

This is a translation of the original Japanese “Notice of the 1st Ordinary General Meeting of Shareholders” prepared for the convenience of non-Japanese speakers. Should there be any discrepancy between any part of this translation and the original Japanese text, the latter shall prevail.

March 10, 2023

(Commencement of electronic provision measures: March 3, 2023)

To Our Shareholders

Kanda-Izumicho 2, Chiyoda-ku, Tokyo
NIPPON EXPRESS HOLDINGS, INC.
Mitsuru Saito
President and Representative Director

NOTICE OF THE 1ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We are pleased to announce that the 1st Ordinary General Meeting of Shareholders of NIPPON EXPRESS HOLDINGS, INC. (the “Company”) will be held as follows.

The Company has adopted electronic provision measures for the convocation of this Ordinary General Meeting of Shareholders, and has posted the items for electronic provision measures as the “NOTICE OF THE 1ST ORDINARY GENERAL MEETING OF SHAREHOLDERS” on the following website on the Internet.

Company website: <https://www.nipponexpress-holdings.com/en/ir/event/meetings/>

In addition to the above, the notice is also posted on the website of the Tokyo Stock Exchange (TSE). Please access the TSE website (Listed Company Search) below, search by entering the stock name (company name) or the securities code, and select “Basic information” and “Documents for public inspection/PR information” to confirm the information.

TSE website: <https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

In lieu of attending the meeting in person, you can exercise your votes via the Internet or in writing (by mail). The Company respectfully requests that you review the “Reference Material Concerning the General Meeting of Shareholders” below and exercise your voting rights on or before 6:00 p.m. (JST) March 29, 2023 (Wednesday).

Particulars

- 1. Date and Time:** 10:00 a.m. on March 30, 2023 (Thursday)
- 2. Place:** Large Conference Room, on the 2nd floor of NX Group Building
Kanda-Izumicho 2, Chiyoda-ku, Tokyo
(Please refer to the guidance map to the place of the meeting stated at the end of this document.)

3. Objectives of the Meeting

Matters to be reported:

1. Report on Business, the Consolidated Accounting Documents for the 1st Business Term (from January 4, 2022 to December 31, 2022), and the Report on the Results of Audit of Consolidated Accounting Documents by Accounting Auditor and Audit & Supervisory Board.

(Note) The Company's first business year runs from January 4, 2022 to December 31, 2022, while the current fiscal year runs from January 1, 2022 to December 31, 2022.

2. Report on the Non-Consolidated Accounting Documents for the 1st Business Term (from January 4, 2022 to December 31, 2022).

Matters to be resolved:

Proposal: Election of Six (6) Directors

4. Matters Decided on Regarding the Convocation

Exercise of voting rights by proxy

If you are unable to attend the meeting, you may appoint one other shareholder with voting rights to attend the meeting as your proxy. However, please note that a document evidencing the authority of proxy must be submitted.

Handling of duplicate exercises of voting rights via the Internet and by mail

Please note that if you exercise your voting rights both via the Internet and by mail, the vote exercised via the Internet will be treated as valid.

Handling of duplicate exercises of voting rights via the Internet

If you exercise your voting rights more than once via the Internet, the last time you exercise your voting rights will be considered valid.

Handling of voting rights in the event that no indication of approval or disapproval of a proposal is made on the voting form

If no indication of approval or disapproval is made on the voting form for a proposal, it shall be treated as an indication of approval.

(Note: The Company participates in the ICJ platform for institutional investors to vote from ProxyEdge® system of Broadridge. For further details, please consult with your custodian(s), nominee(s) and/or broker(s). Voting via Internet other than ICJ platform is only available for registered shareholders in Japan with Japanese language only.)

*(Note to shareholders residing outside Japan)
Your vote is important. We will appreciate your participation in the meeting of this Ordinary General Meeting of Shareholders of the Company through providing instruction to your custodians, brokers, nominees, voting agents or other authorized intermediaries to process your vote as soon as possible. We look forward to receiving your vote.*

- ⦿ Please bring the enclosed voting form for submission at the meeting reception when you are attending on the day of the event in person.
- ⦿ Of the matters to be provided electronically, Notes to Consolidated Accounting Documents and Notes to Non-Consolidated Accounting Documents are not included in the documents to be delivered to shareholders who have requested delivery of documents in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company. Therefore, the documents to be delivered to shareholders who requested the delivery of documents are part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor for the purpose of preparing the audit report.
- ⦿ In the event that any event occurs to amend the items to be presented in the items for electronic provision measures, please be informed that the Company will display the amendments on the respective websites.

To institutional investors

If you make prior application to use the electronic voting rights exercise platform operated by ICJ, Inc., you can exercise your voting rights using this platform.

Reference Material Concerning General Meeting of Shareholders

Proposals and References Materials

Proposal: Election of Six (6) Directors

The terms of office of all the six (6) Directors will expire at the closing of this Ordinary General Meeting of Shareholders. Accordingly, it is proposed to elect six (6) Directors (three (3) of whom are Outside Directors).

The candidates for Directors are listed below.

Candidate Number	Name				Position and Responsibilities at the Company
1	Kenji Watanabe (Male)	Re-appointment			Chairman and Representative Director Chairman of the Board of Directors
2	Mitsuru Saito (Male)	Re-appointment			President, Chief Executive Officer and Representative Director Chief Executive Officer
3	Mamoru Akaishi (Male)	New Candidate			Executive Officer In charge of Corporate Planning Division, and General Manager, Corporate Planning Division
4	Sadako Yasuoka (Female)	Re-appointment	Outside	Independent	Director
5	Yojiro Shiba (Male)	Re-appointment	Outside	Independent	Director
6	Yumiko Ito (Female)	New Candidate	Outside	Independent	

New Candidate: New candidate for Director

Outside: Candidate for Outside Director

Reappointment: Candidate for reappointment as Director

Independent: Candidate for independent officer

Candidate Number	Name (Date of Birth)	Profile and Position and Responsibilities at the Company	Number of Company's Shares Held by Candidate
1	 <p>Kenji Watanabe (February 3, 1950)</p> <p>Reappointment</p> <p>Number of years served as Director (at the closing of this Meeting): 1 year and 2 months</p> <p>Attendance at Board of Directors meetings: 17/17 (100%)</p>	<p>April 1972 Joined Nippon Express Co., Ltd.</p> <p>May 2005 Executive Officer, Regional General Manager, No. 9 Region, and General Manager, Osaka Branch, Nippon Express Co., Ltd.</p> <p>June 2005 Director and Executive Officer, Regional General Manager, No. 9 Region, and General Manager, Osaka Branch, Nippon Express Co., Ltd.</p> <p>May 2007 Director and Senior Managing Executive Officer, Regional General Manager, Tokyo Metropolitan Region, and General Manager, Tokyo Branch, Nippon Express Co., Ltd.</p> <p>May 2009 Executive Vice President, Chief Operating Officer and Representative Director, Nippon Express Co., Ltd.</p> <p>June 2011 President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd.</p> <p>May 2017 Chairman and Representative Director, Nippon Express Co., Ltd.</p> <p>January 2022 Chairman and Representative Director, the Company (Incumbent)</p> <p>(Duties in charge) Chairman of the Board of Directors (Important Position of Other Organizations Concurrently Assumed) None</p>	29,903
<p>[Reasons for the selection]</p> <p>Since his appointment as President, Chief Executive Officer and Representative Director of Nippon Express Co., Ltd. in June 2011, Mr. Kenji Watanabe has been committed to driving the growth of the NX Group, developing its operational base as a truly global logistics company, in addition to strengthening its domestic business. As he was appointed as Chairman and Representative Director of Nippon Express Co., Ltd. in May 2017 and has been serving as Chairman and Representative Director of the Company since January 2022, the Company believes that his solid leadership and management capabilities based on his outstanding insight are crucial for strengthening the operational base of the entire NX Group in order to realize its long-term vision of the Business Plan, and thus proposes him as candidate for Director on a continuous basis.</p>			

Candidate Number	Name (Date of Birth)	Profile and Position and Responsibilities at the Company	Number of Company's Shares Held by Candidate
2	 <p data-bbox="395 562 643 622">Mitsuru Saito (September 22, 1954)</p> <p data-bbox="395 645 643 678">Reappointment</p> <p data-bbox="395 701 643 846">Number of years served as Director (at the closing of this Meeting): 1 year and 2 months</p> <p data-bbox="395 869 643 1014">Attendance at Board of Directors meetings: 17/17 (100%)</p>	<p data-bbox="659 271 1254 304">April 1978 Joined Nippon Express Co., Ltd.</p> <p data-bbox="659 304 1254 427">May 2009 Executive Officer, Regional General Manager, Tohoku Region and General Manager, Sendai Branch, Nippon Express Co., Ltd.</p> <p data-bbox="659 427 1254 495">May 2012 Managing Executive Officer, Nippon Express Co., Ltd.</p> <p data-bbox="659 495 1254 562">June 2012 Director and Managing Executive Officer, Nippon Express Co., Ltd.</p> <p data-bbox="659 562 1254 651">May 2014 Executive Vice President, Chief Operating Officer and Representative Director, Nippon Express Co., Ltd.</p> <p data-bbox="659 651 1254 752">May 2017 President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd.</p> <p data-bbox="659 752 1254 853">January 2022 President, Chief Executive Officer and Representative Director, the Company (Incumbent)</p> <p data-bbox="659 853 1254 1014">(Duties in charge) Chief Executive Officer (Important Position of Other Organizations Concurrently Assumed) None</p>	19,000
<p data-bbox="395 1037 699 1059">[Reasons for the selection]</p> <p data-bbox="395 1059 1441 1395">Since his appointment as Executive Vice President, Chief Operating Officer and Representative Director of Nippon Express Co., Ltd. in May 2014, Mr. Mitsuru Saito has implemented operational structural reforms leading to sustainable corporate growth in a prompt and precise manner as Chief Managing Officer of Administration Headquarters. As he was appointed as President and Representative Director of Nippon Express Co., Ltd. in May 2017 and has been serving as President and Representative Director of the Company since January 2022, the Company believes that his solid leadership and management capabilities based on his outstanding insight are crucial for implementing all strategies under the Business Plan as Chief Executive Officer in a prompt and precise manner for the NX Group to grow into a logistics company with a strong presence in the global market, and thus proposes him as candidate for Director on a continuous basis.</p>			

Candidate Number	Name (Date of Birth)	Profile and Position and Responsibilities at the Company	Number of Company's Shares Held by Candidate
3	 <p data-bbox="411 566 608 622">Mamoru Akaishi (April 6, 1968)</p> <p data-bbox="411 647 608 680">New appointment</p>	<p data-bbox="659 271 1254 304">April 1993 Joined Nippon Express Co., Ltd.</p> <p data-bbox="659 304 1254 394">March 2019 Group General Manager, Business Development Division, Nippon Express Co., Ltd.</p> <p data-bbox="659 394 1254 461">January 2022 Executive Officer, the Company (Incumbent)</p> <p data-bbox="659 461 1254 495">(Duties in charge)</p> <p data-bbox="659 495 1254 562">In charge of Corporate Planning Division, and General Manager, Corporate Planning Division</p> <p data-bbox="659 562 1254 629">(Important Position of Other Organizations Concurrently Assumed)</p> <p data-bbox="659 629 1254 663">None</p>	1,231
<p data-bbox="392 689 695 723">[Reasons for the selection]</p> <p data-bbox="392 723 1449 938">Mr. Mamoru Akaishi has gained experience in M&A, new business development, and other departments that contribute to NX Group's business expansion, and since his appointment as Executive Officer of the Company in January 2022, he has worked steadily to plan and execute strategies for the dynamic growth of the NX Group. The Company considers him to be a suitable candidate for the position of Director because of the importance of promotion of Group management which he is implementing in order to achieve the NX Group's long-term vision.</p>			

Candidate Number	Name (Date of Birth)	Profile and Position and Responsibilities at the Company	Number of Company's Shares Held by Candidate
4	 <p>Sadako Yasuoka (December 2, 1960)</p> <p>Reappointment Outside Director Independent Officer</p> <p>Number of years served as Director (at the closing of this Meeting): 1 year and 2 months</p> <p>Attendance at Board of Directors meetings: 17/17 (100%)</p>	<p>January 2005 Lecturer, Muryozan Denzuin Rongo School for Kids (In April 2013, name changed to Muryozan Denzuin Terakoya Rongo School) (Incumbent)</p> <p>August 2007 Teacher of Japanese, Seigakuin Junior & Senior High School</p> <p>October 2008 Representative, Ginza · Terakoya Rongo School for Kids (In April 2019, name changed to Ginza · Rongo School for Adults) (Incumbent)</p> <p>April 2009 Teacher of the Analects of Confucius (Rongo), Shukutoku SC Junior & Senior High School (Incumbent)</p> <p>November 2013 Representative, Sadako Yasuoka Office (Incumbent)</p> <p>June 2015 Director, Nippon Express Co., Ltd.</p> <p>October 2020 Chairperson, Kyogaku Training Institute and Masahiro Yasuoka Memorial Museum (Incumbent)</p> <p>January 2022 Director, the Company (Incumbent) (Important Position of Other Organizations Concurrently Assumed) Representative, Sadako Yasuoka Office</p>	300
<p>[Reasons for the selection and expected roles] Ms. Sadako Yasuoka has been engaged in educational activities for a broad range of generations including research of the Analects of Confucius (Rongo). She has provided NX Group necessary advice on agenda items and deliberations from a societal perspective based on her profound culture and extensive experience. The Company proposes Ms. Yasuoka as candidate for Outside Director on a continuous basis with the expectation that she will fulfill her roles in supervising the business execution and providing advice. Ms. Yasuoka has no direct experience in managing a company other than serving as an outside Director, however, based on the above reason, the Company believes she will be able to carry out her duties as Outside Director appropriately.</p>			

