



Financial Results for the Fiscal Year Ended March 31, 2018 [J-GAAP]

May 11, 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
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 The date of the ordinary general shareholder meeting: June 19, 2018
 The date of the dividend payment start (planned): June 20, 2018
 The date of filing the securities report: June 20, 2018
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Fiscal year ended March 2018 consolidated results (April 1, 2017 – March 31, 2018)

(1) Consolidated business results (Percentages are changes from the same period of the previous year.)

Fiscal year ended	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)	(%)
March 31, 2018	553,197	16.6	17,551	34.2	17,345	33.1	7,002	56.1
March 31, 2017	474,330	12.9	13,075	(14.9)	13,036	(27.2)	4,487	(54.1)

(Reference) Comprehensive income: Fiscal year ended March 31, 2018: 5,724 million yen (– %)
 Fiscal year ended March 31, 2017: (3,020) million yen (– %)

Fiscal year ended	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating margin
March 31, 2018	(Yen) 97.26	(Yen) —	(%) 5.9	(%) 4.5	(%) 3.2
March 31, 2017	62.33	—	3.7	3.4	2.8

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2018: (209) million yen
 Fiscal year ended March 31, 2017: (875) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of March 31, 2018	(Millions of yen) 390,273	(Millions of yen) 128,988	(%) 30.7	(Yen) 1,662.72
As of March 31, 2017	379,244	126,016	30.9	1,627.84

(Reference) Shareholders' equity: As of March 31, 2018: 119,712 million yen As of March 31, 2017: 117,200 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
March 31, 2018	(Millions of yen) 15,063	(Millions of yen) (10,030)	(Millions of yen) (2,754)	(Millions of yen) 67,856
March 31, 2017	14,589	(5,342)	(5,657)	65,506

2. Dividends

Fiscal year ended	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
March 31, 2017	(Yen) —	(Yen) 10.00	(Yen) —	(Yen) 16.00	(Yen) 26.00	(Millions of yen) 1,871	(%) 41.7	(%) 1.5
March 31, 2018	—	10.00	—	16.00	26.00	1,871	26.7	1.6
Fiscal year ending March 31, 2019 (Forecasts)	—	10.00	—	16.00	26.00		21.5	

3. Consolidated earnings forecasts for the fiscal year ending March 2019 (April 1, 2018 – March 31, 2019)

(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	285,000	8.6	8,000	16.3	7,700	11.4	2,700	9.2	37.50
Full fiscal year	585,000	5.7	19,200	9.4	18,600	7.2	8,700	24.2	120.84

* Notes

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

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

(a) Changes in accounting policies with revision of accounting standards: No

(b) Changes in accounting policies other than the above: No

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

(3) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)

As of March 31, 2018:	72,000,000 shares	As of March 31, 2017:	72,000,000 shares
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(b) Number of treasury shares

As of March 31, 2018:	2,364 shares	As of March 31, 2017:	2,364 shares
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(c) Average number of shares during the period

Fiscal year ended March 31, 2018:	71,997,636 shares	Fiscal year ended March 31, 2017:	71,997,672 shares
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(Reference) Summary of non-consolidated results

1. Fiscal year ended March 2018 non-consolidated results (April 1, 2017 – March 31, 2018)

(1) Non-consolidated business results

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

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal year ended March 31, 2018	101,145	18.5	3,643	52.5	8,829	(32.5)	5,555	(46.3)
March 31, 2017	85,326	0.2	2,388	(12.7)	13,085	69.9	10,346	51.5

	Net income per share	Diluted net income per share
Fiscal year ended	(Yen)	(Yen)
March 31, 2018	77.17	—
March 31, 2017	143.70	—

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2018	234,175	75,542	32.3	1,049.23
As of March 31, 2017	231,755	71,718	30.9	996.12

(Reference) Shareholders' equity As of March 31, 2018: 75,542 million yen As of March 31, 2017: 71,718 million yen

* The Financial Results report is outside the scope of an audit by certified public accountants or an audit firm.

