

Briefing Material for 3Q Results of the Fiscal Year Ending March 2018

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

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January 31, 2018

1. Business Overview

A. Overview of 3Q of FY2017

1) Overview (Consolidated)

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

		Actual for 3Q of FY2017 (a)	Actual for 3Q of FY2016 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for full year (announced on October 31, 2017) (e)	Progress (%) (a) / (e) × 100	Difference (compared with forecast) (e) - (a)
9 months	Revenues	14,707	13,804	903	6.5	19,400	75.8	4,692
	Operating Income	511	398	112	28.3	690	74.1	178
	Ordinary Income	546	450	96	21.3	720	76.0	173
	Profit (loss) attributable to owners of parent	340	287	52	18.3	430	79.1	89
3 Q	Revenues	5,146	4,711	434	9.2	* The Company and some of its consolidated domestic subsidiaries changed the depreciation method of property and equipment from the declining-balance method to the straight-line method from FY2017. In addition, the useful lives of some vehicles have been changed. ⇒ For 3Q cumulative total, operating income and ordinary income increased by 5.6 billion yen.		
	Operating Income	188	153	34	22.6			
	Ordinary Income	202	169	33	19.5			
	Profit (loss) attributable to owners of parent	124	104	19	18.8			

2) Business Indices 3Q Cumulative Total (Figures in brackets are the results for the same period of the previous year.)

▪ Operating Income Margin 3.5% [2.9%] ▪ Ordinary Income Margin 3.7% [3.3%]

[Reference] Figures in brackets are the results of FY2016.

▪ ROA 2.8% [2.4%] ▪ ROE 7.7% [6.9%]

* 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 quarterly consolidated accounting period under review.

1. Business Overview

B. Overview by reportable segment

1) Japan

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
9 months	Revenues	8,950	8,639	310	3.6	11,822	75.7	2,871
	Segment Income	329	278	51	18.3	451	73.1	121
3 Q	Revenues	3,107	2,976	131	4.4	3Q Operating Income Margin [FY2016]		
	Segment Income	128	113	15	13.2	4.1 [3.8]		
	Overview	<ul style="list-style-type: none"> In truck transportation, cargo movement of steel and automobile-related components maintained solid performance. In marine & harbor transportation, exports of automobile-related items and equipment and imports related to apparel maintained solid performance. In air freight forwarding, automobile-related components maintained solid performance in each area. Cargo movement of machinery components to North and Central America as well as electronic components to Asia also maintained robust performance. 						

2) The Americas

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
9 months	Revenues	675	615	59	9.7	930	72.6	254
	Segment Income	36	35	0	2.2	51	71.6	14
3 Q	Revenues	227	196	30	15.5	3Q Operating Income Margin [FY2016]		
	Segment Income	9	11	(1)	(17.3)	4.2 [5.8]		
	Overview	<ul style="list-style-type: none"> Revenues increased and profit decreased on a local currency basis. Marine and air freight imports of automobile-related items and truck transportation between the U.S. and Mexico both maintained solid performance. Profits decreased due to the reaction to equipment-related transactions in the previous year and increased air forwarding and subcontracting costs. 						

1. Business Overview

B. Overview by reportable segment



3) Europe

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
9 months	Revenues	671	575	96	16.8	926	72.5	254
	Segment Income	28	13	14	111.0	37	76.7	8
3 Q	Revenues	233	183	49	27.0	3Q Operating Income Margin [FY2016]		
	Segment Income	11	4	6	126.8	4.8 [2.7]		
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export freight forwarding recovered at major companies. Transactions in warehousing and distribution in the Netherlands showed solid performance. In Italy, air freight forwarding and marine forwarding related to apparel maintained solid performance. 						

4) East Asia

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
9 months	Revenues	850	707	143	20.3	1,129	75.3	278
	Segment Income	13	8	4	59.4	17	76.7	3
3 Q	Revenues	302	230	72	31.3	3Q Operating Income Margin [FY2016]		
	Segment Income	5	2	3	142.5	1.8 [1.0]		
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. In addition to air import freight forwarding and marine import and export forwarding, the mainstay air export freight forwarding also recovered. Transactions of automobile-related and electronic components maintained solid performance. Air forwarding costs continued to soar due to the extension of charter flight regulations in China. 						

