving corporate value. We do so with the aim of achieving our long-term vision of becoming "a logistics company with a strong presence in the global market."

With regard to results for fiscal 2024, sales revenue rose year-on-year owing to a recovery in logistics demand and the addition of a new company, cargo-partner, to the NX Group. However, segment income fell due to the effects of such external environment factors as a rise in energy prices and increased costs for human resources and the like.

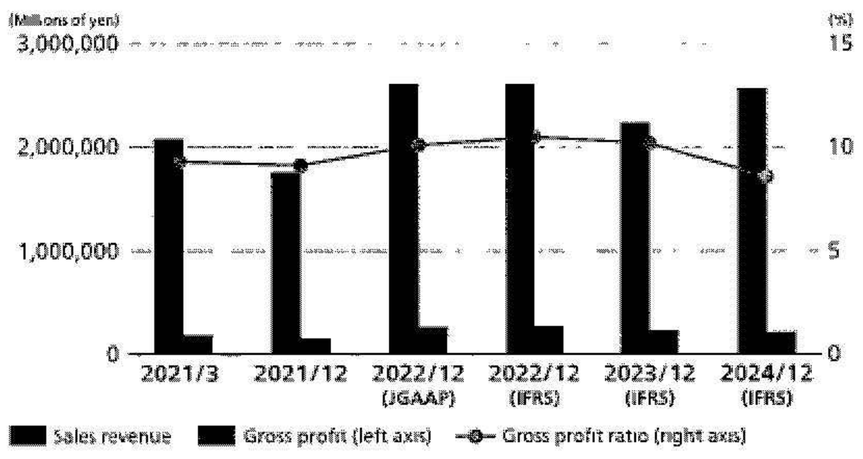
## Performance Forecast

The fiscal 2025 results forecast calls for revenue of ¥2.7 trillion, operating income of ¥80.0 billion, income before income taxes of ¥75.0 billion, and net income attributable to owners of the parent of ¥55.0 billion. With regard to the tariff policies of the U.S., they are not included in the performance forecast owing to the difficulties of making a reasonable calculation of their impact on performance.

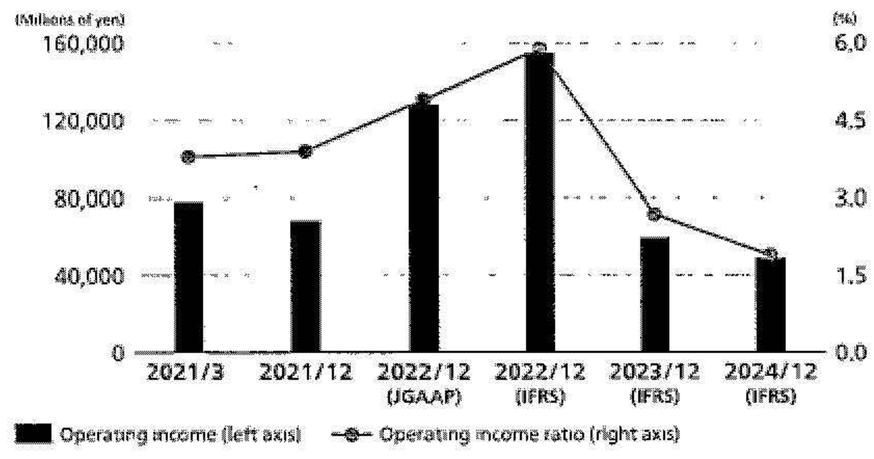
Concerning the impact of tariff policies on performance, premised by the information available as of early April, we tentatively calculate that there is a risk that business profit for fiscal 2025 will be ¥10.0 billion less than our full-year forecast. (As of May 13, 2025)

In the event that it becomes necessary to revise the performance forecast, we will disclose it promptly.

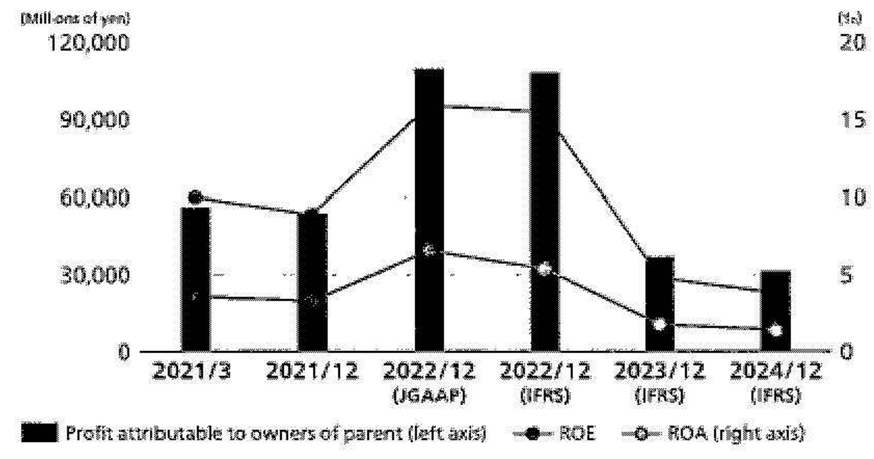
### Revenue/Gross Profit/Gross Profit Ratio*1




### Operating Income/Operating Income Ratio*1




### Net Income Attributable to Owners of the Parent/ROE/ROA*1




*1 The end of a fiscal year for NX Group has been changed from March 31 to December 31 from FY2021. As such, consolidated results for the FY2021 reflects values of nine months from April 1, 2021 to December 31, 2021.

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# Analysis of Financial Position

## Financial Position

Total assets as of the end of fiscal 2024 amounted to ¥2,297.1 billion, an increase of ¥187.8 billion, or 8.9%, compared to the previous fiscal year.

Current assets amounted to ¥934.8 billion, an increase of ¥38.5 billion, or 4.3%, from the previous fiscal year, and non-current assets totaled ¥1,362.2 billion, an increase of ¥149.3 billion, or 12.3%, from the previous fiscal year.

The increase in current assets was mainly attributable to an increase in trade and other receivables.

The increase in non-current assets was mainly attributable to an increase in goodwill and intangible assets.

Current liabilities amounted to ¥757.8 billion, an increase of ¥166.7 billion, or 28.2%, from the previous fiscal year, and non-current liabilities totaled ¥666.2 billion, a decrease of ¥34.1 billion, or -4.9%, from the previous fiscal year.

The increase in current liabilities was mainly due to an increase in short-term redeemable bonds.

The decrease in non-current liabilities was mainly attributable to a decrease in long-term borrowings.

Total capital as of the end of fiscal 2024 amounted to ¥873.0 billion, an increase of ¥55.2 billion, or 6.8%, from the end of the previous fiscal year.

## Overview of Cash Flows

Cash and cash equivalents at the end of fiscal 2024 amounted to ¥251.3 billion, a decrease of ¥63.7 billion from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥227.8 billion, an increase of ¥42.1 billion in proceeds from the corresponding period of the previous year. This result was mainly due to a decrease in income taxes paid.

Net cash used in investing activities amounted to ¥140.7 billion, an increase of ¥81.4 billion in expenditures from the corresponding period of the previous year. This result was mainly due to an increase in expenditures for the acquisition of shares in subsidiaries consequent upon a change in the scope of consolidation.

Net cash used in financing activities amounted to ¥164.1 billion, an increase of ¥63.9 billion in expenditures from the corresponding period of the previous year. This result was mainly due to a decrease in proceeds from long-term loans payable.

With regard to the revenue sources and liquidity of the NX Group's capital, the main demands on the Group's capital are for operating expenses such as for consigned forwarding costs, fuel costs, sales costs, and general and administrative costs, as well as for investments in the building of new Group facilities, renovations, and mergers and acquisitions.

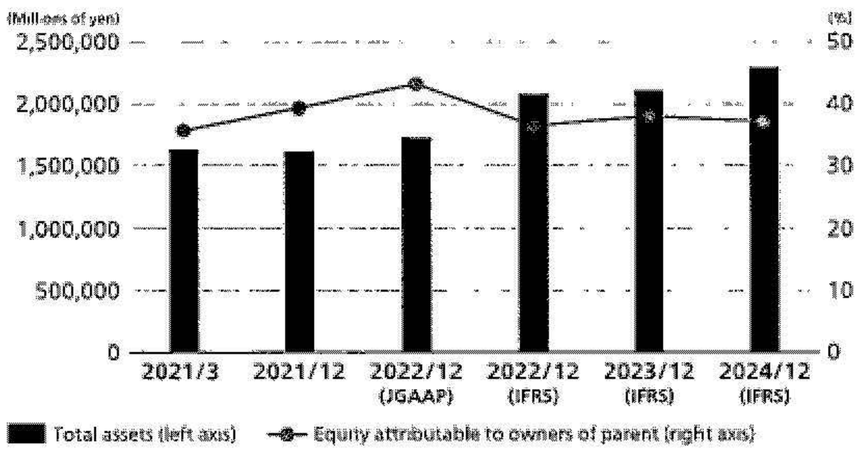
We are working to meet these capital demands through cash flows from sales activities and funds on hand, as well as by procuring funds through borrowings from financial institutions and the issuance of bonds.

With regard to working capital on hand, we and some of our consolidated subsidiaries have introduced a cash management system (CMS) with the goal of improving capital efficiency through integrated management of surplus funds at each company.

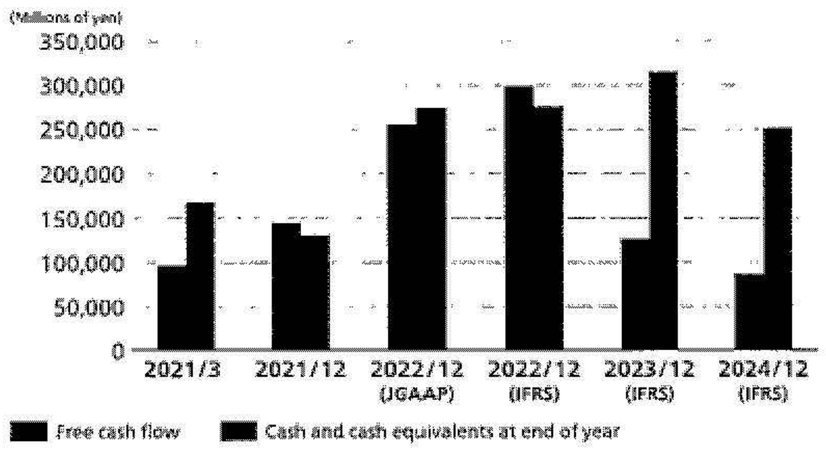
## Capital Investment

In view of future business developments, NX Group is making capital investment in infrastructure such as distribution bases and commercial warehouses, and replacing vehicles and other transport equipment in order to respond to reforms in logistics structures and international logistics. In FY2024, we invested a total of ¥73.1 billion.

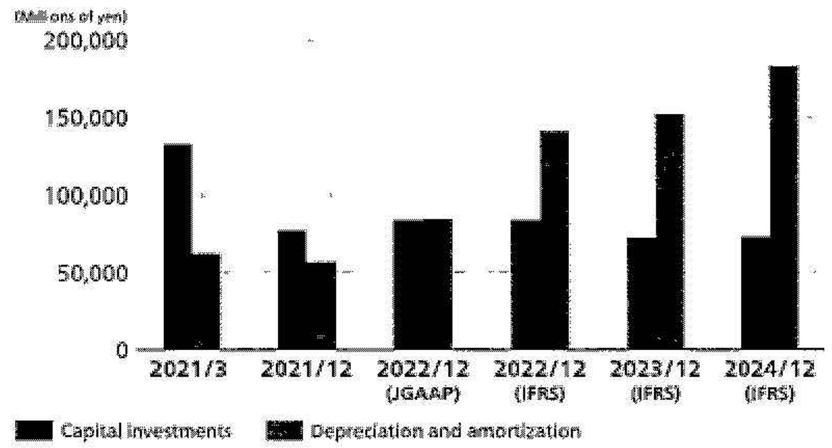
**Total Assets/Ratio of Equity Attributable to Owners of Parent*1**




**Free Cash Flow/ Cash and Cash Equivalents at End of Year*1**




**Capital Investments/ Depreciation and Amortization*1**




*1 The end of a fiscal year for NX Group has been changed from March 31 to December 31 from FY2021. As such, consolidated results for the FY2021 reflects values of nine month from April 1, 2021 to December 31, 2021.

# Analysis and Evaluation of Current Status for PBR, ROE, and PER

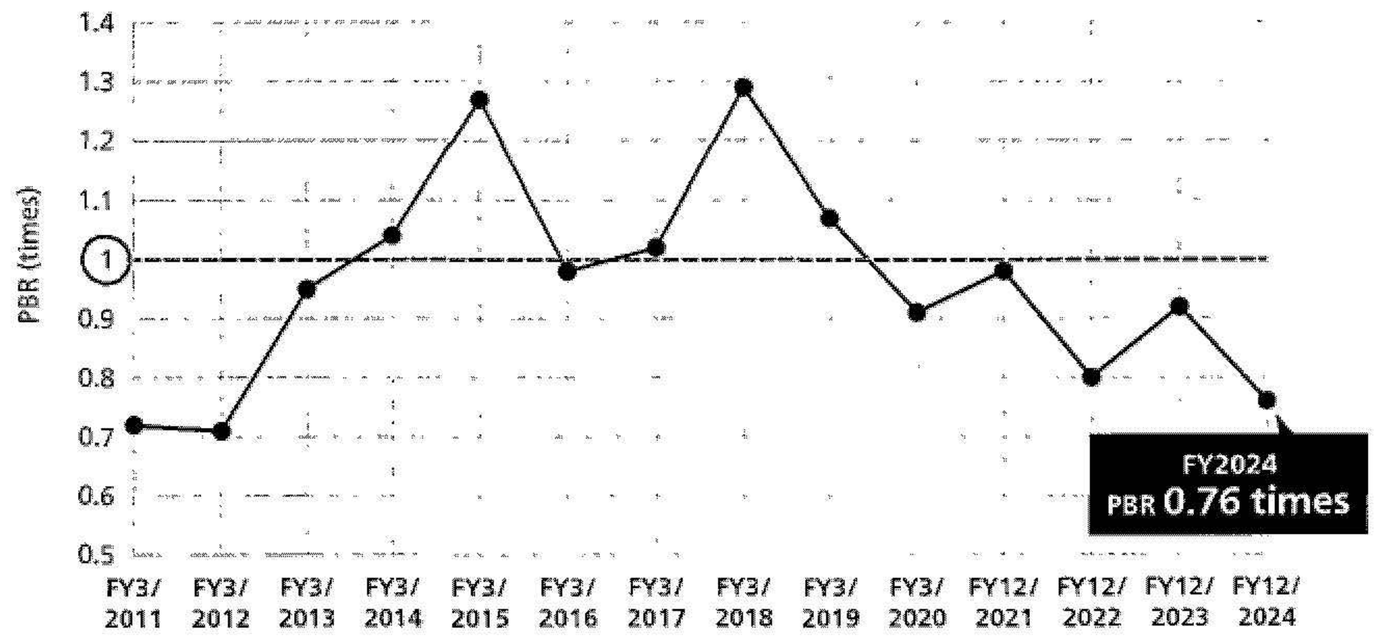
## Results from and Looking Back on PBR, ROE, and PER

The price-to-book (PBR) ratio for the NX Group as of December 31, 2024 stood at 0.76, remaining as before below one. When the PBR is broken down into return on equity (ROE) and price-to-earnings ratio (PER), ROE for fiscal 2023 was 4.8% and the projection for fiscal 2024 was 4.9% (actual 3.8%), falling below the Group's perceived cost of shareholders'equity of 7.4%*1. Although the PER of the Group is at the industry average (Prime Market, land transportation business), considering our potential for global growth, we believe that there is more room for improving expectations for our business growth.

Based on these analyses, we recognize that the main factor confining our PBR to its current level is that our current ROE is low and below our perceived cost of equity. First, we recognize that the most important issue for eliminating PBR ratios below one is to quickly achieve a ROE that exceeds the cost of shareholders' equity and secure the equity spread.

*1 Values as of June 30, 2024, calculated using a capital asset pricing model (CAPM). Through dialogue with capital markets, we recognize there are no deviations from the levels that the capital markets recognize.

PBR Trends




## Improvements in ROE and PER

The factors behind the decline in ROE are a decline in profit levels that goes hand in hand with higher personnel and other costs and an increase in equity capital. We believe that we need to push forward with structural reforms to improve capital profitability. Together with expanding our earning power--that is to say, expanding business profits--through the steady implementation of the various measures raised in our business plan, we need to replace low-profit assets and those businesses that have low profit margins with assets that are expected to have higher profitability. Additionally, our analysis shows that there are aspects to the Company's capital structure that should be improved, such as the effective use of financial leverage.

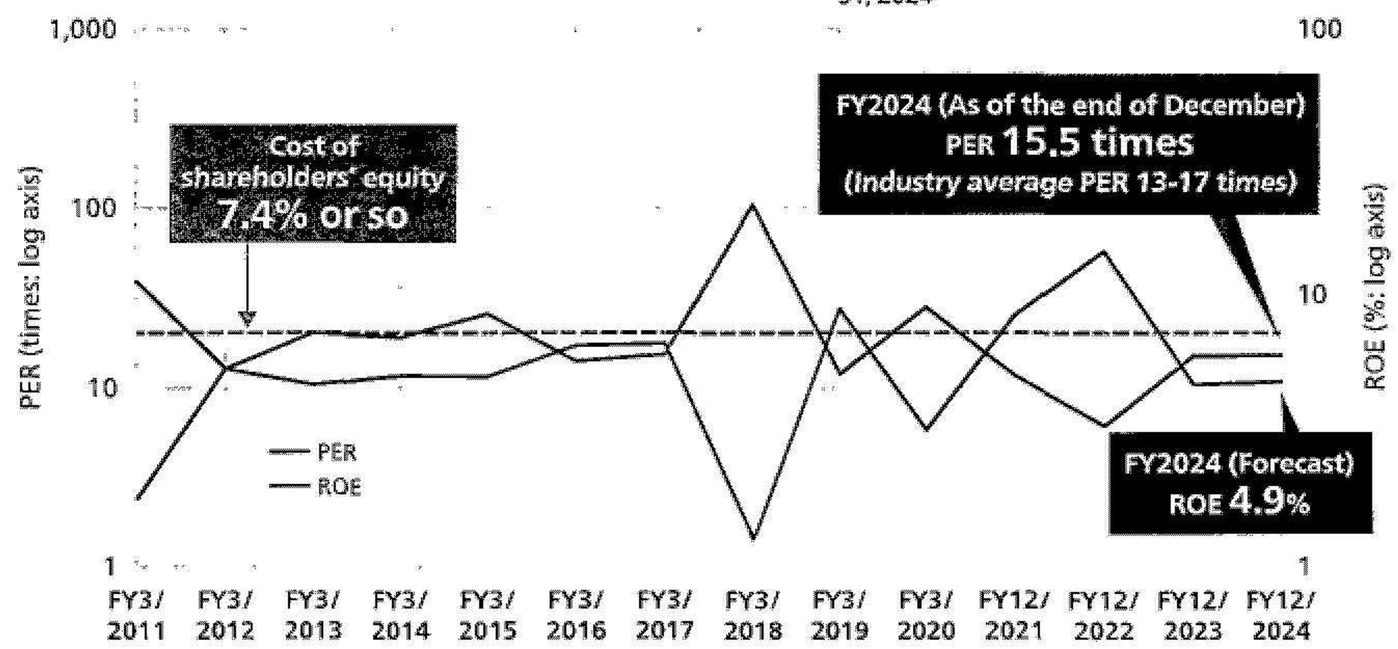
Furthermore, while our PER is at the industry average, we believe that we need to reduce shareholder equity costs and improve expectations for our business growth. We will work toward improving our expected growth rate by reducing business risks (volatility) through expanding End to End solutions that are not biased toward the forwarding business, reducing shareholder equity costs through active dialogue with capital markets, and showing actual progress with our growth scenario.

Against this backdrop, we updated our initiatives for improving corporate value and announced them in February of this year.

*2 ROE: On an IFRS basis since the fiscal year ended December 31, 2023; figures for fiscal 2024 forecast amounts announced in November 2024

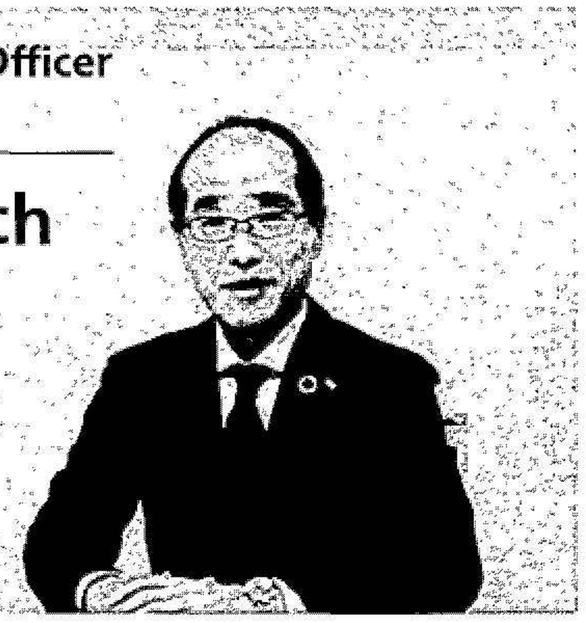
*3 PBR and PER: Figures for fiscal 2024 as of the end of December 31, 2024

ROE Trends *2 PER Trends *3



## Message from the Chief Managing Officer of Corporate Strategy Headquarters

# Strengthen the approach toward improving the corporate value



**Hideshi Otsuki**
Managing Executive Officer

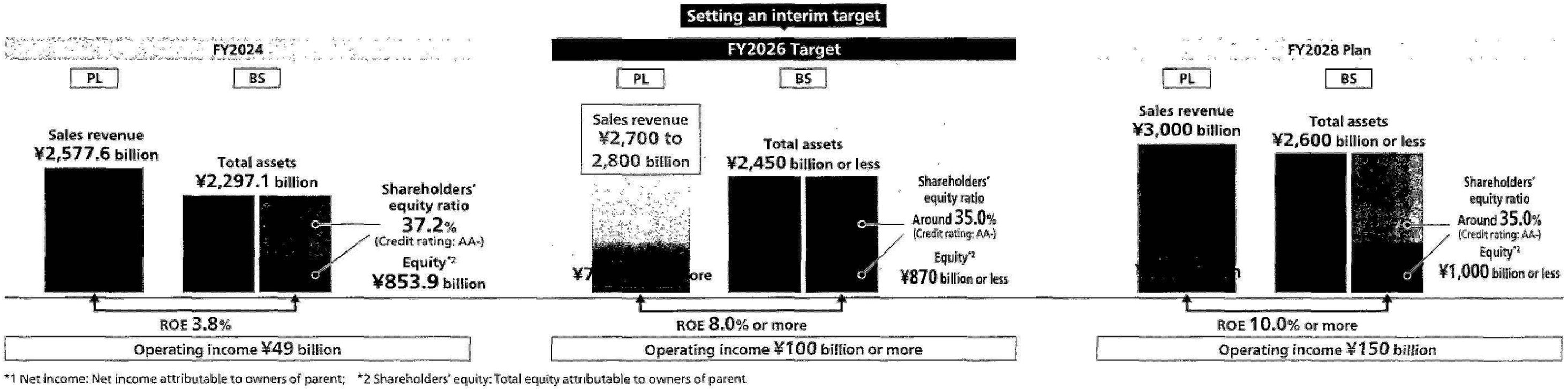
In our business plan, we disclosed our "response to achieve management conscious of capital cost and share price." To improve corporate value, we believe it important that we first ensure capital profitability exceeding capital cost and furthermore increase the equity spread. Meanwhile, our current PBR is below one. Furthermore, to realize our long-term vision, we reassessed our plan out of our belief that we need to gear our initiatives and reforms up to heretofore unseen levels. I will explain this reassessment in detail.

Initially, we recognized with regard to these current analyses and evaluations that the main factor confining our PBR to its current level is that our current ROE is below our perceived cost of shareholders' equity.

In our reassessment, we set "achieving ROE of 8% or more" as our medium-term goal for fiscal 2026. We also worked to strengthen BS management--including a review of our asset holding strategy--and reassess capital policy, as well to strengthen our promotion of business portfolio management. The planned values for fiscal 2028--the final year of the business plan--remain unchanged, and we aim to achieve our original plan targets. Next, as a way for strengthening approaches for improving corporate value, the figure on the following page shows a list of the content we have added to our original five-year cash flow allocation plan. As a general framework for these initiatives, we aim to secure and further expand the equity spread by undertaking three approaches.

First, when it comes to shifting to highly profitable businesses and replacing assets, we will proceed toward selling such assets as low-profit real estate, with planned total value of ¥50 billion or more. Furthermore, we will review our holding strategy for business real estate and continue looking into adding to our cash in-flow, including possible sales or lease-backs of properties.

Next, with regard to promoting business portfolio strategies, we shift to growth businesses and consolidate low-profit and non-core businesses in line with both qualitative and quantitative criteria. We classify our businesses and companies into three categories: "segments and businesses to be grown," "Japan-based businesses to be restructured," and "companies and businesses to be considered." Depending on the category, we are making preparations aimed at strategic investment allocations and structural reforms, as well as for proceeding with new growth or joint ventures, alliances, and disposals.




*1 Net income: Net income attributable to owners of parent; *2 Shareholders' equity: Total equity attributable to owners of parent

Next, with regard to cross-shareholdings, we will add ¥40 billion through the sale of employee pension trust shares and by accelerating the liquidation of cross-held shares.

We plan to use the sales proceeds explained above to invest in growth fields such as M&A and to promote business portfolio management, as well as to strengthen shareholders returns. With respect to growth investments such as these M&A, we will add ¥200.0 billion to the original plan. Although we have already used most of the ¥200.0 billion in initially-planned M&A funds through implementing M&A of cargo-partner and Simon Hegele, we believe that making further use of M&A will be necessary for achieving our business plan. We will begin by accumulating ¥200.0 billion in growth investment funds and then proactively consider M&A.

The second approach has been, in terms of optimization of capital structure and appropriate use of financial leverage, to carry out reexaminations even with respect to equity ratio in capital policy. We currently hold a high credit running of double A minus. Given our high financial demands for growth investments, maintaining a high credit rating is an important factor in the face of future rises in interest rates. As to the standard for a shareholders' equity ratio, we have determined that approximately 35% would be appropriate as it has been in the past.

Also, assuming that we have maintained our credit rating, we added ¥50.0 to 100.0 billion as share buybacks. Of this, for 2025 we decided that in line with our original plan we will acquire up to ¥50.0 billion of our own shares. This ¥50.0 billion is a figure that was determined by multiplying total assets by 2.2%. That percentage is the difference between the equity ratio of 37.2% at the end of fiscal 2024 and the newly established level of 35%.

Next, we expect to procure another ¥200.0 to 250.0 billion as the external borrowings needed for growth investments, and plan to optimize our capital structure through debt-equity control.

With regard to shareholder returns, NX Group maintains stable returns and never reduces its common dividend. In addition to indicating the target amounts for our returns policy, we had also committed ourselves to the stable and steady issuance of dividends. Taking this further, we decided to set a minimum annual dividend of ¥100 per share based on the dividend amount for fiscal 2024.

The third of our approaches is to reduce the cost of shareholders' equity. Together with reducing volatility of performance by expanding End to End solutions and reducing business risks through sustainability initiatives, we will continue to be in dialogue with markets and hope to apply this to future initiatives to improve corporate value.

Through these three approaches that I have just explained, we hope to expand our equity spread and, through ROE improvements and PER increases, as a passing point to begin with achieve a PBR greater than one. Also, to achieve our current business plan, as well as achieve targets of sales of ¥4 trillion, a business income margin greater than 5%, and an ROE greater than 10% that have been set in our long-term vision beyond it, we believe it extremely important that we not only expand our scale but also replace assets appropriately and increase capital efficiency. At the same time, we intend to create a virtuous cycle by joining our initiatives to boost shareholders returns to the increase in ROE. We see these updates as part of the buildup policies we will pursue going forward, and we will continue to study and reinforce them.

**2024 Results**

**PBR 0.73x**

**ROE 3.8%**

**Cost of share holders' equity 7.4%**

**Calculated using the capital asset value model (CAPM)**

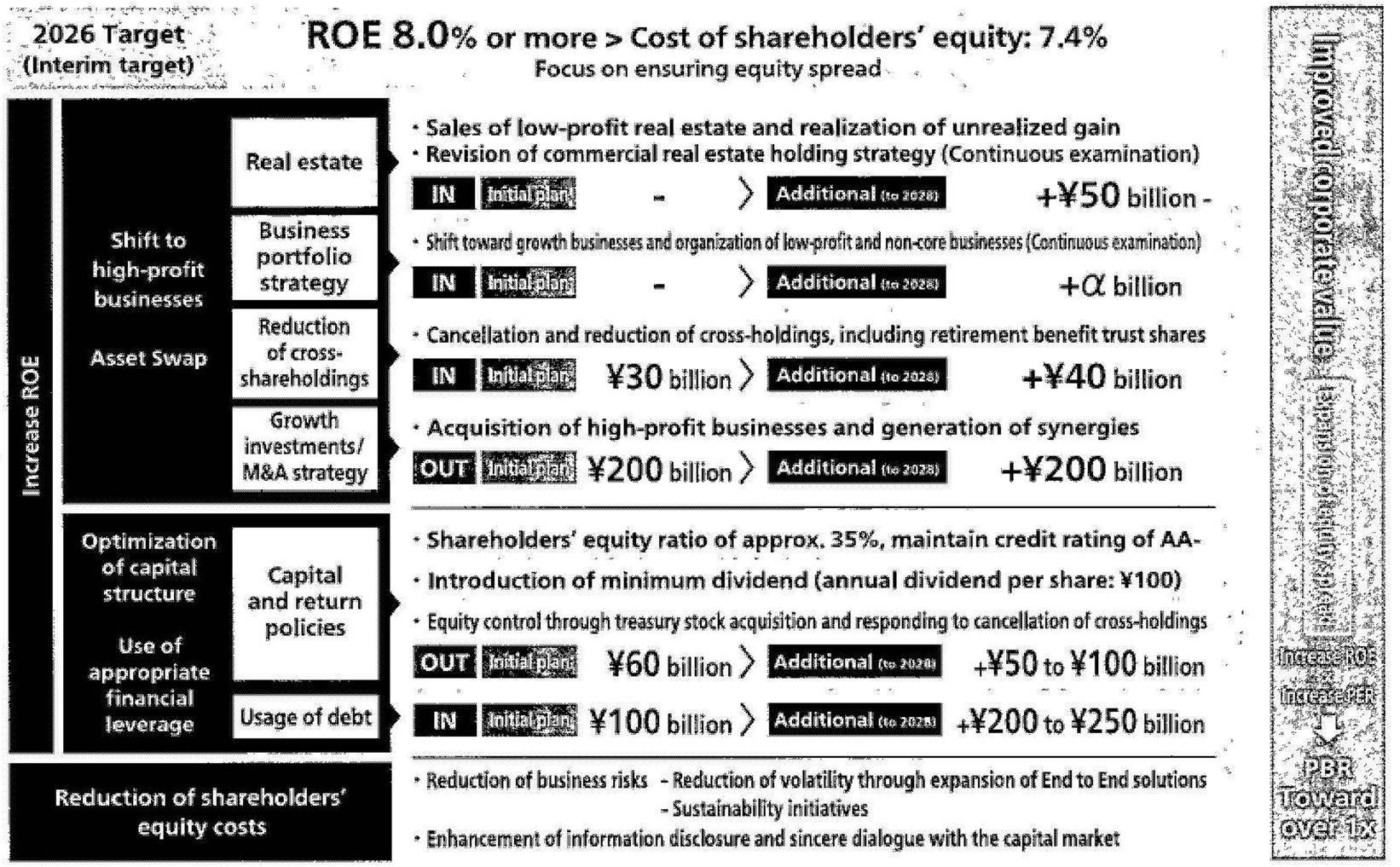
Risk-free rate + Risk premium x $\beta$ value

(1) Risk-free rate
10-year government bond yield: 1.06%

(2) Risk premium
Implied method. 5.90

(3) $\beta$ value
vs. TOPIX 60-month Monthly revision $\beta$ 1.08

(Figures as of the end of June 2024)



# Promote Business Portfolio Management

## Basic policies underpinning the Business Portfolio

One of the basic policies underpinning the NX Group Business Plan 2028 is "Increase competitiveness and profitability, and enhance corporate value based on clear business portfolios and separation of roles." We have set our basic policies regarding our business portfolio as one of the indicators for implementing this.

Grounded in this basic policy, we are promoting business portfolio management that prioritizes ROIC. In short, we will examine strategies leading to the enhancement of corporate value by conducting quantitative evaluations of businesses for capital profitability from ROIC and for growth potential based on sales growth rate, as well as qualitative evaluations on consistency with our corporate philosophy and long-term vision, positioning and synergy within the Group, and best-owner perspective.

We will implement the strategic allocation of investments to priority businesses and growth businesses while considering the structural reform, sell-off, or withdrawal of mature businesses and businesses requiring review and improvement, all with the goal of achieving sustainable growth of the entire NX Group.

We will also establish a system for the implementation of our business portfolio management, which will be reviewed and amended by the Board of Directors on a regular basis.

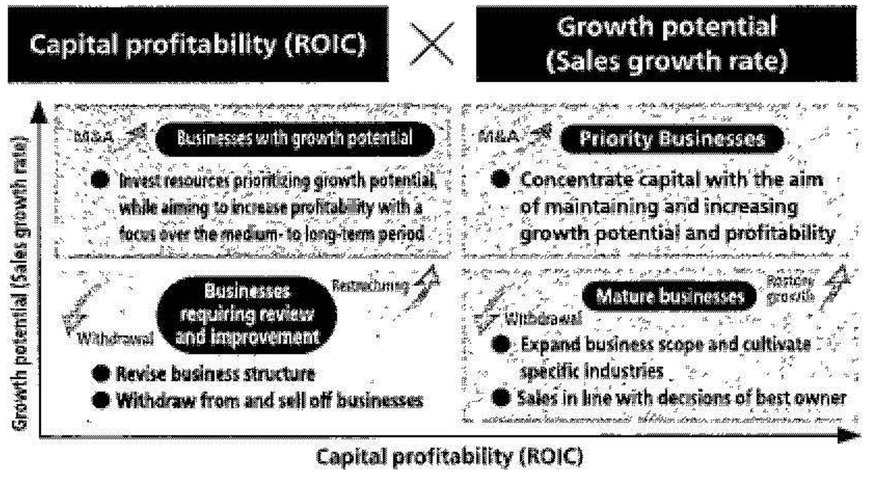
### Basic policies underpinning the Business Portfolio

**Basic policy**

- NX Group has established the long-term vision of becoming "a logistics company with a strong presence in the global market" based on NX Group Corporate Philosophy. Our business portfolio comprises operations that align with this corporate philosophy and long-term vision through business that supports sustainable social development.
- In working toward sustained growth of the Group, and increased corporate value over the medium to long term, we evaluate each business operation in terms of criteria that include capital profitability and potential for growth, positioning within the group and creation of synergy, as well as our future growth strategy.
- Having established a system for the implementation of our business portfolio management, the Board of Directors evaluates, reviews and amends the basic policy and strategy of our business portfolio and its implementation on a regular basis.

### Quantitative Evaluation

Conduct quantitative analyses and mapping of each business to identify current position of businesses and overall direction




### Qualitative Evaluation

In addition to evaluations from the following perspectives for quantitative evaluations, examine strategies linked to increasing corporate value of NX Group

- Alignment with Corporate Philosophy and long-term vision
- Market trends and competitive tendencies
- Business growth potential, strengths/weaknesses
- Functionality and synergy within Group
- Sustainability and contribution to resolving social issues
- Best-owner perspective

## Business portfolio strategies for sustainable growth and improving corporate value

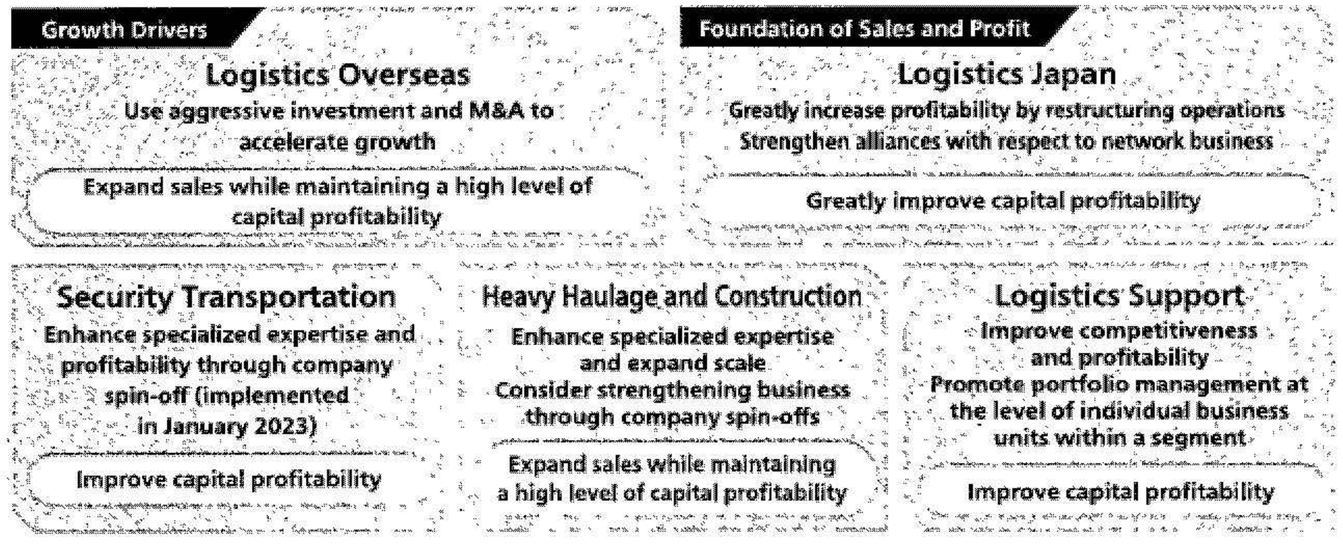
In accordance with our basic policy regarding the business portfolio, we will evaluate each business in qualitative and qualitative terms and clarify the roles each have in the process of improving the corporate value of the NX Group.

Based on these roles, we will aim for sustainable growth for priority businesses and businesses with growth potential by implementing the strategic distribution of management resources. We will use mainly mergers and acquisitions as well as capital alliances as means for achieving this growth. In short, through M&A and the like, we intend to strengthen our competitiveness by increasing the volume of freight handled by the NX Group, as well as create synergies and expand our business through the acquisition of new customer bases and logistics service bases.

On the other hand, for low-growth businesses or those in need of improved profitability, we will consider carving out new paths to growth through mainly the know-how and networks of partner companies linked through capital or business alliances. Alternatively, we may consider transferring or withdrawing from businesses and replacing them with businesses that have growth potential, or applying the management resources generated by such withdrawals to priority businesses.

Our basic approach regarding business portfolio strategies for each segment is recorded on the "Strategic Orientation by Segment" diagram.

### Strategic Orientation by Segment




Based on the above strategies, we hope to improve corporate value through our advancement of business portfolio management.

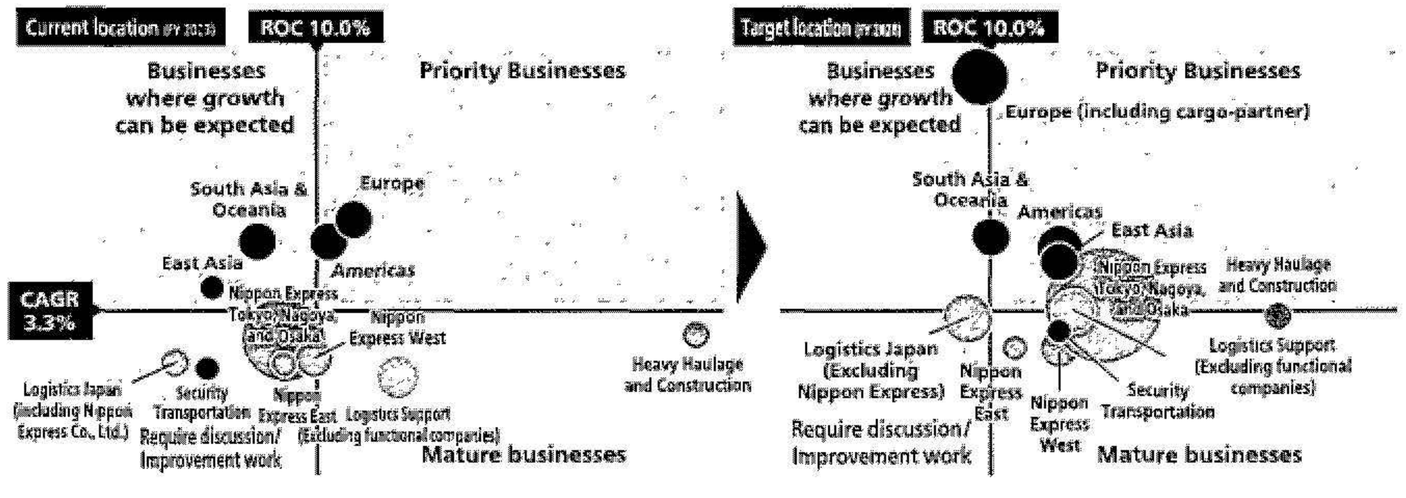
Furthermore, giving full consideration toward the speed at which these strategies are implemented, we will work to make the effects of business portfolio management take on a visible form as quickly as possible.

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# Promote Business Portfolio Management

## Quantitative Evaluation

The below chart plots on four quadrants the current locations (FY2023) for each business and the target locations in the NX Group Business Plan 2028, based on growth potential and capital profitability.



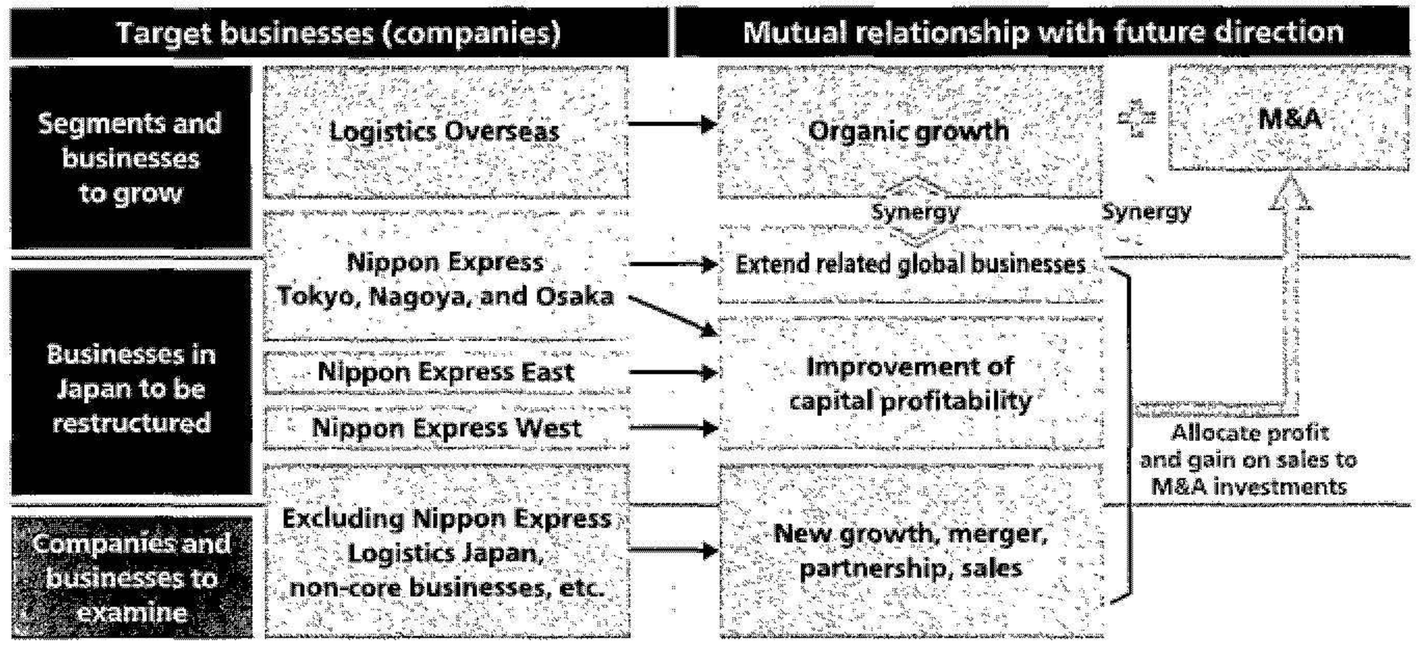

As base values for each quadrant partition, we set the growth (vertical) axis at 3.3%, this being the target for the Group's sales growth rate excluding inorganic factors such as M&A, and capital profitability (horizontal) axis at 10.0%, this being the Group's target ROIC. The names selected for each of the quadrants in order are "Businesses with growth potential," "Priority businesses," "Businesses requiring review and improvement," and "Mature businesses." We partitioned Logistics Japan into the three Nippon Express Co., Ltd. organizations, along with those other than Nippon Express Co., Ltd. Logistics Overseas was broken up into four regions, while Security Transportation, Heavy Haulage and Construction, and Logistics Support have been plotted by individual segment. The size of the circles represents the amount of profit.

Based on the role assigned to it, each individual unit aims to aims to increase the size of those circles beyond what it is now as they reach their target locations diagonally toward the upper right direction. In short, we will increase sales and profits as we work toward also increasing capital profitability.

In particular, in accordance with the key strategies in our current business plan of "Accelerating growth in the global market" and "Rebuilding Japanese businesses," our four Logistics Overseas regions and the Tokyo, Nagoya, and Osaka areas of Nippon Express Co., Ltd. are playing roles in driving the growth of the Group's business as priority businesses.

Furthermore, while the Europe region is expected to see significant growth in its sales growth rate and profits, capital profitability will remain weak. This is from the impact of cargo-partner, which carried out M&A in the previous year. We will adopt a strategy that prioritizes increasing sales and profits, and we are working to achieve an ROIC of 10.0% due mainly to the effects of the PMI currently being implemented.

## Future Directions




With regard to our business portfolio evaluated by the quantitative axis with the additions of qualitative factors such as corporate philosophy, synergies, and best owner, the above chart presents our future directions for management. We classify our businesses and companies into three categories: "segments and businesses to be grown," "Japan-based businesses to be restructured," and "companies and businesses to be considered." We will proceed with strategic investment allocations and structural reforms, as well as with new growth, joint ventures, alliances, and disposals.

Specifically, we will work to achieve organic growth and growth through M&A as well as increases in our global-related businesses in Logistics Overseas and in the Tokyo, Nagoya, and Osaka parts of Nippon Express Co., Ltd., which as we mentioned earlier are the driving forces behind growth in the NX Group's business. We will also steadily work to achieve synergistic effects mutually created by promoting cross-selling and through improvements to purchasing power and competitiveness through increases in the volumes handled. Next, the Tokyo, Nagoya, and Osaka units of Nippon Express and other companies will promote improvements to capital profitability. Meanwhile, with regard to some companies and non-core businesses from Logistics Japan excluding Nippon Express, we will pursue considerations into new growth, or joint ventures, alliances, and disposals. Cash generated from these businesses will be applied to M&A as well as investments in priority businesses and businesses for which growth is expected.

Through this, we believe that the segments, companies, businesses, and the like that together comprise the business portfolio of the NX Group will fulfill their assigned roles. We believe that we will create and continue a virtuous cycle that will be able to strategically allocate such management resources as cash and human resources to priority businesses and businesses for which growth is expected. We believe that doing all of this will lead to improvements in corporate value, and we will pursue this with a strong sense of urgency.

# Cash Allocation

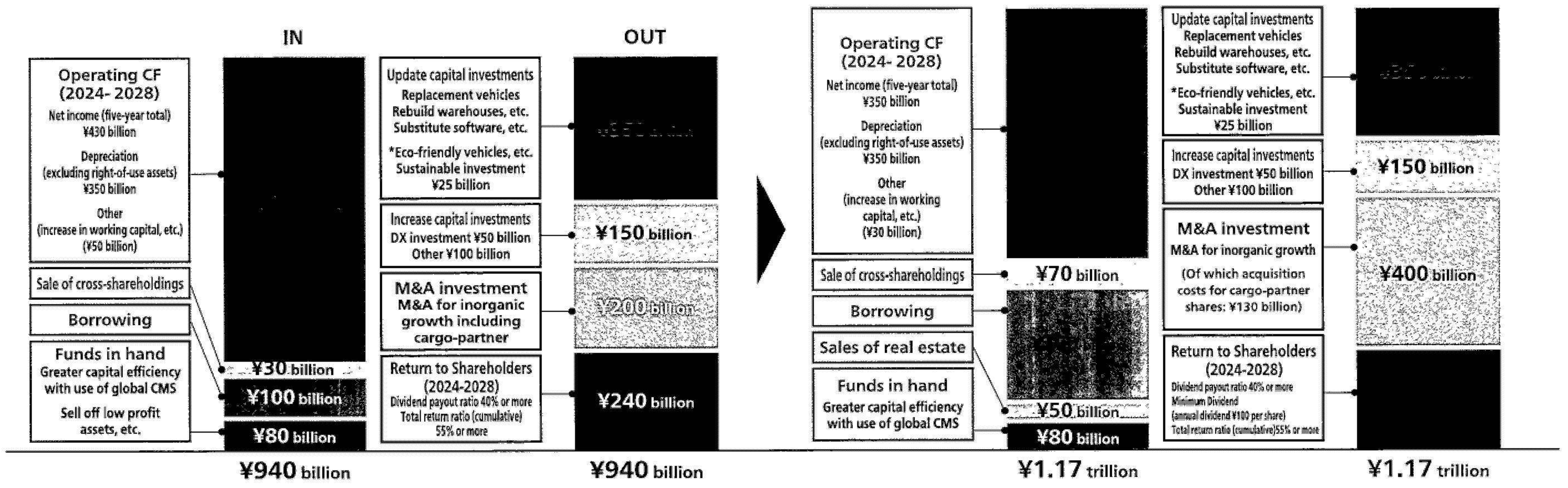
## Review of Cash Allocations

On February 14, 2025, we reviewed the cash allocations that were originally set forth for the business plan period to improve corporate value.

We have increased the M&A investments that represent our growth investments for five years from fiscal 2024 to fiscal 2028 by ¥200.0 billion to ¥400.0 billion. Our total cash outflows for investments (including investments related to digital transformation and sustainability) now total ¥900.0 billion. At the same time, to enhance shareholder returns we increased cash outflows for those returns by ¥30.0 billion to ¥270.0 billion.

With regard to cash inflows, while operating cash outflows fell by ¥60.0 billion from the initial forecast to ¥670.0 billion, we increased sales of cross-shareholdings by ¥40.0 billion to ¥70.0 billion through a further reduction in such shareholdings. We optimized capital structure through debt-equity controls, increased borrowings by ¥200.0 billion to ¥300.0 billion, and promoted sales of low-profit real estate with the goals of shifting to highly profitable businesses and replacing assets. From this, we added ¥50.0 billion in real estate sales. Furthermore, we will review our holding strategy for business real estate and continue looking into adding to our cash in-flow.

**Implement growth investments and stable shareholders returns, as well as strategic cash allocations such as through flexible share buybacks**



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# Cash Allocation

### Overview of the sale of real estate and cross-shareholdings for growth investments and shareholder returns

The NX Group fundamentally aims to reduce its policy shareholdings.*1 In fiscal 2024, the Group disposed of all holdings of four issues of designated investment stocks and one deemed holding, as well as some holdings of two issues of designated investment stocks. This resulted in approximately ¥28.0 billion of proceeds. As a result, as of December 31, 2024, the number of listed cross-shareholdings stood at 53 issues held in hand and 10 issues deemed holding.(two of which were duplicates). With regard to the reduction of cross-shareholdings, we plan to sell ¥70.0 billion over the five years from fiscal 2024 to fiscal 2028 and accelerate the dissolution of our holdings.

Furthermore, we will promote the sales of low-profit real estate with the goals of shifting to highly profitable businesses and replacing assets. At the same time, we will also review our holding strategy for business real estate and continue looking into adding to our cash in-flow.

*1 The details about our holding policy for cross-shareholdings are described in the Corporate Governance pages.

# Return to Shareholders

### Approach to Shareholder Returns

The NX Group recognizes that returning profits to all of its shareholders is an important concern. Our policy is to pay attention to securing internal reserves toward strengthening our management base and financial standing while working to pay stable and continuous dividends and enhance shareholder returns.

The capital policy laid out in the "NX Group Business Plan 2028" calls for a minimum annual dividend of ¥100 per year*2, a payout ratio of 40% or more, and a total return ratio of 55% or more (cumulative total for FY2024 to FY2028). We will respond to investor expectations through strategic investments for business growth and adequate shareholder returns.

*2 The Group carried out a 3-for-1 split of shares of common stock, effective January 1, 2025. The minimum dividend will be ¥300 per share per year if this stock split is not taken into account.

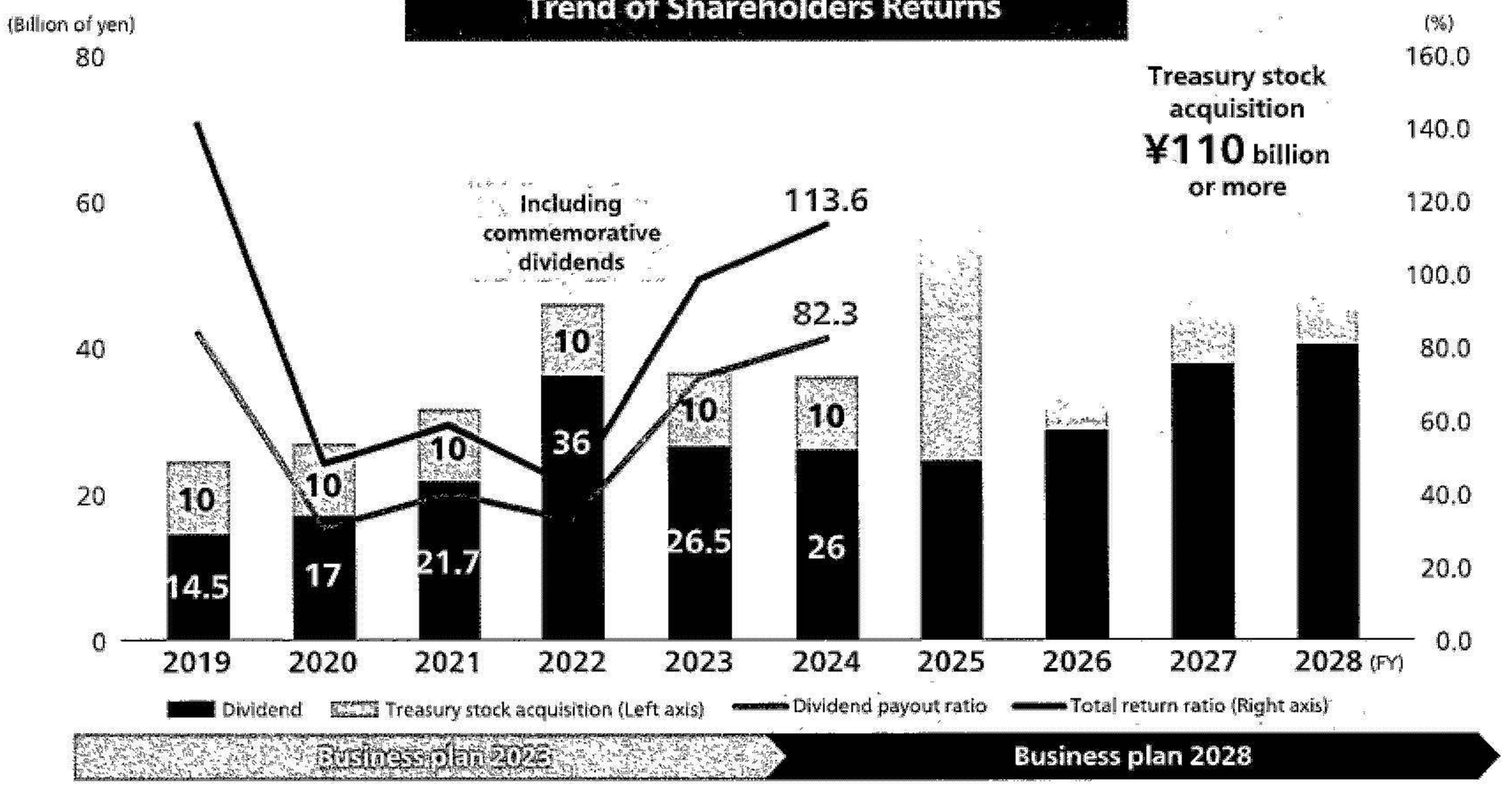
**Result of returns during the previous business plan period (2019 to 2023 cumulative)**

**¥166 billion**
(Cumulative total return ratio: 58.6%)

Gross dividends ¥115.9 billion

Treasury stock acquisition ¥50.1 billion

**Trend of Shareholders Returns**




**Dividend policy**

| | |
|---|---|
| Dividend payout ratio | 40% or more |
| Minimum dividend | ¥100 (Annual/dividend per share) |
| Total return ratio | 55% or more (2024 to 2028 cumulative) |



## Message from the Chief Managing Officer of Global Business Headquarters

# Accelerating business growth in the global market

**Tadahiro Furue**
Senior Managing Executive Officer

To achieve acceleration of our business growth in the global market, we view the expansion of account management-based End to End solutions, growth in overseas markets through M&A, and expansion of our business in India as particularly key strategies and measures. I would like to talk about our progress toward those goals.

## Success stories in the provision of account management-based End to End logistics solutions, and future initiatives

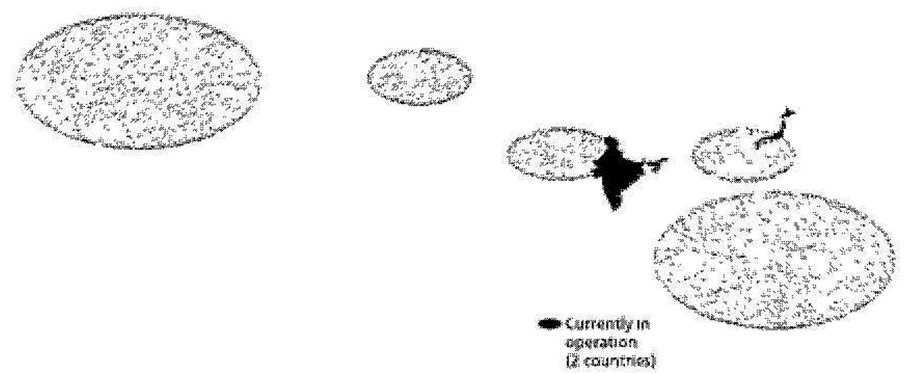
The objective of our strategies is to expand transactions with existing customers and to grow our customer base through the provision of global End to End logistics solutions. The concept behind this provision is to resolve customer problems by providing total logistics solutions across the supply chain. In providing these logistics solutions, we are working to build a knowledge sharing infrastructure that allows everyone in the NX Group to access logistics expertise primarily accumulated in Japan. At the initial stage, we are sharing our logistics solutions success stories of the accomplishments of Nippon Express Co., Ltd., and are implementing those solutions throughout the NX Group. Due to these successes, our service in Japan is earning recognition for quality by Japanese and non-Japanese global account customers, which is increasingly leading to further demand for our services internationally.

In one success story, a major non-Japanese equipment manufacturer customer faced a need for enhanced security in its warehouse operations and optimal inventory management tailored to its product life cycle. Continuous improvement (kaizen) processes for improving its inventory management in Japan earned a positive evaluation from the customer and led to the NX Group winning further logistics solutions projects with this customers at their overseas locations.

**Global expansion of Japanese quality in operations of non-Japanese equipment manufacturer**

**Start of Warehouse Management**
In 2019, we began managing a 4,000 m² warehouse in Japan.

**Positive evaluation of Japanese quality**
High-quality operational performance and experience were recognized by the customer's U.S. Head Office and NX's account sales team built stronger ties with the customer.



