



Financial Results for the Fiscal Year Ended March 31, 2016 [J-GAAP]

May 11, 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
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 The date of the ordinary general shareholder meeting: June 21, 2016
 The date of the dividend payment start (planned): June 22, 2016
 The date of filing the securities report: June 22, 2016
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)
 (Figures are rounded down to the nearest million yen.)

1. Fiscal year ended March 2016 consolidated results (April 1, 2015 – March 31, 2016)

(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	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2016	420,252	28.4	15,356	(7.3)	17,907	(2.8)	9,773	(6.8)
March 31, 2015	327,192	16.2	16,563	20.5	18,429	20.7	10,489	11.4

(Reference) Comprehensive income: Fiscal year ended March 31, 2016: 4,606 million yen (negative 77.1 %)
 Fiscal year ended March 31, 2015: 20,131 million yen (negative 3.9%)

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating margin
Fiscal year ended	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2016	135.74	—	7.9	6.2	3.7
March 31, 2015	145.68	—	9.0	10.2	5.1

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2016: 651 million yen
 Fiscal year ended March 31, 2015: 255 million yen

(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	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2016	385,902	135,199	32.5	1,741.44
As of March 31, 2015	194,553	129,687	64.8	1,750.16

(Reference) Shareholders' equity: As of March 31, 2016: 125,379 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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2016	20,143	(147,207)	144,744	63,903
March 31, 2015	9,457	(10,870)	(1,424)	48,700

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
Fiscal year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
March 31, 2015	—	17.00	—	29.00	46.00	1,655	15.8	1.4
March 31, 2016	—	20.00	—	16.00	—	1,871	19.2	1.5
Fiscal year ending March 31, 2017 (Forecasts)	—	10.00	—	16.00	26.00		19.1	

(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Prior to the second quarter of the fiscal year ended March 31, 2016, actual amount of dividends before the stock split is presented.

3. Consolidated earnings forecasts for the fiscal year ending March 2017 (April 1, 2016 – March 31, 2017)

(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)
First half	256,000	55.5	6,800	3.1	7,100	0.9	3,400	(17.9)	47.22
Full fiscal year	534,000	27.1	16,400	6.8	17,000	(5.1)	9,800	0.3	136.11

* 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: 5 companies Company name: APL Logistics Ltd (and its 4 subsidiaries)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

(a) Changes in accounting policies with revision of accounting standards: Yes

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

(Note) For the details, please refer to "Changes in Accounting Policies" on page 17 of the attachment.

(3) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of March 31, 2016:	72,000,000 shares	As of March 31, 2015:	72,000,000 shares
(b) Number of treasury shares	As of March 31, 2016:	2,309 shares	As of March 31, 2015:	1,580 shares
(c) Average number of shares during the period	Fiscal year ended March 31, 2016:	71,998,046 shares	Fiscal year ended March 31, 2015:	71,998,552 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 at the end of the period, and average number of shares during the period are calculated based on the assumption that the stock split was conducted on April 1, 2014.

(Reference) Summary of non-consolidated results

1. Fiscal year ended March 2016 non-consolidated results (April 1, 2015 – March 31, 2016)

(1) Non-consolidated business results

(Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal year ended March 31, 2016	85,179	(13.8)	2,734	(45.0)	7,700	(15.1)	6,830	23.0
March 31, 2015	98,807	20.2	4,973	47.0	9,072	17.4	5,554	(6.7)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Fiscal year ended March 31, 2016	94.87	—
March 31, 2015	77.15	—

(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) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2016	232,570	62,828	27.0	872.64
As of March 31, 2015	88,178	58,648	66.5	814.59

(Reference) Shareholders' equity As of March 31, 2016: 62,828 million yen As of March 31, 2015: 58,648 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.

* Implementation status of review procedures

The audit 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 greatly 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. Analysis of Business Results and Financial Position (1) Analysis of Business Results" on page 5 of the attached material.

(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 Thursday, May 12, 2016. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

During the fiscal year ended March 31, 2016 (hereinafter, “the current fiscal year”), 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 the outlook grew increasingly uncertain.

The Japanese economy continued to show a gradual recovery as a whole despite weak consumer spending and production.

In the global market, demand for air freight showed slower growth due to the economic slowdown mainly in Asia.

Under such conditions, the KWE Group’s freight operations saw air freight exports fell 4.4 %^{*1} year-on-year, and air freight imports decreased 2.0 %^{*2}. Sea freight exports increased 16.9%^{*3}, and imports rose 1.0%^{*2}. Logistics showed stable growth overall mainly due to business expansion in Asia that has been our focus in recent years.

The KWE Group acquired all shares in APL Logistics Ltd, a global logistics company headquartered in Singapore in May 2015, and consolidated the company and its group companies (“APLL”). As the deemed acquisition date of APLL was June 30, 2015, its earnings and freight volume (sea freight export volume) for the six months from July 1 to December 31 were consolidated.

