



Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2016 [J-GAAP] (Consolidated)

August 6, 2015

Company Name: Kintetsu World Express, Inc. (KWE)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 9375 URL: <http://www.kwe.co.jp>
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 The date of filing the quarterly financial statements: August 12, 2015
 The date of the dividend payment start (planned): –
 Preparation of quarterly earnings presentation material: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

1. Consolidated earnings results for the first three months of the fiscal year ending March 2016 (April 1, 2015– June 30, 2015)

(1) Consolidated business results

(Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
First three months ended June 30, 2015	82,752	10.0	2,564	(19.7)	2,846	(20.4)	1,374	108.5
June 30, 2014	75,240	16.4	3,193	17.8	3,573	22.1	659	(51.7)

(Note) Comprehensive income First three months ended June 30, 2015: 3,071 million yen (– %)
 First three months ended June 30, 2014: (810) million yen (– %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
First three months ended June 30, 2015	38.19	—
June 30, 2014	18.32	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of June 30, 2015	386,511	134,328	32.4	3,474.84
As of March 31, 2015	194,553	129,687	64.8	3,500.31

(Reference) Shareholders' equity As of June 30, 2015: 125,091 million yen As of March 31, 2015: 126,008 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2015	—	17.00	—	29.00	46.00
Fiscal year ending March 31, 2016	—				
Fiscal year ending March 31, 2016 (Forecasts)		20.00	—	16.00	—

(Note) Revisions to the most recently disclosed dividend forecasts: Yes

* The Company will conduct a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date. Forecast information about year-end dividends for the fiscal year ending March 31, 2016 is provided after taking into consideration the effect of the stock split. If adjusted to reflect the number of shares prior to the stock split, the forecast of fiscal year-end dividend amount will be equivalent to ¥32.00.

3. Consolidated earnings forecasts for the fiscal year ending March 2016 (April 1, 2015 – March 31, 2016)

(Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
First half	170,000	10.9	8,000	23.7	7,800	11.5	5,200	76.3	72.22
Full fiscal	450,000	37.5	18,000	8.7	17,500	(5.0)	11,700	11.5	162.50

(Note) Revisions to the most recently disclosed earnings forecasts: Yes

* The Company will conduct a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date. Forecast information about net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2015. If adjusted to reflect the number of shares prior to the stock split, the forecast of net income per share will be equivalent to ¥144.45 for the first half year and ¥325.01 for the full fiscal year.

As for the stock split, please refer to “(3) Notes to the Quarterly Consolidated Financial Statements (Significant subsequent events)” on page 14 in the Attachments.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): Yes

Newly included: APL Logistics Ltd

Note: Please refer to “2. Matters concerning Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period” on page 6 of the attachment.

- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes

Note: Please refer to “2. Matters concerning Summary Information (Notes), (2) Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements” on page 6 of the attachment.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

- 1) Changes in accounting policies with revision of accounting standards, etc. : Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Restatement of revisions: No

Note: Please refer to “2. Matters concerning Summary Information (Notes), (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions” on page 6 of the attachment.

- (4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of June 30, 2015:	36,000,000 shares	As of March 31, 2015:	36,000,000 shares
2) Number of treasury stock	As of June 30, 2015:	839 shares	As of March 31, 2015:	790 shares
3) Average number of shares during the period	First three months ended June 30, 2015:	35,999,179 shares	First three months ended June 30, 2014:	35,999,286 shares

* Implementation status of quarterly review procedures

The quarterly review procedures stipulated in the Financial Instruments and Exchange Act are not applicable to this Financial Results report, and the procedures have not been completed when this Financial Results report was disclosed.

* Explanation of the proper use of earnings forecasts and other special notes

(Remarks on forward-looking statements)

The statements about future described on this report such as earnings forecasts have been made based on information currently available and certain assumptions considered reasonable, and it is not intended to assure that the Company will achieve such results. Actual earnings may differ significantly from the above forecasts for various reasons. For the assumptions for earnings forecasts and cautions regarding the use of the earnings forecasts, please refer to “1. Qualitative Information concerning Consolidated Earnings Results for the First Three Months of the Fiscal Year Ending March 2016 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecast” on page 5.

