

Results Meeting for 1H of the Fiscal Year Ending March 2018

NIPPON EXPRESS CO., LTD.

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October 31, 2017

1. Business Overview

A. Overview of 1H of FY2017

1) Overview (Consolidated)

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

	Actual for 1H of FY2017 (a)	Actual for 1H of FY2016 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for 1H (announced on July 31) (e)	Difference (compared with forecast) (f) = (a) - (e)	1H Progress Against Forecast (%) (g) = (a) / (e) × 100
Revenues	9,561	9,092	468	5.2	9,610	(48)	99.5
Operating Income	322	244	77	31.8	310	12	104.0
Ordinary Income	344	281	63	22.4	330	14	104.5
Profit attributable to owners of parent	215	182	32	17.9	200	15	107.9

* The depreciation method for property and equipment at the Company and some domestic consolidated subsidiaries has been changed from the declining-balance method to the straight-line method from FY2017. In addition, the useful lives for some vehicles have been changed.

⇒ For 1H of FY2017 under review, operating income and ordinary income increased by 3.3 billion yen.

2) Business Indices for 1H (Figures in brackets are the results of the same period of the previous year.)

• Operating Income Margin 3.4% [2.7%] • Ordinary Income Margin 3.6% [3.1%]

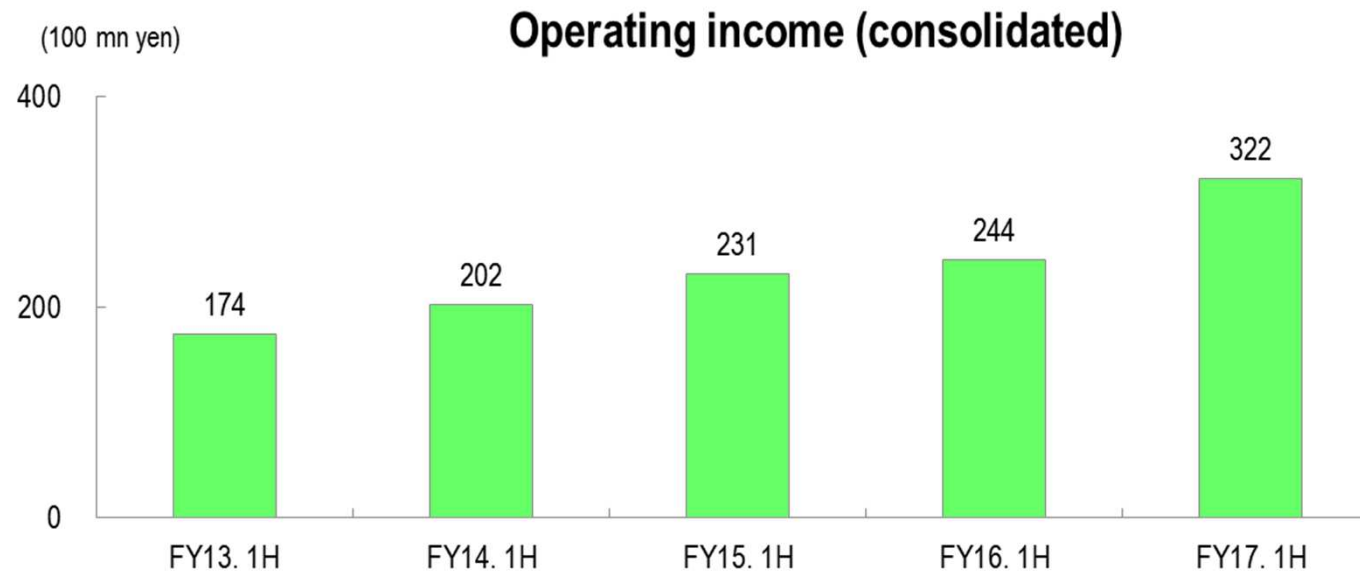
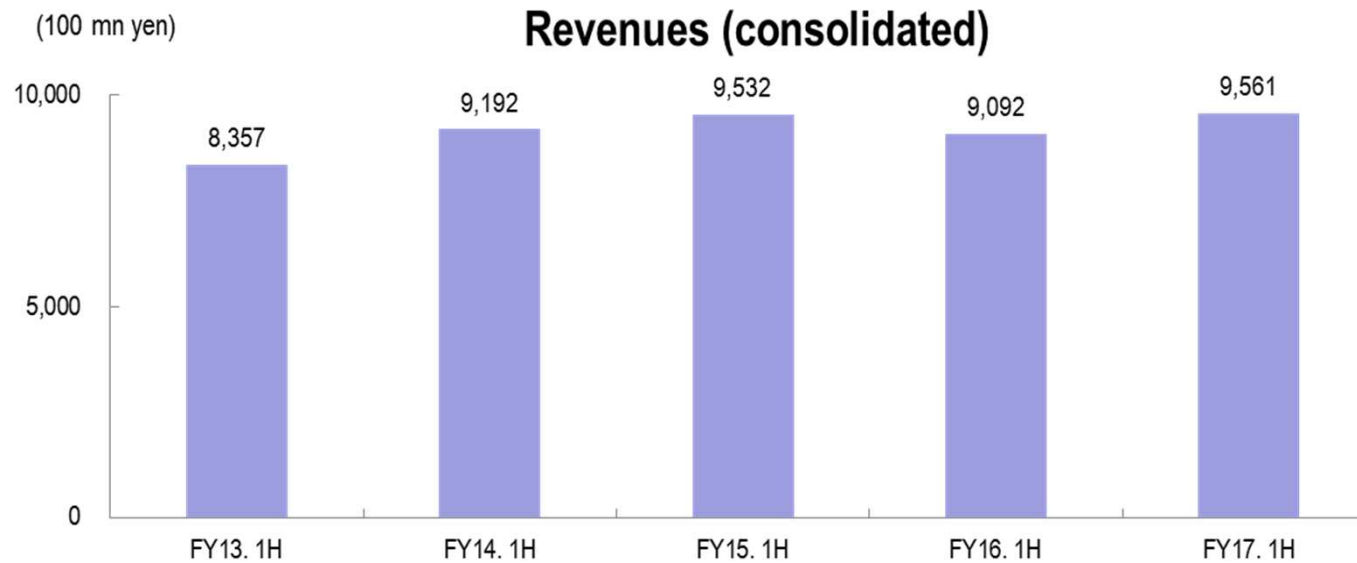
[Reference] Figures in brackets are the results of FY2016.

