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Date of commencement of electronic provision measures: March 1, 2024

**2nd Ordinary General Meeting of Shareholders  
Other Matters Subject to the Electronic Provision Measures  
(Matters for Which Document Delivery Is Omitted)**

**Business Report**

- System for Ensuring Operational Integrity
- Overview of Operational Status of System for Ensuring Operational Integrity

**Consolidated Financial Statements**

- Consolidated Statement of Changes in Equity
- Notes to the Consolidated Financial Statements

**Non-Consolidated Financial Statements**

- Non-Consolidated Statement of Changes in Net Assets
- Notes to the Non-Consolidated Financial Statements

The matters described in this document will not be provided in the paper copy to be delivered to shareholders who made a request for delivery of such copy in accordance with the provisions of laws and regulations and the Articles of Incorporation of the Company.

Meanwhile, for this Ordinary General Meeting of Shareholders, the Company will send a paper copy of the matters subject to electronic provision measures except for the matters described in this document to all shareholders regardless of whether they made a request for delivery of such copy.

NIPPON EXPRESS HOLDINGS, INC.

## System for Ensuring Operational Integrity

The system to ensure that business execution by Directors of NIPPON EXPRESS HOLDINGS, INC. (hereinafter, "NXHD") and NX Group complies with laws and the Articles of Incorporation and other systems to ensure operational integrity resolved by the Board of Directors, are as follows:

- (1) Systems to Ensure That the Execution of Duties by Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation
  - 1) The NXHD Board of Directors consists of Directors, including Outside Directors, and in accordance with laws, regulations, and the provisions of the articles of incorporation's "Board of Directors Regulations" and "Board of Directors Meeting Agenda Standards," makes decisions on important matters that affect the entire group and oversees the execution of business operations. Outside Directors shall be appointed to maintain and strengthen the board's role in overseeing the performance of duties by Directors.
  - 2) NXHD's Representative Director and other Directors shall report to the Board of Directors on the performance of their duties and other important matters in accordance with the provisions of the Board of Directors Regulations and Board of Directors Meeting Agenda Standards.
  - 3) NXHD's Audit & Supervisory Board Members shall conduct audits in accordance with the provisions of the "Regulations of the Audit & Supervisory Board" and the "Audit & Supervisory Board Members Auditing Standards" to ensure that Directors perform their duties properly in accordance with laws, regulations, and the articles of incorporation.
  - 4) NXHD's Directors, corporate officers, and employees (hereinafter referred to as "Executives and Employees") shall act in line with the "Nippon Express Group Charter of Conduct," and perform their duties accordingly. The Nippon Express Group Charter of Conduct serves as a set of standards to ensure compliance with the "Nippon Express Group Corporate Philosophy," which is the common philosophy of the NX Group, as well as laws, regulations, the articles of incorporation, other internal rules, and social norms.
  - 5) In order to ensure thorough compliance by Executives and Employees, the Company shall appoint a Compliance Committee, establish a Compliance Promotion Division, and lay out necessary regulations such as the "Nippon Express Group Compliance Regulations," "Nippon Express Group Anti-Bribery Regulations," and "Nippon Express Group Competition Law Compliance Regulations," thereby implementing a compliance system that supports legitimate and fair corporate activities by the Group as a whole.
  - 6) The Company shall establish an internal whistleblowing system, "Nippon Express Speak-Up," for the prevention, early detection, and remedy of violations of laws and regulations, misconduct, and other violations of corporate ethics by Executives and Employees.
  - 7) NXHD's internal auditing department shall conduct audits as stipulated in the "Nippon Express Group Auditing Regulations" to ensure that Executives and Employees perform their duties properly in accordance with laws, regulations, the articles of incorporation, and other relevant rules.
- (2) Basic Policy on Elimination of Antisocial Forces and Current Development Status
  - 1) NXHD and its subsidiaries shall fully recognize that it is the social responsibility of a company to conduct its business operations in a manner that prevents any transactions with antisocial forces and groups, and shall take a firm stance in practicing social justice.
  - 2) The basic policy of blocking all relationships with antisocial forces shall be clearly stated in the Nippon Express Group Charter of Conduct and the Nippon Express Group Compliance Rules, and an educational system shall be established to ensure that all Executives and Employees comply with the basic policy. In addition, the Company shall set up relevant departments, such as a risk management department and a legal department, to collect information from specialized organizations, etc. on a regular basis, and to raise awareness within the Company on how to deal with antisocial forces in order to eliminate them.
  - 3) In preparation for any problems that arise, we will, in accordance with a firm policy of never providing funds to antisocial forces, establish a system to promptly deal with the problem by closely cooperating with relevant administrative agencies, legal advisors, and other external specialized organizations.

- (3) Systems Related to the Retention and Management of Information Pertaining to the Execution of the Duties of a Director
- Important documents related to the execution of business operations, such as the minutes of Board of Directors meetings and Board of Officers, and documents and other information (including electromagnetic records) relating to Directors' performance of their duties shall be properly stored, disposed of, and managed in accordance with the "Document Regulations," and NXHD's Directors and Audit & Supervisory Board Members may inspect these documents as necessary.
- (4) Rules and Other Systems Related to Management of the Risk of Loss
- 1) The Company shall set up a risk management Department to prevent risks that may have a significant impact on the Company's operations and to establish a risk management system that enables prompt and appropriate responses to emergencies that may arise. The Group defines risk management as preventive activities to limit the occurrence of risks and minimize the damage when they occur, and crisis management as measures to deal with risks that have occurred, and will establish a system to manage these in an integrated manner.
  - 2) Regarding risk management, the Company shall establish "Risk Management Regulations" and a "Risk Management Committee" in order to identify the risks facing the NX Group and take measures to avoid their effects in advance or minimize them after the fact. The Risk Management Committee identifies risks that may have a significant impact on the Company's operations, designates a department to deal with each risk, investigates potential countermeasures in cooperation with Group companies, and works to prevent risks arising. Reports on the status of risk countermeasures shall be received from group companies and relevant departments and confirmed, and regular reports shall be made to the Board of Directors.
  - 3) Regarding crisis management, the Company shall establish "Crisis Management Regulations" and a "Crisis Management Committee" to develop a crisis management system to prepare for the risk of loss and enable prompt and appropriate responses to emergencies. In addition to establishing standards for reporting from Group companies for each type of crisis that may arise, the Company shall establish a meeting body for each important crisis, such as "disaster countermeasures," "infectious disease countermeasures." Even in normal times, the Company shall consider measures necessary for business continuity in the event of an emergency, and shall promptly establish a countermeasures headquarters to respond to crises when they occur.
  - 4) For risks related to information systems, the Company shall establish an information security department and a System Risk Countermeasures Committee to discuss countermeasures against information security risks and to respond to any security incidents in cooperation with the Crisis Management Committee.
  - 5) In order to prevent the risk of loss that may occur in the course of business, NXHD's internal auditing department shall, in accordance with the "Nippon Express Group Audit Regulations," audit the status of the risk management system and the crisis management system, as well as providing guidance, advice and recommendations.
- (5) Systems to Ensure That the Execution of the Duties of a Director Is Performed Efficiently
- 1) In accordance with the provisions of the Board of Directors Regulations and Board of Directors Meeting Agenda Standards, the board shall meet to pass resolutions on important matters regarding the execution of business operations and to oversee Directors' performance of their duties.
  - 2) In order to ensure prompt decision-making and to strengthen the oversight role of the Board of Directors, the Company shall introduce a corporate officer system. Under this system, the execution of the Company's business is carried out by corporate officers who are appointed by the Board of Directors and assigned duties based on matters resolved on by the board, with the board also overseeing their activities.
  - 3) Regarding the execution of business operations, the Board of Officers shall be established to discuss important matters related to the Group's business, and individual matters regarding the execution of business operations shall be delegated to the corporate officers responsible for business execution to the fullest extent possible. Delegated matters shall be clearly defined in the "Regulations on Operational Authority" and the "Approval Authority Table."
  - 4) With respect to key group management issues, the Company shall establish a Sustainability

