



## Financial Results for the Fiscal Year Ended March 31, 2017 [J-GAAP]

May 11, 2017

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 Nobutoshi Torii  
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 The date of the ordinary general shareholder meeting: June 27, 2017  
 The date of the dividend payment start (planned): June 28, 2017  
 The date of filing the securities report: June 28, 2017  
 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 2017 consolidated results (April 1, 2016 – March 31, 2017)

(1) Consolidated business results (Percentages are changes from the same period of the previous year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2017	474,330	12.9	13,075	(14.9)	13,036	(27.2)	4,487	(54.1)
March 31, 2016	420,252	28.4	15,356	(7.3)	17,907	(2.8)	9,773	(6.8)

(Reference) Comprehensive income: Fiscal year ended March 31, 2017: (3,020) million yen (– %)  
 Fiscal year ended March 31, 2016: 4,606 million yen (negative 77.1 %)

Fiscal year ended	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating margin
March 31, 2017	(Yen) 62.33	(Yen) —	(%) 3.7	(%) 3.4	(%) 2.8
March 31, 2016	135.74	—	7.9	6.2	3.7

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2017: (875) million yen  
 Fiscal year ended March 31, 2016: 651 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, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of March 31, 2017	(Millions of yen) 379,244	(Millions of yen) 126,016	(%) 30.9	(Yen) 1,627.84
As of March 31, 2016	385,902	135,199	32.5	1,741.44

(Reference) Shareholders' equity: As of March 31, 2017: 117,200 million yen As of March 31, 2016: 125,379 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
March 31, 2017	(Millions of yen) 14,589	(Millions of yen) (5,342)	(Millions of yen) (5,657)	(Millions of yen) 65,506
March 31, 2016	20,143	(147,207)	144,744	63,903

### 2. Dividends

Fiscal year ended	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
March 31, 2016	(Yen) —	(Yen) 20.00	(Yen) —	(Yen) 16.00	(Yen) —	(Millions of yen) 1,871	(%) 19.2	(%) 1.5
March 31, 2017	—	10.00	—	16.00	26.00	1,871	41.7	1.5
March 31, 2018 (Forecasts)	—	10.00	—	16.00	26.00		37.4	

(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 2018 (April 1, 2017 – March 31, 2018)

(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	243,000	6.9	5,300	23.6	5,100	8.7	1,100	(6.6)	15.28
Full fiscal year	500,000	5.4	13,500	3.2	13,000	(0.3)	5,000	11.4	69.45

#### \* Notes

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

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

(a) Changes in accounting policies with revision of accounting standards: No

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

(3) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)

As of March 31, 2017:	72,000,000 shares	As of March 31, 2016:	72,000,000 shares
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(b) Number of treasury shares

As of March 31, 2017:	2,364 shares	As of March 31, 2016:	2,309 shares
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(c) Average number of shares during the period

Fiscal year ended March 31, 2017:	71,997,672 shares	Fiscal year ended March 31, 2016:	71,998,046 shares
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(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, 2015.

(Reference) Summary of non-consolidated results

#### 1. Fiscal year ended March 2017 non-consolidated results (April 1, 2016 – March 31, 2017)

(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, 2017	85,326	0.2	2,388	(12.7)	13,085	69.9	10,346	51.5
March 31, 2016	85,179	(13.8)	2,734	(45.0)	7,700	(15.1)	6,830	23.0

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
Fiscal year ended March 31, 2017	143.70	—
March 31, 2016	94.87	—

(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) 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, 2017	231,755	71,718	30.9	996.12
As of March 31, 2016	232,570	62,828	27.0	872.64

(Reference) Shareholders' equity As of March 31, 2017: 71,718 million yen As of March 31, 2016: 62,828 million yen

\* The audit procedures are not applicable to this Financial Results report.

\* 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. Summary of Operating Results, etc. (4) Future Prospect" on page 7 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 Friday, May 12, 2017. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

## 1. Summary of Operating Results, etc.

### (1) Summary of Operating Results for the Fiscal Year ended March 31, 2017

During the fiscal year ended March 31, 2017 (hereinafter, “the current fiscal year”), the U.S. economy continued to expand due to solid domestic demands and improvement in employment environment, and Europe gradually recovered in spite of the Brexit concerns. In Asia, while the economic growth in China slowed down, the overall economy showed moderate recovery in the second half of the fiscal year.

