Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2018 [J-GAAP] (Consolidated)

November 9, 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
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The date of filing the quarterly financial statements: November 13 2017
The date of the dividend payment start (planned): December 8, 2017
Preparation of quarterly earnings presentation material: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated earnings results for the first six months of the fiscal year ending March 2018 (April 1, 2017– September 30, 2017)

(1) Consolidated business results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
First six months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
September 30, 2017	262,450	15.4	6,877	60.4	6,909	47.3	2,471	109.9
September 30, 2016	227,362	38.1	4,287	(35.0)	4,691	(33.4)	1,177	(71.6)

(Note) Comprehensive income First six months ended September 30, 2017: 1,029 million yen (－ %)
First six months ended September 30, 2016: (29,501) million yen (－ %)

	Net income per share	Diluted net income per share
First six months ended	(Yen)	(Yen)
September 30, 2017	34.33	—
September 30, 2016	16.35	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of September 30, 2017	378,739	124,919	30.7	1,616.69
As of March 31, 2017	379,244	126,016	30.9	1,627.84

(Reference) Shareholders' equity As of September 30, 2017: 116,398 million yen As of March 31, 2017: 117,200 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2017	－	10.00	－	16.00	26.00
Fiscal year ending March 31, 2018	－	10.00			
Fiscal year ending March 31, 2018 (Forecasts)				16.00	26.00

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

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)
Full fiscal year	525,000	10.7	15,000	14.7	15,000	15.1	5,500	22.6	76.39

(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. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to the Quarterly Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements)" on page 13 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 September 30, 2017:	72,000,000 shares	As of March 31, 2017:	72,000,000 shares
(b) Number of treasury shares	As of September 30, 2017:	2,364 shares	As of March 31, 2017:	2,364 shares
(c) Average number of shares during the period	First six months ended September 30, 2017:	71,997,636 shares	First six months ended September 30, 2016:	71,997,691 shares

*** The quarterly review 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 significantly from the above forecasts for various reasons. For the assumptions for earnings forecasts and cautions regarding the use of the earnings forecasts, please refer to "1. Qualitative Information concerning Consolidated Earnings Results for the First Six Months of the Fiscal Year Ending March 2018 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecasts" on page 6.

(Supplementary materials for financial results and the details of the financial results meeting)
A financial results briefing for institutional investors and analysts will be held on November 10, 2017. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

1. Qualitative Information concerning Consolidated Earnings Results for the First Six Months of the Fiscal Year Ending March 2018

(1) Explanation about Operating Results

During the six months ended September 30, 2017, the U.S. economy continued to expand at a solid pace and Europe showed a steady recovery mainly in the Euro zone. In China, the economy showed a sign of recovery due to the effects of various policies.

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, demands for both air and sea freight increased and showed an upward trend overall.

Under such circumstances, the KWE Group's freight operations saw air freight exports rose 22.6%*1 year-on-year, and air freight imports increased 11.8%*2. Sea freight exports rose 21.0%*3, and imports increased 12.9%*2. Logistics showed solid growth overall due to business expansion mainly in East Asia.

Operating results by each segment are as follows:

Japan

Air freight exports rose 13.2%*1 year-on-year due mainly to favorable shipment of semiconductor-related products, electronic components and automotive-related products. Air freight imports rose 14.7%*2 due to a growth mainly in electronic products. As for sea freight, exports increased 13.9%*3 due to increases mainly in equipment and machinery, and imports grew 12.0%*2 due to steady movements in electronic products and automotive-related products. In logistics, the volume grew due to an increase mainly in electronic products.

As a result, net sales for the segment, including domestic subsidiaries, increased 13.3% to 59,820 million yen, and operating income rose 64.4% to 2,305 million yen partly due to an improvement in profitability year-on-year.

The Americas

Air freight exports rose 23.5%*1 due to increases in chemical products and automotive-related products. Air freight imports increased 23.8%*2 as a result of favorable growth mainly in electronics products. In sea freight, exports grew 11.8%*3 due to steady growth in LCD-related products and grains, etc. and imports increased 10.5%*2 due to increases in machinery-related products and electronic products. In logistics, the volume increased in Canada.

