



# **Financial Results Meeting:**

## **The 1st 3 Months of FY Ending March 2016**

**(April 1, 2015 – June 30, 2015)**

**August 7, 2015**



*Global Logistics Partner*

*kintetsu world express*

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# Consolidation of APLL (1)

## The impact on financial results in the first quarter

### ◆ Balance Sheets (B/S)

- As the deemed acquisition date was June 30 2015, the financial statements as of June 30, 2015 were consolidated.

### ◆ Income statements (P/L)

- APLL's fiscal year ends December 31 and its performance from January to March 2015 was not consolidated.
- "APLL" was added in the reportable segments consisting of "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", and "Southeast Asia."

### ◆ Acquisition-related costs

- ¥816 million out of ¥3,153 million was recorded as operating costs in the first quarter.

# Consolidation of APLL (2)

## The impact on the consolidated earnings forecasts

### ◆ The second quarter

- As for the consolidated subsidiaries with fiscal year end of December 31, the income statements from January through June are included, but APLL's income statement is not included as the deemed acquisition date is June 30 2015.

### ◆ The third quarter

- APLL's income statement for the three months from July to September is included.
- Amortization of goodwill starts from the third quarter.

### ◆ Full year

- APLL's income statement for the six months from July to December is included.

# Balance Sheets

(Millions of yen)

	March 31, 2015	June 30, 2015	Differences	Note
<b>Assets</b>				
<b>Current assets</b>	131,006	182,256	51,250	Due to consolidation of APPL (increases in cash and deposits, notes and operating accounts receivable)
<b>Non-current assets</b>	63,547	204,254	140,706	
<b>Property, plant and equipment</b>	39,831	48,778	8,946	Due to consolidation of APPL
<b>Intangible assets</b>	2,520	126,659	124,138	Recording of goodwill arising from acquisition of APPL
<b>Investments and other assets</b>	21,194	28,816	7,622	Due to consolidation of APPL
<b>Total assets</b>	194,553	386,511	191,957	
<b>Liabilities</b>				
<b>Current liabilities</b>	53,772	237,533	183,761	Bank loans for acquisition of APPL
<b>Non-current liabilities</b>	11,093	14,649	3,555	Bank loans for capital investment to enhance domestic logistics function
<b>Total liabilities</b>	64,865	252,182	187,316	
<b>Net assets</b>				
<b>Total net assets</b>	129,687	134,328	4,640	Due to consolidation of APPL
<b>Total liabilities and net assets</b>	194,553	386,511	191,957	

# Financial Summary



Shipments (thousands) Weight (1,000 tons) Volume (1,000 TEU) Amount (¥ million)

