



# **Financial Results Meeting:**

## **The 1st 6 Months of FY Ending March 2018**

**(April 1, 2017 – September 30, 2017)**

**November 10, 2017**



*Global Logistics Partner*

*kintetsu world express*

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# Financial Summary

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

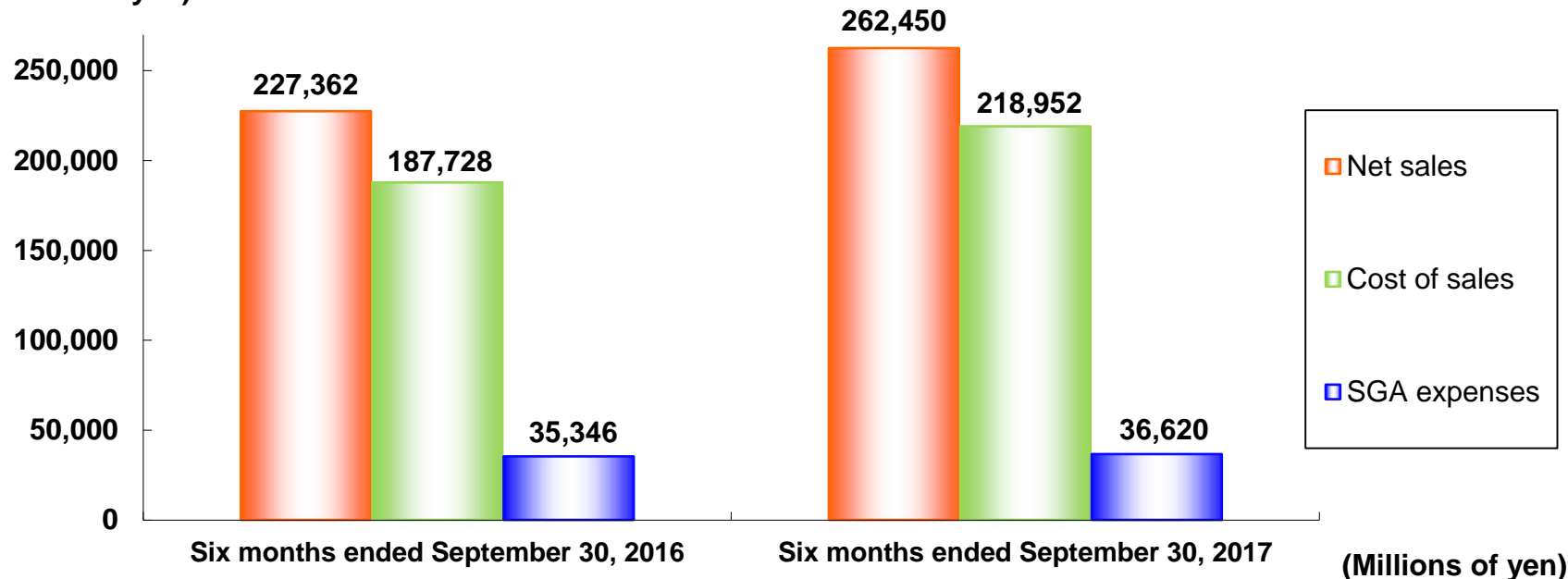
Item	Six months ended September 30				1st 6 months of FY ending March 2018 Forecasts (Announced on May 11, 2017)
	2016		2017		
		YoY change		YoY change	
Air freight exports (Weight)	229	0.0%	280	22.6%	—
Air freight imports (Shipments)	583	(3.8%)	652	11.8%	—
Sea freight exports (Volume)	264	37.0%	320	21.0%	—
Sea freight imports (Shipments)	121	2.8%	137	12.9%	—
Net sales	227,362	38.1%	262,450	15.4%	243,000
Operating gross profit	39,633	53.3%	43,498	9.8%	—
Operating income	4,287	(35.0%)	6,877	60.4%	5,300
Ordinary income	4,691	(33.4%)	6,909	47.3%	5,100
Income before income taxes	5,076	(27.8%)	7,057	39.0%	—
Net income attributable to owners of the parent	1,177	(71.6%)	2,471	109.9%	1,100

Conversion Rate	1st 6 months of FY ended March 2017	FY ended March 2017	1st 6 months of FY ending March 2018
US-Dollar	¥105.29	¥108.38	¥111.06
Euro	¥118.15	¥118.79	¥126.29
HK-Dollar	¥13.57	¥13.97	¥14.24
Chinese Yuan	¥15.94	¥16.11	¥16.42

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



(Millions of yen)



	Six months ended September 30			
	2016	Ratio to net sales	2017	Ratio to net sales
Net sales	227,362	100.0%	262,450	100.0%
Cost of sales	187,728	82.6%	218,952	83.4%
SGA expenses	35,346	15.5%	36,620	14.0%
Operating income	4,287	1.9%	6,877	2.6%

# Balance Sheets

(Millions of yen)

	March 31, 2017	September 30, 2017	Differences
<b>Assets</b>			
Current assets	178,101	183,958	5,857
Non-current assets	201,142	194,780	(6,362)
Property, plant and equipment	46,109	46,402	292
Intangible assets	128,049	121,410	(6,638)
Total investments and other assets	26,983	26,967	(16)
<b>Total assets</b>	<b>379,244</b>	<b>378,739</b>	<b>(505)</b>
<b>Liabilities</b>			
Current liabilities	104,450	114,952	10,501
Non-current liabilities	148,777	138,867	(9,910)
<b>Total liabilities</b>	<b>253,228</b>	<b>253,820</b>	<b>591</b>
<b>Net assets</b>			
<b>Total net assets</b>	<b>126,016</b>	<b>124,919</b>	<b>(1,096)</b>
<b>Total liabilities and net assets</b>	<b>379,244</b>	<b>378,739</b>	<b>(505)</b>

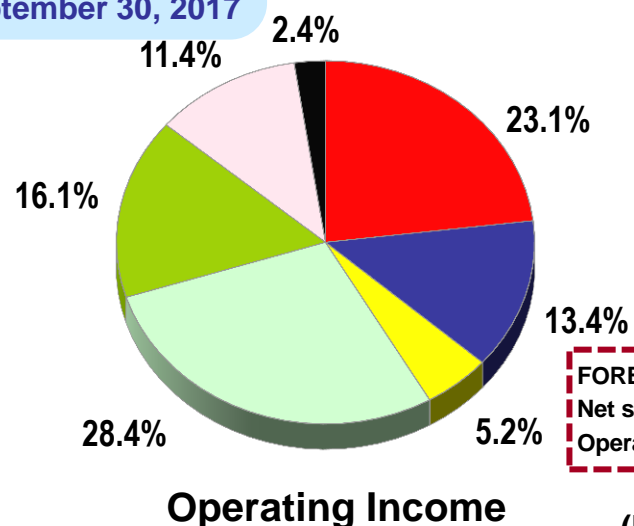
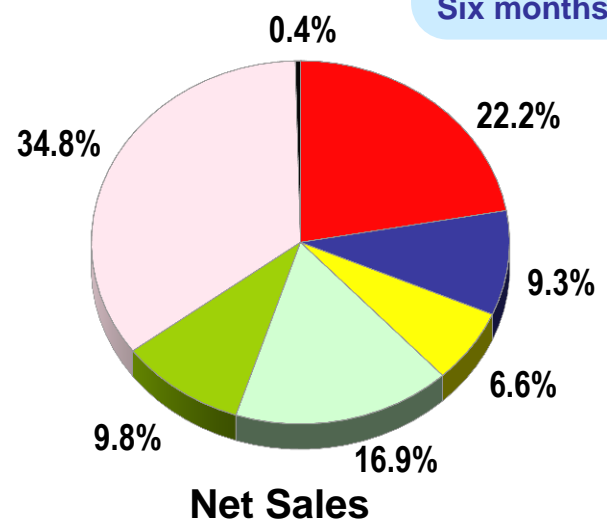
# Cash Flow Statements

(Millions of yen)

