

Summary of Consolidated Earnings Report for the Fiscal Year Ended December 31, 2022 (IFRS)

March 31, 2023

Company name: NIPPON EXPRESS HOLDINGS, INC. Listed stock exchanges: Tokyo
 Code: 9147 URL <https://www.nipponexpress-holdings.com/en/> (English)
<https://www.nipponexpress-holdings.com/ja/> (Japanese)
 Representative: President and Representative Director Mitsuru Saito

(Millions of yen, rounded down)

1. Consolidated Financial Results for Fiscal Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Business Results

(%: compared with the previous period)

	Revenue		Operating profit		Income before tax		Profit for the year		Profit attributable to owners of parent		Total comprehensive income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended December 31, 2022	2,618,659	—	155,510	—	160,168	—	111,573	—	108,318	—	162,170	—
Fiscal Year Ended December 31, 2021	—	—	—	—	—	—	—	—	—	—	—	—

	Basic earnings per share	Diluted earnings per share	Equity attributable to owners of parent	Return on assets before tax	Operating profit ratio
	¥	¥	%	%	%
Fiscal Year Ended December 31, 2022	1,202.34	—	15.5	8.0	5.9
Fiscal Year Ended December 31, 2021	—	—	—	—	—

(Reference) Investment gain or loss on equity method:

Fiscal Year Ended December 31, 2022: ¥385 million Fiscal Year Ended 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) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	¥ million	¥ million	¥ million	%	Yen
As of December 31, 2022	2,075,197	779,150	756,513	36.5	8,485.15
As of December 31, 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 previous fiscal year.

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended December 31, 2022	295,206	4,017	(163,281)	276,679
Fiscal Year Ended December 31, 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 previous fiscal year.

2. Dividends Information

	Annual dividend per share					Total dividend (Annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year End	Yearly			
Fiscal Year Ended December 31, 2021	¥ —	¥ —	¥ —	¥ —	¥ —	¥ million —	% —	% —
Fiscal Year Ended December 31, 2022	—	250.00	—	150.00	400.00	36,039	33.3	5.1
Fiscal Year Ending December 31, 2023 (Forecast)	—	150.00	—	150.00	300.00		37.1	

(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 previous fiscal year.

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

3. Forecast of Consolidated Financial Results for Fiscal Year Ending December 2023 (January 1, 2023 to December 31, 2023) (%: Change in fiscal year vs. previous fiscal year; quarter vs. year-ago quarter)

	Revenue		Operating profit		Income before tax		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim	1,224,000	—	55,500	—	54,500	—	38,000	—	426.21
Full year	2,450,000	(6.4)	105,000	(32.5)	103,000	(35.7)	72,000	(33.5)	807.56

(Note) The Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 noted above has been prepared in accordance with International Financial Reporting Standards (IFRS).

*Notes

(1) Significant changes of subsidiaries during the period under review

(affecting specific subsidiaries due to changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates

1) Change in accounting policies required under IFRS: No

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

3) Changes in accounting estimates: No

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

1) Total number of issued shares at end of period (including treasury shares)	As of December 31, 2022	90,599,225 shares	As of December 31, 2021	—
2) Total number of treasury shares at end of period	As of December 31, 2022	1,441,856 shares	As of December 31, 2021	—
3) Average number of shares during period	Fiscal Year Ended December 31, 2022	90,090,024 shares	Fiscal Year Ended December 31, 2021	—

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

Number of shares owned by the Executive Compensation BIP Trust:

As of December 31, 2022: 111,175 shares As of December 31, 2021: — shares

(These figures are included the total number of treasury shares 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 results exist for 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

- As stated in *Notice Concerning Voluntary Adoption of International Financial Reporting Standards (IFRS)*, published December 16, 2022, at a meeting held December 16, 2022, the board of directors resolved to adopt International Financial Reporting Standards (IFRS) on a voluntary basis in place of Japanese GAAP. The board further resolved to begin adoption with the annual securities report for the fiscal year ending December 31, 2022.

- The Company voluntarily adopted International Financial Reporting Standards (IFRS) for the consolidated financial statements presented in our annual securities report for the year ended December 31, 2022. The Company released financial statements for the fiscal year ended December 31, 2022 based on Japanese GAAP on February 14, 2023.

- 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.

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

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1. Basic View on the Adoption of Accounting Policies

The Nippon Express Group plans to adopt International Financial Reporting Standards (IFRS) voluntarily, beginning with the annual securities report for the fiscal year ended December 31, 2022. The adoption of IFRS will replace Japanese generally accepted accounting principles (Japanese GAAP) for the purpose of conducting global management and improving comparability of financial information in capital markets by unifying Nippon Express Group accounting standards. Accordingly, we will resubmit financial statements for the fiscal year ended December 31, 2022 on March 31, 2023.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	FY2022 (As of December 31, 2022)
Assets	
Current assets	
Cash and cash equivalents	276,679
Trade and other receivables	497,746
Inventories	15,381
Income taxes receivable	468
Other financial assets	82,835
Other current assets	34,546
Subtotal	907,656
Non-current assets held for sale	170
Total current assets	907,827
Non-current assets	
Property, plant and equipment	535,478
Investment property	70,759
Goodwill and intangible assets	60,604
Right-of-use assets	305,475
Investments accounted for using equity method	40,635
Other financial assets	120,454
Deferred tax assets	29,110
Other non-current assets	4,851
Total non-current assets	1,167,370
Total assets	2,075,197

(Unit: Millions of yen)

	FY2022 (As of December 31, 2022)
Liabilities and equity	
Liabilities	
Current liabilities	
Trade and other payables	257,303
Bonds and borrowings	94,466
Lease liabilities	84,870
Other financial liabilities	82,943
Income taxes payable	29,717
Provisions	9,169
Other current liabilities	137,456
Total current liabilities	695,929
Non-current liabilities	
Bonds and borrowings	170,504
Lease liabilities	281,825
Other financial liabilities	18,171
Retirement benefit liability	105,646
Provisions	10,503
Deferred tax liabilities	6,865
Other non-current liabilities	6,600
Total non-current liabilities	600,118
Total liabilities	1,296,047
Equity	
Share capital	70,175
Capital surplus	22,928
Treasury shares	(10,604)
Other components of equity	75,590
Retained earnings	598,423
Total equity attributable to owners of parent	756,513
Non-controlling interests	22,636
Total equity	779,150
Total liabilities and equity	2,075,197

(2) Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Millions of yen)

	FY2022 (January 1, 2022 to December 31, 2022)
Revenue	2,618,659
Cost of sales	2,342,812
Gross profit	275,847
Selling, general and administrative expenses	138,297
Other income	70,284
Other expenses	52,709
Share of profit (loss) of investments accounted for using equity method	385
Operating profit	155,510
Finance income	9,372
Finance costs	4,714
Income before tax	160,168
Income tax expense	48,594
Operating income	111,573
Profit for the year attributable to	
Owners of parent	108,318
Non-controlling interests	3,254
Profit for the year from continuing operations	111,573
Earnings per share	
Basic earnings per share (yen)	1,202.34

