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

February 8, 2016

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 Satoshi Ishizaki
Inquiries: General Manager of Accounting and Finance Dept. Kazuo Inui TEL: +81-3-6863-6445
The date of filing the quarterly financial statements: February 12, 2016
The date of the dividend payment start (planned): –
Preparation of quarterly earnings presentation material: No
Holding of quarterly financial results briefing: No

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

1. Consolidated earnings results for the first nine months of the fiscal year ending March 2016 (April 1, 2015 – December 31, 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 nine months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2015	295,159	26.3	10,781	7.8	12,342	11.9	7,238	30.2
December 31, 2014	233,606	14.1	10,003	3.0	11,032	5.7	5,559	(14.2)

(Note) Comprehensive income First nine months ended December 31, 2015: 2,712 million yen (negative 70.0%)
First nine months ended December 31, 2014: 9,048 million yen (negative 31.6%)

	Net income per share	Diluted net income per share
First nine months ended	(Yen)	(Yen)
December 31, 2015	100.53	—
December 31, 2014	77.21	—

(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 December 31, 2015	387,428	133,122	32.0	1,719.64
As of March 31, 2015	194,553	129,687	64.8	1,750.16

(Reference) Shareholders' equity As of December 31, 2015: 123,809 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	420,000	28.4	15,000	(9.4)	17,500	(5.0)	10,500	0.1	145.84

(Note) Revisions to the most recently disclosed earnings forecasts: Yes

(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 December 31, 2015:	72,000,000 shares	As of March 31, 2015:	72,000,000 shares
(b) Number of treasury shares	As of December 31, 2015:	2,309 shares	As of March 31, 2015:	1,580 shares
(c) Average number of shares during the period	First nine months ended December 31, 2015:	71,998,164 shares	First nine months ended December 31, 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 Nine 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.

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

(1) Explanation about Operating Results

During the nine months ended December 31, 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 capital investment and production, etc.

In the global market, demand for air freight showed slower growth.

Under such conditions, for the nine months ended December 31, 2015, the KWE Group's freight operations saw air freight exports decreased 1.9%*1, and air freight imports decreased 0.1%*2 year-on-year. Sea freight exports increased 9.9%*3, and imports increased 0.8%*2. Logistics showed stable growth overall mainly due to the overseas business expansion.

Sea freight export volume*3 of APL Logistics Ltd and its group companies ("APLL") was included for the nine months ended December 31, 2015.

Operating results by each segment are as follows. Starting from 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 to the 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.

As the deemed acquisition date of APLL was June 30, 2015, its earnings for the three months from July 1 to September 30 were consolidated for the nine months ended December 31, 2015.

Japan

Air freight exports decreased 6.0%*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 2.0%*2 year-on-year due to sluggish shipment excepting steady movements in smartphone-related products. As for sea freight, exports increased 4.7%*3 due to increases in machinery, equipment and chemical products shipment, and imports increased 0.5%*2 due to steady movements in construction-related products. In logistics, the volume increased due to an increase in medical products.

As a result, net sales for Japan, including domestic subsidiaries, decreased 3.4% to 82,729 million yen, and operating income decreased 12.1% to 2,796 million yen.

The Americas

Air freight exports increased 28.9%*1 year-on-year due to a demand increase as a result of the U.S. West Coast port congestion and favorable growth in chemical products. Air freight imports increased 9.4%*2 due to an increase in automotive-related products. In sea freight, exports were down 16.1%*3 because of the increase of shifting to air freight, on the other hand, imports rose 9.3%*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 27.4% to 39,722 million yen, and operating income rose 42.5% to 2,743 million yen.

The exchange rate was U.S. $1 = ¥120.89 and U.S. $1 = ¥102.95 for the nine months ended December 31, 2015 and

2014, respectively.

Europe, Middle East & Africa

Air freight exports decreased 12.3%*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 1.9%*2 due to a decrease in machinery-related products. In sea freight, exports increased slightly by 0.1 %*3 due to overall sluggish growth despite steady handling of automotive-related products, and imports decreased 3.5%*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 2.4% to 26,751 million yen but operating income increased 54.2% to 639 million yen owing to operating cost reduction.

The exchange rate was €1 = ¥134.77 and €1 = ¥ 139.54 for the nine months ended December 31, 2015 and 2014, respectively.

