Global Logistics Partner

Annual Report 2018

Kintetsu World Express, Inc.

Year Ended March 31, 2018

Going to the Next Phase !

Corporate Philosophy

Contribute to the development of a global community through logistics services – by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees.

Vision

A superior business partner supporting customers' strategic objectives and activities by providing comprehensive innovative supply chain solutions

Expectations and Forecasts

This annual report contains statements about our expectations and forecasts regarding plans, strategies, and business results related to the future of Kintetsu World Express, Inc. (KWE). These statements reflect our expectations based on personal beliefs and assumptions that were determined in light of information that was available at the time the report was prepared. There are innumerable risk factors and uncertainties that could affect the future, including economic trends, competition in the logistics industry, market conditions, fuel prices, exchange rates, and tax or other regulatory system considerations.
Please be well advised that because of these risk factors, actual results may differ from our expectations.

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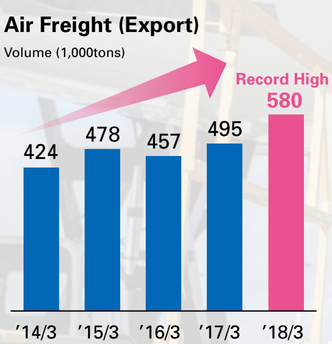
Medium-Term Management Plan "Going to the Next Phase!"—

Thorough Reinforcement of Our Forwarding Business — Air Freight

New Records for Handling Volumes

KWE handled 580,000 tons of air freight exports — the highest tonnage in its corporate history. This success was a result of the entire company pouring all its might into priority measures aimed at expanding handling volumes: reinforcement of the freight forwarding business, expansion of transactions with global companies, and the promotion of commodity-specific sales strategies.

In the fiscal year through March 2019, we intend to keep steadily implementing these strategies to meet the requirements of our valued customers.



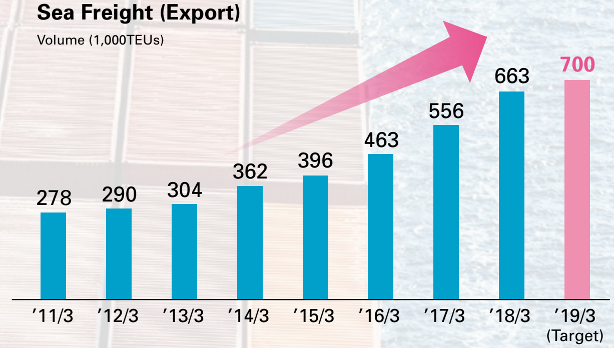
Medium-Term Management Plan "Going to the Next Phase!"—
Thorough Reinforcement of Our Forwarding Business — Sea Freight

700,000 TEUs – Now an Achievable Target

KWE's sea freight exports also achieved record-high handling volume of 660,000 TEUs. The target of 700,000 TEUs that we set as a slogan has come well within our reach, and we expect to achieve it in March 2019. After we clear that hurdle, we will continue to strive for further expansion of handling volumes while working to improve our operational framework and boost efficiency.

Sea Freight (Export)

Volume (1,000TEUs)



Medium-Term Management Plan "Going to the Next Phase!"—
Set to Bear the Group's Strengths — KWE & APLL

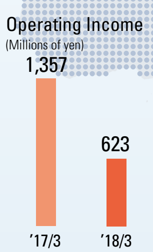
Further Collaborations

KWE has been expanding collaboration with APLL, which we acquired in 2015. In addition to expansion of both air and sea freight business with global companies, we are promoting the integration of sea freight procurement and mutual use of existing facilities. We will continue to steadily foster a cooperative climate, making full use of respective strengths and expanding our business as a unified corporate group.

Foundation for Creating New Value
—Outline of 6 Segments—

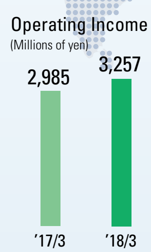
Europe, Middle East & Africa

Kintetsu World Express (U.K.) Ltd.
Kintetsu World Express (Deutschland) GmbH
Kintetsu World Express (France) S.A.S.
Kintetsu World Express (Benelux) B.V.
Kintetsu World Express (RUS), Inc. LLC.
Kintetsu World Express (Ireland) Ltd.
Kintetsu World Express South Africa (Pty) Ltd.
Kintetsu World Express (Switzerland) Ltd.
Kintetsu World Express (Italia) S.R.L.
Kintetsu World Express (Sweden) AB
Kintetsu World Express (Middle East) FZE
Kintetsu World Express (Czech) s.r.o.
Kintetsu World Express (Saudi Arabia) Ltd.
plus 3 other companies

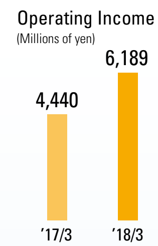


Southeast Asia

KWE-Kintetsu World Express (S) Pte Ltd.
Kintetsu World Express (Malaysia) Sdn. Bhd.
Kintetsu Logistics (M) Sdn. Bhd.
KWE-Kintetsu World Express (Thailand) Co., Ltd.
Kintetsu Logistics (Thailand) Co., Ltd.
Kintetsu World Express (India) Pvt. Ltd.
Gati-Kintetsu Express Pvt. Ltd.
PT. Kintetsu World Express Indonesia
PT. Kintetsu Logistics Indonesia
Kintetsu World Express (Vietnam), Inc.
Kintetsu Logistics (Vietnam), Inc.
Kintetsu World Express (Philippines) Inc.
Kintetsu World Express (Clark) Inc.
Kintetsu Logistics (Philippines) Inc.
Kintetsu World Express (Cambodia) Co., Ltd.
plus 2 other companies

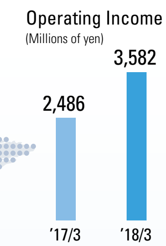


Japan



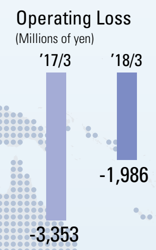
Kintetsu World Express, Inc.
Kintetsu Logistics Systems, Inc.
Kintetsu Transtech, Inc.
Kintetsu Cosmos, Inc.
Kintetsu World Express Sales, Inc.
Kintetsu World Express Shikoku, Inc.
Kintetsu Panasonic Trading Service Co., Ltd.
plus 3 other companies

The Americas



Kintetsu World Express (U.S.A.), Inc.
Kintetsu World Express (Canada) Inc.
World Wide Customs Brokers Ltd.
Kintetsu World Express Mexico, S.A. de C.V.
KWE do Brasil Servicos Logisticos Ltda.

