

August 10, 2022

Summary of Consolidated Earnings Report for the Second Quarter of the Fiscal Year Ending December 31, 2022 (Japanese GAAP)

Name of listed company: **NIPPON EXPRESS HOLDINGS, INC.**

Listed stock exchanges: Tokyo

Code: **9147**(URL: [https://www.nipponexpress-holdings.com/en/\(English\)](https://www.nipponexpress-holdings.com/en/(English))))(URL: [https://www.nipponexpress-holdings.com/ja/\(Japanese\)](https://www.nipponexpress-holdings.com/ja/(Japanese))))

Representative: President and CEO Mitsuru Saito

Scheduled date for release of Quarterly Financial Report: August 10, 2022

Scheduled date of dividend payment: September 21, 2022

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of annual financial results briefing session: Available (for institutional investors and analysts)

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (January 1, 2022 to June 30 2022)

(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 June 30, 2022	1,298,932	—	67,735	—	71,683	—	94,664	—
Six Months Ended June 30, 2021	—	—	—	—	—	—	—	—

(Note) Comprehensive income:

Six Months Ended June 30, 2022: ¥137,690 million [—%] Six Months Ended June 30, 2021: ¥—million [—%]

	Basic earnings per share	Diluted earnings per share
	¥	¥
Six Months Ended June 30, 2022	1,046.19	—
Six Months Ended June 30, 2021	—	—

(Note) The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd.
Therefore, no historical results exist for the same period in the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of June 30, 2022	1,749,118	780,585	43.3
As of December 31, 2021	—	—	—

(Reference) Equity: As of June 30, 2022: ¥757,630 million As of December 31, 2021: ¥—million

(Note) The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd.
Therefore, no historical results exist for the previous fiscal year.

2. Dividends Information

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year End	Yearly
Fiscal Year Ended December 31, 2021	¥ —	¥ —	¥ —	¥ —	¥ —
Fiscal Year Ending December 31, 2022	—	250.00			
Fiscal Year Ending December 31, 2022 (Forecast)			—	150.00	400.00

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

The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd. Therefore, no historical results exist for the previous fiscal year.

The Company plans to formalize the interim dividend for the fiscal year ending December 31, 2022 in the board of directors meeting scheduled for September 16, 2022 to approve provisional financial statements and pass a resolution related to dividends.

The interim dividend for the fiscal year ending December 31, 2022 includes a commemorative dividend of 150 yen per share.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(%: 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	2,600,000	—	120,000	—	125,000	—	125,000	—	1,381.44

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

The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd. Therefore, no comparative year-on-year results exist for the same period in the previous fiscal year.

*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.: No

2) Any changes in accounting policies other than 1) above: No

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 June 30, 2022	90,599,225 shares	As of December 31, 2021	—
2) Total number of treasury stocks at end of period	As of June 30, 2022	113,833 shares	As of December 31, 2021	—
3) Average number of shares during period	Six Months Ended June 30, 2022	90,484,799 shares	Six Months Ended June 30, 2021	—

(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 June 30, 2022: 112,609 shares As of December 31, 2021: — shares

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

The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd.

Therefore, no historical or comparative results exist for the same period in the previous fiscal year.

* 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 May 12, 2022.

- 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 2 for financial forecast assumptions and the use of the forecasts.
- We are scheduled to hold an online meeting for institutional investors and analysts on August 10, 2022. The materials to be distributed at that meeting will be posted on our corporate website.
- The quarterly consolidated financial statements for the second quarter of the current fiscal year (January 1, 2022 through June 30, 2022) have been prepared by succeeding to the quarterly consolidated financial statements of Nippon Express Co., Ltd., which became a wholly owned subsidiary through a sole-share transfer.

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 August 10, 2022.

1. Qualitative Information on Quarterly Financial Results

The Company was established on January 4, 2022 as a pure holding company of Nippon Express Co., Ltd. and its subsidiaries through a sole-share transfer of Nippon Express Co., Ltd. There is no substantial change in the scope of consolidation from that of Nippon Express Co., Ltd.

In addition, the quarterly consolidated financial statements for the second quarter of the current fiscal year have been prepared by succeeding to the quarterly consolidated financial statements of Nippon Express Co., Ltd., which became a wholly owned subsidiary through a sole-share transfer.