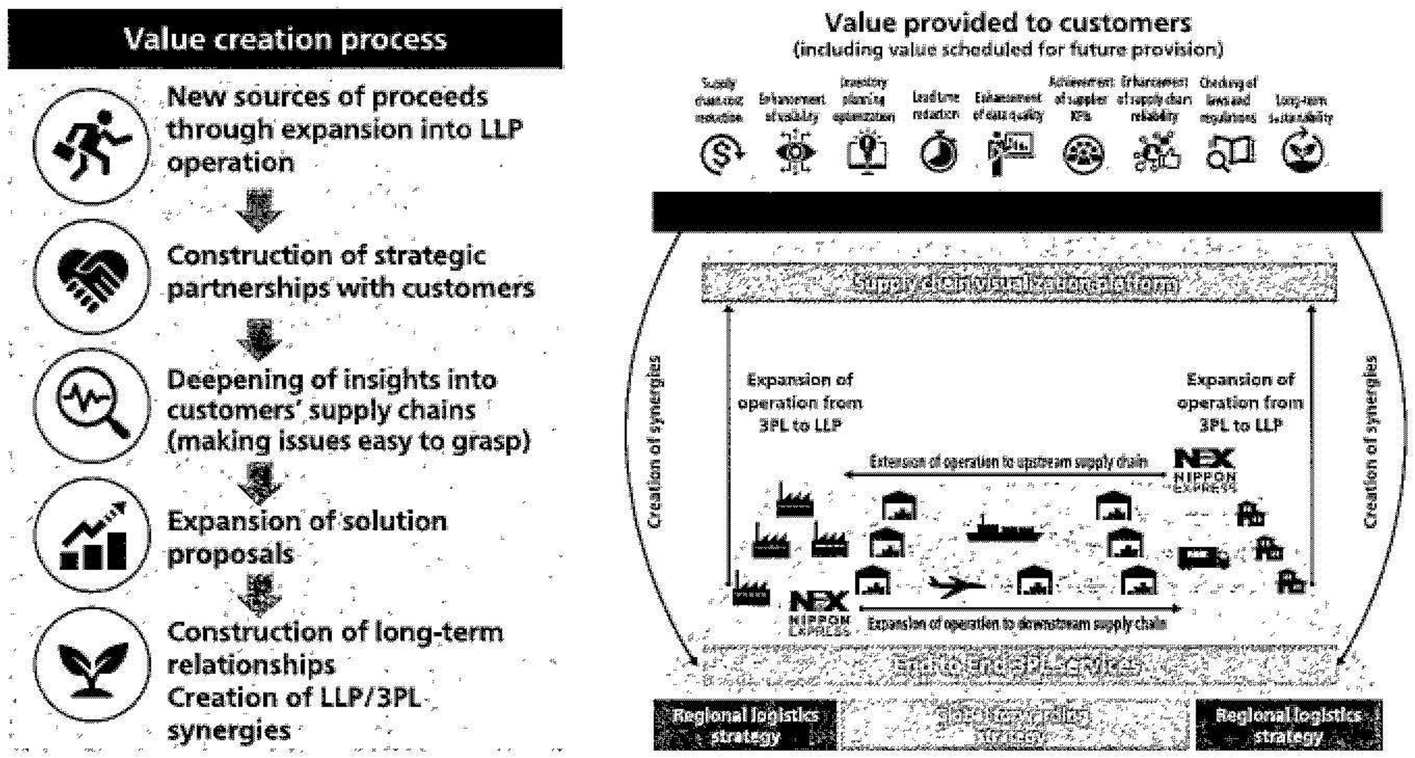

**Global expansion**
- We began providing warehouse management services for the customer in India in the first half of 2024, and we plan to expand our managed service areas in the future.
- We have engaged in bidding in the Americas since the second half of 2024. Additionally, we plan to make bids for warehouse projects in East Asia, South Asia, Oceania, Europe, and the Middle East.

Visualizing customers' supply chains is the starting point for our provision of End to End logistics solutions. While customers' requests and expectations are varied, we believe that the ability to identify the issues they face through visualization and to provide solutions that go beyond cost reductions alone to encompass inventory planning optimization and supply chain reliability enhancement will lead to value creation as a logistics provider. Accordingly, we want to expand our business scope from existing 3PL services to serve as the LLP (Lead Logistics Provider). We aim to become more deeply involved in customers' businesses which will lead to the further provision of solutions.

As an example of such initiatives, we are undertaking the stepwise proposal of solutions for a major non-Japanese auto parts manufacturer, taking as our initial foothold the Europe-to-Japan procurement logistics business in which we streamlined buyer consolidation. Our aim is to provide LLP services that manage the customer's procurement processes End to End, including transport provided by other companies.

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In our aim to expand this LLP service, we launched sales of our NX Lead Logistics Solutions service as a new product this year. Through this agency service, we will conduct the management and arrangement work previously carried out by the customer in the logistics process. We are starting with control tower work, in which we perform centralized operation of customers' logistics operations and management on their behalf. From there, we will ramp up support for supply chain planning that leverages advanced technologies, and plan to undertake development that will ultimately let us provide services that encompass strategy formulation support for optimizing customers' overall supply chains.




In the expansion of our global business, the addition of CP to our Group has boosted our handling of ocean and air forwarding significantly, with yearly volumes of 1 million ton for air cargo and 1 million TEU for ocean freight now in sight. At the same time, there is a highly volatile aspect to the forwarding business. While our provision of End to End solutions is centered on the logistics business, our aim is to increase our forwarding volume. While expanding the logistics business, we will remain focused on expanding our forwarding business volume as part of our volume-driven strategy.

In addition to pursuing M&A, we need to solidly secure cargo shipped from major Japanese and non-Japanese customers by participating in bidding through our in-house account programs internally called JAM (Japan Account Management) and GAM (Global Account Management). Securing minimum cargo volumes will allow us to strengthen our purchasing power with respect to carriers. At the same time, we will place a greater focus on developing new small and medium-sized enterprise (SME) customers. In simple terms, we will secure large customers to ensure volume and strengthen our purchasing power, and acquire small and medium-sized customers to expand our profits.

To expand this SME customer base, we are further strengthening cooperation between our sales and business divisions. In addition to setting target trade lanes linked to account programs, we are working to expand digital forwarding services that offer instant online fare estimates for both international air and ocean transport. We have also advanced the creation of a sharing platform for information including SME sales-related trends in the forwarding market, and have prepared an environment enabling efficient, data-based sales operations.

I also believe that we must strengthen our Group's sales capabilities to expand our global business. First, to address differences in performance among sales representatives, we need to raise our performance to the level of the highest performing group and work toward standardization. Second, as technology evolves at alarming speed, I believe that we need to raise the level of data-driven sales, including through the use of AI. We have initiatives to concretely draft our ideal future vision for sales, which we aim to realize by 2026.

## Growth in overseas markets through M&A

On the topic of growth in overseas markets through M&A, one key issue that we see is achieving a successful PMI with cargo-partner (CP), the largest acquisition in our history.

To successfully achieve PMI, we have set up a dedicated team within NIPPON EXPRESS HOLDINGS' Global Business Headquarters (GBHQ). To achieve overall global optimization, we have created a cross-regional PMI structure that enables the quick creation of synergies among the acquired company and our regions, and are advancing initiatives not only at the business level but also at the corporate level. I would like to discuss our progress here.

To first create synergies in the companies' business areas, we are advancing three initiatives: (1) creation of buying power in the forwarding business by combining the volumes of the two companies, (2) cross-selling and joint sales activities, and (3) consolidation and integration of subsidiaries and locations around the world.

Regarding the first of these, we are promoting purchase of space with carriers in addition to CP's volume. In air cargo, from the winter of 2024 we have been negotiating with airlines for the combined volumes of both companies in global airline RFQs (requests for quotations). We are beginning to see results from these efforts. In ocean cargo, our activity is increasing in transactions with major global shipping companies. Regarding the second initiative concerning sales, we are moving forward with joint sales to global account customers and joint bidding aimed at major customers. As an example, in bidding aimed at CP customers, in cooperation with NX Philippines we are beginning to achieve results such as the acquisition of over 500 tons of Eastern Europe-bound air cargo per year. Regarding the sending and receiving of shipping data in our ocean and air businesses, our EDI linkage system will be operational from July of this year. Regarding our third initiative concerning the consolidation and integration of subsidiaries and locations, in countries where NX and CP coexist, we will carry out consolidation and integration to improve operational efficiency and strengthen our sales structure. We are first promoting consolidation and integration mainly at Western Europe locations. We integrated CP's Italian subsidiary into NX in January 2025 and its Swedish subsidiary in March 2025. In other regions, too, we intend to gradually advance two-way consolidation and integration, with overall restructuring to be completed within fiscal 2025.

In corporate areas, based on NX Group Governance Guidelines and acting with a sense of unity, we will move forward in addressing matters including management policies and strategies, the J-SOX law, and compliance. At CP, too, we are now conducting assessments aimed at the establishment of an internal auditing system and discussions aimed at strengthening coordination of the company's accounting system. In this way, we are working to strengthen Group governance.

In February of this year, we completed our acquisition of Simon Hegele, a logistics operator that provides medical equipment- and other industrial-related logistics services primarily through locations in Germany. The company possesses extensive know-how regarding the installation of large medical equipment in hospitals but did not have a forwarding business platform. Through linkage with the forwarding functions of NX Group, the company will be able to provide End to End services spanning transport to load-in and installation.

For this acquisition, we established a dedicated PMI team. In Europe, seen as the main battlefield in contract logistics, we will build a global industry platform in the key healthcare industry through integration of our Group's global network, with the aim to expanding our handling of key accounts.

## Expansion of business in India

We will move forward both organically and inorganically to expand our business in India, with entry into the Middle East and Africa also in sight. The NX India Group has set a 2028 revenue target of over ¥50 billion. Performance is progressing steadily, with FY2024 sales of ¥27.0 billion exceeding our sales target of ¥23.3 billion.

India has a thriving pharmaceutical industry centered on generics and a booming automobile-related industry as well. In addition, growth also be expected in semiconductor-related areas. In these industries, we hope to solidly capture cargo business to and from India in the forwarding business. In the logistics business, we will also focus on expanding business in the downstream areas of retail and distribution.

To increase our handling in the field of logistics, we have made a "growth cluster strategy," based on the strengthening of account management, our basic strategy for boosting sales in key areas and specific key industries in India. We have divided the country into Northern and Southern regions and have set priority industries for each region. We will undertake sales expansion in the semiconductor, mobility, and health care sectors in Northern India and technology-related product sectors in Southern India. In the lifestyle sector, we will work to expand domestic logistics sales in both regions.

As recent examples of new business, we have begun handling warehouse operations and domestic delivery for a major Japanese mass retailer in the suburbs of Mumbai in the Northern India region. In South India, in June of last year we captured domestic DC work for a major global IT company in the suburbs of Chennai.

In the Indian market, where strong demand is expected, we are also considering the acquisition of land and the establishment of warehouses in areas close to mobility- and semiconductor-related production sites. We will draw on our knowledge and the high quality of our operations to further expand handling operations aligned with our specific key industries. In the Middle East and Africa, we will expand our services and networks and will expand and strengthen trade lanes from India to those regions.

# Initiatives for Priority Industries

## Results from Handling Priority Industries and Looking Back

Sales for priority industries in 2024 totaled ¥891.7 billion, achieving 107% of the targeted amount. In addition to the continued solid performance of the forwarding business, other factors behind achieving the target mainly included acquiring new operations in the logistics business.

The economic slowdown in China had a major impact on the technology segment, and it did not achieve its sales targets. We will work to secure sales mainly through strengthening our expansion of sales to India, which is growing as a manufacturing base, and through the uptake of logistics entailed by the China-plus-one strategy and the expansion of Chinese set manufacturers into Southeast Asia.

In Mobility, we saw solid performance in the parts storage and supply operations for factories, and in the forwarding business for production and maintenance parts. The automobile industry's shift to electric vehicles is resulting in parts and materials procurement and supply networks that differ from those for combustion engine cars and new entrants from other industries. Consequently, we will strive to further expand our sales channels.

In healthcare, factors such as the acquisition of new customers in the logistics business and a rise in sales in existing customers contributed to sales growth. Furthermore, at MD Logistics LLC, a U.S. company specializing in pharmaceutical logistics, we are further developing our infrastructure by, for example, turning part of an existing warehouse in Indiana into a cGMP-compliant pharmaceuticals warehouse.

In semiconductors, procurement logistics remained favorable accompanying the construction and operation of new semiconductor factories. With regard to our finished goods shipping and storage service operations, we will work to expand sales by strengthening cooperation with Nittsu NEC Logistics, Ltd. In addition, for our air-sea forwarding operations, we are also planning to create a new semiconductor-specialized service.

(Amounts rounded off to the nearest ¥100 million)

| Priority Industry | | | 2024 Results | 2024 Target | Rate of Progress Toward Target | 2028 Target |
|---|---|---|---|---|---|---|
| Technology | Core domain | Electric and Electronics | ¥305.4 billion | ¥329.5 billion | 92.7% | ¥400.0 billion |
| | Growth, pursuit domains | Industrial Machinery | | | | |
| Mobility | Core domain | Automobile | ¥265.0 billion | ¥226.0 billion | 117.3% | ¥260.0 billion |
| | Growth, pursuit domains | Construction Machinery, Agriculture Machinery, Train, and Airplanes | | | | |
| Lifestyle | Core domain | Apparel | ¥154.3 billion | ¥129.5 billion | 119.2% | ¥160.0 billion |
| | Growth, pursuit domains | Furniture, Jewelry, cosmetics | | | | |
| Healthcare | Core domain | – | ¥107.7 billion | ¥94.5 billion | 114.0% | ¥130.0 billion |
| | Growth, pursuit domains | Pharmaceuticals and Medical Devices | | | | |
| Semiconductor | Core domain | – | ¥59.3 billion | ¥51.6 billion | 114.9% | ¥100.0 billion |
| | Growth, pursuit domains | Semiconductor | | | | |

## Looking back in terms of business axes

Regarding air cargo, the volume of international freight shipments for fiscal 2024 continued to increase compared to the previous year. IATA statistics report that total air cargo increased 11.3% year-on-year for the full year of 2024. This was due mainly to an increase in EC-related cargo and restrictions on maritime transport due for example to the situation in the Red Sea.

Under these conditions, the volume handled by the NX Group increased year-on-year 32.9%, though this increase was limited to 7.4% when excluding the impact of cargo-partner. However, thanks to an 8.7% increase during the fourth quarter, it was on an expansion trend. Additionally, airfreight charges overall remain high, and for the moment are not expected to change significantly.

Regarding ocean cargo, cargo movement on major trade lanes in fiscal 2024 continued to increase year-on-year, posting a cumulative 6.1% increase from January through October. On the other hand, the quantity of cargo handled rose by 24.8% year-on-year due to the acquisition of cargo-partner. However, due to a return to direct contracting between customers and carriers, if we exclude the impact of cargo-partner the increase was limited to 2.3%. Also, with regard to unit freight rates, there were many routes where spot freight rates as of March 2024 remained high year-on-year. However, we see the need to pay close attention to future trends, such as with respect to changes in balance between supply and demand due, for example, to how the situation in the Red Sea develops.

Sales for warehousing, distribution, and the like for fiscal 2024 increased year-on-year by 6.7%. We believe that the measures and investments that we have pursued to date are having an effect, and we will strengthen these initiatives further.

| Expand Sales in Forwarding*1, 2 | 2024 Results | 2023 Results | Ratio of Change Year-on-Year | 2028 Target |
|---|---|---|---|---|
| **Air Cargo Forwarding Quantity** | **921,000 t** | **693,000 t** | **32.9%** | **1,300,000 t** |
| **Ocean Cargo Forwarding Quantity** | **899,000 TEU** | **720,000 TEU** | **24.8%** | **1,400,000 TEU** |

*1 cargo-partner is not included in expanded sales in forwarding performance (January through December 2023)
*2 Percentage of year-on-year change not including cargo-partner: Air cargo forwarding +7.4%
Ocean Cargo Forwarding +2.3%

| (Included number) Cargo-partner | 2024 Results | 2023 Results (reference value) | Ratio of Change Year-on-Year |
|---|---|---|---|
| **Air Cargo Forwarding Quantity** | **176,000 t** | **148,000 t** | **19.2%** |
| **Ocean Cargo Forwarding Quantity** | **162,000 TEU** | **169,000 TEU** | **(4.0%)** |

(Amounts rounded off to the nearest ¥100 million)

| Strengthen Logistics Solution Offerings | 2024 Results | 2023 Results | Ratio of Change Year-on-Year | 2028 Target |
|---|---|---|---|---|
| **Warehousing and distribution etc. sales *3** | **¥481.8 billion** | **¥451.5 billion** | **6.7%** | **¥590.0 billion** |

*3 Cargo-partner not included in warehousing and distribution etc. sales.

# Landscape Changes that Require Monitoring

## Trends in the forwarding market

In 2024, positive growth year-on-year was recorded for market volume of air cargo. We expect positive growth for 2025 as well, but given the murkiness of policy trends in the U.S. in particular, the future outlook is uncertain overall. Growth is still expected for EC cargo from Asia to Europe, but demand from the U.S. may fall mainly due to increases on import tariffs into the U.S., exclusion of the application of de minimis exemptions on EC cargo, and U.S. economic trends. We believe that going forward the U.S. administration may still change its policies in the short-term, and that we need to pay close attention to trends in demand from Asia to the U.S. in particular.

Backgrounded by an upsurge in EC cargo originating from China, in 2024 we saw a significant rise in air usage costs mainly on traffic from Japan bound for North America. Furthermore, healthy demand for EC cargo kept air usage costs high during what are usually regarded as off-peak periods. Due to such factors as reductions in equipment and crews at each airline and production delays for new aircraft, the expansion of on-board space continues to remain inadequate to meet the strong demand. Various factors that are connected to uncertainty exist in the air transport market, such as U.S tariff policy and added fees for Chinese vessels when they enter U.S. ports. Consequently, we will continue to encourage sales at reasonable prices consistent with air usage costs and strive to secure profits.

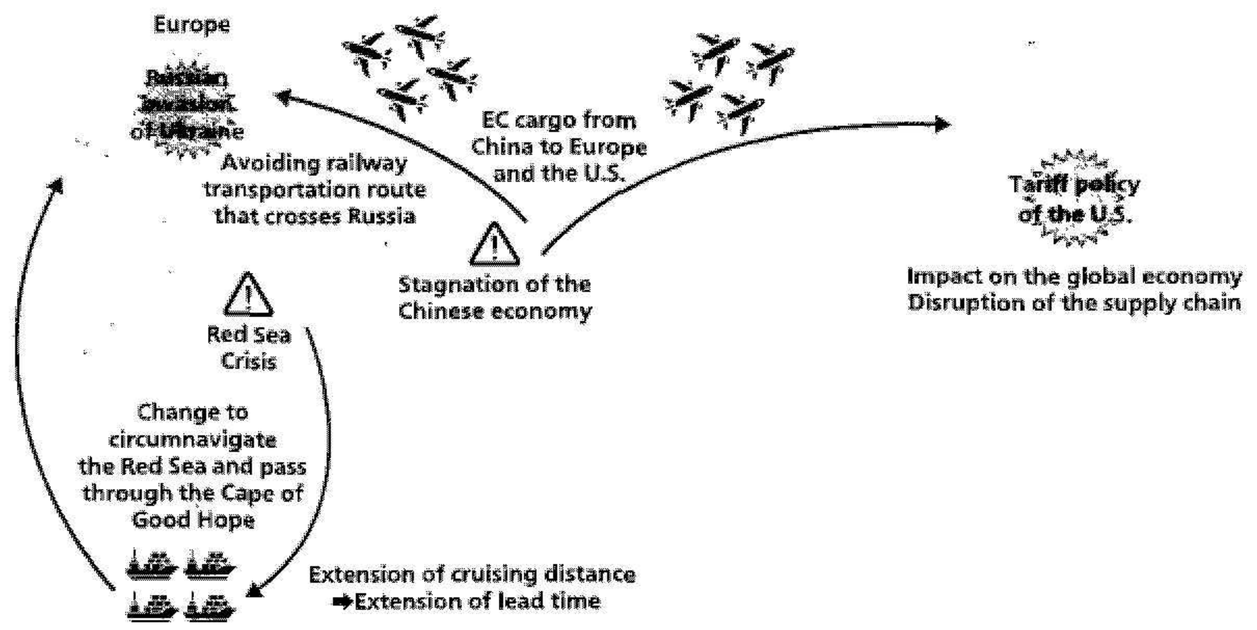
Ocean cargo volumes have remained solid since 2024. However, there are many uncertainties in 2025 that have an impact on freight charges such U.S. policy trends and ongoing geopolitical risks, and as with air cargo it is difficult to make forecasts. The reason for current cargo movement could be due to a buildup in inventory, and some warn of a drop in cargo volume going forward.

With regard to ocean cargo rates, since the end of 2023 owing to the worsening situation in the Red Sea transportation routes have switched from through the Suez Canal and the Red Sea to routes going around the Cape of Good Hope. The insufficiencies in shipping tonnage produced a crunch in supply and demand, and as a result invited a sharp rise in freight rates. Also, while there has been a downward trend since summer 2024, results remained at relatively high level throughout the year.

Entering 2025, we have seen a downward trend in ocean cargo rates owing mainly to sluggish demand in China. Furthermore, it is possible that there will be an excess supply of shipping space and a further drop in rates be brought on if stability in the Red Sea situation can be maintained and vessels can again pass through the Suez Canal. Accordingly, we will continue to provide optimal services adapted to changing circumstances.

Furthermore, Russia's invasion of Ukraine has had a significant impact on the global logistics network. Japanese companies continue to refrain from using transport that uses central European railways because they pass through Russia and Belarus.

**Landscape Changes that Require Monitoring**




Under these conditions, as part of a study into new transportation routes that do not transit either Russia or the Suez Canal where risks exist, we cooperated in a demonstration delivery through the so-called Middle Corridor, i.e., the Trans-Caspian International Transport Route. Mindful of safe and reliable transportation, we will strive to develop transportation networks that can satisfy the needs of our customers.

Furthermore, with regard to U.S. trade policies, in both value and number the largest amount of automobiles imported to the U.S. come from Mexico. Those from Japan account for the second largest numbers. Accordingly, we surmise that the impact on the Japanese economy from the implementation of additional import duties will not be small.

The first impact on our business that is currently expected is a decrease in cargo volume. However, it is difficult to imagine that all of the additional tariffs will be passed on unchanged to the selling prices, and we imagine that there will be pressure to reduce costs in logistics as well. On the other hand, we believe that this could also be an opportunity for the Company, with such changes being generated in the supply chain as the relocation of manufacturing sites and the replacement of suppliers.

We will continue to closely monitor policy trends in the U.S. as we work to further stimulate communications with our customers and strive to deliver service solutions that meet those customers' needs.

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# Review of M&A

## Looking back and evaluating our M&A to date

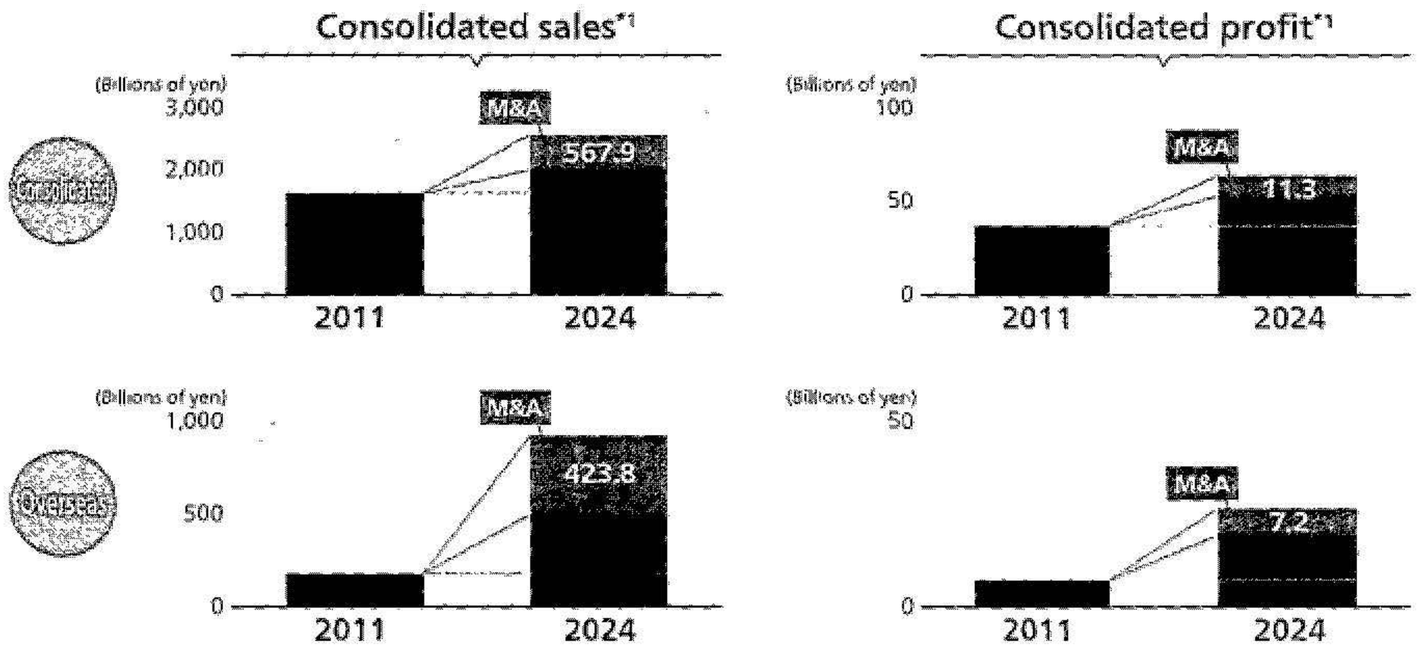
The NX Group proactively utilizes M&A to contribute to its growth globally.

The Group has continuously pursued M&A in Japan and abroad since 2012, with a total investment of ¥300.0 billion. The proportion of consolidated results accounted for by M&A has expanded, which we see as having contributed to the strengthening of the NX Group's management base.

The results of M&A have supported "business growth in global markets" both in terms of growth in sales and income, as well as through the acquisition of such valuable management resources as business infrastructure, customer base, and management human resources. For example, the acquisitions of a network of bases in the unexplored areas of central and eastern Europe and of a specialized logistics network close to such priority industries as lifestyle and healthcare expand the areas in which we provide services and for our value chain. This, in turn, leads to an increase in sales opportunities for the Group as a whole.

On the other hand, as matters to reflect upon, there have been cases in the past where the business plan did not meet with initial plan and posted an impairment, or the synergies created within the Group as a whole were limited. These were due to not having made sufficient studies of acquisition candidates or their post-acquisition management structures and business plans, or the PMI structures were left up to local management and a sense of urgency was lacking.

### Comparison with Fiscal 2011 Prior to M&A (approximate)




*1 Figures for sales and revenues from M&A are those before consolidation, 2011: JGAAP (sales and operating income), 2024: IFRS (sales revenue and business income)

## Future M&A and PMI strategies and policies

Based on these reflections, we have developed internal rules and organizations for moving through the process running from considering an M&A to post-acquisition PMI and are building a structure for implementing M&A and PMI that are suited to the Group's growth strategy.

Specific target areas for M&A include the strengthening of our logistics business through expanding scale in terms, for example, of forwarding volume and the number of customers; next, enhancing our network in regions that demonstrate significant economic growth and where we have not captured a sufficient market share relative to the market's scale; and additionally, enhancing the logistics capabilities to support our customers' supply chains.

Furthermore, we have accumulated know-how through the sum of our past M&A and PMI efforts, and increased our skills from the perspective of human resource development as well. Going forward, we will continue to hone the abilities to act and respond that have already been steadily strengthened.

Our Global Business Headquarters is at the center of our PMI activities, and it is building the structure to create synergies swiftly and horizontally across regions. Based on the management foundation we have acquired, we are moving forward with efforts to integrate functions and cross-sell among our companies such as cargo-partner to expand the delivery of End to End solutions.

| Acquisition Date | Company Name | Region | Evaluation | PMI Structure (at the time of acquisition) |
|---|---|---|---|---|
| 2012 | AGS | Americas | • We had planned to strengthen our distribution network in the Americas, but we were unable to generate synergies and terminated our main business owing to the worsening of the market environment | Local |
| | APC | East Asia | • Acquired a business and (non-Japanese) customer base in northern Europe<br>• Integration of hubs postponed due to being overly concerned with maintaining existing network<br>• Some customers lost due to exodus of key personnel | Local |
| 2013 | Franco Vago | Europe | • Acquired forwarding bases for the lifestyle field<br>• Acquired management talent in Europe | Local |
| | Nittsu NEC Logistics, Ltd. | Japan | • Acquired specialized logistics know-how in the ICT industry | |
| 2014 | NX NP Logistics Co., Ltd. | Japan | • Acquired logistics platform in the electronics industry | |
| 2015 | NX WANBISHI ARCHIVES CO., LTD. | Japan | • Acquired storage platform | |
| 2018 | Traconf | Europe | • Acquired logistics bases for the lifestyle field<br>• Acquired management talent in Europe | Local |
| 2020 | MD Logistics | Americas | • Acquired pharmaceutical warehouses and distributions functions in the U.S. as well as know-how<br>• Acquired capabilities in sales and quality control in pharmaceutical logistics | Local |
| 2023 | Tramo | Europe | • Further strengthening of lifestyle infrastructure | Local |
| 2024 | cargo-partner | Europe | — | HD/Local |
| 2025 | Simon Hegele | Europe | — | HD/Local |

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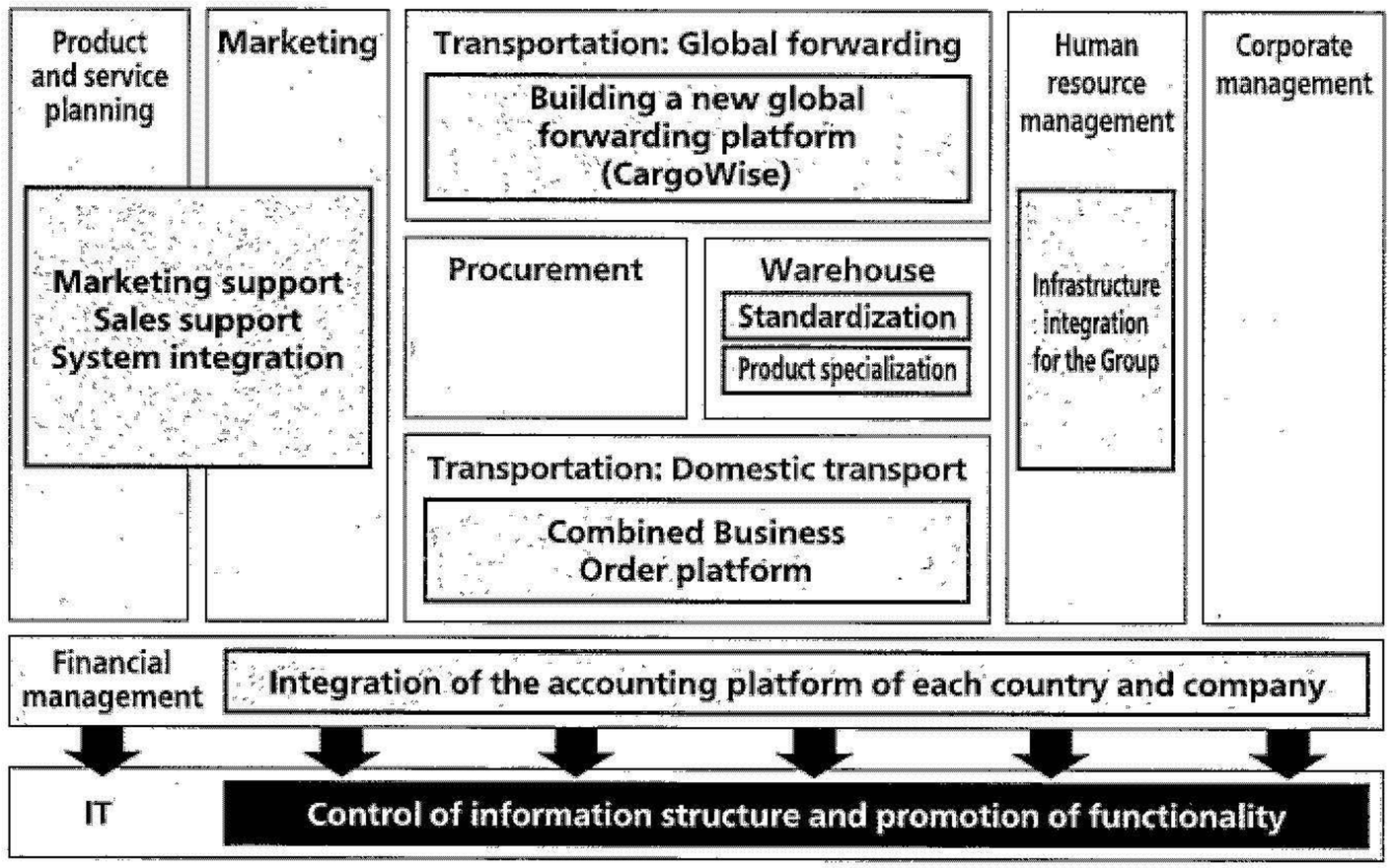
# IT Infrastructure that Support Business Growth

## Achieving System Deployments to Expand End to End Services and Support Group Synergy

We are moving forward on the introduction of an enterprise architecture (EA), visualizing the IT systems of the entire Group, and advancing the optimization of applications. We are also working throughout the Group to visualize application structures and business processes, and to build systems that conform with our business strategy. From the perspectives of "expansion of End to End services" and "support for Group synergies" that are meant to strengthen our presence in the global marketplace, IT must contribute to the developmental improvement of operations by making the connections among our operations more robust.

Also, in order to have an IT management structure that eliminates the duplication or omission of systems and that helps to make efficient operations, we believe that our mission is to put a greater focus on outcomes in system development plans, taking development timing and budgets into account, and push forward mindful of just how the entire Group is delivering value to its customers.

System Deployments by Business in the NX Group




## Progress and achievements to date

In our EA activities to date, for major applications throughout the Group we formulated as our IT development plan an image of their future and a roadmap. These are focused on outcomes, and are meant to optimize the development timing for each application and the timing of business policies. With this we can see the application functions and data throughout the NX Group for End to End services and share them companywide as priority items to be developed into the future.

Also, we have set up and developed the NX Data Station as our information infrastructure in order to amass the information that is scattered about among different applications. Our efforts to encourage the collection and use of data to improve the decision-making process must be able to flexibly keep pace with the development of business policies. Shifting our effort from application-specific development that has been undertaken in the Group to date to initiatives of making data useful throughout the Group is a theme that is worth tackling. Furthermore, by enhancing the functions of applications starting from the logistics field to address specific industries including semiconductors, lifestyle, technology, mobility, and healthcare, we aim to deliver value to even more customers in addition to our existing customer-specific responses.

## Future Initiatives

Our EA activities are progressing from the planning stage to the implementation stage. We believe that the next important issue will mainly be enhancing application functions in keeping with reviews of operations in the transportation and sales domains and enhancing data to make it applicable across applications. In particular, the introduction of CargoWise for forwarding has gone through the pilot stage and is going into full-fledged deployment in 2025. In domestic transport, we will begin development of a platform for taking orders for the purpose of realizing modal combinations. Our initial aim for EA through implementing these various items is to achieve standardization from a Group global perspective and to make our IT infrastructure thoroughly platformized.

At the same time, the unique identity of each region and relationships with our customers are the sources of competitive power for the NX Group. For that reason, it is crucial that we integrate overall optimization with strategically specialized items and turn IT into a more flexible and robust foundation for management.

We are also moving forward on PMI with cargo-partner. In IT, too, we are giving consideration to integration and optimization in order to generate synergistic effects, and pushing forward on strengthening coordination within the Group through planning and development. We are boosting the Group's overall IT capabilities.

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Accelerating growth in the global market

# Segment Information

## Logistics Japan



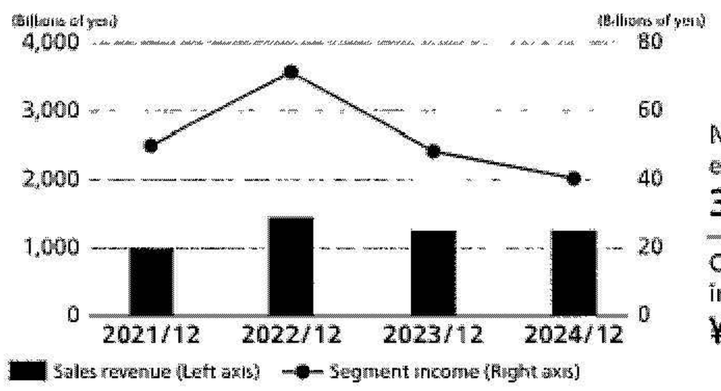
### Business Overview

Our employees, who maintain a strong awareness of safety, quality, and compliance, as well as a stance of placing the customer first, deliver optimal logistics service to our customer by leveraging various transport modes, including railways, automobiles, ships, and airplanes, as well as our extensive global network including NX Group companies. In addition, we provide the right solution for different needs in every area from business-to-business logistics to moving/relocation and transport of special goods, like fine arts and pharmaceuticals, by employing a logistics information system that combines our distribution centers, each of which boasts one of the largest warehousing floor areas in Japan, with our experience and know-how.

### Performance for Year Ended December 31, 2024

Handling of air cargo and ocean cargo increased, resulting in a ¥5.4 billion or 0.4% increase in revenues year-on-year to ¥1,262.0 billion. However, due to various cost increases such as personnel costs, segment income fell ¥8.0 billion year-on-year to ¥40.5 billion, a 16.6% decline.

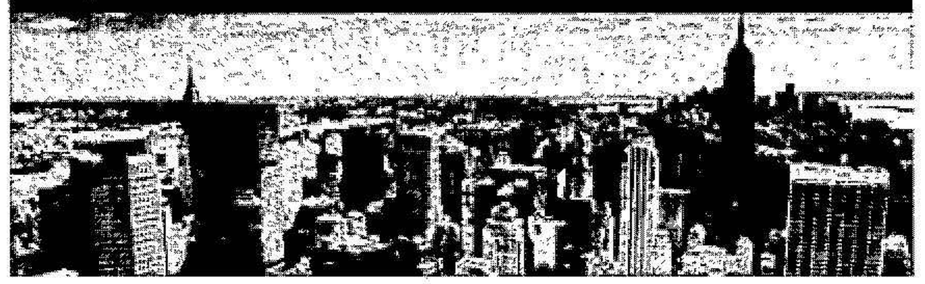
### Revenues and Segment Income




Number of employees **39,015**

Capital investments **¥52,216 million**

## Logistics Americas



### Business Overview

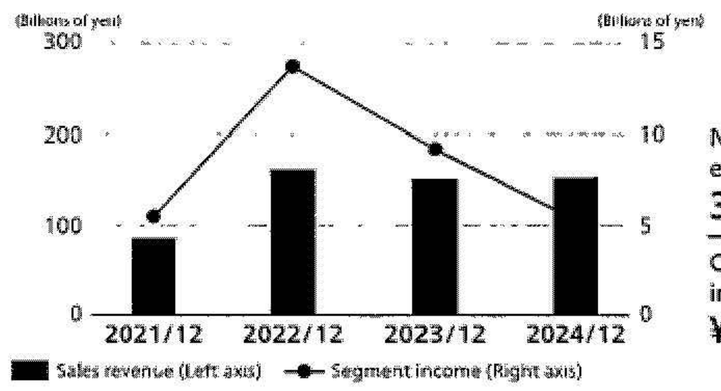
In addition to our own offices in the U.S., Canada, Mexico, and Brazil, we also provide services throughout the Americas by establishing distributors in countries where we do not have local subsidiaries, thereby supporting NX Group's global network.

The return of manufacturing to U.S. territory is moving forward mainly in what are priority industries to us including mobility, semiconductor, and healthcare. Accordingly, in addition to ocean cargo and air cargo we are working to expand our domestic U.S. and cross-border freight businesses and strengthen contract logistics sales. With these efforts, we are providing End to End solutions that strongly support our customers' supply chains.

### Performance for Year Ended December 31, 2024

Handling of warehousing remained steady, resulting in a ¥1.7 billion or 1.2% increase in revenues year-on-year to ¥153.0 billion. However, due to rising utilization costs for air cargo and ocean cargo, segment income fell ¥3.8 billion year-on-year to ¥5.3 billion, a 42.1% decline.

### Revenues and Segment Income




Number of employees **3,150**

Capital investments **¥4,750 million**

## Logistics Europe



### Business Overview

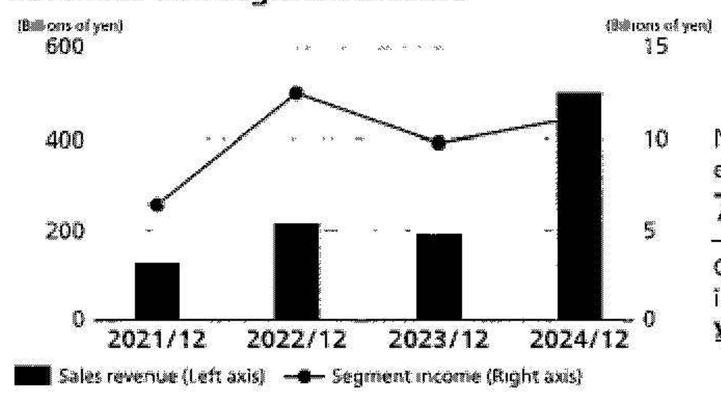
Logistics Europe operates locations in Germany, Italy, the Netherlands, and other major countries in Europe, as well as Turkey and the United Arab Emirates. We provide logistics services mainly to our customers in the automobile, semiconductor, medical and pharmaceutical, and lifestyle industries.

In recent years, we have acquired Tramo, cargo-partner, and Simon Hegele, and we are working to expand our network in the European region.

### Performance for Year Ended December 31, 2024

Air cargo revenues increased ¥309.1 billion year-on-year to ¥501.7 billion, a 160.4% rise. In addition to an increase in freight handling, partly due to cargo shifted away from ocean cargo due to the Red Sea crisis, this was also due to having newly added cargo-partner to the scope of Group consolidation. Segment income increased ¥1.3 billion year-on-year to ¥11.2 billion, a 14.1% rise.

### Revenues and Segment Income



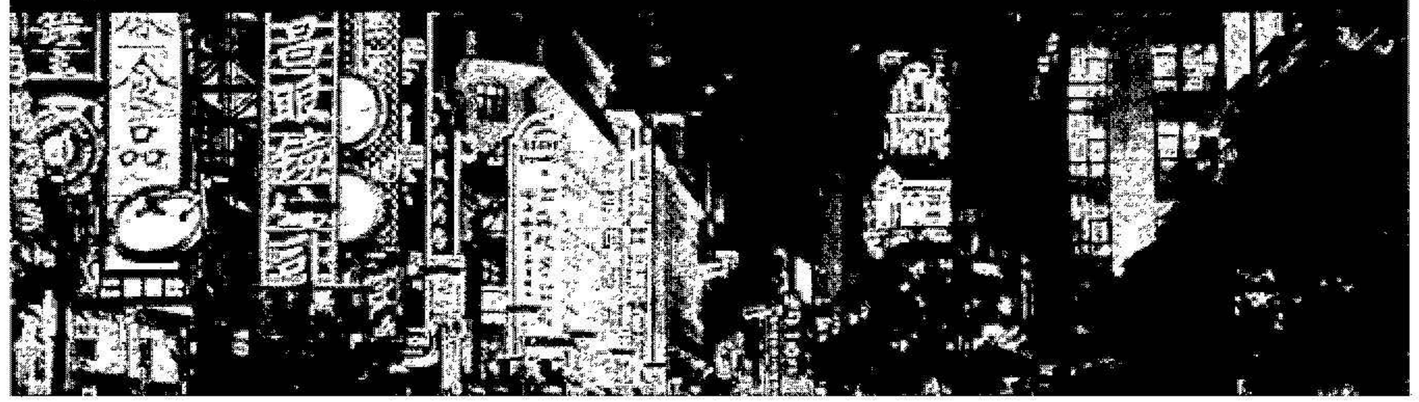

Number of employees **7,729**

Capital investments **¥5,020 million**

Accelerating growth in the global market

# Segment Information

## Logistics East Asia



### Business Overview

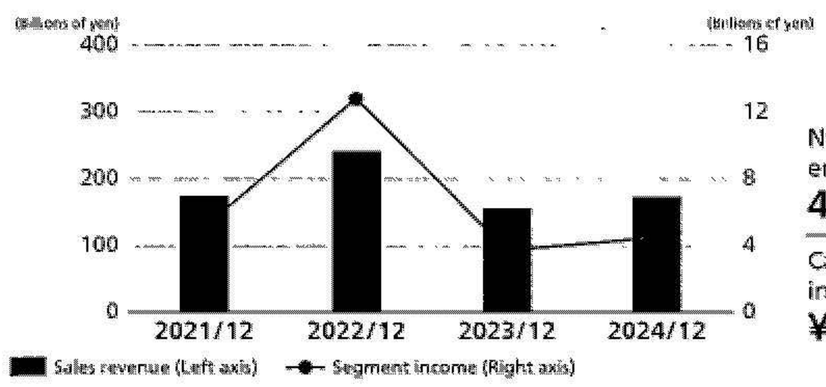
We have offices in the East Asian region including China, Hong Kong, Taiwan, and South Korea. In China with its large economic scale, we are deploying a domestic logistics business to go with our international forwarding operations. The business includes trunk-line transport that connects the major cities and intra-city motor-transportation delivery networks, as well as procurement logistics for parts and sales logistics for sundry goods and clothing, each of which takes advantage of warehouse bases we have set up in each region.

In addition, we are working to expand our service area beyond the East Asia region and deliver more-optimal solutions. This includes strengthening efforts to address the increased demand in pharmaceuticals and medical devices logistics through specialized branches, addressing cross-border e-commerce, and offering vendor-managed inventory (VMI) outside the East Asia region through collaboration with Group companies. In Taiwan and South Korea, we are enhancing our high-quality logistics functions to address growing logistics needs and we are promoting the delivery of End to End solutions.

### Performance for Year Ended December 31, 2024

Handling of air cargo and ocean cargo increased mainly related to semiconductors. As a result, revenue increased ¥16.2 billion year-on-year to ¥173.9 billion, a 10.3% rise, while segment income increased ¥0.7 billion year-on-year to ¥4.5 billion, a 20.4% rise.

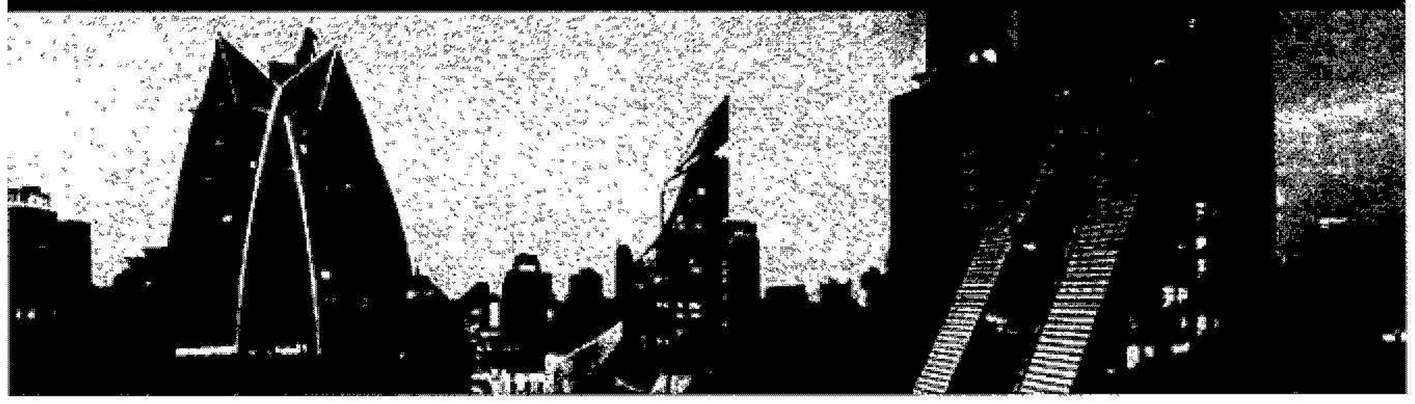
### Revenues and Segment Income




Number of employees **4,458**

Capital investments **¥874** million

## Logistics South Asia & Oceania



### Business Overview

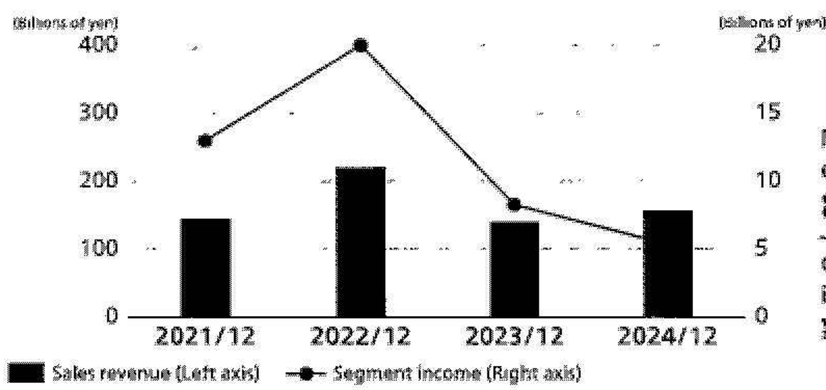
NX Group operates bases in 15 countries, including ASEAN nations such as Singapore and Thailand, as well as India, Bangladesh, and Australia. As the intra-regional economy becomes increasingly active as both a production market and a consumer market, we are providing various transport services to support our customers' supply chains. These include storage and store delivery services for apparel and general consumer goods, the acquisition of GDP certification for pharmaceutical logistics, and expanding temperature-controlled transportation services.

In India, the largest economic sphere in the region, we are working to offer milk-run services for the efficient consolidation and delivery of parts to customers in the thriving automobile industry, as well as JIT logistics. We are also enhancing distribution bases related to these services. In addition, we are providing logistics services to satisfy those needs that are expanding with economic growth. These include forwarding of pharmaceuticals, a priority industry for the Group, and logistics for air conditioning and technology-related merchandise.

### Performance for Year Ended December 31, 2024

Handling of air cargo increased, related mainly to semiconductors. As a result, revenues increased ¥16.8 billion year-on-year to ¥157.6 billion, an 11.9% rise. However, due to a drop in unit selling prices, segment income fell ¥2.8 billion year-on-year to ¥5.4 billion, a 34.5% decline.

### Revenues and Segment Income




Number of employees **8,518**

Capital investments **¥3,248** million

# Rebuilding Japanese Businesses

**We aim to improve our business income ratio by promoting "Reform to a highly customer-oriented company," "Continue and enhance robustness of businesses in Japan," and "Continually reform and revise business foundations."**

## Reform to a highly customer-oriented company

### Build and Strengthen the Account Management System

#### Establishment of account offices

- Built dedicated systems for 111 companies (as of April 2025) ➡ Planned to build dedicated systems for 175 important accounts by July 2025

#### Customer-specific management of income and expenses

- Began operation of system for customer-specific management of income and expenses, targeting 175 important accounts (January 2025)

### Strengthening of logistics business

#### Expand bases with automated equipment installed

- Select sites where introduction will be highly effective and encourage installation (as of December 2024: installed at 23 sites)

#### Implement human resources training program

- Carry out business improvement activities on site through human resources training program (Mainly reviewed work procedures, storage methods, and warehouse layouts, as well as introduction of equipment to improve productivity)

### Expanded Handling of Priority Industries

#### Establishing Bases for the Semiconductor Industry

- Built new warehouses in Eniwa City, Hokkaido (August 2024) and Mashiki-machi, Kamimashiki-gun, Kumamoto Prefecture (April 2024)

## Continue and enhance robustness of businesses in Japan

### Initiatives to improve profitability

#### Fee revisions in response to rising personnel and outsourcing costs

- Implement revisions considerably higher than the previous year (FY2023) ➡ Encourage fee revisions at account offices as well

#### Carry out improvements focused on 110 loss-making or low-profit bases

- Improve income ratio at approximately 80% of bases

## Continually reform and revise business foundations

### Initiatives to improve capital efficiency

#### Integration of special combined delivery service business with Meitetsu Transportation Co., Ltd.

- Business integration completed in January 2025

### Reorganization of branch work companies

- Decision at the end of 2024 to reorganize 61 companies ➡ Plan to incorporate or liquidate 70 companies in all by 2025

### Introduction of internal company system

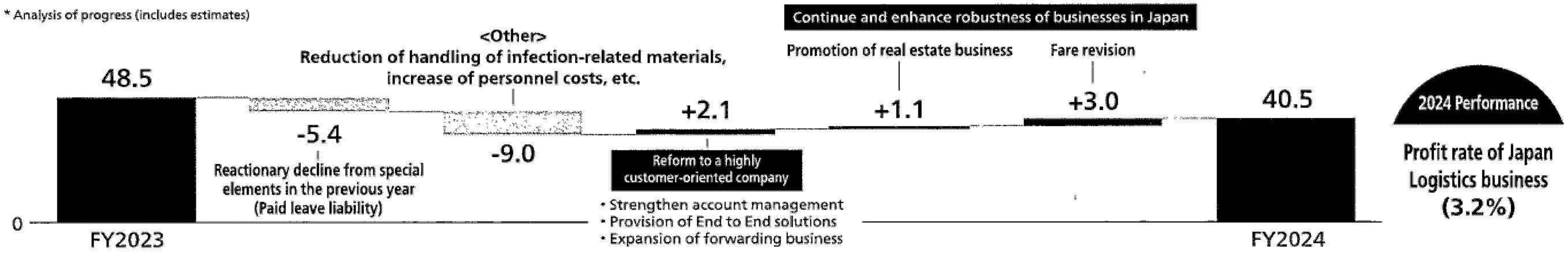
## KPI: Improvement of business income ratio in the Japan logistics segment (from 3.9% to 5.9%)

### Looking back on and evaluating business income ratio

There have been successes with some measures such as providing End to End solutions and revising fees. However, increased costs and a drop-off in the handling of infectious disease-related supplies have had an impact. Business income declined, and the business income margin fell to 3.2%.

### Japan region: Business profit (billions of yen) (rounded down to the nearest ¥100 million)

* Analysis of progress (includes estimates)



# Rebuilding Japanese businesses Area-specific situations

**In January 2025, we restructured our organization and introduced an internal company system. We will divide our organization into areas with differing market characteristics, build a structure directed toward achieving the management goals of each, and accelerate an appropriate and efficient reallocation of management resources.**

## Kantokoshinetsu, Chubu, Kansai

**Unit system oriented to businesses and customers**
**➡ Maximize income hand-in-hand with expanding sales**

**Restructuring to become an organization oriented to businesses and customers**

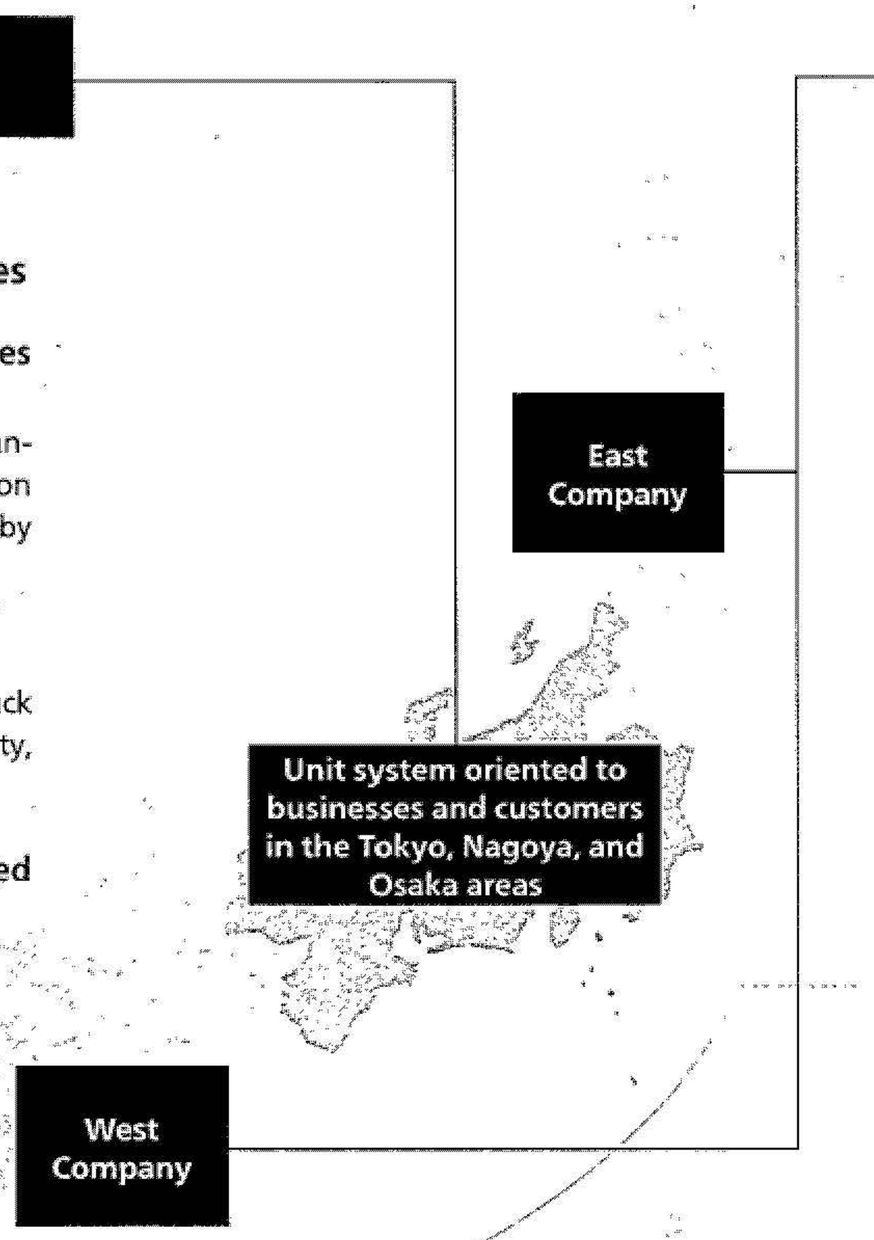
- Restructured from organizations centered on the areas of Kantokoshinetsu, Chubu, and Kansai into an organization focused on forwarding and logistics and a customer-oriented organization led by account sales

**Strengthen the Account Management System**

- Work with account offices to enhance customer relationships, track customer-specific revenue and expenses, improve services and quality, and continuously implement rate revisions

**No. of companies where account offices have been established (as of April 2025)**

| Parent organizations | Formally established No. of companies |
|---|---|
| Headquarters (Kantokoshinetsu region) | 53 |
| Headquarters (Chubu region) | 3 |
| Headquarters (Kansai region) | 10 |
| Account Sales Business Unit | 20 |
| Forwarding Business Unit | 23 |
| Logistics Business Unit | 1 |
| Pharmaceutical Business Division | 1 |




## Hokkaido, Tohoku, Chugoku, Shikoku, Kyushu

**Internal company system**
**➡ Improved Profitability and Capital Efficiency**

**Promoting and Strengthening ROIC Management**

- Set ROIC for each company as ROIC management targets with the goal of achieving ROIC target of 9.0% for Nippon Express Co., Ltd. on a non-consolidated basis
- Reforms directed toward a structure for undertaking measures matched to market characteristics aimed at achieving targets

**East Company Initiatives**

- Promoting business structure reforms: Expand handling of semiconductor and renewable energy-related businesses
- Strengthen initiatives for business-specific measures to improve profitability

**West Company Initiatives**

- Integration of Chugoku, Shikoku, Kyushu: Organizational reform toward a small number of large organizations, improved administrative efficiency through integration
- Strengthening of logistics business

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Rebuilding Japanese Businesses

# Segment Information

## Security Transportation Segment

### Business Overview and Strategies/Measures

The security transportation business is handled by NX Cash Logistics Co., Ltd., which was spun off from Nippon Express Co., Ltd. in January 2023. NX Cash Logistics provides backyard operations for the financial industry, work that includes transporting, storing, and reckoning and sorting cash from financial institutions and retail shops. The company maintains high levels of security and reliability, and boasts an excellent track record as an industry pioneer.

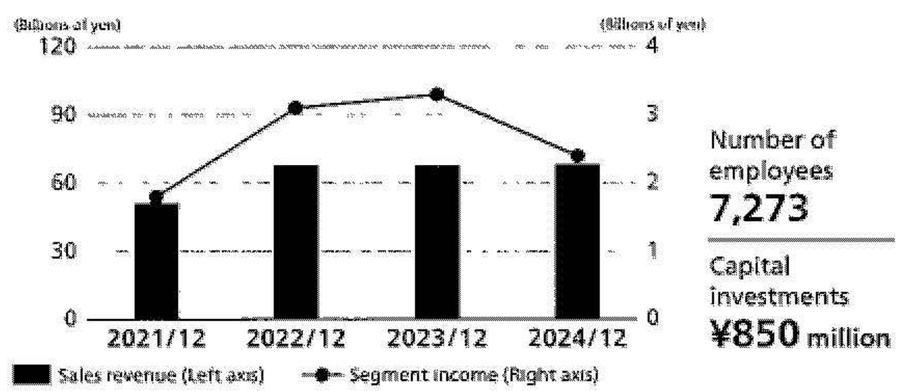
The company aims to reform cash logistics in Japan, using the methods of logistics to eliminate waste and build a rational, low-social-impact system. It creates "triple win" relationships--cuts costs of customers, makes a social contribution, and develops business--and provides new value that fulfills the needs of the times.

