

November 12, 2021

Summary of Consolidated Earnings Report for the Second Quarter of the Fiscal Year Ending December 31, 2021 (Japanese GAAP)

Name of listed company: **Nippon Express Co., Ltd.**Code: **9062**

Listed stock exchanges: Tokyo

(URL: <https://www.nipponexpress.com> (English))(URL: <https://www.nittsu.co.jp> (Japanese))

Representative: President and CEO Mitsuru Saito

Scheduled date for release of Quarterly Financial Report: November 12, 2021

Scheduled date of dividend payment: December 2, 2021

Availability of supplementary briefing material on quarterly financial results: Available

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(1) Consolidated Business Results

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Six Months Ended September 30, 2021	1,104,219	—	36,300	—	40,662	—	30,619	—
Six Months Ended September 30, 2020	964,464	(7.2)	20,875	(28.3)	24,080	(26.7)	23,077	21.4

(Note) Comprehensive income:

Six Months Ended September 30, 2021: ¥43,322 million [—%] Six Months Ended September 30, 2020: ¥21,733 million [(35.6)%]

	Basic earnings per share	Diluted earnings per share
	¥	¥
Six Months Ended September 30, 2021	336.57	—
Six Months Ended September 30, 2020	248.34	—

(Note) Nippon Express Co., Ltd. intends to change our fiscal year from March 31 to December 31, beginning with fiscal year ending December 31, 2021. With this change, the Nippon Express Group will have a unified December 31 fiscal year end. The second quarter of the previous consolidated fiscal year reflects profit and loss results from April 1, 2020 to September 30, 2020, for the company and consolidated subsidiaries with a March fiscal year end. We had consolidated profit and loss results for the period from January 1, 2020 to June 30, 2020, for consolidated subsidiaries with December fiscal year ends. However, for the second quarter of the current consolidated fiscal year, we have consolidated profit and loss results for the period from April 1, 2021 to September 30, 2021, for the company and all consolidated subsidiaries. We adjusted retained earnings to reflect the profit and loss results for the period from January 1, 2021 to March 31, 2021, for those consolidated subsidiaries with December fiscal year ends.

As a result, percentage changes compared to the same period of the previous year are not stated herein.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of September 30, 2021	1,589,356	631,429	38.5
As of March 31, 2021	1,631,855	600,707	35.7

(Reference) Equity: As of September 30, 2021: ¥612,534 million

As of March 31, 2021: ¥582,512 million

2. Dividends Information

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year End	Yearly
Fiscal Year Ended March 31, 2021	—	75.00	—	110.00	185.00
Fiscal Year Ending December 31, 2021	—	90.00			
Fiscal Year Ending December 31, 2021 (Forecast)			—	95.00	185.00

(Note) Revision of dividend projection from recently announced figures: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021

(April 1, 2021 to December 31, 2021)

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	1,680,000	—	57,000	—	59,000	—	45,000	—	497.33

(Note) Revision of consolidated results forecast from recently announced figures: Yes

Due to a change in fiscal year end, the current fiscal year is a nine-month period from April 1, 2021 to December 31, 2021.

As a result, percentage changes compared to the previous fiscal year is not stated herein.

*Notes

(1) Significant changes of subsidiaries during the period under review (affecting specific subsidiaries due to changes in scope of consolidation): No

(2) Adoption of special accounting treatment for preparing Quarterly Consolidated Financial Statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards, etc.: Yes

2) Any changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: No

4) Corrections of errors: No

(4) Total number of issued shares (common stock)

1) Total number of issued shares at end of period (including treasury stock)	As of September 30, 2021	96,000,000 shares	As of March 31, 2021	96,000,000 shares
2) Total number of treasury stocks at end of period	As of September 30, 2021	5,516,735 shares	As of March 31, 2021	4,337,612 shares
3) Average number of shares during period	Six Months Ended September 30, 2021	90,974,359 shares	Six Months Ended September 30, 2020	92,928,365 shares

(Note) The Company introduced an Executive Compensation BIP (Board Incentive Plan) Trust. Company shares owned by the Trust were included in the treasury stock at the end of the period under review.

Number of shares owned by the Executive Compensation BIP Trust:

As of September 30, 2021: 116,739 shares As of March 31, 2021: 122,354 shares

(These figures are included in *Total number of treasury stock at end of period*, above.)

* This consolidated earnings report is not subject to audit by a certified public accountant or independent financial statement auditor.

* Explanation for the appropriate use of financial forecasts and other special notes

- This earnings report revises the forecast of consolidated financial results announced on August 13, 2021.
- The forward-looking statements and other results forecasts stated herein are based on information available at the time this report was prepared, as well as certain assumptions considered reasonable. Accordingly, actual business performance may differ significantly from forecasts due to a number of factors. Please refer to 1. *Qualitative Information on Quarterly Financial Results*, (3) *Explanation of Consolidated Financial Results Forecasts* and Other Forward-looking Information on page 3 for financial forecast assumptions and the use of the forecasts.
- We are scheduled to hold an online meeting for institutional investors and analysts on November 12, 2021. The materials to be distributed at that meeting will be posted on our corporate website.

Disclaimer:

This English translation has been prepared for general reference purposes only.

The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text.