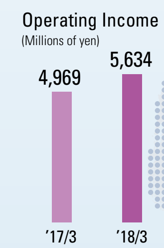
APL Logistics Group



APL Logistics Ltd
plus 71 other companies

East Asia & Oceania

Kintetsu World Express (HK) Ltd.
Kintetsu World Express (Taiwan), Inc.
Kintetsu World Express (Australia) Pty Ltd.
Kintetsu World Express (Korea), Inc.
Kintetsu World Express (China) Co., Ltd.
Beijing Kintetsu World Express Co., Ltd.
Kintetsu World Express (Xiamen) Co., Ltd.
Kintetsu Logistics (Shenzhen) Co., Ltd.
Shanghai Kintetsu Logistics Co., Ltd.
Dalian Kintetsu Logistics Co., Ltd.
Suzhou Kintetsu Logistics Co., Ltd.
Kintetsu Logistics (Xiamen) Co., Ltd.
Yantai Kintetsu Logistics Co., Ltd.
Xi'an Kintetsu Logistics Co., Ltd.
Kintetsu World Express (Guangzhou) Ltd.
Trans Global Logistics Group Ltd.
plus 9 other companies



Other

Kintetsu Global I.T., Inc.
KWE Reinsurance, Inc.

Foundation for Creating New Value
—Our Services—

Air Freight

Main Services
- Air freight forwarding
- Trucking for pick-up and delivery
- Customs brokerage
- Customized packaging
- Installation of precision machinery

Items to handle
•Electronics components & products •Automotive parts and components •Healthcare products •Chemical products •Machinery and its parts •Apparel •Aircraft components •Alcoholic beverages, etc.

Net Sales (Millions of yen)

'17/3	155,486
'18/3	193,354

Sea Freight

Main Services
- Sea freight forwarding (FCL,LCL)
- Container drayage
- Trucking for pick-up and delivery
- Customs brokerage
- Buyer's consolidation
- PO Management

Items to handle
•Electronics components & products •Automotive parts and components •Plant equipment •Machinery and its parts •Chemical products •Equipment for events •General merchandise and retail goods, etc.

Net Sales (Millions of yen)

'17/3	134,991
'18/3	155,803

Logistics

Main Services
- Contract Logistics
  PO Management/Inventory control management/Cross-dock operation/Assembly works/Call center functions/Product inspection/VMI (Vendor Managed Inventory), etc.
- Logistics consulting
- Transportation via truck, trailer, and rail
- Auto-related Logistics (transportation of finished vehicles, auto parts)

Items to handle
•Industrial products and components •Automotive products •Healthcare products •Chemical products •Retail goods •Consumer goods, etc.

Net Sales (Millions of yen)

'17/3	151,680
'18/3	168,060

Other Operations

Main Services
- Domestic air freight forwarding
- Customized packaging, transport, and installation of precision machinery
- Temporary staffing, primarily for logistics and trading businesses
- Transport of art objects and other materials for events and exhibitions
- Hand carry service

Net Sales (Millions of yen)

'17/3	32,172
'18/3	35,978

Top Message

A Definitive Stride

A Definitive Stride toward Our Next Growth Phase

The KWE Group posted record-high net sales and operating income for the fiscal year ended March 2018, representing a definitive stride in the direction of our next growth phase. In light of these results, we revised upward the targets for the final year of our Medium-Term Management Plan “Going to the Next Phase!” We also renewed our determination to strengthen our foundation to support further evolution and sustainable growth, with an eye toward our next Medium-Term Management Plan.

Our slogan for successful competition in the global market is “700,000 tons of air freight and 700,000 TEUs of sea freight”. The substantial growth that we achieved in the fiscal year ended March 2018 brought the target within reach, but clearly raised some challenges we must resolve in order to handle cargo volumes on an unprecedented scale. We will strive to quickly achieve “700,000 tons and 700,000 TEUs” by strengthening workforce and operational functions to allow further increases in handling volumes.

Going forward, the Group aims to be a true Global Logistics Partner by focusing on further expansion of collaborative projects, and reinforcing management systems while KWE and APLL continue to refine their strengths within their respective domains.

Your continued support and patronage would be sincerely appreciated.

Nobutoshi Torii
President & CEO

Summary of Medium-Term Management Plan Second Year Results

We will focus on boosting handling volumes while addressing issues that have emerged along the way.

Amid strong transport demand, measures to increase volumes bore fruit

The fiscal year ended March 2018 was the second year of the Medium-Term Management Plan "Going to the Next Phase!", and the entire Group worked to achieve the most important goal of increasing handling volumes. As a result, air freight exports increased by 17.0% year-on-year to 580,000 tons, and sea freight exports grew by 19.3% to 660,000 TEUs, thanks in part to strong transport demand. We expect to achieve our sea freight target of 700,000 TEUs in the fiscal year through March 2019, and will strive to quickly achieve our air freight volume target of 700,000 tons.

Achieved record-high net sales and operating income, and improved operating margin

Boosted by solid growth in handling volumes, all six segments posted 10-25% increases in net sales. In addition, thanks to the acquisition of APLL in 2015, Group-wide net sales exceeded 500 billion yen for the first time in the Group's history. We also posted a record-high operating income thanks to profit increases in every segment except Europe, Middle East & Africa. Operating margin improved by 0.4 percentage points due to such factors as robust import businesses in Japan and the U.S., and reductions in selling, general and administrative expenses that covered the increased freight costs.

