

# Results Meeting for 1H of the Fiscal Year Ending March 2019

NIPPON EXPRESS CO., LTD.

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October 31, 2018

1. Business Overview							
A. Overview of 1H of FY2018							
1) Overview (Consolidated) <span style="float: right;">(100 million yen) (rounded down to 100 million yen)</span>							
	Actual for 1H of FY2018 (a)	Actual for 1H of FY2017 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for 1H (announced on April 27) (e)	Difference (compared with forecast) (f) = (a) - (e)	Progress (%) (g) = (a) / (e) × 100
Revenues	10,403	9,561	842	8.8	10,100	303	103.0
Operating Income	340	322	17	5.6	330	10	103.1
Ordinary Income	377	344	33	9.6	350	27	108.0
Profit attributable to owners of parent	234	215	18	8.7	220	14	106.6

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

Operating Income Margin 3.3% [3.4%]  
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.

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- Consolidated revenues, operating income, ordinary income, and profit were the highest ever first-half results.
- Achieved first-half revenues of 1 trillion yen for the first time ever.
- Exceeded consolidated forecasts announced on April 27 in each item.

◇ Recognition of the business environment and review (status of logistics industry)

- The economy continued trending toward recovery both in Japan and overseas, while cargo movement maintained solid performance overall.

- Frequent natural disasters, including the earthquake in northern Osaka in June, the Heavy Rain Event in West Japan in July, Typhoons Jebi (No. 21) and Trami (No. 24) in September, and the Hokkaido Eastern Iburi Earthquake, significantly impacted the logistics industry, particularly railway transportation.

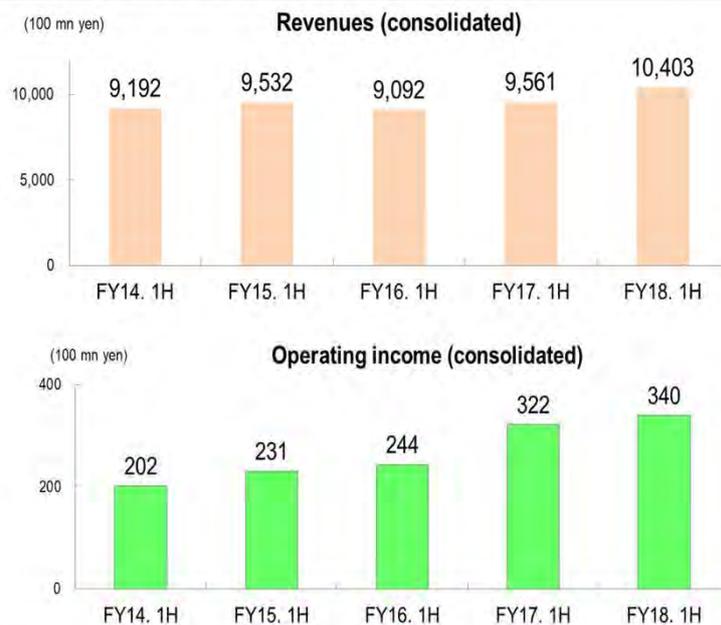
◇ Evaluation of financial results

- Cargo movement and economic trends were solid in the second quarter, as in the first quarter. The Company steadily captured these cargo movements.
- Facing the disasters, the Company conducted emergency transportation and other means to contribute to securing customers' supply chains by leveraging its comprehensive strength, and minimized the impact.

## 1. Business Overview



### B. Trend of revenues and operating income for the past 5 years



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#### ◇ Trend of revenues

Increased 84.2 billion yen, or 8.8%, from the previous year.

- Amid solid cargo movement centering on international freight, the Company accurately identified customer trends. This led to increased revenues and transactions expanded in all regions overseas.
- Revenues increased in all segments, excluding Security Transportation and Heavy Haulage & Construction.

#### ◇ Trend of operating income

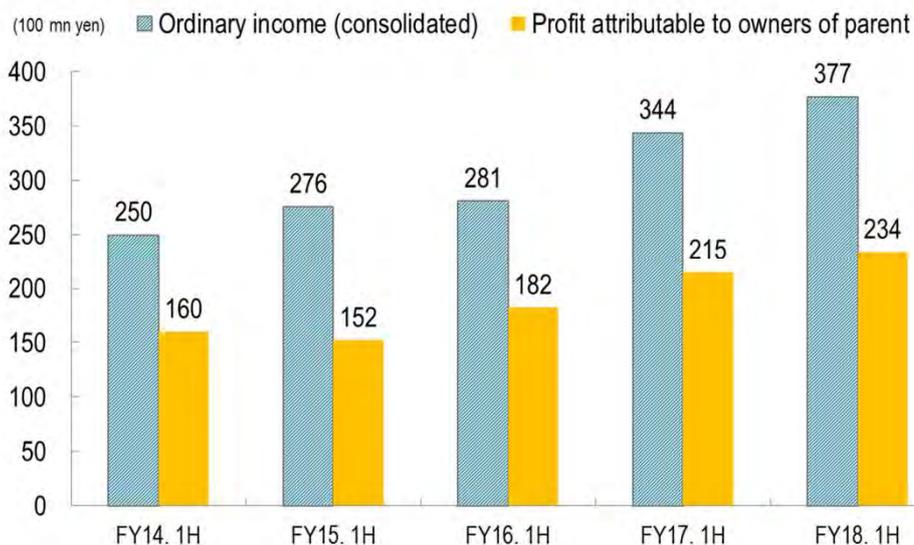
Increased 1.7 billion yen, or 5.6%, from the previous year.