In any legal matter, readers should refer to and rely upon the original Japanese text released November 12, 2021.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the cumulative consolidated second quarter of the current fiscal year, the global economy reflected signs of improvement in major economies, including Japan, as a result of the reduced economic impact of COVID-19 stemming from the resumption of economic activities due to the progress of vaccinations in major advanced economies and governmental financial assistance. However, the economic impact of COVID-19 remained strong among many emerging economies and other countries. These factors and the additional concern of rising global inflation have made the future economic outlook uncertain.

In this economic environment, the logistics industry continued to see a recovery in cargo movement, which had fallen sharply, due to the resumption of production and sales activities in major countries. Japan experienced steady improvement for certain goods, including chemicals, nonferrous metals, production machinery, and electrical machinery. However, overall cargo movement lacked strength due to production adjustments in the automobile industry stemming from semiconductor shortages, a standstill in personal consumption, and other factors. The U.S. and China are driving an expansion in international trade. However, shortages of transportation space due to reduced or canceled flights, sea container shortages from Asia to Europe and the U.S., and soaring freight rates require close monitoring.

Given this business environment, Nippon Express Group business results for the cumulative consolidated second quarter of the current fiscal year were general favorable across each business segment in response to growing demand for international freight, mainly in air and ocean freight forwarding.

As a result, the group posted revenues of ¥1,104.2 billion, operating income of ¥36.3 billion, ordinary income of ¥40.6 billion, and profit attributable to owners of parent of ¥30.6 billion.

Our adoption of Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) resulted in a decrease of ¥37.5 billion in revenues. However, the impact on operating income, ordinary income, and profit attributable to owners of the parent was minimal.

(2) Explanation of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated second quarter amounted to ¥1,589.3 billion, a decrease of ¥42.4 billion, or 2.6%, compared to the end of the previous consolidated fiscal year.

Current assets amounted to ¥686.2 billion, a decrease of ¥85.6 billion, or 11.1%, from the end of the previous fiscal year. Non-current assets totaled ¥903.1 billion, an increase of ¥43.1 billion, or 5.0%, from the end of the previous fiscal year.

The main reason for the decrease in current assets was a decrease in short-term loans receivable related to the absorption-type split of our leasing business.

The increase in non-current assets was mainly attributable to an increase in tangible lease assets.

Current liabilities amounted to ¥409.3 billion, a decrease of ¥106.0 billion, or 20.6%, compared to the end of the previous consolidated fiscal year. Non-current liabilities amounted to ¥548.5 billion, an increase of ¥32.8 billion, or 6.4%.

The main reason for the decrease in current liabilities was a decrease in short-term loans payable and commercial paper in conjunction with a decrease in short-term loans receivable related to the absorption-type split of the leasing business.

The increase in non-current liabilities was mainly attributable to an increase in long-term lease obligations.

Net assets as of the end of the consolidated second quarter amounted to ¥631.4 billion, an increase of ¥30.7 billion, or 5.1%, compared to the end of the previous consolidated fiscal year.

2) Cash Flows

Cash and cash equivalents as of the end of the consolidated second quarter amounted to ¥197.9 billion, an increase of ¥29.5 billion, compared to the end of the previous consolidated fiscal year. The increase in cash and cash equivalents includes an adjustment of ¥10.2 billion due to a change in fiscal year end.

Net cash provided by operating activities amounted to ¥20.0 billion, a year-on-year decrease in proceeds of ¥12.1 billion. The result was mainly due to the payment of other liabilities.

Net cash provided by investing activities amounted to ¥113.2 billion, a year-on-year increase in proceeds of ¥145.5 billion. This result was mainly due to an increase in proceeds from the collection of loans related to the absorption-type split of the leasing business.

Net cash used in financing activities amounted to ¥116.6 billion, a year-on-year decrease in proceeds of ¥116.0 billion. This result was mainly due to an increase in proceeds from the collection of loans related to the absorption-type split of the leasing business and the associated redemption of commercial paper. In addition, net cash proceeds decreased due to the issuance of corporate bonds.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

Based on recent trends in financial results, the Nippon Express Group has made the following revisions to consolidated and non-consolidated financial results forecasts for the fiscal year ending December 2021, published originally on August 13, 2021.

For more related to consolidated financial results forecasts, see *3.Reference Materials (1) Consolidated Reference Materials: Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021*. For more related to non-consolidated financial results forecasts, see *3. Reference Materials (2) Forecast of Non-Consolidated Financial Results for the Fiscal Year Ending December 31, 2021*.

1) Revisions to Financial Results Forecasts

A. Revisions to Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021

(Full Year)

(April 1, 2021 to December 31, 2021)

	Revenues	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (August 13, 2021)	¥ million 1,650,000	¥ million 56,000	¥ million 58,000	¥ million 39,000	¥ 428.00
Revised forecast (B)	1,680,000	57,000	59,000	45,000	497.33
Difference (B-A)	30,000	1,000	1,000	6,000	
Difference (%)	1.8	1.8	1.7	15.4	
(Reference) Prior-year results (FYE March 2021)	2,079,195	78,100	81,276	56,102	604.79

*Due to a change in fiscal year end, the current fiscal year is a nine-month period from April 1, 2021 to December 31, 2021.