• ROA 2.8% [2.4%] • ROE 7.8% [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.

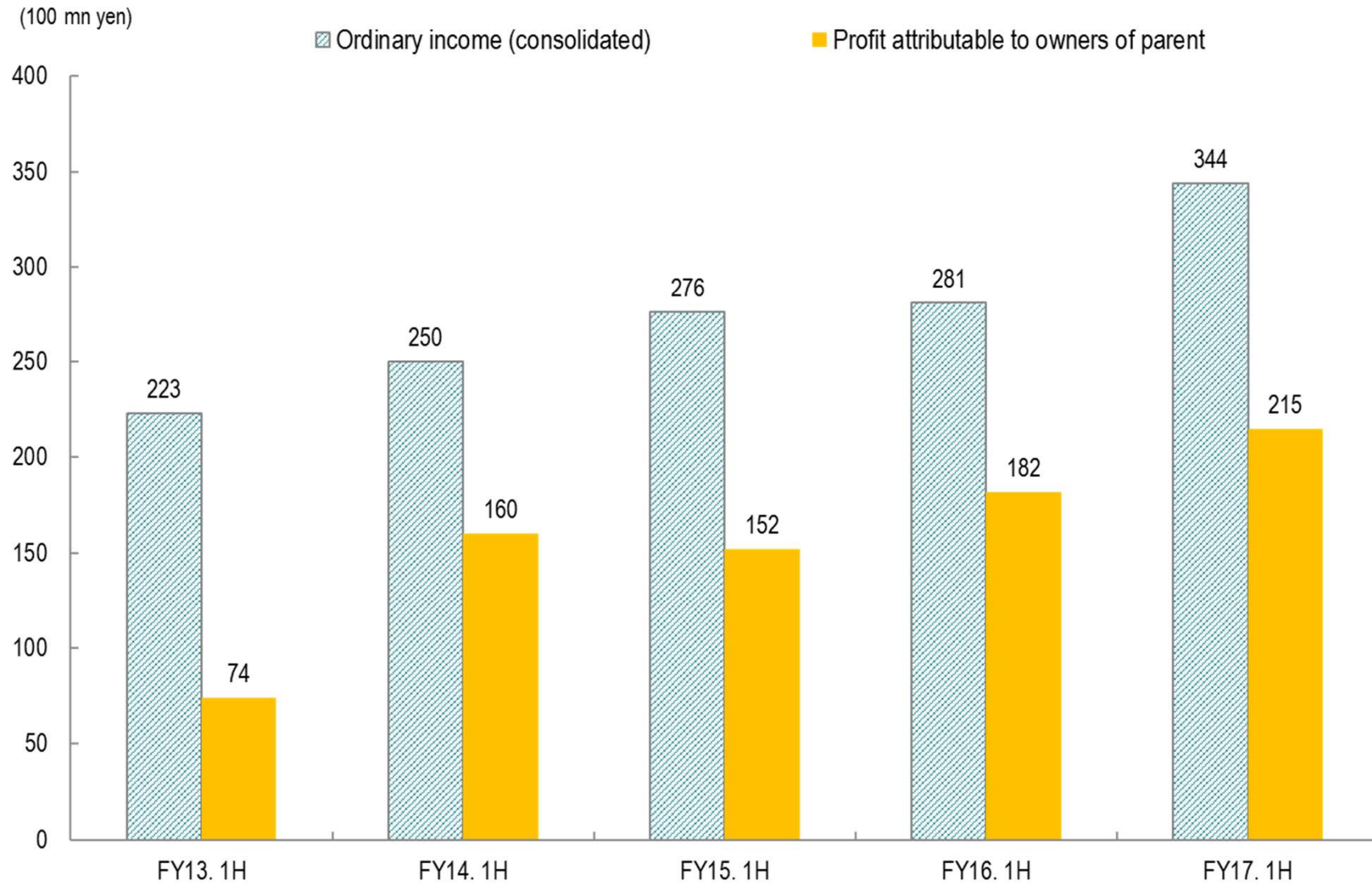
1. Business Overview

D. Trend of Revenues and Operating income for the past 5 years



1. Business Overview

C. Trend of Ordinary income and Profit attributable to owners of parent for the past 5 years



1. Business Overview

D. Financial position

(100 million yen)

	End of 1H FY2017	End of FY2016	Difference
Total Assets	15,352	15,218	134
Equity	5,595	5,363	231
Equity Ratio (%)	36.4	35.2	-

E. Actual for cash flows

(100 million yen)

	1H of FY2017	1H of FY2016	Difference YoY
Cash Flows from Operating Activities (A)	459	459	(0)
Cash Flows from Investing Activities (B)	(657)	(335)	(322)
Free Cash Flows (A+B)	(198)	124	(322)
Cash Flows from Financing Activities	(213)	501	(715)
Cash and Cash Equivalents at End of Period	1,218	2,014	(795)
(Reference)	1H of FY2017	FY2016	Difference Compared with the end of FY2016
Cash and Cash Equivalents at End of Quarterly Period/Year-end	1,218	1,633	(415)

1. Business Overview

F. Overview by reportable segment

1) Japan

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	5,842	5,662	179	3.2	5,831	100.2	11
	Segment Income	200	164	36	21.8	201	99.9	(0)
2 Q	Revenues	2,939	2,866	72	2.5	2Q Operating Income Margin [FY2016]		
	Segment Income	99	84	14	17.4	3.4 [3.0]		
	Overview	<ul style="list-style-type: none"> Transactions of railway and truck transportation maintained solid performance. In marine & harbor transportation, exports of machinery-related components and automobile equipment-related transactions, and imports related to apparel maintained solid performance. In air freight forwarding, export cargo weights increased, including automobile-related components, machinery components to North and Central America, and electronic components to Asia. Profit increased by 1.47 billion yen due to changes in depreciation method for property and equipment. 						