Promotion Committee for sustainability strategies and an Investment Committee for M&A strategies, with these specialized committees holding discussions and making necessary reports. In addition, decisions regarding the establishment of important policies and the implementation of important M&A transactions shall be made by submitting proposals to the NXHD Board of Directors, and their progress shall be reported to the board on a regular basis.

- (6) Systems to Ensure the Propriety of Business Activities of NXHD and the Corporate Group Consisting of NXHD and Group Companies
- 1) NXHD shall establish the Nippon Express Group Corporate Philosophy as a common philosophy for the management of its subsidiaries, the Nippon Express Group Charter of Conduct as a common guideline for all group employees to embody this philosophy, and the Nippon Express Group Business Plan as a business strategy to achieve a long-term vision based on this philosophy. In order to conduct management of subsidiaries in accordance with these business policies, the “Nippon Express Group Governance Regulations” and respective group regulations shall be established to define requirements to be observed by subsidiaries.
  - 2) Directors and representatives of subsidiaries shall, in accordance with the Nippon Express Group Governance Regulations, the “Group Approval Authority Table,” and other group rules and regulations established by the Company, report important matters relating to corporate management to the Company department in charge of administrative operations.
  - 3) In order to deal with various risks associated with subsidiaries, NXHD’s risk management department shall establish a risk management system for the Group, and subsidiaries shall manage risks in cooperation with the NXHD department in charge of administrative operations. Regarding crisis management, the Company shall establish “Nippon Express Group Crisis Management Regulations” and a “Crisis Management Committee” to develop a crisis management system to prepare for the risk of loss and enable prompt and appropriate responses to emergencies. Even in normal times, the Company shall consider measures necessary for business continuity in the event of an emergency. In such an event, a countermeasures headquarters shall be promptly established, and the departments of NXHD and its subsidiaries involved in the risk of loss will cooperate to respond. For risks related to information security, the Company shall establish an information security department and a System Risk Countermeasures Committee. A risk management system shall be developed in cooperation with subsidiaries’ information security departments, and the response to any security incidents shall be conducted in cooperation with the Crisis Management Committee.
  - 4) The business of the NX Group shall be conducted by the subsidiary operating companies, and the President and Representative Director of NXHD shall supervise these group businesses. The President and Representative Director of NXHD shall, within the scope of their mandate from Board of Directors, delegate responsibilities and authority for the execution of business operations by subsidiaries. These shall set be forth in the Nippon Express Group Governance Regulations, the Group Approval Authority Table, and other relevant regulations. Of the Company’s subsidiaries, the Company that oversees a specific region or a specific business is designated as the controlling company. The controlling company shall draw up a business plan for the region or business it oversees based on the Nippon Express Group Business Plan, bring together the subsidiaries under its control, and work to implement the plan. Subsidiaries shall establish a Board of Directors and shall have regulations for the Board of Directors that clarify its responsibilities and roles, and part-time Directors dispatched from NXHD to the Board of Directors of subsidiaries shall supervise the performance of the subsidiaries’ duties. The representatives of subsidiaries and the Directors responsible for them shall report to the Board of Directors on the progress of business plans and the development of internal control, risk management, and other systems, and shall also regularly report to the President and Representative Director of NXHD and the relevant departments in charge.
  - 5) With respect to the execution of business operations by subsidiaries, the Nippon Express Group Charter of Conduct shall be established as common guidelines for the Group, and subsidiaries’ Executives and Employees shall act in line with the charter and perform their duties accordingly. In order to conduct sound, transparent, and fair business activities in accordance with laws, regulations, social norms such as morals and ethics, and internal rules and regulations, NXHD’s compliance promotion division shall establish regulations such as the “Nippon Express Group Compliance Regulations,” “Nippon Express Group Anti-Bribery Regulations,” and “Nippon Express Group Competition Law Compliance Regulations.”

Subsidiaries' compliance promotion divisions shall follow these regulations to establish effective compliance systems that take into account the business characteristics, regional characteristics, etc. of each subsidiary, and shall perform the necessary inspections and oversight to confirm the effectiveness of such.

- 6) In order to prevent violations of laws and regulations, misconduct, and other violations of corporate ethics at subsidiaries, or to detect and remedy such violations at an early stage, NXHD has established a group whistleblowing system, "Nippon Express Speak Up," and has developed a system to establish whistleblowing contact points that can be used by the Executives and Employees of subsidiaries, thereby enhancing the effectiveness of compliance.
  - 7) In order to perform their duties regarding a consolidated business perspective and consolidated financial statements, NXHD's Audit & Supervisory Board Members shall conduct auditing for the Company's subsidiaries.
  - 8) In order to prevent inappropriate transactions or accounting procedures between NXHD and its subsidiaries, etc., NXHD's Audit & Supervisory Board Members shall collaborate with the Audit & Supervisory Board Members of the subsidiaries, exchange information, and strive to conduct efficient audits.
  - 9) NXHD's internal audit department shall conduct audits as stipulated in the Nippon Express Group Auditing Regulations to ensure that the business operations of subsidiaries are properly conducted in accordance with laws, regulations, the articles of incorporation, and other relevant rules, as well as providing guidance, advice, and recommendations.
- (7) Matters Related to Employees Who Are Requested by the Company's Auditors to Assist Them in Their Duties and Matters Related to Ensuring the Effectiveness of Instructions to Such Employees  
Regarding matters related to assisting the duties of NXHD's Audit & Supervisory Board Members, the audit staff of the Internal Auditing Division, which is the Company's internal audit department, shall follow the instructions of the Audit & Supervisory Board Members.
- (8) Matters Related to the Independence of the Employees in the Preceding Item from Directors  
The prior consent of the Audit & Supervisory Board shall be obtained for the appointment of audit staff.
- (9) Systems for Directors and Employees to Report to the Company Auditors, Systems for Directors, Company Auditors, Employees and Staff Executing Operations of the Company's Subsidiaries or Persons Who Receive Reports from These Persons to Report to the Company's Auditors, and Systems to Ensure That Persons Who Make Such Reports Are Not Treated Disadvantageously for Doing So  
NXHD Directors and the Directors and Audit & Supervisory Board Members, etc. of subsidiaries shall report the following matters to the NXHD Audit & Supervisory Board Members without delay, either directly or via the NXHD department in charge of administrative operations. In addition, laws and regulations shall be observed to ensure that those who make such reports are not treated disadvantageously for doing so.
- 1) Important business matters and implementation status of internal audits
  - 2) Serious violations of laws, regulations, or the articles of incorporation, or misconduct in connection with the performance of duties
  - 3) Matters that may cause significant damage to the Company
- (10) Other Systems to Ensure That Audits by Company Auditors Are Conducted Effectively
- 1) In addition to attending meetings of the Board of Directors, NXHD's Audit & Supervisory Board Members shall attend meetings of the executive board and other important company meetings in order to understand important decision-making processes and the status of the execution of business operations. In the event that they are unable to attend such meetings, the Audit & Supervisory Board Members shall receive explanations of the matters discussed and inspect the relevant materials.
  - 2) NXHD's Audit & Supervisory Board and its members shall hold regular meetings with the Representative Director to exchange opinions on business policies, issues the Company should address, risks facing the Company, the state of the audit environment, important auditing issues, etc., and strive to deepen mutual recognition and trust.