The next challenge for growth is strengthening our systems

Amid the sharp increase in handling volumes, we have recognized some new challenges. It became clear that in order to maintain and improve service quality while further expanding freight volumes, we will need to bolster our workforce, strengthen operational functions, and improve IT systems. Therefore, we will set these actions as priority measures for the final year of our current Medium-Term Management Plan as well as for the next Medium-Term Management Plan.

Outline of Medium-Term Management Plan

Business Environment

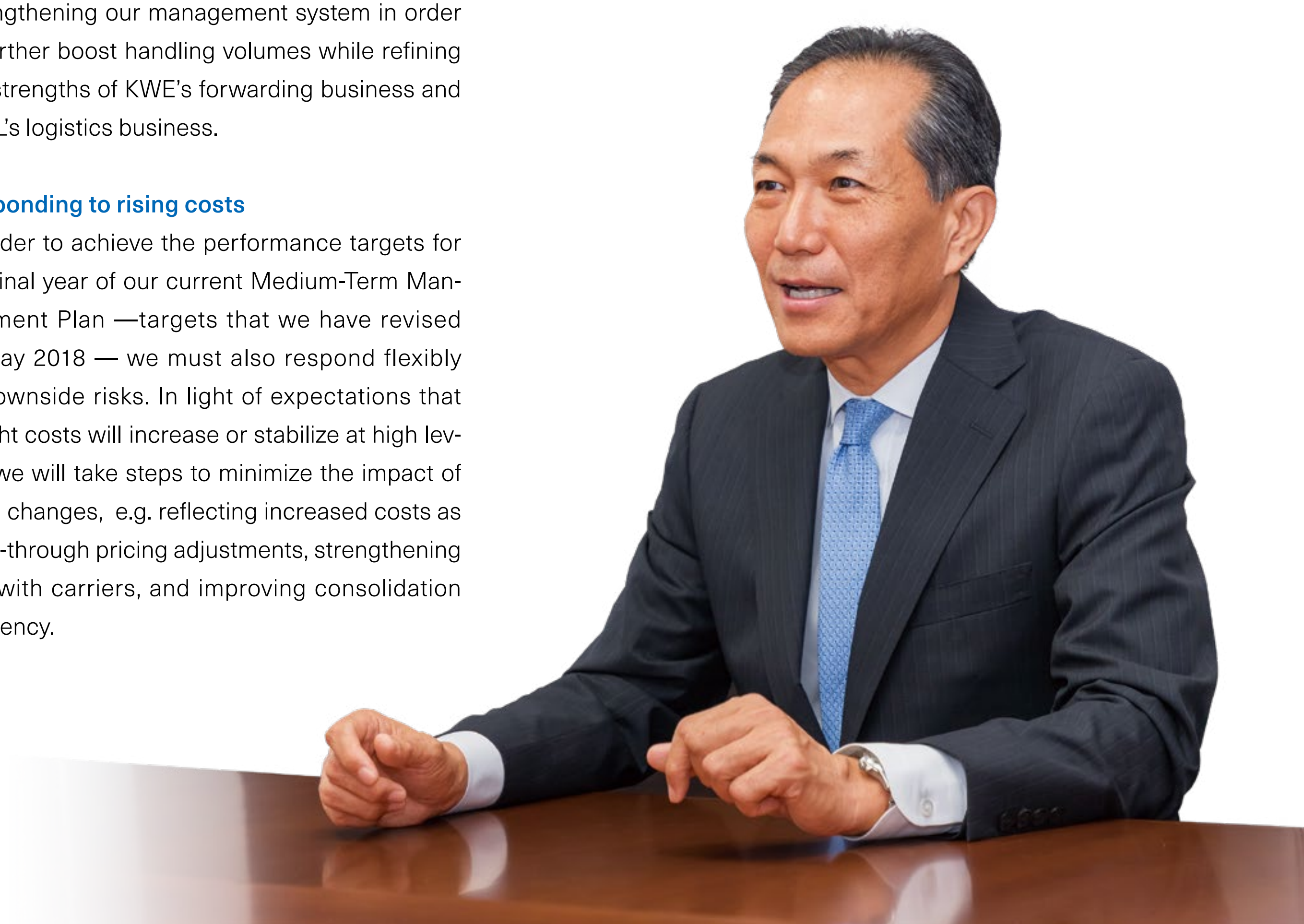
We will continue to fully utilize the upside potential that brisk transport demand presents, while minimizing the impact of rising freight costs and other downside risks.

Steady transport demand is expected to continue, especially in the electronics field

The electronics market consists mainly of semiconductors and electronic components. Although growth in demand related to smartphones is said to be slowing, there is growing demand for data servers and sensors due to the expansion of the Artificial Intelligence (AI) and Internet of Things (IoT) markets, and for all types of industrial equipment and power semiconductors used in automobiles. As a result, we anticipate solid transport demand in this sector for the foreseeable future. In the automotive market, we expect further expansion of transport demand due to new trends like electric vehicles and automated (self-driving) systems, as well as increasing motorization in emerging markets. We foresee steady growth in demand for transport of items related to the healthcare, retail, and consumer markets as the global population increases and the world's economies grow. In order to move closer to the "Next Phase" in which KWE is recognized as a global player, the Group will continue to fully utilize upside potential by strengthening our management system in order to further boost handling volumes while refining the strengths of KWE's forwarding business and APLL's logistics business.

Responding to rising costs

In order to achieve the performance targets for the final year of our current Medium-Term Management Plan —targets that we have revised in May 2018 — we must also respond flexibly to downside risks. In light of expectations that freight costs will increase or stabilize at high levels, we will take steps to minimize the impact of such changes, e.g. reflecting increased costs as pass-through pricing adjustments, strengthening ties with carriers, and improving consolidation efficiency.



Priority Measures for the Final Year of the Medium-Term Management Plan

In addition to attaining our final-year targets, we will work to strengthen our foundation to support further evolution, with an eye toward our next Medium-Term Management Plan.