The Japanese economy continued to gradually recover overall due to an increase in capital investment and exports despite weak consumer spending.

In the global market, amid the stagnant world trade volume, demand for both air freight and sea freight forwarding showed only moderate growth.

Under such circumstances, the KWE Group’s freight operations saw air freight exports rose 8.4%<sup>\*1</sup> year-on-year, and air freight imports remained the same level<sup>\*2</sup> as previous year. Sea freight exports increased 22.3%<sup>\*3</sup> due mainly to consolidation of APL Logistics Ltd and its group companies (APLL) and imports increased 2.9%<sup>\*2</sup>. Logistics showed stable growth overall due to business expansion mainly in Asia.

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, and there is three-month difference in the year-on-year comparison of earnings and freight volume. Accordingly, the results for the current fiscal year represent those for the period from April 1, 2016 to March 31, 2017, and the results for the previous fiscal year represent those for the period from January 1, 2015 to December 31, 2015.

#### ***Japan***

Air freight exports rose 16.5%<sup>\*1</sup> year-on-year due to favorable shipment of electronic components, mainly semiconductors, as well as semiconductor manufacturing equipment. Air freight imports increased 3.2%<sup>\*2</sup> due to a steady growth in electronic products. As for sea freight, exports rose 9.9%<sup>\*3</sup> due to increases in equipment, machinery and construction materials, and imports rose 4.2%<sup>\*2</sup> due to steady movements in automotive-related products and computer peripherals. In logistics, the volume grew due to an increase in medical products.

As a result, net sales for Japan, including domestic subsidiaries, increased 0.8% to 110,344 million yen, and operating income increased 7.6% to 4,440 million yen.

#### ***The Americas***

Air freight exports decreased 4.8%<sup>\*1</sup> due to a backlash of increased demand in the previous year caused by the U.S. West Coast port congestion. Air freight imports decreased 9.3%<sup>\*2</sup> due to a decrease in electronic products. In sea freight, exports increased 15.3%<sup>\*3</sup> due to steady increase mainly in aerospace products, and imports also increased 8.0%<sup>\*2</sup> due to sales expansion in addition to a steady increase with existing customers. Logistics were weak due to decline in handling volume for major customers in Canada.

As a result, net sales for the Americas decreased 14.8% to 44,240 million yen, and operating income fell 34.2% to 2,486 million yen.

The exchange rate was U.S. \$1 = ¥108.38 and U.S. \$1 = ¥121.05 for the fiscal year ended March 31, 2017 and 2016, respectively.

#### ***Europe, Middle East & Africa***

Air freight imports increased 11.0%<sup>\*2</sup> due to increases mainly in automotive-related products and chemical products. Air freight exports increased 2.6%<sup>\*2</sup> due to a steady growth in automotive-related products. Sea freight exports decreased 0.8%<sup>\*3</sup> due to sluggish shipment overall, and imports also decreased 9.3%<sup>\*2</sup> due to stagnant shipment of automotive-related products and electronic products. In logistics, the volume increased mainly in South Africa and Netherlands.

As a result, net sales for Europe, Middle East & Africa decreased 12.6% to 31,442 million yen, but operating income increased 36.8% to 1,357 million yen due to reduction in cost of sales.

The exchange rate was €1 = ¥118.79 and €1 = ¥134.31 for the fiscal year ended March 31, 2017 and 2016, respectively.

### ***East Asia & Oceania***

Air freight exports decreased 1.9%\*<sup>1</sup> due to a decrease mainly in electronic products. Air freight imports increased only 0.3%\*<sup>2</sup> due to sluggish shipment overall despite a steady growth in smartphone-related products. As for sea freight, exports increased 8.3%\*<sup>3</sup> due to stable shipment of existing customers and sales expansion, but imports decreased 1.9%\*<sup>2</sup> due to a decrease in handling volume of major customers. In logistics, the volume increased mainly in China and Taiwan.