	Six months ended September 30		Differences
	2016	2017	
Net cash provided by (used in) operating activities	7,498	5,607	(1,891)
Net cash provided by (used in) investing activities	(2,784)	(1,412)	1,372
Net cash provided by (used in) financing activities	(1,654)	(4,309)	(2,655)
Effect of exchange rate change on cash and cash equivalents	(6,200)	1,127	7,327
Net increase (decrease) in cash and cash equivalents	(3,141)	1,012	4,153
Cash and cash equivalents at beginning of period	63,903	65,506	1,602
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	60,193	66,519	6,325

# Net Sales and Operating Income by Segment

**Composition by segment**  
Six months ended September 30, 2017



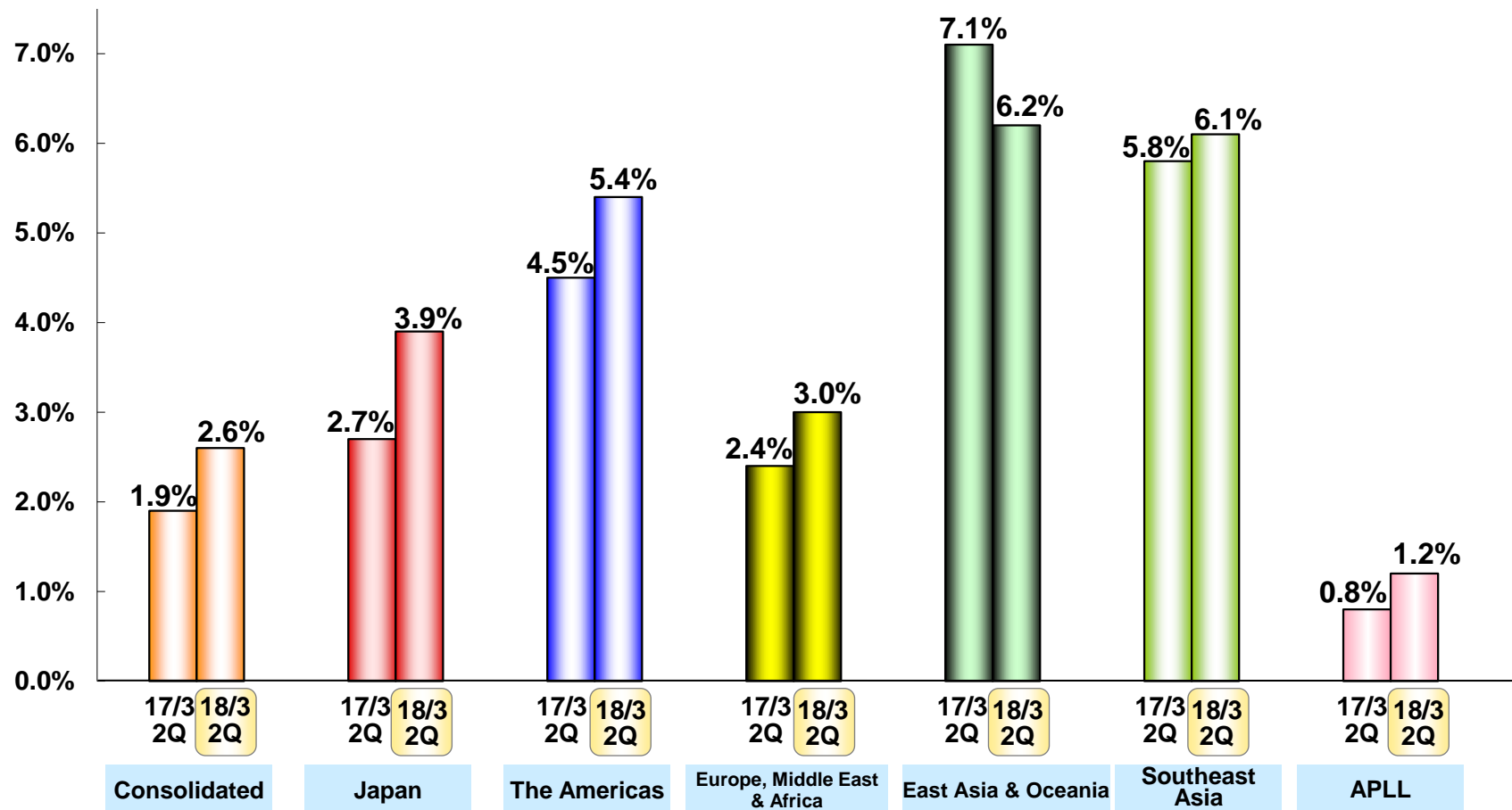
- Japan
- The Americas
- Europe, Middle East & Africa
- East Asia & Oceania
- Southeast Asia
- APLL
- Other

**FOREX impacts (consolidated)**  
Net sales: +¥5,568 million  
Operating income: +¥283 million

Segment	Net Sales	YoY change	Operating Income	YoY change
Japan	59,820	13.3%	2,305	64.4%
The Americas	24,943	22.5%	1,338	46.6%
Europe, Middle East & Africa	17,677	26.1%	521	54.5%
East Asia & Oceania	45,523	25.2%	2,830	9.9%
Southeast Asia	26,406	23.2%	1,607	28.2%
APLL	93,749	8.3%	1,131	69.9%
Amortization of goodwill	—	—	(3,099)	—
Other	1,132	12.4%	238	9.8%
Adjustment	(6,802)	—	4	—
<b>Total</b>	<b>262,450</b>	<b>15.4%</b>	<b>6,877</b>	<b>60.4%</b>

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

# Operating Margins by Segment



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



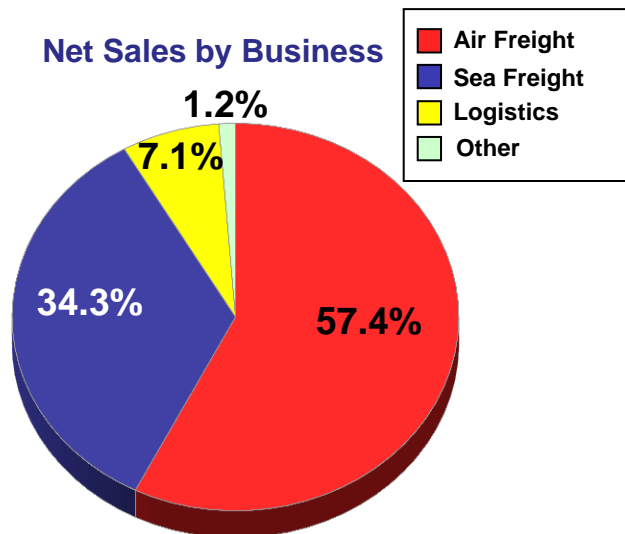
# Review of Operations

## Japan

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Net sales	52,778	59,820	7,041
Operating income	1,402	2,305	903

- Steady growth with volume increase mainly in semiconductor and electronic components and profitability improvement
- Subsidiaries in Japan showed steady growth

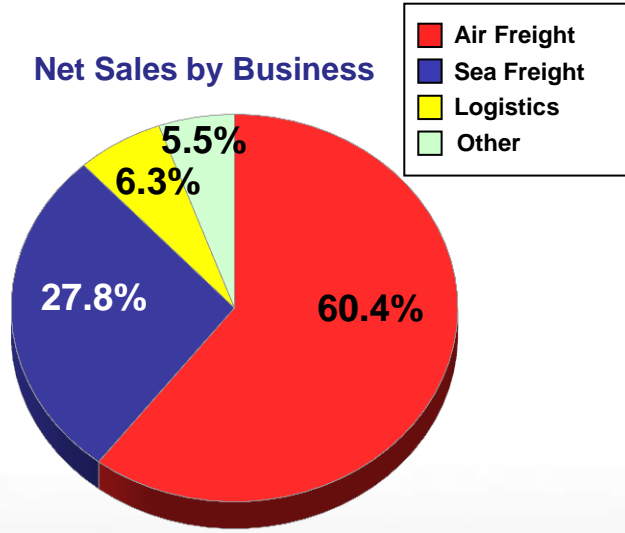


## The Americas

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Net sales	20,369	24,943	4,573
Operating income	913	1,338	425

- Steady growth in the U.S. and Canada driven by volume increase
- FOREX impact  
Net sales: +¥1,121 million    Operating income: +¥51 million