Consolidated statement of comprehensive income

(Unit: Millions of yen)

	FY2022 (January 1, 2022 to December 31, 2022)
Profit for the year	111,573
Other comprehensive income	
Items that will not be reclassified to profit or loss	
Equity instruments measured at fair value through other comprehensive income	3,564
Remeasurements of defined benefit plans	23,580
Share of other comprehensive income of investments accounted for using equity method	6
Total of items that will not be reclassified to profit or loss	27,151
Items that may be reclassified to profit or loss	
Fair value of effective portion of cash flow hedges	78
Exchange differences on translation of foreign operations	25,170
Share of other comprehensive income of investments accounted for using equity method	(1,804)
Total of items that may be reclassified to profit or loss	23,444
Total other comprehensive income after tax	50,596
Comprehensive income	162,170
Comprehensive income attributable to	
Owners of parent	158,174
Non-controlling interests	3,995
Comprehensive income	162,170

(3) Consolidated Statement of Changes in Equity
FY2022 (January 1, 2022 to December 31, 2022)

(Unit: Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Net change in fair value of effective portion of cash flow hedges
Balance at beginning of year	70,175	22,870	501,079	(611)	44,923	6,048	(68)
Profit for the year			108,318				
Other comprehensive income	-	-		-	3,562	24,431	78
Comprehensive income			108,318		3,562	24,431	78
Purchase of treasury shares				(10,023)			
Disposal of treasury shares		0		29			
Cancellation of treasury shares			(0)	0			
Dividends			(36,239)				
Transfer from share capital to capital surplus	(0)	0					
Share-based compensation transactions		83					
Changes in ownership interests in subsidiaries		(24)	(124)				
Transfer from retained earnings to capital surplus							
Transfer from other components of equity to retained earnings			25,389		(1,809)		
Transfer to retained earnings							
Total transactions with owners	(0)	58	(10,975)	(9,992)	(1,809)		
Balance at end of the year	70,175	22,928	598,423	(10,604)	46,676	30,480	10

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Remeasurements of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method	Total			
Balance at beginning of year	-	220	51,124	644,638	19,814	664,453
Profit for the year				108,318	3,254	111,573
Other comprehensive income	23,580	(1,797)	49,855	49,855	741	50,596
Comprehensive income	23,580	(1,797)	49,855	158,174	3,995	162,170
Purchase of treasury shares				(10,023)		(10,023)
Disposal of treasury shares				29		29
Cancellation of treasury shares				-		-
Dividends				(36,239)	(1,311)	(37,551)
Transfer from share capital to capital surplus				-		-
Share-based compensation transactions				83		83
Changes in ownership interests in subsidiaries				(149)	138	(11)
Transfer from retained earnings to capital surplus				-	-	-
Transfer from other components of equity to retained earnings	(23,580)		(25,389)	-	-	-
Transfer to retained earnings				-	-	-
Total transactions with owners	(23,580)		(25,389)	(46,299)	(1,173)	(47,472)
Balance at end of the year	-	(1,577)	75,590	756,513	22,636	779,150

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2022 (January 1, 2022 to December 31, 2022)
Net cash provided by (used in) operating activities	
Income before tax	160,168
Depreciation and amortization	141,459
Losses (gains) on sales and valuation of investment securities	(1,325)
Loss (gain) on sales of property, plant and equipment	(56,184)
Impairment losses (reversal of impairment losses)	39,406
Increase (decrease) in provision for bonuses	159
Increase (decrease) in retirement benefit liability	(32,261)
Interest and dividend income	(3,670)
Interest expenses	4,532
Share of loss (profit) of investments accounted for using equity method	(385)
Decrease (increase) in trade receivables	10,146
Decrease (increase) in inventories	(558)
Increase (decrease) in trade payables	915
Increase (decrease) in consumption taxes payable	25,689
Other	45,076
Subtotal	333,170
Interest and dividends received	3,787
Interest paid	(4,595)
Income taxes paid	(37,156)
Net cash provided by (used in) operating activities	295,206
Net cash provided by (used in) investing activities	
Payments into time deposits	(7,707)
Proceeds from withdrawal of time deposits	6,349
Purchase of property, plant and equipment	(43,997)
Purchase of intangible assets	(15,337)
Proceeds from sale of property, plant and equipment	68,987
Purchase of equity instruments	(1,407)
Proceeds from sale and redemption of equity financial instruments	4,653
Proceeds from sale of interests in subsidiaries resulting in loss of control	1,453
Collection of loans receivable	24
Other	(9,002)
Net cash provided by (used in) investing activities	4,017

(Unit: Millions of yen)

	FY2022 (January 1, 2022 to December 31, 2022)
Net cash provided by (used in) financing activities	
Proceeds from short-term borrowings	99,953
Repayments of short-term borrowings	(110,324)
Repayments of long-term borrowings	(28,399)
Repayments of lease liabilities	(76,996)
Dividends paid	(36,193)
Payments for purchase of treasury shares	(10,022)
Other	(1,297)
Net cash provided by (used in) financing activities	(163,281)
Effect of exchange rate change on cash and cash equivalents	6,814
Net increase in cash and cash equivalents	142,756
Cash and cash equivalents at beginning of year	133,922
Cash and cash equivalents at end of Year	276,679

(5) Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

Not applicable.

(Segment Information)

1. Overview of reportable segments

Reportable segments of the Nippon Express Group are organizational units combining area segments and business segments whose individual financial results are available separately, and serve as the basis and subject of regular review by the board of directors for the purpose of allocating management resources and evaluating business performance.

The Logistics business consists of five reportable area segments: Japan, The Americas, Europe, East Asia, and South Asia & Oceania. Reportable segments outside of the Logistics business are specialized businesses of Security Transportation, Heavy Haulage & Construction, and Logistics Support, which conducts sales and real estate business related to each business.

As a result, the main products and services and main business of each reportable segment are as follows.

Reportable segments	Main products and services	Main businesses
Japan (Logistics)	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, heavy haulage and construction	Railway forwarding, motor cargo transportation, air freight forwarding, marine transportation, harbor transportation, warehousing, in-factory work, information asset management, real estate
The Americas (Logistics)	Air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services	Air freight forwarding, harbor transportation, warehousing, motor cargo transportation
Europe (Logistics)	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation
East Asia (Logistics)	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation
South Asia & Oceania (Logistics)	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, heavy haulage and construction	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, heavy haulage and construction
Security Transportation	Security transportation	Security guard, motor cargo transportation
Heavy Haulage & Construction	Heavy Haulage & Construction	Heavy haulage and construction
Logistics Support	Sale of petroleum, etc., sale of others, real estate, finance, others	Sale of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., vehicle maintenance, insurance agency, mediation, planning, designing and management of real estate, investigation and research, logistics finance, employee dispatching

2 Information on reportable segments

The accounting policies of the reportable segments are identical to those of the Group as described in 3. Significant Accounting Policies in the annual securities report for the current fiscal year (submitted March 31, 2023). Intersegment sales and transfers are based on prevailing market prices.