- Despite increases in forwarding costs, vehicle chartering and subcontracting costs, the rise in fuel costs as well as the impact of natural disasters, income increased as a result of higher revenues.

## 1. Business Overview



### C. Trend of ordinary income and profit attributable to owners of parent for the past 5 years



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#### ◇ Trend of ordinary income

Increased 3.3 billion yen, or 9.6%, from the previous year.

- Non-operating income increased 1.5 billion yen, owing partly to gain on foreign exchange.
- Non-operating expenses were on par with the previous year.

#### ◇ Trend of profit

Increased 1.8 billion yen, or 8.7%, from the previous year.

- Extraordinary income increased 0.5 billion yen, owing partly to gain on sales of non-current assets.
- Extraordinary loss decreased 0.1 billion yen, owing partly to the recording of loss on disposal of non-current assets in the previous year.

## 1. Business Overview



### D. Financial position

(100 million yen)

	End of 1H FY2018	End of FY2017	Difference
Total Assets	15,302	15,170	132
Equity	5,458	5,298	159
Equity Ratio (%)	35.7	34.9	-

### E. Cash flows

(100 million yen)

	1H of FY2018	1H of FY2017	Difference YoY
Cash Flows from Operating Activities (A)	312	459	(147)
Cash Flows from Investing Activities (B)	(599)	(657)	57
Free Cash Flows (A+B)	(287)	(198)	(89)
Cash Flows from Financing Activities	(57)	(213)	156
Cash and Cash Equivalents at End of Period	1,009	1,218	(208)
(Reference)	End of 1H of FY2018	End of FY2017	Difference Compared with the end of FY2017
Cash and Cash Equivalents at End of Quarterly Period/Year-end	1,009	1,378	(369)

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#### ◇ Financial position

- Total assets increased 13.2 billion yen from the end of the previous year, owing to increases in goodwill and other intangible assets.

#### ◇ Cash flows

- Cash and cash equivalents at the end of the quarterly period decreased 36.9 billion yen from the end of the previous year.
- This was mainly due to an increase in payment for purchase of shares of subsidiaries resulting in change in scope of consolidation.

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



### A. Change factors

Change factors	Impact on consolidated results (1H)	Reference
Impact of change in unit fuel price	¥1.83 billion (cost increase)	Unit price per ℓ [1H of FY2017 / Previous forecast]
	*2Q: ¥1.08 billion	Light oil: ¥104.71 [¥86.12 / ¥103.90]
	*1Q: ¥0.75 billion	Gasoline: ¥137.50 [¥120.18 / ¥135.50]
		Heavy oil: ¥55.28 [¥41.24 / ¥52.40]
Impact of foreign exchange	Revenues: ¥2.63 billion	Average annual exchange rate [1H of FY2017 / Previous forecast]
	Operating income: ¥0.10 billion	USD: ¥108.69 [¥112.37 / ¥109.60]
	*2Q: Revenues: ¥1.58 billion	EUR: ¥131.64 [¥121.64 / ¥130.30]
	Operating income: ¥0.04 billion	HKD: ¥13.87 [¥14.46 / ¥13.90]
	*1Q: Revenues: ¥1.04 billion	RMB: ¥17.09 [¥16.39 / ¥16.80]
	Operating income: ¥0.05 billion	<small>The average annual exchange rates are reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.</small>

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



### A. Change factors

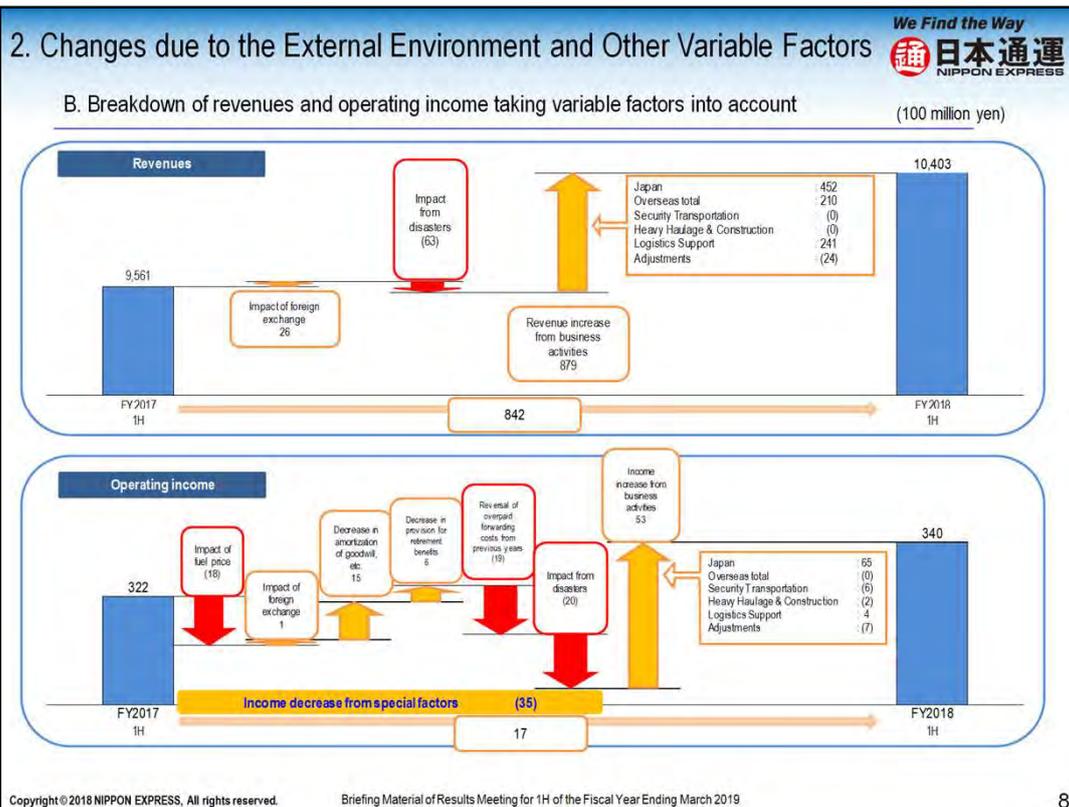
Change factors	Impact on consolidated results (1H)	Reference
Impact from impairment loss on goodwill and non-current assets	Operating income: ¥1.51 billion	Japan: ¥1.25 billion South Asia & Oceania: ¥0.26 billion
Decrease in provision for retirement benefits	Operating income: ¥0.68 billion	Japan: ¥0.54 billion Security Transportation: ¥0.12 billion Heavy Haulage & Construction: ¥0.01 billion
Other impact (special factors from previous year)	Operating income: ¥(1.9) billion (* Reversal of overpaid forwarding costs from previous years)	Japan: ¥(0.8) billion The Americas: ¥(1.1) billion

