

REFINITIV

DELTA REPORT

10-Q

EXPD - EXPEDITORS INTERNATIONAL

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 706

 **CHANGES** 162

 **DELETIONS** 331

 **ADDITIONS** 213

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, March 31, 2023 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from **to**

Commission File Number: **0-13468 001-41871**

**EXPEDITORS INTERNATIONAL OF
WASHINGTON, INC.**

(Exact name of registrant as specified in its charter)

Washington

91-1069248

(State or other jurisdiction of
incorporation or organization)

**(IRS Employer
Identification Number)**

1015 Third Avenue, Seattle, Washington

98104

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code): **(206) 674-3400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	EXPD	NASDAQ Global Select Market New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At November 3, 2023 May 3, 2024, the number of shares outstanding of the issuer's common stock was 145,389,371 141,252,246.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

	September	December	March 31, 2024	December 31, 2023
	30,	31,		
	2023	2022		
Assets:				
Current Assets:				
Cash and cash equivalents	1,639,4 \$ 28	2,034,1 \$ 31	\$ 1,370,456	\$ 1,512,883
Accounts Receivable, less allowance for credit loss of \$5,724 at September 30, 2023 and \$9,466 at December 31, 2022	1,458,9 83	2,107,6 45		
Accounts receivable, less allowance for credit loss of \$6,382 at March 31, 2024 and \$6,550 at December 31, 2023			1,572,356	1,532,599
Deferred contract costs	223,76 8	257,54 5	277,771	218,807
Other	189,73 7	118,69 6	153,111	170,907
Total current assets	3,511,9 16	4,518,0 17	3,373,694	3,435,196
Property and equipment, less accumulated depreciation and amortization of \$579,961 at September 30, 2023 and \$567,758 at December 31, 2022	480,92 4	501,91 6		
Property and equipment, less accumulated depreciation and amortization of \$604,458 at March 31, 2024 and \$597,473 at December 31, 2023			470,055	479,225
Operating lease right-of-use assets	506,98 1	507,50 3	551,682	516,280
Goodwill	7,927	7,927	7,927	7,927

Deferred federal and state income taxes, net	50,796	37,449	64,408	63,690
Other assets, net	19,577	17,622	20,502	21,491
Total assets	4,578,1	5,590,4		
	\$ 21	\$ 34	\$ 4,488,268	\$ 4,523,809
Liabilities:				
Current Liabilities:				
Accounts payable	846,46	1,108,9		
	1	96	927,129	860,856
Accrued liabilities, primarily salaries and related costs	423,68	479,26		
	5	2	433,599	447,336
Contract liabilities	283,79	323,10		
	7	1	344,552	280,909
Current portion of operating lease liabilities	99,876	95,621	100,673	99,749
Federal, state and foreign income taxes	13,226	47,075	20,388	15,562
Total current liabilities	1,667,0	2,054,0		
	45	55	1,826,341	1,704,412
Noncurrent portion of operating lease liabilities	419,60	422,84		
	2	4	464,262	427,984
Commitments and contingencies				
Shareholders' Equity:				
Preferred stock, none issued	—	—	—	—
Common stock, par value \$0.01 per share. Issued and outstanding: 145,386				
shares at September 30, 2023 and 154,313 shares at December 31, 2022	1,454	1,543		
Common stock, par value \$0.01 per share. Issued and outstanding: 141,119				
shares at March 31, 2024 and 143,866 shares at December 31, 2023			1,411	1,439
Additional paid-in capital	—	139	—	—
Retained earnings	2,701,3	3,310,8		
	86	92	2,401,525	2,580,968
Accumulated other comprehensive loss	(213,06	(202,55		
	0)	3)	(207,474)	(192,057)
Total shareholders' equity	2,489,7	3,110,0		
	80	21	2,195,462	2,390,350

Noncontrolling interest	1,694	3,514	2,203	1,063
Total equity	2,491,4	3,113,5		
	74	35	2,197,665	2,391,413
Total liabilities and equity	4,578,1	5,590,4		
	\$ 21	\$ 34	\$ 4,488,268	\$ 4,523,809

See accompanying notes to condensed consolidated financial statements.

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EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings

(In thousands, except per share data)

(Unaudited)

Revenues:	Three months		Nine months		Three months ended March 31,	
	ended September		ended			
	30,	2023	September 30,	2022	2024	2023
Airfreight services		1,48	2,3	4,68		
	724,	0,95	80,	2,07		
	\$ 331	\$ 5	\$ 405	\$ 6	\$ 759,374	\$ 904,903
Ocean freight and ocean services		1,68	1,8	5,42		
	560,	4,57	51,	0,47		
	281	9	389	1	570,786	697,307
Customs brokerage and other services		1,19	2,7	3,52		
	905,	6,61	90,	7,20		
	389	2	548	9	876,518	990,379

Total revenues	2,19	4,36	7,0	13,6		
	0,00	2,14	22,	29,7		
	1	6	342	56		
					2,206,678	2,592,589
Operating Expenses:						
Airfreight services		1,10	1,7	3,45		
	516,	4,81	07,	9,86		
	519	2	568	1		537,591
Ocean freight and ocean services		1,34	1,2	4,34		
	387,	3,35	77,	5,96		
	670	5	159	3		413,983
Customs brokerage and other services		1,5	2,34			
	497,	746,	55,	5,50		
	922	106	669	8		481,706
Salaries and related		1,2	1,54			
	412,	499,	90,	6,50		
	505	341	911	3		413,162
Rent and occupancy		174				
	58,3	52,7	,22	155,		
	87	15	4	241		61,252
Depreciation and amortization		15,6	15,1	46,	42,4	
	07	87	374	16		15,161
Selling and promotion		6,14	6,23	18,	16,1	
	9	9	847	74		6,779
Other		211				
	79,1	67,4	,05	223,		
	73	68	5	425		62,268
Total operating expenses	1,97	3,83	6,2	12,1		
	3,93	5,22	81,	35,0		
	2	3	807	91		1,991,902
Operating income		740	1,49			
	216,	526,	,53	4,66		
	069	923	5	5		214,776
Other Income (Expense):						
Interest income	17,1	7,83	53,	12,4		
	56	5	723	47		14,878
Interest expense	(1,6		(4,6	(1,0		
	01)	(470)	41)	31)		

Other, net		9,0	8,76		
	267	568	35	2	3,528
Other income, net	15,8	7,93	58,	20,1	5,834
	22	3	117	78	18,406
Earnings before income taxes		798	1,51		24,609
	231,	534,	,65	4,84	
	891	856	2	3	233,182
Income tax expense		206			300,578
	61,0	120,	,01	368,	
	48	694	8	975	62,782
Net earnings		592	1,14		74,580
	170,	414,	,63	5,86	
	843	162	4	8	170,400
Less net (losses) earnings attributable to the noncontrolling interest	(510)	(47)	30)	5	225,998
Less net earnings (losses) attributable to the noncontrolling interest					
Net earnings attributable to shareholders		594	1,13		1,248
	171,	414,	,16	8,12	(13)
	\$ 353	\$ 209	\$ 4	\$ 3	
Diluted earnings attributable to shareholders per share		3.9			
	\$ 1.16	\$ 2.54	\$ 2	\$ 6.84	
Basic earnings attributable to shareholders per share		3.9			
	\$ 1.16	\$ 2.56	\$ 5	\$ 6.90	
Weighted average diluted shares outstanding		151			
	148,	163,	,61	166,	
	001	250	9	398	
					144,125
Weighted average basic shares outstanding		150			155,472
	147,	162,	,54	164,	
	099	029	3	944	
					143,194
					154,164

See accompanying notes to condensed consolidated financial statements.

**EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended September		Nine months ended September	
	30,		30,	
	2023	2022	2023	2022
Net earnings	\$ 170,843	\$ 414,162	\$ 592,634	\$ 1,145,868
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments, net of income tax benefits of \$928 and \$5,648 for the three months ended September 30, 2023 and 2022 and \$7,025 and \$13,429 for the nine months ended September 30, 2023 and 2022	(15,027)	(64,507)	(10,797)	(129,269)
Other comprehensive loss	(15,027)	(64,507)	(10,797)	(129,269)
Comprehensive income	155,816	349,655	581,837	1,016,599
Less comprehensive (loss) income attributable to the noncontrolling interest	(478)	(259)	(1,820)	6,191
Comprehensive income attributable to shareholders	<u>\$ 156,294</u>	<u>\$ 349,914</u>	<u>\$ 583,657</u>	<u>\$ 1,010,408</u>

	Three months ended March 31,	
	2024	
	2024	2023
Net earnings	\$ 170,400	\$ 225,998
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments, net of income tax benefits of \$3,013 and \$4,268 for the three months ended March 31, 2024 and 2023	(15,525)	11,753
Other comprehensive (loss) income	(15,525)	11,753
Comprehensive income	154,875	237,751

Less comprehensive income (loss) attributable to the noncontrolling interest	1,140	(315)
Comprehensive income attributable to shareholders	\$ 153,735	\$ 238,066

See accompanying notes to condensed consolidated financial statements.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended September		Nine months ended September		Three months ended March 31,	
	30,		30,		2024	2023
	2023	2022	2023	2022		
Operating Activities:						
Net earnings	170,8	414,1	592,6	1,145		
	\$ 43	\$ 62	\$ 34	\$,868	\$ 170,400	\$ 225,998
Adjustments to reconcile net earnings to net cash from operating activities:						
Provisions for losses on accounts receivable	1,411	5,570	2,316	9,917	394	1,072
Deferred income tax benefit	(6,41	(3,07	(7,94	(14,9		
	8)	0)	2)	28)		
Deferred income tax expense					2,294	2,036
Stock compensation expense	15,87	14,17	46,96	51,29		
	9	5	2	6	12,372	12,488

Depreciation and amortization	15,607	15,187	46,374	42,416	15,161	15,261
Other, net	2,673	1,435	6,396	144	1,985	1,159
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(53,722)	634,421	629,205	880,364	(60,542)	508,606
Increase (decrease) in accounts payable and accrued liabilities	40,919	(350,922)	(311,990)	(343,902)	83,591	(202,923)
(Increase) decrease in deferred contract costs	(56,917)	226,087	28,870	437,155	(64,062)	67,621
Increase (decrease) in contract liabilities	74,701	(249,895)	(33,549)	(488,826)	69,308	(84,447)
Decrease in income taxes payable, net	(4,017)	(31,397)	(97,743)	(78,568)	22,686	91
(Increase) decrease in other, net	(10,979)	(5,369)	(6,695)	2,040		
Increase (decrease) in other, net					3,317	(550)
Net cash from operating activities	189,980	670,384	894,838	1,642,976	256,904	546,412
Investing Activities:						
Purchase of property and equipment	(7,993)	(15,928)	(28,600)	(68,498)	(10,181)	(10,126)
Other, net	10	(590)	(209)	(645)	97	575
Net cash from investing activities	(7,983)	(16,518)	(28,809)	(69,143)	(10,084)	(9,551)
Financing Activities:						
Proceeds from borrowings on lines of credit					44	11,495
Payments on borrowings on lines of credit	(1,491)	(21,117)	(33,636)	(29,601)	(17,286)	(26,402)
Proceeds from borrowings on lines of credit	8,404	—	3	5		