FY2022 (January 1, 2022 to December 31, 2022)

(Unit: Millions of yen)

	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenue					
Revenue from external customers	1,431,002	132,633	204,545	222,223	191,037
Intersegment sales	19,989	29,446	11,161	19,306	30,848
Total	1,450,991	162,080	215,707	241,529	221,886
Segment income (business income)	71,444	13,751	12,546	12,818	20,098
Other income	—	—	—	—	—
Other expenses	—	—	—	—	—
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—
Operating profit	—	—	—	—	—
Finance income	—	—	—	—	—
Finance costs	—	—	—	—	—
Income before tax	—	—	—	—	—
Other items					
Depreciation and amortization	97,807	7,285	9,259	8,132	8,026
Impairment losses (non-financial assets)	36,087	3,226	—	—	—

	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income
Revenue						
Revenue from external customers	68,017	44,381	324,817	2,618,659	—	2,618,659
Intersegment sales	70	161	96,792	207,775	(207,775)	—
Total	68,088	44,542	421,609	2,826,435	(207,775)	2,618,659
Segment income (business income)	3,110	6,391	16,435	156,597	(19,047)	137,550
Other income	—	—	—	—	—	70,284
Other expenses	—	—	—	—	—	52,709
Share of profit (loss) in investments accounted for using equity method	—	—	—	—	—	385
Operating profit	—	—	—	—	—	155,510
Finance income	—	—	—	—	—	9,372
Finance costs	—	—	—	—	—	4,714
Income before tax	—	—	—	—	—	160,168
Other items						
Depreciation and amortization	2,592	1,490	6,997	141,593	(133)	141,459
Impairment losses (non-financial assets)	—	—	93	39,406	—	39,406

(Note 1) Details of Adjustment are as follows:

(1) The segment income (business income) adjustment of -19,047 million yen includes -2,633 million yen for the elimination of intersegment income and -16,414 million yen of corporate expenses not allocated to each 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) The depreciation expense and amortization expense adjustment mainly represents depreciation and amortization within the pure holding company not attributable to any individual reportable segment.

(Earnings per Share)

The following provides our basis for computing basic earnings per share.

	FY2022 (January 1, 2022 to December 31, 2022)
Basis for computing basic earnings per share	
Profit attributable to owners of parent (million yen)	108,318
Profit not attributable to owners of parent (million yen)	—
Profit used to calculate basic earnings per share (million yen)	108,318
Weighted average number of common stock shares during the year (1,000 shares)	90,090
Basic earnings per share (yen)	1,202.34

(Notes) 1. Diluted earnings per share is not stated as there were no dilutive shares.

2. Company shares held in the BIP Trust for directors are included in treasury stock, which is deducted from the average number of shares during the period to calculate net income per share. In the current fiscal year, the total number of shares of treasury stock held in the trust at end of the period was 111,000 shares, and the average number of shares during the period was 113,000 shares.

(Significant Subsequent Events)

Not applicable.

3. Other

(1) Consolidated Financial Statements and Significant Notes as of the Transition Date and Previous Consolidated Fiscal Year

The Company was established on January 4, 2022 as a pure holding company of Nippon Express Co., Ltd. and subsidiaries through a sole-share transfer from Nippon Express Co., Ltd. The consolidated financial statements for the current fiscal year have been prepared by succeeding to the consolidated financial statements of Nippon Express Co., Ltd., which became a wholly owned subsidiary through a sole-share transfer.

○ Consolidated statement of financial position

(Unit: Millions of yen)

	IFRS Transition Date (as of April 1, 2021)	FY2021 (as of December 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	183,883	133,922
Trade and other receivables	432,595	487,603
Inventories	10,423	14,675
Income taxes receivable	4,222	777
Other financial assets	235,749	89,439
Other current assets	20,349	28,610
Subtotal	887,223	755,029
Non-current assets held for sale	—	17,491
Total current assets	887,223	772,520
Non-current assets		
Property, plant and equipment	551,705	546,145
Investment property	80,589	80,172
Goodwill and intangible assets	73,968	76,643
Right-of-use assets	263,419	264,155
Investments accounted for using equity method	38,312	40,669
Other financial assets	124,919	116,762
Deferred tax assets	30,678	25,867
Other non-current assets	3,813	3,915
Total non-current assets	1,167,406	1,154,331
Total assets	2,054,630	1,926,852

(Unit: Millions of yen)

	IFRS Transition Date (as of April 1, 2021)	FY2021 (as of December 31, 2021)
Liabilities and equity		
Liabilities		
Total current liabilities		
Trade and other payables	232,978	250,845
Bonds and borrowings	147,757	32,566
Lease liabilities	73,296	76,579
Other financial liabilities	60,759	72,584
Income taxes payable	16,637	8,907
Provisions	7,929	7,828
Other current liabilities	132,143	115,426
Total current liabilities	671,503	564,738
Non-current liabilities		
Bonds and borrowings	333,675	269,111
Lease liabilities	256,121	254,478
Other financial liabilities	15,890	17,263
Retirement benefit liability	134,118	136,472
Provisions	10,926	11,847
Deferred tax liabilities	2,290	2,462
Other non-current liabilities	5,753	6,026
Total non-current liabilities	758,776	697,661
Total liabilities	1,430,279	1,262,399
Equity		
Share capital	70,175	70,175
Capital surplus	22,820	22,870
Treasury shares	(28,273)	(611)
Other components of equity	50,702	51,124
Retained earnings	490,668	501,079
Total equity attributable to owners of parent	606,092	644,638
Non-controlling interests	18,258	19,814
Total equity	624,350	664,453
Total liabilities and equity	2,054,630	1,926,852

○ Consolidated statement of profit or loss and consolidated statement of comprehensive income

Consolidated statement of profit or loss

(Unit: Millions of yen)

	FY2021 (April 1, 2021 to December 31, 2021)
Revenue	1,756,633
Cost of sales	1,582,134
Gross profit	174,499
Selling, general and administrative expenses	91,881
Other income	8,163
Other expenses	7,657
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	2,374
Operating profit	85,497
Finance income	3,933
Finance costs	3,948
Income before tax	85,482
Income tax expense	23,956
Operating income	61,526
Profit for the year attributable to	
Owners of parent	59,244
Non-controlling interests	2,282
Profit for the year from continuing operations	61,526
Earnings per share	
Basic earnings per share (yen)	652.39

Consolidated statement of comprehensive income

(Unit: Millions of yen)