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

### A. Change factors

Change factors	Impact on consolidated results (1H)	Reference
Impact from disasters (Heavy Rain Event in West Japan, Typhoon Jebi (Typhoon No. 21) and Hokkaido Eastern Iburī Earthquake)	Revenues: ¥(6.36) billion  Operating income: ¥(2.08) billion	Operating income Japan: ¥(2.02) billion Security Transportation: ¥(0.01) billion Heavy Haulage & Construction: ¥(0.04) billion

- Replacement transportation, emergency transportation and others generated revenues. However, expenses are estimated to have increased indirectly as well, although not identifiable in detail, because the switch from railway transportation and other factors tightened the supply of trucks across Japan.



◇ Initiatives to collect adequate fees

- In the first half, income increased by 0.9 billion yen due to an increase of 5.5 billion yen in revenues, and a rise in unit price of vehicle chartering and subcontracting costs of 4.6 billion yen. This excludes the impact of soaring vehicle chartering costs affected by the Heavy Rain Event in West Japan.

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### 3. Performance Analysis of 1H of FY2018

#### A. 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		Forecast for 1H (announced on April 27)	Progress (%)	Difference	
		FY2018	FY2017	Difference				Difference (%)
1H	Revenues	6,157	5,769	388	6.7	5,990	102.8	167
	Segment Income	238	198	39	19.9	219	108.9	19
2Q	Revenues	3,084	2,902	181	6.3	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	118	98	19	19.9	3.8 [3.4]		
	Overview	<ul style="list-style-type: none"> <li>In railway transportation, there were significantly more suspended or cancelled routes due to the Heavy Rain Event in West Japan, Hokkaido Eastern Iburi Earthquake, etc.</li> <li>In truck transportation, cargo movement of steel and automobile-related components was solid. Railroad replacement transportation, owing to the impact of the Heavy Rain Event in West Japan, was also a contributing factor to increased revenues.</li> <li>In air freight forwarding, consolidated export cargo weights increased by 25.2% from the previous year, significantly exceeding the market growth rate. Exports of automobile-related components to areas in Europe, and electronic components and semiconductor-related items to Asia remained strong.</li> </ul>						

2) The Americas (100 million yen)

		Actual	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference	
		FY2018	FY2017	Difference				Difference (%)
1H	Revenues	472	448	23	5.3	469	100.7	3
	Segment Income	22	27	(4)	(17.9)	20	111.2	2
2Q	Revenues	240	227	12	5.7	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	13	19	(5)	(30.5)	5.7 [8.6]		
	Overview	<ul style="list-style-type: none"> <li>Revenues increased but income decreased on a local currency basis.</li> <li>Air export freight forwarding was solid, mainly for automobile-related items. Air and marine import freight forwarding and warehousing and distribution transactions also increased.</li> <li>Transfer to customers and streamlining contributed to the reduction of expenses.</li> <li>Unable to make up for the ¥1.1 billion rebound from reversal of overpaid forwarding costs from previous years in FY2017.</li> </ul>						

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\*The overview by reportable segment below is for the second quarter (3-month period from July to September). The second quarter of overseas segments is the April-June period.

◇ Japan … Higher revenues, higher income

- In railway transportation, transactions were solid for automobile-related components, but there were significantly more suspended or cancelled routes due to the impact of the Heavy Rain Event in West Japan, Hokkaido Eastern Iburi Earthquake, etc.
- In truck transportation, cargo movement of steel and automobile-related components maintained solid performance.

In addition, railway replacement transportation, owing to the impact of the Heavy Rain Event in West Japan, was also a contributing factor to increased revenues.

- In marine & harbor transportation, machinery-related exports and container terminal operations grew.