East Asia & Oceania

Air freight exports decreased 12.7%*1 year-on-year due to a decrease in electronic products and a backlash of project cargo handled a year earlier. Air freight imports slightly increased 0.2%*2 despite a steady growth in smartphone-related products. As for sea freight, exports decreased 3.9%*3 due to a decrease in PCs and its peripherals, and imports decreased 4.5%*2 due to sluggish demand mostly in electronic products. Logistics volume increased due to sales expansion especially in China (South China) and South Korea.

As a result, net sales for East Asia & Oceania increased 6.7% to 68,996 million yen, and operating income increased 19.6% to 4,082 million yen, partly due to weaker yen against Chinese yuan, etc. year-on-year.

Southeast Asia

Air freight exports increased 2.8%*1 due to increases in electronic products and automotive-related products. Air freight imports decreased 1.8%*2 due to a slowdown mainly in electronic products. For sea freight, exports increased 6.3%*3 due to an increase mainly in parts for motorcycles, and imports also increased 5.2%*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 21.0% to 35,700 million yen, and operating income rose 140.5% year-on-year to 1,346 million yen due to the effect of various measures for improvement.

APLL

Net sales of logistics service for automotive-related decreased due to a decline in crude oil price despite a steady growth of logistics service and land transportation service in the U.S. Retail-related showed sluggish movements due to inventory adjustments by some customers, and movements in consumer products and high-tech-related varied depending on customers; and accordingly overall results were lower than expected.

As a result, net sales of APLL was 48,396 million yen and operating loss was 1,314 million yen due to recording costs associated with share acquisition (selling, general and administrative expenses) in the three months ended June 30, 2015 and starting amortization of goodwill, etc. from the three months ended December 31, 2015.

The exchange rate was U.S. $1 = ¥ 122.23 for the three month ended December 31, 2015 (average rate during the period from July 1, 2015 to September 30, 2015).

*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 nine months ended December 31, 2015 increased 26.3% year-on-year to 295,159 million yen, operating income increased 7.8% to 10,781 million yen, ordinary income increased 11.9% to 12,342 million yen, and net income attributable to owners of the parent increased 30.2% to 7,238 million yen.

(2) Explanation about Financial Position

1) Assets, liabilities, and net assets

Total assets as of December 31, 2015 increased 192,875 million yen from March 31, 2015 to 387,428 million yen as APLL had been included in the scope of consolidation. Current assets increased 48,732 million yen to 179,738 million yen mainly due to increases in cash and deposits of 14,364 million yen and in notes and operating accounts receivable of 22,828 million yen. Non-current assets increased 144,143 million yen to 207,690 million yen. This results from increases in property, plant and equipment of 5,133 million yen, in intangible assets of 132,011 million yen as a result of recording identifiable intangible fixed assets as of the date of business combination and goodwill, relating to consolidation of APLL in the three months ended June 30, 2015 as the tentative accounting treatment was finalized during the three months ended December 31, 2015, and in investments and other assets of 6,998 million yen.

Total liabilities increased 189,440 million yen to 254,305 million yen. Current liabilities increased 177,704 million yen to 231,476 million yen. This mainly reflected increases in notes and operating accounts payable-trade of 11,862 million yen and in short-term loans payable of 151,158 million yen due to funding to acquire the shares in APL Logistics Ltd. Non-current liabilities increased 11,735 million yen to 22,829 million yen mainly due to an increase in other non-current liability of 10,283 million yen as a result of recording deferred tax liabilities related to above-mentioned intangible fixed assets arising from consolidation of APLL.

Net assets as of December 31, 2015 increased 3,435 million yen to 133,122 million yen. Shareholders' equity increased 2,634 million yen to 112,242 million yen. This results from a decrease in capital surplus of 574 million yen due to transitional treatments for "Revised Accounting Standard for Business Combinations," etc. and a decrease in retained earnings of 2,264 million yen due to the transitional treatments for the Standards and dividends of surplus of 1,763 million yen, and recording of net income attributable to owners of the parent of 7,238 million yen. Accumulated other comprehensive income decreased 4,832 million yen from March 31, 2015 to 11,567 million yen. This mainly reflected a decrease in foreign currency translation adjustment of 4,711 million yen from March 31, 2015. Non-controlling interests increased 5,633 million yen from March 31, 2015 to 9,313 million yen due to the inclusion of APLL in the scope of consolidation.