B. Revisions to Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending December 31, 2021

(Full Year)

(April 1, 2021 to December 31, 2021)

	Revenues	Operating income	Ordinary income	Net income	Basic earnings per share
Previously announced forecast (A) (August 13, 2021)	¥ million 910,000	¥ million 22,500	¥ million 31,500	¥ million 22,000	¥ 241.43
Revised forecast (B)	910,000	21,500	30,500	27,000	298.40
Difference (B-A)	—	(1,000)	(1,000)	5,000	
Difference (%)	—	(4.4)	(3.2)	22.7	
(Reference) Prior-year results (FYE March 2021)	1,120,712	34,293	49,339	54,792	590.68

*Due to a change in fiscal year end, the current fiscal year is a nine-month period from April 1, 2021 to December 31, 2021.

2) Reasons for Revision of Financial Results Forecasts

We revised our forecast for consolidated revenues upward, while we left the non-consolidated forecast unchanged. This revision reflects our expectation for weak domestic cargo movement, despite higher-than-expected growth in international freight volume demand.

We revised our forecasts for non-consolidated operating income and ordinary income downward as we expect these results to underperform the previous forecast due to weak domestic cargo movement. At the same time, we revised forecasts for consolidated operating income and ordinary income upward to reflect our expectation that overseas subsidiaries will outperform previous forecasts due to growth in international freight volume demand.

We revised our forecast for consolidated profit attributable to owners of parent upward to reflect the recording of extraordinary gains in sales of strategic shareholdings during cumulative consolidated second quarter of the current fiscal year .

The impact of the spread of COVID-19 on Nippon Express Group businesses should be limited, as indicated in our prior announcement.

We have not reflected lockdowns or other large-scale social restrictions due to the spread of COVID-19 in our forecasts.

***Note Regarding Financial Results Forecasts**

Results forecasts and other forward-looking statements in this document have been prepared according to judgments based on information available at the time. These statements contain elements of risk and uncertainties. Accordingly, results may differ from forecasts.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	FY2020 (as of March 31, 2021)	Second Quarter of FYE December 2021 (as of September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	217,774	239,370
Notes receivable – trade	22,281	21,381
Accounts receivable - trade	348,810	—
Accounts receivable - trade, and contract assets	—	356,027
Inventories	8,296	11,372
Other	176,100	60,967
Less: allowance for doubtful accounts	(1,368)	(2,884)
Total current assets	771,894	686,235
Non-current assets:		
Property and equipment		
Vehicles, net	41,853	44,087
Buildings, net	253,462	272,523
Land	188,009	187,621
Other, net	124,177	148,376
Net property and equipment	607,503	652,609
Intangible assets		
Goodwill	4,592	4,333
Other	78,125	78,414
Total intangible assets	82,717	82,748
Investments and other assets		
Investment securities	107,275	105,149
Other	63,320	63,484
Less: allowance for doubtful accounts	(856)	(870)
Total investments and other assets	169,740	167,763
Total non-current assets	859,961	903,120
Total assets	1,631,855	1,589,356
LIABILITIES		
Current liabilities:		
Notes payable – trade	5,508	5,563
Accounts payable – trade	175,906	175,921
Short-term loans payable	37,918	17,680
Income taxes payable	18,501	15,594
Provision for bonuses	30,185	29,851
Other provisions	144	375
Other	247,323	164,402
Total current liabilities	515,487	409,389
Non-current liabilities:		
Bonds payable	140,000	140,000
Long-term loans payable	193,616	193,716
Other provisions	1,491	1,489
Net retirement benefit liability	121,061	123,714
Other	59,491	89,616
Total non-current liabilities	515,660	548,537
Total liabilities	1,031,148	957,926

(Unit: Millions of yen)

	FY2020 (as of March 31, 2020)	Second Quarter of FYE December 2021 (as of September 30, 2021)
NET ASSETS		
Shareholders' equity:		
Common stock	70,175	70,175
Additional paid-in capital	22,614	22,616
Retained earnings	503,178	531,785
Treasury stock	(28,273)	(38,255)
Total shareholders' equity	567,695	586,321
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	32,272	31,324
Deferred gains (losses) on hedges	(51)	(121)
Foreign currency translation adjustments	(8,885)	784
Remeasurements of retirement benefit plans	(8,518)	(5,773)
Total accumulated other comprehensive income	14,817	26,212
Non-controlling interests	18,194	18,895
Total net assets	600,707	631,429
Total liabilities and net assets	1,631,855	1,589,356

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Unit: Millions of yen)

	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Revenues	964,464	1,104,219
Operating costs	888,848	1,006,795
Gross profit	75,616	97,423
Selling, general and administrative expenses:	54,741	61,123
Operating income	20,875	36,300
Non-operating income:		
Interest income	281	192
Dividend income	1,900	1,656
Equity in earnings of unconsolidated subsidiaries and affiliates	—	2,027
Other	3,787	3,408
Total non-operating income	5,969	7,283
Non-operating expenses:		
Interest expenses	1,353	1,655
Equity in losses of unconsolidated subsidiaries and affiliates	199	—
Other	1,211	1,265
Total non-operating expenses	2,764	2,921
Ordinary income	24,080	40,662
Extraordinary income:		
Gain on sales of non-current assets	12,119	1,862
Gain on sales of investment securities	4,222	5,964
Other	32	38
Total extraordinary income	16,373	7,865
Extraordinary loss:		
Loss on disposal of non-current assets	2,317	1,630
Other	186	165
Total extraordinary loss	2,503	1,796
Profit before income taxes	37,949	46,731
Income taxes	14,448	15,122
Profit	23,501	31,608
Profit attributable to non-controlling interests	423	989
Profit attributable to owners of parent	23,077	30,619

