



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

November 12, 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>
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 The date of filing the quarterly financial statements: November 13, 2019
 The date of the dividend payment start (planned): December 10, 2019
 Preparation of quarterly earnings presentation material: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated earnings results for the first six months of the fiscal year ending March 2020 (April 1, 2019– September 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 six months ended September 30, 2019	271,599	(6.8)	8,759	(1.1)	6,581	(37.3)	2,225	(55.6)
September 30, 2018	291,321	11.0	8,859	28.8	10,504	52.0	5,014	102.9

(Note) Comprehensive income First six months ended September 30, 2019: (3,810) million yen (— %) First six months ended September 30, 2018: 4,174 million yen (305.4 %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
First six months ended September 30, 2019	30.92	—
September 30, 2018	69.65	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of September 30, 2019	388,342	124,261	29.5	1,594.05
As of March 31, 2019	388,467	131,823	31.3	1,690.89

(Reference) Shareholders' equity As of September 30, 2019: 114,600 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	—	10.00	—	—	—
Fiscal year ending March 31, 2020 (Forecasts)	—	—	—	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)
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, (4) Notes to the Quarterly Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements)” on page 13.

(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, (4) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 13.

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of September 30, 2019:	72,000,000 shares	As of March 31, 2019:	72,000,000 shares
(b) Number of treasury shares	As of September 30, 2019:	107,367 shares	As of March 31, 2019:	2,367 shares
(c) Average number of shares during the period	First six months ended September 30, 2019:	71,971,984 shares	First six months ended September 30, 2018:	71,997,636 shares

Note: KWE has introduced the Board Incentive Plan Trust (“BIP Trust”). The Company’s shares held by the BIP Trust are included in treasury shares in the consolidated financial statements. They are also included in the number of treasury shares that is deducted in calculating the average number of shares during the period.

* 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 Six Months of the Fiscal Year Ending March 2020 (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 briefing for institutional investors and analysts will be held on November 13, 2019. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

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

(1) Explanation about Operating Results

During the six months ended September 30, 2019, the U.S. economy witnessed a sign of slowdown in business sentiment in the manufacturing sector and Europe remained on a downward trend. The Chinese economy also showed a 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 in both air and sea freight transportation against a backdrop of uncertainty over the global economy, and especially air freight demand showed a strong downward trend.

Under such circumstances, the KWE Group's freight operations saw air freight exports fell 9.6% year-on-year to 273 thousand tons, and air freight imports decreased 9.0% to 616 thousand shipments. Sea freight exports decreased 5.9% to 329 thousand TEUs, and imports fell 4.4% to 140 thousand shipments. In logistics, the overall volume decreased year-on-year as the handling volume fell in APLL and East Asia.

Operating results by each segment are as follows:

Japan

Air freight exports fell 16.5% year-on-year to 68 thousand tons due to a drop of transport demand mainly in electronic products and machinery-related products. Air freight imports fell 1.7% to 173 thousand shipments due to a decrease in handling mainly in electronic products. As for sea freight, exports declined 11.0% to 67 thousand TEUs due to decreases in equipment/machinery-related products and chemical products, and imports fell 5.4% to 55 thousand shipments due to decreases in electronic products and clothing. In logistics, the volume grew due to an increase mainly in electronic products.

As a result, net sales for Japan, including domestic subsidiaries, decreased 4.0% to 68,815 million yen, and operating income fell 23.2% to 1,811 million yen.

The Americas

Air freight exports fell 7.9% to 52 thousand tons due to a decrease mainly in electronic products. Air freight imports fell 11.9% to 60 thousand shipments due to decreases in electronic products and machinery-related products. Sea freight exports decreased 4.9% to 24 thousand TEUs due to a decrease in semiconductor manufacturing equipment, but imports grew 10.1% to 19 thousand shipments due to increases in automotive-related products and construction materials. In logistics, the handling volume expanded in the U.S.

As a result, net sales for the segment decreased 5.5% to 28,967 million yen, and operating income fell 4.9% to 1,548 million yen.

The exchange rate was U.S.\$1 = ¥108.63 and U.S.\$1 = ¥110.26 for the six months ended September 30, 2019 and 2018, respectively.