Consequently, the equity ratio decreased to 32.0% from 64.8% as of March 31, 2015.

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

The Group revised consolidated earnings forecast for the year ending March 31, 2016 announced on November 9, 2015 as follows:

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (Announced on November 9, 2015)	450,000	18,000	17,500	11,700	¥162.50
Revised forecast (B)	420,000	15,000	17,500	10,500	¥145.84
Differences (B) – (A)	(30,000)	(3,000)	0	(1,200)	—
Change (%)	(6.7)	(16.7)	0.0	(10.3)	—
(Ref.) Previous year (ended March 31, 2015)	327,192	16,563	18,429	10,489	¥145.68

(Note) Net income per share is calculated based on the assumption that a stock split at a ratio of 1:2 with October 1, 2015 as the effective date was conducted on April 1, 2014

(Reason of revision)

KWE Japan continued to struggle due to stagnant air freight volume during the nine months ended December 31, 2015 and in APLL, performance fell below initial forecast and general administrative expenses temporarily increased due to change of the parent company, as well as 816 million yen was recorded as acquisition cost of APL Logistics Ltd's shares for the three months ended June 30, 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 December 31, 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 continues 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 third quarter of the previous fiscal year, as well as the entire previous fiscal year have been reclassified.

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 725 million yen and both ordinary income and income before income taxes for the nine months ended December 31, 2015 decreased by 743 million yen, respectively.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/15 (As of March 31, 2015)	Third quarter of FY3/16 (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	53,318	67,682
Notes and operating accounts receivable	68,685	91,514
Other	9,397	21,679
Allowance for doubtful accounts	(395)	(1,138)
Total current assets	131,006	179,738
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,884	18,552
Land	11,817	13,988
Other, net	9,129	12,423
Total property, plant and equipment	39,831	44,964
Intangible assets		
Goodwill	1,391	76,409
Customer-related assets	–	42,115
Other	1,129	16,007
Total intangible assets	2,520	134,532
Total investments and other assets	21,194	28,193
Total non-current assets	63,547	207,690
Total assets	194,553	387,428
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	28,683	40,545
Short-term loans payable	8,525	159,684
Income taxes payable	2,436	3,716
Provision for bonuses	2,479	4,351
Provision for directors' bonuses	272	227
Other	11,373	22,950
Total current liabilities	53,772	231,476
Non-current liabilities		
Long-term loans payable	6,608	7,751
Net defined benefit liability	3,295	3,605
Other	1,189	11,472
Total non-current liabilities	11,093	22,829
Total liabilities	64,865	254,305

(Millions of yen)

	FY3/15 (As of March 31, 2015)	Third quarter of FY3/16 (As of December 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,867	4,293
Retained earnings	97,526	100,736
Treasury shares	(2)	(3)
Total shareholders' equity	109,607	112,242
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,187	1,984
Deferred gains or losses on hedges	39	42
Foreign currency translation adjustment	14,089	9,377
Remeasurements of defined benefit plans	84	163
Total accumulated other comprehensive income	16,400	11,567
Non-controlling interests	3,679	9,313
Total net assets	129,687	133,122
Total liabilities and net assets	194,553	387,428

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

(Millions of yen)

	First nine months of FY3/15 (April 1, 2014— December 31, 2014)	First nine months of FY3/16 (April 1, 2015— December 31, 2015)
Net sales	233,606	295,159
Operating cost	197,111	246,245
Operating gross profit	36,495	48,913
Selling, general and administrative expenses	26,492	38,132
Operating income	10,003	10,781
Non-operating income		
Interest income	362	451
Dividends income	28	32
Amortization of negative goodwill	26	8
Share of profit of entities accounted for using equity method	122	382
Foreign exchange gains	461	774
Miscellaneous income	226	506
Total non-operating income	1,228	2,155
Non-operating expenses		
Interest expenses	176	570
Miscellaneous expenses	22	23
Total non-operating expenses	199	593
Ordinary income	11,032	12,342
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	9,265	12,338
Income taxes	3,360	4,504
Net income	5,904	7,833
Net income attributable to non-controlling interests	345	595
Net income attributable to owners of the parent	5,559	7,238

(Millions of yen)

