

Briefing Material for 1Q Results of the Fiscal Year Ending March 2019

NIPPON EXPRESS CO., LTD.
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July 31, 2018

1. Business Overview

A. Overview of 1Q of FY2018

1) Overview (Consolidated)

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

	Actual for 1Q of FY2018 (a)	Actual for 1Q of FY2017 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for 1H (announced on April 27) (e)	Progress (%) (a) / (e) × 100	Difference (compared with forecast) (e) - (a)	Forecast for full fiscal year (announced on April 27)
Revenues	5,162	4,749	412	8.7	10,100	51.1	4,937	20,800
Operating Income	170	152	17	11.6	330	51.5	159	770
Ordinary Income	183	169	14	8.3	350	52.4	166	810
Profit attributable to owners of parent	104	110	(5)	(5.3)	220	47.7	115	450

2) Business Indices (Figures in brackets are the results of the same period of the previous year.)

Operating Income Margin 3.3% [3.2%]

Ordinary Income Margin 3.6% [3.6%]

[Reference] Figures in brackets are the results of FY2017.

ROA 3.0% [0.4%]

ROE 8.0% [1.2%]

* Profit is forecast for full fiscal year. Equity and total assets are calculated by using the averages of the values as of the end of the previous fiscal year and the values of the quarterly consolidated accounting period under review.

1. Business Overview

B. Overview by reportable segment

1) Japan

* In accordance with organizational reform, part of the Japan segment was changed to the Security Transportation segment effective from the fiscal year ending March 31, 2019, and figures for the previous year are reclassified to reflect the segment change for the purpose of comparability.

(100 million yen)

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	3,073	2,866	207	7.2	5,990	51.3	2,916
Segment Income	119	99	19	19.9	219	54.7	99
Overview	<ul style="list-style-type: none"> In railway transportation, transactions increased for automobile-related components and others, but there were more suspended or cancelled routes due to the earthquake in northern Osaka, and revenues declined. In truck transportation, cargo movement of automobile-related components, steel and others maintained solid performance. In marine & harbor transportation, machinery-related exports and container terminal operations grew. In air freight forwarding, consolidated export cargo weights increased 31.1% from the previous year, significantly exceeding the market growth rate. Exports of automobile-related components to areas in Europe, and electronic components and semiconductor manufacturing equipment to Asia remained strong. 						

2) The Americas

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	231	220	11	5.0	469	49.4	237
Segment Income	8	7	1	15.5	20	42.9	11
Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export freight forwarding was solid, mainly for automobile-related and medical device-related items. Air and marine import freight forwarding and warehousing and distribution transactions also increased. Reduction of expenses progressed due to customer transfer and greater efficiency. 						

1. Business Overview

B. Overview by reportable segment

3) Europe

(100 million yen)

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	285	214	70	32.9	551	51.8	265
Segment Income	5	8	(2)	(30.5)	20	28.0	14
Overview	<ul style="list-style-type: none"> Revenues increased and profit decreased on a local currency basis. Air export freight forwarding transactions of automobile-related and medical device-related items grew, and the warehousing and distribution business remained solid. In France, transactions with non-Japanese customers increased. Service orders were lost in Italy, and profit declined. Traconf S.r.l. was consolidated and contributed to revenues. However, profit decreased due to an increase in temporary expenses related to the launch of a new major project, and amortization of goodwill. 						

4) East Asia

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	283	268	15	5.8	572	49.6	288
Segment Income	3	4	(0)	(4.0)	12	32.2	8
Overview	<ul style="list-style-type: none"> Revenues increased and profit decreased on a local currency basis. Air export freight forwarding and marine export freight forwarding were solid, and automobile-related warehousing and distribution and truck transportation grew. Recovery of the profit was delayed as air forwarding costs remained high due to charter flight regulations in China. 						

1. Business Overview

B. Overview by reportable segment

5) South Asia & Oceania

(100 million yen)

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	218	194	23	12.3	423	51.6	204
Segment Income	8	7	0	11.5	18	48.8	9
Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export freight forwarding for automobile-related items, electronic components, and pharmaceuticals, etc., were strong, and warehousing and distribution transactions grew. Forwarding costs and vehicle chartering and subcontracting costs increased markedly. 						

6) Security Transportation

* In accordance with organizational reform, part of the Japan segment was changed to the Security Transportation segment effective from the fiscal year ending March 31, 2019, and figures for the previous year are reclassified to reflect the segment change for the purpose of comparability.

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	180	180	0	0.1	362	49.9	181
Segment Income	3	6	(3)	(50.2)	5	65.0	1
Overview	<ul style="list-style-type: none"> Acquisition of outsourcing from regional financial institutions increased due to expanded sales of the cash logistics platform. Profit declined due to rising personnel expenses and fuel costs. 						

