



# Financial Results Meeting:

**FY Ended March 2017**

**(April 1, 2016 – March 31, 2017)**

**May 12, 2017**



*Global Logistics Partner*

*kintetsu world express*

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# Financial Summary

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

Item	FY ended March 31, 2016		FY ended March 31, 2017		FY ending March 31, 2018 Forecasts (Revised on May 11, 2017)
		YoY change (%)		YoY change (%)	
Air freight exports (Weight)	457	(4.4)	495	8.4	510
Air freight imports (Shipments)	1,208	(2.0)	1,207	0.0	—
Sea freight exports (Volume)	455	14.9	556	22.3	581
Sea freight imports (Shipments)	238	1.0	245	2.9	—
Net sales	420,252	28.4	474,330	12.9	500,000
Operating gross profit	71,762	36.5	85,014	18.5	—
Operating income	15,356	(7.3)	13,075	(14.9)	13,500
Ordinary income	17,907	(2.8)	13,036	(27.2)	13,000
Income before income taxes	17,847	9.0	12,486	(30.0)	—
Net income attributable to owners of the parent (formerly "Net income")	9,773	(6.8)	4,487	(54.1)	5,000

Conversion Rate	FY ended March 2016	1st 6 months of FY ended March 2017	FY ended March 2017
US-Dollar	¥121.05	¥105.29	¥108.38
EURO	¥134.31	¥118.15	¥118.79
HK-Dollar	¥15.61	¥13.57	¥13.97
Chinese Yuan	¥19.22	¥15.94	¥16.11

Indicators	FY ended March 2016	FY ended March 2017
EPS	¥135.74	¥62.33
BPS	¥1,741.44	¥1,627.84
ROE	7.9%	3.7%

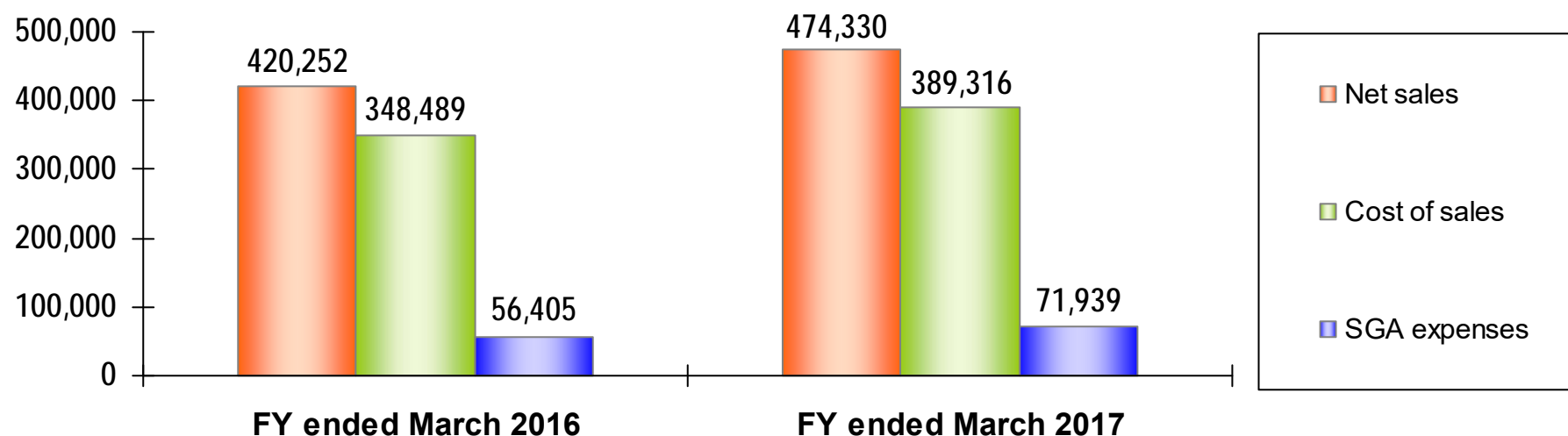
\*2 APLL was included in the scope of consolidation from the 3Q of FY ended March 31, 2016.

\*1 Starting from the current fiscal year, consolidated subsidiaries unified the fiscal year-end from December 31 to March 31, except for APLL, and there is three-month difference in the year-on-year comparison of earnings and freight volume. Accordingly, the results for the current fiscal year represent those for the period from April 1, 2016 to March 31, 2017, and the results for the previous fiscal year represent those for the period from January 1, 2015 to December 31, 2015.

# Year over Year Comparisons of Net Sales, Cost of Sales, and SGA Expenses



(Millions of yen)



(Millions of yen)

	FY ended March 2016	Ratio to net sales	FY ended March 2017	Ratio to net sales
Net sales	420,252	100.0%	474,330	100.0%
Cost of sales	348,489	82.9%	389,316	82.1%
SGA expenses	56,405	13.4%	71,939	15.2%
Operating income	15,356	3.7%	13,075	2.8%

# Balance Sheets (1)

(Millions of yen)

	March 31, 2016	March 31, 2017	Differences
<b>Assets</b>			
Current assets	178,454	178,101	(353)
Non-current assets	207,447	201,142	(6,304)
Property, plant and equipment	45,944	46,109	165
Intangible assets	134,117	128,049	(6,068)
Total investments and other assets	27,386	26,983	(402)
<b>Total assets</b>	<b>385,902</b>	<b>379,244</b>	<b>(6,657)</b>
<b>Liabilities</b>			
Current liabilities	98,406	104,450	6,043
Non-current liabilities	152,296	148,777	(3,518)
<b>Total liabilities</b>	<b>250,703</b>	<b>253,228</b>	<b>2,525</b>
<b>Net assets</b>			
<b>Total net assets</b>	<b>135,199</b>	<b>126,016</b>	<b>(9,183)</b>
<b>Total liabilities and net assets</b>	<b>385,902</b>	<b>379,244</b>	<b>(6,657)</b>

# Balance Sheets (2)

## ■ Interest-bearing debt

(Millions of yen)

FY ended March 2016	FY ended March 2017	Differences
165,510	165,677	+167

## ■ Capital investments

(Millions of yen)

FY ended March 2016	FY ended March 2017	Differences	FY ending March 2018 (Forecast)
7,112	6,319	(793)	10,130

### ◆ Main capital investments (FY ended March 2017)

- Logistics facilities (Japan, South Africa, and APLL, etc.), IT/software, vehicles, etc.

### ◆ Main capital investment plan (FY ending March 2018)

- Logistics facilities (Japan, Thailand, and APLL, etc.), IT/software, vehicles, etc.

## ■ Depreciation

(Millions of yen)

FY ended March 2016	FY ended March 2017	Differences
5,255	7,095	+1,840

# Cash Flow Statements

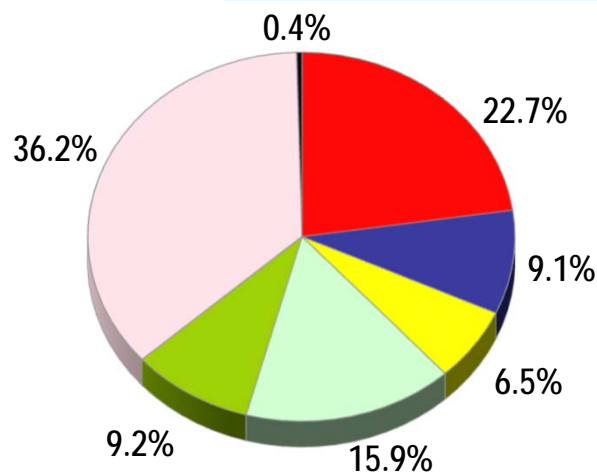
(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net cash provided by (used in) operating activities	20,143	14,589	(5,553)
Net cash provided by (used in) investing activities	(147,207)	(5,342)	141,864
Net cash provided by (used in) financing activities	144,744	(5,657)	(150,401)
Effect of exchange rate change on cash and cash equivalents	(2,476)	(1,418)	1,058
Net increase (decrease) in cash and cash equivalents	15,203	2,172	(13,031)
Cash and cash equivalents at beginning of period	48,700	63,903	15,203
Cash and cash equivalents at end of period	63,903	65,506	1,602