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Profit	23,501	31,608
Other comprehensive income:		
Valuation differences on available-for-sale securities	269	(959)
Deferred gains (losses) on hedges	14	(70)
Foreign currency translation adjustments	(4,816)	9,740
Remeasurements of retirement benefit plans	2,965	2,772
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(201)	229
Other comprehensive income (loss)	(1,767)	11,713
Comprehensive income:	21,733	43,322
(Comprehensive income attributable to)		
Owners of parent	21,200	42,014
Non-controlling interests	533	1,307

(3) Consolidated Statements of Cash Flows

	(Unit: Millions of yen)	
	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	37,949	46,731
Depreciation and amortization	30,229	37,210
Interest and dividend income	(2,182)	(1,848)
Interest expenses	1,353	1,655
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	199	(2,027)
(Increase) decrease in trade receivables	5,014	6,748
(Increase) decrease in inventories	486	(2,314)
Increase (decrease) in accounts payable	(22,299)	(4,683)
Other	(4,037)	(42,554)
Sub-total	46,714	38,917
Interest and dividends received	2,352	1,945
Interest paid	(1,294)	(1,665)
Income taxes paid	(15,544)	(19,139)
Net cash provided by operating activities	32,227	20,058
Cash flows from investing activities		
Payment for purchase of property and equipment	(54,219)	(33,401)
Proceeds from sales of property and equipment	16,850	2,109
Payment for purchase of investment securities	(779)	(10)
Proceeds from sales of investment securities	5,332	6,984
Collection of loans receivable	209	138,431
Other	297	(894)
Net cash used in investing activities	(32,309)	113,218
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(15,378)	(20,572)
Net increase (decrease) in commercial papers	(2,000)	(61,000)
Proceeds from long-term loans payable	10,809	642
Payment for long-term loans payable	(31,371)	(879)
Proceeds from issuance of bonds	50,000	—
Cash dividends	(7,434)	(10,082)
Payment for purchase of treasury stock	(14)	(10,014)
Other	(5,205)	(14,734)
Net cash provided by (used in) financing activities	(594)	(116,640)
Effect of exchange rate changes on cash and cash equivalents	(1,922)	87
Net increase (decrease) in cash and cash equivalents	(2,598)	16,723
Cash and cash equivalents at beginning of year	96,171	168,362
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year end	—	10,294
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	2,544
Cash and cash equivalents at the end of the quarter	93,572	197,924

(4) Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Application of Special Accounting Treatments for Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate following application of tax effect accounting to profit before income taxes for the consolidated fiscal year, which includes the second quarter ended September 30, 2021, and multiplying profit before income taxes by said estimated effective tax rate.

(Additional Information)

(Matters related to change in scope of consolidation)

Effective as of the current consolidated fiscal year, the company and consolidated subsidiaries having March fiscal year ends will change their respective fiscal year ends from March 31 to December 31. At the same time, we will change our consolidated fiscal year end from March 31 to December 31. The main objectives of this change are to improve management transparency through timely and accurate disclosure of management information and to facilitate comparisons with overseas competitors. The current consolidated fiscal year, which is the transitional period for the change in fiscal year, will be the nine-month period from April 1, 2021 to December 31, 2021.

As a result of this change, profit and loss for the three months from January 1, 2021 to March 31, 2021 for consolidated subsidiaries whose fiscal year ends in December has been adjusted as an increase or decrease in retained earnings. Increases or decreases in cash and cash equivalents are presented as increases or decreases in cash and cash equivalents resulting from change of fiscal year end in the quarterly consolidated statement of cash flows.

(Changes in Accounting Policies)

(Changes in important hedge accounting methods)

In the past, we adopted the allocation method for foreign exchange forward contracts related to monetary receivables and payables denominated in foreign currencies. However, having reviewed our system of management related to the assessment of foreign exchange risk and foreign exchange forward contracts, we have changed to valuing foreign exchange forward contracts (a hedging instrument) at fair value beginning with the first quarter of the current consolidated fiscal year. The objective of this change is to reflect the status of monetary receivables and payables denominated in foreign currencies and derivative transactions more appropriately on our consolidated financial statements.

The impact of this change in accounting policy on profit and loss, financial position, and per share information after retrospective application was minimal.

(Adoption of fair value measurement accounting standard)

We adopted Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019) ("Fair

Value Measurement Standard," below) as of the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we will apply the new accounting policy provided in Fair Value Measurement Standard prospectively. The application of this accounting standard will have no impact on quarterly consolidated financial statements.

(Adoption of revenue recognition accounting standard)

At the beginning of the consolidated first quarter, we adopted Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) ("Revenue Recognition Standard," below). With the adoption of this standard, the company now recognizes revenue when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for said goods or services.

The major changes associated with the adoption of the Revenue Recognition Standard will be as follows.