* 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 greatly 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. Summary of Operating Results, etc. (4) Future Prospect" on page 7 of the attached material.

(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 Monday, May 14, 2018. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year ended March 31, 2018

During the fiscal year ended March 31, 2018 (hereinafter, “the current fiscal year”), the U.S. economy continued to expand at a solid pace and Europe showed a steady recovery mainly in the Euro zone. In China, although domestic demands slowed down, the overall economy showed a steady movement due to increased exports, etc.

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 17.0%^{*1} year-on-year, and air freight imports increased 10.0%^{*2}. Sea freight exports rose 19.3%^{*3}, and imports increased 13.1%^{*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 10.2%^{*1} year-on-year due to a steady increase in semiconductor-related products and automotive-related products. Air freight imports rose 13.5%^{*2} due to a growth mainly in electronic products. As for sea freight, exports increased 16.3%^{*3} due to increases mainly in large-scale equipment and machinery, and imports grew 11.6%^{*2} due to steady movements in automotive-related products and electronic products. In logistics, the handling volume grew due to increases mainly in healthcare-related products and electronic products.

As a result, net sales for Japan, including domestic subsidiaries, increased 15.8% to 127,807 million yen, and operating income rose 39.4% to 6,189 million yen.

The Americas

Air freight exports rose 21.7%^{*1} due to increases in chemical products and healthcare-related products. Air freight imports rose 20.6%^{*2} as a result of favorable growth mainly in electronic products. In sea freight, exports grew 8.7%^{*3} due to steady growth in LCD-related products and semiconductor manufacturing equipment, etc. and imports increased 11.6%^{*2} due to increases in machinery-related products and electronic products. In logistics, the handling volume expanded in Canada.

As a result, net sales for the segment rose 20.3% to 53,219 million yen, and operating income rose 44.1% to 3,582 million yen.

The exchange rate was U.S. \$1 = ¥110.85 and U.S. \$1 = ¥108.38 for the fiscal year ended March 31, 2018 and 2017, respectively.

Europe, Middle East & Africa

Air freight exports rose 19.0%^{*1} due to increases mainly in healthcare-related products and automotive-related products. Air freight imports increased 5.9%^{*2} due to an increase in electronic products. Sea freight exports rose 5.6%^{*3} due to steady growth mainly in machinery-related products, and imports also rose 18.3%^{*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 22.9% to 38,636 million yen, but operating income decreased 54.0% to 623 million yen due to a significant increase in direct cost ratio, etc.

The exchange rate was €1 = ¥129.70 and €1 = ¥118.79 for the fiscal year ended March 31, 2018 and 2017, respectively.

East Asia & Oceania

Air freight exports rose 24.4%^{*1} as active market and sales expansion resulted in a continued strong movement mainly in electronic products. Air freight imports grew 7.0%^{*2} due to increases in equipment-related products and electronic

products. Sea freight exports increased 30.1%*³ due to increases in automotive-related products and electronic products, and imports increased 11.9%*² due to steady increase in LCD-related products. In logistics, the volume increased mainly in China, South Korea, and Taiwan.

As a result, net sales for the segment increased 24.9% to 96,131 million yen. However, operating income increased only 13.4% to 5,634 million yen due to an impact from higher direct cost ratio.

Southeast Asia

Air freight exports rose 12.8%*¹ as a result of steady growth mainly in electronic products. Air freight imports increased 8.0%*² due to an increase mainly in smartphone-related products. For sea freight, exports rose 38.3%*³ due to strong movement in electronic products, automotive-related products and motorcycles, etc., and imports also increased 17.5%*² due to increases in automotive-related products and electronic products. Logistics were sluggish overall and remained at the same level as the previous year.

As a result, net sales for the segment increased 22.1% to 54,716 million yen. However, operating income increased only 9.1% to 3,257 million yen due to an impact from higher direct cost ratio.

