



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

November 8, 2016

Company Name: Kintetsu World Express, Inc. (KWE)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 9375 URL: <https://www.kwe.co.jp>
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 The date of filing the quarterly financial statements: November 11, 2016
 The date of the dividend payment start (planned): December 9, 2016
 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 2017 (April 1, 2016 – September 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	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
First six months ended September 30, 2016	227,362	38.1	4,287	(35.0)	4,691	(33.4)	1,177	(71.6)
September 30, 2015	164,620	7.4	6,595	2.0	7,038	0.6	4,140	40.4

(Note) Comprehensive income First six months ended September 30, 2016: (29,501) million yen (— %) First six months ended September 30, 2015: 7,219 million yen (493.5 %)

	Net income per share	Diluted net income per share
First six months ended September 30, 2016	(Yen) 16.35	(Yen) —
September 30, 2015	57.51	—

(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 September 30, 2016	341,649	100,255	27.1	1,287.22
As of March 31, 2016	385,902	135,199	32.5	1,741.44

(Reference) Shareholders' equity As of September 30, 2016: 92,677 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	—	10.00	—	—	—
Fiscal year ending March 31, 2017 (Forecasts)	—	—	—	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)
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: No

* 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 September 30, 2016:	72,000,000 shares	As of March 31, 2016:	72,000,000 shares
(b) Number of treasury shares	As of September 30, 2016:	2,309 shares	As of March 31, 2016:	2,309 shares
(c) Average number of shares during the period	First six months ended September 30, 2016:	71,997,691 shares	First six months ended September 30, 2015:	71,998,340 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 six months ended September 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 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 2017 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecast” 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 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 Six Months of the Fiscal Year Ending March 2017

(1) Explanation about Operating Results

During the six months ended September 30, 2016, while the U.S. economy was on an expansionary trend and Europe showed a gradual recovery in spite of the Brexit concerns, the global economy remained uncertain due to slowdown in emerging countries including China.

The Japanese economy saw a growing concern over the continuing stagnation due to strong yen and uncertain overseas economy in addition to a slow recovery of personal consumption.

In the global market, amid the stagnant world trade, demand for air freight showed only moderate growth and demand for sea freight was sluggish overall.

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 10.2%^{*1} year-on-year due to favorable shipment of semiconductor manufacturing equipment despite low demand for automotive-related products. Air freight imports decreased 2.1%^{*2} due to an inactive shipment mainly in electronic products. As for sea freight, exports increased 8.9%^{*3} due to increases in equipment, machinery and construction materials, and imports increased 2.6%^{*2} due to steady movements in automotive-related products and computer peripherals. In logistics, the volume increased due to an increase in medical products.

As a result, net sales for Japan, including domestic subsidiaries, decreased 3.8% to 52,778 million yen, and operating income decreased 6.5% to 1,402 million yen.

^{*1} based on weight	^{*2} based on number of shipments	^{*3} based on TEUs (Twenty-foot Equivalent Units)
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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 24.7% to 20,369 million yen, and operating income fell 53.0% to 913 million yen.

The exchange rate was U.S.\$1 = ¥ 105.29 and U.S.\$1 = ¥ 120.23 for the six months ended September 30, 2016 and the six months ended June 30, 2015, respectively.

Europe, Middle East & Africa

Air freight maintained the same level shipments as the previous year due to a steady growth in automotive-related products, but import was weak due to sluggish shipments with existing customers. In sea freight, while volume of automotive-related products and 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 21.1% to 14,022 million yen, and operating income increased 2.0 % to 337 million yen.

The exchange rate was €1 = ¥ 118.15 and €1 = ¥ 134.17 for the six months ended September 30, 2016 and the six months ended June 30, 2015, respectively.

East Asia & Oceania

The overall air freight results remained the same level as the previous year with a steady growth in import of smartphone-related products despite a decrease in exports mainly in electronic products. As for sea freight, exports showed a steady increase due to stable shipment of existing customers and sales expansion, and imports decreased in electronic products. In logistics, the volume increased mainly in China and Taiwan.

As a result, net sales for East Asia & Oceania decreased 20.4% to 36,354 million yen, and operating income increased 0.7% to 2,575 million yen.