In addition, the adoption of coastal marine & harbor transportation as railway replacement transportation also contributed to increased revenues.

- In air freight forwarding, consolidated export cargo weights increased 25.2% from the previous year, significantly exceeding the market growth rate. Exports of automobile-related components to areas in Europe, and electronic components and semiconductor-related items 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.

- The increase/decrease in first-half operating income by business in Japan segment, please refer to Page 2 of the supplementary material. This excludes the impact of the decrease in provision for retirement benefits and amortization of goodwill.
- Although the data do not reflect the financial closing procedures, etc., and are for reference only, they show the trend of each business.

◇ The Americas . . . Higher revenues, lower income

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

- Air export freight forwarding was solid, mainly for automobile-related items.
- Air and marine import freight forwarding, and warehousing and distribution transactions also increased.
- Transfer to customers and streamlining contributed to the reduction of expenses, which had been trending upward in the previous year.
- Unable to make up for the income decrease factor of a 1.1 billion yen rebound from last year's reversal of overpaid forwarding costs from previous years.

		Actual	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference	
		FY2018	FY2017	Difference	Difference (%)			
1H	Revenues	559	438	121	27.7	551	101.6	8
	Segment Income	7	17	(10)	(58.2)	20	36.1	(12)
2Q	Revenues	274	223	51	22.8	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	1	9	(7)	(82.3)	0.6 [4.1]		
	Overview	<ul style="list-style-type: none"> <li>Revenues increased but income decreased on a local currency basis.</li> <li>The warehousing and distribution business remained solid.</li> <li>Due to business lost in Italy and the lack of spot business in FY2017 in Spain, air export freight forwarding transactions declined.</li> <li>The newly consolidated Traconf S.r.l. struggled in 1Q owing to temporary expenses related to the launch of a new major project, but turned profitable over the 1H.</li> </ul>						

3) Europe (100 million yen)

		Actual	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference	
		FY2018	FY2017	Difference	Difference (%)			
1H	Revenues	588	547	40	7.4	572	102.9	16
	Segment Income	11	7	3	51.1	12	96.8	(0)
2Q	Revenues	304	279	25	9.0	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	7	3	4	111.7	2.5 [1.3]		
	Overview	<ul style="list-style-type: none"> <li>Revenues and income increased on a local currency basis.</li> <li>Air export freight forwarding and marine export freight forwarding were solid.</li> <li>Although air forwarding costs remained high, the reduction of expenses progressed by transferring them to customers and streamlining, and income trended toward recovery.</li> </ul>						

4) East Asia (100 million yen)

◇ Europe ... Higher revenues, lower income

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

- The warehousing and distribution business remained solid.
- Due to business lost in Italy and the lack of spot business in the previous year in Spain resulted in a decline in air export and import freight forwarding transactions.
- Traconf S.r.l. was acquired in March 2018 and has been consolidated. Although Traconf did not generate income in the first quarter owing to temporary expenses related to the launch of a newly acquired major project, it turned profitable over the first half.

◇ East Asia ... Higher revenues, higher income

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

- Air and marine export freight forwarding were solid.
- Although air forwarding costs remained high, the reduction of expenses progressed by transferring them to customers and streamlining, and income trended toward recovery.

		Actual	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference	
		FY2018	FY2017	Difference	Difference (%)			
1H	Revenues	444	395	49	12.5	423	105.1	21
	Segment Income	19	16	2	18.4	18	107.4	1
2Q	Revenues	226	201	25	12.6	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	10	8	2	24.7	4.7 [4.2]		
Overview		<ul style="list-style-type: none"> <li>Revenues and income increased on a local currency basis.</li> <li>Air export freight forwarding for automobile-related items, electronic components, and pharmaceuticals, etc. remained solid.</li> <li>Warehousing and distribution transactions grew.</li> <li>Forwarding costs and vehicle chartering and subcontracting costs remained high.</li> </ul>						

(100 million yen)

		Actual	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference	
		FY2018	FY2017	Difference	Difference (%)			
1H	Revenues	359	360	(0)	(0.1)	362	99.4	(2)
	Segment Income	2	10	(7)	(72.7)	5	58.5	(2)
2Q	Revenues	179	179	(0)	(0.3)	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	(0)	4	(4)	(107.6)	(0.2) [2.3]		
Overview		<ul style="list-style-type: none"> <li>Acquisition of outsourcing from regional financial institutions increased due to expanded sales of the cash logistics platform.</li> <li>Revenues and income declined due to a decrease in transportation operations as well as rising employment costs and fuel costs.</li> </ul>						

(100 million yen)

\* 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

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◇ South Asia & Oceania … Higher revenue, higher income

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

- Air export freight forwarding for automobile-related items, electronic components, and pharmaceuticals, etc., remained solid.
- Warehousing and distribution transactions grew, but forwarding costs and vehicle chartering and subcontracting costs remained high.

◇ Security Transportation … Lower revenue, lower income

- Acquisition of outsourcing from regional financial institutions increased due to expanded sales of the cash logistics platform, but revenues and income declined due to a decrease in transportation operations as well as rising employment costs and fuel costs.

