Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2016 [J-GAAP] (Consolidated)

November 9, 2015

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
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The date of filing the quarterly financial statements: November 12, 2015
The date of the dividend payment start (planned): December 10, 2015
Preparation of quarterly earnings presentation material: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated earnings results for the first six months of the fiscal year ending March 2016 (April 1, 2015 – September 30, 2015)

(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 six months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
September 30, 2015	164,620	7.4	6,595	2.0	7,038	0.6	4,140	40.4
September 30, 2014	153,297	14.3	6,464	3.6	6,994	2.8	2,950	(27.4)

(Note) Comprehensive income First six months ended September 30, 2015: 7,219 million yen (493.5%)
First six months ended September 30, 2014: 1,216 million yen (negative 88.8%)

	Net income per share	Diluted net income per share
First six months ended	(Yen)	(Yen)
September 30, 2015	57.51	—
September 30, 2014	40.98	—

(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2014.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of September 30, 2015	385,910	138,213	33.4	1,791.91
As of March 31, 2015	194,553	129,687	64.8	1,750.16

(Reference) Shareholders' equity As of September 30, 2015: 129,014 million yen As of March 31, 2015: 126,008 million yen
(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Net assets per share is calculated based on the assumption that the stock split was conducted on April 1, 2014.

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2015	—	17.00	—	29.00	46.00
Fiscal year ending March 31, 2016	—	20.00			
Fiscal year ending March 31, 2016 (Forecasts)			—	16.00	—

(Note) Revisions to the most recently disclosed dividend forecasts: No
(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Forecast information about year-end dividends for the fiscal year ending March 31, 2016 is provided after taking into consideration the effect of the stock split.

3. Consolidated earnings forecasts for the fiscal year ending March 2016 (April 1, 2015– March 31, 2016)

(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	450,000	37.5	18,000	8.7	17,500	(5.0)	11,700	11.5	162.50

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

(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Forecast information about net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2015.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): Yes

Newly included: APL Logistics Ltd

Note: Please refer to "2. Matters concerning Summery Information (Notes), (1) Changes in Significant Subsidiaries during the Period" on page 6 of the attachment.

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes

Note: Please refer to "2. Matters concerning Summery Information (Notes), (2) Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements" on page 6 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.: Yes

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

Note: Please refer to "2. Matters concerning Summery Information (Notes), (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions" on page 6 of the attachment.

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of September 30, 2015:	72,000,000 shares	As of March 31, 2015:	72,000,000 shares
(b) Number of treasury shares	As of September 30, 2015:	1,678 shares	As of March 31, 2015:	1,428 shares
(c) Average number of shares during the period	First six months ended September 30, 2015:	71,998,340 shares	First six months ended September 30, 2014:	71,998,572 shares

(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Number of issued shares (including treasury shares), number of treasury shares and average number of shares during the period are calculated based on the assumption that the stock split was conducted on April 1, 2014.

* Implementation status of quarterly review procedures

The quarterly review procedures stipulated in the Financial Instruments and Exchange Act are not applicable to this Financial Results report, and the procedures have not been completed when this Financial Results report was disclosed.

* 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 Six Months of the Fiscal Year Ending March 2016 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecast" on page 6.

The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Forecast information about net income per share for the fiscal year ending March 31, 2016 is calculated based on the assumption that the stock split was conducted on April 1, 2015.

(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 November 10, 2015. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

1. Qualitative Information concerning Consolidated Earnings Results for the First Six Months of the Fiscal Year Ending March 2016

(1) Explanation about Operating Results

During the six months ended September 30, 2015, while the U.S. economy was on an expansionary trend and European economy showed a gradual recovery, the economic slowdown became clearer in China and economic growth decelerated in other major Asian countries.

The Japanese economy continued to show a gradual recovery as a whole despite weak activity in public investments and production, etc.

In the global market, demand for air freight started to show slower growth.

Under such conditions, for the six months ended September 30, 2015, the KWE Group's freight operations saw air freight exports decreased 0.9 %[*1], and air freight imports increased 2.7 %[*2] year-on-year. Sea freight exports decreased 1.6 %[*3], and imports increased 0.7 %[*2]. Logistics showed stable growth overall mainly due to the overseas business expansion.

