



Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2014 [J-GAAP] (Consolidated)

February 6, 2014

Company Name: Kintetsu World Express, Inc. (KWE)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 9375 URL: <http://www.kwe.co.jp>
 Representative: President and Chief Executive Officer Satoshi ISHIZAKI
 Inquiries: General Manager of Accounting Dept. Kazuo INUI TEL: +81-3-6863-6445
 The date of filing the quarterly financial statements: February 12, 2014
 The date of the dividend payment start (planned): -
 Preparation of quarterly earnings presentation material: No
 Holding of quarterly earnings announcement: No

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

1. Consolidated earnings results for the first nine months of the fiscal year ending March 2014 (April 1, 2013– December 31, 2013)

(1) 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)	(%)						
First nine months ended								
December 31, 2013	204,756	9.0	9,710	(1.3)	10,433	2.0	6,482	(4.3)
December 31, 2012	187,867	(6.4)	9,834	(4.4)	10,229	(7.5)	6,775	(10.9)

(Note) Comprehensive income First nine months ended December 31, 2013: 13,236 million yen (75.8%)
 First nine months ended December 31, 2012: 7,530 million yen (36.9%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
First nine months ended		
December 31, 2013	180.08	—
December 31, 2012	188.21	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2013	158,687	103,835	63.9	2,814.68
As of March 31, 2013	140,116	92,197	64.3	2,501.11

(Reference) Shareholders' equity As of December 31, 2013: 101,326 million yen As of March 31, 2013: 90,038 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2013	—	15.00	—	22.00	37.00
Fiscal year ending March 31, 2014	—	15.00	—		
Fiscal year ending March 31, 2014 (Forecasts)				25.00	40.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 2014 (April 1, 2013 – March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	(%)	(Yen)						
Full fiscal year	270,000	8.9	14,500	9.1	14,500	2.0	9,200	0.7	255.56

(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: For details, please refer to “2. Matters concerning Summary Information (Notes), (2) Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements” on page 5.

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

- 1) Changes in accounting policies with revision of accounting standards, etc.: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Restatement of revisions: No

(4) Number of issued shares (common shares)

1) Number of issued shares (including treasury stock)	As of December 31, 2013:	36,000,000 shares	As of March 31, 2013:	36,000,000 shares
2) Number of treasury stock	As of December 31, 2013:	714 shares	As of March 31, 2013:	714 shares
3) Average number of shares during the period	First nine months ended December 31, 2013:	35,999,286 shares	First nine months ended December 31, 2012:	35,999,286 shares

*** 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 Nine Months of the Fiscal Year Ending March 2014 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecast” on page 5.

1. Qualitative Information concerning Consolidated Earnings Results for the First Nine Months of the Fiscal Year Ending March 2014

(1) Explanation about Operating Results

During the nine months ended December 31, 2013, the U.S. economy showed a gradual recovery and European economy started to show signs of bottoming out, but the global economy did not attain the full-scale recovery as the economic growth in China and other emerging countries has been slowing down since the beginning of the year.

As for Japanese economy, even though exports remained sluggish, the business confidence improved gradually owing to the expectations to the various government policies and the exertion of those policies effects.

In the international freight market, the primary focus of the KWE Group, the overall volume remained low as transport demand for air freight did not recover.

Under such conditions, for the nine months ended December 31, 2013, the KWE Group's freight operations saw air freight export fell 7.9%^{*1}, and air freight imports declined 9.1%^{*2} year-on-year, while sea freight exports increased 17.3%^{*3}, and imports increased 0.7%^{*2}. As for logistics, our handling volume showed a steady growth in certain regions, but the total volume did not grow much.

As described above, while the volume of air freight remained at low level, the volume of sea freight showed a steady growth as a result of the entire KWE Group's efforts to promote sales.