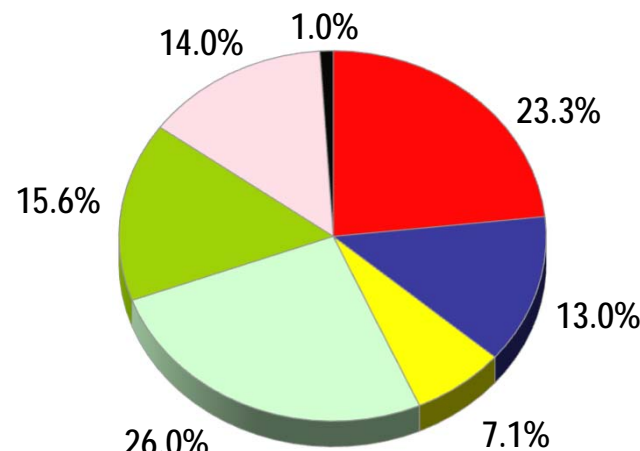


# Net Sales and Operating Income by Segment

Composition by segment (FY ended March 2017)



Net sales



Operating income



FOREX impacts (consolidated)  
Net sales: ¥(40,926) million  
Operating income:  
¥(1,977) million

Segment	Net Sales	YoY change	Operating Income	YoY change
Japan	110,344	0.8%	4,440	7.6%
The Americas	44,240	(14.8%)	2,486	(34.2%)
Europe, Middle East & Africa	31,442	(12.6%)	1,357	36.8%
East Asia & Oceania	76,958	(15.7%)	4,969	(11.6%)
Southeast Asia	44,830	(4.2%)	2,985	54.8%
APLL	175,660	—	2,671	—
Amortization of goodwill	—	—	(6,024)	—
Other	1,961	(7.0%)	182	(40.9%)
Adjustment	(11,108)	—	5	—
<b>Total</b>	<b>474,330</b>	<b>12.9%</b>	<b>13,075</b>	<b>(14.9%)</b>

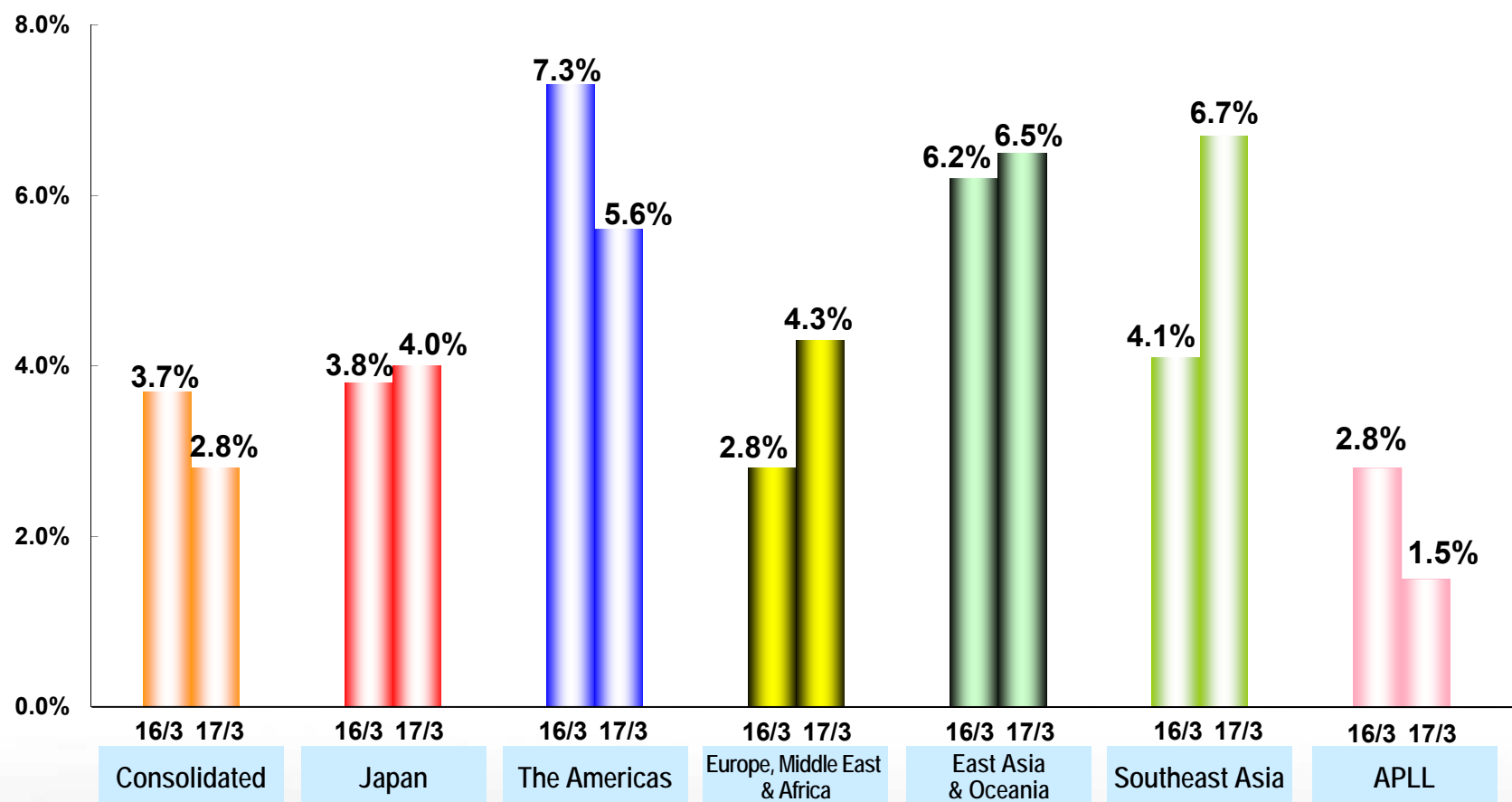
\* APLL was included in the scope of consolidation from the third quarter of FY ended March 31, 2016 and therefore year-on-year comparisons are omitted.

\* "Other" refers to business not included in reportable segments and provides incidental logistics related services within the Group.



# Operating Margins by Segment

FY ended March 31  
2016 and 2017



\* APLL's operating margin is calculated based on the amount before amortization of goodwill.

# Review of Operations

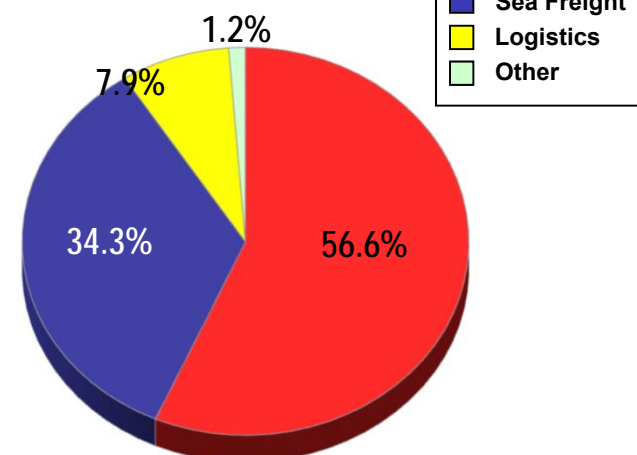
## Japan

(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net sales	109,427	110,344	917
Operating income	4,127	4,440	313

- Weak air freight volume during 1H recovered in 2H mainly with electronics
- Subsidiaries in Japan had good results

Net Sales by Business



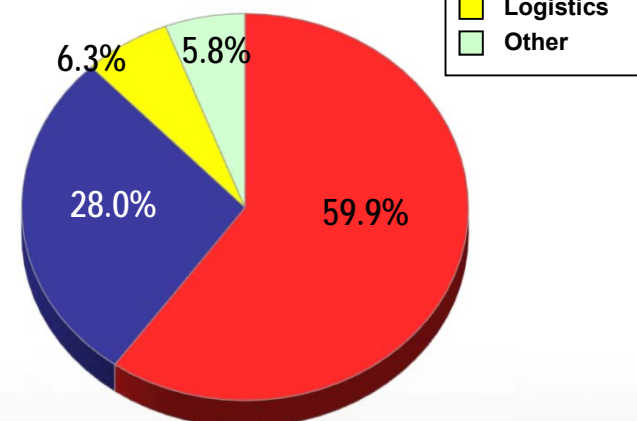
## The Americas

(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net sales	51,914	44,240	(7,674)
Operating income	3,778	2,486	(1,291)