As a result, net sales for the segment increased 22.5% to 24,943 million yen, and operating income rose 46.6% to 1,338 million yen.

The exchange rate was U.S.$1 = ¥ 111.06 and U.S.$1 = ¥ 105.29 for the six months ended September 30, 2017 and 2016, respectively.

Europe, Middle East & Africa

Air freight exports rose 30.0%*1 due to increases mainly in healthcare-related products and chemical products. Air freight imports increased 6.6%*2 due to a steady growth in automotive-related products and electronic products. Sea freight exports rose 2.9%*3 due to steady movements mainly with existing customers, and imports also rose 18.8%*2 due to an increase in machinery-related products. In logistics, the volume increased in the Netherlands.

As a result, net sales for the segment increased 26.1% to 17,677 million yen, and operating income rose 54.5% to 521 million yen.

The exchange rate was €1 = ¥ 126.29 and €1 = ¥ 118.15 for the six months ended September 30, 2017 and 2016, respectively.

East Asia & Oceania

Air freight exports rose 35.0%*1 as active market and sales expansion resulted in a growth mainly in electronic products. Air freight imports grew 10.3%*2 due to increases in equipment-related products and electronic products. As for sea freight, exports rose 29.5%*3 due to stable shipment of existing customers and sales expansion, and imports grew 12.7%*2 due to an increase mainly in electronic products. In logistics, the volume increased in China.

As a result, net sales for the segment increased 25.2% to 45,523 million yen. However, operating income increased only 9.9% to 2,830 million yen due to an impact from higher direct cost ratio.

Southeast Asia

Air freight exports rose 17.8%*1 as a result of favorable growth in electronics products. Air freight imports increased 8.2%*2 due to an increase mainly in smartphone-related products. For sea freight, exports rose 40.1%*3 due to active movement mainly in electronic products and motorcycles, and imports also increased 15.2%*2 due to increased handling volume of electronic products and automotive-related products. In logistics, the volume decreased in Singapore and Thailand.

As a result, net sales for the segment increased 23.2% to 26,406 million yen, and operating income rose 28.2% to 1,607 million yen.

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 saw steady growth. Logistics services for retail, consumer and industrial field showed steady growth overall.

As a result, net sales of APLL increased 8.3% to 93,749 million yen and the company secured operating income of 1,131 million yen (rose 69.9%) despite costs for enhancement of business base associated with the separation from the former parent company, but recorded net operating loss of 1,968 million yen (operating loss of 2,416 million yen a year earlier) as amortization of goodwill related to APLL acquisition is included in this segment.

The exchange rate was U.S. $1 = ¥ 112.37 and U.S. $1 = ¥ 111.81 for the six months ended September 30, 2017 and 2016, respectively (APLL used the average rate for the period from January 1 to June 30 because APLL's fiscal year-end is 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 six months ended September 30, 2017 increased 15.4% to 262,450 million yen, operating income rose 60.4% to 6,877 million yen, ordinary income increased 47.3% to 6,909 million yen, and net income attributable to owners of the parent rose 109.9% to 2,471 million yen.

(2) Explanation about Financial Position

1) Assets, liabilities, and net assets

Total assets as of September 30, 2017 decreased 505 million yen from March 31, 2017 to 378,739 million yen. Current assets increased 5,857 million yen to 183,958 million yen mainly due to increases in cash and deposits of 783 million yen and in notes and operating accounts receivable of 6,174 million yen despite a decrease in other current assets of 989 million yen. Non-current assets decreased 6,362 million yen to 194,780 million yen mainly due to decrease in intangible assets of 6,638 million yen including amortization of goodwill.

Total liabilities increased 591 million yen to 253,820 million yen. Current liabilities increased 10,501 million yen to 114,952 million yen mainly due to increases in short-term loans payable of 7,087 million yen resulting from a transfer of current portion of long-term loans payable, and in notes and operating accounts payable-trade of 6,436 million yen. Non-current liabilities decreased 9,910 million yen to 138,867 million yen mainly due to a decrease in long-term loans payable primarily resulting from the aforementioned transfer to short-term loans payable.

