Financial Results for the First Nine Months
of the Fiscal Year Ending March 31, 2018 [J-GAAP] (Consolidated)

February 8, 2018

Company Name: Kintetsu World Express, Inc. (KWE)
Stock exchange listed on: Tokyo Stock Exchange (First Section)
Company code: 9375 URL: https://www.kwe.co.jp

Representative: President and Chief Executive Officer Nobutoshi Torii
Inquiries: General Manager, Accounting and Finance Dept. Hiroyuki Kasamatsu TEL: +81-3-6863-6445

The date of filing the quarterly financial statements: February 9, 2018
The date of the dividend payment start (planned): –
Preparation of quarterly earnings presentation material: No
Holding of quarterly financial results briefing: No

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

1. Consolidated earnings results for the first nine months of the fiscal year ending March 2018 (April 1, 2017– December 31, 2017)

(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	
First nine months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2017	407,956	16.7	11,442	33.3	11,972	37.1	4,111	72.3
December 31, 2016	349,542	18.4	8,585	(20.4)	8,731	(29.3)	2,386	(67.0)

(Note) Comprehensive income First nine months ended December 31, 2017: 6,196 million yen (— %)
First nine months ended December 31, 2016: (22,073) million yen (— %)

	Net income per share	Diluted net income per share
First nine months ended	(Yen)	(Yen)
December 31, 2017	57.11	—
December 31, 2016	33.14	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2017	396,921	129,365	30.3	1,672.33
As of March 31, 2017	379,244	126,016	30.9	1,627.84

(Reference) Shareholders' equity As of December 31, 2017: 120,403 million yen As of March 31, 2017: 117,200 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2017	—	10.00	—	16.00	26.00
Fiscal year ending March 31, 2018	—	10.00	—		
Fiscal year ending March 31, 2018 (Forecasts)				16.00	26.00

(Note) Revisions to the most recently disclosed dividend forecasts: No

3. Consolidated earnings forecasts for the fiscal year ending March 2018 (April 1, 2017 – March 31, 2018)

(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)
Full fiscal year	525,000	10.7	15,000	14.7	15,000	15.1	5,500	22.6	76.39

(Note) Revisions to the most recently disclosed earnings forecasts: No

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): No

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes
Note: Please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements)" on page 10 of the attachment.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
(a) Changes in accounting policies with revision of accounting standards, etc.: No
(b) Changes in accounting policies other than the above (a): No
(c) Changes in accounting estimates: No
(d) Restatement of revisions: No

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of December 31, 2017:	72,000,000 shares	As of March 31, 2017:	72,000,000 shares
(b) Number of treasury shares	As of December 31, 2017:	2,364 shares	As of March 31, 2017:	2,364 shares
(c) Average number of shares during the period	First nine months ended December 31, 2017:	71,997,636 shares	First nine months ended December 31, 2016:	71,997,683 shares

* The quarterly review procedures are not applicable to this Financial Results report.

* 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 we 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 Nine Months of the Fiscal Year Ending March 2018 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecasts" on page 5.

1. Qualitative Information concerning Consolidated Earnings Results for the First Nine Months of the Fiscal Year Ending March 2018

(1) Explanation about Operating Results

During the nine months ended December 31, 2017, the U.S. economy continued to expand at a solid pace and Europe showed moderate recovery mainly in the Euro zone. In China, the economic growth exceeded the previous year's level due to increased exports and the effects of various policies.

The Japanese economy continued to gradually recover overall due to an increase in capital investment and exports despite weak consumer spending.

In the global market, demands for both air and sea freight continued to increase and showed an upward trend overall.

Under such circumstances, the KWE Group's freight operations saw air freight exports rose 18.1%*1 year-on-year, and air freight imports increased 11.1%*2. Sea freight exports rose 22.5%*3, and imports increased 13.6%*2. Logistics showed solid growth overall due to business expansion mainly in East Asia.

Operating results by each segment are as follows:

Japan

Air freight exports rose 10.5%*1 year-on-year due mainly to a steady increase in semiconductor-related products, electronic components and automotive-related products. Air freight imports rose 15.9%*2 due to a growth mainly in electronic products. As for sea freight, exports increased 17.8%*3 due to increases mainly in large-scale equipment and machinery, and imports grew 12.7%*2 due to steady movements in automotive-related products and electronic products. In logistics, the handling volume grew due to increases mainly in electronic products and healthcare-related products.

As a result, net sales for the segment, including domestic subsidiaries, increased 15.1% to 93,416 million yen, and operating income rose 38.3% to 4,161 million yen.

The Americas

Air freight exports rose 21.5%*1 due to increases in chemical products and healthcare-related products. Air freight imports rose 21.1%*2 as a result of favorable growth mainly in electronic products. In sea freight, exports grew 11.6%*3 due to steady growth in LCD-related products and grains, etc. and imports increased 11.6%*2 due to increases in electronic products and machinery-related products. In logistics, the handling volume expanded in Canada.