Operating results by each segment are as follows:

Japan

Regarding air freight exports, automotive-related products and smartphone-related items were firm, but other products failed to recover, resulting in a decrease of 4.8%^{*1} year-on-year. Air freight imports decreased 1.5%^{*2} despite an increase in smartphone-related items and medical products due to lackluster activities for other products. As for sea freight, exports increased 23.4%^{*3} due to an increase in equipment transportation and automotive-related products, and imports also increased by 8.9%^{*2} due to increases in solar panels and clothing. In logistics, orders decreased due to slack shipment of telecommunication equipment.

As a result, net sales for Japan, including domestic subsidiaries, increased 1.8% to 77,376 million yen, while operating income increased 15.5% to 3,461 million yen.

The Americas

Regarding air freight exports, the overall shipments decreased 3.9%^{*1} year-on-year due to shift of certain customers to sea freight and decline in medical products. Air freight imports decreased 16.2%^{*2} due to decreases in demand for electronic products and automotive-related products. In sea freight, exports rose 18.9%^{*3} as aerospace products and grains increased, and imports also rose 9.8%^{*2} as a result of an increase in automotive-related products and semiconductor equipment. Logistics expanded overall due to a favorable growth in the U.S.

As a result, net sales for the Americas increased 20.9% to 28,765 million yen, and operating income increased 12.4% to 1,516 million yen.

The exchange rate used to translate U.S. dollars to Japanese yen was U.S. \$1 = ¥96.71 and U.S. \$1 = ¥79.37 for the nine months ended December 31, 2013 and 2012, respectively.

Europe, Middle East & Africa

Air freight exports increased 10.1%^{*1} year-on-year due to acquisition of new customers for automotive-related products

and an increase in spot shipments. Air freight imports decreased 17.3%^{*2} since the shipment mainly of electronic products was low. In sea freight, exports increased 39.9%^{*3} due to increases in plant-related transportation and spot shipments, but imports decreased 22.4%^{*2} due to a decline in chemical and electronic products. In logistics, overall volume was sluggish despite business expansion in Italy and Russia.

As a result, net sales for Europe, Middle East & Africa increased 28.0% to 23,508 million yen, and operating income increased 54.7% to 569 million yen year-on-year.

The exchange rate used to translate Euro to Japanese yen was €1 = ¥127.35 and €1 = ¥101.75 for the nine months ended December 31, 2013 and 2012, respectively.

East Asia & Oceania

Air freight exports decreased 16.7%^{*1} year-on-year as shipments by major customers including electronics companies failed to recover. Also, air freight imports declined 8.9%^{*2} due to reduced shipment of electronic products and LCD materials. As for sea freight, exports rose 6.1%^{*3} due to steady shipment of solar-panels and clothing, but imports declined 0.0%^{*2} due to low shipment of electronic products. In logistics, overall volume remained low despite business expansion in South Korea due to inventory adjustments in other regions.

As a result, net sales for East Asia & Oceania increased 6.5% to 58,424 million yen, but operating income decreased 20.8% to 2,986 million yen.

Southeast Asia

Air freight exports decreased 6.9%^{*1} year-on-year due to a reduced volume of automotive-related products and the rebound from emergency transportation as a consequence of flood in Thailand. Air freight imports also decreased 13.3%^{*2} due to a reduced volume of electronic products and the rebound from emergency transportation as was the case with export. As for sea freight, exports increased 35.4%^{*3} due to increases in automotive-related products and farm products, but imports decreased 11.7%^{*2} due to a decline in electronic products. In logistics, business expansion in Thailand and Indonesia contributed to the increase in the overall orders.

As a result, net sales for Southeast Asia increased 14.1% to 20,794 million yen, and operating income decreased 25.6% year-on-year to 780 million yen.

^{*1} based on weight	^{*2} based on number of shipments	^{*3} based on TEUs (Twenty-foot Equivalent Units)
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Under the environment where global economy failed to attain a full-scale recovery and the transportation demand remained low, the whole KWE Group continued its efforts to promote sales and reduce fixed and variable costs. As a result, net sales for the nine months ended December 31, 2013 increased 9.0% year-on-year to 204,756 million yen, operating income decreased 1.3% to 9,710 million yen, ordinary income increased 2.0% to 10,433 million yen, and net income decreased 4.3% to 6,482 million yen.