Europe, Middle East & Africa

Air freight exports dropped 3.1% to 31 thousand tons due to decreases in spot shipments. Air freight imports fell 16.5% to 56 thousand shipments due to decreases in electronic products and automotive-related products. Sea freight exports decreased 3.2% to 9 thousand TEUs due to a decrease in machinery-related products, but imports grew 5.0% to 8 thousand shipments due to increases in general merchandise and machinery-related products. In logistics, the handling volume

decreased in Russia and South Africa.

As a result, net sales for the segment decreased 11.8% to 18,362 million yen, and operating income fell 24.1% to 486 million yen.

The exchange rate was €1 = ¥121.42 and €1 = ¥129.85 for the six months ended September 30, 2019 and 2018, respectively.

East Asia & Oceania

Air freight exports fell 7.0% to 69 thousand tons due to a decrease in electronic products. Air freight imports decreased 10.4% to 226 thousand shipments due to declines in electronic products and equipment/machinery-related products. As for sea freight, exports rose 1.2% to 116 thousand TEUs due to an increase in automotive-related products, but imports dropped 7.3% to 30 thousand shipments due to a decrease in electronic products. In logistics, the handling volume decreased in China.

As a result, net sales for the segment decreased 11.9% to 45,828 million yen, and operating income fell 25.4% to 2,239 million yen.

Southeast Asia

Air freight exports fell 8.6% to 51 thousand tons due to decreases in electronic products and automotive-related products. Air freight imports decreased 11.0% to 100 thousand shipments due to a decline in electronic products. As for sea freight, exports decreased 1.5% to 80 thousand TEUs due to a sluggish momentum overall, and imports dropped 10.8% to 26 thousand shipments due to a decrease in electronic products. In logistics, the handling volume increased mainly in India and Indonesia.

As a result, net sales for the segment decreased 3.7% to 27,393 million yen, and operating income fell 29.1% to 853 million yen.

APLL

Logistics services for automotive showed weaker performance compared to a year earlier due to a decrease in the handling volume mainly 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 6.0% to 88,647 million yen, but operating income rose 66.7% to 4,590 million yen through efforts to improve operating margin including reduction of selling, general and administrative expenses. Segment income was 1,613 million yen (segment loss of 232 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 = ¥110.05 and U.S. \$1 = ¥108.68 for the six months ended September 30, 2019 and 2018, respectively (APLL used the average rate for the period from January 1 to June 30 because APLL's fiscal year-end is December 31).

As a result, net sales for the six months ended September 30, 2019 decreased 6.8% to 271,599 million yen and operating income fell 1.1% to 8,759 million yen. And because of recording share of loss of entities accounted for using equity method of 3,007 million yen during the three months ended June 30, 2019, ordinary income dropped 37.3% to 6,581 million yen, and net income attributable to owners of the parent fell 55.6% to 2,225 million yen.

(2) Explanation about Financial Position

1) Assets, liabilities, and net assets

Total assets as of September 30, 2019 decreased 124 million yen from March 31, 2019 to 388,342 million yen. Current assets decreased 15,368 million yen to 186,650 million yen mainly due to a decrease in notes and accounts receivable—trade of 11,122 million yen. Non-current assets increased 15,183 million yen to 201,632 million yen due to an increase in property, plant and equipment of 24,446 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 decreases in total intangible assets of 6,311 million yen mainly due to amortization of goodwill and total investments and other assets of 2,951 million yen due to impairment loss for shares of an affiliate.

Total liabilities increased 7,437 million yen to 264,081 million yen. Current liabilities decreased 10,698 million yen to 112,030 million yen mainly due to a decrease in short-term loans payable of 10,421 million yen. Non-current liabilities increased 18,136 million yen to 152,050 million yen due to a new corporate bond issuance of 10,000 million yen with the aim of diversifying financing methods for the repayment of loans payable and an increase in lease obligations included in other as a result of the adoption of IFRS 16 *Leases*.