Operating results by each segment are as follows. Starting from the three months ended June 30, 2015, APL Logistics Ltd and its group companies ("APLL") were included in the scope of consolidation, therefore, its business performance was newly classified as a new reportable segment. As a result, "APLL" was added to the geographic segmentation including "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania" and "Southeast Asia". After APLL added, the reportable segment consists of 6 segments.

As the deemed acquisition date was June 30, 2015 and the financial statements of APLL as of the date were consolidated, the company' s balance sheets were included in the consolidated balance sheets as of the date, but its earnings were not included in the consolidated statements of income for the six months ended September 30, 2015.

Japan

Air freight exports decreased 5.0%[*1] year-on-year partly due to a backlash of strong results of automotive-related products to North America handled a year earlier. Air freight imports decreased 1.3%[*2] year-on-year due to sluggish shipment excepting active movements in smartphone-related products. As for sea freight, exports increased 4.7 %[*3] due to increases in automotive-related products and machinery and equipment shipment, and imports decreased 0.5%[*2] due to weak momentum in PCs and its peripherals. In logistics, the volume increased due to an increase in medical products.

As a result, net sales for Japan, including domestic subsidiaries, decreased 1.8 % to 54,861 million yen, and operating income decreased 28.6% to 1,500 million yen due to an increase in operating cost.

The Americas

Air freight exports increased 35.3 %[*1] year-on-year due to a demand increase as a result of the U.S. West Coast port congestion and acquisition of new customers. Air freight imports increased 17.1 %[*2] due to an increase in automotive-related products. In sea freight, exports were down 18.9 %[*3] because of the increase of shifting to air freight, on the other hand, imports rose 7.6%[*2] as a result of steady increase with existing customers and acquisition of new customers. Logistics expanded overall due to a favorable growth in Canada.

As a result, net sales for the Americas increased 32.4% to 27,040 million yen, and operating income rose 52.8% to 1,944 million yen.

The exchange rate was U.S.$1 = ¥ 120.23 and U.S.$1 = ¥ 102.47 for the six months ended September 30, 2015 and 2014, respectively.

Europe, Middle East & Africa

Air freight exports decreased 13.2%[*1] year-on-year because of decrease in automotive-related products which were shifted to sea freight even though it was favorable in the previous year. Air freight imports decreased 0.2%[*2] with overall slower growth. In sea freight, exports increased 2.6 %[*3] due to increases in automotive-related products and plant transportation, and imports decreased 6.3%[*2] due to a decrease in electronic products. In logistics, volume increased mainly in South Africa and Germany.

As a result, net sales for Europe, Middle East & Africa decreased 3.0% to 17,766 million yen but operating income increased 14.6% to 331 million yen owing to operating cost reduction.

The exchange rate was €1 = ¥134.17 and €1 = ¥ 140.43 for the six months ended September, 2015 and 2014, respectively.

East Asia & Oceania

Air freight exports decreased 15.6%[*1] year-on-year due to a decrease in electronic products and a backlash of project cargo handled a year earlier. Air freight imports increased 2.4%[*2] due to a steady growth in electronic products. As for sea freight, exports decreased 4.4%[*3] due to a decrease in PCs and its peripherals, and imports decreased 2.7%[*2] due to sluggish demand mostly in electronic products. Logistics volume increased due to sales expansion in China (South China) and South Korea.

As a result, net sales for East Asia & Oceania increased 6.7% to 45,690 million yen, and operating income increased 17.4% to 2,558 million yen.

Southeast Asia

Air freight exports increased 8.6%[*1] due to increases in electronic products and automotive-related products. Air freight imports also increased 3.8%[*2] due to a steady increase in electronic products. For sea freight, exports increased 4.1%[*3] due to an increase mainly in parts for motorcycles, and imports also increased 6.9%[*2] due to increases in printers and PCs. In logistics, overall business increased due to business expansion in Thailand and Philippines in addition to Singapore where a large warehouse newly opened in previous year.