As a result, net sales for East Asia & Oceania decreased 15.7% to 76,958 million yen, and operating income decreased 11.6% to 4,969 million yen.

### ***Southeast Asia***

Air freight exports increased 24.4%\*<sup>1</sup> due to increases in electronic products and automotive-related products. Air freight imports decreased 1.9%\*<sup>2</sup> due to a slow movements mainly in smartphone-related products. For sea freight, exports increased 24.9%\*<sup>3</sup> due to active shipment mainly in electronic products and automotive-related products, and imports also increased 6.8%\*<sup>2</sup> due to increased handling volume of automotive-related products and telecommunication-related products. In logistics, the volume increased in Thailand, Vietnam, and India.

As a result, net sales for Southeast Asia decreased 4.2% to 44,830 million yen, but operating income rose 54.8% to 2,985 million yen due to reduction in cost of sales.

### ***APLL***

As for logistics services for automotive, the handling volume of parts transportation between the U.S. and Mexico and finished cars transportation in India increased. Logistics services for retail, consumer and industrial field remained the same level as previous year overall. Sea freight forwarding was sluggish due to weak market and a decrease in volume.

As a result, net sales of APLL was 175,660 million yen and the company secured operating income of 2,671 million yen despite an increase in costs for enhancement of business base associated with the separation from the former parent company, but recorded net operating loss of 3,353 million yen as amortization of goodwill related to APLL acquisition is included in this segment.

APLL was included in the scope of consolidation from the third quarter of FY ended March 31, 2016 and therefore year-on-year comparisons are omitted.

The exchange rate was U.S. \$1 = ¥108.84 for the year ended March 31, 2017 (APLL used the average rate for the period from January 1, 2016 to December 31, 2016 because APLL's fiscal year-end remained unchanged from December 31).

\*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 12.9% to 474,330 million yen, operating income decreased 14.9% to 13,075 million yen, ordinary income decreased 27.2% to 13,036 million yen, and net income attributable to owners of the parent decreased 54.1% to 4,487 million yen.

## **(2) Summary of Financial Position**

Total assets as of March 31, 2017 decreased 6,657 million yen from March 31, 2016 to 379,244 million yen.

Current assets decreased 353 million yen to 178,101 million yen due mainly to decreases in other current assets of 7,252 million yen and in cash and deposits of 304 million yen despite an increase in notes and operating accounts receivable of 7,023 million yen.

Non-current assets decreased 6,304 million yen to 201,142 million yen due to decreases in intangible assets of 6,068 million yen including amortization of goodwill and in investments and other assets of 402 million yen including recognition of impairment loss for goodwill associated with non-consolidated subsidiary despite an increase in property, plant and equipment of 165 million yen.

Total liabilities increased 2,525 million yen to 253,228 million yen.

Current liabilities increased 6,043 million yen to 104,450 million yen due mainly to increases in notes and operating accounts payable-trade of 719 million yen, in short-term loans payable of 3,249 million yen resulting from a transfer of current portion of long-term loans payable and in income taxes payable of 352 million yen.

Non-current liabilities decreased 3,518 million yen to 148,777 million yen due mainly to decreases in long-term loans payable of 3,082 million yen including the aforementioned transfer to short-term loans payable.

Net assets as of March 31, 2017 decreased 9,183 million yen to 126,016 million yen due to decreases in foreign currency translation adjustment of 12,225 million yen as a result of a stronger yen compared to March 31, 2016 and in non-controlling interests of 1,003 million yen, despite an increase of 3,866 million yen in retained earnings resulting from recording net income attributable to owners of the parent of 4,487 million yen and adjustment due to change in the fiscal period of consolidated subsidiaries of 1,250 million yen, and being decreased by cash dividends paid of 1,871 million yen.

Consequently, the equity ratio decreased to 30.9% from 32.5 % as of March 31, 2016.