- A backlash from an increased air freight volume bound for the West Coast in 2015
- FOREX impact  
Net sales: ¥(5,976) million    Operating income: ¥(461) million

Net Sales by Business



# Review of Operations

## Europe, Middle East & Africa

(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net sales	35,975	31,442	(4,533)
Operating income	992	1,357	365

• Sluggish in Germany and Russia, but favorable in the U.K. and France

• FOREX impact

Net sales: ¥(5,214) million    Operating income: ¥(150) million

## East Asia & Oceania

(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net sales	91,286	76,958	(14,328)
Operating income	5,621	4,969	(651)

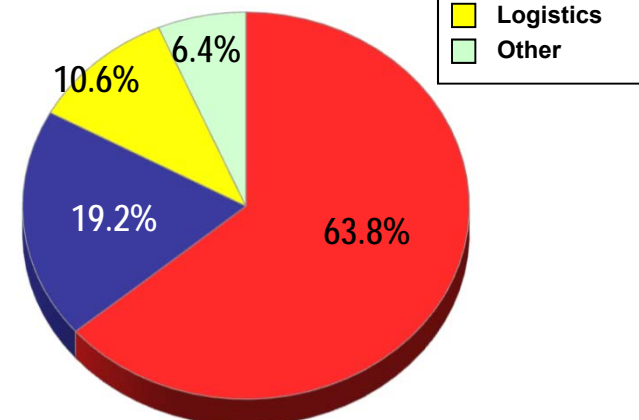
• Sluggish air freight volume growth and increase in freight cost ratio

• Logistics: Favorable growth during the period

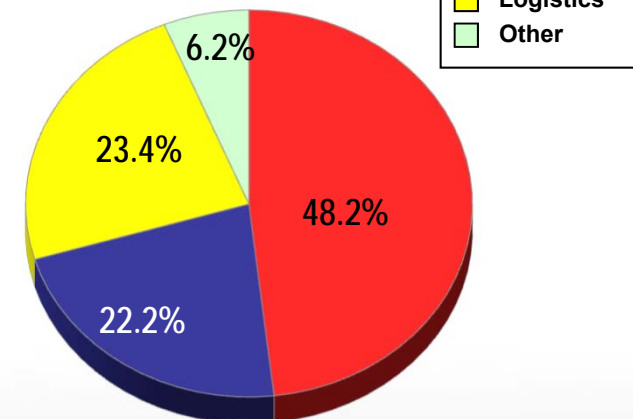
• FOREX impact

Net sales: ¥(13,074) million    Operating income: ¥(803) million

Net Sales by Business



Net Sales by Business



# Review of Operations

## Southeast Asia

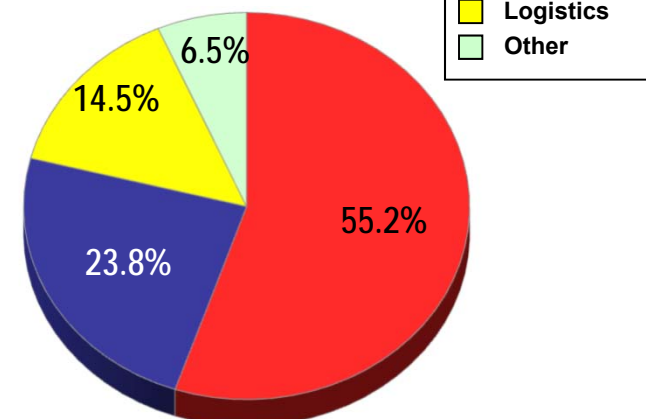
(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net sales	46,797	44,830	(1,966)
Operating income	1,928	2,985	1,057

- Strong and favorable growth in air freight, sea freight, and logistics
- FOREX impact

Net sales: ¥(6,347) million    Operating income: ¥(246) million

Net Sales by Business



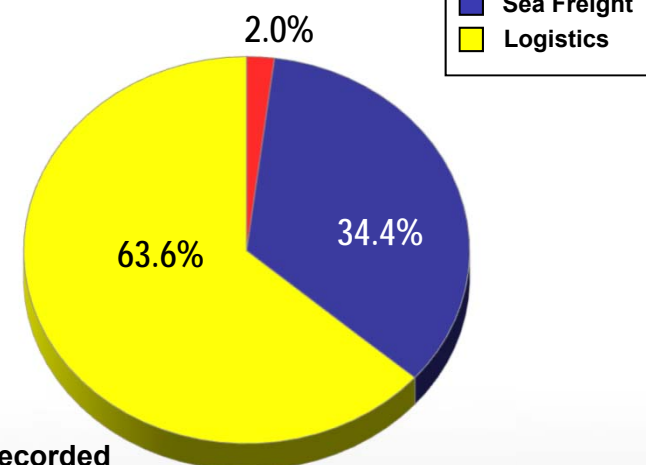
## APLL

(Millions of yen)

	FY ended March 2016	FY ended March 2017	Differences
Net sales	94,401	175,660	81,259
Operating income	(1,404)	(3,353)	(1,949)

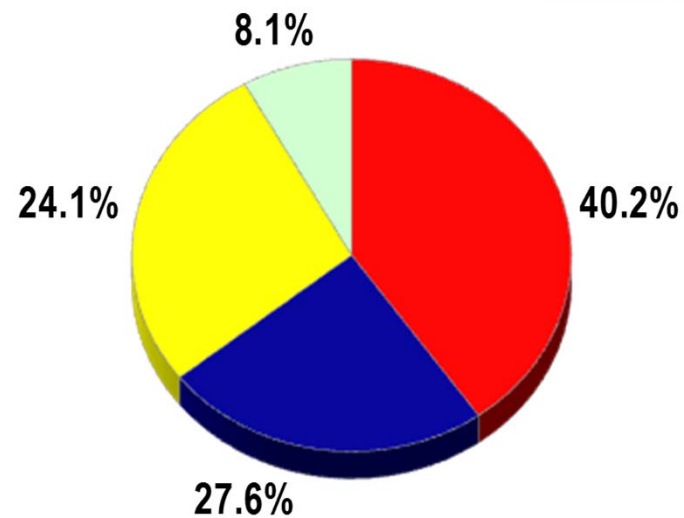
- Automotive: Parts logistics between U.S. and Mexico, finished car transportation in India had strong growth
- Retail, Consumer, Industrials: Remained the same level as previous year
- Weak growth in sea freight forwarding
- Operating income of 2,671 million yen before amortization of goodwill, however, recorded operating loss of 3,353 million yen after goodwill amortization

Net Sales by Business

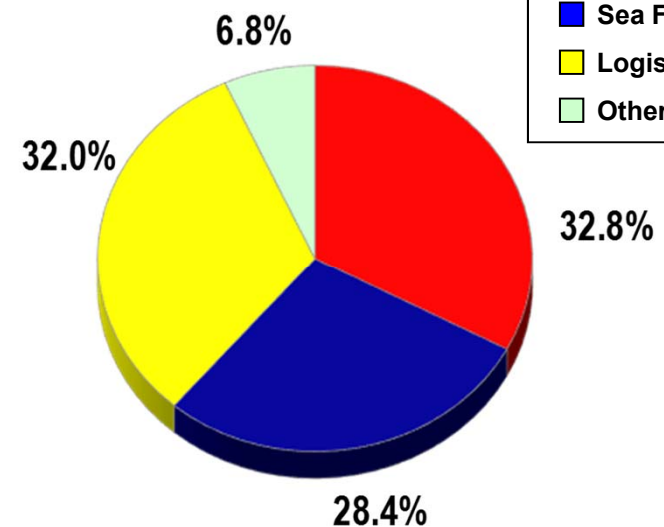


# Net Sales by Business

Composition by Business



FY ended March 31, 2016



FY ended March 31, 2017

(Millions of yen)

Business		FY ended March 31, 2016 (Results)	FY ended March 31, 2017 (Results)	
		Net sales	Net sales	YoY change
Freight transportation	Air Freight	168,768	155,486	(7.9%)
	Sea Freight	115,961	134,991	16.4%
	Logistics	101,380	151,680	49.6%
	Other	34,141	32,172	(5.8%)
Total		420,252	474,330	12.9%

# Gross Margin by Transportation Mode

\* Gross profit = Net sales — Direct cost

	Six months ended September 30, 2015	FY ended March 31, 2016	Six months ended September 30, 2016	FY ended March 31, 2017
<b>Air</b>	<b>28.5%</b>	<b>29.3%</b>	<b>30.2%</b>	<b>30.0%</b>
<b>Sea</b>	<b>22.1%</b>	<b>* 27.8%</b>	<b>* 30.8%</b>	<b>* 31.0%</b>

\* Gross margin increased due to addition of PO Management and Buyer's Consolidation related to APLL's sea freight operation.