Boosting volume of Trans-Pacific East Bound (TPEB) business from Asia to the Americas

We will continue to focus on expanding handling volume between Asia and the Americas, where the world's largest freight volume travels. In the fiscal year ended March 2018, both air and sea freight volumes in this lane expanded by more than 20% year-on-year, prompting us to begin intra-Asia transport for major U.S. retail customers in cooperation with APLL. In the fiscal year through March 2019, we plan to focus on strengthening ties with air and sea carriers and implement other initiatives aimed at expanding this business to include shipments from Asia to the U.S.

Business expansion among non-Japanese "Corporate Accounts"

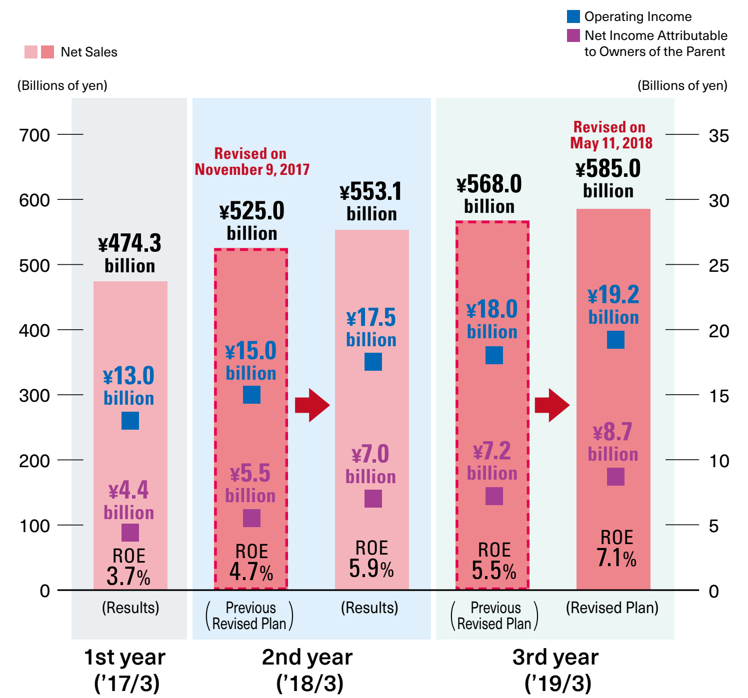
Since KWE's aim is to be a Global Logistics Partner, we are concentrating on expanding business with global accounts outside of Japan. In the fiscal year ended March 2018, such customers accounted for 24% of air freight forwarding and more than 16% of our sea freight forwarding business. Moreover, until now, most transactions with non-Japanese multinationals involved Japan as the origin or destination, but as a result of concentrated efforts to win business that does not pass through Japan, the volume of this type of cargo has begun to gradually increase. By continuing to strengthen our systems, we intend to keep expanding our business with global accounts.

Promotion of sales strategy by commodity

In the electronics field, we intend to boost volumes by steadily winning more business transporting semiconductors and electronic components. Going forward, we will solidify that business as a growth driver and ensure that we maintain the high quality of KWE Group services.

In the automotive field, we plan to pick up business amid continued strong transport demand. In addition, we will definitely take advantage of new business opportunities associated with vehicle technology changes such as electric vehicles and automated driving, and find ways to realize synergistic benefits with electronics-related transport.

Medium-Term Management Plan Results and Numerical Targets



In recent years we have gradually been achieving positive results in our business with non-Japanese healthcare corporate accounts, and our focus will be on expanding that business.

In the retail and consumer goods fields, we will strive to further expand handling volumes by leveraging the results of our collaboration with APLL, which is a strong player in this field.

Getting ready to handle 700,000 tons and 700,000 TEUs

As mentioned above, we have come within reach of our targets of handling 700,000 tons of air freight and 700,000 TEUs of sea freight, and we are currently working on various measures aimed at quickly achieving the targets. However, given that the Group aspires to compete successfully in the global market and achieve further evolution and sustainable growth, these targets are no more than temporary stopping points. As soon as we achieve 700,000 tons/700,000 TEUs, we will aim for 800,000 tons/800,000 TEUs and then 1 million tons/1 million TEUs. Based on this medium- to long-term perspective, we plan to include in our next Medium-Term Management Plan specific priority measures focused on boosting our workforce and improving our systems.

Other priority measures

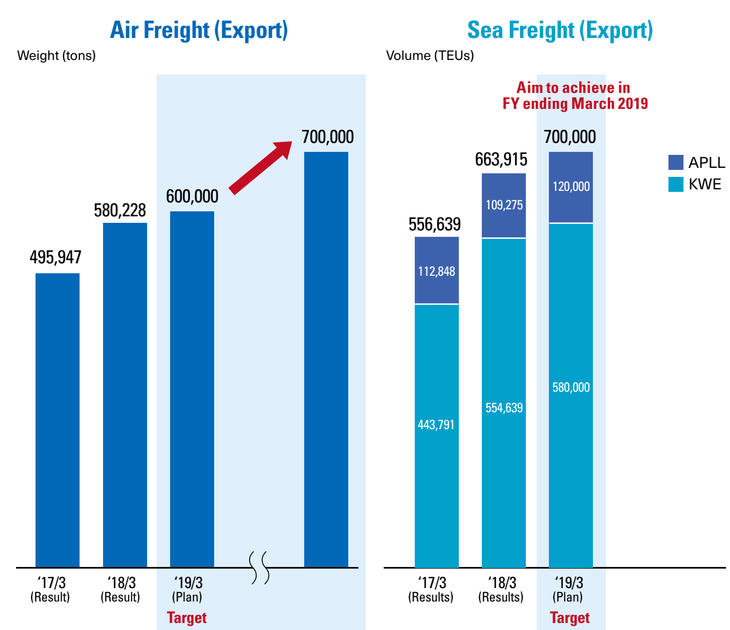
In addition to the initiatives described above, in the final year of our Medium-Term Management Plan we will lay the groundwork for sustainable growth by continuing efforts to improve our earnings, strengthening group governance for optimal group management, and optimally developing and allocating human resources.