As a result, net sales for Southeast Asia increased 26.4% to 23,935 million yen, and operating income rose 160.7% year-on-year to 756 million yen due to the effect of various measures for improvement.

[*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 six months ended September 30, 2015 increased 7.4% year-on-year to 164,620 million yen, operating income increased 2.0% to 6,595 million yen, ordinary income increased 0.6% to 7,038 million yen, and net income attributable to owners of the parent increased 40.4% to 4,140 million yen.

For the three months ended June 30, the Company recorded costs directly associated with acquisition of the shares in APL Logistics Ltd of 816 million yen in operating expenses (selling, general and administrative expenses).

(2) Explanation about Financial Position

1) Assets, liabilities, and net assets

Total assets as of September 30, 2015 increased 191,356 million yen from March 31, 2015 to 385,910 million yen as APLL had been included in the scope of consolidation. Current assets increased 50,511 million yen to 181,517 million yen due to increases in cash and deposits of 11,966 million yen and in notes and operating accounts receivable of 28,101 million yen. Non-current assets increased 140,845 million yen to 204,392 million yen due to increases in property, plant and equipment of 6,722 million yen, in intangible assets of 127,234 million yen related to goodwill arising from consolidation of APLL (a preliminary amount as allocation of acquisition cost has not been finalized), and in investments and other assets of 6,888 million yen.

Total liabilities increased 182,830 million yen to 247,696 million yen. Current liabilities increased 179,859 million yen to 233,631 million yen due to increases in short-term loans payable of 149,541 million yen due to funding to acquire the shares in APL Logistics Ltd and in notes and operating accounts payable-trade of 16,179 million yen. Non-current liabilities increased 2,971 million yen to 14,065 million yen due to increases in long-term loans payable of 1,304 million yen due to borrowing of funds for capital investment to enhance domestic logistics function, and other non-current liability of 1,261 million yen.

Net assets as of September 30, 2015 increased 8,526 million yen to 138,213 million yen. Shareholders' equity increased 258 million yen to 109,866 million yen. This results from dividends payment of 1,043 million yen and a decrease in retained earnings of 2,264 million yen due to transitional treatments of "Revised Accounting Standards for Business Combinations", etc. and capital surplus decreased 574 million yen due to transitional treatments of "Revised Accounting Standards for Business Combinations", etc. in spite of net income attributable to owners of the parent of 4,140 million yen. Accumulated other comprehensive income increased 2,747 million yen from March 31, 2015 to 19,148 million yen. This mainly reflected an increase in foreign currency translation adjustment of 3,315 million yen as a result of consolidation of APLL and a decrease in valuation difference on available-for-sale securities of 581 million yen. Non-controlling interests increased 5,520 million yen from March 31, 2015 to 9,199 million yen due to the inclusion of APLL in the scope of consolidation.

Consequently, the equity ratio decreased to 33.4% from 64.8% as of March 31, 2015.

2) Cash flows

Cash and cash equivalents as of September 30, 2015 increased 9,962 million yen from March 31, 2015 to 58,662 million yen. Cash flows from each activity and their significant factors during the six months ended September 30, 2015 are as follows:

(Cash flows from operating activities)

During the six months ended September 30, 2015, operating activities provided net cash of 5,983 million yen, an increase of 3,882 million yen year-on-year. This mainly reflected the following factors: income before income taxes of 7,034 million yen and depreciation of 1,492 million yen and a decrease in notes and accounts receivable-trade of 5,875 million yen, and a decrease in notes and accounts payable-trade of 3,181 million yen, and income taxes paid of 3,768 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 142,149 million yen, up 137,360 million yen year-on-year. This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation of 139,804 million yen for the acquisition of shares of APL Logistics Ltd, and outflow of 2,113 million yen from the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities totaled 145,844 million yen, up 147,545 million yen year-on-year. This was mainly due to net increase in short-term loans payable of 145,324 million yen, proceeds from long-term loans payable of 2,000 million yen, and cash dividends paid of 1,044 million yen.