### (3) Cash Flows

(Millions of yen)

	FY3/16	FY3/17	Change
Cash flows from operating activities	20,143	14,589	(5,553)
Cash flows from investing activities	(147,207)	(5,342)	141,864
Cash flows from financing activities	144,744	(5,657)	(150,401)
Effect of exchange rate changes on cash and cash equivalents	(2,476)	(1,418)	1,058
Net increase (decrease) in cash and cash equivalents	15,203	2,172	(13,031)
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	—	(569)	(569)
Cash and cash equivalents at end of period	63,903	65,506	1,602

Cash and cash equivalents as of March 31, 2017 totaled 65,506 million yen, an increase of 1,602 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 2017, operating activities provided net cash of 14,589 million yen, a decrease of 5,553 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 12,486 million yen, depreciation of 7,095 million yen, amortization of goodwill of 3,645 million yen, and an increase in notes and accounts payable-trade of 4,385 million yen, and cash outflows due to an increase in notes and accounts receivable-trade of 10,668 million yen, and income taxes paid of 5,726 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 5,342 million yen, down 141,864 million yen year-on-year. This mainly reflected cash inflows due to proceeds from sales and redemption of securities of 3,179 million yen, and cash outflows due to purchase of property, plant and equipment of 3,762 million yen, and purchase of investment securities of 3,991 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 5,657 million yen, compared to net cash of 144,744 million yen provided in the previous year. This mainly reflected cash inflows due to proceeds from long-term loans payable of 3,000 million yen, and cash outflows due to net decrease in short-term loans payable of 4,849 million yen, repayments of long-term loans payable of 1,046 million yen, and cash dividends paid of 1,872 million yen.

(Reference) KWE Group's cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17
Equity ratio (%)	64.5	64.8	32.5	30.9
Market-value-based equity ratio (%)	98.3	99.9	27.9	31.9
Interest-bearing debt to operating cash flow (years)	1.3	1.6	8.2	11.4
Interest coverage ratio (times)	43.6	41.4	25.6	16.0

Notes: 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 cash flow ratio = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payment

#### (4) Future Prospect

The future prospect of the global logistics market appears to remain unpredictable due to possible impacts of the policy trends in the U.S. and major European countries on the global economy and industry, and the economic tendency in emerging countries including China, as well as actualization of the geopolitical risks.

KWE has started the Medium-Term Management Plan “Going to the Next Phase!” for the three-year period from the fiscal year ended March 31, 2017 (FY2016) and announced it on May 11, 2016; however, in light of the consolidated financial results for the year ended March 31, 2017 and the recent business environment, we have revised the targets for the second and third year of the plan as follows:

(Millions of yen)

	FY2015 (Results)	FY2016		FY2017		FY2018	
		Initial targets	Results	Initial targets	Revised targets	Initial targets	Revised targets
Net Sales	420,252	534,000	474,330	569,000	500,000	634,000	568,000
Operating income	15,356	16,400	13,075	19,000	13,500	22,000	18,000
Ordinary income	17,907	17,000	13,036	19,500	13,000	22,300	17,600
Net income attributable to owners of the parent	9,773	9,800	4,487	10,900	5,000	13,300	7,200

\*The target is based on the exchange rate of U.S.\$1 = ¥106.63 (The initial target was based on U.S.\$1 = ¥113.62)

The Group will continue to work on various measures in the fiscal year ending March 31, 2018, the second year of the Medium-Term Management Plan to realize its vision of becoming “A superior business partner supporting customers’ strategic objectives and activities by providing comprehensive innovative supply chain solutions.”

We will further strengthen our main businesses, air freight and sea freight forwarding, in order to establish and reinforce management base enabling us to compete with major players in the global market, as well as focus on increasing the total handling volume of the Group to sustain a long-term growth.

(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. Basic Approach to Selection of Accounting Standards