Collaboration and integration with APLL

Collaboration with APLL progressed more than ever in the fiscal year ended March 2018 thanks to increases in air freight business involving major retailers, both Japan-bound and intra-Asia, and to increased warehouse-related business in Canada and Singapore. In the fiscal year through March 2019, we will set higher targets and concentrate on further collaboration through joint sales efforts. With regard to sea freight forwarding, we are promoting integration of KWE's and APLL's sea freight procurement operations, centered around the Group Procurement Center that we established in November 2017, in order to optimize group-wide sea freight business and improve earning power.

Air and Sea/Volume Targets

Definite targets: **700,000** tons air freight/**700,000** TEUs sea freight



Message from William Villalon, President, APL Logistics

President
William Villalon

A Good Year

Having completed my first full year as APL Logistics President, I am proud of our 2017 performance.

Our results exhibited considerable improvement. Net sales grew 10.9% to 194.8 billion yen, and it is worthwhile to note that the company not only reversed a two-year decline in profitability but also approximated budget expectations. We maintained our strategy of focusing on innovative and customer-centric solutions in our core verticals, and made clear steps to strengthen our support infrastructure. In 2017, we successfully transited our support functions away from its legacy systems and also set up our very own Global Shared Services support capability in Chongqing, China to optimize back office operations such as billing and invoicing.

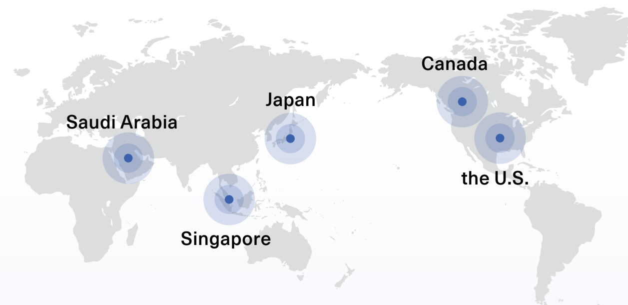
In spite of uncertain business conditions, our collective effort in instilling service excellence and imbuing cost discipline across the entire organization has allowed the company to realize both commercial growth and improved profitability.

Collaboration and Integration

In 2017 we also expanded our collaboration and integration initiatives with KWE. Our joint efforts resulted in 1) numerous commercial wins for our core verticals (Automotive, Consumer, Industrials, Retail), and 2) integration of operations for efficiencies. Select examples include:

- Joint airfreight win for a leading U.S. apparel retailer, in the Transpacific lane
- Joint warehousing implementation for a leading U.S. tire manufacturer in North America and Saudi Arabia, and a leading U.S. consumer goods company in Canada
- Joint drayage win for a leading U.S. apparel retailer in Japan
- Integrated warehousing facilities in Singapore
- Pooled data centers in the United States

Cases for Collaborations with KWE



KWE and APLL have also jointly established a Group Procurement Center in Hong Kong, combining our competencies and know-how to maximize sea freight procurement opportunities and carrier relations. This center will optimize the Group's sea freight operations, and further enhance the support to our commercial team in increasing the volumes for the entire Group.

The Road Ahead

Our mid-term plan envisions a phased restoration to historical levels of profitability and thereafter to exceed them. The company has achieved a solid foundation in 2017, from which we look forward to expanding and investing in 2018 and beyond. With mounting global trade tensions and related geopolitical volatility, the same uncertainty will increase demand for end-to-end supply chain services and solutions. We must therefore position ourselves as the go-to supply chain solutions provider in our core verticals and balance our cost discipline with an emphasis on profitable growth.

Looking forward, we will further innovate and optimize our capabilities through partnerships and active yield management respectively. We are also investing in sustainability and technology enhancements as it is apparent that both will play larger roles in our relevancy to key customer markets.

Recognizing that our people have been, and will continue to be, the driving force of our company, we will also continue to step up our talent development efforts for a stronger leadership bench and a robust, agile, and motivated workforce. While these commitments represent a noteworthy financial investment in the near term, we are confident that it will enable us to deliver even greater value and growth for our shareholders in the longer term.

In closing, I would like to thank everyone at APLL for their exceptional effort in 2017. APLL has a rich legacy and extraordinary potential and I remain excited and grateful to guide the organization to reach its full potential.

Japan

As the control tower, leading the way to a stronger management base

As the core of the Group, KWE Japan will demonstrate leadership by guiding the entire Group toward building and strengthening its management base to compete successfully with global players toward achieving our Medium-Term Management Plan targets. In the fiscal year through March 2019, we will focus on the measures outlined below.

01 For the Benefit of the Entire Group;

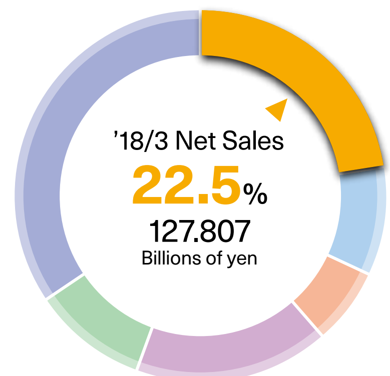
(1) Air and sea freight volume growth
(2) Sales strategy by commodity
(3) Offshore business traffics
(4) Flexible logistics services that meet customer needs

02 Bolster Foundation of Operation Systems

(1) Enhance workforce
(2) Construct IT systems that can improve efficiency
(3) Quality and efficiency improvement of operations
(4) Continued efforts to improve earnings

03 Enhance Global Administrative Functions

(1) Group governance and group-wide risk management systems
(2) Personnel training for developing global human resources and their optimal placement



Freight Movements

Fiscal year through March 2018

	Exports	Imports
Air freight	Up 10.2%*1	Up 13.5%*2
Sea freight	Up 16.3%*3	Up 11.6%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

The Americas

Major Countries and Regions
United States, Canada, Mexico, and Latin American countries

General Manager, The Americas
Tetsuya Yamanaka

Structure reinforcement for further volume growth

The Americas cover the U.S. and Canada — home to many major global companies — as well as Mexico and Latin America, which hold promise for large-scale growth going forward. In the fiscal year through March 2019, we will focus mainly on the following measures.