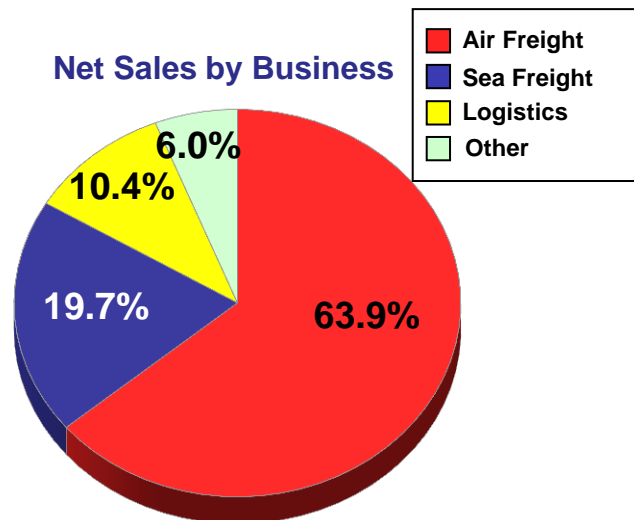
# Review of Operations

## Europe, Middle East & Africa

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Net sales	14,022	17,677	3,654
Operating income	337	521	184

- Favorable in Benelux, France, and the U.K. but sluggish in Germany, Russia, and Italy
- FOREX impact  
Net sales: +¥1,114 million    Operating income: +¥29 million

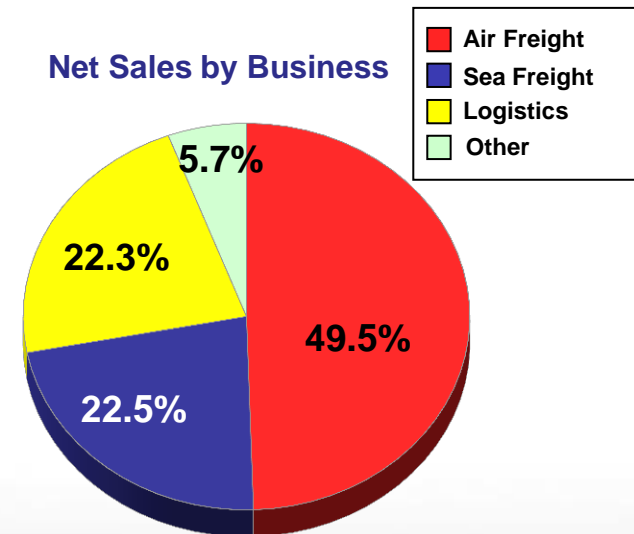


## East Asia & Oceania

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Net sales	36,354	45,523	9,169
Operating income	2,575	2,830	254

- Freight volume increased while freight costs rose. Logistics showed steady growth
- FOREX impact  
Net sales: +¥1,741 million    Operating income: +¥120 million



# Review of Operations

## Southeast Asia

(Millions of yen)

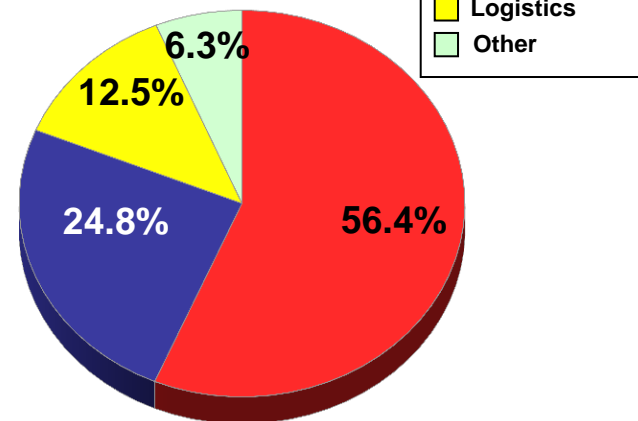
	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Net sales	21,437	26,406	4,969
Operating income	1,254	1,607	353

- Overall steady growth with volume increase, especially in Thailand, Philippines, and Vietnam

- FOREX impact

Net sales: +¥1,103 million    Operating income: +¥66 million

Net Sales by Business



## APLL

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	YoY change
Net sales	86,545	93,749	7,204
Operating income	(2,416)	(1,968)	447

- Automotive: Parts transportation between the U.S. and Mexico, finished car transportation in India saw steady growth

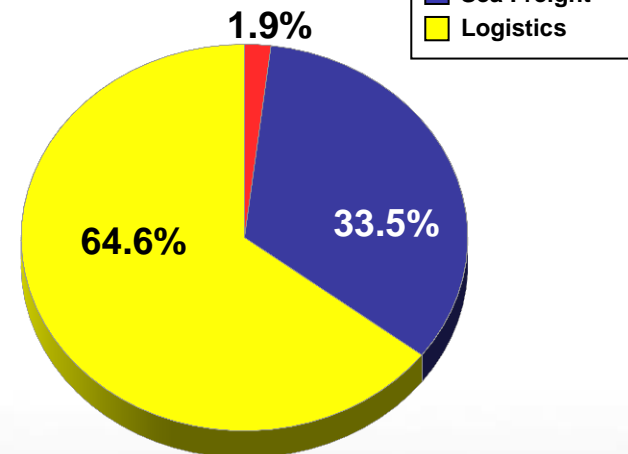
- Retail, Consumer, Industrials: Showed steady growth overall

- Operating income of 1,131 million yen before amortization of goodwill, however, recorded operating loss of 1,968 million yen after amortization

- FOREX impact

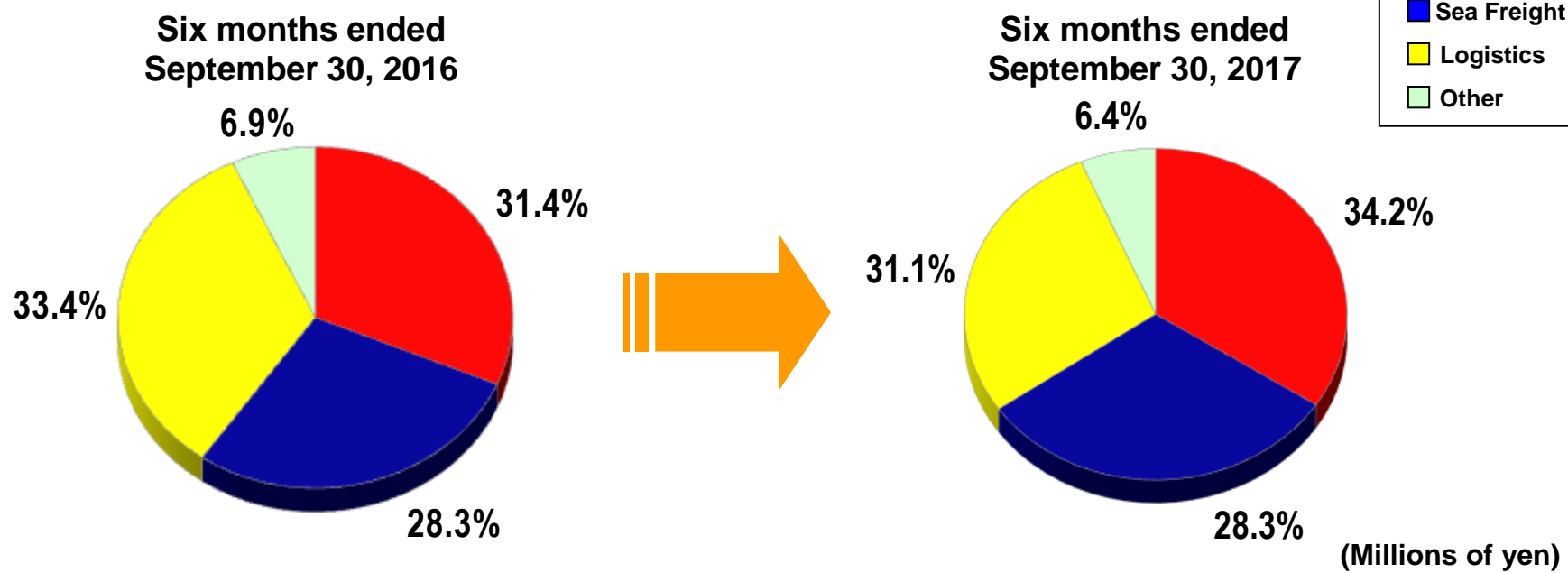
Net sales: +¥433 million    Operating income: +¥3 million

Net Sales by Business



# Net Sales by Business

## Composition by Business



Business		Six months ended September 30		
		2016	2017	
		Net sales	Net sales	YoY change
Freight transportation	Air Freight	71,476	89,768	25.6%
	Sea Freight	64,419	74,188	15.2%
	Logistics	75,837	81,741	7.8%
	Other	15,628	16,752	7.2%
Total		227,362	262,450	15.4%

# Gross Margin by Transportation Mode

\* Gross profit = Net sales – Direct cost

	FY ended March 31, 2016	Six months ended September 30, 2016	FY ended March 31, 2017	Six months ended September 30, 2017
<b>Air</b>	<b>29.3%</b>	<b>30.2%</b>	<b>30.0%</b>	<b>27.8%</b>
<b>Sea</b>	<b>* 27.8%</b>	<b>* 30.8%</b>	<b>* 31.0%</b>	<b>* 28.0%</b>

\*Added APLL's sea freight forwarding (including PO Management and Buyer's Consolidation related to sea freight operation) from the 3Q of FY ended March 31, 2016.

