Financial Results for the Fiscal Year Ended March 31, 2019 [J-GAAP]

May 10, 2019

Company Name: Kintetsu World Express, Inc. (KWE)
Stock exchange listed on: Tokyo Stock Exchange (First Section)
Company code: 9375 URL: https://www.kwe.co.jp
Representative: President and Chief Executive Officer Nobutoshi Torii
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The date of the ordinary general shareholder meeting: June 18, 2019
The date of the dividend payment start (planned): June 19, 2019
The date of filing the securities report: June 19, 2019
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 2019 consolidated results (April 1, 2018 – March 31, 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	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2019	592,009	7.0	20,797	18.5	19,939	15.0	9,857	40.8
March 31, 2018	553,197	16.6	17,551	34.2	17,345	33.1	7,002	56.1

(Reference) Comprehensive income: Fiscal year ended March 31, 2019: 5,547 million yen(negative 3.1%)
Fiscal year ended March 31, 2018: 5,724 million yen (－ %)

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating margin
Fiscal year ended	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2019	136.91	—	8.2	5.1	3.5
March 31, 2018	97.26	—	5.9	4.5	3.2

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2019: (2,628) million yen
Fiscal year ended March 31, 2018: (209) million yen

(2) 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, 2019	388,467	131,823	31.3	1,690.89
As of March 31, 2018	389,582	128,988	30.7	1,662.72

(Reference) Shareholders' equity: As of March 31, 2019: 121,740 million yen As of March 31, 2018: 119,712 million yen

＊ Due to the change in presentation as a result of applying the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Statement No. 28, February 16, 2018) effective April 1, 2018, figures of the consolidated financial position as of March 31, 2018 have been restated retrospectively to reflect such change.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2019	22,637	(7,312)	(6,868)	75,799
March 31, 2018	15,063	(10,030)	(2,754)	67,856

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
Fiscal year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
March 31, 2018	—	10.00	—	16.00	26.00	1,871	26.7	1.6
March 31, 2019	—	10.00	—	20.00	30.00	2,159	21.9	1.8
Fiscal year ending March 31, 2020 (Forecasts)	—	10.00	—	20.00	30.00		20.6	

＊ The Company has increased the year-end dividend for the fiscal year ended March 31, 2019 by 4.00 yen per share from the previous dividend forecast. For the details, please refer to "Notice of Dividend on Retained Earnings" released today.

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
First half	300,000	3.0	9,300	5.0	8,900	(15.3)	3,600	(28.2)	50.00
Full fiscal year	620,000	4.7	22,000	5.8	21,300	6.8	10,500	6.5	145.84

＊ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): Yes

Excluded: APL Logistics/CFR AD Holdings, LLC

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

(a) Changes in accounting policies with revision of accounting standards: No

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

(3) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of March 31, 2019:	72,000,000 shares	As of March 31, 2018:	72,000,000 shares
(b) Number of treasury shares	As of March 31, 2019:	2,367 shares	As of March 31, 2018:	2,364 shares
(c) Average number of shares during the period	Fiscal year ended March 31, 2019:	71,997,635 shares	Fiscal year ended March 31, 2018:	71,997,636 shares

(Reference) Summary of non-consolidated results

1. Fiscal year ended March 2019 non-consolidated results (April 1, 2018 – March 31, 2019)

(1) Non-consolidated business results

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2019	116,197	14.9	2,949	(19.0)	11,204	26.9	11,383	104.9
March 31, 2018	101,145	18.5	3,643	52.5	8,829	(32.5)	5,555	(46.3)

	Net income per share	Diluted net income per share
Fiscal year ended	(Yen)	(Yen)
March 31, 2019	158.10	—
March 31, 2018	77.17	—

(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, 2019	238,756	84,547	35.4	1,174.31
As of March 31, 2018	234,175	75,542	32.3	1,049.23

(Reference) Shareholders' equity As of March 31, 2019: 84,547 million yen As of March 31, 2018: 75,542 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 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. Summary of Operating Results, etc. (4) Future Prospect" on page 7 of the attached material.

(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 Monday, May 13, 2019. The presentation materials to be distributed at the meeting will be available on our website after the meeting.

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year ended March 31, 2019

During the fiscal year ended March 31, 2019 (hereinafter, "the current fiscal year"), the U.S. economy continued to expand while Europe started to show a downward trend mainly in the Euro zone. The Chinese economy also showed a decelerating trend with a decline in growth rate of production and consumer spending.