	FY2021 (April 1, 2021 to December 31, 2021)
Operating income	61,526
Other comprehensive income	
Items that will not be reclassified to profit or loss	
Equity instruments measured at fair value through other comprehensive income	(1,735)
Remeasurements of defined benefit plans	1,776
Share of other comprehensive income of companies accounted for using equity method	(10)
Total of items that will not be reclassified to profit or loss	30
Items that may be reclassified to profit or loss	
Fair value of effective portion of cash flow hedges	87
Exchange differences on translation of foreign operations	6,304
Share of other comprehensive income of companies accounted for using equity method	235
Total of items that may be reclassified to profit or loss	6,627
Total other comprehensive income after tax	6,658
Comprehensive income	68,184
Comprehensive income attributable to	
Owners of parent	65,637
Non-controlling interests	2,547
Comprehensive income	68,184

○ Consolidated statement of changes in equity
 FY2021 (April 1, 2021 to December 31, 2021)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Fair value of effective portion of cash flow hedges
Balance as of April 1, 2021	70,175	22,820	490,668	(28,273)	50,862	—	(156)
Operating income			59,244				
Other comprehensive income					(1,744)	6,048	87
Comprehensive income			59,244		(1,744)	6,048	87
Purchase of treasury shares				(10,019)			
Disposal of treasury shares		0	—	33			
Cancellation of treasury shares		(0)	(37,648)	37,648			
Dividends			(18,250)				
Share-based compensation transactions		42	—				
Changes in ownership interests in subsidiaries		7	1,095				
Transfer from retained earnings to capital surplus							
Transfer from other components of equity to retained earnings			5,970		(4,194)		
Transfer to retained earnings							
Other							
Total transactions with owners		49	(48,832)	27,662	(4,194)		
Balance as of December 31, 2021	70,175	22,870	501,079	(611)	44,923	6,048	(68)

(Unit: Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Remeasurements of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method	Total			
Balance as of April 1, 2021	—	(4)	50,702	606,092	18,258	624,350
Operating income				59,244	2,282	61,526
Other comprehensive income	1,776	225	6,393	6,393	264	6,658
Comprehensive income	1,776	225	6,393	65,637	2,547	68,184
Purchase of treasury shares				(10,019)		(10,019)
Disposal of treasury shares				33		33
Cancellation of treasury shares				—		—
Dividends				(18,250)	(878)	(19,128)
Share-based compensation transactions				42		42
Changes in ownership interests in subsidiaries				1,102	(112)	989
Transfer from retained earnings to capital surplus						
Transfer from other components of equity to retained earnings	(1,776)		(5,970)	—		—
Transfer to retained earnings						
Other	—		—	—		—
Total transactions with owners	(1,776)	—	(5,970)	(27,090)	(991)	(28,082)
Balance as of December 31, 2021	—		220	51,124	19,814	664,453

○ Consolidated statement of cash flows

(Unit: Millions of yen)

	FY2021 (April 1, 2021 to December 31, 2021)
Net cash provided by (used in) operating activities	
Income before tax	85,482
Depreciation and amortization	90,129
Losses (gains) on sales and valuation of investment securities	496
Loss (gain) on sales of property, plant and equipment	(1,019)
Impairment losses (reversal of impairment losses)	1,095
Increase (decrease) in provision for bonuses	(12,559)
Increase (decrease) in retirement benefit liability	2,199
Interest and dividend income	(2,687)
Interest expenses	3,538
Share of loss (profit) of investments accounted for using equity method	(2,374)
Decrease (increase) in trade receivables	(48,008)
Decrease (increase) in inventories	(4,243)
Increase (decrease) in trade payables	21,137
Increase (decrease) in consumption taxes payable	(18,082)
Other	(4,847)
Subtotal	110,256
Interest and dividends received	2,820
Interest paid	(3,472)
Income taxes paid	(22,672)
Net cash provided by (used in) operating activities	86,931
Net cash provided by (used in) investing activities	
Payments into time deposits	(3,104)
Proceeds from withdrawal of time deposits	3,244
Purchase of property, plant and equipment	(49,812)
Purchase of intangible assets	(11,061)
Proceeds from sale of property, plant and equipment	10,323
Purchase of equity instruments	(271)
Proceeds from sale and redemption of equity financial instruments	7,256
Proceeds from sale of interests in subsidiaries resulting in loss of control	280
Collection of loans receivable	138,439
Other	(3,292)
Net cash provided by (used in) investing activities	92,001

(Unit: Millions of yen)

	FY2021 (April 1, 2021 to December 31, 2021)
Net cash provided by (used in) financing activities	
Proceeds from short-term borrowings	61,633
Repayments of short-term borrowings	(76,475)
Net increase (decrease) in commercial papers	(61,000)
Proceeds from long-term borrowings	541
Repayments of long-term borrowings	(64,700)
Repayments of lease liabilities	(52,025)
Redemption of bonds	(10,000)
Dividends paid	(18,226)
Payments for purchase of treasury shares	(10,019)
Other	(938)
Net cash provided by (used in) financing activities	(231,210)
Effect of exchange rate change on cash and cash equivalents	2,315
Net increase (decrease) in cash and cash equivalents	(49,960)
Cash and cash equivalents at beginning of year	183,883
Cash and cash equivalents at end of year	133,922

(First-Time Adoption)

The Nippon Express Group ("the Group") prepared consolidated financial statements in accordance with IFRS, effective April 1, 2021 as the transition date.

As described in 3. *Significant Accounting Policies* in our consolidated annual securities report for the current fiscal year (submitted March 31, 2023), we applied these standards in preparing consolidated financial statements for the current consolidated fiscal year (January 1, 2022 to December 31, 2022) and the previous consolidated fiscal year (April 1, 2021 to December 31, 2021), as well as our consolidated statements of financial position as of the IFRS transition date (April 1, 2021).

1 IFRS 1 Exemptions

In principle, IFRS requires companies adopting IFRS for the first time ("first-time adoption" and "first-time adopter") to apply the standards required by IFRS retrospectively. However, IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), provides limited exemptions from retrospective application for certain standards.

The exemptions adopted by the Group in transitioning from Japanese GAAP to IFRS are as follows.

a. Business combinations

IFRS 1 permits the first-time adopter to elect not to apply IFRS 3, *Business Combinations* ("IFRS 3") retrospectively to business combinations that took place before the date of transition to IFRS. The Group applied this exemption and elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition to IFRS. As a result, the amount of goodwill arising from business combinations prior to the date of transition to IFRS is based on the carrying amount as of the date of transition to IFRS in accordance with Japanese GAAP.

b. Exchange differences on translation of foreign operations

IFRS 1 permits the Group to elect to reset the accumulated translation reserve of foreign operations to zero as of the date of transition to IFRS. The Group elected to reset the accumulated translation reserve of foreign operations to zero as of the date of transition to IFRS.

c. Leases

IFRS 1 permits a first-time adopter to determine whether a contract is or contains a lease for contracts existing at the date of transition to IFRS on the basis of facts and circumstances existing at the date of transition to IFRS. In addition, IFRS 1 permits the recognition of lease liabilities and right-of-use assets under lessee leases to be measured as of the date of transition to IFRS. The Group measured lease liabilities at the date of transition to IFRS by discounting the remaining lease payments of the leases in question to present value at the lessee's incremental borrowing rate at the date of transition to IFRS. Further, the Group valued right-of-use assets as equal to the lease liability. For leases with a lease term of 12 months or less from the date of transition to IFRS and for leases in which the underlying asset is immaterial, the group recognizes lease payments related to such leases as an expense over the lease term either on a straight-line method or other regular basis.