Proceeds from issuance of common stock	61,841	61,885	80,305	73,318	8,029	9,288
Repurchases of common stock	(298,103)	(469,041)	(1,199,294)	(1,018,106)	(360,524)	(213,502)
Dividends paid	—	—	(102,263)	(109,828)		
Payments for taxes related to net share settlement of equity awards	—	—	(19,501)	(19,333)	(5,185)	(7,445)
Distribution to noncontrolling interest	—	(543)	—	(543)		
Net cash from financing activities	(229,349)	(428,816)	(1,247,436)	(1,047,548)	(374,922)	(226,566)
Effect of exchange rate changes on cash and cash equivalents	(11,807)	(47,487)	(13,296)	(100,443)	(14,325)	6,368
Change in cash and cash equivalents	(59,159)	177,563	(394,703)	425,842	(142,427)	316,663
Cash and cash equivalents at beginning of period	1,698,587	1,976,971	2,034,131	1,728,692	1,512,883	2,034,131
Cash and cash equivalents at end of period	1,639,\$428	2,154,\$534	1,639,\$428	2,154,\$534	\$1,370,456	\$2,350,794
Taxes Paid:						
Income taxes	61,603	150,960	306,059	465,711	\$36,864	\$70,786

See accompanying notes to condensed consolidated financial statements.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.
AND SUBSIDIARIES

Condensed Consolidated Statements of Equity
(In thousands)
(Unaudited)

Common Stock		Common Stock					
Acc um ulat ed oth							
Ad diti ona		er co mp sha nco					
For the three months ended		I pai Sh Par d-in ear ive ers' ng eq					
September 30, 2023		ain ed Sh Par d-in ear ive ers' ng eq					
and 2022		reh ens Ret mp sha nco					
Balance at June 30, 2023		reh ens Ret mp sha nco					
2							
2, 1 4 7, 2 2 2		2, (1 5 5 2, 1 7 0					
5 5 8 ,							
2, 1, 5 8, 5, 2, 1 3 7 0							
\$ 2 \$ 2 \$ 1 \$ 1) \$ 2 \$ 2 \$ 4							
Shares issued under employee stock plans, net of tax withholding for net settlement							
6							
6							
1, 1, 8 4 1							

Shares			(
repurchased			3	
under		(2	(3	0
provisions of		(7	2	0
stock		(2	0,	,
repurchase		,5	7	1
plan		6	(2	6
		6	1	6
		6	2	6
		3)	5)	3)
		3)	8)	8)
		3)	—	—
		3)	6)	6)
		3)	—	—
Stock			1	
compensation		1	1	5
expense		5,	5,	,
		8	8	8
		7	7	7
		—	—	9
		—	—	—
Net earnings			1	
		1	1	7
		7	7	0
		1,	1,	,
		3	3	(5
		5	5	8
		5	1	4
		—	—	3
		—	—	0)
Other			(
comprehensive			1	
(loss) income		(1	(1	5
		5,	5,	,
		0	0	0
		5	5	3
		—	—	2
		—	—	7)

Balance at								2
September 30,								,
2023								
	2,	2,	4					
1	7	(2	4	9				
4	0	1	8	1				
5,	1,	1,	3,	9,	1,	,		
3	4	3	0	7	6	4		
8	5	8	6	8	9	7		
6	\$ 4	\$ —	\$ 6	\$ 0)	\$ 0	\$ 4	\$ 4	
Balance at								3
June 30, 2022								,
	3,	3,	5					
1	7	(1	5	3				
6	1	9	2	1	5			
2,	1,	7,	3,	5,	0,	,		
9	6	1	3	8	2	0	2	
3	2	3	1	3	4	1	6	
1	\$ 9	\$ 7	\$ 6	\$ 4)	\$ 8	\$ 5	\$ 3	

For the three months ended	March 31, 2024 and 2023	Accumulated							
		Additional		other		Total		Total	
		Par Shares	paid-in value	Retained capital	comprehensive earnings	shareholders' loss	equity	Noncontrolling interest	equity
Balance at									
December 31,									
2023		143,866	1,439	-	2,580,968	(192,057)	2,390,350	1,063	2,391,413
Shares issued									
under employee stock plans, net		6	6	1					
of tax	6	1,	1,	,					
withholding for	7	8	8	8					
net settlement	2	7	8	8					
	6	7	7	—	253	2	2,842	—	2,844
	—	—	—	—	—	—	—	—	2,844

Shares repurchased under provisions of stock repurchase plan	(9)	5)	1)	5)	—	1)	—	1)	(3,000)	(30)	(15,508)	(348,301)	—	(363,839)	—	(363,839)	
Stock compensation expense	—	—	5	—	—	5	—	5	—	—	—	12,372	—	—	12,372	—	12,372
Net earnings	—	—	—	9	—	9	7)	2	—	—	—	169,152	—	169,152	1,248	170,400	
Other comprehensive loss	—	—	—	—	—	5)	5)	2)	7)	—	—	—	(15,417)	(15,417)	(108)	(15,525)	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

Balance at								3
September 30,								,
2022								
	3,	3,			4			
1	7	(2	4		9			
5	3	5	8		1			
9,	1,	8,	8,	2,	9,	,		
1	5	1	6	1	1	2	3	
2	9	1	0	2	8	1	9	
8	\$ 1	\$ 8	\$ 0	\$ 9)	\$ 0	\$ 3	\$ 3	
	<u>=====</u>							
Dividends and								
dividend								
equivalents								
paid					—	—	294	(294)
Balance at					<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
March 31,								
2024					141,119	1,411	—	2,401,525
					<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Common								
Stock								
Acc								
um								
ulat								
ed								
oth								
Ad	er	Tot						
diti	co	al	No					
ona	Ret	mp	sha	nco				
For the nine	I	ain	reh	reh	ntr	Tot		
months ended	pai	ed	ens	old	olli	al		
September 30,	Sh	Par	d-in	ear	ive	ers'	ng	eq
2023	are	val	cap	nin	los	equ	inte	uit
and 2022	s	ue	ital	gs	s	ity	rest	y
	<u>=====</u>							

Stock				4								
compensation	4			4	6							
expense	6,			6,	,							
	9			9	9							
	6			6	6							
—	—	2	—	—	2	—	2	—	—	12,488	—	—
Net earnings				5								
	5			5	9							
	9			9	2							
	4,			4,	(1	,						
	1			1	,5	6						
	6			6	3	3						
—	—	—	4	—	4	0)	4	—	—			
Other				(
comprehensive				1								
loss	(1		(1		0							
	0,		0,		,							
	5		5	(2	7							
	0		0	9	9							
—	—	—	—	7)	7)	0)	7)	—	—			
Net earnings												
(loss)						—	—	—	226,011	—	226,011	(13)
Other												225,998
comprehensive												
income (loss)						—	—	—	—	12,055	12,055	(302)
Dividends and						(
dividend						1						
equivalents	(1		(1		0							
paid	0		0		2							
	1,	3,	2,		,							
	2	5	2		2							
	4	1	6		6							
—	—	8	1)	—	3)	—	3)	—	—	342	(342)	—
—	—	—	—	—	—	—	—	—	—	—	—	—

Shares			(
repurchased			1	
under			,	
provisions			(1	0
of stock			(1	0
repurchase			(9	,0
plans			0	1
			1	8
			8,	,
			4	1
			5	1
			2	0
			(9	0
			7	0
			3	0
			—	0
			9)	0
			5)	0
			2)	0
			9)	0
			—	0
			6)	0
			—	0
			6)	0
Stock			5	
compensation			5	1
expense			1,	,
			2	2
			9	9
			—	2
			6	6
Net earnings			1	
			,	
			1,	1
			1	4
			3	5
			8,	,7,
			1	,8
			2	7
			—	8
			3	6
			—	8
Other			(
comprehensive			1	
loss			(1	2
			2	9
			7,	,7,
			7	,5
			1	2
			1	6
			5)	9)
			5)	9)
			—	9)

Dividends and				(
dividend				1
equivalents	(1	(1	0	
paid	1	0	9	
	1, 0,	9,	,	
	1 9	8	8	
	6 9	2	2	
	— — 4 2)	— 8)	— 8)	
Distribution to				(
noncontrolling				(5
interest				5
	— — — — — —	— 3)	— 3)	
Balance at				3
September 30,				,
2022				
	3,	3,	4	
1	7	(2	4	9
5	3	5	8	1
9, 1,	8,	8,	2,	9,
1 5 1 6 1	1	1	2	3
2 9 1 0 2	8	1	9	
8 \$ 1 \$ 8 \$ 0 \$ 9)	\$ 0	\$ 3	\$ 3	
— — — — — —	— — — — — —	— — — — — —	— — — — — —	— — — — — —

See accompanying notes to condensed consolidated financial statements.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(In thousands, except per share data)

(Unaudited)

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

Expeditors International of Washington, Inc. (the Company) is a non-asset based provider of global logistics services operating through a worldwide network of offices and exclusive or non-exclusive agents. The Company's customers include retailing and wholesaling, electronics, high technology, industrial and manufacturing companies around the world.

The condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. As a result, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted. The Company believes that the disclosures made are adequate to make the information presented not misleading. The condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Form 10-K as filed with the Securities and Exchange Commission on **March 1, 2023** **February 23, 2024**.

All significant intercompany accounts and transactions have been eliminated in consolidation. All dollar amounts in the notes are presented in thousands except for per share data or unless otherwise specified. Certain prior year amounts have been reclassified to conform to the current year presentation including revisions to **of other income (expense)** in the condensed consolidated statement of **earnings to break out the components of other income, net** **earnings**.

B. Revenue Recognition

The Company derives its revenues by entering into agreements that are generally comprised of a single performance obligation, which is that freight is shipped for and received by the customer. Each performance obligation is comprised of one or more of the Company's services. The Company's three principal services are the revenue categories presented in the condensed consolidated statements of earnings: 1) airfreight services, 2) ocean freight and ocean services, and 3) customs brokerage and other services.

The Company typically satisfies its performance obligations as services are rendered over time. A typical shipment would include services rendered at origin, such as pick-up and delivery to port, freight services from origin to destination port and destination services, such as customs clearance and final delivery. The Company measures the performance of its obligations as services are completed over the life of a shipment, including services at origin, freight and destination. The Company fulfills nearly all of its performance obligations within a one to two month-period and contracts with customers have an original expected duration of less than one year. The Company satisfied nearly all performance obligations for the contract liabilities recorded as of **June 30, 2023** **December 31, 2023**.

The Company evaluates whether amounts billed to customers should be reported as revenues on a gross or net basis. Generally, revenue is recorded on a gross basis when the Company is primarily responsible for fulfilling the promise to provide the services, when it assumes the risk of loss, when it has discretion in setting the prices for the services to the customers, and when the Company has the ability to direct the use of the services provided by the third party. When

revenue is recorded on a net basis, the amounts earned are determined using a fixed fee, a per unit of activity fee or a combination thereof. For revenues earned in other capacities, for instance, when the Company does not issue a House Airway Bill (HAWB), a House Ocean Bill of Lading (HOBL) or a House **Seaway Bill** **Sea Waybill** or otherwise act solely as an agent for the shipper, only the commissions and fees earned for such services are included in revenues. In these transactions, the Company is not a principal and reports only the commissions and fees earned in revenues.

C. Leases

The Company determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. All ROU assets and lease liabilities are recognized at the commencement date at the present value of lease payments over the lease term. ROU assets are adjusted for lease incentives and initial direct costs. The lease term includes renewal options exercisable at the Company's sole discretion when the Company is reasonably certain to exercise that option. As the Company's leases generally do not have an implicit rate, the Company

uses an estimated incremental borrowing rate based on market information available at the commencement date to determine the present value. Certain of our leases include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease. The Company excludes variable payments from ROU assets and lease liabilities to the extent not considered fixed, and instead expenses variable payments as incurred. Lease expense is recognized on a straight-line basis over the lease term and is included in rent and occupancy expenses in the condensed consolidated statement of earnings.