01 Sales Strategy by Commodity

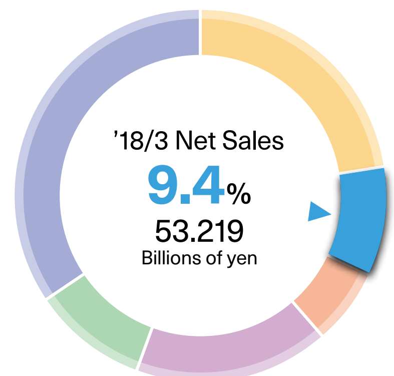
In order to expand export volumes, we will concentrate on the healthcare and automotive fields. In the healthcare field, we aim to strengthen the partnerships we have cultivated with major U.S.-based customers through Japan-bound shipments, and to increase volume to other destinations. In the automotive field, we will actively boost business by making the most of our experience in this field and by leveraging our global network to meet demand for shipping in a variety of transport lanes.

02 Trans-Pacific East Bound (TPEB) Volume Growth

In order to expand import volumes in the TPEB lane where the world's greatest transport demand is said to be concentrated, we need to offer stable cargo capacity and lead times. Toward that end, we will work closely with our East Asia & Oceania and Southeast Asia regions, both on sales and on securing transport space. In addition, we aim to increase handling volume through collaboration with APLL, including joint sales.

03 Structure Reinforcement

We will focus on rebuilding and optimizing our business processing systems in accordance with growing handling volumes as well as fine-tuning of compliance and risk management.



Freight Movements

Fiscal year through March 2018

	Exports	Imports
Air freight	Up 21.7%*1	Up 20.6%*2
Sea freight	Up 8.7%*3	Up 11.6%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

Europe, Middle East & Africa

Major Countries and Regions

The United Kingdom, Germany, France, Italy, the Netherlands, Belgium, Switzerland, Ireland, and other European countries; Russia, African and Middle Eastern countries

General Manager, Europe, Middle East & Africa
Shin Ogawa

Take maximum advantage of this region's special strengths

In Europe, Middle East & Africa, we aim to increase the entire Group's handling volume by making the most of our specialties and strengths in this region. Our volume increase strategy for the fiscal year through March 2019 is as follows.

01 Volume Increase by Each Subsidiary as a Key Player

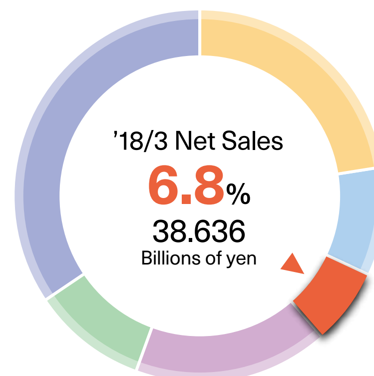
Our focus will be on Western Europe to/from Asia and to/from the U.S. as priority lanes. Our goal is to increase handling volumes, with Germany, Benelux, the U.K., France, and Italy taking leading roles. Our subsidiaries in the Middle East, South Africa, and Russia are also important bases for the Group that will contribute to business expansion.

02 Develop Commodity-specific Sales Activities

We will promote sales activities that are tailored to each commodity. With our deep expertise in these industries, we aim to further increase handling of healthcare, automotive and industrial equipment, where volumes have grown in recent years.

03 Expand Air Freight Volume by Enhancing Gateway Services

We will develop air freight forwarding services using Amsterdam, Frankfurt, and Brussels as gateways. Collection of cargoes from all over the European continent and consolidating them through these gateways to major international airports affords advantages including better space utilization through multiple countries, improved cargo security, later cut-off times at carriers, shorter handling times, damage prevention, and off-loading prevention. We leverage these advantages to increase our handling volumes.



Freight Movements

Fiscal year through March 2018

	Exports	Imports
Air freight	Up 19.0%*1	Up 5.9%*2
Sea freight	Up 5.6%*3	Up 18.3%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

East Asia & Oceania

Major Countries and Regions
Hong Kong, China, South Korea, Taiwan, and Australia

General Manager,
East Asia & Oceania
Makoto Saito

Focus on cutting costs by increasing handling volumes and implementing business innovation

In the fiscal year through March 2019, we aim to expand commodities handled to further increase freight volume. Organizational and operational initiatives in the following areas will improve our performance and productivity.

01 New Sales Organization

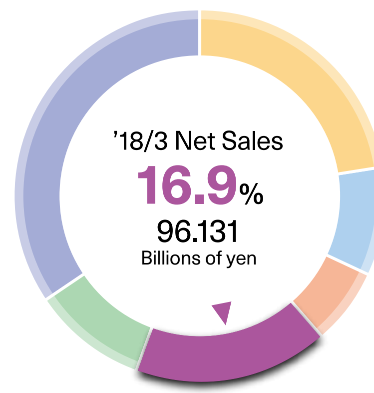
We have established a new centralized sales organization in South China to develop and promote cross-regional services instead of our previous corporate focus in Hong Kong, Shenzhen, and Guangzhou.

02 Logistics Innovation

As part of our innovation strategy, we have recently started a pilot scheme using robots for parts handling in a customer warehouse. In addition, we plan to introduce robotic process automation (RPA) in our forwarding operation to improve accuracy and efficiency.

03 Business Innovation

Our business innovation strategy will drive standardization and efficiency through improved IT solutions. This will allow us to provide improved customer service, better productivity and higher sales while handling increased cargo volume.



Freight Movements

Fiscal year through March 2018

	Exports	Imports
Air freight	Up 24.4%[*1]	Up 7.0%[*2]
Sea freight	Up 30.1%[*3]	Up 11.9%[*2]

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

Southeast Asia

Major Countries and Regions
Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, the Philippines, and Cambodia

General Manager, Southeast Asia
Yasuhiro Kaneda

Maintain and accelerate growth as a driving force for volume expansion

In recent years, Southeast Asia has achieved the greatest growth among the Group. In order to maintain and accelerate that growth, in the fiscal year through March 2019 we will work on the following measures.

