

Results Meeting for 1H of the Fiscal Year Ending March 2017

NIPPON EXPRESS CO., LTD.

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October 31, 2016

1. Business Overview



A. Overview of 1H of FY2016

1) Overview (Consolidated)

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

	Actual for 1H of FY2016 (a)	Actual for 1H of FY2015 (b)	Difference YoY (c) = (a) - (b)	Difference YoY (%) (d) = (c) / (b) × 100	Forecast for 1H (announced on July 29) (e)	Difference (compared with forecast) (f) = (a) - (e)	Difference (compared with forecast) (%) (g) = (a) / (e) × 100
Revenues	9,092	9,532	(439)	(4.6)	9,060	32	100.4
Operating Income	244	231	13	5.8	235	9	104.1
Ordinary Income	281	276	5	1.8	278	3	101.3
Net income attributable to shareholders of Nippon Express	182	152	30	20.3	165	17	110.9

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

▪ Operating Income Margin 2.7% [2.4%] ▪ Ordinary Income Margin 3.1% [2.9%]

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

▪ ROA 2.4% [2.4%] ▪ ROE 7.0% [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. Financial position

(100 million yen)

	1H of FY2016	FY2015	Difference
Total Assets	15,216	14,849	367
Equity	5,088	5,222	(134)

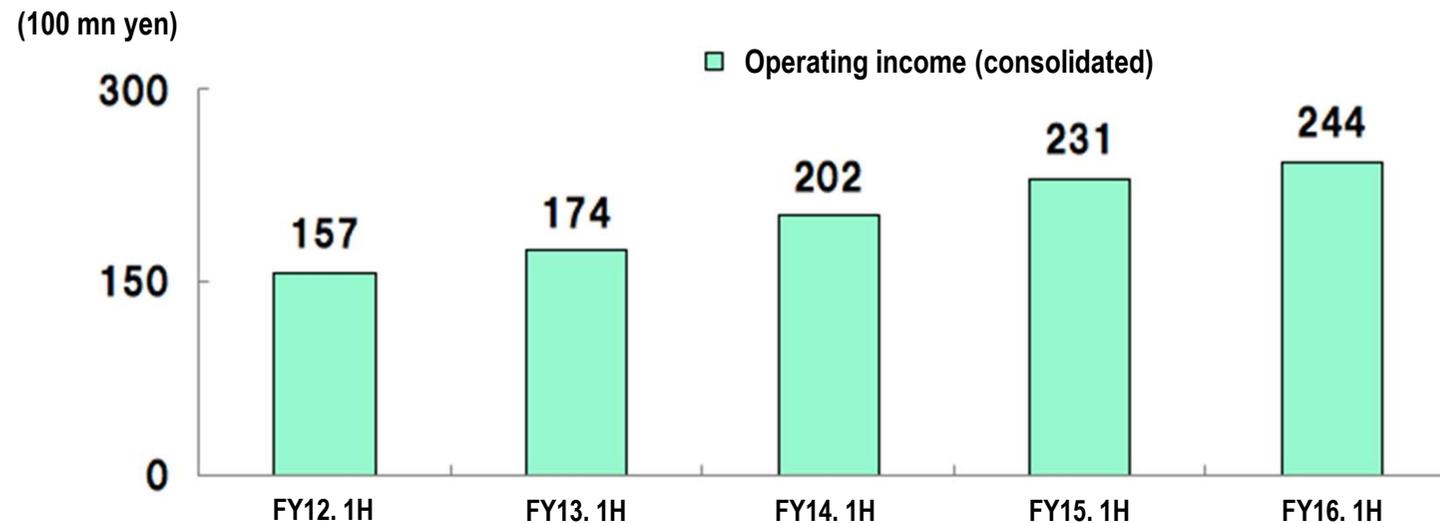
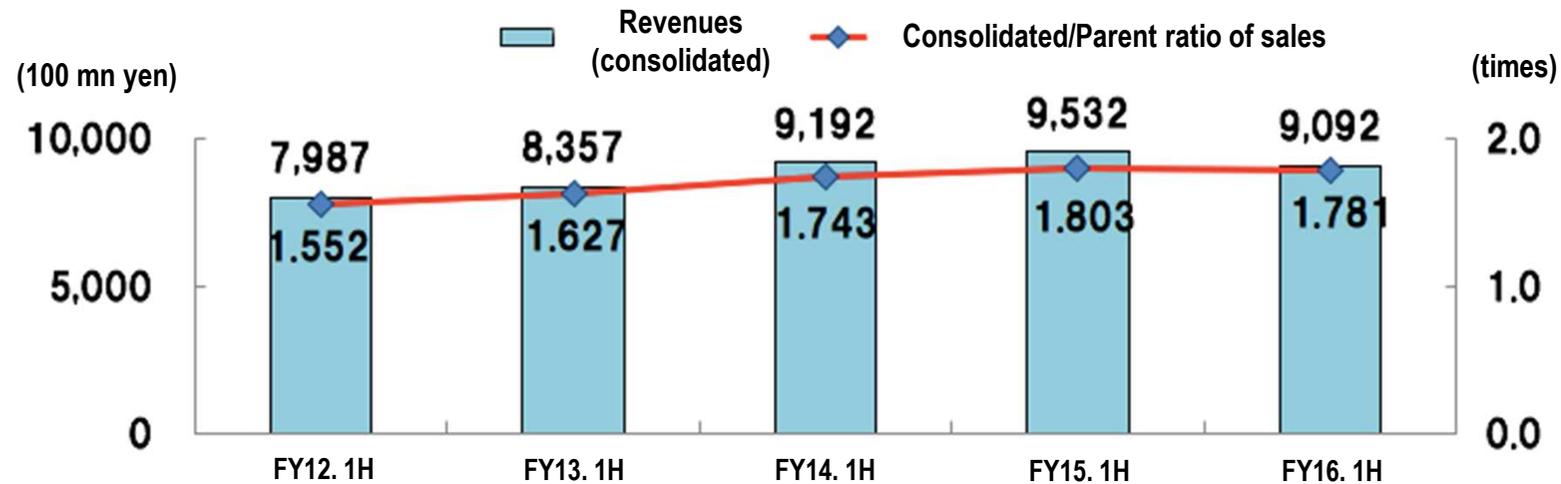
C. Actual for cash flows

