



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

November 10, 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: November 11, 2021
 The date of the dividend payment start (planned): December 10, 2021
 Preparation of quarterly earnings presentation material: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated earnings results for the first six months of the fiscal year ending March 2022 (April 1, 2021– September 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 six months ended September 30, 2021	424,099	60.8	24,703	89.9	25,629	90.9	16,170	98.2
September 30, 2020	263,718	(2.9)	13,008	48.5	13,424	104.0	8,158	266.6

(Note) Comprehensive income First six months ended September 30, 2021: 25,019 million yen (258.4 %)

First six months ended September 30, 2020: 6,981 million yen (– %)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
First six months ended September 30, 2021	224.93	—
September 30, 2020	113.48	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of September 30, 2021	448,611	169,941	35.5	2,213.37
As of March 31, 2021	418,827	148,739	33.1	1,926.30

(Reference) Shareholders' equity As of September 30, 2021: 159,133 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	—	40.00	—	—	—
Fiscal year ending March 31, 2022 (Forecasts)	—	—	—	60.00	100.00

(Note) Revisions to the most recently disclosed dividend forecasts: Yes

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	880,000	44.5	50,000	46.3	51,000	47.7	33,000	52.5	459.00

(Note) Revisions to the most recently disclosed earnings forecasts: Yes

* Notes

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

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (4) Notes to the Quarterly Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing the Quarterly Consolidated Financial Statements)” on page 13.

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

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

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

(c) Changes in accounting estimates: No

(d) Restatement of revisions: No

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 13.

(4) Number of issued shares (common shares)

(a) Number of issued shares (including treasury shares)	As of September 30, 2021:	72,000,000 shares	As of March 31, 2021:	72,000,000 shares
(b) Number of treasury shares	As of September 30, 2021:	103,414 shares	As of March 31, 2021:	107,367 shares
(c) Average number of shares during the period	First six months ended September 30, 2021:	71,894,451 shares	First six months ended September 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 the Company will achieve such results. Actual earnings may differ significantly from the above forecasts for various reasons. For the assumptions for earnings forecasts and cautions regarding the use of the earnings forecasts, please refer to “1. Qualitative Information concerning Consolidated Earnings Results for the First Six Months of the Fiscal Year Ending March 2022 (3) Explanation about Future Forecast Information including Consolidated Earnings Forecasts” on page 6.

(Supplementary materials for financial results and the details of the financial results meeting)

A financial results conference call for institutional investors and analysts will be held on Thursday, November 11, 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 Six Months of the Fiscal Year Ending March 2022

(1) Explanation about Operating Results

During the six months ended September 30, 2021, the global economy continued to be affected by COVID-19, with the recovery varying among areas. In the U.S., the expansion of employment and consumption slowed down due to the resurgence of infections, but the economy maintained recovery trend overall. The European economy headed for a recovery with a gradual easing of activity restrictions while the number of infections remained high. The Chinese economy showed steady growth overall despite slight signs of slowdown in activities. Economies in other East Asian countries continued to show recovery led by external demand, but domestic demand in Southeast Asia were sluggish due to the resurgence of infections resulting from delayed vaccine rollouts.

The Japanese economy witnessed steady growth in the manufacturing sector overall backed by increased export with the recovery of overseas economies, but the continued state of emergency weighed on the recovery of personal consumption and non-manufacturing sectors.

In the global market, international transport demand which decreased in the six months ended September 30, 2020 due to restrictions on economic activities around the world significantly increased.

Under such circumstances, in the KWE Group's freight operation, air freight exports surged 53.8% year-on-year to 359 thousand tons, air freight imports rose 25.9% to 664 thousand shipments, sea freight exports increased 22.8% to 358 thousand TEUs and sea freight imports rose 10.4% to 144 thousand shipments, exceeding the pre-COVID-19 level. Logistics exceeded the results of a year earlier in all segments.

Operating results by segment are as follows:

Japan

Air freight exports rose 63.0% to 89 thousand tons due to increases in electronic products and automotive-related products, etc. Air freight imports increased 20.6% to 182 thousand shipments due to increases in handling volume mainly in electronic products and healthcare-related products. As for sea freight, exports increased 24.5% to 83 thousand TEUs due to increases in construction machinery-related products and automotive-related products, etc. and imports remained flat with an increase of 1.4% to 54 thousand shipments. In logistics, the handling volume grew due to increases in healthcare-related products and electronic products. Domestic subsidiaries showed better performance than a year earlier due to a recovery in domestic logistics demand.