1. Business Overview

B. Overview by reportable segment

5) South Asia & Oceania

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
6 months	Revenues	622	514	108	21.1	855	72.8	232
	Segment Income	26	18	8	44.7	36	74.8	9
3 Q	Revenues	227	172	54	31.4	3Q Operating Income Margin [FY2016]		
	Segment Income	10	7	3	42.5	4.7 [4.3]		
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export freight forwarding for pharmaceuticals of non-Japanese customers, electronic components, and automobile-related showed robust performance. Marine forwarding and warehousing and distribution also maintained solid performance. A remarkable rise was seen in forwarding costs and subcontracting costs. 						

6) Security Transportation

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
6 months	Revenues	430	411	18	4.6	573	75.1	142
	Segment Income	13	6	6	100.5	18	73.8	4
3 Q	Revenues	143	137	6	4.5	3Q Operating Income Margin [FY2016]		
	Segment Income	4	2	2	109.0	3.1 [1.6]		
	Overview	<ul style="list-style-type: none"> Promotion of acquiring outsourcing from regional financial institutions, etc. through expanded sales by the cash logistics platform. 						

1. Business Overview

B. Overview by reportable segment

7) Heavy Haulage & Construction

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
9 months	Revenues	379	352	27	7.7	458	82.8	78
	Segment Income	35	27	8	32.6	41	87.4	5
3 Q	Revenues	130	129	0	0.7	3Q Operating Income Margin [FY2016]		
	Segment Income	12	9	3	33.5	9.5 [7.2]		
	Overview	<ul style="list-style-type: none"> Construction and transportation such as for heavy-electric related in Japan and IT equipment overseas maintained solid performance. 						

8) Logistics Support

(100 million yen)

		Actual	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Progress (%)	Difference
		FY2017	FY2016	Difference	Difference (%)			
9 months	Revenues	3,199	2,926	273	9.3	4,203	76.1	1,003
	Segment Income	82	54	27	50.5	111	74.0	28
3 Q	Revenues	1,156	1,006	150	15.0	3Q Operating Income Margin [FY2016]		
	Segment Income	28	20	7	38.2	2.5 [2.1]		
	Overview	<ul style="list-style-type: none"> Revenues increased due to the higher unit selling price of oil. The Logistics support business including export packing services maintained solid performance. 						

(Nittsu Shoji, Nittsu Research Institute and Consulting, Nippon Express Capital, Nittsu Real Estate, etc.)

2. Changes due to the External Environment and Other Variable Factors (3Q Cumulative Total)



A. Change factors (3Q cumulative total)

Change factors	Impact on consolidated results	Reference	
Impact of change in unit fuel price	3Q cumulative total ¥1.77 billion (cost increase)	3Q of FY2017	[3Q of FY2016]
	*3Q: ¥0.68 billion (cost increase)	Light oil: ¥ 88.60/ℓ Gasoline: ¥122.18/ℓ Heavy oil: ¥ 42.47/ℓ	[¥ 77.34] [¥111.79] [¥ 33.76]
Impact of foreign exchange	3Q cumulative total	Average exchange rate for 3Q of FY2017 [3Q of FY2016]	
	Revenues: ¥5.89 billion Operating income: ¥0.24 billion *3Q: Revenues: ¥7.50 billion Operating income: ¥0.26 billion	USD: ¥111.92 EUR: ¥124.55 HKD: ¥ 14.38 RMB: ¥ 16.47	[¥108.68] [¥121.18] [¥ 14.00] [¥ 16.50]
		<div style="border: 1px dashed black; padding: 5px;"> The average exchange rates for 3Q of FY2017 and FY2016 are the reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis. </div>	