The Japanese economy had continued to recover gradually but started to show a sign of slowdown in export and production.

In the global market, demand for both air and sea freight continued to grow steadily overall, despite slowing upward trend.

Under such circumstances, the KWE Group's freight operations saw air freight exports rose 3.6% year-on-year to 600 thousand tons, and air freight imports increased 0.9% to 1,340 thousand shipments. Sea freight exports increased 8.0% to 700 thousand TEUs, and imports rose 3.4% to 287 thousand shipments. Logistics showed stable growth overall due to business expansion mainly in East Asia.

Operating results by each segment are as follows:

Japan

Air freight exports rose 4.6% year-on-year to 160 thousand tons due to a steady increase in automotive-related products and semiconductor-related products. Air freight imports increased 1.0% to 364 thousand shipments due to a growth mainly in electronic products. As for sea freight, exports increased 2.4% to 149 thousand TEUs due to increases in machinery and equipment-related products, and imports grew 0.8% to 115 thousand shipments due to a steady movement in electronic products. In logistics, the handling volume grew due to increases mainly in electronic products and healthcare-related products.

As a result, net sales for the segment, including domestic subsidiaries, increased 14.0% to 145,669 million yen. However, operating income decreased 6.7% to 5,777 million yen mainly due to higher direct cost ratio and expenses to enhance the operation platform.

The Americas

Air freight exports rose 8.3% to 111 thousand tons due to steady movements mainly in healthcare-related products and electronic products. Air freight imports rose 7.4% to 134 thousand shipments due to increases in machinery-related products and electronic products. In sea freight, exports increased 4.6% to 48 thousand TEUs due to an increase in aerospace products, and imports grew 10.9% to 37 thousand shipments due to steady movements in machinery-related products and construction materials. In logistics, the handling volume expanded in the U.S. and Canada.

As a result, net sales for the segment increased 15.6% to 61,534 million yen. However, operating income decreased 5.3% to 3,391 million yen due to an impact from a rise in direct cost ratio.

The exchange rate was U.S. $1 = ¥110.91 and U.S. $1 = ¥110.85 for the fiscal year ended March 31, 2019 and 2018, respectively.

Europe, Middle East & Africa

Air freight exports increased 6.9% to 67 thousand tons due to a growth mainly in healthcare-related products. Air freight imports rose 7.9% to 131 thousand shipments due to increases in electronic products and automotive-related products. Sea freight exports decreased 7.2% to 18 thousand TEUs due to decreases in machinery-related products and automotive-related products, but imports grew 6.7% to 16 thousand shipments due to increases in machinery-related products and electronic products. In logistics, the handling volume increased mainly in Russia.

As a result, net sales for the segment increased 8.5% to 41,934 million yen, and operating income rose 124.8% to 1,402 million yen thanks to an improvement in profitability.

The exchange rate was €1 = ¥128.41 and €1 = ¥129.70 for the fiscal year ended March 31, 2019 and 2018,

respectively.

East Asia & Oceania

Air freight exports rose 3.0% to 150 thousand tons due to a steady increase mainly in electronic products. However, air freight imports started to show a decelerating trend in the second half of the fiscal year and fell 2.0% to 488 thousand shipments. As for sea freight, exports grew 14.2% to 227 thousand TEUs due to increases mainly in automotive-related products and electronic products, and imports increased 2.4% to 62 thousand shipments due to a steady movement in electronic products. In logistics, the handling volume increased mainly in China, South Korea, and Taiwan.

As a result, net sales for the segment increased 5.6% to 101,531 million yen. However, operating income decreased 7.8% to 5,193 million yen due to an impact from higher direct cost ratio.

Southeast Asia

Air freight exports fell 3.3% to 110 thousand tons due to a decrease in shipment of electronics products and air freight imports fell 0.2% to 221 thousand shipments due to a sluggish movement overall. As for sea freight, exports rose 17.0% to 166 thousand TEUs due to favorable growth in automotive-related products and motorcycles, and imports grew 4.7% to 55 thousand shipments due to increases in electronic products and automotive-related products. In logistics, the handling volume increased mainly in India and Thailand.

As a result, net sales for the segment increased 5.9% to 57,966 million yen. However, operating income decreased 18.3% to 2,661 million yen due to an impact from a rise in direct cost ratio.

APLL

As for logistics services for automotive, the handling volume increaseed mainly in North America and finished cars transportation in India also increased steadily. For retail-related logistics service, the handling volume in logistics services showed a steady growth mainly in major customers, and consumer and other industrial products also showed solid growth.