(2) Explanation about Financial Position

Assets, liabilities, and net assets

Total assets as of December 31, 2013 increased 18,570 million yen from March 31, 2013 to 158,687 million yen.

Current assets increased 16,395 million yen due to increases in cash and deposits of 10,575 million yen and in notes and operating accounts receivable of 4,814 million yen. Noncurrent assets increased 2,175 million yen due to increases in total

property, plant and equipment of 882 million yen and in total investments and other assets of 1,378 million yen.

Total liabilities as of December 31, 2013 increased 6,932 million yen to 54,852 million yen.

Current liabilities increased 1,631 million yen due to a decrease in short-term loans payable of 1,886 million yen despite increases in notes and operating accounts payable-trade of 2,111 million yen and in other current liabilities of 918 million yen.

Noncurrent liabilities increased 5,301 million yen due to an increase in long-term loans payable of 4,444 million yen.

Net assets increased 11,637 million yen to 103,835 million yen due to an increase in retained earnings and in foreign currency translation adjustment, resulting in the equity ratio of 63.9%.

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

As for the prospects of the global economy, it will continue to be at the stage of expecting further improvement while the U.S. and European economy will continue to make a mild recovery.

Under such circumstances, the Group will ensure to implement various measures in accordance with the three strategic pillars in the Medium-Term Management Plan "Ready for the Next! Phase 2" (FY ending March 2014- FY ending March 2016), i.e. 1. Optimize overall revenue portfolio through a more balanced portfolio of business domains and commodities handled, 2. Expand KWE's presence in emerging countries, 3. Strengthen off-shore sales structure and activities and establish best in class operations to maximize operational effectiveness and high quality services.

While Group earnings may be affected by the global economy, exchange rates and other factors, the forecasts for the fiscal year ending March 31, 2014 are net sales of 270,000 million yen (up 8.9% year-on-year), operating income of 14,500 million yen (up 9.1%), ordinary income of 14,500 million yen (up 2.0%), and net income of 9,200 million yen (up 0.7%), and those figures are not changed from those announced on May 9, 2013.

(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.

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

Tax expenses are calculated as income before income taxes and minority interests 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 and minority interests for the consolidated fiscal year including the quarter ended December 31, 2013.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Revisions

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/13 (As of March 31, 2013)	Third quarter of FY3/14 (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	41,541	52,116
Notes and operating accounts receivable	46,440	51,254
Other	4,489	5,516
Allowance for doubtful accounts	(319)	(340)
Total current assets	92,151	108,547
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	18,241	18,504
Land	10,814	11,056
Other, net	3,456	3,834
Total property, plant and equipment	32,512	33,395
Intangible assets		
Goodwill	389	387
Other	1,074	990
Total intangible assets	1,463	1,378
Total investments and other assets	13,988	15,366
Total noncurrent assets	47,964	50,140
Total assets	140,116	158,687
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	19,759	21,871
Short-term loans payable	13,098	11,211
Income taxes payable	1,282	1,260
Provision for bonuses	1,866	2,487
Provision for directors' bonuses	208	97
Other	8,043	8,962
Total current liabilities	44,259	45,890
Noncurrent liabilities		
Long-term loans payable	1,000	5,445
Provision for retirement benefits	1,955	2,458
Other	704	1,057
Total noncurrent liabilities	3,659	8,961
Total liabilities	47,919	54,852

(Millions of yen)

	FY3/13 (As of March 31, 2013)	Third quarter of FY3/14 (As of December 31, 2013)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,867	4,867
Retained earnings	80,565	85,715
Treasury stock	(1)	(1)
Total shareholders' equity	92,646	97,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	643	1,242
Foreign currency translation adjustment	(3,251)	2,286
Total accumulated other comprehensive income	(2,608)	3,528
Minority interests	2,159	2,508
Total net assets	92,197	103,835
Total liabilities and net assets	140,116	158,687

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

(Millions of yen)