Total net assets as of September 30, 2017 decreased 1,096 million yen from March 31, 2017 to 124,919 million yen mainly due to a decrease in foreign currency translation adjustment of 2,217 million as a result of yen appreciation in certain exchange rates despite an increase in retained earnings.

Consequently, the equity ratio decreased to 30.7% from 30.9% as of March 31, 2017.

2) Cash flows

Cash and cash equivalents as of September 30, 2017 increased 1,012 million yen from March 31, 2017 to 66,519 million yen. Cash flows from each activity and their significant factors during the six months ended September 30, 2017 are as follows:

(Cash flows from operating activities)

During the six months ended September 30, 2017, operating activities provided net cash of 5,607 million yen, a decrease of 1,891 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 7,057 million yen, depreciation of 3,760 million yen, amortization of goodwill of 1,879 million yen, and an increase in notes and accounts payable-trade of 4,304 million yen, and cash outflows due to an increase in notes and accounts receivable-trade of 5,624 million yen, and income taxes paid of 4,583 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 1,412 million yen, a decrease of 1,372 million yen year-on-year. This mainly reflected cash inflows due to proceeds from sales and redemption of securities of 1,817 million yen, and cash outflows due to purchase of property, plant and equipment of 2,262 million yen, and purchase of intangible assets of 1,302 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 4,309 million yen, an increase of 2,655 million yen year-on-year. This mainly reflected cash inflows due to net increase in short-term loans payable of 2,882 million yen, and cash outflows due to repayments of long-term loans payable of 5,411 million yen, and cash dividends paid of 1,151 million yen.

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

The Group has revised consolidated earnings forecasts for the year ending March 31, 2018 announced on May 11, 2017 as follows:

Revision of forecasts for the year ending March 31, 2018 (April 1, 2017— March 31, 2018)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecasts (A) (Announced on May 11, 2017)	500,000	13,500	13,000	5,000	¥69.45
Revised forecasts (B)	525,000	15,000	15,000	5,500	¥76.39
Differences (B) − (A)	25,000	1,500	2,000	500	—
Change (%)	5.0	11.1	15.4	10.0	—
(Ref.) Year ended March 31, 2017	474,330	13,075	13,036	4,487	¥62.33

(Reason of revision)

During the six months ended September 30, 2017, the Group secured bigger volume than expected. This was a result of our group-wide efforts toward volume growth as well as strong demand mainly for electronics-related products including semiconductor and electronic components.

Also, as the total handling volume is expected to increase with continuing strong demand, the consolidated earnings forecasts for the year ending March 31, 2018 were also revised as above.

(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. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/17 (As of March 31, 2017)	Second quarter of FY3/18 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	70,275	71,058
Notes and operating accounts receivable	95,523	101,697
Other	13,492	12,502
Allowance for doubtful accounts	(1,189)	(1,300)
Total current assets	178,101	183,958
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,900	19,560
Land	14,181	14,290
Other, net	12,027	12,551
Total property, plant and equipment	46,109	46,402
Intangible assets		
Goodwill	71,925	67,311
Customer-related assets	38,349	35,849
Other	17,774	18,249
Total intangible assets	128,049	121,410
Total investments and other assets	26,983	26,967
Total non-current assets	201,142	194,780
Total assets	379,244	378,739
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	41,057	47,493
Short-term loans payable	31,439	38,527
Income taxes payable	3,823	3,146
Provision for bonuses	4,405	4,348
Provision for directors' bonuses	369	164
Provision for loss on litigation	230	239
Other	23,125	21,032
Total current liabilities	104,450	114,952
Non-current liabilities		
Long-term loans payable	134,237	124,063
Provision for loss on guarantees	–	721
Net defined benefit liability	2,520	2,680
Other	12,019	11,402
Total non-current liabilities	148,777	138,867
Total liabilities	253,228	253,820

(Millions of yen)

