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# Supplementary Materials Regarding IFRS Adoption (Financial Results for FY2022 and Forecast for FY2023)

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# 1-A. BS Impact of IFRS Adoption (as of December 2022)

- ✓ Total assets increased from approximately 1.7 trillion yen under Japanese GAAP to 2.0 trillion yen under IFRS.
- ✓ The main reason for this increase is the placement of domestic company operating leases on the balance sheet.

**(Unit: 100 million yen)**

| IFRS | Major Differences | Japanese GAAP December 2022 | | Major Differences | IFRS |
|---|---|---|---|---|---|
| **Current assets** **9,078** [+587] | ✓ Increase in sublease receivables +354<br>✓ Increase in trade receivables (change in scope of consolidation, etc.) +240 | **Current assets** **8,490** | **Current liabilities** **5,921** | ✓ Increase in lease liabilities +560<br>✓ Increase in trade payables (change in scope of consolidation, etc.) +183<br>✓ Recording of unused paid leave +275 | **Current liabilities** **6,959** [+1,037] |
| **Non-current assets** **11,673** [+2,855] | ✓ Increase in right-of-use assets +2,138<br>✓ Property, plant and equipment (transfer to investment property) (239)<br>✓ Investment property (includes transfer from fixed assets) +707 | **Non-current assets** **8,818** | **Non-current liabilities** **3,674** | ✓ Increase in lease liabilities +2,209 | **Non-current liabilities** **6,001** [+2,326] |
| | | | **Total liabilities** **9,596** | | **Total liabilities** **12,960** [+3,364] |
| | | | **Net assets** **7,712** | ✓ Valuation difference on marketable securities (market valuation of unlisted shares, etc.) +136 | **Equity** **7,791** [+78] |
| **Total assets** **20,751** [+3,442] | | **Total assets** **17,309** | **Total liabilities and net assets** **17,309** | | **Total liabilities and equity** **20,751** [+3,442] |


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# 1-B. PL Impact of IFRS Adoption (January 2022 to December 2022)

- ✓ Under IFRS, there are no accounts related to non-operating income or loss and extraordinary income or loss; the concepts regarding operating profit and net income are also different.
- ✓ The main reasons for the difference in profits are the non-amortization of goodwill, gains or losses on sales of marketable securities, and the non-recording of unrecognized differences in retirement benefits in the PL.

(Unit: 100 million yen)

| Japanese GAAP Accounts | Japanese GAAP |
|---|---|
| Revenues | 26,197 |
| Cost of sales | 23,539 |
| Gross profit | 2,658 |
| Selling, general and administrative expenses | 1,370 |
| | |
| Operating profit | 1,287 |
| Non-operating income | 142 |
| Non-operating expenses | 56 |
| Ordinary Income | 1,373 |
| Extraordinary income | 741 |
| Extraordinary loss | 473 |
| Income before income taxes | 1,640 |
| Income taxes | 510 |
| Net income | 1,130 |
| Net income attributable to non-controlling interests | 32 |
| Net income attributable to owners of parent | 1,098 |

**Impact on Revenue**
- Impact of change in accounting treatment of subleases
  Net decrease of 6.6 billion yen in net sales and cost of sales
- Impact of change in scope of consolidation of NX Shoji (overseas subsidiaries +8 companies) +6.6 billion yen

**Impact on Cost of Sales**
- Impact of change in accounting treatment of subleases
  Net decrease of 6.6 billion yen in net sales and cost of sales
- Decrease of 3.6 billion yen due to non-recording of unrecognized differences in retirement benefits on the PL

**Impact on Operating Profit**
- Impact of suspension of amortization of goodwill: +1.1 billion yen
- Classification changes for non-operating income/expenses, extraordinary income/expenses (excluding finance income and finance costs) +17.9 billion yen

**Impact on Income Before Tax**
- Non-recording of gain on sales of marketable securities in PL -3.8 billion yen

| IFRS Accounts | IFRS | vs. Japanese GAAP Difference |
|---|---|---|
| Revenue | 26,186 | (10) |
| Cost of sales | 23,428 | (111) |
| Gross profit | 2,758 | 100 |
| Selling, general and administrative expenses | 1,382 | 12 |
| Other income | 702 | - |
| Other expenses | 527 | |
| Share of profit (loss) of investments accounted for using equity method | 3 | |
| Operating profit | 1,555 | 267 |
| Finance income | 93 | - |
| Finance costs | 47 | |
| Income before tax | 1,601 | (39) |
| Income taxes | 485 | (24) |
| Profit | 1,115 | (14) |
| Profit attributable to non-controlling interests | 32 | 0 |
| Profit attributable to owners of parent | 1,083 | (14) |

- FY2022 Consolidated segment profit (business profit)* under IFRS is 137.5 billion yen.
  *Equivalent to conventional operating profit


