May 13, 2019

Kintetsu World Express, Inc.

Q&A Session Summary : FY Ended March 2019

Q1: How about the stage of progress on APLL rationalization?

A1: We have made considerable progress on the rationalization of personnel, the review of conditions of transactions with customers. Going forward, we will invest in APLL's business growth and operational efficiency.

Q2: Your target of 670,000 tons of air freight volume in the current period is very ambitious—how do you propose to achieve this?

A2: While there has been a continuing downward trend over the past several months for ex-Japan shipments, we should work on expanding lanes from Asia to countries in the Americas and in Europe. As we see it, there are still plenty of areas where cargo handling can be expanded if we turn our gaze across the world.

Q3: Can you elaborate on the motivation to pursue "zero net interest-bearing debt" in your long-term vision?

A3: It is a high target, but we set this target partly to instill an awareness and a sense of improvement of cash flow. We will pursue this after investing in growth, providing a return to shareholders, and so on.

Q4: Was your target of "one trillion yen in net sales" in the long-term vision set with M&A (mergers & acquisitions) also in mind?

A4: As we proceed to promote sales strategies by vertical industry, I think we will have to give some thought to M&A. At present, we do not have any specific projects. The whole Group will move as one toward the goal of a one trillion yen enterprise, and we will take steps to expand our scale with freight forwarding as a driver.

Q5: Can you explain your decision to omit indicator targets for payout ratio and ROE (return on equity) from the new management plan?

A5: The payout ratio for the fiscal year ended March 2019 was 21.9%—rest assured that we will also continue to strive for stable dividends going forward. As to ROE: while it remains an important aspect of the business for management to consider, the new management plan is one that is not fixated on ROE.

Q6: Can you explain why you have instituted a profit expansion plan for the fiscal year ending March 2020 despite acknowledging that the industry currently faces significant business challenges?

A6: While circumstances between the United States and China have changed over the last week or two, these events were not taken into account when considering the numerical targets for the current period.

Q7: Can you elaborate on the reasons for projecting an operating gross profit ratio of 16.4% in your Medium-Term Management Plan?

A7: We set this target to maintain consistent results for the fiscal year ended March 2019. We are aware that this projection is not low; however, if we surpass this projection as we work on expanding volume, I think that we will be able to record profit figures to match.

Q8: Can you explain why APLL's operating income for the fiscal year ending March 2020 will remain flat year-over-year?

A8: It includes the decision to transfer Carmichael International Services, a subsidiary of APLL, to the Americas segment of KWE from the current fiscal year forward.

Q9: As customer supply chains shift away from China, what kind of influence will this have on your results?

A9: At present, a majority of these supply chain revisions are still under consideration, even on the shipper side. Of course, our strength as an inherently light-asset based business model will be able to accommodate this shift as it occurs, addressing unique customer circumstances and needs as required.

Q10: Can you elaborate on the KPI (key performance indicator) for volume expansion to the Americas ex-Asia?

A10: Freight volume to the Americas accounts for 14% of KWE Group's total air freight shipments originating in East Asia and 16% of the volume originating in Southeast Asia. If we can, I would like to raise each of these to around 20%.