- 3) NXHD's Audit & Supervisory Board Members shall, in accordance with the rules on "Important Documents to be Distributed to Audit & Supervisory Board Members," inspect major approval request documents and other important documents relating to the execution of business operations, request explanations from Directors, corporate officers or employees as necessary, and express their opinions.
- 4) NXHD's Audit & Supervisory Board Members shall collaborate with the Internal Audit Office and the accounting auditors to improve the effectiveness of audits.
- 5) If deemed necessary, NXHD's Audit & Supervisory Board Members may engage attorneys, certified public accountants, consultants, and other outside experts to support the Audit & Supervisory Board Members' audits, and the Company shall bear any costs incurred in doing so.

## Overview of Operational Status of System for Ensuring Operational Integrity

The following is an overview of the operational status of system to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring operational integrity.

(1) Compliance initiatives

Regarding compliance initiatives, the Compliance Committee, which is chaired by the President, has been established to promote compliance within the NX Group. The Compliance Committee is briefed on all internal reporting received at the contact points established within and outside the Company, and verifies its contents, policies on addressing the issue, and the operational status of the related system, among other matters. The corporate officer in charge reports on the initiatives of the Compliance Committee to the Board of Directors.

(2) Risk management initiatives

For risk management, the NX Group has established a Risk Management Committee, which is chaired by the President, to promote a risk management culture in the NX Group. The Risk Management Committee is responsible for identifying risks at each NX Group company, formulating plans to address those risks, and monitoring the status of implementation of risk countermeasures. In addition, the corporate officer in charge reports on the initiatives of the Risk Management Committee to the Board of Directors.

(3) Internal audit initiatives

With regard to internal audit initiatives, the NX Group has established an Internal Audit Division, which conducts internal audits of domestic and overseas subsidiaries, as well as J-SOX internal control audits related to financial reporting in accordance with the Financial Instruments and Exchange Act. In accordance with the “NX Group Auditing Regulations,” independent and objective assurance and advisory activities are conducted for the purpose of ensuring the proper execution of business operations, improving management efficiency, and contributing to the efficiency and improvement of business operations. The framework for internal audits overseas has also been strengthened, with an independent auditor under the jurisdiction of the Company assigned to the subsidiary that controls each region overseas, and the roles, functions, and reporting lines of the Audit Division have also been clarified. With regard to J-SOX internal control audits, the Company audits the operation of “internal control over reliability of financial reporting,” evaluates the effectiveness of internal control, and performs procedures in accordance with the internal control reporting system. The corporate officer in charge reports to the Board of Directors on the status of internal audits and audit results.

(4) Audit initiatives by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend the meetings of the Board of Directors and other important meetings to grasp the procedure for important decision-making and the execution status of business. In addition, in the event there is insufficient information gathered for auditing, mainly full-time Audit & Supervisory Board Members request Directors and related divisions for explanation, information and materials required. In addition, Audit & Supervisory Board Members meet with the Representative Director on a regular basis and state their opinions concerning not only management policies, issues to be addressed and risks surrounding the Company but also on status of improvements in the auditing environment of Audit & Supervisory Board Members, important issues in auditing, and others.

## Consolidated Statement of Changes in Equity (January 1, 2023 - December 31, 2023)

(Unit: Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity		
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Fair value of effective portion of cash flow hedges
Beginning of period	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			
Dividends			(26,694)				
Share-based compensation transactions		(88)					
Changes in ownership interests in subsidiaries		427	0				
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)

	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			
Beginning of period	–	(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
Dividends			–	(26,694)	(549)	(27,243)
Share-based compensation transactions			–	(88)		(88)
Changes in ownership interests in subsidiaries			–	427	(3,026)	(2,598)
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

Note: Figures presented in the financial statements are rounded down to the nearest million yen.



## Notes to the Consolidated Financial Statements

### (Notes on Significant Matters Underlying the Preparation of Consolidated Financial Statements)

1. Standards for preparation of consolidated financial statements

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as stipulated in Article 120, Paragraph 1 of the Regulations on Corporate Accounting. However, pursuant to the provision in the second sentence of the same paragraph, certain disclosures and notes required under IFRS are omitted.
2. Scope of consolidation
  - A. We have 264 subsidiaries.

Names of major consolidated subsidiaries are listed in “Business Report 1. Status of the Company (6) Significant Subsidiaries.”

In addition, two companies including NX Global Innovation Fund have been included in the scope of consolidation due to new establishment, and 19 companies including Tramo SA have been included in the scope of consolidation due to acquisition of shares from the fiscal year under review. Meanwhile, 10 companies including Nittsu Kyoto Unyu Co., Ltd. have been excluded from the scope of consolidation due to liquidation, and Textile Logistics LLC. has been excluded from the scope of consolidation due to merger.
3. Application of the equity method
  - A. Companies accounted for using the equity method  
Associates: 54 companies including Meitetsu Transport Co., Ltd.
4. Accounting policies
  - A. Basis and method for the valuation of significant assets
    - (1) Financial instruments
      - 1) 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 on 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 at 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 in profit or loss.
        - (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 objective to hold financial assets to collect the 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 instruments 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 instruments 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 into 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 profit or loss.
- (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 on 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 financial assets are derecognized. When the 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 the fair value of equity instruments measured at fair value through other comprehensive income is recognized as other comprehensive income. When the 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 in 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 in profit or loss.
- (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 fiscal year, 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 12-month expected credit losses. 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 probability weighted amount 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 fiscal year, without undue cost or effort.
- Provisions of allowance for doubtful accounts on financial assets and reversals of allowance for doubtful accounts in cases where the allowance is reduced are recognized in profit or loss.
- If the financial assets are determined to be uncollectible, their 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 substantially all risks and economic values associated with ownership.
- 2) Financial liabilities (excluding derivatives)  
The Group initially recognizes debt instruments issued by the Group on the date of issue. All other financial liabilities are initially recognized on the transaction date in which the Group became a party to the contract for such financial instruments.  
The financial liabilities of the Group are those measured at amortized cost and are initially measured at fair value less directly attributable transaction costs and subsequently remeasured using the effective interest method.  
In addition, financial liabilities are derecognized if contractual obligations are discharged or canceled or expires.
- 3) 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 fluctuations in fair value and cash flows. Nevertheless, the Group evaluates the hedge effectiveness on an ongoing basis 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 in profit or loss together with the hedged item.  
Changes in the fair value of the ineffective portions of the hedge are recognized in 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 the case of derecognition, the Group continues to account for the balance of other comprehensive income from the cash flow hedge, previously recognized as other comprehensive income, until scheduled transactions affect profit or loss.  
If a forecast transaction is no longer expected to occur, the other comprehensive income balance related to the cash flow hedge is immediately recognized in profit or loss.
  - (ii) Derivatives not designated as hedges  
Changes in the fair value of derivatives are recognized in profit or loss.
- 4) 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 intend to either settle at net value or realize assets and settle liabilities simultaneously.
- 5) Fair value of financial instruments  
The fair value of financial instruments traded in an active financial market at the end of the fiscal year is measured by referencing quoted market prices or dealer prices. For financial instruments not belonging to an active market, the fair value is measured using appropriate valuation techniques.
- 6) 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 loss on derivatives (excluding losses related to hedging instruments recognized as other comprehensive income).