As a result, net sales of APLL increased 1.1% to 196,923 million yen and the company secured operating income of 8,517 million yen (rose 104.8%) through its effort to improve operating margin including reduction of selling, general and administrative expenses. Operating income was 2,203 million yen (operating loss of 1,986 million yen in the previous year) as amortization of goodwill related to APLL acquisition is included in this segment.

The exchange rate was U.S. $1 = ¥110.43 and U.S. $1 = ¥112.19 for the year ended March 31, 2019 and 2018, 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, net sales for the current fiscal year increased 7.0% to 592,009 million yen, operating income rose 18.5% to 20,797 million yen, ordinary income increased 15.0% to 19,939 million yen, and net income attributable to owners of the parent rose 40.8% to 9,857 million yen.

(2) Summary of Financial Position

Total assets as of March 31, 2019 decreased 1,115 million yen from March 31, 2018 to 388,467 million yen.

Current assets increased 8,498 million yen to 202,018 million yen mainly due to an increase in cash and deposits of 7,492 million yen.

Non-current assets decreased 9,613 million yen to 186,448 million yen due to a decrease in intangible assets of 6,645 million yen primarily resulting from amortization of goodwill, and a decrease in investments and other assets of 2,356 million yen primarily resulting from accounting for using equity method.

Total liabilities decreased 3,950 million yen to 256,643 million yen.

Current liabilities decreased 318 million yen to 122,729 million yen due to a decrease in other current liabilities of 2,413 million yen while notes and operating accounts payable-trade increased 1,116 million yen.

Non-current liabilities decreased 3,631 million yen to 133,913 million yen mainly due to a decrease in long-term loans payable of 5,659 million yen while net defined benefit liability increased 2,866 million yen.

Net assets as of March 31, 2019 increased 2,835 million yen to 131,823 million yen mainly due to an increase in retained earnings of 7,985 million yen resulting from recording net income attributable to owners of the parent of 9,857 million yen and cash dividends paid of 1,871 million yen, despite decreases in foreign currency translation adjustment of 3,603 million yen as a result of a stronger yen compared to March 31, 2018 and in remeasurements of defined benefit plans of 1,847 million yen.

Consequently, the equity ratio increased to 31.3% from 30.7% as of March 31, 2018.

(3) Cash Flows

(Millions of yen)

	FY3/18	FY3/19	Change
Cash flows from operating activities	15,063	22,637	7,573
Cash flows from investing activities	(10,030)	(7,312)	2,718
Cash flows from financing activities	(2,754)	(6,868)	(4,114)
Effect of exchange rate changes on cash and cash equivalents	70	(513)	(584)
Net increase (decrease) in cash and cash equivalents	2,349	7,943	5,594
Cash and cash equivalents at end of period	67,856	75,799	7,943

Cash and cash equivalents as of March 31, 2019 totaled 75,799 million yen, an increase of 7,943 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 2019, operating activities provided net cash of 22,637 million yen, an increase of 7,573 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 19,978 million yen, depreciation of 8,418 million yen, amortization of goodwill of 3,666 million yen, share of loss of entities accounted for using equity method of 2,628 million yen, and an increase in notes and accounts payable-trade of 2,090 million yen, and cash outflows due to income taxes paid of 9,751 million yen and other, net of 3,434 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 7,312 million yen, a decrease of 2,718 million yen year-on-year. This mainly reflected cash outflows due to purchase of property, plant and equipment of 4,702 million yen, and purchase of intangible assets of 2,907 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 6,868 million yen, an increase of 4,114 million yen year-on-year. This mainly reflected cash inflows due to proceeds from long-term loans payable of 4,800 million yen and net increase in short-term loans payable of 1,904 million yen, and cash outflows due to repayments of long-term loans payable of 10,602 million yen, cash dividends paid of 1,871 million yen, and dividends paid to non-controlling interests of 821 million yen.

(Reference) KWE Group's cash flow indicators

	FY3/16	FY3/17	FY3/18	FY3/19
Equity ratio (%)	32.5	30.9	30.7	31.3
Market-value-based equity ratio (%)	27.9	31.9	36.9	31.2
Interest-bearing debt to operating cash flow (years)	8.2	11.4	11.0	7.1
Interest coverage ratio (times)	25.6	16.0	14.7	17.3

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

The future prospect appears to remain unpredictable as uncertainties arising from U.S.-China trade friction, the Brexit concerns, the slowdown of Chinese economy, and a lull in transportation demand for semiconductors and electronic components have surfaced in the global logistics market.