(1) Revenue recognition for agent transactions

We previously recognized revenue mainly related to logistics finance transactions on a gross basis.

However, having determined the roles (principal versus agent) in providing goods and services to customers, we have changed our revenue recognition method to a net basis.

(2) Revenue recognition for amounts to be collected for third parties

The Nippon Express Group previously recognized revenue for the sale of light oil based on the total amount received from customers, including the light oil excise tax. However, since our customers are the parties to pay the light oil excise tax, and the Nippon Express Group is deemed to be collecting the tax on behalf of third parties, we have changed our revenue recognition method to recognizing the amount received from customers less the light oil excise tax.

(3) Performance obligations to be fulfilled over a defined period of time

We previously recognized revenue from international ocean transportation and other transactions on a shipment basis. However, having determined that the control over goods or services will be transferred to the customer over a defined period of time, we have changed our revenue recognition method that reflects the estimated period of the satisfaction of our performance obligation, recognizing revenue based on said period.

In adopting the change in question, the company follows the transitional treatment as prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of applying the new accounting policy retrospectively for periods prior to the beginning of the first quarter of the current consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy has been applied beginning with the relevant beginning balance. However, we applied the method as prescribed in Paragraph 86 of the Revenue Recognition Standard, and we have not applied the new accounting policy retrospectively to contracts in which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current consolidated fiscal year. In addition, we applied the proviso of Paragraph 86 (1) of the Revenue Recognition Standard, accounting for contract changes made prior to the beginning of the first quarter of the current consolidated fiscal year based on contract terms reflecting all changes, adding or subtracting the cumulative effect of such changes to retained earnings as of the beginning of the first quarter of the current consolidated fiscal year.

As a result, revenues for the cumulative consolidated second quarter of the current fiscal year decreased by ¥37,550 million and operating costs decreased by ¥37,519 million. The impact of this change on selling, general and administrative expenses, operating income, ordinary income, and profit before income taxes was minimal.

As a result of the application of Revenue Recognition Standard, *accounts receivable-trade presented under current assets* in our consolidated balance sheet for the previous consolidated fiscal year will be included under *accounts receivable-trade and contract assets* beginning with the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, we have not reclassified the previous consolidated fiscal under the new presentation method.

(Segment Information, etc.)

[Segment Information]

Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)

Revenues and income (loss) by reportable segment

(Unit: Millions of yen)

	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	555,542	32,015	49,641	55,172	45,825
Intersegment	5,529	5,297	2,579	4,121	3,377
Total	561,072	37,312	52,221	59,294	49,203
Segment Income (loss)	13,815	(45)	484	2,817	3,197

	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in quarterly consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	34,263	25,035	166,967	964,464	—	964,464
Intersegment	40	18	40,638	61,604	(61,604)	—
Total	34,304	25,053	207,606	1,026,069	(61,604)	964,464
Segment Income (loss)	(929)	2,817	5,387	27,546	(6,670)	20,875

(Notes)1. The segment income adjustment of ¥(6,670) million includes ¥(107) million for the elimination of intersegment income, and ¥(6,582) million of corporate expenses that are not attributable to any individual reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.

2. Segment income (loss) has been reconciled with operating income in the quarterly consolidated statements of income.

2 Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

Revenues and income (loss) by reportable segment

(Unit: Millions of yen)

	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	643,125	44,661	74,903	92,653	72,873
Intersegment	7,502	10,585	4,422	7,819	8,648
Total	650,627	55,246	79,326	100,473	81,521
Segment income	20,535	3,443	3,210	2,294	5,995

	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in quarterly consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	34,204	23,818	117,978	1,104,219	—	1,104,219
Intersegment	37	13	44,848	83,878	(83,878)	—
Total	34,241	23,832	162,827	1,188,097	(83,878)	1,104,219
Segment income	127	3,075	4,030	42,712	(6,411)	36,300

(Notes)1. The segment income adjustment of ¥(6,411) million includes ¥0 million for the elimination of intersegment income, and ¥(6,437) million of corporate expenses that are not attributable to any individual reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.

2. Segment income has been reconciled with operating income in the quarterly consolidated statements of income.

3. Overview of reportable segments

As described in Changes in Accounting Policies, we applied the Revenue Recognition Standard as of the beginning of the first quarter of the current consolidated fiscal year, changing our accounting method for revenue recognition. In so doing, we changed the calculation method for segment income as well.

As a result of this change, revenues by segment for the cumulative consolidated second quarter of the current fiscal year decreased by ¥1,159 million and ¥36,391 million for Logistics (Japan) and Logistics Support, respectively, when compared with the previous accounting method. The impact of this change on segment income was minimal.