(2) Inventories

Inventories are calculated using the average method and measured at the lower of cost and net realizable value.

The cost of inventories is primarily the costs of purchase, while net realizable value is calculated by deducting estimated costs and estimated costs necessary to make the sale from the estimated selling price in the ordinary course of business.

(3) Goodwill

In business combinations, goodwill is measured and recognized as the excess of consideration transferred over the net of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized and recorded at the cost less accumulated impairment losses. In addition, the Group performs impairment tests at least annually or whenever there is any indication of impairment.

(4) Impairment of non-financial assets

The Group assesses non-financial assets for indications of impairment at the end of the fiscal year 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. The recoverable amount is the higher of an asset's (or cash generating unit's) fair value less costs of disposal and its value in use. When the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the Group recognizes impairment on the asset (or cash generating unit) and reduces the carrying amount to its recoverable amount.

Estimated future cash flows in measuring value in use are discounted to present value by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is measured by using appropriate valuation models, supported by indications of fair value available to the Group.

For assets other than goodwill, the Group assesses whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased, due, for example, to changes in assumptions used to calculate the recoverable amount of an asset. When such indications exist, the Group estimates the recoverable amount of an asset or a cash-generating unit. When the recoverable amount exceeds the carrying amount of an asset or a cash-generating unit, impairment losses are reversed to the lower of its recoverable amount or the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior periods.

B. Methods for the depreciation/amortization of significant depreciable/amortizable assets

(1) Property, plant and equipment

The Group adopts a cost model to measure items of property, plant and equipment and records them at cost less accumulated depreciation and accumulated impairment losses. The cost includes any costs directly attributable to acquisition of the asset as well as the estimated costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation of items of property, plant and equipment, excluding land and construction in progress is recorded using the straight-line method over their individual estimated useful lives.

The estimated useful lives of principal items of property, plant and equipment are as follows.

Vehicles:	4 to 9 years
Buildings and structures:	3 to 50 years
Machinery and equipment; tools, furniture and fixtures; and vessels:	2 to 20 years

Estimated useful lives, residual values, and depreciation methods are reviewed at the end of the fiscal year. If changes are detected, they are applied prospectively as changes in accounting estimates.

- (2) Investment property  
An investment property is a property held to earn rentals or for capital appreciation or both. Investment properties are measured based on the cost model as in the case for property, plant and equipment and stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of assets other than land are calculated using the straight-line method over their estimated useful lives, which are equivalent to those of corresponding items of 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.

- (3) Intangible assets  
Intangible assets are measured using the cost model and recorded at cost less accumulated amortization and accumulated impairment losses.

Separately acquired intangible assets are measured at 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 development costs that qualify for capitalization.

Intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives.

The estimated useful lives of principal intangible assets are as follows:

Software: 5 to 10 years

Estimated useful lives and amortization methods are reviewed at the end of each fiscal year, and any changes are applied prospectively as changes in accounting estimates.

- (4) Right-of-use assets  
At inception of a contract, the Group assesses whether the contract is, or contains, a lease, and determines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term by taking into account any extension option (if it is reasonably certain to exercise it) and any termination option (if it is reasonably certain not to exercise it).

C. Basis for the recognition of significant provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of obligation.

The amount recognized as a provision is the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation at the end of the fiscal year. Where the effect of the time value of money is material, the amount of a provision is measured at present value of the expenditures expected to be required to settle the obligation.

D. Criteria for recording revenue and expenses

(1) Criteria for recording revenue

1) Method for recognizing revenue (the five-step approach)

The Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as performance obligations are satisfied.

The Group identifies a distinct good or service stated in the contract with customers, and then identifies the performance obligation based on such a good or service considered as a transaction unit.

In identifying the performance obligations, the Group determines whether it is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, it is a principal and therefore presents the gross amount of consideration as revenue on the consolidated statement of profit or loss. On the other hand, if the Group's performance obligation is to arrange for the provision of the specified good or service by another party, it is an agent and therefore presents the amount of any fee or commission, or the net amount of consideration, as revenue on

the consolidated statement of profit or loss.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts the Group collected on behalf of third parties. In addition, the amount of consideration for transactions received from customers does not contain a significant financing component as the Group receives the consideration largely within one year from the transfer of goods or services to customers.

2) Recognition of revenue in major transactions

- Revenue recognition at a point in time (applicable for the Logistics Support business)  
The Group engages in sale of petroleum and other goods in the Logistics Support business, in which revenue is recognized based on an understanding that customers obtain control of goods at the point of delivery, whereby the Group's performance obligations (delivery of goods) are satisfied. In a sale of goods in which the Group acts as an agent, revenue is recognized based on an understanding that customers obtain control of goods at the point of delivery, whereby the Group's performance obligations (arrangement of delivery of goods) are satisfied.
- Revenue recognition over time (applicable for all the other segments)  
The Group engages in the Logistics business comprising railway utilization transportation, chartered truck services, air freight forwarding, marine and harbor transportation; the Security Transportation business; and the Heavy Haulage & Construction business involving construction contracts. In the Logistics business and the Security Transportation business, revenue is recognized according to the degree of progress made during the transportation period based on an understanding that performance obligations are satisfied over time, as customers benefit from the transportation of cargos as the cargos move from the place of departure to the place of destination over the course of transportation period. In the Heavy Haulage & Construction business, revenue is recognized using the method of measuring the progress toward complete satisfaction of performance obligations at the proportion of the actual cost incurred by the end of the fiscal year against the estimated total cost of the construction project, based on an understanding that performance obligations are satisfied over time.

E. Employee benefits

(1) Post-employment benefits

The Group operates both defined benefit plans and defined contribution plans as post-employment benefit plans for its employees.

1) Defined benefit plan

The Group separately calculate the present value of defined benefit obligations and related current service cost and past service cost for each plan using the projected unit credit method. Discount rates are calculated based on the market yields of high quality corporate bonds at the end of the fiscal year corresponding to the period up to the expected date of future benefit payments. The present value of defined benefit obligations, net of the fair value of plan assets, is recorded as a liability or an asset. However, if the defined benefit plan is overfunded, a net defined benefit asset is limited to the asset ceiling, which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Their current service cost and net interest on the net defined benefit liability (asset) of defined benefit plans are recognized in profit and loss. The remeasurements of defined benefit plans are recognized in a lump sum in other comprehensive income in the period they are incurred and transferred immediately to retained earnings. The past service cost is recognized in profit or loss as incurred.