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

In terms of the future prospect, the U.S. economy is expected to maintain its pace, but concerns remain over the influence of the economic slowdown in China on other major Asian countries and the global economy.

Under such circumstances, the Group will continue to work on various measures aggressively toward the achievement of the targets set for the final year of the Medium-Term Management Plan "Ready for the Next! Phase 2" (2013 – 2015).

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, 2016 at this point are net sales of 450,000 million yen (up 37.5% year-on-year), operating income of 18,000 million yen (up 8.7%), ordinary income of 17,500 million yen (down 5.0%) and net income attributable to owners of the parent of 11,700 million yen (up 11.5%), which remain the same as those announced on August 6, 2015.

(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. Matters concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

During the three months ended June 30, 2015, the Company acquired shares in APL Logistics Ltd and included in the scope of consolidation.

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

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 September 30, 2015.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions

(Changes in accounting policies)

From the beginning of the first quarter of the current consolidated fiscal year, the Company started applying "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As the Company applied these accounting standards, the Company recorded a difference caused by a change in the Company's equity in subsidiaries that the Company continue to control as capital surplus and also recorded acquisition-related costs as costs during the consolidated fiscal year in which the expenses are occurred. With regard to a business combination conducted on and after the beginning of the first quarter of the current consolidated fiscal year, the Company has shifted the accounting method to reflect the reviewed allocation of the acquisition costs arising from settlement of tentative accounting treatment in the consolidated financial statement for the quarter in which the date of the business combination belongs. In addition, the expression for quarterly net profit, etc. has been changed, and “minority interests” has been changed to “non-controlling interests”. In order to reflect these changes, the consolidated financial statements for the second quarter of the previous fiscal year, as well as the entire previous fiscal year have been reclassified.

In the consolidated statements of cash flows for the six months ended September 30, 2015, cash flows from acquisition and sale of subsidiary shares not resulting in a change in scope of consolidation is included in “cash flows from financing activities,” and cash flows from costs arising from acquisition of subsidiary shares resulting in a change in scope of consolidation or costs arising from acquisition or sale of subsidiary shares not resulting in a change in scope of consolidation are included in “cash flows from operating activities.”

These accounting standards were adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (3) of Revised Accounting Standard for Business Combinations, Paragraph 44-5 (3) of Revised Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (3) of Revised Accounting Standard for Business Divestitures. The cumulative effects arising from the retroactive application of these new accounting policies to all the previous fiscal years were added to or deducted from capital surplus and retained earnings as of the beginning of the first quarter of the current consolidated fiscal year.

As a result, goodwill decreased by 563 million yen, capital surplus decreased by 574 million yen, and retained earnings decreased by 2,264 million yen as of April 1, 2015. In addition, operating income decreased by 781 million yen and both ordinary income and income before income taxes for the six months ended September 30, 2015 decreased by 793 million yen, respectively.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/15 (As of March 31, 2015)	Second quarter of FY3/16 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	53,318	65,285
Notes and operating accounts receivable	68,685	96,787
Other	9,397	20,598
Allowance for doubtful accounts	(395)	(1,153)
Total current assets	131,006	181,517
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,884	19,365
Land	11,817	14,252
Other, net	9,129	12,935
Total property, plant and equipment	39,831	46,554
Intangible assets		
Goodwill	1,391	124,000
Other	1,129	5,754
Total intangible assets	2,520	129,755
Total investments and other assets	21,194	28,082
Total non-current assets	63,547	204,392
Total assets	194,553	385,910
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	28,683	44,863
Short-term loans payable	8,525	158,067
Income taxes payable	2,436	4,013
Provision for bonuses	2,479	3,534
Provision for directors' bonuses	272	158
Other	11,373	22,994
Total current liabilities	53,772	233,631
Non-current liabilities		
Long-term loans payable	6,608	7,913
Net defined benefit liability	3,295	3,700
Other	1,189	2,450
Total non-current liabilities	11,093	14,065
Total liabilities	64,865	247,696

(Millions of yen)