(100 million yen)

	Actual for 1H of FY2016	Actual for 1H of FY2015	Difference YoY
Cash Flows from Operating Activities (A)	459	118	341
Cash Flows from Investing Activities (B)	(335)	(181)	(153)
Free Cash Flows (A+B)	124	(63)	187
Cash Flows from Financing Activities (C)	501	(177)	678
Effect of Exchange Rate Changes on Cash and Cash Equivalents (D)	(79)	(4)	(74)
Net Increase (Decrease) in Cash and Cash Equivalents (A+B+C+D)	546	(245)	792
Cash and Cash Equivalents at Beginning of Year	1,460	1,489	(29)
Increase (Decrease) in Cash and Cash Equivalents due to Change in Scope of Consolidation	7	-	7
Cash and Cash Equivalents at End of Period	2,014	1,243	770
(Reference)	Actual for 1H of FY2016	Actual for FY2015	Difference Compared with the end of FY2015
Cash and Cash Equivalents at End of Quarterly Period/Year-end	2,014	1,460	554

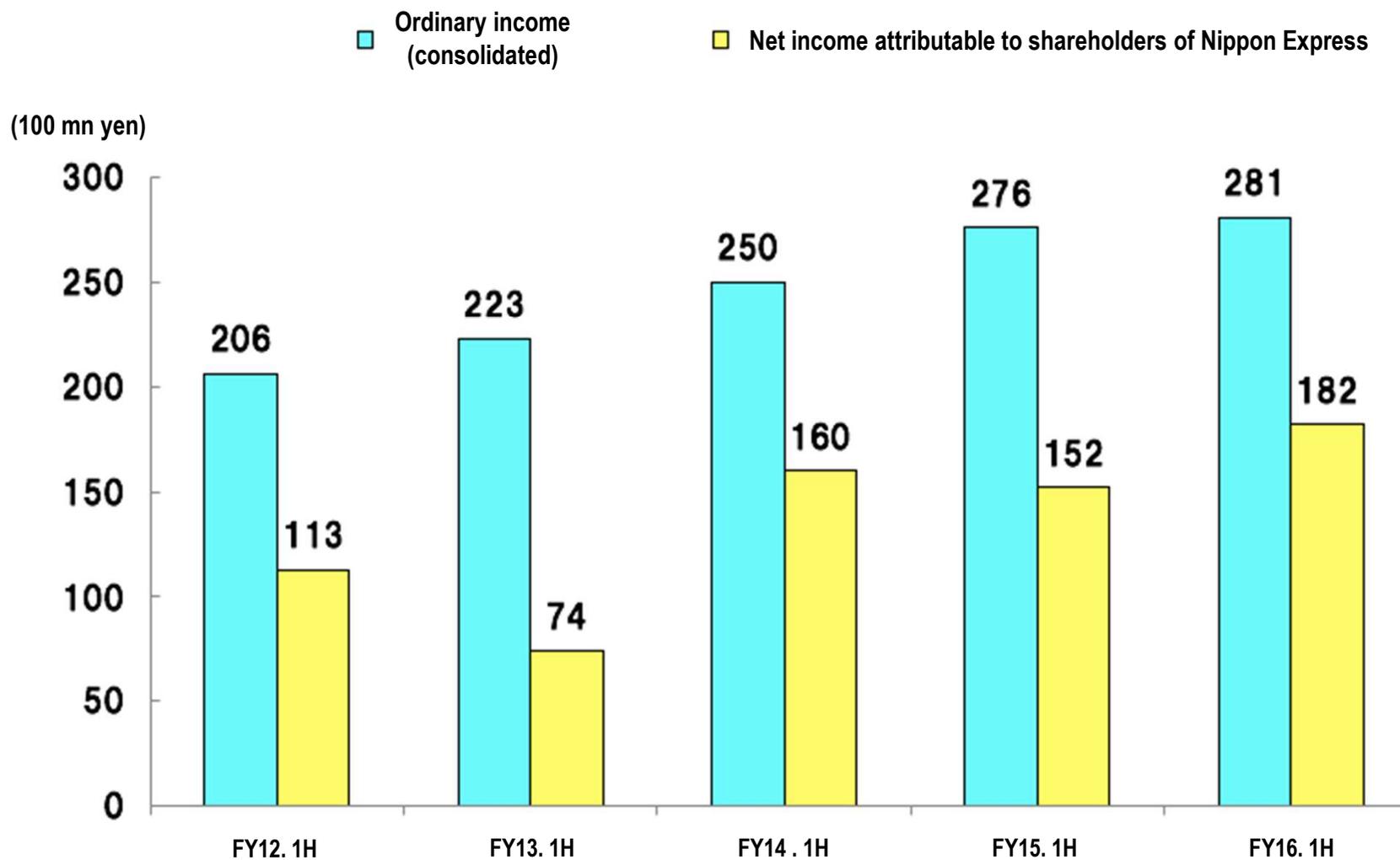
1. Business Overview

D. Trend of Revenues and Operating income for the past 5 years



1. Business Overview

E. Trend of Ordinary income and Net income attributable to shareholders of Nippon Express for the past 5 years



1. Business Overview

F. Overview by reportable segment

1) Japan

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	5,662	5,731	(68)	(1.2)	5,617	100.8	45
	Segment Income	164	143	21	15.1	161	102.4	3