The company aims to improve customer satisfaction and build long-term trusting relationships by offering to financial institution and retail customers efficient and highly reliable cash logistics services.

### Performance for Year Ended December 31, 2024

While there was a decline in the number of scheduled deliveries, due mainly to the handling of the renewal of bank bill identification machines and an expansion of contracts for outsourcing operations from financial institutions, revenue increased ¥0.6 billion year-on-year to ¥68.5 billion, a 1.0% rise. However, due to various cost increases, segment income fell ¥0.9 billion year-on-year to ¥2.4 billion, a 28.9% decline.

### Revenues and Segment Income




Number of employees **7,273**

Capital investments **¥850 million**

## Heavy Haulage and Construction Segment

### Business Overview and Strategies/Measures

NX Group provides seamless service from the transportation and installation to assembly of equipment for the construction of power stations, transformer substations, and petrochemical plants. Other services that NX Group provides includes the transport and installation of precision equipment such as one for clean rooms at a semiconductor manufacturing plant, and updating work for the equipment of road infrastructure including expressways.

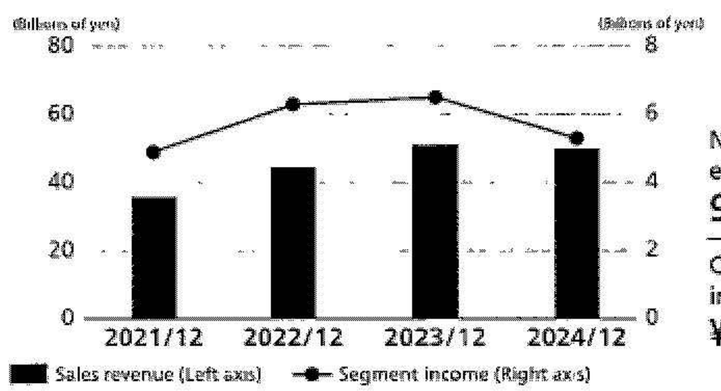
In addition, since 1999, Nippon Express Co., Ltd. has been fully engaged in the transportation and installation of power generation equipment at wind power stations, which is in high demand due to its environmental friendliness. Around 70% of the wind power generation facilities currently existing in Japan are being operated by NX Engineering Corporation, which was spun off from Nippon Express Co., Ltd. in January 2025.

This company was established in January 2025 in order to further expand our heavy haulage and construction business. By specializing in this business, we seek to further hone our technological, construction, mobilization, and organizational capabilities, as well as develop new equipment and introduce new technologies. In all the fields it handles, the company aims to become the number one choice for customers in construction + haulage.

### Performance for Year Ended December 31, 2024

Due to a significant decrease in industrial machinery-related cargo, revenues fell year-on-year by ¥1.0 billion, or 2.0%, to ¥50.0 billion. Segment Income fell year-on-year by ¥1.2 billion, or 18.7%, to ¥5.3 billion.

### Revenues and Segment Income




Number of employees **939**

Capital investments **¥2,166 million**

## Logistics Support Segment

### Business Overview and Strategies/Measures

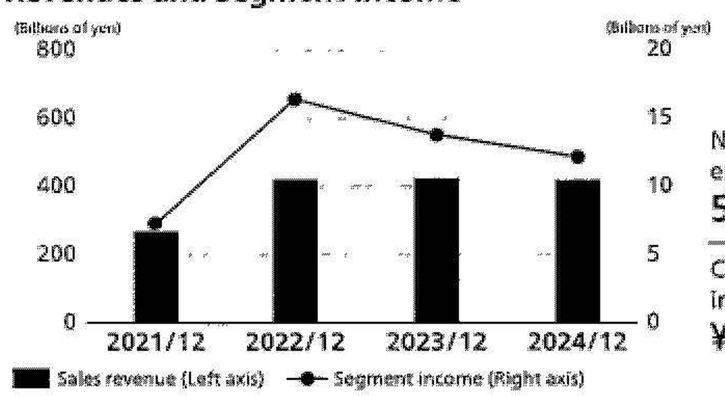
NX Shoji Co., Ltd., is the core company in our logistics support segment. It works in a wide range of businesses, including sales of materials and equipment required at logistics sites; construction contracting; vehicle and construction equipment maintenance; the manufacture of trailers of various types; real estate brokering; construction design; facility management; import/export agent services; export packaging; sales of petroleum products, biofuels, and LP gas; and life and casualty insurance agency services.

As a "Logistics Total Solution Supplier" that makes the most of its diverse expertise and the strengths of the NX Group to serve as the one stop for providing commercial and logistics services, it aims to be the leading presence that works on solutions to issues of both society and our customers and creates a sustainable society.

### Performance for Year Ended December 31, 2024

Owing mainly to decline in handling by the Logistics Products Division and the Maintenance and Production Division, revenue fell ¥5.4 billion year-on-year to ¥420.4 billion, a 1.3% decrease, and segment income fell ¥1.6 billion year-on-year to ¥12.2 billion, an 11.6% decline.

### Revenues and Segment Income




Number of employees **5,021**

Capital investments **¥3,540 million**

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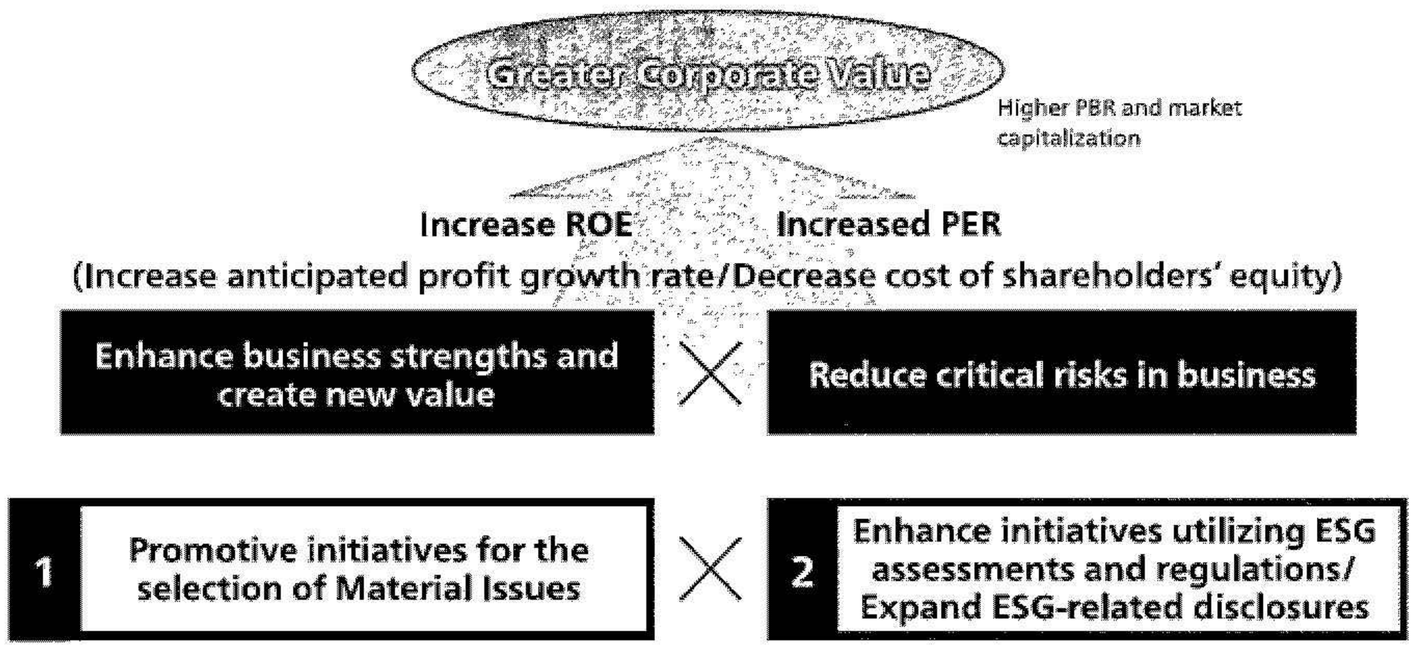
# By promoting the integration of business and sustainability, we are enhancing our non-financial capital as one of our strengths and speeding up the time it takes to provide solutions that address issues faced by our customers and society

### Looking Back on the First Year of NX Group Business Plan 2028

### Necessity to Enhance "Earning Power" through the Further Integration of Business and Sustainability

NX Group Business Plan 2028, which commenced in FY2024, marks the first of its kind to position sustainability as one of the core pillars supporting NX Group's management policies. Through the Group's sustainability management, we aim to improve corporate value while simultaneously realizing our Sustainability Vision. In terms of value creation, our efforts focus on two strategic dimensions: (1) Enhancing our strengths and generating new value by advancing initiatives that address Material Issues, and (2) Reducing risk through enhanced initiatives utilizing ESG assessments and regulations, alongside expanded disclosures. These initiatives collectively contribute to the improvement of our ROE and PER by driving expected profit growth and lowering the cost of shareholders' equity. (See the diagram below)

In FY2024, we are steadily executing initiatives tied to each of the Material Issues. Notable progress has been made in enhancing both human and intellectual capital, evidenced by the deployment of decarbonized logistics solutions such as our NX-GREEN Calculator and Sea&Rail service, enhancement of DX human resources, reductions in working hours through DX promotion, and improved engagement scores. At the same time, we need to strengthen our "earning power" by providing solutions from a sustainability perspective through the integration of business and sustainability, such as by identifying non-financial capital that should be enhanced as one of our strengths or by developing and enhancing solutions to Material Issues that solve challenges faced by customers and society.






## Message from the Executive Officer of Sustainability Promotion Division

# Sustainability Management Promotion

**Hiroko Kishida**

## Taking on the Challenge of Creating End to End Solutions Designed to Help Address Customers' Sustainability Issues

In particular, we recognize that further progress is needed in regard to enhancing solutions to Material Issues, which are designed to help address customers' sustainability issues and support their business growth. This was discussed at a Sustainability Promotion Committee meeting held in March 2025. During the meeting, expectations were shared regarding solutions for sustainability-related challenges faced by global companies, including a comment from one Global Account Management (GAM) client who stated "As our top expectation for NX is advances in sustainability, we want you to provide solutions in that area." We discussed issues such as enhancing sustainable solutions and incorporating them into End to End solutions through the collaboration of GBHQ (Global Business Headquarters) and the Sustainability Promotion Division, and the need for cooperation and agreement by both customers and NX at the top management level in the development of such solutions.

## Promoting Initiatives to Familiarize the Group's 76,000 Employees with Sustainability Management and to Create Value by Having All Employees Work Together as One

We also recognize that NX Group's sustainability management still needs time to be fully adopted by the entire Group. While the term "sustainability management," designated as a key strategy in our current business plan, may be perceived as a new initiative, the corresponding measures addressing Material Issues also encompass efforts to further reinforce the areas in which all employees of NX Group has long excelled, which are safety, compliance, and quality. In order for all Group employees to understand that the work we perform in supporting social infrastructure is itself an embodiment of sustainability and to empower them to take ownership of this mission, we will continue to enhance the visibility of the connection between our business operations and sustainability.

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# Sustainability Promotion Framework

## Sustainability Policy and Vision

NX Group will further deepen the sustainability management it has been pursuing to date and work as a group to carry out highly effective measures. To achieve this, the Group has established a sustainability policy and vision that makes clear the Group's stance toward sustainability and the values to be created.

Based on this policy and vision, by embodying "be a Driving Force for Social Development, Create New Ideas and Value that Expand the Field of Logistics, and Inspire Trust Every Step of the Way" while achieving sustainable growth and improving corporate value, and further encouraging the creation of value, we are pushing forward with initiatives where possible as a Group that will have a presence in the global market in the area of sustainability activities as well.

### Sustainability Policy

NX Group fosters sustainable societies by co-creating a fruitful future with our stakeholders, including employees, business partners, customers, and local communities.

NX Group contributes to carbon-neutral societies and the preservation of the global environment through businesses that reduce the environmental impact of the group and our customers.

NX Group pursues sustainable growth as an entity needed by society, connecting people to people and business to business globally, and providing solutions that solve social issues.

### Sustainability Vision



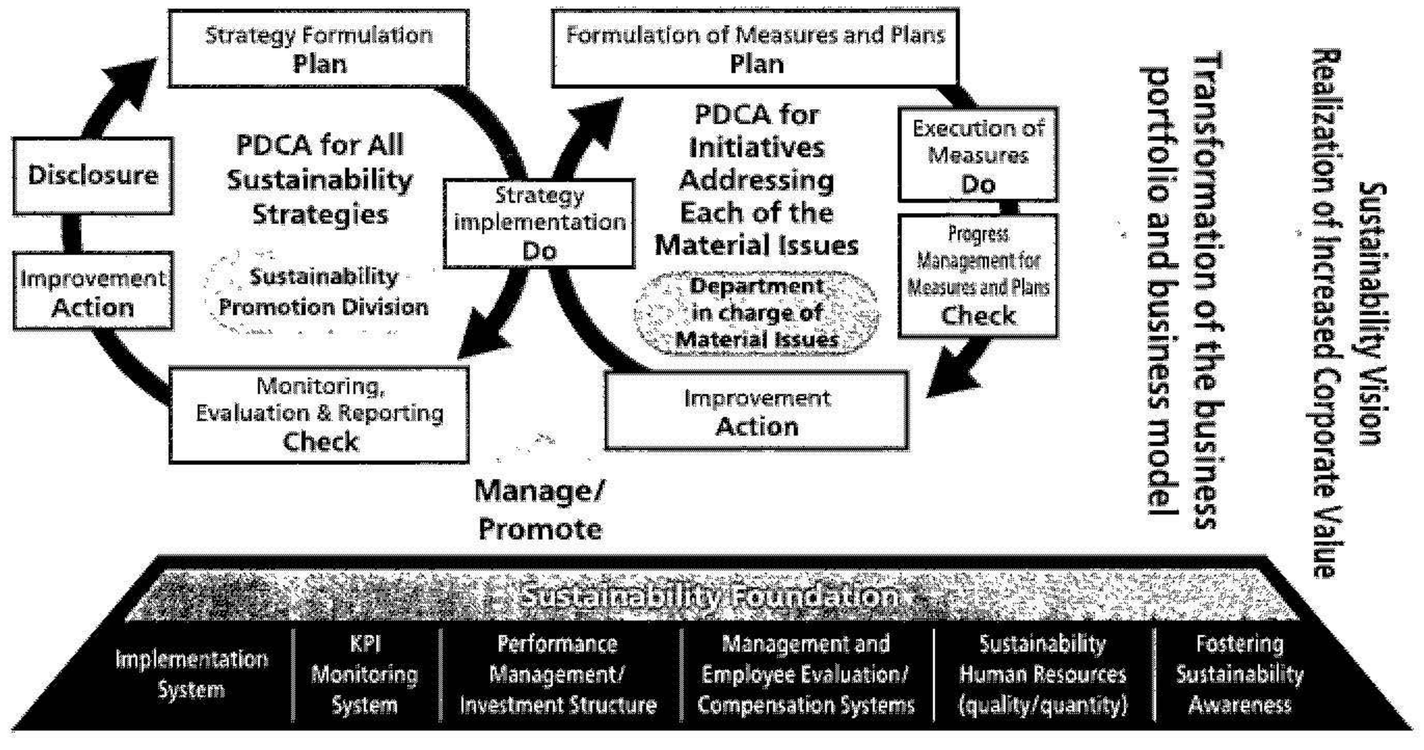

## Sustainability Promotion Process

At NX Group, the Sustainability Promotion Division formulates, monitors, evaluates, reports, and improves sustainability strategies. We will update our sustainability strategies, taking into account the progress of each materiality initiative and social conditions.

Sustainability initiatives are implemented by the department in charge of each Material Issue, which promotes the transformation of the business portfolio and business model while incorporating sustainability strategies into its business.

With the goal of strengthening the sustainability infrastructure that provides the foundation for the above-mentioned process, NX Group monitors key performance indicators (KPIs) that use Sustainability Promotion Committee meetings and Sustainability Conference gatherings as milestones. Also, in order to hasten the promotion of our sustainability management, we will include in our director compensation plan such performance indicators as consolidated sales revenues along with such indicators as non-financial information related to ESGs. Our plan is to put these into operation first at NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. following the results from fiscal 2024, and then put them into operation for the entire group following the results from fiscal 2025. Furthermore, as part of our efforts to promote internal awareness, we are setting penetration targets for FY2024 for each job position and conducting training and other activities.

### Sustainability Promotion Process



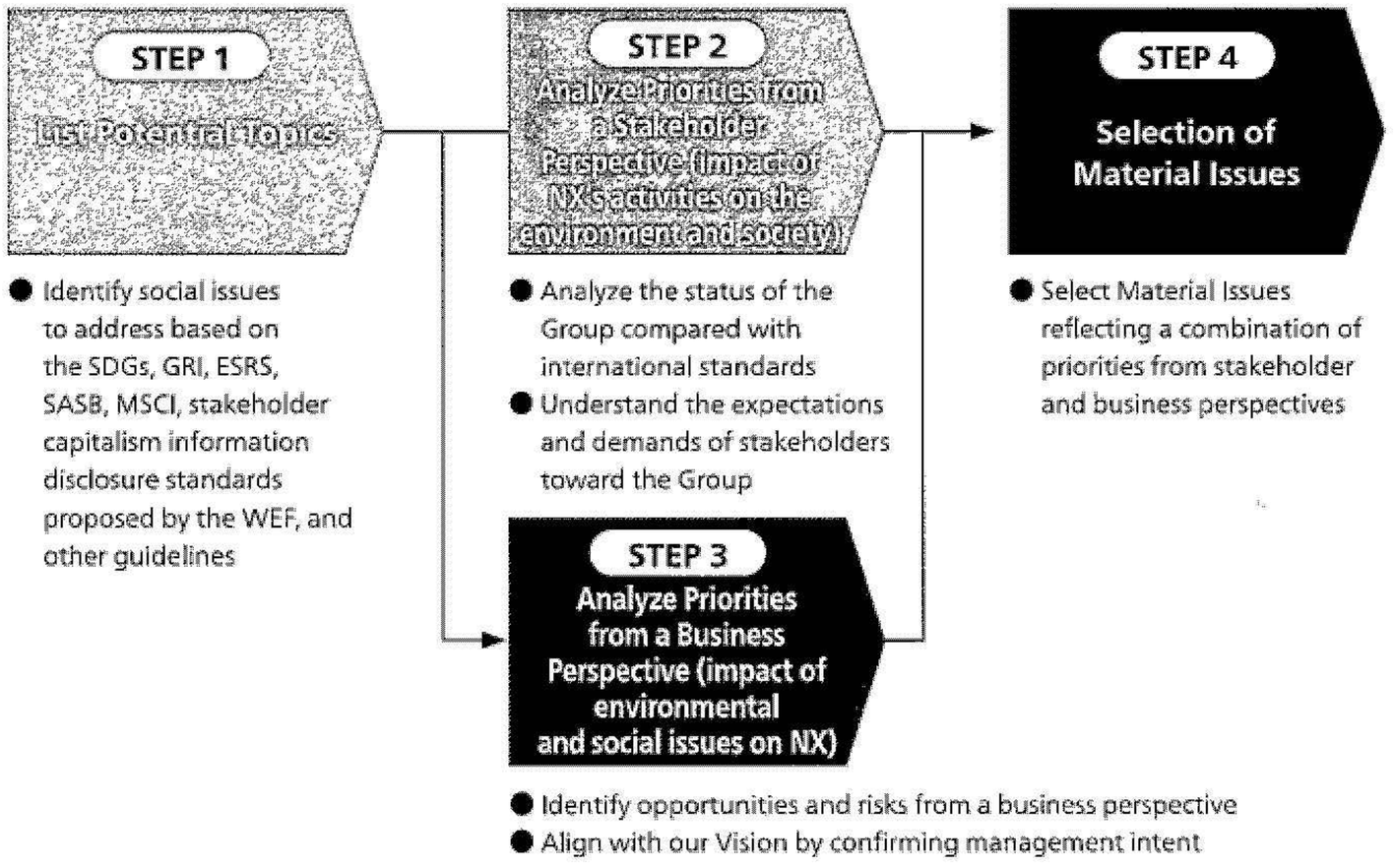
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# Process of Identifying and Reviewing Material Issues

## Steps for identifying Material Issues

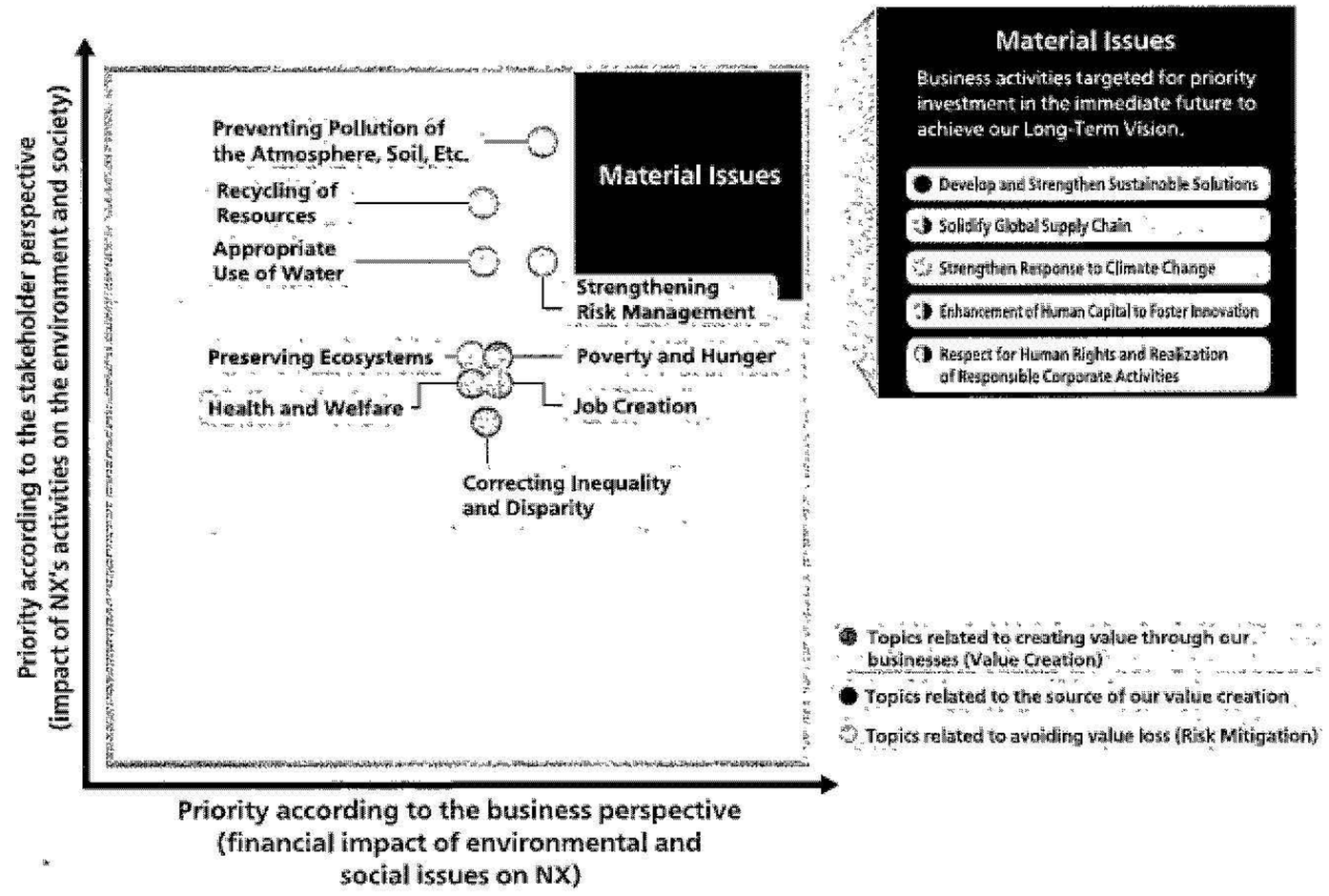
In response to European disclosure regulations, NX Group has identified an Material Issues matrix in accordance with the concept of double materiality, taking into consideration the mutual influence of environmental and social issues on the financial impact of our company and the impact of our activities on the environment and society. We specifically identify Material Issues for NX Group using the following four-step process. In Step 1, a list of candidate topics is compiled from major sustainability frameworks. In Steps 2 and 3, we identify international standards, regulatory trends, receive feedback from our key stakeholders, and conduct interviews with outside experts and internal stakeholders to define issues critical for the Group to address. The identified Material Issues are reevaluated during the business plan cycle or when periodically reviewing changes in regulations and the business environment. Going forward, we will continue to review the issues that the Group should address, taking into account international trends.

### Steps for the Selection of Material Issues*1




*1 Please refer to our latest Annual Securities Report for more on business-related risks. For an analysis of the business environment, please refer to P.14.

### Material Issues Matrix




## Sustainability Promotion System

The Sustainability Promotion Committee, which is charged with promoting sustainability in the Group, is chaired by the president of NIPPON EXPRESS HOLDINGS, INC., and the vice-chairman is the general manager of the Sustainability Promotion Division. The committee includes sustainability promotion officers from Group companies, and aims to further accelerate and improve the efficiency of initiatives for sustainability across the Group, including the issue of climate change. See page 9 of the Sustainability Report for details.

# Enhancing Non-financial and Financial Capital through Initiatives Addressing Material Issues and the Realization of Our Vision

By promoting initiatives that address Material Issues in sustainability management, we aim to enhance our non-financial capital. Leveraging this enhanced non-financial capital in our business activities will not only drive the enhancement of corporate value but also support the realization of our Sustainability Vision.

## Material Issues and Measures

### Develop and Strengthen Sustainable Solutions

- Strengthen materiality solutions
- Strengthen decarbonization logistics solutions
- Strengthen logistics solutions through DX advancement

### Solidify Global Supply Chain

- Strengthen the business foundation against risks
- Develop IT infrastructure and improve security level
- Improve Efficiency, Quality, and Earnings of Logistics by Promoting Digital Transformation

### Strengthen Response to Climate Change

- Scope 1: Reduce $CO_2$ emissions from fossil-fuels
- Scope 2: Reduce power consumption and expand the usage of renewable energy
- Scope 3: Reduce $CO_2$ emissions from transportation and industrial waste

### Enhancement of Human Capital to Foster Innovation

- Secure and develop talented human resources
- Enhance well-being
- Promote DE&I

### Respect for Human Rights and Realization of Responsible Corporate Activities

- Ensure compliance
- Ensure safety and security
- Initiatives to respect human rights

*1 Please refer to P.48 for progress on enhancing non-financial capital

## Enhancement of Non-financial Capital*1

Monetization

### Ability to Solve the Issues of Clients and Society

**Social and Relationship Capital**

Acquisition of New Customers and Deepening Relationships with Existing Customers
- Increasing in the number of customers/transaction volume

**Natural Capital**

Increasing Contribution to Reducing Customers' $CO_2$ Emissions
- Ocean freight LCL transport credit offset rate

### Strong Operational Frontline Capabilities That Bring About Excellence, Efficiency, and Consistency

**Manufactured Capital**

Enhancing Operational Capabilities through Productivity Improvement (Excluding Personnel)
- Reducing amount of workload by introducing automation technology (compared to 2023)

**Intellectual Capital**

Developing a Framework and Response Plan for Contingencies
- Number of risk management systems developed and completed for the entire Group

**Human Capital**

Training and Acquisition of DX Human Resources
- Total number of participants in the education program specialized for DX human resources

Improving Business Efficiency and Reducing Manpower
- Accumulated amount of productivity improvement effects from business reforms

### Trust as a Supply Chain Partner Supporting NX Group's Sustainable Growth

**Social and Relationship Capital**

Increasing Contribution to Reducing $CO_2$ Emissions

**Natural Capital**

Reducing $CO_2$ Emissions
- Scope 1 emissions
- Scope 2 emissions
- Scope 3 emissions

### Human Resources and Organizational Culture as the Sources of Value Creation

**Human Capital**

Retention and Enhancement of Human Resources
- Core Engagement Score
- Human Capital ROI
- Average years with the company

Diverse human resources that support value creation
- Percentage of women with managerial positions

**Intellectual Capital**

Maintaining and Strengthening Trusted Operations
- Number of whistleblowing system notifications and consultations

Accumulation of Safe, High-quality Transportation and Work Know-How
- Compliance rate of voluntary inspections based on the safety and quality management standards

### Trust from Employees (Including Future Employees), Suppliers, and Society

**Social and Relationship Capital**

Creation of Work Environments in Accordance with the NX Group Human Resource Policy
- Core Engagement Score

Elimination of Non-compliance
- Number of serious incidents due to compliance violations

Elimination of Significant Accidents and Disasters
- Number of traffic accidents, labor accidents, and cargo accidents

Promotion of Business Activities and Business Growth Strategy

## Sustainability Management Vision

- Increased ROE (Enhancement of financial capital)
- Increased PER (Increase in anticipated profit growth rate/ Decrease in cost of shareholders' equity)

Greater Corporate Value (Increased EBR)

- **Social Value**: Providing security and stability The happiness of employees
- **Environmental Value**: Preservation of the global environment
- **Economic Value**: NX Group's sustainable growth

Realization of Our Sustainability Vision

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# Progress with Initiatives Addressing Material Issues*1

We are steadily working on each of our Material Issues. Based on a review of our performance in FY2024, we will accelerate our efforts to achieve our 2028 targets.

*1 See the Sustainability Report for detailed progress.

| Material Issues and Measures | Items regarding Setting Targets | | Target Values for 2028 | FY2024 Results | 2024 Target Achievement Rate | Compared to 2023 Results |
|---|---|---|---|---|---|---|
| **Develop and Strengthen Sustainable Solutions**<br>● Strengthen materiality solutions<br>● Strengthen decarbonisation logistics solutions<br>● Strengthen logistics solutions through DX advancement | Increasing number of customers/transaction volume | | | | | |
| | Total sales of railway transportation | (thousand tons) | 7,595 (NE*2) | 6,181 | 95% | 99% |
| | Domestic shipping total sales | (thousand tons) | 2,270 (NE*2) | 2,048 | 97% | 101% |
| | Sea&Rail total sales | (thousand tons) | 13.8 (NE*2) | 13.5 | 119% | 138% |
| | DX: Establishing a business model to solve supply chain issues | | | | | |
| | DX: Amount of profit contribution from business creation | (¥100 million) | 40 | 11 | 275% | (No estimate for 2023) |
| | DX: Total number of participants in the education program specialized for DX human resources | (persons) | 400 | 80 | 100% | 4 times |
| **Solidify Global Supply Chain**<br>● Strengthen the business foundation against risks<br>● Improve IT infrastructure and security level<br>● Improve efficiency, quality, and Earnings of logistics by promoting Digital Transformation | Reducing critical risks | | | | | |
| | Elimination of critical security incidents | (number of cases) | 0 | 0 | 100% | (No estimate for 2023) |
| | DX: Amount of productivity improvement effects from business reforms | (¥100 million) | 230 | 63 | 70% | |
| | DX: Reduction of work time by introducing automation technology (compared to 2023) | (10,000h) | -21.8 (-3%) | -58.44 (-8.1%) | 270% | |
| | DX: Total number of participants in the education program specialized for DX human resources | (persons) | 400 | 80 | 100% | 4 times |
| **Strengthen Response to Climate Change**<br>● Scope 1: Reduce $CO_2$ emissions from fossil fuel usage<br>● Scope 2: Reduce power consumption and expand the usage of renewable energy<br>● Scope 3: Reduce $CO_2$ emissions from transportation and Reduce industrial waste | Scope 1,2 total emissions | (1,000t-$CO_2$) | 537 | 719 | 99% | -4% |
| | Reducing Scope 3 emissions | | | | | |
| **Enhancement of Human Capital to Foster Innovation**<br>● Secure and develop talented human resources<br>● Enhance well-being<br>● Promote DE&I | Increased "comprehensive strength*3" | | | | | |
| | NX Core Engagement Score | (Point) | 76 or more | 72 | 100% | +1pt |
| **Respect for Human Rights and Realization of Responsible Corporate Activities**<br>● Ensure compliance<br>● Ensure safety and security<br>● Initiatives to respect human rights | Elimination of non-compliance cases | | Zero critical incidents | No serious incidents | 100% | 100% |
| | Achieving social safety in logistics | | | | | |
| | Respect for human rights in business activities | | | | | |

*2 NE = Nippon Express Co., Ltd.

*3 Comprehensive strength = enriching our diverse and talented workforce, improving the performance of each individual, and building an inclusive workplace culture

# Develop and Strengthen Sustainable Solutions

With the importance of the natural environment and sustainability in society and industry growing for all companies, NX Group provides various solutions that help to solve social issues that confront our customers and the logistics industry. In particular, global companies have high expectations for solutions to resolve sustainability issues, making it necessary, more than ever, to provide solutions that view business from a sustainable perspective.
Starting in FY2024, as part of our efforts to "strengthen materiality solutions," one of the measures for this priority issue, we will strengthen our development of solutions that contribute to our customers' business growth through solving social issues.
We aim to integrate our business and sustainability by incorporating sustainable solutions into the End to End solutions that our Group provides.

| End to End solutions that solve our customers' industrial problems*1 | Cross-industry, topic-specific solutions*1 | |
|---|---|---|
| **Strengthen materiality solutions**<br>Providing solutions that contribute to the business growth of our customers by solving social issues*2<br>*2 Examples are listed below | **Decarbonization**<br>**Strengthen logistics solutions** | **by promoting DX**<br>**Strengthen logistics solutions** |

*1 See the Sustainability Report for details on each solution

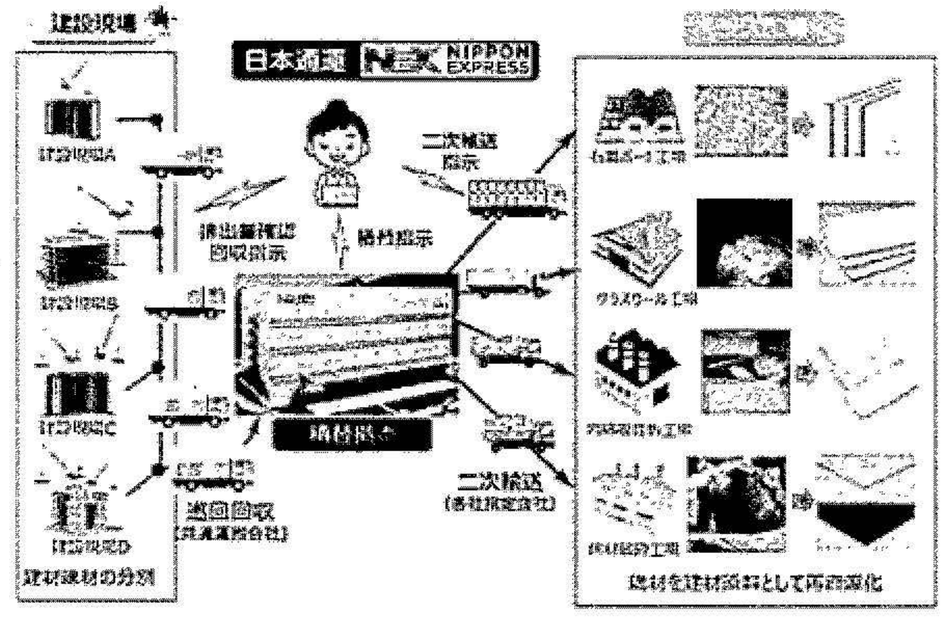
## Case 1: Introducing next-generation mobility to warehouse operations, contributing to the realization of a sustainable society where diverse human resources can thrive



Due to labor shortages caused by the declining birthrate and aging population, and the increasing logistics demand due to the expansion of e-commerce, improving productivity and securing human resources have become urgent issues in the logistics industry. We receive many inquiries from customers about improving the sustainability of logistics by utilizing a diverse workforce.

Nippon Express Co., Ltd. is promoting the "Warehouses that are Friendly to Everyone" project, which aims to remove barriers for people who have previously found it difficult to work in warehouses by introducing advanced logistics robots and work assistance equipment and improving the work environment. This initiative aims to build a cutting-edge logistics facility using electric wheelchairs, following robots, and AMRs (autonomous mobile robots). This project not only improves productivity and secures human resources through digital transformation, but also updates logistics sites by creating an environment in which a diverse workforce can work, serving as an example of contributing to the realization of sustainable logistics and society while also supporting the growth of our customers' businesses.

## Case 2: Achieving a circular economy for building materials by establishing a construction-by-product collection system



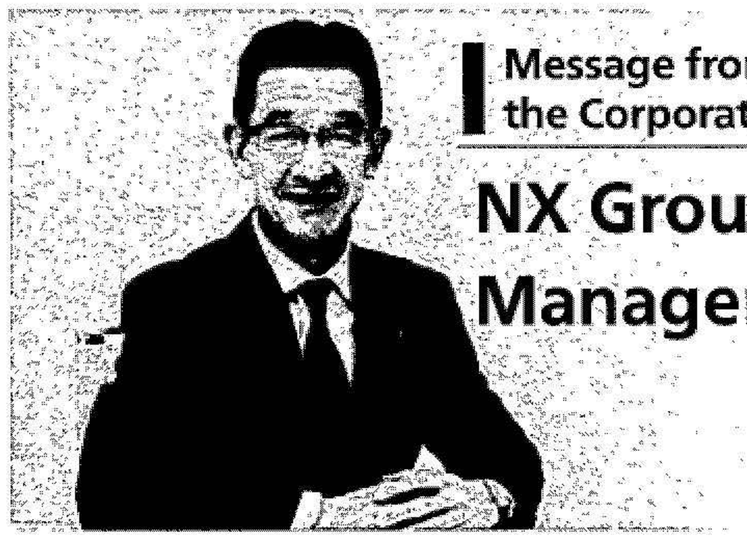

Traditionally, the construction industry has been faced with the problem of mixed waste generated by a wide variety of building materials at construction sites, which makes separation and recycling difficult. It also poses the issue of transportation costs and $CO_2$ emissions from transporting the materials individually to recycling facilities.

In order to promote the recycling of some of the building material scraps that have been landfilled up until now as building material raw materials by utilizing the wide-area certification system*3, Taisei Corporation and Nippon Express Co., Ltd. have developed a "mobile collection system" that can collect multiple construction sites with the same vehicle and then transport them to recycling facilities for each item.

By using a double-door type cage cart called "NRBOX" for collection, management and collection at construction sites are made easier, and the loading rate is improved by transporting different types of building material scraps together in one vehicle. Through this collaboration, we have established a stable operation system by expanding the amount of recycled materials and securing the volume of cargo, and are promoting its spread throughout the construction industry.

In the future, we plan to further improve the system by expanding collection areas, adding compatible items and building material manufacturers, and enabling long-distance transportation through a modal shift, in order to reduce the environmental impact of the construction and logistics industries and build a resource-saving, recycling-oriented society.

*3 Wide-area certification system: A system in which building material manufacturers and other entities are certified by the Minister of the Environment to collect waste from their own products (product scraps, etc.) over a wide area and recycle them into product raw materials or properly dispose of them.



## Message from the Chief Managing Officer of the Corporate Management Headquarters

# NX Group Human Capital Management

**Tatsuya Akama**
Managing Executive Officer

## Looking Back on FY2024

Based on the NX Group Human Resources Policy established in 2023, we have formulated a human resources strategy to realize human capital management, and are syncing it with our management strategy, such as recruiting and training the core human resources who will drive our business. We also hope to build an inclusive workplace culture and improve the performance of each of our diverse and talented human resources, which will lead to improved labor productivity and value creation through innovation.

The "NX Core Engagement Score," an indicator of employees' strong sense of belonging and high motivation to contribute, as well as the environment that enables this, improved by one point from the previous year, achieving the target for the first year. This indicator also represents the "total strength of our human resources," and we believe it will also lead to improved organizational and team strength.

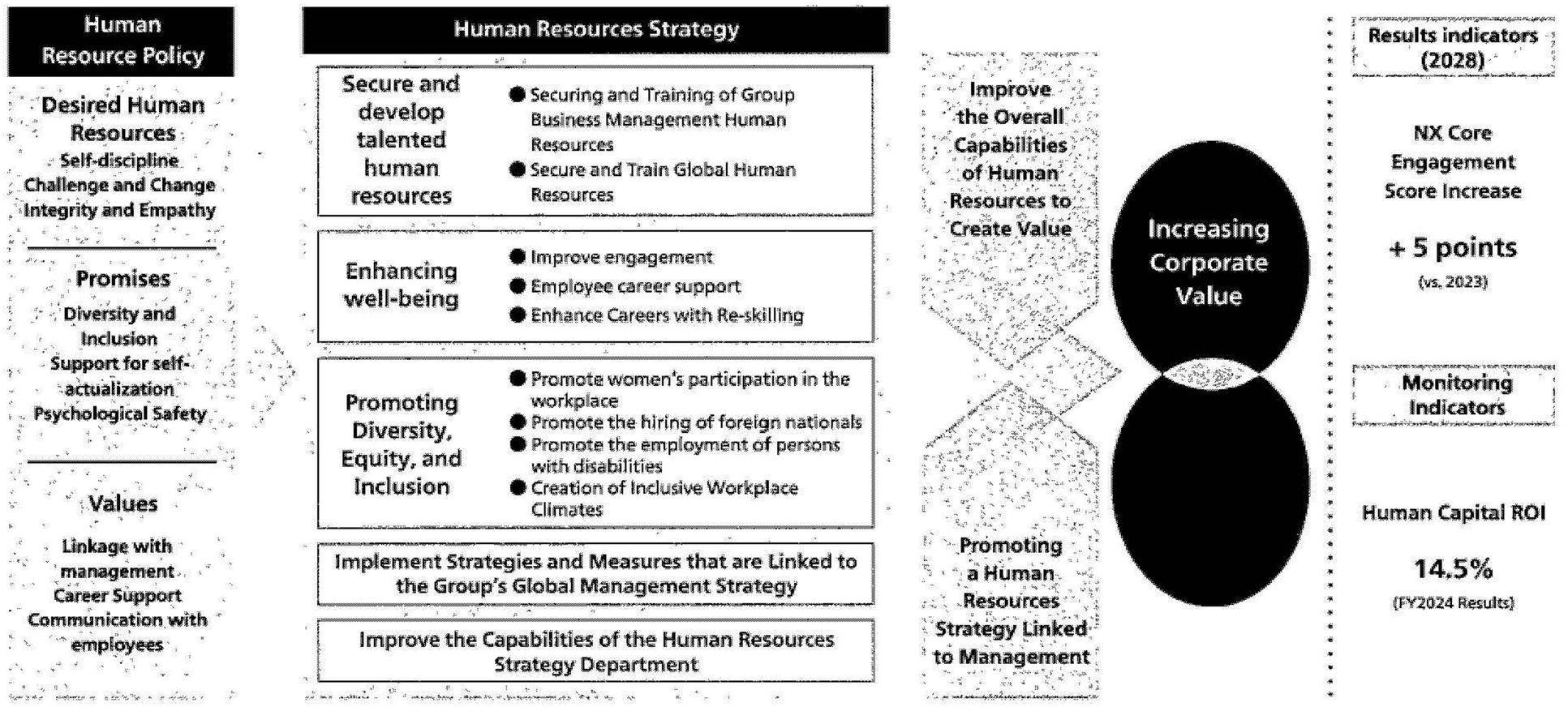
We believe that "promoting diversity, equity, and inclusion (hereinafter referred to as DE&I)" and "enhancing well-being" are central initiatives for diverse human resources to be able to play an active role.

As part of our DE&I initiatives in 2024, we have established a new "Administrative Center" within our special subsidiary NX Heartful Co., Ltd. to handle administrative tasks within the Group, and have been increasing employment of persons with disabilities. This not only promotes the employment of persons with disabilities, but also contributes to improving productivity within the Group. We also held a Career Advancement Workshop for female leaders of our Group companies in Japan to improve their mindset and build networks. As a result of various initiatives, our DE&I engagement score increased by three points from the previous year. We believe that our DE&I initiatives have been firmly established among our employees.

On the other hand, while the important KPIs of the ratio of female managers and the employment rate of persons with disabilities improved compared to the previous year, they did not reach the targets we set, and we believe that further efforts are necessary to achieve these targets. Promoting the participation of women in particular is an urgent issue for our company. In addition to various training programs, we will also provide training by name to further promote the participation of women in the workplace.

In terms of "enhancing well-being," we worked to promote health management and support employee careers. Regarding the promotion of health and productivity management, the number of domestic group companies certified as "2025 Health and Productivity

**NX Group Human Capital Management Overview**



Management Excellent Corporations" increased by six from the previous year to ten. Regarding employee career support, we implemented an internal job posting system (Poscare G), and were able to fill 135 positions across NX Group, aiming for a KPI of more than 120 positions.

On the other hand, KPIs such as absenteeism (number of days off work) and the rate of men taking childcare leave did not reach the target. Absenteeism is a figure that directly relates to productivity in terms of lost labor force, so we will continue to promote health and productivity management by promoting medical checkups, fostering health awareness using health apps, and taking mental health measures. Awareness of the rate of men taking childcare leave has also spread, and the figure increased by 12.2 points from the previous year, so we would like to continue our efforts to achieve our target.

## Initiatives to Increase Corporate Value

As a new initiative synchronized with our management strategy, we are promoting the "formulation of a human resources portfolio." For 2024, we have solidified our basic policies and established the human resources areas and categories that we need to strengthen.

One of the key initiatives we are currently working on is visualizing the current state of core logistics human resources at Nippon Express Co., Ltd., and considering and developing HR policies based on that. By sharing issues with business divisions and departmental HR and establishing a joint promotion system, we plan to consistently carry out everything from analyzing the current situation to setting goals and crafting specific HR policies.

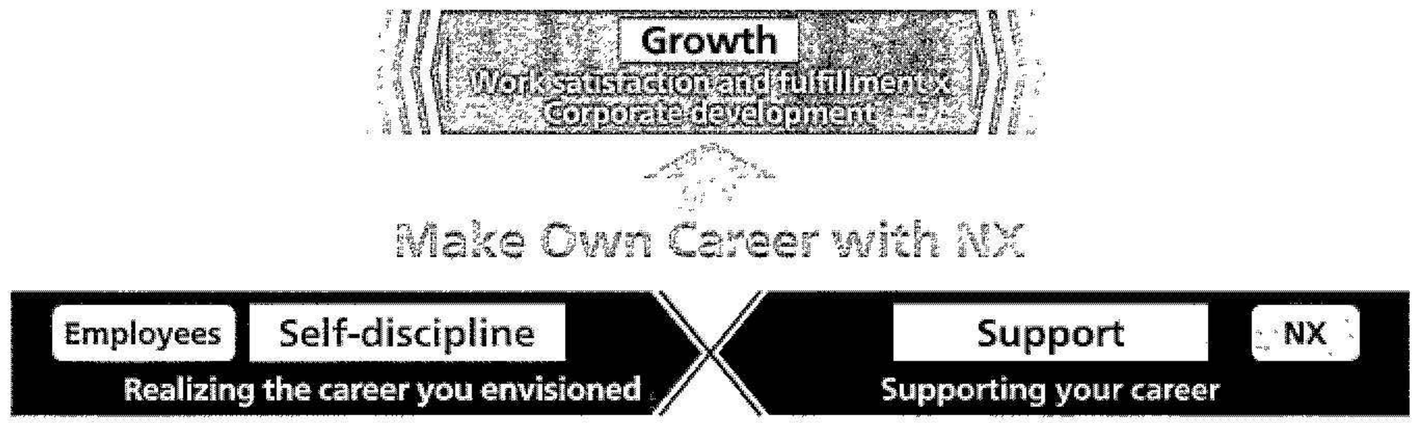
We also want to consider what a global human resources strategy should look like. Currently, we are working on optimal human resource management and human resource strategies for each region, and while part of our initiatives have yielded good outcomes, we believe that there are some areas where it is better to manage managerial and specialized human resources across the entire group. We would like to proceed with measures while keeping an eye on overall optimization. We are currently working with HR staff in each region to consider how to proceed.

Next, regarding "promoting DE&I" and "Enhancing well-being," in 2025 we will be focusing on "employee career support" as one of our key measures. Although NX Group has supported career development in the past, it has not been able to provide consistent support, so we have decided to formulate and implement a new career support policy for the Group. This requires employees to "imagine for themselves what they want to be through their work in the field of NX and work hard to achieve that," and the company "supports" them in achieving that goal. Through this synergy, the company and employees can grow together. We train career counselors in-house and provide career counseling to female leaders and young employees, as well as employees who unfortunately missed out on the in-house open recruitment system (Poscare G) and hand-raising selection process for business training positions. We provide employees with career information and widely disseminate the idea of career autonomy, creating an environment where employees can take on challenges with confidence.

**NX Group Career Support Policy**

**Make Own Career with NX**

The career that each individual envisions is never the same. We provide opportunities for learning and challenges so that you can discover what you want to become, draw it together, and build your own career with your own efforts.




We aim to improve corporate value by linking the use of a human resources portfolio synchronized with our management strategy with employee skill development and re-skilling through career autonomy, systematically recruiting and developing human resources who contribute to the business, and increasing employee productivity.

To make these HR policies effective, it is necessary to "strengthen the capabilities of the human resources strategy department." This specifically means promoting data-driven HR.

Data-driven HR means utilizing a talent management system to implement HR policies based on data. First, Nippon Express Co., Ltd. is working to deepen and enrich its talent information and is considering using it for recruitment and transfers. We are also working to strengthen our ability to utilize data and technology. We will encourage HR personnel to obtain data and technology-related qualifications, strengthen their specialized knowledge, and aim to become a human resources strategy department that utilizes data and digital technology to contribute to business strategy.

To achieve our long-term vision of becoming a logistics company with a strong presence in the global market, we will steadily implement our human resources strategy and use it to increase our corporate value.

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# Concepts and Initiatives for Strengthening Responses to Climate Change

## TCFD

NX Group will actively work to reduce $CO_2$ emissions to help limit the atmospheric temperature increase to +1.5°C above the level of the Industrial Revolution in order to bring an enriched life to future generations through logistics. We view this initiative as a material issue that is necessary for our Group to achieve sustainable growth and increase corporate value. We believe that by responding to these social changes, we will be able to minimize risk and create new business opportunities. In May 2022, our group expressed its support for the TCFD*1 recommendations and has since been working to disclose information based on the TCFD framework.

Please see the Sustainability website (https://www.nipponexpress-holdings.com/en/sustainability/materiarity/tcfd/) for details.

TCFD TASK FORCE on CLIMATE-RELATED FINANCIAL DISCLOSURES

*1 The Task Force on Climate-Related Financial Disclosure is an international initiative established by the Financial Stability Board in 2015 to encourage companies to disclose information about the financial implications of the risks and opportunities that climate change presents to their businesses.

### Governance

We have established the Sustainability Promotion Committee for the purpose of promoting the sustainability management of NX Group. The Committee is chaired by the President and CEO of NIPPON EXPRESS HOLDINGS, INC. with the General Manager of the Sustainability Promotion Division of the same company. It consists of the company's executive officers and officers in charge of sustainability promotion at major Group companies. The Committee discusses policies and strategies related to the promotion of the Group's overall sustainability initiatives, including the Group's response to climate change, and reports the results of these discussions to the Board of Directors at least once each quarter depending on report content. The Board of Directors oversees and reviews business execution of overall sustainability initiatives, including measures to address climate change, and deliberates and resolves basic policies and important matters.

Furthermore, in order to accelerate the promotion of sustainability management, in addition to performance indicators such as consolidated revenue, ESG-related non-financial information including climate change is also included as an indicator in the compensation system.

### Risk Management

NX Group has established the Risk Management Committee, chaired by the President and CEO of NIPPON EXPRESS HOLDINGS, INC., in an effort to strengthen risk management throughout the Group. In addition, the Sustainability Promotion Committee conducts Material Issues analysis and identifies strengthening our response to climate change as Material Issues. The Material Issues are reported to the Risk Management Committee.

### Strategy

With the aim of assessing and improving the resilience of our business and strategies against climate change, we conduct scenario analysis to understand and evaluate various risks and opportunities anticipated due to climate change. For the scenario analysis, we used a 1.5°C scenario, which is the Group's goal, as well as a 4°C scenario, in which decarbonization efforts do not progress from the current situation. We qualitatively and quantitatively evaluate the business impact of the risks and opportunities identified through scenario analysis on our Group's business and consider countermeasures. We conduct financial impact analyses on transition risks, acute physical risks, and opportunities (products and services) that have a particularly large impact on our business.

### Indicators and Targets

■NX Group $CO_2$ emissions reduction target

In order to contribute to the achievement of the global goal of limiting the global average temperature rise to 1.5°C compared to pre-industrial levels, NX Group set medium- to long-term targets for the entire Group in January 2023 although reduction targets had previously been set for Nippon Express Co., Ltd. alone.

**Medium- to Long-term $CO_2$ Emission Reduction Targets**

2030 Target

(Scope 1, 2)
Aim to reduce NX Group's $CO_2$ emissions*2 by 50% compared to 2013 levels
(Scope 3)
Aim to reduce Scope 3 (Category 4) emissions for the entire NX Group by 25% compared with 2022
Aim to reduce Scope 3 (Category 11) emissions from fossil fuel products sold by 42% compared with 2022

2050 Target

Contribute to the realization of a carbon-neutral society through NX Group as a whole
(Scope 1, 2, and 3)

*2 This is equivalent to a 42% reduction in Scope 1 and 2 emissions by 2030 compared to 2020 levels

# Human Rights Initiatives

NX Group formulated its Human Rights Policy and Procurement Policy in 2023 and has been working to ensure respect for human rights throughout its supply chain.

In 2024, we continued our internal efforts and worked with our business partners to ensure respect for human rights among our transportation contractors.

## Initiatives with Transportation Contractors

In order to reduce human rights risks in the supply chain of all of NX Group, we identified suppliers for each business segment. Among these risks, we have started a survey on human rights initiatives targeting transportation contractors in the automotive segment, which account for a certain percentage of our sales and are expected to have potential human rights risks related to the working environment.

In the European region, in response to the Supply Chain Due Diligence Act in Germany, we are conducting a survey on human rights initiatives for all subsidiaries and suppliers (outsourcing, contractors, etc.) under the region. In East Asia, we are also considering initiatives to prevent and correct human rights risks in the supply chain.

Many of the transportation contractors who were surveyed as suppliers were small and medium-sized companies, and we expected that in many cases they would not have a department or person in charge specializing in human rights. Therefore, in FY2024, we took into consideration the burden on suppliers and focused on collecting improvements to implementation methods for the future. In addition, since it is essential for the staff at each Group company who directly interact with suppliers to understand the measures, we held explanatory meetings and other events to promote their understanding.

As the cooperation of our suppliers is essential for this initiative, we will continue to work with our suppliers to promote it.

## In-house Initiatives

**Implementing an in-house human rights risk assessment**

In 2024, we conducted a human rights risk assessment survey of 101 NX Group companies in Japan and overseas. We assessed human rights risks, taking into consideration the risk that NX employees may become victims of human rights violations through our business activities, as well as the possibility that NX employees may become perpetrators.

As a result, we identified "occupational health and safety" risks for our own employees and employees of business partners as significant human rights risks that have occurred or may occur common to all Group companies. We also identified risks of "human rights violations due to the environment and climate change" and "infringement on the lifestyles and culture of local residents" in local communities. We will continue to utilize the human rights risk assessment system for our domestic and overseas Group companies to regularly identify and mitigate human rights risks both inside and outside the company through our business activities.

**Raise awareness and understanding of human rights within the company**

◆ **Human Rights Week**

Coinciding with Human Rights Week in December 2024, the event aimed to deepen understanding of NX's basic approach to "business and human rights" and the human rights risks that may arise when employees become victims or perpetrators, and to foster awareness of responsible business activities that respect human rights.

◆ **Training for Managers**

We implemented e-learning for managers to deepen their understanding of our basic approach to "business and human rights" and our efforts to respect human rights in our supply chain.

◆ **Seminars for Executives**

Since the understanding and commitment of management is essential to promoting efforts to respect human rights, we invited Ryusuke Tanaka, Program Officer at the International Labor Organization (ILO) Office in Japan, to hold a seminar for management from our group companies to deepen their understanding of international trends regarding human rights and corporate responsibilities (125 people from 21 companies participated). In addition to reducing human rights risks within our own companies, participants gained a deeper understanding of the need to address human rights risks in the supply chain.

## Future Initiatives

◆ **Expansion of supplier human rights diligence**

Building on the results of this first year's survey, we plan to expand the number of companies surveyed among our transportation contractors and to include suppliers (outsourcing companies, contractors, etc.) in other business segments in order to ensure respect for human rights throughout the entire supply chain.

◆ **Establishment of a complaint handling system for suppliers**

In addition to the existing whistle-blowing systems (NX Speak Up and NX Global Speak Up), we will also consider establishing a reporting system that can be used by suppliers doing business with the Group.

## Outside Directors Roundtable

# Looking Back on the First Year of our New Structure and New Management Plan

**We interviewed three outside directors about NX Group's performance, progress and challenges with its business plan, governance in investments, and improving corporate value.**




### Short-term Performance and Medium- to Long-term Corporate Value, and the Challenges Facing Each

**Ito:** As of the end of March 2024, we have become a company with an audit and supervisory committee, and the Board of Directors has been delegating authority to the executive side, making it even clearer that its role is monitoring-centered. Needless to say, monitoring only works if there is solid reporting from the executive side, and without it, we may lose sight of the bigger picture. In this regard, I believe that the way in which reports are made to our Board of Directors has evolved even further than before. For example, strategic items in the management plan are reported in a planned manner, generally every six months, and sometimes quarterly depending on the item. In terms of content, a report format has been created to ensure that the content is to the point, and I feel that discussions at the board of directors have become more lively.

In FY2024, the first year of the five-year management plan, sales grew due to the effect of the M&A of a cargo-partner company, but profits did not. The biggest factor seems to be the external environment, but we need to verify whether this is really the case, and we are also checking market prices for ocean and aviation transport. As international logistics activity has not increased as much as expected, the Board of Directors has been overseeing both current performance and future growth. In fiscal 2024, there were some difficult aspects regarding short-term performance, but I think we were able to have in-depth discussions about capital costs and capital efficiency with a view to the medium- to long-term. The result is the update on initiatives to improve corporate value announced in February.

In addition, various KPIs have been set for medium- to long-term strategies, including growth in global markets and account management. In FY2024, those KPIs largely achieved their targets, but the performance targets and KGIs were not achieved. It can be difficult as it depends on the current economic situation, but as an outside director, I believe it is

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necessary to examine whether there is a rational connection between the KPIs and the performance targets/KGIs, and whether the degree to which the KPIs are stretched is appropriate.

**Tsukahara:** As Ms. Ito said, we receive frequent and thorough reports from the executive side regarding matters to be reported. Based on the contents of the report, lively discussions are held at the Board of Directors meeting, and the contents of the discussion are reflected in the next report.

There are always discussions about the current situation, but on top of that, we always discuss how it will look from a medium- to long-term perspective. As of FY2024, many items were "currently under construction," so although we understand that it will take time, we make sure to check whether they are progressing at the desired pace. There was also an issue of whether the KPI items being managed were appropriate, and this was discussed at the Board of Directors meeting. If the KPIs are being achieved but there is no final profit, I think there may be something else we need to look at. Although there are many KPIs related to quantities and sales, the executive side is discussing the issue from the perspective that there may not be enough KPIs linked to profit.

In addition, while the global market is a challenge for sales growth, and improvements in the Japanese business are a challenge for improving profit margins, a major theme is the review of the business portfolio for the Japanese business. Initiatives to review the business portfolio tend to stagnate once the portfolio is organized and classified, but the NX Group is constantly reviewing this and discussing how to make it appropriate.

Regarding non-financial information, I have heard that the opinions of directors last year have been reflected, and as a result, there have been more discussions on sustainability and digital transformation. Generally, sustainability is often separated from the business, but the executive side is discussing how to properly integrate it, and this has been reported to the Board of Directors. I also feel that the frequency of discussions on human resource strategies could be increased.

**Shiba:** The biggest change since we became a company with an audit and supervisory committee is how the agenda for board meetings is set. As authority has been transferred to the executive team, the number of items to be resolved has decreased, but instead, reports on the status of execution of the business plan have increased, and a system for monitoring and supervision is being put in place. As the number of items to report has increased, we have received solid support in terms of operation. Materials are sent in advance, and advance explanations are given two days before the Board of Directors meeting, followed by a question-and-answer session attended by the six outside directors. At the most recent Board of Directors meeting, seven departments reported on the progress of the business plan, and the directors made efforts to adjust the time for explanations and discussions based on the advance explanations and questions-and-answer sessions.

**Ito:** We are also now able to share the minutes of the Executive Management Meeting, which is the executive meeting body, making it easier to understand the discussions and issues that are being addressed by the executive team. Board of Directors discussions are now based on an understanding of these issues, and I feel that the quality of discussions is improving.