As described in “Notice regarding Stock Split as well as accompanying Partial Amendment to the Articles of Incorporation and Dividend Forecast Revision” announced on August 6, 2015, the Company will conduct a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date. Forecast information about year-end dividends and income per share are provided after taking into consideration the effect of the stock split.

(Supplementary materials for financial results and the details of the financial results meeting)

A financial results briefing for institutional investors and analysts will be held on August 7, 2015. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

1. Qualitative Information concerning Consolidated Earnings Results for the First Three Months of the Fiscal Year Ending March 2016

(1) Explanation about Operating Results

During the three months ended June 30, 2015 (hereinafter, “the current first quarter”), while the U.S. economy showed a steady recovery and European economy showed signs of recovery, growth in China and other emerging countries has been slowing down. The Japanese economy showed signs of recovery in the individual consumption and capital investment, and showed a gradual recovery.

In the global market, demand for air freight increased.

Under such conditions, for the three months ended June 30, 2015, the KWE Group’s freight operations saw air freight exports increased 4.2 %^{*1}, and air freight imports rose 6.7 %^{*2} year-on-year. Sea freight exports decreased 0.9 %^{*3}, and imports increased 1.0 %^{*2}. Logistics showed favorable results as the business expanded mainly in East Asia.

Operating results by each segment are as follows. Starting from the three months ended June 30, 2015, APL Logistics Ltd and its group companies (“APLL”) were included in the scope of consolidation, therefore, its business performance was newly classified as a new reportable segment. As a result, “APLL” was added in reportable segments which were based on the geographic segmentation including “Japan”, “The Americas”, “Europe, Middle East & Africa”, “East Asia & Oceania” and “Southeast Asia.”

As the deemed acquisition date was June 30, 2015 and the financial statements of APLL as of June 30, 2015 were consolidated, the earnings of APLL were not included in the consolidated statements of income for the three months ended June 30, 2015.

Japan

With regard to air freight exports, electronic products for Asia decreased but automotive-related products were firm, resulting in an increase of 2.7 %^{*1} year-on-year. Air freight imports decreased 1.1 %^{*2}. Despite steady increase of electronic products, all other items decreased. As for sea freight, exports increased 6.8 %^{*3} due to an increase in automotive-related and chemical products shipment, and imports decreased 1.3 %^{*2} due to decrease in PCs and its peripherals, and retail related products. In logistics, the volume increased due to an increase in medical products.

As a result, net sales for Japan, including domestic subsidiaries, increased 2.6 % to 28,280 million yen, but operating income decreased 16.6 % to 938 million yen due to increase in operating cost.

The Americas

Air freight exports increased 42.6 %^{*1} year-on-year due to a demand increase as a result of the U.S. West Coast port congestion and new businesses. Air freight imports increased 25.3 %^{*2} due to an increase in automotive-related products. In sea freight, exports were down 25.4 %^{*3} because of the increase of shifting to air freight, on the other hand, imports rose 1.5 %^{*2} as a result of steady increase in existing customers. Logistics expanded overall due to a favorable growth in Canada.

As a result, net sales for the Americas increased 37.8 % to 13,297 million yen, and operating income rose 53.4 % to 774 million yen.

The exchange rate was U.S.\$1 = ¥ 119.09 and U.S.\$1 = ¥ 102.78 for the fiscal year ended March 31, 2015 and 2014, respectively.

Europe, Middle East & Africa

Air freight exports decreased 15.1 %^{*1} year-on-year because of decrease in automotive-related products which were shifted to sea freight even though it was favorable in the previous year. Air freight imports increased 0.7%^{*2} due to firm growth in existing customers. In sea freight, exports increased 12.9%^{*3} due to increases in automotive-related products and plant transportation, and imports decreased 5.8%^{*2} due to decrease in electronic products. In logistics, overall volume increased mainly in Germany and South Africa.

As a result, net sales for Europe, Middle East & Africa decreased 5.1% to 8,694 million yen, and operating income decreased 18.9 % to 138 million yen year-on-year.

The exchange rate was €1 = ¥134.18 and €1 = ¥ 140.79 for the fiscal year ended March 31, 2015 and 2014, respectively.