# Performance Forecast for FY Ending March 2018



(Millions of yen)

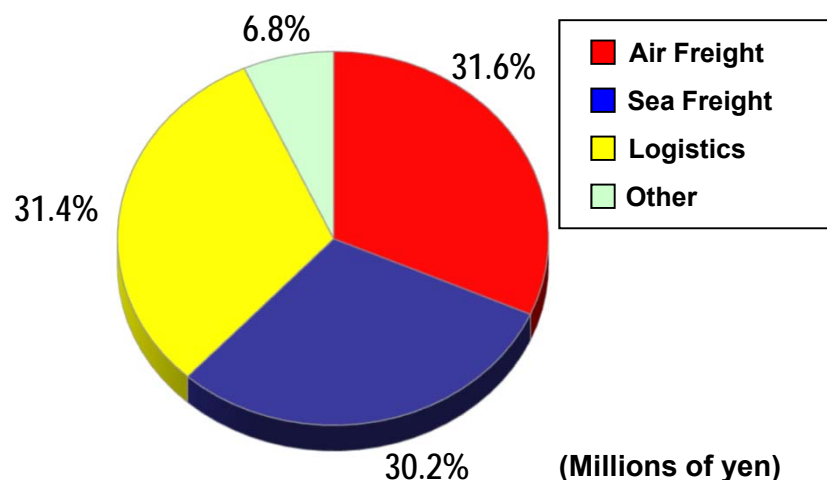
Item	FY ended March 31, 2017 (Results)		FY ending March 2018 (Forecasts)	
		YoY change		YoY change
Net sales	474,330	12.9%	500,000	5.4%
Operating gross profit	85,014	18.5%	87,946	3.4%
Operating income	13,075	(14.9%)	13,500	3.2%
Ordinary income	13,036	(27.2%)	13,000	(0.3%)
Income before income taxes	12,486	(30.0%)	13,000	4.1%
Net income attributable to owners of the parent	4,487	(54.1%)	5,000	11.4%



# Performance Forecast by Business & Segment for FY Ending March 2018

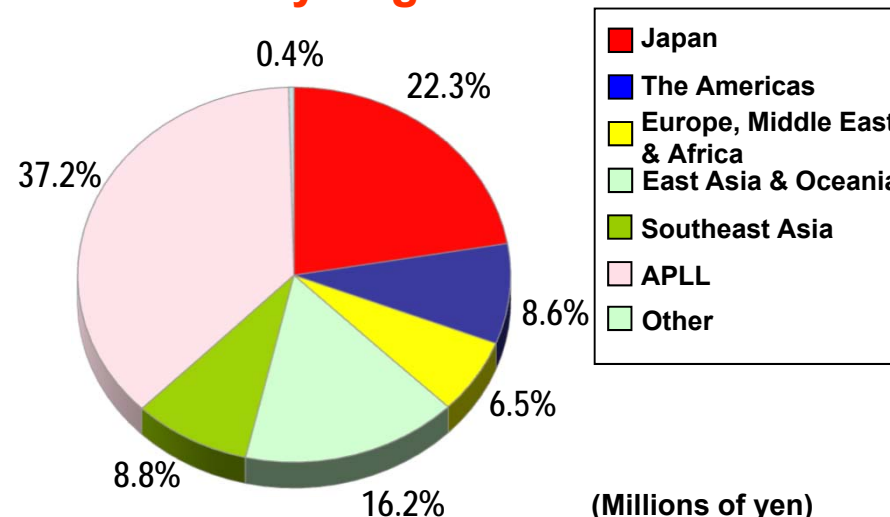


## Net Sales by Business



Business		FY ending March 2018 (Forecast)	
		Net sales	Composition
Freight transportation	Air Freight	158,000	31.6%
	Sea Freight	151,000	30.2%
	Logistics	157,000	31.4%
	Other	34,000	6.8%
Total		500,000	100.0%

## Net Sales by Segment



Segment	FY ending March 2018 (Forecast)	
	Net sales	Operating income
Japan	114,000	4,110
The Americas	44,000	2,700
Europe, Middle East & Africa	33,000	1,150
East Asia & Oceania	83,000	4,500
Southeast Asia	45,000	2,450
APLL	190,000	4,230
Amortization of goodwill	—	(5,890)
Other	2,000	250
Adjustment	(11,000)	—
Total	500,000	13,500

# **Business Strategies and Measures**

# Outline of Medium-Term Management Plan (FY Ended March 2017 - FY Ending March 2019)



## Vision

A superior business partner supporting customers' strategic objectives and activities by providing comprehensive innovative supply chain solutions

## Slogan

**“ Going to the Next Phase !”**

— Toward Air Freight export 700,000 tons/Sea Freight export 700,000 TEUs —

## Target by March 2019 (Revised on May 11, 2017)

Net Sales: 568 billion yen

Operating Income: 18 billion yen

## <Key Strategies>

Become an industry leader providing comprehensive services

Actively respond to customers' logistics needs at production locations and consumer markets