2 IFRS 1 Mandatory Exemptions

IFRS 1 does not retrospective application of IFRS for estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interest, and classification and measurement of financial assets. The Group adopted these items prospectively from the date of transition to IFRS.

3 Adjustments From Japanese GAAP to IFRS

Adjustments required by IFRS 1 are as described below.

The column labeled *Reclassifications* in the table of adjustments shows items that do not affect retained earnings or comprehensive income. The column labeled *Differences in Recognition and Measurement* shows items that affect retained earnings or comprehensive income.

a. Adjustment of equity as of the IFRS transition date (as of April 01, 2021)

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Change in fiscal year end [1]	Change in scope of consolidation [2]	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Assets								Assets
Current assets								Current assets
Cash and deposits	217,774	10,294	5,227	(49,412)	—	183,883		Cash and cash equivalents
Notes receivable - trade	22,281	17,633	15,967	345,958	30,755	432,595	[3]A,D [4]C	Trade and other receivables
Accounts receivable – trade, and contract assets	348,810	—	—	(348,810)	—	—		
Inventories	8,296	56	891	(2,670)	3,849	10,423		Inventories
Advance payments to suppliers	4,445	489	1,132	17,860	(3,578)	20,349	[3]B	Other current assets
Prepaid expenses	14,232	—	—	(14,232)	—	—		
Short-term loans receivable	138,486	(719)	2,636	95,370	(25)	235,749	[3]C,D	Other financial assets
Other	18,936	—	—	(18,936)	—	—		
Allowance for doubtful accounts	(1,368)	—	—	1,368	—	—		
	—	—	—	4,222	—	4,222		Income taxes receivable
	—	—	—	—	—	—		Non-current assets held for sale
Total current assets	771,894	27,754	25,855	30,718	31,001	887,223		Total current assets
Non-current assets								Non-current assets
Property, plant and equipment	607,503	4,762	7,477	(83,807)	15,769	551,705	[4]A	Property, plant and equipment
	—	—	—	80,589	—	80,589	[3]E	Investment property
Intangible assets	82,717	357	421	(2,157)	(7,369)	73,968	[4]B	Goodwill and intangible assets
	—	14,750	618	5,406	242,643	263,419	[3]F [4]C,E	Right-of-use assets
	—	—	6,339	31,935	36	38,312	[3]G	Investments accounted for using equity method
Investments and other assets	169,740	786	(9,391)	(62,287)	26,072	124,919	[3]C [4]D	Other financial assets
	—	(52)	39	25,777	4,913	30,678	[3]H	Deferred tax assets
	—	170	39	4,870	(1,266)	3,813		Other non-current assets
Total non-current assets	859,961	20,775	5,544	325	280,799	1,167,406		Total non-current assets
Total assets	1,631,855	48,529	31,400	31,043	311,801	2,054,630		Total assets

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Change in fiscal year end [1]	Change in scope of consolidation [2]	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Liabilities								Liabilities
Total current liabilities								Total current liabilities
Notes payable - trade	5,508	14,402	14,521	207,672	(9,126)	232,978	[3]I	Trade and other payables
Accounts payable - trade	175,906	—	—	(175,906)	—	—		
Short-term borrowings	37,918	546	7,091	102,064	136	147,757	[3]J	Bonds and borrowings
Accounts payable - other	30,546	—	—	(30,546)	—	—		
Income taxes payable	18,501	621	105	(2,589)	—	16,637		Income taxes payable
Accrued consumption taxes	29,271	654	830	67,256	34,130	132,143	[3]K [4]F,G	Other current liabilities
Accrued expenses	22,177	—	—	(22,177)	—	—		
Advances received	11,308	—	—	(11,308)	—	—		
Lease liabilities	11,740	4,482	116	181	56,775	73,296	[4]C	Lease liabilities
Deposits received	60,369	(579)	58	696	214	60,759	[3]L	Other financial liabilities
Deposits received from employees	268	—	—	(268)	—	—		
Provision for bonuses	30,185	—	—	(30,185)	—	—		
Provision for bonuses for directors (and other officers)	144	—	—	(144)	—	—		
Other	81,642	0	—	(73,712)	—	7,929	[3]M	Provisions
	—	—	—	—	—	—		Liabilities directly associated with non-current assets held for sale
Total current liabilities	515,487	20,128	22,723	31,032	82,131	671,503		Total current liabilities
Non-current liabilities								Non-current liabilities
Bonds payable	140,000	349	711	193,616	(1,001)	333,675	[3]J	Bonds and borrowings
Long-term borrowings	193,616	—	—	(193,616)	—	—		
Long-term lease liabilities	28,544	11,755	372	168	215,280	256,121	[4]C	Lease liabilities
Deferred tax liabilities	2,157	(19)	11	(229)	370	2,290		Deferred tax liabilities
Provision for retirement benefits for directors (and other officers)	251	(397)	272	1,266	4,360	5,753		Other non-current liabilities
Provision for special repairs	107	50	3	11,547	(782)	10,926	[3]M	Provisions
Provision for loss on guarantees	390	0	—	16,790	(1,291)	15,890	[3]L	Other financial liabilities
Other provisions	742	—	—	(742)	—	—		
Retirement benefit liability	121,061	245	105	—	12,705	134,118	[4]I	Retirement benefit liability
Other	28,790	—	—	(28,790)	—	—		
Total non-current liabilities	515,660	11,985	1,477	11	229,641	758,776		Total non-current liabilities
Total liabilities	1,031,148	32,113	24,201	31,043	311,772	1,430,279		Total liabilities
Net assets								Equity
Share capital	70,175	—	—	—	—	70,175		Share capital
Capital surplus	22,614	—	—	—	205	22,820		Capital surplus
Retained earnings	503,178	6,949	7,388	—	(26,848)	490,668	[4]H	Retained earnings
Treasury shares	(28,273)	—	—	—	—	(28,273)		Treasury shares
Valuation differences on available-for-sale securities	32,272	9,384	(189)	(17,455)	26,689	50,702	[3]N [4]I,J	Other components of equity
Deferred gains (losses) on hedges	(51)	—	—	51	—	—		
Foreign currency translation adjustments	(8,885)	—	—	8,885	—	—		
Remeasurements of retirement benefit plans	(8,518)	—	—	8,518	—	—		
	—	16,334	7,198	—	46	606,092		Total equity attributable to owners of parent
Non-controlling interests	18,194	81	—	—	(17)	18,258		Non-controlling interests
Total net assets	600,707	16,416	7,198	—	28	624,350		Total equity
Total liabilities and net assets	1,631,855	48,529	31,400	31,043	311,801	2,054,630		Total liabilities and equity

b. Adjustment of equity for the previous consolidated fiscal year (ended December 31, 2021)

