



Financial Results for the Fiscal Year Ended March 31, 2020 [J-GAAP]

May 13, 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>
 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 the ordinary general shareholder meeting: June 16, 2020
 The date of the dividend payment start (planned): June 17, 2020
 The date of filing the securities report: June 17, 2020
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Fiscal year ended March 2020 consolidated results (April 1, 2019 – March 31, 2020)

(1) Consolidated business results (Percentages are changes from the same period of the previous year.)

Fiscal year ended	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)	(%)
March 31, 2020	544,533	(8.0)	19,714	(5.2)	17,432	(12.6)	4,724	(52.1)
March 31, 2019	592,009	7.0	20,797	18.5	19,939	15.0	9,857	40.8

(Reference) Comprehensive income: Fiscal year ended March 31, 2020: (749) million yen (-%)
 Fiscal year ended March 31, 2019: 5,547 million yen ((3.1%))

Fiscal year ended	Net income per share	Diluted net income per share	Return on shareholder' equity	Ordinary income to total assets	Operating margin
	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2020	65.68	—	4.0	4.5	3.6
March 31, 2019	136.91	—	8.2	5.1	3.5

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2020: (3,220) million yen
 Fiscal year ended March 31, 2019: (2,628) million yen

(2) Consolidated financial position

Fiscal year ended	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
March 31, 2020	385,470	126,606	30.1	1,615.38
March 31, 2019	388,467	131,823	31.3	1,690.89

(Reference) Shareholders' equity: As of March 31, 2020: 116,133 million yen As of March 31, 2019: 121,740 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2020	36,304	(7,165)	(26,424)	75,853
March 31, 2019	22,637	(7,312)	(6,868)	75,799

2. Dividends

Fiscal year ended	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
March 31, 2019	—	10.00	—	20.00	30.00	2,159	21.9	1.8
March 31, 2020	—	10.00	—	20.00	30.00	2,159	45.7	1.8
Fiscal year ending March 31, 2021 (Forecasts)	—	—	—	—	—		—	

*The dividend forecast for the fiscal year ending March 31, 2021 is yet to be determined. We will disclose it as soon as reasonable earnings forecasts become available.

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

The consolidated earnings forecasts for the fiscal year ending March 2021 are not disclosed as the uncertain circumstances caused by the global pandemic of the novel coronavirus (“COVID-19”) have made it difficult to forecast earnings reasonably at this point. We will announce reasonable earnings forecasts as soon as they become available.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): No

(2) 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 “3. Consolidated Financial Statements and Major Notes, (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies)” on page 15.

(3) Number of issued shares (common shares)

(a) Number of issued shares

(including treasury shares)

As of March 31, 2020:	72,000,000 shares	As of March 31, 2019:	72,000,000 shares
-----------------------	-------------------	-----------------------	-------------------

(b) Number of treasury shares

As of March 31, 2020:	107,367 shares	As of March 31, 2019:	2,367 shares
-----------------------	----------------	-----------------------	--------------

(c) Average number of shares during the period

Fiscal year ended March 31, 2020:	71,932,308 shares	Fiscal year ended March 31, 2019:	71,997,635 shares
-----------------------------------	-------------------	-----------------------------------	-------------------

Note: KWE has introduced the Board Incentive Plan Trust (“BIP Trust”) from the fiscal year ended March 31, 2020. The Company’s shares held by the BIP Trust (105,000 shares as of March 31, 2020) 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 (65,325 shares as of March 31, 2020).

(Reference) Summary of non-consolidated results

1. Fiscal year ended March 2020 non-consolidated results (April 1, 2019 – March 31, 2020)

(1) Non-consolidated business results

(Percentages are changes from the same period of the previous year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2020	103,788	(10.7)	1,772	(39.9)	7,238	(35.4)	5,682	(50.1)
March 31, 2019	116,197	14.9	2,949	(19.0)	11,204	26.9	11,383	104.9

Fiscal year ended	Net income per share	Diluted net income per share
	(Yen)	(Yen)
March 31, 2020	79.00	—
March 31, 2019	158.10	—

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders’ equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2020	237,641	87,324	36.7	1,214.65
As of March 31, 2019	238,756	84,547	35.4	1,174.31

(Reference) Shareholders’ equity As of March 31, 2020: 87,324 million yen As of March 31, 2019: 84,547 million yen

* The Financial Results report is outside the scope of an audit 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 forward-looking statements included in this report such as future outlook are based on information currently available and certain assumptions considered reasonable, but we determined that it is difficult to reasonably forecast consolidated earnings at this point. Please refer to “1. Summary of Operating Results, etc. (4) Future Prospect” on page 6 of the attached material for more details.