Operating results by each segment are as follows. As APLL was included in the scope of consolidation, 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.

Japan

Air freight exports decreased 12.0%^{*1} year-on-year due to a backlash of strong results of automotive-related products to North America handled a year earlier. Air freight imports decreased 2.2%^{*2} due to sluggish shipment excepting steady movements in electronic products. As for sea freight, exports increased 4.8%^{*3} due to increases in machinery, equipment and chemical products shipment, and imports increased 1.7%^{*2} due to steady movements in electronic products. In logistics, the volume increased due to an increase in medical products.

As a result, net sales for Japan, including domestic subsidiaries, decreased 11.0% to 109,427 million yen, and operating income decreased 35.1% to 4,127 million yen.

The Americas

Air freight exports increased 25.9%^{*1} year-on-year due to a demand increase as a result of the U.S. West Coast port congestion and favorable growth in aerospace products and chemical products. Air freight imports increased 2.6%^{*2} due to an increase in automotive-related products. In sea freight, exports were down 13.1%^{*3} because of the increase of shifting to air freight, on the other hand, imports rose 9.7%^{*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 20.7% to 51,914 million yen, and operating income increased 31.0% to 3,778 million yen.

The exchange rate was U.S \$1 = ¥121.05 and U.S \$1 = ¥105.85 for the fiscal year ended March 31, 2016 and 2015, respectively.

Europe, Middle East & Africa

Air freight exports decreased 8.4%^{*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 2.0%^{*2} due to a decrease in machinery-related products. In sea freight, exports remained flat due to overall sluggish growth despite steady handling of automotive-related products, and imports decreased 4.8 %^{*2} due to a decrease in electronic products. In logistics, volume increased mainly in South Africa where the warehouses were expanded and Germany.

As a result, net sales for Europe, Middle East & Africa decreased 3.7% to 35,975 million yen, but operating income increased 34.8% to 992 million yen owing to operating cost reduction.

The exchange rate was €1 = ¥ 134.31 and €1 = ¥ 140.42 for the fiscal year ended March 31, 2016 and 2015, respectively.

East Asia & Oceania

Air freight exports decreased 14.2%^{*1} year-on-year due to a decrease in electronic products and a backlash of project cargo handled a year earlier. Air freight imports decreased 0.8%^{*2} due to overall sluggish growth despite handling of smartphone-related products. As for sea freight, exports decreased 4.1%^{*3} due to a decrease in PCs and its peripherals, and imports decreased 4.8 %^{*2} due to sluggish demand mostly in electronic products. Logistics volume increased due to sales expansion especially in China and South Korea.

As a result, net sales for East Asia & Oceania increased 2.1% to 91,286 million yen, and operating income increased 10.2% to 5,621 million yen, partly due to weaker yen against Chinese yuan, etc.

Southeast Asia

Air freight exports increased 1.6%^{*1} year-on-year due to increases in electronic products and automotive-related products. Air freight imports decreased 6.2%^{*2} due to a slowdown mainly in electronic products. For sea freight, exports increased 6.5%^{*3} due to an increase mainly in parts for motorcycles, and imports also increased 4.5%^{*2} due to increases in PCs and its peripherals. In logistics, overall business increased due to business expansion in Singapore where a large warehouse newly opened in previous year and Thailand.

As a result, net sales for Southeast Asia increased 12.9% to 46,797 million yen, and operating income rose 64.1% to 1,928 million yen due to the effect of various measures for improvement.

APLL

Net sales of logistics service for automotive-related were lower than expected in some regions due to a decline in crude oil price despite a steady growth of logistics and land transportation service in the U.S. Retail-related logistics service 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 on a weak note.

As a result, net sales of APLL was 94,401 million yen and operating loss was 1,404 million yen due to recording costs associated with share acquisition 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 = ¥ 121.87 for the year ended March 31, 2016 (average rate during the period from July 1, 2015 to December 31, 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 current fiscal year increased 28.4% year-on-year to 420,252 million yen, operating income decreased 7.3% to 15,356 million yen, ordinary income decreased 2.8% to 17,907 million yen, and net income attributable to owners of the parent decreased 6.8% to 9,773 million yen.

In terms of future prospects, there are concerns over the prolonged environmental uncertainty in the global logistics market due to economic slowdown in China and emerging countries and actualization of the geopolitical risks.

Under such circumstances, the Group will work on various measures toward achievement of the target following the new Medium-Term Management Plan as described below, with 3 pillars of the strategy: 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.

The forecasts for the fiscal year ending March 31, 2017 are net sales of 534,000 million yen (up 27.1% year-on-year), operating income of 16,400 million yen (up 6.8%), ordinary income of 17,000 million yen (down 5.1%), and net income attributable to owners of the parent of 9,800 million yen (up 0.3%).

(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) Analysis of Financial Position

1) Assets, liabilities, and net assets

Total assets as of March 31, 2016 increased 191,348 million yen year-on-year to 385,902 million yen as APLL had been included in the scope of consolidation.