Additionally, the Company elected to apply the short-term lease exemption for leases with a non-cancelable period of twelve months or less and has chosen not to separate non-lease components from lease components and instead to account for each as a single lease component.

D. Accounts Receivable

The Company's trade accounts receivable present similar credit risk characteristics and the allowance for credit loss is estimated on a collective basis, using a credit loss-rate method that uses historical credit loss information and considers the current economic environment. Additional allowances may be necessary in the future if changes in economic conditions are significant enough to affect expected credit losses. The Company has recorded an allowance for credit loss in the

amounts of \$5,724,6382 as of September 30, 2023 March 31, 2024 and \$9,466,6550 as of December 31, 2022 December 31, 2023. Additions and write-offs have not been significant in the periods presented.

E. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The Company uses estimates primarily in the following areas: accounts receivable valuation, accrual of costs related to ancillary services the Company performs, typically at the destination location, self-insured liabilities, accrual of various tax liabilities and accrual of loss contingencies, calculation of share-based compensation expense and estimates related to determining the lease term and discount rate when measuring ROU assets and lease liabilities.

F. Recent Accounting Pronouncements

Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Update (ASU) which makes improvements to reportable segment disclosures, by requiring, among other things, the disclosure in interim periods about a reportable segment's profit or loss and assets that are currently required annually, and disclosures of significant segment expenses and profit and loss measures provided to the chief operating decision maker. The ASU does not change how the Company identifies its operating segments. The Company expects to adopt this standard in its 2024 annual report on Form 10-K and for interim periods starting on January 1, 2025, including retrospective presentation to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this ASU on its segment disclosures and expects no impact on its consolidated financial statements, cash flows and financial condition.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued an ASU which expands income tax disclosures by requiring the disclosure, on an annual basis, of a tabular rate reconciliation using both percentages and currency amounts, broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, disclosure is required of income taxes paid, net of refunds received, disaggregated by federal, state/local, and foreign and by jurisdiction if the amount is at least 5% of total income tax payments, net of refunds received. This standard will become effective for the Company on January 1, 2025. The Company may apply this ASU prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU disclosures for the prior periods or may apply the amendments retrospectively by providing the revised disclosures for all period presented. The Company expects this ASU to only impact its disclosures with no impacts to its consolidated financial statements, cash flows and financial condition.

Note 2. Share-Based Compensation

The Company has historically granted the majority of its share-based awards during the second quarter of each fiscal year.

In the nine months ended September 30, 2023 and 2022, the Company awarded 342 and 345 restricted stock units (RSUs), respectively. The RSUs were granted at a weighted-average fair value of \$113.29 in 2023 and \$102.65 in 2022. The RSUs typically vest annually over 3 years based on continued employment and are settled upon vesting in shares of the Company's common stock on a one-for-one basis. The value of an RSU award is based on the Company's stock price on the date of grant. Additionally, in 2023 and 2022, 14 and 16 fully vested restricted shares were granted to non-employee directors, respectively.

The Company also awarded 78 and 84 performance stock units (PSUs) in 2023 and 2022, respectively. The PSUs were granted at a weighted-average fair value of \$113.24 in 2023 and \$102.65 in 2022. Outstanding PSUs include performance conditions to be finally measured at the end of 2023, 2024 and 2025. The final number of PSUs will be determined using an adjustment factor of up to 2 times or down to 0.5 of the targeted PSU grant. If the minimum performance thresholds are not achieved, no shares will be issued. Each PSU will convert to one share of the Company's common stock upon vesting.

The grant of employee stock purchase rights and the issuance of shares under the employee stock purchase plan are made in the third quarter of each fiscal year and 640 and 650 shares were issued in the three and nine months ended September 30, 2023 and 2022, respectively. The fair value of the employee stock purchase rights granted was \$31.56 and \$27.07 per share in 2023 and 2022, respectively.

The Company recognizes stock compensation expense based on the fair value of awards granted to employees and directors under the Company's Amended and Restated 2017 Omnibus Plan and employee stock purchase rights plans. This expense, adjusted for expected performance and forfeitures, is recognized in net earnings on a straight-line basis over the service periods as salaries and related costs on the condensed consolidated statements of earnings. RSUs and PSUs awarded to certain employees meeting specific retirement eligibility criteria at the time of grant are expensed immediately as there is no substantive service period associated with those awards.

Note 3. Income Taxes

U.S. corporate income tax laws and regulations include a territorial tax framework and provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes on foreign income are imposed on the excess of a deemed return on tangible assets of certain foreign subsidiaries, Base Erosion and Anti-Abuse Tax (BEAT) under which taxes are imposed on certain base eroding payments to affiliated foreign companies as well as U.S. income tax deductions for Foreign-derived intangible income (FDII). The Company treats GILTI as a discrete adjustment as a component of current income tax expense.

Earnings of the Company's foreign subsidiaries are not considered to be indefinitely reinvested outside of the United States.

The Company is subject to taxation in various states and many foreign jurisdictions including the People's Republic of China, including Hong Kong, Taiwan, Vietnam, India, Mexico, Brazil, Canada, Netherlands and the United Kingdom. The Company believes that its tax positions, including intercompany transfer pricing policies, are reasonable and consistent with established transfer pricing methodologies and norms. The Company is under, or may be subject to, audit or examination and assessments by the relevant authorities in respect to these and any other jurisdictions primarily for years 2009 and thereafter. Sometimes audits result in proposed assessments where the ultimate resolution could result in significant additional tax, penalties and interest payments being required. The Company establishes liabilities when, despite its belief that the tax filing positions are appropriate and consistent with tax law, it concludes that it may not be successful in realizing the tax position. In evaluating a tax position, the Company determines whether it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position and in consultation with qualified legal and tax advisors.

The total amount of the Company's tax contingencies may increase in **2023, 2024**. In addition, changes in state, federal, and foreign tax laws, including transfer pricing and changes in interpretations of these laws, may increase the Company's existing tax contingencies. The timing of the resolution of income tax examinations can be highly uncertain, and the amounts ultimately paid including interest and penalties, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts recorded. It is reasonably possible that within the next twelve months the Company or its subsidiaries will undergo further audits and examinations by various tax authorities and possibly may reach resolution related to income tax and indirect tax examinations in one or more jurisdictions. These assessments or settlements could result in changes to the Company's contingencies related to positions on tax filings in future years. The estimate of any ultimate tax liability contains assumptions based on experiences, judgments about potential actions by taxing jurisdictions as well as judgments about the likely outcome of issues that have been raised by the taxing jurisdiction. The Company cannot currently provide an estimate of the range of possible outcomes.

The Company recognizes interest expense related to unrecognized tax benefits or underpayment of income taxes in interest expense and recognizes penalties in operating expenses.

The Company's consolidated effective income tax rate was **26.3%** and **25.8%** **26.9%** for the three and nine months ended **September 30, 2023** **March 31, 2024**, as compared to **22.6%** and **24.4%** **24.8%** in the comparable periods period of **2022, 2023**. For the three and nine months ended **September 30, 2023** **March 31, 2024**, and **2022, 2023**, there was no BEAT expense and GILTI expense was insignificant. **All** **Though** both periods benefited from U.S. income tax deductions for FDII as well as available U.S. Federal foreign tax credits principally from withholding taxes related to **our foreign operations**, the **Company's** **Company** was negatively impacted by higher **foreign operations**. Proportionately, the 2022 benefits from **FDII** and **income tax expense** that exceeded available U.S. **Federal** foreign tax credits **exceeded** in the **2023 amounts** recorded for three months ended **March 31, 2024**, when compared to the **first nine months of same period in the prior year**. The Company has no liability as of **September 30, 2023** **March 31, 2024**, for the 15% corporate alternative minimum tax based on financial statement income (BMT), which became effective in 2023 in the U.S., under the Inflation Reduction Act. Some elements of the recorded impacts of the Inflation Reduction Act could be impacted by further legislative action as well

as additional interpretations and guidance issued by the Internal Revenue Service or Treasury which could impact the estimates of the amounts the Company would be required to record for BMT in the future.

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Note 4.3. Basic and Diluted Earnings per Share

Diluted earnings attributable to shareholders per share is computed using the weighted average number of common shares and dilutive potential common shares outstanding. Dilutive potential shares represent outstanding stock options, including purchase options under the Company's employee stock purchase plan, and unvested restricted stock units. Basic earnings attributable to shareholders per share is calculated using the weighted average number of common shares outstanding without taking into consideration dilutive potential common shares outstanding.

The following table reconciles the numerator and the denominator of the basic and diluted per share computations for earnings attributable to shareholders:

	Three months ended September 30,			Three months ended March 31,		
	Net earnings	Weighted average shares	Earnings per share	Net earnings attributable to shareholders	Weighted average shares	Earnings per share
2024						
Basic earnings attributable to shareholders				\$ 169,152	143,194	\$ 1.18
Effect of dilutive potential common shares				—	931	—
Diluted earnings attributable to shareholders				\$ 169,152	144,125	\$ 1.17

2023									
Basic earnings attributable to shareholders	171,35	147,				\$ 226,011	154,164	\$	1.47
\$ 3 099 \$ 1.16									
Effect of dilutive potential common shares	—	902	—			—	1,308		—
Diluted earnings attributable to shareholders	171,35	148,							
\$ 3 001 \$ 1.16									
	171,35	148,				\$ 226,011	155,472	\$	1.45
2022									
Basic earnings attributable to shareholders	414,20	162,							
\$ 9 029 \$ 2.56									
Effect of dilutive potential common shares	—	1	—						
Diluted earnings attributable to shareholders	414,20	163,							
\$ 9 250 \$ 2.54									
	414,20	163,				\$ 9 250	\$ 2.54		
Nine months ended September 30,									
	Net								
	earnings		Weight						
	attributab		ed						
	le to		averag		Earning				
	sharehold		e		s per				
	ers		shares		share				
2023									
Basic earnings attributable to shareholders	594,16	150,							
\$ 4 543 \$ 3.95									
Effect of dilutive potential common shares	—	6	—						
Diluted earnings attributable to shareholders	594,16	151,							
\$ 4 619 \$ 3.92									
	594,16	151,				\$ 4 619	\$ 3.92		
2022									
Basic earnings attributable to shareholders	1,138,	164,							
\$ 123 944 \$ 6.90									
	1,138,	164,				\$ 123 944	\$ 6.90		

Effect of dilutive potential common shares	—	1,45 4	—
Diluted earnings attributable to shareholders	1,138,	166,	
	\$ 123	398	\$ 6.84

For the three and nine months ended September 30, 2023, 818 Substantially all outstanding potential common shares as of March 31, 2024 and 2023 were excluded from the computation of diluted earnings per share because the effect would have been antidilutive. For the three and nine months ended September 30, 2022, 976 potential common shares were excluded from the computation of diluted earnings per share because the effect would have been antidilutive. dilutive.

Note 5.4. Shareholders' Equity

The Company has a Discretionary Stock Repurchase Plan approved by the Board of Directors that authorizes management to reduce issued and outstanding common stock. The Board of Directors last amended the plan on February 20, 2023 February 19, 2024 to authorize repurchases down from 150,000 140,000 to 140,000 130,000 shares. This authorization has no expiration date. During the nine three months ended September 30, 2023 March 31, 2024, there were 10,522 3,000 shares repurchased at an average price of \$113.97 120.17 per share, compared to 9,529 1,959 shares repurchased at an average price of \$106.84 108.98 during the same period in 2022, 2023.