# Performance Forecast for FY Ending March 2018

Global Logistics Partner

<Revised on November 9, 2017>

(Millions of yen)

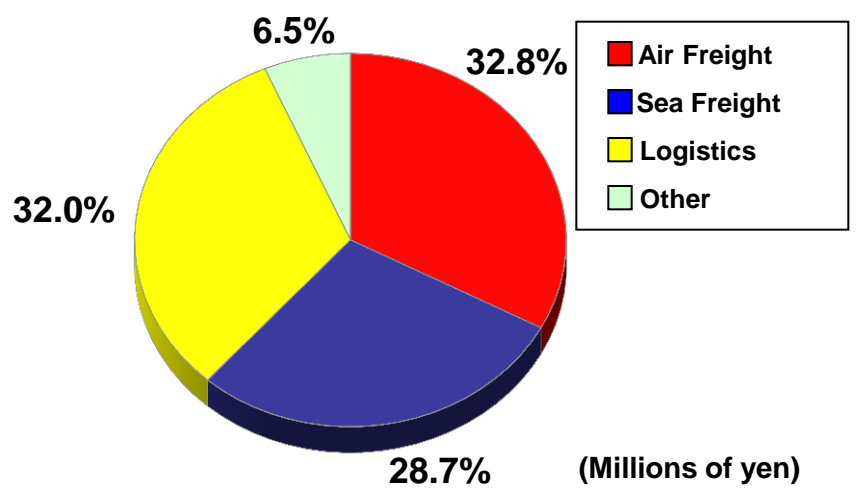
Item	FY ended March 31, 2017 (Results)		FY ending March 31, 2018 (Forecasts)	
		YoY change		YoY change
Net sales	474,330	12.9%	525,000	10.7%
Operating gross profit	85,014	18.5%	89,823	5.7%
Operating income	13,075	(14.9%)	15,000	14.7%
Ordinary income	13,036	(27.2%)	15,000	15.1%
Income before income taxes	12,486	(30.0%)	14,147	13.3%
Net income attributable to owners of the parent	4,487	(54.1%)	5,500	22.6%

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

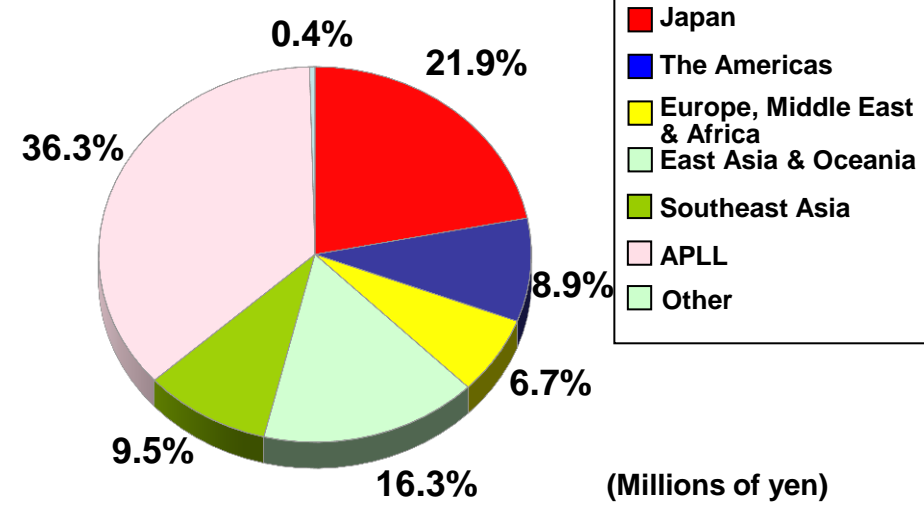
<Revised on November 9, 2017>



## Net Sales by Business



## Net Sales by Segment



Business		FY ending March 2018 (Forecast)	
		Net sales	Composition
Freight transportation	Air Freight	172,000	32.8%
	Sea Freight	151,000	28.7%
	Logistics	168,000	32.0%
	Other	34,000	6.5%
Total		525,000	100.0%

Segment	FY ending March 2018 (Forecast)	
	Net sales	Operating income
Japan	118,000	4,700
The Americas	48,000	2,800
Europe, Middle East & Africa	35,800	1,100
East Asia & Oceania	87,400	4,900
Southeast Asia	51,300	3,000
APLL	194,900	4,400
Amortization of goodwill	—	(6,200)
Other	2,000	300
Adjustment	(12,400)	—
<b>Total</b>	<b>525,000</b>	<b>15,000</b>

# 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

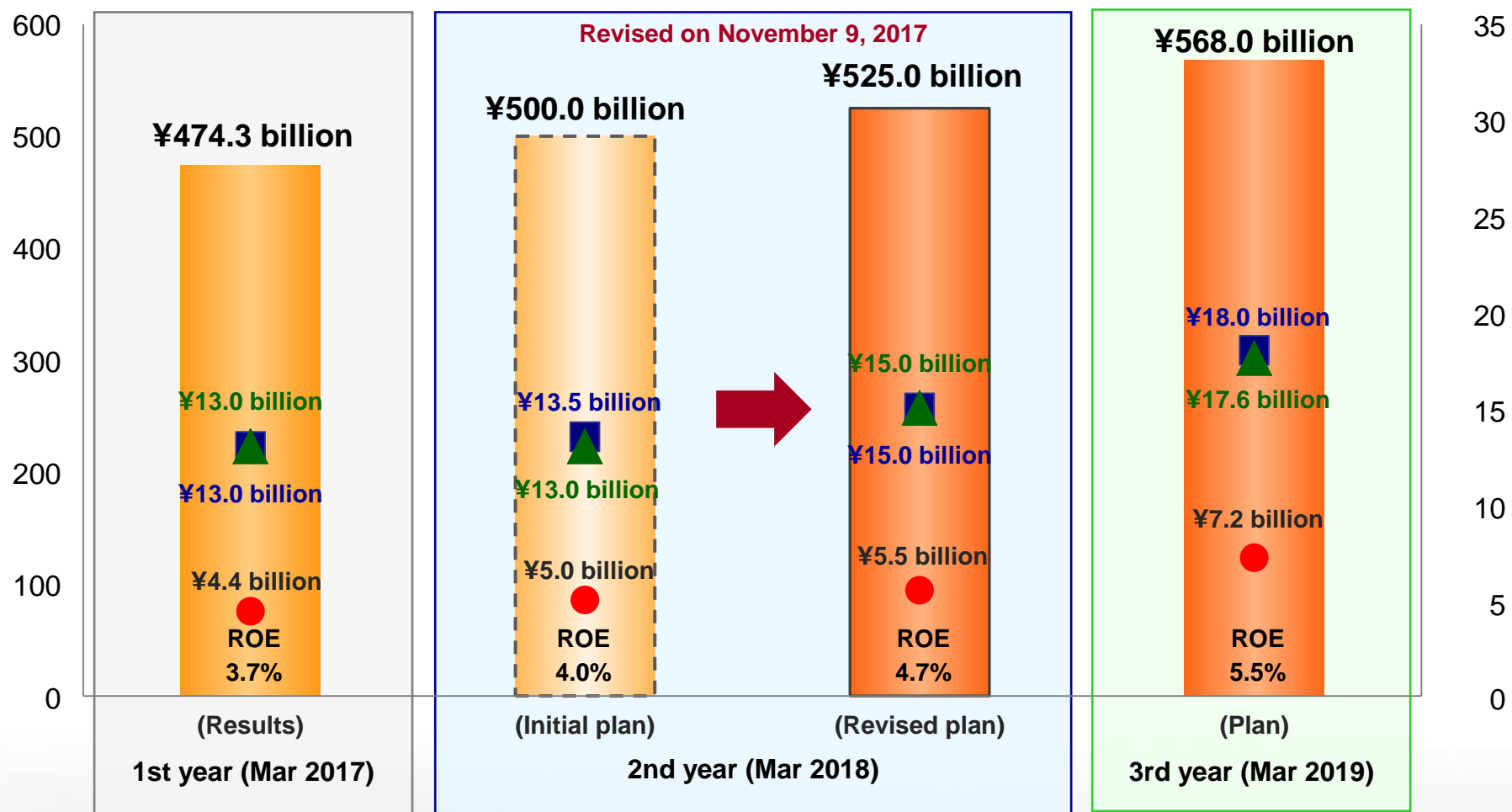
Heighten quality of  
operational performance