As a result, net sales for the segment rose 63.4% to 105,860 million yen, and operating income rose 44.6% to 4,488 million yen.

The Americas

Air freight exports rose 50.1% to 68 thousand tons due to increases in chemical products and healthcare-related products, etc. Air freight imports increased 51.4% to 65 thousand shipments due to increases in automotive-related products, electronic products, and consumer products, etc. As for sea freight, exports declined 10.7% to 17 thousand TEUs due to a decrease in aerospace products, while imports increased 40.1% to 22 thousand shipments due to increases in electronic products and consumer products, etc. In logistics, the handling volume of consumer products and automotive-related products, etc. increased in the U.S. and Canada.

As a result, net sales for the segment increased 64.8% to 43,845 million yen, and operating income rose 188.7% to 4,951 million yen due to an improvement in operating gross profit margin.

The exchange rate was U.S.\$1 = ¥109.80 and U.S.\$1 = ¥106.92 for the six months ended September 30, 2021 and 2020, respectively.

Europe, Middle East & Africa

Air freight exports rose 63.5% to 31 thousand tons due to increases in healthcare-related products and automotive-

related products, etc. Air freight imports increased 42.7% to 46 thousand shipments due to increases in electronic products and healthcare-related products, etc. Sea freight exports increased 29.4% to 10 thousand TEUs and imports increased 28.0% to 9 thousand shipments due to increases in industry/construction 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 51.7% to 26,520 million yen, and operating income rose 243.6% to 1,585 million yen due to an improvement in operating gross profit margin and recoveries in South African subsidiary, etc. which showed sluggish performance a year earlier.

The exchange rate was €1 = ¥ 130.90 and €1 = ¥ 121.30 for the six months ended September 30, 2021 and 2020, respectively.

East Asia & Oceania

Air freight exports increased 44.6% to 100 thousand tons and imports increased 20.2% to 267 thousand shipments due to an increase in electronic products. As for sea freight, exports increased 23.5% to 137 thousand TEUs due to increases in consumer products, automotive-related products, and electronic products, etc. and imports remained flat with an increase of 2.9% to 30 thousand shipments. In logistics, the handling volume grew due to an increase mainly in electronic products in China.

As a result, net sales for the segment rose 71.3% to 97,744 million yen, and operating income increased 27.4% to 7,077 million yen.

Southeast Asia

Air freight exports increased 56.6% to 68 thousand tons and imports increased 31.0% to 102 thousand shipments due to increases in electronic products and automotive-related products. As for sea freight, exports increased 22.4% to 82 thousand TEUs due to increases in automotive-related products and electronic products, and imports increased 14.8% to 26 thousand shipments due to increases in electronic products, etc. In logistics, the handling volume grew due to increases mainly in electronic products and healthcare-related products in Philippines and Vietnam.

As a result, net sales for the segment rose 104.6% to 73,302 million yen, and operating income grew 69.0% to 5,139 million yen.

APLL

As for logistics service for automotive, the handling volume decreased in land transport, etc. in North America due to temporary suspension of production attributable to the semiconductor shortage. For retail-related logistics services, the handling volume in sea freight increased. Consumer and other industrial products also showed a year-on-year increase.

As a result, net sales for the segment increased 33.0% to 90,122 million yen, and operating income rose 115.6% to 3,866 million yen. Segment income amounted to 1,025 million yen (loss of 1,092 million yen a year earlier) as amortization of goodwill related to APLL acquisition is included in this segment.

The exchange rate was U.S.\$1 = ¥107.69 and U.S.\$1 = ¥108.27 for the six months ended September 30, 2021 and 2020, respectively. APLL used the average rate for the period from January 1 to June 30 because APLL's fiscal year-end is December 31.

As a result, net sales for the six months ended September 30, 2021 increased 60.8% to 424,099 million yen, operating income increased 89.9% to 24,703 million yen, ordinary income increased 90.9% to 25,629 million yen, and net income attributable to owners of the parent rose 98.2% to 16,170 million yen.

