Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 [J-GAAP] (Consolidated)

August 9, 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
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The date of filing the quarterly financial statements: August 12, 2016
The date of the dividend payment start (planned): -
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 three months of the fiscal year ending March 2017 (April 1, 2016– June 30, 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	
First three months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
June 30, 2016	114,074	37.9	1,915	(25.3)	1,981	(30.4)	69	(95.0)
June 30, 2015	82,752	10.0	2,564	(19.7)	2,846	(20.4)	1,374	108.5

(Note) Comprehensive income First three months ended June 30, 2016: (16,736) million yen (— %)
First three months ended June 30, 2015: 3,071 million yen (— %)

	Net income per share	Diluted net income per share
First three months ended	(Yen)	(Yen)
June 30, 2016	0.96	—
June 30, 2015	19.09	—

(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, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of June 30, 2016	359,812	113,019	29.2	1,461.71
As of March 31, 2016	385,902	135,199	32.5	1,741.44

(Reference) Shareholders' equity As of June 30, 2016: 105,239 million yen As of March 31, 2016: 125,379 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2016	—	20.00	—	16.00	—
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (Forecasts)		10.00	—	16.00	26.00

(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. For 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	232,000	40.9	5,000	(24.2)	5,000	(29.0)	1,500	(63.8)	20.83
Full fiscal year	481,000	14.5	12,500	(18.6)	13,000	(27.4)	7,000	(28.4)	97.23

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

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): No

(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.: No

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of June 30, 2016:	72,000,000 shares	As of March 31, 2016:	72,000,000 shares
(b) Number of treasury shares	As of June 30, 2016:	2,309 shares	As of March 31, 2016:	2,309 shares
(c) Average number of shares during the period	First three months ended June 30, 2016:	71,997,691 shares	First three months ended June 30, 2015:	71,998,358 shares

(Note) The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Average number of shares during first three months ended June 30, 2015 is calculated based on the assumption that the stock split was conducted on April 1, 2015.

* 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 the Company 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 Three Months of the Fiscal Year Ending March 2017 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecast" on page 5.

(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 August 9, 2016. 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 Three Months of the Fiscal Year Ending March 2017

(1) Explanation about Operating Results

During the three months ended June 30, 2016, the global economy experienced a greater uncertainty due to the instability of financial market caused by economic downturn in emerging countries including China and the Brexit concerns.

The Japanese economy experienced a growing concern over the stagnant economy due to yen appreciation, sluggish global economy in addition to a decrease in consumer confidence.

In the global market, demands for both air and sea freight forwarding were stagnant overall due to the economic slowdown mainly in Asia.

Under such conditions, the KWE Group started its Mid-Term Management Plan "Going to the Next Phase!" (for the three-year period from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019) and the various measures toward the Group's further growth.

Operating results by each segment are as follows.

Starting from the current fiscal year, consolidated subsidiaries unified the fiscal year-end from December 31 to March 31, except for APLL (APL Logistics Ltd and its group companies),, and there is three-month difference in the year-on-year comparison. Therefore, the year-on-year comparison of volume is omitted for all segments except Japan.

Japan

Air freight exports increased 3.3%*1 year-on-year due to favorable shipment of semiconductor manufacturing equipment despite sluggish shipment of automotive-related products. Air freight imports decreased 4.2%*2 due to inactive shipment mainly in electronic products. As for sea freight, exports increased 7.0%*3 due to increases in equipment, machinery and semiconductor-related items, 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 8.2% to 25,951 million yen, and operating income decreased 51.8 % to 452 million yen due to increase in operating cost.

*1 based on weight *2 based on number of shipments *3 based on TEUs (Twenty-foot Equivalent Units)

The Americas

Air freight exports decreased due to a backlash of increased demand in the previous year caused by the U.S. West Coast port congestion. Air freight imports also decreased in automotive-related products. In sea freight, exports increased steadily in aerospace products and imports also showed a steady increase mainly with existing customers. Logistics were weak due to decline in shipment for major customers in the U.S. and Canada.

As a result, net sales for the Americas decreased 21.7 % to 10,416 million yen, and operating income fell 32.5 % to 522 million yen.

The exchange rate was U.S.$1 = ¥ 108.14 and U.S.$1 = ¥ 119.09 for the three months ended June 30, 2016 and the three months ended March 31, 2015, respectively.

Europe, Middle East & Africa

Air freight exports and imports were weak due to sluggish shipment with existing customers in addition to little spot shipment. In sea freight, while volume of plant-related products increased for export, import volume was low due to slackened shipment of electronic products. In logistics, the volume increased mainly in South Africa and Netherlands.

As a result, net sales for Europe, Middle East & Africa decreased 19.1% to 7,031 million yen, and operating income decreased 13.2 % to 119 million yen.

