

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

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

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July 31, 2018

1. Business Overview



A. Overview of 1Q of FY2018

1) Overview (Consolidated)

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

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

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

Operating Income Margin 3.3% [3.2%]

Ordinary Income Margin 3.6% [3.6%]

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


ROA 3.0% [0.4%]

ROE 8.0% [1.2%]

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

◇ Recognition of the business environment and review (economic environment)

- Amid continuing expansion of the global economy, cargo movement maintained solid performance in Japan and overseas.
- The Company increased revenues by surely capturing such cargo movement.
- Consolidated revenues, operating income, and ordinary income were the highest ever first-quarter results.

1. Business Overview							
We Find the Way  日本通運 NIPPON EXPRESS							
B. Overview by reportable segment							
1) Japan		* In accordance with organizational reform, part of the Japan segment was changed to the Security Transportation segment effective from the fiscal year ending March 31, 2019, and figures for the previous year are reclassified to reflect the segment change for the purpose of comparability. (100 million yen)					
	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	3,073	2,866	207	7.2	5,990	51.3	2,916
Segment Income	119	99	19	19.9	219	54.7	99
Overview	<ul style="list-style-type: none"> In railway transportation, transactions increased for automobile-related components and others, but there were more suspended or cancelled routes due to the earthquake in northern Osaka, and revenues declined. In truck transportation, cargo movement of automobile-related components, steel and others maintained solid performance. In marine & harbor transportation, machinery-related exports and container terminal operations grew. In air freight forwarding, consolidated export cargo weights increased 31.1% from the previous year, significantly exceeding the market growth rate. Exports of automobile-related components to areas in Europe, and electronic components and semiconductor manufacturing equipment to Asia remained strong. 						
2) The Americas							
	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	231	220	11	5.0	469	49.4	237
Segment Income	8	7	1	15.5	20	42.9	11
Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export freight forwarding was solid, mainly for automobile-related and medical device-related items. Air and marine import freight forwarding and warehousing and distribution transactions also increased. Reduction of expenses progressed due to customer transfer and greater efficiency. 						
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*The overview by reportable segment below is for the first quarter (3-month period from April to June). The first quarter of overseas segments is the January-March period.

◇ Japan ••• Higher revenues, higher profit

- Generally solid performance centering on international freight, reflecting cargo movement in Japan
- In railway transportation, transactions increased for automobile-related components and others, but there were more suspended or cancelled routes due to the earthquake in northern Osaka.
- In truck transportation, cargo movement of automobile-related components, steel and others maintained solid performance.
- In marine & harbor transportation, machinery-related exports and container terminal operations grew.
- In air freight forwarding, consolidated export cargo weights increased 31.1% from the previous year, significantly exceeding the market growth rate of 19.0%. Exports of automobile-related components to areas in Europe, and electronic components and semiconductor manufacturing equipment to Asia remained strong.
- For the trend in weight for export air freight originating from Japan and the Company's share for export air freight originating from Japan, please refer to Page 1 of the supplementary material.

- For the increase/decrease in operating income by business in Japan segment, please refer to Page 2 of the supplementary material. Although the data do not reflect the financial closing procedures and are for reference only, they show the trend of each business.

◇ The Americas ••• Higher revenues, higher profit

Revenues and profit increased on a local currency basis excluding the impact of foreign exchange rates, too.

- Air export freight forwarding was solid, mainly for automobile-related and medical device-related items.
- Air import freight forwarding, marine import freight forwarding, and warehousing and distribution transactions also increased.
- Reduction of expenses, which have been trending upward, progressed due to customer transfer and greater efficiency.

1. Business Overview



B. Overview by reportable segment

3) Europe

(100 million yen)

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

4) East Asia

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

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◇ Europe •• Higher revenues, lower profit

Revenues increased and profit decreased on a local currency basis excluding the impact of foreign exchange rates, too.