1. Business Overview

B. Overview by reportable segment

7) Heavy Haulage & Construction

(100 million yen)

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	124	123	1	0.9	243	51.1	118
Segment Income	10	9	0	9.8	20	53.4	9
Overview	<ul style="list-style-type: none"> Wind power plant-related transportation and installation in Japan and overseas, and heavy electric-related projects in Japan progressed mostly as planned. 						

8) Logistics Support

	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	1,115	1,007	107	10.7	2,224	50.2	1,108
Segment Income	26	24	2	8.1	56	48.0	29
Overview	<ul style="list-style-type: none"> Revenues rose due to an increase in the unit selling price of oil. The logistics support business including export packing services also maintained solid performance. 						

2. Changes due to the External Environment and Other Variable Factors

A. Change factors

Change factors	Impact on consolidated results	Reference	
Impact of change in unit fuel price	Operating income: ¥(0.75) billion	Light oil: ¥102.64/ℓ	[FY2017] [¥ 86.75]
		Gasoline: ¥135.35/ℓ	[¥120.53]
		Heavy oil: ¥ 52.88/ℓ	[¥ 42.45]
Impact of foreign exchange	Revenues: ¥1.04 billion Operating income: ¥0.05 billion	USD: ¥108.30	[FY2017] [¥113.64]
		EUR: ¥133.22	[¥121.08]
		HKD: ¥ 13.84	[¥ 14.65]
		RMB: ¥ 17.05	[¥ 16.57]

2. Changes due to the External Environment and Other Variable Factors

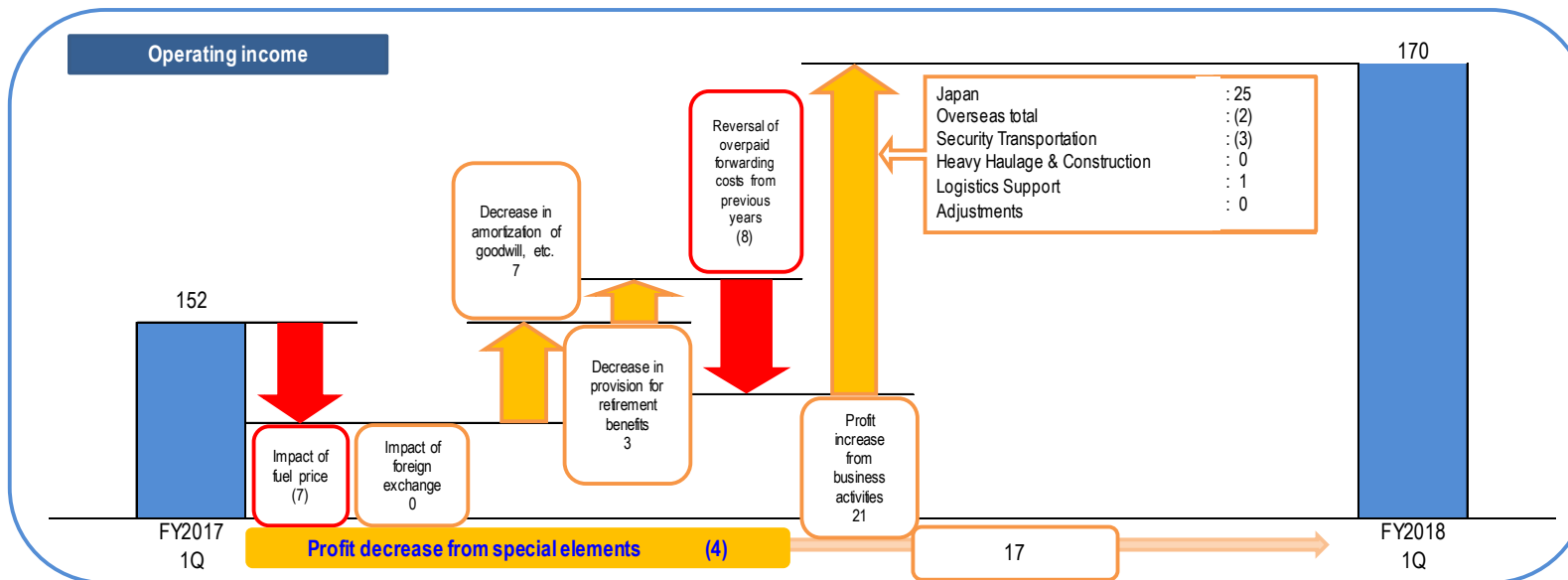
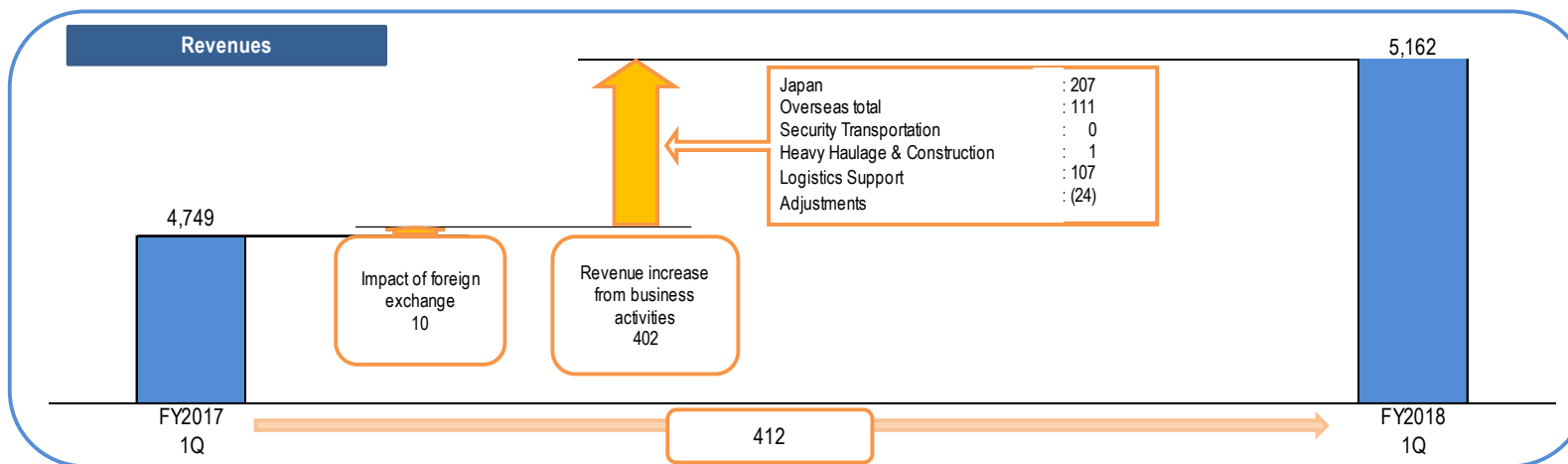
A. Change factors