Total net assets as of September 30, 2019 decreased 7,562 million yen from March 31, 2019 to 124,261 million yen. This was mainly because of a decrease in retained earnings of 606 million yen due to 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 6,371 million yen because of a stronger yen, despite recording net income attributable to owners of the parent of 2,225 million yen.

Consequently, the equity ratio decreased to 29.5% from 31.3% as of March 31, 2019.

2) Cash flows

Cash and cash equivalents as of September 30, 2019 decreased 4,912 million yen from March 31, 2019 to 70,887 million yen. Cash flows from each activity and their significant factors during the six months ended September 30, 2019 are as follows:

(Cash flows from operating activities)

During the six months ended September 30, 2019, operating activities provided net cash of 17,786 million yen, an increase of 5,792 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 6,656 million yen, depreciation of 8,367 million yen, and decrease in notes and accounts receivable—trade of 7,829 million yen, and cash outflows due to income taxes paid of 4,227 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,531 million yen, a decrease of 2,211 million yen year-on-year. This mainly reflected cash outflows due to purchase of property, plant and equipment of 2,877 million yen, and purchase of intangible assets of 594 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 16,309 million yen, an increase of 12,303 million yen year-on-year. This mainly reflected cash outflows due to net decrease in short-term loans payable of 9,417 million yen, repayments of lease obligations of 4,074 million yen, and repayments of long-term loans payable of 10,414 million yen, and cash inflows due to proceeds from issuance of bonds of 9,939 million yen.

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

The business environment surrounding the Group will continue to be uncertain 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 remains unpredictable.

Under such circumstances, 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 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.

While the Group earnings may fluctuate due to factors including the global economy and exchange rates, the consolidated earnings forecasts for the year ending March 31, 2020 remain unchanged at this point from those announced on July 24, 2019.

(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)

	FY3/19 (As of March 31, 2019)	Second quarter of FY3/20 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	80,324	75,136
Notes and accounts receivable-trade	109,388	98,266
Securities	2,995	3,282
Other	10,477	11,042
Allowance for doubtful accounts	(1,167)	(1,077)
Total current assets	202,018	186,650
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,183	19,044
Land	14,120	14,037
Right-of-use assets, net	–	24,767
Other, net	12,833	12,734
Total property, plant and equipment	46,137	70,584
Intangible assets		
Goodwill	60,494	56,983
Customer-related assets	32,492	30,570
Other	21,695	20,817
Total intangible assets	114,683	108,371
Total investments and other assets	25,627	22,676
Total non-current assets	186,448	201,632
Deferred assets		
Bond issuance cost	–	59
Total deferred assets	–	59
Total assets	388,467	388,342
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	52,738	48,829
Short-term loans payable	42,941	32,520
Income taxes payable	3,762	3,355
Provision for bonuses	4,769	4,090
Provision for directors' bonuses	283	124
Other	18,233	23,110
Total current liabilities	122,729	112,030
Non-current liabilities		
Bonds payable	–	10,000
Long-term loans payable	117,991	107,941
Provision for share-based remuneration for directors	–	10
Net defined benefit liability	5,743	5,822
Other	10,178	28,277
Total non-current liabilities	133,913	152,050
Total liabilities	256,643	264,081

(Millions of yen)

	FY3/19 (As of March 31, 2019)	Second quarter of FY3/20 (As of September 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,084	4,084
Retained earnings	120,253	119,647
Treasury shares	(3)	(150)
Total shareholders' equity	131,550	130,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,387	1,222
Foreign currency translation adjustment	(8,871)	(15,243)
Remeasurements of defined benefit plans	(2,325)	(2,175)
Total accumulated other comprehensive income	(9,810)	(16,197)
Non-controlling interests	10,083	9,660
Total net assets	131,823	124,261
Total liabilities and net assets	388,467	388,342

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

(Millions of yen)