2) Defined contribution plan

Retirement benefit expenses under the defined contribution plan are recognized as expenses as incurred.

(2) Short-term employee benefits

Short-term employee benefits are not subject to discount and are recognized in profit or loss whenever relevant services have been provided. Bonuses and the cost of paid absences are recognized as liabilities in the amount estimated to be paid under those plans when the Group has legal or constructive obligations to pay them, and where reliable estimates can be made.

(3) 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 the present value.

F. Foreign currency translation

(1) Translation of foreign currency transactions

The financial statements of each company in the Group are prepared in the functional currency of the company. Transactions in currencies other than the functional currency (foreign currencies) are translated using the exchange rate at the date of the transaction.

Foreign currency monetary items are translated into the functional currency using the closing rate. Non-monetary items that are measured at cost in a foreign currency are translated into the functional currency using the exchange rate at the date of the transaction, while those measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was measured.

Exchange differences arising from translation or settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

(2) Translation of a foreign operation

Assets and liabilities of a foreign operation are translated into Japanese yen at the closing rate. Income and expenses are translated into Japanese yen using the average rate for the period. Exchange differences arising from translating the financial statements of a foreign operation are recognized as other comprehensive income. If a foreign operation is disposed of, the cumulative amount of the exchange differences relating to that foreign operation are recognized in profit or loss in the period of disposal.

G. Treatment of Global Minimum Tax Rules

The FY2023 tax reform established the corporate tax corresponding to the global minimum taxation, and the tax reform act (the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 3 of 2023)) containing the provisions pertaining to the said corporate income taxes (hereinafter the “Global Minimum Tax Rules”) was enacted on March 28, 2023. The Global Minimum Tax Rules are effective for fiscal years beginning on or after January 1, 2024. Under these tax rules, top-up taxes will be imposed on the earnings of subsidiaries with an effective tax rate of less than 15%, and the Company will be obligated to pay such taxes.

Since the Company has not yet applied the Global Minimum Tax Rules, no income tax expense based on these tax rules was recorded for the fiscal year under review. In addition, the Company did not recognize and disclose deferred tax assets and liabilities related to the Global Minimum Tax Rules in accordance with the exception in IAS 12.

**(Notes on Accounting Estimates)**

1. Impairment of non-financial assets

Of the items recorded in the consolidated financial statements for the fiscal year under review by using accounting estimates, those that are likely to have material impact on the financial position and business performance of the Group in the next fiscal year are as follows:

(Unit: Millions of yen)

	Fiscal year under review
Property, plant and equipment	535,583
Goodwill and intangible assets	73,561
Right-of-use assets	354,021
Impairment losses	8,266

The aforementioned figures include ¥14,602 million of business assets (comprising ¥1,163 million of property, plant and equipment and intangible assets and ¥13,439 million of right-of-use assets) and ¥3,163 million of impairment losses in the pharmaceuticals and medical business at the consolidated subsidiary Nippon Express Co., Ltd. The Group has determined that there were indications of impairment at this business because of facts such as continued losses arising from its operating activities and accordingly tested the business for impairment. As a result of the impairment test, the recoverable amount of the business assets in the business based on fair value less costs of disposal was less than the carrying amount, and therefore impairment losses were recorded.

The aforementioned figures also include ¥47,427 million of business assets (comprising ¥8,823 million of property, plant and equipment and intangible assets and ¥38,604 million of right-of-use assets), and ¥5,102 million of impairment losses at the consolidated subsidiary NX NP Logistics Co., Ltd. The annual impairment test for the company's cash-generating units that included goodwill during the fiscal year under review showed that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of the assets including goodwill, and therefore impairment losses were recorded.

For the valuation of these non-financial assets and the method used to determine estimates of impairment, please refer to “(Notes on Significant Matters Underlying the Preparation of Consolidated Financial Statements), 4. Accounting policies, A. Basis and method for the valuation of significant assets, (4) Impairment of non-financial assets.”

Recoverable amounts are estimated based on a number of assumptions and data related to such variables as future cash flows, discount rates, perpetual growth rates and fair values. The Group believes that these accounting estimates are reasonable. However, if unforeseeable changes in the economic condition and other contingencies in the future force us to review the assumptions, data and other factors, resultant additional recordings of impairment losses in the consolidated financial statements for the next fiscal year may have a significant impact on the financial position and business performance of the Group.



**(Notes to the Consolidated Statement of Financial Position)**

1. Pledged assets	
Cash and cash equivalents:	¥10 million
Property, plant and equipment:	¥1,366 million
Other than the above, ¥309 million of other financial assets are pledged as real security.	
2. Secured liabilities	
Trade and other payables:	¥7 million
Bonds and borrowings (current):	¥36 million
Bonds and borrowings (non-current):	¥201 million
3. Allowance for doubtful accounts deducted directly from assets:	¥4,716 million
4. Accumulated depreciation/amortization and accumulated impairment losses of	
Property, plant and equipment:	¥751,502 million
Investment property:	¥64,964 million
Intangible assets:	¥87,327 million
Right-of-use assets:	¥213,486 million
5. Guarantee obligations:	¥675 million

**(Notes to the Consolidated Statement of Changes in Equity)**

1. Matters related to the class and the total number of issued shares	
Total number of issued shares as at the end of the fiscal year under review:	
Common stock:	90,599,225 shares

## 2. Dividends

## A. Dividend amount

Resolution	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on March 3, 2023	Common stock	13,390	150.00	December 31, 2022	March 13, 2023
Board of Directors meeting on August 9, 2023	Common stock	13,304	150.00	June 30, 2023	September 5, 2023

Notes: 1. "Total amount of dividend" resolved at the Board of Directors meeting on March 3, 2023 includes ¥16 million of dividends paid to the shares of the Company held by the executive compensation BIP trust.

2. "Total amount of dividend" resolved at the Board of Directors meeting on August 9, 2023 includes ¥14 million of dividends paid to the shares of the Company held by the executive compensation BIP trust.

## B. Dividends whose record date is during fiscal year under review, but whose effective date is after the end of the fiscal year under review

The Board of Directors meeting to be held on March 1, 2024 is scheduled to adopt resolution on dividends as follows:

Resolution	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on March 1, 2024	Common stock	13,205	150.00	December 31, 2023	March 12, 2024

Note: "Total amount of dividend" includes ¥14 million of dividends paid to the shares of the Company held by the executive compensation BIP trust.

**(Notes on Revenue Recognition)**

## 1. Disaggregation of revenue

The Group engages in the Logistics business, Security Transportation business, Heavy Haulage & Construction business and Logistics Support business, and the Group's revenues are disaggregated into each business as follows:

(Unit: 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 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	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" includes revenue from sale of petroleum, etc.

## 2. Information serving as a basis for understanding revenue

As stated in "(Notes on Significant Matters Underlying the Preparation of Consolidated Financial Statements), 4. Accounting policies, D. Criteria for recording revenue and expenses, (1) Criteria for recording revenue."