(1) Explanation of Business Results

During the cumulative second quarter of the current consolidated fiscal year, the spread of Omicron variant of COVID-19 resulted in restrictions on movement and economic activities in certain countries and cities, slowing the pace of economic recovery. In addition, the Russian invasion of Ukraine amid increasing worldwide inflationary pressure resulted in rising energy and raw materials prices. Meanwhile, China has pursued a Zero-Covid policy, slowing growth. These and other factors increased the risk of recession due to further increases in inflation rates, making for an unpredictable future for the economy.

In this economic environment, the logistics industry continued to see a recovery in cargo movement due to the resumption of production and sales activities in major countries. In Japan, overall cargo movement lacked strength due to a slump in the automobile industry caused by a shortage of semiconductors and parts procurement, as well as the impact of last year's poor harvest of agricultural products. Overseas, cargo movement slowed due to the situation in Ukraine, the lockdowns in Shanghai, and high prices worldwide. In international trade, ocean freight rates remained high due to the shortage of ocean containers, while the supply of space for international air cargo transportation has increased gradually. However, fuel costs have been rising due to higher energy prices. We will continue to monitor these trends closely.

Given this business environment, Nippon Express Group business results for the second quarter of the current consolidated fiscal year were generally favorable across all segments. These results were due to growth in demand for international freight, mainly in air and ocean transportation.

As a result, the group posted revenues of ¥1,298.9 billion, operating income of ¥67.7 billion, ordinary income of ¥71.6 billion, and profit attributable to owners of parent of ¥94.6 billion.

(2) Explanation of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of the end of the cumulative consolidated second quarter amounted to ¥1,749.1 billion.

The main components were current assets of ¥829.3 billion, including cash and deposits of ¥279.0 billion and accounts receivable-trade and contract assets of ¥436.2 billion. Non-current assets amounted to ¥919.7 billion, including property and equipment ¥666.7 billion and investment securities of ¥108.5 billion.

Total liabilities as of the end of the consolidated second quarter amounted to ¥968.5 billion.

The main components were current liabilities of ¥530.6 billion, including accounts payable - trade of ¥208.8 billion. Non-current liabilities amounted to ¥437.8 billion, including bonds payable of ¥140.0 billion.

Net assets as of the end of the consolidated second quarter amounted to ¥780.5 billion, and shareholders' equity ratio was 43.3%.

2) Cash Flows

Cash and cash equivalents as of the end of the consolidated second quarter amounted to ¥229.8 billion.

Net cash provided by operating activities amounted to ¥103.7 billion. This result was mainly due to the recording of profit before income taxes.

Net cash provided by investing activities amounted to ¥35.2 billion. This result was mainly due to proceeds from the sale of the former Nippon Express Co., Ltd. headquarters building.

Net cash used in financing activities amounted to ¥52.1 billion. This result was mainly due to payments for long-term loans payable and cash dividends paid.

(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 financial results forecasts for the fiscal year ending December 2022, published originally on May 12, 2022.

For more related to consolidated financial results forecasts, see 3. Reference Materials: Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022.

1) Revisions to Financial Results Forecasts

Revisions to Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022

(January 1, 2022 to December 31, 2022)

	Revenues	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (May 12, 2022)	¥ million 2,550,000	¥ million 110,000	¥ million 112,000	¥ million 116,000	¥ 1,281.97
Revised forecast (B)	2,600,000	120,000	125,000	125,000	1,381.44
Difference (B-A)	50,000	10,000	13,000	9,000	
Difference (%)	2.0	9.1	11.6	7.8	

2) Reasons for Revision to Financial Results Forecasts

We have made an upward revision of forecasts for revenues, operating income, ordinary income, profit attributable to owners of the parent company, as we expect performance to exceed the previous forecast due to growth in international freight volume.

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

We do not anticipate lockdowns or other large-scale social restrictions due to the spread of COVID-19, and have not reflected such 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)

Second Quarter of
FY2022
(as of June 30, 2022)

