

April 26, 2019

Summary of Consolidated Earnings Report for the Fiscal Year Ended March 31, 2019 (Japanese GAAP)

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

Listed stock exchanges: Tokyo

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

Representative: President and CEO Mitsuru Saito

Scheduled date for General Shareholders' Meeting: June 27, 2019

Scheduled date of dividend payment: June 28, 2019

Scheduled date for release of Securities Report: June 27, 2019

Availability of supplementary briefing material on annual financial results: Available

(Millions of yen, rounded down)

1. Consolidated Financial Results for Fiscal Year Ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated Business Results

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended Mar. 31, 2019	2,138,501	7.2	79,598	13.3	85,802	15.3	49,330	655.0
Fiscal Year Ended Mar. 31, 2018	1,995,317	7.0	70,269	22.4	74,395	16.6	6,534	(82.1)

(Note) Comprehensive income:

Fiscal Year Ended Mar. 31, 2019: ¥39,460 million [514.6%] Fiscal Year Ended Mar. 31, 2018: ¥6,420 million [(86.6%)]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income on assets	Operating margin to sales
	¥	¥	%	%	%
Fiscal Year Ended Mar. 31, 2019	515.13	—	9.2	5.6	3.7
Fiscal Year Ended Mar. 31, 2018	68.06	—	1.2	4.9	3.5

(Reference) Investment gain or loss on equity method:

Fiscal Year Ended Mar. 31, 2019: ¥608 million Fiscal Year Ended Mar. 31, 2018: ¥654 million

* The Company consolidated 10 shares of its common stock into 1 share, effective October 1, 2017. Accordingly, basic earnings per share were calculated assuming that the said share consolidation was implemented at the beginning of the previous consolidated fiscal year.

* The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended Mar. 31, 2019. This accounting standard has been applied retrospectively to ordinary income on assets as of March 31, 2018.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of Mar. 31, 2019	1,536,677	560,444	35.4	5,749.60
As of Mar. 31, 2018	1,517,060	547,494	34.9	5,519.09

(Reference) Equity: As of Mar. 31, 2019: ¥543,616 million As of Mar. 31, 2018: ¥529,875 million

* The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended Mar. 31, 2019. This accounting standard has been applied retrospectively to total assets and the equity ratio as of March 31, 2018.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended Mar. 31, 2019	72,698	(90,960)	(14,693)	102,092
Fiscal Year Ended Mar. 31, 2018	91,865	(87,458)	(31,443)	137,891

2. Dividends Information

	Annual dividend per share					Total dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend payout ratio on net assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year End	Yearly			
Fiscal Year Ended Mar. 31, 2018	—	6.00	—	60.00	—	11,530	176.3	2.2
Fiscal Year Ended Mar. 31, 2019	—	70.00	—	85.00	155.00	14,767	30.1	2.8
Fiscal Year Ending Mar. 31, 2020 (Forecast)	—	75.00	—	80.00	155.00		32.6	

* The Company consolidated 10 shares of its common stock into 1 share, effective October 1, 2017. Accordingly, the year-end dividend for the fiscal year ended Mar. 31, 2018 represents the amount reflecting the impact of this share consolidation, and the yearly dividend has been left blank (“—”). If converted on a post-consolidation basis, the total annual dividend per share for the fiscal year ended March 31, 2018 amounts to ¥120.00 per share.

3. Forecast of Consolidated Financial Results for FY2019 (from April 1, 2019 to March 31, 2020)

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim of year	1,050,000	0.9	27,000	(20.6)	30,000	(20.6)	17,000	(27.5)	179.80
Full year	2,150,000	0.5	68,000	(14.6)	73,000	(14.9)	45,000	(8.8)	475.95

*Notes

(1) Significant changes of subsidiaries during the period under review (affecting specific subsidiaries due to changes in scope of consolidation): No

(2) 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.: No

2) Any changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Corrections of errors: No

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

1) Total number of issued shares at end of period (including treasury stock)	As of Mar. 31, 2019	98,000,000 shares	As of Mar. 31, 2018	99,800,000 shares
2) Total number of treasury stocks at end of period	As of Mar. 31, 2019	3,451,466 shares	As of Mar. 31, 2018	3,792,200 shares
3) Average number of shares during period	Fiscal Year Ended Mar. 31, 2019	95,763,363 shares	Fiscal Year Ended Mar. 31, 2018	96,012,099 shares

(Notes) 1. The Company consolidated 10 shares of its common stock into 1 share, effective October 1, 2017. Accordingly, “Average number of shares during period” was calculated assuming that the said share consolidation was implemented at the beginning of the previous consolidated fiscal year.

2. The Company has introduced the Executive Compensation BIP (Board Incentive Plan) Trust, and the Company's shares owned by the Trust recorded were included in the treasury stock at the end of the period under review.

Number of shares owned by the Executive Compensation BIP Trust:

As of Mar. 31, 2019: 65,815 shares As of Mar. 31, 2018: 73,253 shares

(These figures are included in “Total number of treasury stocks at end of period” above.)

(Reference) Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated Business Results

(%: compared with the previous period)

	Revenues		Operating income		Ordinary income		Profit	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended Mar. 31, 2019	1,154,781	5.5	42,366	12.5	53,670	14.7	36,512	—
Fiscal Year Ended Mar. 31, 2018	1,094,549	4.9	37,672	25.1	46,795	24.0	1,988	(93.1)

	Basic earnings per share		Diluted earnings per share	
	¥		¥	
Fiscal Year Ended Mar. 31, 2019	381.28		—	
Fiscal Year Ended Mar. 31, 2018	20.72		—	

* The Company consolidated 10 shares of its common stock into 1 share, effective October 1, 2017. Accordingly, basic earnings per share were calculated assuming that the said share consolidation was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	¥ million		¥ million		%		¥	
As of Mar. 31, 2019	974,398		354,790		36.4		3,752.47	
As of Mar. 31, 2018	978,565		346,899		35.4		3,613.25	

(Reference) Equity: As of Mar. 31, 2019: ¥354,790 million As of Mar. 31, 2018: ¥346,899 million

* The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended Mar. 31, 2019. This accounting standard has been applied retrospectively to total assets and the equity ratio as of March 31, 2018.

2. Forecast of Non-consolidated Financial Results for FY2019 (from April 1, 2019 to March 31, 2020)

(%: compared with the previous period)

	Revenues		Ordinary income		Profit		Basic earnings per share	
	¥ million	%	¥ million	%	¥ million	%	¥	
Interim of year	572,000	0.8	16,000	(32.0)	9,500	(41.9)	100.48	
Full year	1,160,000	0.5	41,000	(23.6)	29,000	(20.6)	306.72	

*This Consolidated Earnings Report is outside the scope of audit by a certified public accountant or accounting auditor.

*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. Overview of Business Results, (4) Future Performance Forecasts" on page 6 for the use of preconditions of the financial forecasts and the use of the forecasts.

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 April 26, 2019.

1. Overview of Business Results

(1) Overview of Business Results for Fiscal Year Ended March 31, 2019

During the consolidated fiscal year ended March 31, 2019 (FY2018), the Japanese economy continued on a gradual recovery trend led by strong corporate earnings, but future prospects remained uncertain due to pronounced downward pressure on the economy, such as a slowdown in the global economy especially in China and rising geopolitical risks.

Under these economic conditions, cargo movement in domestic freight was slow due to a series of natural disasters and other factors, while international freight was generally strong due to expanding demand mainly in automobile-related freight, electronic components.

In this management environment, the Nippon Express Group made united efforts to implement two key strategies, “area strategies” and “functional strategies,” aiming to achieve the targets based on its three-year business plan “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu–,” which is beginning its final year.

