

Briefing Material for 1Q Results of the Fiscal Year Ending March 2016

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

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July 31, 2015

1. Business Overview



A. Overview of 1Q of FY2015

1) Overview (Consolidated)

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

	Actual for 1Q of FY2015 (a)	Actual for 1Q of FY2014 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for 1H (announced on May 8) (e)	1Q progress against forecast (%) (a) / (e) × 100	Difference (compared with forecast) (e) - (a)	Forecast for full fiscal year (announced on May 8)
Revenues	4,743	4,529	214	4.7	9,730	48.8	4,986	20,000
Operating Income	105	91	13	14.7	230	45.9	124	540
Ordinary Income	132	120	12	10.4	280	47.4	147	630
Net income attributable to shareholders of Nippon Express	81	47	34	74.1	165	49.7	83	340

2) Business Indices

(Figures in parentheses are the results of the same period of the previous year.)

• Operating Income Margin	2.2%	(2.0%)
• Ordinary Income Margin	2.8%	(2.7%)
• ROE	6.1%	(3.6%)
• ROA	2.3%	(1.4%)

1. Business Overview



B. Overview by reportable segment

1) Combined Business

(100 million yen)

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	1,805	1,809	(3)	(0.2)	3,660	49.3	1,854
Segment Income	40	25	14	58.2	92	44.1	51
Overview	<ul style="list-style-type: none"> Revenues from truck transportation stayed flat year on year as the decrease in volume of shipment due to one less business day was covered by the positive effect from the revision of charges. Warehousing saw a surge in food-related business, while logistics services including mail order business maintained a strong performance. 						

2) Security Transportation

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	136	138	(1)	(1.2)	278	49.1	141
Segment Income	4	3	1	53.0	5	87.5	0
Overview	<ul style="list-style-type: none"> Revenues decreased after pulling out of a portion of our unprofitable operations, but profit increased due to the improved operating income margin. 						

3) Heavy Haulage & Construction

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	136	127	8	6.8	257	53.1	120
Segment Income	8	5	3	53.8	11	76.6	2
Overview	<ul style="list-style-type: none"> Income increased as a rebound reduction from strong performance in shut-down maintenance services in the previous year was offset by favorable performance in large-sized plant constructions in Malaysia and Vietnam. 						

1. Business Overview



B. Overview by reportable segment

4) Air Freight Forwarding

(100 million yen)

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	445	443	1	0.4	939	47.4	493
Segment Income	5	6	(0)	(11.1)	27	21.5	21
Overview	<ul style="list-style-type: none"> The amount (weight) of cargo exports increased and the number of import cargo transactions also rose. Regarding exports, profit decreased as a surge in unit purchase price for cargo exports weighed down the gross profit. 						

5) Marine & Harbor Transportation

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	305	292	12	4.4	611	50.0	305
Segment Income	19	15	3	25.0	32	59.1	13
Overview	<ul style="list-style-type: none"> Regarding exports, income increased due mainly to the contribution of equipment transportation-related exports to the segment revenues. The overseas moving services maintained strong performance both in exports and imports, significantly contributing to profit growth. 						

1. Business Overview



B. Overview by reportable segment

6) The Americas

(100 million yen)

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	237	182	54	29.8	494	48.1	256
Segment Income	13	9	4	43.9	22	59.7	9
Overview	<ul style="list-style-type: none"> The protracted labor dispute at ports and harbors in the U.S. West Coast boosted air import forwarding transactions. In Mexico, marine import forwarding transactions remained robust, associated with equipment enhancement by automobile-related companies. 						

7) Europe

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	202	197	5	2.8	404	50.2	201
Segment Income	4	4	(0)	(16.4)	8	47.3	4
Overview	<ul style="list-style-type: none"> Automobile-related air export forwarding transactions remained robust in Germany and Spain. Although the electronics and electric appliances-related warehousing and delivery business steadily increased revenues in the Netherlands, initial expenses associated with its launch, as well as slower freight movement in Russia due to the stagnant economy, led to lower profit. 						

1. Business Overview



B. Overview by reportable segment

8) East Asia

(100 million yen)

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	283	230	52	23.0	578	49.0	294
Segment Income	2	3	(0)	(28.4)	9	25.0	7
Overview	<ul style="list-style-type: none"> In China, although automobile-related and electronics and electric appliances-related air and marine forwarding transactions remained strong, forwarding costs soared. The warehousing and delivery business remained robust in Hong Kong, Taiwan and South Korea, but higher costs in the region as a whole dragged profit down. 						

9) South Asia & Oceania

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	190	139	50	36.6	368	51.6	177
Segment Income	4	2	1	46.9	5	74.4	1
Overview	<ul style="list-style-type: none"> Automobile-related and electronics and electric appliances-related air export forwarding transactions increased substantially due to the protracted labor dispute on the U.S. West Coast. Profit increased thanks to the successful control of various costs, which was an issue across the region. 						

