



Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2022 [J-GAAP] (Consolidated)

August 5, 2021

Company Name: Kintetsu World Express, Inc. (KWE)
 Stock exchange listed on: Tokyo Stock Exchange (First Section)
 Company code: 9375 URL: <https://www.kwe.com>
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 Managing Officer, General Manager,
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 The date of filing the quarterly financial statements: August 6, 2021
 The date of the dividend payment start (planned): –
 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 three months of the fiscal year ending March 2022 (April 1, 2021– June 30, 2021)

(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, 2021	198,477	41.3	11,846	49.7	12,309	50.1	7,411	51.8
June 30, 2020	140,473	3.6	7,913	100.7	8,200	703.8	4,883	–

(Note) Comprehensive income First three months ended June 30, 2021: 15,529 million yen (264.1%)
 First three months ended June 30, 2020: 4,265 million yen (– %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
First three months ended June 30, 2021	103.10	–
June 30, 2020	67.93	–

(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, 2021	433,557	160,960	34.6	2,088.95
As of March 31, 2021	418,827	148,739	33.1	1,926.30

(Reference) Shareholders' equity As of June 30, 2021: 150,183 million yen As of March 31, 2021: 138,486 million yen

2. Dividends

	Annual dividends				
	Q1	Q2	Q3	Year-end	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended March 31, 2021	–	10.00	–	40.00	50.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecasts)		20.00	–	30.00	50.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 2022 (April 1, 2021 – March 31, 2022)

(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	630,000	3.4	31,700	(7.2)	30,700	(11.1)	19,200	(11.3)	267.06

(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, 2021:	72,000,000 shares	As of March 31, 2021	72,000,000 shares
(b) Number of treasury shares	As of June 30, 2021:	106,079 shares	As of March 31, 2021:	107,367 shares
(c) Average number of shares during the period	First three months ended June 30, 2021:	71,892,732 shares	First three months ended June 30, 2020:	71,892,633 shares

Note: The Company 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 quarterly 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 Three Months of the Fiscal Year Ending March 2022 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecasts” on page 5.

(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 Friday, August 6, 2021. The presentation materials will be disclosed through TDnet on the same day and posted on our website.

1. Qualitative Information concerning Consolidated Earnings Results for the First Three Months of the Fiscal Year Ending March 2022

(1) Explanation about Operating Results

During the three months ended June 30, 2021, the global economy continued to be affected by COVID-19, with the recovery varying among areas due to differences in their infection status, vaccination progress and economic policies. The U.S. economy recovered to the pre-COVID-19 level due to the vaccination progress and the government's large-scale stimulus packages, and the European economy also started to show signs of gradual recovery. While the Chinese economy continued to show a recovery trend, some other Asian nations suffered the consequences of the restrictions on economic activities due to the spread of COVID-19.

The Japanese economy witnessed a steady recovery in the manufacturing sector, but the outlook remained uncertain as personal consumption and non-manufacturing businesses were sluggish because of the repeated issuance of a state of emergency.

In the global market, transport demand recovered and showed a significant increase after a decline a year earlier due to lockdowns declared around the world.

Under such circumstances, in the KWE Group's freight operation, air freight exports surged 58.3% year-on-year to 179 thousand tons, air freight imports rose 29.3% to 331 thousand shipments, sea freight exports increased 27.1% to 178 thousand TEUs and sea freight imports rose 7.2% to 70 thousand shipments, exceeding the pre-COVID-19 level. Logistics were below a year earlier overall due to a decrease in the handling volume in APLL.

Operating results by segment are as follows:

Japan

Air freight exports rose 72.4% to 45 thousand tons due to increases in electronic products and automotive-related products. Air freight imports increased 19.9% to 90 thousand shipments due to an increase in handling volume mainly in electronic products. As for sea freight, exports increased 32.5% to 42 thousand TEUs due to increases in construction materials and machinery-related products, but imports declined 1.4% to 27 thousand shipments due to a decrease in automotive-related products. In logistics, the handling volume grew due to increases mainly in electronic products and healthcare-related products. Domestic subsidiaries showed a steady growth due to a recovery in logistics demand.