Area Strategies

- In Japan, mainly in the regions encompassing Tokyo, Nagoya and Osaka, the Nippon Express Group has promoted one-stop sales and account management in order to expand business with global companies, while promoting reform of domestic organizations to further optimize functions and organizations.
- Overseas, the Group continued to concentrate management resources mainly in South Asia to strengthen its warehouse-centered network, while developing business in priority industries such as luxury apparel and fashion items in Europe and expanding sales to non-Japanese companies in all regions.

Functional Strategies

- To “thoroughly strengthen sales activities”, the Group strongly promoted one-stop sales and account management to expand business fields handled for existing customers, and expanded new transactions mainly with non-Japanese companies.
- To “strengthen and upgrade core businesses,” the Group made efforts in the forwarding business to further promote global procurement, while also expanding forwarding products that utilize railways between China and Europe. In addition, the logistics business was further strengthened through initiatives to commercialize cutting-edge technologies in warehouse operations.
- To “reinforce the management infrastructure,” the Group promoted organizational consolidation and strengthened logistics functions through IT reform while making efforts to improve administrative productivity such as by promoting the use of robotic process automation (RPA).
- To “further strengthen the Group’s CSR management,” the Group actively advanced work style reforms, including efforts to promote diversity management and eliminate excessively long working hours.

As a result, revenues increased by ¥143.1 billion, or 7.2% year on year, to ¥2,138.5 billion, operating income increased by ¥9.3 billion, or 13.3% year on year, to ¥79.5 billion, ordinary income increased by ¥11.4 billion, or 15.3% year on year, to ¥85.8 billion, and profit attributable to owners of parent increased by ¥42.7 billion, or 655.0% year on year, to ¥49.3 billion.

In accordance with the organizational reform relating to the Security Transportation business made on April 1, 2018, part of the “Japan (Logistics)” segment was changed to the “Security Transportation” segment effective from the fiscal year ended March 31, 2019.

For details, please refer to “3. Consolidated Financial Statements and Significant Notes, (5) Notes to Consolidated Financial Statements.”

Financial results by reportable segment are summarized below.

1. Japan (Logistics)

As a result of factors including robust air freight export and motor transportation transactions, revenues increased by ¥68.1 billion, or 5.7% year on year, to ¥1,256.8 billion, and operating income increased by ¥10.3 billion, or 22.7% year on year, to ¥55.9 billion.

2. The Americas (Logistics)

As a result of factors including robust air freight export and motor transportation transactions, revenues increased by ¥7.3 billion, or 8.0% year on year, to ¥98.6 billion, but owing to such factors as a reactionary decrease from refunds received of overpaid forwarding costs from past years in the previous fiscal year, operating income decreased by ¥0.2 billion, or 4.9% year on year, to ¥4.2 billion.

3. Europe (Logistics)

As a result of factors including robust air freight and motor transportation transactions as well as newly consolidated subsidiaries, revenues increased by ¥18.7 billion, or 19.5% year on year, to ¥114.8 billion, but operating income decreased by ¥1.8 billion, or 45.3% year on year, to ¥2.2 billion due to factors including an increase in amortization of goodwill.

4. East Asia (Logistics)

As a result of factors including robust air freight and marine and harbor export transactions, revenues increased by ¥5.2 billion, or 4.5% year on year, to ¥122.7 billion, and operating income increased by ¥1.1 billion, or 62.9% year on year, to ¥3.0 billion.

5. South Asia & Oceania (Logistics)

As a result of factors including robust warehouse transactions and motor transportation transactions, revenues increased by ¥6.4 billion, or 7.6% year on year, to ¥91.8 billion, and operating income increased by ¥0.3 billion, or 9.3% year on year, to ¥3.7 billion.

6. Security Transportation

As a result of factors including sales expansion of the cash logistics platform, revenues increased by ¥0.6 billion, or 0.9% year on year, to ¥72.6 billion, but operating income decreased by ¥0.8 billion, or 41.9% year on year, to ¥1.2 billion due to factors including an increase in personnel expenses and fuel costs.

7. Heavy Haulage & Construction

In spite of a reactionary decrease from the absence of a large-scale plant construction project in the previous year and other decreases, revenues increased by ¥0.1 billion, or 0.3% year on year, to ¥47.7 billion, and operating income increased by ¥0.4 billion, or 11.3% year on year, to ¥4.5 billion.

8. Logistics Support

As a result of factors including an increase in the unit selling price of oil and increased transactions in the export packing services, revenues increased by ¥40.7 billion, or 9.2% year on year, to ¥483.9 billion, and operating income increased by ¥1.0 billion, or 9.0% year on year, to ¥12.7 billion.

(2) Overview of Financial Position for Fiscal Year Ended March 31, 2019

The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. This accounting standard has been applied retrospectively to the financial position for the previous year for the purpose of comparability and analysis.

Total assets as at the end of the fiscal year ended March 31, 2019 amounted to ¥1,536.6 billion, an increase of ¥19.6 billion or 1.3% from the end of the previous fiscal year.

Current assets amounted to ¥712.2 billion, a decrease of ¥6.7 billion or 0.9% from the end of the previous fiscal year, while non-current assets totaled ¥824.4 billion, an increase of ¥26.3 billion or 3.3% from the end of the previous fiscal year.

The decrease in current assets was mainly attributable to the decrease in cash and cash in banks.

The increase in non-current assets was mainly attributable to the increase in goodwill.

Current liabilities amounted to ¥454.4 billion, an increase of ¥9.2 billion or 2.1% from the end of the previous fiscal year, while non-current liabilities amounted to ¥521.8 billion, a decrease of ¥2.5 billion or 0.5% from the end of the previous fiscal year.

The increase in current liabilities was mainly attributable to the increase in deposits.

The decrease in non-current liabilities was mainly attributable to the decrease in bonds payable due to transfer to short-term bonds.

Net assets amounted to ¥560.4 billion at the end of the fiscal year ended March 31, 2019, an increase of ¥12.9 billion or 2.4% from the end of the previous fiscal year.

The increase in net assets was mainly attributable to the increase in retained earnings.

(3) Overview of Cash Flows for Fiscal Year Ended March 31, 2019

Cash and cash equivalents at the end of the fiscal year ended March 31, 2019 amounted to ¥102.0 billion, a decrease of ¥35.7 billion year on year.

Net cash provided by operating activities amounted to ¥72.6 billion, a year-on-year decrease of ¥19.1 billion in proceeds. This was mainly due to a decrease in deposits from employees.

Net cash used in investing activities totaled ¥90.9 billion, a year-on-year increase of ¥3.5 billion in expenditures. This was mainly due to an increase in payment for purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities amounted to ¥14.6 billion, a year-on-year decrease of ¥16.7 billion in expenditures. This was mainly due to a decrease in redemption of bonds.

(4) Future Performance Forecasts

Performance forecasts for the next fiscal year have been made in consideration of trends in crude oil prices, risks of exchange rate fluctuations and other factors.

As stated in “1. Overview of Business Results (1) Overview of Business Results for Fiscal Year Ended March 31, 2019,” future economic trends are overshadowed by uncertainties. In the overseas economy, a slowdown is expected in the Chinese economy as well as in economic growth worldwide, while the Japanese economy is expected to be affected by the unstable economy overseas.

Furthermore, industry-wide efforts are called for in the face of issues prevalent in the logistics industry, including implementation of work style reforms to abate labor shortages as the working-age population declines, and the application of cutting-edge technologies such as AI and IoT to logistics.

In this management environment, the Nippon Express Group renewed its united efforts from April 1, 2019, with the formulation of the new five-year Nippon Express Group Business Plan 2023 -“Dynamic Growth”-.

Performance forecasts for the fiscal year ending March 31, 2020 as of the release date of this report are as follows. In addition, expenses are expected to increase by ¥13.0 billion mainly due to an employee system reform.