3. Reference Materials

(1) Consolidated Reference Materials

○ Reportable Segment Financial Results

(Unit: Millions of yen, %)

				Six Months Ended September 30, 2021	Six Months Ended September 30, 2020	Change	
						Amount	Ratio
Revenues	Reportable Segment	Logistics	Japan	650,627	561,072	—	—
			The Americas	55,246	37,312	—	—
			Europe	79,326	52,221	—	—
			East Asia	100,473	59,294	—	—
			South Asia & Oceania	81,521	49,203	—	—
		Subtotal	967,196	759,104	—	—	
		Security Transportation	34,241	34,304	—	—	
		Heavy Haulage & Construction	23,832	25,053	—	—	
		Logistics Support	162,827	207,606	—	—	
		Subtotal	1,188,097	1,026,069	—	—	
	Adjustment	(83,878)	(61,604)	—	—		
Total			1,104,219	964,464	—	—	
Segment Income (Operating Income)	Reportable Segment	Logistics	Japan	[3.2] 20,535	[2.5] 13,815	—	—
			The Americas	[6.2] 3,443	[(0.1)] (45)	—	—
			Europe	[4.0] 3,210	[0.9] 484	—	—
			East Asia	[2.3] 2,294	[4.8] 2,817	—	—
			South Asia & Oceania	[7.4] 5,995	[6.5] 3,197	—	—
		Subtotal	[3.7] 35,479	[2.7] 20,270	—	—	
		Security Transportation	[0.4] 127	[(2.7)] (929)	—	—	
		Heavy Haulage & Construction	[12.9] 3,075	[11.2] 2,817	—	—	
		Logistics Support	[2.5] 4,030	[2.6] 5,387	—	—	
		Subtotal	[3.6] 42,712	[2.7] 27,546	—	—	
	Adjustment	(6,411)	(6,670)	—	—		
Total			[3.3] 36,300	[2.2] 20,875	—	—	

(Notes)1. Nippon Express Co., Ltd. changed our fiscal year end from March 31 to December 31, beginning with fiscal year 2021. The second quarter of the previous consolidated fiscal year reflects profit and loss results from January 1, 2020 to June 30, 2020, for the consolidated subsidiaries with a December fiscal year end.

However, for the second quarter of the current consolidated fiscal year, we have consolidated profit and loss results for the period from April 1, 2021 to September 30, 2021, for the company and all consolidated subsidiaries.

As a result, percentage changes compared to the same period of the previous year are not stated herein.

2. Figures in brackets indicate operating income margin.

○ Summary of Consolidated Statements of Income

(Unit: Millions of yen, %)

			Six Months Ended September 30, 2021	% of Sales	Six Months Ended September 30, 2020	% of Sales	Change	
							Amount	Ratio
Revenues by business	Distribution & transportation business	Motor transportation	179,579	16.3	167,800	17.4	—	—
		Marine and harbor transportation	162,458	14.7	105,099	10.9	—	—
		Air transportation	273,621	24.8	171,324	17.8	—	—
		Warehousing & storage	149,141	13.5	138,317	14.3	—	—
		Security transportation	33,827	3.1	33,433	3.5	—	—
		Heavy haulage & construction	34,040	3.1	35,759	3.7	—	—
		Other	141,790	12.8	134,344	13.9	—	—
	Subtotal		974,458	88.2	786,078	81.5	—	—
	Goods sales business		111,126	10.1	148,190	15.4	—	—
	Other		18,635	1.7	30,195	3.1	—	—
Total			1,104,219	100.0	964,464	100.0	—	—
Operating costs	Personnel expenses		213,260	19.3	205,696	21.3	—	—
	Forwarding costs		257,040	23.3	127,412	13.2	—	—
	Vehicle chartering and subcontracting costs		219,744	19.9	206,907	21.5	—	—
	Other		316,750	28.7	348,832	36.2	—	—
	Total		1,006,795	91.2	888,848	92.2	—	—
Gross profit			97,423	8.8	75,616	7.8	—	—
	Personnel expenses		33,006	3.0	31,061	3.2	—	—
	Other		28,117	2.5	23,680	2.5	—	—
	Selling, general and administrative expenses		61,123	5.5	54,741	5.7	—	—
Operating income			36,300	3.3	20,875	2.2	—	—
	Interest income		192	0.0	281	0.0	—	—
	Dividend income		1,656	0.1	1,900	0.2	—	—
	Equity in earnings of unconsolidated subsidiaries and affiliates		2,027	0.2	—	—	—	—
	Other		3,408	0.3	3,787	0.4	—	—
	Non-operating income		7,283	0.7	5,969	0.6	—	—
	Interest expenses		1,655	0.1	1,353	0.1	—	—
	Equity in losses of unconsolidated subsidiaries and affiliates		—	—	199	0.0	—	—
	Other		1,265	0.1	1,211	0.1	—	—
	Non-operating expenses		2,921	0.3	2,764	0.3	—	—
Ordinary income			40,662	3.7	24,080	2.5	—	—
	Gain on sales of non-current assets		1,862	0.2	12,119	1.3	—	—
	Gain on sales of investment securities		5,964	0.5	4,222	0.4	—	—
	Other		38	0.0	32	0.0	—	—
	Extraordinary income		7,865	0.7	16,373	1.7	—	—
	Loss on disposal of non-current assets		1,630	0.1	2,317	0.2	—	—
	Other		165	0.0	186	0.0	—	—
	Extraordinary loss		1,796	0.2	2,503	0.3	—	—
Profit before income taxes			46,731	4.2	37,949	3.9	—	—
Income taxes			15,122	1.4	14,448	1.5	—	—
Profit			31,608	2.9	23,501	2.4	—	—
Profit attributable to non-controlling interests			989	0.1	423	0.0	—	—
Profit attributable to owners of parent			30,619	2.8	23,077	2.4	—	—

