



Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 [J-GAAP] (Consolidated)

August 6, 2020

Company Name: Kintetsu World Express, Inc. (KWE)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 9375 URL: <https://www.kwe.co.jp>
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 The date of filing the quarterly financial statements: August 7, 2020
 The date of the dividend payment start (planned): -
 Preparation of quarterly earnings presentation material: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated earnings results for the first three months of the fiscal year ending March 2021 (April 1, 2020– June 30, 2020)

(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 three months ended June 30, 2020	140,473	3.6	7,913	100.7	8,200	703.8	4,883	—
June 30, 2019	135,590	(5.9)	3,942	(11.8)	1,020	(81.1)	(1,469)	—

(Note) Comprehensive income First three months ended June 30, 2020: 4,265 million yen (- %)
 First three months ended June 30, 2019: (3,159) million yen (- %)

	Net income per share	Diluted net income per share
First three months ended	(Yen)	(Yen)
June 30, 2020	67.93	—
June 30, 2019	(20.42)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of June 30, 2020	385,719	128,714	30.8	1,651.12
As of March 31, 2020	385,470	126,606	30.1	1,615.38

(Reference) Shareholders' equity As of June 30, 2020: 118,703 million yen As of March 31, 2020: 116,133 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2020	—	10.00	—	20.00	30.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecasts)		10.00	—	20.00	30.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 2021 (April 1, 2020 – March 31, 2021)

(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	516,000	(5.2)	19,000	(3.6)	19,000	(9.0)	10,000	111.7	139.10

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

As our performance is managed on an annual basis, we disclose full-year earnings forecasts only from the current fiscal year.

*** 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, (3) Notes to the Quarterly Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements)” on page 11.

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

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

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of June 30, 2020:	72,000,000 shares	As of March 31, 2020:	72,000,000 shares
(b) Number of treasury shares	As of June 30, 2020:	107,367 shares	As of March 31, 2020:	107,367 shares
(c) Average number of shares during the period	First three months ended June 30, 2020:	71,892,633 shares	First three months ended June 30, 2019:	71,997,633 shares

* The Financial Results report is outside the scope of a quarterly review by certified public accountants or an audit firm.

* 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 Three Months of the Fiscal Year Ending March 2021 (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 conference call for institutional investors and analysts will be held on Friday, August 7, 2020. The presentation materials will be disclosed through TDnet on the same day and posted on our website.

1. Qualitative Information concerning Consolidated Earnings Results for the First Three Months of the Fiscal Year Ending March 2021

(1) Explanation about Operating Results

During the first three months ended June 30, 2020, the global pandemic of the novel coronavirus caused economic stagnation in many countries, and the global economy experienced an extremely severe condition.

The Japanese economy also experienced a downturn in both domestic and foreign demand, and the outlook of the economy remained uncertain.

The global market saw a decline in the handling volume of the entire market due to a disruption in supply chains caused by shutdowns of production activities all over the world and a decrease in demand.

Under such circumstances, the KWE Group's freight operations saw air freight exports fell 16.3% year-on-year to 113 thousand tons, and air freight imports decreased 15.8% to 256 thousand shipments. Sea freight exports dropped 13.7% to 140 thousand TEUs, and imports fell 4.8% to 66 thousand shipments. Logistics were stagnant overall due to a decrease in the handling volume in overseas segments.

While the handling volume decreased overall, net sales showed a different trend due to a significant decrease in transportation space caused by a reduction of passenger flights and the resulting rise in freight cost and sales price.

Operating results by segment are as follows:

Japan

Air freight exports decreased 23.3% year-on-year to 26 thousand tons due to stagnant demand in automotive-related products and machinery-related products. Air freight imports fell 10.0% to 75 thousand shipments due to a decrease in handling mainly in automotive-related products and fashion products. As for sea freight, exports decreased 5.7% to 32 thousand TEUs due to a decline in automotive-related products and machinery-related products, and imports increased 0.5% to 27 thousand shipments, almost the same level as the previous year. In logistics, the volume grew due to an increase mainly in electronic products. Domestic subsidiaries showed weak performance overall.

As a result, net sales for the segment decreased 6.5% to 31,873 million yen, and operating income increased 112.7% to 1,349 million yen due to an improvement in operating gross profit margin, etc.