(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 Tuesday, May 19, 2020. The presentation materials are available on our website.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year ended March 31, 2020

During the fiscal year ended March 31, 2020 (hereinafter, “the current fiscal year”), the U.S. economy showed a gradual recovery trend while Europe continued to experience low growth and China also remained weak in export and production. Also in 2020, the global pandemic of COVID-19 caused economic activities in many countries to stall, and signs of a global recession started to show.

The Japanese economy showed a weakness in export and production under the influence of world economic slowdown, etc.

The global market was sluggish overall as both air and sea freight transportation lost momentum against a backdrop of the impact from the U.S.–China trade friction and uncertainty over the global economy.

Under such circumstances, in the KWE Group’s freight operations, air freight exports fell 7.3% year-on-year to 556 thousand tons, air freight imports declined 9.9% to 1,207 thousand shipments, sea freight exports decreased 7.9% to 644 thousand TEUs, and sea freight imports fell 5.3% to 272 thousand shipments. In logistics, the handling volume declined mainly in APLL and East Asia.

Operating results by each segment are as follows:

Japan

Air freight exports fell 14.9% year-on-year to 136 thousand tons due to a drop of transport demand mainly in electronic products and automotive-related products. Air freight imports decreased 4.9% to 346 thousand shipments due to a decrease in handling mainly in electronic products. As for sea freight, exports declined 8.9% to 136 thousand TEUs due to decreases in equipment/machinery-related products, and imports fell 6.3% to 108 thousand shipments due to sluggish demand in electronic products and clothing. In logistics, the handling volume grew due to increases in electronic products and healthcare-related products.

As a result, net sales for Japan segment, including domestic subsidiaries, decreased 6.1% to 136,808 million yen, and operating income fell 19.2% to 4,667million yen.

The Americas

Air freight exports declined 4.5% to 106 thousand tons due to a decrease mainly in electronic products. Air freight imports fell 12.5% to 117 thousand shipments due to weak movements in machinery-related products, etc. Sea freight exports decreased 6.4% to 45 thousand TEUs due to a decrease in semiconductor manufacturing equipment, but imports rose 0.9% to 37 thousand shipments due to solid growth in construction materials, etc. In logistics, the handling volume decreased in the U.S.

As a result, net sales for the segment decreased 7.4% to 58,793 million yen. However, operating income increased 4.4% to 3,755 million yen due to an improvement in profitability.

The exchange rate was U.S. \$1 = ¥108.74 and U.S. \$1 = ¥110.91 for the fiscal year ended March 31, 2020 and 2019, respectively.

Europe, Middle East & Africa

Air freight exports dropped 8.4% to 62 thousand tons due to drops in chemical products and spot shipments. Air freight imports decreased 23.3% to 101 thousand shipments due to decreases in electronic products and automotive-related products. Sea freight exports declined 2.9% to 18 thousand TEUs due to falls in chemical products and machinery-related products, but imports grew 4.3% to 17 thousand shipments due to an increase in general merchandise products, etc. In logistics, the handling volume decreased in South Africa and Russia.

As a result, net sales for the segment dropped 15.6% to 35,391 million yen, and operating income fell 77.1% to 321 million yen mainly due to poor performance in a South African subsidiary.

The exchange rate was €1 = ¥120.82 and €1 = ¥128.41 for the fiscal year ended March 31, 2020 and 2019, respectively.

East Asia & Oceania

Air freight exports fell 0.8% to 149 thousand tons due to sluggish movement overall. Air freight imports dropped 8.5% to 447 thousand shipments due to weak movements in electronic products and equipment/machinery-related products. Sea freight exports decreased 3.2% to 220 thousand TEUs and imports fell 5.8% to 58 thousand shipments due to a decrease in electronic products both in export and import. In logistics, the handling volume decreased in China.

As a result, net sales for the segment dropped 7.5% to 93,947 million yen, and operating income declined 1.3% to 5,125 million yen.