2. Changes due to the External Environment and Other Variable Factors (3Q Cumulative Total)

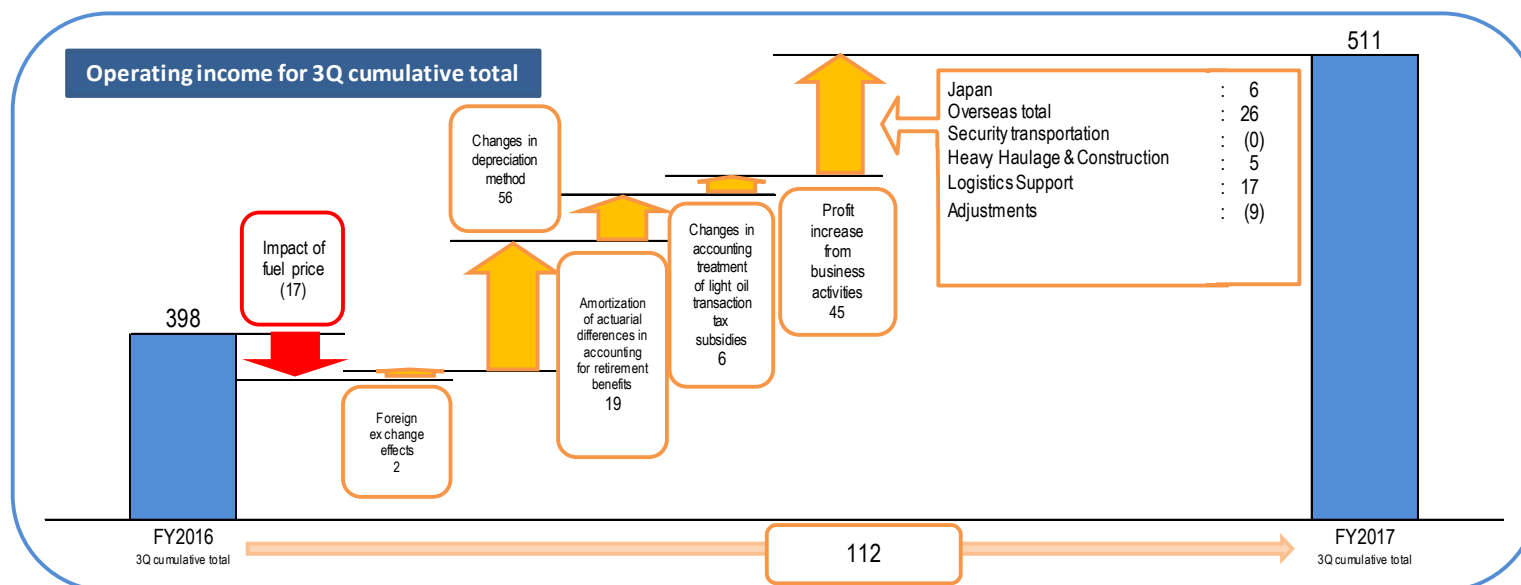
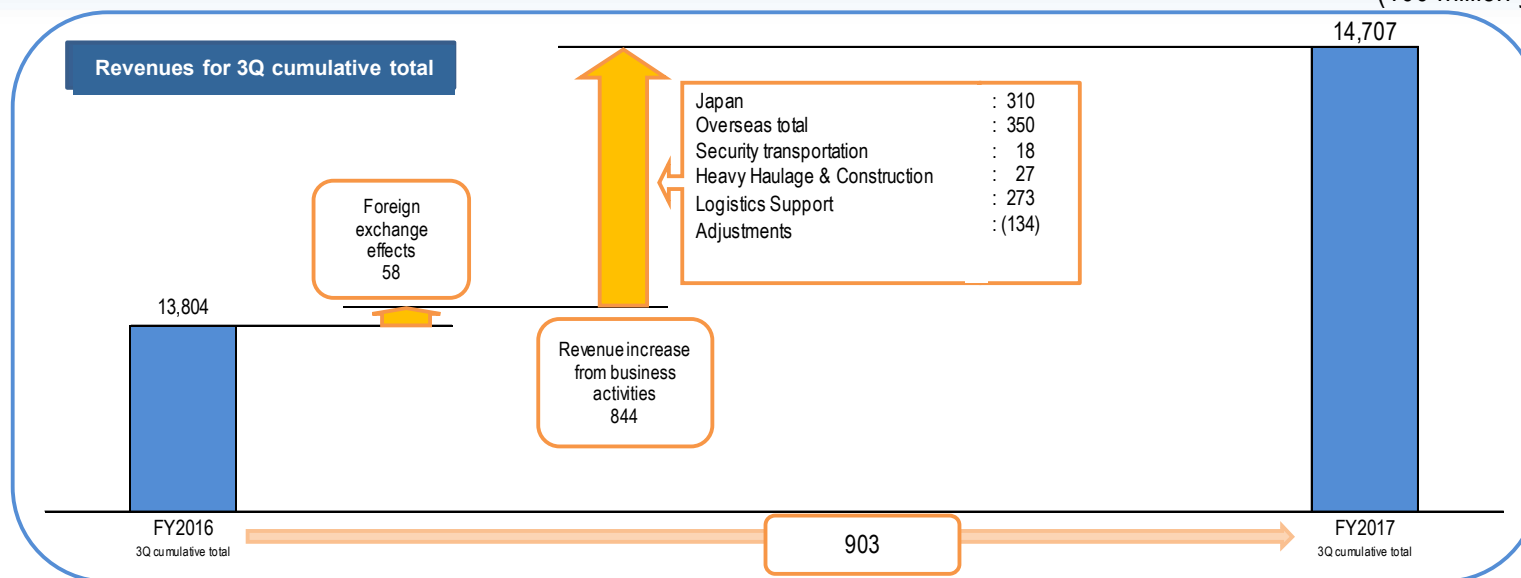
A. Change factors (3Q cumulative total)