2 Q	Revenues	2,866	2,891	(24)	(0.8)	2Q Operating Income Margin [FY2015]		
	Segment Income	84	78	6	8.3	3.0 [2.7]		
	Overview	<ul style="list-style-type: none"> • In air freight forwarding, weight of cargo increased due mainly to the solid performance of exports of LCD-related and electronic components for Asia. • Consolidated companies which have joined the Group by M&A contributed to segment performance. • Profit increased due mainly to a reduction in forwarding costs, vehicle chartering and subcontracting costs, and fuel costs. 						

2) The Americas

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	419	482	(63)	(13.2)	431	97.3	(11)
	Segment Income	24	27	(3)	(11.0)	22	110.5	2
2 Q	Revenues	209	245	(36)	(14.7)	2Q Operating Income Margin [FY2015]		
	Segment Income	17	13	3	22.2	8.1 [5.7]		
	Overview	<ul style="list-style-type: none"> • Revenues decreased but profit increased on a local currency basis. • In the U.S., air export/import and marine import forwarding transactions decreased due to a reactionary decline against special demands arising from congestions at ports and harbors in the U.S. West Coast in the previous year. • Automobile-related truck transportation between the U.S. and Mexico maintained solid performance. • Profit increased due mainly to a reduction in air forwarding costs in the U.S.. 						