Accumulated other comprehensive loss consisted entirely of foreign currency translation adjustments, net of related income tax effects, for all the periods presented.

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On Subsequent to the end of the first quarter of 2024, on May 1, 2023 6, 2024, the Board of Directors declared a semi-annual dividend of \$.69 .73 per share payable on June 15, 2023 to shareholders of record as of June 1, 2023. On May 2, 2022, the Board of Directors declared a semi-annual dividend of \$.67 per share payable on June 15, 2022 to shareholders of record as of June 1, 2022.

Subsequent to the end of the third quarter of 2023, on November 6, 2023, the Board of Directors declared a semi-annual dividend of \$0.69 per share payable on December 15, 2023 17, 2024 to shareholders of record as of December 1, 2023 June 3, 2024.

Note 6.5. Fair Value of Financial Instruments

The Company's financial instruments, other than cash, consist primarily of cash equivalents, accounts receivable, accounts payable and accrued expenses. The carrying value of these financial instruments approximates their fair value. All highly liquid investments with a maturity of three months or less at date of purchase are considered to be cash equivalents.

Cash and cash equivalents consist of the following:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Fair		Fair					
	Cost	Value	Cost	Value	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents:								
Cash and overnight deposits	669,8	669,8	1,038	1,038	\$ 651,078	\$ 651,078	\$ 601,207	\$ 601,207
Corporate commercial paper	906,5	907,6	977,8	978,3				
Time deposits and money market funds	05	45	87	25	660,933	661,574	854,929	856,033
	63,06	63,06	17,34	17,34				
	9	9	1	1	58,445	58,445	56,747	56,747
Total cash and cash equivalents	1,639	1,640	2,034	2,034	\$ 1,370,456	\$ 1,371,097	\$ 1,512,883	\$ 1,513,987

The fair value of corporate commercial paper and time deposits is based on the use of market interest rates for identical or similar assets (Level 2 fair value measurement).

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Note 7.6. Contingencies

The Company is involved in claims, lawsuits, government investigations, income and indirect tax audits and other legal matters that arise in the ordinary course of business and are subject to inherent uncertainties. Currently, in management's opinion and based upon advice from legal and tax advisors, none of these matters are expected to have a material effect on the Company's operations, cash flows or financial position. The changes in the amounts recorded for claims, lawsuits, government investigations and other legal matters are not significant to the Company's operations, cash flows or financial position. At this time, the Company is unable to estimate any additional loss or range of reasonably possible losses, if any, beyond the amounts recorded, that might result from the resolution of these matters.

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Note 8.7. Business Segment Information

The Company is organized functionally in geographic operating segments. Accordingly, management focuses its attention on revenues, directly related cost of transportation and other expenses for each of the Company's three primary sources of revenue, salaries and other operating expenses, operating income, identifiable assets, capital expenditures and equity generated in each of these geographical areas when evaluating the effectiveness of geographic management. Transactions among the Company's various offices are conducted using the same arms-length pricing methodologies the Company uses when its offices transact business with independent agents. Certain costs are allocated among the segments based on the relative value of the underlying services, which can include allocation based on actual costs incurred or estimated cost plus a profit margin.

Financial information regarding the Company's operations by geographic area is as follows:

MI D D O L T E H E E A R S N T, O A R F T LA RI C H TI C O A N N S A N UN M A O O E A S ITE E M RT UT U N ELI O D R E H H R D MI- LI- ST I RI A A O IN NA DA AT C C SI SI P DI TIO TE ES A A A A E A NS D										
	MIDDLE									
For the three months ended Septem ber 30, 2023:										
UNITED STATES NORTH AMERICA LATIN AMERICA NORTH ASIA SOUTH ASIA AND EUROPE ELIMI- INDIA CONSOL- NATIONS DATED										

For the
three
months
ended
March
31,
2024:

Revenue	2																			
S	,																			
	7	1	5	2	4	1	1													
	8	0	4	1	0	1	1	9												
	4	6	7	5	7	0	9	0												
	,	,	,	,	,	,	,	(1	,											
	5	2	3	3	0	9	8	,2	0											
	0	9	2	4	0	0	4	2	0											
	\$	3	3	7	0	6	4	9	1)	1	\$	751,543	106,850	44,492	544,941	227,719	398,317	134,106	(1,290)	2,206,678
Directly																				
related																				
cost of																				
transport																				
ation																				
and																				
other																				
expense																				
S1																				
	4	4	3	1	2	2	4	4	4	2										
	2	6	2	9	4	6	8	0												
	1	3	8	8	5	3	1	2												
	,	,	,	,	,	,	,	,												
	4	6	4	6	2	5	6	(5	1											
	3	7	0	8	9	2	4	4	1											
	\$	2	1	9	1	2	4	3	1)	1	\$	403,949	66,710	24,464	426,474	164,024	254,519	93,792	(652)	1,433,280
Salaries																				
and																				
other																				
operating																				
expense																				
S2																				
	2	6	3	1	6	4	2	2	7											
	1	8	6	6	2	0	7	1												
	,	,	,	,	,	,	,	,												
	3	2	4	5	1	4	3	(6	8											
	2	7	0	4	3	3	5	5	2											
	\$	3	5	5	6	8	6	1	3)	1	\$	255,708	33,084	16,764	67,260	40,912	117,088	28,464	(658)	558,622

For the
three
months
ended
Septem
ber 30,
2022:

For the
three
months
ended
March
31,
2023:

Revenue	2	1	1	7
S	,	,	,	,
	5 3 1 6 6 3 3			0
	3 2 5 0 3 8 8			2
	5 6 1 7 1 6 6			2
	,	,	,	(3
	9 3 9 7 0 2 5			,5 3
	4 9 9 8 0 8 2			9 4
	\$ 5 8 4 8 1 4 4			2) 2
Directly	1	1		4
related	,	,		,
cost of	3 2	2 4 9 2		5
transport	8 0 9 3 3 2 6			4
ation	7 1 0 8 7 4 1			0
and	,	,	,	(1
other	5 9 1 9 3 5 4			,7 3
expense	S1 1 8 3 9 9 8 0			9
	\$ 1 4 9 6 2 2 2 0)			6
Salaries				1
and				,
other	7 1 2 1 3			7
operating	8 0 5 0 3 7 8			4
expense	S2 5 8 2 5 2 3 5			1
	,	,	,	(1
	2 8 1 9 9 0 0 ,9			4
	8 9 7 7 8 0 0 0			1
	\$ 2 2 2 6 4 4 3 2)			1
Operatin	3	1		7
g income	6 1	6 6 8 4		4
	3 5 9 2 0 8 0			0
	,	,	,	,
	1 5 6 8 6 6 0			5
	5 2 8 1 2 8 3 1			3
	\$ 2 2 3 6 5 8 9 0			5

Identifiab	2								4
le assets	,								,
at period	5	2	1	5	2	7	2		5
end	7	0	1	1	1	2	6		7
	2	0	0	2	7	6	0	(2	8
	,	,	,	,	,	,	,	2,	,
	4	7	7	7	0	7	6	8	1
	0	1	0	4	1	2	1	1	2
	\$	4	1	8	6	8	9	9	4)
Capital	1								2
expendit	5		1		6	2			8
ures	,		,		,	,		,	,
	8	9	3	1	7	6	9		6
	2	3	6	1	4	8	3		0
	\$	9	2	0	0	4	8	7	—
Equity	1								2
	,								,
	7		2		1	1			4
	9	4	5	2	9	5	6		9
	7	6	4	5	1	4	1	(3	1
	,	,	,	,	,	,	,	9,	,
	1	2	0	2	7	6	8	4	4
	2	6	9	2	1	1	8	4	7
	\$	3	4	6	9	2	7	2	9)
									4
For the									
nine									
months									
ended									
Septem									
ber 30,									
2022:									

Revenue	1
\$ 3	3
,	,
7 3 1 8 7 8 8	6
5 9 9 4 7 7 1	2
1 0 1 0 6 1 1	9
,	(3)
1 2 9 8 3 5 1	2 7
0 2 0 2 5 0 4	9 5
\$ 2 0 0 2 5 9 7 9)	6
Directly	1
related	2
cost of	4
transport	1
ation	1
and	0
other	3
expense	2
\$1	1
,	0
3 2 1 0 4 3 6	1
0 3 1 5 6 3 4	5
3 0 8 4 3 5 7	1
,	(1)
4 1 7 3 1 2 5	3 3
2 5 9 1 7 6 1	1 3
\$ 8 4 3 9 3 7 0	2) 2
Salaries	1
and	,
other	9
operating	3
expense	1
\$2	9
,	8
6 8 4 2 2 3 1	8
2 6 2 6 1 3 1	3
,	(1)
8 3 6 7 6 9 4	8 7
1 2 5 6 3 7 8	9 5
\$ 7 8 4 7 4 1 1	3) 9

Operating income									1
									,
4		4	1	2					4
8	7	3	5	9	0	5			9
4	3	0	9	1	2	2			4
,	,	,	,	,	,	,			,
8	7	4	7	5	2	1			6
5	3	5	3	4	7	5	(9	6	
\$7	8	3	6	8	1	6	(4)	5	
Identifiable assets at period end									6
,									,
5	2	1	9	4	0	3			6
5	7	3	1	2	2	2			0
3	2	7	5	1	0	2	(3	7	
,	,	,	,	,	,	,	5,	,	
2	5	4	8	1	7	1	7	5	
7	2	7	9	4	5	6	1	2	
\$9	7	2	5	8	6	0	(1)	6	
Capital expenditures									6
,									,
5	2		1	1	3	3			8
1	6	7	8	1	3	5			4
4	7	0	7	5	4	9			9
\$9	2	5	8	2	3	9	—		8
Equity									3
,									,
4	1		3	1	2	1			4
3	2	5	0	8	8	4			9
0	9	9	4	0	9	0	(4	1	
,	,	,	,	,	,	,	3,	,	
6	3	4	4	8	5	1	1	3	
3	4	9	9	5	9	4	7	9	
\$2	6	4	6	5	5	7	(2)	3	

¹Directly related cost of transportation and other expenses totals operating expenses from airfreight services, ocean freight and ocean services and customs brokerage and other services as shown in the condensed consolidated statements of earnings.

²Salaries and other operating expenses totals salaries and related, rent and occupancy, depreciation and amortization, selling and promotion and other as shown in the condensed consolidated statements of earnings.

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Note 9. Cyber-Attack

In the first quarter of 2022, the Company was the subject of a targeted cyber-attack, which resulted in having to shut down most the Company's connectivity, operating and accounting systems globally for a period of approximately three weeks to manage the safety of its overall global systems environment.

For the nine months ended September 30, 2022, the Company incurred, as a result of its inability to timely process and move shipments through ports during the downtime, approximately \$55 million in estimated incremental demurrage charges, net of recoveries, where the Company has direct liability for this obligation. In the third quarter of 2022, the Company revised earlier estimates of these costs downward by \$7 million. These costs are recorded in customs brokerage and other services expenses.

The Company incurred investigation, recovery, and remediation expenses, including costs to recover its operational and accounting systems and to enhance cybersecurity protections. The Company also recorded estimated liabilities for potential shipment-related claims. For the nine months ended September 30, 2022, the total amount recorded for estimated potential shipment-related claims was approximately \$15 million. In the third quarter of 2022 the Company reduced the estimated liability for claims by approximately \$11 million. These costs are recorded in other operating expenses.