Change factors	Impact on consolidated results	Reference	
		3Q cumulative total	3Q
Impact from changes in depreciation method and useful lives for property and equipment	Operating income 3Q cumulative total: ¥5.65 billion *3Q: ¥2.26 billion	Japan: ¥4.50 billion Security Transportation: ¥0.57 billion Heavy Haulage & Construction: ¥0.24 billion Logistics Support: ¥0.33 billion	¥1.81 billion ¥0.22 billion ¥0.08 billion ¥0.13 billion
Impact from amortization of actuarial differences in accounting for retirement benefits	Operating income 3Q cumulative total: ¥1.90 billion *3Q: ¥0.63 billion		
Impact from changes in accounting treatment of light oil transaction tax subsidies	Operating income 3Q cumulative total: ¥0.64 billion *3Q: ¥0.21 billion	Logistics Support	

2. Changes due to the External Environment and Other Variable Factors (3Q Cumulative Total)

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

(100 million yen)



3. Performance Outlook of the Fiscal Year Ending March 2018

A. Consolidated forecast (after revision)

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

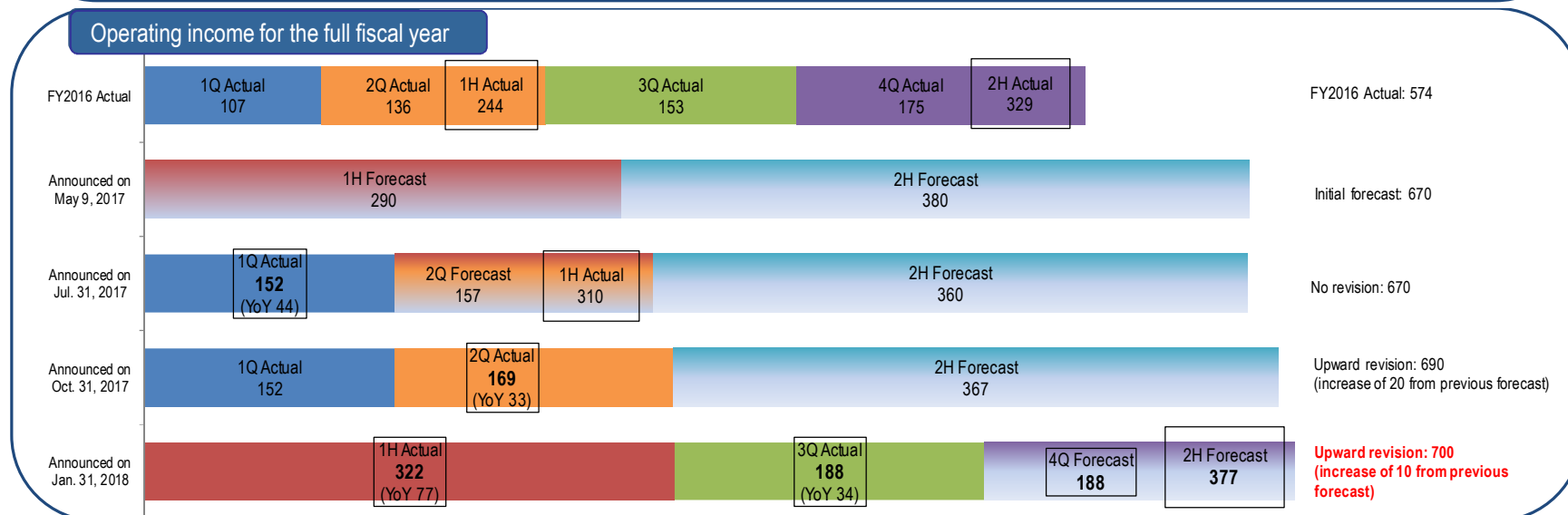
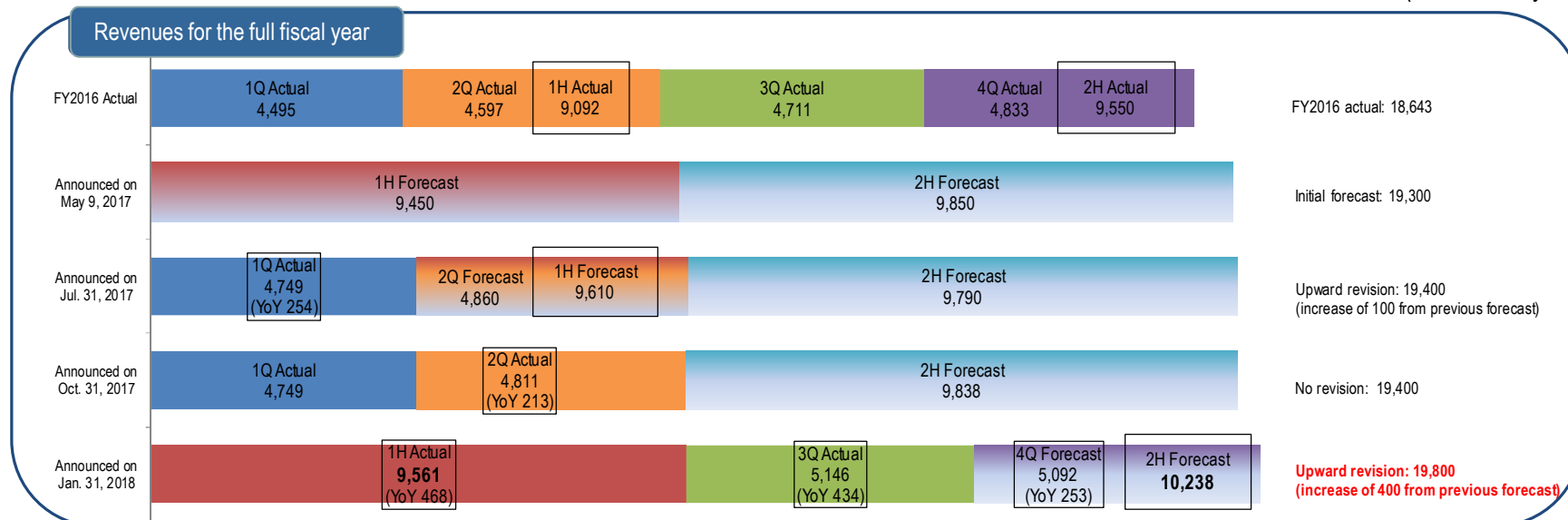
	Forecast for full fiscal year (announced on January 31, 2018)	Comparison with 3Q cumulative total of FY2017			Comparison with FY2016			Comparison with forecast for full fiscal year (announced on October 31, 2017)	
		Actual	Progress (%)	Difference	Actual for FY2016	Difference YoY	Difference YoY (%)	Forecast	Difference
Revenues	19,800	14,707	74.3	5,092	18,643	1,156	6.2	19,400	400
Operating Income	700	511	73.0	188	574	125	21.9	690	10
Ordinary Income	730	546	74.9	183	638	91	14.4	720	10
Profit attributable to owners of parent	430	340	79.1	89	364	65	18.0	430	-