	FY3/15 (As of March 31, 2015)	Second quarter of FY3/16 (As of September 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,867	4,293
Retained earnings	97,526	98,358
Treasury shares	(2)	(2)
Total shareholders' equity	109,607	109,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,187	1,606
Deferred gains or losses on hedges	39	—
Foreign currency translation adjustment	14,089	17,404
Remeasurements of defined benefit plans	84	136
Total accumulated other comprehensive income	16,400	19,148
Non-controlling interests	3,679	9,199
Total net assets	129,687	138,213
Total liabilities and net assets	194,553	385,910

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

(Millions of yen)

	First six months of FY3/15 (April 1, 2014— September 30, 2014)	First six months of FY3/16 (April 1, 2015— September 30, 2015)
Net sales	153,297	164,620
Operating cost	129,113	138,767
Operating gross profit	24,184	25,853
Selling, general and administrative expenses	17,719	19,258
Operating income	6,464	6,595
Non-operating income		
Interest income	235	290
Dividends income	14	23
Amortization of negative goodwill	17	5
Share of profit of entities accounted for using equity method	3	–
Foreign exchange gains	266	486
Miscellaneous income	130	74
Total non-operating income	668	880
Non-operating expenses		
Interest expenses	121	337
Share of loss of entities accounted for using equity method	–	86
Miscellaneous expenses	17	13
Total non-operating expenses	138	437
Ordinary income	6,994	7,038
Extraordinary loss		
Loss on retirement of non-current assets	21	4
Provision for loss on U.S. antitrust matter	1,745	–
Total extraordinary losses	1,766	4
Income before income taxes	5,227	7,034
Income taxes	2,079	2,611
Net income	3,148	4,423
Net income attributable to non-controlling interests	198	282
Net income attributable to owners of the parent	2,950	4,140

(Millions of yen)

	First six months of FY3/15 (April 1, 2014— September 30, 2014)	First six months of FY3/16 (April 1, 2015— September 30, 2015)
Net income	3,148	4,423
Other comprehensive income		
Valuation difference on available-for-sale securities	462	(581)
Deferred gains or losses on hedges	–	(39)
Foreign currency translation adjustment	(2,468)	3,247
Remeasurements of defined benefit plans	158	54
Share of other comprehensive income of entities accounted for using equity method	(83)	114
Total other comprehensive income	(1,931)	2,795
Comprehensive income	1,216	7,219
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,176	6,888
Comprehensive income attributable to non-controlling interests	39	330

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY3/15 (April 1, 2014— September 30, 2014)	First six months of FY3/16 (April 1, 2015— September 30, 2015)
Cash flows from operating activities		
Income (loss) before income taxes	5,227	7,034
Depreciation	1,357	1,492
Amortization of goodwill	60	25
Amortization of negative goodwill	(17)	(5)
Increase (decrease) in provision for bonuses	163	(253)
Increase (decrease) in provision for directors' bonuses	(147)	(110)
Increase (decrease) in net defined benefit liability	295	(14)
Increase (decrease) in allowance for doubtful accounts	(21)	(10)
Increase (decrease) in provision for loss on U.S. antitrust matter	1,877	–
Interest and dividends income	(250)	(313)
Interest expenses	121	337
Share of (profit) loss of entities accounted for using equity method	(3)	86
Loss (gain) on sales of non-current assets	(4)	(10)
Loss on retirement of non-current assets	21	4
Loss (gain) on sales and valuation of investment securities	(2)	(0)
Decrease (increase) in notes and accounts receivable-trade	(3,563)	5,875
Increase (decrease) in notes and accounts payable-trade	392	(3,181)
Other, net	(400)	(1,231)
Subtotal	5,104	9,725
Interest and dividends income received	242	357
Interest expenses paid	(114)	(330)
Income taxes paid	(3,130)	(3,768)
Net cash provided by operating activities	2,101	5,983
Cash flows from investing activities		
Payments into time deposits	(2,736)	(3,058)
Proceeds from withdrawal of time deposits	1,170	2,938
Purchase of property, plant and equipment	(2,089)	(2,113)
Proceeds from sales of property, plant and equipment	8	17
Purchase of investment securities	(2,252)	(78)
Proceeds from sales and redemption of securities	45	30
Collection of loans receivable	1,496	30
Payments for lease and guarantee deposits	(164)	(183)
Proceeds from collection of lease and guarantee deposits	177	246
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(396)	(139,804)
Other, net	(50)	(175)
Net cash provided by (used in) investing activities	(4,789)	(142,149)