Southeast Asia

Air freight exports increased due to increases in electronic products and automotive-related products. Air freight imports showed slow movements mainly in smartphone-related products. For sea freight, exports increased due to favorable growth mainly in automotive-related products and electronic products, and imports also increased in telecommunication-related products. In logistics, the volume increased mainly in Thailand and India.

As a result, net sales for Southeast Asia decreased 10.4% to 21,437 million yen, but operating income rose 65.8 % to 1,254 million yen due to decrease in cost of sales.

APLL

Logistics service for automotive showed a steady increase, but logistics service for retail, consumer and industrial field lacked active movements overall due to a decrease in volume with existing customers resulting from stagnant market. Sea freight forwarding was sluggish overall.

As a result, net sales of APLL was 86,545 million yen and operating loss was 2,416 million yen due mainly to costs for enhancement of business base associated with the separation from the former parent company and goodwill amortization.

APLL was included in the scope of consolidation from the third quarter of FY ended March 31, 2016 and therefore there are no year-on-year comparisons.

The exchange rate was U.S. \$1 = ¥ 111.81 for the six months ended September 30, 2016 (APLL used the average rate for the period from January 1, 2016 to June 30, 2016 because APLL's fiscal year-end remained unchanged from December 31).

As described above, net sales for the six months ended September 30, 2016 increased 38.1% to 227,362 million yen, operating income decreased 35.0% to 4,287 million yen, ordinary income decreased 33.4% to 4,691 million yen, and net income attributable to owners of the parent decreased 71.6% to 1,177 million yen.

(2) Explanation about Financial Position

1) Assets, liabilities, and net assets

Total assets as of September 30, 2016 decreased 44,252 million yen from March 31, 2016 to 341,649 million yen. Current assets decreased 21,122 million yen to 157,332 million yen due to decreases in cash and deposits of 4,918 million yen, in notes and operating accounts receivable of 7,654 million yen, and in other current assets of 8,591 million yen. Non-current assets decreased 23,130 million yen to 184,317 million yen due to decreases in intangible assets of 19,544 million yen including amortization of goodwill.

Total liabilities decreased 9,308 million yen to 241,394 million yen. Current liabilities decreased 2,019 million yen to 96,386 million yen due to increases in short-term loans payable of 6,812 million yen resulting from a transfer of current portion of long-term loans payable to short-term loans, and decreases in notes and operating accounts payable-trade of 5,320 million yen and other current liabilities of 2,801 million yen. Non-current liabilities decreased 7,288 million yen to 145,007 million yen due to decreases in other non-current liabilities of 1,567 million yen in addition to a decrease by the aforementioned transfer of current portion of long-term loans payable to short-term loans.

Total net assets as of September 30, 2016 decreased 34,944 million yen from March 31, 2016 to 100,255 million yen due to a decrease in foreign currency translation adjustment of 33,568 million yen as a result of yen appreciation despite an increase in retained earnings.

Consequently, the equity ratio decreased to 27.1% from 32.5 % as of March 31, 2016.

2) Cash flows

Cash and cash equivalents as of September 30, 2016 decreased 3,710 million yen from March 31, 2016 to 60,193 million yen. Cash flows from each activity and their significant factors during the six months ended September 30, 2016 are as follows:

(Cash flows from operating activities)

During the six months ended September 30, 2016, operating activities provided net cash of 7,498 million yen, an increase of 1,514 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 5,076 million yen, depreciation of 3,594 million yen, amortization of goodwill of 1,868 million yen, and an increase in notes and accounts payable-trade of 1,857 million yen, and cash outflows due to an increase in notes and accounts receivable-trade of 3,224 million yen, and income taxes paid of 2,096 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 2,784 million yen, down 139,365 million yen year-on-year. This mainly reflected cash inflows due to proceeds from sales and redemption of securities of 987 million yen, and cash outflows due to purchase of property, plant and equipment of 1,622 million yen, and purchase of investment securities of 1,532 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 1,654 million yen, compared to net cash of 145,844 million yen provided in the same period of previous year. This mainly reflected cash inflows due to net increase in short-term loans payable of 942 million yen, and cash outflows due to repayments of long-term loans payable of 632 million yen, and cash dividends paid of 1,151 million yen.

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

In terms of the future prospect, the U.S. economy is expected to maintain its pace, but concerns remain over the influence of the economic slowdown in China and other emerging countries on the global economy.