Under these circumstances, the Group developed a 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 from the fiscal year ending March 31, 2020. (The detail will be released on May 10, 2019.)

While the Group earnings going forward are likely to be affected by the global economy, exchange rates, and other factors, the forecasts for the fiscal year ending March 31, 2020 at this point are net sales of 620,000 million yen (up 4.7%), operating income of 22,000 million yen (up 5.8%), ordinary income of 21,300 million yen (up 6.8%), and net income attributable to owners of the parent of 10,500 million yen (up 6.5%).

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)

	FY3/18 (As of March 31, 2018)	FY3/19 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	72,832	80,324
Notes and operating accounts receivable	110,005	109,388
Securities	2,558	2,995
Other	10,223	10,477
Allowance for doubtful accounts	(2,098)	(1,167)
Total current assets	193,520	202,018
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,549	40,334
Accumulated depreciation	(20,269)	(21,151)
Buildings and structures, net	19,279	19,183
Machinery, equipment and vehicles	5,610	6,979
Accumulated depreciation	(2,645)	(2,688)
Machinery and equipment and vehicles, net	2,964	4,290
Land	14,082	14,120
Leased assets	1,595	1,589
Accumulated depreciation	(879)	(913)
Leased assets, net	715	675
Other	23,453	23,353
Accumulated depreciation	(13,746)	(15,485)
Other, net	9,706	7,867
Total property, plant and equipment	46,749	46,137
Intangible assets		
Goodwill	65,586	60,494
Customer-related assets	35,139	32,492
Other	20,602	21,695
Total intangible assets	121,328	114,683
Investments and other assets		
Investment securities	20,228	15,439
Long-term loans receivable	-	671
Deferred tax assets	1,502	3,152
Other	6,311	6,985
Allowance for doubtful accounts	(58)	(620)
Total investments and other assets	27,984	25,627
Total non-current assets	196,062	186,448
Total assets	389,582	388,467

(Millions of yen)

	FY3/18 (As of March 31, 2018)	FY3/19 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and operating accounts payable – trade	51,622	52,738
Short-term loans payable	42,024	42,941
Lease obligations	209	190
Income taxes payable	3,867	3,762
Provision for bonuses	4,616	4,769
Provision for directors' bonuses	250	283
Other	20,456	18,043
Total current liabilities	123,048	122,729
Non-current liabilities		
Long-term loans payable	123,651	117,991
Lease obligations	543	523
Deferred tax liabilities	8,765	8,111
Net defined benefit liability	2,877	5,743
Other	1,707	1,543
Total non-current liabilities	137,545	133,913
Total liabilities	260,594	256,643
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,084	4,084
Retained earnings	112,268	120,253
Treasury shares	(3)	(3)
Total shareholders' equity	123,565	131,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,893	1,387
Foreign currency translation adjustment	(5,268)	(8,871)
Remeasurements of defined benefit plans	(478)	(2,325)
Total accumulated other comprehensive income	(3,853)	(9,810)
Non-controlling interests	9,276	10,083
Total net assets	128,988	131,823
Total liabilities and net assets	389,582	388,467

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

(Consolidated Statements of Income)

(Millions of yen)

	FY3/18 (April 1, 2017 –March 31, 2018)	FY3/19 (April 1, 2018 –March 31, 2019)
Net sales	553,197	592,009
Operating cost	460,534	495,052
Operating gross profit	92,662	96,957
Selling, general and administrative expenses	75,110	76,160
Operating income	17,551	20,797
Non-operating income		
Interest income	571	719
Dividends income	42	52
Refunded consumption taxes	160	–
Amortization of negative goodwill	11	11
Foreign exchange gains	195	1,528
Subsidy income	120	255
Miscellaneous income	325	668
Total non-operating income	1,427	3,235
Non-operating expenses		
Interest expenses	1,019	1,298
Share of loss of entities accounted for using equity method	209	2,628
Miscellaneous expenses	403	166
Total non-operating expenses	1,632	4,093
Ordinary income	17,345	19,939
Extraordinary income		
Gain on sales of non-current assets	568	47
Gain on sales of investment securities	–	277
Gain on reversal of impairment loss	94	–
Settlement received	526	–
Total extraordinary income	1,189	324
Extraordinary losses		
Impairment loss	175	265
Loss on retirement of non-current assets	2	19
Loss on liquidation of subsidiaries	457	–
Provision of allowance for doubtful accounts	1,019	–
Total extraordinary losses	1,654	285
Income before income taxes	16,879	19,978
Income taxes – current	8,836	9,318
Income taxes – deferred	(338)	(1,151)
Total income taxes	8,498	8,166
Net income	8,381	11,812
Net income attributable to non-controlling interests	1,378	1,955
Net income attributable to owners of the parent	7,002	9,857