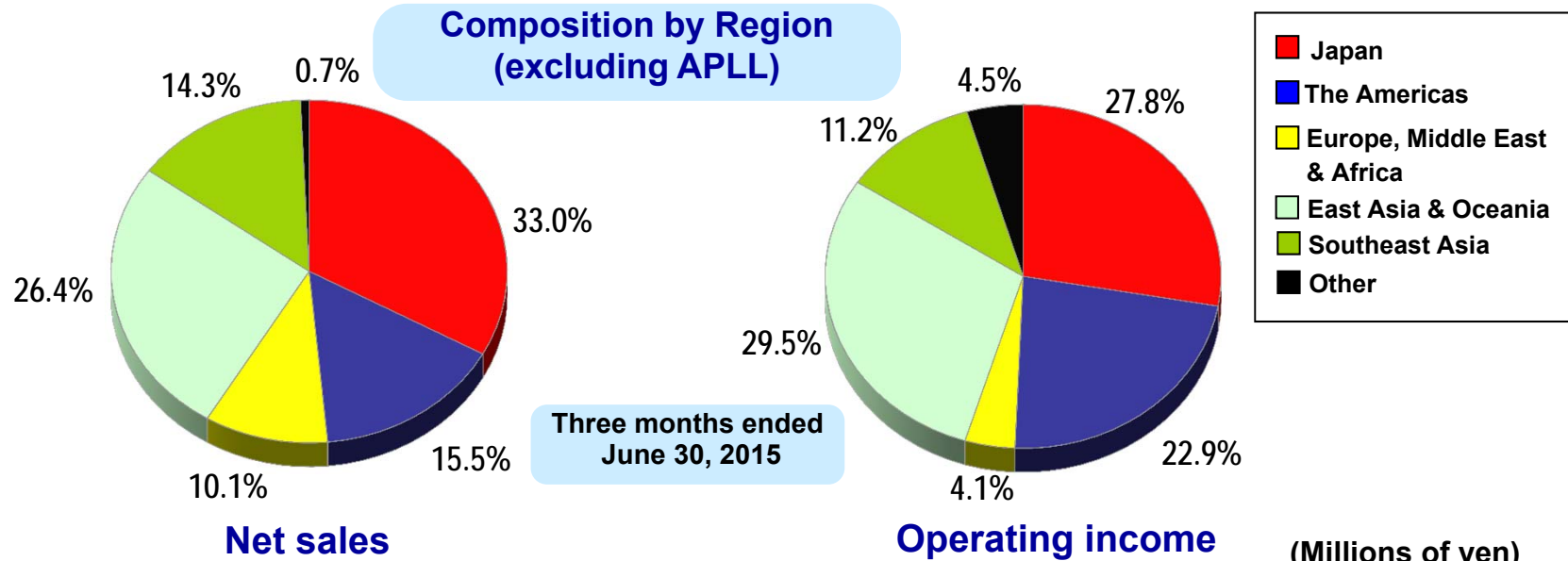
(Reference)

Item		Three months ended June 30			
		2014		2015	
			Yr over Yr (%)		Yr over Yr (%)
Air freight exports (Weight)		112	10.3	116	4.2
Air freight imports (Shipments)		282	4.5	302	6.7
Sea freight exports (Volume)		95	15.2	95	(0.9)
Sea freight imports (Shipments)		57	6.6	57	1.0
Net sales	Consolidated	75,240	16.4	82,752	10.0
Operating gross profit	Consolidated	12,065	12.8	12,564	4.1
Operating income	Consolidated	3,193	17.8	2,564	(19.7)
Ordinary income	Consolidated	3,573	22.1	2,846	(20.4)
Income before income taxes	Consolidated	1,816	(32.4)	2,843	56.6
Net income attributable to owners of the parents (formerly "Net income")	Consolidated	659	(51.7)	1,374	108.5

FY ending March, 2016 Forecast (Revised on August 6, 2015)
—
—
—
—
450,000
—
18,000
17,500
—
11,700

Conversion Rate	1st 3 months of FY ended March 2015	FY ended March 2015	1st 3 months of FY ending March 2016
US-Dollar	¥ 102.78	¥ 105.85	¥ 119.09
EURO	¥ 140.79	¥ 140.42	¥ 134.18

# Net Sales and Operating Income by Region



Region	Net Sales	Yr over Yr	Operating income	Yr over Yr
Japan	28,280	2.6%	938	(16.6%)
The Americas	13,297	37.8%	774	53.4%
Europe, Middle East & Africa	8,694	(5.1%)	138	(18.9%)
East Asia & Oceania	22,677	4.6%	996	(8.2%)
Southeast Asia	12,260	41.1%	379	191.2%
APLL	—	—	(816)	—
Other	602	9.2%	154	(12.3%)
Adjustment	(3,060)	—	0	—
<b>Total</b>	<b>82,752</b>	<b>10.0%</b>	<b>2,564</b>	<b>(19.7%)</b>

\* "Other" refers to business not included in reportable segments and mainly consists of supplementary logistics within the Group.

\* As the first quarter of the income statement of APLL is not consolidated, above pie chart doesn't include the result of APLL.