- Air export freight forwarding transactions of automobile-related and medical device-related items grew, and the warehousing and distribution business remained solid.
- Profit decreased because service orders were lost in Italy, and as a reactionary decline in the absence of the temporary service orders of the previous year.
- Traconf S.r.l., which was consolidated at the beginning of the first quarter, contributed to revenues.

However, profit decreased due to an increase in temporary expenses related to the launch of a new major project, and amortization of goodwill.

◇ East Asia •• Higher revenues, lower profit

Revenues increased and profit decreased on a local currency basis excluding the impact of foreign exchange rates, too.

- Air export freight forwarding and marine export freight forwarding were solid, and automobile-related warehousing and distribution and truck transportation grew.
- Recovery of the profit was delayed as air forwarding costs remained high due to charter flight regulations in China.

1. Business Overview



B. Overview by reportable segment

5) South Asia & Oceania

(100 million yen)

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

6) Security Transportation

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

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

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◇ South Asia & Oceania ••• Higher revenue, higher profit

Revenues and profit increased on a local currency basis excluding the impact of foreign exchange rates, too.

- Air export freight forwarding for automobile-related items, electronic components, pharmaceuticals, etc., were strong.
- Warehousing and distribution transactions also grew.
- Forwarding costs and vehicle chartering and subcontracting costs increased markedly.

◇ Security Transportation ••• Higher revenue, lower profit

- Acquisition of outsourcing from regional financial institutions increased due to expanded sales of the cash logistics platform.
- Profit declined due to rising personnel expenses and fuel costs.

1. Business Overview							
B. Overview by reportable segment							
7) Heavy Haulage & Construction (100 million yen)							
	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	124	123	1	0.9	243	51.1	118
Segment Income	10	9	0	9.8	20	53.4	9
Overview	<ul style="list-style-type: none"> Wind power plant-related transportation and installation in Japan and overseas, and heavy electric-related projects in Japan progressed mostly as planned. 						
8) Logistics Support							
	Actual	Comparison with FY2017			Comparison with forecast (announced on April 27)		
	1Q of FY2018	1Q of FY2017	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	1,115	1,007	107	10.7	2,224	50.2	1,108
Segment Income	26	24	2	8.1	56	48.0	29
Overview	<ul style="list-style-type: none"> Revenues rose due to an increase in the unit selling price of oil. The logistics support business including export packing services also maintained solid performance. 						

◇ Heavy Haulage & Construction ••• Higher revenue, higher profit

- Wind power plant-related transportation and installation in Japan and overseas, and heavy electric-related projects in Japan progressed mostly as planned.

◇ Logistics Support ••• Higher revenue, higher profit

- Revenues rose due to an increase in the unit selling price of oil at Nittsu Shoji.
- The logistics support business including export packing services also maintained solid performance.