**Shiba:** By sharing the minutes of the management meetings, we no longer need to ask questions such as "What was discussed at the management meetings?", which has made the meetings run more smoothly.

While the basis for discussions at Board of Directors meetings is to have medium- to long-term perspectives, our most pressing issue is our current poor performance. As we are looking to the medium- to long-term, ad hoc responses based solely on a poor short-term environment are undesirable, but we are also discussing the importance of how to improve our current performance.

There are two major themes: global growth and strengthening our domestic business in Japan. To strengthen our domestic business, we are also implementing major organizational reforms at Nippon Express Co., Ltd., but these will not produce results immediately. That

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said, I think investors will point out that we are not moving quickly enough. Although this will take some time, we are discussing how we can increase the speed of our efforts.

## Current Status and Issues of Governance (Offense / Defense) in Investment

**Tsukahara:** While the management plan has a target of a 10% ROE for FY2028, the target for ROE in FY2024 was not achieved. The executive team is also concerned about these results, and has set an intermediate target of 8% ROE for FY2026.

Regarding ROE, a slight improvement will not raise expectations, or lower the PER, and it will not lead to an improvement in PBR. We need to consider both revenue expansion measures and capital policies to build up immediate earning power while also creating a growth story that will enable us to earn in the future.

As part of this growth story, when we invest in large-scale M&A from real estate sales, the results of past PMI will have an impact on future expectations, so PMI is often discussed at board meetings. On the other hand, the real estate business is also a stable earnings base, so we carefully discussed reviewing our strategy from the perspectives of both risks and opportunities.

**Shiba:** With regards to investment, the company also aims to utilize M&A to increase overseas sales. Although there were some failures in past cases, PMI has been solid in M&A over the past two or three years. Previously, PMI was left to local areas, but now HD's Global Business Headquarters has full responsibility for PMI and is promoting PMI from the perspective of overall optimization. Recently, three companies have announced acquisitions between 2023 and 2024, but after searching through many of them, we have been able to select candidates that we expect to create synergies with NX Group without overpricing. Although we are still in the development stage, we are accumulating know-how, and the entry and exit (M&A/PMI) are being established, so our M&A execution capabilities are clearly different from the past.

The two companies that were completed as acquisitions between 2024 and March 2025 are European companies, but we did not choose Europe as a core region. We chose cargo-partner for its forwarding network in East Asia and the Americas, and Simon Hegele for its expertise in handling pharmaceuticals and medical equipment, and we hope to be able to expand these into business in a variety of countries.

In terms of future growth strategies, we are paying attention to India. We expect the Indian market to grow further, just like Japan in the 1980s and China in the 2000s, and it can also be a starting point for expansion in the Middle East and Africa.

**Tsukahara:** During the sourcing stage of an M&A, we look at a wide range of potential targets rather than narrowing down to a specific region or area. At present, we are able to partner with companies with which we expect to create synergy without having to purchase at high prices.



**Ito:** For M&A, as deals in Europe progressed smoothly through FY2024, the investment framework we had initially planned became insufficient, so we flexibly reviewed our cash allocation, even though we were in the middle of our management plan.

In the discussions on securing financial resources, the sale of real estate became a major issue. While the real estate business is significant in mitigating forwarding volatility, capital efficiency has been lacking, so I think it is significant that we have taken a step forward and indicated our intention to proceed with the sale. We considered the amount from the perspective of increasing corporate value, taking into account dialogue with the market, and initially decided on a figure of over ¥50 billion. I heard that the market reaction at the time of the announcement was good, so I think it was a good decision.

We added ¥200 billion to the M&A and growth investment framework, but since the PMI for the most recent M&A is still ongoing, we think it will be an issue whether we have

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enough human resources to move forward with the next project, and we need to discuss strengthening our human resources, both inside and outside the company.

**Tsukahara:** We are also working to ensure that ROIC is understood at the workplace, but we must not make it merely a slogan. To do this, it is necessary to organize and communicate what improving ROIC means to people on the front lines.

**Shiba:** To ensure ROIC is understood, the company has devised a system in which it uses learning through comics to explain the concept to employees in an easy-to-understand way.

There is a concern that overemphasizing ROIC could lead to a shrinking equilibrium and slower growth, so the company analyzes its business portfolio and divides it into segments for which it will pursue growth strategies and segments for which it will seek to improve capital efficiency, and then organizes and advances initiatives accordingly for each. For example, in the Japan business, the East Company and West Company place emphasis on ROIC, while the Tokyo, Nagoya, and Osaka region is focused on growth.

## Key Points for Increasing Corporate Value

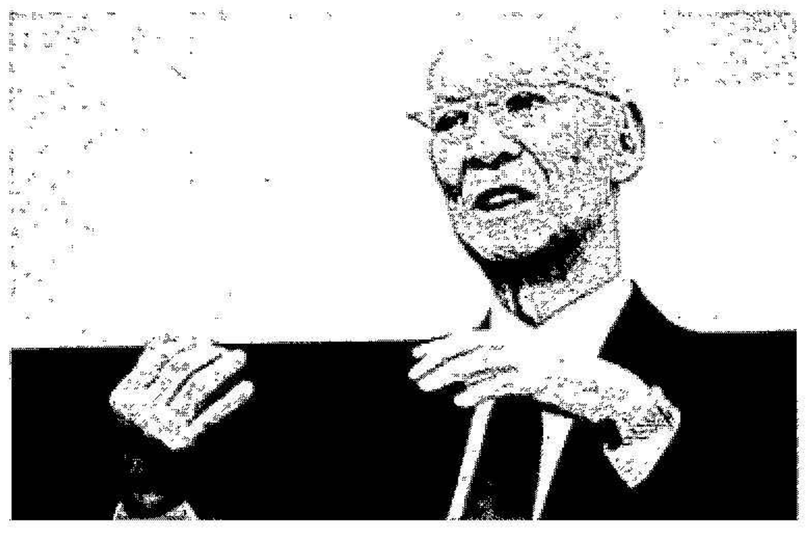
**Ito:** I believe that NX Group is a company that is highly strategic and at the same time has a tradition of strong on-site capabilities. In this context, the speed at which strategies are executed is important to improve corporate value. It's not just about being fast, but being able to respond to situations in an agile manner amid growing uncertainty in the external environment. I believe there are two key points to increasing the speed of strategy execution. The first is the use of data, as President Horikiri mentioned. Data-driven management that allows everyone globally to see and talk about the same numbers, and the infrastructure to advance it, are essential. The second is for all employees to correctly understand the strategy. As a prerequisite for this, it is also important that the corporate philosophy and vision are permeated throughout the organization. This is because such things will lead to speedy and agile strategy execution. The executive team is also aware of this, and they are using a variety of methods, such as a corporate magazine and town hall meetings, to stimulate internal communication. I think the extent to which we can engage employees is key.

**Tsukahara:** I believe there are two key points to increasing corporate value. The first is human resources, which President Horikiri also places importance on. I believe it is important to thoroughly develop or acquire hundreds of human resources who will be responsible for growth in areas such as globalization, digital transformation, and logistics, and then place them in appropriate positions, engage them, and enable them to thrive.

The second is whether we can improve performance such as sales and profits after building a foundation including capital policy. In FY2024, we could say that we are prioritizing medium- to long-term initiatives over current performance, but we have implemented fundamental measures including capital policy and the foundation is being established. Therefore, from FY2025 onwards, as a director, I would like to see whether performance such as sales and profits will follow, as this will be the harvest period.

**Shiba:** As President Horikiri said, it is people who solve problems. How people feel and act is important.

Corporate culture and climate also play a large role in this. Safety and security are absolute values at NX Group. Furthermore, coupled with the good traditions that have been cultivated over the years, we tend to be conservative. Amidst this, I think the speed has been increasing as a result of Chairman Saito's continued emphasis during the previous management plan that "speed is important." Unlike before, we are now creating a culture that is willing to take a step forward even when everything is not yet solidified, so I would like to see whether we can increase our speed even further by, as President Horikiri puts it, "evolving our culture rather than reforming it."



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# Corporate Governance

The establishment of corporate governance is important for sound corporate management, sustainable growth, and improving corporate value. We also believe that it is an obligation to our shareholders. In its "2037 Vision", which sets out what NX Group wants to be in 2037, the 100th anniversary of the Group's founding, the company outlines the ideal image ideal state shareholders as "a company that achieves sustainable growth by establishing corporate governance", and it will work on continuous governance reform to realize this.

In order to achieve sustainable growth and increase our corporate value, we will strengthen supervisory functions, including the Board of Directors and the Audit and Supervisory Committee, and we will promote efforts to ensure "safety, compliance, and quality," which form the foundation of our group's management and the source of our competitiveness. In addition, we will strive to enhance disclosure and proactively disseminate information in order to ensure management transparency and stimulate dialogue with our shareholders and investors.

## Basic Views on Corporate Governance

NX Group established basic policies, shown at right, for the Group governance toward practicing the corporate philosophy and realizing the long-term vision.

For corporate governance to function properly, it is essential to evolve Group management, promote Group-wide strategies, and establish a governance structure. We believe that the holding company structure with NIPPON EXPRESS HOLDINGS, INC. as the Group head offices is the optimal Group management structure for properly promoting these goals and realizing our long-term vision.

## NX Group Basic Policy on Governance

### [NX Group Corporate Philosophy]

| Our Mission | Our Challenge | Our Pride |
|---|---|---|
| Be a Driving Force for Social Development | Create New Ideas and Value that Expand the Field of Logistics | Inspire Trust Every Step of the Way |

### [Long-Term Vision (Excerpt from 2037 Vision)

| | | |
|---|---|---|
| Business Growth | : | A logistics company with a strong presence in the global market |
| Clients and Society | : | A company that contributes to the realization of a sustainable society through logistics |
| Shareholders | : | A company that achieves sustainable growth by establishing corporate governance |
| Employees | : | A company whose employees come from a variety of backgrounds, are proud of their work supporting customers and society, and feel happy |

### Basic View toward Realizing the Long-Term Vision

- NX Group upholds its mission to contribute to the sustainable development and growth of customers and society by solving social issues through logistics in accordance with NX Group Corporate Philosophy
- Toward realizing the long-term vision that depicts the ideal image of NX Group for 2037 founded on our Corporate Philosophy, we will meet the expectations of stakeholders and create value together
- To realize this, we shall establish corporate governance and construct the optimal Group governance systems that form the basis of that

#### Basic Views Toward Establishing Corporate Governance

**To realize increased corporate value and sustainable growth, we will respect the positions of stakeholders, such as our shareholders, and build appropriate governance of offense and defense.**

Corporate Governance to Aim for
- Expansion of global business based on "prompt/decisive decision-making and clarification of responsibility"
- Growth of a robust corporate group based on "ensuring thorough compliance and transparency of management"

Initiatives Toward Establishing Corporate Governance
- Continuous improvement of governance in line with the meaning of each principle in the Corporate Governance Code
- Promotion of compliance management
- Construction of a strong group governance structure

#### Basic Concept Oriented Towards Evolving Group Governance

**To ensure that corporate governance functions appropriately, and to realize maximization of value as a corporate group, the group governance structure will continue to be evolved globally.**

Group Governance to Aim for
- Establishment of a group management structure that realizes "maximized value as a corporate group"
- Construction of a global governance structure that realizes "further expansion of overseas business"
- Sophistication of a business management structure that realizes "appropriate business portfolio management" and "customer-oriented optimization of the entire group"

Initiatives Toward Advancing Group Governance
- Strengthening of group management strategy functions based on a holding company structure, clarification of roles and responsibilities of Group companies, structural and organizational design for realizing an optimized Group as a whole
- Construction of a global risk management system based on linkage between holding companies and presiding companies
- Sophistication of group databases and promotion of data-oriented management

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## Compliance with the Corporate Governance Code

NX Group is in compliance with all of the principles of the Tokyo Stock Exchange's Corporate Governance Code. We have prepared Our Policy and Implementations of JPX's Corporate Governance Code, which sets forth our policy and the latest implementation details for the principles of the Corporate Governance Code, and released it on our website.

WEB Initiatives and Response Policy for the Corporate Governance Code
https://www.nipponexpress-holdings.com/en/ir/governance/

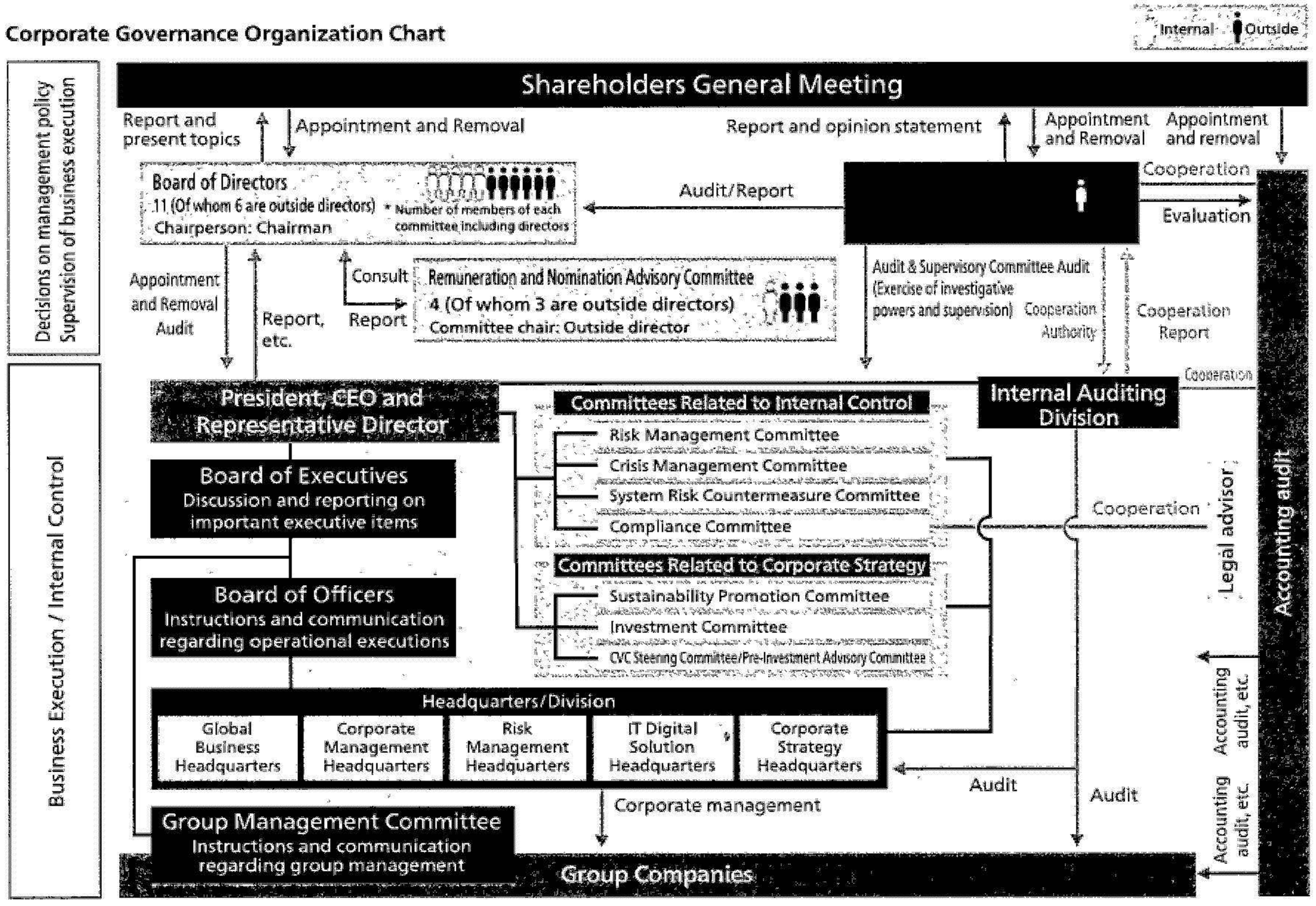
Our company is based on the Group is a company with an Audit and Supervisory Committee. To obtain the opinions of independent outside directors concerning important matters such as the compensation and nomination of executive officers, our Group has established a discretionary Compensation and Nomination Advisory Committee as an advisory body to the Board of Directors. In addition, the Board of Directors has delegated some of its important business execution decisions to the President and CEO and has introduced an executive officer system to achieve swift decision-making and execution of duties, while separating oversight and execution, thereby strengthening the supervisory function of the Board of Directors. An overview of the Company's corporate governance bodies and organization is shown to the right.

### A. Directors/Board of Directors

The Board of Directors, as entrusted by shareholders, is responsible for ensuring the sustainable growth of the Group and maximizing its enterprise value through the implementation of effective corporate governance. To fulfill these responsibilities, the Board of Directors not only deliberates and makes decisions on important business execution related to overall management, such as important management policies and business plans related to management issues, and on matters stipulated in the Companies Act to prevent the impairment of corporate value, but also exercises its supervisory function over management in general, supervises the business execution division, and strives to ensure management transparency. The Board of Directors also delegates some of the decision-making regarding business execution, excluding the above-mentioned important business execution decisions, to the business execution division, including the President and CEO, and supervises the status of business execution.

## Corporate Governance System

**Corporate Governance Organization Chart**




**[Overview of the Board of Directors]**

- Authority: Decision-making regarding business execution regarding important management policies and matters stipulated by laws and regulations, etc., and supervision of the execution of duties by business execution divisions
- Chairperson: Non-executive Chairperson of the Board
- Composition: 11 Directors (as of March 31, 2025),
  including 7 Directors who are not Audit and Supervisory Committee Members (including 3 Outside Directors),
  4 Directors who are Audit and Supervisory Committee Members (including 3 Outside Directors)
- Conduct of meetings: In principle, meetings are held once a month and as needed

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### ● Major deliberations and reports at Board of Directors meetings

In fiscal 2024, we held 19 Board of Directors meetings.

Based on the opinions of outside officers obtained through the evaluation of the effectiveness of the Board of Directors, the Board of Directors also discusses and revises the agenda items for deliberation as necessary, such as annual planning of reporting items and reporting in the process of formulating important management strategies, etc., to ensure the implementation of the reporting items specified in the agenda standards for the Board of Directors.

**Main Agenda Items for FY2024**

| | |
|---|---|
| Corporate Governance/Risk Management | Resolution on changes in the organization |
| | Resolution on verification of the appropriateness of cross-shareholdings |
| | Periodic reports on system risks, compliance, and safety management |
| | Report on the results of the evaluation of the Board of Directors effectiveness |
| | Report on the schedule for setting the agenda for the fiscal 2025 Board of Directors |
| Business Execution Report | Report on the activities status, etc. of each executive department based on management and business strategies |
| Corporate Strategy | Formulation and progress report on business plan |
| | Resolution on the formulation of "efforts to realize management that considers capital costs and share price" |
| | Resolution on FY2025 budget |
| | Organizational reform and M&A-related |
| | IT strategy-related |
| Financial/ Business Results | Quarterly financial results and monthly performance-related |
| Officer and employee staffing | Director and executive officer staffing and remuneration-related |
| Financial Policy | Resolution of treasury stock acquisition and amortization and dividend-related |
| | Resolution on the Group capital policy |
| | Resolution on the financing plan |
| IR | Report on the status of dialogue with institutional investors |
| Sustainability | Report on the human rights risk evaluation results |
| | Report on the promotion status of sustainability management |
| Internal Audit Report | Report on the internal auditing report |

### B. Remuneration & Nomination Advisory Committee

To obtain the opinions of independent outside directors concerning important matters such as remuneration and nomination of officers, our Company has established a fair, highly transparent, discretionary Remuneration and Nomination Advisory Committee. Consisting of a majority of independent outside directors and chaired by an independent outside director, the committee functions as an advisory body to the Board of Directors, and the Board of Directors makes decisions based on the opinions of the committee to the maximum extent possible. Committee members are appointed by resolution of the Board of Directors, and the committee performs the functions of both a nominating committee and remuneration committee. The Committee deliberates mainly on officer personnel matters, including candidates for directors and officer positions, the establishment of the skill matrix that represents the composition of the Board of Directors, the CEO succession plan, and the policy and system of remuneration, in consultation with the President and CEO. It reports to the Board of Directors based on its decisions (it met nine times during fiscal 2024, and the average attendance rate of the committee members during the relevant period was 100%).

The chair and members of the committee are as follows. (As of March 31, 2025)

<Chairperson> Yojiro Shiba, Director (Independent Outside Director)
<Committee members> Mitsuru Saito, Director (Chairman and Representative Director)
Yumiko Ito, Director (Independent Outside Director)
Tsukiko Tsukahara, Director (Independent Outside Director)

### C. Audit & Supervisory Committee

Following the resolution of the second regular general meeting of shareholders held on March 28, 2024, the company has transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee of the Group plays an important role in the Group's supervisory function. As an independent body that audits the execution of duties by directors, it will contribute to the sustainable increasing corporate value and the realization of growth as a healthy corporate Group. The Audit and Supervisory Committee is made up of four members, one full-time director and three outside directors (part-time) who are also Audit and Supervisory Committee Members. The Audit and Supervisory Committee meets regularly (once a month in principle) and holds extraordinary meetings as necessary. They also assign staff to assist the Audit and Supervisory Committee in its duties and strive to enhance the Audit and Supervisory Committee's auditing and supervisory functions.

When conducting audits by the Audit and Supervisory Committee, the accounting auditor works in cooperation with the Internal Audit Office, our Internal Auditing Division, to ensure that audits are effective. The accounting auditor, using the Audit and Supervisory Committee as a liaison, sets up opportunities for "management discussions" and other such meetings with the President and CEO and other senior management and business execution departments to hear about the status of responses to management issues. In addition, regular monthly meetings are held with the Audit and Supervisory Committee to report on the status and results of accounting audits to promote mutual cooperation.

In addition, the Internal Auditing Division's audit policy and audit plans are subject to resolutions by the Audit and Supervisory Committee, making it clear that, in addition to the President and CEO's command and control over management, the Audit and Supervisory Committee is also in charge of audits in terms of its duties.

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### D. Business Execution

Business execution is carried out under an executive structure consisting of the President and CEO and five headquarters, who have received important business execution decisions and delegation of duties from the Board of Directors. A specified level of authority is delegated to each headquarter so that it can swiftly execute business plans as a single management unit. In advancing business operations, each Group company carries out its role and responsibility within the scope of its own responsibility as delegated by the Company, which supervises the advancement of business operations at each Group company. NX Group Governance Regulations and the Group Authorization Table accompanying the regulations stipulate the Group management system and matters delegated to Group companies. These are reviewed from time to time to promote efficient and effective Group management.

The following is a summary of the various meetings related to the execution of business operations.

**[Board of Executives]**[*1]

- Role: As an advisory body to the President and CEO, it discusses important matters related to overall management and reports on the status of business execution by executive officers
- Chairperson: President and CEO
- Composition: Vice President, Chief Managing Officers (four as of March 31, 2025), executive officers in charge of the departments proposing agenda items, oversight by directors and full-time Audit and Supervisory Committee Members
- Frequency of meetings: Once a month and as needed
- Main agenda items: Discussions regarding important business execution decisions such as investment projects delegated by the Board of Directors, progress reports on important matters and other matters decided at management meetings, etc.

**[Board of Officers]**[*1]

- Role: An organization for communicating and sharing information regarding resolutions made at the Board of Directors and management meetings, matters to be discussed, and instructions from the President and CEO and each division
- Chairperson: President and CEO
- Composition: Executive officers (18 as of March 31, 2025), representatives of group companies, etc. Supervision by full-time audit and supervisory committee members, with group company executives and others present
- Frequency: In principle, held once a month (excluding months when the Group Management Committee is held)
- Main agenda: Instructions and communications from the President and CEO and each division head, reports on the status of business execution from each executive officer, etc.

*1 In fiscal 2024, we held five Management Committee and the Executive Committee meetings, which combines the functions of the Management Committee and the Executive Committee as mentioned above. In light of our transition to a company with an Audit and Supervisory Committee and the partial delegation of important business execution decisions to the President and CEO, we have separated the meeting function and established Board of Executives and Board of Officers from March 2024 with the aim of separating and strengthening the consultative bodies that serve as advisory bodies to the President and CEO, and 16 Management Committee meetings and eight Executive Committee meetings were held.

**[Group Management Committee]**

- Role: To strengthen inter-group cooperation and foster a sense of unity by instructing and communicating Group management policies and implementing reports on business promotion from business subsidiaries, etc.
- Chairperson: President and CEO
- Composition: Holding company's executive officers, presidents of major Group companies, management executives, full-time Audit and Supervisory committee members of our holding companies, etc.
- Frequency: As needed (two meetings in 2024)
- Main agenda: Instructions regarding Group management policies, communication of headquarters policies of each division, reports from Group companies on individual themes related to Group management, etc.

**[Overview of Other Committees of Business Execution Departments]**

**Major Internal Committees**

| Name | Purpose |
|---|---|
| **Risk Management Committee** | In charge of formulating risk management policy and building the Group's risk management system (Held twice a year) |
| **Crisis Management Committee** | In charge of prior discussion on systems when crises materialize from risks as well as addressing them after risks materialize (Held as needed) |
| **System Risk Countermeasure Committee** | In charge of building systems related to information system security and responding to security incidents (Held twice a year) |
| **Compliance Committee** | In charge of building and promoting the Group compliance system (Held four times a year) |
| **Sustainability Promotion Committee** | In charge of responding to issues related to sustainability and planning of Group policies (Held two times a year) |
| **Investment Committee** | Discusses M&A-related matters (Held as needed) |
| **CVC Steering Committee/ Pre-Investment Advisory Committee** | Discusses investment intentions for selected investments in CVC funds in which the Board of Directors has resolved to invest (Held as needed) |

Important matters discussed by each committee are submitted to the Board of Directors for resolution or regularly reported to the Board of Directors, in accordance with the criteria for decision-making, and the Board of Directors supervises these activities.

In addition, the Investment Committee discusses and decides on corporate acquisitions and other matters, and the agenda is proposed to the Board of Directors for resolution in accordance with the criteria for decision-making. The progress of investment projects is reported regularly at meetings of the Board of Directors, and necessary discussions are held among the responsible departments and business subsidiaries at PMI Committee meetings and other meetings. The status of investments in CVC funds is also reported to the Board of Directors on a regular basis.

The Group Management Committee and other committees have established subcommittees for individual themes such as human resources, DX, and safety, as well as councils with Group companies to promote Groupwide strategies and strengthen internal controls.

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## Efforts to Improve Governance Effectiveness

### Evaluating the Effectiveness of the Board of Directors

Once each year, NX Group's Board of Directors uses an outside institution to conduct a survey of all directors regarding the effectiveness of the Board of Directors as a whole, including the Remuneration and Nomination Advisory Committee, to evaluate the effectiveness of the Board of Directors and gather opinions on how to improve it. The Board of Directors will discuss and verify the results of the analysis and evaluation, and will evaluate its effectiveness based on the aggregate results from external institutions. In addition, based on the issues and opinions identified through the questionnaire, we will make improvements to enhance the effectiveness of the Board of Directors.

<Reference> Major themes of the evaluation of Board of Directors effectiveness conducted in December 2024: (1) board composition and operation, (2) management and business strategies, (3) corporate ethics and risk management, (4) performance monitoring and management evaluation, (5) dialogue with shareholders, etc., (6) free descriptions for other items.

The Board of Directors secretariat has taken the lead in developing systems to make improvements with respect to the issues identified in past effectiveness evaluations, including Nippon Express Co., Ltd., which was a listed company prior to the transition to a holding company structure. Please see below for items that we have improved in recent years. Please refer to the Corporate Governance Report published by the Company for an overview of the effectiveness assessment.

**Major areas for improvement by the Board of Directors (FY2024)**

| | |
|---|---|
| 1 | For the formulation of strategies and policies on sustainability, DX, human resources strategy, and other important matters, we made improvements by changing the process to reach resolution after multiple discussions by the Board of Directors as agenda items. |
| 2 | We have formulated a plan to achieve business management that considers capital costs based on the analysis of the current situation, and disclosed a new business plan on February 14, 2024. We have been promoting business portfolio management focusing on capital profitability (ROIC) as well as regularly reporting and evaluating, analyzing, and revising matters related to initiatives results. |
| 3 | We have been expanding opportunities required for discussion and information to strengthen risk management on a global scale and discussion of SR and IR activities by making it an item to be regularly reported at the Board of Directors meetings and revising and enhancing the content of the report. |

WEB Corporate Governance
https://www.nipponexpress-holdings.com/en/ir/governance/

### Training Policy for Directors

NX Group provides regular opportunities such as seminars and social gatherings to directors, intended to enable them to deepen their awareness of the Company's management issues as well as to acquire essential knowledge regarding corporate governance, finance, as well as laws and regulations. The Company bears the cost of such events.

Together with internal orientations for directors and at the time of appointment and as necessary, we provide training opportunities as needed, including participation in external seminars for our Group's newly appointed directors, in order to deepen their knowledge of corporate governance, particularly with respect to the performance of their duties, and to help them acquire the necessary knowledge of their roles and responsibilities as directors.

After they assume their positions, the Company continues to provide opportunities for seminars and social events, as appropriate, to enable them to acquire the necessary knowledge regarding the Company's management issues, financial matters, and legal compliance. Directors who are Audit and Supervisory Committee Members strive to acquire a wide range of knowledge. This is accomplished by attending meetings for members of Japan Audit and Supervisory Board Members Association and seminars held by the Japan Industrial Management & Accounting Institute. We provide opportunities for outside Directors to acquire knowledge of our business and related matters by allowing them to participate in various company events, facility tours, etc. In addition, in order to seek out management judgment from an independent perspective, we hold monthly Outside Officer Seminars, where executive officers and senior management make presentations. By doing so, we ensure that they have opportunities to understand our management issues, and the management vision, goals, and challenges of the divisions under their purview.

For internal executive officers and senior management candidates who are candidates for the representative directorship, we provide opportunities to attend external MBA and other senior management development courses to acquire the knowledge of global management, financial literacy, management strategy, and governance that are necessary for senior management.

The above series of trainings are positioned as part of succession planning for senior management.

In order to confirm whether or not outside directors are taking appropriate measures regarding training, including the provision of internal information, the Company conducts surveys regarding opportunities to provide information to outside directors in its questionnaire for evaluating the effectiveness of the Board of Directors. The results of the survey are reported to the Board of Directors are discussed for future improvements and reflected in the next and subsequent activities.

### Holding Liaison Meetings for Outside Directors

To ensure the objectivity and neutrality of the management oversight function, a lead outside director is elected by mutual agreement from among the directors and liaison meetings are held for outside directors to freely discuss a wide range of topics, including NX Group's management and corporate governance, and to deepen cooperation among the outside directors. In addition, a system is in place to report discussions to the Board of Directors as necessary.

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## Appointments of Directors

### Director Appointment Policy and Decision Procedures

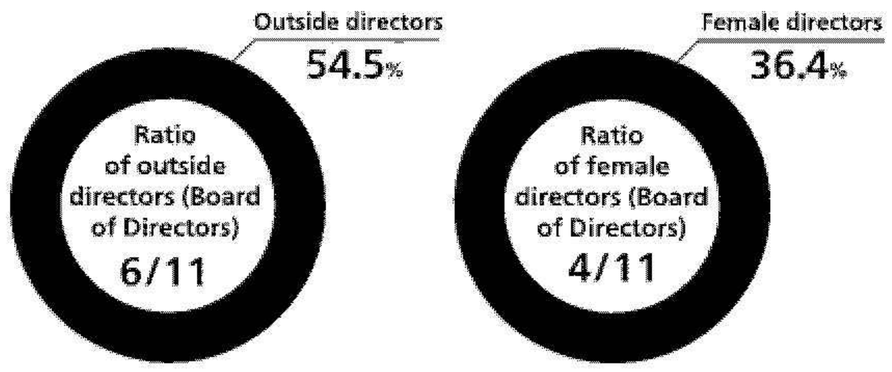
NX Group's Board of Directors appoints and dismisses directors to ensure that the Board of Directors as a whole maintains a balance of knowledge, experience, and ability by utilizing a skills matrix for the Board of Directors established in line with business strategies such as expanding the overseas sales ratio and promoting ESG management.

The selection of candidates for directors (excluding directors who are Audit and Supervisory Committee Members) is based on a wide range of perspectives, such as whether or not they have the experience and specialized knowledge necessary for a director. An evaluation is made of the progress of management plans in the businesses and areas in which they have been in charge, based on a multifaceted perspective, including their personality and insights, the Board of Directors makes a decision after consulting with the voluntary Remuneration and Nomination Advisory Committee, which is chaired by an independent outside director and has three independent outside directors as its members, and it also takes into account the opinion of the Audit and Supervisory Committee.

The selection of candidates for directors who are Audit and Supervisory Committee Members is based on a multifaceted perspective, such as the experience necessary for a director who is an Audit and Supervisory Committee Member. The knowledge, personality, and insight considered necessary to conduct audits of items such as finance, accounting, and legal affairs is resolved at a Board of Directors meeting after consulting with the Remuneration and Nomination Advisory Committee and obtaining the consent of the Audit and Supervisory Committee.

In addition, with regard to candidates for outside directors, we select people who are excellent in terms of character and insight, have experience in corporate management, a high level of expertise and knowledge in areas such as finance, accounting, law, and ESG, and who can oversee the management of the company's overall business from a multifaceted perspective.

**Composition of Directors**




### Criteria for Determining the Independence of Independent Outside Directors

NX Group has established the following criteria for determining independence. In addition to the requirements for outside directors set forth in the Companies Act, we take into account the independence standards set forth by the financial instruments exchanges. We appoint outside Directors based on those standards. We consider candidates for outside Directors to be independent if none of the following items apply to them.

In appointing independent outside directors, we strive to appoint the following type of candidates – A person who we can expect to make effective proposals to the Board of Directors regarding our management policies and management improvement.

**1 Persons who are currently executive officers at our company or one of our Group companies. Persons who have been executive officers at our company or one of our group companies within the ten years before the relevant appointment.**

**2 Shareholders who hold 10% or more of the total voting rights of the Company's shares and business executors of such shareholders.**

**3 Business executives of business partners whose transactions with the Company Group exceed 2% of the Company's consolidated net sales.**

**4 Persons who have received remuneration of over ¥10 million in a single year from the Company as consultants, attorneys, certified public accountants, etc.**

**5 Persons belonging to the audit corporation, acting as the accounting auditor for our Company.**

**6 Persons who belong to an organization, etc. that has received an average of ¥10 million or more in donations from us and our group companies for the past three fiscal years.**

(Note) Executives refers to executive Directors, Executive Officers, and other employees.

### Human Resource Development for Senior Management

NX Group recognizes that developing and utilizing the human resources who will lead the future of management is an important management issue, and it will systematically develop human resources who will be responsible for sustainable corporate operations based on the Group's corporate philosophy. Objectivity and transparency will be ensured in CEO succession planning by appropriately involving the Board of Directors and other relevant parties.

In addition, to ensure that there is a continuous supply of optimal leaders to lead the Group, we will focus on developing management talent that will become candidates while providing appropriate education and growth opportunities. We will formulate a CEO succession plan that includes the necessary requirements and qualities for the CEO of the Group, as well as the selection and training process for the candidate group. The CEO will select and train the successor based on the succession plan, select the final successor, and present it to the Compensation and Nomination Advisory Committee.

The Compensation and Nomination Advisory Committee is chaired by an independent outside director, and three of the four committee members are independent outside directors, ensuring objectivity and transparency. The committee will consider the succession planning plan objectively and from various angles from an independent perspective, and will be involved in providing advice as necessary. The Compensation and Nomination Advisory Committee also deliberates on the appropriateness of the successor proposed by the CEO and reports back to the Board of Directors.

The Board of Directors will receive reports from the Compensation and Nomination Advisory Committee on the succession planning process, verify its effectiveness and appropriateness, and provide appropriate oversight. The Board of Directors will deliberate and decide on the successor recommended by the Compensation and Nomination Advisory Committee.

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## Cross Shareholdings

**Policy on Cross Shareholdings and Rationality of Ownership for Cross Shareholdings**

Our basic policy regarding cross shareholdings is to reduce them. We do not respond to requests to acquire shares for the purpose of securing stable shareholders, and, in principle, we do not make new acquisitions. In exceptional cases, we may hold shares on a policy-specific basis. Examples include the expansion of business transactions and operations, strengthening of relationships with business partners, and the promotion of collaboration. These are cases in which we judge that such actions will contribute to the enhancement of NX Group's corporate value over the medium- to long-term.

Every year, our Board of Directors evaluates and verifies our cross shareholdings from both quantitative and qualitative perspectives. The rationale for holding each stock is based on a consideration of the cost of capital and the benefits of holding the stock. We describe specific verification points and the details of verification at our Board of Directors meetings in the Annual Securities Report that we publish. Please refer to our website for the Annual Securities Report.

WEB Securities Report (Japanese only)
https://www.nipponexpress-holdings.com/ja/ir/library/securities/

## Structure of an Internal Control System

**Basic Policies on Internal Control Systems and their Implementation Status**

For a company to carry out its operations properly and efficiently, it is important to establish an internal control system. NX Group has established "NX Group Internal Control System Basic Policies", and we are building and operating our Group's internal control systems in accordance with these policies.

For more on "NX Group Internal Control System Basic Policies" and the current status of implementation, please refer to our website, or our published Corporate Governance Report, and Securities Report.

WEB Matters Related to Internal Control Systems
https://www.nipponexpress-holdings.com/en/ir/governance/systems/

## Officer Remuneration

**Policy and Procedure for Determining Officer Remuneration**

NX Group has established basic policies underlying the process for determining officer remuneration and compensation structure, etc.

The discretionary Compensation and Nominating Advisory Committee deliberates this process and basic policies and acts as an advisory body to the Board of Directors. Its chairperson is an independent outside director, three out of four members of the committee shall be independent outside directors, and the Board of Directors makes decisions based on the reports it issues.

The policy for officer remuneration will be as follows.

**Policy on Officer Remuneration**

| | |
|---|---|
| a. Basic policy | 1. Compensation that enables the promotion of talented people who put our Corporate Philosophy into practice and provides compensation levels that are commensurate with the level of their roles and responsibilities.<br>2. A remuneration system should motivate and encourage contributions to sustained growth and the improvement of sustainable corporate value over the medium- to long-term<br>3. The remuneration system will be fair, reasonable and explainable to all stakeholders. |
| b. Remuneration structure | 1. Remuneration shall consist of base remuneration, which is fixed, and performance-linked remuneration, which fluctuates depending on the degree of target achievement. The composition of remuneration will be appropriately set to link short-term and medium- to long-term business performance, and will also reflect sustained corporate growth, contribution to sustainable enhancement of corporate value, and the degree of goal achievement.<br>2. Remuneration for outside directors shall consist of base remuneration only, based on their roles and independent status. |
| c. Base remuneration | The amount of base remuneration shall be determined by taking into consideration the standards at other companies based on surveys conducted by outside expert organizations and the role which the executive will fulfill. |
| d. Performance-based compensation | 1. As short-term, performance-based compensation, our company pays bonuses indexed to single-year targets.<br>2. As medium- to long-term performance-linked compensation, our company provides share-based remuneration which reflects the level of achievement of our medium-term business plan and the increase in corporate value (stock value). |

**Determination of Officer Remuneration**

| | |
|---|---|
| a. Fixed compensation | 1. We determine the remuneration (monthly) for each individual according to the role they play, based on the standard amount for their position.<br>2. Fixed compensation is paid monthly. |
| b. Bonuses | 1. We determine the bonus for each individual by their performance for the fiscal year, their track record in ESG management initiatives, and their contribution to improving corporate value, in accordance with their role.<br>2. The bonus will be paid at the conclusion of the Ordinary Shareholders General Meeting for the fiscal year ending within one year after taking office. |
| c. Performance-based Stock compensation | 1. We will evaluate the degree to which the business plan has been achieved for each fiscal year during the medium-term business plan period and the degree to which the business plan has been achieved for the final year of the medium-term business plan period in financial and non-financial indicators in accordance with the Group and the individual's role. The shares to be granted to an individual and the amount equivalent to the cash value of the shares to be used for the payment of income taxes will then be determined on that basis.<br>2. Performance-linked stock compensation will be paid in accordance with the conditions and timing stipulated in the stock issuance regulations, etc. |

Regarding the performance-based stock compensation, we stipulated a Malus Clawback Clause in the stock issuance regulations. This means that in the event of any conduct by a recipient that is deemed inappropriate in light of the purpose of this system, the Company may demand that the recipient forfeit all or part of the right to receive company

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shares, etc. under the system or return a monetary amount equivalent to all or part of the value of the granted shares, etc.

The specific amount is determined within the scope resolved at the second ordinary general meeting of shareholders held on March 28, 2024, taking into consideration the company's performance, the level of other companies, employee salaries, etc.

In addition to the remuneration and bonuses for directors and corporate auditors, we introduced a performance-based stock compensation plan. It is using a trust and is for directors and Executive Officers (excluding outside directors, non-executive directors, directors who are Audit and Supervisory Committee Members, and those who do not reside in Japan). Its purpose is to further enhance the awareness of officers to contribute to the improvement of our company's corporate value and shareholder value over the medium- to long-term.

This plan is partially funded by the existing basic remuneration. It is a medium- to long-term incentive system in which the number of company shares issued as remuneration varies depending on the recipient's position and the degree to which the recipient achieves company-wide performance targets, etc. The system has now been applied with an evaluation period of five fiscal years. The new plan will be implemented for the same period as the medium-term management plan, and the numerical management targets set out in the management plan will be used as KPIs. Specifically, at the end of each fiscal year and at the end of the evaluation period, performance will be evaluated based on items such as consolidated revenue, consolidated business profit, consolidated ROE (return on equity), and ESG-related non-financial indicators. The range of increase or decrease corresponding to the achievement of performance targets, etc. is as follows. The level corresponding to the achievement of performance targets, etc. is set at 100%. This is set for the entire standard annual performance evaluation and mid-term performance evaluation. The level can range from 0% to 150%.

The Group has established internal rules and regulations regarding items such as the decision-making process for executive compensation. The remuneration amounts for our Group's directors (excluding directors who are Audit and Supervisory Committee Members) are decided by the Board of Directors, after the Compensation and Nomination Advisory Committee deliberates and recommends the system and content in accordance with the above policy. The amount of compensation for each individual is based on job responsibilities, business execution status, etc., and is delegated to the Representative Director by a resolution of the Board of Directors.

The authority to be delegated will determine the amount of base remuneration and evaluation allocation of bonuses for each director in accordance with the standards for setting director remuneration deliberated and determined in advance by the Compensation and Nomination Advisory Committee. The amount of remuneration for directors who are Audit and Supervisory Committee Members will be determined by the Audit and Supervisory Committee through discussion among the directors who are Audit and Supervisory Committee members.

**Total Remuneration by Officer Category, by Type, and by Number of Eligible Officers**
(fiscal year ended December 31, 2024)

| Officer category | Total amount of compensation, etc. | Total amount of compensation, etc. by type | | | | Number of eligible officers |
|---|---|---|---|---|---|---|
| | | Fixed compensation | Performance-based compensation | | Other | |
| | | | Bonuses | Stock compensation | | |
| Directors (Excluding Directors who are Audit and Supervisory Committee Members) | ¥378 million | ¥278 million | ¥73 million | ¥8 million | ¥19 million | 9 employees |
| [in this group, Outside Directors] | [¥46 million] | [¥46 million] | - | - | - | [4] |
| Directors who are Audit and Supervisory Committee Members | ¥59 million | ¥58 million | - | - | ¥1 million | 4 employees |
| [in this group, Outside Directors] | [¥35 million] | [¥35 million] | - | - | - | [3] |
| Audit & Supervisory Board Members | ¥23 million | ¥22 million | - | - | ¥1 million | 5 employees |
| [in this group, Outside Directors] | [¥8 million] | [¥8 million] | - | - | - | [3] |

(Note)
1. Compensation, etc. for Directors (excluding Directors who are members of the Audit & Supervisory Committee) includes compensation, etc. for Directors before the transition to a company with an Audit & Supervisory Committee, including a Director who retired after the 2nd Ordinary Shareholders General Meeting held on March 28, 2024.
2. Compensation paid to Directors who are members of the Audit & Supervisory Committee relates to the period following the transition to a Company with an Audit & Supervisory Committee, and compensation paid to Audit & Supervisory Board Members relates to the period before the transition to a Company with an Audit & Supervisory Committee.
3. At the 2nd Ordinary Shareholders General Meeting held on March 28, 2024, it was resolved that the total amount of monetary remuneration paid to Directors (excluding Directors who are members of the Audit & Supervisory Committee) out of Compensation, etc would not exceed ¥1 billion per year (of which an amount not exceeding ¥100 million per year for outside Directors) The number of directors (excluding Directors who are members of the Audit & Supervisory Committee) as of the conclusion of the said Shareholders General Meeting was seven (including three outside directors).
4. Share-based remuneration is determined according to a performance-based share remuneration system, and the amount recorded for the current fiscal year is the share-based remuneration for FY2023, for which a single-year and mid-term evaluation was conducted based on FY2023 results. Because FY2023 was the final year of the previous medium-term business plan, shares were issued to all officers covered by the plan. However, the above amounts are the amounts recorded for FY2024 and do not include amounts reserved and reversed in and before the previous fiscal year, and thus differ from the actual amounts paid.
5. At the 2nd Ordinary Shareholders General Meeting held on March 28, 2024, it was resolved that the maximum amount of remuneration for Directors who are members of the Audit & Supervisory Board would be ¥200 million per year. The number of directors who are members of the Audit & Supervisory Board as of the conclusion of the said Ordinary Shareholders General Meeting is four (including three outside directors).
6. Other compensation includes company housing expenses, etc. paid by our Company to the officers.

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## Risk management

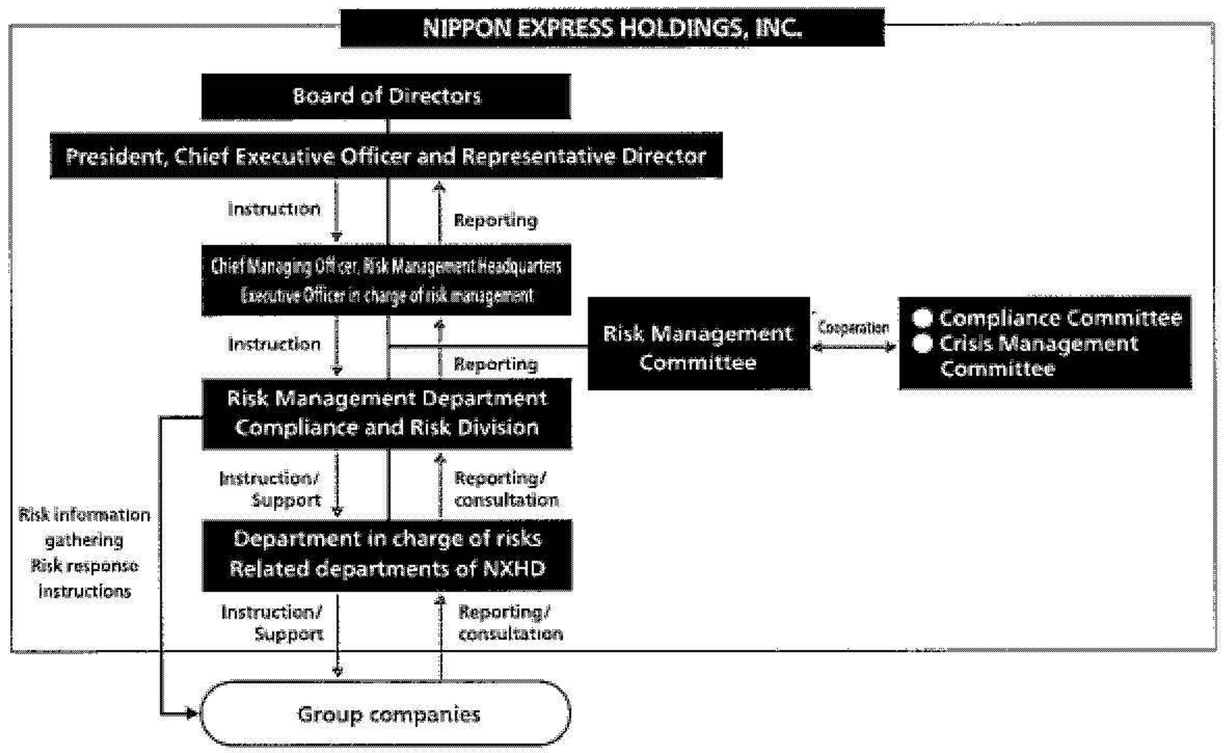
### Risk Management Basic Policy

NX Group has established NX Group Risk Management Regulations and NX Group Crisis Management Regulations as basic policies for the purpose of building a risk management system to reduce risks that may have a significant impact on corporate management, and to build a crisis management system for the Group that enables prompt and appropriate responses in the event of a crisis.

### Risk Management System

NX Group has established a Risk Management Committee, chaired by the president, to develop a Groupwide risk management system. Activities related to risk management in the Group are reported to the Risk Management Committee on a regular basis.

In FY2024, we inventoried, evaluated, and identified the material risks of each department and office of the NIPPON EXPRESS HOLDINGS and Group companies, and discussed the results at the Risk Management Committee. In FY2025, we also continued to inventory, evaluate, and identify material risks of the entire Group, while also promoting follow-up and feedback on the risk countermeasures of each Group company.




### Crisis Management System

NX Group has established a Crisis Management Committee, chaired by the President, to develop a Group-wide crisis management system. Activities related to crisis management in the Group are reported to the Crisis Management Committee on a regular basis. In responding to a crisis, we will take all possible measures in cooperation with related companies and divisions to minimize damage, ensure the safety of employees, and prevent disruption of Group business operations.

Based on the above-mentioned rules, the Group responds to a wide range of risks, including wide-area disasters, outbreaks of new strains of influenza and other infectious diseases, information system risks, emergencies overseas, and other risks, while reinforcing collaboration within the Group.

Furthermore, the Group Companies of Nippon Express Co., Ltd. have also played a role in supporting the restoration and recovery of areas affected by disasters, including transporting emergency supplies as a designated public institution prescribed by the Basic Act on Disaster Management, Civil Protection Act (Act on the Protection of the People in the Event of Armed Attacks), and the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. In addition to preparing emergency stockpiles of supplies that include food and drinking water as well as hygienic items such as masks and gloves as countermeasures against infectious diseases, the Company has stationed satellite-based mobile phones in departments and divisions at the head office, in each region overseas, and at major domestic bases. This enables us to respond to disruptions in telephone networks due to disasters, and ensures prompt communication in the event of emergencies.

### System to Ensure Business Continuity (BCP)

In July 2023, NX Group established the "NX Group Basic Policy on Business Continulty", which serves as the basis for each Group company's business continuity plan (BCP). This policy has been published on our website and disclosed to customers and stakeholders, clarifying the basic stance of the Group, including "prioritizing human life and safety," "contributing to society," "supporting customers," "promoting the formulation of business continuity plans (BCP) at each Group company," and "preparing for normal times."

Each company in our Group is promoting the formulation and maintenance of business continuity plans (BCP) based on this policy.

WEB Basic Policy on Business Continuity
https://www.nipponexpress-holdings.com/en/sustainability/governance/basic-policy.html

### Major NX Group Risks

We listed risks that have significant potential to impact NX Group's financial state, business results, and cash flow in the Securities Report.

WEB Operational Risks
https://www.nipponexpress-holdings.com/en/ir/management/risk/

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## Compliance

**Promote Fair Business Practices**

NX Group has clarified its vision as a company and works toward it as an unwavering mission under "advancing society and bringing an enriched life to future generations" in the NX Group Corporate Philosophy. In order to embody its corporate philosophy, we have established the "NX Group Code of Conduct," which is established based on the Board of Directors' resolution, to specify the nature of daily activities and indicates the direction of action as well as established the "NX Group Compliance Regulations," which is revised and abolished based on the Board of Directors' resolution, to ensure sound, transparent, and fair business activities,

The Board of Directors has the authority to revise and abolish the "NX Group Code of Conduct," and revises the codes of conduct as necessary as well as discuss important measures as necessary. In addition, the Compliance Committee discusses important policies and important cross-functional issues across departments and groups, and promotes various compliance-related measures. Compliance-related issues, including matters discussed by the Compliance Committee, are reported to the outside directors as appropriate in addition to being regularly reported during Board of Directors meetings so that they can be reflected in our initiatives after directors share their opinions.

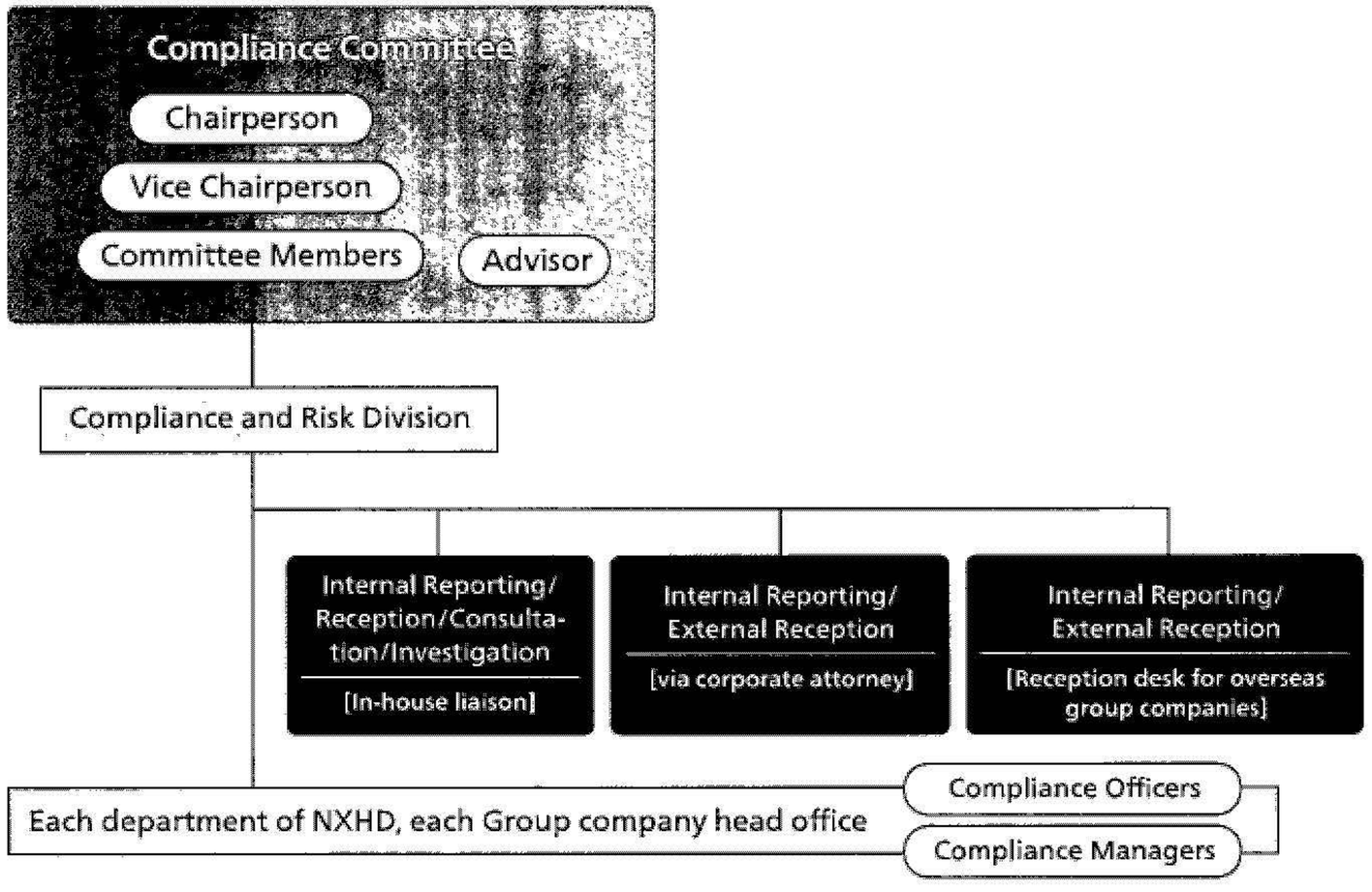
In regard to the Code of Conduct, we distribute portable compliance cards and post it on the company intranet so that all members can refer to it whenever necessary to ensure they understand the code and act accordingly. Furthermore, the NX Group Compliance Handbook (available in 16 languages) is a booklet that is distributed to all Group employees, including overseas Group companies, and is also available on our intranet in digital form. Additionally, we educate employees on compliance through training by job level, training for new hires, and other types of group-based training, workplace-based training, and e-learning.

In order to further promote the Code of Conduct at Group companies, including overseas companies, we have established NX Group Competition Law Compliance Regulations, NX Group Anti-Bribery Regulations, and NX Group Personal Data Protection Regulations as Group regulations, established guidelines for each of these regulations, and created a system in order to put the guidelines into practice.

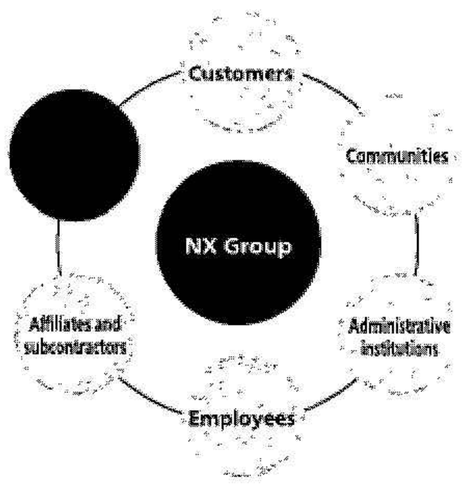
**NIPPON EXPRESS HOLDINGS, INC. Compliance System and Roles**

| | Compliance Management System | Roles |
|---|---|---|
| Compliance Committee | **Chairperson** President<br>**Vice Chairperson**<br>Chief Managing Officer of the Risk Management Headquarters<br>**Committee Members**<br>Chief Managing Officer of the Global Business Headquarters<br>Chief Managing Officer of the Corporate Management Headquarters<br>Chief Managing Officer of the IT Digital Solution Headquarters<br>Chief Managing Officer of the Corporate Strategy Headquarters<br>Officers in charge of overseas regions and other committee members as prescribed in the regulations<br>**Senior Advisors**<br>Corporate attorney, Legal counsels, certified public accountants, tax accountants, and others (Some advisors will be summoned when necessary)<br>**Secretariat**<br>Compliance and Risk Management Division | The Committee consists of the chairperson, vice chairperson, committee members, senior advisors, observers, and secretariat and works to promote NX Group compliance.<br><br>(Attendance by persons other than committee members)<br>The Compliance Committee may request the attendance of persons other than Members when necessary in order to receive their opinions and reports. |

**NIPPON EXPRESS HOLDINGS, INC. Compliance System**



# Stakeholder Engagement (Shareholders and Investors)




WEB See the Sustainability Report for details on all stakeholders
https://www.nipponexpress-holdings.com/en/sustainability/report/

## Basic policy on dialogue with shareholders and investors

NX Group recognizes that constructive dialogue with shareholders is important for the company's sustainable growth and the improvement of its corporate value over the medium- to long-term, and is working to develop measures and systems to promote that constructive dialogue.

Through IR activities overseen by the executive in charge of the Corporate Planning Division, we strive to clearly communicate and gain understanding of our Group's management strategies and policies.

Opinions from shareholders and investors are reported to the Board of Directors once every six months and, following discussions with outside directors, we endeavor to reflect them in management.

## About the Implementation of Various Information Sessions for Institutional Investors

**1. Financial results briefings**

We hold financial results briefings twice a year, on the days when our annual and half-yearly financial results are announced, at which the President, Chief Executive Officer and Representative Director, each division chief and other executives explain the details and answer questions. At the time of the announcement of the first and third quarter financial results, the Executive Officer in charge of finance will explain the details and answer questions via forums such as web conferences.

The details of each quarter's financial results briefings and key Q&A sessions are posted on our website. In addition, on-demand videos of annual and half-yearly financial results briefings are available in both Japanese and English.

WEB Financial Results Briefings
https://www.nipponexpress-holdings.com/en/ir/event/presentations/

**2. Small meetings and conferences hosted by securities companies**

We hold small meetings between analysts and institutional investors, the President and CEO, and other senior management as appropriate.

**[Events held in FY2024]**

We held a small meeting with our President, Chief Executive Officer, and Representative Director as the speaker on February 20, 2024 and another small meeting with our outside director as the main speaker on December 16, 2024.

We also actively participated in conferences hosted by securities companies, mainly as an opportunity to meet with overseas investors.

**3. Investor Day (IR Day)**

We hold business briefings and investor days (IR Days) as appropriate, where the President, Chief Executive Officer and Representative Director and each Executive Officer will explain our efforts on each business theme, primarily for fund managers, analysts, and institutional investors.