1. Business Overview

F. Overview by reportable segment

3) Europe

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	391	410	(19)	(4.7)	385	101.6	6
	Segment Income	8	6	1	22.3	8	106.9	0
2 Q	Revenues	198	207	(9)	(4.5)	2Q Operating Income Margin [FY2015]		
	Segment Income	4	2	1	61.1	2.4 [1.4]		
	Overview	<ul style="list-style-type: none"> • Revenues and profit increased on a local currency basis. • Pharmaceuticals-related and automobile-related air export forwarding transactions achieved strong performance. • Warehousing and delivery business maintained solid performance. 						

4) East Asia

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	476	574	(98)	(17.1)	492	96.8	(15)
	Segment Income	5	5	0	2.8	6	99.6	(0)
2 Q	Revenues	235	291	(55)	(19.1)	2Q Operating Income Margin [FY2015]		
	Segment Income	5	3	2	66.7	2.4 [1.2]		
	Overview	<ul style="list-style-type: none"> • Revenues decreased but profit increased on a local currency basis. • Air export forwarding transactions decreased due to the continuing reactionary decline against special demands arising from congestions at ports and harbors in the U.S. West Coast in the previous year. • In China, automobile-related warehousing and delivery business achieved strong performance. • Profit increased due mainly to a reduction in air forwarding costs. 						

1. Business Overview

F. Overview by reportable segment

5) South Asia & Oceania

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	341	367	(26)	(7.2)	353	96.7	(11)
	Segment Income	11	8	2	29.8	10	111.8	1
2 Q	Revenues	176	177	(1)	(0.7)	2Q Operating Income Margin [FY2015]		
	Segment Income	6	4	2	46.8	3.6 [2.4]		
	Overview	<ul style="list-style-type: none"> Revenues and profit increased on a local currency basis. Air export forwarding transactions decreased due to a reactionary decline against special demands arising from congestions at ports and harbors in the U.S. West Coast in the previous year. Revenues increased due to strong performance in warehousing and delivery business in the Philippines and consolidation of new subsidiaries. Profit increased due mainly to reduced air and marine forwarding costs and operation facility usage charges. 						

6) Security Transportation

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	274	272	2	0.8	274	100.1	0
	Segment Income	4	7	(2)	(39.0)	5	89.5	(0)
2 Q	Revenues	136	135	1	0.8	2Q Operating Income Margin [FY2015]		
	Segment Income	0	2	(1)	(78.8)	0.3 [1.5]		
	Overview	<ul style="list-style-type: none"> Sales expansion targeting regional financial institutions was achieved. Profit decreased due to an increase in various people-related costs. 						

1. Business Overview

F. Overview by reportable segment

7) Heavy Haulage & Construction

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	222	275	(52)	(19.1)	216	103.0	6
	Segment Income	17	16	1	9.3	13	136.5	4
2 Q	Revenues	116	138	(22)	(15.9)	2Q Operating Income Margin [FY2015]		
	Segment Income	10	7	3	44.5	9.1 [5.3]		
	Overview	<ul style="list-style-type: none"> • In Japan, heavy electric-related and wind power plant-related transportations and installation work decreased while shutdown and maintenance contracts and plant constructions increased. • Overseas, revenues decreased as a result of peaking out in large-scale plant constructions. • Profit increased as a result of construction orders with high profitability. 						

8) Logistics Support

(100 million yen)

		Actual for FY2016	Comparison with FY2015			Comparison with forecast (announced on July 29)		
			FY2015	Difference	Difference (%)	Forecast	Progress (%)	Difference
1 H	Revenues	1,920	2,072	(152)	(7.3)	1,921	100.0	(0)
	Segment Income	33	40	(6)	(16.6)	37	91.1	(3)
2 Q	Revenues	979	1,035	(55)	(5.4)	2Q Operating Income Margin [FY2015]		
	Segment Income	20	23	(3)	(13.7)	2.1 [2.3]		
	Overview	<ul style="list-style-type: none"> • Revenues and profit decreased due mainly to a drop in unit sales price of oil at Nittsu Shoji. 						