## 1 Brisk freight movement, but target not achieved due to increased freight cost

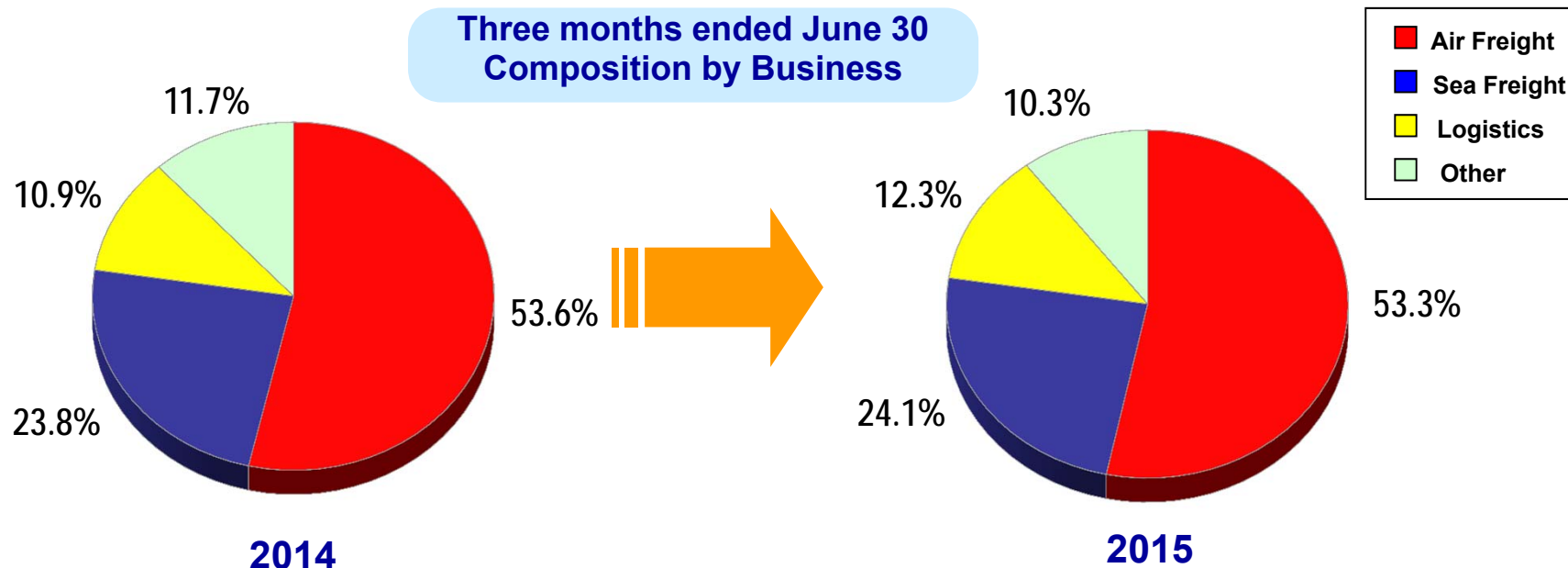
- Operating margin of KWE Japan decreased to 2.2 % from 2.3% a year earlier.
- Subsidiaries in Japan fell due to backlash of rush demand before consumption tax rise and PC replacements a year earlier.

## 2 Generally favorable in overseas, but sluggish in Europe

- Average operating margin in overseas increased to 4.0% from 3.8% a year earlier (excluding APLL results.)
- The Americas: A boom due to the U.S. West Coast port congestion.
- Europe, Middle East & Africa: Unachieved target
- East Asia: Unachieved target due to decrease in freight volume and rise in operating cost
- Southeast Asia: Profitability recovered.