(Millions of yen)

	First six months of FY3/15 (April 1, 2014— September 30, 2014)	First six months of FY3/16 (April 1, 2015— September 30, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(266)	145,324
Repayments of finance lease obligations	(79)	(78)
Proceeds from long-term loans payable	102	2,000
Repayments of long-term loans payable	(247)	(53)
Purchase of treasury shares	–	(0)
Cash dividends paid	(899)	(1,044)
Dividends paid to non-controlling interests	(309)	(302)
Net cash provided by (used in) financing activities	(1,700)	145,844
Effect of exchange rate changes on cash and cash equivalents	(1,414)	283
Net increase (decrease) in cash and cash equivalents	(5,802)	9,962
Cash and cash equivalents at beginning of period	47,963	48,700
Cash and cash equivalents at end of period	42,161	58,662

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Effective April 1, 2015, the Company has applied Revised Accounting Standard for Business Combinations, etc. Please refer to "2. Matters concerning Summary Information (Notes), (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions" for the corresponding impact.

(Notes to quarterly consolidated statement of income)

(Provision for allowance for U.S. antitrust matter)

First six months of the fiscal year ended March 2015 (April 1, 2014 – September 30, 2014)

In relation to the class action against the Company alleging a violation of U.S. antitrust act concerning international airfreight transportation service, the Company recorded a current estimate of possible future loss.

(Segment Information, etc.)

I First six months of the fiscal year ended March 2015 (April 1, 2014—September 30, 2014)

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

(Millions of yen)

	Reportable segment						Total	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					
Net sales											
Net sales to outside customers	54,893	19,548	17,771	42,389	18,547	—	153,149	148	153,297	—	153,297
Inter-segment sales/transfers	969	879	535	420	393	—	3,199	945	4,145	(4,145)	—
Total net sales	55,862	20,427	18,306	42,810	18,941	—	156,349	1,093	157,442	(4,145)	153,297
Segment income	2,102	1,272	288	2,178	290	—	6,132	330	6,462	2	6,464

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.
2. The 2 million yen adjustment in segment income is an elimination of income generated from business between segments.
3. Segment income 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, and Philippines

2. Information about assets for each reportable segment

During the three months ended June 30, 2014, the Company acquired shares in Kintetsu Panasonic Trading Service Co., Ltd. (former Panasonic Trading Service Japan Co., Ltd.) and included the Company in the scope of consolidation. As a result, "Japan" segment asset increased 2,047 million yen compared to the balance as of March 31, 2014.

During the three months ended June 30, 2014, the Company acquired shares in Trans Global Logistics Group Ltd. and included in the scope of companies accounted for using the equity method. As a result, "East Asia & Oceania" segment asset increased 1,473 million yen compared to the balance as of March 31, 2014.

3. Information regarding impairment loss of non-current assets or goodwill for each reportable segment

(Significant change in goodwill)

During the three months ended June 30, 2014, "Japan" segment acquired shares of Kintetsu Panasonic Trading Service Co., Ltd. (former Panasonic Trading Service Japan Co., Ltd.) and included the Company in the scope of consolidation, which resulted in an increase in goodwill of 1,026 million yen for the six months ended September 30, 2014.

