February 10, 2021

Kintetsu World Express, Inc.

Teleconference Q&A Session Summary 3Q FY Ending March 2021

Q1: What is your outlook for air freight profitability in the fourth quarter? Will increasing charter flight operations undermine profitability compared to the previous quarter?

A1: To maintain our customers' supply chains, we will continue to prepare charter flights—profitability is currently assessed in a case-by-case situation.

Q2: What types of cargo are currently being shifted from sea to air?

A2: In our latest observations, typically it is cargo destined for production and assembly lines, such as automobile parts. Due to sea freight capacity deficits, labor shortages, and terminal congestion at United States ports, we expect the chaotic situation surrounding sea freight will continue through the first-half of fiscal year 2021.

Q3: Indirect costs decreased by 3.3 billion yen on a year-to-year basis. What did that include?

A3: There was a decrease of 1.5 billion yen at KWE (attributed to labor cost reductions in countries like South Africa and Germany) and a decrease of 1.8 billion yen at APLL (attributed to labor cost reductions as a result of decline in business due to COVID-19).

Q4: Why have outbound freight rates gone down in the Americas compared to other regions?

A4: Although goods produced in Asia are transported in large quantities to the United States, there is not much outbound demand from the U.S. to Asia.

Q5: Although volume handling is projected to remain flat this fiscal year due to the effects of COVID-19, has the market share composition progressed toward the intended direction?

A5: Due in part to the significant changes in the business environment resulting from the COVID-19 pandemic, we have not yet obtained sufficient results.

Q6: What is the status of your goal to achieve “zero net interest-bearing debt” and how do you plan to utilized cash in the future?

A6: Our net interest-bearing debt decreased by 17.0 billion yen—from 65.0 billion yen at the end of the previous fiscal year—to 48.0 billion yen as of the third quarter. At this rate, it is possible to reduce net interest-bearing debt to zero in a few years. Existing cash will be used to pay off interest-bearing debt following regular capital investments—such as in software and warehouse equipment—and shareholder returns.

Q7: Do you think you have become competitive enough against the world’s mega forwarders?

A7: Our current global ranking is between 15th and 10th, with respect to sea freight and air freight, and we are still recognized as a regional force in Asia. We continue to hold our own against global players in this region, but acknowledge that there are many challenges in Europe and United States, particularly with regard to capacity, that we must overcome.

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