Change factors	Impact on consolidated results	Reference
Impact from impairment loss on goodwill and non-current assets	Operating income: ¥0.75 billion	Japan: ¥0.62 billion South Asia & Oceania: ¥0.13 billion
Decrease in provision for retirement benefits	Operating income: ¥0.34 billion	Japan: ¥0.27 billion Security Transportation: ¥0.06 billion Heavy Haulage & Construction: ¥0.00 billion
Other impact (special factors from previous year)	Operating income: ¥(0.8) billion (* Reversal of overpaid forwarding costs from previous years)	Japan: ¥(0.8) billion

2. Changes due to the External Environment and Other Variable Factors

B. Breakdown of revenues and operating income taking variable factors into account

(100 million yen)



3. Performance Outlook of FY2018

A. Consolidated forecast (unchanged)

(100 million yen)

	Forecast for FY2018			Actual for FY2017			Difference [Ratio of difference (%)]		
	1H	2H	Full FY	1H	2H	Full FY	1H	2H	Full FY
Revenues	10,100	10,700	20,800	9,561	10,391	19,953	538 [5.6]	308 [3.0]	846 [4.2]
Operating Income	330	440	770	322	380	702	7 [2.4]	59 [15.7]	67 [9.6]
Ordinary Income	350	460	810	344	399	743	5 [1.5]	60 [15.3]	66 [8.9]
Profit attributable to owners of parent	220	230	450	215	(150)	65	4 [2.0]	380 [-]	384 [588.7]

3. Performance Outlook of FY2018

B. Overview by reportable segment (unchanged)

(100 million yen)

	Item	Full year			1H			2H		
		Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]
Japan	Revenues	12,245	11,886	358 [3.0]	5,990	5,769	220 [3.8]	6,255	6,117	137 [2.2]
	Operating Income	516	455	60 [13.2]	219	198	20 [10.1]	297	257	39 [15.6]
	Income Margin (%)	4.2	3.8	-	3.7	3.4	-	4.7	4.2	-
The Americas	Revenues	954	913	40 [4.4]	469	448	20 [4.6]	485	465	19 [4.2]
	Operating Income	43	44	(1) [(4.1)]	20	27	(7) [(26.1)]	23	17	5 [29.4]
	Income Margin (%)	4.5	4.9	-	4.3	6.0	-	4.7	3.8	-
Europe	Revenues	1,124	960	163 [17.0]	551	438	112 [25.7]	573	522	50 [9.7]
	Operating Income	46	41	4 [10.7]	20	17	2 [15.7]	26	24	1 [7.1]
	Income Margin (%)	4.1	4.3	-	3.6	3.9	-	4.5	4.6	-