Performance Forecasts of Consolidated Financial Results (Full year)

Revenues	¥2,150.0 billion (up 0.5% year on year)
Operating income	¥68.0 billion (down 14.6% year on year)
Ordinary income	¥73.0 billion (down 14.9% year on year)
Profit attributable to owners of parent	¥45.0 billion (down 8.8% year on year)

Performance Forecasts of Non-consolidated Financial Results (Full year)

Revenues	¥1,160.0 billion (up 0.5% year on year)
Operating income	¥31.0 billion (down 26.8% year on year)
Ordinary income	¥41.0 billion (down 23.6% year on year)
Profit	¥29.0 billion (down 20.6% year on year)

*We have determined that the above performance forecast is reasonable based on information available at this time, but actual results may differ from the forecast.

(5) Basic Policy for Profit Sharing and Dividends for the Fiscal Year Ended March 31, 2019 and the Fiscal Year Ending March 31, 2020

The Company regards the return of profits to shareholders as one of its most important policies. We maintain capital policies including return of profit, while also expanding our business operations, enhancing our business structure, increasing shareholders' equity and improving profit ratios.

The earnings retained by Nippon Express will be used for investments mainly in the establishment of distribution centers and the replacement of vehicles, to expand sales of our distribution and transportation services and improve our transportation efficiency. We will also utilize retained earnings to strengthen our financial position as well as our corporate foundation.

We are planning to pay a year-end dividend for the fiscal year ended March 31, 2019 of ¥85 per share, as stated in the "Announcement Regarding Distribution of Surplus (Dividend Increase)" on April 26, 2019. The planned annual dividend is ¥155 per share, including the interim dividend that was already paid (consolidated payout ratio of 30.1%).

The annual dividend for the fiscal year ending March 31, 2020 will benchmark the payout ratio of over 30% targeted in the capital policies of the Nippon Express Group Business Plan 2023 -"Dynamic Growth"-. We are planning to pay an interim dividend of ¥75 per share and a year-end dividend of ¥80 per share, for an annual dividend of ¥155 per share (forecast consolidated payout ratio of 32.6%).

2. Basic View on the Adoption of Accounting Policies

In light of the trends of accounting standards in Japan, the Company is in the process of considering adoption of IFRS.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	FY2017 (as of March 31, 2018)	FY2018 (as of March 31, 2019)
ASSETS		
Current assets:		
Cash and cash in banks	198,044	173,338
Notes receivable—trade	26,648	27,927
Accounts receivable—trade	322,390	331,586
Inventories	6,979	8,027
Advance payments-trade	4,997	5,595
Prepaid expenses	13,341	14,168
Lease investment assets	116,204	119,522
Other	31,577	33,063
Less: allowance for doubtful accounts	(1,183)	(964)
Total current assets	719,001	712,263
Non-current assets:		
Property and equipment		
Vehicles	180,019	183,177
Less: accumulated depreciation	(144,802)	(139,392)
Vehicles, net	35,217	43,785
Buildings	620,146	629,116
Less: accumulated depreciation	(361,667)	(374,336)
Buildings, net	258,479	254,779
Structures	68,548	69,988
Less: accumulated depreciation	(54,661)	(55,282)
Structures, net	13,887	14,705
Machinery and equipment	82,508	85,150
Less: accumulated depreciation	(64,547)	(65,535)
Machinery and equipment, net	17,960	19,615
Tools, furniture and fixtures	109,321	112,239
Less: accumulated depreciation	(86,966)	(89,209)
Tools, furniture and fixtures, net	22,355	23,029
Vessels	21,267	21,276
Less: accumulated depreciation	(9,811)	(10,848)
Vessels, net	11,455	10,428
Land	192,541	193,049
Leased assets	8,739	9,479
Less: accumulated depreciation	(4,725)	(5,170)
Leased assets, net	4,013	4,309
Construction in progress	4,329	13,786
Net property and equipment	560,240	577,488
Intangible assets		
Leasehold rights	7,984	7,887
Goodwill	4,180	12,701
Other	54,426	61,431
Total intangible assets	66,591	82,020
Investments and other assets		
Investment securities	109,835	100,718
Long-term loans receivable	553	932
Long-term loans to employees	62	35
Long-term prepaid expenses	5,417	5,431
Security deposits	20,203	20,778
Net retirement benefit asset	1,195	1,422
Deferred tax assets	22,703	26,449
Other	12,285	10,107
Less: allowance for doubtful accounts	(1,030)	(973)
Total investments and other assets	171,227	164,903
Total non-current assets	798,059	824,413
Total assets	1,517,060	1,536,677

(Unit: Millions of yen)

	FY2017 (as of March 31, 2018)	FY2018 (as of March 31, 2019)
LIABILITIES		
Current liabilities:		
Notes payable—trade	9,868	8,175
Accounts payable—trade	163,743	173,323
Short-term loans payable	45,213	43,226
Other payables	34,518	35,667
Income taxes payable	18,666	15,845
Consumption taxes payable	9,736	9,430
Unpaid expenses	25,408	24,608
Advances received	12,137	12,289
Deposits	64,661	74,421
Deposits from employees	28,726	306
Provision for bonuses	22,531	22,697
Provision for directors' bonuses	147	156
Other	9,836	34,252
Total current liabilities	445,197	454,402
Non-current liabilities:		
Bonds payable	125,000	110,000
Long-term loans payable	227,013	232,082
Deferred tax liabilities	6,494	7,631
Provision for directors' retirement benefits	414	478
Provision for special repairs	94	183
Provision for loss on guarantees	503	470
Other provisions	271	307
Net retirement benefit liability	140,039	144,624
Other	24,537	26,053
Total non-current liabilities	524,368	521,830
Total liabilities	969,565	976,232
NET ASSETS		
Shareholders' equity:		
Common stock	70,175	70,175
Additional paid-in capital	24,707	22,832
Retained earnings	444,717	471,176
Less: treasury stock	(20,191)	(19,854)
Total shareholders' equity	519,407	544,329
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	47,068	40,704
Deferred gains (losses) on hedges	(27)	(236)
Foreign currency translation adjustments	3,941	(3,110)
Remeasurements of retirement benefit plans	(40,515)	(38,070)
Total accumulated other comprehensive income	10,467	(712)
Non-controlling interests	17,618	16,827
Total net assets	547,494	560,444
Total liabilities and net assets	1,517,060	1,536,677

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Unit: Millions of yen)

	FY2017 (from April 1, 2017 to March 31, 2018)	FY2018 (from April 1, 2018 to March 31, 2019)
Revenues	1,995,317	2,138,501
Operating costs	1,817,276	1,949,635
Gross profit	178,041	188,866
Selling, general and administrative expenses:		
Personnel expenses	59,996	63,139
Depreciation and amortization	7,934	8,072
Advertising expenses	3,671	4,093
Provision of allowance for doubtful accounts	191	44
Other	35,977	33,917
Total selling, general and administrative expenses	107,771	109,268
Operating income	70,269	79,598
Non-operating income:		
Interest income	671	788
Dividend income	3,285	2,986
Gain on sales of vehicles	303	527
Equity in earnings of unconsolidated subsidiaries and affiliates	654	608
Gain on foreign exchange	342	1,887
Other	4,520	5,710
Total non-operating income	9,779	12,507
Non-operating expenses:		
Interest expenses	3,239	2,858
Loss on sale and retirement of vehicles	80	170
Compensation for damage and settlement package	524	1,201
Other	1,809	2,072
Total non-operating expenses	5,653	6,303
Ordinary income	74,395	85,802
Extraordinary income:		
Gain on sales of non-current assets	2,619	3,273
Gain on sales of investment securities	5,879	181
Gain on contribution of securities to retirement benefit trust	15,662	-
Other	149	60
Total extraordinary income	24,312	3,516
Extraordinary loss:		
Loss on disposal of non-current assets	7,953	4,861
Loss on sales of investment securities	1	2
Loss on valuation of investment securities	410	507
Impairment loss	51,711	5,245
Other	1,474	851
Total extraordinary loss	61,551	11,468
Profit before income taxes	37,155	77,850
Income taxes:		
Current	30,383	30,116
Deferred	(1,090)	(3,057)
Total income taxes	29,292	27,058
Profit	7,863	50,791
Profit attributable to non-controlling interests	1,329	1,461
Profit attributable to owners of parent	6,534	49,330