Candidate Number	Name (Date of Birth)	Profile and Position and Responsibilities at the Company	Number of Company's Shares Held by Candidate
5	 <p>Yojiro Shiba (August 7, 1950)</p> <p>Reappointment Outside Director Independent Officer</p> <p>Number of years served as Director (at the closing of this Meeting): 1 year and 2 months</p> <p>Attendance at Board of Directors meetings: 16/17 (94%)</p>	<p>April 1974 Joined The Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.)</p> <p>March 2003 Managing Executive Officer, Mizuho Bank, Ltd.</p> <p>May 2005 Executive Officer, Oriental Land Co., Ltd.</p> <p>April 2009 Representative Director and Executive Vice President Officer, Oriental Land Co., Ltd.</p> <p>June 2013 External Director, AMUSE INC.</p> <p>June 2015 Director and Vice Chairman, AMUSE INC.</p> <p>March 2018 Outside Director, Bridgestone Corporation (Incumbent)</p> <p>April 2019 Representative Director, President, AMUSE INC.</p> <p>June 2021 Director, Nippon Express Co., Ltd.</p> <p>January 2022 Director, the Company (Incumbent) (Important Position of Other Organizations Concurrently Assumed)</p> <p>Outside Director, Bridgestone Corporation</p>	0
<p>[Reasons for the selection and expected roles]</p> <p>Mr. Yojiro Shiba possesses extensive experience in corporate management and a wide perspective gained from addressing diverse customer needs. The Company proposes Mr. Shiba as candidate for Outside Director on a continuous basis, expecting him to fulfill roles in supervising and providing advice based on his deep insight into corporate management and business execution as the NX Group establishes global management and global governance, and accelerates its global business development.</p>			

Candidate Number	Name (Date of Birth)	Profile and Position and Responsibilities at the Company	Number of Company's Shares Held by Candidate
6	 <p data-bbox="424 618 627 685">Yumiko Ito (March 13, 1959)</p> <p data-bbox="424 707 627 741">New appointment</p> <p data-bbox="424 763 616 797">Outside Director</p> <p data-bbox="408 819 643 853">Independent Officer</p>	<p data-bbox="659 320 1254 409">April 1984 Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan</p> <p data-bbox="659 416 1150 472">April 1989 Admitted to the bar in Japan Joined Sakawa Law Office</p> <p data-bbox="659 479 1118 512">July 1991 Joined Tanabe & Partners</p> <p data-bbox="659 519 1254 642">April 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)</p> <p data-bbox="659 649 1254 705">May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.</p> <p data-bbox="659 712 1254 801">March 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)</p> <p data-bbox="659 808 1254 864">April 2013 Executive Officer and General Counsel, Sharp Corporation</p> <p data-bbox="659 871 1254 927">June 2013 Director, Executive Officer and General Counsel, Sharp Corporation</p> <p data-bbox="659 934 1254 1023">April 2014 Director, Executive Managing Officer and General Counsel, Sharp Corporation</p> <p data-bbox="659 1030 1254 1086">June 2016 Executive Managing Officer and General Counsel, Sharp Corporation</p> <p data-bbox="659 1093 1254 1193">April 2019 Established Ito Law Office Representative, Ito Law Office (Incumbent)</p> <p data-bbox="659 1200 1254 1256">June 2019 Outside Director, Kobe Steel, Ltd. (Incumbent)</p> <p data-bbox="659 1263 1254 1319">June 2019 Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd. (Incumbent)</p> <p data-bbox="659 1326 1254 1382">July 2022 Trustee, Nihon University (Incumbent)</p> <p data-bbox="675 1388 1254 1444">(Important Position of Other Organizations Concurrently Assumed)</p> <p data-bbox="675 1451 1023 1485">Representative, Ito Law Office</p> <p data-bbox="675 1491 1062 1525">Outside Director, Kobe Steel, Ltd.</p> <p data-bbox="675 1532 1254 1588">Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd.</p>	0
<p data-bbox="392 1585 911 1619">[Reasons for the selection and expected roles]</p> <p data-bbox="392 1626 1445 1966">Ms. Yumiko Ito is an attorney and has held important positions such as legal director in several companies with diverse backgrounds. She is currently active as an attorney, mainly assisting companies with contractual matters, litigations and disputes, and as an Outside Director and Outside Corporate Auditor of several companies, where she contributes to the improvement of corporate value from various perspectives, not only by providing advice as a legal expert but also by expressing her opinions from the viewpoint of a shareholder. The company proposes Ms. Ito as candidate for Outside Director, expecting her to provide objective advice and recommendations based on her global perspective developed through her advanced expertise and broad business experience in strengthening the global governance system and promoting ESG management, which will be important as the NX Group accelerates business development toward its long-term vision.</p>			

- (Notes)
1. There is no special interest between the Company and each of the candidates.
 2. The Company has provided notice to the Tokyo Stock Exchange of Ms. Sadako Yasuoka, Mr. Yojiro Shiba and Ms. Yumiko Ito being independent officers.
 3. Agreement to limit Outside Directors' liability
 - (1) In accordance with the Articles of Incorporation, the Company has entered into agreements with Ms. Sadako Yasuoka and Mr. Yojiro Shiba which limit Outside Directors' liabilities when applicable under the requirements of laws and regulations. The limit of liability under the agreement shall be an amount provided for in the laws and regulations. When Ms. Sadako Yasuoka and Mr. Yojiro Shiba are reelected under this proposal, the Company will continue the agreement with them.
 - (2) When Ms. Yumiko Ito is elected under this proposal, in accordance with the Articles of Incorporation, the Company plans to enter into an agreement with her which limits her liabilities when applicable under the requirements of laws and regulations. The limit of liability under the agreement shall be an amount provided for in the laws and regulations.
 4. The Company has entered into a directors and officers liability insurance agreement with an insurance company. The insurance agreement covers damages such as compensation for damages and litigation expenses to be borne by the insured parties. The insurance premiums for the insured parties are fully paid by the Company. When each candidate is reelected or elected, they will be included as insured parties under the insurance agreement. The Company plans to renew the insurance agreement with the same content during their terms of office.

Reference

Independence Criteria for Independent Outside Officers

Taking into consideration the requirement for outside directors stipulated in the Companies Act and the criteria set by securities exchanges, the Company has established its own criteria; and it appoints Outside Directors and Outside Audit & Supervisory Board Members in accordance with these criteria.

When candidates for Outside Director and Outside Audit & Supervisory Board Member do not fall under any of the following items, the Company considers that they have the appropriate independence.

1. An individual who is an executive* of the Company or a Group company or was an executive of the Company or a Group company within the ten-year period prior to his/her appointment;
2. A shareholder and its executive who own 10% or more of the total voting rights of the Company's shares;
3. An executive of a business partner whose transaction with the Group exceeds 2% of the Company's consolidated revenues;
4. An individual who has received more than ¥10 million per business year from the Company as remuneration as a consultant, a lawyer or a certified public accountant;
5. An individual who belongs to the audit firm which is the Company's Accounting Auditor; or
6. An individual who belongs to a group which received an average of ¥10 million or more of donations during the last three business years from the Company and a Group company.

* An "executive" signifies an executive director, an executive officer or other employees.

Skill matrix of the Board of Directors (if each candidate for Director is elected at this meeting)

Name	Areas in which the Company has particular expectations of candidates for the Board of Directors								
	Corporate management		Legal and risk management	Finance and accounting	International business	ESGs and sustainability	Human resource development and labor management	Experience in on-site operations	Experience working for other NX Group companies
	Experience in management of NX Group companies	Experience in management of companies outside the NX Group							
Kenji Watanabe	✓		✓			✓	✓	✓	✓
Mitsuru Saito	✓		✓	✓	✓	✓	✓	✓	✓
Mamoru Akaishi	✓				✓			✓	✓
Sadako Yasuoka	Outside Independent	✓				✓	✓		
Yojiro Shiba	Outside Independent	✓		✓	✓				
Yumiko Ito	Outside Independent	✓	✓			✓			

The check mark indicates that each Director has knowledge and expertise in the respective field.

End

Reference

Notice of Dividends to Shareholders

Pursuant to the provision of the Articles of Incorporation, the Company has resolved at the meeting of the Board of Directors held on March 3, 2023 to pay the year-end dividend for the 1st fiscal year of the Company as follows.

Particulars

1. Dividend: 150 per common stock of the Company
2. Start (effective) date for distribution of dividends: Monday, March 13, 2023

Please use the enclosed “Receipt of Year-End Dividend” to receive year-end dividends at your nearest Japan Post Bank or post office between March 13, 2023 and April 13, 2023.

For those who have designated an account for dividend transfers, we have enclosed the “Statement of Year-End Dividend” and the “Confirmation of Dividend Transfer Account.”

We have enclosed the “Statement of Year-End Dividend” for shareholders who have chosen to receive their dividends using the “Receipt of Year-End Dividend” as well, as we have done for those who have designated an account for dividend transfers. The statement can be used to confirm the dividend amount after you have received your dividends.

End

(Appendix)

Business Report (From January 1, 2022 to December 31, 2022)

1. Status of the Company

(1) Business Development and Results

Consolidated Financial Results Highlight

	Billions of yen		Billions of yen
Revenues	2,619.7	Operating income	128.7
Ordinary income	137.3	Profit attributable to owners of parent	109.8

The Company was established on January 4, 2022 as a pure holding company over Nippon Express Co., Ltd. and its subsidiaries sole-share transfer. The scope of consolidation is substantially unchanged from that of Nippon Express Co., Ltd. Accordingly, in “Business Developments and Results” below, for items that are compared with the results of the previous year, the actual figures of Nippon Express Co., Ltd. on a 12-month conversion basis (*) are used as comparative information.

* The actual figures for 2021 present the results for the period from January to December 2021 and have been calculated using simplified methods, including historical elimination ratios. Figures are unaudited and for reference only.

During the consolidated fiscal year ended December 31, 2022, restrictions on economic activities were imposed in some countries and regions due to the impact of COVID-19 and the reductions in fiscal and monetary stimulus measures in the U.S. and other countries put the brakes on the global economy, which has been undergoing a gradual recovery in the previous year. In addition, the Russian invasion of Ukraine in February led to a sharp rise in global prices for raw materials, energy, and food and concerns about procurement, which increased fears of a global economic recession, resulting in a generally difficult business environment amid an uncertain outlook.

Amid this economic climate, the logistics industry lacked strength compared to the previous year, when cargo movement recovered, with the exception of a few sectors in domestic logistics such as production machinery in connection with corporate capital investment, or electrical and information and telecommunications equipment, which were affected by a reactionary increase following the lockdowns. Personal consumption also stagnated due to the rise in consumer prices caused by inflation and other factors, as well as sluggish demand for food services and other services due to priority measures to prevent the spread of COVID-19. As a result of such factors, overall cargo movements remained weak. In international logistics, international ocean cargo transportation suffered from container stoppages at major European ports and an imbalance between supply and demand due to the lockdowns in China, while international air cargo transportation experienced fewer flights due to flight restrictions over Russia amid a delayed recovery in passenger demand. Nonetheless, both ocean and air cargo transportation freight rates continued to soar, as had been the case since the previous year. As a result, the international freight forwarding business and overseas business performed particularly well, despite global supply chain disruptions and revisions associated with them.

This fiscal year marked the fourth year of the five-year Nippon Express Group Business Plan 2023 ~“Dynamic Growth”~, which the NX Group began executing in April 2019. As we have endeavored to create a firmer management foundation, we have come together as a united group to achieve the targets defined in our fiscal 2023 business plan and become a logistics company with a strong presence in the global market, as described in long-term vision as we head toward our 100th anniversary in the year 2037.

Business Growth Strategy

Under the growth strategy for our core businesses, we have put into place a global account management system that serves as the center of our sales strategy as we strengthen our sales structure and sales organization further. By identifying the values important to customers and offering products and services that meet these needs, we strengthen our customer (industry)-focused approach. At the same time, we strengthen our business- and area-focused approaches to accomplish the growth strategies for our core businesses. We seek new growth in the supply chains of industries we expect to grow and change in the future as we continue to strengthen our businesses. These industries include the pharmaceutical and medical industry, which demands advanced quality management under GDP and other practices, the semiconductor industry, which has been designated for strengthening by various countries as a national industry, and the mobility industry, including automobile manufacturers and other mobility business that pursue SCM reforms under CASE and other environmental changes. Aiming to expand our global business further, in July, Nippon Express Co., Ltd. transferred the control functions of its global businesses to the Global Business Headquarters (GBHQ) within the Nippon Express Holdings, Inc. This move improved the integration and strength of global business control functions for the Group.

The domestic logistics business lies at the core of our strategy to enhance domestic businesses in Japan. To improve profits further and to strengthen the foundation of this business, we have made progress in reassigning back office personnel, introducing advanced technologies in warehouse operation sites, training core human resources, and striving to improve operational efficiencies and productivity through specific activities. At the same time, we are bolstering NX Train operations (dedicated railway transportation cars) and stepping up cross-mode sales. We have also endeavored to strengthen our management foundation by restructuring sub-agent operations and to curb outsourcing costs by maximizing the use of the workforce within the group and by controlling costs in a conscientious manner.

Efforts to Implement Our Long-Term Vision

We are innovating our public relations strategy to reinforce functions in support of our initiatives. To this end, our first step in branding strategy for building global competitive advantage consisted of a promoting the global use and recognition of NX as the group brand logo, which we introduced in January 2022. In terms of innovation in IT strategy, we strengthened global information security and advanced the development of Group optimal communications infrastructure.