Total personnel expenses	Operating costs	213,260	19.3	205,696	21.3	—	—
	Selling, general and administrative expenses	33,006	3.0	31,061	3.2	—	—
	Total	246,266	22.3	236,757	24.5	—	—

(Note) Nippon Express Co., Ltd. changed our fiscal year end from March 31 to December 31, beginning with fiscal year 2021. The second quarter of the previous consolidated fiscal year reflects profit and loss results from January 1, 2020 to June 30, 2020, for the consolidated subsidiaries with a December fiscal year end. However, for the second quarter of the current consolidated fiscal year, we have consolidated profit and loss results for the period from April 1, 2021 to September 30, 2021, for the company and all consolidated subsidiaries. As a result, percentage changes compared to the same period of the previous year are not stated herein.

(Unit: Millions of yen, %)

(Unit: millions of yen, %)

				FYE December 2021	FY2020	Change	
						Amount	Ratio
Revenues	Reportable Segment	Logistics	Japan	972,000	1,212,803	—	—
			The Americas	86,600	78,141	—	—
			Europe	113,400	117,134	—	—
			East Asia	158,200	143,689	—	—
			South Asia & Oceania	123,000	114,738	—	—
		Subtotal	1,453,200	1,666,507	—	—	
		Security Transportation	51,500	69,239	—	—	
		Heavy Haulage & Construction	35,000	45,877	—	—	
		Logistics Support	260,400	447,837	—	—	
		Subtotal	1,800,100	2,229,462	—	—	
	Adjustment	(120,100)	(150,266)	—	—		
Total			1,680,000	2,079,195	—	—	
Segment Income (Operating Income)	Reportable Segment	Logistics	Japan	[3.6] 34,700	[4.3] 51,981	—	—
			The Americas	[6.4] 5,500	[0.6] 487	—	—
			Europe	[3.9] 4,400	[2.9] 3,404	—	—
			East Asia	[2.5] 3,900	[5.9] 8,445	—	—
			South Asia & Oceania	[7.0] 8,600	[8.6] 9,879	—	—
		Subtotal	[3.9] 57,100	[4.5] 74,197	—	—	
		Security Transportation	[0.8] 400	[(1.3)] (907)	—	—	
		Heavy Haulage & Construction	[12.3] 4,300	[11.4] 5,219	—	—	
		Logistics Support	[2.3] 5,900	[3.0] 13,645	—	—	
		Subtotal	[3.8] 67,700	[4.1] 92,156	—	—	
	Adjustment	(10,700)	(14,055)	—	—		
Total			[3.4] 57,000	[3.8] 78,100	—	—	

(Notes)1. Nippon Express Co., Ltd. changed our fiscal year end from March 31 to December 31, beginning with fiscal year 2021. Therefore, the consolidated financial forecasts for the fiscal year ending December 31, 2021, which is a transitional period, is based on the nine-month period from April 1, 2021, to December 31, 2021.

As a result, percentage changes compared to the same period of the previous year are not stated herein.

2. Figures in brackets indicate operating income margin.

(2) Non- Consolidated Reference Materials

○ Revenues and Operating Expenses

(Unit: Millions of yen, %)

Unit: millions of yen, %

		Six Months Ended September 30, 2021		Six Months Ended September 30, 2020		Change		
			% of Sales		% of Sales	Amount	Ratio	
Revenues		Railway utilization business	32,732	5.4	33,426	6.4	(694)	(2.1)
	Motor transportation	Small-lot shipment business	20,081	3.3	20,173	3.9	(92)	(0.5)
		Chartered truck business	89,251	14.7	88,474	17.0	777	0.9
		Subtotal	109,332	18.0	108,648	20.9	684	0.6
	Marine and harbor transportation	Marine transportation business	64,890	10.7	42,822	8.2	22,068	51.5
		Harbor transportation business	33,990	5.6	29,907	5.8	4,083	13.7
		Subtotal	98,881	16.3	72,729	14.0	26,151	36.0
		(Exports)	[43,375]	—	[25,172]	—	[18,203]	72.3
		(Imports)	[27,036]	—	[23,704]	—	[3,331]	14.1
		(Domestic & other)	[28,469]	—	[23,852]	—	[4,616]	19.4
	Air transportation	Subtotal	139,399	23.0	85,938	16.5	53,460	62.2
		(Exports)	[91,867]	—	[41,655]	—	[50,211]	120.5
		(Imports)	[15,011]	—	[12,262]	—	[2,749]	22.4
		(Domestic & other)	[32,520]	—	[32,020]	—	[499]	1.6
		Warehousing & storage business	71,685	11.8	69,503	13.4	2,181	3.1
		In-factory business	28,045	4.6	25,066	4.8	2,979	11.9
		Moving & relocation business	24,848	4.1	21,980	4.2	2,868	13.0
		Security transportation business	33,840	5.6	33,446	6.4	394	1.2
		Heavy haulage & construction business	30,608	5.1	33,854	6.5	(3,246)	(9.6)
		Other businesses	36,813	6.1	35,948	6.9	865	2.4
		Total	606,187	100.0	520,543	100.0	85,643	16.5
Operating expenses		Total personnel expenses	129,360	21.3	128,476	24.7	883	0.7
	Forwarding costs	Railway	17,751	2.9	18,082	3.5	(330)	(1.8)
		Marine	26,967	4.5	13,796	2.7	13,170	95.5
		Air	66,355	10.9	22,628	4.3	43,726	193.2
		Subtotal	111,074	18.3	54,507	10.5	56,566	103.8
		Vehicle chartering and subcontracting costs	227,529	37.5	212,212	40.7	15,317	7.2
		Depreciation and amortization	16,093	2.7	14,822	2.8	1,271	8.6
		Facility usage charges	45,799	7.6	41,634	8.0	4,165	10.0
		Other	63,751	10.5	60,240	11.6	3,511	5.8
		Total	593,609	97.9	511,893	98.3	81,715	16.0
		Operating income	12,577	2.1	8,649	1.7	3,927	45.4
		Non-operating income	9,403	1.5	14,267	2.7	(4,864)	(34.1)
		Non-operating expenses	1,310	0.2	1,718	0.3	(407)	(23.7)
		Ordinary income	20,670	3.4	21,198	4.1	(528)	(2.5)
	Extraordinary income	9,889	1.7	14,814	2.8	(4,925)	(33.2)	
	Extraordinary loss	1,679	0.3	2,257	0.4	(577)	(25.6)	
	Profit before income taxes	28,879	4.8	33,756	6.5	(4,876)	(14.4)	
	Income taxes	8,040	1.4	9,270	1.8	(1,229)	(13.3)	
	Profit	20,838	3.4	24,485	4.7	(3,646)	(14.9)	