As a result, net sales for the segment rose 60.4% to 51,137 million yen, and operating income rose 95.2% to 2,633 million yen.

The Americas

Air freight exports rose 54.2% to 35 thousand tons due to increases in chemical products and healthcare-related products. Air freight imports increased 57.8% to 32 thousand shipments due to increases in automotive-related products and electronic products. As for sea freight, exports declined 15.8% to 9 thousand TEUs due to a decrease in aerospace products, while imports increased 29.5% to 10 thousand shipments due to increases in automotive-related products and electronic products. In logistics, the handling volume of automotive-related products, etc. increased in the U.S. and Canada.

As a result, net sales for the segment increased 48.6% to 20,413 million yen, and operating income rose 159.9% to 2,188 million yen due to an improvement in operating gross profit margin.

The exchange rate was U.S.\$1 = ¥109.49 and U.S.\$1 = ¥107.62 for the three months ended June 30, 2021 and 2020, respectively.

Europe, Middle East & Africa

Air freight exports rose 63.4% to 15 thousand tons due to increases in automotive-related products and healthcare-related products. Air freight imports increased 48.4% to 23 thousand shipments due to increases in electronic products and healthcare-related products. Sea freight exports rose 52.1% to 5 thousand TEUs due to an increase in machinery-related products, and imports grew 26.9% to 4 thousand shipments due to an increase in machinery-related products. In logistics, the handling volume grew due to an increase in electronic products mainly in the Netherlands.

As a result, net sales for the segment increased 41.6% to 12,748 million yen, and operating income rose 182.9% to 725 million yen due to an improvement in operating gross profit margin.

The exchange rate was €1 = ¥ 131.96 and €1 = ¥ 118.48 for the three months ended June 30, 2021 and 2020, respectively.

East Asia & Oceania

Air freight exports increased 46.0% to 50 thousand tons and imports increased 25.8% to 134 thousand shipments due to an increase in electronic products. As for sea freight, exports increased 24.3% to 65 thousand TEUs due to increases in machinery-related products and textile-related products, and imports remained flat with an increase of 1.2% to 15 thousand shipments. In logistics, the handling volume grew due to increases mainly in electronic products in China and automotive-related products in South Korea.

As a result, net sales for the segment surged 40.3% to 43,792 million yen, but operating income fell 12.7% to 3,126 million yen due to a backlash of a significant improvement in operating gross profit margin a year earlier.

Southeast Asia

Air freight exports rose 63.4% to 33 thousand tons due to increases in electronic products and automotive-related products. Air freight imports increased 34.2% to 50 thousand shipments due to increases in electronic products and healthcare-related products. As for sea freight, exports increased 36.1% to 41 thousand TEUs due to increases in automotive-related products, etc. and imports increased 13.9% to 13 thousand shipments due to increases in electronic products, etc. In logistics, the handling volume grew due to increases mainly in electronic products, etc. in Philippines and Malaysia.

As a result, net sales for the segment rose 98.6% to 33,832 million yen, and operating income grew 70.5% to 2,286 million yen.

APLL

As for logistics service for automotive, the handling volume decreased mainly with major customers due to suspension of production attributable to a shortage of semiconductors. For retail-related logistics services, the handling volume showed a steady growth mainly with major customers, and consumer and other industrial products also showed a year-on-year increase. As a result, net sales for the segment increased 3.5% to 41,974 million yen, and operating income increased 11.0% to 2,060 million yen. Segment income rose 64.2% to 663 million yen as amortization of goodwill related to APLL acquisition is still included in this segment.

The exchange rate was U.S. \$1 = ¥105.90 and U.S. \$1 = ¥108.92 for the three months ended June 30, 2021 and 2020, 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 31, 2021 increased 41.3% to 198,477 million yen, operating income increased 49.7% to 11,846 million yen, ordinary income increased 50.1% to 12,309 million yen, and net income attributable to owners of the parent rose 51.8% to 7,411 million yen.