As a result, net sales for the segment rose 21.4% to 38,870 million yen, and operating income rose 35.3% to 2,160 million yen.

The exchange rate was U.S.$1 = ¥ 111.70 and U.S.$1 = ¥ 106.63 for the nine months ended December 31, 2017 and 2016, respectively.

Europe, Middle East & Africa

Air freight exports rose 22.3%*1 due to increases mainly in healthcare-related products and automotive-related products. Air freight imports increased 5.9%*2 due to a steady growth in electronic products. Sea freight exports rose 2.2%*3 due to steady movements mainly with existing customers, and imports also rose 17.7%*2 due to increases in machinery-related products and electronic products. In logistics, the handling volume increased in the Netherlands.

As a result, net sales for the segment increased 24.8% to 28,189 million yen, but operating income decreased 60.1% to 310 million yen due to a significant year-on-year increase in direct cost ratio.

The exchange rate was €1 = ¥ 128.53 and €1 = ¥ 118.02 for the nine months ended December 31, 2017 and 2016, respectively.

East Asia & Oceania

Air freight exports rose 27.2%[*1] as active market and sales expansion resulted in a continued strong movement mainly in electronic products. Air freight imports grew 8.5%[*2] due to increases in equipment-related products and electronic products. As for sea freight, exports rose 31.2%[*3] due to stable shipment of existing customers and sales expansion, and imports grew 12.8%[*2] due to an increase mainly in electronic products. In logistics, the handling volume increased mainly in China.

As a result, net sales for the segment increased 26.1% to 71,712 million yen. However, operating income increased only 8.9% to 4,101 million yen due to an impact from higher direct cost ratio.

Southeast Asia

Air freight exports rose 13.1%[*1] as a result of steady growth in electronic products. Air freight imports increased 7.5%[*2] due to an increase mainly in smartphone-related products. For sea freight, exports rose 42.1%[*3] due to strong movement mainly in electronic products and motorcycles, and imports also increased 16.6%[*2] due to increased handling volume of electronic products and automotive-related products. In logistics, the handling volume decreased in Singapore and Thailand.

As a result, net sales for the segment increased 23.0% to 40,715 million yen, and operating income rose 19.0% to 2,486 million yen.

APLL

As for logistics services for automotive, the handling volume of parts transportation between the U.S. and Mexico and finished cars transportation in India saw steady growth. Logistics services for retail, consumer and industrial field showed steady growth overall.

As a result, net sales of APLL increased 10.5% to 144,024 million yen and the company secured operating income of 2,535 million yen (rose 65.9%) despite costs for enhancement of business base associated with the separation from the former parent company, but recorded net operating loss of 2,096 million yen (operating loss of 2,966 million yen a year earlier) as amortization of goodwill related to APLL acquisition is included in this segment.

The exchange rate was U.S. $1 = ¥ 111.92 and U.S. $1 = ¥ 108.69 for the nine months ended December 31, 2017 and 2016, respectively (APLL used the average rate for the period from January 1 to September 30 because APLL's fiscal year-end is December 31).

*1 based on weight   *2 based on number of shipments   *3 based on TEUs (Twenty-foot Equivalent Units)

As described above, net sales for the nine months ended December 31, 2017 increased 16.7% to 407,956 million yen, operating income rose 33.3% to 11,442 million yen, ordinary income increased 37.1% to 11,972 million yen, and net income attributable to owners of the parent rose 72.3% to 4,111 million yen.

(2) Explanation about Financial Position

Assets, liabilities, and net assets

Total assets as of December 31, 2017 increased 17,677 million yen from March 31, 2017 to 396,921 million yen. Current assets increased 22,218 million yen to 200,319 million yen mainly due to increases in cash and deposits of 4,757 million yen and in notes and operating accounts receivable of 16,583 million yen. Non-current assets decreased 4,540 million yen to 196,602 million yen mainly due to a decrease in intangible assets of 6,724 million yen including amortization of goodwill, despite an increase in investments and other assets of 1,245 million yen.

Total liabilities increased 14,327 million yen to 267,555 million yen. Current liabilities increased 24,708 million yen to 129,158 million yen mainly due to an increase in notes and operating accounts payable-trade of 15,464 million yen. Short-term loans payable increased 10,834 million yen mainly due to a reclassification of current portion of long-term loans payable and new borrowings for working capital needed to enhance APLL's business base associated with the separation from the former parent company. Non-current liabilities decreased 10,380 million yen to 138,396 million yen mainly due to a decrease in long-term loans payable primarily resulting from the aforementioned reclassification into short-term loans payable.

