



## Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020 [J-GAAP] (Consolidated)

August 7, 2019

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>  
 Representative: President and Chief Executive Officer Nobutoshi Torii  
 Officer, General Manager,  
 Inquiries: Corporate Finance & Accounting Department Hiroyuki Kasamatsu TEL: +81-3-6863-6445  
 The date of filing the quarterly financial statements: August 8, 2019  
 The date of the dividend payment start (planned): -  
 Preparation of quarterly earnings presentation material: No  
 Holding of quarterly financial results briefing: No

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

### 1. Consolidated earnings results for the first three months of the fiscal year ending March 2020 (April 1, 2019– June 30, 2019)

#### (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, 2019	135,590	(5.9)	3,942	(11.8)	1,020	(81.1)	(1,469)	—
June 30, 2018	144,161	12.8	4,470	52.9	5,401	101.8	2,421	—

(Note) Comprehensive income First three months ended June 30, 2019: (3,159) million yen ( - %)  
 First three months ended June 30, 2018: (4,384) million yen ( - %)

	Net income per share		Diluted net income per share	
	(Yen)	(Yen)	(Yen)	(Yen)
First three months ended June 30, 2019	(20.42)	—	—	—
June 30, 2018	33.63	—	—	—

#### (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, 2019	401,855	125,531	28.7	1,604.50
As of March 31, 2019	388,467	131,823	31.3	1,690.89

(Reference) Shareholders' equity As of June 30, 2019: 115,520 million yen As of March 31, 2019: 121,740 million yen

### 2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2019	—	10.00	—	20.00	30.00
Fiscal year ending March 31, 2020 (Forecasts)	—	10.00	—	20.00	30.00

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

### 3. Consolidated earnings forecasts for the fiscal year ending March 2020 (April 1, 2019 – March 31, 2020)

(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)
First half	272,000	(6.6)	7,700	(13.1)	4,700	(55.3)	800	(84.0)	11.11
Full fiscal year	560,000	(5.4)	17,000	(18.3)	13,500	(32.3)	5,000	(49.3)	69.45

(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. 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 10.

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

(a) Changes in accounting policies with revision of accounting standards, etc.: Yes

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10.

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of June 30, 2019:	72,000,000 shares	As of March 31, 2019:	72,000,000 shares
(b) Number of treasury shares	As of June 30, 2019:	2,367 shares	As of March 31, 2019:	2,367 shares
(c) Average number of shares during the period	First three months ended June 30, 2019:	71,997,633 shares	First three months ended June 30, 2018:	71,997,636 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 2020 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecasts” on page 5.

## 1. Qualitative Information concerning Consolidated Earnings Results for the First Three Months of the Fiscal Year Ending March 2020

### (1) Explanation about Operating Results

During the first three months ended June 30, 2019, the U.S. economy continued to expand while Europe remained on a downward trend mainly in the Euro zone. The Chinese economy also showed a clear decelerating trend mainly in export and production.

The Japanese economy showed a sign of slowdown in export and production amid increasing concerns over the trade friction.

The global market lost momentum against a backdrop of uncertainty over the global economy, and demand for air freight showed a further downward trend.

Under such circumstances, the KWE Group's freight operations saw air freight exports fell 11.7% year-on-year to 135 thousand tons, and air freight imports decreased 9.6% to 304 thousand shipments. Sea freight exports decreased 7.4% to 162 thousand TEUs, and imports fell 5.2% to 69 thousand shipments. Logistics were stagnant overall due to a decrease in the handling volume in APLL and East Asia.

Operating results by each segment are as follows:

#### ***Japan***

Air freight exports decreased 19.8% year-on-year to 34 thousand tons due to a significant drop of transport demand mainly in electronic products and machinery-related products. Air freight imports fell 5.4% to 83 thousand shipments due to a decrease in handling mainly in electronic products. As for sea freight, exports declined 11.3% to 34 thousand TEUs due to decreases in LCD-related products and paper products, which were strong a year earlier, and imports fell 7.5% to 27 thousand shipments due to a decrease in electronic products. In logistics, the volume grew due to an increase mainly in electronic products.