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Change in fiscal year end [1]	Change in scope of consolidation [2]	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Assets								Assets
Current assets								Current assets
Cash and deposits	193,094	—	2,084	(61,256)	—	133,922		Cash and cash equivalents
Notes receivable - trade	22,158	—	12,798	417,704	34,941	487,603	[3]A,D [4]C	Trade and other receivables
Accounts receivable – trade, and contract assets	415,936	—	—	(415,936)	—	—		
Inventories	13,759	—	916	—	—	14,675		Inventories
Advance payments to suppliers	10,798	—	179	21,459	(3,827)	28,610	[3]B	Other current assets
Prepaid expenses	17,628	—	—	(17,628)	—	—		
Short-term loans receivable	67	—	542	89,961	(1,132)	89,439	[3]C,D	Other financial assets
Other	37,952	—	—	(37,952)	—	—		
Allowance for doubtful accounts	(2,796)	—	—	2,796	—	—		
	—	—	—	777	—	777		Income taxes receivable
	—	—	—	—	17,491	17,491		Non-current assets held for sale
Total current assets	708,598	—	16,522	(73)	47,473	772,520		Total current assets
Non-current assets								Non-current assets
Property, plant and equipment	664,126	—	5,668	(125,123)	1,473	546,145	[4]A	Property, plant and equipment
	—	—	—	80,172	—	80,172	[3]E	Investment property
Intangible assets	83,034	—	132	(1,024)	(5,499)	76,643	[4]B	Goodwill and intangible assets
	—	—	404	45,712	218,038	264,155	[3]F [4]C,F	Right-of-use assets
	—	—	6,453	25,847	8,368	40,669	[3]G	Investments accounted for using equity method
Investments and other assets	162,461	—	(7,698)	(51,288)	13,288	116,762	[3]C [4]D	Other financial assets
	—	—	36	(613)	26,444	25,867	[3]H	Deferred tax assets
	—	—	300	4,766	(1,151)	3,915		Other non-current assets
Total non-current assets	909,622	—	5,297	(21,550)	260,961	1,154,331		Total non-current assets
Total assets	1,618,221	—	21,820	(21,624)	308,435	1,926,852		Total assets

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Change in fiscal year end	Change in scope of consolidation	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
		[1]	[2]					
Liabilities								Liabilities
Total current liabilities								Total current liabilities
Notes payable - trade	6,175	—	8,868	237,798	(1,996)	250,845	[3]I	Trade and other payables
Accounts payable - trade	209,635	—	—	(209,635)	—	—		
Short-term borrowings	27,419	—	5,147	-	—	32,566	[3]J	Bonds and borrowings
Accounts payable - other	27,965	—	—	(27,965)	—	—		
Income taxes payable	10,266	—	17	(1,531)	154	8,907		Income taxes payable
Accrued consumption taxes	11,214	—	280	78,532	25,399	115,426	[3]K [4]F,G	Other current liabilities
Accrued expenses	28,290	—	—	(28,290)	—	—		
Advances received	28,165	—	—	(28,165)	—	—		
Lease liabilities	24,746	—	51	71	51,709	76,579	[4]C	Lease liabilities
Deposits received	71,693	—	23	789	78	72,584	[3]L	Other financial liabilities
Deposits received from employees	272	—	—	(272)	—	—		
Provision for bonuses	16,994	—	—	(16,994)	—	—		
Provision for bonuses for directors (and other officers)	92	—	—	(92)	—	—		
Other	11,893	—	—	(4,064)	—	7,828	[3]M	Provisions
	—	—	—	—	—	—		Liabilities directly associated with non-current assets held for sale
Total current liabilities	474,824	—	14,387	181	75,344	564,738		Total current liabilities
Non-current liabilities								Non-current liabilities
Bonds payable	140,000	—	—	129,427	(316)	269,111	[3]J	Bonds and borrowings
Long-term borrowings	129,427	—	—	(129,427)	—	—		
Long-term lease liabilities	58,726	—	43	(71)	195,780	254,478	[4]C	Lease liabilities
Deferred tax liabilities	2,548	—	11	(21,799)	21,701	2,462		Deferred tax liabilities
Provision for retirement benefits for directors (and other officers)	182	—	372	822	4,648	6,026		Other non-current liabilities
Provision for special repairs	161	—	2	12,708	(1,025)	11,847	[3]M	Unwinding of discounts on provisions
Provision for loss on guarantees	403	—	2	18,857	(1,999)	17,263	[3]L	Other financial liabilities
Other provisions	964	—	—	(964)	—	—		
Retirement benefit liability	122,673	—	110	—	13,689	136,472	[4]I	Retirement benefit liability
Other	31,357	—	—	(31,357)	—	—		
Total non-current liabilities	486,444	—	543	(21,805)	232,478	697,661		Total non-current liabilities
Total liabilities	961,268	—	14,931	(21,624)	307,823	1,262,399		Total liabilities
Net assets								Equity
Share capital	70,175	—	—	—	—	70,175		Share capital
Capital surplus	22,628	—	—	—	241	22,870		Capital surplus
Retained earnings	511,001	—	6,994	—	(16,915)	501,079	[4]H	Retained earnings
Treasury shares	(611)	—	—	—	—	(611)		Treasury shares
Valuation differences on available-for-sale securities	30,414	—	(105)	2,967	17,848	51,124	[3]N [4]I,J	Other components of equity
Deferred gains (losses) on hedges	(68)	—	—	68	—	—		
Foreign currency translation adjustments	6,343	—	—	(6,343)	—	—		
Remeasurements of retirement benefit plans	(3,308)	—	—	3,308	—	—		
	—	—	6,888	—	1,174	644,638		Total equity attributable to owners of parent
Non-controlling interests	20,376	—	—	—	(562)	19,814		Non-controlling interests
Total net assets	656,952	—	6,888	—	612	664,453		Total equity
Total liabilities and net assets	1,618,221	—	21,820	(21,624)	308,435	1,926,852		Total liabilities and equity

Notes to Adjustments of Equity

(1) Change in fiscal year end

For certain subsidiaries whose reporting period end differs from those of the parent company, we conducted our consolidation by unifying the reporting period end dates or by preparing additional financial statements as of the end of the parent company's reporting period. The effect of this treatment was included in the change in fiscal year end.

(2) Change in scope of consolidation

Under Japanese GAAP, we excluded immaterial subsidiaries from the scope of consolidation. Under IFRS, we include such subsidiaries in the scope of consolidation.

