

July 31, 2014

Summary of Consolidated Earnings Report for the First Quarter of Fiscal Year Ending March 31, 2015 (Japanese GAAP)

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

Listed stock exchanges: Tokyo

Code: **9062**(URL <http://www.nipponexpress.com> (English))(URL <http://www.nittsu.co.jp> (Japanese))

Representative: President, CEO

Kenji Watanabe

Scheduled date for release of Quarterly Financial Report: August 14, 2014

Scheduled date of dividend payment: —

Availability of supplementary briefing material on quarterly financial results: Available

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

(1) Consolidated Business Results

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Three Months Ended Jun. 30, 2014	452,984	10.8	9,199	14.5	12,018	8.7	4,710	(31.3)
Three Months Ended Jun. 30, 2013	408,795	2.4	8,032	(3.7)	11,052	(1.9)	6,858	34.4

(Note) Comprehensive income:

Three Months Ended Jun. 30, 2014: ¥4,057 million [(78.9%)] Three Months Ended Jun. 30, 2013: ¥19,197 million [161.2%]

	Net income per share	Diluted net income per share
Three Months Ended Jun. 30, 2014	¥ 4.59	—
Three Months Ended Jun. 30, 2013	6.63	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Jun. 30, 2014	1,357,395	507,590	36.4
As of Mar. 31, 2014	1,377,443	509,954	36.0

(Reference) Equity: As of Jun. 30, 2014: ¥493,603 million As of Mar. 31, 2014: ¥495,881 million

2. Dividends Information

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year End	Yearly
Fiscal Year Ended Mar. 31, 2014	¥ —	¥ 5.00	¥ —	¥ 5.00	¥ 10.00
Fiscal Year Ending Mar. 31, 2015	—				
Fiscal Year Ending Mar. 31, 2015 (Forecast)		5.00	—	5.00	10.00

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

3. Forecast of Consolidated Financial Results for FY2014 (from April 1, 2014 to March 31, 2015)

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim of year	900,000	7.7	20,000	14.6	24,000	7.2	16,000	114.9	15.60
Full year	1,870,000	6.7	45,000	10.1	53,000	5.7	30,000	13.9	29.24

(Note) Revision of consolidated results forecast from recently announced figures: No

*Notes

- (1) Significant changes of subsidiaries during the period under review (affecting specific subsidiaries due to changes in scope of consolidation): No
- (2) Adoption of special accounting treatment for preparing Quarterly Consolidated Financial Statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and corrections of errors
 - 1) Changes in accounting policies due to the revision of accounting standards, etc.: Yes
 - 2) Any changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Corrections of errors: No

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

1) Total number of issued shares at end of period (including treasury stock)	As of Jun. 30, 2014	1,062,299,281 shares	As of Mar. 31, 2014	1,062,299,281 shares
2) Total number of treasury stocks at end of period	As of Jun. 30, 2014	36,454,838 shares	As of Mar. 31, 2014	36,445,417 shares
3) Average number of shares during period	Three months ended Jun. 30, 2014	1,025,847,134 shares	Three months ended Jun. 30, 2013	1,035,028,270 shares

*Status of execution of the quarterly review of financial statements

Because this Consolidated Earnings Report is not subject to the review of the quarterly financial statements under the Financial Instruments and Exchange Act, the procedures for said review were not completed at the time of disclosing this report.

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

The forward-looking statements and other results forecasts stated herein are based on the information available at the time this report was prepared and on certain assumptions considered to be reasonable. Accordingly, actual business performance may differ significantly from forecasts due to a number of factors. Please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information" on page 3 for the use of preconditions of the financial forecasts and the use of the forecasts.

Nippon Express Co., Ltd. is planning to hold a conference call for institutional investors and analysts on July 31, 2014. Materials provided shall be posted on the Company's website immediately after the session.

Disclaimer:

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

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

In any legal matter, readers should refer to and rely upon the original Japanese text released July 31, 2014.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the three months ended June 30, 2014, the Japanese economy saw a moderate recovery trend amid continuing improvement in corporate profits and increases in capital investment among other factors, despite a rebound decline, mainly in personal consumption, following the last-minute rise in demand before the increase in the consumption tax. In the field of logistics, against the backdrop of these economic conditions, although consumer-related freight and construction-related freight declined temporarily, production-related freight remained steady and demand for transportation showed a tendency to pick up overall.