We engage in establishing ESG management for sustainable growth and corporate value enhancement. In the first year of transition to a pure holding company structure, we endeavored to implement and effectively operate a global governance system, in addition to enhancing risk and crisis management functions, to strengthen our Group's management structure. At the same time, the NX Group built a structure to address various sustainability issues and conduct sustainability management to achieve sustainable growth of the NX Group and to contribute to sustainable societies. In particular, we identified addressing climate change as one of our materialities. We expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD), and we are pursuing measures to address climate change based on the recommendations of the TCFD. We believe our human resources are the source of our competitiveness and ability to achieve our Long-Term Vision. The NX Group is committed to becoming a company that makes employees happy, and we created a Group Diversity Promotion Policy as one means toward this end. We engage in initiatives to raise awareness, promote cultural innovation, encourage work-style reform, and foster behavioral change, and, as part of our human resources strategy for global growth, we hire multinational personnel and professionals with high-level experience in law, accounting, and other areas.

As a result, for the consolidated financial results for the 1st term, the Group posted revenues of ¥2,619.7 billion, operating income of ¥128.7 billion, ordinary income of ¥137.3 billion, and profit attributable to owners of parent of ¥109.8 billion.

Financial results by main business are summarized below.

Japan (Logistics)	
	Billions of yen
Revenues	1,457.2
Operating income	65.8

In the railway segment, we have been working to attract new customers through NX Train, a rail freight transportation service in which a portion of a train line is chartered for transportation, and Sea & Rail Service, a cargo transportation service combining rail cargo transportation and ocean cargo transportation using vessels. However, in addition to a decrease in home-related cargo transportation due to the impact of COVID-19, the impact of reduced automobile production due to the lockdowns in China, the impact of natural disasters such as stunted agricultural products and snow damage, and weak consumption demand due to high prices led to sluggish business.

In the motor transportation area, we created services that contribute to the reduction of CO₂ emissions by using EcoTrans Navi, a service that enables the visualization of CO₂ emissions from domestic cargo transportation, and Protect Box, which can be used repeatedly and reduces waste of curing and packaging materials, and promoted efforts to collect appropriate freight rates and fees, as well as to improve the efficiency of our operations. However, while there were some signs of recovery, shipment volume decreased in general, as a result of disruptions in the supply chain, including semiconductor shortages, soaring resource prices, and the effects of high prices due to the weak yen, and the segment remained sluggish.

In the warehousing segment, we established four pharmaceutical centers in Japan for pharmaceutical supply chain, one of the Company's priority industry, and worked to increase handling volume. Due to the impact of COVID-19, orders from Japanese companies did not proceed as planned, and the business plan was revised. However, handling of e-commerce related products continued to grow, and the shipment volume grew in conjunction with the recovery of steel-related production activities, resulting in steady growth in handling volume for the warehousing & storage business as a whole.

In the moving & relocation segment, although the handling in the domestic moving business decreased due to cancellations and postponements of personnel transfers by corporate customers and changes in office environment associated with promotion of telework caused by COVID-19, revenues from individual customers increased due to a rebound from self-restraint following the COVID-19 pandemic. In addition, a recovery in the handling of overseas moving and an increase in the handling of relocation work due to a recovery in demand for office buildings resulted in strong handling in the moving and relocation business as a whole.

In the air freight segment, although the shipment volume declined due to the impact of Russian invasion of Ukraine and the lockdowns in China caused by COVID-19, as well as a decrease in automobile-related production caused by the prolonged shortage of semiconductors, international air freight remained strong by maintaining unit selling prices at a high level. Meanwhile, in domestic air freight, home-related sector was strong. We also made efforts to expand emergency transportation demand in response to changes in the external environment, such as increased air freight demand due to disruptions in ocean cargo transportation, emergency freight in response to semiconductor shortages, and transportation services in compliance with the GDP for pharmaceuticals. However, due to a reactionary decline in the handling of products related to the prevention of COVID-19 in the previous year, the performance of domestic air freight remained flat from the previous year.

In the marine transportation segment, global transportation remained strong due to increased handling volume alongside a recovery in consumption in Europe and the U.S., as well as continued high unit selling prices caused by difficulty in securing shipping capacity. In coastal shipping, despite the effects of soaring raw material and other resource prices, due to the acquisition of new businesses including energy related businesses and signs of a recovery from the impact of COVID-19, the business performed strongly.

As a result, in logistics (Japan), the domestic logistics performed strongly in warehousing and

in-factory businesses. However, in railway and motor business, while there was recovery in cargo movements in some industries, the recovery was generally weak, and the performance was sluggish. In the air freight and marine transportation business, although the handling volume declined due to the impact of COVID-19 and the Russian invasion of Ukraine, it remained strong. In logistics (Japan) as a whole, revenues and operating income increased by maintaining high unit selling prices.

The Americas (Logistics)

	Billions of yen
Revenues	162.0
Operating income	13.3

Although cargo movements were sluggish due to congestion at ports on the West Coast of the U.S. and congestion in inland railway transport, the air freight and marine transportation business actively secured transportation space, and the shipment volume increased due to forwarding demand of imported cargo in the U.S., and by maintaining high unit selling prices, the segment performed strongly. Warehouse delivery and motor transportation also remained strong as a result of the establishment of a large warehouse due to the acquisition of a new automobile-related project in Huntsville, Alabama, U.S., resulting in an increase in revenues and operating income despite increases in labor and other costs.

Europe (Logistics)

	Billions of yen
Revenues	215.6
Operating income	12.4

Despite COVID-19 and Russian invasion of Ukraine, the air freight business maintained high unit selling prices, partly due to continued charter flights to Japan. In the marine transportation business, although port congestion and space shortages continued, demand for transportation was high which led to increased volumes, and unit selling prices remained high. In addition, revenues and operating income increased with the implementation of sales expansion measures including the establishment of a local subsidiary in Morocco, where the number of automobile production bases is increasing, and the expansion of operations in Eastern Europe, where the EV and semiconductor industries are concentrated.

East Asia (Logistics)

	Billions of yen
Revenues	242.0
Operating income	12.4

Although the impact of the lockdowns in China due to the spread of COVID-19 reduced demand for domestic deliveries, we worked to build transportation routes using NX Group's network to maintain customer supply chains and minimized the impact. In addition, while there were increases in labor and other costs, revenues and operating income increased due to a rise in unit selling prices in air freight and marine exports.

South Asia & Oceania (Logistics)

Billions of yen

Revenues	221.8
Operating income	20.0

While there were effects of COVID-19 and a reactionary drop from the previous year's spot transportation, in addition to the rise in unit selling prices in air freight and marine transportation, freight volume remained firm for automobile-related and electric- and electronics-related sectors. In addition, in warehousing and distribution, handling of mainly e-commerce related warehousing and distribution projects was strong thanks to the capturing of inventory adjustment demand due to international transportation disruption in the COVID-19 pandemic and expanding demand in South Asia & Oceania region. As a result, revenues and operating income increased.

Security Transportation

Billions of yen

Revenues	68.4
Operating income	0.9

Although there were impacts of the reorganization of transportation operations by financial institutions, the decrease in handling of CSD services, and cost increases due to soaring fuel costs, causing revenues to decrease, operating income increased thanks to the acquisition of new business including outsourcing services and ATM loading services from financial institutions, and the effect of improved operational efficiency such as through the review of transportation schedules.

Heavy Haulage & Construction

Billions of yen

Revenues	44.5
Operating income	6.3

Construction and plant maintenance work for large thermal power plants and petrochemical plants decreased in line with the transition of energy toward a decarbonized society. However, in the construction of facilities related to renewable energy, wind power plant construction projects were active in various regions, and the number of wind power-related projects increased, including both offshore and onshore wind power plant construction projects. There were also acquisitions of additional constructions. These factors resulted in a decrease in revenue and increase in operating income.

Logistics Support

Billions of yen

Revenues	414.8
Operating income	16.3

Despite severe conditions in petroleum product sales, which were significantly affected by rising crude oil prices, the segment performed strongly thanks to an increase in revenues due to unit selling prices of oil and LP gas, as well as efforts to improve purchase prices in the diesel fuel wholesale, which is our main product. Export packaging operations also grew, mainly in orders for equipment packaging, resulting in an increase in both revenue and operating income.

(2) Capital Investment

Total capital investment for the fiscal year under review was ¥83,889 million, mainly comprising ¥10,645 million in vehicles, ¥11,170 million in buildings including distribution hubs and commercial warehouses that are geared for reform in the logistics structure.

(3) Funding

There was no funding to report during the fiscal year under review.

(4) Status of rights and obligations of businesses of other companies succeeded through the absorption-type merger or split

The Company succeeded the rights and obligations concerning affiliate company management businesses and financial management businesses from its wholly-owned subsidiary Nippon Express Co., Ltd. on March 18, 2022.

(5) Assets, Profit and Loss

(Millions of yen, unless otherwise stated)

Category	1st Term FY2022
Revenues	2,619,746
Operating income	128,716
Ordinary income	137,323
Profit attributable to owners of parent	109,809
Basic earnings per share (Yen)	1,218.89
Total assets	1,730,922
Net assets	771,274
Net assets per share (Yen)	8,391.95

- Notes: 1. The number of shares used to calculate basic earnings per share is the average number of shares during the period less the average number of treasury stock during the period.
2. The number of shares used to calculate net assets per share is the total number of issued shares at the end of the period less the total number of treasury stock at end of the period.
3. The Company has introduced an Executive Compensation BIP Trust, and the Company's shares held by the Trust are included in the treasury stock to be deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share. In calculating basic earnings per share, the Company's shares held by the Trust are included in the treasury stock to be deducted from the average number of shares during the period.
4. Figures are stated only for the fiscal year under review as the Company was established on January 4, 2022 through a sole-share transfer of Nippon Express Co., Ltd.

(6) Issues to Be Addressed

The entire NX Group continues to make united efforts to implement measures for Business Growth Strategy and Efforts to Implement Our Long-Term Vision, in order to achieve the targets based on its five-year business plan, Nippon Express Group Business Plan 2023~“Dynamic Growth”~.

Business Growth Strategy

In the growth strategy for our core businesses, we will accelerate our efforts in the five priority industries and non-Japanese customers in our “customer (industry)-focused” approach and expand our areas of contribution in our customers’ global supply chains by strengthening our air and ocean transportation business foundation and logistics business in our “business-focused” approach. In our “area-focused” approach, we will expand our business in emerging areas with a focus on strengthening primary industries.

Regarding the strategy to enhance domestic businesses in Japan, to further improve profitability and strengthen the management foundation of the logistics business in Japan, which is the core of the Group’s business, we will strengthen the business by spinning off the security and transportation businesses, streamlining the administrative organization and promote further reform of administrative processes, concentrating management resources on major markets such as the Kanto, Chukyo, and Kinki regions, and reviewing the business portfolio, including the restructuring of businesses that span across the Group.

Efforts to Implement Our Long-Term Vision

Under reinforcing functions in support of our initiatives, the Group will expand the practical application of advanced logistics technologies and the use of technologies such as AI and RPA in IT and DX strategies to ensure competitive advantage, improve productivity, and achieve work-style reform by eliminating labor shortages and realizing safe, secure, and sophisticated operations, as well as to promote a response to digital transformation as a Group.

With regard to the establishment of ESG management for sustainable growth and corporate value enhancement, to address issues surrounding sustainability, we will expand our contribution to customers through the development and provision of intermodal services that combine railway and ocean transportation. We will also promote further reduction of CO₂ emissions through the use of renewable energy, electrification of vehicles and changing the facility lightings to LEDs. In addition, we will further promote diversity management to strengthen employee engagement with the aim of transforming into a company that makes employees feel satisfied and fulfilled. With regard to governance enhancement, we will implement various measures to further strengthen the global Group governance structure.

The NX Group will accelerate its transformation under the holding company structure to realize its long-term vision of becoming a logistics company with a strong presence in the global market, and strive for further growth and further enhancement of corporate value, in order to meet the expectations of all shareholders. We would be grateful for your continued understanding and support.

(7) Significant Subsidiaries (As of December 31, 2022)

1) Significant Subsidiaries

Company name	Paid-in capital or investment	Voting right ratio	Main businesses
Nippon Express Co., Ltd.	JPY 70,175 million	100.0%	Logistics (Japan)
NX SHOJI Co., Ltd.	JPY 4,000 million	100.0%	Logistics Support
NX Real Estate Co., Ltd.	JPY 240 million	100.0%	Logistics Support
NX Capital Co., Ltd.	JPY 2,000 million	100.0%	Logistics Support
NX CAREERROAD Co., Ltd.	JPY 100 million	100.0%	Logistics Support
NX NP Logistics Co., Ltd.	JPY 1,800 million	66.7%	Logistics (Japan)
NITTSU NEC LOGISTICS, LTD.	JPY 380 million	70.0%	Logistics (Japan)
NX WANBISHI ARCHIVES CO., LTD.	JPY 4,000 million	100.0%	Logistics (Japan)
Osaka Warehouse Co., Ltd.	JPY 240 million	79.4%	Logistics Support
NIPPON EXPRESS U.S.A., INC.	USD 26,000 thousand	100.0%	Logistics (The Americas)
NIPPON EXPRESS EUROPE GMBH	EUR 17,898 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (CHINA) CO., LTD.	RMB 127,500 thousand	100.0%	Logistics (East Asia)
NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE. LTD.	SGD 450,677 thousand	100.0%	Logistics (South Asia & Oceania)

Notes: 1. The voting right ratio includes indirect holdings.

2. Please refer to “(8) Main Businesses” below for details of main operations of each company.

2) Significant Affiliates

Company name	Paid-in capital or investment	Voting right ratio	Main businesses
NITTSU Lease & Finance CO., LTD.	JPY 1,000 million	49.0%	Logistics Support

(8) Main Businesses (As of December 31, 2022)

The main businesses of the NIPPON EXPRESS HOLDINGS Group are as follows:

Logistics business

Reportable segments	Main products and services	Main operations
Japan	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	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	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	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	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 business

Reportable segment	Main products and services	Main operations
Security Transportation	Security transportation	Security guard, motor cargo transportation

Heavy Haulage & Construction business

Reportable segment	Main products and services	Main operations
Heavy Haulage & Construction	Heavy haulage & construction	Heavy haulage and construction

Logistics Support business

Reportable segment	Main products and services	Main operations
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

(9) Main Business Locations (As of December 31, 2022)

1) Main Domestic Locations

The Company	Headquarters	Kanda-Izumicho 2, Chiyoda-ku, Tokyo
Domestic subsidiaries	Nippon Express Co., Ltd. (Chiyoda-ku, Tokyo), NX SHOJI Co., Ltd. (Minato-ku, Tokyo), NX Real Estate Co., Ltd. (Chiyoda-ku, Tokyo), NX Capital Co., Ltd. (Chiyoda-ku, Tokyo), NX CAREERROAD Co., Ltd. (Minato-ku, Tokyo), NX NP Logistics Co., Ltd. (Settsu City), NITTSU NEC LOGISTICS, LTD. (Kawasaki City), NX WANBISHI ARCHIVES CO., LTD. (Minato-ku, Tokyo), Osaka Warehouse Co., Ltd. (Osaka City), etc.	