In preparation for adopting IFRS (International Financial Reporting Standards) in the future, the Group is now considering matters such as documentation of accounting policies and the timing of adoption.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	70,580	70,275
Notes and operating accounts receivable	88,500	95,523
Securities	3,253	3,278
Deferred tax assets	702	893
Other	16,571	9,319
Allowance for doubtful accounts	(1,153)	(1,189)
<b>Total current assets</b>	<b>178,454</b>	<b>178,101</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,633	39,113
Accumulated depreciation	(18,508)	(19,213)
Buildings and structures, net	21,124	19,900
Machinery, equipment and vehicles	3,857	5,275
Accumulated depreciation	(2,249)	(2,346)
Machinery and equipment and vehicles, net	1,608	2,928
Land	14,006	14,181
Leased assets	1,439	1,329
Accumulated depreciation	(753)	(779)
Leased assets, net	685	549
Other	18,895	19,904
Accumulated depreciation	(10,376)	(11,354)
Other, net	8,518	8,550
<b>Total property, plant and equipment</b>	<b>45,944</b>	<b>46,109</b>
Intangible assets		
Goodwill	75,768	71,925
Customer-related assets	41,797	38,349
Other	16,550	17,774
<b>Total intangible assets</b>	<b>134,117</b>	<b>128,049</b>
Investments and other assets		
Investment securities	20,318	19,561
Long-term loans receivable	78	52
Net defined benefit asset	96	6
Deferred tax assets	1,084	1,147
Other	5,894	6,274
Allowance for doubtful accounts	(86)	(58)
<b>Total investments and other assets</b>	<b>27,386</b>	<b>26,983</b>
<b>Total non-current assets</b>	<b>207,447</b>	<b>201,142</b>
<b>Total assets</b>	<b>385,902</b>	<b>379,244</b>



(Millions of yen)

	FY3/16 (As of March 31, 2016)	FY3/17 (As of March 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and operating accounts payable – trade	40,338	41,057
Short-term loans payable	28,190	31,439
Lease obligations	205	157
Income taxes payable	3,470	3,823
Deferred tax liabilities	293	286
Provision for bonuses	4,008	4,405
Provision for directors' bonuses	335	369
Provision for loss on litigation	–	230
Other	21,564	22,680
Total current liabilities	98,406	104,450
Non-current liabilities		
Long-term loans payable	137,320	134,237
Lease obligations	471	425
Deferred tax liabilities	9,866	9,561
Net defined benefit liability	2,640	2,520
Other	1,998	2,032
Total non-current liabilities	152,296	148,777
Total liabilities	250,703	253,228
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,293	4,018
Retained earnings	103,271	107,137
Treasury shares	(3)	(3)
Total shareholders' equity	114,777	118,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,338	1,754
Deferred gains or losses on hedges	(4)	–
Foreign currency translation adjustment	9,473	(2,751)
Remeasurements of defined benefit plans	(205)	(170)
Total accumulated other comprehensive income	10,602	(1,167)
Non-controlling interests	9,819	8,815
Total net assets	135,199	126,016
Total liabilities and net assets	385,902	379,244

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

(Millions of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Net sales	420,252	474,330
Operating cost	348,489	389,316
Operating gross profit	71,762	85,014
Selling, general, and administrative expenses	56,405	71,939
Operating income	15,356	13,075
Non-operating income		
Interest income	632	504
Dividends income	33	36
Amortization of negative goodwill	11	11
Share of profit of entities accounted for using equity method	651	–
Foreign exchange gains	1,491	888
Subsidy income	553	160
Miscellaneous income	223	341
Total non-operating income	3,597	1,942
Non-operating expenses		
Interest expenses	802	913
Share of loss of entities accounted for using equity method	–	875
Miscellaneous expenses	244	191
Total non-operating expenses	1,046	1,980
Ordinary income	17,907	13,036
Extraordinary income		
Gain on sales of non-current assets	–	137
Gain on revision of retirement benefit plan	523	–
Settlement received	–	431
Total extraordinary income	523	569
Extraordinary losses		
Impairment loss	559	55
Loss on retirement of non-current assets	12	51
Loss on valuation of investment securities	10	–
Loss on litigation	–	36
Provision for loss on litigation	–	227
Loss on arbitration ruling	–	747
Total extraordinary losses	583	1,119
Income before income taxes	17,847	12,486
Income taxes – current	5,931	7,396
Income taxes – deferred	1,184	(414)
Total income taxes	7,115	6,982
Net income	10,731	5,504
Net income attributable to non-controlling interests	958	1,017
Net income attributable to owners of the parent	9,773	4,487