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# 1-C. Impact of IFRS Transition on Segments (January 2022 to December 2022)

## Impact by Segment (January to December)

(Unit: Millions of yen)

| | | IFRS | Japanese GAAP | Difference | |
|---|---|---|---|---|---|
| | | | | Amount | Ratio |
| Revenue | Logistics Japan | 1,450,991 | 1,457,283 | (6,291) | (0.4) |
| | Americas | 162,080 | 162,080 | — | — |
| | Europe | 215,707 | 215,697 | 9 | 0.0 |
| | East Asia | 241,529 | 242,009 | (480) | (0.2) |
| | South Asia & Oceania | 221,886 | 221,854 | 31 | 0.0 |
| | Logistics Overseas Total | 841,203 | 841,642 | (439) | (0.1) |
| | Security Transportation | 68,088 | 68,478 | (389) | (0.6) |
| | Heavy Haulage & Construction | 44,542 | 44,542 | — | — |
| | Logistics Support | 421,609 | 414,836 | 6,773 | 1.6 |
| | Total | 2,826,435 | 2,826,783 | (347) | (0.0) |
| | Adjustments | (207,775) | (207,037) | (738) | — |
| | **Consolidated Revenue** | **2,618,659** | **2,619,746** | **(1,086)** | **(0.0)** |

| | | IFRS | Japanese GAAP | Difference | |
|---|---|---|---|---|---|
| | | | | Amount | Ratio |
| Segment Profit (Business Profit) | Logistics Japan | 71,444 | 65,848 | 5,596 | 8.5 |
| | Americas | 13,751 | 13,300 | 450 | 3.4 |
| | Europe | 12,546 | 12,431 | 115 | 0.9 |
| | East Asia | 12,818 | 12,426 | 391 | 3.2 |
| | South Asia & Oceania | 20,098 | 20,019 | 79 | 0.4 |
| | Logistics Overseas Total | 59,215 | 58,178 | 1,037 | 1.8 |
| | Security Transportation | 3,110 | 990 | 2,119 | 213.9 |
| | Heavy Haulage & Construction | 6,391 | 6,301 | 89 | 1.4 |
| | Logistics Support | 16,435 | 16,333 | 101 | 0.6 |
| | Total | 156,597 | 147,652 | 8,944 | 6.1 |
| | Adjustments | (19,047) | (18,936) | (111) | — |
| | **Consolidated Segment Profit (Business Profit)** | **137,550** | **128,716** | **8,833** | **6.9** |


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# 1-D. Impact of IFRS Transition on Impairment Losses (January 2022 to December 2022)

*Loss basis (Unit: Millions of yen)

| | Item | IFRS | Japanese GAAP | Difference |
|---|---|---|---|---|
| Impairment Details | Pharmaceuticals/Medical Business | 19,978 | 15,799 | 4,178 |
| | New International Air Cargo Enterprise System | 15,461 | 15,461 | – |
| | Security Transportation Business | 0 | 2,558 | (2,558) |
| | US MD Goodwill | 3,226 | 2,704 | 522 |
| | Other | 740 | 764 | (23) |
| Total | | 39,406 | 37,287 | 2,118 |


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# 1-E. Impact of IFRS Transition on Financial Indicators (January 2022 to December 2022)

| Classification | Consolidated | |
|---|---|---|
| | IFRS | Japanese GAAP |
| Return on assets (ROA) | 5.4% | 6.6% |
| Return on equity (ROE) | 15.5% | 15.9% |

| Classification | Consolidated | |
|---|---|---|
| | IFRS | Japanese GAAP |
| Operating profit ratio | 5.9% | 4.9% |
| Net income ratio | 4.1% | 4.2% |
| Debt-to-equity ratio | 0.84 x | 0.47 x |
| Shareholders' equity ratio | 36.5% | 43.2% |
| Net assets per share | 8,485.15 yen | 8,391.95 yen |
| Earnings per share | 1,202.34 yen | 1,218.89 yen |


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# 2-A. Impact of IFRS Transition on Consolidated Full-Year Forecast (January 2023 to December 2023)

## [Consolidated]

(Unit: Millions of yen)

| | First Half | | | Second Half | | | Full Year | | |
|---|---|---|---|---|---|---|---|---|---|
| | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact |
| **Revenue** | 1,224,000 | 1,224,000 | — | 1,226,000 | 1,226,000 | — | 2,450,000 | 2,450,000 | — |
| **Consolidated Segment Profit (Business Profit)** | 56,500 | 53,000 | 3,500 | 60,500 | 57,000 | 3,500 | 117,000 | 110,000 | 7,000 |
| **Operating profit** | 55,500 | | | 49,500 | | | 105,000 | | |
| **Income before tax** | 54,500 | | | 48,500 | | | 103,000 | | |
| **Profit attributable to owners of parent** | 38,000 | 36,000 | 2,000 | 34,000 | 39,000 | (5,000) | 72,000 | 75,000 | (3,000) |