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

A. Change factors

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

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



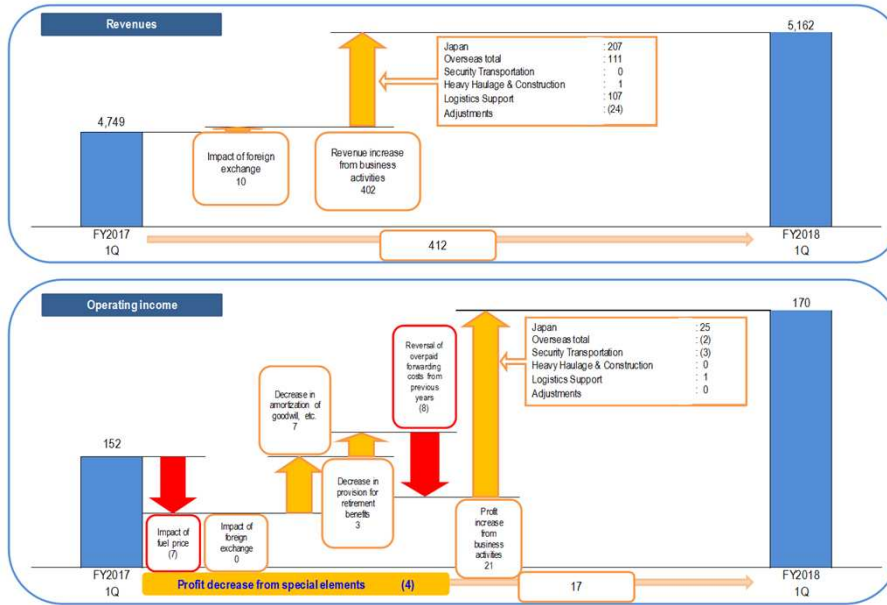
A. Change factors

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

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

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

(100 million yen)



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◇ Initiatives to collect adequate fees

- In the first quarter, profit increased by 0.3 billion yen due to an increase of 2.6 billion yen in revenues, and a rise in unit price of vehicle chartering and subcontracting costs of 2.3 billion yen.

3. Performance Outlook of FY2018



A. Consolidated forecast (unchanged)

(100 million yen)

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

◇ The consolidated forecast is unchanged from the forecast announced on April 27.

3. Performance Outlook of FY2018

B. Overview by reportable segment (unchanged)



(100 million yen)

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

◇ Japan

- Transportation demand centering on air freight is expected to remain solid.
- Uncertainties will likely remain high regarding the upward trend in forwarding costs and vehicle chartering and subcontracting costs, as well as the international situation, making it difficult to predict prospects for the second half of the fiscal year onward.

◇ Overseas

- In China, high air forwarding costs are expected to continue despite the cancellation of charter flight regulations.
- Increases in personnel expenses and vehicle chartering and subcontracting costs are expected to become evident in other regions, too.
- Concerns about the environment for international logistics operations, such as trade friction between the U.S. and China, are increasing.
- The Company's facilities were damaged by floods caused by torrential rains in west Japan in July 2018.
- Many railway tracks and roads, which are key transport arteries, were damaged. It has been reported that restoration of certain sections of the

Sanyo Main Line will not be completed until November.

- Revenues may decrease greatly for railway transportation etc. from July onward. However, at this point in time, overall impacts are still unclear.

- In view of these circumstances, the consolidated forecast is unchanged from the previous forecast.

3. Performance Outlook of FY2018

B. Overview by reportable segment (unchanged)



(100 million yen)

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

3. Performance Outlook of FY2018

B. Overview by reportable segment (unchanged)



(100 million yen)

		Full year			1H			2H		
		Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]	Forecast for FY2018	Actual for FY2017	Difference [Ratio of difference (%)]
Heavy Haulage & Construction	Revenues	458	476	(18) [[3.8]]	243	248	(5) [[2.3]]	215	227	(12) [[5.4]]
	Operating Income	36	40	(4) [[11.4]]	20	23	(3) [[14.7]]	16	17	(1) [[6.8]]
	Income Margin (%)	7.9	8.5	-	8.2	9.4	-	7.4	7.6	-
Logistics Support	Revenues	4,654	4,432	221 [5.0]	2,224	2,042	181 [8.8]	2,430	2,389	40 [1.7]
	Operating Income	118	117	0 [0.7]	56	53	2 [5.1]	62	63	(1) [[3.1]]
	Income Margin (%)	2.5	2.6	-	2.5	2.6	-	2.6	2.7	-

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

3. Performance Outlook of FY2018

C. External factors and other variable factors (forecast)

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

- The upward trend in oil prices is persisting.
- The unit fuel price is expected to exceed the forecast announced at the beginning of the current fiscal year.
- The forecast annual amount of the impact has been changed from 1.2 billion yen at the beginning of the current fiscal year to 2.5 billion yen.

3. Performance Outlook of FY2018



C. External factors and other variable factors (forecast)

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

We Find the Way



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