**[Events held in FY2024]**

We held the Investor Day on September 13, 2024 with themes based on business plan initiatives for achieving the long-term vision, accelerating business growth in the global market, restructuring of businesses in Japan, and sustainability management and IT strategies.

## Status of Individual Dialogue with Institutional Investors

**1. Dealing with institutional investors**

We mainly conduct individual interviews with analysts via telephone or web conferences, etc. During dialogue, we explain our business status, including trends in the logistics market and the business environment, using materials from financial results briefings and monthly disclosure information, etc.

**2. Dealing with overseas investors**

In addition to individual interviews, we participate in conferences hosted by securities companies to engage in dialogue with overseas investors. President and CEO and the executive in charge of the Corporate Planning Division also regularly participate in the interview.

In addition to traveling to overseas investors and responding to interviews through in-person visits, we also proactively hold individual interviews via telephone and web conferences.

## 3. Status of dialogue with shareholders

**Status of dialogue with shareholders (fiscal year ending December 2024)**

| Item | Situation | |
|---|---|---|
| Main responders | President and CEO, Executive Managing Director, Director and Executive Officer | |
| | Investor Relations Promotion Group, Corporate Planning Division | |
| Shareholders Overview | Domestic and overseas fund managers, analysts, ESG specialists, proxy voting officers | |
| Number of individual meetings held (Scope: January to December 2024) | Number of individual meetings held with domestic and overseas institutional investors: 236 meetings with 167 companies<br>* Includes overseas IR (North America and Asia) interviews with 16 companies (U.S., 8, Hong Kong and Singapore: 8)<br>* Includes meeting held in March 2024 about sales of shares. | |
| Main dialogue themes (Period: January to December 2024) | Main dialogue themes | Specific contents |
| | (1) Overview and profitability of forwarding business | Amount handled and trend of gross profit unit price. |
| | (2) M&A strategy | Performance overview of cargo-partner and PMI initiatives. |
| | (3) Performance forecast | Prerequisite for formulating forecasts and risk factors. |

### Briefings for individual investors

We hold online briefings for individual investors to explain the status of strategies and initiatives of the medium-term business plan, recent performance, measures for shareholder returns, and other matters once a year via a securities company.

### Status of Feedback Implemented Internally

Requests and other feedback we received through dialogue with shareholders and investors are reported by the officer in charge of IR to the Board of Directors once in six months. We hold a place of discussion at the Board of Directors meetings as an opportunity to deepen the understanding about the opinions of the shareholders and investors through the Board of Directors as well as an opportunity to focus more on those involved with the market.

Furthermore, we report the opinions and comments received from those involved in the market during individual interviews conducted after the release of each quarterly financial results four times a year, main interest and opinions we received during the overseas roadshow twice a year, and feedback and opinions of the participants of the IR Day gathered after the event to the senior management of the Company and Nippon Express, our major subsidiary.

### Main Interests of Shareholders and Investors and Items Incorporated Based on Dialogue

NX Group conducts dialogue with investors through various methods. The themes of dialogue and interest of the investors are diverse, covering an overview of the financial results, performance forecast, trend of the logistics market, business environment, management strategy, profit improvement, M&A strategy, shareholder returns, and more. We regularly report the opinions received to the Board of Directors so that they can be reflected in management.

As an example of a specific item that has been incorporated based on the dialogue, in response to questions we have received about the Company's business trends, particularly the trends in the air and Ocean freight forwarding business, we have included in the supplementary materials to our financial results briefings "Trends in gross profit and gross profit margin for the air export business originating from the Japan and overseas segment" from the second quarter of the fiscal year ending December 2022, and "Trends in gross profit per TEU for the Ocean export business originating from the Japan and overseas segment" from the first quarter of the fiscal year ending December 2023, with the aim of promoting further understanding.

In addition, as we have been strongly requested to disclose financial by business at individual interviews, we have included quarterly net sales and operating income results by business (air and Ocean freight forwarding, logistics, etc.) for Logistics Japan and each overseas segment in the financial results briefing material since the second quarter of fiscal 2024.

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# List of Directors and Audit & Supervisory Board Members (as of March 31, 2025)

## Director



### Mitsuru Saito
Chairman and Representative Director
Chairman of the Board of Directors

Born September 22, 1954

- Stock ownership*1: 21,800 shares
- Board meeting attendance: 19 of 19 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1978 | Joined Nippon Express Co., Ltd. |
| May 2009 | Executive Officer, Regional General Manager, Tohoku Region and General Manager, Sendai Branch, Nippon Express Co., Ltd. |
| May 2012 | Managing Executive Officer, Nippon Express Co., Ltd. |
| June 2012 | Director and Managing Executive Officer, Nippon Express Co., Ltd. |
| May 2014 | Executive Vice President and Chief Operating Officer and Representative Director, Nippon Express Co., Ltd. |
| May 2017 | President, Chief Executive Officer, Representative Director, Nippon Express Co., Ltd. |
| January 2022 | President, Chief Executive Officer and Representative Director, the Company |
| January 2024 | Chairman and Representative Director, the Company (Incumbent) |



### Satoshi Horikiri
President, Chief Executive Officer and Representative Director
President and Chief Executive Officer

Born October 25, 1960

- Stock ownership*1: 9,700 shares
- Board meeting attendance: 14 of 14 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1983 | Joined Nippon Express Co., Ltd. |
| May 2015 | Executive Officer, Regional General Manager, North Kanto & Shin-Etsu Region, and General Manager, Gunma Branch, Nippon Express Co., Ltd. |
| May 2017 | Executive Officer, Nippon Express Co., Ltd. |
| June 2017 | Director and Executive Officer, Nippon Express Co., Ltd. |
| May 2018 | Director and Managing Executive Officer, Nippon Express Co., Ltd. |
| April 2019 | Director and Senior Managing Executive Officer, Nippon Express Co., Ltd. |
| June 2019 | Senior Managing Executive Officer, Nippon Express Co., Ltd. |
| April 2020 | Executive Vice President and Chief Operating Officer, Nippon Express Co., Ltd. |
| June 2020 | Executive Vice President and Chief Operating Officer and Representative Director, Nippon Express Co., Ltd. |
| January 2022 | Executive Vice President, Chief Executive Officer and Representative Director, the Company |
| January 2023 | Vice President, Chief Executive Officer, the Company |
| January 2023 | President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd. |
| January 2024 | President and Chief Executive Officer, the Company (Incumbent) |
| March 2024 | President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd. (Incumbent) |



### Mamoru Akaishi
Director and Executive Officer

Born April 6, 1968

- Stock ownership*1: 2,031 shares
- Board meeting attendance: 19 of 19 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1993 | Joined Nippon Express Co., Ltd. |
| March 2019 | Group General Manager, Business Development Division, Nippon Express Co., Ltd. |
| January 2022 | Executive Officer, the Company |
| March 2023 | Director and Executive Officer, the Company (Incumbent) (Responsibilities) In charge of the Corporate Planning Division and General Manager of the Corporate Planning Division |



### Sachiko Abe
Director and Executive Officer

Born August 8, 1964

- Stock ownership*1: 2,922 shares
- Board meeting attendance: 14 of 14 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1988 | Joined Nippon Express Co., Ltd. |
| October 2014 | Group General Manager, CSR Division, Nippon Express Co., Ltd. |
| May 2018 | Director and President, Nittsu Tokyo Distribution Service Co., Ltd. |
| January 2022 | Audit & Supervisory Board Member, Nippon Express Co., Ltd. |
| March 2024 | Director and Executive Officer, the Company (Incumbent) (Responsibilities) Internal Auditing Division |



### Yojiro Shiba
Outside Director

Born August 7, 1950

- Stock ownership*1: 0 shares
- Board meeting attendance: 19 of 19 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1974 | Joined the Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.) |
| March 2003 | Managing Executive Officer, Mizuho Bank, Ltd. |
| March 2005 | Executive Officer, Oriental Land Co., Ltd. |
| April 2009 | Representative Director and Executive Vice President Officer, Oriental Land Co., Ltd. |
| June 2013 | External Director, AMUSE INC. |
| June 2015 | Director and Vice Chairman, AMUSE INC. |
| March 2018 | Outside Director, Bridgestone Corporation |
| April 2019 | Representative Director, President, AMUSE INC. |
| June 2021 | Director, Nippon Express Co., Ltd. |
| January 2022 | Director, the Company (Incumbent) |



### Yumiko Ito
Outside Director

Born March 13, 1959

- Stock ownership*1: 0 shares
- Board meeting attendance: 19 of 19 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1984 | Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan |
| April 1989 | Admitted to the bar in Japan Joined Sakawa Law Office |
| July 1991 | Joined Tanabe & Partners |
| April 2001 | General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation) |
| May 2004 | Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd. |
| March 2007 | Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.) |
| April 2013 | Executive Officer and General Counsel, Sharp Corporation |
| June 2013 | Director, Executive Officer and General Counsel, Sharp Corporation |
| April 2014 | Director, Executive Managing Officer and General Counsel, Sharp Corporation |
| June 2016 | Executive Managing Officer and General Counsel, Sharp Corporation |
| April 2019 | Established Ito Law Office Representative, Ito Law Office (Incumbent) |
| June 2019 | Outside Director, Kobe Steel, Ltd. (Incumbent) |
| June 2019 | Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. |
| July 2022 | Trustee, Nihon University (Incumbent) |
| March 2023 | Director, the Company (Incumbent) |

*1 We have conducted a stock split (stock split of one-for-three) on January 1, 2025, but the numbers of shares above are of before the stock split.

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## Director



### Tsukiko Tsukahara
Outside Director

Born August 31, 1972

- Stock ownership*1: 0 shares
- Board meeting attendance: 14 of 14 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1995 | Joined the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism) |
| June 2001 | Special Assistant to the Director for Policy Evaluation to Director-General for Policy Planning, Ministry of Land, Infrastructure, Transport and Tourism |
| September 2003 | Joined Boston Consulting Group |
| January 2009 | Principal, Boston Consulting Group |
| July 2015 | Vice President, Catalyst Japan Research and Consulting |
| February 2018 | Founded Kaleidist K.K. President, Kaleidist K.K. (Incumbent) |
| April 2020 | Co-Representative, G20 EMPOWER Japan (Incumbent) |
| March 2024 | Director, the Company (Incumbent) |

## Directors who are Audit and Supervisory Committee Members



### Takashi Nakamoto
Director and Audit and Supervisory Committee Member

Born June 28, 1962

- Stock ownership*1: 3,600 shares
- Board meeting attendance: 14 of 14 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1986 | Joined Nippon Express Co., Ltd. |
| June 2011 | Group General Manager, Finance & Accounting Division, Nippon Express Co., Ltd. |
| July 2013 | General Manager, Finance & Accounting Division, NIPPON EXPRESS U.S.A., Inc. |
| May 2017 | General Manager, Tottori Branch, Nippon Express Co., Ltd. |
| May 2018 | Representative Director and President, Nippon Express Capital Co., Ltd. |
| April 2019 | General Manager, Financial Planning Division, Nippon Express Co., Ltd. |
| January 2022 | General Manager, Internal Auditing Division, the Company |
| March 2024 | Director, the Company (Incumbent) |



### Yoshio Aoki
Outside Director and Audit and Supervisory Committee Member

Born October 23, 1950

- Stock ownership*1: 0 shares
- Board meeting attendance: 19 of 19 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| November 1974 | Joined Peat, Marwick, Mitchell & Company |
| November 1976 | Joined Tohmatsu Awoki & Co. (Current Deloitte Touche Tohmatsu LLC) |
| March 1978 | Registered as Certified Public Accountant |
| July 1988 | Partner, Tohmatsu Awoki & Sanwa (Current Deloitte Touche Tohmatsu LLC) |
| July 1995 | Representative Partner, Tohmatsu & Co. (Current Deloitte Touche Tohmatsu LLC) |
| October 2010 | Head, Management Audit Office, Deloitte Touche Tohmatsu LLC |
| December 2015 | Director, Certified Public Accountant, Yoshio Aoki & Co. (Incumbent) |
| March 2016 | Audit & Supervisory Board Member, Nippon Denko Co., Ltd. |
| June 2016 | Audit & Supervisory Board Member, Polyplastics Co., Ltd. |
| June 2016 | Audit & Supervisory Board Member, Nippon Express Co., Ltd. |
| January 2022 | Audit & Supervisory Board Member, the Company |
| March 2024 | Director, the Company (Incumbent) |



### Nobuko Sanui
Outside Director and Audit and Supervisory Committee Member

Born April 7, 1955

- Stock ownership*1: 0 shares
- Board meeting attendance: 19 of 19 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1980 | Joined Japan Federation of Employers' Associations |
| July 2000 | General Manager, International Division, Japan Federation of Employers' Associations |
| May 2002 | Chief General Manager, International Labor Policy Division, Japan Business Federation (name changed due to a merger) |
| April 2005 | Chief General Manager, Labor Law Division, Japan Business Federation |
| June 2006 | Chief General Manager, International Division II, Japan Business Federation |
| May 2008 | Managing Director, Japan Business Federation |
| March 2012 | Managing Director, Japan Business Federation (name changed due to a transition into a general incorporated association) |
| June 2014 | Managing Director, Japan Business Federation Business Services |
| June 2021 | Audit & Supervisory Board Member, Nippon Express Co., Ltd. |
| January 2022 | Audit & Supervisory Board Member, the Company |
| March 2024 | Director, the Company (Incumbent) |



### Ryuji Masuno
Outside Director and Audit and Supervisory Committee Member

Born October 30, 1953

- Stock ownership*1: 0 shares
- Board meeting attendance: 14 of 14 meetings (100%)

**Biography, position and responsibilities at the company**

| | |
|---|---|
| April 1977 | Joined the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism) |
| August 2005 | Assistant Vice-Minister, Minister's Secretariat (concurrently in charge of Railway Bureau), Ministry of Land, Infrastructure, Transport and Tourism |
| July 2006 | Senior Deputy Director-General, Road Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism |
| July 2007 | Deputy Vice-Minister for Policy Coordination, Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism |
| July 2009 | Director-General, Road Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism |
| August 2010 | Deputy Vice-Minister for Transport Safety Policy, Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism |
| September 2011 | Vice Commandant, Coast Guard, Ministry of Land, Infrastructure, Transport and Tourism |
| August 2013 | Vice-Minister for International Affairs, Ministry of Land, Infrastructure, Transport and Tourism |
| September 2014 | President, Japan Maritime Center |
| June 2017 | Secretary General, Japan Trucking Association |
| August 2023 | Admitted to the bar in Japan (Tokyo Bar Association) |
| March 2024 | Director, the Company (Incumbent) |

*1 We have conducted a stock split (stock split of one-for-three) on January 1, 2025, but the numbers of shares above are of before the stock split.

# Skills Matrix / Reasons for Selection

## Director

| Name | Areas in which the Company has Particular Expectations for its Customers | | | | | | | | | Reasons for Appointing Directors |
|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate Management | | Legal/Risk Management | Finance/ Accounting | Global Business | ESG/ Sustainability | HR Strategy, Labor Management | On-site Management | Operational Experience Within the Group | |
| | Corporate Management Experience Within the Group | Corporate Management Experience Outside the Group | | | | | | | | |
| Mitsuru Saito | ● | | ● | ● | ● | ● | ● | ● | ● | As President, Chief Executive Officer and Representative Director, Mitsuru Saito has swiftly and steadily implemented the transition to a holdings system, the introduction of the new Group brand NX, and the restructuring of the Group's businesses. Since his appointment as Chairman and Representative Director of the Company in January 2024, he has been leading the Board and striving to improve the effectiveness of the Board of Directors as its Chairman. At the same time, he has been demonstrating management capabilities by leveraging abundant experience and insight in corporate management. The Company believes that his abundant experience and insight are necessary for realizing NX Group's long-term vision, and thus proposes him as a candidate for Director on a continuous basis. |
| Satoshi Horikiri | ● | | ● | | ● | ● | ● | ● | ● | As President, Chief Executive Officer and Representative Director of Nippon Express Co., Ltd., Satoshi Horikiri has been working on reforming the company's business structure and organizational culture.<br>As he was appointed as President and Chief Executive Officer of the Company in January 2024 and President and Representative Director of the Company in March 2024, he has been working toward achieving our new business plan in a prompt and precise manner. The Company believes that his leadership and management capabilities are necessary for realizing NX Group's long-term vision, and thus proposes him as a candidate for Director on a continuous basis. |
| Mamoru Akaishi | ● | | | | ● | | | ● | ● | Mr. Mamoru Akaishi has gained experience in M&A, new business development, and other departments that contribute to NX Group's business expansion, and was appointed as Executive Officer of the Company in January 2022. He has contributed to the development of our new business plan as an officer in charge of Corporate Planning Division, promoting M&A in global markets, and working to realize dynamic business growth. The Company believes that his experience and insight are necessary for realizing NX Group's long-term vision, and thus proposes him as a candidate for Director on a continuous basis. |
| Sachiko Abe | ● | | ● | | | | ● | ● | ● | Ms. Sachiko Abe has gained experience mainly in corporate divisions including compliance, human resources, and business operations. She contributed to improving productivity within the Group as President of Nittsu Tokyo Distribution Service Co., Ltd., who was in charge of shared services of NX Group companies. Since her appointment as Audit & Supervisory Board Member of Nippon Express Co., Ltd. in January 2022 and Director and Executive Officer of the Company in March 2024, she has been strengthening Group governance with an accurate and fair perspective, leveraging her insight into compliance and experience in corporate management. In promoting Group management in the future, the Company believes that her experience and insight are necessary, and thus proposes her as a candidate for Director on a continuous basis. |
| Yojiro Shiba **Outside Independent** | | ● | | ● | ● | | | | | Mr. Yojiro Shiba has a wealth of experience in corporate management and broad perspectives cultivated through responding to a wide range of customer needs.<br>Since his appointment as chairperson of the Compensation and Nomination Advisory Committee of the Company in March 2024, he has been leading discussions in compensation and nomination of officers, and succession plan as well as playing an important role in improving governance by actively expressing opinions and suggestions in the Board of Directors meetings based on his deep knowledge in corporate management and business execution. The Company proposes Mr. Shiba as a candidate for Outside Director on a continuous basis, expecting him to provide supervision and advice based on his abundant experience in and insight into corporate management on a continuous basis. |
| Yumiko Ito **Outside Independent** | | ● | ● | | | ● | | | | Ms. Yumiko Ito is an attorney, has held important positions such as legal director in several companies with diverse backgrounds, and possesses extensive experience in corporate legal affairs and governance. She has been playing an important role in strengthening the monitoring function of the Board of Directors by actively expressing opinions and suggestions at the Board of Directors meetings from the perspective of enhancing global governance and risk management. The Company proposes Ms. Ito as a candidate for Outside Director on a continuous basis, expecting her to provide supervision and advice based on her advanced expertise and abundant experience in corporate legal affairs. |
| Tsukiko Tsukahara **Outside Independent** | | ● | | | | ● | ● | | | Ms. Tsukiko Tsukahara has extensive knowledge and experience in the field of diversity and inclusion, including promoting women's participation in the workforce. Based on her experiences in advisory and consulting activities, and a core role in domestic and overseas diversity and inclusion organizations, she has been playing an important role in promoting sustainability management of NX Group by actively expressing opinions and suggestions at the Board of Directors meetings from the perspective of human resource development and organization development. The Company proposes Ms. Tsukahara as a candidate for Outside Director on a continuous basis, expecting her to provide supervision and advice based on her expertise and cutting-edge knowledge. |

●: The mark indicates that each director has knowledge and expertise in each field. As of March 31, 2025

# Skills Matrix / Reasons for Selection

## Directors who are Audit and Supervisory Committee Members

| Name | Areas in which the Company has Particular Expectations for its Directors | | | | | | | | | Reasons for Appointing Directors |
|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate Management | | Legal/Risk Management | Finance/ Accounting | Global Business | ESG/ Sustainability | HR Strategy, Labor Management | On-site Management | Operational Experience Within the Group | |
| | Corporate Management Experience Within the Group | Corporate Management Experience Outside the Group | | | | | | | | |
| Takashi Nakamoto | ● | | | ● | | | | ● | ● | Mr. Takashi Nakamoto has gained experience in the finance and accounting departments at domestic and overseas group companies, including Nippon Express Co., Ltd., and has used his extensive knowledge to contribute to strengthening the management foundation of the entire NX Group. In January 2022, he was appointed Head of the Internal Audit Department and worked hard to strengthen the audit system, including overseas. Given his experience and track record, the Group has determined that he is qualified to audit and supervise the management of the Group and has therefore appointed him as an Audit and Supervisory Committee member. |
| Yoshio Aoki<br>Outside Independent | | | ● | ● | | | | | | Mr. Yoshio Aoki was appointed as an outside member of the Company's Audit and Supervisory board in January 2022 for the position of monitoring management in all aspects of the Company's business based on his extensive experience as a certified public accountant and professional knowledge of finance and accounting. As NX Group strengthens its governance functions to increase its corporate value, we expect him to perform audits and supervision based on his specialized knowledge and abundant experience, and have therefore appointed him as an outside director and Audit and Supervisory Committee Member. While Mr. Aoki has no experience in corporate management other than as an outside director, it is our judgment based on the reasons above that he will be able to perform his duties appropriately as an outside director of the Audit and Supervisory Committee Member. |
| Nobuko Sanui<br>Outside Independent | | ● | | | | ● | ● | | | Ms. Nobuko Sanui has experience in the formulation of international rules in the field of labor at an employers' association and formulating policy recommendations that contribute to overseas expansion of companies. She is well versed in international and labor fields, and also has experience in managing organizations. Given her experience and knowledge, she is well suited to oversee management and was appointed as an outside auditor of the Group in January 2022. As NX Group strengthens its governance functions to increase its corporate value, we expect her to perform audits and supervision based on her abundant experience and knowledge, and have therefore appointed her as an outside director and Audit and Supervisory Committee Member. |
| Ryuji Masuno<br>Outside Independent | | ● | ● | | | ● | | | | Mr. Ryuji Masuno is an attorney and has extensive legal knowledge. He also has extensive knowledge of the logistics industry, having held key positions in the automobile and other transport division, including the consignment transport business, the public relations division, and the international division at the Ministry of Transport (now the Ministry of Land, Infrastructure, Transport and Tourism). During his previous term as Chairman of the Japan Trucking Association, he represented the industry by promoting efforts to resolve issues facing the automobile transport industry together with the government, thereby contributing to the healthy development of the trucking business. As NX Group strengthens its governance functions to increase its corporate value, we expect him to perform audits and supervision based on his specialized knowledge and abundant experience, and have therefore appointed him as an outside director and Audit and Supervisory Committee Member. |

● : The mark indicates that each director has knowledge and expertise in each field. As of March 31, 2025

# 11-Year Financial Summary

For 2014 to 2020, the consolidated fiscal years ended on March 31 of the following year
From 2021, the consolidated fiscal year ends on December 31 each year

* End of the fiscal year has been changed from March 31 to December 31 from FY2021. As such, consolidated results for the FY2021 reflect values of nine months from April 1, 2021 to December 31, 2021.

| | | Business Plan 2028 | Business Plan 2025 | | | | | | Business Plan 2018 | | | Business Plan 2015 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2023 (IFRS) | 2022 (IFRS) | 2022 (JGAAP) | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| For the fiscal year (Millions of yen): | Revenues*1 | 2,577,643 | 2,239,017 | 2,618,659 | 2,619,746 | 1,763,282 | 2,079,195 | 2,080,352 | 2,138,501 | 1,995,317 | 1,864,301 | 1,909,105 | 1,924,929 |
| | Revenues by reportable segment from the fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2016*2 | | | | | | | | | | | | |
| | Distribution & Transportation | | | | | | | | | | | | |
| | Domestic Companies | | | | | | | | | | | | |
| | Combined Business | - | - | - | - | - | - | - | - | - | - | 736,568 | 742,356 |
| | Security Transportation | - | - | - | - | - | - | - | - | - | - | 53,803 | 55,401 |
| | Heavy Haulage and Construction | - | - | - | - | - | - | - | - | - | - | 51,395 | 46,886 |
| | Air transportation | - | - | - | - | - | - | - | - | - | - | 182,533 | 210,763 |
| | Ocean transportation | - | - | - | - | - | - | - | - | - | - | 118,205 | 118,836 |
| | Overseas Companies | | | | | | | | | | | | |
| | Americas | - | - | - | - | - | - | - | - | - | - | 94,697 | 79,160 |
| | Europe | - | - | - | - | - | - | - | - | - | - | 84,579 | 83,609 |
| | East Asia | - | - | - | - | - | - | - | - | - | - | 115,068 | 101,321 |
| | South Asia & Oceania | - | - | - | - | - | - | - | - | - | - | 70,225 | 64,607 |
| | Sales | - | - | - | - | - | - | - | - | - | - | 367,328 | 420,155 |
| | Other | - | - | - | - | - | - | - | - | - | - | 173,632 | 143,602 |
| | Adjustment | - | - | - | - | - | - | - | - | - | - | (138,935) | (141,773) |
| | Revenues by reportable segment from the consolidated year ended March 31, 2017*2 | | | | | | | | | | | | |
| | Logistics | | | | | | | | | | | | |
| | Japan | 1,262,027 | 1,256,571 | 1,450,991 | 1,457,283 | 1,008,278 | 1,212,803 | 1,213,597 | 1,256,802*3 | 1,188,695*3 | 1,155,713 | 1,158,390 | - |
| | Americas | 153,068 | 151,291 | 162,080 | 162,080 | 86,650 | 78,141 | 91,068 | 98,699 | 91,396 | 83,831 | 94,697 | - |
| | Europe | 501,757 | 192,655 | 215,707 | 215,697 | 132,834 | 117,134 | 119,338 | 114,812 | 96,048 | 79,286 | 84,579 | - |
| | East Asia | 173,913 | 157,663 | 241,529 | 242,009 | 178,079 | 143,689 | 112,048 | 122,754 | 117,487 | 101,746 | 115,068 | - |
| | South Asia & Oceania | 157,655 | 140,840 | 221,886 | 221,854 | 146,838 | 114,738 | 90,112 | 91,874 | 85,382 | 70,343 | 70,225 | - |
| | Security Transportation | 68,538 | 67,892 | 68,088 | 68,478 | 51,361 | 69,239 | 72,589 | 72,647*3 | 72,022*3 | 54,781 | 53,803 | - |
| | Heavy Haulage and Construction | 50,068 | 51,111 | 44,542 | 44,542 | 35,806 | 45,877 | 52,358 | 47,751 | 47,602 | 46,985 | 51,395 | - |
| | Logistics Support | 420,489 | 425,896 | 421,609 | 414,836 | 267,132 | 447,837 | 471,201 | 483,965 | 443,264 | 403,994 | 410,906 | - |
| | Adjustment | (209,874) | (204,906) | (207,775) | (207,037) | (143,699) | (150,266) | (141,962) | (150,806) | (146,582) | (132,381) | (129,962) | - |
| | Operating income | 49,078 | 60,098 | 155,510 | 128,716 | 68,754 | 78,100 | 59,224 | 79,598 | 70,269 | 57,431 | 54,778 | 50,811 |
| | Profit attributable to owners of parent | 31,733 | 37,050 | 108,318 | 109,809 | 54,049 | 56,102 | 17,409 | 49,330 | 6,534 | 36,454 | 35,659 | 26,382 |
| At year-end (Millions of yen): | Total capital | 873,048 | 817,806 | 779,150 | 771,274 | 656,952 | 600,707 | 556,506 | 560,444 | 547,494 | 552,985 | 538,018 | 550,137 |
| | Total assets | 2,297,146 | 2,109,251 | 2,075,197 | 1,730,922 | 1,618,221 | 1,631,855 | 1,518,037 | 1,536,677 | 1,517,060*4 | 1,521,800 | 1,484,953 | 1,453,617 |
| | Net cash provided by operating activities | 227,865 | 185,705 | 295,206 | 241,107 | 44,024 | 146,605 | 98,206 | 72,698 | 91,865 | 102,360 | 78,844 | 74,519 |
| | Cash and cash equivalents at end of year | 251,339 | 315,076 | 276,679 | 274,075 | 131,837 | 168,362 | 96,171 | 102,092 | 137,891 | 163,386 | 146,007 | 148,942 |
| Per share*5 (Yen): | Equity attributable to owners of parent*6 | 3,286.96 | 3,032.62 | 2,828.38 | 2,797.32 | 2,345.11 | 2,118.33 | 1,935.04 | 1,916.53 | 1,839.70 | 1,862.17 | 1,739.23 | 1,770.2 |
| | Net income*6 | 121.47 | 139.53 | 400.78 | 406.30 | 198.4 | 201.6 | 61.69 | 171.71 | 22.69 | 123.77 | 118.7 | 86.23 |
| Ratios (%): | Operating income ratio | 1.9 | 2.7 | 5.9 | 4.9 | 3.9 | 3.8 | 2.8 | 3.7 | 3.5 | 3.1 | 2.9 | 2.6 |
| | Ratio of equity attributable to owners of parent | 37.2 | 37.9 | 36.5 | 43.2 | 39.3 | 35.7 | 35.5 | 35.4 | 34.9*4 | 35.2 | 35.2 | 36.6 |
| | ROE attributable to owners of parent | 3.8 | 4.8 | 15.5 | 15.9 | 8.9 | 10.0 | 3.2 | 9.2 | 1.2 | 6.9 | 6.8 | 5.1 |

*1 Revenues do not include consumption taxes.

*2 Effective from the consolidated fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008). The above listed revenues by segment do not include internal sales or money transfers between segments.

*3 In accordance with organizational reforms of the Security Transportation business, part of the Japan (Logistics) segment was reorganized as the Security Transportation segment effective from the fiscal year ended March 31, 2019. The fiscal 2017 results have been adjusted to reflect this change.

*4 Nippon Express Co., Ltd. has applied Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, issued February 16, 2018) since April 1, 2018. The total assets and equity ratio figures for fiscal ended March 31, 2018 have been retroactively adjusted to reflect this application.

*5 Ten shares of common stock were consolidated into one share effective as of October 1, 2017 and conducted a stock split of one-for-three, effective as of January 1, 2025. As such, figures for past fiscal years consider the stock consolidation and split.

*6 The Company adopted an executive compensation BIP trust as of the fiscal year ended March 31, 2017. For the purpose of calculating net assets per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the number of shares of common stock at the end of the year. For the purpose of calculating basic earnings per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the calculation of the weighted average number of shares of common stock during the year.

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# 11-Year Non-financial Summary

For 2014 to 2020, the consolidated fiscal years ended on March 31 of the following year
From 2021, the consolidated fiscal year ends on December 31 each year

| | [redacted] | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Environment | | | | | | | | | | | |
| Energy consumption*1 (crude oil equivalent) (kl) | 312,404 | 313,048 | 312,150 | 317,317 | 328,322 | 347,244 | 351,783 | 366,671 | 370,122 | 373,367 | 381,386 |
| Water usage*2 (thousand m³) | 1,003 | 1,113 | 1,059 | 1,161 | 1,140 | 1,223 | 1,401 | 1,292 | 974 | 1,208 | 1,041 |
| $CO_2$ emissions (Scope 1, 2) (t-$CO_2$) | 719,101 | 749,417 | 745,500 | 756,861 | 791,382 | 855,452 | 873,029 | 918,388 | 942,363 | 961,431 | 970,994 |
| $CO_2$ emissions (Scope 1, 2, Group companies in Japan) (t-$CO_2$) | 595,267 | 641,996 | 649,336 | 661,241 | 675,854 | 726,264 | 761,182 | 809,864 | 851,831 | 869,875 | 876,159 |
| $CO_2$ emissions (Scope 1, 2, Group companies overseas) (t-$CO_2$) | 123,834 | 107,421 | 96,164 | 95,620 | 115,528 | 129,188 | 111,847 | 108,524 | 90,532 | 91,556 | 94,835 |
| Industrial waste volume (Group companies in Japan) (Unit: ton) | 32,773 | 33,238 | 37,117 | 37,968 | 38,883 | 39,802 | 36,902 | 35,698 | 33,250 | 39,769 | 35,869 |
| Number of eco-friendly vehicles owned (Group companies in Japan) (Unit: vehicle)*3 | 13,014 | 12,811 | 12,726 | 12,426 | 12,076 | 11,972 | 11,300 | 10,176 | 9,166 | 7,922 | 7,393 |
| Social*4 | | | | | | | | | | | |
| Number of employees | 30,938 | 28,341 | 34,697 | 35,253 | 34,766 | 34,449 | 32,280 | 31,871 | 32,008 | 32,094 | 32,510 |
| Female employee ratio (%) | 22 | 22.2 | 18.9 | 18.4 | 17.6 | 17.3 | 15.1 | 14.2 | 14.0 | 13.6 | 13.0 |
| Female hiring ratio*5 (%) | 52.0 | 48.4 | 45.1 | 47.1 | 40.9 | 33.6 | 34.5 | 33.5 | 32.9 | 31.5 | 30.7 |
| Number of experienced hires | 46 | 30 | 14 | 8 | 17 | 15 | 6 | 14 | 6 | 7 | 4 |
| Number of female experienced hires | 13 | 10 | 2 | 2 | 4 | 5 | 2 | 4 | 1 | 2 | 1 |
| Percentage of females with managerial positions | 2.9 | 2.3 | 2.0 | 1.7 | 1.5 | 1.3 | 1.2 | 1.1 | 1.0 | - | - |
| Ratio of employees who return to work after childcare leave: males (%) | 100 | 99.5 | 100 | 100 | 95 | 100 | 100 | 100 | 100 | - | - |
| Ratio of employees who return to work after childcare leave: females (%) | 99 | 99.4 | 97.5 | 97 | 97 | 96 | 90 | 97 | 98 | - | - |
| Average years with the company | 15.2 | 17.2 | 15.9 | 16.4 | 16.0 | 16.2 | 18.0 | 17.8 | 17.6 | 17.5 | 18.3 |
| Employment rate of persons with disabilities*6 (%) | 2.47 | 2.34 | 2.33 | 2.30 | 2.28 | 2.29 | 2.23 | 2.12 | 2.08 | 2.06 | 1.96 |
| Number of overseas employees | 26,512 | 23,084 | 22,269 | 21,327 | 21,520 | 22,811 | 22,068 | 21,403 | 20,651 | 20,602 | 19,954 |
| Number of overseas locally hired employees | 26,021 | 22,575 | 21,803 | 20,858 | 21,094 | 22,369 | 21,615 | 20,941 | 20,176 | 20,131 | 19,500 |
| Governance | | | | | | | | | | | |
| Number of Board of Directors' resolutions*7 (items) | 60 | 65 | 69 | 58 | 66 | 65 | 60 | 67 | 55 | 60 | 57 |
| Directors' meetings*7 (hours) | 26 | 22 | 18 | 14 | 16 | 14 | 18 | 20 | 17 | 17 | 18 |
| Occupational accidents: Accident frequency rate*8 | 1.60 | 1.85 | 1.99 | 1.83 | 1.42 | 1.98 | 1.94 | 1.59 | 1.17 | 1.13 | 1.78 |
| Occupational accidents: Severity rate*9 | 0.14 | 0.16 | 0.03 | 0.03 | 0.02 | 0.09 | 0.03 | 0.10 | 0.10 | 0.10 | 0.19 |

*1 The data shown here aggregate the energy consumption by Nippon Express Co., Ltd. and its consolidated companies in Japan and overseas (equivalent to Scope 1 and 2). For natural gas, 13A city gas (heat value of 45 GJ/thousand m³) applies.
*2 The figures after FY2018 are the aggregate for NX Group companies in Japan. The figures for FY2014 to FY2017 refer to Nippon Express Co., Ltd.
*3 We revised the calculation method for vehicles that comply with the new long-term regulations and post new long-term regulations. We also revised the number of vehicles prior to FY2020.In addition to vehicles that meet the fuel efficiency standards for heavy-duty vehicles, we included vehicles that meet the fuel efficiency standards for heavy-duty vehicles at +5%, +10%, and +15%.
*4 Figures from "Number of employees" to "Employment rate of persons with disabilities*6 (%)" refer to Nippon Express Co., Ltd., which was a business holding company until FY2021.
*5 Until FY2019, figures were calculated by including those who changed employment categories.
*6 Total for NIPPON EXPRESS HOLDINGS, INC. and Group companies with applicable certifications (calculated based on the Act on Employment Promotion etc. of Persons with Disabilities).
*7 Until FY2021, the figures include the results of the Board of Directors meetings at Nippon Express Co., Ltd., which was a business holding company until FY2021.
*8 Frequency rate is an international indicator that expresses the rate of occupational accidents.
Number of casualties per one million total working hours = Number of casualties/Total number of working hours x 1,000,000
*9 Severity rate is an international indicator that indicates the degree of injury caused by occupational accidents.
Days lost per 1,000 total working hours = Workdays lost/Total number of working hours x 1,000

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# External Evaluations

**The principal ESG investment indices for which NX Group has been selected are as follows. (As of March 2025)**

## MSCI Japan ESG Select Leaders Index

Among the stocks that constitute MSCI Nihonkabu IMI indexes, stocks with high ESG ratings in each industry are selected. This index is used by the Government Pension Investment Fund for Japan (GPIF) as one of its selection guidelines for ESG investment.

**2025** CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

The inclusion of NIPPON EXPRESS HOLDINGS, INC. in any MSCI index, and the use of MSCI logs, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NIPPON EXPRESS HOLDINGS, INC. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## MSCI Japan Empowering Women (WIN) Select Index

This index selects companies that it expects to attain sustainable, long-term growth by calculating a score based upon disclosed information about the ratio of women employed and in management positions, and about diversity. This index is used by the Government Pension Investment Fund for Japan (GPIF) as one of its selection guidelines for ESG investment.

**2025** CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The inclusion of NIPPON EXPRESS HOLDINGS, INC. in any MSCI index, and the use of MSCI logs, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NIPPON EXPRESS HOLDINGS, INC. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## S&P/JPX Carbon Efficient Index

This is formulated by S&P Dow Jones Indices based on carbon emissions data provided by environmental assessment company Trucost. This uses the TOPIX stock universe, and determines the weighting of its constituent stocks with a focus on levels of environmental information disclosure and carbon efficiency (carbon emissions per unit of sales).

S&P/JPX Carbon Efficient Index

## FTSE Blossom Japan Sector Relative Index

In addition to FTSE Russell's ESG ratings, this selective ESG composite index screens using an assessment of the magnitude of a company's environmental impact and its management of climate change risk.

FTSE Blossom Japan Sector Relative Index

## Morningstar Japan Co., Ltd. ex-Reit Gender Diversity Tilt Index (Excluding REIT)

Indexes are designed to make it possible to make investments focusing on companies that have strong gender diversity policies embedded in their corporate culture and ensure equal opportunities to employees, regardless of their gender.

## The various initiatives carried out by NX Group have been evaluated highly by stakeholders*1

*1 Dates here indicate the release date of the news on our website

| | |
|---|---|
| January 5, 2024 | Nippon Express ranked No.1 overall in ORICON Customer Satisfaction Survey for three consecutive years in the moving company category |
| June 6, 2024 | Nippon Express awarded the Sales Enablement Award for the Forbes JAPAN NEW SALES OF THE YEAR 2024 |
| June 26, 2024 | Nippon Express received three awards including the Sustainable Activity Award at the 25th Logistics Environment Awards |
| September 11, 2024 | NX Engineering Thailand was recognized as a workplace accident reduction model company |
| October 9, 2024 | NX Group won First Prize for both the General and Women's divisions at the 39th National Forklift Operating Competition |
| November 1, 2024 | Construction by-product circular collection system of TAISEI CORPORATION and Nippon Express awarded Prime Minister's Award at the FY2024 reduce, Reuse, and Recycle) Promotion Merit Awards |
| November 5, 2024 | NX Group awarded Prime Minister's Award at the 56th National Truck Driver Contest |
| December 6, 2024 | NIPPON EXPRESS (CHINA) awarded a prize in the international forwarder ranking in China |
| December 12, 2024 | Nippon Express awarded grand prize at the Modal Shift Excellent Business Awards |

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# Company Information/Share Information

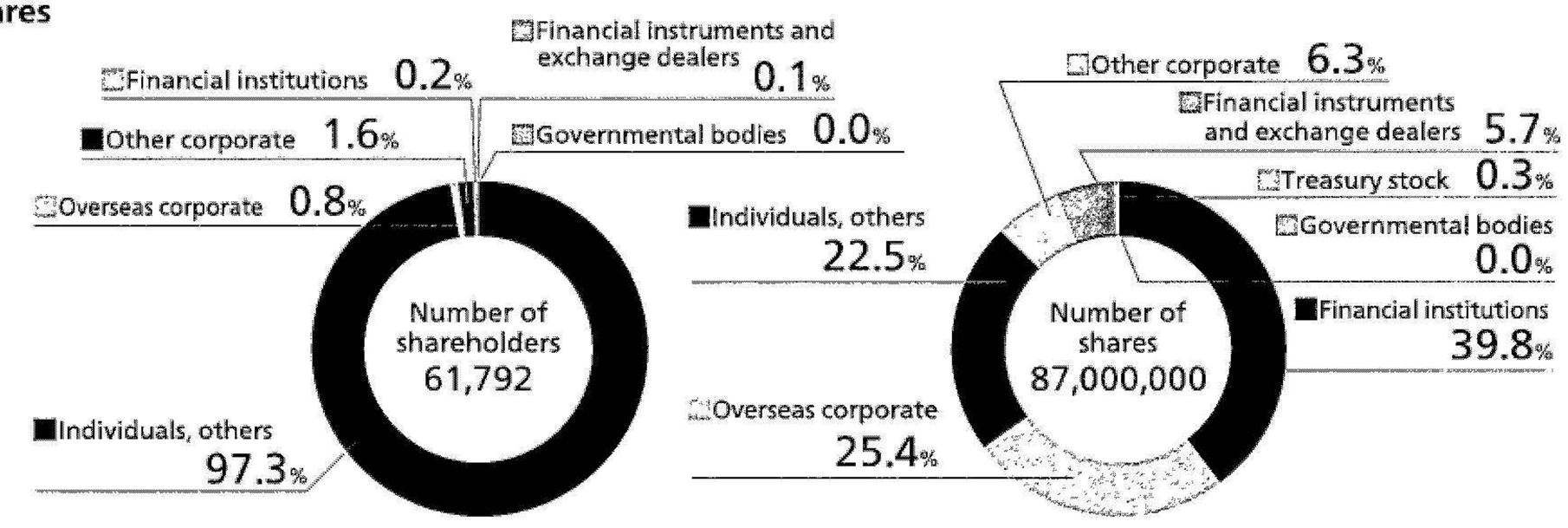
## Company Information

| | |
|---|---|
| Company name | NIPPON EXPRESS HOLDINGS, INC. |
| Head Office Location | Kanda-Izumicho 2, Chiyoda-ku, Tokyo, 101-0024 Japan<br>TEL: +81-3-5801-1000 https://www.nipponexpress-holdings.com/en/ |
| Formal establishment | January 4, 2022 |
| Paid-in capital | ¥70,175 million |
| Business description | Management and administration of Group companies engaged in the trucking business and peripheral operations |

## Share Information

| | |
|---|---|
| Stock exchange | Tokyo |
| Number of shares | Total number of shares: 340,000,000<br>Total number of shares outstanding: 87,000,000 |
| Number of shareholders | 61,792 |
| Administrator of shareholder registry<br>Account managing institution of special account | Mitsubishi UFJ Trust and Banking Corporation |

## Distribution of Shares



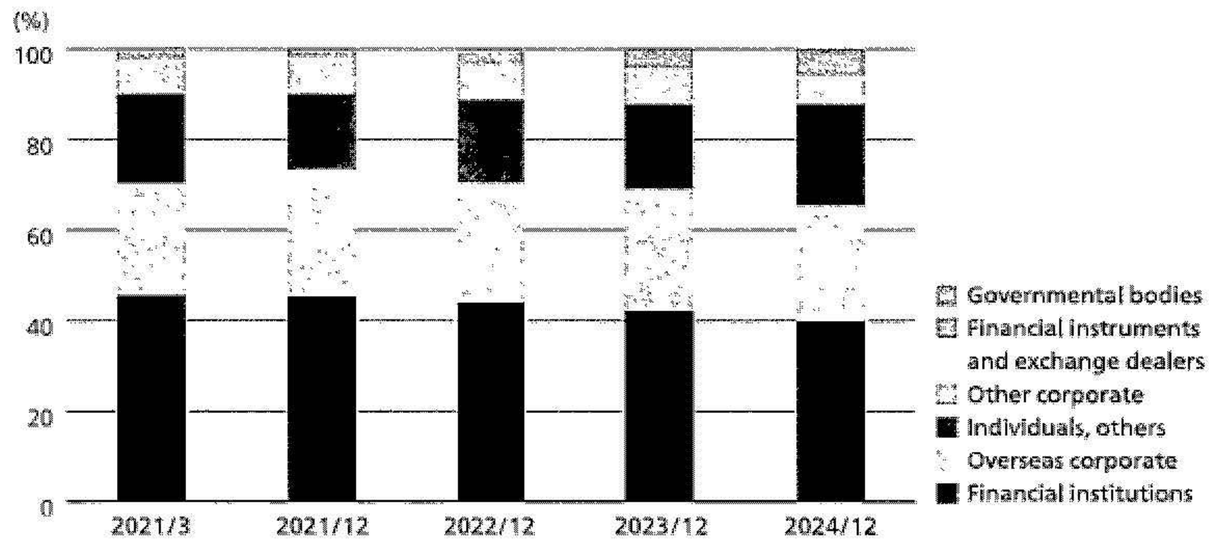

*1 As trust assets for the performance-based stock compensation plan, the Company shares that are held by The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account 75,946) include 1,303 units under "financial institutions"
However, shares are recorded as treasury stock in the consolidated financial statements.
*2 The "Other corporate" item contains ten units of shares in the name of Japan Securities Depository Center Inc.
*3 The "Individuals, others" item contains 2,699 units of treasury shares
*4 We have conducted a stock split (stock split of one-for-three) on January 1, 2025, but the numbers of shares on this page are before the stock split

## Major Shareholders

| Name | Shares held (Thousands of shares) | Shareholding ratio: Total shares held to total number of shares issued (excluding treasury stock) (%) |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 12,680 | 14.6 |
| Custody Bank of Japan, Ltd. (Trust Account) | 6,827 | 7.9 |
| Asahi Mutual Life Insurance Company | 5,601 | 6.5 |
| Nippon Express Employees' Shareholding Association | 4,130 | 4.8 |
| Sompo Japan Insurance Inc. | 2,221 | 2.6 |
| JP Morgan Chase & Co. | 1,585 | 1.8 |
| Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benet Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.) | 1,450 | 1.7 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account) | 1,276 | 1.5 |
| SMBC Nikko Securities Inc. | 1,204 | 1.4 |
| BARCLAYS CAPITAL SECURITIES LIMITED | 971 | 1.1 |

* The number of shares owned by each trust bank company is related to the trust business

## Breakdown in Shareholding Ratio by Shareholder Category



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NIPPON EXPRESS

We Find the Way

# Consolidated Financial Statements

NIPPON EXPRESS HOLDINGS, INC. and Consolidated Subsidiaries

Year ended December 31, 2024

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on March 28, 2025 for reference purposes only.
In the event of any discrepancy between this translated document and Japanese version, the Japanese version shall prevail.

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# 5. Financial Information

1. Preparation Methods of Consolidated Financial Statements

NIPPON EXPRESS HOLDINGS, INC. prepares consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS Accounting Standards") provision of Article 312 of the *Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements* (Ministry of Finance Order No. 28 of 1976) ("Ordinance on Consolidated Financial Statements").

2. Financial Statement Audit

The consolidated financial statements for fiscal year ended December 31, 2024 ("FY2024") (January 1, 2024 to December 31, 2024) and financial statements for FY2024 (January 1, 2024 to December 31, 2024) were audited by Deloitte Touche Tohmatsu LLC., based on the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements.

NIPPON EXPRESS HOLDINGS, INC. takes special efforts to ensure the appropriateness of its consolidated financial statements. These efforts include joining the Financial Accounting Standards Foundation to establish a system that allows us to appropriately understand the contents of accounting standards, participating in training sessions on new accounting standards to deepen our understanding, and establishing and thoroughly communicating accounting policies for the Company and group companies.

4. Establishment of a System to Enable Appropriate Preparation of Consolidated Financial Statements, based on IFRS Accounting Standards

NIPPON EXPRESS HOLDINGS, INC. obtains press releases and standards issued by the International Accounting Standards Board as needed to stay informed of the latest standards. In addition, the Company prepares a Group accounting manual and establishes systems to enable the appropriate preparation of consolidated financial statements based on the IFRS Accounting Standards.

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# 1 Consolidated Financial Statements

## (1) Consolidated financial statement

### a. Consolidated statement of financial position

| | Notes | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|
| Asscts | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6 | 315,076 | 251,339 | 1,588,949 |
| Trade and other receivables | 7,34 | 424,054 | 520,340 | 3,289,544 |
| Inventories | 8 | 10,680 | 12,650 | 79,976 |
| Income taxes receivable | | 20,771 | 851 | 5,380 |
| Other financial assets | 5,16,34 | 88,375 | 100,670 | 636,429 |
| Other current assets | 17 | 36,941 | 43,960 | 277,913 |
| Sub-total | | 895,899 | 929,812 | 5,878,193 |
| Non-current assets held for sale | 9 | 428 | 5,050 | 31,931 |
| Total current assets | | 896,327 | 934,863 | 5,910,124 |
| Non-current assets | | | | |
| Property, plant and equipment | 5,10 | 536,693 | 538,682 | 3,405,506 |
| Investment property | 13 | 68,529 | 66,935 | 423,162 |
| Goodwill and intangible assets | 5,11 | 74,350 | 186,206 | 1,177,183 |
| Right-of-use assets | 12 | 354,021 | 398,712 | 2,520,625 |
| Investments accounted for using equity method | 14 | 42,185 | 41,424 | 261,884 |
| Other financial assets | 16,34 | 113,273 | 107,773 | 681,335 |
| Deferred tax assets | 15 | 16,429 | 13,877 | 87,731 |
| Other non-current assets | 17 | 7,438 | 8,669 | 54,806 |
| Total non-current assets | | 1,212,923 | 1,362,283 | 8,612,234 |
| Total assets | | 2,109,251 | 2,297,146 | 14,522,359 |

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| | Notes | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 18 | 214,044 | 268,423 | 1,696,952 |
| Bonds and borrowings | 20,34 | 61,782 | 136,244 | 861,327 |
| Lease liabilities | 12 | 111,730 | 120,703 | 763,075 |
| Other financial liabilities | 23,34 | 84,385 | 89,661 | 566,831 |
| Income taxes payable | | 7,628 | 19,795 | 125,142 |
| Provisions | 21 | 10,419 | 12,381 | 78,271 |
| Other current liabilities | 19 | 101,100 | 110,615 | 699,303 |
| Sub-total | | 591,092 | 757,825 | 4,790,905 |
| Liabilities directly associated with non-current assets held for sale | 9 | - | 29 | 186 |
| Total current liabilities | | 591,092 | 757,854 | 4,791,091 |
| Non-current labilities | | | | |
| Bonds and borrowings | 20,34 | 255,975 | 189,840 | 1,200,155 |
| Lease liabilities | 12 | 304,896 | 349,140 | 2,207,232 |
| Other financial liabilities | 23,34 | 19,123 | 23,452 | 148,266 |
| Retirement benefit liability | 22 | 93,864 | 68,096 | 430,503 |
| Provisions | 21 | 10,832 | 15,814 | 99,975 |
| Deferred tax liabilities | 5,15 | 8,135 | 11,823 | 74,746 |
| Other non-current liabilities | 19 | 7,524 | 8,075 | 51,055 |
| Total non-current liabilities | | 700,352 | 666,243 | 4,211,934 |
| Total liabilities | | 1,291,444 | 1,424,098 | 9,003,026 |
| Equity | | | | |
| Share capital | 24 | 70,175 | 70,175 | 443,640 |
| Capital surplus | 24 | 23,267 | - | - |
| Treasury shares | 24 | (20,542) | (2,941) | (18,594) |
| Other components of equity | 24 | 92,625 | 117,298 | 741,551 |
| Retained earnings | 24 | 634,536 | 669,416 | 4,231,994 |
| Total equity attributable to owners of parent | | 800,062 | 853,949 | 5,398,590 |
| Non-controlling interests | | 17,743 | 19,099 | 120,742 |
| Total equity | | 817,806 | 873,048 | 5,519,333 |
| Total liabilities and equity | | 2,109,251 | 2,297,146 | 14,522,359 |

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b. Consolidated statement of income

| | Notes | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|
| Revenue | 4,26 | 2,239,017 | 2,577,643 | 16,295,634 |
| Cost of sales | 8,10 11,12 13,22 | 2,011,471 | 2,355,951 | 14,894,118 |
| Gross profit | | 227,545 | 221,691 | 1,401,515 |
| Selling, general and administrative expenses | 10,11 12,13 22,27 | 146,288 | 158,107 | 999,540 |
| Other income | 28 | 16,317 | 13,048 | 82,490 |
| Other expenses | 10,11 28 | 39,262 | 29,651 | 187,451 |
| Share of profit (loss) of investments accounted for using equity method | 14 | 1,786 | 2,097 | 13,257 |
| Operating profit | 4 | 60,098 | 49,078 | 310,271 |
| Finance income | 29 | 7,352 | 12,902 | 81,567 |
| Finance costs | 29 | 6,242 | 10,095 | 63,823 |
| Income before tax | | 61,208 | 51,885 | 328,015 |
| Income tax expense | 15 | 26,096 | 18,885 | 119,389 |
| Profit for the year | | 35,111 | 33,000 | 208,625 |
| Profit for the year attributable to | | | | |
| Owners of parent | | 37,050 | 31,733 | 200,614 |
| Non-controlling interests | | (1,938) | 1,267 | 8,010 |
| Profit for the year | | 35,111 | 33,000 | 208,625 |
| Earnings per share | | | | |
| Basic earnings per share | 31 | 139.53 | 121.47 | $0.77 |

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c. Consolidated statement of comprehensive income

| | Notes | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|
| Profit for the year | | 35,111 | 33,000 | 208,625 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Equity instruments measured at fair value through other comprehensive income | 30 | 11,018 | 6,560 | 41,475 |
| Remeasurements of defined benefit plans | 30 | 10,075 | 20,583 | 130,128 |
| Share of other comprehensive income of investments accounted for using equity method | 14,30 | 20 | 5 | 36 |
| Total of items that will not be reclassified to profit or loss | | 21,115 | 27,150 | 171,641 |
| Items that may be reclassified to profit or loss | | | | |
| Net change in fair value of effective portion of cash flow hedges | 30 | (13) | (20) | (129) |
| Exchange differences on translation of foreign operations | 30 | 20,290 | 32,797 | 207,343 |
| Share of other comprehensive income of investments accounted for using equity method | 14,30 | 2,021 | (369) | (2,338) |
| Total of items that may be reclassified to profit or loss | | 22,298 | 32,407 | 204,876 |
| Total other comprehensive income after tax | | 43,413 | 59,557 | 376,517 |
| Comprehensive income for the year | | 78,525 | 92,557 | 585,143 |
| Comprehensive income for the year attributable to | | | | |
| Owners of parent | | 79,842 | 90,578 | 572,631 |
| Non-controlling interests | | (1,316) | 1,979 | 12,511 |
| Comprehensive income for the year | | 78,525 | 92,557 | 585,143 |

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d. Consolidated statement of changes in equity

FY2023 (January 1, 2023 to December 31, 2023)

(Unit: Millions of yen)

| | Notes | Equity attributable to owners of parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | Net change in fair value of effective portion of cash flow hedges |
| Balance at beginning of year | | 70,175 | 22,928 | 598,423 | (10,604) | 46,676 | 30,480 | 10 |
| Profit (loss) for the year | | | | 37,050 | | | | |
| Other comprehensive income | | | | | | 11,019 | 19,668 | (13) |
| Comprehensive income | | - | - | 37,050 | - | 11,019 | 19,668 | (13) |
| Purchase of treasury shares | | | | | (10,017) | | | |
| Disposal of treasury shares | | | (0) | | 79 | | | |
| Cancellation of treasury shares | | | - | | - | | | |
| Dividends | 25 | | | (26,694) | | | | |
| Stock-based compensation transactions | | | (88) | | | | | |
| Changes in ownership interests in subsidiaries | | | 427 | 0 | | | | |
| Transfer from retained earnings to capital surplus | | | - | - | | | | |
| Transfer from other components of equity to retained earnings | | | | 25,757 | | (15,681) | | |
| Total transactions with owners | | - | 338 | (936) | (9,938) | (15,681) | - | - |
| Balance at end of the year | | 70,175 | 23,267 | 634,536 | (20,542) | 42,014 | 50,149 | (3) |

| | Notes | Equity attributable to owners of parent | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | Total | | |
| | | Remeasurements of defined benefit plans | Share of other comprehensive income of investments accounted for using equity method | Total | | | |
| Balance at beginning of year | | - | (1,577) | 75,590 | 756,513 | 22,636 | 779,150 |
| Profit (loss) for the year | | | | - | 37,050 | (1,938) | 35,111 |
| Other comprehensive income | | 10,075 | 2,041 | 42,792 | 42,792 | 621 | 43,413 |
| Comprehensive income | | 10,075 | 2,041 | 42,792 | 79,842 | (1,316) | 78,525 |
| Purchase of treasury shares | | | | - | (10,017) | | (10,017) |
| Disposal of treasury shares | | | | - | 79 | | 79 |
| Cancellation of treasury shares | | | | - | - | | - |
| Dividends | 25 | | | - | (26,694) | (549) | (27,243) |
| Stock-based compensation transactions | | | | - | (88) | | (88) |
| Changes in ownership interests in subsidiaries | | | | - | 427 | (3,026) | (2,598) |
| Transfer from retained earnings to capital surplus | | | | - | - | | - |
| Transfer from other components of equity to retained earnings | | (10,075) | | (25,757) | - | | - |
| Total transactions with owners | | (10,075) | - | (25,757) | (36,293) | (3,576) | (39,869) |
| Balance at end of the year | | - | 464 | 92,625 | 800,062 | 17,743 | 817,806 |

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FY2024 (January 1, 2024 to December 31, 2024)

(Unit: Millions of yen)

| | Notes | Equity attributable to owners of parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | Net change in fair value of effective portion of cash flow hedges |
| Balance at beginning of year | | 70,175 | 23,267 | 634,536 | (20,542) | 42,014 | 50,149 | (3) |
| Profit for the year | | | | 31,733 | | | | |
| Other comprehensive income | | | | | | 6,562 | 32,083 | (20) |
| Comprehensive income | | - | - | 31,733 | - | 6,562 | 32,083 | (20) |
| Purchase of treasury shares | | | | | (10,540) | | | |
| Disposal of treasury shares | | | (0) | | 183 | | | |
| Cancellation of treasury shares | | | (27,957) | | 27,957 | | | |
| Dividends | 25 | | | (26,215) | | | | |
| Stock-based compensation transactions | | | (75) | | | | | |
| Changes in ownership interests in subsidiaries | | | (44) | (0) | | | | |
| Transfer from retained earnings to capital surplus | | | 4,810 | (4,810) | | | | |
| Transfer from other components of equity to retained earnings | | | | 34,172 | | (13,588) | | |
| Total transactions with owners | | - | (23,267) | 3,146 | 17,600 | (13,588) | - | - |
| Balance at end of the year | | 70,175 | - | 669,416 | (2,941) | 34,989 | 82,232 | (23) |

| | Notes | Equity attributable to owners of parent | | | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | | | |
| | | Remeasurements of defined benefit plans | Share of other comprehensive income of investments accounted for using equity method | Total | | | |
| Balance at beginning of year | | - | 464 | 92,625 | 800,062 | 17,743 | 817,806 |
| Profit for the year | | | | - | 31,733 | 1,267 | 33,000 |
| Other comprehensive income | | 20,583 | (364) | 58,845 | 58,845 | 711 | 59,557 |
| Comprehensive income | | 20,583 | (364) | 58,845 | 90,578 | 1,979 | 92,557 |
| Purchase of treasury shares | | | | - | (10,540) | | (10,540) |
| Disposal of treasury shares | | | | - | 183 | | 183 |
| Cancellation of treasury shares | | | | - | - | | - |
| Dividends | 25 | | | - | (26,215) | (621) | (26,836) |
| Stock-based compensation transactions | | | | - | (75) | | (75) |
| Changes in ownership interests in subsidiaries | | | | - | (44) | (2) | (47) |
| Transfer from retained earnings to capital surplus | | | | - | - | | - |
| Transfer from other components of equity to retained earnings | | (20,583) | | (34,172) | - | | - |
| Total transactions with owners | | (20,583) | - | (34,172) | (36,692) | (623) | (37,316) |
| Balance at end of the year | | - | 100 | 117,298 | 853,949 | 19,099 | 873,048 |

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FY2024 (January 1, 2024 to December 31, 2024)

(Thousands of U.S. dollars)

| | Notes | Equity attributable to owners of parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | Net change in fair value of effective portion of cash flow hedges |
| Balance at beginning of year | | 443,640 | 147,094 | 4,011,485 | (129,865) | 265,614 | 317,038 | (19) |
| Profit for the year | | | | 200,614 | | | | |
| Other comprehensive income | | | | | | 41,490 | 202,828 | (129) |
| Comprehensive income | | - | - | 200,614 | - | 41,490 | 202,828 | (129) |
| Purchase of treasury shares | | | | | (66,637) | | | |
| Disposal of treasury shares | | | (0) | | 1,161 | | | |
| Cancellation of treasury shares | | | (176,747) | | 176,747 | | | |
| Dividends | 25 | | | (165,729) | | | | |
| Stock-based compensation transactions | | | (475) | | | | | |
| Changes in ownership interests in subsidiaries | | | (283) | (0) | | | | |
| Transfer from retained earnings to capital surplus | | | 30,412 | (30,412) | | | | |
| Transfer from other components of equity to retained earnings | | | | 216,036 | | (85,907) | | |
| Total transactions with owners | | - | (147,094) | 19,893 | 111,270 | (85,907) | - | - |
| Balance at end of the year | | 443,640 | - | 4,231,994 | (18,594) | 221,197 | 519,867 | (148) |

| | Notes | Equity attributable to owners of parent | | | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | | | |
| | | Remeasurements of defined benefit plans | Share of other comprehensive income of investments accounted for using equity method | Total | | | |
| Balance at beginning of year | | - | 2,935 | 585,570 | 5,057,925 | 112,175 | 5,170,100 |
| Profit for the year | | | | - | 200,614 | 8,010 | 208,625 |
| Other comprehensive income | | 130,128 | (2,301) | 372,017 | 372,017 | 4,500 | 376,517 |
| Comprehensive income | | 130,128 | (2,301) | 372,017 | 572,631 | 12,511 | 585,143 |
| Purchase of treasury shares | | | | - | (66,637) | | (66,637) |
| Disposal of treasury shares | | | | - | 1,160 | | 1,160 |
| Cancellation of treasury shares | | | | - | - | | - |
| Dividends | 25 | | | - | (165,729) | (3,930) | (169,660) |
| Stock-based compensation transactions | | | | - | (475) | | (475) |
| Changes in ownership interests in subsidiaries | | | | - | (283) | (13) | (297) |
| Transfer from retained earnings to capital surplus | | | | - | - | | - |
| Transfer from other components of equity to retained earnings | | (130,128) | | (216,036) | - | | - |
| Total transactions with owners | | (130,128) | - | (216,036) | (231,965) | (3,944) | (235,910) |
| Balance at end of the year | | - | 634 | 741,551 | 5,398,590 | 120,742 | 5,519,333 |

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e. Consolidated statements of cash flows

| | Notes | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Income before tax | | 61,208 | 51,885 | 328,015 |
| Depreciation and amortization | | 152,555 | 183,438 | 1,159,679 |
| Losses (gains) on sales and valuation of investment securities | | (36) | 329 | 2,080 |
| Loss (gain) on sale of property, plant and equipment | | 7,065 | 4,391 | 27,762 |
| Impairment losses (reversal of impairment losses) | | 8,266 | 9,747 | 61,625 |
| Increase (decrease) in provision for bonuses | | (680) | (2,474) | (15,645) |
| Increase (decrease) in retirement benefit liability | | (13,500) | (12,067) | (76,289) |
| Interest and dividend income | | (6,001) | (6,911) | (43,696) |
| Interest expenses | | 5,424 | 9,044 | 57,178 |
| Share of loss (profit) of investments accounted for using equity method | | (1,786) | (2,097) | (13,257) |
| Decrease (increase) in trade receivables | | 110,165 | (37,181) | (235,056) |
| Decrease (increase) in inventories | | 4,751 | (1,875) | (11,859) |
| Increase (decrease) in trade payables | | (56,406) | 30,589 | 193,381 |
| Increase (decrease) in consumption taxes payable | | (28,156) | (314) | (1,990) |
| Other | | 5,606 | (883) | (5,584) |
| Sub-total | | 248,476 | 225,618 | 1,426,343 |
| Interest and dividends received | | 6,103 | 7,676 | 48,528 |
| Interest paid | | (5,429) | (8,773) | (55,466) |
| Income taxes (paid) refund | | (63,445) | 3,343 | 21,139 |
| Net cash provided by (used in) operating activities | | 185,705 | 227,865 | 1,440,544 |
| Cash flows from investing activities | | | | |
| Payments into time deposits | | (27,658) | (13,183) | (83,346) |
| Proceeds from withdrawal of time deposits | | 22,622 | 20,068 | 126,872 |
| Purchase of property, plant and equipment | | (52,713) | (57,679) | (364,641) |
| Purchase of intangible assets | | (14,728) | (15,316) | (96,831) |
| Proceeds from sale of property, plant and equipment | | 12,366 | 13,738 | 86,853 |
| Purchase of equity instruments | | (1,420) | (1,961) | (12,399) |
| Proceeds from sale and redemption of equity instruments | | 25,005 | 21,000 | 132,764 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | 5 | (15,398) | (104,003) | (657,499) |
| Collection of loans receivable | | 199 | 318 | 2,013 |
| Other | | (7,568) | (3,725) | (23,549) |
| Net cash provided by (used in) investing activities | | (59,295) | (140,742) | (889,761) |

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| | Notes | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|
| Cash flows from financing activities | | | | |
| Proceeds from short-term borrowings | 32 | 95,433 | 47,762 | 301,947 |
| Repayments of short-term borrowings | 32 | (71,796) | (41,421) | (261,861) |
| Net increase (decrease) in commercial papers | 32 | 15,000 | 10,000 | 63,219 |
| Proceeds from long-term borrowings | 32 | 125,685 | - | - |
| Repayments of long-term borrowings | 32 | (103,665) | (10,763) | (68,047) |
| Repayments of lease liabilities | 32 | (111,688) | (132,481) | (837,533) |
| Proceeds from issuance of bonds | 20,32 | 19,924 | - | - |
| Redemption of bonds | 20,32 | (30,000) | - | - |
| Dividends paid | 25 | (26,663) | (26,200) | (165,637) |
| Payments for purchase of treasury shares | | (10,017) | (10,719) | (67,768) |
| Other | | (2,355) | (291) | (1,843) |
| Net cash provided by (used in) financing activities | | (100,144) | (164,115) | (1,037,525) |
| Effect of exchange rate change on cash and cash equivalents | | 12,131 | 13,256 | 83,806 |
| Net increase (decrease) in cash and cash equivalents | | 38,397 | (63,736) | (402,936) |
| Cash and cash equivalents at beginning of year | 6 | 276,679 | 315,076 | 1,991,885 |
| Cash and cash equivalents at end of year | 6 | 315,076 | 251,339 | 1,588,949 |

Notes to Consolidated Financial Statements

1. Reporting Entity

NIPPON EXPRESS HOLDINGS, INC. (the "Company") is a listed company located in Japan. The addresses of its registered head office and principal business locations can be found on its website: (https://www.nipponexpress-holdings.com/en/?_langEN).