(2) Explanation about Financial Position

Total assets as of June 30, 2021 increased 14,729 million yen from March 31, 2021 to 433,557 million yen. Current assets increased 9,200 million yen to 246,602 million yen mainly due to increases in other of 4,880 million yen and notes and operating accounts receivable of 4,136 million yen. Other increased due to increases in advance payments, etc. related to chartered air freight transport. Total non-current assets increased 5,533 million yen to 186,828 million yen with an increase of 4,227 million yen in intangible assets due to currency translation differences in excess of a decrease by amortization.

Total liabilities as of June 30, 2021 increased 2,509 million yen from March 31, 2021 to 272,596 million yen. Total current liabilities increased 2,226 million yen to 139,487 million yen mainly due to increases in notes and operating accounts payable—trade of 4,954 million yen and other of 1,742 million yen despite decreases in provision for bonuses of 2,083 million yen and short-term loans payable of 2,080 million yen. Non-current liabilities increased 282 million yen to 133,108 million yen due to an increase in other of 253 million yen.

Total net assets as of June 30, 2021 increased 12,220 million yen from March 31, 2021 to 160,960 million yen. This was mainly because of an increase in retained earnings of 4,425 million yen due to recording net income attributable to owners of the parent of 7,411 million yen, despite cash dividends paid of 2,879 million yen. In addition, foreign currency translation adjustment increased 7,030 million yen due to a weaker yen trend.

Consequently, the equity ratio increased to 34.6% from 33.1% as of March 31, 2021.

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

While the Group earnings going forward are likely to be affected by the status of COVID-19, the global economy, exchange rates and other factors, the forecasts for the fiscal year ending March 31, 2022 at this point, are unchanged from those released on May 12, 2021. We will promptly disclose if forecasts require any revision in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/21 (As of March 31, 2021)	First quarter of FY3/22 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	90,277	90,141
Notes and operating accounts receivable	132,397	136,533
Securities	4,203	4,596
Other	11,875	16,756
Allowance for doubtful accounts	(1,350)	(1,424)
Total current assets	237,402	246,602
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,044	17,823
Land	14,110	14,088
Right-of-use assets, net	24,509	24,516
Other, net	11,884	12,422
Total property, plant and equipment	68,548	68,850
Intangible assets		
Goodwill	48,973	51,286
Customer-related assets	26,532	27,855
Other	14,538	15,130
Total intangible assets	90,045	94,272
Total investments and other assets	22,700	23,705
Total non-current assets	181,294	186,828
Deferred assets		
Bond issuance cost	130	126
Total deferred assets	130	126
Total assets	418,827	433,557
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	66,455	71,409
Short-term loans payable	31,304	29,224
Income taxes payable	7,118	6,847
Provision for bonuses	6,157	4,074
Provision for directors' bonuses	229	193
Other	25,996	27,738
Total current liabilities	137,261	139,487
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	74,800	74,800
Provision for share-based remuneration for directors	41	48
Net defined benefit liability	5,928	5,951
Other	27,056	27,309
Total non-current liabilities	132,826	133,108
Total liabilities	270,087	272,596

(Millions of yen)

	FY3/21 (As of March 31, 2021)	First quarter of FY3/22 (As of June 30, 2021)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,499	4,499
Retained earnings	140,906	145,331
Treasury shares	(150)	(148)
Total shareholders' equity	152,471	156,898
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,939	2,129
Foreign currency translation adjustment	(14,061)	(7,030)
Remeasurements of defined benefit plans	(1,862)	(1,814)
Total accumulated other comprehensive income	(13,985)	(6,715)
Non-controlling interests	10,253	10,777
Total net assets	148,739	160,960
Total liabilities and net assets	418,827	433,557

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

(Millions of yen)