2) Main Overseas Locations

Overseas subsidiaries	NIPPON EXPRESS U.S.A., INC. (U.S.A.) NIPPON EXPRESS EUROPE GMBH (Germany) NIPPON EXPRESS (CHINA) CO., LTD. (China) NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE. LTD. (Singapore) and others

(10) Employees (As of December 31, 2022)

1) Employees of the Corporate Group

Business	Number of employees (Persons)
Logistics	61,227
Security Transportation	6,453
Heavy Haulage & Construction	959
Logistics Support	4,546
Corporate (common)	297
Total	73,482

- Notes: 1. The number of employees above indicates the number of active employees.
2. The average number of temporary employees during the period for Logistics, Security Transportation, Heavy Haulage & Construction and Logistics Support is 10,147, 1,521, 80 and 730, respectively.
3. Figures are stated only for the fiscal year under review as the Company was established on January 4, 2022 through a sole-share transfer of Nippon Express Co., Ltd.

(11) Main Lenders (As of December 31, 2022)

Lenders	Borrowings (Millions of yen)
Mizuho Bank, Ltd.	45,723
MUFG Bank, Ltd.	29,690
Sumitomo Mitsui Banking Corporation	10,185
Development Bank of Japan Inc.	10,000
Asahi Mutual Life Insurance Company	8,000

2. Shares of the Company (As of December 31, 2022)

(1) Total Number of Shares Authorized to Be Issued	340,000,000 shares
(2) Total Number of Shares Issued	90,599,225 shares
(3) Number of Shareholders	50,257 persons
(4) Major Shareholders	

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Account in Trust)	14,890	16.7%
Custody Bank of Japan, Ltd. (Account in Trust)	6,652	7.5%
Asahi Mutual Life Insurance Company	5,601	6.3%
NX Employees' Shareholding Association	3,950	4.4%
Sompo Japan Insurance Inc.	3,567	4.0%
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Custody Bank of Japan, Ltd.)	2,850	3.2%
State Street Bank West Client – Treaty 505234	1,541	1.7%
State Street Bank and Trust Company 505103	985	1.1%
JP Morgan Chase Bank 385781	914	1.0%
Hino Motors, Ltd.	844	0.9%

- Notes: 1. Although the Company owns 1,330 thousand shares of treasury stock, it is excluded from the major shareholders stated above.
2. The shareholding ratio above is calculated excluding treasury stock.

3. Company Officers

(1) Directors and Audit & Supervisory Board Members (As of December 31, 2022)

Positions	Responsibilities	Name	Significant concurrent positions
Chairman and Representative Director	Chairman of the Board of Directors	Kenji Watanabe	
President and Representative Director (Chief Executive Officer)	Chief Executive Officer	Mitsuru Saito	President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd.
Executive Vice President and Representative Director (Chief Operating Officer)	In charge of Corporate Management Headquarters and Risk Management Headquarters Chief Managing Officer of Corporate Management Headquarters	Satoshi Horikiri	Executive Vice President, Chief Operating Officer and Representative Director, Nippon Express Co., Ltd.
Director (Managing Executive Officer)	Chief Managing Officer of Risk Management Headquarters In charge of Compliance and Risk Management Division, Legal and Intellectual Property Division and Internal Auditing Division	Tatsuya Suzuki	
Director (Managing Executive Officer)	Chief Managing Officer of Corporate Strategy Headquarters	Takashi Masuda	Director and Managing Executive Officer, Nippon Express Co., Ltd.
Director (Executive Officer)	In charge of Human Resources Strategy Management Division and Corporate Communication Division General Manager of Human Resources Strategy Management Division	Tatsuya Akama	Executive Officer, Nippon Express Co., Ltd.
Director		Shigeo Nakayama	Outside Audit & Supervisory Board Member, Shizuoka Daiichi Television Corporation
Director		Sadako Yasuoka	Representative, Sadako Yasuoka Office
Director		Yojiro Shiba	Outside Director, Bridgestone Corporation
Full-time Audit & Supervisory Board Member		Shigeki Arima	
Full-time Audit & Supervisory Board Member		Koji Mizota	
Audit & Supervisory Board Member		Toshiaki Nojiri	Director, Nittsu Gakuen Educational Corporation
Audit & Supervisory Board Member		Yoshio Aoki	Director, Certified Public Accountant, Yoshio Aoki & Co. Audit & Supervisory Board Member, Nippon Denko Co., Ltd.
Audit & Supervisory Board Member		Nobuko Sanui	

- Notes: 1. Directors Shigeo Nakayama, Sadako Yasuoka and Yojiro Shiba are Outside Directors, and have been registered as independent officers with the Tokyo Stock Exchange.
2. Audit & Supervisory Board Members Toshiaki Nojiri, Yoshio Aoki and Nobuko Sanui are Outside Audit & Supervisory Board Members, and have been registered as independent officers with the Tokyo Stock Exchange.
3. Audit & Supervisory Board Member Yoshio Aoki is a certified public accountant and has

substantial insight into finance and accounting.

4. Executive Vice President and Representative Director Satoshi Horikiri and Directors Tatsuya Suzuki and Takashi Masuda have retired on December 31, 2022 by resignation. The responsibilities and positions of the Directors are those at the time of resignation.
5. President and Representative Director Mitsuru Saito has resigned from his concurrent position of President, Chief Executive Officer and Representative Director of Nippon Express Co., Ltd. on December 31, 2022.
6. There is no special relationship between the Company and the companies where the Outside Directors and Outside Audit & Supervisory Board Members hold important concurrent positions.

(2) Outline of Liability Limitation Agreements

In accordance with the Articles of Incorporation, the Company has entered into agreements with Directors and Audit & Supervisory Board Members which limit their liability when applicable under the requirements of laws and regulations. The limit of liability under the agreement shall be an amount provided for in the laws and regulations.

(3) Summary of contents of the Directors and Officers Liability Insurance Agreement

The Company has entered into a Directors and Officers Liability Insurance Agreement as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of the insured includes Directors, Audit & Supervisory Board Members, and Executive Officers of the Company, its subsidiaries, and some affiliates, and the agreement is intended to cover damages and legal expenses incurred by the insured as a result of corporate lawsuits and shareholder derivative suits, which the insured may be subject to. All premiums are paid by each company.

(4) Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members

- 1) Total Amount of Compensation, etc. by Officer Category, Total Amount of Compensation, etc. by Type, and Number of Eligible Officers

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type				Number of eligible officers (Persons)
		Fixed compensation (Millions of yen)	Performance-based compensation		Other compensation (Millions of yen)	
			Bonuses (Millions of yen)	Stock compensation (Millions of yen)		
Directors	354	265	67	14	6	9
[of which, Outside Directors]	[39]	[39]	—	—	—	[3]
Audit & Supervisory Board Members	90	87	—	—	3	5
[of which, Outside Audit & Supervisory Board Members]	[32]	[32]	—	—	—	[3]
Total	445	353	67	14	9	14
[of which, Outside Officers]	[72]	[72]	—	—	—	[6]

- Notes:
1. Article 2, Paragraph 1 of the Supplementary Provision of the Company's Articles of Incorporation stipulates the total amount of compensation, etc., to be paid in cash to the Directors of the Company from the date of incorporation of the Company to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2023 shall not exceed ¥660 million per year (not including employee salaries for Directors who serve concurrently as employees). The number of Directors at the time these Articles of Incorporation came into effect was nine.
 2. Of the compensation, etc., to be paid to Directors of the Company (excluding Outside Directors), the stock compensation system for the period from the date of establishment of the Company to the fiscal year ending December 31, 2023 is provided for in Article 2, Paragraph 2 of the Supplementary Provisions of the Company's Articles of Incorporation. Such stock compensation represents the amount of the reserve recorded for the fiscal year under review under the plan and differs from the actual total amount paid.
 3. Article 3 of the Supplementary Provision of the Company's Articles of Incorporation

stipulates that the total amount of compensation, etc. of Audit & Supervisory Board Members from the date of the Company's establishment until the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2023 shall not exceed ¥120 million per year. The number of Audit & Supervisory Board Members at the time these Articles of Incorporation came into effect was five.

4. Other compensation includes the amount borne by the Company for company housing provided to officers.

2) Performance-based Compensation, etc.

The Company's compensation for officers consists of basic compensation and performance-based compensation. Performance-based compensation is awarded for results and performance, based on each officer's expected duties. Compensation is designed so that the higher the position, the higher the ratio of performance-based compensation, requiring those in higher positions to take greater responsibility for results and performance. In addition, bonuses and stock compensation, which are performance-based compensation, are allocated according to the standard amount set for each position.

As for indicators pertaining to performance-based compensation, bonuses, which serve as short-term performance-based compensation, adopt the degree of attainment of the single-year target for operating income as the indicator, in order to encourage the achievement of stronger single-year performance as well as higher contribution to single-year performance commensurate with roles of individual officers, with the status and other aspects of their efforts in dealing with management issues taken into consideration. Performance-based stock compensation, which serves as medium- to long-term performance-based compensation, uses indicators including consolidated revenues, consolidated operating income, and consolidated ROE.

Performance-based stock compensation is intended to provide incentives for achieving the targets of the business plan, and the Company has selected these indicators because they are set as the numerical targets in the plan. Performance-based stock compensation is basically managed in terms of points, with one point being equivalent to one share of the Company's shares. Each year, the number obtained by dividing the amount of stock compensation for each position by the base stock price of the plan is granted to eligible recipients as base points. The assessment target period is the same fiscal year as the Company's business plan, and an assessment is conducted for each fiscal year with performance assessment indicators set to correspond with the business plan. With the base level corresponding to the attainment of the performance targets set at 100%, points are increased or decreased within the range of 0% to 150% overall for each fiscal year and the mid-term performance assessment conducted after the expiry of the assessment target period, and the points are determined upon conducting a final assessment. After the end of the period covered by the business plan, the same number of shares as the determined points will be delivered. With regard to the details of the delivery of shares, the Company's shares corresponding to a half of the points held by the eligible recipients (the number of shares less than one trading unit will be rounded down) will be delivered in the form of the Company's shares, and the Company's shares corresponding to the remaining points will be sold for the purpose of paying income tax, etc., and the remaining amount after the payment of taxes will be paid to the eligible recipients.

As for the actual results of the bonuses and indicators pertaining to performance-based stock compensation for the fiscal year under review, the attainment compared to the budgeted targets was 116.95% for consolidated revenues, 147.95% for consolidated operating income, and 163.27% for consolidated ROE.

3) Details of Non-monetary Compensation, etc.

The details of the performance-based stock compensation adopted by the Company are as described in 2) above. In addition, other compensation in 1) above includes the amount borne by the Company for company housing provided to officers.

4) Matters Stipulated in the Articles of Incorporation on Compensation, etc. for Directors and Audit & Supervisory Board Members

Of the total amount of compensation, etc. for Directors, Article 2, Paragraph 1 of the Supplementary Provision of the Company's Articles of Incorporation stipulates the total amount of compensation, etc., to be paid in cash to the Directors of the Company from the date of

incorporation of the Company to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2023 shall not exceed ¥660 million per year (not including employee salaries for Directors who serve concurrently as employees). The number of Directors at the time these Articles of Incorporation came into effect was nine. Of the total amount of compensation, etc. for Audit & Supervisory Board Members, Article 3 of the Supplementary Provision of the Company's Articles of Incorporation stipulates that the total amount of compensation, etc. of Audit & Supervisory Board Members from the date of the Company's establishment until the close of the Ordinary General Meeting of Shareholders for the fiscal year ending on December 31, 2023 shall not exceed ¥120 million per year. The number of Audit & Supervisory Board Members at the time these Articles of Incorporation came into effect was five.

In addition, Article 2, Paragraph 2 of the Supplementary Provision of the Company's Articles of Incorporation stipulates the introduction of a performance-based stock compensation plan for Directors and Executive Officers (excluding Outside Directors and those who do not reside in Japan) for the purpose of enhancing their motivation to contribute to improving the business results and corporate value of the Company over the medium to long term, separately from the above total amount of compensation. The number of Directors at the time these Articles of Incorporation came into effect was six, excluding three Outside Directors.

5) Decision-making Policy Concerning the Details of Individual Compensation, etc. for Directors, etc.

In order to obtain the opinions of independent Outside Directors concerning important matters such as the compensation of officers, the Company has established a discretionary Compensation and Nomination Advisory Committee, three out of four members of which are independent Outside Directors. Based on the deliberation and report of the Compensation and Nomination Advisory Committee, the Revision of the Standard Amount of Compensation for Directors and Executive Officers and the Process for Determining Compensation was resolved at a meeting of the Company's Board of Directors held on November 16, 2022, and the Company's policy on compensation for officers is as follows.

A. Basic Policy

- (i) Compensation shall be designed to enable the promotion of excellent human resources who will put the corporate philosophy into practice.
- (ii) The compensation system shall be designed to motivate the sustainable improvement of corporate value.
- (iii) The compensation system shall be designed so that it is highly fair and reasonable, taking into consideration explanations to external parties such as the Corporate Governance Code and the Annual Securities Report.