The consolidated financial statements are based on the fiscal year ended December 31, 2024, and cover the Company and its subsidiaries (the "Group"), as well as the Company's holdings in affiliates and jointly controlled arrangements. The Company focuses on the Logistics Business in Japan and overseas, which includes motor cargo transportation, railway forwarding, air freight forwarding, marine transportation, harbor transportation, warehousing, etc. The Company additionally engages in specialized businesses such as the Security Transportation Business, the Heavy Haulage and Construction Business, as well as the Logistics Support Business, which deals with sales, real estate, and other work related to each business.

2. Basis of Preparation

(1) Compliance With IFRS Accounting Standards

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") pursuant to Article 312 of the *Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* (Ministry of Finance Order No. 28 of 1976) because the Group qualifies as a Specified Company Under Designated International Financial Reporting Standards as stipulated in Article 1-2-1 of the same Ordinance.

These consolidated financial statements were approved by the President and CEO, Satoshi Horikiri, on March 28, 2025.

(2) Basis of Measurements

Consolidated financial statements of the Group are, as stated in 3. Material Accounting Policies, prepared based on historical costs, with the exception of financial instruments measured at fair value and where hyperinflation accounting is applied at consolidated subsidiaries.

(3) Functional and Presentation Currency

The consolidated financial statements of the Group are presented in Japanese yen, the functional currency of the Company. The

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translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥158.18 to US$1, the approximate rate of exchange as of December 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Japanese yen figures less than a million yen and U.S. dollar figures less than a thousand dollars are rounded down to the nearest million yen and the nearest thousand dollars, respectively, except for per share data.

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(4) Significant Accounting Estimates and Judgments

In preparing consolidated financial statements that are compliant with IFRS Accounting Standards, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Group continually reviews estimates and underlying assumptions. Any impacts resulting from accounting estimate revisions are recognized in the reporting period in which the revision is made and in future periods.

The judgments and estimates made by management that have a significant impact on the amounts reported in the consolidated financial statements are as follows.

- Revenue recognition and measurement (Notes 3. Material Accounting Policies (17) Revenue and 26. Revenue.)
- Estimation of useful life and residual value of non-current assets (Notes 3. Material Accounting Policies (6) Property, plant and equipment, 3. Material Accounting Policies (8) Goodwill and intangible assets, 10. Property, Plant and Equipment, and 11. Goodwill and Intangible Assets)
- Impairment and measurement of non-financial assets (Notes 3. Material Accounting Policies (10) Impairment of non-financial assets, 10. Property, Plant and Equipment, and 11. Goodwill and Intangible Assets)
- Accounting and evaluation on provisions (Notes 3. Material Accounting Policies (14) Provisions and 21. Provisions)
- Measurement of defined benefit plan liabilities (Notes 3. Material Accounting Policies (12) Employee benefits and 22. Employee Benefits)
- Recoverability of differed tax assets (Notes 3. Material Accounting Policies (18) Income taxes and 15. Income Taxes)
- Fair value of financial instruments (Notes 3. Material Accounting Policies (4) Financial instruments and 34. Financial Instruments)

(5) Standards and Interpretations Issued but not yet Applied

The main standards and interpretations that have been issued but are not yet in effect and have also not been adopted early by the Group during the current fiscal year up to the approval date of the consolidated financial statements are as given in the table below. The impact of adopting the new IFRS Accounting Standards is currently under review and cannot be estimated at this time.

| Standard document | Standard name | Mandatory application date (effective for fiscal years beginning on or after this date) | Group adoption date | Summary of new and revised standards |
|---|---|---|---|---|
| IFRS 18 | Presentation and disclosure in financial statements | January 1, 2027 | Year ending December, 2027 | New standard replacing IAS 1, the current accounting standard for presentation and disclosure in financial statements |

3. Material Accounting Policies

Material accounting policies adopted in the preparation of the consolidated financial statements are as follows. These policies apply to all reporting periods disclosed, unless otherwise noted.

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(1) Basis of Consolidation

a. Subsidiary

Subsidiaries are defined as all entities controlled by the Group. The Group controls the entity if the Group is exposed to variable returns through involvement with the entity, or if the Group holds the rights to variable returns and can influence these returns through its power over the entity.

Financial statements of the subsidiary are consolidated from the date the Group obtains control until the date control is lost.

When accounting policies of the subsidiary differ from those adopted by the Group, the financial statements of the subsidiary are adjusted as necessary.

Balances of receivables and payables, and unrealized profit or loss arising from intercompany transactions are eliminated in the preparation of the consolidated financial statements.

Comprehensive income of the subsidiary is attributed to the owners of parent and the non-controlling interests even if the non-controlling interest results in a negative balance.

Changes in ownership interests in a subsidiary, where the Group retains control, are accounted for as equity transactions. The entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of parent.

When control over the subsidiary is lost, gain or loss on disposal is calculated by taking the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary at the time control was lost from the sum of the fair value of both the consideration received and the residual interest. The difference is recognized in profit or loss.

Financial statements of subsidiaries with different closing dates are based on provisional statements conducted on the current consolidated closing date in cases when it is not practicable to unify the closing dates of the subsidiary due to legal requirements requiring a different closing date with that of the parent company.

b. Affiliated companies

An affiliated company is an entity over which the Group has significant influence over financial and operating policies but does not control them.

Investments in affiliated companies are accounted for using the equity method and are recognized as acquisition costs at the time of acquisition. The Group's share of the profit or loss and other comprehensive income of the affiliated company is then recognized from the date significant influence was achieved until the date of loss of such influence, and investments are adjusted.

When accounting policies of an affiliated company differ from those adopted by the Group, financial statements of the affiliate are adjusted as necessary.

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c. Joint control arrangements

A joint control arrangement refers to an arrangement that requires the unanimous consent of all parties sharing a control in the decision making of relevant activities.

A joint control entity refers to a joint control arrangement in which the parties with joint control have rights to the net assets. The equity method is used to account for joint control entities.

Accounting policies of joint control entities are adjusted as necessary to align with accounting policies applied by consolidated companies.

*Investments in joint control entities with different closing dates are included on consolidated financial statements, as it is not* practicable to unify the closing dates due to relations with other shareholders. Necessary adjustments are made for significant transactions or events falling within the period that result from the difference in closing dates.

d. Business combinations

Business combinations are accounted for using the acquisition method.

The acquisition consideration is measured as the sum of the acquisition date fair value of the consideration transferred and the amount of any non-controlling interests in the acquired entity.

Any related acquisition costs incurred from business combinations are recognized as expenses in the period incurred.

The Group classifies and designates assets acquired and liabilities assumed when acquiring a business, based on contract terms, economic conditions, and other relevant terms and conditions at the date of acquisition. In principle, identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date.

Non-controlling interests in the acquired entity are measured for each business combination at either fair value or the proportionate share of the non-controlling interest in identifiable net assets at fair value.

Acquisition consideration is accounted for as goodwill in the consolidated statement of financial position if it exceeds the net amount of identifiable assets and liabilities assumed. If it falls below the net amount, the difference is recognized as profit or loss.

When a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the differences in profit or loss. The amount of equity interest in the acquired entity is recorded as other comprehensive income prior to the acquisition date as in the same manner as if the entity disposed of its interests. If initial accounting for the business combination is not completed by the end of the period in which the combination occurs, it is accounted for with provisional amounts.

Provisional amounts are then revised within a measurement period of one year from the date of acquisition.

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(2) Foreign currency translation

a. Translation of foreign currency transactions

The financial statements of each company in the Group are prepared in the functional currency of the entity. Transactions in currencies (foreign) other than the functional currency are converted at the exchange rate on the day of the transaction.

Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period. Non-monetary items denominated in foreign currencies measured at cost are translated into the functional currency using the exchange rate at the date of transaction, while those measured at fair value are translated using the exchange rate at the fair value measurement date.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, the foreign exchange gains and losses arising from financial assets and cash flow hedges measured through other comprehensive income are recognized as other comprehensive income.

b. Translation of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the exchange rate at the end of the reporting period. Income and expenses are translated into Japanese yen using the average exchange rate over the period. In addition, note that the financial statements of foreign operations under hyperinflationary economic conditions reflect the effects of inflation, and income and expenses are translated into the presentation currency at the exchange rate prevailing at the end of the reporting period.

Exchange differences resulting from financial statements of the foreign operation are recognized as other comprehensive income. If a foreign operation is disposed of, the cumulative exchange differences are recognized as profit or loss in the period of disposal.

(3) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits withdrawable at any time, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and bear only a minor risk of price fluctuation.

(4) Financial instruments

a. Financial assets (excluding derivatives)

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date incurred. Other financial assets are initially recognized on the transaction date in which the Group became a party to the contract for such financial assets.

All financial assets are measured at fair value upon initial recognition. However, in cases where they are not categorized as financial assets measured at fair value through profit or loss, they are measured as the amount of the fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are recognized as profit or loss.

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(ii) Classification

(a) Financial assets measured at amortized cost

Financial instruments are classified into financial assets measured at amortized costs if they satisfy both of the following requirements.

- The financial assets are held within a business model with the objective to hold financial assets to recover contractual cash flows, and;
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal balance on a given date.

(b) Debt instruments measured at fair value through other comprehensive income

Financial instruments are classified into debt assets measured at fair value through other comprehensive income if they satisfy both of the following requirements.

- The financial assets are held within a business model where objectives are achieved through both collecting contractual cash flows and selling financial assets, and;
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal balance on a given date.

(c) Equity instruments measured at fair value through other comprehensive income

At initial recognition, equity instruments designated to recognize changes in fair value through other comprehensive income are classified into equity assets measured at fair value through other comprehensive income.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than the above are classified as financial assets measured at fair value through profit or loss.

(iii) Subsequent measurement

(a) Financial assets measured at amortized cost

The effective interest method is used to measure financial assets measured at amortized cost, and any interest accrued is included in finance income on the consolidated statement of income.

(b) Financial assets measured at fair value through other comprehensive income

- Debt instruments measured at fair value through other comprehensive income

  Excluding gains or losses in impairment and foreign exchange, changes in fair value of debt instruments measured at fair value through other comprehensive income are recognized as other comprehensive income until the derecognition of the financial assets. When financial assets are derecognized, previously recognized other comprehensive income is transferred to profit and loss.

- Equity instruments measured at fair value through other comprehensive income

  Changes in fair value of equity instruments measured at fair value through other comprehensive income are recognized as other comprehensive income. When financial assets are derecognized or their fair value drops significantly, previously recognized other comprehensive income is transferred directly to retained earnings. Dividends from the financial assets are recognized as profit or loss.

(c) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value after initial recognition and any changes are recognized as profit or loss.

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(iv) Impairment on financial assets

The Group recognizes an allowance for doubtful accounts of expected credit losses on financial assets measured at amortized costs and debt Instruments measured at fair value through other comprehensive income. At the end of each reporting period, the Group then assesses whether the credit risk associated with these assets significantly increased since their initial recognition.

If the credit risk of the financial instruments does not significantly increase, allowance for doubtful accounts of these instruments is measured at the amount equal to the expected credit loss over a twelve-month period. On the other hand, if the credit risk increases significantly, allowance for doubtful accounts of these instruments is measured at the amount equal to the lifetime expected credit losses.

However, allowance for doubtful accounts of trade receivables is invariably measured at an amount equal to the lifetime expected credit losses, regardless of the terms above.

Expected credit losses are estimated to reflect the following.

- An unbiased amount weighted in probability and measured through evaluating a certain range of possible outcomes
- Time value of money
- Reasonable and supportive information on past events, current conditions, and projected future economic conditions available at the end of the reporting period, without undue cost or effort

An allowance for doubtful accounts on financial assets and reversals of allowance for doubtful accounts are recognized in profit or loss in cases where the allowance is reduced.

If the financial assets are determined to be irrecoverable, carrying amounts are directly reduced by offsetting them with the allowance for doubtful accounts.

(v) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to cash flows from financial assets are extinguished, or when the Group transfers financial assets and nearly all risks and economic values associated with ownership.

b. Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

At initial recognition, financial liabilities are classified as either financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which are measured net of directly attributable transaction costs.

(ii) Subsequent measurement

Subsequent measurement of financial liabilities after initial recognition is as follows, depending on their classification.

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Gains or losses arising from derecognition of financial liabilities measured at amortized cost are recognized as profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Measured at fair value, with changes in fair value recognized as profit or loss.

(iii) Derecognition of financial assets

Financial liabilities are derecognized if the obligation specified in the contract is discharged, canceled, or expires.

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c. Derivatives and hedge accounting

The Group utilizes forward contracts, interest rate swaps, and other methods to hedge both foreign exchange fluctuation and interest rate risks respectively.

At the inception of the hedge, the Group designates and documents the relationship between the hedged item and the hedging instrument, as well as the risk management objectives and strategies of the hedge. The document includes hedging relationships, risk management objectives and strategies on executing hedges, as well as assessment of hedge effectiveness.

These hedges are expected to be highly effective in offsetting changes in fair value and cash flows. However, the Group continuously evaluates the hedge effectiveness to determine if they have actually been highly effective over the hedge period.

Derivatives are initially recognized at fair value. After initial recognition, they are measured at fair value and any changes in fair value are accounted for as follows.

(i) Cash flow hedges

The Group recognizes changes in fair value as other comprehensive income for portions of gains and losses on the hedging instrument that are effectively hedged. When hedged cash flows affect profit or loss, they are recognized as profit or loss together with the hedged item.

Changes in fair value of the ineffective portions of the hedge are recognized as profit or loss.

Hedge accounting is derecognized when hedging instruments expire, are sold, terminated, or exercised, the hedging relationship no longer satisfies eligibility requirements, or the hedge designation is canceled.

In cases where cash flow hedge accounting is discontinued, the Group continues to report the balance of other comprehensive income that was recognized before the discontinuation and is related to those hedges, with such reporting continuing until scheduled transactions affect profit or loss. If a scheduled transaction is no longer expected to occur, the other comprehensive income balance related to the cash flow hedge is immediately recognized as profit or loss.

(ii) Derivatives not designated as hedges

Changes in fair value of derivatives are recognized as profit or loss.

d. Offsetting of financial assets and financial liabilities

The Group offsets financial assets and liabilities and records them on the consolidated statement of financial position at net value when the Group has a legally enforceable right to do so and intends to either settle at net value or realize assets and settle liabilities simultaneously.

e. Fair value of financial instruments

The fair value of financial instruments traded in an active financial market at the end of each reporting period is measured by referencing quoted market prices or dealer prices, with the fair value of financial instruments for which an active market does not exist being calculated using appropriate valuation techniques.

f. Finance income and finance costs

Finance income includes interest income, dividend income, and gains on derivatives (excluding gains related to hedging instruments recognized as other comprehensive income). Interest income is recognized using the effective interest method at the time incurred.

Finance costs include interest expenses and derivate losses (excluding losses related to hedging instruments recognized as other comprehensive income).

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(5) Inventories

Inventories are calculated using the average method and measured at the lower of the acquisition cost and net realizable value.

The cost of inventories is primarily the purchase cost, while net realizable value is calculated by deducting estimated costs and estimated sales cost from the estimated selling price in normal business operations.

(6) Property, plant and equipment

The Group adopts a cost model to measure property, plant and equipment and records this amount at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes expenses directly associated with acquiring, dismantling, and removing assets, as well as land restoration expenses.

Depreciation of property, plant and equipment, excluding land and constructions in progress is recorded using the straight-line method over their individual estimated economic life periods.

The estimated economic life period of principal property, plant and equipment is as follows.

| | |
|---|---|
| Vehicles and delivery equipment | 4–9 years |
| Buildings and structures | 3–50 years |
| Machines and equipment, tools, furniture and fixtures, and ships | 2–20 years |

Estimated economic life periods, residual values, and depreciation and amortization methods are reviewed at the end of each reporting period. If changes are detected, they are later applied prospectively as changes in accounting estimates.

(7) Investment property

An investment property is real estate held for rental income, capital appreciation, or both.

Investment properties are measured based on the cost model in accordance with property, plant and equipment and stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation of assets other than land are calculated using the straight-line method over their estimated economic life period in accordance with the property, plant and equipment.

An entire property is treated as an investment property when it is impossible to distinguish the investment property from the rest and only if the self-use portion is of low importance.

(8) Goodwill and intangible assets

a. Goodwill

Information on goodwill measurements at initial recognition is presented under (1) Basis of Consolidation d. Business combinations. Goodwill is recorded as the acquisition cost less accumulated impairment losses, without amortization. In addition, the Group performs impairment tests at a fixed time each year and whenever there is any indication that impairment may exist.

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b. Intangible assets

Intangible assets are recorded using a cost model and recorded at the acquisition cost less accumulated amortization and impairment losses.

Separately acquired intangible assets are measured at acquisition cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and measured at fair value on the date of acquisition. All expenditures of internally generated intangible assets are recognized as an expense in the period in which they are incurred, except for development costs that qualify for capitalization.

Intangible assets with finite useful lives are amortized on a straight-line bases over their respective estimated economic life period.

The estimated economic life periods of principal intangible assets are as follows.

| | |
|---|---|
| Software | 5–10 years |
| Customer-related assets | 12–20 years |

Estimated economic life periods and amortization methods are reviewed at the end of each reporting period, and any changes are applied prospectively as changes in accounting estimates.

(9) Leases

Contracts are determined to be leases, or contain leases, when the right to control the use of an asset identified at the inception of the contract is transferred in exchange for consideration over a defined lease term.

The Group takes into account any extension options and termination options if it is reasonably certain to extend and not terminate during the period covered when determining lease terms.

a. Lessees

The Group recognizes lease liabilities and right-of-use assets in lease transactions at the inception of the lease. Lease liabilities are initially measured at the discounted present value of total outstanding lease payments at the inception of the lease. Right-to-use assets are initially measured at the amount of the lease liability plus any adjustments such as initial direct costs and prepaid lease payments required under the lease contract. Right-of-use assets are depreciated using the straight-line method over the shorter period of either the estimated economic life period or of the lease term.

Lease payments are allocated between finance costs and repayment portions of outstanding lease liabilities so that interest rates on the outstanding lease liabilities are constant. Finance costs are presented separately from depreciation and amortization of right-of-use assets on consolidated statements of profit or loss.

The Group determines if a contract is, or contains, a lease based on the substance of the contract at the lease inception date. To do this, the Group considers if the performance of the contract is dependent on the use of a specified asset or group of assets, or if the contract transfers the right to use such assets, even if the contract does not legally take the form of a lease.

The Group recognizes total lease payments as an expense over the lease term either through the straight-line method or on other regular bases, without recognizing right-to-use assets and lease liabilities for leases with a lease term of 12 months or less or for leases of low-value assets.

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b. Lessors

Leases that transfer substantially all the risks and rewards incidental to ownership of the underlying asset are classified as finance leases, while other leases are classified as operating leases.

Lease receivables under finance lease transactions are measured at the discounted present value of the sum of total lease payments accrued and unguaranteed residual values of the leased assets attributable to the lessor at the commencement of the lease.

Lease payments received are allocated between finance income and the collected balance of lease receivables so that interest rates on the lease receivables are constant.

Under operating leases, subjectable assets are recorded in the consolidated statements of financial position. Lease payments received are recognized in the consolidated statements of income as revenue using the straight-line method over the lease term.

(10) Impairment of non-financial assets

The Group assesses non-financial assets for indications of impairment as of the end of each reporting period and estimates the recoverable amount of an asset if such indications exist (or if annual impairment tests are required). This assessment excludes inventories, deferred tax assets, non-current assets held for sale, and assets arising from employee benefits. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of each cash-generating unit to which the asset belongs. The cash generating unit is then treated as the smallest asset group generating cash inflows independent of those of other assets or asset groups.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at a fixed time each year and whenever there is any indication of impairment. Goodwill arising from business combinations is allocated to the cash-generating unit or the group of cash-generating units expected to benefit from the synergies of the business combination and is tested for impairment.

The recoverable amount is calculated as the higher amount of either the fair value less disposal costs of the asset, the cash-generating unit, or the group of cash-generating units, or of its value in use. When the carrying amount of an asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized, and the carrying amount is reduced to the recoverable amount.

Estimated future cash flows in value in use assessment are discounted to present value by using a pre-tax discount rate that reflects current market assessments of the time value of money, as well as the risks specific to the asset. The Group uses appropriate value models, supported by available fair value indicators, to measure fair value less disposal costs.

For assets other than goodwill, the Group evaluates if there is any indication that impairment loss may be recognized in prior periods may be reduced or canceled, such as in cases when assumptions used to calculate the recoverable amount of an asset change. When such indications exist, the Group estimates the recoverable amount of the asset or cash-generating unit. When the recoverable amount exceeds carrying amounts, impairment losses are reversed to the lower amount of either the calculated recoverable amount or the carrying amounts less depreciation and amortization as if no impairment losses had been recognized in prior periods.

(11) Non-current assets held for sale

Assets or asset groups expected to be recovered primarily through sale, rather than continued use, are classified as either non-current assets held for sale or as a disposal group only when there is a high likelihood of their sale within one year after at the end of the reporting period and they are either immediately available for sale in their current condition or the Group management is committed to sell. The Group does not depreciate or amortize non-current assets held for sale but measures them at the lower of

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either the carrying amounts or the fair value less disposal costs.

(12) Employee benefits

a. Post-employment benefits

The Group operates both defined benefit plans and defined contribution plans for our employees under the retirement benefits plan.

(i) Defined benefit plan

For each plan, we separately calculate the present value of the defined benefit plan obligations and related current and past service costs using the projected unit credit method. Discount rates are calculated based on the market yields of corporate bonds at the end of the reporting period corresponding to the period up to the expected date of future benefit payments. The net amount of present values of the defined benefit plan obligations and fair values of plan assets are recorded as liabilities and assets. However, if the defined benefit plan is overfunded, the asset ceiling is set as the present value of any economic benefits available through plan refunds or reduced future contributions.

Current service costs and net interest on the net defined benefit liability (asset) of defined benefit plans are recognized as profit and loss. Remeasurement of the defined benefit plans is recognized in other comprehensive income when such remeasurement is made and transferred immediately to retained earnings. Prior service costs are recognized when incurred as profit and loss.

(ii) Defined contribution plan

Retirement benefit related expenses under the defined contribution plan are recognized as expenses at the time they are made.

b. Short-term employee benefits

Short-term employee benefits are not discounted, but recognized as profit or loss at the time related services are provided. Bonuses and paid leave expenses are recognized as liabilities in the amount estimated to be paid under those plans when there is legal or constructive obligation to pay them, and where reliable estimates can be made.

c. Other long-term employee benefits

Obligations to the reward system are calculated by discounting estimated future benefits earned by employees for services rendered in prior and current years to present value.

(13) Share-based payments

Share-based payment plans of the Company include equity-settled stock-based compensation plans and cash-settled stock-based compensation plans.

a. Equity-settled stock-based compensation plans

Under equity-settled stock-based compensation plans, services received are measured at the fair value of the equity instruments on the date granted and are recognized as an expense over the vesting period from the grant date. This same amount is then recognized as an increase in equity.

b. Cash-settled stock-based compensation plans

Under cash-settled stock-based compensation plans, services received are measured at the fair value of the liability incurred and are recognized as an expense over the vesting period. The same amount is then recognized as an increase in liability. Until liabilities are settled, they are remeasured at fair value at the end of each reporting period, or settlement date, and any changes in fair value are recognized as profit or loss.

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(14) Provisions

Provisions are recognized when the Group has present, legal, or constructive obligation as a result of past events, it is probable that outflows of resources embodying economic benefits is necessary to settle the obligation, and reliable estimates can be made of the amount of obligations.

Amounts recognized as provisions take into account risks and uncertainties and are the best estimate of expenditures required to settle current obligations at the end of the reporting period. Provisions are measured at present value of the expenditures expected to be necessary to settle the obligation when the effects of the time value of money are significant.

(15) Share capital and other equity items

The issue price for common stock is recognized in share capital and capital surplus. In addition, costs to issue stocks are deducted from the issue price.

Treasury shares are valued at acquisition cost and deducted from equity. The Company does not recognize gain or loss on the purchase, sale, or cancellation of our treasury shares. The Company recognizes the difference of the carrying amount and consideration at the time of sales as equity.

(16) Dividends

For the dividends paid to the Company's shareholders in the current period, the year-end dividend and interim dividend are recognized as a liability for the period that includes the date of the resolution by the Company's board of directors.

(17) Revenue

a. Criteria for revenue recognition

(i) Revenue recognition method (5-Step Approach)

The Group recognizes revenue as the amount that reflects the consideration to which it expects to be entitled to in exchange for the transfer of goods or services to customers based on the following 5-Step Approach.

Step 1: Identify the contract with the customer.
Step 2: Identify performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate transaction price to separate performance obligations in the contract.
Step 5: Recognize revenue at the time in which (or as) performance obligations are satisfied.

The Group identifies the separate goods or services included in contracts with customers and identifies the performance obligation as a transaction unit.

In identifying performance obligations, the Group considers whether it acts as a principal or agent. If the nature of the Group's performance obligation is to control and provide the identified goods or services before they are transferred, it presents the related revenue as a principal in the Company's consolidated statements of income at the gross amount of the price. If the Group's performance obligation is to arrange for the identified goods or services to be provided by another party, the Group presents revenue in the consolidated statements of income as an agent in the amount of commission, remuneration, or net price.

The transaction price is the amount of consideration for which the Group expects to be entitled in exchange for the transfer of the promised goods or services to the customer, excluding amounts recovered by the Group for third parties. Consideration for a transaction is received from the customer generally within one year from the time the goods or services are transferred to the customer, and the amount does not include a significant financial component.

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(ii) Revenue recognition for most transactions

- Revenue recognition at a certain point in time (Logistics Support)

  The Group sells oil and other petroleum products via the Logistics Support business. The Group recognizes revenue when the customer obtains control over the goods at the point of delivery and the Group's performance obligation (delivery of goods) is satisfied. The Group also sells goods as an agent. For these transactions, the Group recognizes revenue when the customer obtains control over the goods at the point of delivery and the Group's performance obligation (arrangement for delivery of goods) is satisfied.

- Revenue recognition over a period of time (all segments)

  The Group is engaged in railway utilization transport, automobile transportation, logistics services via air and ocean cargo, etc., security transportation, and heavy haulage and construction based on construction contracts. The Group's logistics business and security transportation business deal with customers who benefit from the transportation of cargo as it moves from point of origin to point of destination over the course of the transportation period. Therefore, the Group recognizes revenue based on the degree of progress made during the transportation period, judging that the performance obligation is satisfied over a certain period of time. The Group's Heavy Haulage & Construction has determined that it satisfies performance obligations over a period of time. Therefore, the business recognizes revenue based on the percentage of progress toward satisfying a performance obligation, calculated as a percentage of total estimated cost of the construction project in question as of the end of the reporting period.

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(18) Income taxes

Income tax expenses consists of current and deferred income tax expenses. These expenses are recognized as profit and loss, except when they relate to business combinations or items recognized directly as equity or other comprehensive income.

Current income tax expenses are calculated at the amount expected to be paid to, or refunded from, the tax authorities using tax rates enacted, or substantively enacted, at the end of the reporting period.

Deferred income tax expenses are calculated based on temporary differences arising the difference between carrying amounts of assets and liabilities accounted at the end of the reporting period and any related tax bases. Deferred tax assets are recognized when it is probable that taxable income will be available against the deductible temporary differences, tax loss carryforwards, and tax credit carryforwards. At the same time, deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are also reviewed each period and any portion of tax benefits that are not likely to be realized are reduced.

Deferred tax assets and liabilities are not recorded for the following temporary differences.

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets and liabilities which occur from transactions (excluding business combination transaction) with no effect on accounting profit or taxable income for tax purposes and transactions that do not give rise to taxable temporary differences and deductible temporary differences
- In cases of taxable temporary differences from investments in subsidiaries and affiliated companies in which the Group has control over the reversal timing and it is probable that deductible temporary differences will not reverse within a foreseeable future
- When it is no longer probable that sufficient taxable income will be earned to utilize the benefits from the deductible temporary differences with respect to future deductible temporary differences in investments in subsidiaries and affiliated companies, as well as when it is no longer probable that such deductible temporary differences will reverse in the foreseeable future

Deferred tax assets and liabilities are based on tax rates enacted, or substantively enacted, as of the end of the reporting period. They are then calculated using the expected tax rate in the period in which the assets and liabilities are realized or settled.

The Group recognizes a reasonable estimate of an uncertain tax position for income taxes as an asset or liability when it is likely that we will face a certain tax position based on interpretation of the tax laws.

Deferred tax assets and liabilities are offset when there is both a legally enforceable right to offset current tax assets and liabilities, and they are imposed on the same taxpayer through the same tax authority.

The Company and certain subsidiaries adopt the Group Tax Sharing System.

By applying the exceptions provided for in IAS 12, deferred tax assets and deferred tax liabilities relating to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules issued by the Organization for Economic Co-operation and Development are not recognized or disclosed.

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(19) Government grants

Government grants are recognized at fair value when the supplementary conditions are met, and the Group receives reasonable assurance that the grant will be received.

Grants related to assets are deducted from the cost of the asset and regularly recognized as profit and loss over the economic life period of the asset.

Grants related to income are regularly recognized as profit or loss over the period in which related expenses are intended to be compensated by the grant.

(20) Earnings per share

Basic earnings per share are calculated in principle by dividing the profit attributable to owners of parent by the weighted average number of ordinary shares outstanding adjusted for treasury shares during the reporting period.

The Company conducted a three-for-one stock split of common stock, effective January 1, 2025, and the equity attributable to owners of the parent company per share and basic earnings per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

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4. Segment Information

(1) Overview of reportable segments

Reportable segments of the Group are organizational units combining area segments and business segments whose individual financial results are available separately and serve as the basis and subject of regular review by the board of directors for the purpose of allocating management resources and evaluating business performance.

The Logistics Business consists of five reportable area segments: Japan, The Americas, Europe, East Asia, and South Asia & Oceania. Reportable segments outside of the Logistics Business are specialized businesses of Security Transportation, Heavy Haulage & Construction, and Logistics Support, which conducts sales and real estate business related to each business.

As a result, the main products and services and main business of each reportable segment are as follows.

| Reportable segments | Main products and services | Main businesses |
|---|---|---|
| Japan (Logistics) | Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, heavy haulage and construction | Railway forwarding, motor cargo transportation, air freight forwarding, marine transportation, harbor transportation, warehousing, in-factory work, information asset management, real estate |
| The Americas (Logistics) | Air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services | Air freight forwarding, harbor transportation, warehousing, motor cargo transportation |
| Europe (Logistics) | Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services | Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation |
| East Asia (Logistics) | Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services | Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation |
| South Asia & Oceania (Logistics) | Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, heavy haulage and construction | Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, heavy haulage and construction |
| Security transportation | Security transportation | Security guard, motor cargo transportation |
| Heavy haulage & construction | Heavy haulage & construction | Heavy haulage and construction |
| Logistics Support | Sale of petroleum, etc., sale of others, real estate, finance, others | Sale of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., vehicle maintenance, insurance agency, mediation, planning, designing and management of real estate, investigation and research, logistics finance, employee dispatching |

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(2) Information on reportable segments

The accounting policies of the reportable segments are identical to those of the Group as presented in 3. Material Accounting Policies. Intersegment sales and transfers are based on prevailing market prices.

FY2023 (January 1, 2023 to December 31, 2023)

(Unit: Millions of yen)

| | Logistics | | | | |
|---|---|---|---|---|---|
| | Japan | The Americas | Europe | East Asia | South Asia & Oceania |
| Revenue | | | | | |
| Revenue from external customers | 1,227,665 | 130,640 | 182,414 | 145,314 | 127,139 |
| Intersegment sales | 28,906 | 20,651 | 10,241 | 12,349 | 13,700 |
| Total | 1,256,571 | 151,291 | 192,655 | 157,663 | 140,840 |
| Segment profit (business income) | 48,579 | 9,262 | 9,853 | 3,763 | 8,348 |
| Other income | - | - | - | - | - |
| Other expenses | - | - | - | - | - |
| Share of profit (loss) of investments accounted for using equity method | - | - | - | - | - |
| Operating profit | - | - | - | - | - |
| Finance income | - | - | - | - | - |
| Finance costs | - | - | - | - | - |
| Income before tax | - | - | - | - | - |
| Other items | | | | | |
| Depreciation and amortization | 104,758 | 9,243 | 10,836 | 8,775 | 8,435 |
| Impairment losses (non-financial assets) | 8,266 | - | - | - | - |

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| | Security Transportation | Heavy Haulage & Construction | Logistics Support | Total | Adjustment (Note) | Amount in consolidated statements of income |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | 67,434 | 51,049 | 307,358 | 2,239,017 | - | 2,239,017 |
| Intersegment sales | 457 | 61 | 118,538 | 204,906 | (204,906) | - |
| Total | 67,892 | 51,111 | 425,896 | 2,443,923 | (204,906) | 2,239,017 |
| Segment profit (business income) | 3,386 | 6,520 | 13,844 | 103,559 | (22,302) | 81,256 |
| Other income | - | - | - | - | - | 16,317 |
| Other expenses | - | - | - | - | - | 39,262 |
| Share of profit (loss) of investments accounted for using equity method | - | - | - | - | - | 1,786 |
| Operating profit | - | - | - | - | - | 60,098 |
| Finance income | - | - | - | - | - | 7,352 |
| Finance costs | - | - | - | - | - | 6,242 |
| Income before tax | - | - | - | - | - | 61,208 |
| Other items | | | | | | |
| Depreciation and amortization | 2,130 | 1,616 | 6,881 | 152,678 | (123) | 152,555 |
| Impairment losses (non-financial assets) | - | - | - | 8,266 | - | 8,266 |

(Note) Details of Adjustment are as follows.

(1) The segment profit (business income) adjustment of -¥22,302 million includes -¥1,425 million for the elimination of intersegment transactions, and -¥20,877 million of corporate expenses that are not allocated to any individual reportable segment.

The most significant portion of corporate expenses relates to Company corporate image advertising (as the pure holding company) and the Company's administration of group companies.

(2) The depreciation expense and amortization expense adjustments mainly represent depreciation and amortization within the pure holding company not attributable to any individual reportable segment.

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FY2024 (January 1, 2024 to December 31, 2024)

(Millions of yen)

| | Logistics | | | | |
|---|---|---|---|---|---|
| | Japan | The Americas | Europe | East Asia | South Asia & Oceania |
| Revenue | | | | | |
| Revenue from external customers | 1,228,517 | 134,388 | 491,505 | 161,585 | 138,752 |
| Intersegment sales | 33,509 | 18,680 | 10,252 | 12,328 | 18,902 |
| Total | 1,262,027 | 153,068 | 501,757 | 173,913 | 157,655 |
| Segment profit (business income) | 40,529 | 5,363 | 11,247 | 4,532 | 5,472 |
| Other income | - | - | - | - | - |
| Other expenses | - | - | - | - | - |
| Share of profit (loss) of investments accounted for using equity method | - | - | - | - | - |
| Operating profit | - | - | - | - | - |
| Finance income | - | - | - | - | - |
| Finance costs | - | - | - | - | - |
| Income before tax | - | - | - | - | - |
| Other items | | | | | |
| Depreciation and amortization | 118,466 | 11,226 | 20,840 | 9,055 | 9,656 |
| Impairment losses (non-financial assets) | 9,420 | 327 | - | - | - |

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| | Security Transportation | Heavy Haulage & Construction | Logistics Support | Total | Adjustment (Note) | Amount in consolidated statements of income |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | 67,851 | 50,021 | 305,020 | 2,577,643 | - | 2,577,643 |
| Intersegment sales | 686 | 46 | 115,469 | 209,874 | (209,874) | - |
| Total | 68,538 | 50,068 | 420,489 | 2,787,518 | (209,874) | 2,577,643 |
| Segment profit (business income) | 2,407 | 5,301 | 12,233 | 87,088 | (23,504) | 63,584 |
| Other income | - | - | - | - | - | 13,048 |
| Other expenses | - | - | - | - | - | 29,651 |
| Share of profit (loss) of investments accounted for using equity method | - | - | - | - | - | 2,097 |
| Operating profit | - | - | - | - | - | 49,078 |
| Finance income | - | - | - | - | - | 12,902 |
| Finance costs | - | - | - | - | - | 10,095 |
| Income before tax | - | - | - | - | - | 51,885 |
| Other items | | | | | | |
| Depreciation and amortization | 4,023 | 2,064 | 8,162 | 183,496 | (57) | 183,438 |
| Impairment losses (non-financial assets) | - | - | - | 9,747 | - | 9,747 |

(Note) Details of Adjustment are as follows.

(1) The segment profit (business income) adjustment of -¥23,504 million includes -¥850 million for the elimination of intersegment transactions, and -¥22,654 million of corporate expenses that are not allocated to any individual reportable segment.

The most significant portion of corporate expenses relates to Company corporate image advertising (as the pure holding company) and the Company's administration of group companies.

(2) The depreciation expense and amortization expense adjustments mainly represent depreciation and amortization within the pure holding company not attributable to any individual reportable segment.

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FY2024 (January 1, 2024 to December 31, 2024)

(Thousands of U.S. dollars)

| | Logistics | | | | |
|---|---|---|---|---|---|
| | Japan | The Americas | Europe | East Asia | South Asia & Oceania |
| Revenue | | | | | |
| Revenue from external customers | 7,766,579 | 849,590 | 3,107,254 | 1,021,527 | 877,182 |
| Intersegment sales | 211,844 | 118,095 | 64,813 | 77,938 | 119,500 |
| Total | 7,978,424 | 967,685 | 3,172,067 | 1,099,466 | 996,683 |
| Segment profit (business income) | 256,222 | 33,909 | 71,108 | 28,655 | 34,596 |
| Other income | - | - | - | - | - |
| Other expenses | - | - | - | - | - |
| Share of profit (loss) of investments accounted for using equity method | - | - | - | - | - |
| Operating profit | - | - | - | - | - |
| Finance income | - | - | - | - | - |
| Finance costs | - | - | - | - | - |
| Income before tax | - | - | - | - | - |
| Other items | | | | | |
| Depreciation and amortization | 748,935 | 70,973 | 131,750 | 57,247 | 61,050 |
| Impairment losses (non-financial assets) | 59,556 | 2,068 | - | - | - |

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| | Security Transportation | Heavy Haulage & Construction | Logistics Support | Total | Adjustment (Note) | Amount in consolidated statements of income |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | 428,952 | 316,233 | 1,928,313 | 16,295,634 | - | 16,295,634 |
| Intersegment sales | 4,340 | 292 | 729,985 | 1,326,810 | (1,326,810) | - |
| Total | 433,293 | 316,525 | 2,658,299 | 17,622,445 | (1,326,810) | 16,295,634 |
| Segment profit (business income) | 15,218 | 33,514 | 77,341 | 550,568 | (148,592) | 401,975 |
| Other income | - | - | - | - | - | 82,490 |
| Other expenses | - | - | - | - | - | 187,451 |
| Share of profit (loss) of investments accounted for using equity method | - | - | - | - | - | 13,257 |
| Operating profit | - | - | - | - | - | 310,271 |
| Finance income | - | - | - | - | - | 81,567 |
| Finance costs | - | - | - | - | - | 63,823 |
| Income before tax | - | - | - | - | - | 328,015 |
| Other items | | | | | | |
| Depreciation and amortization | 25,435 | 13,048 | 51,605 | 1,160,046 | (366) | 1,159,679 |
| Impairment losses (non-financial assets) | - | - | - | 61,625 | - | 61,625 |

(Note) Details of Adjustment are as follows.

(1) The segment profit (business income) adjustment of -US$148,592 thousand includes -US$5,374 thousand for the elimination of intersegment transactions, and -US$143,218 thousand of corporate expenses that are not allocated to any individual reportable segment.

The most significant portion of corporate expenses relates to Company corporate image advertising (as the pure holding company) and the Company's administration of group companies.

(2) The depreciation expense and amortization expense adjustments mainly represent depreciation and amortization within the pure holding company not attributable to any individual reportable segment.

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(3) Information about products and services

| Revenue from external customers | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Railway utilization transportation | 66,563 | 79,178 | 500,557 |
| Combined delivery services | 53,624 | 35,757 | 226,057 |
| Chartered truck services | 331,928 | 361,838 | 2,287,511 |
| Moving and relocation | 63,537 | 61,966 | 391,748 |
| Warehousing and distribution processing | 374,727 | 418,354 | 2,644,800 |
| In-factory work | 84,674 | 84,649 | 535,147 |
| Real estate rental | 15,465 | 17,260 | 109,118 |
| Air freight forwarding | 426,213 | 569,974 | 3,603,330 |
| Marine and harbor transportation | 305,778 | 422,952 | 2,673,868 |
| Fine arts transportation | 3,900 | 4,094 | 25,887 |
| Security Transportation | 67,122 | 67,526 | 426,898 |
| Heavy Haulage & Construction | 76,507 | 73,681 | 465,808 |
| Other transportation | 58,180 | 72,676 | 459,454 |
| Leases | 372 | 7 | 45 |
| Sale of petroleum, etc. | 204,714 | 213,055 | 1,346,919 |
| Sale of others | 91,677 | 75,192 | 475,357 |
| Other | 14,027 | 19,475 | 123,121 |
| Total | 2,239,017 | 2,577,643 | 16,295,634 |

(4) Information about geographical areas

a. Revenue from external customers

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Japan | 1,478,640 | 1,483,198 | 9,376,650 |
| The Americas | 247,632 | 309,108 | 1,954,154 |
| Europe | 142,919 | 385,359 | 2,436,206 |
| East Asia | 216,468 | 237,563 | 1,501,856 |
| South Asia & Oceania | 153,356 | 162,413 | 1,026,766 |
| Total | 2,239,017 | 2,577,643 | 16,295,634 |

(Note) Revenues are based on customer location and are classified by country or region.

Major countries or regions that belong to each category

1 The Americas : US, Canada, Central America, and South America

2 Europe : Europe (including United Kingdom, Netherlands, Germany, etc.), and Africa

3 East Asia : China, Taiwan, and South Korea

4 South Asia & Oceania : South Asia (including Singapore, Thailand, etc.), and Oceania

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b. Non-current assets

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Japan | 859,866 | 857,508 | 28,817 |
| The Americas | 55,512 | 59,448 | 388,643 |
| Europe | 68,145 | 209,959 | 1,532,684 |
| East Asia | 19,123 | 25,124 | 133,361 |
| South Asia & Oceania | 34,850 | 41,952 | 57,260 |
| Total | 1,037,499 | 1,193,994 | 2,140,766 |

(Note) Major countries or regions that belong to each category

| | |
|---|---|
| 1 The Americas | : US, Canada, Central America, and South America |
| 2 Europe | : Europe (including United Kingdom, Netherlands, Germany, etc.), and Africa |
| 3 East Asia | : China, Taiwan, and South Korea |
| 4 South Asia & Oceania | : South Asia (including Singapore, Thailand, etc.), and Oceania |

(5) Information about major customers

Omitted as there is no specific customer who accounts for 10% or more of the revenues in the consolidated statements of income.

5. Business Combinations

FY2023 (January 1, 2023 to December 31, 2023)

(Acquisition of shares of Tramo SA)

At the Board of Directors held on August 21, 2023, it was resolved to enter into a share transfer agreement with all shareholders of Tramo SA ("Tramo") to acquire all shares of Tramo, which operates logistics businesses in Europe and the United States, through consolidated subsidiary NIPPON EXPRESS ITALIA S.p.A. ("NX Italia"; the "Transaction"). On October 31, 2023, the Company acquired all shares and made all 18 Tramo Group companies (including Tramo) wholly owned subsidiaries through the Transaction.

(1) Overview of business combination

Name and nature of business of the acquired company and percentage of voting equity interests acquired

While Tramo, the target company of the Transaction, possesses 17 group companies, the following corporate profile relates only to Tramo.

| | |
|---|---|
| Name of acquired company | Tramo SA |
| Location | Via General Dufour no. 6, Chiasso, Switzerland |
| Principal business lines | Logistics |
| Percentage of voting equity interests acquired | 100% |

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(2) Main reasons for the business combination

Tramo is a logistics company established in 1984. The company is headquartered in Switzerland and specializes in high-end furniture, based in Europe and the United States.

The Tramo Group has an excellent reputation in the market for its services centered around high-end furniture manufactured in Italy. Services include land, sea, and air transportation, white glove services (value-added services during delivery, such as installation), and storage services.

The Group strengthened efforts in the apparel industry, a priority industry in the previous business plan. The Group has focused efforts through NX Italia in the high fashion field to develop globally a highly specialized business that is closely linked to the fashion industry.

In recent years, high fashion brand customers have transitioned beyond apparel to pursue the world view of brands through characteristic lifestyle products, such as furniture and hotels.

With the acquisition of Tramo as a subsidiary, the Group will gain expertise and capabilities in areas such as pickup and delivery suited to high-end furniture, enabling the Group to offer a wider range of solutions to customers. Integrating the global network of the Group with the logistics functions of the Tramo Group will enable them to expand the field of mutual service offerings.

(3) Acquisition date

October 31, 2023

(4) Method by which the acquiring company obtained control of the acquired company

Acquisition of equity interests for cash

(5) Number of shares acquired and shares held before and after acquisition

| | |
|---|---|
| Number of shares held before acquisition | 0 shares (0.0% of voting rights held) |
| Number of shares acquired | All shares of Tramo |
| Number of shares held after acquisition | All shares of Tramo (100.0% of voting rights held) |

(6) Fair value of identifiable assets and liabilities assumed at the acquisition date (October 31, 2023)

(Unit: Millions of euros)

| Item | Amount |
|---|---|
| Assets | 73 |
| (cash and cash equivalents included above) | 17 |
| Liabilities | 42 |
| Net assets | 30 |
| Goodwill | 80 |

(Note) Both the identification of identifiable assets and liabilities and the allocation of the acquisition costs, which are incomplete in the table above, were completed during the current fiscal year. Please refer to (Tramo SA) in current fiscal year for details.

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FY2024 (January 1, 2024 to December 31, 2024)

(cargo-partner)

On May 12, 2023, the Company entered into a share transfer agreement with five companies (the "Seller") comprising cargo-partner Group Holding AG and its subsidiaries Multi Transport und Logistik Holding AG, Safer Overseas Transport Holding GmbH, cargo-partner GND GmbH, and CARGO-PARTNER US HOLDINGS INC. On the basis of the share transfer agreement with the Seller, the Company, through a wholly-owned special purpose company of NIPPON EXPRESS EUROPE GMBH, the Company's European holding subsidiary, acquired all the shares of the multiple subsidiaries of the Seller ("cargo-partner"), which provide logistics services worldwide from their primary location in Central and Eastern Europe on January 4, 2024 (Austrian time), and made these multiple subsidiaries of the Company.

(1) Name and nature of business of the acquired company and percentage of voting equity interests acquired

The acquired companies consist of 59 companies (including companies that are not wholly owned subsidiaries of the Seller). The names of the significant acquired companies, their businesses, and the percentage of voting equity interest acquired is as follows.

| Name of acquired company | Principal business lines | Percentage of voting equity interests acquired |
|---|---|---|
| cargo-partner Logistics Limited | Freight forwarding | 100.0% |
| Cargo Partner International Logistics (China) Co., Ltd. | Freight forwarding | 100.0% |
| cargo-partner GmbH | Freight forwarding | 100.0% |
| cargo-partner Hungária Fuvarszervezési Korlátolt Felelösségű Társaság | Freight forwarding | 100.0% |
| cargo-partner Spedycja Sp. z o.o. | Freight forwarding | 100.0% |
| cargo-partner SR, s.r.o. | Freight forwarding | 100.0% |
| cargo-partner, d.o.o. | Freight forwarding | 100.0% |
| cargo-partner ČR s.r.o. | Freight forwarding | 100.0% |
| cargo-partner Expeditii s.r.l | Freight forwarding | 100.0% |
| Cargo Partner Network Inc. | Freight forwarding | 100.0% |
| CARGO PARTNER LOGISTICS INDIA PVT LTD. | Freight forwarding | 100.0% |

(2) Main reasons for the business combination

Cargo-partner is based in Austria and operates a strong logistics business in Central and Eastern Europe, a region that is attracting attention as an industrial center in Europe. The cargo-partner group is regarded highly for their services centered around air and ocean freight forwarding, as well as their rail and truck transportation and contract logistics services in Europe, Asia, and North America.

The acquisition of cargo-partner will complement the Group's logistics infrastructure in Central and Eastern Europe, an area with high growth expectations as a European manufacturing hub. The acquisition will also enable the Group to further expand our global network and the services we offer in the European region. Moreover, expanding our ocean and air cargo handling volume will strengthen our competitiveness in the global market, enabling the Company to meet the various demands of our global customers, strengthen our global account structure, and improve our ability to respond to logistics demand, especially between Asia and Europe. Furthermore, the Company will accelerate the expansion and development of our global business, aiming to create synergies in the logistics business through mutual complementation, given our different customer bases and strengths in various countries and regions.

(3) Acquisition date

January 4, 2024

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(4) Acquisition-related costs

The acquisition-related costs for this business combination amounted to ¥4,063 million (US$25,689 thousand). Of this amount, acquisition-related costs recognized in the previous fiscal year of ¥3,072 million are recorded in other expenses in the consolidated statements of income.

(5) Fair value of consideration paid, identifiable assets acquired, and liabilities assumed on the acquisition date

| | Amount (Millions of yen) | Amount (Thousands of U.S. dollars) | |
|---|---|---|---|
| Fair value of consideration paid | | | |
| Cash | 127,226 | 804,315 | |
| Contingent consideration | 2,755 | 17,423 | |
| Total | 129,982 | 821,738 | |
| | | | |
| Fair value of identifiable assets and liabilities assumed | | | |
| Current assets | 53,396 | 337,565 | (Note) 1 |
| Non-current assets | 53,738 | 339,729 | |
| Current liabilities | (28,269) | (178,717) | |
| Non-current labilities | (26,223) | (165,786) | |
| Non-controlling interests | (6) | (38) | |
| Fair value of identifiable assets and liabilities assumed (net) | 52,635 | 332,752 | |
| Goodwill | 77,347 | 488,985 | (Note) 2 |
| Total | 129,982 | 821,738 | |

(Note) 1 Current assets include cash and cash equivalents of ¥27,416 million (US$173,325 thousand).

2 Goodwill was mainly generated by taking a reasonable estimate of expected future excess earning capacity, and no amount of this goodwill is expected to be deductible for tax purposes.

(6) Contingent consideration

Contingent consideration is the consideration paid to the Seller contingent upon the financial results of cargo-partner meeting certain financial metrics during the two years following the acquisition date (earn-out), and it is calculated by taking into account the likelihood of achieving this performance and the time value of money. The maximum amount payable is €555 million.

The fair value hierarchy of the contingent consideration is Level 3, which is a fair value calculated from valuation techniques that include inputs that are not based on observable market data.

(7) Impact on the Group

Revenues and net income generated by cargo-partner since the acquisition date amounted to ¥274,695 million (US$1,736,602 thousand) and ¥986 million (US$6,238 thousand), respectively. The revenues and net income for the current period do not include any amounts from the period between the beginning of the current period and the acquisition date because this interim period's revenues and net income were immaterial due to the dates being so close.

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(Tramo SA)

With respect to Tramo SA, which was acquired in the previous fiscal year, the identification of identifiable assets and liabilities and the calculation of fair value as of the acquisition date were not yet finalized, and the allocation of acquisition cost had not been completed; therefore, provisional accounting treatment was applied at the end of the previous fiscal year based on appropriate information available at that time. The amount of goodwill arising in the current fiscal year has been adjusted based on the allocation of the determined acquisition cost as follows.

Fair value of assets acquired and liabilities assumed on the acquisition date (October 31, 2023)

(Unit: Millions of euros)

| Adjusted Items | Goodwill Adjustments |
|---|---|
| Goodwill (before adjustments) | 80 |
| Other financial assets | 1 |
| Property, plant and equipment | 7 |
| Intangible assets | 54 |
| Deferred tax liabilities | (13) |
| Total adjustments | 49 |
| Goodwill (after adjustments) | 30 |

Accordingly, the consolidated statements of financial position for the previous fiscal year has been retrospectively adjusted, and the main effect of this change was to increase other financial assets (current assets) by ¥235 million, goodwill and intangible assets by ¥788 million, property, plant and equipment by ¥1,110 million, and deferred tax liabilities by ¥2,135 million.

The finalization of the provisional accounting treatment has a minor impact on profit and loss.

6. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Cash and cash equivalents | 315,076 | 251,339 | 1,588,949 |
| Total | 315,076 | 251,339 | 1,588,949 |

7. Trade and Other Receivables

Trade and other receivables are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Accounts receivable - trade | 342,147 | 426,722 | 2,697,702 |
| Notes receivable - trade | 22,897 | 19,742 | 124,813 |
| Contract assets | 12,161 | 22,062 | 139,474 |
| Lease receivables | 50,489 | 57,561 | 363,897 |
| Allowance for doubtful accounts | (3,641) | (5,748) | (36,343) |
| Total | 424,054 | 520,340 | 3,289,544 |

(Note) Amounts are presented after the deduction of allowance for doubtful accounts in the consolidated statements of financial position.

Trade and other receivables are classified as financial assets measured at amortized cost.

Receivables arising from contracts with customers include accounts receivable and notes receivable, which are presented together with contract liabilities under Note 26. Revenue.

Allowance for doubtful accounts for trade and other receivables is presented in Note 34. Financial Instruments.

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8. Inventories

Inventories are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Products | 3,255 | 3,804 | 24,049 |
| Work in process | 730 | 826 | 5,225 |
| Raw materials and supplies | 6,694 | 8,019 | 50,700 |
| Total | 10,680 | 12,650 | 79,976 |

The amount of inventories recognized as expenses in cost of sales in the previous fiscal year was ¥324,469 million and in the current fiscal year was ¥319,581 million (US$2,020,366 thousand).

The amount of inventory write-downs recognized as expenses in the previous fiscal year and the current fiscal year was not material.