East Asia & Oceania

Air freight exports decreased 17.1%^{*1} year-on-year due to decrease in electronic products and a backlash of project cargo handled a year earlier. Air freight imports increased 9.0 %^{*2} due to a steady growth in electronic products. As for sea freight, exports decreased 3.3%^{*3} due to decrease in PCs and its peripherals, and imports slightly increased 0.1%^{*2} due to lackluster volume overall. Logistics volume increased due to sales expansion in China and South Korea.

As a result, net sales for East Asia & Oceania increased 4.6% to 22,677 million yen, but operating income decreased 8.2% to 996 million yen.

Southeast Asia

Air freight exports increased 31.5%^{*1} year-on-year due to favorable growth in electronic products and automotive-related products. Air freight imports also increased 8.6%^{*2} due to a steady increase in electronic products. For sea freight, exports increased 3.7 %^{*3} due to an increase mainly in parts for motorcycles, and imports also increased 11.0%^{*2} due to increases in printers and PCs. In logistics, overall business increased due to business expansion in Indonesia and Thailand in addition to Singapore where a large warehouse newly opened in previous year.

As a result, net sales for Southeast Asia increased 41.1 % to 12,260 million yen, and operating income rose 191.9 % year-on-year to 379 million yen due to the effect of various measures for improvement.

^{*1} based on weight	^{*2} based on number of shipments	^{*3} based on TEUs (Twenty-foot Equivalent Units)
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As described above, the whole KWE Group worked together, and net sales for the three months ended June 30, 2015 increased 10.0 % year-on-year to 82,752 million yen, operating income decreased 19.7 % to 2,564 million yen, ordinary income decreased 20.4 % to 2,846 million yen, but net income attributable to owners of the parent increased 108.5 % to 1,374 million yen.

For the three months ended June 30, the Company recorded costs directly associated with acquisition of the shares in APL Logistics Ltd of 816 million yen in operating expenses (selling, general and administrative expenses).

(2) Explanation about Financial Position

Assets, liabilities, and net assets

Total assets as of June 30, 2015 increased 191,957 million yen from March 31, 2015 to 386,511 million yen as APLL had been included in the scope of consolidation. Current assets increased 51,250 million yen to 182,256 million yen due to increases in cash and deposits of 10,280 million yen and in notes and operating accounts receivable of 36,125 million yen. Noncurrent assets increased 140,706 million yen to 204,254 million yen due to an increase in property, plant and equipment of 8,946 million yen and in goodwill of 124,138 million yen arising from acquisition of APLL and in investment and other assets of 7,622 million yen.

Total liabilities increased 187,316 million yen to 252,182 million yen. Current liabilities increased 183,761 million yen to 237,533 million yen due to increases in short-term loans payable of 153,083 million yen due to funding to acquire the shares in APL Logistics Ltd and in notes payable-trade and operating accounts payable of 15,868 million yen. Noncurrent liabilities increased 3,555 million yen to 14,649 million yen due to an increase in long-term loans payable of 1,694 million yen due to borrowing of funds for capital investment to enhance domestic logistics function, and other noncurrent liability of 1,418 million yen.

Net assets as of June 30, 2015 increased 4,640 million yen to 134,328 million yen. Shareholders' equity decreased 2,507 million yen to 107,099 million yen. This results from dividends payment of 1,043 million yen and a decrease in retained earnings of 2,264 million yen due to transitional treatments of "Revised Accounting Standards for Business Combinations", etc. and capital surplus decreased 574 million yen due to transitional treatments of "Revised Accounting Standards for Business Combinations", etc. in spite of net income attributable to owners of the parent company of 1,374 million yen. Accumulated other comprehensive income increased 1,590 million yen from March 31, 2015 to 17,991 million yen, because foreign currency translation adjustment increased 1,814 million yen arising from the inclusion of APLL in the scope of consolidation. Non-controlling interests increased 5,557 million yen from March 31, 2015 to 9,236 million yen due to the inclusion of APLL in the scope of consolidation.

Consequently, the equity ratio decreased to 32.4% from 64.8 % as of March 31, 2015.