Current assets increased 47,448 million yen to 178,454 million yen mainly due to increases in cash and deposits of 17,261 million yen and in notes and operating accounts receivable of 19,814 million yen.

Non-current assets increased 143,900 million yen to 207,447 million yen due to an increase in property, plant and equipment of 6,112 million yen and an increase in intangible assets of 131,596 million yen as a result of recording goodwill and customer-related assets related to consolidation of APLL, and investments and other assets of 6,191 million yen.

Total liabilities increased 185,837 million yen to 250,703 million yen.

Current liabilities increased 44,634 million yen to 98,406 million yen mainly due to increases in notes and operating accounts payable-trade of 11,654 million yen and short-term loans payable of 19,664 million yen.

Non-current liabilities increased 141,202 million yen to 152,296 million yen mainly due to an increase in long-term loans payable of 130,711 million yen related to funding for purchase of shares of APL Logistics Ltd and an increase in deferred tax liabilities of 9,201 million yen as a result of recording deferred tax liabilities related to customer-related assets recognized in consolidation of APLL.

Net assets as of March 31, 2016 increased 5,511 million yen to 135,199 million yen.

Shareholders' equity increased 5,169 million yen to 114,777 million yen. This mainly reflected 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 9,773 million yen.

Accumulated other comprehensive income decreased 5,797 million yen to 10,602 million yen. This mainly reflected a

decrease in foreign currency translation adjustment of 4,615 million yen.

Non-controlling interests increased 6,140 million yen to 9,819 million yen mainly due to the inclusion of APLL in the scope of consolidation.

Consequently, the equity ratio decreased to 32.5% from 64.8% as of March 31, 2015.

2) Cash flows

(Millions of yen)

	FY3/15	FY3/16	Change
Cash flows from operating activities	9,457	20,143	10,685
Cash flows from investing activities	(10,870)	(147,207)	(136,336)
Cash flows from financing activities	(1,424)	144,744	146,168
Effect of exchange rate changes on cash and cash equivalents	3,573	(2,476)	(6,050)
Net increase in cash and cash equivalents	736	15,203	14,467
Cash and cash equivalents at end of period	48,700	63,903	15,203

Cash and cash equivalents as of March 31, 2016 totaled 63,903 million yen, an increase of 15,203 million yen year-on-year.

Cash flows from each activity and their significant factors are as follows:

(Cash flows from operating activities)

During the fiscal year ended March 2016, operating activities provided net cash of 20,143 million yen, an increase of 10,685 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 17,847 million yen, depreciation of 5,255 million yen, amortization of goodwill of 1,992 million yen, and a decrease in notes and accounts receivable-trade of 9,581 million yen, and cash outflows due to a decrease in notes and accounts payable-trade of 5,046 million yen, and income taxes paid of 8,594 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 147,207 million yen, up 136,336 million yen year-on-year. This mainly reflected cash outflows due to purchase of shares of subsidiaries (APL Logistics Ltd) resulting in change in scope of consolidation of 139,804 million yen and purchase of property, plant and equipment of 5,735 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities totaled 144,744 million yen, up 146,168 million yen year-on-year. This mainly reflected cash inflows due to proceeds from long-term loans payable of 131,949 million yen and net increase in short-term loans payable of 15,731 million yen, and cash outflows due to cash dividends paid of 1,764 million yen.

(Reference) KWE Group's cash flow indicators

	FY3/13	FY3/14	FY3/15	FY3/16
Equity ratio (%)	64.3	64.5	64.8	32.5
Market-value-based equity ratio (%)	88.3	98.3	99.9	27.9
Interest-bearing debt to operating cash flow (years)	1.6	1.3	1.6	8.2
Interest coverage ratio (times)	29.7	43.6	41.4	25.6

Equity ratio = (Net assets - Non-controlling interests) / Total assets

Market-value-based equity ratio = Total value of shares / Total assets

Interest-bearing debt to operating flow ratio = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payment

(3) Basic Policy Regarding Profit Distributions and Dividends for the Fiscal Year Ended March 2016 and Those Ending March 2017

Taking a comprehensive perspective on how to increase shareholder value, to facilitate future expansion of business both at home and overseas, and to strengthen our operating framework, the Group is committed to the continuation of stable dividend payments, and furthermore, strives to boost dividends each fiscal year based on factors such as consolidated performance and payout ratio.

As the Company strives to achieve a truly sound business infrastructure, retained earnings are put to use in the form of capital investment that aims to both strengthen our financial condition and improve the quality of services to our customers.

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

The Company paid an interim dividend of 20 yen per share (before stock split) and plan to pay a year-end dividend of 16 yen per share based on the above dividend policy and full-year earnings. There is no substantive change from the annual dividends forecasts before stock split announced at the beginning of the fiscal year (52 yen per share).