ASSETS	
Current assets	
Cash and deposits	279,091
Notes receivable - trade	23,151
Accounts receivable – trade, and contract assets	436,240
Inventories	16,780
Other	77,294
Less: allowance for doubtful accounts	(3,172)
Total current assets	829,385
Non-current assets:	
Property and equipment	
Vehicles, net	47,457
Buildings, net	266,747
Land	187,976
Other, net	164,606
Total property and equipment	666,786
Intangible assets	
Goodwill	3,757
Other	80,433
Total intangible assets	84,191
Investments and other assets	
Investment securities	108,583
Other	61,177
Less: allowance for doubtful accounts	(1,007)
Total investments and other assets	168,754
Total non-current assets	919,732
Total assets	1,749,118
LIABILITIES	
Current liabilities:	
Notes payable - trade	5,641
Accounts payable - trade	208,888
Short-term loans payable	55,326
Income taxes payable	39,733
Provision for bonuses	17,798
Other provisions	761
Other	202,490
Total current liabilities	530,641
Non-current liabilities:	
Bonds payable	140,000
Long-term loans payable	80,836
Other provisions	1,839
Net retirement benefit liability	115,132
Other	100,083
Total non-current liabilities	437,891
Total liabilities	968,532

(Unit: Millions of yen)

Second Quarter of
FY2022
(as of June 30, 2022)

NET ASSETS	
Shareholders' equity:	
Common stock	70,175
Additional paid-in capital	22,621
Retained earnings	592,074
Treasury stock	(598)
Total shareholders' equity	684,272
Accumulated other comprehensive income:	
Valuation differences on available-for-sale securities	33,262
Deferred gains (losses) on hedges	47
Foreign currency translation adjustments	37,322
Remeasurements of retirement benefit plans	2,725
Total accumulated other comprehensive income	73,358
Non-controlling interests	22,955
Total net assets	780,585
Total liabilities and net assets	1,749,118

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

	(Unit: Millions of yen)
	Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)
Revenues	1,298,932
Operating costs	1,166,132
Gross profit	132,800
Selling, general and administrative expenses:	65,064
Operating income	67,735
Non-operating income:	
Interest income	182
Dividend income	1,668
Gain on foreign exchange	3,090
Other	2,970
Total non-operating income	7,911
Non-operating expenses:	
Interest expenses	1,512
Equity in losses of unconsolidated subsidiaries and affiliates	708
Other	1,742
Total non-operating expenses	3,963
Ordinary income	71,683
Extraordinary income:	
Gain on sales of non-current assets	67,809
Gain on sales of investment securities	1,025
Other	16
Total extraordinary income	68,851
Extraordinary loss:	
Loss on disposal of non-current assets	2,744
Other	723
Total extraordinary loss	3,467
Profit before income taxes	137,067
Income taxes	40,620
Profit	96,446
Profit attributable to non-controlling interests	1,782
Profit attributable to owners of parent	94,664

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)
Profit	96,446
Other comprehensive income:	
Valuation differences on available-for-sale securities	2,848
Deferred gains (losses) on hedges	116
Foreign currency translation adjustments	31,848
Remeasurements of retirement benefit plans	6,080
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	349
Other comprehensive income (loss)	41,243
Comprehensive income:	137,690
(Comprehensive income attributable to)	
Owners of parent	134,640
Non-controlling interests	3,049

(3) Consolidated Statements of Cash Flows

	(Unit: Millions of yen)
	Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)
Net cash provided by operating activities	
Profit before income taxes	137,067
Depreciation and amortization	41,351
Loss (gain) on sale or disposal of property and equipment, net	(65,155)
Interest and dividend income	(1,850)
Interest expenses	1,512
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	708
(Increase) decrease in trade receivables	5,862
(Increase) decrease in inventories	(2,858)
Increase (decrease) in accounts payable	(16,507)
Other	15,063
Sub-total	115,194
Interest and dividends received	1,947
Interest paid	(1,632)
Income taxes paid	(11,761)
Net cash provided by operating activities	103,748
Net cash used in investing activities	
Payment for purchase of property and equipment	(30,906)
Proceeds from sales of property and equipment	65,084
Payment for purchase of investment securities	(1,249)
Proceeds from sales of investment securities	1,287
Other	1,064
Net cash used in investing activities	35,280
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(4,753)
Payment for long-term loans payable	(17,420)
Cash dividends	(13,572)
Other	(16,434)
Net cash provided by (used in) financing activities	(52,181)
Effect of exchange rate changes on cash and cash equivalents	11,184
Net increase (decrease) in cash and cash equivalents	98,031
Cash and cash equivalents at beginning of year	131,837
Cash and cash equivalents at end of quarter	229,869

(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 June 30, 2022, and multiplying profit before income taxes by said estimated effective tax rate.

(Segment Information, etc.)