The exchange rate was €1 = ¥ 122.02 and €1 = ¥ 134.18 for the three months ended June 30, 2016 and the three months ended March 31, 2015, respectively.

East Asia & Oceania

Air freight exports and imports weakened due mainly to sluggish shipment in electronic products. As for sea freight, exports showed a steady increase due to stable shipment of existing customers and sales expansion, and imports increased in semiconductor-related products. Logistics volume increased overall due to business expansion in China.

As a result, net sales for East Asia & Oceania decreased 18.8% to 18,419 million yen, but operating income increased 34.5 % to 1,340 million yen due to decrease in operating cost.

Southeast Asia

Air freight exports increased due to increases in equipment shipments and automotive-related products. Air freight imports showed slow movements mainly in smartphone-related products. For sea freight, exports increased due to an increase of shipment with existing customers, and imports also increased in telecommunication-related products. Logistics volume increased in Thailand and Philippines.

As a result, net sales for Southeast Asia decreased 14.8 % to 10,449 million yen, and operating income rose 30.9 % to 496 million yen due to decrease in operating cost.

APLL

Logistics service for automotive showed a steady increase, but logistics service for retail, consumer and industrial field lacked active movements overall although it varied depending on customers. Sea freight forwarding was sluggish overall.

As a result, net sales of APLL was 43,879 million yen and operating loss was 1,125 million yen due mainly to costs for enhancement of business base and goodwill amortization, associated with the separation from the former parent company.

APLL was included in the scope of consolidation from the three months ended December 31, 2015, and therefore there are no year-on-year comparisons.

The exchange rate was U.S. $1 = ¥ 115.48 for the three months ended June 30, 2016 (APLL used the average rate for the period from January 1, 2016 to March 31, 2016 because APLL's fiscal year-end remained unchanged from December 31).

As described above, net sales for the three months ended June 30, 2016 increased 37.9% to 114,074 million yen partly due to inclusion of APLL in the scope of consolidation, operating income decreased 25.3 % to 1,915 million yen, ordinary income decreased 30.4 % to 1,981 million yen, and net income attributable to owners of the parent fell 95.0 % to 69 million yen.

(2) Explanation about Financial Position

Assets, liabilities, and net assets

Total assets as of June 30, 2016 decreased 26,089 million yen from March 31, 2016 to 359,812 million yen. Current assets decreased 18,083 million yen to 160,371 million yen due to decreases in cash and deposits of 4,999 million yen and in notes and operating accounts receivable of 6,174 million yen and in other current assets of 6,910 million yen. Non-current assets decreased 8,006 million yen to 199,441 million yen due to decreases in property, plant and equipment of 615 million yen and intangible assets of 7,394 million yen.

Total liabilities decreased 3,910 million yen to 246,792 million yen. Current liabilities decreased 3,088 million yen to 95,317 million yen due to increases in short-term loans payable of 2,385 million yen, and decreases in notes and operating accounts payable-trade of 3,977 million yen and other current liabilities of 729 million yen. Non-current liabilities decreased 821 million yen to 151,474 million yen due to decreases in long-term loans payable of 256 million yen and other non-current liabilities of 606 million yen.

Total net assets as of June 30, 2016 decreased 22,179 million yen from March 31, 2016 to 113,019 million yen due to a decrease in foreign currency translation adjustment of 20,099 million yen as a result of yen appreciation despite increases in retained earnings and valuation difference on available-for-sale securities.

Consequently, the equity ratio decreased to 29.2% from 32.5 % as of March 31, 2016.

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

The Group revised consolidated earnings forecasts for the six months ending September 30, 2016 and the year ending March 31, 2017 announced on May 11, 2016 as follows:

1. Revision of forecast for the six months ending September 30, 2016 (April 1, 2016—September 30, 2016)

(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 May 11, 2016)	256,000	6,800	7,100	3,400	¥47.22
Revised forecast (B)	232,000	5,000	5,000	1,500	¥20.83
Differences (B) – (A)	(24,000)	(1,800)	(2,100)	(1,900)	—
Change (%)	(9.4)	(26.5)	(29.6)	(55.9)	—
(Ref.) Six months ended September 30, 2015	164,620	6,595	7,038	4,140	¥57.51

2. Revision of forecast for the year ending March 31, 2017 (April 1, 2016— March 31, 2017)

(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 May 11, 2016)	534,000	16,400	17,000	9,800	¥136.11
Revised forecast (B)	481,000	12,500	13,000	7,000	¥97.23
Differences (B) – (A)	(53,000)	(3,900)	(4,000)	(2,800)	—
Change (%)	(9.9)	(23.8)	(23.5)	(28.6)	—
(Ref.) Year ended March 31, 2016	420,252	15,356	17,907	9,773	¥135.74

(Reason of revision)

KWE Japan showed dull performance due to a decline in operating margin resulted from net sales decrease in air freight; APLL showed unfavorable results due to stagnant net sales in sea freight forwarding and costs for enhancement of business base associated with the separation from the former parent company; and it is also expected that a difficult condition will continue in and after the three months ending September 30, 2016.