As a result, net sales for Japan, including domestic subsidiaries, decreased 5.0% to 34,104 million yen, and operating income fell 44.3% to 634 million yen.

#### ***The Americas***

Air freight exports decreased 9.3% to 26 thousand tons due to decreases in electronic products and automotive-related products. Air freight imports fell 11.7% to 30 thousand shipments due to decreases in electronic products and machinery-related products. Sea freight exports decreased 2.8% to 12 thousand TEUs due to a decrease in semiconductor manufacturing equipment, but imports grew 11.9% to 9 thousand shipments due to increases in electronic products and construction materials. In logistics, the handling volume expanded in the U.S. and Canada.

As a result, net sales for the segment decreased 3.0% to 14,543 million yen, and operating income fell 22.9% to 715 million yen.

The exchange rate was U.S.\$1 = ¥109.90 and U.S.\$1 = ¥109.07 for the three months ended June 30, 2019 and 2018, respectively.

#### ***Europe, Middle East & Africa***

Air freight exports dropped 1.7% to 15 thousand tons due to decreases in spot shipments. Air freight imports fell 12.4% to 29 thousand shipments due to a decrease in electronic products. Sea freight exports decreased 0.7% to 4 thousand TEUs due to sluggish business overall, but imports grew 9.4% to 4 thousand shipments due to increases in electronic products and healthcare-related products. In logistics, the handling volume increased in Germany.

As a result, net sales for the segment decreased 5.7% to 9,560 million yen, but operating income increased 23.0% to 320 million yen due to improvement in direct cost ratio.

The exchange rate was €1 = ¥123.49 and €1 = ¥130.06 for the three months ended June 30, 2019 and 2018, respectively.

#### ***East Asia & Oceania***

Air freight exports fell 10.3% to 33 thousand tons due to a decrease in electronic products. Air freight imports decreased 11.2% to 110 thousand shipments due to a decline in equipment and machinery-related products. As for sea freight, exports increased only 0.1% to 56 thousand TEUs due to a sluggish momentum overall, and imports dropped 8.3% to 14 thousand shipments due to decreases in equipment-related products and electronic products. In logistics, the handling volume decreased in China.

As a result, net sales for the segment decreased 13.3% to 22,593 million yen, and operating income fell 37.5% to 1,031 million yen.

#### ***Southeast Asia***

Air freight exports fell 9.5% to 26 thousand tons due to decreases in electronic products and automotive-related products. Air freight imports decreased 9.7% to 50 thousand shipments due to a decline in electronic products. As for sea freight, exports fell 5.1% to 38 thousand TEUs due to a decrease in the handling volume of motorcycles, which was strong a year earlier, and imports dropped 11.3% to 12 thousand shipments due to a decrease in electronic products. In logistics, the handling volume increased mainly in Indonesia and India.

As a result, net sales for the segment decreased 2.3% to 13,773 million yen, and operating income fell 43.3% to 348 million yen.

#### ***APLL***

Logistics services for automotive showed weaker performance compared to a year earlier due to a decrease in the handling volume in the U.S. For retail-related logistics service, the handling volume showed a steady growth mainly in major customers, and consumer and other industrial fields also showed solid growth.

As a result, net sales of APLL decreased 4.1% to 44,365 million yen, but operating income rose 83.5% to 2,298 million yen through efforts to improve operating margin including reduction of selling, general and administrative expenses. Segment income was 788 million yen (segment loss of 255 million yen a year earlier) as amortization of goodwill related to APLL acquisition is still included in this segment.

The exchange rate was U.S. \$1 = ¥110.20 and U.S. \$1 = ¥108.30 for the three months ended June 30, 2019 and 2018, 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, 2019 decreased 5.9% to 135,590 million yen and operating income fell 11.8% to 3,942 million yen. And because of recording share of loss of entities accounted for using equity method of 2,913 million yen during the quarter, ordinary income dropped 81.1% to 1,020 million yen, and net loss attributable to owners of the parent was 1,469 million yen (net income attributable to owners of the parent of 2,421 million yen a year earlier).