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 10.9% to 194,860 million yen and the company secured operating income of 4,159 million yen (rose 55.7%) despite costs for enhancement of business base associated with the separation from the former parent company, but recorded net operating loss of 1,986 million yen (operating loss of 3,353 million yen in the previous year) as amortization of goodwill related to APLL acquisition is still included in this segment.

The exchange rate was U.S. \$1 = ¥112.19 and U.S. \$1 = ¥108.84 for the year ended March 31, 2018 and 2017, respectively (APLL used the average rate for the period from January 1 to December 31 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 current fiscal year increased 16.6% to 553,197 million yen, operating income rose 34.2% to 17,551 million yen, ordinary income increased 33.1% to 17,345 million yen, and net income attributable to owners of the parent rose 56.1% to 7,002 million yen.

(2) Summary of Financial Position

Total assets as of March 31, 2018 increased 11,028 million yen from March 31, 2017 to 390,273 million yen.

Current assets increased 16,339 million yen to 194,440 million yen mainly due to increases in notes and operating accounts receivable of 14,481 million yen and in cash and deposits of 2,556 million yen.

Non-current assets decreased 5,310 million yen to 195,832 million yen due to a decrease in intangible assets of 6,720 million yen primarily resulting from amortization of goodwill, despite increases in property, plant and equipment of 639 million yen and in investments and other assets of 770 million yen primarily resulting from accounting for using equity method.

Total liabilities increased 8,056 million yen to 261,284 million yen.

Current liabilities increased 18,964 million yen to 123,414 million yen due to increases in notes and operating accounts payable-trade of 10,564 million yen and in short-term loans payable of 10,584 million yen resulting from

reclassification of current portion of long-term loans payable, despite a decrease in other current liabilities of 2,223 million yen.

Non-current liabilities decreased 10,907 million yen to 137,869 million yen mainly due to a decrease in long-term loans payable of 10,585 million yen including the aforementioned reclassification into short-term loans payable.

Net assets as of March 31, 2018 increased 2,972 million yen to 128,988 million yen mainly due to an increase in retained earnings of 5,130 million yen resulting from recording net income attributable to owners of the parent of 7,002 million yen and cash dividends paid of 1,871 million yen, despite a decrease in foreign currency translation adjustment of 2,517 million yen as a result of a stronger yen compared to March 31, 2017.

Consequently, the equity ratio decreased to 30.7% from 30.9% as of March 31, 2017.

(3) Cash Flows

(Millions of yen)

	FY3/17	FY3/18	Change
Cash flows from operating activities	14,589	15,063	473
Cash flows from investing activities	(5,342)	(10,030)	(4,687)
Cash flows from financing activities	(5,657)	(2,754)	2,902
Effect of exchange rate changes on cash and cash equivalents	(1,418)	70	1,488
Net increase (decrease) in cash and cash equivalents	2,172	2,349	177
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	(569)	—	569
Cash and cash equivalents at end of period	65,506	67,856	2,349

Cash and cash equivalents as of March 31, 2018 totaled 67,856 million yen, an increase of 2,349 million yen year-on-year.

Cash flows from each activity and their significant factors are as follows:

(Cash flows from operating activities)

During the fiscal year ended March 2018, operating activities provided net cash of 15,063 million yen, an increase of 473 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 16,879 million yen, depreciation of 7,932 million yen, amortization of goodwill of 3,753 million yen, and an increase in notes and accounts payable-trade of 7,931 million yen, and cash outflows due to an increase in notes and accounts receivable-trade of 14,494 million yen, and income taxes paid of 8,473 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 10,030 million yen, up 4,687 million yen year-on-year. This mainly reflected cash outflows due to purchase of property, plant and equipment of 5,192 million yen, and purchase of intangible assets of 4,332 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 2,754 million yen, a decrease of 2,902 million yen year-on-year. This mainly reflected cash inflows due to net increase in short-term loans payable of 6,024 million yen, and cash outflows due to repayments of long-term loans payable of 5,825 million yen, cash dividends paid of 1,871 million yen, and dividends paid to non-controlling interests of 976 million yen.