	First six months of FY3/19 (April 1, 2018 – September 30, 2018)	First six months of FY3/20 (April 1, 2019 – September 30, 2019)
Net sales	291,321	271,599
Operating cost	244,543	226,372
Operating gross profit	46,777	45,226
Selling, general and administrative expenses	37,918	36,467
Operating income	8,859	8,759
Non-operating income		
Interest income	341	412
Dividends income	35	37
Amortization of negative goodwill	5	5
Share of profit of entities accounted for using equity method	586	–
Foreign exchange gains	1,043	872
Miscellaneous income	323	259
Total non-operating income	2,334	1,586
Non-operating expenses		
Interest expenses	566	1,028
Share of loss of entities accounted for using equity method	–	2,691
Miscellaneous expenses	123	44
Total non-operating expenses	689	3,764
Ordinary income	10,504	6,581
Extraordinary income		
Gain on sales of non-current assets	3	33
Gain on sales of investment securities	–	126
Total extraordinary income	3	159
Extraordinary loss		
Loss on retirement of non-current assets	–	3
Loss on litigation	–	82
Total extraordinary losses	–	85
Income before income taxes	10,508	6,656
Income taxes	4,322	3,663
Net income	6,185	2,992
Net income attributable to non-controlling interests	1,170	767
Net income attributable to owners of the parent	5,014	2,225

(Consolidated statements of comprehensive income)

(Millions of yen)

	First six months of FY3/19 (April 1, 2018 – September 30, 2018)	First six months of FY3/20 (April 1, 2019 – September 30, 2019)
Net income	6,185	2,992
Other comprehensive income		
Valuation difference on available-for-sale securities	(29)	(160)
Foreign currency translation adjustment	(1,415)	(6,661)
Remeasurements of defined benefit plans	44	144
Share of other comprehensive income of entities accounted for using equity method	(610)	(125)
Total other comprehensive income	(2,010)	(6,803)
Comprehensive income	4,174	(3,810)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,270	(4,162)
Comprehensive income attributable to non-controlling interests	903	351

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY3/19 (April 1, 2018— September 30, 2018)	First six months of FY3/20 (April 1, 2019— September 30, 2019)
Cash flows from operating activities		
Income (loss) before income taxes	10,508	6,656
Depreciation	3,956	8,367
Amortization of goodwill	1,806	1,821
Amortization of negative goodwill	(5)	(5)
Increase (decrease) in allowance for doubtful accounts	18	(84)
Increase (decrease) in provision for bonuses	60	(455)
Increase (decrease) in provision for directors' bonuses	(129)	(155)
Increase (decrease) in provision for share-based remuneration for directors	—	10
Increase (decrease) in net defined benefit liability	142	238
Interest and dividends income	(376)	(449)
Interest expenses	566	1,028
Share of (profit) loss of entities accounted for using equity method	(586)	2,691
Loss (gain) on sales of non-current assets	(26)	(33)
Loss on retirement of non-current assets	—	3
Loss (gain) on sales of investment securities	(0)	(126)
Loss on litigation	—	82
Decrease (increase) in notes and accounts receivable-trade	(1,414)	7,829
Increase (decrease) in notes and accounts payable-trade	3,638	(1,543)
Other, net	(1,173)	(3,180)
Subtotal	16,984	22,694
Interest and dividends income received	454	437
Interest expenses paid	(571)	(1,035)
Income taxes paid	(4,873)	(4,227)
Payments for loss on litigation	—	(82)
Net cash provided by operating activities	11,994	17,786
Cash flows from investing activities		
Payments into time deposits	(4,670)	(2,821)
Proceeds from withdrawal of time deposits	3,104	2,822
Purchase of property, plant and equipment	(2,354)	(2,877)
Proceeds from sales of property, plant and equipment	120	136
Purchase of intangible assets	(1,670)	(594)
Purchase of investment securities	(737)	(2,583)
Proceeds from sales and redemption of securities	696	2,374
Payments for lease and guarantee deposits	(404)	(930)
Proceeds from collection of lease and guarantee deposits	176	967
Payments of loans receivable	—	(0)
Collection of loans receivable	16	21
Other, net	(18)	(46)
Net cash provided by (used in) investing activities	(5,742)	(3,531)

(Millions of yen)