3. Performance Outlook of FY2018

B. Overview by reportable segment (unchanged)

(100 million yen)

	Item	Full year			1H			2H		
		Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]
East Asia	Revenues	1,213	1,174	38 [3.2]	572	547	24 [4.4]	641	627	13 [2.2]
	Operating Income	28	18	9 [51.7]	12	7	4 [56.1]	16	10	5 [48.6]
	Income Margin (%)	2.3	1.6	-	2.1	1.4	-	2.5	1.7	-
South Asia & Oceania	Revenues	900	853	46 [5.4]	423	395	27 [7.0]	477	458	18 [4.0]
	Operating Income	37	33	3 [8.9]	18	16	1 [10.2]	19	17	1 [7.8]
	Income Margin (%)	4.1	4.0	-	4.3	4.1	-	4.0	3.8	-
Security Transportation	Revenues	739	720	18 [2.6]	362	360	1 [0.5]	377	359	17 [4.7]
	Operating Income	15	21	(6) [(29.7)]	5	10	(5) [(53.3)]	10	10	(0) [(6.0)]
	Income Margin (%)	2.0	3.0	-	1.4	3.0	-	2.7	3.0	-

3. Performance Outlook of FY2018

B. Overview by reportable segment (unchanged)

(100 million yen)

		Full year			1H			2H		
		Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]
Heavy Haulage & Construction	Revenues	458	476	(18) [(3.8)]	243	248	(5) [(2.3)]	215	227	(12) [(5.4)]
	Operating Income	36	40	(4) [(11.4)]	20	23	(3) [(14.7)]	16	17	(1) [(6.8)]
	Income Margin (%)	7.9	8.5	-	8.2	9.4	-	7.4	7.6	-
Logistics Support	Revenues	4,654	4,432	221 [5.0]	2,224	2,042	181 [8.9]	2,430	2,389	40 [1.7]
	Operating Income	118	117	0 [0.7]	56	53	2 [5.1]	62	63	(1) [(3.1)]
	Income Margin (%)	2.5	2.6	-	2.5	2.6	-	2.6	2.7	-

- In accordance with the organizational reform relating to the Security Transportation business, part of the Japan segment was changed to the Security Transportation segment effective from the fiscal year ending March 31, 2019. Accordingly, in this forecast, figures for the previous year are reclassified to reflect the segment change for the purpose of comparability.

(Changed segments: Japan and Security Transportation)

3. Performance Outlook of FY2018

C. External factors and other variable factors (forecast)

Change factors	Impact on consolidated results (Forecast for full year)	Assumptions / Reference
Impact of change in unit fuel price	Operating income: ¥(2.58) billion	[Initial forecast] Light oil: ¥103.90/ℓ [¥ 97.10] Gasoline: ¥135.50/ℓ [¥131.90] Heavy oil: ¥ 52.40/ℓ [¥ 48.10]
	1H ¥(1.69) billion	
	2H ¥(0.88) billion	
	[Initial forecast]	
	¥(1.27) billion	
	1H ¥(1.08) billion	
2H ¥(0.19) billion		
Impact of foreign exchange	Revenues: ¥(1.55) billion	[Initial forecast] USD: ¥109.60 [¥106.90] EUR: ¥130.30 [¥131.40] HKD: ¥ 13.90 [¥ 13.60] RMB: ¥ 16.80 [¥ 16.90]
	Operating income: ¥(0.04) billion	
	[Initial forecast]	
	Revenues: ¥(3.34) billion	
	Operating income: ¥(0.09) billion	

3. Performance Outlook of FY2018

C. External factors and other variable factors (forecast)

Change factors	Impact on consolidated results (Forecast for full year)	Assumptions / Reference
Impact from impairment loss on goodwill and non-current assets	Operating income (unchanged): ¥3.0 billion	(Full year) Japan: ¥2.5 billion South Asia & Oceania: ¥0.5 billion
Decrease in provision for retirement benefits	Operating income: ¥1.16 billion [Initial forecast] Operating income: ¥0.98 billion	(Initial forecast) Japan: ¥0.92 billion ¥0.78 billion Security Transportation: ¥0.20 billion ¥0.17 billion Heavy Haulage & Construction: ¥0.02 billion ¥0.02 billion
Other impact (special factors from previous year)	Operating income (unchanged): ¥(1.9) billion (* Reversal of overpaid forwarding costs from previous years)	Japan: ¥(0.8) billion (1Q) The Americas: ¥(1.1) billion (2Q)

We Find the Way



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