(Reference) KWE Group's cash flow indicators

	FY3/15	FY3/16	FY3/17	FY3/18
Equity ratio (%)	64.8	32.5	30.9	30.7
Market-value-based equity ratio (%)	99.9	27.9	31.9	36.9
Interest-bearing debt to operating cash flow (years)	1.6	8.2	11.4	11.0
Interest coverage ratio (times)	41.4	25.6	16.0	14.7

Notes: Equity ratio = (Net assets - Non-controlling interests) / Total assets

Market-value-based equity ratio = Total value of shares / Total assets

Interest-bearing debt to operating cash flow ratio = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payment

(4) Future Prospect

The Group revised upward the figures of targets for the year ending March 31, 2019, the final year of the Medium-Term Management Plan “Going to the Next Phase!” covering the three-year period from the fiscal year ended March 31, 2017 announced on May 11, 2016. The detail of the revision is as follows:

Revision of forecasts for the year ending March 31, 2019

(April 1, 2018 – March 31, 2019: the final year of the Medium-Term Management Plan)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecasts (A) (Revised on May 11, 2017)	568,000	18,000	17,600	7,200	¥100.00
Revised forecasts (B)	585,000	19,200	18,600	8,700	¥120.84
Differences (B) – (A)	17,000	1,200	1,000	1,500	—
Change (%)	3.0	6.7	5.7	20.8	—
(Ref.) Year ended March 31, 2018	553,197	17,551	17,345	7,002	¥97.26

(Reason of revision)

In light of the financial results for the year ended March 31, 2018 announced today and the recent business environment surrounding each segment, we reviewed the numerical targets and decided to make the above revisions. No change has been made to our vision and key strategies set in the Medium-Term Management Plan.

The Group will continue to focus on various measures to increase the Group’s total handling volume of air and sea freight to achieve medium- to long-term growth.

(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. Basic Approach to Selection of Accounting Standards

In preparation for adopting IFRS (International Financial Reporting Standards) in the future, the Group is now considering matters such as documentation of accounting policies and the timing of adoption.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	70,275	72,832
Notes and operating accounts receivable	95,523	110,005
Securities	3,278	2,558
Deferred tax assets	893	920
Other	9,319	10,223
Allowance for doubtful accounts	(1,189)	(2,098)
Total current assets	178,101	194,440
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,113	39,549
Accumulated depreciation	(19,213)	(20,269)
Buildings and structures, net	19,900	19,279
Machinery, equipment and vehicles	5,275	5,610
Accumulated depreciation	(2,346)	(2,645)
Machinery and equipment and vehicles, net	2,928	2,964
Land	14,181	14,082
Leased assets	1,329	1,595
Accumulated depreciation	(779)	(879)
Leased assets, net	549	715
Other	19,904	23,453
Accumulated depreciation	(11,354)	(13,746)
Other, net	8,550	9,706
Total property, plant and equipment	46,109	46,749
Intangible assets		
Goodwill	71,925	65,586
Customer-related assets	38,349	35,139
Other	17,774	20,602
Total intangible assets	128,049	121,328
Investments and other assets		
Investment securities	19,561	20,228
Long-term loans receivable	52	-
Net defined benefit asset	6	-
Deferred tax assets	1,147	1,272
Other	6,274	6,311
Allowance for doubtful accounts	(58)	(58)
Total investments and other assets	26,983	27,754
Total non-current assets	201,142	195,832
Total assets	379,244	390,273

(Millions of yen)