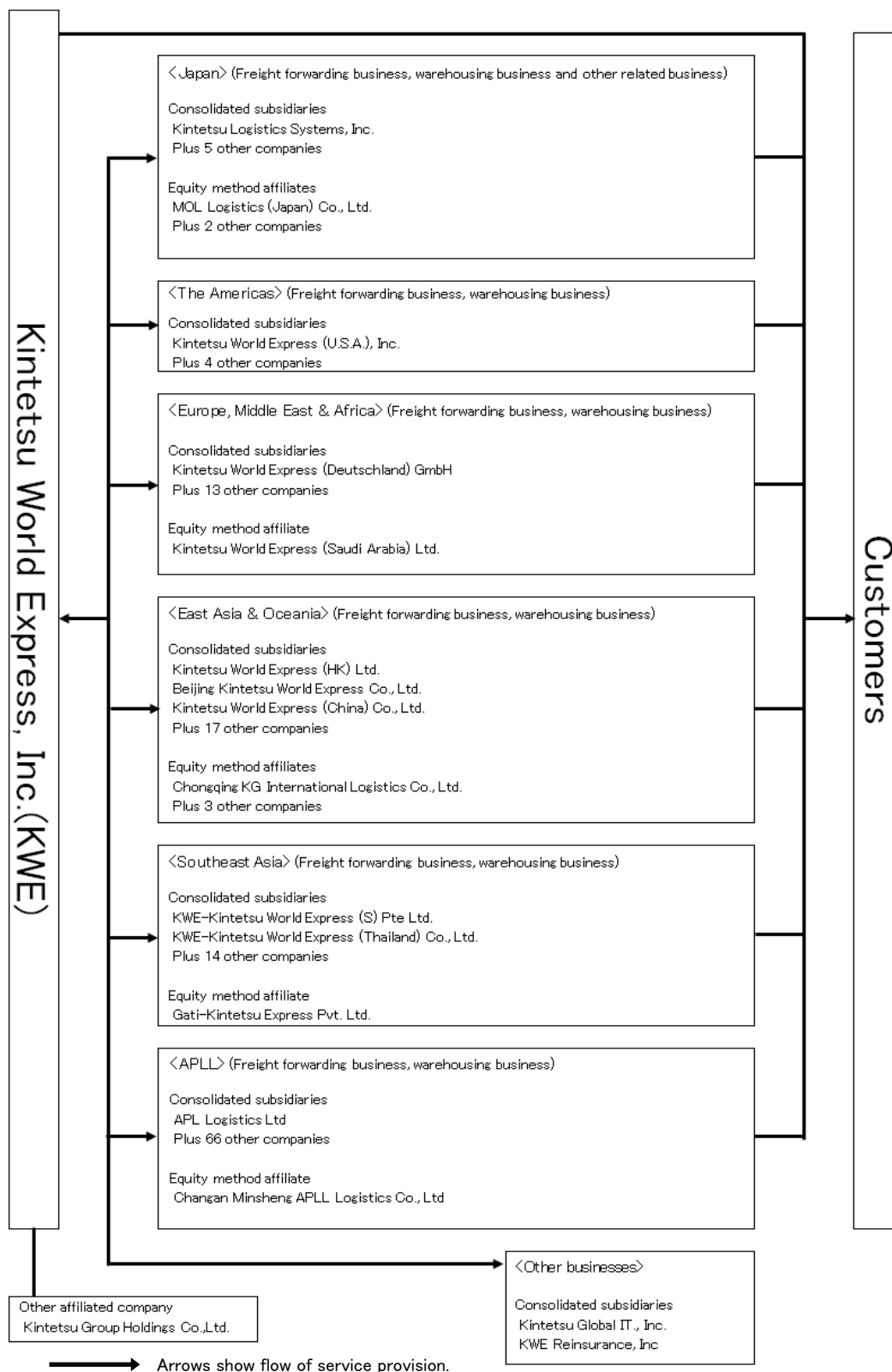
Annual dividends for the fiscal year ending March 31, 2017 are forecasted to be 26 yen per share (consolidated payout ratio: 19.1%) consisting of an interim dividend of 10 yen per share and a year-end dividend of 16 yen per share based on the above dividend policy and earnings forecast for the next fiscal year.

2. The KWE Group

The KWE Group (the Company and its subsidiaries and affiliates) consists of Kintetsu World Express, Inc., 130 consolidated subsidiaries and 10 affiliates accounted for using the equity method, and Kintetsu Group Holdings Co., Ltd. (other affiliated company) and engages in freight forwarding business (air, sea, and land transportation), warehousing business and other related business on a global basis.

The reportable segments of the Company which provide international logistics service in broad areas consist of “Japan” including the Company, Kintetsu Logistics Systems, Inc. and others, “the Americas” including Kintetsu World Express (U.S.A.), Inc. and others, “Europe, Middle East & Africa” including Kintetsu World Express (Deutschland) GmbH and others, “East Asia & Oceania” including Kintetsu World Express (HK) Ltd. and others, “Southeast Asia” including KWE-Kintetsu World Express (S) Pte Ltd. and others, and “APLL” (newly classified as a new reportable segment from the current consolidated fiscal year after the acquisition) including APL Logistics Ltd.