In the first three quarters of 2023, incremental charges recorded related to the cyber-attack were insignificant. Since the cyber-attack, the company incurred cumulative additional expenses of \$59 million, net of recoveries and adjustments to prior estimates, and experienced a loss of revenues that cannot be quantified as a result of this attack.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Safe Harbor for Forward-Looking Statements Under Private Securities Litigation Reform Act Of 1995; Certain Cautionary Statements

Certain portions of this report on Form 10-Q including the sections entitled "Overview," "Summary of ^{Third} _{First} Quarter 2023, 2024," "Industry Trends, Trade Conditions and Competition," "Seasonality," "Critical Accounting Estimates,"

"Results of Operations," "Income tax expense," "Currency and Other Risk Factors" and "Liquidity and Capital Resources" contain forward-looking statements. Words such as "will likely result," "expects," "are expected to," "would expect," "would not expect," "will continue," "is anticipated," "estimate," "project," "plan," "believe," "probable," "reasonably possible," "may," "could," "should," "would," "intends," "foreseeable future" or similar expressions are intended to identify such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, any statements that refer to projections of future financial performance, our anticipated growth and trends in the Company's businesses, signs of a slowing economy and drop in demand, future supply chain and transportation disruptions and other characterizations of disruptive events or circumstances are forward-looking statements. In addition, forward-looking statements are subject to certain risks and uncertainties, including risks associated with tax audits and other contingencies, that could cause actual results to differ materially from our historical experience and our present expectations or projections. These statements must be considered in connection with the discussion of the important factors that could cause actual results to differ materially from the forward-looking statements. Attention should be given to the risk factors identified and discussed in Part I, Item 1A in the Company's annual report on Form 10-K filed on **March 1, 2023** **February 23, 2024** and in Part II, Item 1A in this report. Management believes that these forward-looking statements are reasonable as of this filing date and we do not assume any obligations to update these statements except as required by law.

Overview

Expeditors International of Washington, Inc. (herein referred to as "Expeditors," the "Company," "we," "us," "our") provides a full suite of global logistics services. Our services include air and ocean freight consolidation and forwarding, customs brokerage, warehousing and distribution, purchase order management, vendor consolidation, time-definite transportation services, temperature-controlled transit, cargo insurance, specialized cargo monitoring and tracking, and other supply chain solutions. We do not compete for overnight courier or small parcel business. As a non-asset based carrier, we do not own or operate transportation assets.

We derive our revenues by entering into agreements that are generally comprised of a single performance obligation, which is that freight is shipped for and received by our customer. Each performance obligation is comprised of one or more of the Company's services. We typically satisfy our performance obligations as services are rendered over time. A typical shipment would include services rendered at origin, such as pick-up and delivery to port, freight services from origin to destination port and destination services, such as customs clearance and final delivery. Our three principal services are the revenue categories presented in our financial statements: 1) airfreight services, 2) ocean freight and ocean services, and 3) customs brokerage and other services. The most significant drivers of changes in gross revenues and related transportation expenses are volume, sell rates and buy rates. Volume has a similar effect on the change in both gross revenues and related transportation expenses in each of our three primary sources of revenue.

We generate the major portion of our air and ocean freight revenues by purchasing transportation services on a volume basis from direct (asset-based) carriers and then reselling that space to our customers. The rate billed to our customers (the sell rate) is recognized as revenues and the rate we pay to the carrier (the buy rate) is recognized in operating expenses as the directly related cost of transportation and other expenses. By consolidating shipments from

multiple customers and concentrating our buying power, we are able to negotiate favorable buy rates from the direct carriers, while at the same time offering lower sell rates than customers would otherwise be able to negotiate themselves.

In most cases, we act as an indirect carrier. When acting as an indirect carrier, we issue a House Airway Bill (HAWB), a House Ocean Bill of Lading (HOBL) or a House **Seaway Bill** **Sea Waybill** to customers as the contract of carriage. In turn, when the freight is physically tendered to a direct carrier, we receive a contract of carriage known as a Master Airway Bill for airfreight shipments and a Master Ocean Bill of Lading for ocean shipments.

Customs brokerage and other services involve providing services at destination, such as helping customers clear shipments through customs by preparing and filing required documentation, calculating, and providing for payment of duties and other taxes on behalf of customers as well as arranging for any required inspections by governmental agencies, and import services such as arranging for local pick up, storage and delivery at destination. These are complicated functions requiring technical knowledge of customs rules and regulations in the multitude of countries in

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which we have offices. We also provide other value-added services at destination, such as warehousing and distribution, time-definitive transportation services and consulting.

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We manage our company along five geographic areas of responsibility: Americas; North Asia; South Asia; Europe; and Middle East, Africa and India (MAIR). Each area is divided into sub-regions that are composed of operating units with individual profit and loss responsibility. Our business involves shipments between operating units and typically touches more than one geographic area. The nature of the international logistics business necessitates a high degree of communication and cooperation among operating units. Because of this inter-relationship between operating units, it is very difficult to examine any one geographic area and draw meaningful conclusions as to its contribution to our overall success on a stand-alone basis.

Our operating units share revenue using the same arms-length pricing methodologies that we use when our offices transact business with independent agents. Certain costs are allocated among the segments based on the relative value of the underlying services, which can include allocation based on actual costs incurred or estimated cost plus a profit margin. Our strategy closely links compensation with operating unit profitability, which includes shared revenues and allocated costs. Therefore, individual success is closely linked to cooperation with other operating units within our network. The mix of services varies by segment based primarily on the import or export orientation of local operations in each of our regions.

Summary of **Third **First** Quarter 2023 2024**

The significant impacts are discussed within "Results of Operations" and summarized below.

- Volumes transacted in all airfreight and ocean freight services were down compared to continued softening customer demand from a slowdown in the global economy and international trade as customers' inventory levels remain high. 2023.
- Average buy and sell rates have continued declining are lower than in the first quarter of 2023 as available capacity for transportation exceeded continues to exceed demand.
- As a result of volume and rate trends above, revenues and expenses in airfreight and ocean services were significantly down compared to the third first quarter of 2022 and lower than the first two quarters of 2023.
- As port congestion has cleared our customs brokerage and other services benefited from lower costs.
- Net earnings to shareholders decreased 13% 25% from the second first quarter of 2023 and 59% increased 7% from the third fourth quarter of 2022. 2023.
- Cash from operations was \$190 million \$257 million and we returned \$298 million \$361 million to shareholders in common stock repurchases.

Industry Trends, Trade Conditions and Competition

We operate in over 60 countries in the competitive global logistics industry and our activities are closely tied to the global economy. International trade is influenced by many factors, including economic and political conditions in the United States and abroad, currency exchange rates, laws and policies relating to tariffs, trade restrictions, foreign investment and taxation. Periodically, governments consider a variety of changes to tariffs and impose trade restrictions and accords. Currently, the United States and China have increased concerns affecting certain imports and exports and have implemented are considering additional tariffs. We cannot predict the outcome of changes in tariffs, or interpretations, and trade restrictions and accords and the effects they will have on our business. As governments implement restrictions on imports and exports, manufacturers may change sourcing patterns, to the extent possible, and, over time, may shift manufacturing to other countries. Doing business in foreign locations also subjects us to a variety of risks and considerations not normally encountered by domestic enterprises. In addition to being influenced by governmental policies and inter-governmental disputes concerning international trade, our business may also be negatively affected by political developments and changes in government personnel or policies in the United States and other countries, as well as economic turbulence, political unrest and security concerns in the nations and on the trade shipping lanes in which we conduct business and the future impact that these events may have on international trade, oil prices and security costs. We do not have employees, assets, or operations in Russia, Ukraine, Israel, the Gaza Strip or the West Bank. While limited, any shipment activity is conducted with independent agents in those countries in compliance with all applicable trade sanctions, laws and regulations.

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Our ability to provide services to our customers is highly dependent on good working relationships with a variety of entities, including airlines, ocean carrier lines and ground transportation providers, as well as governmental agencies. We select and engage with best-in-class, compliance-focused, efficiently run, growth-oriented partners, based upon defined value elements and are intentional in our relationship and performance management activity, reinforcing success by awarding service providers who consistently achieve at the highest levels with additional business. We consider our current working relationships with these entities to be satisfactory. However, changes in the financial stability and operating capabilities and capacity of asset-based carriers, capacity allotments available from carriers, governmental regulation or deregulation efforts, modernization of the regulations governing customs brokerage, and/or changes in governmental restrictions, quota restrictions or trade accords could affect our business in unpredictable ways. When the market experiences seasonal peaks or any sort of disruption, the carriers often increase their pricing suddenly. This carrier behavior creates pricing volatility that could impact Expeditors' ability to maintain historical unitary profitability.

The global economic and trade environments remain uncertain, including inflation remaining higher than historical levels, greater volatility in oil prices, rising interest rates and the conflicts in the Middle East and Ukraine. Starting in the second quarter of 2022 and continuing through the first nine months most of 2023, we saw a slowdown in the global economy and a softening of customer demand resulting in declines in average buy and sell rates. As demand softened and port congestions cleared, shortages of labor and equipment eased resulting in excess carrier capacity remains soft, available transportation capacity over continues to exceed demand. These conditions could result in further declines in average sell and buy rates in 2023. We also expect that pricing volatility will continue as carriers adapt to lower demand, changing fuel prices, security risks and react to governmental trade policies and other regulations. Additionally, we cannot predict the direct or indirect impact that further changes in and purchasing behavior, such as online shopping, could have on our business. Some customers have begun shifting manufacturing to other countries in response to governments implementing higher tariffs on imports, to reduce their supply chain risks, and in response to pandemic disruptions or geopolitical risks, which could negatively impact us.

Seasonality

Historically, our operating results have been subject to seasonal demand trends with the first quarter being the weakest and the third and fourth quarters being the strongest; however, there is no assurance that this seasonal trend will occur in the future or to what degree it will be impacted by a slowing economy. This historical pattern has been the result of, or influenced by, numerous factors, including weather patterns, national holidays, consumer demand, new product launches, just-in-time inventory models, economic conditions, pandemics, governmental policies and inter-governmental disputes and a myriad of other similar and subtle forces. In addition, this historical quarterly trend has been influenced by the growth and diversification of our international network and service offerings.

A significant portion of our revenues is derived from customers in the retail and technology industries whose shipping patterns are tied closely to consumer demand, and from customers in industries whose shipping patterns are dependent

upon just-in-time production schedules. Therefore, the timing of our revenues is, to a large degree, impacted by factors out of our control, such as a sudden change in consumer demand for retail goods, changes in trade tariffs, product launches, disruptions in supply-chains and/or manufacturing production delays. Additionally, many customers ship a significant portion of their goods at or near the end of a quarter and, therefore, we may not learn of a shortfall in revenues until late in a quarter.

To the extent that a shortfall in revenues or earnings was not expected by securities analysts or investors, any such shortfall from levels predicted by securities analysts or investors could have an immediate and adverse effect on the trading price of our stock. We cannot accurately forecast many of these factors, nor can we estimate accurately the relative influence of any particular factor and, as a result, there can be no assurance that historical patterns will continue in future periods.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and judgments. We base our estimates on historical experience and on assumptions that we believe are reasonable. Our critical accounting estimates are discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed on March 1, 2023 February 23, 2024 to the critical accounting estimates previously disclosed in that report.