2) The Americas

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	448	419	29	7.0	470	95.4	(21)
	Segment Income	27	24	2	11.4	25	108.3	2
2 Q	Revenues	227	209	18	8.7	2Q Operating Income Margin [FY2016]		
	Segment Income	19	17	2	15.4	8.6 [8.1]		
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export/import freight forwarding maintained robust performance. Warehousing and distribution business maintained solid performance. 						

1. Business Overview

F. Overview by reportable segment

3) Europe

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	438	391	47	12.0	443	98.9	(4)
	Segment Income	17	8	8	102.0	17	101.7	0
2 Q	Revenues	223	198	25	12.8	2Q Operating Income Margin [FY2016]		
	Segment Income	9	4	4	92.8	4.1 [2.4]		
	Overview	<ul style="list-style-type: none"> • Revenues and profit increased on a local currency basis. • Air export freight forwarding recovered, and transactions in warehousing and distribution business in the Netherlands achieved growth. • Marine export forwarding related to apparel increased in Italy, and movement of automobile-related and machinery components cargo maintained robust performance mainly in Germany. • Transactions of non-Japanese customers in France and Spain increased. 						

4) East Asia

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	547	476	71	15.0	541	101.3	6
	Segment Income	7	5	1	28.7	8	96.1	(0)
2 Q	Revenues	279	235	43	18.6	2Q Operating Income Margin [FY2016]		
	Segment Income	3	5	(2)	(35.7)	1.3 [2.4]		
	Overview	<ul style="list-style-type: none"> • Revenues and profit increased on a local currency basis. • Warehousing and distribution business and truck transportation maintained solid performance. • Profit decreased due to soaring air forwarding costs associated with charter flight regulations in China, despite recovery of air export freight forwarding cargo movements. 						

1. Business Overview

F. Overview by reportable segment

5) South Asia & Oceania

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	395	341	53	15.8	396	99.8	(0)
	Segment Income	16	11	5	46.1	15	108.9	1
2 Q	Revenues	201	176	24	13.8	2Q Operating Income Margin [FY2016]		
	Segment Income	8	6	2	34.3	4.2 [3.6]		
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Transactions of warehousing and distribution business maintained solid performance in the entire region. Pharmaceuticals of non-Japanese customers and electronic components-related air export freight forwarding maintained robust performance. 						

6) Security Transportation

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	286	274	12	4.6	287	100.0	(0)
	Segment Income	8	4	4	96.5	8	109.9	0
2 Q	Revenues	143	136	6	4.7	2Q Operating Income Margin [FY2016]		
	Segment Income	3	0	3	694.0	2.5 [0.3]		
	Overview	<ul style="list-style-type: none"> Promotion of outsourcing from regional financial institutions through expanded sales by the cash logistics platform. Profit increased by 0.18 billion yen due to changes in depreciation method for property and equipment. 						

1. Business Overview

F. Overview by reportable segment



7) Heavy Haulage & Construction

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	248	222	26	11.7	241	103.2	7
	Segment Income	23	17	5	32.2	21	111.7	2
2 Q	Revenues	125	116	8	7.7	2Q Operating Income Margin [FY2016]		
	Segment Income	13	10	3	30.1	10.9 [9.1]		
	Overview	<ul style="list-style-type: none"> In Japan, shutdown and maintenance contracts and heavy electric-related construction maintained solid performance. Profit increased by 80 million yen due to changes in depreciation method for property and equipment. 						

8) Logistics Support

(100 million yen)

		Actual	Comparison with FY2016			Comparison with forecast (announced on July 31)		
		FY2017	FY2016	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
1 H	Revenues	2,042	1,920	122	6.4	2,056	99.4	(13)
	Segment Income	53	33	19	58.1	52	102.4	1
2 Q	Revenues	1,035	979	55	5.7	2Q Operating Income Margin [FY2016]		
	Segment Income	28	20	7	37.9	2.7 [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. Profit increased by 0.21 billion yen due to a change in accounting treatment of light oil transaction tax subsidies. Profit increased by 0.11 billion yen due to changes in depreciation method for property and equipment. 						