	FY3/17 (As of March 31, 2017)	FY3/18 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and operating accounts payable – trade	41,057	51,622
Short-term loans payable	31,439	42,024
Lease obligations	157	209
Income taxes payable	3,823	3,867
Deferred tax liabilities	286	366
Provision for bonuses	4,405	4,616
Provision for directors' bonuses	369	250
Provision for loss on litigation	230	–
Other	22,680	20,456
Total current liabilities	104,450	123,414
Non-current liabilities		
Long-term loans payable	134,237	123,651
Lease obligations	425	543
Deferred tax liabilities	9,561	9,089
Net defined benefit liability	2,520	2,877
Other	2,032	1,707
Total non-current liabilities	148,777	137,869
Total liabilities	253,228	261,284
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,018	4,084
Retained earnings	107,137	112,268
Treasury shares	(3)	(3)
Total shareholders' equity	118,367	123,565
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,754	1,893
Foreign currency translation adjustment	(2,751)	(5,268)
Remeasurements of defined benefit plans	(170)	(478)
Total accumulated other comprehensive income	(1,167)	(3,853)
Non-controlling interests	8,815	9,276
Total net assets	126,016	128,988
Total liabilities and net assets	379,244	390,273

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

(Millions of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Net sales	474,330	553,197
Operating cost	389,316	460,534
Operating gross profit	85,014	92,662
Selling, general and administrative expenses	71,939	75,110
Operating income	13,075	17,551
Non-operating income		
Interest income	504	571
Dividends income	36	42
Refunded consumption taxes	–	160
Amortization of negative goodwill	11	11
Foreign exchange gains	888	195
Subsidy income	160	120
Miscellaneous income	341	325
Total non-operating income	1,942	1,427
Non-operating expenses		
Interest expenses	913	1,019
Share of loss of entities accounted for using equity method	875	209
Miscellaneous expenses	191	403
Total non-operating expenses	1,980	1,632
Ordinary income	13,036	17,345
Extraordinary income		
Gain on sales of non-current assets	137	568
Gain on reversal of impairment loss	–	94
Settlement received	431	526
Total extraordinary income	569	1,189
Extraordinary losses		
Impairment loss	55	175
Loss on retirement of non-current assets	51	2
Loss on liquidation of subsidiaries	–	457
Provision of allowance for doubtful accounts	–	1,019
Loss on litigation	36	–
Provision for loss on litigation	227	–
Loss on arbitration ruling	747	–
Total extraordinary losses	1,119	1,654
Income before income taxes	12,486	16,879
Income taxes – current	7,396	8,836
Income taxes – deferred	(414)	(338)
Total income taxes	6,982	8,498
Net income	5,504	8,381
Net income attributable to non-controlling interests	1,017	1,378
Net income attributable to owners of the parent	4,487	7,002

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY3/17 (April 1, 2016 –March 31, 2017)	FY3/18 (April 1, 2017 –March 31, 2018)
Net income	5,504	8,381
Other comprehensive income		
Valuation difference on available-for-sale securities	416	138
Deferred gains or losses on hedges	4	–
Foreign currency translation adjustment	(7,804)	(2,897)
Remeasurements of defined benefit plans	121	(305)
Share of other comprehensive income of entities accounted for using equity method	(1,261)	407
Total other comprehensive income	(8,524)	(2,657)
Comprehensive income	(3,020)	5,724
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(3,664)	4,316
Comprehensive income attributable to non-controlling interests	644	1,407

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,293	103,271	(3)	114,777
Changes of items during period					
Dividends from surplus			(1,871)		(1,871)
Net income attributable to owners of the parent			4,487		4,487
Purchase of treasury shares				(0)	(0)
Adjustment due to change in the fiscal period of consolidated subsidiaries			1,250		1,250
Change in equity of parent related to transaction with non-controlling shareholders		(275)			(275)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(275)	3,866	(0)	3,590
Balance at end of current period	7,216	4,018	107,137	(3)	118,367