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Results of Operations

The following table shows the revenues, the directly related cost of transportation and other expenses for our principal services and our overhead expenses for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, including the respective percentage changes comparing 2023 2024 and 2022, 2023.

The table and the accompanying discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes thereto in this quarterly report.

(in thousands)	Three months ended September 30,			Nine months ended September 30,		
			Percentage			Percentage
	2023	2022	change	2023	2022	change

Airfreight services:							
Revenues	\$ 724,331	\$ 1,480,955	(51)%	\$ 2,380,405	\$ 4,682,076	(49)%	
Expenses	516,519	1,104,812	(53)	1,707,568	3,459,861	(51)	
Ocean freight services and ocean services:							
Revenues	560,281	1,684,579	(67)	1,851,389	5,420,471	(66)	
Expenses	387,670	1,343,355	(71)	1,277,159	4,345,963	(71)	
Customs brokerage and other services:							
Revenues	905,389	1,196,612	(24)	2,790,548	3,527,209	(21)	
Expenses	497,922	746,106	(33)	1,555,669	2,345,508	(34)	
Overhead expenses:							
Salaries and related costs	412,505	499,341	(17)	1,290,911	1,546,503	(17)	
Other	159,316	141,609	13	450,500	437,256	3	
Total overhead expenses	571,821	640,950	(11)	1,741,411	1,983,759	(12)	
Operating income	216,069	526,923	(59)	740,535	1,494,665	(50)	
Other income, net	15,822	7,933	99	58,117	20,178	188	
Earnings before income taxes	231,891	534,856	(57)	798,652	1,514,843	(47)	
Income tax expense	61,048	120,694	(49)	206,018	368,975	(44)	
Net earnings	170,843	414,162	(59)	592,634	1,145,868	(48)	
Less net (losses) earnings attributable to the noncontrolling interest	(510)	(47)	985	(1,530)	7,745	(120)	
Net earnings attributable to shareholders	\$ 171,353	\$ 414,209	(59)%	\$ 594,164	\$ 1,138,123	(48)%	

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(in thousands)	Three months ended March 31,			Percentage change
	2024		2023	
	Revenue	Expense	Revenue	
Airfreight services:				
Revenues	\$ 759,374	\$ 904,903	(16)%	
Expenses	537,591	666,022	(19)	
Ocean freight services and ocean services:				
Revenues	570,786	697,307	(18)	
Expenses	413,983	483,682	(14)	
Customs brokerage and other services:				
Revenues	876,518	990,379	(11)	

Expenses	481,706	569,398	(15)
Overhead expenses:			
Salaries and related costs	413,162	449,848	(8)
Other	145,460	147,670	(1)
Total overhead expenses	558,622	597,518	(7)
Operating income	214,776	275,969	(22)
Other income, net	18,406	24,609	(25)
Earnings before income taxes	233,182	300,578	(22)
Income tax expense	62,782	74,580	(16)
Net earnings	170,400	225,998	(25)
Less net earnings (losses) attributable to the noncontrolling interest	1,248	(13)	
Net earnings attributable to shareholders	\$ 169,152	\$ 226,011	(25)%

Airfreight services:

Airfreight services revenues and expenses decreased 51% 16% and 53% 19%, respectively, during the three months ended September 30, 2023 March 31, 2024, as compared with the same period in 2022, 2023, due to 48% 22% and 49% 24% decreases in average sell and buy rates, respectively, and offset by a 14% decrease in tonnage. Airfreight services revenues and expenses decreased 49% and 51%, respectively, during the nine months ended September 30, 2023, as compared with the same period in 2022, due to 47% decreases in both average sell and buy rates and an 12% decrease 4% increase in tonnage. Average sell rates decreased as a result of lower buy rates driven by declining market rates. Buy rates declined as due to residual impacts from supply chain congestion cleared, shippers are shifting back to using ocean shipments in the first quarter of 2023 and as available capacity exceeds pre-pandemic levels while demand continued continues to soften. Volumes were lower exceed demand. Tonnage improved in 2023 2024 as a result of softening increased market demand and uncertainty compared to a slow first quarter in the economy 2023.

Average sell and buy rates decreased in almost all regions with most significant decreases on exports out of North Asia, America, South Asia and Middle East, Africa and India Europe during the three and nine months ended September 30, 2023 March 31, 2024 due to excess available capacity over demand. Tonnage decreased in almost all regions due to softening demand with the largest decrease coming from The tonnage increase was driven by exports out of North South Asia, Europe and North America. North Asia tonnage declined 18% and 20% and North America tonnage declined 17% and 9% during the three and nine months ended September 30, 2023, respectively. Compared to the second quarter 2023, airfreight services revenues and expenses declined 4% and 2%, respectively, primarily due to lower average rates partially offset by a 5% increase in tonnage. Air carriers continue to add flights to meet strong passenger travel demand and freighter capacity remains high creating a supply and demand imbalance which results in continued pressure on rates. India.

The historically high average buy and sell rates caused by the pandemic and unprecedented supply chain disruptions which contributed to the growth in our revenues, expenses and operating income in 2021 and 2022 have dissipated as supply chains operations normalized. Buy rates and sell rates have been declining since stabilized in the second fourth quarter of 2023 as compared to 2021 and 2022 as supply chain operations normalized. However, seasonal demand, impact from disruptions in the ocean market due to security concerns and could further decline variable demand for airfreight capacity from e-commerce business cause volatility in 2023 if capacity remains higher than demand, average buy rates on certain lanes. Additionally, continued uncertainty in the economy including inflationary pressure the impacts of inflation and rising interest rates together with the attractiveness of declining attractive ocean transportation rates are expected to continue to negatively affect demand for airfreight services which could further reduce our volumes, volumes or average sell rates. These conditions could result in further decrease decreases in our revenues, expenses and operating income. We are unable to predict how these uncertainties and any future disruptions will affect our future operations or financial results. results prospectively.

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Ocean freight and ocean services:

Ocean freight consolidation, direct ocean forwarding, and order management are the three basic services that constitute and are collectively referred to as ocean freight and ocean services. Ocean freight and ocean services revenues and expense decreased 67% 18% and 66% 14%, respectively, while expenses decreased 71% for the three and nine months ended September 30, 2023 March 31, 2024 as compared with the same periods period in 2022, 2023. The largest component of our ocean freight and ocean services revenue is derived from ocean freight consolidation, which represented 66% 65% and 86% 71% of ocean freight and ocean services revenue for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Ocean freight consolidation revenues and expenses decreased 76% 25% and 78% 18%, respectively for the three months ended September 30, 2023 March 31, 2024, as compared with the same period in 2022, 2023, primarily due to 72% 26% and 74% 20% decreases in average sell and buy rates, respectively, and offset by a 15% decrease 2% increase in containers shipped. Ocean freight consolidation revenues Revenue and expenses expense per container decreased 74% and 77%, respectively, for the nine months ended September 30, 2023, as compared with the same period in 2022, primarily a result of excess capacity as demand remained soft due to 68% uncertainty in the economy. As supply chain congestion cleared and 71% decreases in average sell and buy rates, respectively, and an 18% decrease in containers shipped. High fuel prices, congestion at ports due to labor, truck and equipment shortages and disrupted sailing schedules resulted in high excess available capacity exceeded demand, average buy rates continued to decline throughout 2023. Sell rate reductions exceeded buy rate declines in the first three quarters of 2022.

Starting in the second half of 2022, as demand softened, port congestion cleared and shortages of labor and equipment at ports eased, this resulted in available capacity from carriers that exceeded demand. These factors drove a sharp decline in average buy rates starting in the fourth quarter of 2022 which continued through the first nine months of 2023. Compared to the second quarter 2023, ocean freight consolidation revenues and expenses decreased 12% and 10%, respectively, due to declining average rates. Average sell and buy rates decreased all regions to adjust to market conditions. Containers shipped decreased as compared Demand is expected to 2022 as demand softened, customer inventory levels remained high remain soft which could result in lower buy and there are uncertainties in the global economy. We also experienced exceptionally high ocean freight consolidation volumes in 2022 from customers transferring from direct carrier shipping due to lack of available capacity. In 2023 customers have reverted back to utilizing direct carrier shipping as capacity became available.

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sell rates.

North Asia ocean freight and ocean services revenues decreased 73% and 75%, respectively, while directly related expenses decreased 76% increased 4% and 79% 11%, respectively, for the three and nine months ended September 30, 2023 March 31, 2024, compared to the same period in 2023, primarily due to decreases in average sell and buy rates, and decreases a 7% increase in containers shipped of 17% and 22%, respectively. South Asia ocean freight and ocean services revenues decreased 72% and 76%, respectively, while directly related expenses decreased 76% and 80% for the three and nine months ended September 30, 2023, primarily due to decreases in average sell and buy rates, and decreases in containers shipped of 17% and 21%, respectively shipped.

Direct ocean freight forwarding revenues decreased 13% and 6%, respectively, while expenses decreased 18% 12% and 12% 11%, respectively, for the three and nine months ended September 30, 2023 March 31, 2024, principally due to lower volumes and decreases in lower rates for ancillary services costs. As congestion at ports cleared, costs declined. in the United States. Order management revenues decreased 9% and 28% while expenses decreased 12% increased 17% and 34% 16%, respectively, for the three and nine months ended September 30, 2023 March 31, 2024, due to decreases increases in volumes from customers as demand softened, retail inventory levels remained high new and also due to lost customers caused by the cyber-attack. Our ability to provide order management services in the first half of 2022 was significantly affected by limited system connectivity during the downtime caused by the cyber-attack. existing customers.

The historically high average buy and sell rates caused by the pandemic and unprecedented supply chain disruptions which contributed to the growth in our revenues, expenses and operating income in 2021 and 2022 have significantly declined as supply chains operations normalized. Buy rates and sell rates started declining in the second half of 2022, decreased sharply beginning in the fourth quarter of 2022 and through the first nine months of 2023. As global economic conditions remain uncertain and carriers add new vessels, available capacity may continue to exceed demand and may further depress sell and buy rates for the remainder of 2023 and into 2024. We also expect that pricing volatility will continue as carriers adapt to fluctuations in fuel prices, new regulations, security risks and manage available capacity. As

customers seek lower pricing and react to governmental trade policies and other regulations, this could result in further decreases in our revenues and operating income.

Customs brokerage and other services:

Customs brokerage and other services revenues decreased 24% and 21% 11% and expenses decreased 33% and 34% 15% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared with the same periods period in 2022, 2023, primarily due to declining shipments from a slowdown demand for ancillary services, principally in the economy. Expenses also decreased for the nine months ended September 30, 2023 due to the impact of the cyber-attack which resulted in additional expenses in the first half of 2022. North America.

During the nine months ended 2022, as a result of our inability to timely process and move shipments through ports during the downtime caused by the cyber-attack, we directly incurred approximately \$55 million in incremental demurrage charges that were not recoverable from customers. Additionally, import Import services including charges at ports such as detention, drayage, terminal charges and delivery charges decreased significantly in 2023 as congestion at ports cleared compared to high levels in the first half quarter of 2022. Import services revenues and expenses could decline further in 2023 that still had residual effects from the remainder of 2023.

supply chain congestion. Road freight, warehousing and distribution services also declined also due to lower volumes and decreased trucking, storage and labor costs. While customers continue to value our brokerage services due to changing tariffs and increasing complexity in the declaration process, some customers opt are opting to using use multiple customs brokerage service providers to reduce their risk. Customers continue to seek knowledgeable customs brokers with sophisticated computerized capabilities critical to an overall logistics management program that are necessary to rapidly respond to changes in the regulatory and security environment. Additionally, as Should international trade slows, slow, volumes shipped and pricing could further negatively impact our revenues and expenses.