### 3. Performance Analysis of 1H of FY2018

#### A. Overview by reportable segment



#### 7) Heavy Haulage & Construction

(100 million yen)

	Actual FY2018	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference		
		FY2017	Difference				Difference (%)	
1H	Revenues	248	248	(0)	(0.0)	243	102.3	5
	Segment Income	20	23	(2)	(10.9)	20	104.4	0
2Q	Revenues	124	125	(1)	(0.9)	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	10	13	(3)	(25.6)	8.2 [10.9]		
	Overview	• There was a rebound from major overseas plant construction in the previous year.						

#### 8) Logistics Support

(100 million yen)

	Actual FY2018	Comparison with FY2017		Forecast for 1H (announced on April 27)	Progress (%)	Difference		
		FY2017	Difference				Difference (%)	
1H	Revenues	2,285	2,042	242	11.9	2,224	102.8	61
	Segment Income	57	53	4	8.2	56	102.9	1
2Q	Revenues	1,170	1,035	135	13.1	2Q Operating Income Margin (%) [FY2017]		
	Segment Income	30	28	2	8.4	2.6 [2.7]		
	Overview	<ul style="list-style-type: none"> <li>• Revenues rose for Nittsu Shoji as a result of the increase in the unit selling price of oil.</li> <li>• The logistics support business including export packing services maintained solid performance.</li> </ul>						

(Nittsu Shoji, Nippon Express Capital, Nittsu Real Estate, etc.)

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#### ◇ Heavy Haulage & Construction . . . Lower revenue, lower income

- There was a decline owing to a rebound from major overseas plant construction in the previous year.

#### ◇ Logistics Support . . . Higher revenue, higher income

- Revenue rose for Nittsu Shoji as a result of the increase in the unit selling price of oil, while the logistics support business including export packing services also maintained solid performance as well.

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#### 4. Performance Outlook of FY2018

A. Consolidated forecast (revised)

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

	Actual for 1H of FY2018	Forecast for 2H of FY2018	Comparison with 2H of FY2017		Full-year forecast (announced on October 31, 2018)	Comparison with FY2017		Comparison with previous full-year forecast (announced on April 27, 2018)	
			Actual for 2H of FY2017	Difference [Ratio of difference (%)]		Actual for FY2017	Difference [Ratio of difference (%)]	Full-year forecast	Difference [Ratio of difference (%)]
Revenues	10,403	10,696	10,391	304 [2.9]	21,100	19,953	1,146 [5.7]	20,800	300 [1.4]
Operating income	340	429	380	49 [13.0]	770	702	67 [9.6]	770	-
Ordinary income	377	432	399	32 [8.3]	810	743	66 [8.9]	810	-
Profit attributable to owners of parent	234	215	(150)	365 [-]	450	65	384 [588.7]	450	-

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#### ◇ Management environment expectations

- The domestic economy will remain solid, although situation may vary between regions and businesses, such as in the Hokkaido area, where the impact of disasters on agricultural products persist, and in railway transportation, where some routes are still suspended and cancelled even after the restoration of the JR Sanyo Main Line.
- There is increasing uncertainty surrounding the global economy, including trade friction issues between the U.S. and China and conditions in the Middle East.
- Revenues have been revised upward by 30.0 billion yen, reflecting first-half results over the full year.
- The second-half forecast is mostly unchanged from the previous forecast.
- Operating income exceeded the forecast by 1.0 billion yen in the first half, but the full-year forecast is unchanged.
- The second-half forecast has been revised downward by 1.0 billion yen from the forecast at the beginning of the year, taking into account rising fuel costs and other factors.
- Some impact from disasters will remain in the second half, but this will be temporary.
- The business lost and the lack of spot operations in the previous year are major reasons for underperformance in Europe.

Recent economic conditions and cargo movements are generally solid.

- The surges in fuel costs, vehicle chartering and subcontracting costs, and other expenses, and global economic uncertainty, such as trade friction between the U.S. and China, are current causes for concern.
- The Company will strive to absorb soaring expenses by collecting adequate fees and improving logistics and operations in collaboration with customers to build a win-win relationship.

4. Performance Outlook of FY2018										
B. Overview by reportable segment (revised)										
(100 million yen)										
	Item	Actual for 1H of FY2018	Forecast for 2H of FY2018	Comparison with 2H of FY2017		Full-year forecast (announced on October 31, 2018)	Comparison with FY2017		Comparison with previous full-year forecast (announced on April 27, 2018)	
				Actual for 2H of FY2017	Difference		Actual for FY2017	Difference	Full-year forecast	Difference
Japan	Revenues	6,157	6,236	6,117	118	12,394	11,886	507	12,245	149
	Operating income	238	287	257	31	527	455	71	516	11
	Income Margin (%)	3.9	4.6	4.2		4.3	3.8		4.2	
	Forecast Overview	<ul style="list-style-type: none"> <li>Air export freight forwarding will remain solid, especially to Asia.</li> <li>We forecast increases in fuel costs as well as vehicle chartering and subcontracting costs, and will transfer these costs to customers and improve efficiency, but as the increase in fuel costs will significantly exceed forecasts at the beginning of the year, this has been reflected in income forecasts.</li> </ul>								
The Americas	Revenues	472	523	465	58	996	913	82	954	42
	Operating income	22	26	17	8	49	44	4	43	6
	Income Margin (%)	4.7	5.1	3.8		4.9	4.9		4.5	
	Forecast Overview	<ul style="list-style-type: none"> <li>Automobile-related transactions will remain solid.</li> <li>Cargo movement of marine export/import freight forwarding as well as warehousing and distribution will continue, eliminating the decrease of ¥1.1 billion caused by special factors in the previous year. Therefore, income will increase.</li> </ul>								
Europe	Revenues	559	562	522	39	1,122	960	161	1,124	(2)
	Operating Income	7	18	24	(5)	26	41	(15)	46	(20)
	Income Margin (%)	1.3	3.3	4.6		2.3	4.3		4.1	
	Forecast Overview	<ul style="list-style-type: none"> <li>Solid growth in revenues from the warehousing and distribution business is expected in the entire region.</li> <li>Enhancement of sales to non-Japanese companies will be steady, but reacquiring lost business and supplementing performance by acquiring new business will take time.</li> </ul>								