01 Increase Trans-Pacific East Bound (TPEB) Volume

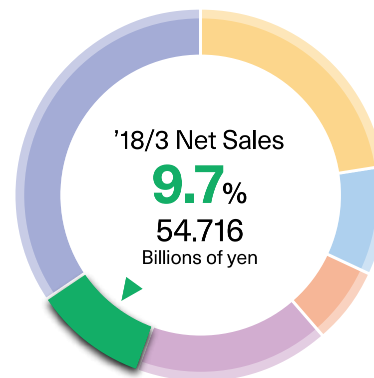
Like the East Asia & Oceania, we will help expand the Group's overall volume by serving as a major driving force for increasing both air and sea freight volumes in the Trans-Pacific East Bound (TPEB). We will continue to promote our North America-bound Bangkok Gateway Program based on stable provision of cargo space and high-quality services throughout the year. At the same time, we plan to develop similar services for the Europe-bound market.

02 Focus on Offshore Business Traffics

In recent years, Japanese companies have generated increasing demand for transport entirely outside of Japan, with shipments often originating from Southeast Asia. We will continue to work actively to accommodate that demand.

03 Expand Business with Global Accounts

In 2017 we made significant progress toward expanding our air freight forwarding business with major retailers shipping from Southeast Asia, collaborating with APLL. We expect further expansion in 2018 and plan to develop networks in South Asia including Bangladesh and Sri Lanka, where retail business is brisk.



Freight Movements

Fiscal year through March 2018

	Exports	Imports
Air freight	Up 12.8%*1	Up 8.0%*2
Sea freight	Up 38.3%*3	Up 17.5%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

APLL

General Manager, APLL
Kazuhisa Kawamura

Innovative customer-centric solutions, delivered with operational excellence

Leveraging its deep expertise and the combined network of the group, APL Logistics is focused on delivering supply chain solutions in the Automotive, Consumer, Industrials, and Retail verticals across key origin and destination markets. Our key policies for the fiscal year through March 2019 are as follows:

01 Vertical Expertise

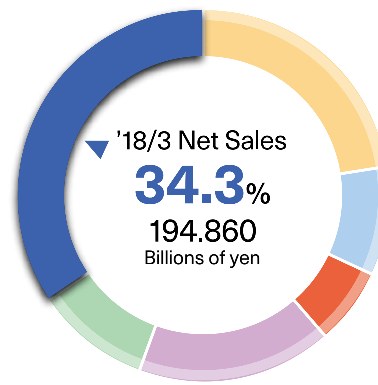
- Automotive: Grow finished vehicle distribution business in emerging markets, and further expand value-added services in developed markets
- Consumer & Industrials: Leverage network opportunities, and focus on in-country distribution
- Retail: Increase focus on origin management and distribution services, and develop capabilities around demand and sustainability planning

02 Portfolio Optimization

- Rebalance capital allocation decisions for optimized returns
- Review existing book of business for yield improvement opportunities
- Increase market differentiation through specialized solutions selling, supported by supply chain engineering

03 KWE Collaboration

- Systemize cross-selling with KWE, across geographies and business units
- Fully implement joint sea freight procurement efforts
- Further expand scale efficiencies, especially those related to Information Technology and Global Support Services



Environment

KWE Group Environmental Protection Policy

Based on its corporate philosophy, the KWE Group has established the following policies in order to do our best to conserve limited natural resources and protect the global environment and to contribute to global society through our logistics services.

1 Work to prevent environmental pollution and to continuously improve our actions

2 Comply with the environmental protection-related laws, regulations, and requirements of each country in which we operate, and take initiatives even beyond what is required

3 Establish the following as KWE's priority goals for environmental management relative to our business activities:

- Reduce/Control greenhouse gas emissions
  - Reduce/Control electric power consumption
  - Reduce/Control emissions from vehicles and equipment
- Reduce waste and promote recycling

4 Prevent environmental pollution through cooperation with business partners, suppliers, and affiliates

5 Make all KWE Group employees aware of our environmental protection policies, and communicate them to the public as well

Based on these policies, we will make ongoing efforts to minimize, monitor, and improve the environmental impact of our business activities. As part of these efforts, we acquired certification under the ISO 14001 Environmental Management System at eight group companies (15 facilities).

ISO 14001certification

Social

Relationship with Customers

The KWE Group seeks to increase customer satisfaction through aggressive efforts to maintain and improve quality. We are working to improve the quality of operations and services through Quality Management System (QMS) activities, based on the KWE Group Quality Control Policy.

Specifically, for various quality-related standards, our 28 group companies are certified under the ISO 9001: 2008 quality management system, 15 group companies have acquired Authorized Economic Operator (AEO) certification, one group company is certified under the ISO 13485: 2016 medical devices -- quality management systems, six group companies have acquired Good Distribution Practice (GDP) certification, and 21 facilities have acquired Transported Asset Protection Association (TAPA) certification.

We have also conducted Web-based customer

ISO 9001 certification

satisfaction surveys in an effort to place the greatest priority on our customers.

AEO Japan logo

GDP certification

Relationship with Employees

The KWE Group believes that providing an environment that allows all employees to demonstrate their maximum potential will contribute to the further growth and development of the Group. To this end, we are working to create an environment that respects each and every employee and fosters a high level of creativity and humanity.

We provide education and training programs to cultivate professional employees and encourage the development of personnel well suited for their positions based on one-to-one work training for new employees, on-the-job training for newly joined employees, and other training according to seniority. We have an overseas training program that each year sends many younger employees in Japan to work at overseas group companies. We hold our Business Leader Program to provide executive training to selected employees.

Our employee evaluation system does not look solely at performance, but places emphasis on how much employees demonstrate their individual capabilities to produce maximum results. To deepen communication between management and employees even further, we regularly hold a “Sunshine Meeting” in which board members and executives visit various workplaces and speak directly with employees.