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

2. Changes due to the External Environment

Change factors

Change factors	Impact on consolidated results (1H)	Reference	
Impact of change in unit fuel price	Fuel cost: ¥1.09 billion (cost increase)	1H of FY2017	[1H of FY2016]
	*2Q: ¥0.44 billion (cost increase)	Light oil: ¥ 86.12/ℓ Gasoline: ¥120.18/ℓ Heavy oil: ¥ 41.24/ℓ	¥ 75.79 ¥110.23 ¥ 32.70
Impact of foreign exchange	Revenues: ¥(1.61) billion Operating income: ¥(0.01) billion	Average exchange rate for 1H of FY2017	[1H of FY2016]
	*2Q: Revenues: ¥0.95 billion Operating income: ¥0.03 billion	USD: ¥112.37 EUR: ¥121.64 HKD: ¥ 14.46 RMB: ¥ 16.39	¥111.81 ¥124.63 ¥ 14.40 ¥ 17.07

The average exchange rates for 1H 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.

3. Performance Outlook of the Fiscal Year Ending March 2018



A. Consolidated forecast (after revision)

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

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference YoY	Difference YoY (%)				
Revenues	9,561	9,838	9,550	288	3.0	19,400	19,400	-	-
Operating Income	322	367	329	37	11.5	690	670	20	3.0
Ordinary Income	344	375	356	18	5.3	720	700	20	2.9
Profit attributable to owners of parent	215	214	181	32	18.0	430	420	10	2.4

3. Performance Outlook of the Fiscal Year Ending March 2018

B. Overview by reportable segment (after revision)

1) Japan

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	5,842	5,979	5,894	85	1.4	11,822	11,814	8	0.1
Segment Income	200	250	221	28	12.8	451	454	(3)	(0.7)
Overview	<ul style="list-style-type: none"> While cargo movements are expected to continue for all transactions, forwarding costs and vehicle chartering and subcontracting costs are expected to rise. Focus on increasing global customers by enhancing one-stop sales and account management, and further increasing operational efficiency. 								

2) The Americas

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	448	481	419	62	14.9	930	946	(16)	(1.7)
Segment Income	27	23	23	0	2.1	51	51	-	-
Overview	<ul style="list-style-type: none"> Automobile-related, pharmaceutical and other air export freight forwarding is expected to remain robust, although various costs are expected to rise. 								

3. Performance Outlook of the Fiscal Year Ending March 2018

B. Overview by reportable segment (after revision)

3) Europe

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	438	487	401	86	21.4	926	885	41	4.6
Segment Income	17	19	11	7	67.8	37	35	2	5.7
Overview	<ul style="list-style-type: none"> Transactions of non-Japanese customers are expected to grow, and apparel- and automobile-related transactions are expected to maintain solid performance. 								

4) East Asia

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	547	581	540	40	7.4	1,129	1,084	45	4.2
Segment Income	7	9	5	4	79.1	17	19	(2)	(10.5)
Overview	<ul style="list-style-type: none"> Automobile-related and electronics-related transactions are expected to maintain solid performance. High air forwarding costs are to continue within the year. 								

3. Performance Outlook of the Fiscal Year Ending March 2018

B. Overview by reportable segment (after revision)

5) South Asia & Oceania

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	395	459	362	97	26.9	855	805	50	6.2
Segment Income	16	19	13	5	43.7	36	31	5	16.1
Overview	<ul style="list-style-type: none"> Exports of electrical products and electronic components are expected to remain firm, and transactions of non-Japanese customers are expected to increase. 								

6) Security Transportation

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	286	286	273	12	4.6	573	568	5	0.9
Segment Income	8	9	5	4	78.0	18	16	2	12.5
Overview	<ul style="list-style-type: none"> Promote winning of outsourcing from financial institutions. 								