North America revenues decreased 31% and 27%, respectively, and directly related expenses decreased 43%, respectively, for the three and nine months ended September 30, 2023, as compared with the same period in 2022, primarily as a result of declining shipments and significant decrease in detention, drayage, terminal and delivery charges. Additionally, \$51 million in demurrage charges related to the downtime caused by the cyber-attack also contributed to higher expenses for the nine months ended September 30, 2022.

Overhead expenses:

Salaries and related costs decreased 17% 8% for both the three and nine months ended September 30, 2023 March 31, 2024, as compared with the same periods period in 2022, 2023, principally due to decreases in commissions and bonuses earned from lower revenues and operating income. While income and a 7% decrease in headcount, decreased 8% partially offset by increases in 2023, base salaries and benefits remained flat primarily due to inflationary conditions.

Historically, the relatively consistent relationship between salaries and operating income has been the result of a compensation philosophy that has been maintained since the inception of our company: offer a modest base salary and the opportunity to share in a fixed and determinable percentage of the operating profit of the business unit controlled by each key employee. Using this compensation model, changes in individual incentive compensation occur in proportion to changes in our operating income, creating an alignment between branch and corporate performance and shareholder interests.

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Our management compensation programs have always been incentive-based and performance driven. Total bonuses to field and executive management for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, decreased **43%** **22%** when compared to the same period in **2022**, **2023**, primarily due to the **22%** decrease in operating income.

Because our management incentive compensation programs are also cumulative, generally no management bonuses can be paid unless the relevant business unit is, from inception, cumulatively profitable. Any operating losses must be offset in their entirety by operating profits before management is eligible for a bonus. Executive management, in limited circumstances, makes exceptions at the branch operating unit level. Since the most significant portion of management compensation comes from the incentive bonus programs, we believe that this cumulative feature is a disincentive to excessive risk taking by our managers. The outcome of any higher risk transactions, such as overriding established credit limits, would be known in a relatively short time frame. Management believes that when the potential and certain impact on the bonus is fully considered in light of the short operating cycle of our services, the potential for short-term gains that could be generated by engaging in risky business practices is sufficiently mitigated to discourage excessive and inappropriate risk taking. Management believes that both the stability and the long-term growth in revenues, operating income and net earnings are a result of the incentives inherent in our compensation programs.

Other overhead expenses **increased 13%** **decreased 1%**, or **\$18 million** **\$2 million** for the three months ended **September 30, 2023** **March 31, 2024**, as compared with the same period in **2022**. This increase in **2023** is primarily a result of **\$14 million** in expenses related to indirect tax and other contingencies compared to a recovery of **\$11 million** in the third quarter **2022** of costs incurred earlier in the year as a result of the cyber-attack. For the nine months ended **September 30, 2023**, other overhead expenses increased **3%**, or **\$13 million** due to increases in **certain operational** **rent and technology** **related expenses** **including renting additional space, investments** were offset by **\$7 million** in **technology**, and the **\$14 million** **expense related to lower** **indirect tax and other contingencies** incurred in **2023** compared to **\$15 million** in **incremental costs** in **2022** related to the **cyber-attack**. **taxes**.

So long as the economic environment remains uncertain, we will be focused on aligning headcount and our overhead expenses commensurate with our transactional volumes. We expect to continue to enhance the effectiveness and security

of our systems and deploy additional protection technologies and processes which will result in increased expenses in the future. We will also continue to make important investments in people, processes and technology, as well as to invest in our strategic efforts to explore new areas for profitable growth.

Income tax expense:

Our consolidated effective income tax rate was 26.3% and 25.8% 26.9% for the three and nine months ended September 30, 2023 March 31, 2024, as compared to 22.6% and 24.4% 24.8% in the comparable periods period of 2022, 2023. For the three and nine months ended September 30, 2023 March 31, 2024, and 2022, 2023, there was no BEAT expense and GILTI expense was insignificant. All Though both periods benefited from U.S. income tax deductions for FDII as well as available U.S. Federal foreign tax credits principally from withholding taxes related to our foreign operations. Proportionately, the 2022 benefits from FDII and operations, we were negatively impacted by higher foreign income tax expense that exceeded available U.S. Federal foreign tax credits exceeded in the 2023 amounts recorded for three months ended March 31, 2024, when compared to the first nine months of same period in the prior year. We have no liability as of September 30, 2023 March 31, 2024, for the 15% corporate alternative minimum tax based on financial statement income (BMT), which became effective in 2023 in the U.S., under the Inflation Reduction Act. Some elements of the recorded impacts of the Inflation Reduction Act could be impacted by further legislative action as well as additional interpretations and guidance issued by the Internal Revenue Service or Treasury which could impact the estimates of the amounts we would be required to record for BMT in the future.

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Currency and Other Risk Factors

The nature of our worldwide operations necessitates transacting in a multitude of currencies other than the U.S. dollar. That exposes us to the inherent risks of volatile international currency markets and governmental interference. Some of the countries where we maintain offices and/or have agency relationships maintain strict currency control regulations that influence our ability to hedge foreign currency exposure. We try to compensate for these exposures by accelerating international currency settlements among our offices and agents. We may enter into foreign currency hedging transactions where there are regulatory or commercial limitations on our ability to move money freely around the world or the short-term financial outlook in any country is such that hedging is the most time-sensitive way to mitigate short-term exchange losses. Any such hedging activity during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023 was insignificant. We had no foreign currency derivatives outstanding at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. For the three months ended September 30, 2023 March 31, 2024, net foreign currency losses gains were less than \$1 million approximately \$7 million compared to net foreign currency gains losses of approximately \$9 million \$3 million in the same period in 2022. During the nine months ended September 30, 2023, net foreign currency losses were approximately \$6 million compared to net foreign currency gains of approximately \$17 million in the same period in 2022. 2023.

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Historically, our business has not been adversely affected by inflation. However, starting Beginning in 2021 and continuing in 2022 and 2023, through 2024, many countries including the United States experienced increasing levels of inflation. In 2022, As a result our business experienced continues to experience rising labor costs, significant service provider rate increases, higher rent and occupancy and other expenses. While buy rates for freight transportation capacity started declining in the second half of 2022, purchase prices for labor and other expenditures have continued to increase throughout 2023. Due to the high degree of competition in the marketplace we may not be able to increase our prices to our customers to offset this inflationary pressure, which could lead to an erosion in our margins and operating income in the future. Conversely, raising our prices to keep pace with inflationary pressure may result in a decrease in volume and customer demand for our services. As we are not required to purchase or maintain extensive property and equipment and have not otherwise incurred substantial interest rate-sensitive indebtedness, we currently have limited direct exposure to increased costs resulting from increases in interest rates.

There is uncertainty as to how future regulatory requirements and volatility in oil prices will continue to impact future buy rates. Because fuel is an integral part of carriers' costs and impacts both our buy rates and sell rates, we would expect our revenues and costs to be impacted as carriers adjust rates for the effect of changing fuel prices. To the extent that future fuel prices increase, and we are unable to pass through the increase to our customers, fuel price increases could adversely affect our operating income.

Liquidity and Capital Resources

Our principal source of liquidity is cash and cash equivalents and cash generated from operating activities. Net cash provided by operating activities for the three and nine months ended September 30, 2023 March 31, 2024 was \$190 million and \$895 million \$257 million as compared with \$670 million and \$1,643 million \$546 million for the same periods period in 2022, 2023. The decreases decrease of \$480 million and \$748 million \$289 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, were was primarily due to lower net earnings and changes to in working capital, attributable to principally as a slowdown result of the excess of customer collections over customer billings in operations and declining sell and buy rates. the first quarter of 2023. At September 30, 2023 March 31, 2024, working capital was \$1,845 million \$1,547 million, including cash and cash equivalents of \$1,639 million \$1,370 million. Other than our recorded lease liabilities, we had no long-term obligations or debt at September 30, 2023 March 31, 2024. Management believes that our current cash position and operating cash flows will be sufficient to meet our capital and liquidity requirements for at least the next 12 months and thereafter for the foreseeable future, including meeting any contingent liabilities related to standby letters of credit and other obligations.

As a customs broker, we make significant cash advances for a select group of our credit-worthy customers. These cash advances are for customer obligations such as the payment of duties and taxes to customs authorities in various

countries throughout the world. Increases in duty rates could result in increases in the amounts we advance on behalf of our customers. Cash advances are a “pass through” and are not recorded as a component of revenue and expense. The billings of such advances to customers are accounted for as a direct increase in accounts receivable from the customer and a corresponding increase in accounts payable to governmental customs authorities. As a result of these “pass through” billings, the conventional Days Sales Outstanding or DSO calculation does not directly measure collection efficiency. For customers that meet certain criteria, we have agreed to extend payment terms beyond our customary terms. Management believes that it has established effective credit control procedures, and historically has experienced relatively insignificant collection problems.

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Our business historically has been subject to seasonal fluctuations, and this is expected to continue in the future. Cash flows fluctuate as a result of this seasonality. Historically, the first quarter shows an excess of customer collections over customer billings. This results in positive cash flow. The increased activity associated with periods of higher demand (typically commencing late second or early third quarter and continuing well into the fourth quarter) causes an excess of customer billings over customer collections. This cyclical growth in customer receivables consumes available cash. However, there is no assurance that this seasonal trend will occur in the future or to what degree it will continue to be impacted in 2023 by the softening of the global economy.

Cash used in investing activities for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$8 million and \$29 million as compared with \$17 million and \$69 million for the same periods in 2022, \$10 million, primarily for capital expenditures. Capital expenditures in the three and nine months ended September 30, 2023 March 31, 2024 were primarily related to continuing investments in building and leasehold improvements and technology and facilities equipment. Total anticipated capital expenditures in 2023 2024 are currently estimated to be \$45 million \$100 million. This includes routine capital expenditures, leasehold and building improvements and investments in technology.

Cash used in financing activities during the three and nine months ended September 30, 2023 March 31, 2024 was \$229 million and \$1,247 million \$375 million as compared with \$429 million and \$1,048 million \$227 million for the same periods period in 2022, 2023. We use the proceeds from stock option exercises and available cash to repurchase our common stock on the open market to reduce outstanding shares. During the three and nine months ended September 30, 2023 March 31, 2024, we used cash to repurchase 2.6 million and 10.5 million 3.0 million shares of common stock, respectively, compared to 4.5 million and 9.5 million 2.0 million shares of common stock during the same periods period in 2022, 2023.

We follow established guidelines relating to credit quality, diversification and maturities of our investments to preserve principal and maintain liquidity. Historically, our investment portfolio has not been adversely impacted by disruptions occurring in the credit markets. However, there can be no assurance that our investment portfolio will not be adversely affected in the future.

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We cannot predict what further impact ongoing uncertainties in the global economy, inflation, rising interest rates, and political conflicts and uncertainty, may have on our operating results, freight volumes, pricing, amounts advanced on behalf of our customers, changes in consumer demand, carrier stability and capacity, customers' abilities to pay or changes in competitors' behavior.