The Americas

Air freight exports decreased 12.1% to 22 thousand tons due to decreases in automotive-related products and healthcare-related products. Air freight imports dropped 31.2% to 20 thousand shipments due to decreases in automotive-related products and machinery-related products. As for sea freight, exports declined 16.2% to 10 thousand TEUs due to decreases in food products and electronic products, and imports fell 16.7% to 8 thousand shipments due to falls in machinery-related products and automotive-related products. In logistics, the handling volume fell in the U.S. and Canada.

As a result, net sales for the segment decreased 5.6% to 13,735 million yen due to an increase in sales price resulting from an increased freight cost, and operating income increased 17.6% to 842 million yen due to an improvement in operating gross profit margin.

The exchange rate was U.S.\$1 = ¥107.62 and U.S.\$1 = ¥109.90 for the three months ended June 30, 2020 and 2019, respectively.

Europe, Middle East & Africa

Air freight exports dropped 40.3% to 9 thousand tons due to drops in automotive-related products and chemical products. Air freight imports decreased 45.1% to 16 thousand shipments due to significant decreases in automotive-related products and electronic products. Sea freight exports declined 18.4% to 3 thousand TEUs due to falls in chemical products and machinery-related products, and imports decreased 16.8% to 3 thousand shipments due to a decrease mainly in machinery-related products. In logistics, the handling volume decreased in Germany and South Africa, etc.

As a result, net sales for the segment decreased 5.8% to 9,003 million yen due to an increase in sales price resulting from an increased freight cost, and operating income dropped 20.0% to 256 million yen due to sluggish performance in a South African subsidiary, etc.

The exchange rate was €1 = ¥118.48 and €1 = ¥123.49 for the three months ended June 30, 2020 and 2019, respectively.

East Asia & Oceania

Air freight exports increased 4.3% to 34 thousand tons due to an increase in handling of electronic products. Air freight imports decreased 3.6% to 106 thousand shipments as electronic products lost momentum. As for sea freight, exports fell 6.2% to 52 thousand TEUs due to decreases in automotive-related products and machinery-related products, and imports remained flat year-on-year with an increase of 1.8% to 15 thousand shipments. In logistics, the handling volume decreased mainly in China.

As a result, net sales for the segment increased 38.2% to 31,217 million yen due to an increase in sales price resulting from an increased freight cost, and operating income increased 247.4% to 3,582 million yen due to an improvement in operating gross profit margin, etc.

Southeast Asia

Air freight exports fell 23.1% to 20 thousand tons due to a sluggish momentum in electronic products and automotive-related products. Air freight imports decreased 25.8% to 37 thousand shipments due to a stagnant demand in electronic products and healthcare-related products. As for sea freight, exports fell 20.3% to 30 thousand TEUs due to a decrease in the handling volume of motorcycles and electronic products, and imports dropped 10.6% to 11 thousand shipments due to a decrease in automotive-related products, etc. In logistics, the handling volume decreased in Indonesia and Philippines.

As a result, net sales for the segment increased 23.7% to 17,035 million yen due to an increase in sales price resulting from an increased freight cost, and operating income increased 285.3% to 1,340 million yen due to an improvement in operating gross profit margin, etc.

APLL

Logistics services for automotive showed strong performance compared to a year earlier due to an increase in the handling volume of large customers. For retail-related logistics service, the handling volume decreased mainly in major customers as a consequence of shutdowns of stores due to lockdowns in Europe and the U.S. as well as sluggish movement in consumer and other industrial fields.

As a result, net sales for the segment decreased 8.6% to 40,550 million yen, and operating income fell 19.2% to 1,856 million yen. Segment income dropped 48.7% to 404 million yen as amortization of goodwill related to APLL acquisition is still included in this segment.

The exchange rate was U.S. \$1 = ¥108.92 and U.S. \$1 = ¥110.20 for the three months ended June 30, 2020 and 2019,

respectively (APLL used the average rate for the period from January 1 to March 31 because APLL's fiscal year-end is December 31).

As a result, net sales for the three months ended June 30, 2020 increased 3.6% to 140,473 million yen, operating income increased 100.7% to 7,913 million yen, ordinary income increased 703.8% to 8,200 million yen partly due to absence of share of loss of entities accounted for using equity method of 2,913 million recorded a year earlier, and net income attributable to owners of the parent was 4,883 million yen (net loss attributable to owners of the parent of 1,469 million yen a year earlier).