In this business environment, during the three months ended June 30, 2014, in the Distribution & Transportation segment, domestic companies of the Nippon Express Group recorded a year on year decrease in revenues in Marine & Harbor Transportation but recorded a year on year increase in revenues in the segments of Combined Business, Security Transportation, Heavy Haulage & Construction and Air Freight Forwarding. Meanwhile, overseas companies posted a year on year increase in revenues in each segments of the Americas, Europe, East Asia, and South Asia & Oceania due to factors such as favorable air freight cargo and the effect of exchange rates. With regard to the Goods Sales segment, revenues increased year on year due to factors such as the rise in the petroleum sales unit price, and the Other segment recorded a year on year increase in revenues due to factors such as the addition of a new consolidated subsidiary. As a result, revenues increased by ¥44.1 billion, or 10.8% year on year, to ¥452.9 billion, while ordinary income increased by ¥0.9 billion, or 8.7% year on year, to ¥12.0 billion. Net income decreased by ¥2.1 billion or 31.3% year on year, to ¥4.7 billion due to factors such as the record of allowance for class action lawsuit filed in the United States.

(2) Explanation of Financial Position

Total assets as at the end of the first quarter ended June 30, 2014 amounted to ¥1,357.3 billion, a decrease of ¥20.0 billion or 1.5% from the end of the previous fiscal year.

Current assets amounted to ¥626.9 billion, a decrease of ¥20.0 billion or 3.1% from the end of the previous fiscal year, while noncurrent assets totaled ¥730.4 billion, more or less the same as the end of the previous fiscal year.

The primary factors behind the decrease in current assets were decrease in cash and cash in banks, etc.

Current liabilities decreased by ¥29.9 billion or 6.8% from the end of the previous fiscal year to ¥ 407.5 billion, while noncurrent liabilities increased ¥12.2 billion or 2.8% to ¥442.2 billion from the end of the previous fiscal year.

The decrease in current liabilities was primarily due to the decrease in accounts payable—trade, etc.

The increase in noncurrent liabilities was mainly attributable to the increases in net retirement benefit liability and long-term loans payable, etc.

Net assets amounted to ¥507.5 billion at the end of the first quarter ended June 30, 2014, a decrease of ¥2.3 billion or 0.5%.

This was attributable to the decrease in foreign currency translation adjustments, etc.

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

At present, there are no changes to the forecasts of financial results for the fiscal year ending March 31, 2015, announced on May 8, 2014.

The Group will continue to study the performance forecasts going forward, and will make a prompt disclosure in the event that any revisions need to be made regarding the financial results forecasts.

2. Matters Related to Summary Information (Notes)

(1) Significant Changes of Subsidiaries during the Period under Review

Not applicable.

(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements

Calculation of Tax Expenses

Tax expenses are calculated by reasonably estimating the effective tax rate following application of tax effect accounting to income before income taxes and minority interests for the consolidated fiscal year, which includes the first quarter ended June 30, 2014, and multiplying income before income taxes and minority interests by said estimated effective tax rate.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

(Changes in Accounting Policies)

With regard to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; the "Guidance on Retirement Benefits"), the Company has applied provisions set forth in Paragraph 35 of the Retirement Benefits Accounting Standard and Paragraph 67 of the Guidance on Retirement Benefits effective from the first quarter ended June 30, 2014. Under the new policy, the Company reviewed the method of calculating retirement benefit obligation and service cost, and, in regard to the method to determine the discount rate, changed from the use of the period approximate to the expected average remaining working years of employees to the use of a single weighted average discount rate reflecting the estimated timing of benefit payment and its amount for each estimated timing, mainly as the period of maturity of bond used as assumptions in determining the discount rate.

The Retirement Benefits Accounting Standard, etc., are being applied transitionally as set forth in Paragraph 37 of the Retirement Benefits Accounting Standard. At the beginning of the first quarter ended June 30, 2014, the amount of effect of the change in the method of calculating retirement benefit obligation and service cost is stated as increase or decrease in retained earnings.