## 3. Information for understanding the amounts of revenue in the fiscal year under review and subsequent fiscal years

## A. Contract balances

Balances of receivables, contract assets and contract liabilities that arose from contracts with customers are as follows:

(Unit: Millions of yen)

	End of the fiscal year under review
Receivables from contracts with customers	365,044
Contract assets	12,161
Contract liabilities	4,533

In the consolidated statement of financial position, receivables arising from contracts with customers and contract assets are included in "trade and other receivables," while contract liabilities are included in "other current liabilities." ¥7,163 million of contract liabilities at the beginning of the fiscal year have been recorded as revenue in the fiscal year under review.

## B. Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the fiscal year under review, and the breakdown of such aggregate amount by expected duration up to the satisfaction in the future are as follows. These are largely for the transaction price related to the unsatisfied performance obligations associated with construction projects in the Heavy Haulage & Construction business.

Transactions with one year or less expected individual contract period are excluded.

(Unit: Millions of yen)

	End of the fiscal year under review
Within one year	1,484
Over one year	202
Total	1,686

## (Notes on Financial Instruments)

### 1. Status of financial instruments

#### A. 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.

#### B. Financial risk management

The Group is exposed to financial risks (e.g., credit risks, liquidity risks and market risks) when conducting its business activities. To avoid or mitigate such risks, the Group execute risk management by establishing certain management policies. The Group uses derivatives to hedge these risks and do not engage in speculative transactions.

##### (1) 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 partner company in 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. 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 and other receivables is as follows. For trade and other receivables, 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 determines 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 lifetime expected credit losses and may be measured individually or collectively for same period, depending on the nature and size of the transaction. Expected credit losses are 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

##### (2) 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.

##### (3) Market risks

###### 1) 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 contract for hedging in accordance with the handling procedure for derivatives in the fund administration procedure rules.

###### 2) 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.

3) Risk of equity instrument price volatility

The Group holds listed stocks of companies with which it has business relationships 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.

2. Fair value, etc. of financial instruments

The carrying amounts, the fair values, and the differences between them as of December 31, 2023 (the end of the fiscal year under review) are as follows. Cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables, bonds and borrowings (current, excluding current portion of long-term borrowings), and other financial liabilities (current) are omitted as they are financial instruments that are settled in short periods with inherent proximity between their fair value and carrying amount.

(Unit: Millions of yen)

	Carrying amount (Note 1)	Fair value (Note 1)	Difference
A. Bonds	(129,753)	(128,439)	(1,314)
B. Long-term borrowings	(136,982)	(136,308)	(674)

Note: 1. Items recorded as liabilities are shown in parenthesis.

A. Bonds

The fair value of bonds issued by the Company is measured based on the market price (reference statistical prices) and classified as Level 2 fair value. Bonds stated above include the current portion of bonds.

B. Long-term borrowings

The fair value of long-term borrowings is measured based on the present value of future cash flows of the relevant long-term borrowings, which is classified according to certain periods of time, discounted by the market interest rate in consideration of the Company's spread, and is classified as Level 2 fair value. Long-term borrowings stated above includes the current portion of long-term borrowings.

3. Fair value information by level within the fair value hierarchy

A. Fair value hierarchy

The fair value hierarchy of financial instruments is as follows.

Level 1: Fair value measured at quoted 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. 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 each fiscal year. There were no significant financial instruments transferred between Levels 1, 2 and 3 in the fiscal year under review.

End of the fiscal year under review (as of December 31, 2023)

	(Unit: Millions of yen)			
	Level 1	Level 2	Level 3	End of the fiscal year under review
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
Total	–	36	–	36

The following is a reconciliation of Level 3 financial instruments from the beginning balance to the ending balance.

	(Unit: Millions of yen)
	Fiscal year under review (January 1, 2023 to December 31, 2023)
Beginning balance	28,621
Gains and losses:	
Profit or loss	(8)
Other comprehensive income (Note 1)	2,700
Purchase	651
Sale and disposal	(140)
Other	(133)
Ending balance	31,690

Note: 1. Gains and losses included in other comprehensive income are related to equity instruments measured at fair value through other comprehensive income at the reporting date.

### (Notes on Investment Property)

#### 1. Changes in investment property

The following table provides a breakdown of the cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment properties.

	(Unit: Millions of yen)
	End of the fiscal year under review (as of December 31, 2023)
Cost	133,494
Accumulated depreciation and accumulated impairment losses	(64,964)
Carrying amount	68,529

Changes in investment properties during the period are as follows.

(Unit: Millions of yen)

Carrying amount	Fiscal year under review (January 1, 2023 to December 31, 2023)
Beginning balance	70,759
Acquisition	465
Transfer	5,080
Depreciation and amortization	(6,436)
Disposals	(1,359)
Other	20
Ending balance	68,529

Transfers are mainly to and from inventories and self-use real estate.

## 2. Fair value

The fair values of investment properties are as follows.

(Unit: Millions of yen)

	End of the fiscal year under review (as of December 31, 2023)
Fair value	258,644

Fair values of primary investment properties are based on real estate valuations conducted by independent real estate appraisers.

The fair value hierarchy of investment properties is Level 3.

## 3. Investment property revenues and expenses

Rental revenues from investment properties and their associated direct operating expenses are as follows.

(Unit: Millions of yen)

	Fiscal year under review (January 1, 2023 to December 31, 2023)
Rental revenue	21,918
Direct operating expenses arising from investment properties that generated rental revenue	10,270
Direct operating expenses arising from investment properties that did not generate rental revenue	19

Rental revenue is included in the revenue of the consolidated statement of profit or loss.

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 statement of profit or loss.

**(Notes on Per Share Information)**

1. Equity per share attributable to owners of parent: ¥9,097.87
2. Basic earnings per share: ¥418.58

Note: 1. Shares of the Company held by the executive compensation BIP trust are excluded from the total number of issued shares at end of period when calculating equity per share attributable to owners of parent and included in the treasury stock in the calculation of the average number of shares during period when calculating basic earnings per share.

The number of shares of the Company held by the trust was 96 thousand shares as of the end of the fiscal year under review, while the average number of treasury stock during the fiscal year under review was 98 thousand shares.

**(Notes on Subsequent Events)****(Acquisition of cargo-partner)**

The Company has, in accordance with the share transfer agreement concluded on May 12, 2023 with 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. (hereinafter collectively referred to as the “Sellers”), acquired all shares of several subsidiaries of the Sellers based mainly in Central and Eastern Europe that provide logistics services worldwide (hereinafter referred to as “cargo-partner”) on January 4, 2024 (Austria time) through a special purpose company that is a wholly-owned subsidiary of NIPPON EXPRESS EUROPE GmbH, which itself is a European holding subsidiary of the Company. The Company has thus completed all procedures required to make these newly-acquired companies subsidiaries of the Company.

Since the initial accounting for the business combination has not been completed, the fair value of the assets acquired and liabilities assumed and other information is not disclosed.