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,338	(4)	9,473	(205)	10,602	9,819	135,199
Changes of items during period							
Dividends from surplus					-		(1,871)
Net income attributable to owners of the parent					-		4,487
Purchase of treasury shares					-		(0)
Adjustment due to change in the fiscal period of consolidated subsidiaries					-		1,250
Change in equity of parent related to transaction with non-controlling shareholders					-		(275)
Net changes of items other than shareholders' equity	416	4	(12,225)	34	(11,769)	(1,003)	(12,773)
Total changes of items during period	416	4	(12,225)	34	(11,769)	(1,003)	(9,183)
Balance at end of current period	1,754	-	(2,751)	(170)	(1,167)	8,815	126,016

For the Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,018	107,137	(3)	118,367
Changes of items during period					
Dividends from surplus			(1,871)		(1,871)
Net income attributable to owners of the parent			7,002		7,002
Capital increase of consolidated subsidiaries		66			66
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	66	5,130	-	5,197
Balance at end of current period	7,216	4,084	112,268	(3)	123,565

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,754	(2,751)	(170)	(1,167)	8,815	126,016
Changes of items during period						
Dividends from surplus				-		(1,871)
Net income attributable to owners of the parent				-		7,002
Capital increase of consolidated subsidiaries				-		66
Net changes of items other than shareholders' equity	138	(2,517)	(307)	(2,686)	461	(2,224)
Total changes of items during period	138	(2,517)	(307)	(2,686)	461	2,972
Balance at end of current period	1,893	(5,268)	(478)	(3,853)	9,276	128,988

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash flows from operating activities		
Income (loss) before income taxes	12,486	16,879
Depreciation	7,095	7,932
Impairment loss	55	175
Gain on reversal of impairment loss	–	(94)
Amortization of goodwill	3,645	3,753
Amortization of negative goodwill	(11)	(11)
Increase (decrease) in allowance for doubtful accounts	(91)	933
Increase (decrease) in provision for bonuses	526	257
Increase (decrease) in provision for directors' bonuses	130	(115)
Increase (decrease) in net defined benefit liability	(29)	(105)
Increase (decrease) in provision for loss on litigation	227	(227)
Interest and dividends income	(540)	(613)
Interest expenses	913	1,019
Share of (profit) loss of entities accounted for using equity method	875	209
Loss (gain) on sales of non-current assets	(193)	(601)
Loss on retirement of non-current assets	51	2
Loss (gain) on sales of investment securities	(19)	(0)
Loss on valuation of golf club memberships	4	1
Loss (gain) on liquidation of subsidiaries	–	457
Settlement received	(431)	(526)
Loss on litigation	36	–
Loss on arbitration ruling	747	–
Decrease (increase) in notes and accounts receivable-trade	(10,668)	(14,494)
Increase (decrease) in notes and accounts payable-trade	4,385	7,931
Other, net	834	1,438
Subtotal	20,032	24,203
Interest and dividends income received	800	818
Interest expenses paid	(911)	(1,023)
Income taxes paid	(5,726)	(8,473)
Settlement package received	431	526
Payments for loss on litigation	(36)	(236)
Payments for loss on arbitration ruling	–	(750)
Net cash provided by operating activities	14,589	15,063
Cash flows from investing activities		
Payments into time deposits	(6,642)	(6,270)
Proceeds from withdrawal of time deposits	7,401	6,014
Purchase of property, plant and equipment	(3,762)	(5,192)
Proceeds from sales of property, plant and equipment	448	649
Purchase of intangible assets	(1,955)	(4,332)
Purchase of investment securities	(3,991)	(3,000)
Proceeds from sales and redemption of securities	3,179	3,563
Payments for lease and guarantee deposits	(855)	(644)
Proceeds from collection of lease and guarantee deposits	613	395
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	243	–
Payments of loans receivable	(0)	(1,504)
Collection of loans receivable	28	305
Other, net	(50)	(14)
Net cash provided by (used in) investing activities	(5,342)	(10,030)

(Millions of yen)