**(Consolidated statements of comprehensive income)**

(Millions of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Net income	10,731	5,504
Other comprehensive income		
Valuation difference on available-for-sale securities	(851)	416
Deferred gains or losses on hedges	(43)	4
Foreign currency translation adjustment	(4,200)	(7,804)
Remeasurements of defined benefit plans	(294)	121
Share of other comprehensive income of entities accounted for using equity method	(735)	(1,261)
Total other comprehensive income	(6,125)	(8,524)
Comprehensive income	4,606	(3,020)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,037	(3,664)
Comprehensive income attributable to non-controlling interests	568	644

### (3) Consolidated Statements of Changes in Net Assets

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 from surplus			(1,763)		(1,763)
Net income attributable to owners of the parent			9,773		9,773
Purchase of treasury shares				(1)	(1)
Adjustment due to change in the fiscal period of consolidated subsidiaries					-
Change in equity of parent related to transaction with non-controlling shareholders					-
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 from surplus					-		(1,763)
Net income attributable to owners of the parent					-		9,773
Purchase of treasury shares					-		(1)
Adjustment due to change in the fiscal period of consolidated subsidiaries					-		-
Change in equity of parent related to transaction with non-controlling shareholders					-		-
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

For the Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,293	103,271	(3)	114,777
Cumulative effects of changes in accounting policies					-
Restated balance	7,216	4,293	103,271	(3)	114,777
Changes of items during period					
Dividends from surplus			(1,871)		(1,871)
Net income attributable to owners of the parent			4,487		4,487
Purchase of treasury shares				(0)	(0)
Adjustment due to change in the fiscal period of consolidated subsidiaries			1,250		1,250
Change in equity of parent related to transaction with non-controlling shareholders		(275)			(275)
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	(275)	3,866	(0)	3,590
Balance at end of current period	7,216	4,018	107,137	(3)	118,367

	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	1,338	(4)	9,473	(205)	10,602	9,819	135,199
Cumulative effects of changes in accounting policies					-		-
Restated balance	1,338	(4)	9,473	(205)	10,602	9,819	135,199
Changes of items during the period							
Dividends from surplus					-		(1,871)
Net income attributable to owners of the parent					-		4,487
Purchase of treasury shares					-		(0)
Adjustment due to change in the fiscal period of consolidated subsidiaries					-		1,250
Change in equity of parent related to transaction with non-controlling shareholders					-		(275)
Net changes of items other than shareholders' equity	416	4	(12,225)	34	(11,769)	(1,003)	(12,773)
Total changes of items during period	416	4	(12,225)	34	(11,769)	(1,003)	(9,183)
Balance at end of current period	1,754	-	(2,751)	(170)	(1,167)	8,815	126,016

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	17,847	12,486
Depreciation	5,255	7,095
Impairment loss	559	55
Amortization of goodwill	1,992	3,645
Amortization of negative goodwill	(11)	(11)
Increase (decrease) in provision for bonuses	373	526
Increase (decrease) in provision for directors' bonuses	75	130
Increase (decrease) in net defined benefit liability	(966)	(29)
Increase (decrease) in allowance for doubtful accounts	(1)	(91)
Increase (decrease) in provision for loss on litigation	–	227
Interest and dividends income	(665)	(540)
Interest expenses	802	913
Share of (profit) loss of entities accounted for using equity method	(651)	875
Loss (gain) on sales of non-current assets	(52)	(193)
Loss on retirement of non-current assets	12	51
Loss (gain) on sales of investment securities	(9)	(19)
Loss (gain) on valuation of investment securities	10	–
Loss on valuation of golf club memberships	5	4
Gain on revision of retirement benefit plan	(523)	–
Settlement received	–	(431)
Loss on litigation	–	36
Loss on arbitration ruling	–	747
Decrease (increase) in notes and accounts receivable–trade	9,581	(10,668)
Increase (decrease) in notes and accounts payable–trade	(5,046)	4,385
Other, net	(46)	834
<b>Subtotal</b>	<b>28,542</b>	<b>20,032</b>
Interest and dividends income received	984	800
Interest expenses paid	(788)	(911)
Income taxes paid	(8,594)	(5,726)
Settlement package received	–	431
Payments for loss on litigation	–	(36)
<b>Net cash provided by operating activities</b>	<b>20,143</b>	<b>14,589</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(6,889)	(6,642)
Proceeds from withdrawal of time deposits	6,450	7,401
Purchase of property, plant and equipment	(5,735)	(3,762)
Proceeds from sales of property, plant and equipment	142	448
Purchase of investment securities	(2,907)	(3,991)
Proceeds from sales and redemption of securities	2,478	3,179
Payments of loans receivable	(302)	(0)
Collection of loans receivable	326	28
Payments for lease and guarantee deposits	(354)	(855)
Proceeds from collection of lease and guarantee deposits	437	613
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(139,804)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	243
Other, net	(1,047)	(2,005)
<b>Net cash provided by (used in) investing activities</b>	<b>(147,207)</b>	<b>(5,342)</b>