The following diagram shows operations of the KWE Group.



Arrows show flow of service provision.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY3/15 (As of March 31, 2015)	FY3/16 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	53,318	70,580
Notes and operating accounts receivable	68,685	88,500
Securities	7	3,253
Deferred tax assets	1,509	702
Other	7,880	16,571
Allowance for doubtful accounts	(395)	(1,153)
Total current assets	131,006	178,454
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,653	39,633
Accumulated depreciation	(17,768)	(18,508)
Buildings and structures, net	18,884	21,124
Machinery, equipment and vehicles	3,161	3,857
Accumulated depreciation	(2,455)	(2,249)
Machinery and equipment and vehicles, net	705	1,608
Land	11,817	14,006
Leased assets	1,269	1,439
Accumulated depreciation	(662)	(753)
Leased assets, net	606	685
Other	17,685	18,895
Accumulated depreciation	(9,869)	(10,376)
Other, net	7,816	8,518
Total property, plant and equipment	39,831	45,944
Intangible assets		
Goodwill	1,391	75,768
Customer-related assets	–	41,797
Other	1,129	16,550
Total intangible assets	2,520	134,117
Investments and other assets		
Investment securities	15,543	20,318
Long-term loans receivable	248	78
Net defined benefit asset	–	96
Deferred tax assets	585	1,084
Other	4,944	5,894
Allowance for doubtful accounts	(128)	(86)
Total investments and other assets	21,194	27,386
Total non-current assets	63,547	207,447
Total assets	194,553	385,902

(Millions of yen)

	FY3/15 (As of March 31, 2015)	FY3/16 (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes and operating accounts payable – trade	28,683	40,338
Short-term loans payable	8,525	28,190
Lease obligations	158	205
Income taxes payable	2,436	3,470
Deferred tax liabilities	240	293
Provision for bonuses	2,479	4,008
Provision for directors' bonuses	272	335
Other	10,974	21,564
Total current liabilities	53,772	98,406
Non-current liabilities		
Long-term loans payable	6,608	137,320
Lease obligations	441	471
Deferred tax liabilities	664	9,866
Net defined benefit liability	3,295	2,640
Other	83	1,998
Total non-current liabilities	11,093	152,296
Total liabilities	64,865	250,703
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,867	4,293
Retained earnings	97,526	103,271
Treasury shares	(2)	(3)
Total shareholders' equity	109,607	114,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,187	1,338
Deferred gains or losses on hedges	39	(4)
Foreign currency translation adjustment	14,089	9,473
Remeasurements of defined benefit plans	84	(205)
Total accumulated other comprehensive income	16,400	10,602
Non-controlling interests	3,679	9,819
Total net assets	129,687	135,199
Total liabilities and net assets	194,553	385,902

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

(Consolidated Statements of Income)

(Millions of yen)

	FY3/15 (April 1, 2014 – March 31, 2015)	FY3/16 (April 1, 2015 – March 31, 2016)
Net sales	327,192	420,252
Operating cost	274,636	348,489
Operating gross profit	52,556	71,762
Selling, general, and administrative expenses	35,992	56,405
Operating income	16,563	15,356
Non-operating income		
Interest income	511	632
Dividends income	28	33
Amortization of negative goodwill	35	11
Share of profit of entities accounted for using equity method	255	651
Foreign exchange gains	1,231	1,491
Subsidy income	217	553
Miscellaneous income	226	223
Total non-operating income	2,506	3,597
Non-operating expenses		
Interest expenses	228	802
Miscellaneous expenses	412	244
Total non-operating expenses	640	1,046
Ordinary income	18,429	17,907
Extraordinary income		
Gain on revision of retirement benefit plan	–	523
Total extraordinary income	–	523
Extraordinary losses		
Impairment loss	–	559
Loss on retirement of non-current assets	24	12
Loss on valuation of investment securities	–	10
Loss on U.S. antitrust matter	2,032	–
Total extraordinary losses	2,057	583
Income before income taxes	16,372	17,847
Income taxes – current	6,016	5,931
Income taxes – deferred	(668)	1,184
Total income taxes	5,348	7,115
Net income	11,024	10,731
Net income attributable to non-controlling interests	535	958
Net income attributable to owners of the parent	10,489	9,773

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY3/15 (April 1, 2014 –March 31, 2015)	FY3/16 (April 1, 2015 –March 31, 2016)
Net income	11,024	10,731
Other comprehensive income		
Valuation difference on available-for-sale securities	944	(851)
Deferred gains or losses on hedges	39	(43)
Foreign currency translation adjustment	6,891	(4,200)
Remeasurements of defined benefit plans	407	(294)
Share of other comprehensive income of entities accounted for using equity method	824	(735)
Total other comprehensive income	9,107	(6,125)
Comprehensive income	20,131	4,606
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	19,275	4,037
Comprehensive income attributable to non-controlling interests	856	568