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9. Disposal Group Held for Sale

Details on assets held for sale are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Assets held for sale | | | |
| Property, plant and equipment | 428 | 5,050 | 31,931 |
| Total | 428 | 5,050 | 31,931 |

FY2023 (As of December 31, 2023)

The main assets held for sale in the previous fiscal year were related to the decision to sell land in the Logistics Business. The sale of some portions of land was completed during the current fiscal year.

FY2024 (As of December 31, 2024)

The main assets held for sale in the current fiscal year are related to the Special Combined Delivery Services Business of the Company's consolidated subsidiary Nippon Express Co., Ltd. ("Nippon Express").

On February 14, 2024, the Company signed an agreement (the "Definitive Agreement") with Nagoya Railroad Co., Ltd., the parent company of Meitetsu Transportation Co., Ltd. (currently Meitetsu NX Transportation Co., Ltd.; "Meitetsu Transportation" below), regarding the integration of Meitetsu Transportation with Nippon Express's Special Combined Delivery Services Business and NX Transport Service Co., Ltd. ("NXT"), a subsidiary of Nippon Express. Under the Definitive Agreement, on April 1, 2024, Nippon Express transferred all of its shares in NXT to Meitetsu Transportation. Furthermore, on January 1, 2025, a transaction occurred whereby Nippon Express's Special Combined Delivery Services Business was succeeded by Meitetsu Transportation through an absorption-type demerger, with Nippon Express as the demerging company and Meitetsu Transportation as the succeeding company. Accordingly, in the current fiscal year, assets and liabilities related to the Special Combined Delivery Services Business were classified as a disposal group held for sale. The amounts of assets and liabilities classified as a disposal group held for sale related to the Special Combined Delivery Services Business are as follows.

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Assets in a disposal group classified as held for sale | | |
| Property, plant and equipment | 5,029 | 31,796 |
| Total assets | 5,029 | 31,796 |
| Liabilities in a disposal group classified as held for sale | | |
| Other current liabilities | 29 | 186 |
| Total liabilities | 29 | 186 |

The reportable segment to which the disposal group classified as held for sale is attributed is Japan (Logistics).

With the conclusion of this business integration agreement, an impairment loss of ¥6,482 million (US$40,979 thousand) was recognized in the current fiscal year and recorded in other expenses in the consolidated statements of income. Impairment losses are presented in Note 10. Property, Plant and Equipment (2) Impairment loss.

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10. Property, Plant and Equipment

(1) Changes in investment property

Changes in cost, accumulated depreciation and accumulated impairment losses, as well as the carrying amounts of property, plant and equipment are as follows.

(Millions of yen)

| Carrying amount | Vehicle and delivery equipment | Buildings | Structures | Machines and equipment | Tools, furniture and fixtures | Vessels | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2023 | 47,587 | 235,023 | 12,569 | 29,029 | 19,945 | 9,700 | 178,550 | 3,073 | 535,478 |
| Acquisition | 10,439 | 7,031 | 1,058 | 4,965 | 4,913 | 1 | 1,680 | 27,568 | 57,659 |
| Acquisition through business combination | 194 | 2,690 | 2 | 58 | 36 | - | 266 | - | 3,249 |
| Transfer to investment property | - | (6,277) | (205) | - | - | - | (3,859) | - | (10,342) |
| Transfer from construction in progress | 1,728 | 13,934 | 1,512 | 2,508 | 1,453 | - | 11 | (21,149) | - |
| Transfer to non-current assets held for sale | - | (271) | (19) | (78) | (0) | - | (162) | - | (532) |
| Sale and Disposal | (661) | (2,702) | (145) | (1,127) | (228) | - | (1,120) | - | (5,986) |
| Depreciation and amortization | (11,261) | (17,292) | (1,528) | (5,269) | (5,963) | (1,200) | - | - | (42,514) |
| Impairment loss | (493) | (2,858) | (55) | (1,086) | (909) | - | - | (0) | (5,404) |
| Exchange differences on foreign currency translation | 217 | 2,756 | 25 | 676 | 510 | - | 1,263 | 186 | 5,636 |
| Other | 670 | (206) | 64 | (512) | (40) | 30 | (424) | (132) | (550) |
| Balance as of December 31, 2023 | 48,423 | 231,829 | 13,278 | 29,164 | 19,716 | 8,532 | 176,203 | 9,546 | 536,693 |
| Acquisition | 12,183 | 15,732 | 2,691 | 5,266 | 6,495 | 10 | 237 | 13,766 | 56,382 |
| Acquisition through business combination | 1,348 | 291 | 1,291 | 37 | 2,698 | - | 60 | 65 | 5,794 |
| Transfer to investment property | - | (280) | (4) | - | - | - | (1,812) | - | (2,097) |
| Transfer from construction in progress | 855 | 10,458 | 1,719 | 1,564 | 994 | - | 2 | (15,595) | - |
| Transfer to non-current assets held for sale | 0 | (762) | (156) | (10) | (2) | - | (4,118) | - | (5,050) |
| Sale and Disposal | (1,350) | (2,656) | (121) | (294) | (237) | - | (1,372) | - | (6,032) |
| Depreciation and amortization | (11,474) | (17,434) | (2,011) | (5,595) | (6,261) | (1,148) | - | - | (43,925) |
| Impairment loss | (1,775) | (2,297) | (46) | (506) | (405) | - | (4,355) | - | (9,386) |
| Exchange differences on foreign currency translation | 366 | 3,025 | 186 | 673 | 633 | - | 2,770 | 245 | 7,901 |
| Other | 394 | 758 | 202 | 413 | (1,616) | (4) | (882) | (861) | (1,595) |
| Balance as of December 31, 2024 | 48,970 | 238,664 | 17,029 | 30,713 | 22,015 | 7,390 | 166,733 | 7,166 | 538,682 |

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(Millions of yen)

| Cost | Vehicle and delivery equipment | Buildings | Structures | Machines and equipment | Tools, furniture and fixtures | Vessels | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2023 | 176,012 | 636,211 | 71,395 | 104,939 | 92,367 | 18,419 | 179,302 | 9,546 | 1,288,196 |
| Balance as of December 31, 2024 | 175,191 | 649,725 | 74,464 | 112,860 | 97,507 | 18,429 | 169,911 | 7,166 | 1,305,258 |

(Millions of yen)

| Accumulated depreciation and accumulated impairment loss | Vehicle and delivery equipment | Buildings | Structures | Machines and equipment | Tools, furniture and fixtures | Vessels | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2023 | 127,589 | 404,382 | 58,117 | 75,774 | 72,651 | 9,886 | 3,099 | 0 | 751,502 |
| Balance as of December 31, 2024 | 126,220 | 411,061 | 57,435 | 82,146 | 75,492 | 11,039 | 3,178 | 0 | 766,575 |

(Note) Depreciation and amortization of property, plant and equipment is included under the cost of sales and the selling, general and administrative expenses sections of the consolidated statements of income.
Amounts of property, plant and equipment under construction are shown as construction in progress.
The amount of property, plant and equipment pledged as collateral for liabilities is stated in Note 20. Bonds and Borrowings.
Commitments for the acquisition of property, plant and equipment are presented in Note 37. Commitments.
In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

(Thousands of U.S. dollars)

| Carrying amount | Vehicle and delivery equipment | Buildings | Structures | Machines and equipment | Tools, furniture and fixtures | Vessels | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2023 | 306,127 | 1,465,604 | 83,943 | 184,374 | 124,645 | 53,944 | 1,113,941 | 60,350 | 3,392,931 |
| Acquisition | 77,021 | 99,459 | 17,012 | 33,293 | 41,064 | 64 | 1,500 | 87,029 | 356,446 |
| Acquisition through business combination | 8,527 | 1,844 | 8,166 | 234 | 17,060 | - | 384 | 411 | 36,629 |
| Transfer to investment property | - | (1,774) | (31) | - | - | - | (11,457) | - | (13,262) |
| Transfer from construction in progress | 5,408 | 66,118 | 10,869 | 9,893 | 6,287 | - | 15 | (98,592) | - |
| Transfer to non-current assets held for sale | 1 | (4,823) | (989) | (65) | (14) | - | (26,039) | - | (31,931) |
| Sale and Disposal | (8,539) | (16,791) | (767) | (1,863) | (1,503) | - | (8,673) | - | (38,139) |
| Depreciation and amortization | (72,542) | (110,220) | (12,715) | (35,371) | (39,583) | (7,259) | - | - | (277,693) |
| Impairment loss | (11,222) | (14,524) | (292) | (3,199) | (2,566) | - | (27,537) | - | (59,342) |
| Exchange differences on foreign currency translation | 2,314 | 19,126 | 1,178 | 4,260 | 4,006 | - | 17,515 | 1,552 | 49,953 |
| Other | 2,494 | 4,795 | 1,282 | 2,613 | (10,217) | (30) | (5,576) | (5,447) | (10,086) |
| Balance as of December 31, 2024 | 309,589 | 1,508,813 | 107,656 | 194,170 | 139,178 | 46,719 | 1,054,072 | 45,304 | 3,405,506 |

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(Thousands of U.S. dollars)

| Cost | Vehicle and delivery equipment | Buildings | Structures | Machines and equipment | Tools, furniture and fixtures | Vessels | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2024 | 1,107,546 | 4,107,507 | 470,760 | 713,495 | 616,432 | 116,512 | 1,074,165 | 45,305 | 8,251,726 |

(Thousands of U.S. dollars)

| Accumulated depreciation and accumulated impairment loss | Vehicle and delivery equipment | Buildings | Structures | Machines and equipment | Tools, furniture and fixtures | Vessels | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2024 | 797,956 | 2,598,693 | 363,103 | 519,324 | 477,254 | 69,792 | 20,092 | 1 | 4,846,220 |

(Note) Depreciation and amortization of property, plant and equipment is included under the cost of sales and the selling, general and administrative expenses sections of the consolidated statements of income.
Amounts of property, plant and equipment under construction are shown as construction in progress.
The amount of property, plant and equipment pledged as collateral for liabilities is stated in Note 20. Bonds and Borrowings.
Commitments for the acquisition of property, plant and equipment are presented in Note 37. Commitments.
In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

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(2) Impairment loss

The Group categorizes assets by the smallest cash-generating unit of property, plant and equipment that generates cash flows largely independent from cash flows of other assets or asset groups. Out of consolidated subsidiaries, assets held by Nippon Express Co., Ltd. are categorized by blocks and divisional units, while those held by other consolidated subsidiaries are categorized mainly by each subsidiary.

Idle assets are grouped as individual or multiple assets, taking into consideration their specific future use or sale prospects.

The Group determines if there are any indications of impairment at the end of each reporting period. If such indications exist, the Group estimates the recoverable amount of the cash-generating unit. The recoverable amount is the higher of either the value in use or the fair value less disposal costs. When calculating value in use, estimated cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the inherent risks of the cash-generating unit.

(FY2023)

The breakdown by type of asset recognized as an impairment loss in the previous fiscal year is as follows and is included in the other expenses of the consolidated statements of income.

(Millions of yen)

| Reportable segments | Company | Use | Class | Location | FY2023 (As of December 31, 2023) |
|---|---|---|---|---|---|
| Japan (logistics) | Nippon Express Co., Ltd. | Pharmaceuticals/ medical business | Buildings, etc. | Saitama, etc. | 3,163 |
| Japan (logistics) | NX NP Logistics Co., Ltd. | Business assets | Goodwill, software, etc. | Osaka, etc. | 5,102 |
| Total | | | | | 8,266 |

Pharmaceuticals/Medical Business

Nippon Express Co., Ltd., a subsidiary of the Company, conducted an impairment test for the pharmaceuticals/medical business as the company determined that there were indications of impairment due to ongoing negative earnings from operating activities and other factors. Through this impairment test, the Company determined the recoverable amount to be fair value less disposal costs, and recorded an impairment loss of ¥3,163 million, as the recoverable amount of the relevant business assets was less than the carrying amount. After the impairment loss, the relevant business assets related to the pharmaceuticals/medical business amounted to ¥14,602 million (¥ 1,163 million in property, plant and equipment, and intangible assets and ¥13,439 million in right-of-use assets).

In measuring fair value, the fair value measurement hierarchy is classified as Level 3, as the right-of-use assets are estimated at a value equivalent to the lease liability.

NX NP Logistics Co., Ltd. ("NPL")

For details on the goodwill impairment loss of NPL, please refer to Note 11. Goodwill and Intangible Assets (2) Impairment test for goodwill and intangible assets with indefinite useful lives.

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(FY2024)

The breakdown by type of asset recognized as an impairment loss in the current fiscal year is as follows and is included in the other expenses of the consolidated statements of income.

| Reportable segments | Company | Use | Class | Location | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Japan (logistics) | NX Transport Service Co., Ltd. | Special combined delivery service business | Vehicles, land, buildings, etc. | Aichi, etc. | 4,212 | 26,629 |
| Japan (logistics) | Nippon Express Co., Ltd. | Special combined delivery service business | Land | Tokyo, etc. | 2,270 | 14,350 |
| Japan (logistics) | Nippon Express Co., Ltd. | Pharmaceuticals/ medical business | Vehicles, buildings, etc. | Saitama, etc. | 2,938 | 18,577 |
| The Americas (logistics) | NIPPON EXPRESS USA., INC. | Office, etc. | Right-of-use assets, etc. | U.S.A. | 327 | 2,067 |
| Total | | | | | 9,747 | 61,619 |

Special Combined Delivery Service Business

On February 14, 2024, the Company signed an agreement (the "Definitive Agreement") with Nagoya Railroad Co., Ltd., the parent company of Meitetsu Transportation Co., Ltd. (currently Meitetsu NX Transportation Co., Ltd.; "Meitetsu Transportation" below), regarding the integration of Meitetsu Transportation with the Special Combined Delivery Service Business of the Company's consolidated subsidiary Nippon Express Co., Ltd. ("Nippon Express") and NX Transport Service Co., Ltd. ("NXT"), a subsidiary of Nippon Express. Under IFRS Accounting Standards, assets related to the transfer of a business are classified as held for sale and an impairment test is required to be performed immediately prior to the classification; therefore, an impairment test was performed for this business in the first quarter (of the current fiscal year) following the signing of the Definitive Agreement.

For NXT, an impairment loss of ¥4,212 million (US$26,627 thousand) was recorded because the fair value less costs to sell was lower than the net assets.

For Nippon Express, an impairment loss of ¥2,270 million (US$14,350 thousand) was recorded because the fair value less costs to sell was lower than the net asset value of the asset.

The fair value less costs to sell is measured using the discounted cash flow method, and calculated with reference to preliminary calculations based on the comparable company method. Under the discounted cash flow method, estimated cash flows based on business plans approved by management are discounted to present value. The cash flow projection period in the business plan is four years, with a discount rate based on a weighted average cost of capital of 6.6% + 0.5%, which is analyzed based on market and financial data of listed companies engaged in similar businesses, and a perpetual growth rate of 0% ± 0.25%, based on industry trends in consolidated truckloads. For the comparable companies method, the value is calculated by multiplying the second year EBITDA in the business plan by the median EV/EBITDA multiple (4.3 to 6.3) based on next year's forecast for listed companies engaged in similar businesses. Based on the significant inputs used in measurement, the fair value hierarchy of such values is classified as Level 3.

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Pharmaceuticals/Medical Business

Nippon Express, a subsidiary of the Company, conducted an impairment test for the pharmaceuticals/medical business, as the company determined that there were indications of impairment due to ongoing negative earnings from operating activities and other factors. Through this impairment test, the Company determined the recoverable amount to be fair value less disposal costs, and recorded an impairment loss of ¥2,938 million (US$18,573 thousand), as the recoverable amount of the relevant business assets was less than the carrying amount. After the impairment loss, the relevant business assets related to the pharmaceuticals/medical business amounted to ¥12,475 million (US$78,872 thousand), of which property, plant and equipment and intangible assets amounted to ¥890 million (US$5,627 thousand), and right-of-use assets amounted to ¥11,586 million (US$73,244thousand).

In measuring fair value, the fair value measurement hierarchy is classified as Level 3, as the right-of-use assets are estimated at a value equivalent to the lease liability.

NIPPON EXPRESS USA., INC. (American subsidiary, "NX America")

For NX America, an impairment loss of ¥327 million (US$2,067 thousand) was recorded for certain idle assets that showed signs of impairment and for trademark rights related to trade names that are not expected to be used in the future. The recoverable amounts of the assets were determined to be zero, and the entire book value of these assets was recorded as an impairment loss.

11. Goodwill and Intangible Assets

(1) Changes in investment property

Changes in costs of goodwill and intangible assets, accumulated amortization and accumulated impairment losses, and carrying amounts are as follows.

(Millions of yen)

| Carrying amount | Goodwill | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | | Software | Software in progress | Trademarks | Customer-related assets | Other | Total |
| Balance as of January 1, 2023 | 2,216 | 24,552 | 9,388 | 141 | 20,460 | 3,845 | 58,388 |
| Acquisition | - | 2,029 | 11,754 | - | - | 724 | 14,508 |
| Transfer from intangible assets in progress | - | 15,447 | (15,447) | - | - | - | - |
| Acquisition through business combination | 5,036 | 109 | - | 911 | 7,683 | - | 8,704 |
| Sale and Disposal | - | (345) | - | - | - | (10) | (355) |
| Amortization | - | (9,217) | - | (16) | (2,913) | (717) | (12,864) |
| Impairment loss | (1,606) | (988) | (267) | - | - | - | (1,256) |
| Exchange differences on foreign currency translation | 32 | 74 | - | 9 | 407 | (30) | 461 |
| Other | - | 706 | 158 | - | (168) | 388 | 1,085 |
| Balance as of December 31, 2023 | 5,678 | 32,370 | 5,585 | 1,045 | 25,469 | 4,200 | 68,671 |
| Acquisition | - | 2,008 | 12,572 | - | - | 873 | 15,454 |
| Transfer from intangible assets in progress | - | 10,890 | (10,890) | - | - | - | - |
| Acquisition through business combination | 79,209 | - | - | 20,171 | 3,842 | - | 24,014 |
| Sale and Disposal | - | (415) | (47) | - | - | (34) | (497) |
| Amortization | - | (10,238) | - | (85) | (2,554) | (750) | (13,628) |
| Impairment loss | - | (56) | - | (128) | - | - | (184) |
| Exchange differences on foreign currency translation | 4,222 | 175 | - | 1,124 | 1,030 | (45) | 2,285 |
| Other | - | 1,004 | 296 | (0) | 64 | (383) | 981 |
| Balance as of December 31, 2024 | 89,110 | 35,739 | 7,517 | 22,127 | 27,852 | 3,859 | 97,096 |

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(Millions of yen)

| Cost | Goodwill | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | | Software | Software in progress | Trademarks | Customer-related assets | Other | Total |
| Balance as of December 31, 2023 | 10,643 | 78,805 | 5,853 | 2,255 | 74,607 | 13,629 | 175,151 |
| Balance as of December 31, 2024 | 94,462 | 89,912 | 7,517 | 23,551 | 79,548 | 14,072 | 214,603 |

(Millions of yen)

| Accumulated amortization and accumulated impairment loss | Goodwill | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | | Software | Software in progress | Trademarks | Customer-related assets | Other | Total |
| Balance as of December 31, 2023 | 4,964 | 46,435 | 267 | 1,209 | 49,138 | 9,429 | 106,480 |
| Balance as of December 31, 2024 | 5,351 | 54,173 | - | 1,424 | 51,695 | 10,213 | 117,507 |

(Note) 1 Amortization of intangible assets is included in the cost of sales and the selling, general and administrative expenses of the consolidated statements of income.

2 The amount of impairment loss on intangible assets is included in the other expenses of the consolidated statements of income. For details on impairment losses, please refer to Note 10. Property, Plant and Equipment (2) Impairment loss.

3 Commitments for the acquisition of intangible assets are presented in Note 37. Commitments.

4 In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

(Thousands of U.S. dollars)

| Carrying amount | Goodwill | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | | Software | Software in progress | Trademarks | Customer-related assets | Other | Total |
| Balance as of December 31, 2023 | 35,900 | 204,642 | 35,312 | 6,611 | 161,014 | 26,555 | 434,135 |
| Acquisition | - | 12,698 | 79,480 | - | - | 5,520 | 97,699 |
| Transfer from intangible assets in progress | - | 68,846 | (68,846) | - | - | - | - |
| Acquisition through business combination | 500,757 | - | - | 127,522 | 24,293 | - | 151,816 |
| Sale and Disposal | - | (2,626) | (299) | - | - | (220) | (3,146) |
| Amortization | - | (64,728) | - | (540) | (16,146) | (4,743) | (86,159) |
| Impairment loss | - | (354) | - | (814) | - | - | (1,168) |
| Exchange differences on foreign currency translation | 26,691 | 1,109 | - | 7,111 | 6,515 | (287) | 14,449 |
| Other | - | 6,351 | 1,876 | (2) | 406 | (2,423) | 6,207 |
| Balance as of December 31, 2024 | 563,349 | 225,939 | 47,522 | 139,888 | 176,083 | 24,399 | 613,833 |

(Thousands of U.S. dollars)

| Cost | Goodwill | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | | Software | Software in progress | Trademarks | Customer-related assets | Other | Total |
| Balance as of December 31, 2024 | 597,183 | 568,421 | 47,522 | 148,893 | 502,899 | 88,965 | 1,356,703 |

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(Thousands of U.S. dollars)

| Accumulated amortization and accumulated impairment loss | Goodwill | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | | Software | Software in progress | Trademarks | Customer-related assets | Other | Total |
| Balance as of December 31, 2024 | 33,834 | 342,481 | - | 9,005 | 326,816 | 64,566 | 742,869 |

(Note) 1 Amortization of intangible assets is included in the cost of sales and the selling, general and administrative expenses of the consolidated statements of income.

2 The amount of impairment loss on intangible assets is included in the other expenses of the consolidated statements of income. For details on impairment losses, please refer to Note 10. Property, Plant and Equipment (2) Impairment loss.

3 Commitments for the acquisition of intangible assets are presented in Note 37. Commitments.

4 In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

Goodwill arising from business combinations is allocated to the cash-generating unit or group thereof ("cash-generating unit") expected to benefit from the synergies of the business combination. The total amount for the current fiscal year includes goodwill of ¥4,953 million (US$31,314 thousand) for Tramo SA and ¥81,462 million (US$514,998 thousand) for cargo-partner. This goodwill is allocated to each segment of the logistics business that is expected to benefit from the synergies of the business combinations, with each benefiting segment identified as a cash-generating unit.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| (i) Europe (Logistics) | 4,719 | 83,814 | 529,864 |
| (ii) NX NP Logistics Co., Ltd. | - | - | - |
| (iii) Other | 959 | 5,295 | 33,474 |
| Total | 5,678 | 89,110 | 563,339 |

(2) Impairment test for goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment at a fixed time each year and whenever there is any indication of impairment.

a. Goodwill

When conducting impairment testing, the recoverable amount of the cash-generating unit to which goodwill has been allocated is estimated and the carrying amount is compared to the recoverable amount. The recoverable amount is the higher of the value in use or the fair value less costs to dispose. Value in use is calculated by discounting to present value projected future cash flows over a period of up to five years based on business plans and other relevant information that have been prepared to reflect prior experience and external information and approved by the management. Cash flow forecasts beyond this period are estimated based on the expected inflation rate of the market in which the cash-generating unit belongs, as well as other factors.

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(FY2023)

(ii) NX NP Logistics Co., Ltd.

The impairment loss for the previous fiscal year of ¥1,606 million represents the goodwill allocated to the consolidated subsidiary NX NP Logistics Co., Ltd. ("NPL"). The fair value less disposal costs was used as the recoverable amount in the annual impairment test for the cash-generating unit, including the goodwill of NPL. The Group recorded ¥5,102 million of impairment loss including goodwill. The recoverable amount at fair value was less than the carrying amount of assets including goodwill.

Although the company is planning various improvement measures due to the deteriorating business environment, the Company does not use the value in use based on estimates of future cash flows as the recoverable amount. Instead the Company uses the fair value calculated based on sales estimates and other factors because of the high uncertainty involved, especially with regard to selling volume and unit sales prices. The fair value hierarchy is classified as Level 3.

The carrying amounts of other goodwill are not likely to exceed recoverable amounts, even if reasonable changes should arise in the key assumptions used in impairment testing.

(FY2024)

(i) Europe (Logistics)

Goodwill in Europe (Logistics) is mainly goodwill arising from the acquisition of cargo-partner. The recoverable amount of a cash-generating unit is measured based on value in use. Value in use is calculated as the discounted present value of projected future cash flows based on business plans and other relevant information that have been prepared for the next five years for the cash-generating unit and includes terminal values. Future cash flows are estimated based on key assumptions regarding sales growth and profitability. Terminal values for the final year of the projection period are determined using the perpetuity growth rate, and the perpetuity growth rate and pre-tax discount rate used in the current fiscal year impairment test are 2.5% and 10.6%, respectively.

The carrying amounts of goodwill are not likely to exceed recoverable amounts, even if reasonable changes should arise in the key assumptions used in impairment testing.

b. Intangible assets with indefinite useful lives

When conducting impairment testing, the recoverable amount of the cash-generating unit is estimated and the carrying amount is compared to the recoverable amount. The recoverable amount is based on value in use, and is calculated by discounting to present value projected future cash flows over a period of up to five years based on, business plans and other relevant information that have been prepared to reflect prior experience and external information and approved by the management. Cash flow forecasts beyond this period are estimated based on the expected inflation rate of the market in which the cash-generating unit belongs, as well as other factors.

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(FY2024)

The main intangible assets with indefinite useful lives comprise the trademark rights of cargo-partner in the amount of ¥20,171 million (US$127,522 thousand). These intangible assets have been determined to have an indefinite useful life because the management plans to continue to legally use them for as long as the business continues to operate in the provision of services for the foreseeable future.

The recoverable amount of the intangible assets is measured based on value in use, with value in use calculated as the discounted present value of projected future cash flows based on business plans and other relevant information that have been prepared for the next five years for the cash-generating unit and includes terminal values. Future cash flows are estimated based on key assumptions regarding sales growth and profitability. Terminal values for the final year of the projection period are determined using the perpetuity growth rate, and the perpetuity growth rate and pre-tax discount rate used in the current fiscal year impairment test are 2.1% and 10.8%, respectively.

The carrying amounts of intangible assets with indefinite useful lives are not likely to exceed recoverable amounts, even if reasonable changes should arise in the key assumptions used in impairment testing.

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12. Leases

(Lessees)

As a lessee, the Group mainly leases real estate, such as offices and warehouses, in addition to vehicle and delivery equipment.

Extension and cancellation options are granted for certain lease contracts. In addition, leases do not impose any restrictions or covenants.

The amounts of variable lease payments and residual value guarantees are not material.

(1) Right-of-use assets

The carrying amount of right-of-use assets is comprised of the following.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Buildings and structures as underlying assets | 284,061 | 333,948 | 2,111,193 |
| Machinery and vehicles as underlying assets | 29,800 | 29,457 | 186,226 |
| Land as underlying assets | 24,074 | 18,522 | 117,099 |
| Other property, plant and equipment as underlying assets | 16,085 | 16,783 | 106,106 |
| Total | 354,021 | 398,712 | 2,520,625 |

The increase in right-of-use assets was ¥171,820 million in the previous fiscal year and ¥175,153 million (US$1,107,305 thousand) in the current fiscal year.

Depreciation and amortization of right-of-use assets is as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Buildings and structures as underlying assets | 76,532 | 99,498 | 629,020 |
| Machinery and vehicles as underlying assets | 8,874 | 9,800 | 61,954 |
| Land as underlying assets | 2,660 | 3,337 | 21,097 |
| Other property, plant and equipment as underlying assets | 3,930 | 5,236 | 33,107 |
| Total | 91,998 | 117,872 | 745,180 |

Expenses related to short-term leases accounted for by applying the recognition exemption amounted to ¥17,937 million for the previous fiscal year and ¥18,968 million (US$119,919 thousand) for the current fiscal year.

Expenses related to low-value leases accounted for by applying the recognition exemption amounted to ¥1,923 million for the previous fiscal year and ¥2,104 million (US$13,301 thousand) for the current fiscal year.

The amount of expenses related to variable lease payments not included in the measurement of lease liabilities was ¥867 million in the previous fiscal year and ¥21 million (US$135 thousand) in the current fiscal year.

The total cash outflow of leases was ¥136,127 million in the previous fiscal year and ¥158,132 million (US$999,700 thousand) in the current fiscal year.

There were no gains or losses from sale and leaseback transactions recorded arising in the previous fiscal year nor the current fiscal year.

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Revenue from subleases of right-of-use assets amounted to ¥6,649 million and ¥9,766 million (US$61,739 thousand) for the previous and current fiscal years, respectively, are included in revenue in the consolidated statements of income and is presented in Note 26. Revenue.

(2) Lease liabilities

Lease liabilities are comprised of the following.

| | Lease liabilities | |
|---|---|---|
| | Balance | Interest cost |
| FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | 416,626 | 2,407 |
| FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | 469,843 | 4,578 |
| FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) | 2,970,308 | 28,945 |

(Lessor)

(1) Finance leases

a. Finance income on the net investment in the lease

Finance income on net investment in the lease is as follows

Lease receivables are included in trade and other receivables.

| | FY2023<br>(January 1, 2023 to December 31, 2023)<br>(Millions of yen) | FY2024<br>(January 1, 2024 to December 31, 2024)<br>(Millions of yen) | FY2024<br>(January 1, 2024 to December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Finance income on the net investment in the lease | 1,911 | 2,159 | 13,651 |

As a lessor, the Company has entered into finance leases with carriers for specific warehouses and real estate.

The average term of finance lease contracts is five years. These lease contracts typically do not include extension or early termination options.

Residual value risk associated with leased equipment is not material as there is a secondary market for the sale of such equipment.

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b. Total undiscounted lease payments by fiscal year

The following is a maturity analysis of lease receivables under finance leases held by the Company.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Undiscounted lease payments | | | |
| Within 1 year | 13,880 | 15,633 | 98,835 |
| Due between 1 and 2 years | 10,479 | 11,569 | 73,142 |
| Due between 2 and 3 years | 7,288 | 9,429 | 59,612 |
| Due between 3 and 4 years | 5,840 | 7,713 | 48,762 |
| Due between 4 and 5 years | 4,335 | 5,945 | 37,583 |
| Over 5 years | 12,250 | 14,043 | 88,782 |
| Total | 54,075 | 64,334 | 406,718 |
| Unguaranteed residual value | 606 | 256 | 1,623 |
| Less: Future Finance income claims | (4,191) | (7,030) | (44,444) |
| Net lease investments in the lease | 50,489 | 57,561 | 363,897 |

The unguaranteed residual value relates to real estate located in areas that have continuously increased in value over the most recent eight-year period. It does not pose a significant risk to the Group. In addition, the Company has not identified any indications that this will change.

(2) Operating leases

The following is a maturity analysis of lease receivables under operating leases held by the Group.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Undiscounted lease payments | | | |
| Within 1 year | 25,020 | 26,933 | 170,271 |
| Due between 1 and 2 years | 15,331 | 18,144 | 114,710 |
| Due between 2 and 3 years | 13,040 | 15,198 | 96,083 |
| Due between 3 and 4 years | 11,669 | 13,026 | 82,351 |
| Due between 4 and 5 years | 10,290 | 11,437 | 72,309 |
| Over 5 years | 275,763 | 295,844 | 1,870,305 |
| Total | 351,116 | 380,586 | 2,406,031 |

Lease payments received are included in the revenue of the consolidated statements of income and is presented in Note 26. Revenue.

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13. Investment Property

(1) Changes in investment property

The following table provides a breakdown of the cost, accumulated depreciation and accumulated impairment loss, and carrying amount of investment properties.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Cost | 133,494 | 139,803 | 883,826 |
| Accumulated depreciation and accumulated impairment loss | (64,964) | (72,867) | (460,663) |
| Carrying amount | 68,529 | 66,935 | 423,162 |

Changes in investment properties during the period are as follows.

| Carrying amount | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Balance at beginning of year | 70,759 | 68,529 | 433,240 |
| Acquisition | 465 | 581 | 3,673 |
| Acquisition through business combination | - | 20 | 126 |
| Transfer | 5,080 | 6,595 | 41,695 |
| Depreciation and amortization | (6,436) | (8,011) | (50,646) |
| Disposals | (1,359) | (808) | (5,110) |
| Exchange differences on translation of foreign operations | - | 12 | 80 |
| Other | 20 | 16 | 102 |
| Balance at end of the year | 68,529 | 66,935 | 423,162 |

Transfers are mainly to and from inventories and self-use real estate.

(2) Fair value

The fair values of investment properties are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Fair value | 258,644 | 283,307 | 1,791,047 |

Fair values of primary investment properties are based on real estate evaluations conducted by independent real estate appraisers.

The fair value hierarchy of investment properties in each fiscal year is Level 3.

The fair value hierarchy is presented in Note 34. Financial Instruments.

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(3) Investment property revenues and expenses

Rental revenues from investment properties and their associated direct operating expenses are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Rental revenue | 21,918 | 23,473 | 148,397 |
| Direct operating expenses arising from investment properties that generated rental revenue | 10,270 | 11,932 | 75,434 |
| Direct operating expenses arising from investment properties that did not generate rental revenue | 19 | 18 | 115 |

Rental revenue is included under the revenue of the consolidated statements of income and is presented in Note 26. Revenue. Direct operating expenses are direct costs incurred in conjunction with rental revenues and are included in the cost of sales and the selling, general and administrative expenses of the consolidated statements of income.

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14. Investments Accounted for Using Equity Method

(1) Significant affiliates

The significant affiliate of the Group is NX TC Lease & Finance Co., Ltd. ("NX TC Lease & Finance"), whose closing date is December 31.

NX TC Lease & Finance engages in the leasing of electrical, electronic, telecommunications, and precision equipment, as well as other related businesses. The principal business location of NX TC Lease & Finance is the head office (34F, Shiodome City Center,1-5-2 Higashi-shinbashi, Minato-ku, Tokyo).

Adjustments to both the summarized financial information of NX TC Lease & Finance and the carrying amounts of interest of the Group are as follows.

| | FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Current assets | 177,327 | 189,837 | 1,200,137 |
| Non-current assets | 19,816 | 22,039 | 139,334 |
| Current liabilities | 88,480 | 97,726 | 617,819 |
| Non-current labilities | 66,270 | 70,217 | 443,911 |
| Total equity | 42,393 | 43,933 | 277,741 |
| Percentage of ownership | 49.00% | 49.00% | 49.00% |
| Group's share of total equity | 20,772 | 21,527 | 136,093 |
| Consolidation adjustments | - | - | - |
| Carrying amount of equity interest | 20,772 | 21,527 | 136,093 |

| | FY2023<br>(January 1, 2023 to December 31, 2023)<br>(Millions of yen) | FY2024<br>(January 1, 2024 to December 31, 2024)<br>(Millions of yen) | FY2024<br>(January 1, 2024 to December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Revenue | 74,439 | 78,208 | 494,426 |
| Profit for the year | 2,810 | 2,953 | 18,674 |
| Other comprehensive income | - | - | - |
| Group's share: | 49.00% | 49.00% | 49.00% |
| Profit for the year | 1,377 | 1,447 | 9,150 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | 1,377 | 1,447 | 9,150 |
| Dividends received by the Group | 5 | 701 | 4,435 |

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(2) Individually immaterial affiliates and jointly controlled entities

Carrying amounts of investments in individually immaterial affiliates and jointly controlled entities are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Carrying amounts of investments in affiliates | 20,939 | 19,431 | 122,845 |
| Carrying amounts of investments in jointly controlled entities | 472 | 474 | 3,001 |

The sum of the Company's share of interests in profit and other comprehensive income arising from the individually immaterial affiliates and jointly controlled entities is as follows.

The amounts shown are those after taking Group ownership ratios into account.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Financial information on affiliated companies | | | |
| Profit for the year | 412 | 670 | 4,236 |
| Other comprehensive income | 1,799 | (370) | (2,340) |
| Comprehensive income for the year | 2,212 | 299 | 1,896 |
| Financial information on jointly controlled entities | | | |
| Profit for the year | (3) | (20) | (129) |
| Other comprehensive income | 241 | 6 | 38 |
| Comprehensive income for the year | 237 | (14) | (90) |
| Total | | | |
| Profit for the year | 409 | 649 | 4,106 |
| Other comprehensive income | 2,041 | (364) | (2,301) |
| Comprehensive income for the year | 2,450 | 285 | 1,805 |

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15. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities by major classification and their changes are as follows.

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Balance as of January 1, 2023 | Recognized as profit or loss | Recognized as other comprehensive income | Acquisition through business combination | Other (Note) | Balance as of December 31, 2023 |
|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | |
| Retirement benefit liability | 53,612 | (88) | (2,651) | - | 40 | 50,913 |
| Lease obligations | 102,579 | 13,251 | - | - | 1,663 | 117,494 |
| Accrued bonus | 5,024 | (352) | - | - | 3 | 4,675 |
| Accrued paid leave | 7,969 | (2,437) | - | - | 5 | 5,537 |
| Excess depreciation, etc. | 12,213 | (1,282) | - | - | 7 | 10,938 |
| Asset retirement obligations | 4,557 | 215 | - | - | - | 4,773 |
| Unrealized profit | 3,456 | (771) | - | - | - | 2,684 |
| Accrued enterprise tax | 2,588 | (2,003) | - | - | - | 585 |
| Tax loss carryforwards | 477 | 949 | - | - | (12) | 1,415 |
| Other | 15,831 | 465 | (31) | - | (597) | 15,667 |
| Total | 208,312 | 7,945 | (2,682) | - | 1,109 | 214,685 |
| Deferred tax liabilities | | | | | | |
| Net change in financial assets measured at fair value through other comprehensive income | (20,098) | - | 2,009 | - | - | (18,088) |
| Gain on contribution of securities to retirement benefit trust | (18,171) | - | - | - | - | (18,171) |
| Reserve for tax purpose reduction entry of non-current assets | (19,507) | 97 | - | - | - | (19,409) |
| Valuation difference on capital consolidation | (6,040) | 845 | - | (2,135) | (113) | (7,444) |
| Right-of-use assets | (101,802) | (14,639) | - | - | (1,714) | (118,156) |
| Tax effect of retained earnings of subsidiaries and affiliates | (9,392) | (729) | - | - | (396) | (10,518) |
| Property, plant and equipment and intangible assets | (5,936) | (541) | - | - | (19) | (6,497) |
| Other | (5,118) | (2,911) | 32 | - | (106) | (8,104) |
| Total | (186,067) | (17,879) | 2,041 | (2,135) | (2,350) | (206,391) |
| Deferred tax assets (liabilities) -net | 22,244 | (9,933) | (641) | (2,135) | (1,241) | 8,294 |

(Note) Other includes exchange differences on translation of foreign operations.

In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

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FY2024 (January 1, 2024 to December 31, 2024)

(Millions of yen)

| | Balance as of January 1, 2024 | Recognized as profit or loss | Recognized as other comprehensive income | Acquisition through business combination | Other (Note) | Balance as of December 31, 2024 |
|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | |
| Retirement benefit liability | 50,913 | (379) | (8,980) | 77 | 15 | 41,647 |
| Lease obligations | 117,494 | 6,305 | - | 4,702 | 1,974 | 130,477 |
| Accrued bonus | 4,675 | (1,153) | - | 468 | 0 | 3,991 |
| Accrued paid leave | 5,537 | (358) | - | 441 | 0 | 5,620 |
| Excess depreciation, etc. | 10,938 | 1,201 | - | - | (0) | 12,140 |
| Asset retirement obligations | 4,773 | (398) | - | - | - | 4,374 |
| Unrealized profit | 2,684 | (16) | - | - | - | 2,668 |
| Accrued enterprise tax | 585 | 434 | - | - | - | 1,019 |
| Tax loss carryforwards | 1,415 | (859) | - | 549 | 10 | 1,115 |
| Other | 15,667 | 665 | 9 | 241 | (136) | 16,447 |
| Total | 214,685 | 5,441 | (8,971) | 6,482 | 1,864 | 219,501 |
| Deferred tax liabilities | | | | | | |
| Net change in financial assets measured at fair value through other comprehensive income | (18,088) | - | 3,275 | - | - | (14,813) |
| Gain on contribution of securities to retirement benefit trust | (18,171) | 1,775 | - | - | - | (16,396) |
| Reserve for tax purpose reduction entry of non-current assets | (19,409) | 2,705 | - | - | - | (16,704) |
| Valuation difference on capital consolidation | (7,444) | 441 | - | (4,982) | (509) | (12,495) |
| Right-of-use assets | (118,156) | (5,666) | - | (4,541) | (1,883) | (130,247) |
| Tax effect of retained earnings of subsidiaries and affiliates | (10,518) | (648) | - | - | (44) | (11,210) |
| Property, plant and equipment and intangible assets | (6,497) | (262) | - | - | (81) | (6,841) |
| Other | (8,104) | (13) | - | (475) | (145) | (8,738) |
| Total | (206,391) | (1,668) | 3,275 | (9,999) | (2,664) | (217,447) |
| Deferred tax assets (liabilities) -net | 8,294 | 3,773 | (5,695) | (3,517) | (800) | 2,053 |

(Note) Other includes exchange differences on translation of foreign operations.

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FY2024 (January 1, 2024 to December 31, 2024)

(Thousands of U.S. dollars)

| | Balance as of January 1, 2024 | Recognized as profit or loss | Recognized as other comprehensive income | Acquisition through business combination | Other (Note) | Balance as of December 31, 2024 |
|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | |
| Retirement benefit liability | 321,871 | (2,398) | (56,772) | 493 | 96 | 263,289 |
| Lease obligations | 742,789 | 39,865 | - | 29,730 | 12,482 | 824,868 |
| Accrued bonus | 29,561 | (7,291) | - | 2,963 | 1 | 25,234 |
| Accrued paid leave | 35,006 | (2,266) | - | 2,791 | 1 | 35,533 |
| Excess depreciation, etc. | 69,151 | 7,598 | - | - | (2) | 76,748 |
| Asset retirement obligations | 30,174 | (2,519) | - | - | - | 27,654 |
| Unrealized profit | 16,974 | (107) | - | - | - | 16,866 |
| Accrued enterprise tax | 3,698 | 2,747 | - | - | - | 6,445 |
| Tax loss carryforwards | 8,946 | (5,434) | - | 3,473 | 65 | 7,050 |
| Other | 99,046 | 4,205 | 57 | 1,527 | (860) | 103,977 |
| Total | 1,357,221 | 34,398 | (56,715) | 40,979 | 11,784 | 1,387,668 |
| Deferred tax liabilities | | | | | | |
| Net change in financial assets measured at fair value through other comprehensive income | (114,353) | - | 20,706 | - | - | (93,646) |
| Gain on contribution of securities to retirement benefit trust | (114,880) | 11,222 | - | - | - | (103,658) |
| Reserve for tax purpose reduction entry of non-current assets | (122,705) | 17,103 | - | - | - | (105,602) |
| Valuation difference on capital consolidation | (47,061) | 2,790 | - | (31,499) | (3,222) | (78,993) |
| Right-of-use assets | (746,974) | (35,823) | - | (28,711) | (11,907) | (823,416) |
| Tax effect of retained earnings of subsidiaries and affiliates | (66,498) | (4,097) | - | - | (279) | (70,874) |
| Property, plant and equipment and intangible assets | (41,079) | (1,656) | - | - | (513) | (43,250) |
| Other | (51,234) | (83) | - | (3,003) | (921) | (55,242) |
| Total | (1,304,786) | (10,545) | 20,706 | (63,214) | (16,844) | (1,374,684) |
| Deferred tax assets (liabilities) -net | 52,435 | 23,853 | (36,009) | (22,234) | (5,059) | 12,984 |

(Note) Other includes exchange differences on translation of foreign operations.

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(2) Unrecognized deferred tax assets

Deductible temporary differences and tax loss carryforwards for which deferred tax assets are not recognized are as follows:

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Deductible temporary differences | 38,916 | 31,417 | 198,619 |
| Tax loss carryforwards | 2,513 | 14,237 | 90,006 |
| Total | 41,430 | 45,654 | 288,626 |

Tax loss carryforwards for which deferred tax assets are not recognized are as follows, listed by expiration date.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| First year | 148 | 430 | 2,719 |
| Second year | 168 | 97 | 613 |
| Third year | 268 | 272 | 1,725 |
| Fourth year | 282 | 330 | 2,088 |
| Fifth year and beyond | 1,645 | 13,106 | 82,859 |
| Total (tax loss carryforwards) | 2,513 | 14,237 | 90,006 |

(3) Taxable temporary differences for investments in subsidiaries for which deferred tax liabilities are not recognized

Taxable temporary differences for investments in subsidiaries for which deferred tax liabilities are not recognized were ¥51,888 million and ¥83,887 million (US$530,330 thousand) as of the end of the previous and current fiscal years, respectively. Deferred tax liabilities for these temporary differences are not recognized as the Group controls the time of reversal of the temporary differences and it is probable that the temporary differences will not reverse within a foreseeable future.

(4) Income tax expenses

Income tax expenses are comprised of the following.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Income tax expense | | | |
| Current fiscal year | 16,162 | 22,658 | 143,242 |
| Total | 16,162 | 22,658 | 143,242 |
| Deferred income tax expense | | | |
| Origination and reversal of temporary differences, etc. | 6,339 | (5,065) | (32,026) |
| Changes in unrecognized deferred tax assets | 3,594 | 1,292 | 8,173 |
| Total | 9,933 | (3,773) | (23,853) |
| Total income tax expense | 26,096 | 18,885 | 119,389 |

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(5) Reconciliation of effective tax rates

The Group is mainly subject to corporate, inhabitant, and enterprise taxes. The statutory tax rate based on these taxes is 30.6% for the current fiscal year. Overseas subsidiaries are subject to local corporate income taxes in their respective jurisdictions.

Major items that caused differences in statutory tax rates and the actual tax rates are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) | FY2024 (January 1, 2024 to December 31, 2024) |
|---|---|---|
| Statutory effective tax rate | 30.60% | 30.60% |
| Permanently nondeductible expenses | 2.44 | 3.84 |
| Permanently nontaxable income | (0.54) | (1.74) |
| Increase (decrease) in unrecognized deferred tax assets | 5.87 | 2.49 |
| Difference in tax rates of overseas subsidiaries | (2.53) | (2.45) |
| Goodwill impairment | 0.80 | - |
| Share of profit (loss) of investments accounted for using equity method | (0.89) | (1.10) |
| Difference in tax rates of changes in profit or loss of loss-making companies | 0.61 | 1.69 |
| Tax effect on investments in subsidiaries and affiliates | 3.41 | 3.88 |
| Other | 2.86 | (0.81) |
| Average actual tax rate | 42.63% | 36.40% |

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16. Other Financial Assets

(1) Other financial assets

Other financial assets are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Stock (Note 1) | 77,631 | 67,899 | 429,257 |
| Loans (Note 2) | 381 | 511 | 3,232 |
| Investments (Note 1) | 3,036 | 3,018 | 19,082 |
| Accounts receivable-other (Note 2) | 12,689 | 15,160 | 95,845 |
| Guarantee deposits (Note 2) | 29,003 | 29,946 | 189,316 |
| Time deposits with maturities over three months (Note 2) | 12,587 | 6,718 | 42,472 |
| Derivative assets (Note 3) | 42 | 16 | 103 |
| Other (Note 5) | 67,351 | 86,413 | 546,300 |
| Allowance for doubtful accounts (Note 4) | (1,075) | (1,241) | (7,846) |
| Total | 201,649 | 208,444 | 1,317,765 |
| Current assets | 88,375 | 100,670 | 636,429 |
| Non-current assets | 113,273 | 107,773 | 681,335 |
| Total | 201,649 | 208,444 | 1,317,765 |

(Note) 1 Shares and investments are mainly classified as equity instruments measured at fair value through other comprehensive income.

2 Loans receivable, accounts receivable-other, guarantee deposits, and time deposits with maturities exceeding three months, are classified as financial assets measured at amortized cost.

3 Derivative assets are classified as financial assets measured at fair value through profit or loss, except those for which hedge accounting is applied.

4 In the consolidated statements of financial position, the amounts are presented after the deduction of allowance for doubtful accounts.

5 In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

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(2) Financial assets measured at fair value through other comprehensive income

Among equity instruments held by the Company and certain consolidated subsidiaries, investments held primarily to maintain and enhance business relationships are classified as equity instruments at fair value through other comprehensive income. These financial assets are mainly ordinary shares and their fair values are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| With active market | 48,594 | 35,621 | 225,194 |
| Without active market | 27,451 | 30,600 | 193,453 |
| Total | 76,046 | 66,221 | 418,647 |

Main stocks and fair values of other investments with active markets are as follows.

| Holding | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Canon | 6,131 | 8,741 | 55,264 |
| Oriental Land | 4,200 | 2,737 | 17,306 |
| Nisshin Seifun Group | 2,327 | 2,257 | 14,273 |
| Seino Holdings. | 1,849 | 2,053 | 12,979 |
| ANA Holdings | 2,086 | 1,954 | 12,354 |
| Japan Tobacco | 1,698 | 1,901 | 12,019 |
| Olympus | 1,632 | 1,896 | 11,988 |
| Tokyo Ohka Kogyo | 1,499 | 1,702 | 10,761 |
| ADEKA | 1,433 | 1,415 | 8,946 |
| Suruga Bank | 737 | 1,067 | 6,747 |
| Yamato Holdings | 1,401 | 953 | 6,030 |
| Honda Motor | 845 | 893 | 5,647 |
| MinebeaMitsumi | 944 | 837 | 5,295 |
| Casio Computer | 743 | 796 | 5,036 |
| Taiwan Delivery Service | 842 | 778 | 4,923 |
| Nippon Beet Sugar Manufacturing | 625 | 778 | 4,922 |
| Yakult Honsha | 733 | 691 | 4,374 |
| The San-in Godo Bank | 497 | 634 | 4,008 |
| Lion | 663 | 446 | 2,824 |
| Sompo Holdings | 11,365 | - | - |
| The 77 Bank | 1,479 | - | - |
| Kajima Corporation | 1,432 | - | - |

(Note) Stocks are held mainly to maintain cooperative relationships with business partners and are therefore designated as equity instruments measured at fair value through other comprehensive income.

Equity instruments without an active market, which are measured at fair value through other comprehensive income, consist mainly of stock held in JFE Logistics as well as other logistics-related stocks. The total fair value of these stocks at the end of the previous and current fiscal years was ¥25,122 million and ¥27,270 million (US$172,401 thousand) respectively. The fair value of stock held in JFE Logistics, the principal stock held, at the end of the previous and current fiscal years was ¥5,861 million and ¥6,833 million (US$43,202 thousand), respectively.

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(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Group sells (or derecognizes) financial assets measured at fair value through other comprehensive income mainly due to reconsiderations regarding business relationships.

Fair values at the time of sale and the cumulative gain or loss recognized as other comprehensive income in equity are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Fair value | 25,096 | 20,831 | 131,696 |
| The cumulative gain or loss recognized as other comprehensive income in equity (before tax) | 22,496 | 19,570 | 123,725 |

(Note) Cumulative gains and losses recognized as other comprehensive income in equity are transferred to retained earnings when sold or when the fair value declines significantly. Transfers to retained earnings reflect amounts after tax.

17. Other Assets

Other assets are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Advance payments - trade | 10,968 | 13,303 | 84,105 |
| Prepaid expenses | 17,783 | 20,025 | 126,600 |
| Long-term prepaid expenses | 2,657 | 2,790 | 17,643 |
| Net retirement benefit asset | 3,535 | 5,212 | 32,955 |
| Other (Note) | 9,434 | 11,296 | 71,415 |
| Total | 44,380 | 52,629 | 332,719 |
| Current assets | 36,941 | 43,960 | 277,913 |
| Non-current assets | 7,438 | 8,669 | 54,806 |
| Total | 44,380 | 52,629 | 332,719 |

(Note) Other consists mostly of prepaid income taxes.

18. Trade and Other Payables

Trade and other payables are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Accounts payable - trade | 174,371 | 226,989 | 1,435,005 |
| Notes payable – trade | 6,441 | 4,299 | 27,178 |
| Accounts payable – other | 33,231 | 37,135 | 234,768 |
| Total | 214,044 | 268,423 | 1,696,952 |

(Note) Trade and other payables are classified as financial liabilities measured at amortized cost.

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19. Other Liabilities

Other liabilities are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Accrued consumption taxes | 9,020 | 8,643 | 54,646 |
| Unused paid leave | 21,441 | 23,061 | 145,794 |
| Accrued expenses | 25,919 | 25,281 | 159,828 |
| Advances received (Note) | 18,697 | 21,955 | 138,799 |
| Accrued bonus | 16,755 | 21,835 | 138,042 |
| Other | 16,791 | 17,913 | 113,248 |
| Total | 108,625 | 118,691 | 750,358 |
| Current liabilities | 101,100 | 110,615 | 699,303 |
| Non-current labilities | 7,524 | 8,075 | 51,055 |
| Total | 108,625 | 118,691 | 750,358 |

(Note) The advances received above include contract liabilities, advances received for the rent of warehouses, and advances received for advance payments of customs duties.

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20. Bonds and Borrowings

(1) Bonds and borrowings

Bonds and borrowings are comprised of the following. Bonds and borrowings are financial liabilities measured at amortized cost.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) | Average interest rate (%) (Note 1) | Due date |
|---|---|---|---|---|---|
| Short-term loans payable | 36,022 | 42,570 | 269,124 | 0.653 | - |
| Commercial paper | 15,000 | 25,000 | 158,047 | 0.193 | - |
| Current portion of long-term loans payable | 10,760 | 38,683 | 244,553 | 0.315 | - |
| Current portion of bonds payable (Note 2) | - | 29,991 | 189,601 | 0.160 | - |
| Bonds payable (Note 2) | 129,753 | 99,821 | 631,062 | 0.455 | Final payment date 2036 |
| Long-term loans payable | 126,221 | 90,019 | 569,092 | 0.540 | Final payment date 2036 |
| Total | 317,757 | 326,085 | 2,061,482 | | |
| Current liabilities | 61,782 | 136,244 | 861,327 | | |
| Non-current labilities | 255,975 | 189,840 | 1,200,155 | | |
| Total | 317,757 | 326,085 | 2,061,482 | | |

(Note) 1 The average interest rate is the weighted average interest rate for balances outstanding at the end of each fiscal year.

2 Bonds payable is comprised of the following.

| Company name | Holding | Date issued | Redemption deadline | Interest rate (%) | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|---|
| Nippon Express Holdings, Inc. | 9th series unsecured bonds | February 25, 2016 | February 25, 2026 | 0.28 | 9,990 | 9,994 | 63,186 |
| Nippon Express Holdings, Inc. | 11th series unsecured bonds | July 14, 2016 | July 14, 2026 | 0.20 | 29,970 | 29,982 | 189,544 |
| Nippon Express Holdings, Inc. | 12th series unsecured bonds | July 14, 2016 | July 14, 2036 | 0.70 | 19,930 | 19,935 | 126,030 |
| Nippon Express Holdings, Inc. | 13th series unsecured bonds | June 16, 2020 | June 16, 2025 | 0.16 | 29,973 | 29,991 | 189,601 |
| Nippon Express Holdings, Inc. | 14th series unsecured bonds | June 16, 2020 | June 16, 2027 | 0.28 | 19,963 | 19,973 | 126,271 |
| Nippon Express Holdings, Inc. | 1st series unsecured bonds | December 13, 2023 | December 13, 2028 | 0.55 | 9,966 | 9,973 | 63,048 |
| Nippon Express Holdings, Inc. | 2nd series unsecured bonds | December 13, 2023 | December 13, 2033 | 1.16 | 9,958 | 9,962 | 62,980 |
| Total | - | - | - | - | 129,753 | 129,812 | 820,664 |

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(2) Assets pledged as collateral for liabilities

a. Assets pledged as collateral

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Time deposits | 10 | - | - |
| Land | 960 | 960 | 6,073 |
| Buildings | 406 | 379 | 2,400 |
| Total | 1,376 | 1,340 | 8,474 |

b. Secured debt

Security interests may be exercised in the event of a breach of financial covenants or default on the loan agreement.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Short-term loans payable | 36 | 36 | 231 |
| Long-term loans payable | 201 | 165 | 1,043 |
| Other | 7 | - | - |
| Total | 245 | 201 | 1,275 |

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21. Provisions

Provisions and changes in provisions are as follows.

(Millions of yen)

| | Asset retirement obligations (Note) | Other | Total |
|---|---|---|---|
| Balance as of January 1, 2023 | 15,819 | 3,854 | 19,673 |
| Increase during the period | 942 | 16,373 | 17,315 |
| Decrease during the period (intended use) | (795) | (15,633) | (16,428) |
| Decrease during the period (reversal) | - | (176) | (176) |
| Increase during the period due to passage of time | 97 | 14 | 112 |
| Impact of change in discount rate | 0 | - | 0 |
| Foreign currency translation differences | 20 | 742 | 763 |
| Increase (decrease) by business combination | - | - | - |
| Other | 1 | (8) | (7) |
| Balance as of December 31, 2023 | 16,086 | 5,166 | 21,252 |
| Increase during the period | 1,657 | 27,167 | 28,825 |
| Decrease during the period (intended use) | (678) | (24,495) | (25,173) |
| Decrease during the period (reversal) | (48) | (464) | (513) |
| Increase during the period due to passage of time | 128 | - | 128 |
| Impact of change in discount rate | - | - | - |
| Foreign currency translation differences | 110 | 418 | 529 |
| Increase (decrease) by business combination | 517 | 2,627 | 3,144 |
| Other | 0 | 1 | 2 |
| Balance as of December 31, 2024 | 17,772 | 10,422 | 28,195 |

(Thousands of U.S. dollars)

| | Asset retirement obligations (Note) | Other | Total |
|---|---|---|---|
| Balance as of December 31, 2023 | 101,695 | 32,663 | 134,358 |
| Increase during the period | 10,476 | 171,752 | 182,229 |
| Decrease during the period (intended use) | (4,291) | (154,855) | (159,147) |
| Decrease during the period (reversal) | (309) | (2,936) | (3,245) |
| Increase during the period due to passage of time | 813 | - | 813 |
| Impact of change in discount rate | - | - | - |
| Foreign currency translation differences | 700 | 2,645 | 3,345 |
| Increase (decrease) by business combination | 3,269 | 16,610 | 19,880 |
| Other | 1 | 11 | 12 |
| Balance as of December 31, 2024 | 112,356 | 65,890 | 178,247 |

The breakdown of provisions in the consolidated statement of financial position is as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Current liabilities | 10,419 | 12,381 | 78,271 |
| Non-current labilities | 10,832 | 15,814 | 99,975 |
| Total | 21,252 | 28,195 | 178,247 |

(Note) Asset retirement obligations mainly relate to restoration obligations for distribution centers and the removal of hazardous substances associated with fixed assets. The projected timing of economic benefit outflow is primarily expected to be one year after the end of each fiscal year. However, estimates of these amounts and outflow periods are affected by future business plans and other factors.

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22. Employee Benefits

(1) Post-employment benefits

a. Overview of retirement benefit plans

The Company and domestic consolidated subsidiaries have established both funded and unfunded defined-benefit and defined-contribution retirement plans.

Under defined-benefit pension plans (all of which are funded plans), lump-sum payments or pension payments are provided according to individual pay grade and period of service.

Certain domestic consolidated subsidiaries participate in a corporate pension fund under a multi-employer system.

Under retirement lump-sum payment plans (classified as unfunded plans, although some are funded due to the application of a retirement benefit trust), retirement benefits in the form of lump-sum payments are provided according to individual pay grade and period of service.

b. Defined-benefit retirement plans

(i) Reconciliation of defined benefit plan obligations and plan assets

The relationship between the defined benefit plan obligations and plan assets and the net defined benefit liabilities and assets recognized in the consolidated statement of financial position is as follows.

| | FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Present value of funded defined benefit plan obligations | 172,674 | 162,334 | 1,026,261 |
| Fair value of plan assets | 105,144 | 120,164 | 759,669 |
| Subtotal | 67,529 | 42,169 | 266,591 |
| Impact of asset sealing | 1,169 | 2,103 | 13,298 |
| Present value of unfunded defined benefit plan obligations | 21,629 | 18,611 | 117,657 |
| Net defined benefit plan obligations and plan assets | 90,329 | 62,884 | 397,547 |
| Amount on consolidated statement of financial position | | | |
| Retirement benefit liability | 93,864 | 68,096 | 430,503 |
| Net retirement benefit asset | 3,535 | 5,212 | 32,955 |
| Net defined benefit plan obligations and plan assets recognized in the consolidated statement of financial position | 90,329 | 62,884 | 397,547 |

(Note) Retirement benefit assets are included in the other non-current assets of the consolidated statement of financial position.