Under such circumstances, the Group just started its Medium-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 will work on various measures aggressively to realize its vision of becoming "A superior business partner supporting customers' strategic objectives and activities by providing comprehensive innovative supply chain solutions."

While the Group earnings going forward are likely to be affected by the global economy, exchange rates, and other factors, the forecast for the fiscal year ending March 31, 2017 at this point are net sales of 481,000 million yen (up 14.5%), operating income of 12,500 million yen (down 18.6%), ordinary income of 13,000 million yen (down 27.4%) and net income attributable to owners of the parent of 7,000 million yen (down 28.4%), which remain the same as those announced on August 9, 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 September 30, 2016. As a result, the consolidated financial statements for the six months ended September 30, 2016 contain the results for the six months from April 1, 2016 to September 30, 2016.

Accordingly, earnings from January 1, 2016 to March 31, 2016 were adjusted in retained earnings in consolidation and cash flows for the same period were adjusted in cash and cash equivalents at the beginning of the fiscal year ending March 31, 2017.

(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 September 30, 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/16 (As of March 31, 2016)	Second quarter of FY3/17 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	70,580	65,661
Notes and operating accounts receivable	88,500	80,846
Other	20,527	11,935
Allowance for doubtful accounts	(1,153)	(1,111)
Total current assets	178,454	157,332
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,124	19,836
Land	14,006	13,971
Other, net	10,813	10,388
Total property, plant and equipment	45,944	44,195
Intangible assets		
Goodwill	75,768	65,265
Customer-related assets	41,797	34,734
Other	16,550	14,573
Total intangible assets	134,117	114,573
Total investments and other assets	27,386	25,548
Total non-current assets	207,447	184,317
Total assets	385,902	341,649
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	40,338	35,017
Short-term loans payable	28,190	35,002
Income taxes payable	3,470	3,388
Provision for bonuses	4,008	3,610
Provision for directors' bonuses	335	105
Other	22,063	19,261
Total current liabilities	98,406	96,386
Non-current liabilities		
Long-term loans payable	137,320	131,603
Net defined benefit liability	2,640	2,635
Other	12,335	10,768
Total non-current liabilities	152,296	145,007
Total liabilities	250,703	241,394

(Millions of yen)

	FY3/16 (As of March 31, 2016)	Second quarter of FY3/17 (As of September 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,293	4,018
Retained earnings	103,271	104,547
Treasury shares	(3)	(3)
Total shareholders' equity	114,777	115,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,338	1,298
Deferred gains or losses on hedges	(4)	–
Foreign currency translation adjustment	9,473	(24,094)
Remeasurements of defined benefit plans	(205)	(304)
Total accumulated other comprehensive income	10,602	(23,100)
Non-controlling interests	9,819	7,577
Total net assets	135,199	100,255
Total liabilities and net assets	385,902	341,649

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

(Millions of yen)

	First six months of FY3/16 (April 1, 2015— September 30, 2015)	First six months of FY3/17 (April 1, 2016— September 30, 2016)
Net sales	164,620	227,362
Cost of sales	138,767	187,728
Operating gross profit	25,853	39,633
Selling, general and administrative expenses	19,258	35,346
Operating income	6,595	4,287
Non-operating income		
Interest income	290	248
Dividends income	23	25
Amortization of negative goodwill	5	5
Share of profit of entities accounted for using equity method	—	59
Foreign exchange gains	486	326
Miscellaneous income	74	254
Total non-operating income	880	920
Non-operating expenses		
Interest expenses	337	471
Share of loss of entities accounted for using equity method	86	—
Miscellaneous expenses	13	45
Total non-operating expenses	437	517
Ordinary income	7,038	4,691
Extraordinary income		
Settlement received	—	426
Total extraordinary income	—	426
Extraordinary loss		
Loss on retirement of non-current assets	4	5
Loss on litigation	—	36
Total extraordinary losses	4	41
Income before income taxes	7,034	5,076
Income taxes	2,611	3,326
Net income	4,423	1,750
Net income attributable to non-controlling interests	282	572
Net income attributable to owners of the parent	4,140	1,177

(Millions of yen)