# Medium-Term Management Plan Results and Numerical Targets

■ Net sales 
 ■ Operating income 
 ▲ Ordinary income 
 ● Net income attributable to owners of the parent

(Billions of yen)

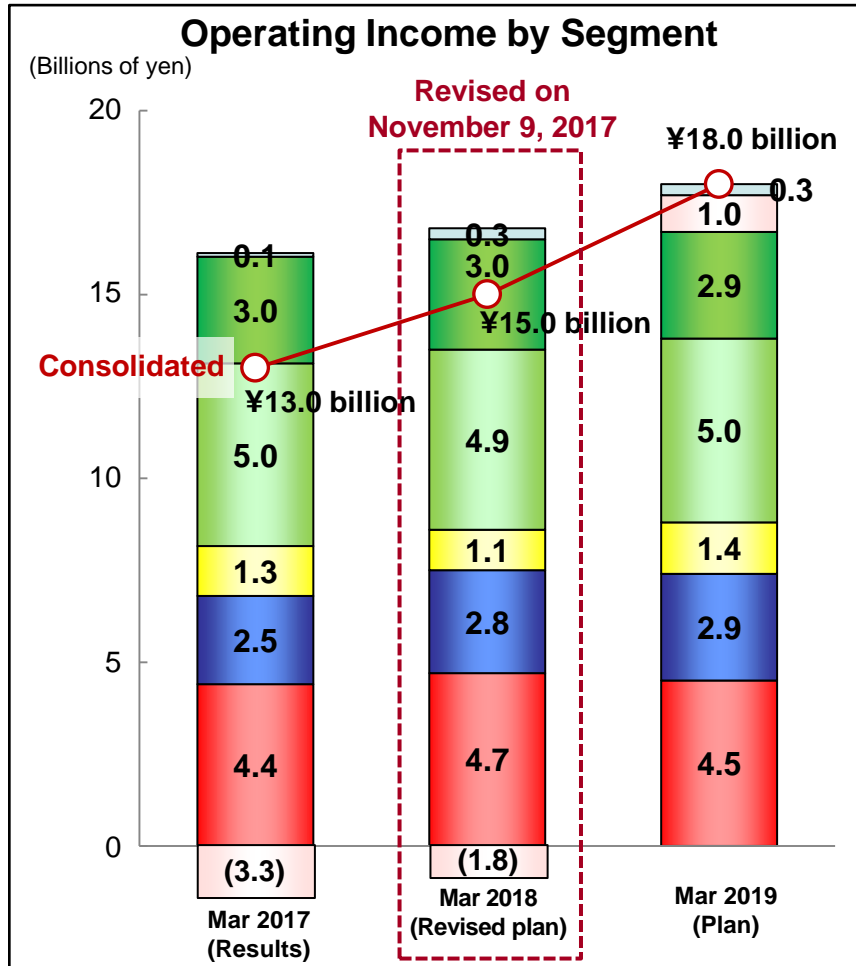
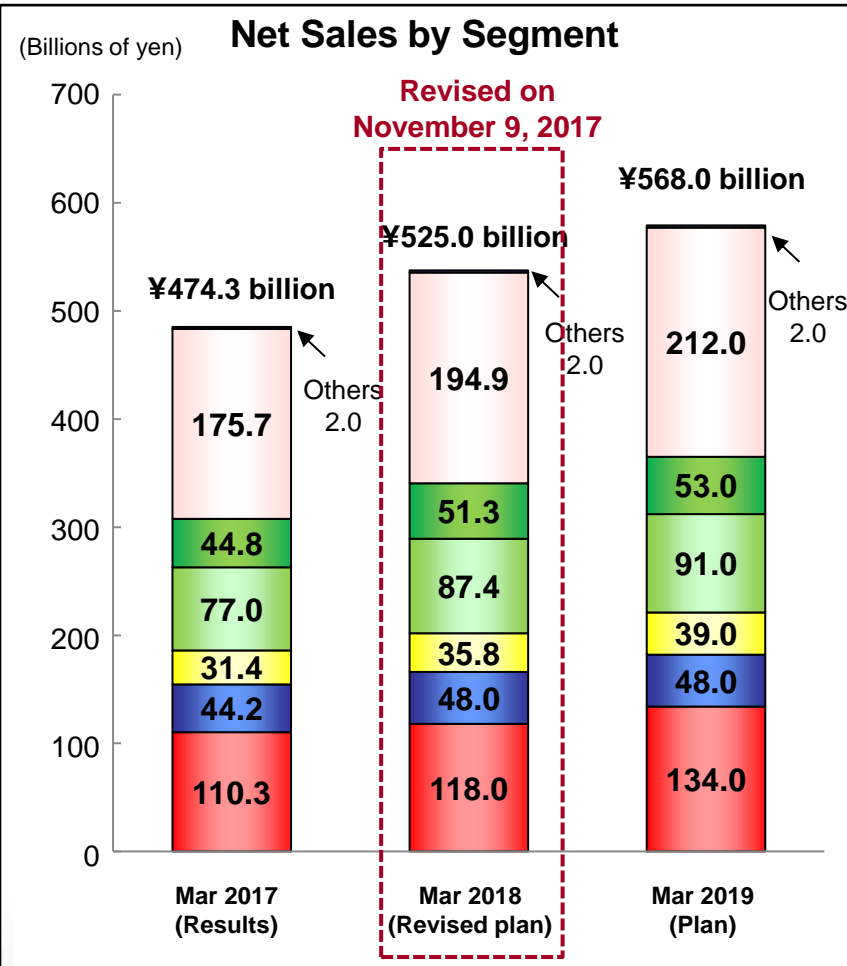
(Billions of yen)