(2) Explanation about Financial Position

1) Assets, liabilities, and net assets

Total assets as of September 30, 2021 increased 29,784 million yen from March 31, 2021 to 448,611 million yen. Total current assets increased 27,939 million yen to 265,342 million yen mainly due to increases in notes and operating accounts receivable of 25,511 million yen and other of 7,573 million yen despite a decrease in cash and deposits of 5,318 million yen. Other increased mainly due to increases in contract assets and advance payments related to chartered air freight transport, etc. Total non-current assets increased 1,794 million yen to 183,089 million yen mainly due to an increase in total intangible assets of 2,461 million yen resulting from currency translation differences in excess of a decrease by amortization and an increase in investments and other assets of 1,217 million yen, despite a decrease in total property, plant and equipment of 1,884 million yen.

Total liabilities as of September 30, 2021 increased 8,583 million yen from March 31, 2021 to 278,670 million yen. Total current liabilities increased 9,400 million yen to 146,662 million yen mainly due to an increase in notes and operating accounts payable-trade of 15,662 million yen despite a decrease in short-term loans payable of 5,442 million yen. Total non-current liabilities decreased 817 million yen to 132,008 million yen mainly due to decreases in long-term loans payable of 10,000 million yen and other of 809 million yen, despite an increase in bonds payable of 10,000 million yen.

Total net assets as of September 30, 2021 increased 21,201 million yen from March 31, 2021 to 169,941 million yen. This was mainly because of an increase in retained earnings of 13,184 million yen due to recording net income attributable to owners of the parent of 16,170 million yen, despite cash dividends paid of 2,879 million yen. In addition, foreign currency translation adjustment increased 7,178 million yen due to a weaker yen trend.

Consequently, the equity ratio increased to 35.5% from 33.1% as of March 31, 2021.

2) Cash flows

Cash and cash equivalents as of September 30, 2021 decreased 4,497 million yen from March 31, 2021 to 81,498 million yen.

Cash flows from each activity and their significant factors during the six months ended September 30, 2021 are as follows:

(Cash flows from operating activities)

During the six months ended September 30, 2021, net cash provided by operating activities totaled 9,832 million yen, a decrease of 14,718 million yen year-on-year. This mainly reflected cash inflows due to income before income taxes of 25,283 million yen, depreciation of 8,763 million yen, and an increase in notes and accounts payable-trade of 13,954 million yen, and cash outflows due to an increase in notes and accounts receivable-trade of 24,674 million yen, other increases of 6,613 million yen, and income taxes paid of 8,251 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 1,624 million yen, an increase of 351 million yen year-on-year. This mainly reflected cash outflows due to purchase of property, plant and equipment of 1,697 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 14,071 million yen, an increase of 9,381 million yen year-on-year. This mainly reflected cash outflows due to net decrease in short-term loans payable of 5,900 million yen, repayments of lease obligations of 4,607 million yen, repayments of long-term loans payable of 10,051 million yen, and cash dividends paid of 2,879 million yen, and cash inflows due to proceeds from issuance of bonds of 9,940 million yen.

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

In light of the recent earnings results, the Company has revised the consolidated earnings forecasts for the fiscal year ending March 31, 2022 announced on May 12, 2021 as follows:

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

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecasts (A) (Announced on May 12, 2021)	630,000	31,700	30,700	19,200	¥267.06
Revised forecasts (B)	880,000	50,000	51,000	33,000	¥459.00
Change (B) – (A)	250,000	18,300	20,300	13,800	—
Change (%)	39.7	57.7	66.1	71.9	—
(Ref.) Year ended March 31, 2021	609,110	34,177	34,529	21,644	¥301.06
(Ref.) YoY change (%)	44.5	46.3	47.7	52.5	—

(Note) Please refer to the Presentation Material “Financial Results: The 1st 6 Months of FY Ending March 2022” disclosed on November 10, 2021 for the earnings forecast by segment.

(Reason of revision)

During the six months ended September 30, 2021, net sales and operating income have continued to grow due to the robust transport demand associated with the recovery of the global economy which was affected by COVID-19 and the rise in freight cost and sales prices caused by the shortage of transportation space in air and sea freight since the year ended March 31, 2021.

For the second half of the year ending March 31, 2022, the Company expects that the business environment surrounding the Group will remain the same as the first half for a while although the future outlook of the global economic trend is uncertain with factors including the situation of COVID-19, the impact of semiconductor shortage on the manufacturing sector, and supply chain disruptions.

In light of such circumstances, we carefully examined again the consolidated earnings forecasts for the year ending March 31, 2022 and revised as shown above.

