

Briefing Material for 3Q Results of the Fiscal Year Ending March 2016

NIPPON EXPRESS CO., LTD.
IR Group, Corporate Planning Division

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January 29, 2016

1. Business Overview



A. Overview of 3Q of FY2015

1) Overview (Consolidated)

(100 million yen) (rounded down to 100 million yen)

		Actual for 3Q of FY2015 (a)	Actual for 3Q of FY2014 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for full year (announced on May 8) (e)	Progress (%) (a) / (e) × 100	Difference (compared with forecast) (e) - (a)
9 months	Revenues	14,348	14,177	170	1.2	20,000	71.7	5,651
	Operating Income	385	347	37	10.9	540	71.3	154
	Ordinary Income	450	417	33	8.0	630	71.5	179
	Net income attributable to shareholders of Nippon Express	273	243	30	12.4	340	80.6	66
Quarter	Revenues	4,816	4,985	(169)	(3.4)			
	Operating Income	153	145	8	5.9			
	Ordinary Income	173	167	6	4.0			
	Net income attributable to shareholders of Nippon Express	121	83	38	46.7			

2) Business Indices

3Q Cumulative Total (3Q Cumulative Total of FY2014)

3Q Cumulative Total (3Q Cumulative Total of FY2014)

▪ Operating Income Margin

2.7% (2.4%)

▪ ROE 6.8% (6.4%)

▪ Ordinary Income Margin

3.1% (2.9%)

▪ ROA 2.5% (2.3%)

1. Business Overview



B. Overview by reportable segment

1) Combined Business

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014		Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)	
		3Q of FY2015	3Q of FY2014	Difference					Difference (%)
9 months	Revenues	5,511	5,548	(36)	(0.7)	7,432	7,432	0	0
	Segment Income	[2.7] 146	[2.1] 113	32	28.7	219	219	0	0
Quarter	Revenues	1,873	1,892	(18)	(1.0)	Overview • Freight movement in truck transportation towards the end of the year did not show much strength. • Logistics services transactions remained strong. • Profit increase was secured from the continued effects from falling unit fuel prices and the revision of charges.			
	Segment Income	[3.1] 58	[2.6] 49	9	19.6				

2) Security Transportation

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014		Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)	
		3Q of FY2015	3Q of FY2014	Difference					Difference (%)
9 months	Revenues	405	415	(10)	(2.4)	556	556	0	0
	Segment Income	[2.7] 11	[1.5] 6	4	79.7	14	13	0	6.0
Quarter	Revenues	133	139	(5)	(4.2)	Overview • Income decreased due to pulling out of a portion of our unprofitable operations. • Profit increased due to a rebound from vehicle modifications conducted in the previous year.			
	Segment Income	[3.1] 4	[1.6] 2	1	82.6				

1. Business Overview

B. Overview by reportable segment

3) Heavy Haulage & Construction

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014			Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	403	357	45	12.7	489	489	0	0
	Segment Income	[6.1] 24	[4.8] 17	7	42.7	30	22	7	34.1
Quarter	Revenues	128	111	16	14.8	Overview	<ul style="list-style-type: none"> • In Japan, the number of wind power plant-related transactions remained robust. • Overseas, revenues from large-sized constructions in Vietnam and Russia grew steadily. 		
	Segment Income	[6.6] 8	[5.5] 6	2	39.2				

1. Business Overview



B. Overview by reportable segment

4) Air Freight Forwarding

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014		Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)	
		3Q of FY2015	3Q of FY2014	Difference					Difference (%)
9 months	Revenues	1,374	1,422	(47)	(3.3)	1,957	1,957	0	0
	Segment Income	[3.6] 49	[3.3] 46	2	5.1	69	75	(5)	(7.7)
Quarter	Revenues	469	503	(33)	(6.7)	Overview • Weight of cargo exports from Japan showed negative growth on a year-on-year basis. • Income decreased due to a significant decline in fuel surcharges, and a reactionary decline both from signs of special demand for automobiles due to the West Coast port congestion in the U.S. in the previous year and a reduction in transportation of emergency relief goods for the Middle East. • Profits increased due to improvements in efficiency of consolidated shipment for exports and operational efficiency for imports, and a reduction in software-related expenses.			
	Segment Income	[5.8] 27	[4.2] 21	6	29.5				