○ Financial Results Forecast for the Nine Months Ending December 31, 2021

(Unit: Millions of yen, %)

		FYE December 2021 Forecast		FY2020 Actual		Change	
			% in Sales		% in Sales	Amount	Ratio
Revenues	Railway utilization business	50,000	5.5	70,999	6.3	—	—
	Motor transportation						
	Small-lot shipment business	31,000	3.4	41,637	3.7	—	—
	Chartered truck business	135,000	14.8	183,305	16.4	—	—
	Subtotal	166,000	18.2	224,942	20.1	—	—
	Marine and harbor transportation						
	Marine transportation business	99,800	11.0	93,114	8.3	—	—
	Harbor transportation business	50,500	5.5	62,382	5.6	—	—
	Subtotal	150,300	16.5	155,497	13.9	—	—
	(Exports)	[66,000]	—	[57,961]	—	[—]	—
	(Imports)	[40,500]	—	[48,842]	—	[—]	—
	(Domestic & other)	[43,800]	—	[48,693]	—	[—]	—
	Subtotal	207,500	22.8	217,158	19.4	—	—
	(Exports)	[137,000]	—	[120,187]	—	[—]	—
	(Imports)	[22,500]	—	[28,798]	—	[—]	—
	(Domestic & other)	[48,000]	—	[68,172]	—	[—]	—
	Warehousing & storage business	107,000	11.8	138,788	12.4	—	—
	In-factory business	42,500	4.7	53,465	4.8	—	—
	Moving & relocation business	34,500	3.8	48,919	4.3	—	—
	Security transportation business	51,000	5.6	67,484	6.0	—	—
	Heavy haulage & construction business	46,000	5.0	62,515	5.6	—	—
	Other businesses	55,200	6.1	80,942	7.2	—	—
	Total	910,000	100.0	1,120,712	100.0	—	—
Operating expenses	Total personnel expenses	193,000	21.2	257,987	23.0	—	—
	Forwarding costs						
	Railway	27,000	3.0	38,704	3.4	—	—
	Marine	41,200	4.5	32,211	2.9	—	—
	Air	96,700	10.6	75,710	6.8	—	—
	Subtotal	164,900	18.1	146,626	13.1	—	—
	Vehicle chartering and subcontracting costs	341,400	37.5	438,769	39.1	—	—
	Depreciation and amortization	24,200	2.7	30,780	2.7	—	—
	Facility usage charges	68,500	7.5	85,749	7.7	—	—
	Other	96,500	10.6	126,505	11.3	—	—
	Total	888,500	97.6	1,086,418	96.9	—	—
Operating income		21,500	2.4	34,293	3.1	—	—
Non-operating income		11,000	1.2	18,643	1.6	—	—
Non-operating expenses		2,000	0.2	3,598	0.3	—	—
Ordinary income		30,500	3.4	49,339	4.4	—	—
Extraordinary income		10,000	1.1	41,170	3.7	—	—
Extraordinary loss		3,180	0.4	27,810	2.5	—	—
Profit before income taxes		37,320	4.1	62,699	5.6	—	—
Income taxes		10,320	1.1	7,906	0.7	—	—
Profit		27,000	3.0	54,792	4.9	—	—

(Notes)1. Financial results forecast for the fiscal year ending December 31, 2021 are revisions to the non-consolidated forecasts for the fiscal year announced on August 13, 2021.

2. Nippon Express Co., Ltd. changed our fiscal year end from March 31 to December 31, beginning with fiscal year 2021. Therefore, the non-consolidated financial forecasts for the fiscal year ending December 31, 2021, which is a transitional period, is based on the nine-month period from April 1, 2021, to December 31, 2021. As a result, percentage changes compared to the same period of the previous year are not stated herein.