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	FY2017 (from April 1, 2017 to March 31, 2018)	FY2018 (from April 1, 2018 to March 31, 2019)
Profit	7,863	50,791
Other comprehensive income:		
Valuation differences on available-for-sale securities	(9,881)	(6,365)
Deferred gains (losses) on hedges	(34)	(208)
Foreign currency translation adjustments	2,839	(7,074)
Remeasurements of retirement benefit plans	5,572	2,427
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	60	(110)
Other comprehensive income (loss)	(1,443)	(11,330)
Comprehensive income	6,420	39,460
(Comprehensive income attributable to)		
Owners of parent	5,073	38,149
Non-controlling interests	1,346	1,311

(3) Consolidated Statements of Changes in Net Assets
FY2017 (from April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	70,175	24,707	449,713	(20,145)	524,450
Changes during the year					
Cash dividends			(11,530)		(11,530)
Profit attributable to owners of parent			6,534		6,534
Changes in equity due to transactions with non-controlling shareholders		(0)			(0)
Increase in treasury stock				(65)	(65)
Decrease in treasury stock		0		19	19
Retirement of treasury stock		-	-	-	-
Net changes in items other than shareholders' equity					
Total changes during the year	-	0	(4,996)	(45)	(5,042)
Balance at end of the year	70,175	24,707	444,717	(20,191)	519,407

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of the year	56,945	6	992	(46,015)	11,928	16,606	552,985
Changes during the year							
Cash dividends							(11,530)
Profit attributable to owners of parent							6,534
Changes in equity due to transactions with non-controlling shareholders							(0)
Increase in treasury stock							(65)
Decrease in treasury stock							19
Retirement of treasury stock							-
Net changes in items other than shareholders' equity	(9,876)	(34)	2,949	5,500	(1,460)	1,012	(448)
Total changes during the year	(9,876)	(34)	2,949	5,500	(1,460)	1,012	(5,490)
Balance at end of the year	47,068	(27)	3,941	(40,515)	10,467	17,618	547,494

FY2018 (from April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	70,175	24,707	444,717	(20,191)	519,407
Changes during the year					
Cash dividends			(12,489)		(12,489)
Profit attributable to owners of parent			49,330		49,330
Changes in equity due to transactions with non-controlling shareholders		(1,874)			(1,874)
Increase in treasury stock				(10,081)	(10,081)
Decrease in treasury stock		0		37	37
Retirement of treasury stock		(0)	(10,381)	10,381	-
Net changes in items other than shareholders' equity					
Total changes during the year	-	(1,874)	26,458	337	24,921
Balance at end of the year	70,175	22,832	471,176	(19,854)	544,329

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of the year	47,068	(27)	3,941	(40,515)	10,467	17,618	547,494
Changes during the year							
Cash dividends							(12,489)
Profit attributable to owners of parent							49,330
Changes in equity due to transactions with non-controlling shareholders							(1,874)
Increase in treasury stock							(10,081)
Decrease in treasury stock							37
Retirement of treasury stock							-
Net changes in items other than shareholders' equity	(6,363)	(208)	(7,052)	2,444	(11,180)	(790)	(11,971)
Total changes during the year	(6,363)	(208)	(7,052)	2,444	(11,180)	(790)	12,949
Balance at end of the year	40,704	(236)	(3,110)	(38,070)	(712)	16,827	560,444

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2017 (from April 1, 2017 to March 31, 2018)	FY2018 (from April 1, 2018 to March 31, 2019)
Cash flows from operating activities:		
Profit before income taxes	37,155	77,850
Depreciation and amortization	48,934	52,147
Amortization of goodwill	3,229	1,286
Loss (gain) on sale or write-down of securities, net	(5,467)	328
Loss (gain) on sale or disposal of property and equipment, net	5,110	1,231
Impairment loss	51,711	5,245
(Gain) loss on securities contribution to employees' retirement benefit trust	(15,662)	–
Increase (decrease) in provision for bonuses	1,202	212
Increase (decrease) in net retirement benefit liability	6,203	8,015
Interest and dividend income	(3,957)	(3,774)
Interest expenses	3,239	2,858
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(654)	(608)
(Gain) loss on step acquisitions	–	13
(Increase) decrease in trade receivables	(29,177)	(15,270)
(Increase) decrease in inventories	(847)	(1,059)
Increase (decrease) in accounts payable	9,060	7,806
Increase (decrease) in consumption taxes payable	4,125	(247)
Other	4,317	(32,854)
Sub-total	118,523	103,181
Interest and dividends received	4,122	3,960
Interest paid	(3,392)	(2,898)
Income taxes paid	(27,388)	(31,544)
Net cash provided by operating activities	91,865	72,698
Cash flows from investing activities:		
Payment for purchase of property and equipment	(97,108)	(78,739)
Proceeds from sales of property and equipment	55	1,662
Payment for purchase of investment securities	(1,624)	(64)
Proceeds from sales of investment securities	9,429	2,320
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(17,931)
Other	1,787	1,791
Net cash used in investing activities	(87,458)	(90,960)

(Unit: Millions of yen)

	FY2017 (from April 1, 2017 to March 31, 2018)	FY2018 (from April 1, 2018 to March 31, 2019)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(444)	10,387
Proceeds from long-term loans payable	55,195	30,650
Payment for long-term loans payable	(53,218)	(38,223)
Redemption of bonds	(20,000)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(146)	(3,639)
Cash dividends	(11,521)	(12,480)
Payment for purchase of treasury stock	(65)	(10,081)
Other	(1,242)	8,694
Net cash provided by (used in) financing activities	(31,443)	(14,693)
Effect of exchange rate changes on cash and cash equivalents	1,542	(2,843)
Net increase (decrease) in cash and cash equivalents	(25,494)	(35,799)
Cash and cash equivalents at beginning of year	163,386	137,891
Cash and cash equivalents at end of year	137,891	102,092

(5) Notes to Consolidated Financial Statements
(Notes Regarding Going Concern Assumption)
Not applicable.

(Changes in Presentation Method)

(Changes following Adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019, thereby presentation method has been changed, and deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, in the consolidated balance sheets for the fiscal year ended March 31, 2018, deferred tax assets under current assets decreased by ¥11,014 million and deferred tax assets under investments and other assets increased by ¥10,050 million. In addition, deferred tax liabilities under current liabilities (other) and under non-current liabilities decreased by ¥43 million and ¥920 million, respectively.

(Segment Information, etc.)

[Segment Information]

1. Outline of the reportable segments

Reportable segments of the Nippon Express Group are its organizational units combining area segments and business segments whose individual financial results are available separately, and serve as the basis and subject of regular review by the Board of Directors, for the purpose of allocating management resources and evaluating business performance.

The “Logistics” business has five reportable area segments: “Japan,” “The Americas,” “Europe,” “East Asia,” and “South Asia & Oceania.” Reportable segments outside of the “Logistics” business are specialized businesses of “Security Transportation,” “Heavy Haulage & Construction,” and “Logistics Support” which conducts sales and real estate business related to each business.

As a result, the main products and services and main business of each reportable segment are as follows.