(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

Not applicable.

(Changes in the fiscal year, etc. of consolidated subsidiaries)

Previously, Kintetsu World Express (U.S.A.), Inc. and other 61 consolidated subsidiaries that had fiscal year-end of December 31 were consolidated with certain adjustments made for material transactions that took place between December 31 and March 31 which is the consolidated fiscal year-end. However, in order to ensure more appropriate disclosure of the consolidated financial statements, Kintetsu World Express (U.S.A.), Inc. and other 43 consolidated subsidiaries changed their fiscal year-end to March 31, and Kintetsu World Express (China) Co., Ltd. and other 17 consolidated subsidiaries prepared the provisional financial statements as of June 30, 2016. As a result, the consolidate financial statements for the three months ended June 30, 2016 contain the results for the three months from April 1, 2016 to June 30, 2016.

Accordingly, earnings from January 1, 2016 to March 31, 2016 were adjusted in retained earnings in 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 June 30, 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/16 (As of March 31, 2016)	First quarter of FY3/17 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	70,580	65,581
Notes and operating accounts receivable	88,500	82,325
Other	20,527	13,616
Allowance for doubtful accounts	(1,153)	(1,152)
Total current assets	178,454	160,371
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,124	20,025
Land	14,006	14,046
Other, net	10,813	11,256
Total property, plant and equipment	45,944	45,328
Intangible assets		
Goodwill	75,768	72,334
Customer-related assets	41,797	38,539
Other	16,550	15,848
Total intangible assets	134,117	126,723
Total investments and other assets	27,386	27,389
Total non-current assets	207,447	199,441
Total assets	385,902	359,812
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	40,338	36,360
Short-term loans payable	28,190	30,576
Income taxes payable	3,470	3,533
Provision for bonuses	4,008	3,419
Provision for directors' bonuses	335	93
Other	22,063	21,334
Total current liabilities	98,406	95,317
Non-current liabilities		
Long-term loans payable	137,320	137,063
Net defined benefit liability	2,640	2,681
Other	12,335	11,729
Total non-current liabilities	152,296	151,474
Total liabilities	250,703	246,792

(Millions of yen)

	FY3/16 (As of March 31, 2016)	First quarter of FY3/17 (As of June 30, 2016)
Net assets		
Shareholders’ equity		
Capital stock	7,216	7,216
Capital surplus	4,293	4,018
Retained earnings	103,271	103,439
Treasury shares	(3)	(3)
Total shareholders’ equity	114,777	114,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,338	1,495
Deferred gains or losses on hedges	(4)	–
Foreign currency translation adjustment	9,473	(10,625)
Remeasurements of defined benefit plans	(205)	(299)
Total accumulated other comprehensive income	10,602	(9,429)
Non-controlling interests	9,819	7,780
Total net assets	135,199	113,019
Total liabilities and net assets	385,902	359,812

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

(Millions of yen)

	First three months of FY3/16 (April 1, 2015 – June 30, 2015)	First three months of FY3/17 (April 1, 2016 – June 30, 2016)
Net sales	82,752	114,074
Operating cost	70,187	94,409
Operating gross profit	12,564	19,665
Selling, general and administrative expenses	9,999	17,749
Operating income	2,564	1,915
Non-operating income		
Interest income	154	135
Dividends income	9	12
Amortization of negative goodwill	2	2
Share of profit of entities accounted for using equity method	–	95
Foreign exchange gains	216	2
Miscellaneous income	36	83
Total non-operating income	419	332
Non-operating expenses		
Interest expenses	117	234
Share of loss of entities accounted for using equity method	12	–
Miscellaneous expenses	7	31
Total non-operating expenses	138	266
Ordinary income	2,846	1,981
Extraordinary income		
Settlement received	–	431
Total extraordinary income	–	431
Extraordinary loss		
Loss on retirement of non-current assets	2	5
Total extraordinary losses	2	5
Income before income taxes	2,843	2,407
Income taxes	1,352	2,022
Net income	1,490	384
Net income attributable to non-controlling interests	116	315
Net income attributable to owners of the parent	1,374	69

(Millions of yen)