(Note) Cautionary Statement concerning Earnings Forecasts

The forecasts above are based on information currently available. Actual performance may differ from the above forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY3/21 (As of March 31, 2021)	Second quarter of FY3/22 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	90,277	84,959
Notes and operating accounts receivable	132,397	157,908
Securities	4,203	4,590
Other	11,875	19,448
Allowance for doubtful accounts	(1,350)	(1,564)
Total current assets	237,402	265,342
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,044	17,547
Land	14,110	14,015
Right-of-use assets, net	24,509	22,972
Other, net	11,884	12,129
Total property, plant and equipment	68,548	66,664
Intangible assets		
Goodwill	48,973	50,357
Customer-related assets	26,532	27,328
Other	14,538	14,821
Total intangible assets	90,045	92,506
Total investments and other assets	22,700	23,917
Total non-current assets	181,294	183,089
Deferred assets		
Bond issuance cost	130	180
Total deferred assets	130	180
Total assets	418,827	448,611
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	66,455	82,118
Short-term loans payable	31,304	25,862
Income taxes payable	7,118	7,317
Provision for bonuses	6,157	5,425
Provision for directors' bonuses	229	148
Other	25,996	25,789
Total current liabilities	137,261	146,662
Non-current liabilities		
Bonds payable	25,000	35,000
Long-term loans payable	74,800	64,800
Provision for share-based remuneration for directors	41	47
Net defined benefit liability	5,928	5,914
Other	27,056	26,246
Total non-current liabilities	132,826	132,008
Total liabilities	270,087	278,670

(Millions of yen)

	FY3/21 (As of March 31, 2021)	Second quarter of FY3/22 (As of September 30, 2021)
Net assets		
Shareholders' equity		
Capital stock	7,216	7,216
Capital surplus	4,499	4,499
Retained earnings	140,906	154,090
Treasury shares	(150)	(144)
Total shareholders' equity	152,471	165,661
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,939	2,121
Foreign currency translation adjustment	(14,061)	(6,882)
Remeasurements of defined benefit plans	(1,862)	(1,766)
Total accumulated other comprehensive income	(13,985)	(6,527)
Non-controlling interests	10,253	10,807
Total net assets	148,739	169,941
Total liabilities and net assets	418,827	448,611

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

(Consolidated Statements of Income)

(Millions of yen)

	First six months of FY3/21 (April 1, 2020 – September 30, 2020)	First six months of FY3/22 (April 1, 2021 – September 30, 2021)
Net sales	263,718	424,099
Operating cost	216,427	362,404
Operating gross profit	47,291	61,695
Selling, general and administrative expenses	34,282	36,991
Operating income	13,008	24,703
Non-operating income		
Interest income	307	277
Dividends income	28	19
Amortization of negative goodwill	5	5
Foreign exchange gains	72	1,133
Subsidy income	835	219
Miscellaneous income	183	224
Total non-operating income	1,432	1,880
Non-operating expenses		
Interest expenses	857	785
Share of loss of entities accounted for using equity method	127	6
Miscellaneous expenses	32	162
Total non-operating expenses	1,016	954
Ordinary income	13,424	25,629
Extraordinary income		
Gain on sales of investment securities	41	34
Total extraordinary income	41	34
Extraordinary loss		
Loss on liquidation of subsidiaries	–	380
Total extraordinary losses	–	380
Income before income taxes	13,466	25,283
Income taxes	4,595	8,225
Net income	8,870	17,057
Net income attributable to non-controlling interests	712	886
Net income attributable to owners of the parent	8,158	16,170

(Consolidated statements of comprehensive income)

(Millions of yen)

	First six months of FY3/21 (April 1, 2020 – September 30, 2020)	First six months of FY3/22 (April 1, 2021 – September 30, 2021)
Net income	8,870	17,057
Other comprehensive income		
Valuation difference on available-for-sale securities	755	175
Foreign currency translation adjustment	(2,635)	7,392
Remeasurements of defined benefit plans	220	96
Share of other comprehensive income of entities accounted for using equity method	(229)	297
Total other comprehensive income	(1,889)	7,961
Comprehensive income	6,981	25,019
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,466	23,628
Comprehensive income attributable to non-controlling interests	514	1,391