## (2) Explanation about Financial Position

### Assets, liabilities, and net assets

Total assets as of June 30, 2019 increased 13,387 million yen from March 31, 2019 to 401,855 million yen. Current assets decreased 10,107 million yen to 191,911 million yen mainly due to a decrease in notes and operating accounts receivable of 9,877 million yen. Non-current assets increased 23,494 million yen to 209,943 million yen due to an increase in property, plant and equipment of 27,563 million yen including an increase in right-of-use assets as a result of application of IFRS 16 *Leases* by certain overseas consolidated subsidiaries despite a decrease in total investments and other assets of 2,391 million yen mainly due to impairment loss for shares of an affiliate.

Total liabilities increased 19,679 million yen to 276,323 million yen. Current liabilities decreased 1,591 million yen to 121,138 million yen due to decreases in notes and operating accounts payable-trade of 4,695 million yen and short-term loans payable of 5,422 million yen while lease obligations, included in other, increased due to the application of IFRS 16 *Leases*. Non-current liabilities increased 21,271 million yen to 155,185 million yen mainly due to an increase in lease obligations included in other.

Total net assets as of June 30, 2019 decreased 6,291 million yen from March 31, 2019 to 125,531 million yen. This was mainly because of a decrease in retained earnings of 4,301 million yen due to recording net loss attributable to owners of the parent of 1,469 million yen, cash dividends paid of 1,439 million yen and a cumulative-effect adjustment as of April 1, 2019 of 1,391 million yen resulting from application of IFRS 16 *Leases* in addition to a decrease in foreign currency translation adjustment of 1,756 million yen because of a stronger yen.

Consequently, the equity ratio decreased to 28.7% from 31.3% as of March 31, 2019.

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

Recently, the Group is facing severe business conditions in Japan and overseas due to impacts of the U.S.-China trade friction, China's economic slowdown, and halt of a booming demand for transportation of electronic components until the previous year, and therefore the outlook for the second quarter of the fiscal year ending March 31, 2020 and thereafter remains uncertain.

In consideration of these circumstances, as announced on July 24, 2019, the Group revised the consolidated earnings forecasts for the year ending March 31, 2020.

The Group will continue to focus on various initiatives to expand the handling volume of air and sea freight of the entire group with an aim to achieve its mid- to long-term growth based on the basic policy consisting of the Group's Long-Term Vision for the future, "Global Top 10 Solution Partner – A Global Brand Born in Japan," and the new Medium-Term Management Plan for the three-year period starting from the fiscal year ending March 31, 2020, which were announced on May 10, 2019.

The Group earnings may fluctuate due to factors including the global economy and exchange rates.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/19 (As of March 31, 2019)	First quarter of FY3/20 (As of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	80,324	78,788
Notes and accounts receivable-trade	109,388	99,510
Securities	2,995	4,119
Other	10,477	10,635
Allowance for doubtful accounts	(1,167)	(1,142)
Total current assets	202,018	191,911
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,183	18,864
Land	14,120	14,030
Right-of-use assets, net	–	28,033
Other, net	12,833	12,772
Total property, plant and equipment	46,137	73,701
Intangible assets		
Goodwill	60,494	59,573
Customer-related assets	32,492	31,983
Other	21,695	21,449
Total intangible assets	114,683	113,006
Total investments and other assets	25,627	23,235
Total non-current assets	186,448	209,943
Total assets	388,467	401,855
<b>Liabilities</b>		
Current liabilities		
Notes and operating accounts payable-trade	52,738	48,043
Short-term loans payable	42,941	37,519
Income taxes payable	3,762	3,712
Provision for bonuses	4,769	4,083
Provision for directors' bonuses	283	213
Other	18,233	27,566
Total current liabilities	122,729	121,138
Non-current liabilities		
Long-term loans payable	117,991	117,940
Net defined benefit liability	5,743	5,796
Other	10,178	31,448
Total non-current liabilities	133,913	155,185
Total liabilities	256,643	276,323

(Millions of yen)