Southeast Asia

Air freight exports declined 7.4% to 102 thousand tons due to a decrease in shipment of automotive-related products and air freight imports dropped 11.8% to 195 thousand shipments due to sluggish movements in electronic products. As for sea freight, exports fell 2.5% to 162 thousand TEUs and imports declined 9.5% to 50 thousand shipments, due to a decrease in electronic products both in export and import. In logistics, the handling volume increased mainly in India and Vietnam.

As a result, net sales for the segment decreased 5.5% to 54,783 million yen, and operating income decreased 13.5% to 2,302 million yen.

APLL

Logistics services for automotive showed sluggish growth overall due to a decrease in the handling volume mainly in the U.S. For retail-related logistics service, the handling volume declined mainly in major customers, and consumer and other industrial fields also showed a downward trend.

As a result, net sales of APLL fell 9.1% to 177,147 million yen, but operating income rose 9.7% to 9,118 million yen through efforts to improve operating margin and reduce selling, general and administrative expenses. Segment income rose 61.2% to 3,220 million yen as amortization of goodwill related to APLL acquisition is still included in this segment.

The exchange rate was U.S. \$1 = ¥109.05 and U.S. \$1 = ¥110.43 for the year ended March 31, 2020 and 2019, respectively (APLL used the average rate for the period from January 1 to December 31 because APLL's fiscal year-end is December 31).

As described above, despite the Group's efforts to promote its global business, sales decreased in all segments and net sales for the current fiscal year decreased 8.0% year-on-year to 544,533 million yen and operating income decreased 5.2% to 19,714 million yen. And because of recording impairment loss on shares of an affiliate accounted for using equity method of 3,342 million yen, ordinary income dropped 12.6% to 17,432 million yen, and net income attributable to owners of the parent fell 52.1% to 4,724 million yen due to recording impairment loss on software in a subsidiary of 4,426 million yen.

(2) Summary of Financial Position

Total assets as of March 31, 2020 decreased 2,997 million yen from March 31, 2019 to 385,470 million yen.

Total current assets decreased 8,054 million yen to 193,964 million yen mainly due to a decrease in notes and operating accounts receivable of 9,755 million yen.

Non-current assets increased 5,000 million yen to 191,449 million yen. Intangible assets decreased 12,509 million yen mainly due to amortization of goodwill and impairment loss on software, and investments and other assets decreased 4,498 million yen due to impairment loss on shares of an affiliate. Meanwhile, total property, plant and equipment increased 22,007 million yen due to an increase in right-of-use assets as a result of the application of IFRS 16 *Leases* by certain overseas consolidated subsidiaries.

Total liabilities increased 2,220 million yen to 258,864 million yen.

Total current liabilities increased 5,227 million yen to 127,957 million yen mainly due to an increase of 7,599 million yen in lease obligations as a result of the application of IFRS 16 *Leases*.

Total non-current liabilities decreased 3,007 million yen to 130,906 million yen. This was mainly due to decrease in long-term loans payable of 30,108 million yen, while bonds payable increased 10,000 million yen, and lease obligations increased 17,002 million yen as a result of the application of IFRS 16 *Leases*.

Net assets as of March 31, 2020 decreased 5,217 million yen to 126,606 million yen mainly due to a decrease in foreign currency translation adjustment of 5,803 million yen as a result of the trend of yen appreciation. Retained earnings increased 1,172 million yen due to recording net income attributable to owners of the parent of 4,724 million yen, despite a cumulative-effect adjustment as of April 1, 2019 of 1,391 million yen associated with the application of IFRS 16 *Leases* and cash dividends paid of 2,159 million yen.

Consequently, the equity ratio decreased to 30.1% from 31.3% as of March 31, 2020.

(3) Cash Flows

(Millions of yen)

	FY3/19	FY3/20	Change
Cash flows from operating activities	22,637	36,304	13,666
Cash flows from investing activities	(7,312)	(7,165)	146
Cash flows from financing activities	(6,868)	(26,424)	(19,555)
Effect of exchange rate changes on cash and cash equivalents	(513)	(2,659)	(2,146)
Net increase (decrease) in cash and cash equivalents	7,943	54	(7,889)
Cash and cash equivalents at end of period	75,799	75,853	54

Cash and cash equivalents as of March 31, 2020 totaled 75,853 million yen, an increase of 54 million yen year-on-year.