5) Marine & Harbor Transportation

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014		Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)	
		3Q of FY2015	3Q of FY2014	Difference					Difference (%)
9 months	Revenues	902	895	7	0.8	1,228	1,228	0	0
	Segment Income	[5.3] 48	[4.4] 39	8	21.7	59	57	1	3.3
Quarter	Revenues	293	298	(5)	(1.9)	Overview • Slight slowdown in equipment transportation-related exports. • Also impacted by decrease in charges received due to the falling unit fuel price of costal shipping. • Profit increased due to strong performance of overseas moving services both in imports and exports.			
	Segment Income	[5.1] 14	[3.4] 10	4	44.1				

1. Business Overview



B. Overview by reportable segment

6) The Americas

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014			Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	714	572	141	24.8	982	982	0	0
	Segment Income	[5.7] 40	[4.8] 27	13	48.2	50	41	9	22.5
Quarter	Revenues	231	198	33	16.7	Overview	<ul style="list-style-type: none"> Income decreased while profit increased on a local currency basis. Air export forwarding transactions for Asia in the U.S. and marine import forwarding transactions in Mexico both remained robust. Freight movement in Brazil was sluggish due to the economic slowdown. 		
	Segment Income	[5.8] 13	[5.1] 10	3	33.1				

7) Europe

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014			Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	618	599	19	3.2	850	850	0	0
	Segment Income	[1.6] 10	[3.0] 18	(8)	(44.3)	15	24	(8)	(35.8)
Quarter	Revenues	208	203	4	2.3	Overview	<ul style="list-style-type: none"> Increase was seen in marine import forwarding transactions in the UK, and air export forwarding transactions in France. Although growth was seen in the warehousing and delivery business in the Netherlands, continued increase in expenses associated with its launch, as well as slower freight movement in Russia due to the stagnant economy, led to lower profit. 		
	Segment Income	[1.5] 3	[3.9] 7	(4)	(59.6)				

1. Business Overview



B. Overview by reportable segment

8) East Asia

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014			Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	868	733	134	18.4	1,188	1,188	0	0
	Segment Income	[1.4] 12	[2.0] 14	(2)	(17.7)	17	22	(5)	(25.0)
Quarter	Revenues	293	252	41	16.3	<ul style="list-style-type: none"> • In China, there was an increase in medical equipment-related air export forwarding transactions. • Automobile-related procurement logistics transactions also remained strong. • Profit decreased due to an increase in various costs including local labor costs in China. 			
	Segment Income	[2.2] 6	[3.0] 7	(1)	(15.5)				

9) South Asia & Oceania

(100 million yen; figures within brackets indicate profit margin)

		Actual	Comparison with FY2014			Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	538	454	83	18.5	788	788	0	0
	Segment Income	[2.1] 11	[2.3] 10	0	6.2	16	11	5	42.0
Quarter	Revenues	170	162	7	4.7	<ul style="list-style-type: none"> • Income and profit decreased on a local currency basis. • Air export forwarding transactions and the warehousing and delivery business remained robust. • Impact from a fall in demand for project related to heavy haulage and construction in the previous year and an economic slowdown in China. • Profit decreased due to an increase in various costs including air forwarding costs. 			
	Segment Income	[1.5] 2	[2.3] 3	(1)	(30.1)				

1. Business Overview



B. Overview by reportable segment

10) Goods Sales

(100 million yen; figures within brackets indicate profit margin)

		Actual		Comparison with FY2014		Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	2,792	3,212	(420)	(13.1)	4,115	4,115	0	0
	Segment Income	[1.7] 46	[1.4] 46	(0)	(0.2)	65	65	0	0
Quarter	Revenues	934	1,128	(193)	(17.2)	Overview	<ul style="list-style-type: none"> Income decreased due to a drop in unit sales price of oil. Logistics support business transactions including export package handling were also sluggish. 		
	Segment Income	[1.5] 14	[1.6] 18	(4)	(22.6)				