[Segment Information]

Six Months Ended June 30, 2022 (January 1, 2022 to June 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	712,355	60,504	98,372	113,277	100,576
Intersegment	13,139	14,221	5,643	9,245	16,634
Total	725,495	74,725	104,016	122,523	117,210
Segment Income	35,368	5,148	6,014	6,373	11,452

	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	34,389	19,879	159,576	1,298,932	—	1,298,932
Intersegment	35	109	45,090	104,120	(104,120)	—
Total	34,424	19,988	204,667	1,403,052	(104,120)	1,298,932
Segment Income	677	2,200	8,469	75,705	(7,969)	67,735

(Notes)1. The segment income adjustment of ¥(7,969) million includes ¥(1,163) million for the elimination of intersegment income, and ¥(6,853) million of corporate expenses that are not attributable to any individual reportable segment. The most significant portion of corporate expenses relates to Company corporate image advertising (as the pure holding company) and our administration of group companies.

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

3. The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd. Therefore, no historical results exist for the previous fiscal year.

3.Reference Materials

○ Summary of Consolidated Statements of Income

(Unit: Millions of yen, %)

			Six Months Ended June 31, 2022	% of Sales
Revenues by business	Distribution & transportation business	Motor transportation	184,067	14.2
		Marine and harbor transportation	211,825	16.3
		Air transportation	358,928	27.6
		Warehousing & storage	162,701	12.5
		Security transportation	33,886	2.6
		Heavy haulage & construction	30,010	2.3
		Other	147,331	11.3
	Subtotal		1,128,752	86.9
	Goods sales business		149,564	11.5
	Other		20,615	1.6
Total			1,298,932	100.0
Operating costs	Personnel expenses		213,513	16.4
	Forwarding costs		358,755	27.6
	Vehicle chartering and subcontracting costs		229,177	17.6
	Other		364,685	28.1
	Total		1,166,132	89.8
Gross profit			132,800	10.2
	Personnel expenses		34,940	2.7
	Other		30,123	2.3
Selling, general and administrative expenses			65,064	5.0
Operating income			67,735	5.2
	Interest income		182	0.0
	Dividend income		1,668	0.1
	Other		6,060	0.5
	Non-operating income		7,911	0.6
	Interest expenses		1,512	0.1
	Equity in losses of unconsolidated subsidiaries and affiliates		708	0.1
	Other		1,742	0.1
	Non-operating expenses		3,963	0.3
Ordinary income			71,683	5.5
	Gain on sales of non-current assets		67,809	5.2
	Gain on sales of investment securities		1,025	0.1
	Other		16	0.0
Extraordinary income			68,851	5.3
	Loss on disposal of non-current assets		2,744	0.2
	Other		723	0.1
	Extraordinary loss		3,467	0.3
Profit before income taxes			137,067	10.6
Income taxes			40,620	3.1
Profit			96,446	7.4
Profit attributable to non-controlling interests			1,782	0.1
Profit attributable to owners of parent			94,664	7.3

Total personnel expenses	Operating costs	213,513	16.4
	Selling, general and administrative expenses	34,940	2.7
	Total	248,453	19.1

(Note) The Company was established on January 4, 2022 via sole-share transfer by Nippon Express Co., Ltd.
Therefore, no historical results exist for the same period in the previous fiscal year.

○Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022

				FY2022	
Revenues	Reportable Segment	Logistics	Japan	1,433,400	
			The Americas	159,100	
			Europe	217,700	
			East Asia	260,200	
			South Asia & Oceania	220,300	
			Subtotal	2,290,700	
		Security Transportation	69,000		
		Heavy Haulage & Construction	45,400		
		Logistics Support	413,800		
		Subtotal	2,818,900		
		Adjustment	(218,900)		
	Total	2,600,000			
Segment Income (Operating Income)	Reportable Segment	Logistics	Japan	[4.5]	64,000
			The Americas	[6.7]	10,600
			Europe	[5.2]	11,300
			East Asia	[4.6]	11,900
			South Asia & Oceania	[8.8]	19,400
			Subtotal	[5.1]	117,200
		Security Transportation	[1.4]	1,000	
		Heavy Haulage & Construction	[11.0]	5,000	
		Logistics Support	[3.5]	14,600	
		Subtotal	[4.9]	137,800	
		Adjustment	(17,800)		
	Total	[4.6]	120,000		

(Notes) Figures in brackets indicate operating income margin.