(3) Explanation about Future Forecast Information including Consolidated Earnings Forecast

The Group revised consolidated earnings forecast for the year ending March 31, 2016 announced on May 8, 2015 as follows:

(Millions of yen)					
	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (Announced on May 8, 2015)	350,000	18,000	17,500	11,700	¥162.50
Revised forecast (B)	450,000	18,000	17,500	11,700	¥162.50
Differences (B) – (A)	100,000	0	0	0	—
Change (%)	28.6	0.0	0.0	0.0	—
(Ref.) Previous year (ended March 31, 2015)	327,192	16,563	18,429	10,489	¥145.68

(Note) Net income per share is calculated based on the assumption that a stock split at a ratio of 1:2 with October 1, 2015 as the effective date was conducted on April 1, 2014

(Reason of revision)

As the deemed acquisition date of APLL was June 30, 2015 and the financial statements of APLL as of June 30, 2015 were consolidated, 6 months earnings of APLL from July 2015 to December 2015 are included in the forecast for the fiscal

year ending March 31, 2016.

Due to costs directly associated with acquisition of the shares recognized in the first quarter of the current fiscal year (816 million yen) and a goodwill amortization for six months starting from the third quarter of the current fiscal year, the impact of the business combination on the profit accounts following the operating income for the fiscal year ending March 31, 2016 is expected to be insignificant.

(Note) Cautionary Statement concerning Earnings Forecasts

The forecasts above are based on information currently available. Actual performance may differ from the above forecasts due to various factors.

2. Matters concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

During the three months ended June 30, 2015, the Company acquired shares in APL Logistics Ltd and included in the scope of consolidation.

(2) Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements

Tax expenses are calculated as income before income taxes and non-controlling interests for the quarter multiplied by the estimated effective tax rate. The effective tax rate is reasonably estimated taking into consideration deferred tax accounting as the rate applicable to income before income taxes and non-controlling interests for the consolidated fiscal year including the quarter ended June 30, 2015.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions

(Change of the accounting policies)

From the beginning of the first quarter of the current consolidated fiscal year, the Company started applying “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As the Company applied these accounting standards, the Company recorded a difference caused by a change in the Company’s equity in subsidiaries that the Company continue to control as capital surplus and also recorded acquisition-related costs as costs during the consolidated fiscal year in which the expenses are occurred. With regard to a business combination conducted on and after the beginning of the first quarter of the current consolidated fiscal year, the Company has shifted the accounting method to reflect the reviewed allocation of the acquisition costs arising from settlement of tentative accounting treatment in the consolidated financial statement for the quarter in which the date of the business combination belongs. In addition, the expression for quarterly net profit, etc. has been changed, and “minority interests” has been changed to “non-controlling interests”. In order to reflect these changes, the consolidated financial statements for the first quarter of the previous fiscal year, as well as the entire previous fiscal year have been reclassified. These accounting standards were adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (3) of Revised Accounting Standard for Business Combinations, Paragraph 44-5 (3) of Revised Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (3) of Revised Accounting Standard for Business Divestitures. The cumulative effects arising from the retroactive application of these new accounting policies to all the previous fiscal years were added to or deducted from capital surplus and retained earnings as of the beginning of the first quarter of the current consolidated fiscal year.

As a result, goodwill decreased by 563 million yen, capital surplus decreased by 574 million yen, and retained earnings decreased by 2,264 million yen as of April 1, 2015. In addition, operating income decreased by 799 million yen and both ordinary

income and income before income taxes for the three months ended June, 30 2015 decreased by 805 million yen, respectively.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/15 (As of March 31, 2015)	First quarter of FY3/16 (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	53,318	63,598
Notes and operating accounts receivable	68,685	104,811
Other	9,397	14,989
Allowance for doubtful accounts	(395)	(1,142)
Total current assets	131,006	182,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,884	19,421
Land	11,817	11,788
Other, net	9,129	17,568
Total property, plant and equipment	39,831	48,778
Intangible assets		
Goodwill	1,391	124,011
Other	1,129	2,648
Total intangible assets	2,520	126,659
Total investments and other assets	21,194	28,816
Total non-current assets	63,547	204,254
Total assets	194,553	386,511
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	28,683	44,552
Short-term loans payable	8,525	161,609
Income taxes payable	2,436	3,818
Provision for bonuses	2,479	3,336
Provision for directors' bonuses	272	165
Other	11,373	24,051
Total current liabilities	53,772	237,533
Non-current liabilities		
Long-term loans payable	6,608	8,303
Net defined benefit liability	3,295	3,737
Other	1,189	2,608
Total non-current liabilities	11,093	14,649
Total liabilities	64,865	252,182