(2) Explanation about Financial Position

Total assets as of June 30, 2020 increased 249 million yen from March 31, 2020 to 385,719 million yen. Current assets increased 2,175 million yen to 196,140 million yen mainly due to an increase in cash and deposits of 2,870 million yen. Non-current assets decreased 1,924 million yen to 189,524 million yen due to a decrease in total intangible assets, mainly because of amortization of goodwill, etc., of 2,441 million yen.

Total liabilities as of June 30, 2020 decreased 1,859 million yen from March 31, 2020 to 257,005 million yen. Current liabilities decreased 2,152 million yen to 125,804 million yen due to a decrease in notes and operating accounts payable-trade of 2,652 million yen and a decrease in short term loans payable of 783 million yen, despite an increase in other of 1,653 million yen. Non-current liabilities increased 293 million yen to 131,200 million yen due to an increase in other of 400 million yen.

Total net assets as of June 30, 2020 increased 2,108 million yen from March 31, 2020 to 128,714 million yen. This was mainly because of an increase in retained earnings of 3,440 million yen due to recording net income attributable to owners of the parent of 4,883 million yen, despite cash dividends paid of 1,439 million yen. On the other hand, foreign currency translation adjustment decreased 1,532 million yen due to a stronger yen against the U.S. dollar.

Consequently, the equity ratio increased to 30.8% from 30.1% as of March 31, 2020.

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

Consolidated earnings forecasts for the fiscal year ending March 31, 2021, which was not disclosed in the Financial Results for the Fiscal Year Ended March 31, 2020, are as follows:

Consolidated earnings forecasts for the fiscal year ending March 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecasts (A)	—	—	—	—	—
Revised forecasts (B)	516,000	19,000	19,000	10,000	¥139.10
Differences (B) – (A)	—	—	—	—	—
Change (%)	—	—	—	—	—
(Ref.) Year ended March 31, 2020	544,533	19,714	17,432	4,724	¥65.68
(Ref.) YoY change (%)	(5.2)	(3.6)	9.0	111.7	—

* As our performance is managed on an annual basis, we disclose full-year earnings forecasts only from the current fiscal year.

* Please refer to page 14 of “Presentation Material for the Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021” disclosed on August 6, 2020 for the earnings forecast by segment.

(Grounds for the earnings forecasts)

We did not disclose the consolidated earnings forecasts for the fiscal year ending March 31, 2021 as it was difficult to reasonably forecast earnings due to the global pandemic of COVID-19. However, we decided to disclose it as we calculated it based on the information and forecasts currently available.

For the second quarter of the year ending March 31, 2021 and onward, we expect our performance to decline year-on-year assuming a prolonged stagnation in demand caused by the global economic downturn, a decrease in demand for urgent transportation, and a decline in freight charge, with no prospect for the containment of COVID-19.

(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)

	FY3/20 (As of March 31, 2020)	First quarter of FY3/21 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	80,493	83,363
Notes and operating accounts receivable	99,633	99,110
Securities	4,366	4,317
Other	10,930	10,777
Allowance for doubtful accounts	(1,458)	(1,428)
Total current assets	193,964	196,140
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,459	18,258
Land	13,921	14,001
Right-of-use assets, net	23,168	23,664
Other, net	12,596	12,187
Total property, plant and equipment	68,145	68,112
Intangible assets		
Goodwill	56,053	54,723
Customer-related assets	30,072	29,358
Other	16,047	15,649
Total intangible assets	102,173	99,731
Total investments and other assets	21,129	21,680
Total non-current assets	191,449	189,524
Deferred assets		
Bond issuance cost	56	55
Total deferred assets	56	55
Total assets	385,470	385,719
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	47,978	45,326
Short-term loans payable	47,660	46,876
Income taxes payable	3,526	3,975
Provision for bonuses	4,589	3,841
Provision for directors' bonuses	267	197
Other	23,934	25,587
Total current liabilities	127,957	125,804
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	87,883	87,834
Provision for share-based remuneration for directors	20	26
Net defined benefit liability	6,736	6,672
Other	26,266	26,666
Total non-current liabilities	130,906	131,200
Total liabilities	258,864	257,005