Total net assets as of December 31, 2017 increased 3,349 million yen from March 31, 2017 to 129,365 million yen mainly due to an increase in valuation difference on available-for-sale securities of 615 million yen as well as an increase in retained earnings.

Consequently, the equity ratio decreased to 30.3% from 30.9% as of March 31, 2017.

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

The future prospect appears to remain unpredictable due to continuing high freight costs and geopolitical risks while the demand for air and sea freight forwarding is expected to continue to be strong.

Under such circumstances, the Group will work on various measures to increase total handling volume of air and sea freight forwarding in order to sustain a mid- to long-term growth.

While the Group earnings going forward are likely to be affected by the global economy, exchange rates, and other factors, the forecast for the fiscal year ending March 31, 2018 at this point are net sales of 525,000 million yen (up 10.7%), operating income of 15,000 million yen (up 14.7%), ordinary income of 15,000 million yen (up 15.1%) and net income attributable to owners of the parent of 5,500 million yen (up 22.6%), which remain the same as those announced on November 9, 2017.

(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. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/17 (As of March 31, 2017)	Third quarter of FY3/18 (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	70,275	75,032
Notes and operating accounts receivable	95,523	112,107
Other	13,492	15,363
Allowance for doubtful accounts	(1,189)	(2,184)
Total current assets	178,101	200,319
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,900	19,804
Land	14,181	14,332
Other, net	12,027	12,911
Total property, plant and equipment	46,109	47,048
Intangible assets		
Goodwill	71,925	66,395
Customer-related assets	38,349	35,570
Other	17,774	19,358
Total intangible assets	128,049	121,324
Total investments and other assets	26,983	28,229
Total non-current assets	201,142	196,602
Total assets	379,244	396,921
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	41,057	56,521
Short-term loans payable	31,439	42,274
Income taxes payable	3,823	3,474
Provision for bonuses	4,405	4,627
Provision for directors' bonuses	369	217
Provision for loss on litigation	230	–
Other	23,125	22,043
Total current liabilities	104,450	129,158
Non-current liabilities		
Long-term loans payable	134,237	124,018
Net defined benefit liability	2,520	2,776
Other	12,019	11,602
Total non-current liabilities	148,777	138,396
Total liabilities	253,228	267,555

(Millions of yen)

	FY3/17 (As of March 31, 2017)	Third quarter of FY3/18 (As of December 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,018	4,084
Retained earnings	107,137	109,282
Treasury shares	(3)	(3)
Total shareholders' equity	118,367	120,579
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,754	2,370
Foreign currency translation adjustment	(2,751)	(2,407)
Remeasurements of defined benefit plans	(170)	(138)
Total accumulated other comprehensive income	(1,167)	(175)
Non-controlling interests	8,815	8,961
Total net assets	126,016	129,365
Total liabilities and net assets	379,244	396,921

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

(Consolidated Statements of Income)

(Millions of yen)

	First nine months of FY3/17 (April 1, 2016 – December 31, 2016)	First nine months of FY3/18 (April 1, 2017 – December 31, 2017)
Net sales	349,542	407,956
Operating cost	287,681	340,448
Operating gross profit	61,860	67,508
Selling, general and administrative expenses	53,274	56,066
Operating income	8,585	11,442
Non-operating income		
Interest income	365	383
Dividends income	35	42
Amortization of negative goodwill	8	8
Share of profit of entities accounted for using equity method	–	80
Foreign exchange gains	655	337
Miscellaneous income	369	487
Total non-operating income	1,433	1,340
Non-operating expenses		
Interest expenses	696	738
Share of loss of entities accounted for using equity method	552	–
Miscellaneous expenses	38	71
Total non-operating expenses	1,287	810
Ordinary income	8,731	11,972
Extraordinary income		
Gain on sales of non-current assets	18	573
Settlement received	429	527
Total extraordinary income	447	1,101
Extraordinary loss		
Loss on retirement of non-current assets	12	2
Loss on liquidation of subsidiaries	–	457
Provision of allowance for doubtful accounts	–	1,239
Loss on litigation	36	–
Provision for loss on arbitration ruling	678	–
Total extraordinary losses	727	1,700
Income before income taxes	8,451	11,373
Income taxes	5,240	6,297
Net income	3,211	5,076
Net income attributable to non-controlling interests	824	964
Net income attributable to owners of the parent	2,386	4,111

(Consolidated statements of comprehensive income)

(Millions of yen)

	First nine months of FY3/17 (April 1, 2016 – December 31, 2016)	First nine months of FY3/18 (April 1, 2017 – December 31, 2017)
Net income	3,211	5,076
Other comprehensive income		
Valuation difference on available-for-sale securities	220	616
Deferred gains or losses on hedges	4	–
Foreign currency translation adjustment	(22,942)	269
Remeasurements of defined benefit plans	(22)	36
Share of other comprehensive income of entities accounted for using equity method	(2,543)	197
Total other comprehensive income	(25,284)	1,120
Comprehensive income	(22,073)	6,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(22,013)	5,103
Comprehensive income attributable to non-controlling interests	(59)	1,092

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

Not applicable.