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,867	88,650	(1)	100,732
Cumulative effects of changes in accounting policies			(101)		(101)
Restated balance	7,216	4,867	88,549	(1)	100,630
Changes of items during period					
Dividends of surplus			(1,511)		(1,511)
Net income attributable to owners of the parent			10,489		10,489
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	8,977	(0)	8,976
Balance at end of current period	7,216	4,867	97,526	(2)	109,607

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,242	—	6,695	(324)	7,614	2,884	111,231
Cumulative effects of changes in accounting policies							(101)
Restated balance	1,242	—	6,695	(324)	7,614	2,884	111,129
Changes of items during the period							
Dividends of surplus							(1,511)
Net income attributable to owners of the parent							10,489
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	944	39	7,393	409	8,786	794	9,580
Total changes of items during period	944	39	7,393	409	8,786	794	18,557
Balance at end of current period	2,187	39	14,089	84	16,400	3,679	129,687

For the Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,867	97,526	(2)	109,607
Cumulative effects of changes in accounting policies		(574)	(2,264)		(2,838)
Restated balance	7,216	4,293	95,262	(2)	106,769
Changes of items during period					
Dividends of surplus			(1,763)		(1,763)
Net income attributable to owners of the parent			9,773		9,773
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	8,009	(1)	8,007
Balance at end of current period	7,216	4,293	103,271	(3)	114,777

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,187	39	14,089	84	16,400	3,679	129,687
Cumulative effects of changes in accounting policies			(62)		(62)		(2,900)
Restated balance	2,187	39	14,027	84	16,338	3,679	126,787
Changes of items during the period							
Dividends of surplus							(1,763)
Net income attributable to owners of the parent							9,773
Purchase of treasury shares							(1)
Net changes of items other than shareholders' equity	(848)	(43)	(4,553)	(290)	(5,735)	6,140	404
Total changes of items during period	(848)	(43)	(4,553)	(290)	(5,735)	6,140	8,412
Balance at end of current period	1,338	(4)	9,473	(205)	10,602	9,819	135,199

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/15 (April 1, 2014 – March 31, 2015)	FY3/16 (April 1, 2015 – March 31, 2016)
Cash flows from operating activities		
Income (loss) before income taxes	16,372	17,847
Depreciation	2,720	5,255
Impairment loss	–	559
Amortization of goodwill	121	1,992
Amortization of negative goodwill	(35)	(11)
Increase (decrease) in provision for bonuses	329	373
Increase (decrease) in provision for directors' bonuses	14	75
Increase (decrease) in net defined benefit liability	442	(966)
Increase (decrease) in allowance for doubtful accounts	28	(1)
Interest and dividends income	(540)	(665)
Interest expenses	228	802
Share of (profit) loss of entities accounted for using equity method	(255)	(651)
Loss (gain) on sales of non-current assets	(25)	(52)
Loss on retirement of non-current assets	24	12
Loss (gain) on sales of investment securities	(2)	(9)
Loss (gain) on valuation of investment securities	–	10
Loss on valuation of golf club memberships	5	5
Loss on U.S. antitrust matter	2,032	–
Gain on revision of retirement benefit plan	–	(523)
Decrease (increase) in notes and accounts receivable–trade	(7,483)	9,581
Increase (decrease) in notes and accounts payable–trade	2,097	(5,046)
Other, net	867	(46)
Subtotal	16,942	28,542
Interest and dividends income received	735	984
Interest expenses paid	(228)	(788)
Payment for U.S. antitrust matter	(2,032)	–
Payment for antitrust matter	(64)	–
Income taxes paid	(5,893)	(8,594)
Net cash provided by operating activities	9,457	20,143
Cash flows from investing activities		
Payments into time deposits	(3,878)	(6,889)
Proceeds from withdrawal of time deposits	2,135	6,450
Purchase of property, plant and equipment	(4,889)	(5,735)
Proceeds from sales of property, plant and equipment	34	142
Purchase of investment securities	(2,287)	(2,907)
Proceeds from sales and redemption of securities	67	2,478
Payments of loans receivable	(264)	(302)
Collection of loans receivable	1,497	326
Payments for lease and guarantee deposits	(356)	(354)
Proceeds from collection of lease and guarantee deposits	285	437
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(396)	(139,804)
Other, net	(2,818)	(1,047)
Net cash provided by (used in) investing activities	(10,870)	(147,207)

	FY3/15 (April 1, 2014 – March 31, 2015)	FY3/16 (April 1, 2015 – March 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	15,731
Repayments of finance lease obligations	(176)	(183)
Proceeds from long-term loans payable	1,470	131,949
Repayment of long-term loans payable	(565)	(466)
Purchase of treasury shares	(0)	(1)
Cash dividends paid	(1,517)	(1,764)
Dividends paid to non-controlling interests	(335)	(520)
Net cash provided by (used in) financing activities	(1,424)	144,744
Effect of exchange rate changes on cash and cash equivalents	3,573	(2,476)
Net increase (decrease) in cash and cash equivalents	736	15,203
Cash and cash equivalents at beginning of period	47,963	48,700
Cash and cash equivalents at end of period	48,700	63,903

(Changes in Accounting Policies)

From the beginning 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 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 consolidated fiscal year in which the date of the business combination belongs. In addition, the expression for net income, 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 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 current consolidated fiscal year.