Reportable Segments	Main products and services	Main business
Japan (Logistics)	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, travel, marine & harbor transportation, moving & relocation, warehousing & distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, security transportation, heavy haulage & construction	Railway forwarding, motor cargo transportation, air freight forwarding, travel, marine transportation, harbor transportation, warehousing, in-factory work, information asset management, real estate
The Americas (Logistics)	Air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, travel	Air freight forwarding, harbor transportation, warehousing, motor cargo transportation, travel
Europe (Logistics)	Railway utilization transportation, air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, travel	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, travel
East Asia (Logistics)	Railway utilization transportation, air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation
South Asia & Oceania (Logistics)	Railway utilization transportation, air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, heavy haulage & construction, travel	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, heavy haulage and construction, travel

Reportable Segments	Main products and services	Main business
Security Transportation	Security transportation	Security guard, motor cargo transportation
Heavy Haulage & Construction	Heavy haulage & construction	Heavy haulage and construction
Logistics Support	Lease, sale of petroleum, etc., sale of others, real estate, finance, others	Sale of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., lease, vehicle maintenance, insurance agency, mediation, planning, designing and management of real estate, investigation and research, logistics finance, automobile driving instruction, employee dispatching

2. Method for calculating the amounts of revenues, income (loss), assets, liabilities and other items by reportable segment

Accounting treatment methods for reportable segments are the same as those stated in the most recent Securities Report (submitted June 28, 2018).

Income in each reportable segment is stated on the basis of operating income. Intersegment revenues and money transfers are based on current market price.

3. Revenues, income (loss), assets, liabilities and other items by reportable segment
FY2017 (From April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,175,246	76,604	89,911	106,649	75,867
Intersegment	13,448	14,792	6,136	10,837	9,515
Total	1,188,695	91,396	96,048	117,487	85,382
Segment income	45,596	4,486	4,155	1,845	3,396
Segment assets	790,171	49,572	74,961	56,293	63,755
Other items					
Depreciation and amortization	31,764	1,390	1,457	954	1,879
Amortization of goodwill	2,370	–	233	68	317
Impairment loss on non-current assets	44,584	–	–	–	7,126
Investment in equity method affiliates	10,144	63	–	1,427	150
Increase in property and equipment and intangible assets	73,576	1,681	1,517	336	4,291

	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	71,981	47,388	351,667	1,995,317	–	1,995,317
Intersegment	41	213	91,597	146,582	(146,582)	–
Total	72,022	47,602	443,264	2,141,899	(146,582)	1,995,317
Segment income	2,135	4,062	11,722	77,399	(7,129)	70,269
Segment assets	113,762	20,669	322,955	1,492,142	24,918	1,517,060
Other items						
Depreciation and amortization	2,075	580	5,475	45,578	3,356	48,934
Amortization of goodwill	–	–	239	3,229	–	3,229
Impairment loss on non-current assets	–	–	–	51,711	–	51,711
Investment in equity method affiliates	–	233	131	12,150	–	12,150
Increase in property and equipment and intangible assets	3,524	812	7,389	93,128	3,430	96,558

(Notes) 1. Details of the adjustments are as follows:

- (1) The segment income adjustment of ¥(7,129) million includes ¥(148) million for the elimination of intersegment income, and ¥(7,001) million of corporate expenses not allocated to each reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
 - (2) The segment assets adjustment of ¥24,918 million includes ¥(199,307) million for the elimination of intersegment income, and ¥224,226 million of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, investment securities and non-current assets held by the Company not attributable to each reportable segment.
 - (3) The depreciation and amortization adjustment represents mainly the depreciation and amortization at the Company not attributable to each reportable segment.
 - (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the Company not attributable to each reportable segment.
2. Segment income has been reconciled with operating income in the consolidated financial statements.

FY2018 (From April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,244,544	81,130	107,746	110,641	84,208
Intersegment	12,258	17,568	7,065	12,113	7,666
Total	1,256,802	98,699	114,812	122,754	91,874
Segment income	55,966	4,264	2,271	3,007	3,710
Segment assets	804,328	52,631	75,691	54,673	67,523
Other items					
Depreciation and amortization	33,362	1,419	2,297	794	1,674
Amortization of goodwill	584	–	604	97	–
Impairment loss on non-current assets	2,271	–	–	–	2,790
Investment in equity method affiliates	10,786	62	–	1,462	174
Increase in property and equipment and intangible assets	45,620	1,082	19,662	800	9,043

	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	72,598	47,636	389,996	2,138,501	–	2,138,501
Intersegment	49	115	93,969	150,806	(150,806)	–
Total	72,647	47,751	483,965	2,289,308	(150,806)	2,138,501
Segment income	1,240	4,520	12,778	87,759	(8,161)	79,598
Segment assets	113,536	23,510	341,158	1,533,053	3,623	1,536,677
Other items						
Depreciation and amortization	2,328	717	5,929	48,524	3,623	52,147
Amortization of goodwill	–	–	–	1,286	–	1,286
Impairment loss on non-current assets	–	–	182	5,245	–	5,245
Investment in equity method affiliates	–	245	–	12,731	–	12,731
Increase in property and equipment and intangible assets	3,053	1,887	9,716	90,866	7,016	97,883

(Notes) 1. Details of the adjustments are as follows:

- (1) The segment income adjustment of ¥(8,161) million includes ¥(183) million for the elimination of intersegment income, and ¥(8,043) million of corporate expenses not allocated to each reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
 - (2) The segment assets adjustment of ¥3,623 million includes ¥(200,381) million for the elimination of intersegment income, and ¥204,005 million of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, investment securities and non-current assets held by the Company not attributable to each reportable segment.
 - (3) The depreciation and amortization adjustment represents mainly the depreciation and amortization at the Company not attributable to each reportable segment.
 - (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the Company not attributable to each reportable segment.
2. Segment income has been reconciled with operating income in the consolidated financial statements.

4. Matters related to changes in reportable segments, etc.

As the operating environment surrounding the financial industry undergoes significant change, in order to respond to customers' needs and further expand its business in the future, the Company conducted an organizational reform relating to the Security Transportation business on April 1, 2018. Along with this, effective from the fiscal year ended March 31, 2019, part of the organizations included in "Japan (Logistics)" has been changed to "Security Transportation."

The segment information for the fiscal year ended March 31, 2018 was prepared based on the classification method after the change.

(Per Share Information)

	FY2017 (from April 1, 2017 to March 31, 2018)	FY2018 (from April 1, 2018 to March 31, 2019)
Net assets per share (yen)	5,519.09	5,749.60
Basic earnings per share (yen)	68.06	515.13

(Notes) 1. Diluted earnings per share is not stated because there were no residual securities.

2. The Company consolidated 10 shares of its common stock into 1 share, effective October 1, 2017. Accordingly, basic earnings per share was calculated assuming that the said share consolidation was implemented at the beginning of the previous consolidated fiscal year.

3. For the purpose of computing net assets per share, the Company's shares owned by the Executive Compensation BIP Trust are included in the treasury stock to be deducted from the total number of issued shares during the period. Additionally, in calculating basic earnings per share, said shares of the Company are included in the treasury stock to be deducted from the average number of shares during the period. In the previous consolidated fiscal year, the total number of shares of treasury stock held in trust at the end of the period was 73 thousand shares, and the average number of shares during the period was 73 thousand shares. In the current fiscal year, the total number of shares of treasury stock held in the trust at end of the period was 65 thousand shares, and the average number of shares during the period was 67 thousand shares.

4. The bases for the computation of the amounts of basic earnings per share are set out below.

(Unit: Millions of yen unless otherwise stated)

	FY2017 (from April 1, 2017 to March 31, 2018)	FY2018 (from April 1, 2018 to March 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent	6,534	49,330
Amount not attributable to common shareholders	–	–
Profit attributable to owners of parent related to common stock	6,534	49,330
Weighted average number of common stock during the year (1,000 shares)	96,012	95,763

5. The bases for the computation of the amounts of net assets per share are set out below.

(Unit: Millions of yen unless otherwise stated)

	FY2017 (as of March 31, 2018)	FY2018 (as of March 31, 2019)
Total net assets	547,494	560,444
Amount to deduct from total net assets	17,618	16,827
(Non-controlling interests)	(17,618)	(16,827)
Net assets at end of year related to common stock	529,875	543,616
Number of common stock at end of year used to calculate net assets per share (1,000 shares)	96,007	94,548

(Significant Subsequent Events)

Not applicable.