# Net Sales by Business



(Millions of yen, %)

Business		Three months ended June 30		
		2014	2015	
		Net sales	Net sales	Yr over Yr
Freight Transportation	Air Freight	40,294	44,071	9.4%
	Sea Freight	17,913	19,928	11.2%
	Logistics	8,226	10,191	23.9%
	Other	8,806	8,560	(2.8%)
Total		75,240	82,752	10.0%

# Earnings Forecast for FY Ending March 2016



<Revised on August 6, 2015>

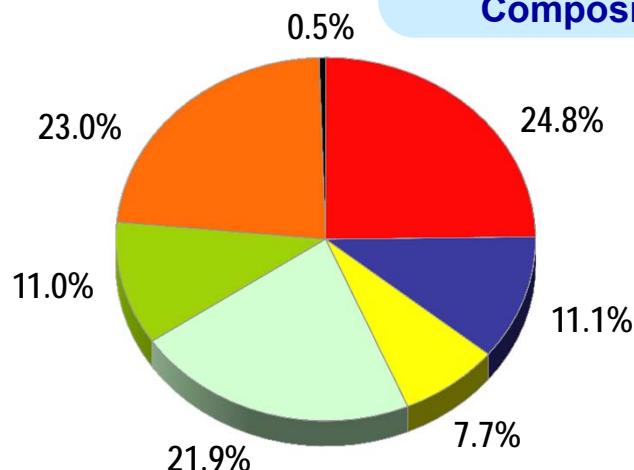
(Millions of yen)

Item	FY ended March 2015 (Results)		FY ending March 2016 (Forecast)	
		Yr over Yr (%)		Yr over Yr (%)
Net sales	327,192	16.2	450,000	37.5
Operating gross profit	52,556	13.5	71,000	35.1
Operating income	16,563	20.5	18,000	8.7
Ordinary income	18,429	20.7	17,500	(5.0)
Income before income taxes	16,372	9.8	17,500	6.9
Net income attributable to owners of the parents (formerly "Net income")	10,489	11.4	11,700	11.5

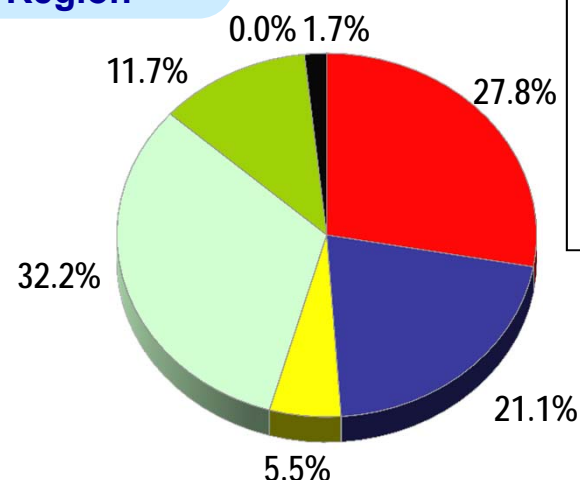
# Net Sales & Operating Income Forecast by Region for FY Ending March 2016



Net Sales & Operating income Composition by Region



Net sales



Operating income

(Millions of yen)

Region	Net sales	Yr over Yr	Operating income	Yr over Yr
Japan	113,700	(7.5%)	5,000	(21.3%)
The Americas	51,200	19.0%	3,800	31.8%
Europe, Middle East & Africa	35,400	(5.2%)	1,000	35.9%
East Asia & Oceania	100,400	12.3%	5,800	13.7%
Southeast Asia	50,600	22.1%	2,100	78.7%
APLL	105,800	—	0	—
Other	2,100	12.5%	300	(2.3%)
Adjustment	(9,200)	—	—	—
<b>Total</b>	<b>450,000</b>	<b>37.5%</b>	<b>18,000</b>	<b>8.7%</b>

\* "Other" refers to business not included in reportable segments and mainly consists of supplementary logistics within the Group.