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

2. Changes due to the External Environment

Change factors

Change factors	Consolidated (2Q cumulative total)	Reference	
Impact of change in unit fuel price	Fuel cost: ¥(1.81) billion (cost decrease)	1H of FY2016	[1H of FY2015]
	*2Q: ¥(0.79) billion (cost decrease)	Light oil: ¥ 75.79/ℓ Gasoline: ¥110.23/ℓ Heavy oil: ¥ 32.70/ℓ	[¥ 91.00] [¥128.22] [¥ 49.30]
Impact of foreign exchange	Revenues: ¥(17.26) billion	Average exchange rate for	
	Operating income: ¥(0.44) billion	1H of FY 2016 (*)	[1H of FY2015]
	*2Q:	USD: ¥111.81	[¥120.23]
	Revenues: ¥(11.57) billion	EUR: ¥124.63	[¥134.17]
	Operating income: ¥(0.32) billion	HKD: ¥ 14.40	[¥ 15.51]
		RMB: ¥ 17.07	[¥ 19.32]

* The average exchange rates for 1H of FY2016 and FY2015 are the reference rates. For the preparation of financial reports, average quarterly rates are applied to the quarterly results on a local currency basis.

3. Performance Outlook of the Fiscal Year Ending March 2017



A. Consolidated forecast (No change)

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	9,092	9,347	18,440	9,558
Operating Income	244	325	570	316
Ordinary Income	281	348	630	347
Net income attributable to shareholders of Nippon Express	182	177	360	204

3. Performance Outlook of the Fiscal Year Ending March 2017

B. Overview by reportable segment (No change)

1) Japan

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	5,662	5,711	11,374	5,852
Segment Income	164	240	405	222
Overview	<ul style="list-style-type: none"> Focus on strengthening of sales activities by implementing the one-stop system and on further efficiency of operations. 			

2) The Americas

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	419	436	856	464
Segment Income	24	19	44	23
Overview (3Q)	<ul style="list-style-type: none"> In the U.S. and Mexico, equipment-related marine import forwarding transactions are expected to decrease. Automobile-related truck transportation is expected to remain strong. 			

3. Performance Outlook of the Fiscal Year Ending March 2017

B. Overview by reportable segment (No change)

3) Europe

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	391	400	792	435
Segment Income	8	10	19	8
Overview (3Q)	<ul style="list-style-type: none"> • Air export/import forwarding transactions are expected to remain strong. 			

4) East Asia

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	476	524	1,001	576
Segment Income	5	10	16	10
Overview (3Q)	<ul style="list-style-type: none"> • Automobile-related warehousing and delivery business is expected to remain strong. • Air export forwarding transactions are expected to perform weakly. • Continue to focus on reduction of forwarding costs, etc. 			

3. Performance Outlook of the Fiscal Year Ending March 2017

B. Overview by reportable segment (No change)

5) South Asia & Oceania

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	341	381	723	334
Segment Income	11	10	22	7
Overview (3Q)	<ul style="list-style-type: none"> ▪ Strengthen sales activities to win air and marine forwarding transactions. ▪ Continue to focus on reduction of air and marine forwarding costs, etc. 			

6) Security Transportation

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	274	268	543	265
Segment Income	4	7	12	8
Overview	<ul style="list-style-type: none"> ▪ Focus on winning outsourcing from financial institutions. ▪ Effects of an increase in various people-related costs seem unavoidable. 			

3. Performance Outlook of the Fiscal Year Ending March 2017

B. Overview by reportable segment (No change)

7) Heavy Haulage & Construction

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	222	216	439	238
Segment Income	17	9	27	20
Overview	<ul style="list-style-type: none"> ▪ Focus on winning shutdown and maintenance contracts as well as heavy electric-related transportation and installation work in Japan. ▪ The impact of completion of large-sized plant constructions overseas is expected to continue. 			

8) Logistics Support

(100 million yen)

	FY2016			Actual for 2H of FY2015
	1H	2H	Forecast for full fiscal year	
Revenues	1,920	2,056	3,977	2,036
Segment Income	33	49	83	41
Overview	<ul style="list-style-type: none"> ▪ The impact of the drop in unit sales price of oil is expected to settle down. 			