As a result, goodwill decreased by 563 million yen, capital surplus decreased by 574 million yen, retained earnings decreased by 2,264 million yen, and foreign currency translation adjustment decreased by 62 million yen as of April 1, 2015. In addition, operating income decreased by 668 million yen and both ordinary income and income before income taxes for the year ended March 31, 2016 decreased by 692 million yen, respectively.

In the consolidated statements of cash flows for the year ended March 31, 2016, 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.”

In the consolidated statements of changes in net assets for the year ended March 31, 2016, capital surplus decreased by 574 million yen, retained earnings decreased by 2,264 million yen, and foreign currency translation adjustment decreased by 62 million yen as a result of reflecting the cumulative effects on net assets at the beginning of the current fiscal year.

[Segment Information]

a. Segment information

1. Summary of reportable segments

(1) Method for determining reportable segments

Reportable segments are determined based on the parts of the business for which it is possible to obtain separate financial information and that the Board of Directors regularly examines in order to evaluate decisions on allocation of management resources and earnings. KWE has established Corporate Strategy Headquarters at the head office that sets comprehensive strategy and manages business for operations both within Japan and overseas, and is composed of the following six segments: “Japan”, “The Americas”, “Europe, Middle East & Africa”, “East Asia & Oceania”, “Southeast Asia”, and “APLL”.

(2) Services of each reportable segment

In “Japan,” “The Americas,” “Europe, Middle East & Africa,” “East Asia & Oceania,” and “Southeast Asia,” the Company provides services focused on air freight forwarding, sea freight forwarding, and logistics (warehousing). In “APLL,” the Company provides services focused on logistics (truck and rail transport, and warehousing) and sea freight forwarding.

(3) Matters related to changes in reportable segments

During the year ended March 31, 2016, the Company acquired all shares in APL Logistics Ltd and APLL was included in the scope of consolidation, therefore, its business performance was newly classified as a new reportable segment.

2. Calculation method used for sales, income / loss, assets and other items for each reportable segment

Segment income (loss) refers to operating income (loss) for each reportable segment. Inter-segment sales/transfers are based on market value.

As described in “Changes in accounting policies,” the Company has adopted “Revised Accounting Standard for Business Combinations”, etc. from the beginning 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 15 million yen, “East Asia & Oceania” increased by 0 million yen, “Southeast Asia” increased by 52 million yen and “APLL” decreased by 737 million yen compared to those calculated under the previous method.

3. Information about sales, income / loss, assets and other items for each reportable segment

Fiscal year ended March 2015 (April 1, 2014– March 31, 2015)

(Millions of yen)

	Reportable segment							Other Note 1	Total	Adjustment Note 2	Carrying amount on 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	120,669	40,912	36,186	88,479	40,613	—	326,861	331	327,192	—	327,192
Inter-segment sales/transfers	2,239	2,100	1,168	941	820	—	7,269	1,535	8,805	(8,805)	—
Total net sales	122,908	43,012	37,355	89,420	41,433	—	334,130	1,866	335,997	(8,805)	327,192
Segment income	6,355	2,884	736	5,101	1,175	—	16,252	307	16,559	3	16,563
Segment assets	77,642	23,694	17,380	55,723	27,575	—	202,016	1,997	204,014	(9,460)	194,553
Other											
Depreciation	1,111	238	263	559	437	—	2,610	109	2,720	—	2,720
Amortization of goodwill	52	—	15	0	52	—	121	—	121	—	121
Investment in equity-method affiliates	1,922	—	98	2,084	5,014	—	9,120	—	9,120	—	9,120
Increase in property, plant and equipment and intangible assets	1,761	580	285	1,335	1,419	—	5,382	34	5,417	—	5,417

Notes: 1. Other refers to business not included in reportable segments and provides incidental logistics related services within the Group.

2. Adjustments are as follows.

(1) The 3 million yen adjustment in segment income adjustment refers to inter-segment transaction eliminations.

(2) The (9,460) million yen adjustment in segment assets includes (16,976) million yen of inter-segment eliminations and 7,515 million yen of the Company's surplus operating cash (cash and deposits), which are not allocated to the specific segments.