Improve productivity by leveraging corporate capabilities

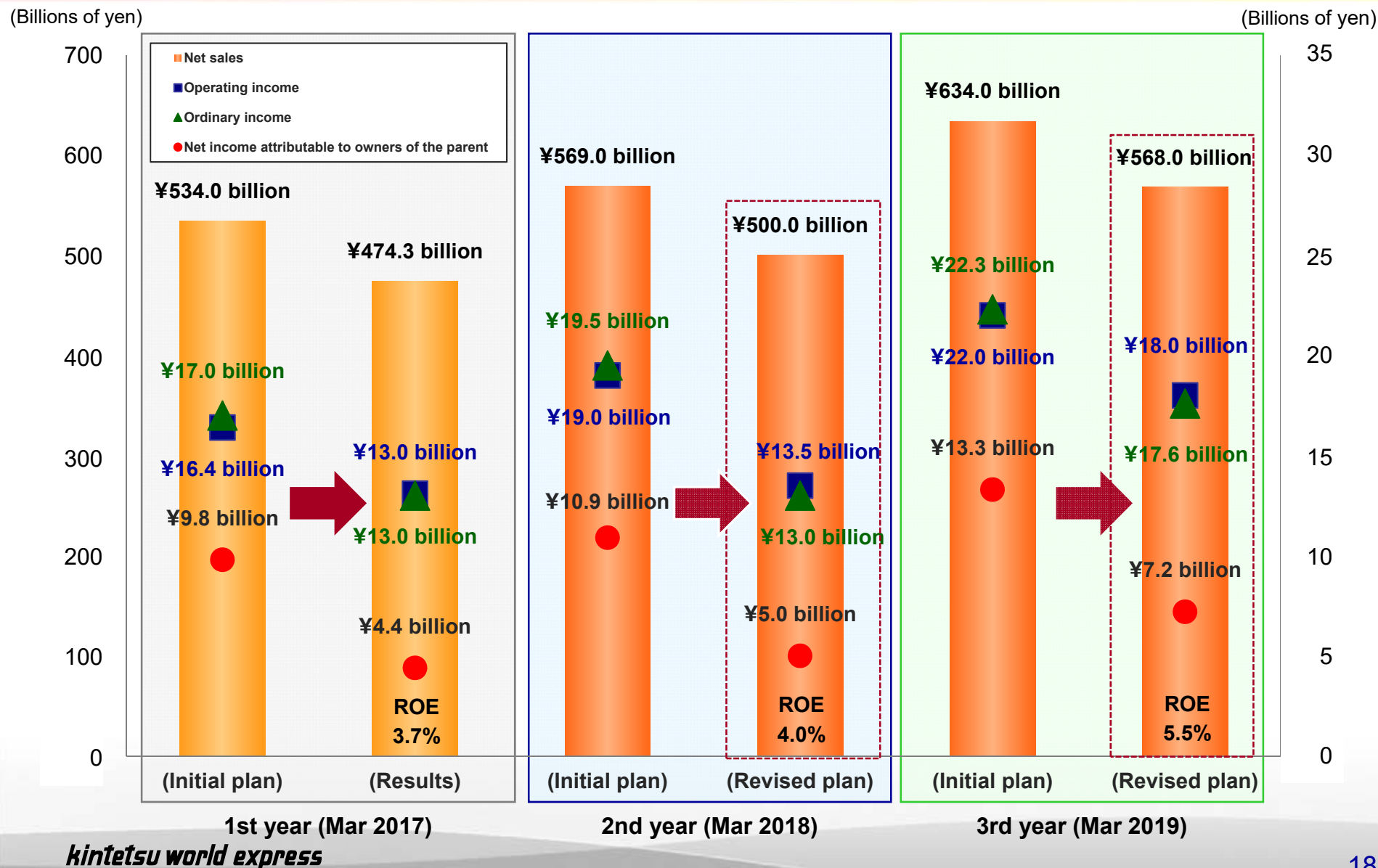
## <Core Competences>

Maximize efficient utilization  
of corporate resources

Strengthen corporate risk  
management capabilities

Heighten quality of  
operational performance

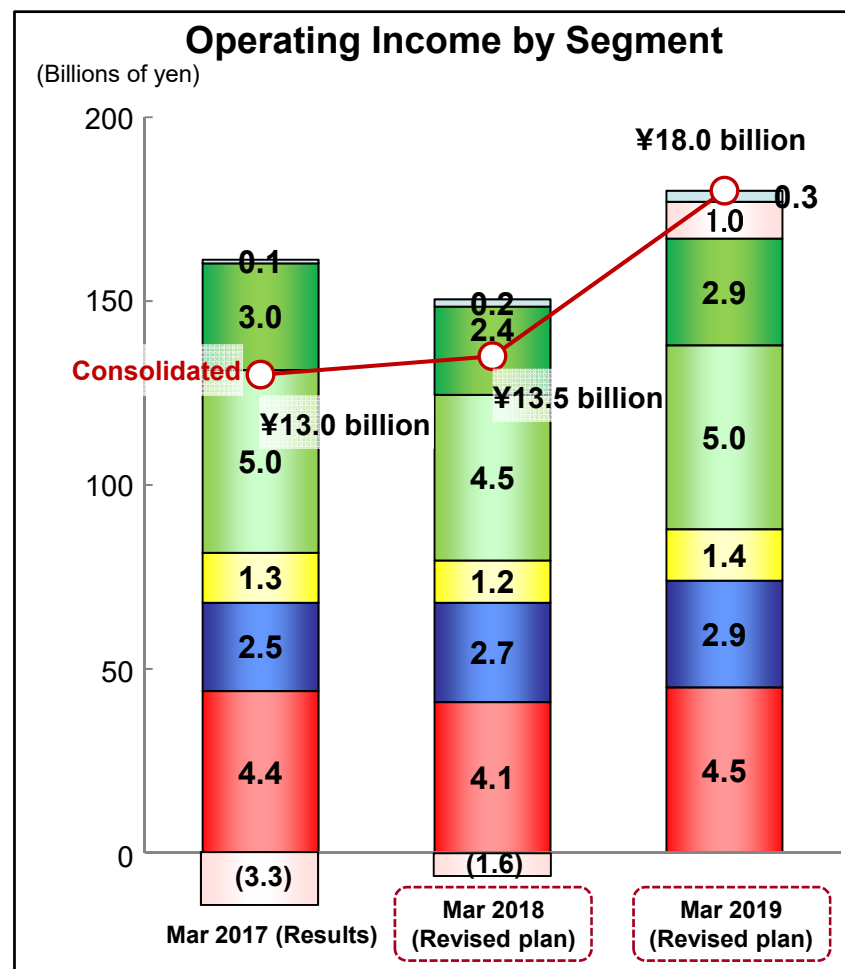
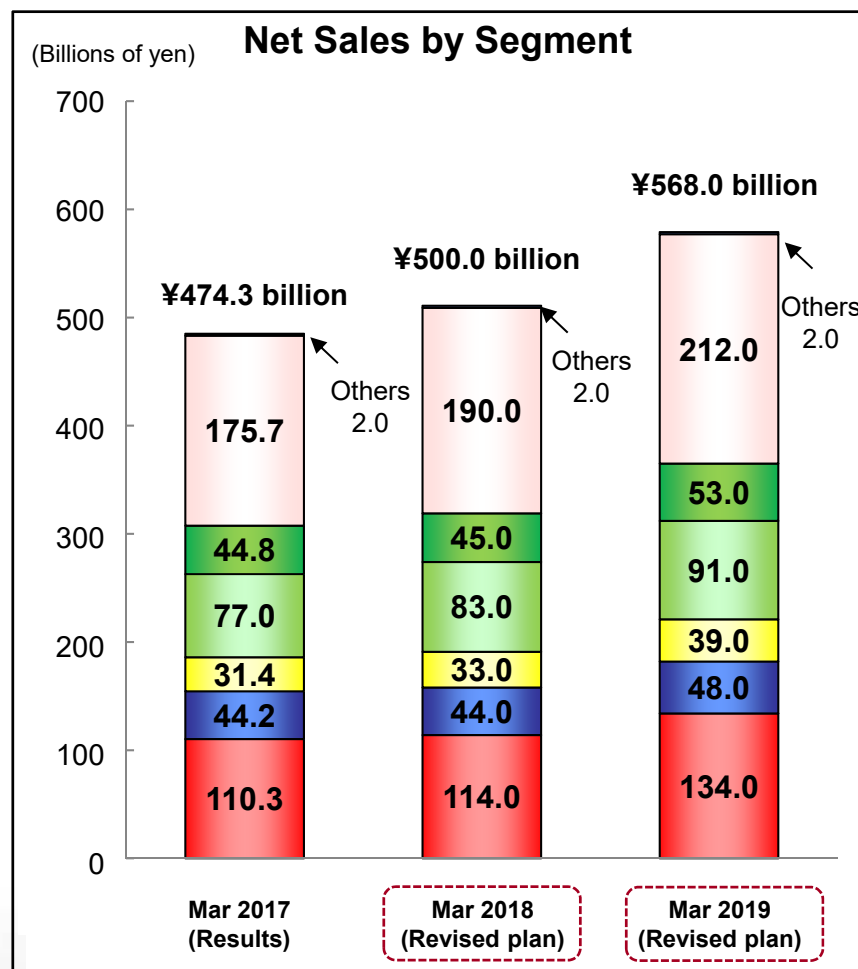
# Medium-Term Management Plan Results and Numerical Targets (Revised on May 11, 2017)



# Net Sales and Operating Income Targets by Segment (FY Ending March 2018/FY Ending March 2019)



Japan The Americas Europe, Middle East & Africa East Asia & Oceania Southeast Asia APLL Other



\* Total amount of net sales includes inter-segment elimination. (Results: ¥11.1 billion/Revised plan: ¥11.0 billion)

# Basic Strategies

**During the three years of the Mid-Term Management Plan, KWE and APLL will develop a management system to take a leap toward the future.**

- 1. KWE and APLL are focused on expanding their respective business domains through mutual collaboration that leads to overall growth of the Group.**
- 2. The most important task is to expand shipment volume for Air & Sea Freight. Volume expansion is indispensable to our recognition as a global player. By returning to our roots to strengthen our greatest assets in the forwarding business, in addition to KWE's continued expansion, we aim to maximize the results of joint sales with APLL. This must be accomplished while considering profitability and securing new business strategically.**
- 3. Early on in the process, APLL will establish a reliable system to reinforce its management foundation following the separation from the former parent company.**