Cash flows from each activity and their significant factors are as follows:

(Cash flows from operating activities)

During the fiscal year ended March 2020, operating activities provided net cash of 36,304 million yen, an increase of 13,666 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 13,256 million yen, depreciation of 17,145 million yen, impairment loss of 4,475 million yen, and decrease in notes and accounts receivable-trade of 6,173 million yen, and cash outflows due to income taxes paid of 8,257 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 7,165 million yen, a decrease of 146 million yen year-on-year. This mainly reflected cash outflows due to purchase of property, plant and equipment of 4,732 million yen, and purchase of intangible assets of 1,325 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 26,424 million yen, an increase of 19,555 million yen year-on-year. This mainly reflected cash inflows due to proceeds from issuance of bonds of 9,939 million yen, and cash outflows due to net decrease in short-term loans payable of 14,186 million yen, repayments of long-term loans payable of 10,468 million yen, repayments of lease obligations of 8,645 million yen, and cash dividends payment of 2,159 million yen.

(Reference) KWE Group's cash flow indicators

	FY3/17	FY3/18	FY3/19	FY3/20
Equity ratio (%)	30.9	30.7	31.3	30.1
Market-value-based equity ratio (%)	31.9	36.9	31.2	29.6
Interest-bearing debt to operating cash flow (years)	11.4	11.0	7.1	4.7
Interest coverage ratio (times)	16.0	14.7	17.3	17.7

Notes: Equity ratio = (Net assets – Non-controlling interests) / Total assets

Market-value-based equity ratio = Total value of shares / Total assets

Interest-bearing debt to operating cash flow ratio = Interest-bearing debt / Operating cash flows

Interest coverage ratio = Operating cash flows / Interest payment

(4) Future Prospect

In the global logistics market, the unstable business environment is expected to continue for a while as the global pandemic of COVID-19 is causing the shutdown of production at customers and disruption in supply chains, resulting in significant reduction in economic activities and sluggish freight movements.

Under such circumstances, we determined that it is difficult to forecast earnings reasonably and therefore do not disclose consolidated earnings forecasts for the fiscal year ending March 31, 2021. We will announce them as soon as they become available.

The Group will steadily 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 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 Medium-Term Management Plan for the three-year period up to the fiscal year ending March 31, 2022, which were announced on May, 2019.

2. Basic Approach to Selection of Accounting Standards

In preparation for adopting IFRS (International Financial Reporting Standards) in the future, the Group is now considering matters such as documentation of accounting policies and the timing of adoption.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY3/19 (As of March 31, 2019)	FY3/20 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	80,324	80,493
Notes and operating accounts receivable	109,388	99,633
Securities	2,995	4,366
Other	10,477	10,930
Allowance for doubtful accounts	(1,167)	(1,458)
Total current assets	202,018	193,964
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,334	40,129
Accumulated depreciation	(21,151)	(21,670)
Buildings and structures, net	19,183	18,459
Machinery, equipment and vehicles	6,979	9,602
Accumulated depreciation	(2,688)	(3,869)
Machinery and equipment and vehicles, net	4,290	5,732
Land	14,120	13,921
Leased assets	1,589	1,056
Accumulated depreciation	(913)	(728)
Leased assets, net	675	327
Right-of-use assets	-	45,737
Accumulated depreciation	-	(22,569)
Right-of-use assets, net	-	23,168
Other	23,353	21,200
Accumulated depreciation	(15,485)	(14,665)
Other, net	7,867	6,535
Total property, plant and equipment	46,137	68,145
Intangible assets		
Goodwill	60,494	56,053
Customer-related assets	32,492	30,072
Other	21,695	16,047
Total intangible assets	114,683	102,173
Investments and other assets		
Investment securities	15,439	10,930
Long-term loans receivable	671	624
Deferred tax assets	3,152	3,665
Other	6,985	6,516
Allowance for doubtful accounts	(620)	(607)
Total investments and other assets	25,627	21,129
Total non-current assets	186,448	191,449
Deferred assets		
Bond issuance cost	-	56
Total deferred assets	-	56
Total assets	388,467	385,470

(Millions of yen)