## **Generate Synergies with APLL**

# Consolidation of APLL



Acquisition of all shares of APLL completed on May 29, 2015



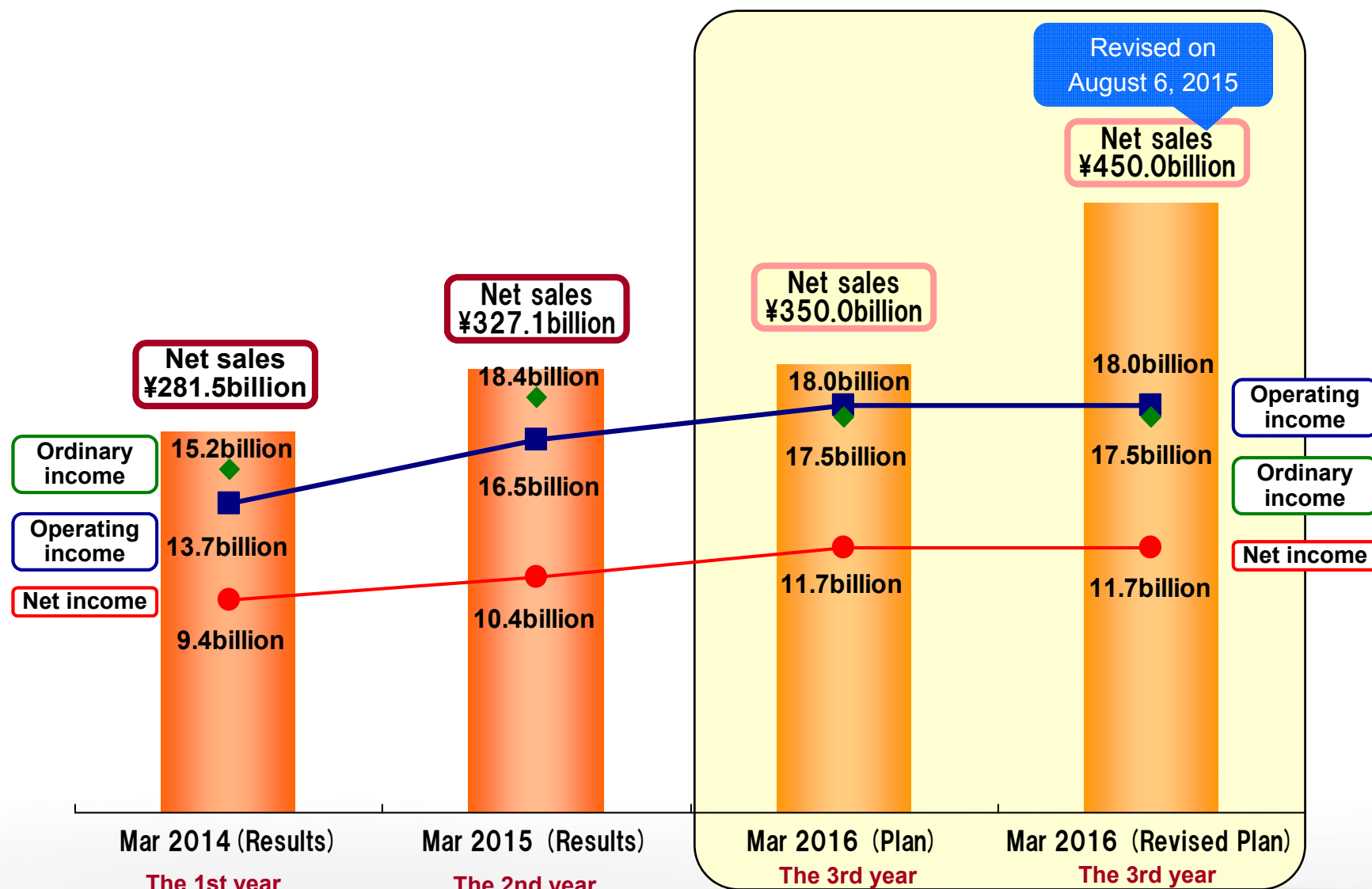
◆ **Purpose:** Establish a management base speedily that can compete with major players in the global market, and build up the position as a “Global Player”