## (Difference Details)

| (Consolidated) Segment Profit | Full Year |
|---|---|
| Provision for retirement benefits (non-amortization of unrecognized actuarial differences, etc.) | 3,000 |
| Depreciation (additions of impairment before the previous year) | 1,800 |
| Non-amortization of goodwill | 650 |
| Interest expense related to retirement benefits and leases | 2,300 |
| Depreciation (adjustment of carrying amount) | 1,000 |
| Other | (1,750) |
| **vs. Japanese GAAP** | **7,000** |

| Profit | Full Year |
|---|---|
| Difference in operating profit | 7,000 |
| Interest expense related to retirement benefits and leases | (2,300) |
| Despite gain on sale of cross-shareholdings | (10,000) |
| | |
| | |
| Other (including change in income taxes) | 2,300 |
| **vs. Japanese GAAP** | **(3,000)** |


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# 2-B. Impact of IFRS Transition on Nippon Express Co., Ltd. (January 2023 to December 2023)

**[Nippon Express Co., Ltd.]**

(Unit: Millions of yen)

| | First Half | | | Second Half | | | Full Year | | |
|---|---|---|---|---|---|---|---|---|---|
| | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact |
| **Revenue** | 615,000 | 615,000 | — | 625,000 | 625,000 | — | 1,240,000 | 1,240,000 | — |
| **Consolidated Segment Profit (Business Profit)** | 25,000 | 22,500 | 2,500 | 24,000 | 21,500 | 2,500 | 49,000 | 44,000 | 5,000 |
| **Operating profit** | 21,000 | | | 20,000 | | | 41,000 | | |
| **Income before tax** | 25,000 | | | 19,000 | | | 44,000 | | |
| **Operating income** | 18,500 | 17,000 | 1,500 | 14,500 | 13,000 | 1,500 | 33,000 | 30,000 | 3,000 |

**(Difference Details)**

| (Consolidated) Segment Profit | Full Year |
|---|---|
| Provision for retirement benefits (non-amortization of unrecognized actuarial differences) | 2,800 |
| Depreciation (additions of impairment before the previous year) | 600 |
| Non-amortization of goodwill | — |
| Interest expense related to retirement benefits and leases | 2,000 |
| Depreciation (adjustment of carrying amount) | 1,000 |
| Other | (1,400) |
| **vs. Japanese GAAP** | **5,000** |

| Profit | Full Year |
|---|---|
| Difference in operating profit | 5,000 |
| Interest expense related to retirement benefits and leases | (2,000) |
| Gain on sale of strategic shareholdings | — |
| | |
| | |
| Other (including change in income taxes) | — |
| **vs. Japanese GAAP** | **3,000** |


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# 2-C. Impact of IFRS Transition on Segments (January 2023 to December 2022)

## Impact by Segment (January to December)

(Unit: Millions of yen,%)

| | | First Half | | | Second Half | | | Full Year | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact |
| Consolidated Revenue | Logistics Japan | 694,300 | 694,300 | – | 711,100 | 711,100 | – | 1,405,400 | 1,405,400 | – |
| | Americas | 78,700 | 78,700 | – | 79,400 | 79,400 | – | 158,100 | 158,100 | – |
| | Europe | 92,100 | 92,100 | – | 89,200 | 89,200 | – | 181,300 | 181,300 | – |
| | East Asia | 99,400 | 99,400 | – | 103,700 | 103,700 | – | 203,100 | 203,100 | – |
| | South Asia & Oceania | 83,000 | 83,000 | – | 77,200 | 77,200 | – | 160,200 | 160,200 | – |
| | Logistics Overseas Total | 353,200 | 353,200 | – | 349,500 | 349,500 | – | 702,700 | 702,700 | – |
| | Security Transportation | 34,500 | 34,500 | – | 34,500 | 34,500 | – | 69,000 | 69,000 | – |
| | Heavy Haulage & Construction | 26,000 | 26,000 | – | 21,000 | 21,000 | – | 47,000 | 47,000 | – |
| | Logistics Support | 213,500 | 213,500 | – | 208,700 | 208,700 | – | 422,200 | 422,200 | – |
| | Total | 1,321,500 | 1,321,500 | – | 1,324,800 | 1,324,800 | – | 2,646,300 | 2,646,300 | – |
| | Adjustments | (97,500) | (97,500) | – | (98,800) | (98,800) | – | (196,300) | (196,300) | – |
| | **Consolidated Revenue** | **1,224,000** | **1,224,000** | **–** | **1,226,000** | **1,226,000** | **–** | **2,450,000** | **2,450,000** | **–** |