3. Performance Outlook of the Fiscal Year Ending March 2018

B. Overview by reportable segment (after revision)

7) Heavy Haulage & Construction

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	248	209	247	(37)	(15.4)	458	461	(3)	(0.7)
Segment Income	23	17	21	(3)	(16.8)	41	36	5	13.9
Overview	<ul style="list-style-type: none"> Shutdown and maintenance contracts are expected to settle down in the first half. Focus on acquiring heavy electric-related construction contracts. 								

8) Logistics Support

(100 million yen)

	Actual for 1H of FY2017	Forecast for 2H of FY2017	Comparison with FY2016			Forecast for full fiscal year (announced on October 31, 2017)	Forecast for full fiscal year (announced on July 31, 2017)	Difference	Difference (%)
			Actual for 2H of FY2016	Difference	Difference (%)				
Revenues	2,042	2,160	2,119	40	1.9	4,203	4,263	(60)	(1.4)
Segment Income	53	57	66	(8)	(13.1)	111	106	5	4.7
Overview	<ul style="list-style-type: none"> The Logistics support business including export packing services is expected to maintain solid performance. 								

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

3. Performance Outlook of the Fiscal Year Ending March 2018

C. Assumptions of external factors

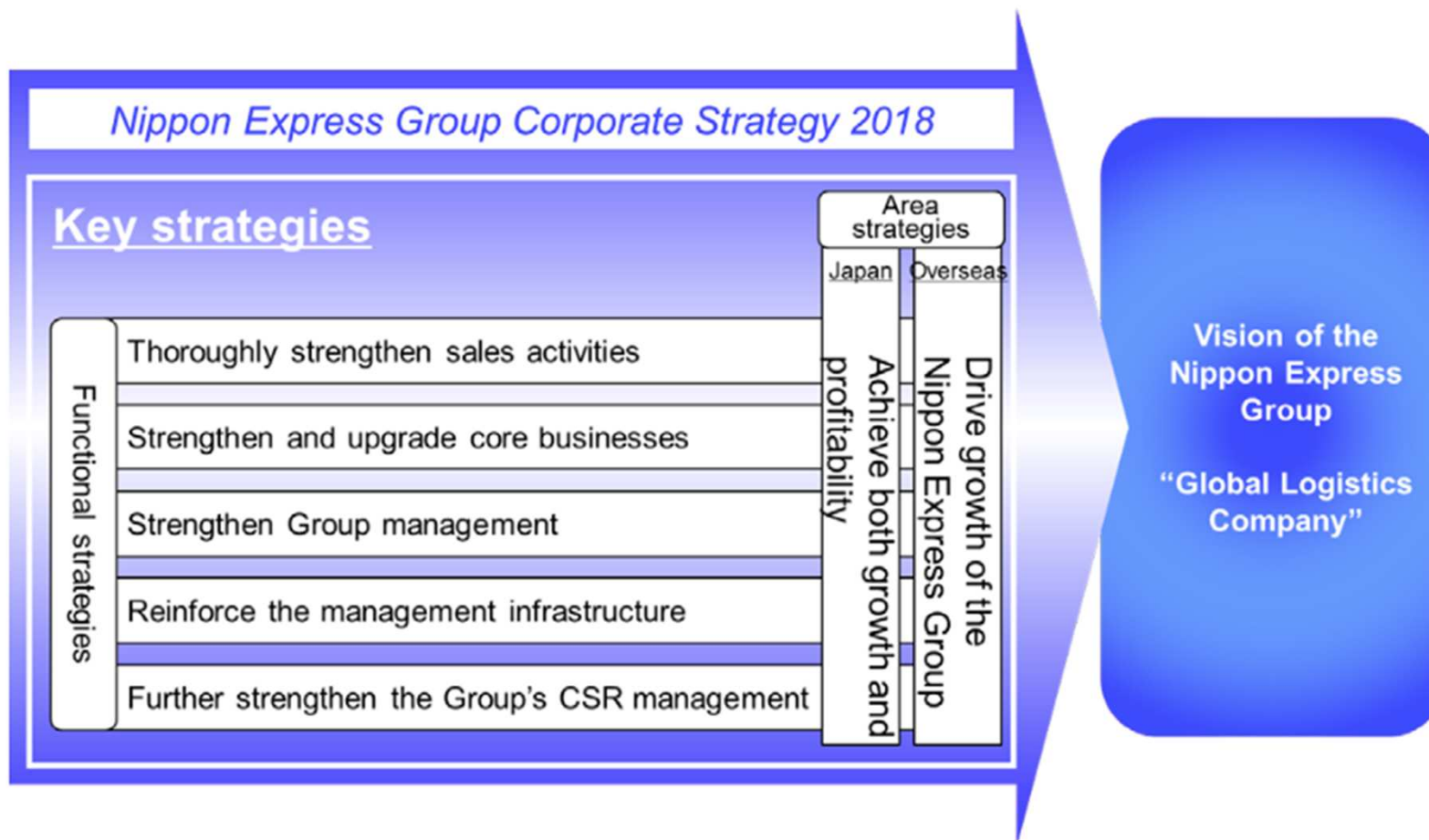
Change factors	Impact on consolidated results (2H)	Assumptions	
Impact of change in unit fuel price	Fuel cost: ¥0.15 billion (cost increase)	FY2017 Light oil: ¥ 86.06/ℓ Gasoline: ¥119.94/ℓ Heavy oil: ¥ 40.09/ℓ	[Yearly average in FY2016] [¥ 79.87] [¥113.79] [¥ 36.10]
Impact of foreign exchange	Revenues: ¥13.13 billion Operating income: ¥0.50 billion	Annual exchange rate FY2017 USD: ¥112.10 EUR: ¥126.50 HKD: ¥ 14.30 RMB: ¥ 16.50	[Yearly average in FY2016] [¥108.84] [¥120.33] [¥ 14.02] [¥ 16.37]