◆ **Expected Synergy:**

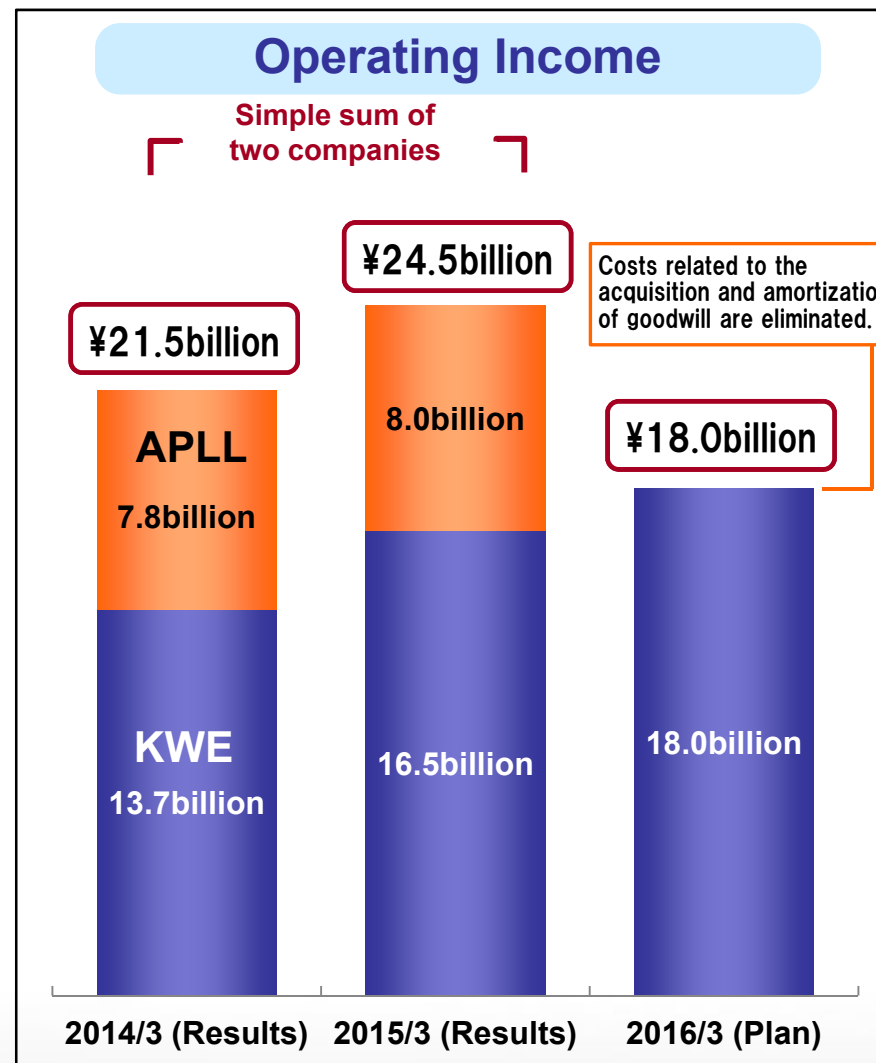
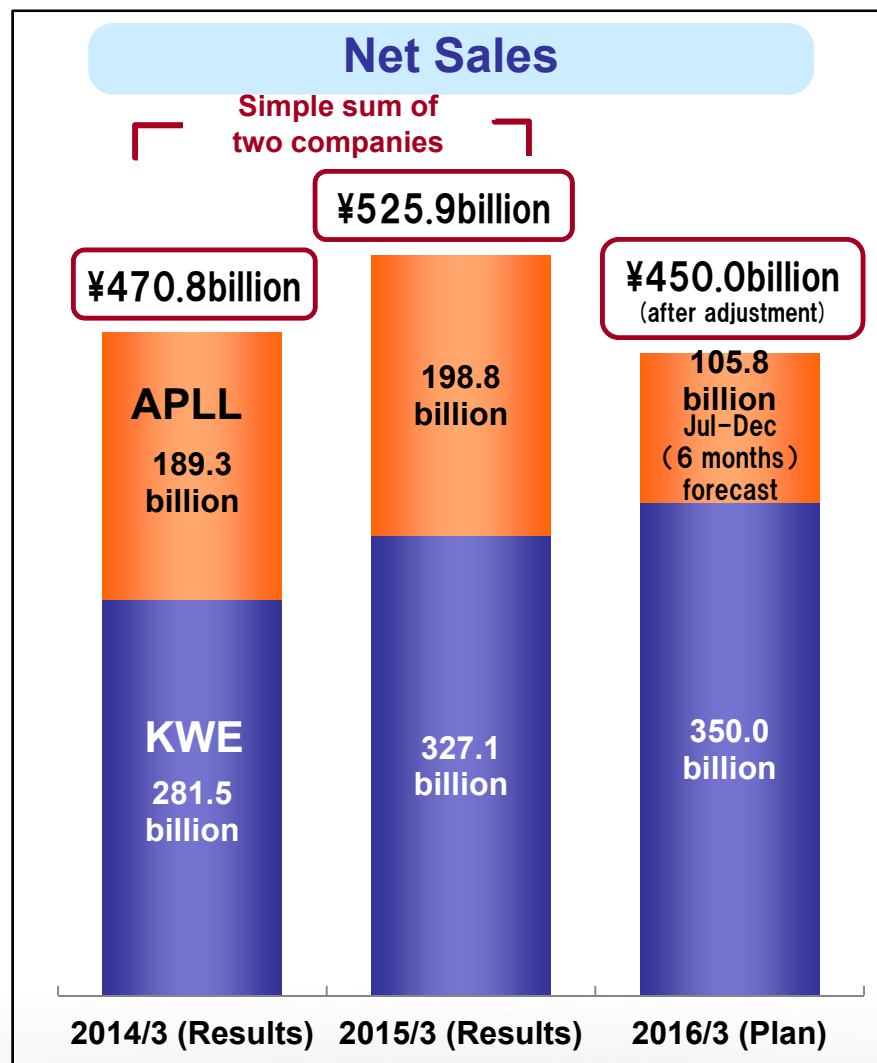
- (1) Expand and optimize revenue portfolio through a more balanced portfolio of industry verticals, customer base, and business domains
- (2) Joint sales to both customers with each other