# 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

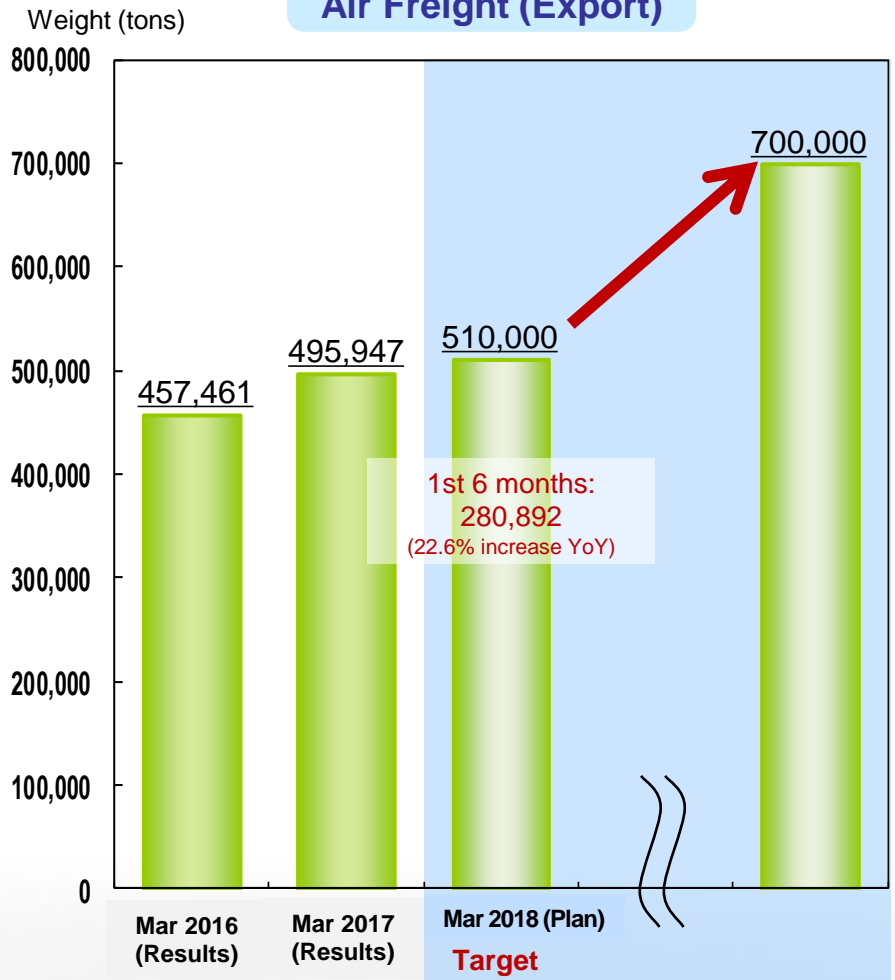


\* Total amount of net sales includes inter-segment elimination. (¥11.1 billion in Mar 2017, ¥12.4 billion in Mar 2018 Revised plan, ¥11.0 billion in Mar 2019 Plan)

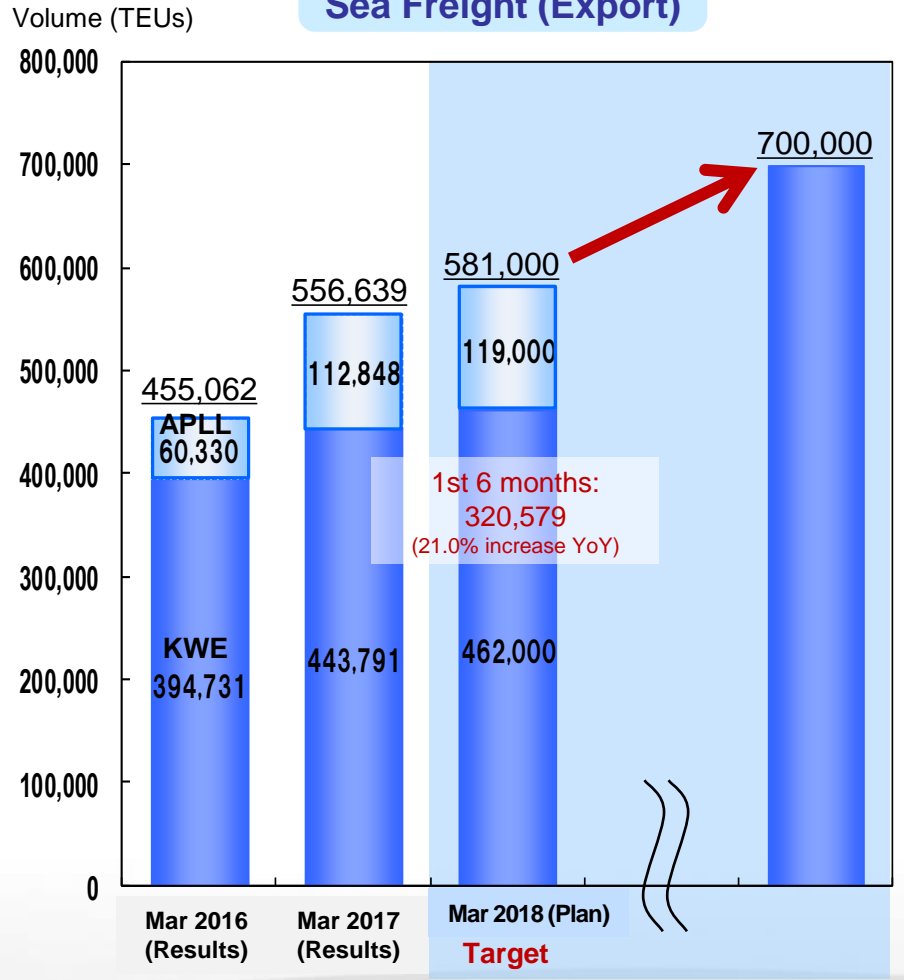
# Air and Sea/Volume Targets

**Definite targets: 700,000 tons air freight/700,000 TEUs sea freight**

**Air Freight (Export)**



**Sea Freight (Export)**



# 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, Automotive, Healthcare, Retail/Consumer)**
- 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. Development of human resources and their optimal placement**

## Actual Cooperative Marketing Cases (As of October 2017)

- **Contract Logistics**
  - at KWE Canada (Retail, Automotive)
  - at KWE Singapore (Retail)
- **Airfreight Forwarding**
  - ex-Asia (Retail)
- **Brokerage**
  - at KWE Japan (Retail)
- **4PL**
  - at APLL, China (KWE Corporate Account)

## Establishment of "Global Procurement Center" (November 2017)

**Locations : Hong Kong (HQ), Tokyo, Los Angeles, Hamburg**

 **Optimize sea freight procurement and carrier relations by combining KWE and APLL's know-how to support further volume growth**



## Business Environment

### Active Demand

- Brisk electronics/semiconductor market with technological innovation  
(Smart Phone, EV, AI, IoT, Drone, etc.)



### Freight Cost Increase

- Excessive demand vs. Restricted supplies
- Restriction of extra flights at Shanghai

## Our Countermeasures

### To freight cost increase:

Minimize negative factors fully utilizing our experience and knowledge. Transferring increased cost to customers, choice of air carriers, optimizing consolidation efficiency.

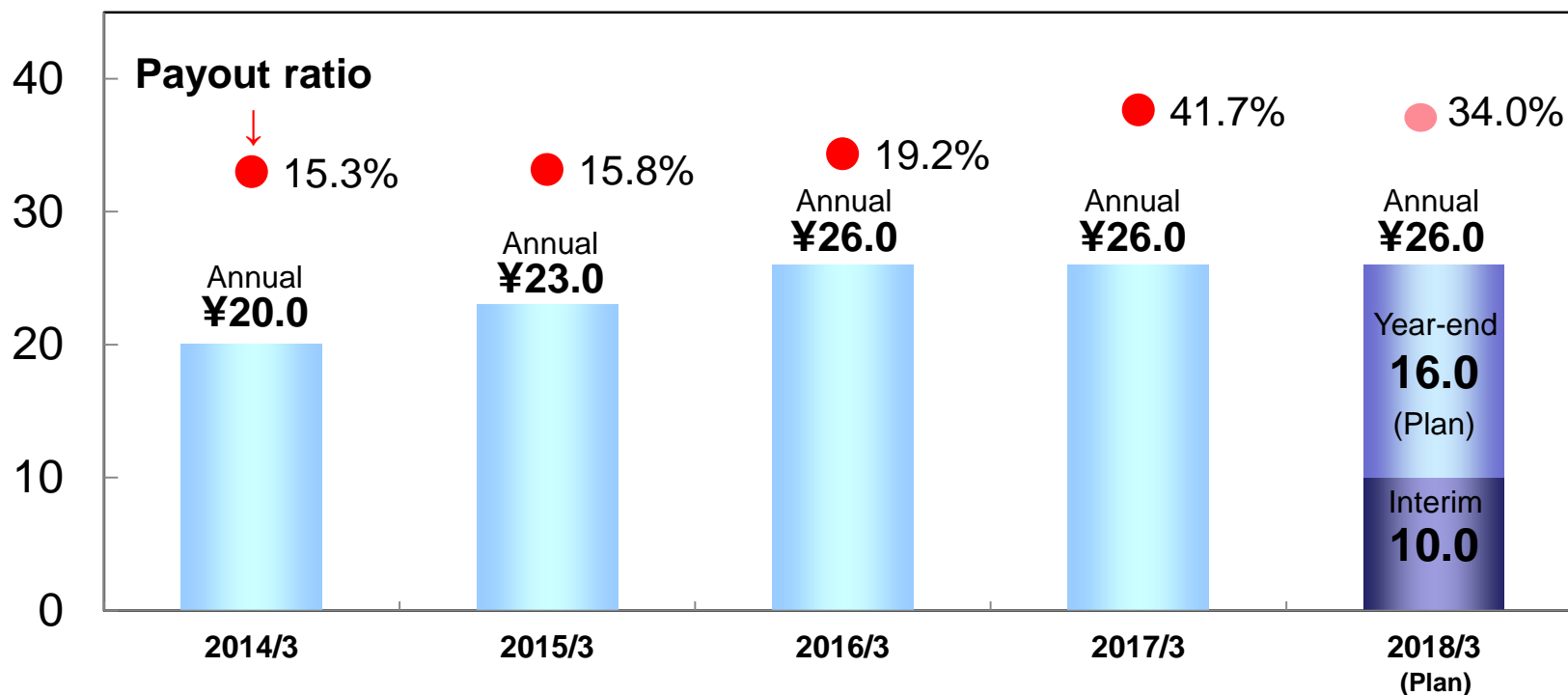
### For volume growth:

Keep on promoting every possible strategies for volume growth to be a real "global player" in the market



## 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.

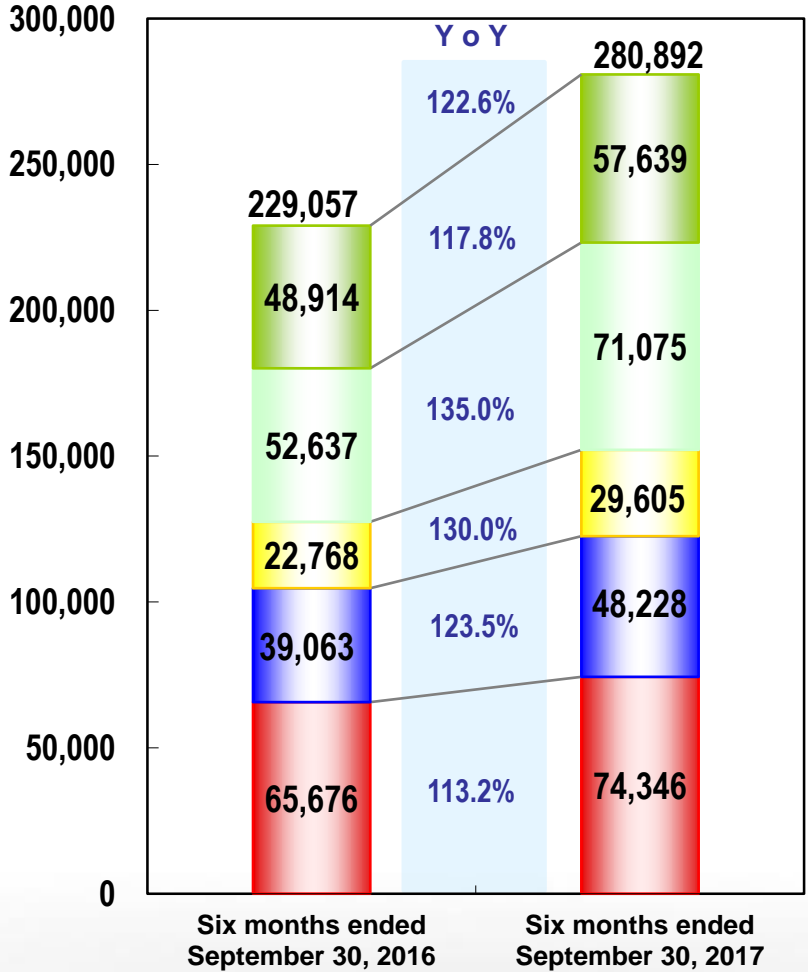
Cash dividends per share is calculated based on the assumption that the stock split was conducted on April 1, 2013.

# Supplemental Materials

# Freight Volume by Segment (Air Freight)

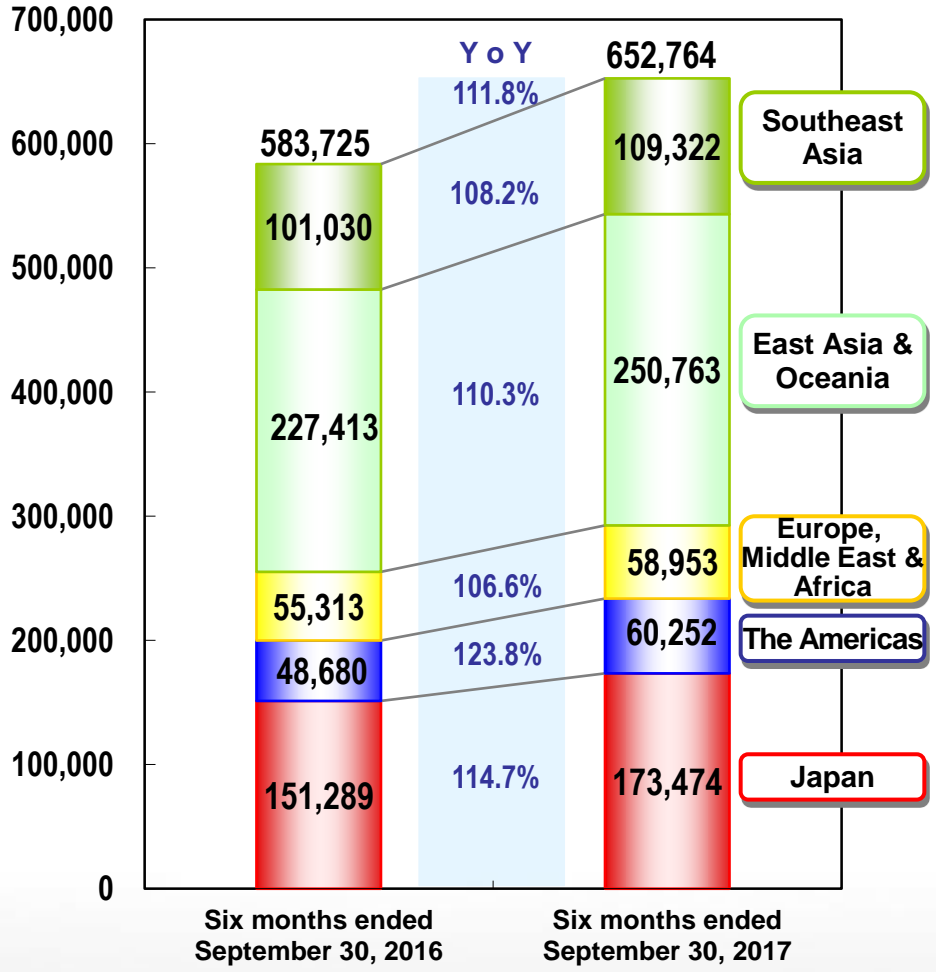
## Air Freight Exports

(Weight: tons)



## Air Freight Imports

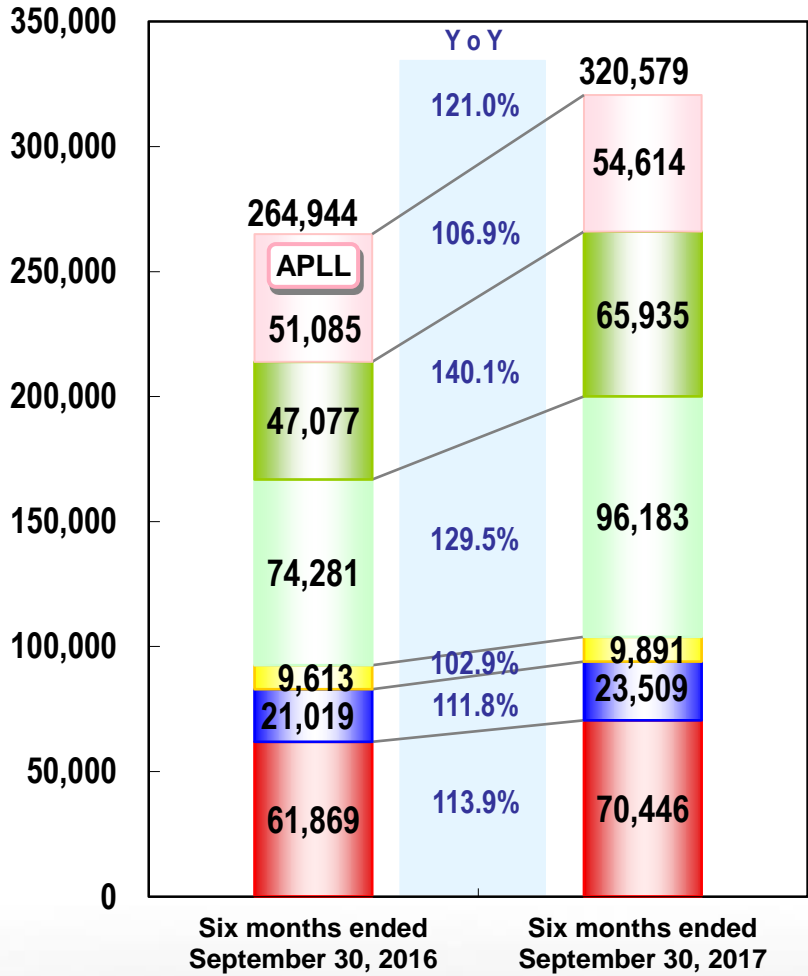
(Shipments)