◇ Japan ... Higher revenues, higher income

- Air export forwarding will remain solid, especially to Asia.
- Develop business adapted to regional characteristics, and strengthen sales by further expanding and deepening one-stop sales and account management.
- We forecast increases in fuel costs as well as vehicle chartering and subcontracting costs, and will transfer these costs to customers and improve efficiency, but as the increase in fuel costs will significantly exceed forecasts at the beginning of the year, this has been reflected in income forecasts.

◇ The Americas ... Higher revenues, higher income

Revenues and income are expected to increase on a local currency basis, excluding the impact of expected foreign exchange rates, too.

- Automobile-related transactions will remain solid.
- Cargo movement of marine export and import freight forwarding as well as warehousing and distribution will continue, eliminating the decrease of 1.1 billion yen caused by special factors in the previous year. Therefore, income will increase.

◇ Europe ... Higher revenues, lower income

Revenues are expected to increase but income is expected to decrease on a local currency basis excluding the impact of expected foreign exchange rates, too.

- Solid growth in revenues from the warehousing and distribution business is expected in the entire region, and the Company will steadily enhance sales to non-Japanese companies. However, reacquiring lost business and supplementing performance by acquiring new business will take time.

4. Performance Outlook of FY2018										
B. Overview by reportable segment (revised)										
(100 million yen)										
Item	Actual for 1H of FY2018	Forecast for 2H of FY2018	Comparison with 2H of FY2017		Full-year forecast (announced on October 31, 2018)	Comparison with FY2017		Comparison with previous full-year forecast (announced on April 27, 2018)		
			Actual for 2H of FY2017	Difference		Actual for FY2017	Difference	Full-year forecast	Difference	
East Asia	Revenues	588	641	627	14	1,230	1,174	55	1,213	17
	Operating Income	11	17	10	6	29	18	10	28	1
	Income Margin (%)	2.0	2.7	1.7		2.4	1.6		2.3	
	Forecast Overview	<ul style="list-style-type: none"> <li>Automobile-related transactions in China will remain solid, and air and marine freight forwarding will recover.</li> <li>Air forwarding costs will continue soaring, but improvement is expected from transferring them to customers and consolidation efficiency.</li> </ul>								
South Asia & Oceania	Revenues	444	471	458	12	916	853	62	900	16
	Operating Income	19	17	17	0	37	33	3	37	-
	Income Margin (%)	4.3	3.7	3.8		4.0	4.0		4.1	
	Forecast Overview	<ul style="list-style-type: none"> <li>In the entire region, the warehouse and distribution business will remain solid, and cargo movement of air and marine export and import freight forwarding will continue.</li> <li>Aim to invest on an ongoing basis in extending business locations, etc. in order to continue expanding logistics to, from and within Asia.</li> </ul>								
Security Transportation	Revenues	359	366	359	6	726	720	5	739	(13)
	Operating Income	2	8	10	(2)	11	21	(10)	15	(4)
	Income Margin (%)	0.8	2.2	3.0		1.5	3.0		2.0	
	Forecast Overview	<ul style="list-style-type: none"> <li>Promote the acquisition of outsourcing from regional financial institutions in an aim to build a cash logistics platform, but increases in employment costs, etc. will affect results.</li> </ul>								

◇ East Asia … Higher revenues, higher income

Revenues and income are expected to increase on a local currency basis excluding the impact of expected foreign exchange rates, too.

- Automobile-related transactions in China will remain solid, and air and marine freight forwarding will recover.
- Air forwarding costs will continue soaring, but improvement is expected from transferring them to customers and consolidation efficiency.

◇ South Asia & Oceania … Higher revenues, higher income

Revenues and income are expected to increase on a local currency basis excluding the impact of expected foreign exchange rates, too.

- In the entire region, the warehouse and distribution business will be solid, and cargo movement of air and marine export and import freight forwarding will continue.
- Continue investing in extending business locations, etc. in order to continue expanding logistics to, from and within Asia.

◇ Security Transportation … Higher revenues, lower income

- Promote the acquisition of outsourcing from regional financial institutions in an aim to build a cash logistics platform. However, increases in employment costs, etc. will affect results.