	First six months of FY3/16 (April 1, 2015— September 30, 2015)	First six months of FY3/17 (April 1, 2016— September 30, 2016)
Net income	4,423	1,750
Other comprehensive income		
Valuation difference on available-for-sale securities	(581)	(37)
Deferred gains or losses on hedges	(39)	4
Foreign currency translation adjustment	3,247	(28,875)
Remeasurements of defined benefit plans	54	(11)
Share of other comprehensive income of entities accounted for using equity method	114	(2,331)
Total other comprehensive income	2,795	(31,251)
Comprehensive income	7,219	(29,501)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,888	(28,908)
Comprehensive income attributable to non-controlling interests	330	(592)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY3/16 (April 1, 2015— September 30, 2015)	First six months of FY3/17 (April 1, 2016— September 30, 2016)
Cash flows from operating activities		
Income (loss) before income taxes	7,034	5,076
Depreciation	1,492	3,594
Amortization of goodwill	25	1,868
Amortization of negative goodwill	(5)	(5)
Increase (decrease) in provision for bonuses	(253)	36
Increase (decrease) in provision for directors' bonuses	(110)	(125)
Increase (decrease) in net defined benefit liability	(14)	9
Increase (decrease) in allowance for doubtful accounts	(10)	(10)
Interest and dividends income	(313)	(274)
Interest expenses	337	471
Share of (profit) loss of entities accounted for using equity method	86	(59)
Loss (gain) on sales of non-current assets	(10)	(16)
Loss on retirement of non-current assets	4	5
Loss (gain) on sales and valuation of investment securities	(0)	(0)
Settlement received	—	(426)
Loss on litigation	—	36
Decrease (increase) in notes and accounts receivable—trade	5,875	(3,224)
Increase (decrease) in notes and accounts payable—trade	(3,181)	1,857
Other, net	(1,231)	452
Subtotal	9,725	9,264
Interest and dividends income received	357	420
Interest expenses paid	(330)	(480)
Income taxes paid	(3,768)	(2,096)
Settlement package received	—	426
Payments for loss on litigation	—	(36)
Net cash provided by operating activities	5,983	7,498
Cash flows from investing activities		
Payments into time deposits	(3,058)	(3,978)
Proceeds from withdrawal of time deposits	2,938	3,527
Purchase of property, plant and equipment	(2,113)	(1,622)
Proceeds from sales of property, plant and equipment	17	14
Purchase of investment securities	(78)	(1,532)
Proceeds from sales and redemption of securities	30	987
Collection of loans receivable	30	26
Payments for lease and guarantee deposits	(183)	(397)
Proceeds from collection of lease and guarantee deposits	246	327
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	(175)	(380)
Net cash provided by (used in) investing activities	(142,149)	(2,784)

(Millions of yen)

	First six months of FY3/16 (April 1, 2015— September 30, 2015)	First six months of FY3/17 (April 1, 2016— September 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	145,324	942
Repayments of finance lease obligations	(78)	(107)
Proceeds from long-term loans payable	2,000	—
Repayments of long-term loans payable	(53)	(632)
Purchase of treasury shares	(0)	—
Cash dividends paid	(1,044)	(1,151)
Dividends paid to non-controlling interests	(302)	(704)
Net cash provided by (used in) financing activities	145,844	(1,654)
Effect of exchange rate changes on cash and cash equivalents	283	(6,200)
Net increase (decrease) in cash and cash equivalents	9,962	(3,141)
Cash and cash equivalents at beginning of period	48,700	63,903
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year-end of consolidated subsidiaries	—	(569)
Cash and cash equivalents at end of period	58,662	60,193

(4) 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 six months of the fiscal year ended March 2016 (April 1, 2015 – September 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	53,600	25,116	17,167	45,094	23,468	—	164,447	173	164,620	—	164,620
Inter-segment sales/transfers	1,261	1,924	598	595	467	—	4,846	1,043	5,890	(5,890)	—
Total net sales	54,861	27,040	17,766	45,690	23,935	—	169,294	1,217	170,511	(5,890)	164,620
Segment income (loss)	1,500	1,944	331	2,558	756	(816)	6,273	321	6,594	0	6,595

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)

For the three months ended June 30, 2015, APLL was included in the scope of consolidation and goodwill in APLL segment increased 78,158 million yen for the six months ended September 30, 2015.

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 six months ended September 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 six months of the fiscal year ending 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 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)

For the three months ended June 30, 2016, “APLL” segment acquired shares of India Infrastructure and Logistics Private Limited and consolidated the company, resulting 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.