	FY3/17 (As of March 31, 2017)	Second quarter of FY3/18 (As of September 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,018	4,084
Retained earnings	107,137	108,361
Treasury shares	(3)	(3)
Total shareholders' equity	118,367	119,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,754	1,856
Foreign currency translation adjustment	(2,751)	(4,968)
Remeasurements of defined benefit plans	(170)	(148)
Total accumulated other comprehensive income	(1,167)	(3,260)
Non-controlling interests	8,815	8,521
Total net assets	126,016	124,919
Total liabilities and net assets	379,244	378,739

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

(Consolidated Statements of Income)

(Millions of yen)

	First six months of FY3/17 (April 1, 2016 – September 30, 2016)	First six months of FY3/18 (April 1, 2017 – September 30, 2017)
Net sales	227,362	262,450
Operating cost	187,728	218,952
Operating gross profit	39,633	43,498
Selling, general and administrative expenses	35,346	36,620
Operating income	4,287	6,877
Non-operating income		
Interest income	248	232
Dividends income	25	29
Amortization of negative goodwill	5	5
Share of profit of entities accounted for using equity method	59	–
Foreign exchange gains	326	210
Miscellaneous income	254	267
Total non-operating income	920	745
Non-operating expenses		
Interest expenses	471	484
Share of loss of entities accounted for using equity method	–	176
Miscellaneous expenses	45	53
Total non-operating expenses	517	713
Ordinary income	4,691	6,909
Extraordinary income		
Gain on sales of non-current assets	–	570
Settlement received	426	526
Total extraordinary income	426	1,097
Extraordinary loss		
Loss on retirement of non-current assets	5	2
Provision for loss on guarantees	–	721
Provision of allowance for doubtful accounts	–	225
Loss on litigation	36	–
Total extraordinary losses	41	949
Income before income taxes	5,076	7,057
Income taxes	3,326	3,930
Net income	1,750	3,126
Net income attributable to non-controlling interests	572	654
Net income attributable to owners of the parent	1,177	2,471

(Consolidated statements of comprehensive income)

(Millions of yen)

	First six months of FY3/17 (April 1, 2016 – September 30, 2016)	First six months of FY3/18 (April 1, 2017 – September 30, 2017)
Net income	1,750	3,126
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	103
Deferred gains or losses on hedges	4	–
Foreign currency translation adjustment	(28,875)	(2,174)
Remeasurements of defined benefit plans	(11)	24
Share of other comprehensive income of entities accounted for using equity method	(2,331)	(50)
Total other comprehensive income	(31,251)	(2,096)
Comprehensive income	(29,501)	1,029
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(28,908)	377
Comprehensive income attributable to non-controlling interests	(592)	651

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY3/17 (April 1, 2016— September 30, 2016)	First six months of FY3/18 (April 1, 2017— September 30, 2017)
Cash flows from operating activities		
Income (loss) before income taxes	5,076	7,057
Depreciation	3,594	3,760
Amortization of goodwill	1,868	1,879
Amortization of negative goodwill	(5)	(5)
Increase (decrease) in allowance for doubtful accounts	(10)	114
Increase (decrease) in provision for bonuses	36	(37)
Increase (decrease) in provision for directors' bonuses	(125)	(206)
Increase (decrease) in net defined benefit liability	9	183
Increase (decrease) in provision for loss on guarantees	–	721
Interest and dividends income	(274)	(262)
Interest expenses	471	484
Share of (profit) loss of entities accounted for using equity method	(59)	176
Loss (gain) on sales of non-current assets	(16)	(590)
Loss on retirement of non-current assets	5	2
Loss (gain) on sales and valuation of investment securities	(0)	(0)
Settlement received	(426)	(526)
Loss on litigation	36	–
Decrease (increase) in notes and accounts receivable-trade	(3,224)	(5,624)
Increase (decrease) in notes and accounts payable-trade	1,857	4,304
Other, net	452	(913)
Subtotal	9,264	10,517
Interest and dividends income received	420	383
Interest expenses paid	(480)	(486)
Income taxes paid	(2,096)	(4,583)
Settlement package received	426	526
Payments for loss on litigation	(36)	–
Payments for loss on arbitration ruling	–	(750)
Net cash provided by operating activities	7,498	5,607
Cash flows from investing activities		
Payments into time deposits	(3,978)	(2,707)
Proceeds from withdrawal of time deposits	3,527	3,002
Purchase of property, plant and equipment	(1,622)	(2,262)
Proceeds from sales of property, plant and equipment	14	618
Purchase of intangible assets	(404)	(1,302)
Purchase of investment securities	(1,532)	(459)
Proceeds from sales and redemption of securities	987	1,817
Payments for lease and guarantee deposits	(397)	(364)
Proceeds from collection of lease and guarantee deposits	327	228
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	243	–
Payments of loans receivable	–	(0)
Collection of loans receivable	26	33
Other, net	23	(15)
Net cash provided by (used in) investing activities	(2,784)	(1,412)