(3) Reclassifications

i. Trade receivables and other receivables

Under Japanese GAAP, we classified and presented notes receivable - trade, accounts receivable-trade and contract assets, and lease receivables included in other as separate components under current assets. Under IFRS, we reclassified these items under trade and other receivables.

ii. Other assets, current

Under Japanese GAAP, we classified and presented advance payments to suppliers and prepaid expenses as separate components under current assets. Under IFRS, we reclassified these items under other assets, current.

iii. Other financial assets

Under Japanese GAAP, we classified and presented certain time deposits under in cash and deposits, short-term loans receivable under current assets, and receivables under other. Under IFRS, we reclassified these items under other financial assets, current.

Under Japanese GAAP, we classified and presented investment securities included in investments and other assets under non-current assets. Under IFRS, we reclassified this item under other financial assets, non current.

iv. Allowance for doubtful accounts

Under Japanese GAAP, we classified and presented allowance for doubtful accounts under current assets. Under IFRS, we reclassified this item as a net deduction directly from trade and other receivables and other financial assets, current, presenting these items as net amounts.

v. Investment property

Under Japanese GAAP, we classified and presented investment property under property and equipment. Under IFRS, we reclassified this item under investment property.

vi. Right-of-use assets

Under Japanese GAAP, we classified and presented tangible lease assets under tangible fixed assets and intangible lease assets under in intangible assets. Under IFRS, we reclassified these items under right-of-use assets.

vii. Investments accounted for using the equity method

Under Japanese GAAP, we classified and presented investments accounted for using the equity method under investments and other assets. Under IFRS, we reclassified this item under non current assets

viii. Deferred tax assets

Under Japanese GAAP, we classified and presented deferred tax assets under investments and other assets. Under IFRS, we reclassified this item under deferred tax assets.

ix. Trade and other payables

Under Japanese GAAP, we classified and presented notes payable - trade, accounts payable - trade, and other payables under current liabilities. Under IFRS, we reclassified these items under trade and other payables.

x. Bonds and borrowings

Under Japanese GAAP, we classified and presented short-term loans payable, as well as short-term bonds payable and commercial paper included in other, under current liabilities. Under IFRS we reclassified these items under bonds and borrowings, current.

Under Japanese GAAP, we classified and presented bonds payable and long-term loans payable under non-current liabilities. Under IFRS, we classified and presented these items under bonds and borrowings, non current.

xi. Other liabilities, current

Under Japanese GAAP, we classified and presented accrued consumption taxes, accrued expenses, advance payments to suppliers, provision for bonuses, and provision for directors' bonuses under current liabilities. Under IFRS, we reclassified these items under other liabilities, current.

xii. Other financial liabilities

Under Japanese GAAP, we classified and presented deposits received and deposits received from employees under current liabilities. Under IFRS, we reclassified these items under other financial liabilities, current.

Under Japanese GAAP, we classified and presented provision for guarantees, as well as long-term accounts payable - other included in other, under non-current liabilities. Under IFRS, we reclassified these items under other financial liabilities, non current.

xiii. Provisions

Under Japanese GAAP, we classified and presented provisions (current) included in other. Under IFRS, we reclassified this item under provisions.

Under Japanese GAAP, we classified and presented provision for special repairs and other provisions, as well as provisions (non-current) included in other, under non-current liabilities. Under IFRS, we reclassified these items under provisions.

xiv. Other components of equity

Under Japanese GAAP, we classified and presented valuation differences on available-for-sale securities, deferred gains (losses) on hedges, foreign currency translation adjustments, and remeasurements of defined benefit plans under net assets. Under IFRS, we reclassified these items under other components of equity.

(4) Differences in recognition and measurement

i. Adjustments of property, plant and equipment

Under Japanese GAAP, we used the direct write-off method as the reduction entry method. We canceled this method for reduction entries as IFRS does not allow reduction entries, other than for government subsidies, with respect to the acquisition of assets.

Under Japanese GAAP, we used the former straight-line method as the main depreciation method with respect to property and equipment (excluding leased assets). Under IFRS, we used the straight-line method.

Under Japanese GAAP, we accounted for real estate acquisition taxes as an expense. Under IFRS, these items are included in the acquisition cost of property, plant and equipment.

ii. Adjustments of goodwill

Under Japanese GAAP, we amortize goodwill over a certain period of time. Under IFRS, we do not amortize goodwill, and we have suspended amortization as of the date of transition to IFRS.

In addition, under Japanese GAAP, we determined the need for impairment only when there is an indication of impairment. Under IFRS, we conduct impairment tests every fiscal year, regardless of whether there is an indication of impairment.

iii. Adjustments of leases

Under Japanese GAAP, we classified a lessee lease as either a finance lease or an operating lease. We accounted for operating leases as an ordinary rental transaction. Under IFRS, there is no distinction between finance leases and operating leases with respect to lessee leases. Therefore, we recognize a right-of-use asset and a lease liability for all leases excluding short-term leases and leases where the underlying asset is immaterial.

We derecognized right-of-use assets related to subleases and reclassified these items under trade and other receivables.

iv. Adjustments of available-for-sale financial assets

Under Japanese GAAP, we recognized the acquisition cost of unquoted equity instruments. Under IFRS, we estimated the fair value of such items using an appropriate valuation technique.

v. Adoption of impairment accounting

As a result of assessing the recoverability of non-current assets in accordance with IFRS, we recorded an impairment loss of 7,604 million yen related to certain right-of-use assets as of the transition date. The recoverable amount of these assets was 3,348 million yen, which is the fair value less disposal costs, based on the estimated disposal value of the assets, etc. The fair value hierarchy of these assets is classified as Level 3 based on the inputs of the valuation techniques used.

vi. Adjustments of levies and taxes

Under Japanese GAAP, we expensed property tax levied in Japan over the fiscal year in which the tax was paid. Under IFRS, however, we recognized the tax as a liability at the date of levy and included the amount under other current liabilities.

vii. Adjustments of unused paid leave

Under Japanese GAAP, we did not account for unused paid leave. Under IFRS, we recorded unused paid leave as a liability under other current liabilities.

viii. Adjustments of retained earnings

(Unit: Millions of yen)

	IFRS Transition Date (as of April 01, 2021)	FY2021 (as of December 31, 2021)
Change in fiscal year end	6,949	-
Change in scope of consolidation	7,388	6,994
Adjustment of property, plant and equipment	12,231	13,311
Adjustment of leases	2,478	2,850
Adjustment of levies	(5,892)	48
Adjustment of unused paid leave	(15,286)	(18,016)
Remeasurements of defined benefit plans	(16,360)	(12,418)
Adoption of impairment accounting	(5,277)	(4,151)
Other	1,258	1,461
Total	(12,510)	(9,922)

ix. Remeasurement of defined benefit plans

Under Japanese GAAP, we recognized actuarial differences and past service costs under other comprehensive income as such costs arose. We recorded an amount prorated over a certain number of years less than the average remaining service period of employees as an expense in the year following the year of occurrence. Under IFRS, we recognized actuarial gains and losses under other comprehensive income as they occurred, transferring the amounts to retained earnings immediately. We recognized past service costs under net income or loss as they arise. We also made a partial revision to the basis for calculating retirement benefit liabilities.