1. Business Overview



B. Overview by reportable segment

10) Goods Sales

(100 million yen)

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	931	1,021	(90)	(8.8)	1,968	47.4	1,036
Segment Income	14	15	(1)	(8.3)	31	46.1	16
Overview	<ul style="list-style-type: none"> Income decreased due to a drop in unit sales price of oil. Profit decreased due to special factors such as a large-quantity order for uniforms received in the previous year. 						

11) Other

	Actual for 1Q of FY2015	Comparison with FY2014			Comparison with forecast (announced on May 8)		
		1Q of FY2014	Difference	Difference (%)	Forecast for 1H	Progress (%)	Difference
Revenues	411	266	144	54.2	848	48.5	436
Segment Income	(2)	2	(4)	(191.4)	9	(23.1)	11
Overview	<ul style="list-style-type: none"> Nittsu NEC Logistics, Ltd., which became a consolidated subsidiary in 3Q of FY2014, significantly contributed to the income increase. Profit decreased due to fewer transactions in electric appliances at Nittsu Panasonic Logistics Co., Ltd. and weaker demand for the logistic finance service of Nippon Express Capital Co., Ltd. 						

2. Progress of Business Plan



Nippon Express Group Corporate Strategy 2015 - Innovation and Moving Forward - Progress of basic strategy

Basic Strategy	Item	Progress	
Strengthening Management Practices for Our Domestic Businesses	3% of operating income margin for domestic combined business in FY2015	Actual for 1Q of FY2015 (Actual for FY2014 (Actual for 1Q of FY2014	2.3% 2.5%) 1.4%)
Further Expanding Our Global Logistics Business	40% of sales from overseas-related business in FY2015	Actual for 1Q of FY2015 (Actual for FY2014 (Actual for 1Q of FY2014	37.3% 34.7%) 33.2%)

3. Changes due to the External Environment



A. Change factors (1Q)

Change factors	Impact on consolidated results (1Q)	Reference
Impact of change in unit fuel price	Fuel cost: ¥(1.52) billion (cost decrease)	Average 1Q of FY2015 (1Q of FY2014) Light oil: ¥ 92.75/ℓ (¥120.08) Gasoline: ¥129.29/ℓ (¥151.99) Heavy oil: ¥ 50.28/ℓ (¥ 73.97)
Impact of foreign exchange	Revenues: + ¥7.15 billion Operating income: + ¥0.21 billion	Average exchange rate for 1Q of FY2015 (1Q of FY2014) USD: ¥119.09 (¥102.78) EUR: ¥134.18 (¥140.79) HKD: ¥ 15.35 (¥ 13.25) RMB: ¥ 19.08 (¥ 16.90)

3. Changes due to the External Environment

B. Assumptions for external factors (2Q to 4Q)

Change factors	Impact on consolidated results (9 months—2Q to 4Q)	Assumptions															
Impact of change in unit fuel price	Fuel cost: ¥(2.23) billion (cost decrease)	<table> <tr> <td></td> <td>FY2015</td> <td>(Yearly average in FY2014)</td> </tr> <tr> <td>Light oil:</td> <td>¥ 94.55/ℓ</td> <td>(¥110.55)</td> </tr> <tr> <td>Gasoline:</td> <td>¥129.28/ℓ</td> <td>(¥144.40)</td> </tr> <tr> <td>Heavy oil:</td> <td>¥ 52.21/ℓ</td> <td>(¥ 66.47)</td> </tr> </table> <p>Assumes the same amount of fuel will be used as that of the previous year.</p>		FY2015	(Yearly average in FY2014)	Light oil:	¥ 94.55/ℓ	(¥110.55)	Gasoline:	¥129.28/ℓ	(¥144.40)	Heavy oil:	¥ 52.21/ℓ	(¥ 66.47)			
	FY2015	(Yearly average in FY2014)															
Light oil:	¥ 94.55/ℓ	(¥110.55)															
Gasoline:	¥129.28/ℓ	(¥144.40)															
Heavy oil:	¥ 52.21/ℓ	(¥ 66.47)															
Impact of foreign exchange	<p>Revenues: + ¥16.44 billion</p> <p>Operating income: + ¥0.56 billion</p>	<table> <tr> <td></td> <td>FY2015</td> <td>(Yearly average in FY2014 (*))</td> </tr> <tr> <td>USD:</td> <td>¥119.40</td> <td>(¥105.85)</td> </tr> <tr> <td>EUR:</td> <td>¥130.90</td> <td>(¥140.42)</td> </tr> <tr> <td>HKD:</td> <td>¥ 15.40</td> <td>(¥ 13.65)</td> </tr> <tr> <td>RMB:</td> <td>¥ 19.20</td> <td>(¥ 17.19)</td> </tr> </table>		FY2015	(Yearly average in FY2014 (*))	USD:	¥119.40	(¥105.85)	EUR:	¥130.90	(¥140.42)	HKD:	¥ 15.40	(¥ 13.65)	RMB:	¥ 19.20	(¥ 17.19)
	FY2015	(Yearly average in FY2014 (*))															
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(*) The annual exchange rate is the reference rate. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.



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