(Millions of yen)

	FY3/20 (As of March 31, 2020)	First quarter of FY3/21 (As of June 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,084	4,084
Retained earnings	121,425	124,866
Treasury shares	(150)	(150)
Total shareholders' equity	132,576	136,017
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	852	1,380
Foreign currency translation adjustment	(14,675)	(16,208)
Remeasurements of defined benefit plans	(2,619)	(2,486)
Total accumulated other comprehensive income	(16,443)	(17,314)
Non-controlling interests	10,472	10,011
Total net assets	126,606	128,714
Total liabilities and net assets	385,470	385,719

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

(Millions of yen)

	First three months of FY3/20 (April 1, 2019 – June 30, 2019)	First three months of FY3/21 (April 1, 2020 – June 30, 2020)
Net sales	135,590	140,473
Operating cost	113,460	115,178
Operating gross profit	22,129	25,295
Selling, general and administrative expenses	18,187	17,382
Operating income	3,942	7,913
Non-operating income		
Interest income	206	154
Dividends income	29	19
Amortization of negative goodwill	2	2
Foreign exchange gains	330	145
Subsidy income	7	398
Miscellaneous income	63	72
Total non-operating income	640	792
Non-operating expenses		
Interest expenses	626	437
Share of loss of entities accounted for using equity method	2,913	50
Miscellaneous expenses	22	18
Total non-operating expenses	3,562	505
Ordinary income	1,020	8,200
Extraordinary income		
Gain on sales of non-current assets	33	–
Gain on sales of investment securities	123	–
Total extraordinary income	156	–
Extraordinary loss		
Loss on retirement of non-current assets	3	–
Loss on litigation	84	–
Total extraordinary losses	87	–
Income before income taxes	1,089	8,200
Income taxes	2,210	2,839
Net income (loss)	(1,121)	5,361
Net income attributable to non-controlling interests	348	477
Net income (loss) attributable to owners of the parent	(1,469)	4,883

(Consolidated statements of comprehensive income)

(Millions of yen)

	First three months of FY3/20 (April 1, 2019 – June 30, 2019)	First three months of FY3/21 (April 1, 2020 – June 30, 2020)
Net income (loss)	(1,121)	5,361
Other comprehensive income		
Valuation difference on available-for-sale securities	(237)	513
Foreign currency translation adjustment	(2,038)	(1,561)
Remeasurements of defined benefit plans	72	134
Share of other comprehensive income of entities accounted for using equity method	164	(182)
Total other comprehensive income	(2,038)	(1,096)
Comprehensive income	(3,159)	4,265
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(3,388)	4,012
Comprehensive income attributable to non-controlling interests	228	252

(3) 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 June 30, 2020.

(Notes to Quarterly Consolidated Statement of Income)

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

First three months of the fiscal year ended March 2020 (April 1, 2019 – June 30, 2019)

Impairment loss of 3,011 million yen for investments in Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using equity method, is included.

First three months of the fiscal year ending March 2021 (April 1, 2020 – June 30, 2020)

Not applicable.

(Segment Information, etc.)

I First three months of the fiscal year ended March 2020 (April 1, 2019 – June 30, 2019)

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	33,147	13,453	9,271	22,112	13,180	44,328	135,494	96	135,590	—	135,590
Inter-segment sales/transfers	957	1,089	289	481	592	36	3,446	638	4,085	(4,085)	—
Total net sales	34,104	14,543	9,560	22,593	13,773	44,365	138,941	734	139,676	(4,085)	135,590
Segment income	634	715	320	1,031	348	788	3,838	93	3,932	10	3,942

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

2. The 10 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 impairment loss of non-current assets)

“APLL” segment recognized impairment loss of 3,011 million yen on shares of Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using the equity method.

II First three months of the fiscal year ending March 2021 (April 1, 2020 – June 30, 2020)

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	30,669	12,987	8,857	30,727	16,623	40,517	140,382	91	140,473	—	140,473
Inter-segment sales/transfers	1,204	748	145	490	411	32	3,033	529	3,562	(3,562)	—
Total net sales	31,873	13,735	9,003	31,217	17,035	40,550	143,415	620	144,036	(3,562)	140,473
Segment income	1,349	842	256	3,582	1,340	404	7,775	133	7,909	4	7,913

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 |