#### 4. Performance Outlook of FY2018 B. Overview by reportable segment



(100 million yen)

	Item	Actual for 1H of FY2018	Forecast for 2H of FY2018	Comparison with 2H of FY2017		Full-year forecast (announced on October 31, 2018)	Comparison with FY2017		Comparison with previous full-year forecast (announced on April 27, 2018)	
				Actual for 2H of FY2017	Difference		Actual for FY2017	Difference	Full-year forecast	Difference
Heavy Haulage & Construction	Revenues	248	212	227	(14)	461	476	(15)	458	3
	Operating Income	20	16	17	(1)	37	40	(3)	36	1
	Income Margin (%)	8.4	7.6	7.6		8.0	8.5		7.9	
	Forecast Overview	<ul style="list-style-type: none"> <li>Shutdown and maintenance contracts concentrated in the first half of the previous year will decrease, and major overseas projects will not be in the same scale as the previous year.</li> </ul>								
Logistics Support	Revenues	2,285	2,481	2,389	91	4,767	4,432	334	4,654	113
	Operating Income	57	60	63	(3)	118	117	0	118	-
	Income Margin (%)	2.5	2.4	2.7		2.5	2.6		2.5	
	Forecast Overview	<ul style="list-style-type: none"> <li>Performance will be solid from packing services in the logistics support business of Nittsu Shoji.</li> </ul>								

• 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)

#### ◇ Heavy Haulage & Construction … Lower revenues, lower income

- Shutdown and maintenance contracts concentrated in the first half of the previous year will decrease, and major overseas projects will not be in the same scale as the previous year.

#### ◇ Logistics Support … Higher revenues, higher income

- Performance will be solid from packing services in the logistics support business of Nittsu Shoji.

## 4. Performance Outlook of FY2018

### C. Assumptions of 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	¥3.54 billion (cost increase)	[Yearly average in FY2017]
	2H: ¥1.70 billion	Light oil: ¥109.20/ℓ [¥ 90.66]
	1H: ¥1.83 billion	Gasoline: ¥138.68/ℓ [¥124.38]
		Heavy oil: ¥ 55.93/ℓ [¥ 44.29]
Impact of foreign exchange	Revenues: ¥0.37 billion	[Yearly average in FY2017]
	2H: ¥(2.25) billion	USD: ¥110.60 [¥112.19]
	1H: ¥2.63 billion	EUR: ¥131.00 [¥126.67]
	Operating income: ¥0.02 billion	HKD: ¥ 14.10 [¥ 14.40]
	2H: ¥(0.07) billion	RMB: ¥ 17.10 [¥ 16.63]
	1H: ¥0.10 billion	

The annual exchange rates are reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.

## 4. Performance Outlook of FY2018

### C. Assumptions of 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: ¥3.0 billion	Japan: ¥2.5 billion South Asia & Oceania: ¥0.5 billion
Decrease in provision for retirement benefits	Operating income: ¥1.36 billion	Japan: ¥1.09 billion Security Transportation: ¥0.24 billion Heavy Haulage & Construction: ¥0.03 billion
Other impact (special factors from previous year)	Operating income: ¥(1.9) billion (* Reversal of overpaid forwarding costs from previous years)	Japan: ¥(0.8) billion (1Q) The Americas: ¥(1.1) billion (2Q)

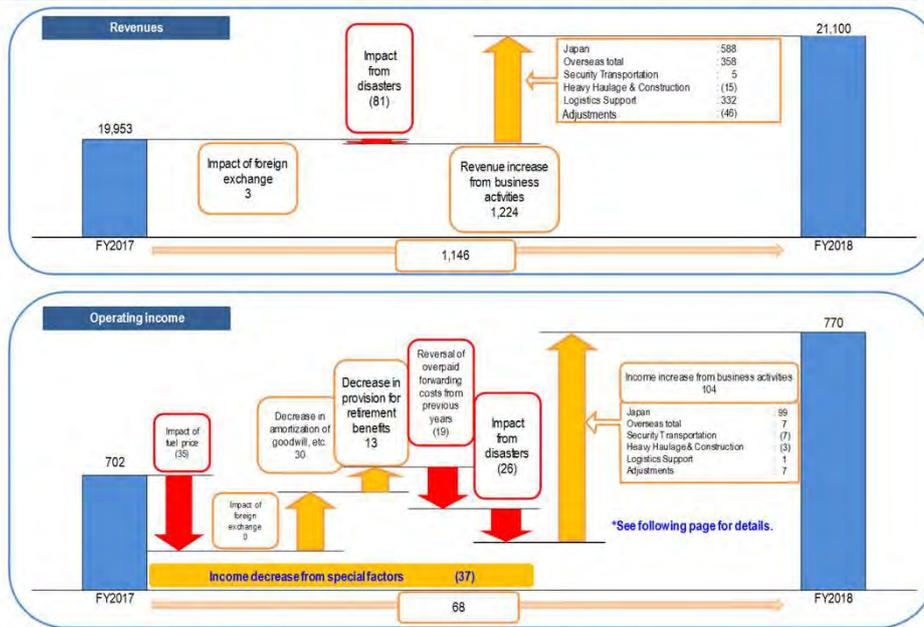
## 4. Performance Outlook of FY2018

### C. Assumptions of external factors and other variable factors (forecast)

Change factors	Impact on consolidated results (Forecast for full year)	Reference	
Impact from disasters (Heavy Rain Event in West Japan, Typhoon Jebi (Typhoon No. 21) and Hokkaido Eastern Iburī Earthquake)	Revenues:		
		¥(8.15) billion	
	2H	¥(1.78) billion	Operating income Japan: ¥(2.61) billion Security Transportation: ¥(0.01) billion Heavy Haulage & Construction: ¥(0.04) billion
	1H	¥(6.36) billion	
	Operating income:		
		¥(2.67) billion	
2H	¥(0.59) billion		
1H	¥(2.08) billion		