	FY3/19 (As of March 31, 2019)	FY3/20 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and operating accounts payable – trade	52,738	47,978
Short-term loans payable	42,941	47,660
Lease obligations	190	7,789
Income taxes payable	3,762	3,526
Provision for bonuses	4,769	4,589
Provision for directors' bonuses	283	267
Other	18,043	16,144
Total current liabilities	122,729	127,957
Non-current liabilities		
Bonds payable	–	10,000
Long-term loans payable	117,991	87,883
Lease obligations	523	17,525
Deferred tax liabilities	8,111	7,206
Provision for share-based remuneration for directors	–	20
Net defined benefit liability	5,743	6,736
Other	1,543	1,534
Total non-current liabilities	133,913	130,906
Total liabilities	256,643	258,864
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,084	4,084
Retained earnings	120,253	121,425
Treasury shares	(3)	(150)
Total shareholders' equity	131,550	132,576
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,387	852
Foreign currency translation adjustment	(8,871)	(14,675)
Remeasurements of defined benefit plans	(2,325)	(2,619)
Total accumulated other comprehensive income	(9,810)	(16,443)
Non-controlling interests	10,083	10,472
Total net assets	131,823	126,606
Total liabilities and net assets	388,467	385,470

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

(Millions of yen)

	FY3/19 (April 1, 2018 –March 31, 2019)	FY3/20 (April 1, 2019 –March 31, 2020)
Net sales	592,009	544,533
Operating cost	495,052	450,686
Operating gross profit	96,957	93,846
Selling, general and administrative expenses	76,160	74,132
Operating income	20,797	19,714
Non-operating income		
Interest income	719	849
Dividends income	52	41
Amortization of negative goodwill	11	11
Foreign exchange gains	1,528	1,630
Subsidy income	255	213
Miscellaneous income	668	441
Total non-operating income	3,235	3,188
Non-operating expenses		
Interest expenses	1,298	2,033
Share of loss of entities accounted for using equity method	2,628	3,220
Miscellaneous expenses	166	216
Total non-operating expenses	4,093	5,470
Ordinary income	19,939	17,432
Extraordinary income		
Gain on sales of non-current assets	47	33
Gain on sales of investment securities	277	148
Settlement received	–	213
Total extraordinary income	324	395
Extraordinary losses		
Impairment loss	265	4,475
Loss on retirement of non-current assets	19	12
Loss on valuation of golf club memberships	–	2
Loss on litigation	–	81
Total extraordinary losses	285	4,571
Income before income taxes	19,978	13,256
Income taxes – current	9,318	7,607
Income taxes – deferred	(1,151)	(581)
Total income taxes	8,166	7,025
Net income	11,812	6,230
Net income attributable to non-controlling interests	1,955	1,506
Net income attributable to owners of the parent	9,857	4,724

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY3/19 (April 1, 2018 – March 31, 2019)	FY3/20 (April 1, 2019 – March 31, 2020)
Net income	11,812	6,230
Other comprehensive income		
Valuation difference on available-for-sale securities	(506)	(593)
Foreign currency translation adjustment	(2,990)	(5,870)
Remeasurements of defined benefit plans	(1,841)	(303)
Share of other comprehensive income of entities accounted for using equity method	(925)	(212)
Total other comprehensive income	(6,264)	(6,980)
Comprehensive income	5,547	(749)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,900	(1,908)
Comprehensive income attributable to non-controlling interests	1,647	1,159

(3) Consolidated Statements of Changes in Net Assets
For the Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,084	112,268	(3)	123,565
Changes of items during period					
Dividends from surplus			(1,871)		(1,871)
Net income attributable to owners of the parent			9,857		9,857
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	7,985	(0)	7,985
Balance at end of current period	7,216	4,084	120,253	(3)	131,550

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,893	(5,268)	(478)	(3,853)	9,276	128,988
Changes of items during period						
Dividends from surplus				-		(1,871)
Net income attributable to owners of the parent				-		9,857
Purchase of treasury shares				-		(0)
Net changes of items other than shareholders' equity	(506)	(3,603)	(1,847)	(5,957)	806	(5,150)
Total changes of items during period	(506)	(3,603)	(1,847)	(5,957)	806	2,835
Balance at end of current period	1,387	(8,871)	(2,325)	(9,810)	10,083	131,823

For the Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,084	120,253	(3)	131,550
Cumulative effects of changes in accounting policies			(1,391)		(1,391)
Restated balance	7,216	4,084	118,861	(3)	130,158
Changes of items during period					
Dividends from surplus			(2,159)		(2,159)
Net income attributable to owners of the parent			4,724		4,724
Purchase of treasury shares				(146)	(146)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	2,564	(146)	2,418
Balance at end of current period	7,216	4,084	121,425	(150)	132,576