	FY3/17 (April 1, 2016 – March 31, 2017)	FY3/18 (April 1, 2017 – March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,849)	6,024
Proceeds from share issuance to non-controlling shareholders	–	78
Repayments of finance lease obligations	(201)	(179)
Proceeds from long-term loans payable	3,000	–
Repayments of long-term loans payable	(1,046)	(5,825)
Purchase of treasury shares	(0)	–
Cash dividends paid	(1,872)	(1,871)
Dividends paid to non-controlling interests	(687)	(976)
Other, net	0	(3)
Net cash provided by (used in) financing activities	(5,657)	(2,754)
Effect of exchange rate changes on cash and cash equivalents	(1,418)	70
Net increase (decrease) in cash and cash equivalents	2,172	2,349
Cash and cash equivalents at beginning of period	63,903	65,506
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	(569)	–
Cash and cash equivalents at end of period	65,506	67,856

(5) Notes to the Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

[Segment Information]

a. Segment information

1. Summary of reportable segments

(1) Method for determining reportable segments

Reportable segments are determined based on the parts of the business for which it is possible to obtain separate financial information and that the Board of Directors regularly examines in order to evaluate decisions on allocation of management resources and earnings. KWE's reportable segments consist of the following six segments: "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", "Southeast Asia", and "APLL".

(2) Services of each reportable segment

In "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", and "Southeast Asia", the Company provides services focused on air freight forwarding, sea freight forwarding, and logistics (warehousing). In "APLL", the Company provides services focused on logistics (truck and rail transport, and warehousing) and sea freight forwarding.

2. Calculation method used for sales, income/loss, assets and other items for each reportable segment

The accounting treatments used for reportable segments are consistent with those applied to the consolidated financial statement. Segment income (loss) refers to operating income (loss) for each reportable segment. Inter-segment sales/transfers are based on market value.

3. Information about sales, income / loss, assets and other items for each reportable segment

Fiscal year ended March 2017 (April 1, 2016– March 31, 2017)

(Millions of yen)

	Reportable segment							Other Note 1	Total	Adjustment Note 2	Carrying amount on 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	107,493	41,318	30,410	75,362	43,830	175,578	473,995	335	474,330	—	474,330
Inter-segment sales/transfers	2,850	2,921	1,031	1,595	999	82	9,481	1,626	11,108	(11,108)	—
Total net sales	110,344	44,240	31,442	76,958	44,830	175,660	483,476	1,961	485,438	(11,108)	474,330
Segment income (loss)	4,440	2,486	1,357	4,969	2,985	(3,353)	12,887	182	13,069	5	13,075
Segment assets	70,261	20,175	16,854	50,601	27,097	195,181	380,170	2,065	382,236	(2,992)	379,244
Other											
Depreciation	1,361	218	222	617	408	4,223	7,052	43	7,095	—	7,095
Amortization of goodwill	47	—	—	—	—	3,598	3,645	—	3,645	—	3,645
Investment in equity-method affiliates	2,427	—	202	731	4,313	6,303	13,978	—	13,978	—	13,978
Increase in property, plant and equipment and intangible assets	910	142	199	362	276	4,380	6,272	47	6,319	—	6,319

Notes: 1. Other refers to business not included in reportable segments and provides incidental logistics related services within the Group.

2. Adjustments are as follows.

(1) The 5 million yen adjustment in segment income adjustment refers to inter-segment transaction eliminations.

(2) The (2,992) million yen adjustment in segment assets includes (11,918) million yen of inter-segment eliminations and 8,926 million yen of the Company's surplus operating cash (cash and deposits), which are not allocated to the specific segments.