B. Composition of Compensation

- (i) Compensation for officers consists of basic compensation, which is fixed compensation, and performance-based compensation, which fluctuates in accordance with business performance.
- (ii) Compensation for Outside Directors consists only of basic compensation from the perspective of their roles and independence.

C. Basic Compensation

The amount of basic compensation for officers is determined in accordance with their roles, taking into consideration the levels of other companies based on surveys conducted by external professional organizations.

D. Performance-based Compensation

- (i) Bonuses, whose indicator is single-year performance, are provided as short-term performance-based compensation.
- (ii) Stock compensation linked to the attainment of the medium-term business plan and improvement in corporate value (stock value) is provided as medium- to long-term performance-based compensation.

The amount of compensation for the Company's Directors is determined by the Board of Directors after deliberation and report by the Compensation and Nomination Advisory Committee based on the above policy, taking into consideration the responsibilities of the Directors and the status of management execution. In addition, the amount of compensation for

Audit & Supervisory Board Members is determined through discussions among the Audit & Supervisory Board Members.

6) Reasons Why the Board of Directors Has Determined That the Details of Individual Compensation, etc. for Directors Pertaining to the Fiscal Year Under Review Are in Line with the Decision-making Policy

In deciding the details of individual compensation, etc. for Directors, the Compensation and Nomination Advisory Committee has conducted a multifaceted review, including consistency with the decision-making policy. Accordingly, the Board of Directors respects the content of the report and has determined that it is in line with the decision-making policy.

(5) Outside Officers

Main Activities in the Fiscal Year Under Review

Outside Officer	Attendance		Main activities
	Board of Directors	Audit & Supervisory Board	
Director Shigeo Nakayama	17/17 (100%)	—	Mr. Shigeo Nakayama has expert knowledge in Labor Law and the Labor Relations Act as an attorney. Leveraging his legal knowledge and abundant experience, he has made appropriate remarks as necessary regarding the agenda and the matters discussed, and has fulfilled appropriate roles in supervising the business execution and providing advice. In addition to the above, as a member of the Compensation and Nomination Advisory Committee, which deliberates on matters such as personnel matters regarding the Company's senior management, he participated in the Committee meetings and actively expressed his opinions.
Director Sadako Yasuoka	17/17 (100%)	—	Leveraging her profound culture and abundant experience as an educator engaged in research of the Analects of Confucius (Rongo), Ms. Sadako Yasuoka has made appropriate remarks as necessary regarding the agenda and the matters discussed, and has fulfilled appropriate roles in supervising the business execution and providing advice. In addition to the above, as a member of the Compensation and Nomination Advisory Committee, which deliberates on matters such as personnel matters regarding the Company's senior management, she participated in the Committee meetings and actively expressed her opinions.
Director Yojiro Shiba	16/17 (94%)	—	Leveraging his abundant experience in corporate management and strong insight into corporate governance based on such experience, Mr. Yojiro Shiba has made appropriate remarks as necessary regarding the agenda and the matters discussed, and has fulfilled appropriate roles in supervising the business execution and providing advice. In addition to the above, as a member of the Compensation and Nomination Advisory Committee, which deliberates on matters such as personnel matters regarding the Company's senior management, he participated in the Committee meetings and actively expressed his opinions.

Outside Officer	Attendance		Main activities
	Board of Directors	Audit & Supervisory Board	
Audit & Supervisory Board Member Toshiaki Nojiri	17/17 (100%)	8/8 (100%)	Mr. Toshiaki Nojiri makes appropriate remarks as necessary at the meetings of the Audit & Supervisory Board regarding the agenda and the matters discussed, leveraging his expertise as a scholar and insight as a manager of educational institutions. He also provides guidance and suggestions at the meetings of the Board of Directors to ensure the validity and appropriateness of decision-making by the Board of Directors.
Audit & Supervisory Board Member Yoshio Aoki	17/17 (100%)	8/8 (100%)	Mr. Yoshio Aoki makes appropriate remarks as necessary at the meetings of the Audit & Supervisory Board regarding the agenda and the matters discussed, leveraging his abundant experiences as a certified public accountant and expertise in finance and accounting. He also provides guidance and suggestions at the meetings of the Board of Directors to ensure the validity and appropriateness of decision-making by the Board of Directors.
Audit & Supervisory Board Member Nobuko Sanui	17/17 (100%)	8/8 (100%)	Ms. Nobuko Sanui makes appropriate remarks as necessary at the meetings of the Audit & Supervisory Board regarding the agenda and the matters discussed, leveraging her expertise in the international domain based on her experiences in the formulation of international rules in the field of labor at an employers' association and formulating policy recommendations that contribute to overseas expansion of companies. She also provides guidance and suggestions at the meetings of the Board of Directors to ensure the validity and appropriateness of decision-making by the Board of Directors.

Note: The figures exclude the number of meetings of the Board of Directors by written resolutions.

4. Accounting Auditor

(1) Name Deloitte Touche Tohmatsu LLC

(2) Compensation, etc.

1) Compensation, etc. to be paid by the Company	¥585 million
2) Total of cash and other property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥899 million

Notes: 1. The Audit & Supervisory Board has confirmed the actual audit hours and audit fee trends per audit item and audit level in the audit plan of past fiscal years, as well as how the Accounting Auditor's duties were fulfilled, and verified the appropriateness of the audit plan and audit fees for the fiscal year under review pursuant to "Practical Guidelines for Cooperation with Accounting Auditors" announced by the Japan Audit & Supervisory Board Members Association. As a result, the Audit & Supervisory Board agreed to the audit fees, etc. to be paid to the Accounting Auditor referred to in Article 399, Paragraph 1 of the Companies Act.

2. The audit agreement between the Company and the Accounting Auditor makes no clear distinction between the audit fees, etc. for audits based on the Companies Act and those based on the Financial Instruments and Exchange Act, and since it is practically impossible to distinguish between these two types of fees, the sum of these amounts is stated in 1) above.
3. Some of the Company's overseas subsidiaries are audited by audit firms other than the Company's Accounting Auditor.

(3) Non-audit Services

The Company consigns advisory services, etc. relating to accounting which are services other than those specified in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

(4) Policy on Determining Dismissal or Non-reappointment of Accounting Auditor

The Audit & Supervisory Board will determine the contents of proposals to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor, if it deems it necessary, for example in the event it is difficult for the Accounting Auditor to perform its duties.

Furthermore, the Audit & Supervisory Board will dismiss the Accounting Auditor in the event the Accounting Auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act upon the unanimous consent of the Audit & Supervisory Board Members. In such case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal and the reasons of the dismissal at the first General Meeting of Shareholders convened after the dismissal.

5. System for Ensuring Operational Integrity

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

(1) Systems to Ensure That the Execution of Duties by Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation

- 1) The NXHD Board of Directors consists of Directors, including Outside Directors, and in accordance with laws, regulations, and the provisions of the articles of incorporation's "Board of Directors Regulations" and "Board of Directors Meeting Agenda Standards," makes decisions on important matters that affect the entire group and oversees the execution of business operations. Outside Directors shall be appointed to maintain and strengthen the board's role in overseeing the performance of duties by Directors.
- 2) NXHD's Representative Director and other Directors shall report to the Board of Directors on the performance of their duties and other important matters in accordance with the provisions of the Board of Directors Regulations and Board of Directors Meeting Agenda Standards.
- 3) NXHD's Audit & Supervisory Board Members shall conduct audits in accordance with the provisions of the "Regulations of the Audit & Supervisory Board" and the "Audit & Supervisory Board Members Auditing Standards" to ensure that Directors perform their duties properly in accordance with laws, regulations, and the articles of incorporation.
- 4) NXHD's Directors, corporate officers, and employees (hereinafter referred to as "Executives and Employees") shall act in line with the "Nippon Express Group Charter of Conduct," and perform their duties accordingly. The Nippon Express Group Charter of Conduct serves as a set of standards to ensure compliance with the "Nippon Express Group Corporate Philosophy," which is the common philosophy of the NX Group, as well as laws, regulations, the articles of incorporation, other internal rules, and social norms.
- 5) In order to ensure thorough compliance by Executives and Employees, the Company shall appoint a Compliance Committee, establish a Compliance Promotion Division, and lay out necessary regulations such as the "Nippon Express Group Compliance Regulations," "Nippon Express Group Anti-Bribery Regulations," and "Nippon Express Group Competition Law Compliance Regulations," thereby implementing a compliance system that supports legitimate and fair corporate activities by the Group as a whole.
- 6) The Company shall establish an internal whistleblowing system, "Nippon Express Speak-Up," for the prevention, early detection, and remedy of violations of laws and regulations, misconduct, and other violations of corporate ethics by Executives and Employees.
- 7) NXHD's internal auditing department shall conduct audits as stipulated in the "Nippon Express Group Auditing Regulations" to ensure that Executives and Employees perform their duties properly in accordance with laws, regulations, the articles of incorporation, and other relevant rules.

(2) Basic Policy on Elimination of Antisocial Forces and Current Development Status

- 1) NXHD and its subsidiaries shall fully recognize that it is the social responsibility of a company to conduct its business operations in a manner that prevents any transactions with antisocial forces and groups, and shall take a firm stance in practicing social justice.
- 2) The basic policy of blocking all relationships with antisocial forces shall be clearly stated in the Nippon Express Group Charter of Conduct and the Nippon Express Group Compliance Rules, and an educational system shall be established to ensure that all Executives and Employees comply with the basic policy. In addition, the Company shall set up relevant departments, such as a risk management department and a legal department, to collect information from specialized organizations, etc. on a regular basis, and to raise awareness within the Company on how to deal with antisocial forces in order to eliminate them.
- 3) In preparation for any problems that arise, we will, in accordance with a firm policy of never providing funds to antisocial forces, establish a system to promptly deal with the problem by closely cooperating with relevant administrative agencies, legal advisors, and other external specialized organizations.

(3) Systems Related to the Retention and Management of Information Pertaining to the Execution of the Duties of a Director

Important documents related to the execution of business operations, such as the minutes of Board of Directors meetings and Board of Officers, and documents and other information (including electromagnetic records) relating to Directors' performance of their duties shall be properly stored, disposed of, and managed in accordance with the "Document Regulations," and NXHD's Directors and Audit & Supervisory Board Members may inspect these documents as necessary.

(4) Rules and Other Systems Related to Management of the Risk of Loss

- 1) The Company shall set up a risk management Department to prevent risks that may have a significant impact on the Company's operations and to establish a risk management system that enables prompt and appropriate responses to emergencies that may arise. The Group defines risk management as preventive activities to limit the occurrence of risks and minimize the damage when they occur, and crisis management as measures to deal with risks that have occurred, and will establish a system to manage these in an integrated manner.
- 2) Regarding risk management, the Company shall establish "Risk Management Regulations" and a "Risk Management Committee" in order to identify the risks facing the NX Group and take measures to avoid their effects in advance or minimize them after the fact. The Risk Management Committee identifies risks that may have a significant impact on the Company's operations, designates a department to deal with each risk, investigates potential countermeasures in cooperation with Group companies, and works to prevent risks arising. Reports on the status of risk countermeasures shall be received from group companies and relevant departments and confirmed, and regular reports shall be made to the Board of Directors.
- 3) Regarding crisis management, the Company shall establish "Crisis Management Regulations" and a "Crisis Management Committee" to develop a crisis management system to prepare for the risk of loss and enable prompt and appropriate responses to emergencies. In addition to establishing standards for reporting from Group companies for each type of crisis that may arise, the Company shall establish a meeting body for each important crisis, such as "disaster countermeasures," "infectious disease countermeasures." Even in normal times, the Company shall consider measures necessary for business continuity in the event of an emergency, and shall promptly establish a countermeasures headquarters to respond to crises when they occur.
- 4) For risks related to information systems, the Company shall establish an information security department and a System Risk Countermeasures Committee to discuss countermeasures against information security risks and to respond to any security incidents in cooperation with the Crisis Management Committee.
- 5) In order to prevent the risk of loss that may occur in the course of business, NXHD's internal auditing department shall, in accordance with the "Nippon Express Group Audit Regulations," audit the status of the risk management system and the crisis management system, as well as providing guidance, advice and recommendations.

(5) Systems to Ensure That the Execution of the Duties of a Director Is Performed Efficiently

- 1) In accordance with the provisions of the Board of Directors Regulations and Board of Directors Meeting Agenda Standards, the board shall meet to pass resolutions on important matters regarding the execution of business operations and to oversee Directors' performance of their duties.
- 2) In order to ensure prompt decision-making and to strengthen the oversight role of the Board of Directors, the Company shall introduce a corporate officer system. Under this system, the execution of the Company's business is carried out by corporate officers who are appointed by the Board of Directors and assigned duties based on matters resolved on by the board, with the board also overseeing their activities.
- 3) Regarding the execution of business operations, the Board of Officers shall be established to discuss important matters related to the Group's business, and individual matters regarding the execution of business operations shall be delegated to the corporate officers responsible for business execution to the fullest extent possible. Delegated matters shall be clearly defined in the "Regulations on Operational Authority" and the "Approval Authority Table."
- 4) With respect to key group management issues, the Company shall establish a Sustainability Promotion Committee for sustainability strategies and an Investment Committee for M&A

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

(6) Systems to Ensure the Propriety of Business Activities of NXHD and the Corporate Group Consisting of NXHD and Group Companies

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

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

of business operations, request explanations from Directors, corporate officers or employees as necessary, and express their opinions.

- 4) NXHD's Audit & Supervisory Board Members shall collaborate with the Internal Audit Office and the accounting auditors to improve the effectiveness of audits.
- 5) If deemed necessary, NXHD's Audit & Supervisory Board Members may engage attorneys, certified public accountants, consultants, and other outside experts to support the Audit & Supervisory Board Members' audits, and the Company shall bear any costs incurred in doing so.