| | | First Half | | | Second Half | | | Full Year | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact | IFRS | Japanese GAAP | Impact |
| Consolidated Segment Profit | Logistics Japan | 33,400 | 30,600 | 2,800 | 34,200 | 31,400 | 2,800 | 67,600 | 62,000 | 5,600 |
| | Americas | 5,300 | 5,300 | – | 6,000 | 6,000 | – | 11,300 | 11,300 | – |
| | Europe | 3,900 | 3,900 | – | 5,100 | 5,100 | – | 9,000 | 9,000 | – |
| | East Asia | 4,000 | 4,000 | – | 4,900 | 4,900 | – | 8,900 | 8,900 | – |
| | South Asia & Oceania | 5,200 | 5,200 | – | 5,200 | 5,200 | – | 10,400 | 10,400 | – |
| | Logistics Overseas Total | 18,400 | 18,400 | – | 21,200 | 21,200 | – | 39,600 | 39,600 | – |
| | Security Transportation | 1,900 | 1,300 | 600 | 1,700 | 1,100 | 600 | 3,600 | 2,400 | 1,200 |
| | Heavy Haulage & Construction | 2,800 | 2,700 | 100 | 3,000 | 2,900 | 100 | 5,800 | 5,600 | 200 |
| | Logistics Support | 7,000 | 7,000 | – | 7,600 | 7,600 | – | 14,600 | 14,600 | – |
| | Total | 63,500 | 60,000 | 3,500 | 67,700 | 64,200 | 3,500 | 131,200 | 124,200 | 7,000 |
| | Adjustments | (7,000) | (7,000) | – | (7,200) | (7,200) | – | (14,200) | (14,200) | – |
| | **(Consolidated) Segment Profit** | **56,500** | **53,000** | **3,500** | **60,500** | **57,000** | **3,500** | **117,000** | **110,000** | **7,000** |


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# 3. Q&A Regarding IFRS Adoption

## Q1: What has been the main impact of the transition to IFRS?

**A1:**

- **BS impact**
  **Total assets increased from approximately 1.7 trillion yen under Japanese GAAP to 2.0 trillion yen under IFRS, mainly due to placing the operating leases of domestic companies on the balance sheet.**

- **PL impact**
  **Under IFRS, there are no accounts related to non-operating income or loss and extraordinary income or loss; the concepts regarding operating profit and net income are also different. The main reasons for the difference in profits are the non-amortization of goodwill, gains or losses on sales of marketable securities, and the non-recording of unrecognized differences in retirement benefits in the PL.**


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# 3. Q&A Regarding IFRS Adoption

**Q2: Can you provide more details regarding IFRS operating profit and consolidated segment profit (business profit)?**

**A 2 :**

- **Operating profit under IFRS includes the items presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under Japanese GAAP, with the exception of items related to financial transactions.**

- **We calculate consolidated segment profit (business profit) by deducting cost of sales and selling, general and administrative expenses from revenue under IFRS. This figure is equivalent to operating income under Japanese GAAP.**


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# 3. Q&A Regarding IFRS Adoption

**Q3: What are the main changes in segment information (sales revenue and segment profit (business profit)) between Japanese GAAP and IFRS for FY2022. (refer to P4)**

**A 3 :**

- **Logistics-Japan segment revenue of -6.2 billion yen was mainly due to the impact of netting together rental income and expenses in sublease transactions. Segment profit (business profit) of +5.5 billion yen was mainly due to the impact of non-recognition of unrecognized differences in retirement benefit expenses on the PL.**

- **Segment profit (business income) for the Security Transportation segment of +2.1 billion yen, mainly due to a decrease in lease amortization expenses as a result of impairment losses.**

- **The main reason behind the +6.7 billion yen in revenue in Logistics Support was the addition of NX Shoji overseas subsidiaries (eight companies) into the scope of consolidation.**


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# 3. Q&A Regarding IFRS Adoption

**Q4: Why did impairment losses for pharmaceuticals amount to 19.9 billion yen under IFRS, up from 15.7 billion yen under Japanese GAAP?**

**A4: Operating leases for land, buildings, etc., which are not on the balance sheet under Japanese GAAP, are on the balance sheet under IFRS. We recalculated the amount of impairment losses, resulting in the 19.9 billion yen loss.**


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# 3. Q&A Regarding IFRS Adoption

**Q5: You are changing accounting standards. Do you also plan to change the targets in your management plan (Business Plan 2023) under IFRS standards?**

**A5: We do not intend to change targets under our business plan (in other words, we will not set IFRS-based targets). But we intend to evaluate targets using pro forma Japanese GAAP figures (figures adjusted for the main differences between IFRS and Japanese GAAP), which will be IFRS-based figures restated under Japanese GAAP. We plan to disclose these pro forma figures each quarter.**


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