# Medium-Term Management Plan

## Numerical Targets



# Performance after Integration



Note ) APLL results in each year are calculated at 1 USD = 120 JPY.

# APLL Post Closing Project

## Administrations (Streamline administrations and operations)

- ◆ **Shared service**
  - Synergy effect of cost reduction by sharing APLL's operational functions and consolidating operations in the Group.
- ◆ **IT**
  - Examine each system's strengths and leverage them
- ◆ **Human Resource**
  - Plan personnel exchange

## Commercial Synergies (Business expansion in Air Freight, Sea Freight, and Logistics)

- ◆ **Air Freight**
  - Focus on Auto and other industries, promote cross sell to generate synergies
- ◆ **Logistics for Japanese customers**
  - Share APLL's know-how and solutions, promote joint sales
- ◆ **U.S.— Mexico cross-border transportation**
  - Share APLL's infrastructure and network
- ◆ **Cooperative procurement in Sea Freight**
  - Generate synergy effect of cost saving, leveraging economies of scale



# APLL Post Closing Project



## Actions to generate Commercial Synergies (from July 2015)

### (1) Air Freight

- Absorb the businesses outsourced by APLL to other forwarders
- Joint sales to APLL's customers

### (2) Sea Freight

- Synergy effects on cost reduction with economies of scale
- Integrate KWE's and APLL's Asia—North America LCL services