- (1) Name and business of the acquired companies and percentage of acquired equity interests with voting rights

The acquired companies consist of 59 companies (including companies that are not wholly-owned subsidiaries of the Sellers). The following are the names and businesses of the main acquired companies and percentage of acquired equity interests with voting rights in those companies.

Name	Description of major business	Percentage of acquired equity interests with voting rights
cargo-partner Logistics Limited	Freight forwarding	100.0%
Cargo Partner International Logistics (China) Co., Ltd.	Same as above	100.0%
cargo-partner GmbH	Same as above	100.0%
cargo-partner Hungária Fuvarszervezési Korlátolt Felelősségű Társaság	Same as above	100.0%
cargo-partner Spedycja Sp. z o.o.	Same as above	100.0%
cargo-partner SR, s.r.o.	Same as above	100.0%
cargo-partner, d.o.o.	Same as above	100.0%
cargo-partner ČR s.r.o.	Same as above	100.0%
cargo-partner Expeditii s.r.l	Same as above	100.0%
Cargo Partner Network Inc.	Same as above	100.0%
CARGO PARTNER LOGISTICS INDIA PVT LTD.	Same as above	100.0%

- (2) Main reasons for the business combination

Headquartered in Austria, cargo-partner has a robust logistics business base in Central and Eastern Europe, a region that is increasingly attracting attention as an industrial cluster in

Europe. It is a highly reputable corporate group focused principally on air and ocean freight forwarding in Europe, Asia, and North America that also offers rail and truck transport and contract logistics services.

The subsidiarization of cargo-partner will complement the NX Group's logistics infrastructure in Central and Eastern Europe, expected to see significant future growth as a production base within the European region, and will enable the NX Group to further expand its global network and enhance the services it provides in the European region.

The resultant expansion in the volume of air and ocean freight handled will also strengthen the Group's competitiveness in the global market, enable it to respond to the diverse demands of its global customers, enhance its ability to meet logistics demand between Asia and Europe and elsewhere, and bolster its global account structure.

Since the NX Group and cargo-partner have differing customer bases and differing strengths in specific countries and regions, they will seek to create synergies in their logistics operations through mutual complementation, thereby accelerating the expansion and development of their global businesses.

- (3) Date of the acquisition  
January 4, 2024

- (4) Amount and type of consideration paid for and acquisition cost of the acquired companies  
Ordinary shares of the acquired companies: €845 million  
The actual acquisition cost will be determined after adjustments in relation to net debt and net working capital of the acquired companies are made at time of completion of the transaction. In addition, a maximum of €555 million will be paid as an earn-out in cash to the Sellers, subject to the acquired companies' earnings reaching a certain financial threshold agreed to in the share transfer agreement.



## Non-Consolidated Statement of Changes in Net Assets (January 1, 2023 - December 31, 2023)

(Unit: Millions of yen)

	Shareholders' equity							Treasury shares	Total shareholders' equity
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
Beginning of period	70,175	26,908	250,235	277,143	60,389	60,389	(10,604)	397,103	
Changes during the year									
Cash dividends					(26,694)	(26,694)		(26,694)	
Profit					49,793	49,793		49,793	
Increase in treasury shares							(10,017)	(10,017)	
Decrease in treasury shares			(0)	(0)	(0)	(0)	79	79	
Net changes in items other than shareholders' equity									
Total changes during the year	-	-	(0)	(0)	23,099	23,099	(9,938)	13,161	
Balance at end of the year	70,175	26,908	250,235	277,143	83,488	83,488	(20,542)	410,264	

	Valuation and translation adjustments		Total net assets
	Valuation differences on available-for-sale securities	Total valuation and translation adjustments	
Beginning of period	32,650	32,650	429,753
Changes during the year			
Cash dividends			(26,694)
Profit			49,793
Increase in treasury shares			(10,017)
Decrease in treasury shares			79
Net changes in items other than shareholders' equity	(6,846)	(6,846)	(6,846)
Total changes during the year	(6,846)	(6,846)	6,314
Balance at end of the year	25,803	25,803	436,068

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Notes to the Non-Consolidated Financial Statements

### (Notes on Significant Accounting Policies)

1. Basis and method for the valuation of assets
  - Basis and method for the valuation of securities
  - A. Shares of subsidiaries and shares of associates
    - Stated at cost by using the moving-average methods
  - B. Available-for-sale securities
    - (1) Securities other than shares that do not have market price
      - Stated at fair value based on the quoted market price at year-end with the valuation differences being recorded directly into net assets and costs of securities sold being calculated by using the moving-average method
    - (2) Shares that do not have a market value
      - Stated at cost by using the moving-average methods
2. Method for the depreciation/amortization of non-current assets
  - A. Tangible fixed assets
    - Stated by using the straight-line method
  - B. Intangible assets
    - Stated by using the straight-line method, while software for in-house use is amortized by using the straight-line method over the stipulated internal usable period (five years).
3. Basis for the recognition of provisions
  - A. Provision for bonuses
    - To provide for the payment of bonuses to employees, expected accrued amount of bonus payment is recognized.
  - B. Provision for share awards for directors (and other officers)
    - To provide for the delivery, etc. of shares of the Company to Directors, etc. of the Company in accordance with the share delivery rules under the performance-based stock compensation plan, the estimated amount of share-based compensation at the end of the fiscal year under review is recognized.
4. Basis for the recognition of revenue and expenses
  - The Company, as a pure holding company, records revenues comprising primarily group management fees, brand royalty and dividends from subsidiaries. Group management fees relate to the management services and guidance provided to subsidiaries based on the management services agreement therewith, while brand royalty relates to the licensing to use the “NX” brand that contributes to maximizing the sense of cohesion as the Group as well as its collective corporate value, based on the licensing agreement with subsidiaries. As these services, guidance and benefits are provided on a constant and continuous basis over the contract period, the Company recognizes revenues according to the satisfaction of its performance obligations measured by the passage of time. As for dividends, the Company recognizes revenue at the effective date of dividends.
5. Other significant matters underlying the preparation of non-consolidated financial statements
  - A. Accounting treatment of consumption taxes
    - Consumption tax and local consumption tax are accounted for based on the tax exclusion method; provided, however, that non-recoverable consumption taxes on asset transactions are treated as expenses incurred during the fiscal year it accrued.

**(Notes on Changes in Accounting Policies)**

1. Application of accounting standard for fair value measurement

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. Please note that the impact of this application on the non-consolidated financial statements is immaterial.

**(Notes on Changes in Presentation)**

1. Non-consolidated statement of income

A. Interest expenses

“Interest expenses,” which was included in “Miscellaneous expenses” in non-operating expenses until the previous fiscal year, is separately presented because it exceeded 10/100 of non-operating expenses in the fiscal year under review. The amount of “Interest expenses” included in “Miscellaneous expenses” in non-operating expenses in the previous fiscal year was ¥3,636 thousand.

B. Loss on valuation of shares of subsidiaries and associates

“Loss on valuation of shares of subsidiaries and associates,” which was included in “Loss on valuation of investment securities” in extraordinary loss until the previous fiscal year, is separately presented in the fiscal year under review to enhance clarity of presentation. The amount of “Loss on valuation of shares of subsidiaries and associates” included in “Loss on valuation of investment securities” in extraordinary loss in the previous fiscal year was ¥1,064 million.