(Millions of yen)

	First six months of FY3/17 (April 1, 2016— September 30, 2016)	First six months of FY3/18 (April 1, 2017— September 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	942	2,882
Proceeds from share issuance to non-controlling shareholders	–	78
Repayments of finance lease obligations	(107)	(86)
Repayments of long-term loans payable	(632)	(5,411)
Cash dividends paid	(1,151)	(1,151)
Dividends paid to non-controlling interests	(704)	(616)
Other, net	–	(3)
Net cash provided by (used in) financing activities	(1,654)	(4,309)
Effect of exchange rate changes on cash and cash equivalents	(6,200)	1,127
Net increase (decrease) in cash and cash equivalents	(3,141)	1,012
Cash and cash equivalents at beginning of period	63,903	65,506
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	60,193	66,519

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

Not applicable.

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

(Calculation of tax expenses)

Tax expenses are calculated as income before income taxes for the period multiplied by the estimated effective tax rate. The effective tax rate is reasonably estimated taking into consideration deferred tax accounting as the rate applicable to income before income taxes for the consolidated fiscal year including the quarter ended September 30, 2017.

(Notes to quarterly consolidated statement of income)

(Share of loss of entities accounted for using equity method)

First six months of the fiscal year ended March 2017 (April 1, 2016 – September 30, 2016)

Not applicable.

First six months of the fiscal year ending March 2018 (April 1, 2017 – September 30, 2017)

Impairment loss of 150 million yen for goodwill associated with a non-consolidated subsidiary accounted for using equity method in Hong Kong is included.

(Segment Information, etc.)

I First six months of the fiscal year ended March 2017 (April 1, 2016 – September 30, 2016)

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	51,481	19,019	13,580	35,625	20,975	86,522	227,205	156	227,362	—	227,362
Inter-segment sales/transfers	1,296	1,350	442	728	462	22	4,303	850	5,153	(5,153)	—
Total net sales	52,778	20,369	14,022	36,354	21,437	86,545	231,508	1,007	232,515	(5,153)	227,362
Segment income (loss)	1,402	913	337	2,575	1,254	(2,416)	4,066	217	4,283	4	4,287

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

2. The 4 million yen adjustment in segment income is an elimination of income generated from business between segments.

3. Segment income (loss) 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 six months ended September 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 2,169 million yen. The amount of goodwill is based on a provisional calculation as allocation of the acquisition cost has not been completed.

II First six months of the fiscal year ending March 2018 (April 1, 2017 – September 30, 2017)

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	58,206	22,927	17,192	44,464	25,803	93,683	262,277	173	262,450	–	262,450
Inter-segment sales/transfers	1,613	2,016	484	1,058	603	66	5,843	958	6,802	(6,802)	–
Total net sales	59,820	24,943	17,677	45,523	26,406	93,749	268,121	1,132	269,253	(6,802)	262,450
Segment income (loss)	2,305	1,338	521	2,830	1,607	(1,968)	6,634	238	6,873	4	6,877

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

2. The 4 million yen adjustment in segment income is an elimination of income generated from business between segments.

3. Segment income (loss) 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 impairment loss of non-current assets)

For the six months ended September 30, 2017, “East Asia & Oceania” segment recorded impairment loss of 150 million yen for goodwill associated with a non-consolidated subsidiary accounted for using equity method in Hong Kong.