# Freight Volume by Segment (Sea Freight)

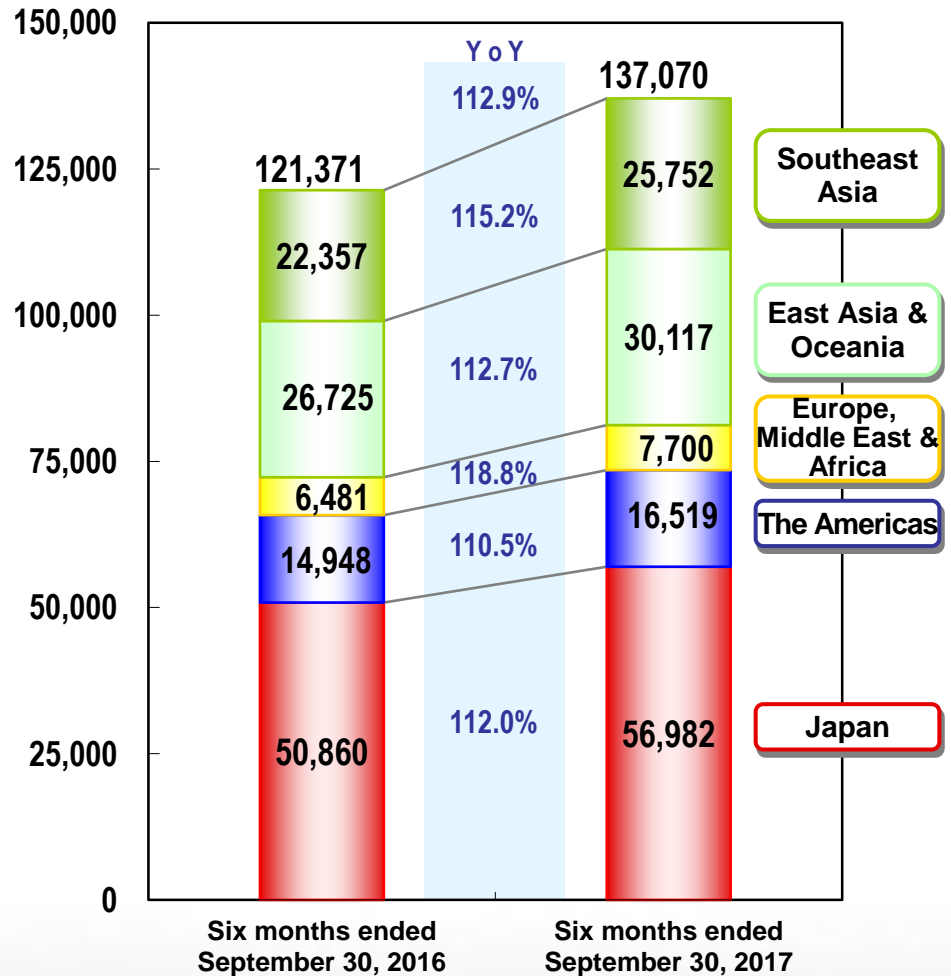
## Sea Freight Exports

(Volume: TEUs)



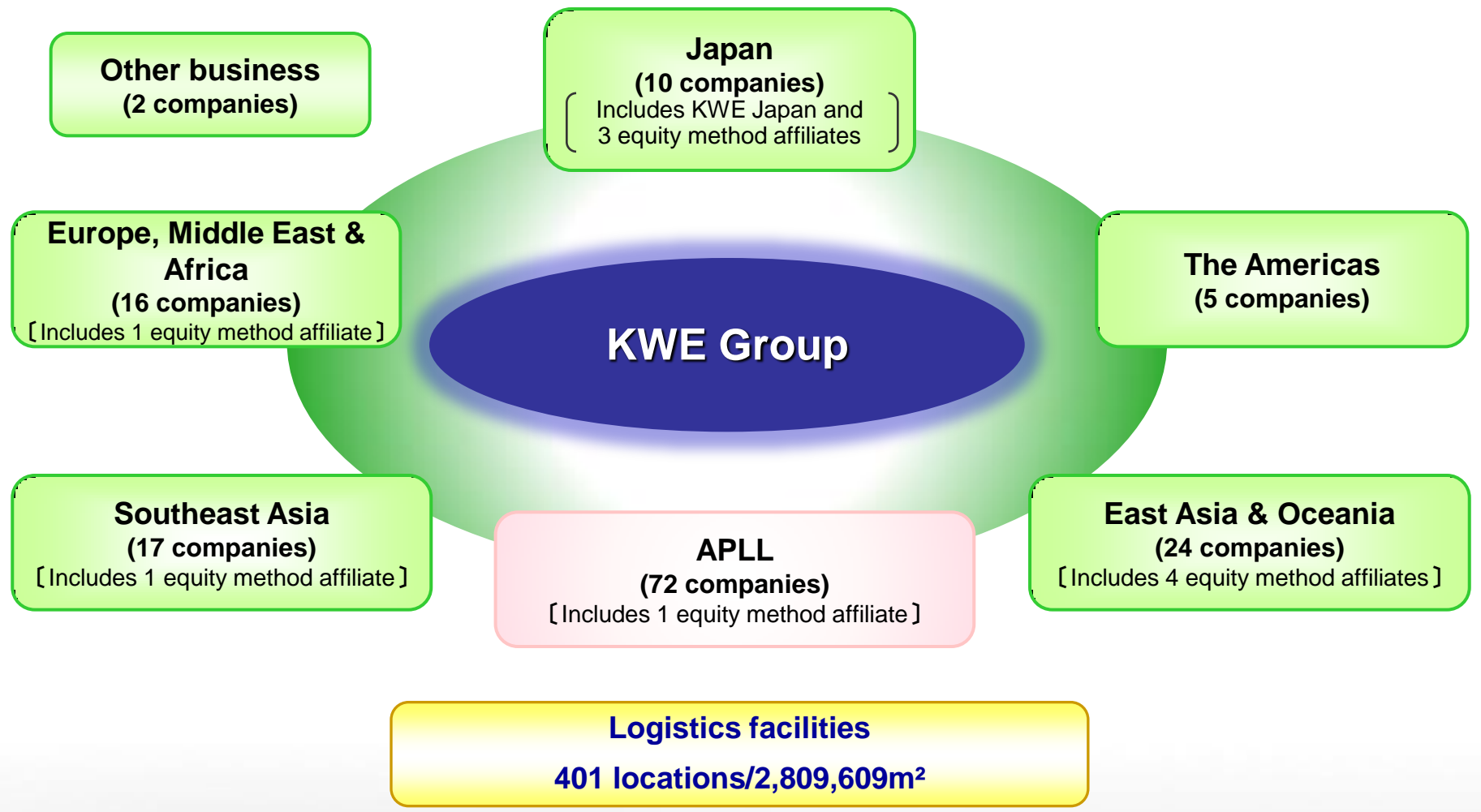
## Sea Freight Imports

(Shipments)



# Our Global Network

46 countries, 338 cities, 832 locations (as of September 30, 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.