3. Segment income has been adjusted for the operating income appearing in the 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

Fiscal year ended March 2018 (April 1, 2017– March 31, 2018)

(Millions of yen)

	Reportable segment							Other Note 1	Total	Adjustment Note 2	Carrying amount on 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	124,321	48,821	37,589	94,049	53,333	194,722	552,836	360	553,197	—	553,197
Inter-segment sales/transfers	3,486	4,397	1,047	2,082	1,383	138	12,535	1,923	14,458	(14,458)	—
Total net sales	127,807	53,219	38,636	96,131	54,716	194,860	565,372	2,283	567,655	(14,458)	553,197
Segment income (loss)	6,189	3,582	623	5,634	3,257	(1,986)	17,301	244	17,546	4	17,551
Segment assets	76,415	22,258	19,035	56,030	29,220	192,319	395,279	2,193	397,473	(7,200)	390,273
Other											
Depreciation	1,363	233	237	600	494	4,904	7,834	98	7,932	—	7,932
Amortization of goodwill	47	—	—	—	—	3,705	3,753	—	3,753	—	3,753
Investment in equity-method affiliates	2,675	—	228	468	4,167	6,916	14,456	—	14,456	—	14,456
Increase in property, plant and equipment and intangible assets	1,626	196	137	419	755	6,483	9,620	679	10,299	—	10,299

Notes: 1. Other refers to business not included in reportable segments and provides incidental logistics related services within the Group.

2. Adjustments are as follows.

(1) The 4 million yen adjustment in segment income adjustment refers to inter-segment transaction eliminations.

(2) The (7,200) million yen adjustment in segment assets includes (14,932) million yen of inter-segment eliminations and 7,732 million yen of the Company's surplus operating cash (cash and deposits), which are not allocated to the specific segments.

3. Segment income has been adjusted for the operating income appearing in the 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

b. Related information

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	155,486	134,991	151,680	32,172	474,330

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
107,552	104,870	9,047	113,918	77,911	88,406	166,318	39,559	39,647	7,335	474,330

Notes: 1. Net sales are classified by country or geographic area where service is rendered.

2. Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

(2) Property, plant and equipment

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
25,752	3,283	2,283	5,566	2,758	10,427	13,185	382	670	552	46,109

Note: Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

3. Information by major customer

Information has been omitted as there are no individual KWE Group customers that account for 10% or more of the net sales indicated on the consolidated statements of income.

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	193,354	155,803	168,060	35,978	553,197

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
124,370	149,916	11,305	161,221	93,811	104,146	197,958	46,388	15,239	8,018	553,197

Notes: 1. Net sales are classified by country or geographic area where service is rendered.

2. Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

(2) Property, plant and equipment

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
25,589	3,923	2,171	6,095	2,525	10,989	13,514	370	658	520	46,749

Note: Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

3. Information by major customer

Information has been omitted as there are no individual KWE Group customers that account for 10% or more of the net sales indicated on the consolidated statements of income.

c. Information regarding impairment loss of non-current assets for each reportable segment

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	—	—	—	1,054	—	55	1,110	—	1,110

Note: “East Asia & Oceania” segment recognized impairment loss for goodwill associated with a non-consolidated subsidiary accounted for using equity method and recorded it in share of loss of entities accounted for using equity method.

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	150	—	—	149	—	435	736	—	736

Notes: 1. “East Asia & Oceania” segment recognized impairment loss for goodwill associated with a non-consolidated subsidiary accounted for using equity method and recorded it in share of loss of entities accounted for using equity method.

2. Of the amount recorded in “APLL”, 410 million yen represents impairment loss on goodwill based on the resolution regarding a liquidation of its consolidated subsidiary, which was recorded in loss on liquidation of subsidiaries.

d. Information about goodwill amortization amount and year-end balance for each reportable segment

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(Millions of yen)

		Reportable Segment							Other	Total
		Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Goodwill	Amortization amount for the year	47	—	—	—	—	3,598	3,645	—	3,645
	Year-end balance	806	—	—	—	—	71,249	72,055	—	72,055
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	130	—	130	—	130

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

		Reportable Segment							Other	Total
		Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Goodwill	Amortization amount for the year	47	—	—	—	—	3,705	3,753	—	3,753
	Year-end balance	758	—	—	—	—	64,946	65,705	—	65,705
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	119	—	119	—	119

e. Information about gains on negative goodwill for each reportable segment

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

There are no applicable matters to be reported.

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

There are no applicable matters to be reported.