(Millions of yen)

	FY3/15 (As of March 31, 2015)	First quarter of FY3/16 (As of June 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,867	4,293
Retained earnings	97,526	95,592
Treasury shares	(2)	(2)
Total shareholders' equity	109,607	107,099
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,187	1,977
Deferred gains or losses on hedges	39	—
Foreign currency translation adjustment	14,089	15,903
Remeasurements of defined benefit plans	84	110
Total accumulated other comprehensive income	16,400	17,991
Non-controlling interests	3,679	9,236
Total net assets	129,687	134,328
Total liabilities and net assets	194,553	386,511

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Millions of yen)

	First three months of FY3/15 (April 1, 2014 – June 30, 2014)	First three months of FY3/16 (April 1, 2015 – June 30, 2015)
Net sales	75,240	82,752
Operating cost	63,174	70,187
Operating gross profit	12,065	12,564
Selling, general and administrative expenses	8,871	9,999
Operating income	3,193	2,564
Non-operating income		
Interest income	119	154
Dividends income	3	9
Amortization of negative goodwill	8	2
Share of profit of entities accounted for using equity method	79	–
Foreign exchange gains	182	216
Miscellaneous income	55	36
Total non-operating income	449	419
Non-operating expenses		
Interest expenses	60	117
Share of loss of entities accounted for using equity method	–	12
Miscellaneous expenses	9	7
Total non-operating expenses	70	138
Ordinary income	3,573	2,846
Extraordinary loss		
Loss on retirement of non-current assets	11	2
Provision for loss on U.S. antitrust matter	1,745	–
Total extraordinary losses	1,757	2
Income before income taxes	1,816	2,843
Income taxes	1,051	1,352
Net income	764	1,490
Net income attributable to non-controlling interests	105	116
Net income attributable to owners of the parent	659	1,374

(Millions of yen)

	First three months of FY3/15 (April 1, 2014 – June 30, 2014)	First three months of FY3/16 (April 1, 2015 – June 30, 2015)
Net income	764	1,490
Other comprehensive income		
Valuation difference on available-for-sale securities	248	(210)
Deferred gains or losses on hedges	–	(39)
Foreign currency translation adjustment	(1,903)	1,720
Remeasurements of defined benefit plans	79	27
Share of other comprehensive income of entities accounted for using equity method	0	82
Total other comprehensive income	(1,575)	1,580
Comprehensive income	(810)	3,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(801)	2,965
Comprehensive income attributable to non-controlling interests	(8)	105

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Effective April 1, 2015, the Company has applied Revised Accounting Standard for Business Combinations, etc. Please refer to "2. Matters concerning Summary Information (Notes), (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions" for the corresponding impact.

(Notes to quarterly consolidated statement of income)

(Provision for allowance for U.S. antitrust matter)

First three months of the fiscal year ended March 2015 (April 1, 2014 – June 30, 2014)

In relation to the class action against the Company alleging a violation of U.S. antitrust act concerning international airfreight transportation service, the Company recorded a current estimate of possible future loss.

(Segment Information, etc.)

I First three months of the fiscal year ended March 2015 (April 1, 2014 – June 30, 2014)

Information about sales, income / loss for each reportable segment

(Millions of yen)

	Reportable segment						Total	Other Note 1	Total	Adjustment Note 2	Carrying amount on quarterly consolidated statements of income Note 3
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL					
Net sales											
Net sales to outside customers	27,086	9,206	8,870	21,480	8,520	—	75,164	75	75,240	—	75,240
Inter-segment sales/transfers	486	441	294	195	170	—	1,588	476	2,064	(2,064)	—
Total net sales	27,572	9,647	9,165	21,676	8,691	—	76,753	552	77,305	(2,064)	75,240
Segment income	1,125	504	170	1,085	129	—	3,015	175	3,191	2	3,193

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.