### (3) Auto/Retail training program

- Deploy trainees to APLL to learn their know-how on Auto/Retail industries.  
Then set up new target customers

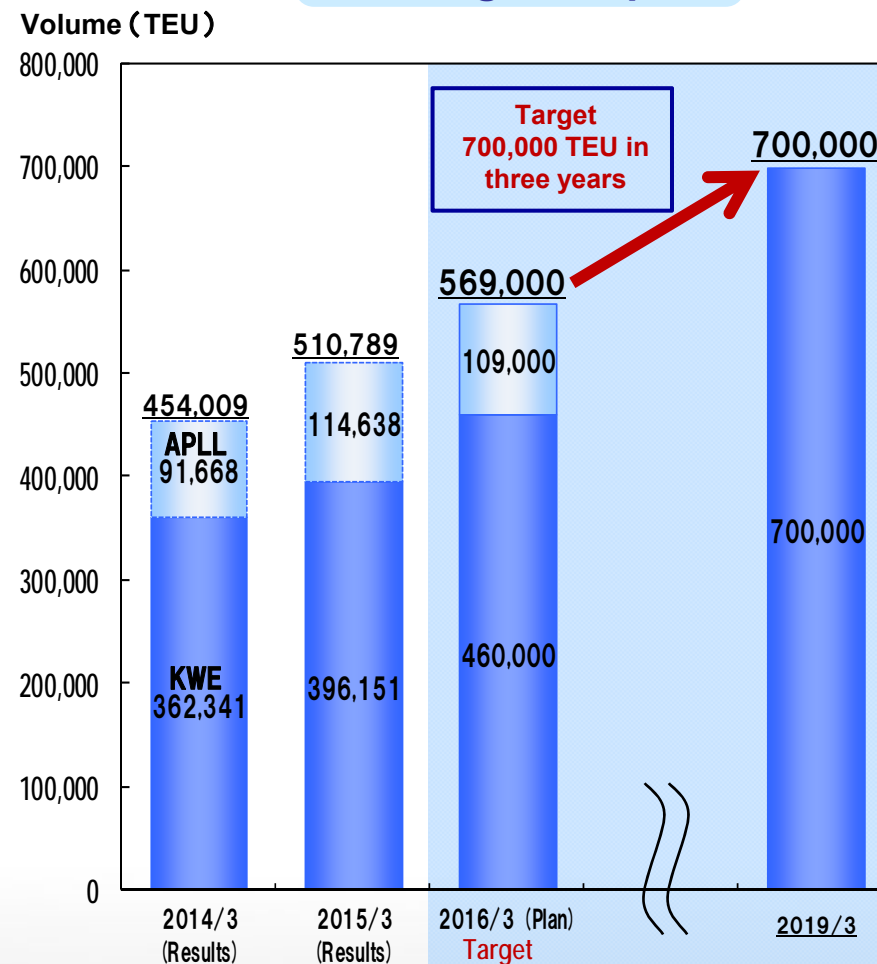
⇒ The target figures of the next mid-term management plan are to be discussed.

# Air and Sea / Volume Targets

## Air Freight (Export)



## Sea Freight (Export)



# Stock Split

**2-for-1 stock split with an aim to expand investor base by reducing the amount per trading unit and increasing liquidity**

■ **Split ratio**

**2-for-1**

■ **Record date**

**September 30, 2015**

■ **Effective date**

**October 1, 2015**

# Dividends

Dividends forecast was revised as below to reflect the stock split, but there has been no substantive change in the dividend forecast announced on May, 8 2015.

	Dividend per Share		
	Q2	Year-end	Total (Annual)
<b>Previous forecast</b> (Announced on May 8, 2015)	¥20	¥32	¥52
<b>Revised forecast</b>	¥20	¥16	—
<b>Previous year</b> (ended March 2015)	¥17	¥29	¥46



*Global Logistics Partner*

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