**Together, KWE and APLL will fulfill customer's needs through understanding their supply chain.**

- Priority on Air Freight business from APLL's customer base
- Standardization of Sea Freight platform (Operation, Carrier's relations)
- Facilitation to access to new format (Network, IT Application, Expertise)
- Optimization of IT infrastructure as a group entity





# Priority Measures 2017

**1. Volume expansion of TPEB (Trans-Pacific East Bound) business**

**2. Business expansion among Non-Japanese “Corporate Accounts”**

**3. Promotion of sales strategy by commodity**

**Electronics: Semiconductor, Equipment, Electronic Components  
(AI, IoT)**

**Automobile: EV, Automated Driving Related**

**Healthcare : Distribution of KWE/J’s experience and knowledge  
among the Group**

**Retail / Consumer: Cooperation with APLL**

# Priority Measures 2017

**4. Verification of the IT system looking into the future**

**5. Continued efforts to improve earnings**

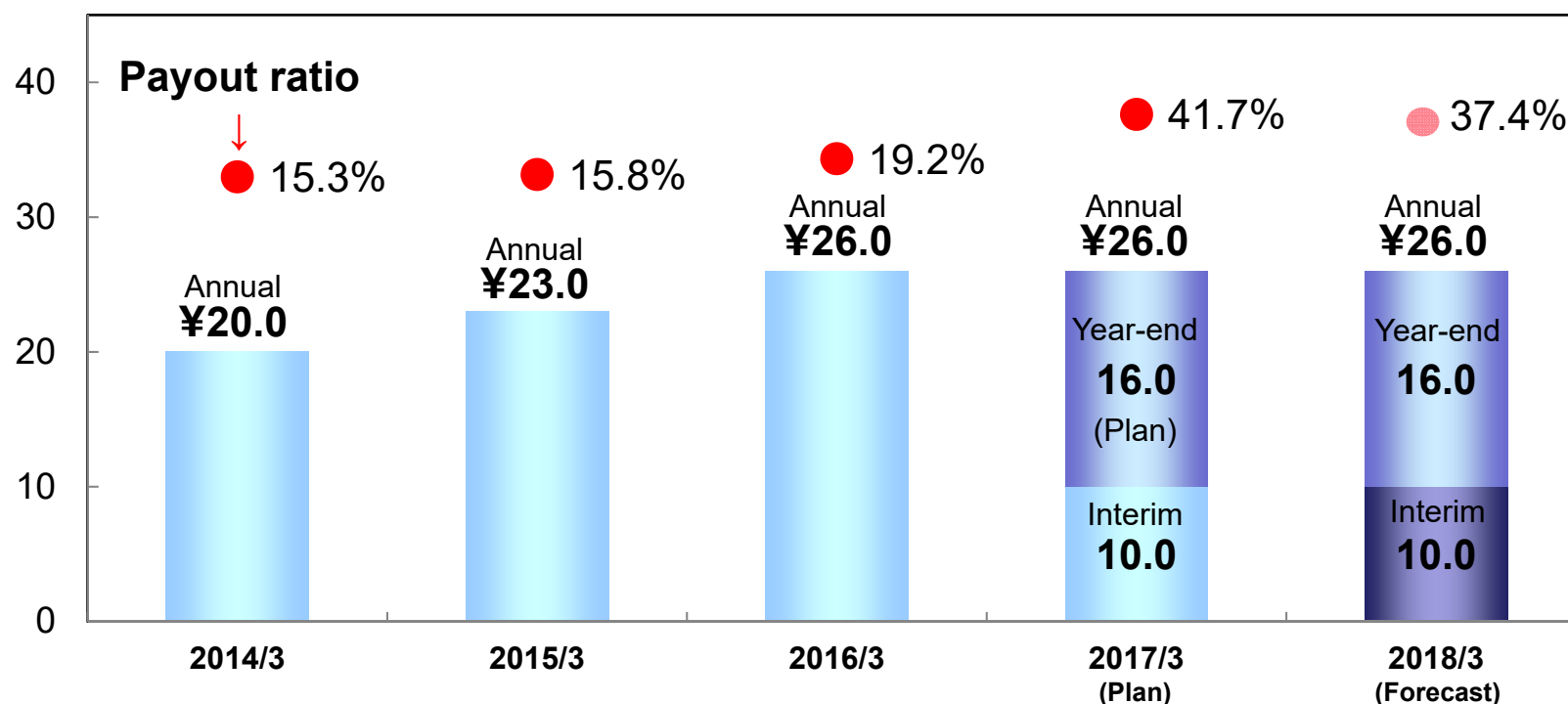
**6. Strengthen group governance for optimal group management**

**7. “The Right Person in the Right Place”  
Development of human resources and optimal  
placement of human resources**

# Dividends

## Cash dividends per share, payout ratio

Annual dividend per share (yen)



\*The company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015.

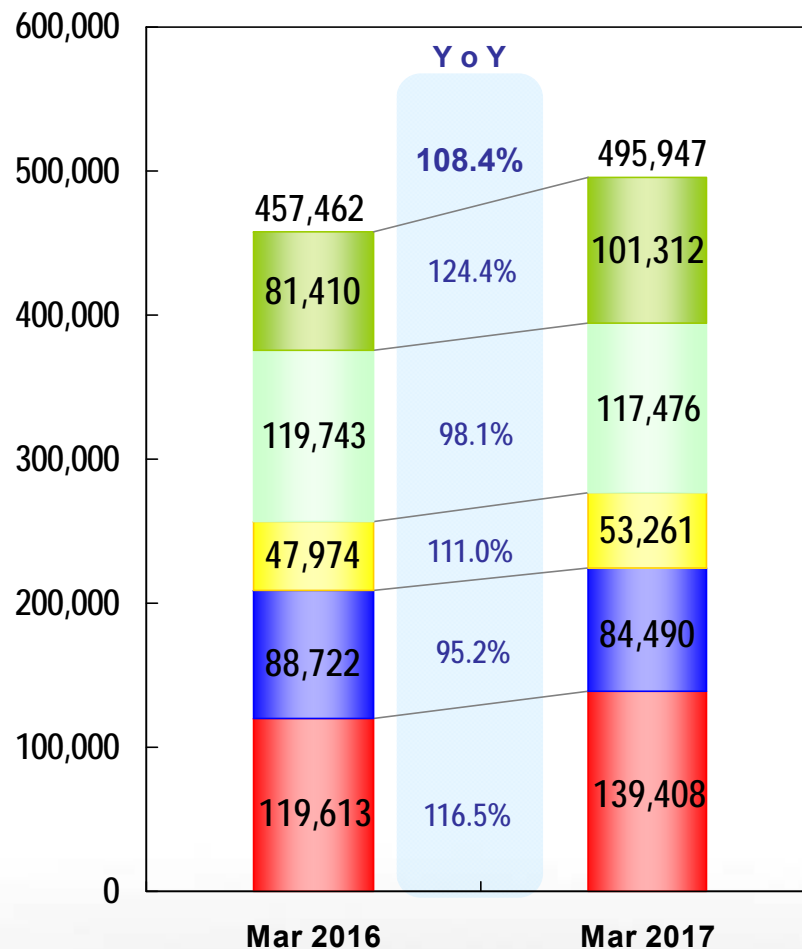
Cash dividends per share is calculated based on the assumption that the stock split was conducted on April 1, 2013.