**(Notes on Accounting Estimates)**

1. Valuation of subsidiaries and associates

A. Amounts recorded in the non-consolidated financial statements for the fiscal year under review

Shares of subsidiaries and associates:	¥428,354 million
Investments in capital of subsidiaries and associates:	¥141,034 million
Loss on valuation of shares of subsidiaries and associates:	¥11,443 million

Amounts of NX NP Logistics Co., Ltd. included in the above

Shares of subsidiaries and associates:	¥9,685 million
Loss on valuation of shares of subsidiaries and associates:	¥11,338 million

B. Information beneficial to the understanding of details of significant accounting estimates concerning identified items

The Company recognizes valuation losses on shares, etc. of subsidiaries and associates with no market value when the real value of such shares, etc. declines significantly due to deterioration in the financial condition of the subsidiaries and associates, except when the recoverability of such shares, etc. can be supported by sufficient evidence.

As the Company’s subsidiary NX NP Logistics Co., Ltd. was acquired at a price exceeding the net asset value per share of the company, the Company has compared the real value of the shares, considering excess earning power and other factors, with the acquisition cost and thereby examined whether there was a significant decline in the real value.

For the fiscal year under review, the Company recorded impairment losses on goodwill and business assets related to NX NP Logistics Co., Ltd., as stated in the notes to the consolidated financial statements. Furthermore, in the valuation of the shares, the Company has determined that the real value of the company’s shares, which takes into account excess earning power and other factors, declined significantly and therefore recorded valuation losses on the shares, assuming the company’s net asset value, net of impairment losses on non-current assets, to be the real value of the shares.

The estimate of the real value of NX NP Logistics Co., Ltd. reflected the results of the impairment test for goodwill and business assets related to the company in the consolidated financial statements. The details of that estimate are described in the notes to the consolidated financial statements.

**(Notes to the Non-Consolidated Balance Sheet)**

1. Guarantee obligations:	¥166 million
2. Monetary claims and obligations in connection with subsidiaries and associates (excluding those separately presented)	
Short-term monetary claims	¥6,554 million
Short-term monetary obligations	¥1,783 million

**(Notes to the Non-Consolidated Statement of Income)**

1. Expense for changing brand symbol	
Expense for changing brand symbol was recorded under extraordinary loss as the Group introduced a new group brand symbol and markings on its vehicles, billboards and other major items have been replaced in sequence.	
2. Amounts of transactions with subsidiaries and associates	
Operating revenue	¥72,446 million
Selling, general and administrative expenses	¥3,744 million
Non-operating transactions	¥673 million

**(Notes to the Non-Consolidated Statement of Changes in Net Assets)**

Total number of treasury stock at the end of the fiscal year under review	2,659,642 shares
Note: The above number of shares includes 96,519 shares of the Company held by the executive compensation BIP trust.	

**(Notes on Financial Instruments)**

Notes are omitted as identical information is stated in the notes to the consolidated financial statements.

**(Notes on Tax Effect Accounting)**

1. Deferred tax assets	(Unit: Millions of yen)
Provision for bonuses	86
Accrued enterprise tax	245
Loss on valuation of investment securities	357
Loss on valuation of shares of subsidiaries and associates	3,979
Adjustments to the carrying amount of investments in shares in subsidiaries	920
Others	126
Sub-total deferred tax assets	5,715
Valuation allowance	(5,359)
Total deferred tax assets	355

2. Deferred tax liabilities	(Unit: Millions of yen)
Valuation differences on available-for-sale securities	(10,984)
Total deferred tax liabilities	(10,984)
Deferred tax assets	355
Deferred tax liabilities	(10,984)
Net deferred tax liabilities	(10,628)

3. Accounting treatments of the corporation income tax and the local corporation income tax, as well as their tax effect accounting
- The Company has adopted the group tax sharing system from the fiscal year under review. In addition, the accounting treatments and disclosures of the corporation income tax and the local corporation income tax, as well as their tax effect accounting, are in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

**(Notes on Transactions with Related Parties)**

Subsidiaries and associates, etc.

(Unit: Millions of yen)

Category	Name	Voting rights ownership ratio	Relation with related party	Transaction	Transaction amount (Note 1)	Item	Ending balance
Subsidiary	Nippon Express Co., Ltd.	Direct: 100%	Business management Concurrent service by executives	Receipt of management fees (Note 2)	4,970	Trade accounts receivable	1,447
				Receipt of brand royalty (Note 3)	8,011	Trade accounts receivable	1,081
				Payment of outsourcing fees	121	Other payables	11
				Payment of personnel expenses for seconded employees (Note 4)	3,773	Other payables	607
Subsidiary	NX Capital Co., Ltd.	Direct: 100%	Lending of funds Borrowing of funds		66,441	Short-term loans receivable from subsidiaries and associates	–
				Lending of funds	223	Short-term loans payable to subsidiaries and associates	8,485
				Borrowing of funds (Note 5)			
				60,000	Long-term loans payable to subsidiaries and associates	60,000	
Subsidiary	NIPPON EXPRESS EUROPE GmbH	Direct: 100%	Concurrent service by executives	Underwriting of capital increase (Notes 6, 7)	119,178	–	–
Subsidiary	LeLaR Fünfundsechzigste Beteiligungs GmbH	Indirect: 100%	Lending of funds	Lending of funds (Notes 7, 8)	14,977	Short-term loans receivable from subsidiaries and associates	14,926

Transaction terms and policy on determination of transaction terms

Notes: 1. Transaction amount does not include consumption taxes. Ending balance includes consumption taxes.

2. Management fees are determined by multiplying external sales and net assets after elimination of intra-group transactions by certain rate.
3. Brand royalty is determined by multiplying external sales after elimination of intra-group transactions by certain rate.
4. Personnel expenses for seconded employees are reasonably determined upon consultation.
5. The transaction relates to CMS (cash management system) transactions for greater intra-group capital efficiency. The transaction amount of short-term loans receivable from and short-term loans payable to subsidiaries and associates represents the average balance during the period since the fund borrowing/lending is carried out on a daily basis with NX Capital Co., Ltd. The transaction amount of long-term loans represents the amount of new loans originated during the fiscal year under review. Interest rates are determined rationally in consideration of market interest rates.
6. The underwriting was for a capital increase carried out by NIPPON EXPRESS EUROPE GmbH.
7. The underwriting of capital increase and the lending of funds were contribution of funds for subsidiarization under the share transfer agreement with cargo-partner Group Holding AG and its subsidiaries, which was concluded on May 12, 2023. For further details, please refer to

- “(Notes on Subsequent Events)” in the notes to the consolidated financial statements.
8. Interest rates are determined rationally in consideration of market interest rates.

**(Notes on Per Share Information)**

1. Net assets per share: ¥4,958.72
2. Basic earnings per share: ¥562.54

Note: Shares of the Company held by the executive compensation BIP trust are excluded from the total number of issued shares at end of period when calculating net assets per share and included in the treasury stock in the calculation of the average number of shares during period when calculating basic earnings per share.

The number of shares of the Company held by the trust was 96 thousand shares as of the end of the fiscal year under review, while the average number of treasury stock during the fiscal year under review was 98 thousand shares.