	FY3/19 (As of March 31, 2019)	First quarter of FY3/20 (As of June 30, 2019)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,084	4,084
Retained earnings	120,253	115,951
Treasury shares	(3)	(3)
Total shareholders' equity	131,550	127,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,387	1,146
Foreign currency translation adjustment	(8,871)	(10,628)
Remeasurements of defined benefit plans	(2,325)	(2,246)
Total accumulated other comprehensive income	(9,810)	(11,728)
Non-controlling interests	10,083	10,011
Total net assets	131,823	125,531
Total liabilities and net assets	388,467	401,855

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

(Millions of yen)

	First three months of FY3/19 (April 1, 2018 – June 30, 2018)	First three months of FY3/20 (April 1, 2019 – June 30, 2019)
Net sales	144,161	135,590
Operating cost	120,995	113,460
Operating gross profit	23,165	22,129
Selling, general and administrative expenses	18,695	18,187
Operating income	4,470	3,942
Non-operating income		
Interest income	155	206
Dividends income	18	29
Amortization of negative goodwill	2	2
Share of profit of entities accounted for using equity method	215	–
Foreign exchange gains	721	330
Miscellaneous income	164	71
Total non-operating income	1,278	640
Non-operating expenses		
Interest expenses	276	626
Share of loss of entities accounted for using equity method	–	2,913
Miscellaneous expenses	70	22
Total non-operating expenses	346	3,562
Ordinary income	5,401	1,020
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	5,401	1,089
Income taxes	2,487	2,210
Net income (loss)	2,913	(1,121)
Net income attributable to non-controlling interests	492	348
Net income (loss) attributable to owners of the parent	2,421	(1,469)



**(Consolidated statements of comprehensive income)**

(Millions of yen)

	First three months of FY3/19 (April 1, 2018 – June 30, 2018)	First three months of FY3/20 (April 1, 2019 – June 30, 2019)
Net income (loss)	2,913	(1,121)
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	(237)
Foreign currency translation adjustment	(6,579)	(2,038)
Remeasurements of defined benefit plans	23	72
Share of other comprehensive income of entities accounted for using equity method	(663)	164
Total other comprehensive income	(7,297)	(2,038)
Comprehensive income	(4,384)	(3,159)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(4,485)	(3,388)
Comprehensive income attributable to non-controlling interests	101	228

### (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, 2019.

(Changes in Accounting Policies)

(Application of IFRS 16: *Leases*)

Effective April 1, 2019, the Group's certain overseas subsidiaries applied International Financial Reporting Standards No. 16: *Leases* (hereinafter, "IFRS 16"). As a result, lessees are required to recognize almost all leases as assets and liabilities on the balance sheets. Our subsidiaries applied transitional treatments in applying IFRS 16 and recognized the cumulative effect arising from the change in accounting policy in the opening balance of retained earnings as of April 1, 2019.

As a result, the opening balance of "right-of-use assets, net" as of April 1, 2019 increased 27,333 million yen, and "Other" in current liabilities and non-current liabilities increased 7,642 million yen and 21,248 million yen, respectively. The impact on profit or loss for the three months ended June 30, 2019 was immaterial. The opening balance of retained earnings as of April 1, 2019 decreased 1,391 million yen.

(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 2019 (April 1, 2018 – June 30, 2018)

Not applicable.

First three months of the fiscal year ending 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.

(Segment Information, etc.)

**I First three months of the fiscal year ended March 2019 (April 1, 2018 – June 30, 2018)**

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	35,022	13,943	9,727	25,427	13,715	46,230	144,066	94	144,161	—	144,161
Inter-segment sales/transfers	894	1,050	411	619	383	40	3,399	557	3,957	(3,957)	—
Total net sales	35,917	14,993	10,139	26,046	14,099	46,270	147,466	651	148,118	(3,957)	144,161
Segment income (loss)	1,137	929	260	1,650	613	(255)	4,336	131	4,468	2	4,470

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

2. The 2 million yen adjustment in segment income (loss) is an elimination of income generated from business between segments.

3. Segment income (loss) 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   |

## II First three months of the fiscal year ending 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.