## Supplemental Materials

# Freight Volume by Segment (Air Freight)

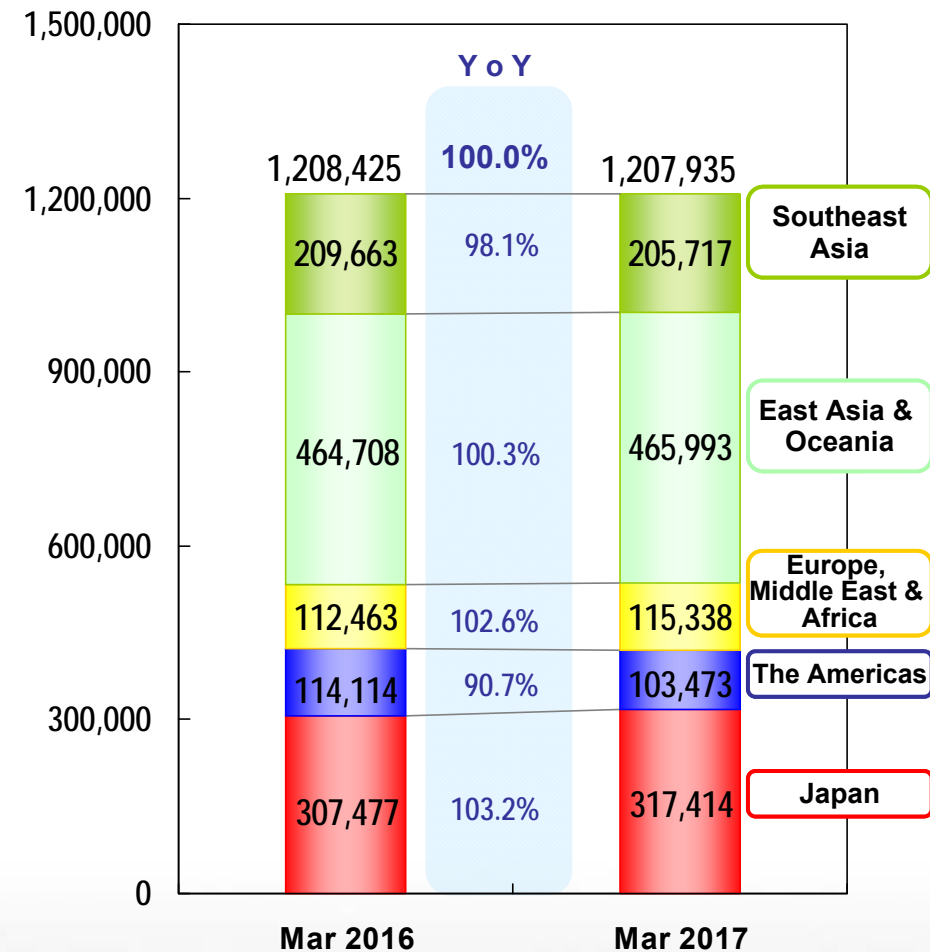
## Air Freight Exports

(Weight: tons)



## Air Freight Imports

(Shipments)

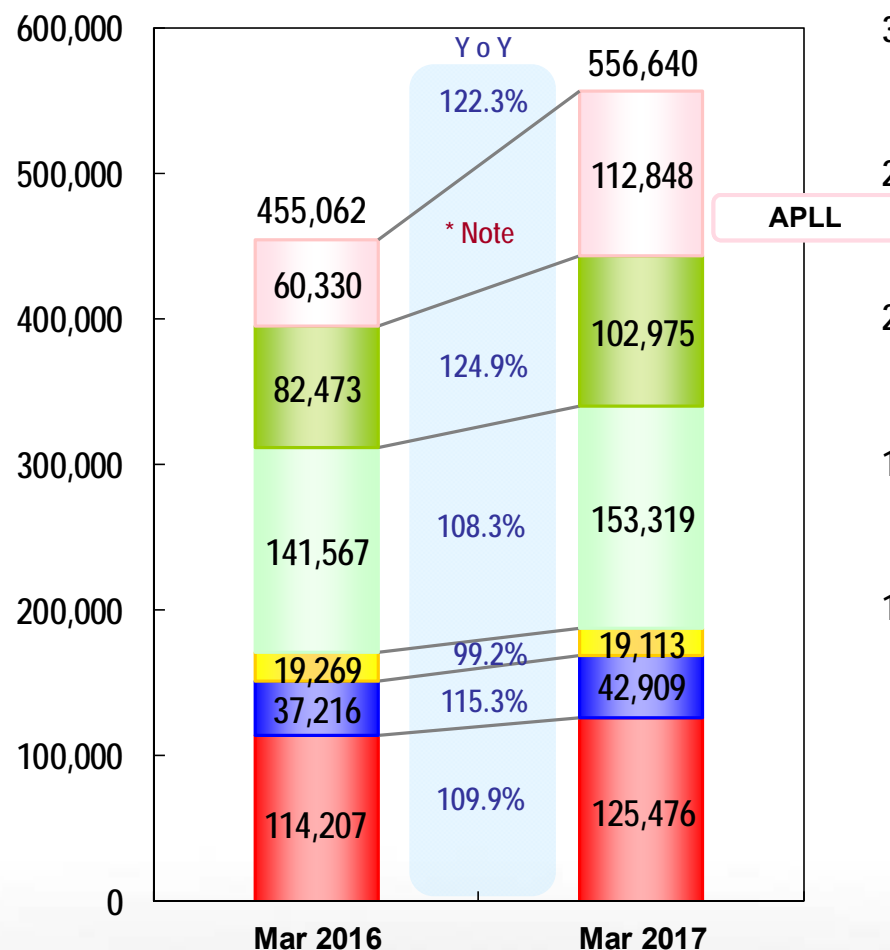


\* The YoY (%) above represents a comparison of the figures for January to December 2015 and April 2016 to March 2017 except for Japan. (Please refer to \*1 on page 2.)

# Freight Volume by Segment (Sea Freight)

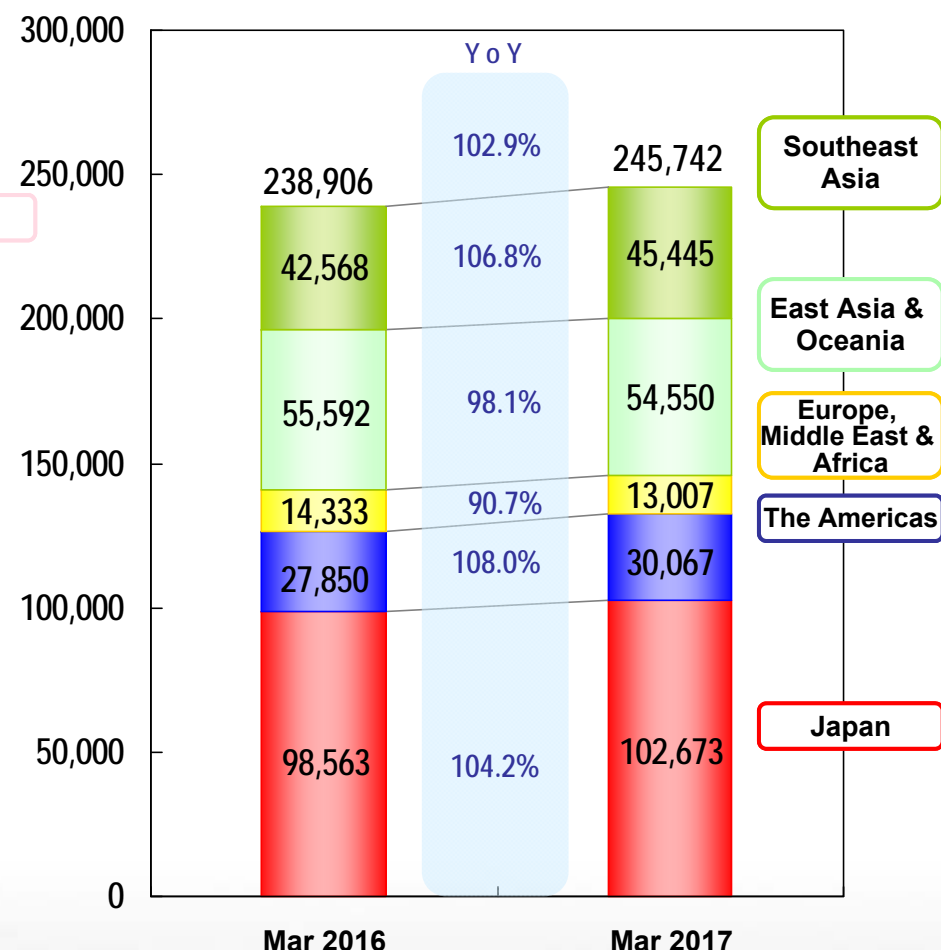
## Sea Freight Exports

(Volume: TEUs)



## Sea Freight Imports

(Shipments)