2. The 2 million yen adjustment in segment income is an elimination of income generated from business between segments.

3. Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

4. Major countries or regions except Japan and APLL in each category are as follows:

- | | |
|-----------------------------------|---|
| (1) The Americas: | United States, Canada, Mexico, and Latin American countries |
| (2) Europe, Middle East & Africa: | United Kingdom, Germany, France, Italy, Netherlands, Belgium, Switzerland, Ireland, other European countries, Russia, African countries, and Middle Eastern countries |
| (3) East Asia & Oceania: | Hong Kong, China, South Korea, Taiwan, and Australia |
| (4) Southeast Asia: | Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, and Philippines |

2. Information about assets for each reportable segment

During the three months ended June 30, 2014, the Company acquired shares in Kintetsu Panasonic Trading Service Co., Ltd. (former Panasonic Trading Service Japan Co., Ltd.) and included the Company in the scope of consolidation. As a result, "Japan" segment asset increased 2,020 million yen compared to the balance as of March 31, 2014.

During the three months ended June 30, 2014, the Company acquired shares in Trans Global Logistics Group Ltd. and included in the scope of companies accounted for using the equity method. As a result, "East Asia & Oceania" segment asset increased 1,492 million yen compared to the balance as of March 31, 2014.

3. Information regarding impairment loss of noncurrent assets or goodwill for each reportable segment

(Significant change in goodwill)

During the three months ended June 30, 2014, "Japan" segment acquired shares in Kintetsu Panasonic Trading Service Co., Ltd. (former Panasonic Trading Service Japan Co., Ltd.) and included the Company in the scope of consolidation, which resulted in an increase in goodwill of 1,039 million yen.

II First three months of the fiscal year ending March 2016 (April 1, 2015 – June 30, 2015)

Information about sales, income / loss for each reportable segment

(Millions of yen)

	Reportable segment						Total	Other Note 1	Total	Adjustment Note 2	Carrying amount on quarterly consolidated statements of income Note 3
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL					
Net sales											
Net sales to outside customers	27,678	12,192	8,377	22,382	12,035	—	82,666	85	82,752	—	82,752
Inter-segment sales/transfers	601	1,105	316	294	225	—	2,543	516	3,060	(3,060)	—
Total net sales	28,280	13,297	8,694	22,677	12,260	—	85,209	602	85,812	(3,060)	82,752
Segment income (loss)	938	774	138	996	379	(816)	2,409	154	2,564	0	2,564

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.

2. The 0 million yen adjustment in segment income is an elimination of income generated from business between segments.

3. Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

4. Major countries or regions except Japan and APLL in each category are as follows:

- (1) The Americas: United States, Canada, Mexico, and Latin American countries
- (2) Europe, Middle East & Africa: United Kingdom, Germany, France, Italy, Netherlands, Belgium, Switzerland, Ireland, other European countries, Russia, African countries, and Middle Eastern countries
- (3) East Asia & Oceania: Hong Kong, China, South Korea, Taiwan, and Australia
- (4) Southeast Asia: Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, Philippines, and Cambodia

2. Information about assets for each reportable segment

During the three months ended June 30, 2015, the Company acquired all shares in APL Logistics Ltd and APL Logistics Ltd and its group companies (“APLL”) were included in the scope of consolidation. As a result, “APLL” segment asset increased 198,861 million yen compared to the balance as of March 31, 2015.

3. Matters related to changes in reportable segment

(Change of segment classification)

During the three months ended June 30, 2015, APLL was included in the scope of consolidation, therefore, its business performance was newly classified as a new reportable segment. As a result, “APLL” was added in reportable segments which were based on the geographic segmentation including “Japan”, “The Americas”, “Europe, Middle East & Africa”, “East Asia & Oceania” and “Southeast Asia”. After APLL added, the reportable segment consists of 6 segments.

(Application of Accounting Standards for Business Combinations)

As described in “Changes in accounting policies,” the Company has adopted “Revised Accounting Standard for Business Combinations”, etc. and recorded a difference caused by a change in the Company’s equity in subsidiaries that the Company continue to control as capital surplus and also recorded acquisition-related costs as costs during the consolidated fiscal year in which the costs are occurred.

As a results, segment income of “Japan” increased by 0 million yen, “Europe, Middle East & Africa” increased by 3 million yen, “East Asia & Oceania” increased by 0 million yen, “Southeast Asia” increased by 13 million yen and “APLL” decreased by 816 million yen compared to those calculated under the previous method.