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,387	(8,871)	(2,325)	(9,810)	10,083	131,823
Cumulative effects of changes in accounting policies					(27)	(1,419)
Restated balance	1,387	(8,871)	(2,325)	(9,810)	10,055	130,404
Changes of items during period						
Dividends from surplus				-		(2,159)
Net income attributable to owners of the parent				-		4,724
Purchase of treasury shares				-		(146)
Net changes of items other than shareholders' equity	(534)	(5,803)	(294)	(6,632)	416	(6,215)
Total changes of items during period	(534)	(5,803)	(294)	(6,632)	416	(3,797)
Balance at end of current period	852	(14,675)	(2,619)	(16,443)	10,472	126,606

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/19 (April 1, 2018 – March 31, 2019)	FY3/20 (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Income (loss) before income taxes	19,978	13,256
Depreciation	8,418	17,145
Impairment loss	265	4,475
Amortization of goodwill	3,666	3,610
Amortization of negative goodwill	(11)	(11)
Increase (decrease) in allowance for doubtful accounts	143	347
Increase (decrease) in provision for bonuses	194	22
Increase (decrease) in provision for directors' bonuses	32	(8)
Increase (decrease) in provision for share-based remuneration for directors	–	20
Increase (decrease) in net defined benefit liability	228	565
Interest and dividends income	(771)	(891)
Interest expenses	1,298	2,033
Share of (profit) loss of entities accounted for using equity method	2,628	3,220
Loss (gain) on sales of non-current assets	(47)	(33)
Loss on retirement of non-current assets	19	12
Loss (gain) on sales of investment securities	(277)	(148)
Loss on valuation of golf club memberships	–	2
Settlement received	–	(213)
Loss on litigation	–	81
Decrease (increase) in notes and accounts receivable-trade	(1,762)	6,173
Increase (decrease) in notes and accounts payable-trade	2,090	(2,613)
Other, net	(3,434)	(1,592)
Subtotal	32,661	45,453
Interest and dividends income received	1,036	1,032
Interest expenses paid	(1,309)	(2,055)
Income taxes paid	(9,751)	(8,257)
Settlement package received	–	213
Payments for loss on litigation	–	(81)
Net cash provided by operating activities	22,637	36,304
Cash flows from investing activities		
Payments into time deposits	(6,966)	(4,618)
Proceeds from withdrawal of time deposits	7,335	4,167
Purchase of property, plant and equipment	(4,702)	(4,732)
Proceeds from sales of property, plant and equipment	214	241
Purchase of intangible assets	(2,907)	(1,325)
Purchase of investment securities	(3,025)	(6,151)
Proceeds from sales and redemption of securities	3,095	4,957
Payments for lease and guarantee deposits	(740)	(1,088)
Proceeds from collection of lease and guarantee deposits	461	1,323
Payments of loans receivable	(97)	(0)
Collection of loans receivable	16	18
Other, net	3	41
Net cash provided by (used in) investing activities	(7,312)	(7,165)

(Millions of yen)

	FY3/19 (April 1, 2018 – March 31, 2019)	FY3/20 (April 1, 2019 – March 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,904	(14,186)
Proceeds from share issuance to non-controlling shareholders	5	–
Repayments of finance lease obligations	(233)	(8,645)
Proceeds from long-term loans payable	4,800	–
Repayments of long-term loans payable	(10,602)	(10,468)
Proceeds from issuance of bonds	–	9,939
Purchase of treasury shares	(0)	(146)
Cash dividends paid	(1,871)	(2,159)
Dividends paid to non-controlling interests	(821)	(757)
Other, net	(49)	–
Net cash provided by (used in) financing activities	(6,868)	(26,424)
Effect of exchange rate changes on cash and cash equivalents	(513)	(2,659)
Net increase (decrease) in cash and cash equivalents	7,943	54
Cash and cash equivalents at beginning of period	67,856	75,799
Cash and cash equivalents at end of period	75,799	75,853

(5) Notes to the Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

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.

As a result, the opening balance of "Right-of-use assets, net" as of April 1, 2019 increased 27,333 million yen, and "Lease obligations" in current liabilities and non-current liabilities increased 7,642 million yen and 21,248 million yen, respectively. For fiscal year ended March 31, 2020, operating income increased 1,036 million yen, and ordinary income and income before income taxes increased 20 million yen, respectively.

