

Briefing Material for 3Q Results of the Fiscal Year Ending March 2017

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

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January 31, 2017

1. Business Overview

A. Overview of 3Q of FY2016

1) Overview (Consolidated)

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

		Actual for 3Q of FY2016 (a)	Actual for 3Q of FY2015 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for full year (announced on July 29, 2016) (e)	Progress (%) (a) / (e) × 100	Difference (compared with forecast) (e) - (a)
6 months	Revenues	13,804	14,348	(544)	(3.8)	18,440	74.9	4,635
	Operating Income	398	385	13	3.5	570	69.9	171
	Ordinary Income	450	450	0	0.1	630	71.5	179
	Net income attributable to shareholders of Nippon Express	287	273	13	5.0	360	79.9	72
3 Q	Revenues	4,711	4,816	(104)	(2.2)			
	Operating Income	153	153	0	0.1			
	Ordinary Income	169	173	(4)	(2.7)			
	Net income attributable to shareholders of Nippon Express	104	121	(17)	(14.1)			

2) Business Indices 3Q Cumulative Total (Figures in brackets are the results for the same period of the previous year.)

▪ Operating Income Margin 2.9% [2.7%] ▪ Ordinary Income Margin 3.3% [3.1%]

[Reference] Figures in brackets are the results of FY2015.

▪ ROA 2.4% [2.4%] ▪ ROE 6.9% [6.8%]

* Net income 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.

1. Business Overview

B. Overview by reportable segment

1) Japan

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	8,639	8,668	(29)	(0.3)	11,374	11,374	-	-
	Segment Income	278	252	26	10.3	405	405	-	-
3 Q	Revenues	2,976	2,936	39	1.3	3Q Operating Income Margin [FY2015]			
	Segment Income	113	109	4	4.0	3.8 [3.7]			
	Overview	<ul style="list-style-type: none"> • In air export freight forwarding, transactions of LCD-related and electronic components for Asia achieved growth performance. • Consolidated companies which have joined the Group by M&A contributed to both revenues and profit. • Profit increased due to the control of forwarding costs and subcontracting costs, etc., and reduction of fuel costs. 							

2) The Americas

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	615	714	(98)	(13.8)	856	856	-	-
	Segment Income	35	40	(5)	(12.4)	44	44	-	-
3 Q	Revenues	196	231	(34)	(15.0)	3Q Operating Income Margin [FY2015]			
	Segment Income	11	13	(2)	(15.1)	5.8 [5.8]			
	Overview	<ul style="list-style-type: none"> • Revenues and profit increased on a local currency basis. • Automobile-related truck transportation between the U.S. and Mexico and warehousing and delivery business in Mexico achieved strong performance. • Marine import forwarding transactions decreased due to a reactionary decline against equipment-related transactions in the previous year. 							

1. Business Overview

B. Overview by reportable segment

3) Europe

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	575	618	(43)	(7.1)	792	792	-	-
	Segment Income	13	10	3	32.3	19	19	-	-
3 Q	Revenues	183	208	(24)	(11.8)	3Q Operating Income Margin [FY2015]			
	Segment Income	4	3	1	54.6	2.7 [1.5]			
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Warehousing and delivery business achieved growth due to acquisition of new customers in addition to increased transactions with existing customers. In air export/import forwarding, performance was solid mainly for automobile-related and pharmaceuticals-related transactions. 							

4) East Asia

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	707	868	(161)	(18.6)	1,001	1,001	-	-
	Segment Income	8	12	(4)	(32.9)	13	16	(3)	(18.8)
3 Q	Revenues	230	293	(62)	(21.4)	3Q Operating Income Margin [FY2015]			
	Segment Income	2	6	(4)	(65.4)	1.0 [2.2]			
	Overview	<ul style="list-style-type: none"> Revenues and profit decreased on a local currency basis. In China, while automobile-related warehousing and delivery business maintained solid performance, air export forwarding transactions decreased due to the reactionary decline against spot demand in the previous year. In Hong Kong, transactions decreased in the warehousing business and air export forwarding. 							

1. Business Overview

B. Overview by reportable segment

5) South Asia & Oceania

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	514	538	(23)	(4.4)	723	723	-	-
	Segment Income	18	11	7	65.7	22	22	-	-
3 Q	Revenues	172	170	2	1.6	3Q Operating Income Margin [FY2015]			
	Segment Income	7	2	4	183.7	4.3 [1.5]			
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Warehousing and delivery business and air export forwarding transactions increased. Profit increased due to the effect of affiliates newly consolidated as subsidiaries in addition to reduction of costs including forwarding costs and facility usage charges. 							