3. Performance Outlook of the Fiscal Year Ending March 2018



B. Summary of consolidated forecast and year-on-year comparison

(100 million yen)



3. Performance Outlook of the Fiscal Year Ending March 2018



C. Overview by reportable segment

(100 million yen)

		Forecast for full fiscal year (announced on January 31, 2018)	Comparison with 3Q cumulative total of FY2017			Comparison with FY2016			Comparison with forecast for full fiscal year (announced on October 31, 2017)	
			Actual	Progress (%)	Difference	Actual for FY2016	Difference YoY	Difference YoY (%)	Previous forecast	Difference
Japan	Revenues	11,914	8,950	75.1	2,963	11,557	356	3.1	11,822	92
	Segment income	450	329	73.3	120	386	63	16.4	451	(1)
The Americas	Revenues	939	675	71.9	263	838	100	12.0	930	9
	Segment income	49	36	74.5	12	47	1	2.7	51	(2)
Europe	Revenues	1,001	671	67.1	329	792	208	26.3	926	75
	Segment income	44	28	64.5	15	20	23	116.7	37	7
East Asia	Revenues	1,171	850	72.6	320	1,017	153	15.1	1,129	42
	Segment income	18	13	72.5	4	11	6	61.1	17	1
South Asia & Oceania	Revenues	862	622	72.2	239	703	158	22.5	855	7
	Segment income	35	26	76.9	8	24	10	40.8	36	(1)

3. Performance Outlook of the Fiscal Year Ending March 2018



C. Overview by reportable segment

(100 million yen)

		Forecast for full fiscal year (announced on January 31, 2018)	Comparison with 3Q cumulative total of FY2017			Comparison with FY2016			Comparison with forecast for full fiscal year (announced on October 31, 2017)	
			Actual	Progress (%)	Difference	Actual for FY2016	Difference YoY	Difference YoY (%)	Previous forecast	Difference
Security Transportation	Revenues	573	430	75.1	142	547	25	4.6	573	-
	Segment income	18	13	73.8	4	9	8	86.6	18	-
Heavy Haulage & Construction	Revenues	480	379	79.0	100	469	10	2.2	458	22
	Segment income	43	35	83.4	7	38	4	10.7	41	2
Logistics Support	Revenues	4,360	3,199	73.4	1,160	4,039	320	7.9	4,203	157
	Segment income	117	82	70.2	34	100	16	16.8	111	6

4. Changes due to the External Environment and Other Variable Factors (Full Fiscal Year)

Assumptions of external factors and other variable factors (full fiscal year)

Change factors	Impact on consolidated results (Full fiscal year)	Assumptions / Reference
Impact of change in unit fuel price	Fuel cost: ¥2.16 billion (cost increase)	FY2017 [Yearly average in FY2016] Light oil: ¥ 90.93/ℓ [¥ 79.87] Gasoline: ¥123.23/ℓ [¥113.79] Heavy oil: ¥ 42.79/ℓ [¥ 36.10]
	*4Q ¥0.38 billion (cost increase)	
Impact of foreign exchange	Revenues: ¥12.20 billion	Annual exchange rate FY2017 [Yearly average in FY2016] USD: ¥112.10 [¥108.84] EUR: ¥126.60 [¥120.33] HKD: ¥ 14.40 [¥ 14.02] RMB: ¥ 16.60 [¥ 16.37]
	Operating income: ¥ 0.50 billion *4Q Revenues: ¥6.31 billion Operating income: ¥0.26 billion	<small>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.</small>

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