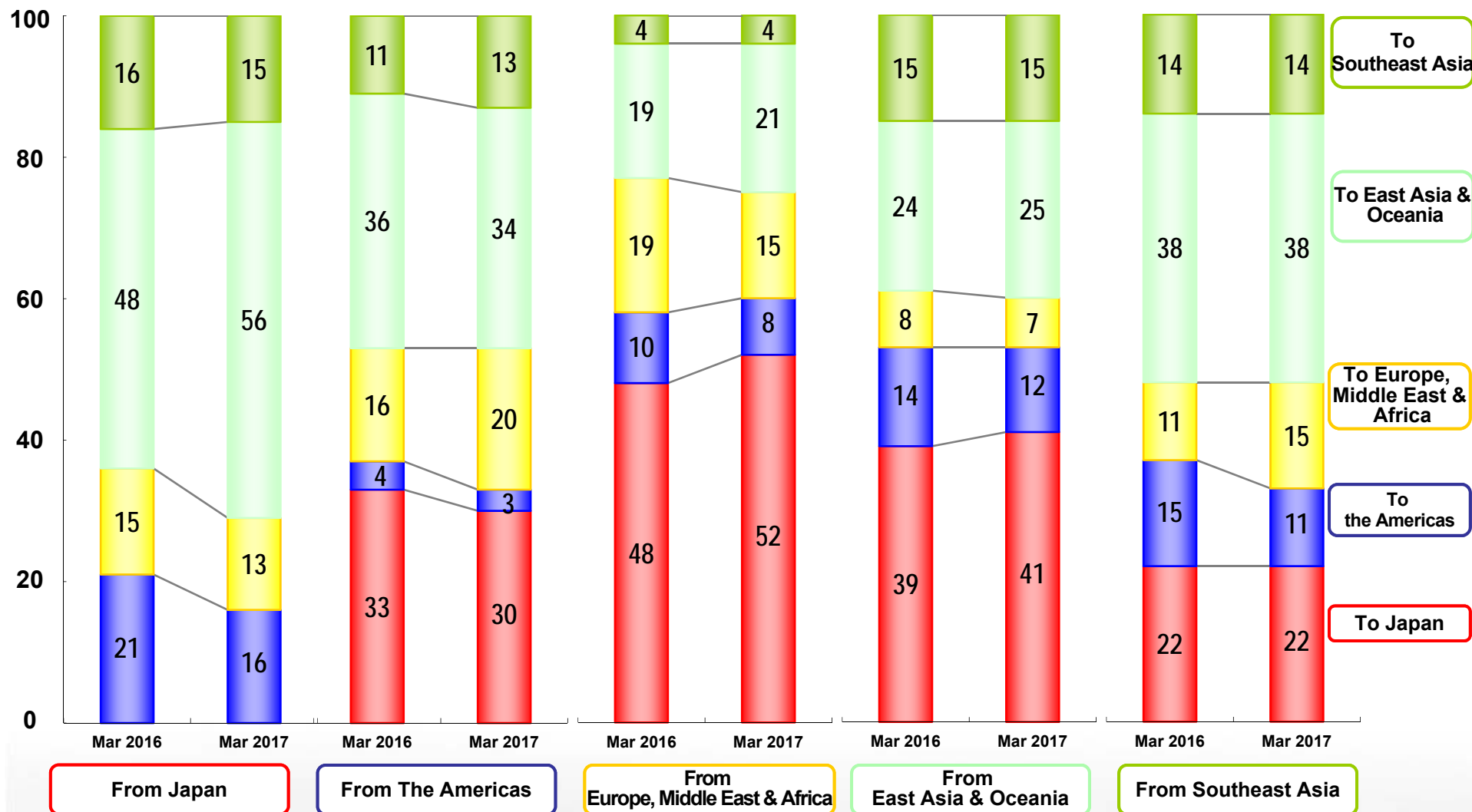


\* The YoY (%) above represents a comparison of the figures for January to December 2015 and April 2016 to March 2017 except for Japan and APLL. (Please refer to \*1 on page 2.)

\* Note: APLL was included in the scope of consolidation from the 3Q of FY ended March 31, 2016 and therefore year-on-year comparisons are omitted.

# Air Freight Export Volume by Destination

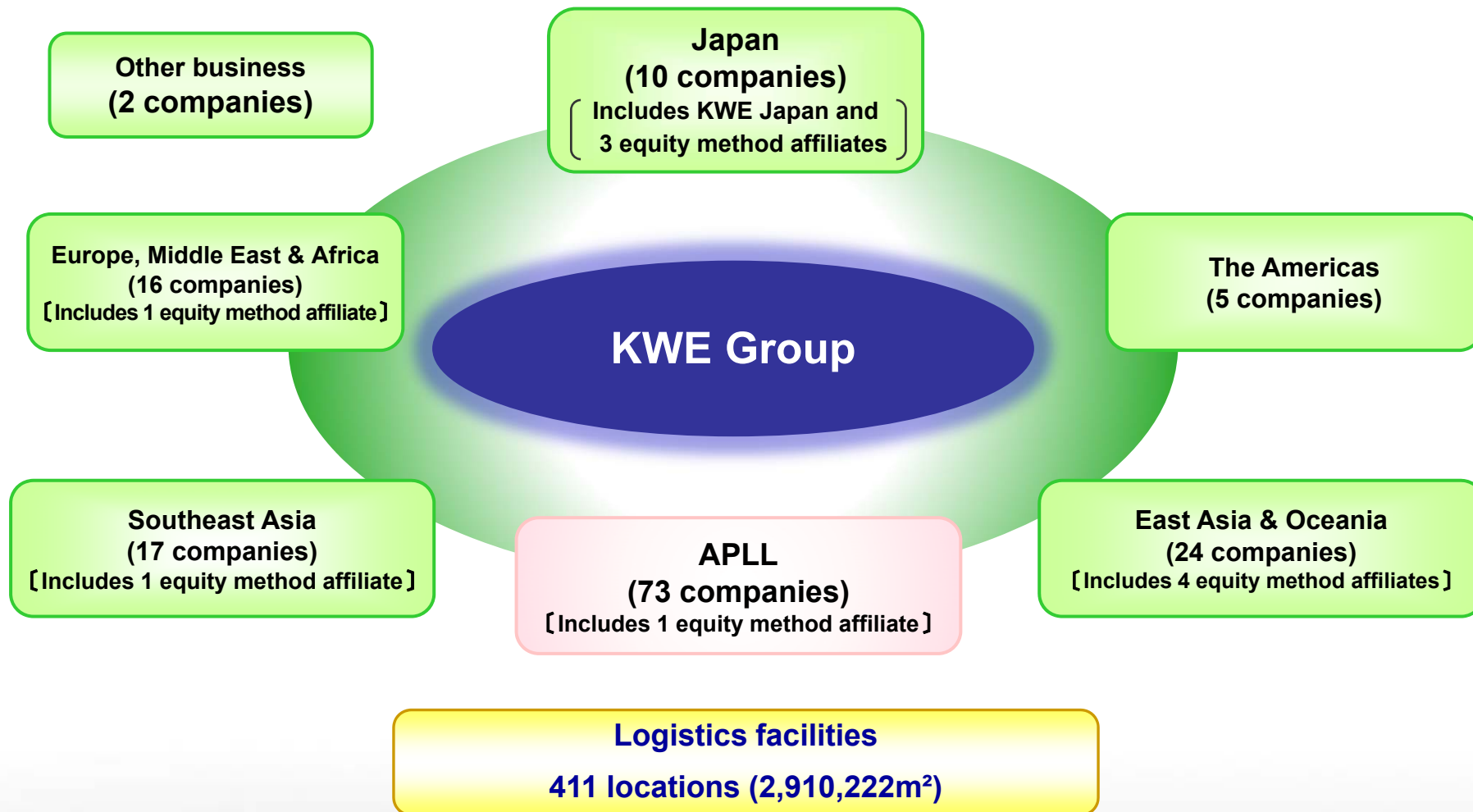
(Composition ratio: %)





# Our Global Network

46 countries, 351 cities, 848 locations (as of March 31, 2017)





***Global Logistics Partner***

**Kintetsu World Express, Inc.**

**Website: <https://www.kwe.co.jp/en/ir>**

\* The information contained herein does not constitute an offer to solicit investment which can only be made by formal prospectus. The forward-looking statements contained herein are not intended to assure or guarantee future performance. Actual results may vary from that projected herein.