(Millions of yen)

	FY3/16 (April 1, 2015 – March 31, 2016)	FY3/17 (April 1, 2016 – March 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	15,731	(4,849)
Repayments of finance lease obligations	(183)	(201)
Proceeds from long-term loans payable	131,949	3,000
Repayments of long-term loans payable	(466)	(1,046)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(1,764)	(1,872)
Dividends paid to non-controlling interests	(520)	(687)
Net cash provided by (used in) financing activities	144,744	(5,657)
Effect of exchange rate changes on cash and cash equivalents	(2,476)	(1,418)
Net increase (decrease) in cash and cash equivalents	15,203	2,172
Cash and cash equivalents at beginning of period	48,700	63,903
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	-	(569)
Cash and cash equivalents at end of period	63,903	65,506

**(5) Notes to the Consolidated Financial Statements**

(Notes concerning Going Concern Assumption)

Not applicable.

**[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.

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

The accounting treatments used for reportable segments are consistent with those applied to the consolidated financial statement. Segment income (loss) refers to operating income (loss) for each reportable segment. Inter-segment sales/transfers are based on market value.



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

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

Fiscal year ended March 2017 (April 1, 2016– March 31, 2017)

(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	107,493	41,318	30,410	75,362	43,830	175,578	473,995	335	474,330	—	474,330
Inter-segment sales/transfers	2,850	2,921	1,031	1,595	999	82	9,481	1,626	11,108	(11,108)	—
Total net sales	110,344	44,240	31,442	76,958	44,830	175,660	483,476	1,961	485,438	(11,108)	474,330
Segment income	4,440	2,486	1,357	4,969	2,985	(3,353)	12,887	182	13,069	5	13,075
Segment assets	70,261	20,175	16,854	50,601	27,097	195,181	380,170	2,065	382,236	(2,992)	379,244
Other											
Depreciation	1,361	218	222	617	408	4,223	7,052	43	7,095	—	7,095
Amortization of goodwill	47	—	—	—	—	3,598	3,645	—	3,645	—	3,645
Investment in equity-method affiliates	2,427	—	202	731	4,313	6,303	13,978	—	13,978	—	13,978
Increase in property, plant and equipment and intangible assets	910	142	199	362	276	4,380	6,272	47	6,319	—	6,319

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 5 million yen adjustment in segment income adjustment refers to inter-segment transaction eliminations.

(2) The (2,992) million yen adjustment in segment assets includes (11,918) million yen of inter-segment eliminations and 8,926 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****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

Note: 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.

**Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)****1. Information by service**

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	155,486	134,991	151,680	32,172	474,330

**2. Information by region****(1) Net sales**

(Millions of yen)

Japan	North America	China	Asia & Oceania	Europe	Latin America	Other	Total
107,552	113,918	77,911	88,406	39,559	39,647	7,335	474,330

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
25,752	5,566	2,758	10,427	382	670	552	46,109

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 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

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	—	—	—	1,054	—	55	1,110	—	1,110

Note: "East Asia & Oceania" segment recognized impairment loss for goodwill associated with a non-consolidated subsidiary accounted for using equity method and recorded it in share of loss of entities accounted for using equity method.

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

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

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

(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	—	—	—	—	3,598	3,645	—	3,645
	Year-end balance	806	—	—	—	—	71,249	72,055	—	72,055
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	130	—	130	—	130

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

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

There are no applicable matters to be reported.

Fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

There are no applicable matters to be reported.