	First nine months of FY3/13 (April 1, 2012— December 31, 2012)	First nine months of FY3/14 (April 1, 2013— December 31, 2013)
Net sales	187,867	204,756
Cost of sales	155,877	170,698
Operating gross profit	31,989	34,058
Selling, general and administrative expenses	22,155	24,347
Operating income	9,834	9,710
Non-operating income		
Interest income	234	302
Dividends income	15	19
Amortization of negative goodwill	26	26
Equity in earnings of affiliates	39	42
Foreign exchange gains	154	254
Miscellaneous income	137	294
Total non-operating income	608	940
Non-operating expenses		
Interest expenses	200	177
Miscellaneous expenses	14	39
Total non-operating expenses	214	216
Ordinary income	10,229	10,433
Extraordinary income		
Gain on sales of noncurrent assets	9	44
Gain on negative goodwill	33	—
Total extraordinary income	43	44
Extraordinary loss		
Loss on sales of noncurrent assets	1	7
Loss on retirement of noncurrent assets	6	67
Loss on valuation of investment securities	5	217
Loss on liquidation of subsidiaries	2	—
Loss on valuation of golf club membership	8	—
Loss on cancellation of leasehold contracts	118	—
Total extraordinary losses	143	291
Income before income taxes	10,128	10,186
Income taxes	2,994	3,356
Income before minority interests	7,134	6,829
Minority interests in income	359	346
Net income	6,775	6,482

(Millions of yen)

	First nine months of FY3/13 (April 1, 2012— December 31, 2012)	First nine months of FY3/14 (April 1, 2013— December 31, 2013)
Income before minority interests	7,134	6,829
Other comprehensive income		
Valuation difference on available-for-sale securities	98	598
Foreign currency translation adjustment	297	5,805
Share of other comprehensive income of associates accounted for using equity method	—	2
Total other comprehensive income	396	6,406
Comprehensive income	7,530	13,236
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,165	12,620
Comprehensive income attributable to minority interests	365	616

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

I First nine months of the fiscal year ended March 2013 (April 1, 2012–December 31, 2012)

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	Total				
Net sales										
Net sales to outside customers	74,871	22,570	17,828	54,407	17,965	187,643	223	187,867	—	187,867
Inter-segment sales/transfers	1,157	1,220	543	475	263	3,660	1,226	4,887	(4,887)	—
Total net sales	76,029	23,791	18,372	54,882	18,228	191,304	1,450	192,755	(4,887)	187,867
Segment income	2,997	1,349	368	3,769	1,048	9,533	314	9,847	(12)	9,834

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

2. The (12) 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 in each category are as follows:

- (1) The Americas: United States, Canada, and Latin American countries
- (2) Europe, Middle East & Africa: United Kingdom, Germany, France, Italy, Netherlands, Belgium, Switzerland, Ireland, and other European countries, Russia, African countries, and Middle Eastern countries
- (3) East Asia & Oceania: Hong Kong, China, South Korea, Taiwan, Philippines, and Australia
- (4) Southeast Asia: Singapore, Malaysia, Thailand, India, Indonesia, and Vietnam

II First nine months of the fiscal year ending March 2014 (April 1, 2013–December 31, 2013)

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	Total				
Net sales										
Net sales to outside customers	75,867	27,411	22,955	57,820	20,450	204,506	249	204,756	—	204,756
Inter-segment sales/transfers	1,508	1,353	553	604	343	4,363	1,381	5,745	(5,745)	—
Total net sales	77,376	28,765	23,508	58,424	20,794	208,870	1,631	210,501	(5,745)	204,756
Segment income	3,461	1,516	569	2,986	780	9,315	393	9,708	1	9,710

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

2. The 1 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 in each category are as follows:

- (1) The Americas: United States, Canada, and Latin American countries
- (2) Europe, Middle East & Africa: United Kingdom, Germany, France, Italy, Netherlands, Belgium, Switzerland, Ireland, and other European countries, Russia, African countries, and Middle Eastern countries
- (3) East Asia & Oceania: Hong Kong, China, South Korea, Taiwan, Philippines, and Australia
- (4) Southeast Asia: Singapore, Malaysia, Thailand, India, Indonesia, and Vietnam