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.

# 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.

# 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) |
|---|---|---|---|---|
| Assets | | | | |
| 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 |

| | 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 |

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 |

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 |

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 | | | | | |
| | | Remeasurements of defined benefit plans | Share of other comprehensive income of investments accounted for using equity method | Total | 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 |

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 | | | | 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 | 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 |

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 | | | | 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 | 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 |

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) |

| | 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 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.

(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.

(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.

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.

(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.

(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.

(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.

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).

(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.

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.

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 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.

(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.

(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.

(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.

(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.

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 |

(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 | - | - | - | - |

| | 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.

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 | - | - | - |

| | 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.

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 | - | - | - |

| | 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.

(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

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% |

(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.

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 Felelősségű 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

(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.

(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.

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.

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.

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 |

(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 |

(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.

(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.

(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.

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 |

(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 |

(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.

(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.

(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.

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.

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.

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.

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.

(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.

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 (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 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 (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 | 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 |

(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 |

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.

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.

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.

(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 |

(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% |

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.

(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.

(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.

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.

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 |

(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 |

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.

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 (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) |
|---|---|---|---|
| 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.

(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).

(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.

(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.

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 (January 1, 2023 to December 31, 2023) | FY2024 (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

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.

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.

(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<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) |
|---|---|---|---|
| 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<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) |
|---|---|---|---|
| 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<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) |
|---|---|---|---|
| Within 1 year | 1,484 | 3,511 | 22,197 |
| Over 1 year | 202 | 670 | 4,239 |
| Total | 1,686 | 4,181 | 26,436 |

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.

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 |

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 |

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).

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.

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.

## 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 (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) |
|---|---|---|---|
| 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

(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 (As of December 31, 2023) (Millions of yen) | 426,046 | 1,649 | 120,729 | 720 | 328 |
| FY2024 (As of December 31, 2024) (Millions of yen) | 523,526 | 2,562 | 136,393 | 857 | 1,500 |
| FY2024 (As of December 31, 2024) (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.

(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.

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 |

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 |

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) |

(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 (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) |
|---|---|---|---|
| Other comprehensive income (post-tax) | (3,373) | (2,472) | (15,628) |

(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.

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 |

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.

(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.

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.

(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.

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 |

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 <u>340 million shares</u>. | (Total number of authorized shares)<br>Article 5<br>The total number of authorized shares of the Company shall be <u>950 million shares</u>. |

(4) Impact on per-share data

The impact on per-share data is stated in the relevant sections.

(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 |

(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.

(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

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 | |
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| 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.

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 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

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.

**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.