(Consolidated statements of comprehensive income)

(Millions of yen)

	FY3/18 (April 1, 2017 -March 31, 2018)	FY3/19 (April 1, 2018 -March 31, 2019)
Net income	8,381	11,812
Other comprehensive income		
Valuation difference on available-for-sale securities	138	(506)
Deferred gains or losses on hedges	-	-
Foreign currency translation adjustment	(2,897)	(2,990)
Remeasurements of defined benefit plans	(305)	(1,841)
Share of other comprehensive income of entities accounted for using equity method	407	(925)
Total other comprehensive income	(2,657)	(6,264)
Comprehensive income	5,724	5,547
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,316	3,900
Comprehensive income attributable to non-controlling interests	1,407	1,647

(3) Consolidated Statements of Changes in Net Assets

For the Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,216	4,018	107,137	(3)	118,367
Changes of items during period					
Dividends from surplus			(1,871)		(1,871)
Net income attributable to owners of the parent			7,002		7,002
Capital increase of consolidated subsidiaries		66			66
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	66	5,130	–	5,197
Balance at end of current period	7,216	4,084	112,268	(3)	123,565

	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	1,754	(2,751)	(170)	(1,167)	8,815	126,016
Changes of items during period						
Dividends from surplus				–		(1,871)
Net income attributable to owners of the parent				–		7,002
Capital increase of consolidated subsidiaries				–		66
Net changes of items other than shareholders' equity	138	(2,517)	(307)	(2,686)	461	(2,224)
Total changes of items during period	138	(2,517)	(307)	(2,686)	461	2,972
Balance at end of current period	1,893	(5,268)	(478)	(3,853)	9,276	128,988

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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/18 (April 1, 2017 – March 31, 2018)	FY3/19 (April 1, 2018 – March 31, 2019)
Cash flows from operating activities		
Income (loss) before income taxes	16,879	19,978
Depreciation	7,932	8,418
Impairment loss	175	265
Gain on reversal of impairment loss	(94)	–
Amortization of goodwill	3,753	3,666
Amortization of negative goodwill	(11)	(11)
Increase (decrease) in allowance for doubtful accounts	933	143
Increase (decrease) in provision for bonuses	257	194
Increase (decrease) in provision for directors' bonuses	(115)	32
Increase (decrease) in net defined benefit liability	(105)	228
Increase (decrease) in provision for loss on litigation	(227)	–
Interest and dividends income	(613)	(771)
Interest expenses	1,019	1,298
Share of (profit) loss of entities accounted for using equity method	209	2,628
Loss (gain) on sales of non-current assets	(601)	(47)
Loss on retirement of non-current assets	2	19
Loss (gain) on sales of investment securities	(0)	(277)
Loss on valuation of golf club memberships	1	–
Loss (gain) on liquidation of subsidiaries	457	–
Settlement received	(526)	–
Decrease (increase) in notes and accounts receivable-trade	(14,494)	(1,762)
Increase (decrease) in notes and accounts payable-trade	7,931	2,090
Other, net	1,438	(3,434)
Subtotal	24,203	32,661
Interest and dividends income received	818	1,036
Interest expenses paid	(1,023)	(1,309)
Income taxes paid	(8,473)	(9,751)
Settlement package received	526	–
Payments for loss on litigation	(236)	–
Payments for loss on arbitration ruling	(750)	–
Net cash provided by operating activities	15,063	22,637
Cash flows from investing activities		
Payments into time deposits	(6,270)	(6,966)
Proceeds from withdrawal of time deposits	6,014	7,335
Purchase of property, plant and equipment	(5,192)	(4,702)
Proceeds from sales of property, plant and equipment	649	214
Purchase of intangible assets	(4,332)	(2,907)
Purchase of investment securities	(3,000)	(3,025)
Proceeds from sales and redemption of securities	3,563	3,095
Payments for lease and guarantee deposits	(644)	(740)
Proceeds from collection of lease and guarantee deposits	395	461
Payments of loans receivable	(1,504)	(97)
Collection of loans receivable	305	16
Other, net	(14)	3
Net cash provided by (used in) investing activities	(10,030)	(7,312)