3. Segment income has been adjusted for the operating income appearing in the 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

Fiscal year ended March 2016 (April 1, 2015– March 31, 2016)

(Millions of yen)

	Reportable segment							Other Note 1	Total	Adjustment Note 2	Carrying amount on 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	106,635	48,409	34,886	89,740	45,833	94,399	419,905	346	420,252	—	420,252
Inter-segment sales/transfers	2,791	3,504	1,088	1,545	963	2	9,897	1,762	11,659	(11,659)	—
Total net sales	109,427	51,914	35,975	91,286	46,797	94,401	429,802	2,109	431,911	(11,659)	420,252
Segment income	4,127	3,778	992	5,621	1,928	(1,404)	15,043	308	15,351	4	15,356
Segment assets	69,577	24,181	16,341	54,642	25,815	199,606	390,164	2,117	392,282	(6,380)	385,902
Other											
Depreciation	1,180	246	241	740	517	2,267	5,193	61	5,255	—	5,255
Amortization of goodwill	47	—	—	—	—	1,944	1,992	—	1,992	—	1,992
Investment in equity-method affiliates	2,155	—	183	1,768	4,702	6,541	15,351	—	15,351	—	15,351
Increase in property, plant and equipment and intangible assets	3,032	166	397	545	450	2,440	7,032	79	7,112	—	7,112

Notes: 1. Other refers to business not included in reportable segments and provides incidental logistics related services within the Group.

2. Adjustments are as follows.

(1) The 4 million yen adjustment in segment income adjustment refers to inter-segment transaction eliminations.

(2) The (6,380) million yen adjustment in segment assets includes (15,024) million yen of inter-segment eliminations and 8,643 million yen of the Company's surplus operating cash (cash and deposits), which are not allocated to the specific segments.

3. Segment income has been adjusted for the operating income appearing in the 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

b. Related information

I. Fiscal year ended March 2015 (April 1, 2014 – March 31, 2015)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	179,236	76,678	36,652	34,625	327,192

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America	China	Asia & Oceania	Europe	Latin America	Other	Total
120,669	39,442	69,368	59,724	29,988	1,800	6,198	327,192

Notes: 1. Net sales are classified by country or geographic area where service is rendered.

2. Major countries or regions except Japan in each category are as follows:

- (1) North America: United States, Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Brazil
- (6) Other: South Africa, UAE

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	China	Asia & Oceania	Europe	Latin America	Other	Total
24,779	3,909	2,703	7,673	557	17	191	39,831

Notes: 1. Major countries or regions except Japan in each category are as follows:

- (1) North America: United States, Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Brazil
- (6) Other: South Africa, UAE

3. Information by major customer

Information has been omitted as there are no individual KWE Group customers that account for 10% or more of the net sales indicated on the consolidated statements of income.

II. Fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	168,768	115,961	101,380	34,141	420,252

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America	China	Asia & Oceania	Europe	Latin America	Other	Total
106,662	88,952	82,233	76,649	37,804	20,230	7,718	420,252

Notes: 1. Net sales are classified by country or geographic area where service is rendered.

2. Major countries or regions except Japan in each category are as follows:

- (1) North America: United States, Canada
(2) China: China, Hong Kong
(3) Asia & Oceania: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
(4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
(5) Latin America: Mexico, Chile, Brazil
(6) Other: South Africa, UAE

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	China	Asia & Oceania	Europe	Latin America	Other	Total
26,304	5,815	3,020	9,158	508	801	334	45,944

Notes: 1. Major countries or regions except Japan in each category are as follows:

- (1) North America: United States, Canada
(2) China: China, Hong Kong
(3) Asia & Oceania: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
(4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
(5) Latin America: Mexico, Chile, Brazil
(6) Other: South Africa, UAE

3. Information by major customer

Information has been omitted as there are no individual KWE Group customers that account for 10% or more of the net sales indicated on the consolidated statements of income.

c. Information regarding impairment loss of non-current assets for each reportable segment

Fiscal year ended March 2015 (April 1, 2014 – March 31, 2015)

There are no applicable matters to be reported.

Fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	—	—	—	—	—	559	559	—	559

d. Information about goodwill amortization amount and year-end balance for each reportable segment

Fiscal year ended March 2015 (April 1, 2014 – March 31, 2015)

(Millions of yen)

		Reportable Segment							Other	Total
		Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Goodwill	Amortization amount for the year	52	—	15	0	52	—	121	—	121
	Year-end balance	1,000	—	154	2	531	—	1,688	—	1,688
Negative Goodwill	Amortization amount for the year	—	—	—	28	6	—	35	—	35
	Year-end balance	—	—	—	205	91	—	297	—	297

Fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

(Millions of yen)

		Reportable Segment							Other	Total
		Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Goodwill	Amortization amount for the year	47	—	—	—	—	1,944	1,992	—	1,992
	Year-end balance	853	—	—	—	—	75,059	75,913	—	75,913
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	144	—	144	—	144

e. Information about gains on negative goodwill for each reportable segment

Fiscal year ended March 2015 (April 1, 2014 – March 31, 2015)

There are no applicable matters to be reported.

Fiscal year ended March 2016 (April 1, 2015 – March 31, 2016)

There are no applicable matters to be reported.