6. Overview of Operational Status of System for Ensuring Operational Integrity

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

(1) Compliance initiatives

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

(2) Risk management initiatives

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

(3) Internal audit initiatives

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

(4) Audit initiatives by Audit & Supervisory Board Members

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

7. Policy Concerning Decision on Distribution of Surplus, etc.

Recognizing that returning profits to shareholders is one of its most important tasks, the Company's basic policy is to pay dividends twice a year, an interim dividend and a year-end dividend, while paying attention to securing internal reserves to strengthen the management base and financial standing, and taking into consideration factors including profit conditions and the dividend ratio in a comprehensive manner. In addition, as a capital policy in the Nippon Express Group Business Plan 2023 ~"Dynamic Growth"~, we have set a dividend payout ratio of 30% or more and a total return ratio of 50% or more (cumulative total for FY2019 to 2023).

Based on these policies, regarding the year-end dividend for the fiscal year under review, the Board of Directors resolved on the disposal of surplus at its meeting held on March 3, 2023, as follows. The annual dividend is ¥400 per share including the interim dividend (dividend with record date of June 30) of ¥250 per share (including a commemorative dividend of ¥150).

The Company's Articles of Incorporation stipulate that the Company may pay dividends from surplus, etc. by a resolution of the Board of Directors.

- (1) Kind of dividend
Cash
- (2) Matters related to distribution of cash and total amount
¥150 per share of common stock of the Company
The total amount: ¥13,390,281,600
- (3) Effective date for distribution of surplus
March 13, 2023

Note:

In this Business Report, the amounts and number of shares less than the presented unit are disregarded, while ratios, basic earnings per share and net assets per share less than the presented unit are rounded off.

Consolidated Balance Sheet (Debit) (As of December 31, 2022)

(Unit: Millions of yen)

Item	Amount	Item	Amount
(Assets)			
Current assets		Tools, furniture and fixtures	84,559
Cash and deposits	334,775	Less: accumulated depreciation	(65,441)
Notes receivable - trade	22,137	Tools, furniture and fixtures, net	19,118
Accounts receivable - trade and contract assets	414,448	Vessels	18,427
Inventories	14,625	Less: accumulated depreciation	(8,727)
Advance payments - trade	9,366	Vessels, net	9,700
Prepaid expenses	20,427	Land	187,548
Short-term loans receivable	84	Leased assets	162,495
Others	36,538	Less: accumulated depreciation	(76,316)
Less: allowance for doubtful accounts	(3,350)	Leased assets, net	86,178
Total current assets	849,053	Construction in progress	3,065
Non-current assets		Total tangible fixed assets	645,589
Tangible fixed assets		Intangible assets	
Vehicles	168,141	Leasehold rights	5,378
Less: accumulated depreciation	(122,204)	Goodwill	664
Vehicles, net	45,936	Others	59,803
Buildings	645,744	Total intangible assets	65,846
Less: accumulated depreciation	(394,202)	Investments and other assets	
Buildings, net	251,541	Investment securities	107,327
Structures	71,557	Long-term loans receivable	357
Less: accumulated depreciation	(57,237)	Long-term loans to employees	34
Structures, net	14,320	Long-term prepaid expenses	2,206
Machinery and equipment	96,778	Security deposits	26,995
Less: accumulated depreciation	(68,600)	Net retirement benefit asset	2,583
Machinery and equipment, net	28,177	Deferred tax assets	22,809
		Others	9,096
		Less: allowance for doubtful accounts	(976)
		Total investments and other assets	170,433
		Total non-current assets	881,868
		Total assets	1,730,922

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

Consolidated Balance Sheet (Credit) (As of December 31, 2022)

(Unit: Millions of yen)

Item	Amount	Item	Amount
(Liabilities)		(Net assets)	
Current liabilities		Shareholders' equity	
Notes payable - trade	7,189	Common stock	70,175
Accounts payable - trade	207,168	Additional paid-in capital	22,621
Short-term loans payable	57,885	Retained earnings	584,570
Other payables	20,570	Treasury stock	(10,604)
Income taxes payable	34,900	Total shareholders' equity	666,762
Consumption taxes payable	37,159	Accumulated other comprehensive	
Unpaid expenses	30,101	income	
Advances received	26,202	Valuation differences on available-	
Lease obligations	28,853	for-sale securities	33,014
Deposits	82,143	Deferred gains (losses) on hedges	10
Deposits from employees	310	Foreign currency translation	
Provision for bonuses	17,253	adjustments	28,161
Provision for directors' bonuses	167	Remeasurements of retirement	
Others	42,246	benefit plans	20,254
Total current liabilities	592,152	Total accumulated other	
Non-current liabilities		comprehensive income	81,441
Bonds	110,000	Non-controlling interests	23,070
Long-term loans payable	60,724	Total net assets	771,274
Long-term lease obligations	60,848		
Deferred tax liabilities	6,673		
Provision for directors' retirement			
benefits	206		
Provision for special repairs	119		
Provision for loss on guarantees	448		
Other provisions	1,251		
Net retirement benefit liability	95,005		
Others	32,216		
Total non-current liabilities	367,494		
Total liabilities	959,647	Total liabilities and net assets	1,730,922

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

Consolidated Statement of Income (From January 1, 2022 to December 31, 2022)

(Unit: Millions of yen)

Account item	Amount
Revenues	2,619,746
Operating costs	2,353,938
Gross profit	265,807
Selling, general and administrative expenses	
Personnel expenses	73,837
Depreciation and amortization	13,573
Advertising expenses	4,657
Provision of allowance for doubtful accounts	492
Others	44,531
Total selling, general and administrative expenses	137,091
Operating income	128,716
Non-operating income	
Interest income	696
Dividend income	2,912
Gain on sales of vehicles	294
Share of profit of entities accounted for using equity method	183
Gain on foreign exchange	4,716
Others	5,453
Total non-operating income	14,255
Non-operating expenses	
Interest expenses	3,153
Loss on sale and retirement of vehicles	82
Others	2,413
Total non-operating expenses	5,649
Ordinary income	137,323
Extraordinary income	
Gain on sales of non-current assets	70,182
Gain on sales of investment securities	3,833
Others	155
Total extraordinary income	74,170
Extraordinary loss	
Loss on disposal of non-current assets	7,232
Expense for changing brand symbol	2,455
Loss on sales of investment securities	5
Loss on valuation of investment securities	3
Impairment loss	37,287
Others	412
Total extraordinary loss	47,397
Profit before income taxes	164,096
Income taxes-current	59,858
Income taxes-deferred	(8,821)
Total income taxes	51,036
Profit	113,059
Profit attributable to non-controlling interests	3,250
Profit attributable to owners of parent	109,809

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

Consolidated Statement of Changes in Net Assets (January 1, 2022 - December 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	70,175	22,628	511,001	(611)	603,193
Changes during the year					
Cash dividends			(36,239)		(36,239)
Transfer to other capital surplus from capital stock	(0)	0			-
Profit attributable to owners of parent			109,809		109,809
Changes in equity due to transactions with non-controlling shareholders		(7)			(7)
Increase in treasury stock				(10,023)	(10,023)
Decrease in treasury stock		0		29	29
Retirement of treasury stock			(0)	0	-
Net changes in items other than shareholders' equity					
Total changes during the year	(0)	(6)	73,569	(9,992)	63,569
Balance at end of the year	70,175	22,621	584,570	(10,604)	666,762

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	30,414	(68)	6,343	(3,308)	33,381	20,376	656,952
Changes during the year							
Cash dividends							(36,239)
Transfer to other capital surplus from capital stock							-
Profit attributable to owners of parent							109,809
Changes in equity due to transactions with non-controlling shareholders							(7)
Increase in treasury stock							(10,023)
Decrease in treasury stock							29
Retirement of treasury stock							-
Net changes in items other than shareholders' equity	2,599	78	21,818	23,563	48,059	2,693	50,753
Total changes during the year	2,599	78	21,818	23,563	48,059	2,693	114,322
Balance at end of the year	33,014	10	28,161	20,254	81,441	23,070	771,274

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

Notes to the Consolidated Financial Statements

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

1. Scope of consolidation
 - A. We have 244 consolidated subsidiaries.

Names of major consolidated subsidiaries are listed in “Business Report 1. Status of the Company (7) Significant Subsidiaries.” Since Nippon Express Co., Ltd. became the Company’s wholly-owned subsidiaries following the establishment of the Company, Nippon Express Co., Ltd. and its consolidated subsidiaries have been included in the scope of consolidation from the fiscal year under review.

In addition, three newly established companies including NX Global Ocean Network Pte. Ltd. have been included in the scope of consolidation from the fiscal year under review. Meanwhile, seven companies including Nittsu Wakayama Transportation Co., Ltd. have been excluded from the scope of consolidation due to liquidation, while three companies including Nittsu Nagoya Transportation Co., Ltd., and Bintsu Logistics Co., Ltd. have been excluded from the scope of consolidation due to merger and sale of shares, respectively.
 - B. Apart from the aforementioned 244 consolidated subsidiaries, NX SHOJI U.S.A., INC. and 10 other subsidiaries have been excluded from the scope of consolidation, as they are all smaller in scale and none of their total assets, revenues, net profit or loss, or retained earnings (equity interest amount) are significant enough to have material impact on the consolidated financial statements.
2. Application of the equity method
 - A. Companies accounted for using the equity method

Affiliates: 25 companies including Meitetsu Transport Co., Ltd.
 - B. Apart from the aforementioned 25 companies, NX SHOJI U.S.A., INC and 10 other unconsolidated subsidiaries, as well as Tokyo Koun Co., Ltd. and 30 other affiliates, have been excluded from the scope of application of the equity method, as they have insignificant impact on the consolidated financial statements in consideration of their net profit or loss and retained earnings (equity interest amount), and are of little importance as a whole.
3. Matters concerning accounting policy
 - A. Basis and method for the valuation of significant assets
 - (1) Basis and method for the valuation of securities

Available-for-sale securities

 - a. Securities other than shares that do not have a market price

Stated at fair value based on the quoted market price as at the consolidated closing date, where the valuation differences are recorded directly into net assets and costs of securities sold are calculated primarily by using the moving-average method.
 - b. Shares that do not have a market value

Stated at cost primarily by using the moving-average method
 - (2) Basis and method for valuation of derivatives

Stated at fair value
 - (3) Basis and method for valuation of inventories

Stated at cost primarily by using the moving-average method (with the amount on the consolidated balance sheet written down based on the decline in profitability)
 - B. Method for the depreciation/amortization of significant depreciable/amortizable assets
 - (1) Tangible fixed assets (excluding leased assets)

The Company and its domestic consolidated subsidiaries primarily adopt the straight-line method, while overseas consolidated subsidiaries primarily adopt the straight-line method based on estimated useful life.
 - (2) Intangible assets (excluding leased assets)

The Company and its domestic consolidated subsidiaries adopt the straight-line method, where software for in-house use is amortized by using the straight-line method over the stipulated internal usable period. Meanwhile the overseas consolidated subsidiaries primarily adopt the straight-line method based on estimated useful life.
 - (3) Leased assets

The straight-line method is adopted assuming lease term as useful life while residual value at zero.

C. Basis for the recognition of significant provisions

(1) Allowance for doubtful accounts

To provide for potential credit losses, estimated uncollectable amount is recognized in consideration of collectability based on historical default rate for general receivables, while on a case-by-case basis for doubtful accounts receivables and other receivables.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, expected accrued amount of bonus payment is recognized.

(3) Provision for directors' bonuses

To provide for the payment of directors' bonuses, expected accrued amount of bonus payment is recognized.

(4) Provision for directors' retirement benefits

To provide for the payment of directors' retirement benefits, certain amount is recognized based on the standards for paying directors' retirement benefits in accordance with the internal rules at some of the consolidated subsidiaries.

(5) Provision for special repairs

To provide for the repairs of ships, estimated amount is recognized based on the historical repair costs at some of the consolidated subsidiaries.

(6) Provision for loss on guarantees

To provide for the loss on guarantees, estimated amount of such loss is recognized at some of the consolidated subsidiaries, in consideration of the financial condition and other circumstance of the guaranteed party.

D. Basis for the recognition of revenue and expenses

(1) Criteria for recording revenue

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

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Standard"), and the "Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), whereby revenue is recognized based on the following five-step approach.

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group identifies distinct goods or services stated in the contract with customers, where the performance obligation is identified on the basis of such goods or services considered as a transaction unit.

In identifying performance obligations, the Group reviews the nature of our performance obligations to determine whether it provides goods or services as a principal or as an agent. If the Group controls the specified good or service before those goods or services are transferred to a customer, the Group as a principal presents the whole of consideration as revenue on the consolidated statement of income, while if the Group's performance obligation involves its arrangement for specified goods or services to be provided to customers, the Group as agent, presents the amount of commission or fee or the net amount of consideration as revenue on the consolidated statement of income.

Transaction price is the amount of consideration the Group expects to be entitled to in exchange for the transfer of goods or services promised to customers, excluding the portion of price the Group collects on behalf of a third party. The Group receives consideration for transaction from customers largely within one year from the transfer of goods or services to customers, without involving significant financial feature.

2) Recognition of revenue in major transactions

Point-in-time revenue recognition (at logistics support business)

The Group engages in sale of petroleum and other goods at its logistics support business, in which revenue is recognized based on an understanding that customers obtain control of goods at the point of delivery, whereby the Group's performance obligations (delivery of goods) are satisfied. In a sale of goods in which the Group acts as an agent, revenue is recognized based on an understanding that customers obtain control of goods at the point of delivery, whereby the Group's performance

obligations (arrangement of delivery of goods) are satisfied.

Over-time revenue recognition (at all other segments)

The Group engages in the logistics business comprising railway utilization transportation, chartered truck services, air freight forwarding, marine and harbor transportation, the security transportation business and the heavy haulage & construction business involving construction contracts. In the logistics business and the security transportation business, revenue is recognized according to the degree of progress made during the transportation period based on an understanding that performance obligations are satisfied over a period of time, as customers benefit from the transportation of cargos as the cargos move from the place of departure to the place of destination over the course of transportation period. In the heavy haulage & construction business, revenue is recognized using the method of measuring the progress toward complete satisfaction of performance obligations at the proportion of the actual cost incurred by the end of a fiscal year against the estimated total cost of the construction project, based on an understanding that performance obligations are satisfied over a period of time.