	First three months of FY3/16 (April 1, 2015 – June 30, 2015)	First three months of FY3/17 (April 1, 2016 – June 30, 2016)
Net income	1,490	384
Other comprehensive income		
Valuation difference on available-for-sale securities	(210)	159
Deferred gains or losses on hedges	(39)	4
Foreign currency translation adjustment	1,720	(16,243)
Remeasurements of defined benefit plans	27	(7)
Share of other comprehensive income of entities accounted for using equity method	82	(1,033)
Total other comprehensive income	1,580	(17,121)
Comprehensive income	3,071	(16,736)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,965	(16,345)
Comprehensive income attributable to non-controlling interests	105	(390)

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

I First three months of the fiscal year ended March 2016 (April 1, 2015 – June 30, 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	27,678	12,192	8,377	22,382	12,035	—	82,666	85	82,752	—	82,752
Inter-segment sales/transfers	601	1,105	316	294	225	—	2,543	516	3,060	(3,060)	—
Total net sales	28,280	13,297	8,694	22,677	12,260	—	85,209	602	85,812	(3,060)	82,752
Segment income (loss)	938	774	138	996	379	(816)	2,409	154	2,564	0	2,564

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. 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, resulting in an increase of 78,158 million yen in goodwill in APLL segment.

As 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 three months ended June 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.

II First three months of the fiscal year ending March 2017 (April 1, 2016 – June 30, 2016)

2. 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	25,302	9,716	6,821	18,052	10,221	43,879	113,994	80	114,074	—	114,074
Inter-segment sales/transfers	649	699	210	366	228	0	2,153	436	2,590	(2,590)	—
Total net sales	25,951	10,416	7,031	18,419	10,449	43,879	116,148	517	116,665	(2,590)	114,074
Segment income (loss)	452	522	119	1,340	496	(1,125)	1,805	108	1,914	0	1,915

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

(Significant change in goodwill)

During the three months ended June 30, 2016, "APLL" segment acquired shares of India Infrastructure and Logistics Private Limited and consolidated the company, which resulted in an increase in goodwill of 2,406 million yen. The amount of goodwill is based on a provisional calculation as allocation of the acquisition cost is not completed.

(Business Combinations)

1. Business combination through acquisition

(1) Summary of business combination

1) Company name and description of acquired business

Company name: India Infrastructure and Logistics Private Limited

Description of acquired business: Railway transportation business

2) Main reason for the business combination

The Company considers that the investment in India Infrastructure and Logistics Private Limited which engages in railway transportation business in India allows the Company to take in transportation demand with expanded transportation services in the Indian domestic transportation market which has high growth potential as well as to strengthen logistics business in India. We also consider that it will provide more opportunities to capture demand of international freight transportation connected to Indian domestic transportation, which will contribute to the KWE Group' s business expansion.

3) Date of business combination

January 15, 2016

4) Legal form of business combination

Acquisition of shares

5) Name of acquired company after business combination

The name of the acquired company was not changed.

6) Share of voting rights acquired

Voting rights ratio immediately before the business combination: 0%

Voting rights at the date of business combination: 100%

Voting rights after the business combination: 100%

7) Basis of determining of acquisition

APL Logistics Ltd and APL Logistics Americas, Ltd, our subsidiaries, acquired all shares of the company in exchange for promissory note.

(2) Period of earnings of the acquired business included in the consolidated statement of income for the three months ended June 30, 2016.

From January 1, 2016 to March 31, 2016

(3) Acquisition cost and details

Consideration for acquisition of shares: Promissory note of ¥ 4,572 million

(4) Goodwill recognized, reason for recognition, amortization method and period

1) Goodwill recognized

2,555 million yen

As allocation of the acquisition cost has not been completed, the amount of goodwill is calculated provisionally.

2) Reason for recognition of goodwill

Mainly arising from expected excess earning power with future business development

3) Amortization method and period

Straight-line method over 20 years

2. Transaction under common control

Additional acquisition of shares of a subsidiary

(1) Overview of the transaction

1) Company name and business description of the combined companies

Company name: APL Logistics Vascor Automotive Private Limited

Description of acquired business: Railway transportation business and automotive-related logistics business in India

2) Date of business combination

March 11, 2016

3) Legal form of business combination

Acquisition of shares from non-controlling interests

4) Name of acquired company after business combination

The name of the acquired company was not changed.

5) Other matters related to the transaction

In order to strengthen transportation business in Indian domestic market which has high growth potential, APL Logistics Ltd, our subsidiary, acquired shares of APL Logistics Vascor Automotive Private Limited held by non-controlling interest shareholders, resulting in the shareholding ratio in the company (including indirect holdings) of 75%.

(2) Outline of accounting treatment

The transaction was accounted for as a transaction with non-controlling interest shareholders under common control, in accordance with "Accounting Standard for Business Combination" and "Guideline on Accounting Standard for Business Combination and Accounting Standard for Business Divestiture."

(3) Matters related to additional acquisition of shares of a subsidiary

Acquisition cost and details

Consideration for the acquisition of share: Promissory note of ¥979million