II First six months of the fiscal year ending March 2016 (April 1, 2015–September 30, 2015)

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

(Millions of yen)

	Reportable segment										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other Note 1	Total	Adjustment Note 2	Carrying amount on quarterly consolidated statements of income Note 3
Net sales											
Net sales to outside customers	53,600	25,116	17,167	45,094	23,468	—	164,447	173	164,620	—	164,620
Inter-segment sales/transfers	1,261	1,924	598	595	467	—	4,846	1,043	5,890	(5,890)	—
Total net sales	54,861	27,040	17,766	45,690	23,935	—	169,294	1,217	170,511	(5,890)	164,620
Segment income (loss)	1,500	1,944	331	2,558	756	(816)	6,273	321	6,594	0	6,595

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.
2. The 0 million yen adjustment in segment income is an elimination of income generated from business between segments.
3. Segment income 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 about assets for each reportable segment

During the three months ended June 30, 2015, the Company acquired all shares in APL Logistics Ltd and APL Logistics Ltd and its group companies ("APLL") were included in the scope of consolidation. As a result, "APLL" segment asset increased 198,861 million yen compared to the balance as of March 31, 2015.

3. Matters related to changes in reportable segment

(Change of segment classification)

During the three months ended June 30, 2015, APLL was included in the scope of consolidation, therefore, its business performance was newly classified as a new reportable segment. As a result, "APLL" was added in reportable segments which were based on the geographic segmentation including "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania" and "Southeast Asia". After APLL added, the reportable segment consists of six segments.

(Application of Accounting Standards for Business Combinations)

As described in "Changes in accounting policies," the Company has adopted "Revised Accounting Standard for Business Combinations", etc. and recorded a difference caused by a change in the Company's equity in subsidiaries that the

Company continue to control as capital surplus and also recorded acquisition-related costs as costs during the consolidated fiscal year in which the costs are occurred.

As a results, segment income of “Japan” increased by 0 million yen, “Europe, Middle East & Africa” increased by 7 million yen, “East Asia & Oceania” increased by 0 million yen, “Southeast Asia” increased by 26 million yen and “APLL” decreased by 816 million yen compared to those calculated under the previous method.

4. Information regarding impairment loss of non-current assets or goodwill for each reportable segment

(Significant change in goodwill)

During the three months ended June 30, 2015, APLL was included in the scope of consolidation, which resulted in an increase of 123,193 million yen in goodwill of APLL segment for the six months ended September 30, 2015. As allocation of the acquisition cost has not been completed, the amount of goodwill is calculated provisionally.

As described in “Changes in accounting policies,” the Company has adopted “Accounting Standards for Business Combinations”, goodwill decreased by 563 million yen. As for the changes of goodwill amount by segment for the six months ended September 30, 2015, “Japan” decreased by 17 million yen , “Europe, Middle East & Africa” decreased by 154 million yen, “Southeast Asia” decreased by 595 million yen and “East Asia & Oceania” increased by 203 million yen.

(Significant Subsequent Events)

Effective October 1, 2015, the Company conducted a stock split and partially revised the articles of incorporation in accordance with the resolution at the meeting of the Board of Directors held on August 6, 2015. The details are as follows.

1. Purpose of stock split and partial change of incorporation

The purpose of the stock split is to lower the minimum investment cost per unit and increase liquidity, thereby improving the investment environment for its shares and expanding its investor base.

In conjunction with the stock split, the Company revised Total Number of Authorized Shares, Article 6 of the articles of incorporation, effective October 1, 2015, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

2. Outline of stock split

(1) Method of stock split

The stock split had a record date of September 30, 2015 and involved the splitting of common stocks held by shareholders whose names were recorded in the latest register of shareholders on the record date at ratio of 1:2

(2) Number of increase in shares by stock split

1) Total number of issued shares as of September 30, 2015	36,000,000 shares
2) Number of increase in shares by stock split	36,000,000 shares
3) Total number of issued shares after stock split	72,000,000 shares
4) Total number of authorized shares after stock split	240,000,000 shares

3. Schedule of stock split

(1) Announcement date of the record date September 11, 2015

(2) Record date September 30, 2015

(3) Effective date October 1, 2015

4. Effects per share of common stock

Per share information, assuming the stock split had been carried out at the beginning of the previous fiscal year is as follows:

Item	Six months ended September 30, 2014 (April, 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April, 1, 2015 to September 30, 2015)
Net income per share for the second quarter	¥ 40.98	¥ 57.51

(Note) Diluted net income per share is not disclosed as the Company has no dilutive shares.