	First nine months of FY3/15 (April 1, 2014— December 31, 2014)	First nine months of FY3/16 (April 1, 2015— December 31, 2015)
Net income	5,904	7,833
Other comprehensive income		
Valuation difference on available-for-sale securities	1,045	(202)
Deferred gains or losses on hedges	–	2
Foreign currency translation adjustment	1,547	(4,563)
Remeasurements of defined benefit plans	237	87
Share of other comprehensive income of entities accounted for using equity method	314	(445)
Total other comprehensive income	3,143	(5,121)
Comprehensive income	9,048	2,712
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,652	2,405
Comprehensive income attributable to non-controlling interests	396	307

(3) 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 nine months of the fiscal year ended March 2015 (April 1, 2014 – December 31, 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 nine months of the fiscal year ended March 2015 (April 1, 2014—December 31, 2014)

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

(Millions of yen)

	Reportable segment							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	Total				
Net sales											
Net sales to outside customers	84,030	29,840	26,589	64,004	28,917	—	233,382	224	233,606	—	233,606
Inter-segment sales/transfers	1,567	1,349	832	676	590	—	5,016	1,427	6,443	(6,443)	—
Total net sales	85,597	31,189	27,421	64,681	29,507	—	238,398	1,651	240,050	(6,443)	233,606
Segment income	3,179	1,925	414	3,413	559	—	9,493	505	9,999	3	10,003

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.

2. The 3 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 2,051 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 1,571 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 1,013 million yen for the nine months ended December 31, 2014.

II First nine months of the fiscal year ending March 2016 (April 1, 2015–December 31, 2015)

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

(Millions of yen)

	Reportable segment							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	Total				
Net sales											
Net sales to outside customers	80,663	36,991	25,908	67,939	34,999	48,396	294,897	262	295,159	—	295,159
Inter-segment sales/transfers	2,066	2,731	843	1,057	700	—	7,399	1,574	8,973	(8,973)	—
Total net sales	82,729	39,722	26,751	68,996	35,700	48,396	302,297	1,836	304,133	(8,973)	295,159
Segment income (loss)	2,796	2,743	639	4,082	1,346	(1,314)	10,294	482	10,776	4	10,781

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics operations within the Group.

2. The 4 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 201,549 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. from the beginning of the first quarter of the current consolidated fiscal year, and recorded a difference caused by a change in the Company's equity in subsidiaries that the Company continues 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 result, segment income of "Japan" increased by 0 million yen, "Europe, Middle East & Africa" increased by 11 million yen, "East Asia & Oceania" increased by 0 million yen, "Southeast Asia" increased by 39 million yen and "APLL" decreased by 777 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)

Allocation of the acquisition cost of APL Logistics Ltd which was accounted for using provisional amounts for the three months ended June 30, 2015 was finalized during the three months ended December 31, 2015. The resulting increase in goodwill in "APLL" for the nine months ended December 31, 2015 was 75,611 million yen.

As described in "Changes in accounting policies," the Company has adopted "Accounting Standards for Business Combinations", goodwill decreased by 563 million yen as of April 1, 2015. As for the changes of goodwill amount by segment, "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.

(Business Combinations)

Three months ended December 31, 2015 (October 1, 2015–December 31, 2015)

(Business combination through acquisition)

1. Finalization of tentative accounting treatment for business combinations

The business combination with APL Logistics Ltd and its group companies that took place on May 29, 2015 was accounted for using tentative amounts for the three months ended June 30, 2015, and allocation of the cost was completed in the three months ended December 31, 2015, with the resulting adjustments to goodwill as follows.

Adjusted account	Adjustment of goodwill
Goodwill (before adjustment)	123,193 million yen
Intangible assets	(54,033)
Deferred tax liabilities	8,998
Total adjustments	(45,035)
Goodwill (after adjustment)	78,158

2. Goodwill recognized, reason for recognition, amortization method and period

(1) Goodwill recognized

78,158 million yen

(2) Reason for recognition of goodwill

Expected future excess earning power

(3) Amortization method and period

Straight-line method over 20 years

3. The amount allocated to intangible assets other than goodwill, breakdown and amortization period by major category

Customer-related assets	42,580	million yen	20 years
Trademark right	11,388		20
Software	65		5
Total intangible assets	54,033		

(Significant Subsequent Events)

The Company and its certain domestic consolidated subsidiary transferred part of the defined benefit pension plans to defined contribution pension plans as of January 1, 2016. This transfer will be accounted for in accordance with "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No.1).

The effects of this transfer are currently being calculated.