## 4. Performance Outlook of FY2018

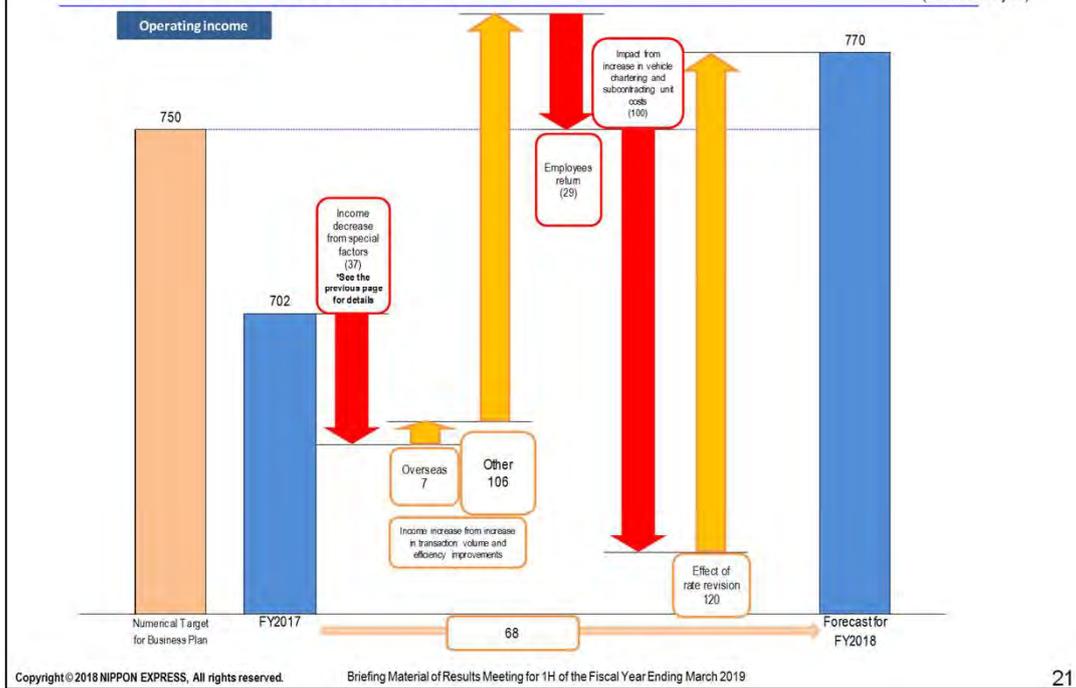
### D. Breakdown of revenues and operating income taking variable factors into account (forecast) (100 million yen)



#### 4. Performance Outlook of FY2018

##### E. Approach to forecast figures for FY2018

(100 million yen)



#### ◇ Initiatives to collect adequate fees

- Over the full year, rate revisions are expected to increase revenues by 12.0 billion yen and income by 2.0 billion yen.

(Excluding the surge in spot vehicle chartering costs affected by disasters. Figures refer to regular operations, calculated from the increases in customer contract unit prices and unit prices paid to operators.)

## 5. 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.



## 5. Progress of Business Plan

### B. Progress of Key Strategies

	Key strategies	Steps	Progress status
Area strategies	Japan Achieve both growth and profitability	Develop business adapted to regional characteristics	<ul style="list-style-type: none"> <li>Support of joint modal shift between Kansai/Chugoku and Kyushu by four major beer manufacturers</li> <li>Establishment of Chubu Airport Logistics Center New Building</li> </ul>
		Strengthen domestic businesses, and establish new core businesses	<ul style="list-style-type: none"> <li>Launch of operations at North Kanto Inland Depot</li> </ul>
	Overseas Drive growth of the Nippon Express Group	Enhance profitability in the Americas, Europe, and East Asia	<ul style="list-style-type: none"> <li>Establishment of Panama Branch</li> </ul>
		Growth in South Asia & Oceania	<ul style="list-style-type: none"> <li>Establishment of Branches in Laos</li> <li>Establishment of Amata City Chonburi Logistics Center in Thailand</li> <li>Establishment of halal product through transport system in Indonesia</li> </ul>
		Global development of Heavy Haulage & Construction Business	<ul style="list-style-type: none"> <li>Establishment of NEX Global Engineering representative office in Indonesia</li> </ul>
	Functional strategies	Strengthen Group management	Achieve optimal allocation of the Group's resources
Promote M&A that will contribute to enhancement of the corporate value of the Nippon Express Group			<ul style="list-style-type: none"> <li>Acquisition of Traconf S.r.l. as subsidiary</li> </ul>
Strengthen and upgrade core businesses		Expand the network in the intra-Asia region	<ul style="list-style-type: none"> <li>Obtained Greater Mekong Sub-region (GMS) Road Transport Permit</li> <li>Establishment of Don Mueang Midnight Express</li> </ul>
		Increase the deals for traffic to and from Asia	<ul style="list-style-type: none"> <li>Establishment of Chongqing Sea &amp; Rail Service</li> <li>Establishment of NEXSAO-AIR SAT INDIA (SEA &amp; AIR)</li> <li>Establishment of Eurasia Train Direct (Sea &amp; Rail) and Eurasia Train Direct (Air &amp; Rail)</li> </ul>

***We Find the Way***



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