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY3/21 (April 1, 2020— September 30, 2020)	First six months of FY3/22 (April 1, 2021— September 30, 2021)
Cash flows from operating activities		
Income before income taxes	13,466	25,283
Depreciation	8,695	8,763
Amortization of goodwill	1,789	1,869
Amortization of negative goodwill	(5)	(5)
Increase (decrease) in allowance for doubtful accounts	(164)	191
Increase (decrease) in provision for bonuses	(401)	(823)
Increase (decrease) in provision for directors' bonuses	(174)	(80)
Increase (decrease) in provision for share-based remuneration for directors	13	9
Increase (decrease) in net defined benefit liability	294	138
Interest and dividends income	(335)	(296)
Interest expenses	857	785
Share of (profit) loss of entities accounted for using equity method	127	6
Loss (gain) on sales of investment securities	(41)	(34)
Decrease (increase) in notes and accounts receivable-trade	6,100	(24,674)
Increase (decrease) in notes and accounts payable-trade	(665)	13,954
Other, net	(876)	(6,613)
Subtotal	28,680	18,472
Interest and dividends income received	315	390
Interest expenses paid	(849)	(778)
Income taxes paid	(3,596)	(8,251)
Net cash provided by operating activities	24,550	9,832
Cash flows from investing activities		
Payments into time deposits	(2,069)	(1,003)
Proceeds from withdrawal of time deposits	2,615	1,847
Purchase of property, plant and equipment	(1,393)	(1,697)
Proceeds from sales of property, plant and equipment	33	75
Purchase of intangible assets	(470)	(520)
Purchase of investment securities	(2,032)	(2,902)
Proceeds from sales and redemption of securities	2,028	2,762
Payments for lease and guarantee deposits	(286)	(890)
Proceeds from collection of lease and guarantee deposits	273	700
Collection of loans receivable	0	—
Other, net	27	4
Net cash used in investing activities	(1,272)	(1,624)

(Millions of yen)

	First six months of FY3/21 (April 1, 2020— September 30, 2020)	First six months of FY3/22 (April 1, 2021— September 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,068)	(5,900)
Repayments of lease obligations	(4,577)	(4,607)
Repayments of long-term loans payable	(10,050)	(10,051)
Proceeds from issuance of bonds	14,913	9,940
Purchase of treasury shares	—	(0)
Proceeds from disposal of treasury shares	—	1
Cash dividends paid	(1,439)	(2,879)
Dividends paid to non-controlling interests	(467)	(574)
Net cash used in financing activities	(4,689)	(14,071)
Effect of exchange rate changes on cash and cash equivalents	(102)	1,365
Net increase (decrease) in cash and cash equivalents	18,485	(4,497)
Cash and cash equivalents at beginning of period	75,853	85,995
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	(214)	—
Cash and cash equivalents at end of period	94,125	81,498

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Significant Subsidiaries during the Period)

Not applicable.

(Changes in Accounting policies)

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 six months ended September 30, 2021.

(Segment Information, etc.)

I First six months of the fiscal year ended March 2021 (April 1, 2020 – September 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	62,418	25,112	17,183	56,142	34,941	67,728	263,527	190	263,718	–	263,718
Inter-segment sales/transfers	2,377	1,493	300	934	879	52	6,037	1,064	7,101	(7,101)	–
Total net sales	64,795	26,606	17,484	57,076	35,820	67,781	269,565	1,254	270,819	(7,101)	263,718
Segment income (loss)	3,104	1,715	461	5,557	3,040	(1,092)	12,786	206	12,993	15	13,008

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

2. The 15 million yen adjustment in segment income (loss) is an elimination of income generated from business between segments.

3. Segment income (loss) has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

4. Major countries or regions except Japan and APLL in each category are as follows:

(1) The Americas: United States, Canada, Mexico, and Latin American countries

(2) Europe, Middle East & Africa: United Kingdom, Germany, France, Italy, Netherlands, Belgium, Switzerland, Ireland, other European countries, Russia, African countries, and Middle Eastern countries

(3) East Asia & Oceania: Hong Kong, China, South Korea, Taiwan, and Australia

(4) Southeast Asia: Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, Philippines, and Cambodia

II First six months of the fiscal year ending March 2022 (April 1, 2021 – September 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	98,787	40,778	25,719	96,428	72,147	90,039	423,900	199	424,099	–	424,099
Inter-segment sales/transfers	7,072	3,066	801	1,316	1,154	82	13,494	1,571	15,066	(15,066)	–
Total net sales	105,860	43,845	26,520	97,744	73,302	90,122	437,395	1,770	439,166	(15,066)	424,099
Segment income	4,488	4,951	1,585	7,077	5,139	1,025	24,267	375	24,642	60	24,703

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

2. The 60 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 six months ended September 30, 2021 was insignificant.