x. Transfer of accumulated translation differences related to foreign subsidiaries

Upon first-time adoption, we elected the exemption provided in IFRS 1 and transferred all cumulative translation differences as of the date of transition to IFRS to retained earnings.

c. Adjustment of net income (loss) for the previous consolidated fiscal year (April 1, 2021 to December 31, 2021)

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Change in fiscal year end	Change in scope of consolidation [1]	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Net sales	1,763,282	-	(4,601)	-	(2,047)	1,756,633	[3]C,F	Revenue
Cost of sales	1,603,177	-	(5,488)	(173)	(15,381)	1,582,134	[3]A,B,C,D,E,F	Cost of sales
Gross profit	160,104	-	886	173	13,334	174,499		Gross profit
Selling, general and administrative expenses	91,350	-	763	1,383	(1,616)	91,881	[3]A,B,C,D,E	Selling, general and administrative expenses
	-	-	87	11,856	(3,779)	8,163	[2]A [3]B	Other income
	-	-	2	7,312	343	7,657	[2]A [3]C	Other expenses
	-	-	151	2,322	(99)	2,374	[2]A [3]B,D	Equity in (earnings) losses of unconsolidated subsidiaries and affiliates
Operating profit	68,754	-	359	5,655	10,728	85,497		Operating profit
Non-operating profit	9,830	-	-	(9,830)	-	-		
Non-operating expenses	4,956	-	-	(4,956)	-	-		
Extraordinary income	11,367	-	-	(11,367)	-	-		
Extraordinary losses	5,711	-	-	(5,711)	-	-		
	-	-	(10)	7,149	(3,205)	3,933		Finance income
	-	-	110	3,426	412	3,948	[2]A [3]B	Finance costs
Income before tax	79,283	-	238	(1,149)	7,110	85,482		Income before tax
Income taxes - current	19,280	-	23	2,466	2,185	23,956	[2]B [3]A,B,C,D,E,F	Income tax expense
Income taxes - deferred	3,616	-	-	(3,616)	-	-		
Total Income taxes	22,896	-	-	-	-	-		
Profit	56,386	-	215	-	4,924	61,526		Operating income

d. Adjustment of comprehensive income for the previous consolidated fiscal year (April 1, 2021 to December 31, 2021)

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Change in fiscal year end	Change in scope of consolidation [1]	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Profit	56,386	—	215	—	4,924	61,526		Operating income
Other comprehensive income								Other comprehensive income
Valuation differences on available-for-sale securities	(1,869)	—	(23)	—	157	(1,735)		Items that will not be reclassified to profit or loss Equity instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	5,246	—	—	—	(3,470)	1,776	[3]D	Remeasurements of defined benefit plans
Share of other comprehensive income of entities accounted for using equity method	250	—	—	(248)	(12)	(10)	[2]C	Share of other comprehensive income of investments accounted for using equity method
	—	—	(23)	(248)	(3,324)	30		Total of items that will not be reclassified to profit or loss
	—	—	—	—	—	—		Items that may be reclassified to profit or loss
Deferred gains (losses) on hedges	(16)	—	—	—	104	87		Debt instruments measured at fair value through other comprehensive income Fair value of effective portion of cash flow hedges
Foreign currency translation adjustments	15,457	—	156	(3)	(9,306)	6,304		Exchange differences on translation of foreign operations
	—	—	—	640	(405)	235	[2]C	Share of other comprehensive income of companies accounted for using equity method
	—	—	156	637	(9,607)	6,627		Total of items that may be reclassified to profit or loss
Other comprehensive income	19,067	—	133	388	(12,932)	6,658		Total other comprehensive income after tax
Comprehensive income	75,453	—	349	388	(8,007)	68,184		Comprehensive income

Notes to Adjustments of Income and Comprehensive Income

(1) Change in scope of consolidation

Under Japanese GAAP, we excluded immaterial subsidiaries from the scope of consolidation. Under IFRS, we include such subsidiaries in the scope of consolidation.

(2) Reclassifications

i. Non-operating profit/loss and extraordinary income/loss

Under Japanese GAAP, we presented non-operating profit, non-operating expenses, extraordinary income, and extraordinary loss as separate components. Under IFRS, we record financial-related income or expense as finance income or finance expense. We presented other items as other income, other expenses, or share of profit (loss) of investments accounted for using equity method.

ii. Income tax expense

Under Japanese GAAP, we presented income taxes-current and income taxes-deferred separately. Under IFRS, we present these items collectively under income tax expense.

iii. Other comprehensive income

In accordance with IFRS presentation rules, we present items that will not be reclassified to profit or loss and items that will be reclassified to profit or loss.

(3) Differences in Recognition and Measurement

i. Levies and taxes

Under Japanese GAAP, property taxes levied are expensed over the fiscal year. Under IFRS, property taxes levied are expensed in a lump sum as of the record date of the levy (January 1).

ii. Leases

Under Japanese GAAP, we classified a lessee lease as either a finance lease or an operating lease. We accounted for operating leases as an ordinary rental transaction. Under IFRS, there is no distinction between finance leases and operating leases with respect to lessee leases. Therefore, we record the right-of-use assets and lease liabilities, recording depreciation and interest expenses during the term of the lease.

iii. Subleases

Under Japanese GAAP, we recognized sales and cost of sales at the time the lease payments were received. Under IFRS, we recognize sales revenue related to lease receivables at the inception of the lease transaction.

iv. Remeasurement of defined benefit plans

Under Japanese GAAP, we amortized actuarial gains and losses and past service costs incurred over a certain period of time. Under IFRS, actuarial gains and losses incurred are required to be recognized under other comprehensive income and past service costs are required to be recognized in net income or loss when incurred.

v. Unused paid leave

Under Japanese GAAP, unused paid leave is not recognized for accounting treatment. Under IFRS, unused paid leave must be recognized and recorded as personnel expenses.

vi. Revenues

Under Japanese GAAP, we recognized revenues mainly on a shipment basis. Under IFRS, we recognized revenues at the time of fulfillment of performance obligations, such as acceptance upon inspection by the customer, or at the time that performance obligations are fulfilled.

e. Adjustments of cash flow for the previous consolidated fiscal year (April 1, 2021 to December 31, 2021)
Compared to the consolidated statements of cash flows prepared in accordance with Japanese GAAP, the consolidated statements of cash flows disclosed in accordance with IFRS show an increase of 42,907 million yen in net cash provided by operating activities, a decrease of 9,445 million yen in net cash used in investing activities, and a decrease of 34,343 million yen in net cash used in financing activities.

This result was mainly due to the change in scope of consolidation. Under Japanese GAAP, immaterial subsidiaries were excluded from the scope of consolidation. Under IFRS, such subsidiaries must be included in the scope of consolidation.

Further, under Japanese GAAP, we classified lease payments under operating leases as cash flows from operating activities. Under IFRS, in principle, all leases require the recognition of a lease liability, and payments to repay lease liabilities are classified as cash flows from financing activities.