6) Security Transportation

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	411	405	5	1.4	543	543	-	-
	Segment Income	6	11	(4)	(42.6)	10	12	(2)	(16.7)
3 Q	Revenues	137	133	3	2.6	3Q Operating Income Margin [FY2015]			
	Segment Income	2	4	(2)	(48.9)	1.6 [3.1]			
	Overview	<ul style="list-style-type: none"> Profit decreased due to an increase in various people-related costs. 							

1. Business Overview

B. Overview by reportable segment

7) Heavy Haulage & Construction

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	352	403	(51)	(12.7)	439	439	-	-
	Segment Income	27	24	2	8.4	33	27	6	22.2
3 Q	Revenues	129	128	1	1.2	3Q Operating Income Margin [FY2015]			
	Segment Income	9	8	0	6.7	7.2 [6.8]			
	Overview	<ul style="list-style-type: none"> • In Japan, shutdown and maintenance contracts and plant constructions maintained solid performance. • Overseas, revenues and profit decreased as a result of a reactionary decline against large-scale plant constructions in the previous year. 							

8) Logistics Support

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Forecast for full fiscal year (announced on January 31, 2017)	Forecast for full fiscal year (announced on July 29, 2016)	Difference	Difference (%)
			FY2015	Difference	Difference (%)				
9 months	Revenues	2,926	3,110	(183)	(5.9)	3,977	3,977	-	-
	Segment Income	54	60	(5)	(9.7)	83	83	-	-
3 Q	Revenues	1,006	1,037	(31)	(3.0)	3Q Operating Income Margin [FY2015]			
	Segment Income	20	20	0	4.2	2.1 [1.9]			
	Overview	<ul style="list-style-type: none"> • Revenues decreased due to the impact of a drop in unit sales price of oil. • Profit was secured due mainly to an increase in transactions of export packaging services. 							

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

2. Changes due to the External Environment

A. Change factors (3Q cumulative total)

Change factors	Impact on consolidated results (3Q cumulative total)	Reference	
Impact of change in unit fuel price	Fuel cost: ¥(2.08) billion (cost decrease)	3Q of FY2016	[3Q of FY2015]
	*3Q: ¥(0.27) billion (cost decrease)	Light oil: ¥ 77.34/ℓ Gasoline: ¥111.79/ℓ Heavy oil: ¥ 33.76/ℓ	[¥ 88.78] [¥125.49] [¥ 46.20]
Impact of foreign exchange	Revenues: ¥(32.80) billion	Average exchange rate for	
	Operating income: ¥(0.91) billion	3Q of FY2016	[3Q of FY2015]
	*3Q: Revenues: ¥(15.54) billion	USD: ¥108.68	[¥120.89]
	Operating income: ¥(0.47) billion	EUR: ¥121.18	[¥134.77]
		HKD: ¥ 14.00	[¥ 15.59]
		RMB: ¥ 16.50	[¥ 19.32]
		<p>The annual exchange rates are the reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.</p>	

2. Changes due to the External Environment

B. Assumptions for external factors (Full fiscal year)

Change factors	Impact on consolidated results (full fiscal year)	Assumptions	
Impact of change in unit fuel price	Fuel cost: ¥(1.53) billion (cost decrease)	FY2016	[Yearly average in FY2015]
	*Amount of 3Q cumulative total deducted from forecast for full fiscal year ¥0.54 billion (cost increase)	Light oil: ¥ 79.69/ℓ	[¥ 85.26]
		Gasoline: ¥112.54/ℓ	[¥120.54]
		Heavy oil: ¥ 33.94/ℓ	[¥ 42.52]
		*Reference (Estimated unit fuel price in 4Q)	
		Light oil: ¥ 86.80/ℓ	[¥ 74.44]
Impact of foreign exchange	Revenues: ¥(37.30) billion	FY2016	[Yearly average in FY2015]
	Operating income: ¥(1.16) billion	USD: ¥110.00	[¥121.05]
	*Amount of 3Q cumulative total deducted from forecast for full fiscal year	EUR: ¥123.40	[¥134.32]
	Revenues: ¥(4.49) billion	HKD: ¥ 14.20	[¥ 15.62]
	Operating income: ¥(0.25) billion	RMB: ¥ 16.80	[¥ 19.22]
		The annual exchange rates are the reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.	



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