E. Principal method of hedge accounting

Deferred hedge accounting is adopted.

F. Accounting treatment of consumption taxes

Tax exclusion method is adopted by the Company and its domestic consolidated subsidiaries; provided, however, that non-recoverable consumption taxes on asset transactions are treated as expenses incurred during the fiscal year it accrued.

G. Method and period for amortizing goodwill

Goodwill is amortized by using the straight-line method over 6 to 10 years.

H. Accounting treatment related to retirement benefits

(1) Method for attributing projected retirement benefits to certain time periods

In the calculation of retirement benefit obligations, projected retirement benefits are attributed to the period up to the end of the fiscal year under review by using the straight-line attribution.

(2) Treatment of actuarial gains and losses and past service costs

Past service costs are primarily amortized using the straight-line method over a fixed number of years (from 2 to 15 years) that is within the average number of remaining years of service for employees at the time the expense is incurred.

Actuarial gains and losses are primarily amortized from the fiscal year following each fiscal year in which they arise, at an amount proportionally divided using the straight-line method over a fixed number of years (from 2 to 15 years) that is within the average number of remaining years of service of employees at the time such actuarial gains or losses arise in each fiscal year.

For the calculation of net retirement benefit liability and retirement benefit expenses, some of the consolidated subsidiaries adopt a simplified method, whereby retirement benefit obligations are assumed to be the aggregate amount of retirement benefits that should be paid in the event of voluntary resignation of all employees at once at fiscal year-end.

I. Adoption of the consolidated taxation system

The Company and some of its domestic consolidated subsidiaries adopt the consolidated taxation system.

J. Adoption of tax effect accounting following the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its consolidated subsidiaries have, for the items subject to the transition to the group tax sharing system established under the “Act on Partial Amendment to the Income Tax Act, etc.” (Act No.8 of 2020), as well as to the review of non-consolidated taxation system in line with the aforementioned transition, not adopted the provisions in Article 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), relying on the procedures in Article 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), whereby the amounts of deferred tax assets and deferred tax liabilities are accounted for in accordance with the provisions of the tax law before the aforementioned amendment.

Furthermore, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PTIF No. 42, August 12, 2021), which prescribes the accounting

treatments and disclosures of the corporation income tax and the local corporation income tax, as well as tax effect accounting when a company applies the group tax sharing system, is planned to be adopted from the beginning of the next fiscal year.

(Notes on Accounting Estimates)

1. Valuation of non-current assets

A. Amount recorded in the consolidated financial statements for the fiscal year under review

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

(Unit: Millions of yen)

Current fiscal year	
Tangible fixed assets	645,589
Intangible assets	65,846
Impairment loss	37,287

The aforementioned figures include ¥3,023 million business assets (comprising ¥2,870 million of tangible fixed assets and ¥153 million of intangible assets), and ¥15,799 million of impairment loss in the pharmaceuticals and medical business at the consolidated subsidiary Nippon Express Co., Ltd.

The Group has determined that there were indications of possible occurrence of impairment loss at this business because of continued losses arising from its operating activities and assessed for impairment loss. Accordingly, the Group has judged that the recoverable amount of the business asset in the business falls below book value, and therefore impairment loss was recorded.

With regard to the new international air freight core system that have been developed by the air cargo transportation business of its consolidated subsidiary Nippon Express Co., Ltd., the Group has decided to terminate the development of the system as it expects higher development costs than originally planned and a longer time for the development, and accordingly recorded ¥15,461 million of impairment loss on the entire intangible assets for the system development (software in progress) to date.

B. Details of significant accounting estimates concerning identified items

With respect to assets or asset groups under non-current assets that indicate possible occurrence of impairment, the Group carries out estimation of the undiscounted future cash flows to be delivered from such assets or asset groups, and if the total amount of such cash flows falls below book value, the Group reduces the book value down to recoverable amount, and recognizes the amount of such reduction as impairment loss. The recognition and measurement of impairment loss is done based on numerous assumptions and data, including the assumptions in calculating net realizable value in the calculation of the undiscounted future cash flows and recoverable amount, and future business plans and discount rates for the purpose of calculating value in use.

While the undiscounted future cash flows of business assets for the pharmaceuticals and medical business at the consolidated subsidiary Nippon Express Co., Ltd. have been estimated based on the business plan, etc. approved by the management, the aforementioned business plan, etc. was reviewed in view of the latest developments in the external business environment such as the impact of the spread of COVID-19 infections and the statutory regulations concerning appropriate distribution practice in the pharmaceutical industry. Since undiscounted future cash flows estimated based on this revised business plan fell below the book value of business assets, the value in use based on the discounted present value of such cash flows and the net realizable value were each calculated. Based on these, assuming, the value in use, the greater of these two values, as recoverable amount, the Group compared the amount with the book value in order to measure impairment loss. The resultant shortfall against the book value of business assets in the business was recorded as impairment loss in the consolidated statement of income.

If unforeseeable changes in the economic condition and other contingencies in the future force us to review the assumptions of these accounting estimates, data and other factors, resultant additional recordings of impairment loss in the consolidated financial statements for

the next fiscal year may have a significant impact on the financial position and business performance of the Group.

(Additional Information)

1. Performance-based stock compensation plan

A. Overview of the plan

In September 2016, the Company introduced the performance-based stock compensation plan (hereinafter the “Plan”) for Directors and Executive Officers (excluding Outside Directors and those who do not reside in Japan; hereinafter the “Directors, etc.”) with a view to motivating the Directors, etc. to contribute to enhancing business performance as well as corporate value over the medium to long term. The Plan is a stock compensation plan linked to the medium-to long-term performance of the Company, based on the executive compensation BIP (Board Incentive Plan) trust (hereinafter the “BIP Trust”). The BIP Trust is a trust-based incentive plan, under which shares of the Company are delivered to the Directors, etc. based on the corporate business performance.

B. Shares of the Company remaining in the BIP Trust

Shares of the Company remaining in the BIP Trust are recorded as treasury stock under net assets at book value (excluding incidental expenses) in the BIP Trust. The book value and the number of such treasury stock at end of the fiscal year under review are ¥582 million and 111,175 shares, respectively.

(Notes to the Consolidated Balance Sheet)

1. Pledged assets

Time deposits: ¥10 million

Buildings: ¥432 million

Land: ¥960 million

Other than the above, ¥309 million of investment securities are pledged as real security.

2. Secured liabilities

Accounts payable - trade: ¥7 million

Short-term loans payable: ¥36 million

Long-term loans payable: ¥238 million

3. Reduction entry of tangible fixed assets acquired in lieu of expropriation, etc. in the fiscal year under review: ¥40 million

4. Guarantee obligations: ¥7,185 million

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

1. Matters related to the class and the total number of issued shares

Total number of issued shares as at the end of the fiscal year under review:

Common stock: 90,599,225 shares

2. Dividends

A. Dividend amount

The Company was established as a wholly-owning company of Nippon Express Co., Ltd. by way of a sole-share transfer implemented on January 4, 2022. The amount of dividend resolved at the Ordinary General Meeting of Shareholders held on March 30, 2022 was the amount resolved at the Ordinary General Meeting of Shareholders of Nippon Express Co., Ltd.

Resolution	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 30, 2022	Common stock	13,589	150.00	December 31, 2021	March 31, 2022
Board of Directors meeting on September 16, 2022	Common stock	22,649	250.00	June 30, 2022	September 31, 2022

- Notes: 1. “Total amount of dividend” decided at the Ordinary General Meeting of Shareholders on March 30, 2022 includes ¥17 million of dividends paid to the shares of the Company held by the executive compensation BIP trust.
2. “Total amount of dividend” decided at the Board of Directors meeting on September 16, 2022 includes ¥28 million of dividends paid to the shares of the Company held by the executive compensation BIP trust.

- B. Dividends whose record date is during fiscal year under review, but whose effective date is after the end of the fiscal year under review
The Board of Directors meeting to be held on March 3, 2023 is scheduled to adopt resolution on dividends as follows.

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

- Note: 1. “Total amount of dividend” includes ¥16 million of dividends paid to the shares of the Company held by the executive compensation BIP trust.

(Notes on Revenue Recognition)

1. Disaggregation of revenue

The Group engages in the logistics business, security transportation business, heavy haulage & construction business and logistics support business, and the Group’s revenues are disaggregated into each business as follows.

(Unit: Millions of yen)

	Logistics	Security Transportation	Heavy Haulage & Construction	Logistics Support
Goods transferred at a point in time (Note 1)	–	–	–	297,051
Services transferred over time	2,161,068	68,211	44,121	16,278
Revenue recognized from contract with customers	2,161,068	68,211	44,121	313,329
Revenue recognized from other sources	27,167	196	259	5,391
Total	2,188,236	68,407	44,381	318,721

Note: 1. Goods transferred at a point in time include revenue from sale of petroleum, etc.

2. Information serving as a basis for understanding revenue

As stated in “(Notes on Significant Matters Underlying the Preparation of Consolidated Financial Statements), 3. Matters concerning accounting policy, D. Basis for the recognition of revenue and expenses, (1) Criteria for recording revenue.”

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

A. Contract balances

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

(Unit: Millions of yen)

End of the fiscal year under review	
Receivables from contracts with customers	425,800
Contract assets	10,785
Contract liabilities	6,397

In the consolidated balance sheet, receivables and contract assets arising from contracts with customers are included in “notes receivable - trade” and “accounts receivable - trade and contract assets,” while contract liabilities are included in “advances received.” ¥7,289 million of contract liabilities at the beginning of the fiscal year have been recorded as revenue in the fiscal year under review.

B. Transaction price allocated to the remaining performance obligations

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

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

(Unit: Millions of yen)

End of the fiscal year under review	
Within one year	957
Over one year	736
Total	1,694

(Notes on Financial Instruments)

1. Status of financial instruments

The Group procures funds primarily through issuing bonds and taking out loans from banks and other financial institutions. Loans are used to fund working capital (mainly short-term) as well as capital expenditure (long-term). Long-term loans are taken out primarily at fixed rates in order to stabilize the cash flows associated with interest expenses.

The Group strives to mitigate customer credit risk pertaining to notes receivable - trade and accounts receivable - trade and contract assets in accordance with internal rules. Investment securities consist largely of shares and listed shares are subject to mark-to-market exercise on a quarterly basis.

2. Fair value, etc. of financial instruments

The carrying amounts, the fair values, and the differences between them as of December 31, 2022 (the consolidated closing date of the fiscal year under review) are as follows. Notes on cash and deposits, accounts receivable - trade and contract assets, short-term loans receivable, accounts payable - trade, short-term-loans payable (excluding current portion of long-term loans payable), and deposits are omitted as they are financial instruments that are settled in short periods with inherent proximity between their fair value and book value. Unlisted shares that constitute shares that do not have market price (recorded at ¥47,109 million on the consolidated balance sheet) are not included in “(1) Investment securities.”

(Unit: Millions of yen)

	Carrying amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities			
Available-for-sale securities	60,171	60,171	–
Shares of subsidiaries and associates	46	402	356
(2) Bonds	(140,000)	(137,864)	2,136
(3) Long-term loans payable	(113,775)	(113,161)	(614)
(4) Derivative transactions (*2)			
a. Derivative transactions not subject to hedge accounting	(63)	(63)	–
b. Derivative transactions subject to hedge accounting	14	14	–

(*1) Items recorded as liabilities are shown in parenthesis.

(*2) Net receivables and payables arising from derivative transactions are shown in net amounts.

Note: 1. Description of the valuation techniques and inputs used for measuring fair value and the matters related to derivative transactions

Fair values of financial instruments are classified into the following three levels depending on the observability and importance of the inputs used for measuring fair value.

Level 1 fair value: Fair values measured by using the unadjusted market price of identical asset or liability in an active market

Level 2 fair value: Fair values measured by using directly or indirectly observable inputs other than those for Level 1

Level 3 fair value: Fair values measured by using significant but unobservable inputs

(1) Investment securities

Listed shares are measured at fair value based on the share price quoted on a stock exchange. Since listed shares are traded in active markets, their fair value is classified as Level 1 fair value.

(2) Bonds

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

(3) Long-term loans payable

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

(4) Derivative transactions

Derivatives traded over-the-counter are based on the fair value indicated by the financial institutions concerned, which are measured based on the discounted present value of future cash flows calculated by using inputs such as interest rates and foreign exchange rates, and the fair value is classified as Level 2 fair value.

a. Derivative transactions not subject to hedge accounting: Contract amounts, etc., fair values and valuation gain or loss on the consolidated closing date are as follows:

(1) Currency-related

(Unit: Millions of yen)					
Classification	Type	Contract amount, etc.		Fair value	Valuation loss
		Those with over one year contract period			
Over-the-counter	Forward foreign exchange contracts				
	Selling				
	USD, etc.	2,673	–	121	121
	Buying				
	USD, etc.	3,862	–	(185)	(185)

b. Derivative transactions subject to hedge accounting: Contract amounts, etc. and fair values on the consolidated closing date are as follows:

(1) Currency-related

(Unit: Millions of yen)					
Method of hedge accounting	Type of derivative transactions	Main hedged items	Contract amount, etc.		Fair value
			Those with over one year contract period		
Default method of treatment	Forward foreign exchange contracts	Scheduled transactions of			
	Selling	foreign-currency			
	USD	denominated	2,783	–	104
	Buying	receivables and			
	USD	payables	3,538	–	(89)

(Notes on Investment and Rental Property)

Some of the consolidated subsidiaries own commercial properties, such as office buildings for lease (including lands) and parking facilities (including lands) in various regions across Japan. Rental profit or loss from the aforementioned investment and rental properties for the fiscal year under review was ¥8,807 million (rental revenue and major rental expenses are recognized under revenues and operating costs, respectively), while other profit or loss for the same period was ¥1,135 million (recorded mainly as gain on sales of non-current assets).