11) Other

(100 million yen; figures within brackets indicate profit margin)

		Actual		Comparison with FY2014		Forecast for full fiscal year (announced on January 29)	Forecast for full fiscal year (announced on May 8)	Difference	Difference (%)
		3Q of FY2015	3Q of FY2014	Difference	Difference (%)				
9 months	Revenues	1,263	983	280	28.5	1,760	1,760	0	0
	Segment Income	[1.8] 22	[1.9] 18	4	23.3	27	33	(6)	(18.5)
Quarter	Revenues	426	445	(18)	(4.2)	Overview	<ul style="list-style-type: none"> Income decreased due to the impact of slow freight movements at Nittsu Panasonic Logistics Co., Ltd. and Nittsu NEC Logistics, Ltd. Profit increased due to the effect of the revision of charges and measures to reduce various costs. 		
	Segment Income	[3.7] 15	[2.5] 11	4	41.8				

2. Progress of Business Plan



Nippon Express Group Corporate Strategy 2015 - Innovation and Moving Forward - Progress of basic strategy

Basic Strategy	Item	Progress	
Strengthening Management Practices for Our Domestic Businesses	3% of operating income margin for domestic combined business in FY2015	Actual for 9 months of FY2015 (Actual for 9 months of FY2014 (Actual for 3Q of FY2015	2.7% 2.1%) 3.1%)
Further Expanding Our Global Logistics Business	40% of sales from overseas-related business in FY2015	Actual for 9 months of FY2015 (Actual for 9 months of FY2014	36.4% 33.5%)

3. Changes due to the External Environment

A. Change factors (3Q Cumulative Total)

Change factors	Impact on consolidated results (3Q Cumulative Total)	Reference
Impact of change in unit fuel price	Fuel cost: ¥(4.98) billion (cost decrease) * 3Q ¥(1.65) billion (cost decrease)	Average 9 months of FY2015 (9 months of FY2014) Light oil: ¥ 88.78/ℓ (¥117.47) Gasoline: ¥125.49/ℓ (¥150.47) Heavy oil: ¥ 46.20/ℓ (¥ 71.38)
Impact of foreign exchange	Revenues: +¥24.84 billion Operating income: +¥ 0.81 billion * 3Q Revenues: +¥ 8.1 billion Operating Income: +¥0.32 billion	Average exchange rate for 9 months of FY2015 (*) (9 months of FY2014) USD: ¥120.89 (¥102.95) EUR: ¥134.77 (¥139.54) HKD: ¥ 15.59 (¥ 13.28) RMB: ¥ 19.32 (¥ 16.72)

(*) The average exchange rates for 9 months of FY2015 and FY2014 are the reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results of businesses on a local currency basis.

3. Changes due to the External Environment



B. Assumptions for external factors (Full year)

Change factors	Impact on consolidated results (Full year)	Assumptions
Impact of change in unit fuel price	Fuel cost: ¥(5.69) billion (cost decrease) * Amount of 3Q cumulative total deducted from forecast for full year ¥(0.71) billion (cost decrease)	Average FY2015 (Yearly average in FY2014) Light oil: ¥ 86.61/ℓ (¥110.55) Gasoline: ¥123.83/ℓ (¥144.40) Heavy oil: ¥ 43.46/ℓ (¥ 66.47)
Impact of foreign exchange	Revenues: +¥23.6 billion Operating Income: +¥0.77 billion * Amount of 3Q cumulative total deducted from forecast for full year Revenues: ¥(1.24) billion Operating income: ¥(0.04) billion	Average exchange rate for FY2015 (Yearly average in FY2014(*)) USD: ¥119.40 (¥105.85) EUR: ¥130.90 (¥140.42) HKD: ¥ 15.40 (¥ 13.65) RMB: ¥ 19.20 (¥ 17.19)

(*) The annual exchange rate is the reference rate. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.



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