As a result of this change, net retirement benefit liability increased by ¥2,825 million and retained earnings decreased by ¥1,819 million at the beginning of the first quarter ended June 30, 2014. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the first quarter ended June 30, 2014 is immaterial.

(4) Supplementary Information

(Allowance for class action lawsuit filed in the United States)

In March 2009, the Company was handed down a cease and desist order from the Japan Fair Trade Commission for the reason of violation of the Antimonopoly Act regarding fuel surcharges on international airfreight forwarding.

To provide for possible future loss on a class action lawsuit filed in the United States due to this incident, the Company recorded the amount estimated at this point at ¥3,315 million as "allowance for class action lawsuit filed in the United States."

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	FY2013 (as of March 31, 2014)	First Quarter of FY2014 (as of June 30, 2014)
ASSETS		
Current assets:		
Cash and cash in banks	186,297	166,188
Notes receivable—trade	14,540	14,415
Accounts receivable—trade	273,330	266,318
Inventories	8,722	7,626
Other	165,468	173,685
Less: allowance for doubtful accounts	(1,289)	(1,252)
Total current assets	647,069	626,981
Noncurrent assets:		
Property and equipment		
Vehicles, net	22,032	21,444
Buildings, net	244,122	241,569
Land	174,248	174,175
Other, net	65,340	65,260
Net property and equipment	505,745	502,450
Intangible assets		
Goodwill	16,982	16,199
Other	42,224	41,474
Total intangible assets	59,206	57,674
Investments and other assets		
Investment securities	112,713	117,175
Other	53,856	54,237
Less: allowance for doubtful accounts	(1,146)	(1,124)
Total investments and other assets	165,423	170,289
Total noncurrent assets	730,374	730,414
Total assets	1,377,443	1,357,395
LIABILITIES		
Current liabilities:		
Notes payable—trade	8,024	7,226
Accounts payable—trade	153,390	133,789
Short-term loans payable	46,813	48,485
Income taxes payable	17,063	5,055
Provision for bonuses	20,281	8,227
Allowance for class action lawsuit filed in the United States	—	3,315
Other provisions	200	76
Other	191,674	201,339
Total current liabilities	437,449	407,516
Noncurrent liabilities:		
Bonds payable	65,000	65,000
Long-term loans payable	204,037	209,804
Other provisions	1,419	1,374
Net retirement benefit liability	126,951	133,670
Other	32,631	32,438
Total noncurrent liabilities	430,040	442,288
Total liabilities	867,489	849,804

(Unit: Millions of yen)

	FY2013 (as of March 31, 2014)	First Quarter of FY2014 (as of June 30, 2014)
NET ASSETS		
Shareholders' equity:		
Common stock	70,175	70,175
Additional paid-in capital	26,908	26,908
Retained earnings	417,869	416,288
Less: treasury stock	(17,353)	(17,358)
Total shareholders' equity	497,599	496,013
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	40,077	43,177
Deferred gains (losses) on hedges	3	(26)
Foreign currency translation adjustments	3,829	994
Remeasurements of retirement benefit plans	(45,628)	(46,555)
Total accumulated other comprehensive income	(1,717)	(2,409)
Minority interests	14,072	13,987
Total net assets	509,954	507,590
Total liabilities and net assets	1,377,443	1,357,395

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2013 (from April 1, 2013 to June 30, 2013)	Three months ended Jun. 30, 2014 (from April 1, 2014 to June 30, 2014)
Revenues	408,795	452,984
Operating costs	381,344	423,120
Gross profit	27,450	29,863
Selling, general and administrative expenses:	19,418	20,664
Operating income	8,032	9,199
Non-operating income:		
Interest income	164	157
Dividends income	1,415	1,308
Equity in earnings of affiliates	111	25
Other	2,526	2,522
Total non-operating income	4,217	4,013
Non-operating expenses:		
Interest expenses	761	741
Other	436	452
Total non-operating expenses	1,198	1,193
Ordinary income	11,052	12,018
Extraordinary income:		
Gain on sales of noncurrent assets	1,183	279
Gain on sales of investment securities	137	108
Other	2	7
Total extraordinary income	1,323	395
Extraordinary loss:		
Loss on disposal of noncurrent assets	440	910
Loss on valuation of investment securities	24	1
Provision for allowance for class action lawsuit filed in the United States	-	3,315
Other	111	106
Total extraordinary loss	576	4,334
Income before income taxes and minority interests	11,798	8,080
Income taxes	4,711	3,258
Income before minority interests	7,086	4,821
Minority interests	228	111
Net income	6,858	4,710