As net assets as of April 1, 2019 were adjusted to reflect the cumulative effect, the opening balance of retained earnings in the consolidated statements of changes in net assets decreased 1,391 million yen.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2020, net cash used in operating activities decreased 8,517 million yen, and net cash used in financing activities increased by the same amount.

The impact on per share information was insignificant.

(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 March 31, 2020, the book value and the number of these treasury shares are 146 million yen and 105,000 shares, respectively.

(Segment Information)

[Segment information]

1. Summary of reportable segments

(1) Method for determining reportable segments

Reportable segments are determined based on the parts of the business for which it is possible to obtain separate financial information and that the Board of Directors regularly examines in order to evaluate decisions on allocation of management resources and earnings. KWE's reportable segments consist of the following six segments: "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", "Southeast Asia", and "APLL".

(2) Services of each reportable segment

In "Japan," "The Americas," "Europe, Middle East & Africa," "East Asia & Oceania," and "Southeast Asia," the Company provides services focused on air freight forwarding, sea freight forwarding, and logistics (warehousing). In "APLL," the Company provides services focused on logistics (truck and rail transport, and warehousing) and sea freight forwarding.

(3) Matters related to changes in reportable segments

Effective July 1, 2019, reportable segment 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 fiscal year ended March 31, 2019 is prepared under the new segmentation.

2. Calculation method used for sales, income, assets and other items for each reportable segment

The accounting treatments used for reportable segments are consistent with those applied to the consolidated financial statement. Segment income (loss) refers to operating income (loss) for each reportable segment. Inter-segment sales/transfers are based on market value.

3. Information about sales, income, assets and other items for each reportable segment

Fiscal year ended March 2019 (April 1, 2018– March 31, 2019)

(Millions of yen)

	Reportable segment							Other Note 1	Total	Adjustment Note 2	Carrying amount on 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	141,678	59,236	40,543	99,271	56,042	194,815	591,588	421	592,009	—	592,009
Inter-segment sales/transfers	3,991	4,239	1,390	2,260	1,924	166	13,972	2,264	16,236	(16,236)	—
Total net sales	145,669	63,476	41,934	101,531	57,966	194,982	605,560	2,685	608,246	(16,236)	592,009
Segment income	5,777	3,597	1,402	5,193	2,661	1,997	20,630	145	20,776	20	20,797
Segment assets	74,163	34,585	17,949	55,594	28,922	177,946	389,161	2,453	391,614	(3,147)	388,467
Other											
Depreciation	1,498	357	229	567	531	5,075	8,260	157	8,418	—	8,418
Amortization of goodwill	47	119	—	—	—	3,499	3,666	—	3,666	—	3,666
Investment in equity-method affiliates	2,796	—	269	467	2,588	4,519	10,642	—	10,642	—	10,642
Increase in property, plant and equipment and intangible assets	1,384	293	144	526	352	5,264	7,966	58	8,025	—	8,025

Notes: 1. Other refers to business not included in reportable segments and provides incidental logistics related services within the Group.

2. Adjustments are as follows.

(1) The 20 million yen adjustment in segment income (loss) adjustment refers to inter-segment transaction eliminations.

(2) The (3,147) million yen adjustment in segment assets includes (16,721) million yen of inter-segment eliminations and 13,574 million yen of the Company's surplus operating cash (cash and deposits), which are not allocated to the specific segments.

3. Segment income (loss) has been adjusted for the operating income appearing in the 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

Fiscal year ended March 2020 (April 1, 2019– March 31, 2020)

(Millions of yen)

	Reportable segment							Other Note 1	Total	Adjustment Note 2	Carrying amount on 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	132,890	54,809	34,447	91,957	53,030	176,967	544,103	429	544,533	—	544,533
Inter-segment sales/transfers	3,917	3,983	943	1,989	1,752	180	12,768	2,298	15,066	(15,066)	—
Total net sales	136,808	58,793	35,391	93,947	54,783	177,147	556,871	2,727	559,599	(15,066)	544,533
Segment income	4,667	3,755	321	5,125	2,302	3,220	19,392	303	19,695	18	19,714
Segment assets	72,970	33,905	14,240	64,423	33,379	166,575	385,494	2,542	388,037	(2,567)	385,470
Other											
Depreciation	1,536	617	472	4,046	1,785	8,521	16,980	165	17,145	—	17,145
Amortization of goodwill	47	118	—	—	—	3,444	3,610	—	3,610	—	3,610
Investment in equity-method affiliates	2,785	—	316	505	2,417	1,017	7,041	—	7,041	—	7,041
Increase in property, plant and equipment and intangible assets	1,569	2,411	1,642	24,517	10,322	19,276	59,740	298	60,039	—	60,039

Notes: 1. Other refers to business not included in reportable segments and provides incidental logistics related services within the Group.