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

3. Performance Outlook of the Fiscal Year Ending March 2017

C. Assumptions for external factors

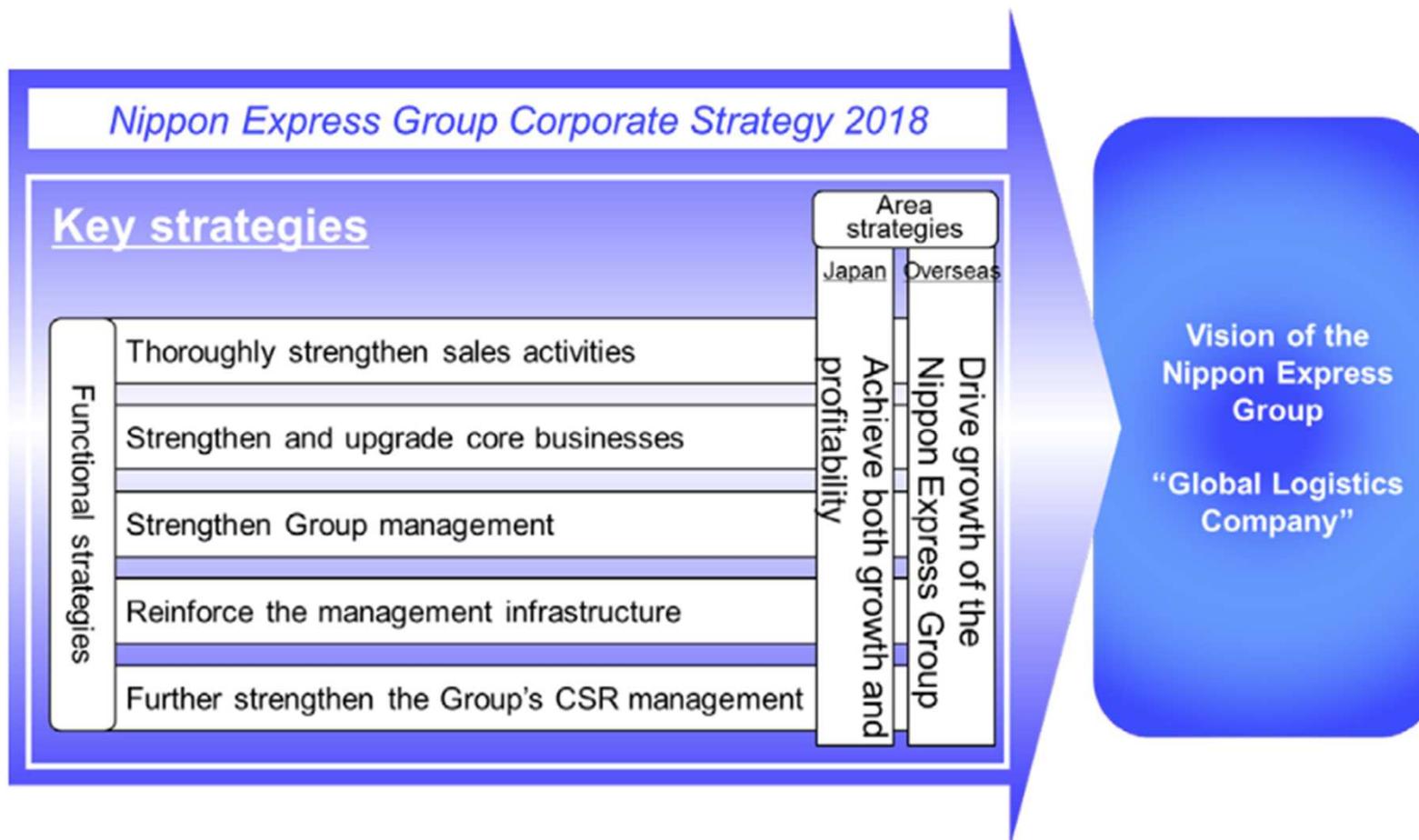
Change factors	Impact on consolidated results (2H)	Assumptions	
Impact of change in unit fuel price	Fuel cost: ¥(0.59) billion (cost decrease)	FY2016 Light oil: ¥ 74.81/ℓ Gasoline: ¥110.88/ℓ Heavy oil: ¥ 32.42/ℓ	[Yearly average in FY2015] [¥ 85.26] [¥120.54] [¥ 42.52] Assumes the same amount of fuel will be used as that of the previous year.
Impact of foreign exchange	Revenues: ¥(20.04) billion Operating income: ¥(0.72) billion	FY2016 USD: ¥110.00 EUR: ¥123.40 HKD: ¥ 14.20 RMB: ¥ 16.80	[Yearly average in FY2015(*)] [¥121.05] [¥134.32] [¥ 15.62] [¥ 19.22]

* 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.

4. Progress of Business Plan

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.





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