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2013 (from April 1, 2013 to June 30, 2013)	Three months ended Jun. 30, 2014 (from April 1, 2014 to June 30, 2014)
Income before minority interests	7,086	4,821
Other comprehensive income:		
Valuation differences on available-for-sale securities	5,192	3,101
Deferred gains (losses) on hedges	18	(29)
Foreign currency translation adjustments	6,662	(2,809)
Remeasurements of defined benefit plans	-	(944)
Share of other comprehensive income of affiliates accounted for using the equity method	237	(83)
Other comprehensive income	12,110	(764)
Comprehensive income	19,197	4,057
(Comprehensive income attributable to)		
Shareholders of Nippon Express	18,720	4,018
Minority interests	476	39

(3) Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

Not applicable.

(Notes in Cases Where There are Significant Changes in Amount of Shareholders' Equity)

Not applicable.

4. Reference Materials

(1) Financial Results of Reportable Segment

(Unit: Millions of yen, %)

			Three months ended		Change			
			Jun. 30, 2014	Jun. 30, 2013	Amount	Ratio		
Revenues	Reportable Segment	Distribution & Transportation	Domestic Companies	Combined Business	180,928	174,889	6,039	3.5
				Security Transportation	13,812	13,674	138	1.0
				Heavy Haulage & Construction	12,784	9,368	3,415	36.5
				Air Freight Forwarding	44,332	43,574	758	1.7
				Marine & Harbor Transportation	29,280	33,891	(4,611)	(13.6)
				Subtotal	281,138	275,398	5,740	2.1
			Overseas Companies	The Americas	18,293	15,869	2,423	15.3
				Europe	19,749	16,365	3,383	20.7
				East Asia	23,052	19,612	3,440	17.5
				South Asia & Oceania	13,912	11,518	2,393	20.8
			Subtotal	75,006	63,365	11,641	18.4	
			Total	356,145	338,763	17,381	5.1	
			Goods Sales	102,193	91,433	10,760	11.8	
			Other	26,696	9,163	17,533	191.3	
			Subtotal	485,035	439,361	45,674	10.4	
Adjustment	(32,051)	(30,565)	(1,485)	—				
Total	452,984	408,795	44,189	10.8				
Segment Income (Operating Income)	Reportable Segment	Distribution & Transportation	Domestic Companies	Combined Business	[1.4] 2,576	[1.3] 2,321	255	11.0
				Security Transportation	[2.4] 326	[2.3] 316	9	3.1
				Heavy Haulage & Construction	[4.5] 577	[5.4] 502	75	15.1
				Air Freight Forwarding	[1.5] 662	[2.5] 1,089	(426)	(39.2)
				Marine & Harbor Transportation	[5.2] 1,521	[6.2] 2,117	(595)	(28.1)
				Subtotal	[2.0] 5,664	[2.3] 6,346	(681)	(10.7)
			Overseas Companies	The Americas	[5.1] 929	[1.7] 271	657	242.1
				Europe	[2.4] 481	[0.7] 110	371	337.2
				East Asia	[1.5] 334	[1.0] 203	131	64.9
				South Asia & Oceania	[2.1] 293	[1.7] 193	100	51.9
			Subtotal	[2.7] 2,039	[1.2] 778	1,261	162.0	
			Total	[2.2] 7,704	[2.1] 7,124	579	8.1	
			Goods Sales	[1.5] 1,560	[1.1] 1,017	542	53.3	
			Other	[0.9] 241	[1.5] 138	102	73.9	
			Subtotal	[2.0] 9,506	[1.9] 8,281	1,225	14.8	
Adjustment	(307)	(249)	(58)	—				
Total	[2.0] 9,199	[2.0] 8,032	1,167	14.5				

(Note) Figures in brackets indicate Operating Margins.