2. Adjustments are as follows.

(1) The 18 million yen adjustment in segment income adjustment refers to inter-segment transaction eliminations.

(2) The (2,567) million yen adjustment in segment assets includes (18,605) million yen of inter-segment eliminations and 16,038 million yen of the Company's surplus operating cash (cash and deposits), which are not allocated to the specific segments.

3. Segment income has been adjusted for the operating income appearing in the 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. The increase in property, plant and equipment and intangible assets includes an increase in right-of-use assets of 54,063 million yen associated with the application of IFRS 16 *Leases*.

[Related information]

Fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	211,358	165,614	176,100	38,935	592,009

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
141,771	162,644	12,451	175,096	97,519	107,904	205,424	45,322	16,496	7,898	592,009

Notes: 1. Net sales are classified by country or geographic area where service is rendered.

2. Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

(2) Property, plant and equipment

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
25,276	3,521	2,090	5,612	2,296	11,715	14,011	339	555	342	46,137

Note: Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

3. Information by major customer

Information has been omitted as there are no individual KWE Group customers that account for 10% or more of the net sales indicated on the consolidated statements of income.

Fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	186,389	153,469	163,508	41,165	544,533

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
133,090	151,278	10,129	161,408	86,832	105,654	192,486	38,809	12,760	5,977	544,533

Notes: 1. Net sales are classified by country or geographic area where service is rendered.

2. Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

(2) Property, plant and equipment

(Millions of yen)

Japan	North America			Asia & Oceania			Europe	Latin America	Other	Total
	United States	Other	Subtotal	China	Other	Subtotal				
25,169	7,560	2,516	10,076	8,002	22,461	30,464	870	953	611	68,145

Note: Major countries or regions except Japan in each category are as follows:

- (1) North America/Other: Canada
- (2) China: China, Hong Kong
- (3) Asia & Oceania/Other: Thailand, Singapore, South Korea, Taiwan, Philippines, India, Malaysia, Vietnam, Indonesia, Australia, Cambodia
- (4) Europe: Germany, United Kingdom, Netherlands, France, Russia, Italy, Ireland, Switzerland, Czech, Sweden
- (5) Latin America: Mexico, Chile, Brazil
- (6) Other: South Africa, UAE

3. Information by major customer

Information has been omitted as there are no individual KWE Group customers that account for 10% or more of the net sales indicated on the consolidated statements of income.

[Information regarding impairment loss of non-current assets for each reportable segment]

Fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	—	—	—	—	1,311	2,331	3,643	—	3,643

Notes: 1. “Southeast Asia” segment recognized impairment loss for goodwill associated with Gati-Kintetsu Express Pvt. Ltd., an affiliate accounted for using equity method, and recorded it in share of loss of entities accounted for using equity method.

2. Of the amount recorded in “APLL”, 2,065 million yen represents impairment loss on shares of Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using equity method, which was recorded in share of loss of entities accounted for using equity method.

Fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	—	—	—	—	—	7,817	7,817	—	7,817

Note: 4,426 million yen included in APLL represents impairment loss on software of APL Logistics Ltd, a consolidated subsidiary, and 48 million yen represents impairment loss on goodwill related to India Infrastructure and Logistics Private Limited, a consolidated subsidiary. 3,342 million yen represents impairment loss on shares of Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using equity method, which was recorded in share of loss of entities accounted for using equity method.

[Information about goodwill amortization amount and year-end balance for each reportable segment]

Fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(Millions of yen)

		Reportable Segment							Other	Total
		Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Goodwill	Amortization amount for the year	47	119	—	—	—	3,499	3,666	—	3,666
	Year-end balance	711	2,651	—	—	—	57,240	60,603	—	60,603
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	108	—	108	—	108

Fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

		Reportable Segment							Other	Total
		Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Goodwill	Amortization amount for the year	47	118	—	—	—	3,444	3,610	—	3,610
	Year-end balance	664	2,458	—	—	—	53,028	56,150	—	56,150
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	97	—	97	—	97

[Information about gains on negative goodwill for each reportable segment]

Fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

There are no applicable matters to be reported.

Fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

There are no applicable matters to be reported.