4. Information regarding impairment loss of noncurrent assets or goodwill for each reportable segment

(Significant change in goodwill)

During the three months ended June 30, 2015, APLL was included in the scope of consolidation, which resulted in an increase of 123,193 million yen in goodwill of APLL segment. As allocation of the acquisition cost has not been completed, the amount of goodwill is calculated provisionally.

As described in “Changes in accounting policies,” the Company has adopted “Accounting Standards for Business Combinations”, goodwill decreased by 563 million yen. As for the changes of goodwill amount by segment for the three months ended June 30, 2015, “Japan” decreased by 17 million yen, , “Europe, Middle East & Africa” decreased by 154 million yen, “Southeast Asia” decreased by 595 million yen and “East Asia & Oceania” increased by 203 million yen.

(Business Combinations)

Business combination through acquisition

(1) Summary of business combination

1) Company name and description of acquired business

Company name: APL Logistics Ltd

Description of acquired business: Logistics Services

2) Main reason for the business combination

By combining the logistics services for automotive industry and retail industry mainly in U.S. and Asia and various high-value-added services that are the strengths of APLL and its group companies with KWE group's air and sea freight forwarding services, the Company are able to create new value and provide a broad range of optimized logistics services to customers. The Company considers these synergies will result in the establishment of a management base that can compete successfully in the global market.

3) Date of business combination

May 29, 2015

4) Legal form of business combination

Acquisition of shares

5) Name of acquired company after business combination

The name of the acquired company was not changed

6) Share of voting rights acquired

Voting rights after date of business combination: 100%

7) Basis of determining of acquisition

The Company acquired the shares in APL Logistics Ltd for cash consideration

(2) Period of earnings of the acquired business included in the consolidated statement of income for the three months ended June 30, 2015.

As the deemed acquisition date was June 30, 2015 and the financial statements of APLL as of June 30, 2015 was

consolidated, the earnings of the APLL were not included in the consolidated income statements for the three months ended June 30, 2015.

(3) Acquisition cost and details

Cash consideration for acquisition of share: ¥148,661 million

(4) Goodwill recognized, reason for recognition, amortization method and period

- 1) Goodwill recognized
123,193 million yen

As allocation of the acquisition cost has not been completed, the amount of goodwill is calculated provisionally.

- 2) Reason for recognition of goodwill
Expected future excess earning power

- 3) Amortization method and period
Straight-line method over 20 years

(Significant Subsequent Events)

The Company announces that at the meeting of the Board of Directors held on August 6, 2015, it resolved to conduct a stock split and partially revise the articles of incorporation. The details are as follows.

1. Purpose of stock split and partial change of incorporation

The purpose of the stock split is to lower the minimum investment cost per unit and increase liquidity, thereby improving the investment environment for its shares and expanding its investor base.

In conjunction with the stock split, the Company shall revise Total Number of Authorized Shares, Article 6 of the articles of incorporation, effective October 1, 2015, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

2. Outline of stock split

(1) Method of stock split

The stock split shall have a record date of Wednesday, September 30, 2015 and shall involve the splitting of common stocks held by shareholders whose names are recorded in the latest register of shareholders on the record date at ratio of 1:2

(2) Number of increase in shares by stock split

1) Total number of issued shares as of September 30, 2015	36,000,000 shares
2) Number of increase in shares by stock split	36,000,000 shares
3) Total number of issued shares after stock split	72,000,000 shares
4) Total number of authorized shares after stock split	240,000,000 shares

3. Schedule of stock split

(1) Announcement date of the record date	Friday, September 11, 2015
(2) Record date	Wednesday, September 30, 2015

(3) Effective date

Thursday, October 1, 2015

4. Effects per share of common stock

Per share information, assuming the stock split had been carried out at the beginning of the previous fiscal year is as follows:

Item	Three months ended June 30, 2014 (April, 1, 2014 to June 30, 2014)	Three months ended June 30, 2015 (April, 1, 2015 to June 30, 2015)
Net income per share for the first quarter	¥9.16	¥19.09

(Note) Diluted earnings per share is not disclosed as the Company has no dilutive shares.