The amount on the consolidated balance sheet, and the fair value of the aforementioned investment and rental properties for the fiscal year under review were as follows:

(Unit: Millions of yen)

Amount on the consolidated balance sheet			Fair value at the end of the fiscal year under review
The amount at the beginning of the fiscal year under review	Change during the fiscal year under review	The amount at the end of the fiscal year under review	
37,722	1,401	39,123	206,320

- Notes: 1. The amount on the consolidated balance sheet is the amount of the acquisition cost less accumulated depreciation.
2. Fair values of major properties at the end of the fiscal year under review are based on the real estate appraisal report prepared by a real estate appraiser.

(Notes on Per Share Information)

1. Net assets per share: ¥8,391.95
2. Basic earnings per share: ¥1,218.89

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

The number of shares of the Company held by the trust was 111 thousand shares as of the end of the fiscal year under review, while the average number of treasury stock outstanding during the fiscal year under review was 113 thousand shares.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (Debit) (As of December 31, 2022)

(Unit: Millions of yen)

Item	Amount	Item	Amount
(Assets)		Investments and other assets	
Current assets		Investment securities	59,141
Cash and deposits	227	Shares of subsidiaries and associates	440,677
Trade accounts receivable	6,333	Investments in capital	2,000
Short-term loans receivable from subsidiaries and associates	40,580	Investments in capital of subsidiaries and associates	21,856
Accounts receivable - other	30,326	Others	78
Advance payments - trade	464	Total investments and other assets	523,753
Prepaid expenses	1,170	Total non-current assets	524,440
Others	124		
Total current assets	79,229		
Non-current assets			
Tangible fixed assets			
Vehicles	31		
Less: accumulated depreciation	(10)		
Vehicles, net	21		
Tools, furniture and fixtures	54		
Less: accumulated depreciation	(6)		
Tools, furniture and fixtures, net	47		
Construction in progress	1		
Total tangible fixed assets	69		
Intangible assets			
Software	448		
Others	169		
Total intangible assets	617		
		Total assets	603,669

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

Non-Consolidated Balance Sheet (Credit) (As of December 31, 2022)

(Unit: Millions of yen)

Item	Amount	Item	Amount
(Liabilities)		(Net assets)	
Current liabilities		Shareholders' equity	
Trade accounts payable	2,195	Common stock	70,175
Short-term redeemable corporate bonds	30,000	Additional paid-in capital	
Other payables	3,522	Legal capital surplus	26,908
Income taxes payable	12,670	Other additional paid-in capital	250,235
Unpaid expenses	794	Total additional paid-in capital	277,143
Deposits	162	Retained earnings	
Provision for bonuses	277	Other retained earnings	
Others	154	Retained earnings brought forward	60,389
Total current liabilities	49,777	Total retained earnings	60,389
Non-current liabilities		Treasury stock	(10,604)
Bonds	110,000	Total shareholders' equity	397,103
Provision for share awards for directors (and other officers)	237	Valuation and translation adjustments	
Deferred tax liabilities	13,901	Valuation differences on available-for-sale securities	32,650
Total non-current liabilities	124,138	Total valuation and translation adjustments	32,650
Total liabilities	173,916	Total net assets	429,753
		Total liabilities and net assets	603,669

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

Non-Consolidated Statement of Income (From January 1, 2022 to December 31, 2022)

(Unit: Millions of yen)

Account item	Amount
Operating revenue	103,296
Selling, general and administrative expenses	
Personnel expenses	3,726
Depreciation and amortization	137
Advertising expenses	3,426
Taxes and dues	68
Facility expenses	1,442
Administrative outsourcing expenses	9,136
Others	1,376
Total selling, general and administrative expenses	19,313
Operating income	83,983
Non-operating income	
Dividend income	1,802
Miscellaneous income	44
Total non-operating income	1,847
Non-operating expenses	
Interest on bonds	291
Miscellaneous expenses	317
Total non-operating expenses	608
Ordinary income	85,221
Extraordinary income	
Gain on sales of investment securities	1,510
Total extraordinary income	1,510
Extraordinary loss	
Loss on valuation of investment securities	1,065
Expense for changing brand symbol	2,647
Total extraordinary loss	3,712
Profit before income taxes	83,019
Income taxes-current	99
Income taxes-deferred	(119)
Total income taxes	(19)
Profit	83,039

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

Non-Consolidated Statement of Changes in Net Assets (January 4, 2022 - December 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity							Total shareholders' equity
	Common stock	Additional paid-in capital			Retained earnings		Treasury stock	
		Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of the year	-	-	-	-	-	-	-	-
Changes during the year								
Increase by share transfers	70,175	26,908	250,235	277,143				347,318
Cash dividends					(22,649)	(22,649)		(22,649)
Profit					83,039	83,039		83,039
Increase in treasury stock							(10,633)	(10,633)
Decrease in treasury stock			0	0			29	29
Net changes in items other than shareholders' equity								
Total changes during the year	70,175	26,908	250,235	277,143	60,389	60,389	(10,604)	397,103
Balance at end of the year	70,175	26,908	250,235	277,143	60,389	60,389	(10,604)	397,103

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of the year	-	-	-
Changes during the year			
Increase by share transfers	29,444	29,444	376,762
Cash dividends			(22,649)
Profit			83,039
Increase in treasury stock			(10,633)
Decrease in treasury stock			29
Net changes in items other than shareholders' equity	3,205	3,205	3,205
Total changes during the year	32,650	32,650	429,753
Balance at end of the year	32,650	32,650	429,753

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

Notes to the Non-Consolidated Financial Statements

(Notes on Significant Accounting Policies)

1. Basis and method for the valuation of assets
 - Basis and method for the valuation of securities
 - A. Shares of subsidiaries and shares of affiliates
 - Stated at cost by using the moving-average methods
 - B. Available-for-sale securities
 - (1) Securities other than shares that do not have market price
 - Stated at fair value based on the quoted market price at year-end where the valuation differences are recorded directly into net assets and costs of securities sold are calculated by using the moving-average method
 - (2) Shares that do not have a market value
 - Stated at cost by using the moving-average methods
2. Method for the depreciation/amortization of non-current assets
 - A. Tangible fixed assets
 - Stated by using the straight-line method
 - B. Intangible assets
 - Stated by using the straight-line method, while software for in-house use is amortized by using the straight-line method over the stipulated internal usable period (five years).
3. Basis for the recognition of provisions
 - A. Provision for bonuses
 - To provide for the payment of bonuses to employees, expected accrued amount of bonus payment is recognized.
 - B. Provision for share awards for directors (and other officers)
 - To provide for the delivery, etc. of shares of the Company to Directors, etc. of the Company in accordance with the share delivery rules under the performance-based stock compensation plan, the estimated amount of share-based compensation at the end of the fiscal year under review is recognized.
4. Basis for the recognition of revenue and expenses
 - The Company, as a pure holding company, records revenues comprising primarily group management fees, brand royalty and dividends from subsidiaries. Group management fees relate to the management services and guidance provided to subsidiaries based on the management services agreement therewith, while brand royalty relates to the licensing to use the “NX” brand that contributes to maximizing the sense of cohesion as the Group as well as its collective corporate value, based on the licensing agreement with subsidiaries. As these services, guidance and benefits are provided on a constant and continuous basis over the contract period, the Company recognizes revenues according to the satisfaction of its performance obligations measured by the passage of time. As for dividends, the Company recognizes revenue at the effective date of dividends.
5. Other significant matters underlying the preparation of non-consolidated financial statements
 - A. Accounting treatment of consumption taxes
 - Consumption tax and local consumption tax are accounted for based on the tax exclusion method; provided, however, that non-recoverable consumption taxes on asset transactions are treated as expenses incurred during the fiscal year it accrued.
 - B. Adoption of the consolidated taxation system
 - The Company adopts the consolidated taxation system.
 - C. Adoption of tax effect accounting following the transition from the consolidated taxation system to the group tax sharing system
 - The Company has, for the items subject to the transition to the group tax sharing system established under the “Act on Partial Amendment to the Income Tax Act, etc.” (Act No.8 of 2020), as well as to the review of non-consolidated taxation system in line with the aforementioned transition, not adopted the provisions in Article 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), relying on the procedures in Article 3 of the “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), whereby the amounts of deferred tax assets and deferred tax liabilities are accounted for in accordance with the provisions of the tax law before the aforementioned amendment.

Furthermore, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PTIF No. 42, August 12, 2021), which prescribes the accounting treatments and disclosures of the corporation income tax and the local corporation income tax, as well as tax effect accounting when a company applies the group tax sharing system, is planned to be adopted from the beginning of the next fiscal year.

(Additional Information)

1. Performance-based stock compensation plan

A. Overview of the plan

The Company introduced the performance-based stock compensation plan (hereinafter the “Plan”) for Directors and Executive Officers (excluding Outside Directors and those who do not reside in Japan; hereinafter the “Directors, etc.”) with a view to motivating the Directors, etc. to contribute to enhancing business performance as well as corporate value over the medium to long term. The Plan is a stock compensation plan linked to the medium- to long-term performance of the Company, based on the executive compensation BIP (Board Incentive Plan) trust (hereinafter the “BIP Trust”). The BIP Trust is a trust-based incentive plan, under which shares of the Company are delivered to the Directors, etc. based on the corporate business performance.

B. Shares of the Company remaining in the BIP Trust

Shares of the Company remaining in the BIP Trust are recorded as treasury stock under net assets at book value (excluding incidental expenses) in the BIP Trust. The book value and the number of such treasury stock at end of the fiscal year under review are ¥582 million and 111,175 shares, respectively.

(Notes to the Non-Consolidated Balance Sheet)

1. Guarantee obligations:	¥161 million
2. Monetary claims and obligations in connection with subsidiaries and associates (excluding those separately presented)	
Short-term monetary claims	¥36,702 million
Short-term monetary obligations	¥2,595 million

(Notes to the Non-Consolidated Statement of Income)

1. Expense for changing brand symbol	
Expense for changing brand symbol was recorded under extraordinary loss as the Group introduced a new group brand symbol and markings on its vehicles and other major items have been replaced in sequence.	
2. Amounts of transactions with subsidiaries and associates	
Operating revenue	¥103,296 million
Selling, general and administrative expenses	¥1,785 million
Non-operating transactions	¥185 million

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

Total number of treasury stock at the end of the fiscal year under review 1,441,856 shares

Note: The above number of shares includes 111,175 shares of the Company held by the executive compensation BIP trust.

(Notes on Financial Instruments)

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

(Notes on Tax Effect Accounting)

1. Deferred tax assets

(Unit: Millions of yen)

Provision for bonuses	84
Loss on valuation of investment securities	396
Loss on valuation of shares of subsidiaries and associates	477
Adjustments to the carrying amount of investments in shares in subsidiaries	920
Others	137
Sub-total deferred tax assets	2,017
Valuation allowance	(1,897)
Total deferred tax assets	119

2. Deferred tax liabilities

(Unit: Millions of yen)

Valuation differences on available-for-sale securities	(14,020)
Total deferred tax liabilities	(14,020)
Deferred tax assets	119
Deferred tax liabilities	(14,020)
Net deferred tax assets	(13,901)

(Notes on Transactions with Related Parties)

Subsidiaries and associates, etc.

(Unit: Millions of yen)

Category	Name	Voting rights ownership ratio	Relation with related party	Transaction	Transaction amount (Note 1)	Item	Ending balance
Subsidiary	Nippon Express Co., Ltd.	Direct: 100%	Business management Concurrent service by executives	Receipt of management fees (Note 2)	5,349	Trade accounts receivable	1,753
				Receipt of brand royalty (Note 3)	9,884	Trade accounts receivable	3,646
				Payment of outsourcing fees	888	Other payables	10
				Payment of personnel expenses for seconded employees (Note 4)	2,677		255
				Share transfer (Note 5)			
				Shares of subsidiaries and associates	347,318	–	–
				Capital	70,175	–	–
				Additional paid-in capital	26,908	–	–
				Other additional paid-in capital	250,235	–	–
				Absorption-type company split (Note 6)			
				Assets succeeded	182,123	–	–
				Liabilities succeeded	152,679	–	–
Valuation difference	29,444	–	–				
Subsidiary	NX Capital Co., Ltd.	Direct: 100%	Borrowing/lending of funds	Borrowing/lending of funds (Note 7)	6,927	Short-term loans receivable from subsidiaries and associates	34,580

Transaction terms and policy on determination of transaction terms

- Notes:
1. Transaction amount does not include consumption taxes. Ending balance includes consumption taxes.
 2. Management fees are determined by multiplying external sales and net assets after elimination of intra-group transactions by certain rate.
 3. Brand royalty is determined by multiplying external sales after elimination of intra-group transactions by certain rate.
 4. Personnel expenses for seconded employees are reasonably determined upon consultation.
 5. Share transfer arose from the sole-share transfer implemented with January 4, 2022 as the effective date for the purpose of establishing the Company.
 6. Absorption-type company split relates to the rights and obligations concerning the management of subsidiaries and associates business and financial management business succeeded through the absorption-type company split implemented with March 18, 2022 as the effective date.
 7. The transaction relates to CMS (cash management system) transactions for greater intra-group capital efficiency. The transaction amount is the average balance during the period since the fund borrowing/lending is carried out on a daily basis with NX Capital Co., Ltd. Interest rates are determined rationally in consideration of market interest rates.

(Notes on Per Share Information)

1. Net assets per share: ¥4,087.76
2. Basic earnings per share: ¥921.73

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

The number of shares of the Company held by the trust was 111 thousand shares as of the end of the fiscal year under review, while the average number of treasury stock outstanding during the fiscal year under review was 113 thousand shares.