4. Reference Materials

(1) Consolidated Reference Materials

○ Financial Results of Reportable Segment for FY2018

(Unit: Millions of yen, %)

			FY2018	FY2017	Change		
					Amount	Ratio	
Revenues	Reportable Segment	Logistics	Japan	1,256,802	1,188,695	68,107	5.7
			The Americas	98,699	91,396	7,302	8.0
			Europe	114,812	96,048	18,763	19.5
			East Asia	122,754	117,487	5,266	4.5
			South Asia & Oceania	91,874	85,382	6,492	7.6
		Subtotal	1,684,943	1,579,009	105,933	6.7	
		Security Transportation	72,647	72,022	625	0.9	
		Heavy Haulage & Construction	47,751	47,602	149	0.3	
		Logistics Support	483,965	443,264	40,700	9.2	
		Subtotal	2,289,308	2,141,899	147,408	6.9	
	Adjustment	(150,806)	(146,582)	(4,224)	–		
Total	2,138,501	1,995,317	143,183	7.2			
Segment Income (Operating Income)	Reportable Segment	Logistics	Japan	[4.5] 55,966	[3.8] 45,596	10,369	22.7
			The Americas	[4.3] 4,264	[4.9] 4,486	(221)	(4.9)
			Europe	[2.0] 2,271	[4.3] 4,155	(1,883)	(45.3)
			East Asia	[2.5] 3,007	[1.6] 1,845	1,161	62.9
			South Asia & Oceania	[4.0] 3,710	[4.0] 3,396	314	9.3
		Subtotal	[4.1] 69,220	[3.8] 59,479	9,740	16.4	
		Security Transportation	[1.7] 1,240	[3.0] 2,135	(894)	(41.9)	
		Heavy Haulage & Construction	[9.5] 4,520	[8.5] 4,062	457	11.3	
		Logistics Support	[2.6] 12,778	[2.6] 11,722	1,055	9.0	
		Subtotal	[3.8] 87,759	[3.6] 77,399	10,360	13.4	
	Adjustment	(8,161)	(7,129)	(1,031)	–		
Total	[3.7] 79,598	[3.5] 70,269	9,328	13.3			

(Notes) 1. In accordance with the organizational reform relating to the Security Transportation business made on April 1, 2018, part of the “Japan (Logistics)” segment was changed to the “Security Transportation” segment effective from the fiscal year ended March 31, 2019. Accordingly, figures for the previous year are reclassified to reflect the segment change for the purpose of comparability.

2. Figures in brackets indicate Operating Margins.

○ Forecast of Financial Results for FY2019 (Full Year)

(Unit: Millions of yen, %)

		FY2019	FY2018	Change			
				Amount	Ratio		
Revenues	Reportable Segment	Logistics	Japan	1,261,800	1,256,802	4,997	0.4
			The Americas	103,700	98,699	5,000	5.1
			Europe	125,200	114,812	10,387	9.0
			East Asia	126,300	122,754	3,545	2.9
			South Asia & Oceania	95,000	91,874	3,125	3.4
		Subtotal	1,712,000	1,684,943	27,056	1.6	
		Security Transportation	73,900	72,647	1,252	1.7	
		Heavy Haulage & Construction	48,000	47,751	248	0.5	
		Logistics Support	475,800	483,965	(8,165)	(1.7)	
		Subtotal	2,309,700	2,289,308	20,391	0.9	
		Adjustment	(159,700)	(150,806)	(8,893)	-	
Total	2,150,000	2,138,501	11,498	0.5			
Segment Income (Operating Income)	Reportable Segment	Logistics	Japan	[3.7] 47,200	[4.5] 55,966	(8,766)	(15.7)
			The Americas	[4.5] 4,700	[4.3] 4,264	435	10.2
			Europe	[2.4] 3,000	[2.0] 2,271	728	32.1
			East Asia	[2.6] 3,300	[2.5] 3,007	292	9.7
			South Asia & Oceania	[4.5] 4,300	[4.0] 3,710	589	15.9
		Subtotal	[3.7] 62,500	[4.1] 69,220	(6,720)	(9.7)	
		Security Transportation	[(2.4)] (1,800)	[1.7] 1,240	(3,040)	-	
		Heavy Haulage & Construction	[9.0] 4,300	[9.5] 4,520	(220)	(4.9)	
		Logistics Support	[2.6] 12,600	[2.6] 12,778	(178)	(1.4)	
		Subtotal	[3.4] 77,600	[3.8] 87,759	(10,159)	(11.6)	
		Adjustment	(9,600)	(8,161)	(1,438)	-	
Total	[3.2] 68,000	[3.7] 79,598	(11,598)	(14.6)			

(Notes) Figures in brackets indicate Operating Margins.

○ Forecast of Financial Results for First Half of FY2019

(Unit: Millions of yen, %)

			First half of FY2019		First half of FY2018		Change	
							Amount	Ratio
Revenues	Reportable Segment	Logistics	Japan	619,600	615,797	3,802	0.6	
			The Americas	49,400	47,228	2,171	4.6	
			Europe	60,400	55,985	4,414	7.9	
			East Asia	59,600	58,845	754	1.3	
			South Asia & Oceania	45,600	44,471	1,128	2.5	
		Subtotal	834,600	822,329	12,270	1.5		
		Security Transportation	36,800	35,979	820	2.3		
		Heavy Haulage & Construction	27,000	24,863	2,136	8.6		
		Logistics Support	227,900	228,592	(692)	(0.3)		
		Subtotal	1,126,300	1,111,765	14,534	1.3		
	Adjustment	(76,300)	(71,430)	(4,869)	–			
Total	1,050,000	1,040,335	9,664	0.9				
Segment Income (Operating Income)	Reportable Segment	Logistics	Japan	[3.0] 18,600	[3.9] 23,849	(5,249)	(22.0)	
			The Americas	[4.0] 2,000	[4.7] 2,224	(224)	(10.1)	
			Europe	[2.2] 1,300	[1.3] 722	577	79.8	
			East Asia	[2.3] 1,400	[2.0] 1,161	238	20.5	
			South Asia & Oceania	[4.4] 2,000	[4.3] 1,933	66	3.4	
		Subtotal	[3.0] 25,300	[3.6] 29,891	(4,591)	(15.4)		
		Security Transportation	[(5.2)] (1,900)	[0.8] 292	(2,192)	–		
		Heavy Haulage & Construction	[8.1] 2,200	[8.4] 2,088	111	5.3		
		Logistics Support	[2.5] 5,800	[2.5] 5,765	34	0.6		
		Subtotal	[2.8] 31,400	[3.4] 38,038	(6,638)	(17.5)		
	Adjustment	(4,400)	(4,104)	(385)	–			
Total	[2.6] 27,000	[3.3] 34,023	(7,023)	(20.6)				

(Notes) Figures in brackets indicate Operating Margins.

○ Changes in Number of Employees as of March 31, 2018 and 2019

(Unit: Persons, %)

	March 31, 2019	March 31, 2018	Change	
			Change	Ratio
Logistics	60,094	58,281	1,813	3.1
Security Transportation	6,489	6,516	(27)	(0.4)
Heavy Haulage & Construction	867	825	42	5.1
Logistics Support	3,934	3,925	9	0.2
Adjustment*	141	125	16	12.8
Total	71,525	69,672	1,853	2.7

*Employees engaged in the administration of the Company and group companies

*In accordance with the organizational reform relating to the Security Transportation business made on April 1, 2018, part of the "Japan (Logistics)" segment was changed to the "Security Transportation" segment effective from the fiscal year ended March 31, 2019. Accordingly, figures as of March 31, 2018 are reclassified to reflect the segment change for the purpose of comparability.

○ Capital Expenditures

(Unit: Millions of yen)

	Actual amount in FY2018
Vehicles	17,010
Buildings	30,173
Land	2,836
Leased assets	8,023
Other	21,473
Total	79,518

Major investment

(Unit: Millions of yen)

Company	Amount	Note
Nippon Express	44,651	New international air freight core system, ¥3,222 million, etc.
Nippon Express (Malaysia)	4,111	Warehouse construction in Shah Alam Industrial Park
NEX Logistics (Indonesia)	2,361	Bekasi Logistics Center

* Amount for Nippon Express does not include leased assets.