(Millions of yen)

	FY3/18 (April 1, 2017 – March 31, 2018)	FY3/19 (April 1, 2018 – March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,024	1,904
Proceeds from share issuance to non-controlling shareholders	78	5
Repayments of finance lease obligations	(179)	(233)
Proceeds from long-term loans payable	–	4,800
Repayments of long-term loans payable	(5,825)	(10,602)
Purchase of treasury shares	–	(0)
Cash dividends paid	(1,871)	(1,871)
Dividends paid to non-controlling interests	(976)	(821)
Other, net	(3)	(49)
Net cash provided by (used in) financing activities	(2,754)	(6,868)
Effect of exchange rate changes on cash and cash equivalents	70	(513)
Net increase (decrease) in cash and cash equivalents	2,349	7,943
Cash and cash equivalents at beginning of period	65,506	67,856
Cash and cash equivalents at end of period	67,856	75,799

(5) Notes to the Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(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.

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

Fiscal year ended March 2018 (April 1, 2017– March 31, 2018)

(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	124,321	48,821	37,589	94,049	53,333	194,722	552,836	360	553,197	—	553,197
Inter-segment sales/transfers	3,486	4,397	1,047	2,082	1,383	138	12,535	1,923	14,458	(14,458)	—
Total net sales	127,807	53,219	38,636	96,131	54,716	194,860	565,372	2,283	567,655	(14,458)	553,197
Segment income (loss)	6,189	3,582	623	5,634	3,257	(1,986)	17,301	244	17,546	4	17,551
Segment assets	75,879	22,187	19,035	55,981	29,200	192,319	394,603	2,179	369,783	(7,200)	389,582
Other											
Depreciation	1,363	233	237	600	494	4,904	7,834	98	7,932	—	7,932
Amortization of goodwill	47	—	—	—	—	3,705	3,753	—	3,753	—	3,753
Investment in equity-method affiliates	2,675	—	228	468	4,167	6,916	14,456	—	14,456	—	14,456
Increase in property, plant and equipment and intangible assets	1,626	196	137	419	755	6,483	9,620	679	10,299	—	10,299

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

(2) The (7,200) million yen adjustment in segment assets includes (14,932) million yen of inter-segment eliminations and 7,732 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 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	57,294	40,543	99,271	56,042	196,757	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	61,534	41,934	101,531	57,966	196,923	605,560	2,685	608,246	(16,236)	592,009
Segment income	5,777	3,391	1,402	5,193	2,661	2,203	20,630	145	20,776	20	20,797
Segment assets	74,163	26,299	17,949	55,594	28,922	186,232	389,161	2,453	391,614	(3,147)	388,467
Other											
Depreciation	1,498	264	229	567	531	5,169	8,260	157	8,418	—	8,418
Amortization of goodwill	47	—	—	—	—	3,619	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 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 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

[Related information]

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

1. Information by service

(Millions of yen)

	Air freight forwarding	Sea freight forwarding	Logistics	Other	Total
Net sales to outside customers	193,354	155,803	168,060	35,978	553,197

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				
124,370	149,916	11,305	161,221	93,811	104,146	197,958	46,388	15,239	8,018	553,197

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				
25,589	3,923	2,171	6,095	2,525	10,989	13,514	370	658	520	46,749

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 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.

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

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Reportable Segment							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total		
Impairment Loss	150	—	—	149	—	435	736	—	736

Notes: 1. "East Asia & Oceania" segment recognized impairment loss for goodwill associated with a non-consolidated subsidiary 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", 410 million yen represents impairment loss on goodwill based on the resolution regarding a liquidation of its consolidated subsidiary, which was recorded in loss on liquidation of subsidiaries.

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.

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

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(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	—	—	—	—	3,705	3,753	—	3,753
	Year-end balance	758	—	—	—	—	64,946	65,705	—	65,705
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	119	—	119	—	119

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	—	—	—	—	3,619	3,666	—	3,666
	Year-end balance	711	—	—	—	—	59,891	60,603	—	60,603
Negative Goodwill	Amortization amount for the year	—	—	—	—	11	—	11	—	11
	Year-end balance	—	—	—	—	108	—	108	—	108

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

Fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

There are no applicable matters to be reported.

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

There are no applicable matters to be reported.