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(ii) Changes in the present value of defined benefit plan obligations

Changes in the present value of defined benefit plan obligations are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Beginning balance of present value of defined benefit plan obligations | 193,431 | 194,303 | 1,228,372 |
| Service cost | 6,269 | 5,665 | 35,817 |
| Interest cost | 2,892 | 3,317 | 20,971 |
| Remeasurement (actuarial gains and losses resulting from changes in demographic assumptions) | 296 | 58 | 368 |
| Remeasurement (actuarial gains and losses resulting from changes in financial assumptions) | (402) | (10,903) | (68,931) |
| Remeasurement (experience adjustments) | (2,106) | 60 | 382 |
| Past service cost | - | 279 | 1,767 |
| Benefits paid | (6,888) | (11,633) | (73,545) |
| Business combinations | 87 | 782 | 4,945 |
| Foreign currency translation differences | 1,954 | 1,296 | 8,198 |
| Other | (1,230) | (2,282) | (14,427) |
| Ending balance of present value of defined benefit plan obligations | 194,303 | 180,945 | 1,143,919 |

(iii) Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Beginning balance of fair value of plan assets | 90,921 | 105,144 | 664,712 |
| Interest income | 1,896 | 2,234 | 14,127 |
| Remeasurement (return on plan assets) | 11,592 | 18,995 | 120,089 |
| Contributions from employer | 920 | 895 | 5,663 |
| Benefits paid | (1,596) | (9,402) | (59,442) |
| Business combinations | - | - | |
| Foreign currency translation differences | 1,467 | 2,348 | 14,846 |
| Other | (58) | (51) | (327) |
| Ending balance of fair value of plan assets | 105,144 | 120,164 | 759,669 |

(Note) The amount of expected contribution to the plan assets from employers for the one-year period from January 1, 2025 to December 31, 2025 is ¥1,515 million (US$9,582 thousand).

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(iv) Major breakdown of plan assets

Major types of plan assets are as follows.

| Asset classification | FY2023 (As of December 31, 2023) (Millions of yen) | | | FY2024 (As of December 31, 2024) (Millions of yen) | | | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Assets with quoted market prices in an active market | Assets without quoted market prices in an active market | Total | Assets with quoted market prices in an active market | Assets without quoted market prices in an active market | Total | Assets with quoted market prices in an active market | Assets without quoted market prices in an active market | Total |
| Bonds | 6,609 | 8,138 | 14,748 | 7,623 | 17,780 | 25,404 | 48,197 | 112,404 | 160,601 |
| Stock | 68,388 | 10,442 | 78,831 | 76,796 | 2,651 | 79,447 | 485,499 | 16,760 | 502,260 |
| Cash and cash equivalents | 3,392 | 84 | 3,476 | 5,644 | 61 | 5,705 | 35,682 | 386 | 36,069 |
| Other | 3,098 | 4,988 | 8,087 | 4,601 | 5,006 | 9,607 | 29,088 | 31,649 | 60,738 |
| Total | 81,489 | 23,654 | 105,144 | 94,665 | 25,498 | 120,164 | 598,467 | 161,202 | 759,669 |

(Note) Assets with quoted market prices in an active market consist primarily of domestic stocks and bonds, while those without quoted market prices in an active market consist primarily of foreign stocks and bonds.
*Other primarily includes alternative investment, such as funds investment.*

(v) Actuarial assumptions

Significant actuarial assumptions are as follows.

(%)

| | FY2023 (December 31, 2023) | FY2024 (December 31, 2024) |
|---|---|---|
| Discount rate | 1.4 | 1.8 |

(vi) Sensitivity analysis

The following is a sensitivity analysis of the defined benefit plan obligations to weighted average changes in key assumptions.

In this analysis, one assumption is varied while all other assumptions remain constant. These assumptions are unlikely to occur independently. Changes in multiple assumptions may occur in conjunction with each other.

| | Impact of defined benefit plan obligations | | |
|---|---|---|---|
| | FY2023 (As of December 31, 2023) | FY2024 (As of December 31, 2024) | FY2024 (As of December 31, 2024) |
| Discount rate increased by 0.5% | Decrease of ¥7,448 million | Decrease of ¥6,206 million | Decrease of US$39,239 thousand |
| Discount rate decreased by 0.5% | Increase in ¥9,852 million | Increase in ¥9,343 million | Increase in US$59,070 thousand |

(vii) Maturity analysis of defined benefit plan obligations

The weighted average duration of defined benefit plan obligations for the previous fiscal year and the current fiscal year was 9.7 and 9.4 years, respectively.

c. Defined contribution plan

Expenses recognized related to the defined contribution plan in the previous fiscal year and the current fiscal year amounted to ¥6,886 million and ¥7,618 million (US$48,165 thousand), respectively.

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(2) Employee benefit expenses

The total amount of employee benefit expenses included in the cost of sales and selling, general and administrative expenses of the consolidated statements of income in the previous fiscal year and the current fiscal year were ¥515,647 million and ¥565,803 million (US$3,576,960 thousand), respectively.

Employee benefit expenses included in the selling, general and administrative expenses are presented in Note 27. Selling, General and Administrative Expenses.

23. Other Financial Liabilities

Other financial liabilities are comprised of the following.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Deposits received (Note 1) | 102,630 | 109,482 | 692,139 |
| Derivative liabilities (Note 2) | 36 | 78 | 497 |
| Other | 841 | 3,552 | 22,460 |
| Total | 103,509 | 113,114 | 715,097 |
| Current liabilities | 84,385 | 89,661 | 566,831 |
| Non-current labilities | 19,123 | 23,452 | 148,266 |
| Total | 103,509 | 113,114 | 715,097 |

(Note) 1 Deposits received are classified as financial liabilities measured at amortized cost.

2 Derivative liabilities are classified as financial liabilities at fair value through profit or loss, except those for which hedge accounting is applied.

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24. Equity

(1) Share capital and treasury shares

The number of authorized shares at the end of the current fiscal year was 950 million.

Changes in the number of fully paid shares outstanding and treasury shares are as follows. All shares issued by the Company are no-par common stocks with unrestricted rights.

(Shares)

| | FY2023<br>(January 1, 2023 to December 31, 2023) | FY2024<br>(January 1, 2024 to December 31, 2024) |
|---|---|---|
| Number of shares issued and outstanding | | |
| Beginning balance | 271,797,675 | 271,797,675 |
| Changes during the period (Note 1) | - | (10,797,675) |
| Ending balance | 271,797,675 | 261,000,000 |
| Treasury shares | | |
| Beginning balance | 4,325,568 | 7,978,926 |
| Changes during the period (Note 2) | 3,653,358 | (6,778,134) |
| Ending balance | 7,978,926 | 1,200,792 |

(Note) 1 The main factor was the cancellation of treasury shares.

2 Changes in the previous fiscal year include a decrease of 43,968 shares due to the performance-linked stock compensation plan. Changes in the number of treasury shares in the current fiscal year was mainly due to the cancellation of treasury shares, which included an increase of 101,412 shares due to the performance-linked stock compensation plan.

3 The Company conducted a three-for-one stock split of common stock, effective January 1, 2025. Calculating the numbers of authorized stocks, issued stocks, and treasury shares as well as changes in the number of treasury shares was performed under the assumption that the stock split occurred at the beginning of the previous fiscal year. Information regarding this stock split is presented in Note 39. Subsequent Events.

(2) Retained earnings

The Companies Act stipulates that one-tenth of the amount to be disbursed as dividends of surplus shall be set aside as capital surplus or legal retained earnings until the total amount of capital surplus and legal retained earnings reaches one-fourth of the share capital. The accumulated legal retained earnings can be used as deficit disposition. This act also stipulates that the legal retained earnings may be reversed by a resolution of the general meeting of shareholders.

(3) Other components of equity

a. Exchange differences on translation of foreign operations

These exchange differences are those which arise from translating foreign operations on the financial statements of a consolidated company from their functional currencies into Japanese yen, the presentation currency of the consolidated entity.

b. Fair value of effective portion of cash flow hedges

The above is the accumulated amount of effective hedges of gains or losses arising from changes in the fair value of hedging instruments of cash flow hedges.

c. Financial assets measured at fair value through other comprehensive income

The above is accumulated losses (gains) of financial assets measured at fair value through other comprehensive income.

d. Remeasurements of defined benefit plans

Remeasurements of defined benefit plans are the effects of both the differences between actuarial assumptions at the beginning of the fiscal year and actual results, as well as the effects of changes in actuarial assumptions. This remeasurement is recognized when it is incurred in other comprehensive income and immediately transferred from other components of equity to retained earnings.

e. Share of other comprehensive income of investments accounted for using equity method

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Shares of other comprehensive income of investments accounted for using the equity method include financial assets measured at fair value through other comprehensive income, remeasurements of defined benefit plans, and exchange differences of foreign operations.

25. Dividends

(1) Cash dividends paid

FY2023 (January 1, 2023 to December 31, 2023)

| Resolutions | Type of shares | Total dividend amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date | Source of dividend |
|---|---|---|---|---|---|---|
| March 3, 2023 Board of Directors | Common stock | 13,390 | 150.00 | December 31, 2022 | March 13, 2023 | Retained earnings |
| August 9, 2023 Board of Directors | Common stock | 13,304 | 150.00 | June 30, 2023 | September 5, 2023 | Retained earnings |

(Note) 1 The total amount of dividends as resolved at a meeting of the board of directors held on March 3, 2023, includes ¥16 million distributed to the BIP trust.

2 The total amount of dividends as resolved at a meeting of the board of directors held on August 9, 2023, includes ¥14 million distributed to the BIP trust.

FY2024 (January 1, 2024 to December 31, 2024)

| Resolutions | Type of shares | Total dividend amount (Millions of yen) | Total dividend amount (Thousands of U.S. dollars) | Dividend per share (Yen) | Dividend per share (U.S. dollars) | Record date | Effective date | Source of dividend |
|---|---|---|---|---|---|---|---|---|
| March 1, 2024 Board of Directors | Common stock | 13,205 | 83,483 | 150.00 | 0.94 | December 31, 2023 | March 12, 2024 | Retained earnings |
| August 9, 2024 Board of Directors | Common stock | 13,009 | 82,245 | 150.00 | 0.94 | June 30, 2024 | September 6, 2024 | Retained earnings |

(Note) 1 The total amount of dividends as resolved at a meeting of the board of directors held on March 1, 2024, includes ¥14 million (US$91 thousand) distributed to the BIP trust.

2 The total amount of dividends as resolved at a meeting of the board of directors held on August 9, 2024, includes ¥19 million (US$123 thousand) distributed to the BIP trust.

(2) Dividends with a record date in the current fiscal year, but an effective date subsequent to the end of the current fiscal year

| Resolutions | Type of shares | Total dividend amount (Millions of yen) | Total dividend amount (Thousands of U.S. dollars) | Dividend per share (Yen) | Dividend per share (U.S. dollars) | Record date | Effective date | Source of dividend |
|---|---|---|---|---|---|---|---|---|
| March 3, 2025 Board of Directors | Common stock | 13,009 | 82,244 | 150.00 | 0.94 | December 31, 2024 | March 13, 2025 | Retained earnings |

(Note) 1 The Company conducted a three-for-one stock split of common stock, effective January 1, 2025. The dividend per share as resolved at a meeting of the board of directors on March 3, 2025 is the dividend before the stock split.

2 The total amount of dividends includes ¥19 million (US$123 thousand) distributed to the BIP trust.

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26. Revenue

(1) Disaggregation of revenues

a. Revenue recognized from contracts with customers and other sources

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Logistics | Security Transportation | Heavy Haulage & Construction | Logistics Support |
|---|---|---|---|---|
| Goods transferred at a point in time (Note 1) | - | - | - | 296,391 |
| Services transferred over a defined period of time | 1,784,929 | 67,230 | 50,767 | 5,757 |
| Revenue recognized from contracts with customers | 1,784,929 | 67,230 | 50,767 | 302,148 |
| Revenue recognized from other sources (Note 2) | 28,244 | 204 | 281 | 5,209 |
| Total | 1,813,173 | 67,434 | 51,049 | 307,358 |

(Note) 1 Goods transferred at a point in time include sales of oil and other sales.

2 Revenue recognized from other sources includes lease income and rental income in accordance with IFRS 16. Lease income is presented in Note 12. Leases. Rental and other income is presented in Note 13. Investment Property.

FY2024 (January 1, 2024 to December 31, 2024)

(Millions of yen)

| | Logistics | Security Transportation | Heavy Haulage & Construction | Logistics Support |
|---|---|---|---|---|
| Goods transferred at a point in time (Note 1) | - | - | - | 288,247 |
| Services transferred over a defined period of time | 2,123,399 | 67,651 | 49,769 | 11,624 |
| Revenue recognized from contracts with customers | 2,123,399 | 67,651 | 49,769 | 299,871 |
| Revenue recognized from other sources (Note 2) | 31,349 | 200 | 252 | 5,148 |
| Total | 2,154,749 | 67,851 | 50,021 | 305,020 |

(Note) 1 Goods transferred at a point in time include sales of oil and other sales.

2 Revenue recognized from other sources includes lease income and rental income in accordance with IFRS 16. Lease income is presented in Note 12. Leases. Rental and other income is presented in Note 13. Investment Property.

FY2024 (January 1, 2024 to December 31, 2024)

(Thousands of U.S. dollars)

| | Logistics | Security Transportation | Heavy Haulage & Construction | Logistics Support |
|---|---|---|---|---|
| Goods transferred at a point in time (Note 1) | - | - | - | 1,822,276 |
| Services transferred over a defined period of time | 13,423,947 | 427,686 | 314,640 | 73,487 |
| Revenue recognized from contracts with customers | 13,423,947 | 427,686 | 314,640 | 1,895,764 |
| Revenue recognized from other sources (Note 2) | 198,187 | 1,266 | 1,593 | 32,548 |
| Total | 13,622,134 | 428,952 | 316,233 | 1,928,313 |

(Note) 1 Goods transferred at a point in time include sales of oil and other sales.

2 Revenue recognized from other sources includes lease income and rental income in accordance with IFRS 16. Lease income is presented in Note 12. Leases. Rental and other income is presented in Note 13. Investment Property.

b. Performance obligations and their time of satisfaction

Performance obligations and their timing of satisfaction are as presented in Note 3. Material Accounting Policies (17) Revenue.

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(2) Contract balances

The following is the balance of contract assets and contract liabilities at the end of the current and previous fiscal years.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Receivables from contracts with customers (Note 1) | 365,044 | 446,465 | 2,822,515 |
| Contract assets (Note 1) | 12,161 | 22,062 | 139,474 |
| Contract liabilities (Note 2) | 4,533 | 10,491 | 66,323 |

(Note) 1 Receivables and contract assets arising from contracts with customers are presented in Note 7. Trade and Other Receivables.

2 Contract liabilities mainly represent the recognition of advance consideration received from customers prior to the fulfillment of contracts in the Logistics Business and are included in the other current liabilities of the consolidated statement of financial position.

The following are amounts of revenue recognized in the current and previous fiscal years included in contract liabilities at the beginning of the period as well as the amount of revenue recognized from performance obligations satisfied in prior periods.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Amounts included in contract liabilities at the beginning of the period | 7,163 | 4,533 | 28,658 |

The amount of recognized revenue from performance obligations satisfied in prior periods was immaterial for the current fiscal year.

(3) Transaction price allocated to remaining performance obligations

The total transaction balance allocated to unfulfilled (or partially unfulfilled) performance obligations at the end of the current and previous fiscal years and details by expected period of future fulfillment are as follows. The transaction prices relate mainly to unfulfilled performance obligations in Heavy Haulage & Construction projects.

Transactions with individual expected contract periods of one year or less are not included.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Within 1 year | 1,484 | 3,511 | 22,197 |
| Over 1 year | 202 | 670 | 4,239 |
| Total | 1,686 | 4,181 | 26,436 |

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27. Selling, General and Administrative Expenses

Selling, general and administrative expenses are comprised of the following.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Personnel expenses | 79,502 | 91,477 | 578,313 |
| Depreciation and amortization | 16,612 | 17,806 | 112,570 |
| Advertising expenses | 4,787 | 4,962 | 31,372 |
| Provision of an allowances for doubtful accounts | 685 | 1,100 | 6,955 |
| Taxes and dues | 7,539 | 7,398 | 46,770 |
| Facility usage charges | 6,618 | 6,826 | 180,398 |
| Other | 30,541 | 28,535 | 43,158 |
| Total | 146,288 | 158,107 | 999,540 |

(Note) Personnel expenses are listed under Note 22. Employee Benefits.

Depreciation and amortization are presented in Notes 10. Property, Plant and Equipment, 11. Goodwill and Intangible Assets, 12. Leases, and 13. Investment Properties.

Provision of allowances for doubtful accounts is presented in Note 34. Financial Instruments.

28. Other Income and Expenses

(1) Other income

Components of other income are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Gain on sales of non-current assets | 9,487 | 6,155 | 38,917 |
| Other | 6,830 | 6,892 | 43,572 |
| Total | 16,317 | 13,048 | 82,490 |

(2) Other expenses

Components of other expenses are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Loss on sale and retirement of non-current assets | 16,663 | 10,237 | 64,717 |
| Impairment loss | 8,266 | 9,747 | 61,625 |
| Other | 14,331 | 9,666 | 61,108 |
| Total | 39,262 | 29,651 | 187,451 |

(Note) For details on impairment losses, refer to 10. Property, Plant and Equipment.

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29. Finance Income and Costs

(1) Finance income

Components of finance income are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Interest income | | | |
| Financial assets measured at amortized cost | 2,836 | 4,509 | 28,507 |
| Debt instruments measured at fair value through other comprehensive income | 0 | - | |
| Dividend income | | | |
| Equity instruments measured at fair value through other comprehensive income | | | |
| Financial assets derecognized during the period | 936 | 663 | 4,196 |
| Financial assets held at the end of the period | 2,228 | 1,738 | 10,992 |
| Foreign exchange gain | 909 | 3,772 | 23,847 |
| Other | 441 | 2,218 | 14,023 |
| Total | 7,352 | 12,902 | 81,567 |

(2) Finance costs

Components of finance costs are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Interest expenses | | | |
| Financial liabilities measured at amortized cost | 4,177 | 7,665 | 48,460 |
| Net interest on defined-benefit retirement plans | 1,251 | 1,384 | 8,750 |
| Other | 813 | 1,046 | 6,612 |
| Total | 6,242 | 10,095 | 63,823 |

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30. Other Comprehensive Income

Changes in each item of other comprehensive income during the period are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit plans | | | |
| Amount incurred during the period | 14,344 | 29,564 | 186,901 |
| Tax effect | (4,268) | (8,980) | (56,772) |
| Remeasurements of defined benefit plans | 10,075 | 20,583 | 130,128 |
| Equity instruments measured at fair value through other comprehensive income | | | |
| Amount incurred during the period | 17,949 | 12,536 | 79,253 |
| Tax effect | (6,930) | (5,975) | (37,778) |
| Equity instruments measured at fair value through other comprehensive income | 11,018 | 6,560 | 41,475 |
| Share of other comprehensive income of investments accounted for using equity method | | | |
| Amount incurred during the period | 20 | 5 | 36 |
| Share of other comprehensive income of investments accounted for using equity method | 20 | 5 | 36 |
| Total of items that will not be reclassified to profit or loss | 21,115 | 27,150 | 171,641 |
| Items that may be reclassified to profit or loss | | | |
| Net change in fair value of effective portion of cash flow hedges | | | |
| Amount incurred during the period | (4) | (33) | (214) |
| Adjustments | 16 | 4 | 27 |
| Before tax effect | 12 | (29) | (186) |
| Tax effect | (25) | 9 | 57 |
| Net change in fair value of effective portion of cash flow hedges | (13) | (20) | (129) |
| Exchange differences on translation of foreign operations | | | |
| Amount incurred during the period | 20,133 | 32,797 | 207,343 |
| Adjustments | 156 | - | |
| Before tax effect | 20,290 | 32,797 | 207,343 |
| Tax effect | - | - | |
| Exchange differences on translation of foreign operations | 20,290 | 32,797 | 207,343 |
| Share of other comprehensive income of investments accounted for using equity method | | | |
| Amount incurred during the period | 2,021 | (369) | (2,338) |
| Adjustments | - | - | |
| Before tax effect | 2,021 | (369) | (2,338) |
| Tax effect | - | - | |
| Share of other comprehensive income of investments accounted for using equity method | 2,021 | (369) | (2,338) |
| Total of items that may be reclassified to profit or loss | 22,298 | 32,407 | 204,876 |
| Other comprehensive income (loss) | 43,413 | 59,557 | 376,517 |

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31. Earnings per Share

The following provides our basis for computing basic earnings per share.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Basis for computing basic earnings per share | | | |
| Profit attributable to owners of parent | 37,050 | 31,733 | 200,614 |
| Profit not attributable to owners of parent | - | - | |
| Profit used to calculate basic earnings per share | 37,050 | 31,733 | 200,614 |
| Weighted average number of common stock shares during the year (1,000 shares) | 265,544 | 261,249 | 261,249 |
| Basic earnings per share | 139.53 | 121.47 | $0.76 |

(Note) 1 Diluted earnings per share are not stated, as there were no dilutive shares.

2 The Company conducted a three-for-one stock split of common stock, effective January 1, 2025. The average amount of common stock outstanding during the period and basic earnings per share for the same period are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year. Information regarding this stock split is presented in Note 39. Subsequent Events.

3 Company shares held in the BIP trust are included in treasury shares, which is deducted from the average number of shares outstanding during the period to calculate net income per share. The amount of treasury shares held by the trust at the end of the previous fiscal year was 289 thousand shares (96 thousand shares before the stock split), and the average number of shares outstanding during the period was 294 thousand shares (98 thousand shares before the stock split). The amount of treasury shares held by the trust at the end of the current fiscal year was 390 thousand shares (130 thousand shares before the stock split), and the average number of shares outstanding during the period was 335 thousand shares (111 thousand shares before the stock split).

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32. Liabilities Changes Arising From Financing Activities

Changes in liabilities arising from financing activities are as follows.

FY2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

| | Balance as of January 1, 2023 | Changes due to financing cash flows | Non-cash changes | | | | | | Balance as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Changes in foreign exchange rate | Acquisition of right-of-use assets | Increase (decrease) by business combination | Change in scope of consolidation | Lease termination before maturity | Other | |
| Short-term loans payable | 11,452 | 23,637 | 931 | - | - | - | - | - | 36,022 |
| Commercial paper | - | 15,000 | - | - | - | - | - | - | 15,000 |
| Long-term loans payable (Note) | 113,775 | 22,019 | 866 | - | 320 | - | - | - | 136,982 |
| Bonds (Note) | 139,742 | (10,075) | - | - | - | - | - | 86 | 129,753 |
| Lease liabilities | 366,696 | (111,688) | 7,635 | 171,820 | 2,977 | - | (23,223) | 2,407 | 416,626 |
| Total | 631,668 | (61,107) | 9,434 | 171,820 | 3,298 | - | (23,223) | 2,493 | 734,384 |

(Note) This includes current portion of long-term borrowings and current portion of bonds payable.

FY2024 (January 1, 2024 to December 31, 2024)

(Millions of yen)

| | Balance as of January 1, 2024 | Changes due to financing cash flows | Non-cash changes | | | | | | Balance as of December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Changes in foreign exchange rate | Acquisition of right-of-use assets | Increase (decrease) by business combination | Change in scope of consolidation | Lease termination before maturity | Other | |
| Short-term loans payable | 36,022 | 6,340 | 225 | - | - | (18) | - | - | 42,570 |
| Commercial paper | 15,000 | 10,000 | - | - | - | - | - | - | 25,000 |
| Long-term loans payable (Note) | 136,982 | (10,763) | 412 | - | 2,071 | - | - | - | 128,702 |
| Bonds (Note) | 129,753 | - | - | - | - | - | - | 59 | 129,812 |
| Lease liabilities | 416,626 | (132,481) | 10,929 | 175,153 | 20,566 | (4,533) | (16,418) | - | 469,843 |
| Total | 734,384 | (126,903) | 11,567 | 175,153 | 22,637 | (4,551) | (16,418) | 59 | 795,928 |

(Note) This includes current portion of long-term borrowings and current portion of bonds payable.

FY2024 (January 1, 2024 to December 31, 2024)

(Thousands of U.S. dollars)

| | Balance as of January 1, 2024 | Changes due to financing cash flows | Non-cash changes | | | | | | Balance as of December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Changes in foreign exchange rate | Acquisition of right-of-use assets | Increase (decrease) by business combination | Change in scope of consolidation | Lease termination before maturity | Other | |
| Short-term loans payable | 227,727 | 40,086 | 1,423 | - | - | (113) | - | - | 269,124 |
| Commercial paper | 94,828 | 63,219 | - | - | - | - | - | - | 158,047 |
| Long-term loans payable (Note) | 865,990 | (68,047) | 2,608 | - | 13,094 | - | - | - | 813,646 |
| Bonds (Note) | 820,287 | - | - | - | - | - | - | 376 | 820,664 |
| Lease liabilities | 2,633,876 | (837,533) | 69,097 | 1,107,305 | 130,017 | (28,659) | (103,794) | - | 2,970,308 |
| Total | 4,642,711 | (802,275) | 73,129 | 1,107,305 | 143,111 | (28,773) | (103,794) | 376 | 5,031,790 |

(Note) This includes current portion of long-term borrowings and current portion of bonds payable.

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33. Share-Based Payment

(1) Performance-linked stock compensation plan

a. Overview of performance-linked stock compensation plan

The Company has revised the compensation for our directors and executive officers (the "Directors") (excluding outside directors, part-time directors, directors who are Audit and Supervisory Committee members, and those residing outside Japan) to strengthen their focus on contributing to the improvement of the Company's medium-to-long-term business performance and corporate value. The Company has introduced a performance-linked stock compensation plan (the "Plan") for the Directors.

The Plan is a stock-based compensation plan that uses the Board Incentive Plan (BIP) trust (the "BIP trust") and is linked to the Company's medium- to long-term business performance.

The BIP trust acquires and delivers shares in the Company to Directors from the trust in accordance with medium-term performance targets and other achievements. The Plan, under which shares of the Company are delivered from the BIP trust, is accounted for as equity-settled stock compensation.

b. Number of points granted during the period and weighted average fair value of points

The fair value of points on the date of grant approximates stock price on the date of grant; therefore, the fair value of points is calculated using the stock price on the date points were granted.

No revisions taking forecasted dividends into account or other revisions were made.

The number of points granted during the period and their weighted average fair value are as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Number of points granted during the period | 58,704 | 1,247 | 1,247 |
| Weighted average fair value | ¥1746 | ¥5882 | $37 |

c. Share-based payment expenses

The Company recognized ¥59 million and ¥116 million (US$734 thousand) as stock-based payment expenses included in the consolidated statements of income of the previous and current fiscal years, respectively.

(Note) The Company conducted a three-for-one stock split of shares of common stock on January 1, 2025. The number of points granted and the weighted average fair value during the period are calculated as if the stock split had been conducted at the beginning of the previous fiscal year. In conjunction with the Company's stock split, effective on January 1, 2025, one point will be converted into three shares only for the period subject to evaluation, which ends with the fiscal year ending December 31, 2028. Information regarding stock splits is presented in Note 39. Subsequent Events.

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34. Financial Instruments

(1) Capital management

The basic policy of the Group is to balance investment in growth and stable shareholder returns while maintaining a sound financial base to maximize corporate value.

The Group defines equity as the amount of equity attributable to owners of parent.

The Group is not subject to any significant capital regulations.

| | FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Equity | 800,062 | 853,949 | 5,398,590 |
| Shareholders' equity ratio (%) | 37.9 | 37.2 | 37.2 |

(Note) Shareholders' equity ratio is calculated by dividing equity attributable to owners of parent by total liabilities and equity.
In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the fiscal year ended December 31, 2023, reflects the details of the finalization of the provisional accounting treatment. The finalization of the provisional accounting treatment for business combinations is presented in Note 5. Business Combinations.

(2) Financial risk management

The Group is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, etc.) when conducting its business activities. To avoid or mitigate such risks, the Group executes risk management by establishing certain management policies. The Group uses derivatives to hedge these risks and do not engage in speculative transactions.

a. Credit risks

A credit risk is the risk of financial loss to the Group arising when the counterparty to the financial assets held by the Group is unable to fulfill its obligations. The Group periodically monitors the status of major partners with respect to trade receivables, manages due dates and outstanding balances for each partner, and also works to quickly identify and mitigate concerns on collection due to deterioration of financial conditions, etc. In the event that the Group is unable to collect all or a part of the amount due, or if collection is deemed extremely difficult, the debt will be considered default. In addition, the Group only enters into transactions with highly credited financial institutions to reduce counterparty risk in derivative transactions.

The carrying amount of financial assets after impairment presented in the consolidated statement of financial position represents the maximum exposure of financial assets of the Group to credit risk.

The credit risk exposure of the Group in trade notes and accounts receivable is as follows. For trade notes and accounts receivable, allowance for doubtful accounts is recorded by taking recoverability and significant increases in credit risk into account and measuring expected future credit losses. Significant increases in credit risk are assessed by changes in the risk of default occurrence. The Group therefore decides by taking the financial condition of the counterparty, past bad debt loss recorded, and past due date information into account. The allowance for doubtful accounts for trade and other receivables is always measured at an amount equal to the expected credit loss for the entire period, and may be measured individually or collectively for the same period, depending on the nature and size of the transaction. Expected credit loss is measured for each individual credit as a credit-impaired trade receivable if one or more of the following events have occurred, adversely affecting the estimated future cash flows of the trade receivable. The Group does not have a concentration of credit risks with any particular partner company.

- Significant financial difficulties of the debtor
- Breach of contract, such as default or lapse of due date
- Increased likelihood of bankruptcy or other financial restructuring of the debtor

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(i) Carrying amount of total assets subject to allowance for doubtful accounts

The carrying amounts of assets subject to the allowance for doubtful accounts are as follows.

| | Trade and other receivables | | Other financial assets | | |
|---|---|---|---|---|---|
| | Measured at lifetime expected credit loss | | Financial assets measured at 12-month expected credit loss | Measured at lifetime expected credit loss | |
| | Measured using simplified approach | Financial assets with credit losses held as of the reporting date | | Financial assets without credit losses, but for which credit risk is significantly higher than recognized initially | Financial assets with credit losses held as of the reporting date |
| FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | 426,046 | 1,649 | 120,729 | 720 | 328 |
| FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | 523,526 | 2,562 | 136,393 | 857 | 1,500 |
| FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) | 3,309,686 | 16,201 | 862,266 | 5,418 | 9,484 |

(Note) There are no significant changes in the carrying amount of the total assets that could affect changes in the allowance for doubtful accounts.

Allowance for doubtful accounts is presented in Note 7. Trade and Other Receivables and 16. Other Financial Assets.

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(ii) Changes in allowance for doubtful accounts for trade and other receivables and other financial assets

Changes in allowance for doubtful accounts for trade and other receivables and other financial assets are as follows.

(Millions of yen)

| | Trade and other receivables | | Other financial assets | | |
|---|---|---|---|---|---|
| | Measured at lifetime expected credit loss | | | Measured at lifetime expected credit loss | |
| | Measured using simplified approach | Financial assets with credit losses held as of the reporting date | Financial assets measured at 12-month expected credit loss | Financial assets without credit losses, but for which credit risk is significantly higher than recognized initially | Financial assets with credit losses held as of the reporting date |
| Balance as of January 1, 2023 | 2,827 | 492 | 54 | 695 | 252 |
| Increase during the period | 139 | 828 | 11 | 0 | 65 |
| Decrease during the period (intended use) | (76) | (7) | (15) | (0) | (12) |
| Decrease during the period (reversal) | (685) | (280) | (38) | (5) | (9) |
| Other | (18) | 422 | 6 | 10 | 60 |
| Balance as of December 31, 2023 | 2,186 | 1,454 | 18 | 700 | 356 |
| Increase during the period | 1,731 | 473 | 5 | 4 | 345 |
| Decrease during the period (intended use) | (57) | (85) | - | (2) | (140) |
| Decrease during the period (reversal) | (78) | (124) | (11) | (3) | (32) |
| Other | 32 | 216 | (5) | 0 | 4 |
| Balance as of December 31, 2024 | 3,814 | 1,934 | 6 | 699 | 535 |

(Note) Provision for doubtful accounts is shown in Note 27. Selling, General and Administrative Expenses.

(Thousands of U.S. dollars)

| | Trade and other receivables | | Other financial assets | | |
|---|---|---|---|---|---|
| | Measured at lifetime expected credit loss | | | Measured at lifetime expected credit loss | |
| | Measured using simplified approach | Financial assets with credit losses held as of the reporting date | Financial assets measured at 12-month expected credit loss | Financial assets without credit losses, but for which credit risk is significantly higher than recognized initially | Financial assets with credit losses held as of the reporting date |
| Balance as of December 31, 2023 | 13,824 | 9,197 | 114 | 4,426 | 2,256 |
| Increase during the period | 10,946 | 2,994 | 35 | 31 | 2,186 |
| Decrease during the period (intended use) | (363) | (543) | - | (13) | (887) |
| Decrease during the period (reversal) | (499) | (786) | (72) | (25) | (202) |
| Other | 203 | 1,368 | (34) | - | 31 |
| Balance as of December 31, 2024 | 24,112 | 12,231 | 42 | 4,419 | 3,383 |

(Note) Provision for doubtful accounts is shown in Note 27. Selling, General and Administrative Expenses.

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b. Liquidity risks

A liquidity risk is a risk that the Group will be unable to meet its obligations to repay due financial liabilities. Significant policies in financing activities include maintaining an adequate level of liquidity for current and future business activities and securing funds in a flexible and efficient manner. In order to optimize capital efficiency in its business activities, the Group works to centralize the management of funds within the Group to the Company.

(i) Maturity Analysis

Financial liabilities of the Group (including derivative financial instruments) by maturity date are as follows.

FY2023 (As of December 31, 2023)

(Millions of yen)

| | Carrying amount | Contractual cash flows | Within 1 year | Due between 1 and 2 years | Due between 2 and 3 years | Due between 3 and 4 years | Due between 4 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 214,044 | 214,044 | 214,044 | - | - | - | - | - |
| Short-term loans payable | 36,022 | 36,056 | 36,056 | - | - | - | - | - |
| Commercial paper | 15,000 | 15,000 | 15,000 | - | - | - | - | - |
| Deposits received | 102,630 | 103,596 | 87,098 | 1,445 | 911 | 1,158 | 1,142 | 11,840 |
| Bonds payable | 129,753 | 133,700 | 502 | 30,478 | 40,440 | 20,338 | 10,310 | 31,629 |
| Long-term loans payable | 136,982 | 139,335 | 11,299 | 38,676 | 7,539 | 15,773 | 40,212 | 25,834 |
| Lease liabilities | 416,626 | 418,203 | 111,543 | 83,059 | 60,790 | 47,702 | 52,058 | 63,049 |
| Other | 841 | 991 | 363 | 67 | 385 | 50 | 51 | 72 |
| Derivative financial liabilities | 36 | 36 | 36 | - | - | - | - | - |
| Total | 1,051,937 | 1,060,964 | 475,945 | 153,726 | 110,067 | 85,023 | 103,776 | 132,425 |

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FY2024 (As of December 31, 2024)

(Millions of yen)

| | *Carrying* amount | *Contractual* cash flows | *Within 1* year | Due between 1 and 2 years | Due between 2 and 3 years | Due between 3 and 4 years | Due between 4 and 5 years | *Over 5* years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 268,423 | 268,423 | 268,423 | - | - | - | - | - |
| Short-term loans payable | 42,570 | 42,626 | 42,626 | - | - | - | - | - |
| Commercial paper | 25,000 | 25,000 | 25,000 | - | - | - | - | - |
| Deposits received | 109,482 | 110,773 | 91,943 | 2,184 | 1,449 | 854 | 1,101 | 13,240 |
| Bonds payable | 129,812 | 133,197 | 30,478 | 40,440 | 20,338 | 10,310 | 255 | 31,373 |
| Long-term loans payable | 128,702 | 130,427 | 39,260 | 7,799 | 17,711 | 40,340 | 213 | 25,101 |
| Lease liabilities | 469,843 | 470,596 | 120,631 | 95,889 | 73,187 | 52,922 | 34,505 | 93,459 |
| Other | 3,552 | 3,552 | 141 | 2,948 | 359 | 49 | 51 | 2 |
| Derivative financial liabilities | 78 | 78 | 78 | - | - | - | - | - |
| Total | 1,177,466 | 1,184,676 | 618,585 | 149,263 | 113,046 | 104,477 | 36,127 | 163,176 |

(Thousands of U.S. dollars)

| | Carrying amount | Contractual cash flows | Within 1 year | Due between 1 and 2 years | Due between 2 and 3 years | Due between 3 and 4 years | Due between 4 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 1,696,952 | 1,696,952 | 1,696,952 | - | - | - | - | - |
| Short-term loans payable | 269,124 | 269,481 | 269,481 | - | - | - | - | - |
| Commercial paper | 158,047 | 158,047 | 158,047 | - | - | - | - | - |
| Deposits received | 692,139 | 700,298 | 581,257 | 13,811 | 9,162 | 5,403 | 6,960 | 83,703 |
| Bonds payable | 820,664 | 842,062 | 192,683 | 255,661 | 128,578 | 65,182 | 1,617 | 198,338 |
| Long-term loans payable | 813,646 | 824,551 | 248,204 | 49,307 | 111,971 | 255,027 | 1,349 | 158,690 |
| Lease liabilities | 2,970,308 | 2,975,069 | 762,623 | 606,206 | 462,683 | 334,573 | 218,140 | 590,840 |
| Other | 22,460 | 22,460 | 896 | 18,640 | 2,272 | 311 | 325 | 12 |
| Derivative financial liabilities | 497 | 497 | 497 | - | - | - | - | - |
| Total | 7,443,840 | 7,489,420 | 3,910,643 | 943,629 | 714,668 | 660,498 | 228,394 | 1,031,585 |

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c. Market risks

(i) Foreign exchange fluctuation risks

The Group expands business globally and conducts foreign currency transactions. As a result, receivables and payables denominated in foreign currencies arising from such transactions are exposed to foreign exchange fluctuation risks.

In order to reduce foreign exchange fluctuation risks identified by currency, the Group mainly uses forward exchange contracts for hedging in accordance with the handling procedure for derivatives in the fund administration procedure rules.

Foreign Exchange Sensitivity Analysis

The following shows the impact on the pre-tax income if the Japanese yen appreciated 1% against the U.S. dollar, euro, and Chinese yuan for foreign currency-denominated financial instruments held at the end of the fiscal year.

This analysis assumes that other variable factors (balances, interest rates, etc.) remain constant.

| | FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| US$ | (2,934) | (3,085) | (19,508) |
| Euro (€) | (200) | (207) | (1,311) |
| CNY | (22) | (55) | (349) |

(ii) Interest rate fluctuation risks

The Group has borrowings with variable interest rates and is exposed to the risk that future cash flows may fluctuate due to changes in interest rates.

Sensitivity Analysis of Floating Rate Instruments

The following shows the impact on the pre-tax income if the variable interest rate increased 1% at the end of the fiscal year. However, this analysis is calculated by multiplying the balance of floating-rate financial liabilities held by the Group at the end of each reporting period (excluding those that are effectively subject to fixed-rate terms through interest rate swap agreements) by 1%, and assumes that other variables (especially foreign exchange rates) remain constant.

| | FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Income before tax | (15) | (41) | (260) |

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(iii) Risk of equity instrument price fluctuations

The Group holds listed stocks of companies with which it has business relationships, etc., and is exposed to risks of price fluctuation of equity instruments.

The Group periodically assesses the fair value and the financial condition of the issuer (partner company) of listed stocks, and reviews its holdings, considering any relationship with the partner company.

Sensitivity Analysis of Equity Instruments

A 10% decline in the fair value of listed stocks held at the end of the fiscal year would have the following impact on other comprehensive income (net of tax) in the consolidated statement of comprehensive income.

This analysis assumes that other variable factors remain constant.

| | FY2023<br>(As of December 31, 2023)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Millions of yen) | FY2024<br>(As of December 31, 2024)<br>(Thousands of U.S. dollars) |
|---|---|---|---|
| Other comprehensive income (post-tax) | (3,373) | (2,472) | (15,628) |

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(3) Fair value of financial instruments

a. Fair value hierarchy

The fair value hierarchy of financial instruments is as follows.

Level 1: Fair value measured at published prices in active markets

Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1

Level 3: Fair value measured using valuation techniques that include unobservable inputs

b. Fair value measurement method

(i) Cash and cash equivalents, trade and other receivables, and other liabilities

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

(ii) Bonds and borrowings

Bonds payable are calculated based on the present value of future cash flows discounted at the interest rate that would be applicable to a new similar bond issue.

The carrying values of short-term loans equivalents approximate fair value because of their short maturities.

Long-term loans payable is calculated based on the present value of future cash flows discounted at the interest rate that would be applicable to a new similar borrowing.

(iii) Other financial assets and other financial liabilities

Listed stocks are calculated using market prices at the end of the fiscal year.

Unlisted stocks and investments are calculated with prices measured using appropriate valuation techniques such as those based on market prices of similar companies and those based on net assets. If necessary, certain non-current discounts are taken into account.

These fair value measurements are performed by an administrative department independent of the investment department and are in accordance with internal rules and regulations. The results are approved by the appropriate authorities.

Receivables and payables incurred as a result of derivatives are calculated using prices provided by partnering financial institutions.

c. Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | | FY2024 (As of December 31, 2024) (Millions of yen) | | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities | | | | | | |
| Bonds payable | 129,753 | 128,439 | 129,812 | 126,960 | 820,664 | 802,629 |
| Long-term loans payable | 136,982 | 136,308 | 128,702 | 126,659 | 813,646 | 800,731 |

(Note) Bonds payable and long-term loans payable include balances of current portions of bonds and long-term loans payable.

The carrying amounts of financial assets and liabilities measured at amortized cost, lease receivables, and lease liabilities not included in the table above approximate their fair values.

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d. Financial instruments measured at fair value

The fair value hierarchy for financial instruments measured at fair value is as follows.

Transfers between levels of the fair value hierarchy are recognized at the end of the fiscal year. There were no significant financial instruments transferred between Levels 1, 2, and 3 during the current fiscal year.

FY2023 (As of December 31, 2023)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Stock | 48,594 | 365 | 28,671 | 77,631 |
| Investments | - | 17 | 3,018 | 3,036 |
| Derivative assets | - | 42 | - | 42 |
| Total | 48,594 | 425 | 31,690 | 80,710 |
| Financial liabilities | | | | |
| Derivative liabilities | - | 36 | - | 36 |
| Contingent consideration | - | - | - | - |
| Total | - | 36 | - | 36 |

FY2024 (As of December 31, 2024)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Stock | 35,581 | 364 | 31,953 | 67,899 |
| Investments | - | 19 | 2,998 | 3,018 |
| Derivative assets | - | 16 | - | 16 |
| Total | 35,581 | 401 | 34,952 | 70,934 |
| Financial liabilities | | | | |
| Derivative liabilities | - | 78 | - | 78 |
| Contingent consideration | | | 2,902 | 2,902 |
| Total | - | 78 | 2,902 | 2,981 |

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FY2024 (As of December 31, 2024)

(Thousands of U.S. dollars)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Stock | 224,942 | 2,306 | 202,007 | 429,257 |
| Investments | - | 125 | 18,956 | 19,082 |
| Derivative assets | - | 103 | - | 103 |
| Total | 224,942 | 2,535 | 220,964 | 448,442 |
| Financial liabilities | | | | |
| Derivative liabilities | - | 497 | - | 497 |
| Contingent consideration | | | 18,349 | 18,349 |
| Total | - | 497 | 18,349 | 18,847 |

The following is a reconciliation of Level 3 financial instruments from opening balances to closing balances.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Balance at beginning of year | 28,621 | 31,690 | 200,343 |
| Gains and losses | | | |
| Profit or loss | (8) | 45 | 288 |
| Other comprehensive income (Note) | 2,700 | 2,003 | 12,665 |
| Purchase | 651 | 1,910 | 12,078 |
| Sale and Disposal | (140) | (796) | (5,033) |
| Other | (133) | 98 | 622 |
| Balance at end of the year | 31,690 | 34,952 | 220,964 |

(Note) 1 Gains and losses included in other comprehensive income relate to capitalized financial assets measured at fair value through other comprehensive income at the time of reporting. These gains and losses are included in the capitalized financial instruments measured at fair value through other comprehensive income of the consolidated statement of comprehensive income.

2 The table above does not include contingent consideration from business combinations. Contingent consideration is presented in Note 5. Business Combinations.

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(4) Hedge accounting

a. Hedge overview

In hedge accounting, the Group confirms the existence of an economic relationship between the hedged item and the hedging instrument through qualitative assessments. These assessments include determining whether the material terms of the hedged item and the hedging instrument match or closely match, or if the value of the hedged item and the value of the hedging instrument are in a relationship where value fluctuations offset each other due to the same risk. This ensures that changes in the fair value or cash flows of the hedged item attributable to the hedged risk are in an economic relationship that is offset by changes in the fair value or cash flows of the hedging instrument. The Group also sets appropriate hedge ratios in light of both the economic relationship between hedging instruments and hedged items and the risk management strategies. Ineffective portions of hedges may arise due to changes in the credit risk of counterparties to the hedged items and hedging instruments. However, the risk of these ineffective portions is considered to be extremely small as the Group only conducts transactions with highly credited financial institutions.

Cash Flow Hedges

The Group uses foreign exchange forward contracts to hedge foreign exchange fluctuation risks, designates these as cash flow hedges, and applies hedge accounting. The average booking rate for major currencies was ¥144.15/USD and ¥150.69/USD at the end of the previous and current fiscal years, respectively.

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b. Information on items designated as hedging instruments

The following is the impact of hedging instruments on the consolidated statement of financial position of the Group.

FY2023 (As of December 31, 2023)

(Millions of yen)

| | Nominal amount | Over 1 year | Carrying amount of hedging instruments (fair value) | | Items presented in the consolidated statement of financial position that include hedging instruments |
|---|---|---|---|---|---|
| | | | Assets | Liabilities | |
| Cash Flow Hedges | | | | | |
| Exchange forward contracts | 6,796 | - | 122 | 83 | Other financial assets and other financial liabilities |
| Total | 6,796 | - | 122 | 83 | |

FY2024 (As of December 31, 2024)

(Millions of yen)

| | Nominal amount | Over 1 year | Carrying amount of hedging instruments (fair value) | | Items presented in the consolidated statement of financial position that include hedging instruments |
|---|---|---|---|---|---|
| | | | Assets | Liabilities | |
| Cash Flow Hedges | | | | | |
| Exchange forward contracts | 6,756 | - | 102 | 172 | Other financial assets and other financial liabilities |
| Total | 6,756 | - | 102 | 172 | |

FY2024 (As of December 31, 2024)

(Thousands of U.S. dollars)

| | Nominal amount | Over 1 year | Carrying amount of hedging instruments (fair value) | | Items presented in the consolidated statement of financial position that include hedging instruments |
|---|---|---|---|---|---|
| | | | Assets | Liabilities | |
| Cash Flow Hedges | | | | | |
| Exchange forward contracts | 42,712 | - | 648 | 1,089 | Other financial assets and other financial liabilities |
| Total | 42,712 | - | 648 | 1,089 | |

c. Changes in other components of equity (changes in fair value of hedging instruments)

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Balance at beginning of year | 11 | (3) | (19) |
| Amount incurred during the period (Note 1) | | | |
| Exchange forward contracts | (4) | (33) | (214) |
| Reclassification adjustments to profit for the year (Note 2) | | | |
| Exchange forward contracts | 16 | 4 | 27 |
| Tax effect | (25) | 9 | 57 |
| Year End | (3) | (23) | (148) |

(Note) 1 Changes in the value of the hedged item used as the basis for recognizing the ineffective portion of the hedge approximate changes in the fair value of the hedging instrument.

2 Hedged items are amounts transferred due to their impact on profit or loss, and are recognized as finance income or finance expenses in the consolidated statements of income. The ineffective portion of the hedge is immaterial.

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(5) Offsetting of financial assets and financial liabilities

Of the financial assets and liabilities recognized for the same counterparty, the following is a breakdown of financial instruments that were subject to be offset in accordance with applicable requirements and are subject to an enforceable master netting agreement or similar agreement but were not offset at the end of the previous and current fiscal years due to not satisfying some or all of the applicable offsetting requirements.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Total financial assets | 1,936 | 3,283 | 20,755 |
| Offsets in accordance with requirements for financial assets and financial liabilities | 39 | 75 | 479 |
| Financial assets presented on the consolidated statement of financial position, net | 1,897 | 3,207 | 20,276 |
| Amounts subject to enforceable master netting agreements or similar agreements and not offset due to one or all unmet requirements for offsetting financial assets and financial liabilities | - | 2 | 16 |
| Net amount | 1,897 | 3,204 | 20,259 |

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Total financial liabilities | 1,497 | 1,944 | 12,291 |
| Offsets in accordance with requirements for financial assets and financial liabilities | 39 | 75 | 479 |
| Financial liabilities presented on the consolidated statement of financial position, net | 1,457 | 1,868 | 11,812 |
| Amounts subject to enforceable master netting agreements or similar agreements and not offset due to one or all unmet requirements for offsetting financial assets and financial liabilities | - | 2 | 16 |
| Net amount | 1,457 | 1,865 | 11,795 |

35. Major Subsidiaries

(1) Major subsidiaries

Major subsidiaries are omitted as the same information is provided under 1 Corporate Profile 4. Status of Affiliated Companies.

(2) Summarized financial information on subsidiaries with significant non-controlling interests

There are no subsidiaries with individually significant non-controlling interests in the current fiscal year.

(3) Impacts on capital surplus of changes in ownership interests in consolidated subsidiaries not resulting in loss of control

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Changes in capital surplus | 427 | (44) | (283) |

Recognized profit or loss resulting from changes in ownership interest through the disposal of consolidated subsidiaries during the current fiscal year was immaterial.

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36. Related Parties

(1) Transactions between related parties

There were no significant transactions between related parties.

(2) Compensation for key senior management

Compensation for key senior management is as follows.

| | FY2023 (January 1, 2023 to December 31, 2023) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Millions of yen) | FY2024 (January 1, 2024 to December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Short-term employee benefits | 297 | 324 | 2,048 |
| Share-based compensation | 59 | 116 | 733 |
| Total | 356 | 440 | 2,781 |

37. Commitments

Commitments for acquiring assets are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Acquisition of property, plant and equipment | 12,353 | 15,744 | 99,535 |
| Acquisition of intangible assets | 932 | 1,133 | 7,163 |

38. Contingency

Debt guarantee contracts

Certain subsidiaries provide debt guarantees for amounts borrowed from financial institutions.

Outstanding debt guarantees are as follows.

| | FY2023 (As of December 31, 2023) (Millions of yen) | FY2024 (As of December 31, 2024) (Millions of yen) | FY2024 (As of December 31, 2024) (Thousands of U.S. dollars) |
|---|---|---|---|
| Guarantees to companies other than consolidated subsidiaries | 675 | 675 | 4,270 |

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39. Subsequent Events

(Stock split and partial amendment to the Articles of Incorporation following the stock split)

In accordance with a resolution made at the board of directors meeting held on August 9, 2024, the Company executed a stock split and a partial amendment to the Articles of Incorporation in connection with the stock split to be effective January 1, 2025.

(1) Purpose of the stock split

By conducting a stock split and thus lowering the per-share price, the Company aims to create a more investment-friendly environment, improve the liquidity of the Company's shares, and expand our investor base.

(2) Stock split overview

a. Details of stock split

The Company conducted a three-for-one stock split of shares of common stock held by shareholders whose names appear or are recorded in the final shareholders' register as of the record date, December 31, 2024 (effectively December 30, 2024, as December 31, 2024, was not a business day for the shareholder register administrator).

b. Increase in number of shares due to split

| | |
|---|---|
| Total number of issued and outstanding shares before stock split | 87,000,000 shares (See note) |
| Increase in number of shares due to stock split | 174,000,000 shares |
| Total number of issued and outstanding shares following the stock split | 261,000,000 shares |
| Total number of authorized shares following stock split | 950,000,000 shares |

(Note) This is the total number of shares issued and outstanding after the cancellation of treasury shares executed in accordance with the resolution made at the board of directors meeting held on August 9, 2024.

c. Stock split schedule

| | |
|---|---|
| Public announcement of record date | December 16, 2024 |
| Record date | December 31, 2024 |
| Effective date | January 1, 2025 |

(3) Partial amendment to Articles of Incorporation

The details of the amendments to the Articles of Incorporation are as follows.

(Underlined parts indicate changes)

| Prior to change | After change |
|---|---|
| (Total number of authorized shares)<br>Article 5<br>The total number of authorized shares of the Company shall be 340 million shares. | (Total number of authorized shares)<br>Article 5<br>The total number of authorized shares of the Company shall be 950 million shares. |

(4) Impact on per-share data

The impact on per-share data is stated in the relevant sections.

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(Treasury shares purchase)

At a meeting of the board of directors held on February 14, 2025, the Company resolved the following matters pertaining to the purchase of treasury shares, in accordance with the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act.

(1) Reason for treasury shares purchase

A key strategy outlined in the Groups's business plan, NX Group Business Plan 2028 Dynamic Growth 2.0 "Accelerating Sustainable Growth" (launched in January 2024), is introducing Initiatives to Improve Corporate Value.

One such initiative, strengthening balance sheet management, involves a treasury shares purchase of ¥50 billion (maximum) to optimize capital structure, improve capital efficiency, and return profits to shareholders. All the acquired shares under the initiative will be canceled.

Going forward, the Company will continue to implement flexible and agile treasury shares purchases, while taking into account capital-structure optimization and investments for sustainable growth.

(2) Acquisition details

| | |
|---|---|
| a. Type of shares to be acquired | Common shares of the Company |
| b. Total number of shares to be acquired | 30 million shares (maximum) |
| c. Total value of shares to be acquired | ¥50 billion (maximum) |
| d. Acquisition period | February 17, 2025 - November 28, 2025 |
| e. Acquisition method | Purchase on the Tokyo Stock Exchange |

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(2) 【Other】

Semi-annual information for the current fiscal year

| | | Interim Consolidated Accounting Period<br>January 1, 2024 to December 31, 2024 | FY2024<br>January 1, 2024 to December 31, 2024 |
|---|---|---|---|
| Revenue | (Millions of yen) | 1,249,893 | 2,577,643 |
| Income before tax | (Millions of yen) | 21,074 | 51,885 |
| Profit attributable to owners of parent | (Millions of yen) | 11,439 | 31,733 |
| Basic earnings per share | (Yen) | 43.55 | 121.47 |

(Note) 1 The Company adopted the BIP trust for director compensation. Company shares held by the trust are, according to calculations of per share information, included in the treasury shares deducted when calculating the average of the number of shares outstanding during the period.

2 The Company conducted a three-for-one stock split of shares of common stock, effective January 1, 2025. Basic earnings per share are calculated for the interim period (current period) on the assumption the stock split was executed at the beginning of the current fiscal year.

Semi-annual information for the current fiscal year

| | | Interim Consolidated Accounting Period<br>January 1, 2024 to December 31, 2024 | FY2024<br>January 1, 2024 to December 31, 2024 |
|---|---|---|---|
| Revenue | (Thousands of U.S. dollars) | 7,901,717 | 16,295,634 |
| Income before tax | (Thousands of U.S. dollars) | 133,232 | 328,015 |
| Profit attributable to owners of parent | (Thousands of U.S. dollars) | 72,320 | 200,614 |
| Basic earnings per share | (U.S. dollars) | $0.27 | $0.76 |

(Note) 1 The Company adopted the BIP trust for director compensation. Company shares held by the trust are, according to calculations of per share information, included in the treasury shares deducted when calculating the average of the number of shares outstanding during the period.

2 The Company conducted a three-for-one stock split of shares of common stock, effective January 1, 2025. Basic earnings per share are calculated for the interim period (current period) on the assumption the stock split was executed at the beginning of the current fiscal year.

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(TRANSLATION)

# INDEPENDENT AUDITOR'S REPORT

March 28, 2025

To the Board of Directors of
NIPPON EXPRESS HOLDINGS, INC.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Motoyuki Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Shinji Dobata

Designated Engagement Partner,
Certified Public Accountant:

Yuji Ujigawa

**<Audit of Consolidated Financial Statements>**

**Opinion**

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of NIPPON EXPRESS HOLDINGS, INC. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2024 to December 31, 2024, and material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation

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Methods of Consolidated Financial Statements.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

| *Valuation of goodwill resulted from the acquisition of cargo-partner* | |
|---|---|
| Key Audit Matter Description | How the Key Audit Matter Was Addressed in the Audit |
| As described in the Note "11. Goodwill and Intangible Assets (2) Impairment test for goodwill and intangible assets with indefinite useful lives" to the consolidated financial statements, the Group performed an impairment test for goodwill of ¥81,462 million resulted from the acquisition of Cargo-Partner Group Holding AG. ("cargo-partner").<br><br>As described in the Notes "3. Material Accounting Policies (8) Goodwill and intangible assets, (10) Impairment of non-financial assets" and "11. Goodwill and Intangible Assets" to the consolidated financial statements, goodwill resulted from business combinations is allocated to a cash-generating unit or group ("cash-generating unit") that is expected to benefit from the synergies of the business combinations, and the impairment test is performed at a certain time each year and whenever there is an indication of impairment. The Group recognizes an impairment loss when the carrying amount of an asset or cash-generating unit to which goodwill is allocated exceeds the recoverable amount as a result of the impairment test. The recoverable amount is the higher of the fair value less cost of disposal or the value in use. Future cash flows in determining the value in use are discounted to present value using a | Regarding the valuation of cash-generating unit to which goodwill resulted from the acquisition of cargo-partner is allocated, our audit procedures to address this key audit matter included the following, among others:<br><br>・We evaluated the design and operating effectiveness of the controls over the estimated recoverable amount for impairment test related to cash-generating unit to which goodwill is allocated, specifically, the approval process of materials for impairment analysis by the accounting responsible person.<br><br>・We evaluated the ability of management to accurately estimate future business plans by comparing the plan established in the previous year with actual results<br><br>・To examine the reasonableness of the business plan estimates, we made inquiries to the global business headquarter, the regional headquarter in Europe, the management of cargo-partner and to the overseas component auditor.<br><br>・We examined the reasonableness of significant assumptions on the business plan, such as future sales growth rates and profit margins by comparing with available external data such as reports about market growth prospects issued by market research companies, and by performing trend analysis |

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| | |
|---|---|
| pre-tax discount rate that reflects the time value of money and the inherent risk of the cash-generating unit.<br><br>As a result of an impairment test for the cash-generating unit to which goodwill resulted from the acquisition of cargo-partner is allocated, the Group did not recognize an impairment loss because the recoverable amount based on the value in use exceeded the carrying amount.<br><br>Future cash flows used in calculating the value in use are calculated as the discounted present value of the forecast of future cash flows estimated based on the five-year business plan prepared by management, and the terminal value for the final year of the forecast period is determined using the perpetual growth rate. There is a high degree of uncertainty in the estimates because the business plan mainly includes assumptions that involve management's judgment about the prospects for future sales growth rates and profit margins. Furthermore, estimating the perpetual growth rate after the end of the forecast period for future cash flows and the discount rate used to calculate the value in use requires a high degree of expertise for evaluation in the selection of calculation methods and input data.<br><br>Therefore, we determined that the management's judgment on the estimated recoverable amount related to cash-generating unit to which goodwill resulted from the acquisition of cargo-partner had been allocated was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024, and accordingly, valuation of goodwill resulted from the acquisition of cargo-partner as a key audit matter. | using historical results. We examined the reasonableness of profit margins, such as the rationality of the expected increase in global incentives to be received from airline and shipping companies as a result of the increase in transaction volume, and the effect of cost reduction through business integration, by inspecting contracts with airline and shipping companies, by inspecting of materials related to decision making on implementation of measures, and by inspecting related rent invoices.<br><br>・For the perpetual growth rate and the discount rate, we used our valuation specialists to assist us evaluate the reasonableness of the calculation methods selected by management and check the consistency of the input data with available external data. |

**Other Information**

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

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that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**<Audit of Internal Control>**

**Opinion**

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of NIPPON EXPRESS HOLDINGS, INC. as of December 31, 2024.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of NIPPON EXPRESS HOLDINGS, INC. as of December 31, 2024, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

**Basis for Opinion**

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the

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Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and the Audit and Supervisory Committee for Report on Internal Control**

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. The Audit and Supervisory Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

**Auditor's Responsibilities for the Internal Control Audit**

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

[We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**<Fee-Related Information>**

Fees for audit and other services for the year ended December 31, 2024, which were charged by us and our network firms to the Company and its subsidiaries are disclosed in (3) 【Status of Audit】, "Status of Corporate Governance" included in "Status of Submitting Company" of the Annual Securities Report.

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**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partner[s] do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader. The other information referred to in the "Other Information" section of this English translation is not translated. Fee-related information referred to in (3) 【Status of Audit】, "Status of Corporate Governance" included in "Status of Submitting Company" is not translated.