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.

4. Progress of Business Plan

A. Nippon Express Group Corporate Strategy 2018 — New Sekai-Nittsu —

Further enhance profitability of businesses in Japan and focus investment in B2B in the priority business fields and the growth region with the aim of becoming a truly global logistics company.



4. Progress of Business Plan

B. Nippon Express Group Corporate Strategy 2018 — New Sekai-Nittsu — Progress of Key Strategies

Key strategies		Steps	Progress status
Area strategies	<u>Japan</u> Achieve both growth and profitability	Expand transactions with global companies in metropolitan areas, namely Tokyo, Nagoya, and Osaka	<ul style="list-style-type: none"> Establishment of Automotive Business Branch
		Strengthen domestic businesses, and establish new core businesses	<ul style="list-style-type: none"> Establishment of Network Transport Business Promotion Headquarters Launch of NEX-NET: Sea & Rail Tokyo Land Bridge WB Establishment of Narita Temperature Controlled HUB (a large-scale freezer/refrigerator facility) Establishment of services in new temperature range (2°C - 8°C) in TempSure Thermo ULD (making it possible to handle transportation of medical supplies and pharmaceuticals)
	<u>Overseas</u> Drive growth of the Nippon Express Group	Enhance profitability in the Americas, Europe, and East Asia	<ul style="list-style-type: none"> Opening of Kenya Branch, first business location in Africa Relocation and expansion of Laredo office in Texas, an important area for logistics between the U.S. and Mexico (name of new facility: Laredo Logistics Center)
		Growth in South Asia & Oceania	<ul style="list-style-type: none"> Opening of Thilawa Logistics Center in Myanmar Opening of Balikpapan Office in Indonesia Opening of Myawaddy Office in Myanmar Acquisition of bonded logistics center license for food-related products and electrical and electronic-related goods in Indonesia
Functional strategies	Thoroughly strengthen sales activities	Expand sales & marketing targeting non-Japanese companies	<ul style="list-style-type: none"> Opening of Global Logistics Innovation Center
		Strengthen account management	<ul style="list-style-type: none"> Establishment of Automotive Business Branch
	Strengthen and upgrade core businesses	Expand the network in the intra-Asia region	<ul style="list-style-type: none"> Opening of Nippon Express (South Asia & Oceania) Mekong Development Center
		Increase the deals for traffic to and from Asia	<ul style="list-style-type: none"> Business tie-up with Kazakhstan Railways

We Find the Way



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