(Unit: Millions of yen)

	Forecast for FY2019
Vehicles	15,000
Buildings	57,000
Land	1,000
Leased assets	5,000
Other	32,000
Total	110,000

Major plans

(Unit: Millions of yen)

Company	Amount	Note
Nippon Express	80,000	Construction of warehouse specializing in pharmaceuticals, ¥28,796 million New international air freight core system, ¥7,153 million, etc.
Nippon Express (Malaysia)	2,876	Warehouse construction in Shah Alam Industrial Park
Nippon Express Global SCM(Shanghai) Co.,Ltd.	1,705	Phase II warehouse construction in Shanghai Qingpu Industrial Zone

* Amount for Nippon Express does not include leased assets.

(2) Non-consolidated Reference Materials

○ Details of Revenues and Operating Expenses for FY2018

(Unit: Millions of yen, %)

		FY2018		FY2017		Change		
			% in Sales		% in Sales	Amount	Ratio	
Revenues	Railway utilization transportation		79,266	6.9	85,867	7.8	(6,600)	(7.7)
	Motor transportation	Combined delivery services	88,920	7.7	82,987	7.6	5,932	7.1
		Chartered truck services	277,113	24.0	271,761	24.8	5,352	2.0
		Subtotal	366,033	31.7	354,748	32.4	11,285	3.2
	Marine and harbor transportation	Marine transportation	78,129	6.7	71,959	6.6	6,170	8.6
		Harbor transportation	58,837	5.1	55,510	5.1	3,326	6.0
		Subtotal	136,966	11.8	127,469	11.7	9,497	7.5
		(Exports)	[65,581]	—	[60,747]	—	[4,833]	[8.0]
		(Imports)	[41,286]	—	[39,365]	—	[1,920]	[4.9]
		(Domestic)	[30,099]	—	[27,356]	—	[2,742]	[10.0]
	Warehousing		116,260	10.1	111,898	10.2	4,362	3.9
	Air transportation	International air freight	153,773	13.3	127,270	11.6	26,502	20.8
		(Exports)	[124,988]	—	[100,843]	—	[24,144]	[23.9]
		(Imports)	[28,785]	—	[26,427]	—	[2,357]	[8.9]
		Subtotal	194,672	16.8	166,825	15.2	27,847	16.7
	Domestic air freight		40,899	3.5	39,554	3.6	1,344	3.4
	Heavy haulage & construction		64,666	5.6	60,703	5.6	3,962	6.5
Incidental operations and others		196,915	17.1	187,037	17.1	9,877	5.3	
Total		1,154,781	100.0	1,094,549	100.0	60,232	5.5	
(Domestic operation-related revenues)		[862,798]	74.7	[837,452]	76.5	[25,346]	[3.0]	
(Overseas-related revenues)		[291,983]	25.3	[257,097]	23.5	[34,885]	[13.6]	
Operating expenses	Personnel expenses	Drivers/workers	117,775	10.2	119,329	10.9	(1,553)	(1.3)
		Office personnel	135,426	11.7	135,458	12.4	(31)	(0.0)
		Subtotal	253,202	21.9	254,787	23.3	(1,584)	(0.6)
	Forwarding costs	Railway	39,760	3.5	44,155	4.0	(4,394)	(10.0)
		Marine	32,264	2.8	28,100	2.6	4,163	14.8
		Air	76,597	6.6	56,103	5.1	20,493	36.5
		Subtotal	148,623	12.9	128,359	11.7	20,263	15.8
	Vehicle chartering and subcontracting costs		478,247	41.4	452,613	41.4	25,633	5.7
	Depreciation and amortization		27,361	2.4	25,370	2.3	1,991	7.9
	Facility usage charges		74,524	6.4	72,532	6.6	1,992	2.7
Other		130,456	11.3	123,214	11.3	7,241	5.9	
Total		1,112,415	96.3	1,056,877	96.6	55,537	5.3	
Operating income		42,366	3.7	37,672	3.4	4,694	12.5	

○ Details of Revenues for the First and Second Half of FY2018

(Unit: Millions of yen, %)

		FY2018		FY2017		Change		
			% in Sales		% in Sales	Amount	Ratio	
1H of revenues	Railway utilization transportation	35,811	6.3	41,603	7.8	(5,792)	(13.9)	
	Motor transportation	Combined delivery services	42,559	7.5	39,978	7.5	2,580	6.5
		Chartered truck services	137,460	24.2	134,106	25.2	3,353	2.5
		Subtotal	180,019	31.7	174,085	32.7	5,934	3.4
	Marine and harbor transportation	Marine transportation	39,873	7.0	36,342	6.8	3,530	9.7
		Harbor transportation	28,908	5.1	27,061	5.1	1,846	6.8
		Subtotal	68,781	12.1	63,404	11.9	5,377	8.5
		(Exports)	[33,385]	—	[30,061]	—	[3,324]	[11.1]
		(Imports)	[20,472]	—	[19,741]	—	[731]	[3.7]
	(Domestic)	[14,923]	—	[13,602]	—	[1,321]	[9.7]	
	Warehousing	56,999	10.1	55,600	10.4	1,399	2.5	
	Air transportation	International air freight	76,111	13.4	56,717	10.7	19,394	34.2
		(Exports)	[62,741]	—	[43,804]	—	[18,936]	[43.2]
		(Imports)	[13,370]	—	[12,912]	—	[457]	[3.5]
		Domestic air freight	20,281	3.6	19,389	3.6	891	4.6
	Subtotal	96,392	17.0	76,106	14.3	20,285	26.7	
	Heavy haulage & construction	33,150	5.9	31,153	5.9	1,996	6.4	
Incidental operations and others	96,056	16.9	90,547	17.0	5,509	6.1		
Total	567,212	100.0	532,501	100.0	34,710	6.5		
(Domestic operation-related revenues)	[421,263]	74.3	[411,160]	77.2	[10,102]	[2.5]		
(Overseas-related revenues)	[145,948]	25.7	[121,340]	22.8	[24,607]	[20.3]		
2H of revenues	Railway utilization transportation	43,455	7.4	44,263	7.9	(808)	(1.8)	
	Motor transportation	Combined delivery services	46,360	7.9	43,008	7.6	3,352	7.8
		Chartered truck services	139,653	23.7	137,654	24.5	1,998	1.5
		Subtotal	186,014	31.6	180,663	32.1	5,350	3.0
	Marine and harbor transportation	Marine transportation	38,256	6.5	35,616	6.3	2,640	7.4
		Harbor transportation	29,928	5.1	28,449	5.1	1,479	5.2
		Subtotal	68,185	11.6	64,065	11.4	4,119	6.4
		(Exports)	[32,196]	—	[30,686]	—	[1,509]	[4.9]
		(Imports)	[20,813]	—	[19,624]	—	[1,189]	[6.1]
	(Domestic)	[15,175]	—	[13,754]	—	[1,421]	[10.3]	
	Warehousing	59,260	10.1	56,298	10.0	2,962	5.3	
	Air transportation	International air freight	77,661	13.2	70,553	12.5	7,108	10.1
		(Exports)	[62,247]	—	[57,038]	—	[5,208]	[9.1]
		(Imports)	[15,414]	—	[13,514]	—	[1,900]	[14.1]
		Domestic air freight	20,617	3.5	20,164	3.6	452	2.2
	Subtotal	98,279	16.7	90,718	16.1	7,561	8.3	
	Heavy haulage & construction	31,516	5.4	29,549	5.3	1,966	6.7	
Incidental operations and others	100,858	17.2	96,490	17.2	4,368	4.5		
Total	587,569	100.0	562,048	100.0	25,521	4.5		
(Domestic operation-related revenues)	[441,535]	75.1	[426,291]	75.8	[15,243]	[3.6]		
(Overseas-related revenues)	[146,034]	24.9	[135,756]	24.2	[10,277]	[7.6]		