	First six months of FY3/19 (April 1, 2018— September 30, 2018)	First six months of FY3/20 (April 1, 2019— September 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,233	(9,417)
Proceeds from share issuance to non-controlling shareholders	5	—
Repayments of lease obligations	(121)	(4,074)
Proceeds from long-term loans payable	4,800	—
Repayments of long-term loans payable	(10,188)	(10,414)
Proceeds from issuance of bonds	—	9,939
Purchase of treasury shares	—	(146)
Cash dividends paid	(1,151)	(1,439)
Dividends paid to non-controlling interests	(535)	(756)
Other, net	(49)	—
Net cash provided by (used in) financing activities	(4,006)	(16,309)
Effect of exchange rate changes on cash and cash equivalents	382	(2,857)
Net increase (decrease) in cash and cash equivalents	2,626	(4,912)
Cash and cash equivalents at beginning of period	67,856	75,799
Cash and cash equivalents at end of period	70,482	70,887

(4) 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.

(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, "Other" in current liabilities and non-current liabilities increased 7,642 million yen and 21,248 million yen, respectively, and retained earnings decreased 1,391 million yen. For the six months ended September 30, 2019, operating income increased 495 million yen, and ordinary income and income before income taxes decreased 50 million yen, respectively. In the quarterly consolidated statements of cash flows for the six months ended September 30, 2019, net cash used in operating activities decreased 4,011 million yen, and net cash used in financing activities increased 4,011 million yen.

(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 six months ended September 30, 2019.

(Additional information)

(Performance-Based Stock Compensation Plan)

KWE has introduced a performance-based stock compensation plan (the "Plan") for directors of KWE (excluding outside directors and directors residing outside Japan; the same shall apply hereinafter) with a view to incentivizing its directors to focus more on the medium- to long-term enhancement of corporate value, aiming to share common interest with our shareholders.

KWE accounts for the Plan in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30, issued on March 26, 2015).

(1) Overview of transactions

KWE has introduced the Plan using a structure called the Board Incentive Plan Trust ("BIP Trust") for a trust. The BIP Trust is a plan under which shares of KWE acquired by the Plan using money contributed by the Company and money equivalent to the liquidation value of such shares are delivered and/or provided to directors through the trust based on, among others, the degree of attainment of performance targets and the rank of positions.

(2) Treasury shares remained in the trust

Shares of KWE remained in the trust are recorded as treasury shares in net assets at the book value in the trust, excluding ancillary expenses. As of September 30, 2019, the book value and the number of these treasury shares are 146 million yen and 105,000 shares, respectively.

(Notes to Quarterly Consolidated Statement of Income)

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

First six months of the fiscal year ended March 2019 (April 1, 2018 – September 30, 2018)

Not applicable.

First six months of the fiscal year ending March 2020 (April 1, 2019 – September 30, 2019)

Impairment loss of 3,007 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 six months of the fiscal year ended March 2019 (April 1, 2018 – September 30, 2018)

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	69,803	28,705	20,056	50,775	27,551	94,235	291,128	192	291,321	–	291,321
Inter-segment sales/transfers	1,869	1,947	753	1,230	901	82	6,786	1,125	7,912	(7,912)	–
Total net sales	71,673	30,653	20,810	52,006	28,453	94,318	297,915	1,318	299,233	(7,912)	291,321
Segment income (loss)	2,357	1,629	641	3,001	1,205	(232)	8,602	249	8,851	8	8,859

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

2. The 8 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 six months of the fiscal year ending March 2020 (April 1, 2019 – September 30, 2019)

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	66,885	26,893	17,875	44,824	26,333	88,586	271,397	201	271,599	–	271,599
Inter-segment sales/transfers	1,930	2,073	486	1,004	1,060	61	6,616	1,287	7,903	(7,903)	–
Total net sales	68,815	28,967	18,362	45,828	27,393	88,647	278,014	1,488	279,502	(7,903)	271,599
Segment income	1,811	1,548	486	2,239	853	1,613	8,554	195	8,749	9	8,759

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

2. The 9 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

5. Effective July 1, 2019, reportable segments of a consolidated subsidiary is changed to “The Americas” from “APLL” as a result of the review of the Group management unit. Segment information for the six months ended September 30, 2018 is presented under the new segmentation.

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 3,007 million yen on shares of Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using the equity method.