We maintain international unsecured bank lines of credit for short-term working capital purposes. A few of these credit lines are supported by standby letters of credit issued by a United States bank or guarantees issued by the Company to the foreign banks issuing the credit line. At September 30, 2023 March 31, 2024, borrowings under these credit lines were \$50 \$35 million and we were contingently liable for \$66 million \$85 million from standby letters of credit and guarantees. The standby letters of credit and guarantees primarily relate to obligations of our foreign subsidiaries for credit extended in the ordinary course of business by direct carriers, primarily airlines, and for duty and tax deferrals available from governmental entities responsible for customs and value-added-tax (VAT) taxation. The total underlying amounts due and payable for transportation and governmental excises are properly recorded as obligations in the accounting records of the respective foreign subsidiaries, and there would be no need to record additional expense in the unlikely event the parent company is required to perform.

We have lease arrangements primarily for office and warehouse space in all districts where we conduct business. As of September 30, 2023, we had fixed lease payment obligations of \$670 million, with \$127 million payable within 12 months.

We typically enter into unconditional purchase obligations with asset-based providers (generally short-term in nature) reserving space on a guaranteed basis. The pricing of these obligations varies to some degree with market conditions. We only enter into agreements that management believes we can fulfill. In the regular course of business, we also enter into agreements with service providers to maintain or operate equipment, facilities or software that can be longer than one year. We also regularly have contractual obligations for specific projects related to improvements of our owned or leased facilities and information technology infrastructure. Purchase obligations outstanding as of September 30, 2023 totaled \$117 million.

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Our foreign subsidiaries regularly remit dividends to the U.S. parent company after evaluating their working capital requirements and funds necessary to finance local capital expenditures. In some cases, our ability to repatriate funds from foreign operations may be subject to foreign exchange controls. At September 30, 2023 March 31, 2024, cash and cash equivalent balances of \$602 million \$573 million were held by our non-United States subsidiaries, of which \$6 million \$12 million was held in banks in the United States. Earnings of our foreign subsidiaries are not considered to be indefinitely reinvested outside of the United States.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks are primarily related to foreign exchange risk and changes in short-term interest rates. The potential impact of our exposure to these risks is presented below:

Foreign Exchange Risk

We conduct business in many different countries and currencies. Our business often results in billings issued in a country and currency that differs from that where the expenses related to the service are incurred. In the ordinary course of business, we create numerous intercompany transactions and may have receivables, payables and currencies that are not denominated in the local functional currency. This brings foreign exchange risk to our earnings. The principal foreign exchange risks to which Expeditors is exposed include Chinese Yuan, Indian Rupee, Euro, Mexican Peso, Canadian Dollar and British Pound.

Foreign exchange rate sensitivity analysis can be quantified by estimating the impact on our earnings as a result of hypothetical changes in the value of the U.S. dollar, our functional currency, relative to the other currencies in which we transact business. All other things being equal, an average 10% weakening of the U.S. dollar, throughout the ~~nine~~ three months ended ~~September 30, 2023~~ ~~March 31, 2024~~, would have had the effect of raising operating income by approximately ~~\$43 million~~ ~~\$14 million~~. An average 10% strengthening of the U.S. dollar, for the same period, would have the effect of reducing operating income by approximately ~~\$35 million~~ ~~\$11 million~~. This analysis does not take into account changes in shipping patterns based upon this hypothetical currency fluctuation. For example, a weakening in the U.S. dollar would be expected to increase exports from the United States and decrease imports into the United States over some relevant period of time, but the exact effect of this change cannot be quantified without making speculative assumptions.

We currently do not use derivative financial instruments to manage foreign currency risk and only enter into foreign currency hedging transactions in limited locations where regulatory or commercial limitations restrict our ability to move money freely. Any such hedging activity throughout the three and nine months ended ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~2022~~ ~~2023~~ was insignificant. For the three months ended ~~September 30, 2023~~ ~~March 31, 2024~~, net foreign currency losses/gains were ~~less than \$1 million~~ ~~approximately \$7 million~~ compared to approximately ~~\$9 million~~ ~~\$3 million~~ of net gains/losses during the same period in ~~2022~~. During the nine months ended ~~September 30, 2023~~ ~~March 31, 2024~~ net foreign currency losses were approximately ~~\$6 million~~ compared to net foreign currency gains of approximately ~~\$17 million~~ during the same period in ~~2022~~ ~~2023~~. We had no foreign currency derivatives outstanding at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ ~~December 31, 2023~~. We instead follow a policy of accelerating international currency settlements to manage foreign exchange risk relative to intercompany billings. As of ~~September 30, 2023~~ ~~March 31, 2024~~, we had approximately ~~\$48 million~~ ~~\$62 million~~ of net unsettled intercompany transactions. The majority of intercompany billings are resolved within 30 days.

Interest Rate Risk

At ~~September 30, 2023~~ ~~March 31, 2024~~, we had cash and cash equivalents of ~~\$1,639 million~~ ~~\$1,370 million~~ of which ~~\$970 million~~ ~~\$719 million~~ was invested at various short-term market interest rates. We had no long-term debt at ~~September 30, 2023~~ ~~March 31, 2024~~. A hypothetical change in the interest rate of 10 basis points at ~~September 30, 2023~~ ~~March 31,~~

2024 would not have a significant impact on our earnings. In management's opinion, there has been no material change in our interest rate risk exposure in the third first quarter of 2023. 2024.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report due to a material weakness weaknesses in internal control over financial reporting that was were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Management concluded that unauthorized changes to custom databases could have gone undetected as a control to review and authorize direct changes to databases that support several key operational and accounting systems excluded certain database changes from review, and as such did not operate effectively as designed. In addition, the system logic used to record direct database changes excluded certain changes from being captured within the change logs used as the basis for population of the manual review. These control deficiencies related to personnel without specific training and experience to fulfill internal control responsibilities related to information technology general controls over custom databases resulting in an ineffective information and communication process that identifies and assesses the source of and controls necessary to ensure the reliability of information used in financial reporting. As a consequence of these control deficiencies, the Company concluded that it did not effectively design, implement and operate process-level controls across its financial reporting processes.

In light of the material weaknesses, management performed additional analysis and other procedures to ensure that our consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, management believes that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Remediation

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, we are have taken steps to remediate the identified material weaknesses, including:



- Increasing the number of qualified personnel involved in the remediation process and the design and implementation of IT controls;
- Performing supplemental procedures and implementing certain enhancements designed to strengthen IT program change management processes. We continue to conduct processes;
- Conducting supplemental review procedures around for direct database changes until the improvements are fully in place. place and operating;
- Improving entity wide risk assessments conducted to identify relevant process risk points, IT systems and the information used in the operation of controls; and
- Conducting additional training relative to information technology in the operation of controls.

The **weakness** material weaknesses will not be considered fully remediated, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The We expect that necessary enhancements and remediation of this these material **weakness** may weaknesses will be completed prior to the end of 2023, in 2024.

Changes in Internal Controls

Except for on-going remediation related to the material **weakness** identified in the quarter ended December 31, 2022, weaknesses, there were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We are developing a new accounting system, which is being implemented on a worldwide basis over the next several years. This system is expected to improve the efficiency of certain financial and transactional processes and reporting. This transition affects the processes that constitute our internal control over financial reporting and requires testing for operating effectiveness.

Our management has confidence in our internal controls and procedures. Nevertheless, our management, including Expeditors' Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all of our control issues and instances of fraud, if any, have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Expeditors is involved in claims, lawsuits, government investigations, income and indirect tax audits and other legal matters that arise in the ordinary course of business and are subject to inherent uncertainties. Currently, in management's opinion and based upon advice from legal and tax advisors, none of these matters are expected to have a material effect on our operations, cash flows or financial position. As of **September 30, 2023** **March 31, 2024**, the amounts recorded for claims, lawsuits, government investigations and other legal matters are not significant to our operations, cash flows or financial position. At this time, we are unable to estimate any additional loss or range of reasonably possible losses, if any, beyond the amounts recorded, that might result from the resolution of these matters.

Item 1A. Risk Factors

In addition to the other information set forth in this report, careful consideration should be given to the risk factors under Item 1A Risk Factors in our Annual Report on Form 10-K filed on **March 1, 2023** **February 23, 2024**. There have been no material changes in Expeditors' risk factors from those disclosed under Item 1A Risk Factors in our annual report on Form 10-K filed on **March 1, 2023**, except for the following: **February 23, 2024**.

Global economic uncertainty impacted trade and could affect demand for our services or the financial stability of our service providers, customers and financial institutions. **21**

Unfavorable economic conditions, rising interest rates and high inflation could result in lower freight volumes, reduced sell rates, higher operating expenses and may adversely affect Expeditors' revenues, operating results and cash flows. These conditions, should they occur for an extended period of time, could adversely affect our customers, service providers and the stability of financial institutions. Should our customers' ability to pay deteriorate, additional credit losses may be incurred.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased as part of publicly announced plans			Total number of shares that may yet be purchased under the plans
	Total number of shares purchased	Average price paid per share	part of publicly announced plans	yet be purchased under the plans
July 1-31, 2023	-	-	-	7,896
August 1-31, 2023	731	\$ 116.22	731	7,549
September 1-30, 2023	1,832	116.32	1,832	5,386
Total	2,563	\$ 116.29	2,563	5,386

Period	Total number of shares purchased as part of publicly announced plans			Total number of shares that may yet be purchased under the plans
	Total number of shares purchased	Average price paid per share	part of publicly announced plans	yet be purchased under the plans
January 1-31, 2024	-	-	-	3,888
February 1-29, 2024	992	\$ 118.11	992	13,122
March 1-31, 2024	2,008	121.19	2,008	11,119
Total	3,000	\$ 120.17	3,000	11,119

In November 2001, Expeditors' Board of Directors authorized a Discretionary Stock Repurchase Plan for the purpose of repurchasing our common stock in the open market to reduce the issued and outstanding stock down to 200 million outstanding shares. Subsequently, the Board of Directors has from time to time increased the amount of our common stock that may be repurchased. On February 20, 2023 February 19, 2024, the Board of Directors last authorized repurchases from 150 million 140 million shares of common stock down to 140 million 130 million outstanding shares of common stock. The maximum number of shares available for repurchase under this plan will increase as the total number of outstanding shares increases. This authorization has no expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

- (a) Not applicable.
- (b) Not applicable.
- (c) During the quarterly period ended **September 30, 2023** **March 31, 2024**, no director or officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement.

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Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K.

Exhibit	
Number	Description
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE **Inline XBRL Taxonomy Extension Presentation Linkbase Document**

104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, has been formatted in Inline XBRL.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXPEDITORS INTERNATIONAL OF
WASHINGTON, INC.

November 8, 2023 May 9, 2024

/s/ JEFFREY S. MUSSER

Jeffrey S. Musser, President, Chief Executive
Officer and Director

November 8, 2023 May 9, 2024

/s/ BRADLEY S. POWELL

Bradley S. Powell, Senior Vice President and
Chief Financial Officer

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EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Jeffrey S. Musser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Expeditors International of Washington, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the

registrant's internal control over financial reporting.

Date: November 8, 2023 May 9, 2024

/s/ JEFFREY S. MUSSER

Jeffrey S. Musser

President, Chief Executive Officer and Director

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Bradley S. Powell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Expeditors International of Washington, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
- d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurs during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 8, 2023** **May 9, 2024**

/s/ BRADLEY S. POWELL

Bradley S. Powell

Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Expeditors International of Washington, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Jeffrey S. Musser, President, Chief Executive Officer and Director, and Bradley S. Powell, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2023 **May 9, 2024**

/s/ JEFFREY S. MUSSER

Jeffrey S. Musser

President, Chief Executive Officer and Director

November 8, 2023 **May 9, 2024**

/s/ BRADLEY S. POWELL

Bradley S. Powell

Senior Vice President and Chief Financial Officer

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