	First three months of FY3/21 (April 1, 2020 – June 30, 2020)	First three months of FY3/22 (April 1, 2021 – June 30, 2021)
Net sales	140,473	198,477
Operating cost	115,178	168,519
Operating gross profit	25,295	29,957
Selling, general and administrative expenses	17,382	18,110
Operating income	7,913	11,846
Non-operating income		
Interest income	154	145
Dividends income	19	17
Amortization of negative goodwill	2	2
Foreign exchange gains	145	606
Subsidy income	398	89
Miscellaneous income	72	134
Total non-operating income	792	997
Non-operating expenses		
Interest expenses	437	394
Share of loss of entities accounted for using equity method	50	32
Miscellaneous expenses	18	107
Total non-operating expenses	505	534
Ordinary income	8,200	12,309
Extraordinary loss		
Loss on liquidation of subsidiaries	–	379
Total extraordinary losses	–	379
Income before income taxes	8,200	11,929
Income taxes	2,839	4,146
Net income	5,361	7,782
Net income attributable to non-controlling interests	477	370
Net income attributable to owners of the parent	4,883	7,411

(Consolidated statements of comprehensive income)

(Millions of yen)

	First three months of FY3/21 (April 1, 2020 – June 30, 2020)	First three months of FY3/22 (April 1, 2021 – June 30, 2021)
Net income	5,361	7,782
Other comprehensive income		
Valuation difference on available-for-sale securities	513	183
Foreign currency translation adjustment	(1,561)	7,293
Remeasurements of defined benefit plans	134	48
Share of other comprehensive income of entities accounted for using equity method	(182)	221
Total other comprehensive income	(1,096)	7,747
Comprehensive income	4,265	15,529
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,012	14,681
Comprehensive income attributable to non-controlling interests	252	847

(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.

(Changes in Accounting Policies)

On April 1, 2021, the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020; "Accounting Standard for Revenue Recognition"), etc., and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer.

Accordingly, the Company changed the revenue recognition method to recognize revenue from a performance obligation that is satisfied over time based on the progress towards complete satisfaction of such performance obligation.

In applying the Accounting Standard for Revenue Recognition, etc. from April 1, 2021, the Company followed the transitional treatment stipulated by a provisory clause of Paragraph 84 of the Accounting Standard for Revenue Recognition, and any cumulative effects of the retrospective application, assuming the new accounting standard had been applied to periods prior to April 1, 2021, were adjusted to the beginning balance of retained earnings as of April 1, 2021.

As a result, the balance of retained earnings as of April 1, 2021 decreased 107 million yen. Impacts on net sales, operating income, ordinary income, and income before income taxes were insignificant.

On April 1, 2021, the Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019; "Accounting Standard for Fair Value Measurement"), etc., and the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(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, 2021.

(Segment Information, etc.)

I First three months of the fiscal year ended March 2021 (April 1, 2020 – June 30, 2020)

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	30,669	12,987	8,857	30,727	16,623	40,517	140,382	91	140,473	—	140,473
Inter-segment sales/transfers	1,204	748	145	490	411	32	3,033	529	3,562	(3,562)	—
Total net sales	31,873	13,735	9,003	31,217	17,035	40,550	143,415	620	144,036	(3,562)	140,473
Segment income	1,349	842	256	3,582	1,340	404	7,775	133	7,909	4	7,913

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

2. The 4 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 |

II First three months of the fiscal year ending March 2022 (April 1, 2021 – June 30, 2021)

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	48,568	19,076	12,336	43,130	33,315	41,932	198,361	115	198,477	—	198,477
Inter-segment sales/transfers	2,568	1,336	411	661	516	41	5,536	771	6,307	(6,307)	—
Total net sales	51,137	20,413	12,748	43,792	33,832	41,974	203,898	886	204,784	(6,307)	198,477
Segment income	2,633	2,188	725	3,126	2,286	663	11,623	213	11,836	9	11,846

Notes: 1. Other refers to business not included in reportable segments and mainly consists of incidental logistics related services 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. As described in Changes in accounting policies, the Company applied the Accounting Standard for Revenue Recognition on April 1, 2021 and changed the accounting treatment of revenue recognition, and accordingly, the method to calculate profit or loss of reportable segments was also changed. The impact of this change on net sales and segment income for the three months ended June 30, 2021 was insignificant.