○ Forecast of Financial Results for FY2019 (Full Year)

(Unit: Millions of yen, %)

		FY2019		FY2018		Change		
			% in Sales		% in Sales	Amount	Ratio	
Revenues	Railway utilization business	79,000	6.8	74,251	6.4	4,748	6.4	
	Motor transportation	Small-lot shipment business	46,000	4.0	45,715	4.0	284	0.6
		Chartered truck business	198,500	17.1	195,329	16.9	3,170	1.6
		Subtotal	244,500	21.1	241,044	20.9	3,455	1.4
	Marine and harbor transportation	Marine transportation business	103,000	8.9	99,150	8.6	3,849	3.9
		Harbor transportation business	72,100	6.2	70,378	6.1	1,721	2.4
		Subtotal	175,100	15.1	169,529	14.7	5,570	3.3
		(Exports)	[70,700]	-	[65,285]	-	[5,414]	[8.3]
		(Imports)	[51,000]	-	[50,512]	-	[487]	[1.0]
		(Domestic & other)	[53,400]	-	[53,731]	-	[(331)]	[(0.6)]
	Air transportation	Subtotal	207,000	17.8	219,858	19.0	(12,858)	(5.8)
		(Exports)	[109,000]	—	[120,128]	—	[(11,128)]	[(9.3)]
		(Imports)	[27,000]	—	[27,958]	—	[(958)]	[(3.4)]
		(Domestic & other)	[71,000]	—	[71,771]	—	[(771)]	[(1.1)]
	Warehousing & storage business	134,300	11.6	130,719	11.3	3,580	2.7	
	In-factory business	50,000	4.3	51,444	4.5	(1,444)	(2.8)	
	Moving & relocation business	59,000	5.1	59,514	5.2	(514)	(0.9)	
	Security transportation business	71,600	6.2	71,664	6.2	(64)	(0.1)	
	Heavy haulage & construction business	65,500	5.6	64,666	5.6	833	1.3	
Other businesses	74,000	6.4	72,089	6.2	1,910	2.7		
Total	1,160,000	100.0	1,154,781	100.0	5,218	0.5		
Operating expenses	Total personnel expenses	266,800	23.0	253,202	21.9	13,597	5.4	
	Forwarding costs	Railway	42,300	3.7	39,760	3.5	2,539	6.4
		Marine	35,200	3.0	32,264	2.8	2,935	9.1
		Air	70,100	6.0	76,597	6.6	(6,497)	(8.5)
		Subtotal	147,600	12.7	148,623	12.9	(1,023)	(0.7)
	Vehicle chartering and subcontracting costs	481,300	41.5	478,247	41.4	3,052	0.6	
	Depreciation and amortization	29,800	2.6	27,361	2.4	2,438	8.9	
	Facility usage charges	74,900	6.4	74,524	6.4	375	0.5	
Other	128,600	11.1	130,456	11.3	(1,856)	(1.4)		
Total	1,129,000	97.3	1,112,415	96.3	16,584	1.5		
Operating income	31,000	2.7	42,366	3.7	(11,366)	(26.8)		
Non-operating income	14,800	1.2	16,267	1.4	(1,467)	(9.0)		
Non-operating expenses	4,800	0.4	4,964	0.5	(164)	(3.3)		
Ordinary income	41,000	3.5	53,670	4.6	(12,670)	(23.6)		
Extraordinary income	4,800	0.4	2,327	0.2	2,472	106.2		
Extraordinary loss	5,800	0.5	6,025	0.5	(225)	(3.7)		
Profit before income taxes	40,000	3.4	49,972	4.3	(9,972)	(20.0)		
Income taxes	11,000	0.9	13,459	1.1	(2,459)	(18.3)		
Profit	29,000	2.5	36,512	3.2	(7,512)	(20.6)		

*As revenues are managed per business instead of mode of transportation, and employees are no longer categorized into drivers/workers and office personnel since FY2019, the presentation of revenues and personnel expenses have been changed.

○ Forecast of Financial Results for First Half of FY2019

(Unit: Millions of yen, %)

		First half of FY2019	% in Sales	First half of FY2018	% in Sales	Change		
						Amount	Ratio	
Revenues	Railway utilization business	38,500	6.7	33,843	6.0	4,656	13.8	
	Motor transportation	Small-lot shipment business	22,500	4.0	22,345	3.9	154	0.7
		Chartered truck business	98,000	17.1	96,381	17.0	1,618	1.7
		Subtotal	120,500	21.1	118,727	20.9	1,772	1.5
	Marine and harbor transportation	Marine transportation business	50,600	8.8	48,947	8.7	1,652	3.4
		Harbor transportation business	35,300	6.2	34,750	6.1	549	1.6
		Subtotal	85,900	15.0	83,697	14.8	2,202	2.6
		(Exports)	[34,700]	-	[32,677]	-	[2,022]	[6.2]
		(Imports)	[24,800]	-	[24,515]	-	[284]	[1.2]
		(Domestic & other)	[26,400]	-	[26,504]	-	[(104)]	[(0.4)]
	Air transportation	Subtotal	102,000	17.8	108,181	19.1	(6,181)	(5.7)
		(Exports)	[54,000]	-	[59,953]	-	[(5,953)]	[(9.9)]
		(Imports)	[13,000]	-	[12,908]	-	[91]	[0.7]
		(Domestic & other)	[35,000]	-	[35,319]	-	[(319)]	[(0.9)]
		Warehousing & storage business	65,800	11.5	64,297	11.3	1,502	2.3
		In-factory business	25,000	4.4	25,462	4.5	(462)	(1.8)
		Moving & relocation business	29,500	5.2	29,217	5.2	282	1.0
		Security transportation business	35,900	6.3	35,865	6.3	34	0.1
	Heavy haulage & construction business	33,500	5.8	33,150	5.8	349	1.1	
	Other businesses	35,400	6.2	34,769	6.1	630	1.8	
	Total	572,000	100.0	567,212	100.0	4,787	0.8	
Operating expenses	Total personnel expenses	136,600	23.9	128,289	22.6	8,310	6.5	
	Forwarding costs	Railway	20,600	3.6	17,661	3.1	2,938	16.6
		Marine	17,200	3.0	15,983	2.8	1,216	7.6
		Air	34,800	6.1	38,206	6.8	(3,406)	(8.9)
		Subtotal	72,600	12.7	71,850	12.7	749	1.0
		Vehicle chartering and subcontracting costs	239,000	41.8	236,238	41.6	2,761	1.2
		Depreciation and amortization	14,400	2.5	13,477	2.4	922	6.8
		Facility usage charges	36,700	6.4	36,918	6.5	(218)	(0.6)
	Other	62,700	11.0	63,271	11.2	(571)	(0.9)	
	Total	562,000	98.3	550,046	97.0	11,953	2.2	
	Operating income	10,000	1.7	17,165	3.0	(7,165)	(41.7)	
	Non-operating income	8,100	1.4	8,279	1.4	(179)	(2.2)	
	Non-operating expenses	2,100	0.3	1,908	0.3	191	10.0	
	Ordinary income	16,000	2.8	23,536	4.1	(7,536)	(32.0)	
	Extraordinary income	600	0.1	1,789	0.4	(1,189)	(66.5)	
	Extraordinary loss	3,600	0.6	1,640	0.3	1,959	119.4	
	Profit before income taxes	13,000	2.3	23,684	4.2	(10,684)	(45.1)	
	Income taxes	3,500	0.6	7,346	1.3	(3,846)	(52.4)	
	Profit	9,500	1.7	16,338	2.9	(6,838)	(41.9)	

*As revenues are managed per business instead of mode of transportation, and employees are no longer categorized into drivers/workers and office personnel since FY2019, the presentation of revenues and personnel expenses have been changed.