(2) Summary of Non-consolidated Statements of Income

(Unit: Millions of yen, %)

		Three months ended		Three months ended		Change		
		Jun. 30, 2014	% in Sales	Jun. 30, 2013	% in Sales	Amount	Ratio	
Revenues	Railway utilization transportation	20,130	7.7	20,075	7.9	54	0.3	
	Motor transportation	Combined delivery services	20,059	7.7	19,844	7.8	215	1.1
		Chartered truck services	66,904	25.6	65,958	25.8	945	1.4
		Subtotal	86,963	33.3	85,803	33.6	1,160	1.4
	Marine and harbor transportation	Marine transportation	18,741	7.2	18,271	7.1	470	2.6
		Harbor transportation	14,023	5.4	14,460	5.7	(437)	(3.0)
		Subtotal	32,764	12.6	32,731	12.8	32	0.1
		(Exports)	[15,744]	—	[15,623]	—	[121]	[0.8]
		(Imports)	[10,220]	—	[10,492]	—	[(272)]	[(2.6)]
	(Domestic)	[6,799]	—	[6,616]	—	[183]	[2.8]	
	Warehousing	28,093	10.8	28,114	11.0	(21)	(0.1)	
	Air transportation	International air freight	23,743	9.1	23,970	9.4	(227)	(0.9)
		(Exports)	[18,408]	—	[19,221]	—	[(813)]	[(4.2)]
		(Imports)	[5,335]	—	[4,748]	—	[586]	[12.4]
		Domestic air freight	9,541	3.7	9,135	3.5	405	4.4
	Subtotal	33,285	12.8	33,106	12.9	178	0.5	
	Heavy haulage & construction	15,651	6.0	11,516	4.5	4,134	35.9	
Incidental operations and others	44,156	16.8	44,372	17.3	(215)	(0.5)		
Total	261,046	100.0	255,721	100.0	5,325	2.1		
(Domestic operation-related revenues)	[203,768]	78.1	[200,441]	78.4	[3,327]	[1.7]		
(Overseas-related revenues)	[57,277]	21.9	[55,279]	21.6	[1,998]	[3.6]		
Operating expenses	Employment costs	Drivers/workers	29,691	11.4	29,312	11.5	379	1.3
		Office personnel	33,820	13.0	33,693	13.2	127	0.4
		Subtotal	63,512	24.4	63,005	24.7	506	0.8
	Forwarding costs	Railway	10,400	4.0	10,466	4.1	(66)	(0.6)
		Marine	6,527	2.5	5,984	2.3	542	9.1
		Air	10,017	3.8	10,873	4.3	(855)	(7.9)
		Subtotal	26,945	10.3	27,324	10.7	(378)	(1.4)
	Vehicle chartering and subcontracting costs	109,082	41.8	104,518	40.9	4,563	4.4	
	Depreciation and amortization	7,140	2.7	6,992	2.7	148	2.1	
	Facility usage charges	18,020	6.9	18,013	7.0	6	0.0	
Other	30,829	11.8	30,361	11.8	467	1.5		
Total	255,529	97.9	250,215	97.8	5,314	2.1		
Operating income	5,516	2.1	5,505	2.2	11	0.2		
Non-operating income	4,470	1.7	3,738	1.4	731	19.6		
Non-operating expenses	915	0.3	1,066	0.4	(150)	(14.1)		
Ordinary income	9,071	3.5	8,177	3.2	893	10.9		
Extraordinary income	357	0.1	287	0.1	69	24.1		
Extraordinary loss	4,257	1.6	386	0.2	3,870	—		
Income before income taxes	5,171	2.0	8,078	3.1	(2,907)	(36.0)		
Income taxes	1,484	0.6	2,905	1.1	(1,420)	(48.9)		
Net income	3,686	1.4	5,172	2.0	(1,486)	(28.7)		

(Note) As more than one fiscal year has passed since the transfer of travel business to its subsidiary, NIPPON EXPRESS TRAVEL CO., LTD., the Company no longer records sales related to the business. Accordingly, "Travel" is deleted from category of Revenues in the Summary of Non-consolidated Statements of Income effective from the business year under review. The figure for the previous year (¥67 thousand) is now included in "Incidental operations and others."