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

(Calculation of tax expenses)

Tax expenses are calculated as income before income taxes for the period 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 for the consolidated fiscal year including the quarter ended December 31, 2017.

(Notes to Quarterly Consolidated Statement of Income)

(Share of profit of entities accounted for using equity method)

First nine months of the fiscal year ending March 2018 (April 1, 2017 – December 31, 2017)

Impairment loss of 149 million yen for goodwill associated with a non-consolidated subsidiary accounted for using equity method in Hong Kong is included.

(Share of loss of entities accounted for using equity method)

First nine months of the fiscal year ended March 2017 (April 1, 2016 – December 31, 2016)

Impairment loss of 774 million yen for goodwill associated with a non-consolidated subsidiary accounted for using equity method in Hong Kong is included.

(Loss on liquidation of subsidiaries)

First nine months of the fiscal year ending March 2018 (April 1, 2017 – December 31, 2017)

Loss on liquidation of subsidiaries recorded as a result of the resolution regarding the liquidation of APL Logistics/CFR AD Holdings, LLC consists of goodwill impairment loss of 410 million yen and anticipated losses of 47 million yen.

(Provision for loss on arbitration ruling)

First nine months of the fiscal year ended March 2017 (April 1, 2016 – December 31, 2016)

An arbitration proceeding demanding to pay damages related to a vessel charter agreement was brought against Kintetsu World Express (India) Pvt. Ltd., our consolidated subsidiary, and, in November 2016, the London Maritime Arbitrators Association issued an arbitration ruling ordering the company to pay the damages. As the ruling increased the probability of making the payment, we recorded provision for loss on arbitration ruling in extraordinary losses.

(Segment Information, etc.)

I First nine months of the fiscal year ended March 2017 (April 1, 2016 – December 31, 2016)

1. Information about sales, income/loss for each reportable segment

(Millions of yen)

	Reportable segment							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	Total				
Net sales											
Net sales to outside customers	79,119	29,932	21,866	55,717	32,366	130,301	349,304	237	349,542	—	349,542
Inter-segment sales/transfers	2,069	2,076	728	1,148	737	63	6,822	1,292	8,114	(8,114)	—
Total net sales	81,188	32,008	22,594	56,865	33,103	130,365	356,126	1,530	357,656	(8,114)	349,542
Segment income (loss)	3,008	1,596	779	3,767	2,089	(2,966)	8,273	306	8,580	4	8,585

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

2. The 4 million yen adjustment in segment income is an elimination of income generated from business between segments.

3. Segment income (loss) 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 regarding impairment loss of non-current assets or goodwill for each reportable segment

(Significant impairment loss of non-current assets)

For the nine months ended December 31, 2016, "East Asia & Oceania" segment recorded impairment loss of 774 million yen for goodwill associated with a non-consolidated subsidiary accounted for using equity method in Hong Kong.

(Significant change in goodwill)

During the three months ended June 30, 2016, "APLL" segment acquired shares of India Infrastructure and Logistics Private Limited and consolidated the company, which resulted in an increase in goodwill of 2,104 million yen. The amount of goodwill is based on a provisional calculation as allocation of the acquisition cost has not been completed.

II First nine months of the fiscal year ending March 2018 (April 1, 2017 – December 31, 2017)

1. Information about sales, income/loss for each reportable segment

(Millions of yen)

	Reportable segment							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	Total				
Net sales											
Net sales to outside customers	90,842	35,569	27,456	70,171	39,721	143,930	407,692	263	407,956	—	407,956
Inter-segment sales/transfers	2,574	3,301	732	1,540	993	94	9,237	1,447	10,684	(10,684)	—
Total net sales	93,416	38,870	28,189	71,712	40,715	144,024	416,929	1,711	418,641	(10,684)	407,956
Segment income (loss)	4,161	2,160	310	4,101	2,486	(2,096)	11,124	312	11,437	4	11,442

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.
2. The 4 million yen adjustment in segment income is an elimination of income generated from business between segments.
3. Segment income (loss) 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 regarding impairment loss of non-current assets or goodwill for each reportable segment

(Significant impairment loss of non-current assets)

For the nine months ended December 31, 2017, "East Asia & Oceania" segment recorded impairment loss of 149 million yen for goodwill associated with a non-consolidated subsidiary accounted for using equity method in Hong Kong.

For the nine months ended December 31, 2017, "APLL" segment recorded goodwill impairment loss of 410 million yen as a result of the resolution regarding the liquidation of APL Logistics/CFR AD Holdings, LLC.