Diversity

To promote diversity, we do not tolerate discrimination in any form, whether by race, ethnicity, nationality, gender, or disability, and we provide equal opportunities for everyone to play an active role. We have launched personnel exchanges between various countries to allow employees who work at a local subsidiary in one country to take on the major challenge of working in another country. Going forward, we plan to accumulate data on personnel who work at local subsidiaries in each country and assign personnel beyond the framework of individual companies. Additionally, KWE Japan prepared a three-year action plan starting in the fiscal year ended March 2017 in response to the Act on the Promotion of Women’s Participation and Advancement in the Workplace coming into force in Japan. KWE is pursuing a variety of initiatives with the objective of raising the percentage of female employees to 30% of its overall workforce. We have set our goal to assign at least five female employees with positions, work at overseas subsidiaries and have achieved 60% as of July 2018.

Safety Initiatives

Concerning safety initiatives, we are taking specific actions at our various business facilities. Our Hong Kong, Philippine, and Taiwanese subsidiaries acquired certification to the OHSAS 18001 occupational health and safety management system, and the Thai subsidiary is conducting safe driving courses led by the safety committee. Additionally, domestic group company Kintetsu Transtech, Inc. is holding regular safety training, including a general safety promotion meeting that is held twice yearly and targets all employees.

Social Contribution Activities

The KWE Group undertakes social contribution activities in support of environmental protection, public welfare, culture, and other areas. It held a total of 38 events at 14 subsidiaries in the fiscal year ended March 2018, including internships for local university students at the Taiwanese subsidiary and cultural activities with children at the Philippine subsidiary in cooperation with a local non-profit organization.

Taiwanese subsidiary

Kintetsu World Express (Taiwan), Inc. provides internship opportunities to allow local university students to gain experience in actual logistics operations. Students acquire practical skills by using the knowledge they have learned during three years of university study while working at a KWE logistics facility in their fourth academic year. Students are responsible for freight receipt and dispatch, packaging, and other operations under the guidance of KWE staff at a warehouse near Taiwan Taoyuan International Airport. We hope these opportunities will spark an interest in our business and help cultivate human resources who may contribute in the logistics industry in the future.

Philippine subsidiary

Kintetsu World Express (Philippines) Inc. (hereinafter “KWEPH”) employees donated to Children’s Joy Foundation, Inc. (hereinafter “CJFI”), orphanage, during the KWEPH Children’s Day celebration. Seven years ago, a group of KWEPH employees organized a Christmas gift-giving for CJFI. In return, CJFI offered to participate in KWEPH’s annual Children’s Christmas Party, where CJFI children sing songs and play various musical instruments. KWEPH’s Children’s Christmas Party is an annual event organized by the HR Department and attended by KWEPH employees’ children who are younger than 10 years old. Around 150 children, including children from CJFI, normally are invited to the event. After the party, the children go around the different departments collecting their gifts while employees show their work environment.

Taoyuan FTZ Terminal (Taiwan)

KWEPH’s Children’s Christmas Party

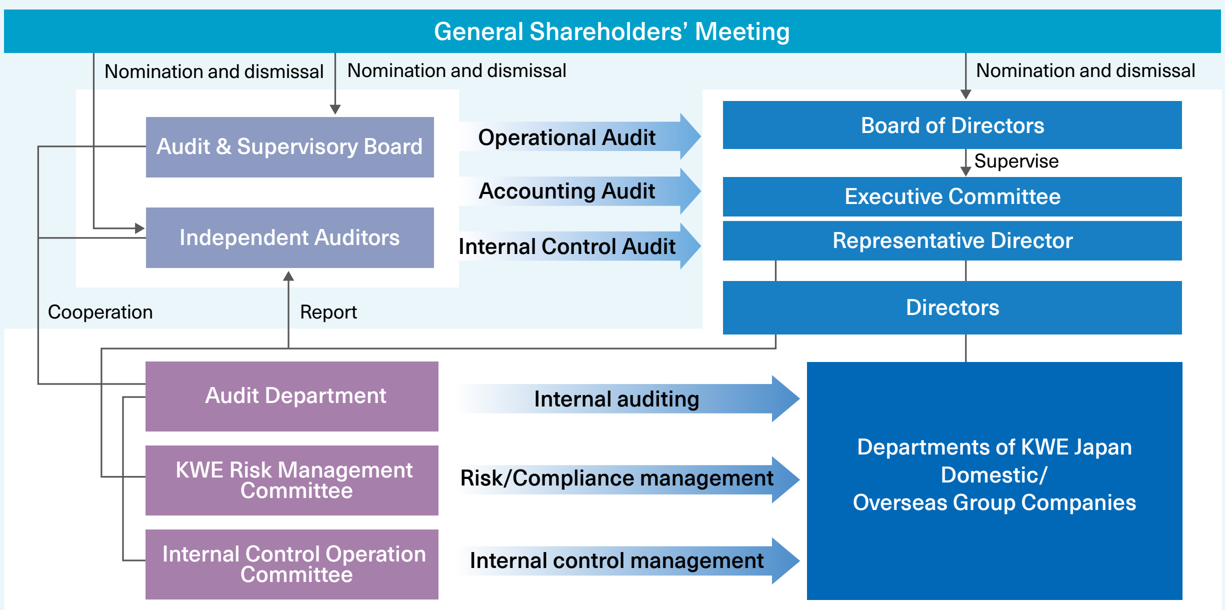
Corporate Governance

Basic Philosophy

The KWE Group's corporate philosophy is to "Contribute to the development of a global community through logistics services–by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees". We work at building corporate value while maintaining good relationships with all stakeholders. From this perspective, it is important that our management strengthens corporate governance and makes its decision-making processes more transparent and fair.

Special Features of KWE's Governance

KWE's governance system basically consists of the Board of Directors and the Audit & Supervisory Board. In order to strengthen the management supervisory functions of the Board of Directors and speed up decision-making through the delegation of authority, we have adopted a managing officer system and have elected 18 managing officers (including five who also serve as Directors). In addition, we have established an "Executive Committee" under the supervision of the Board of Directors, in order to provide better forums for resolving general management policies and important issues related to business execution.



Board of Directors

KWE's Board of Directors consists of nine members, including three Outside Directors. We select candidates for Directors and Audit & Supervisory Board Members after giving full consideration to each individual's past performance, sense of proportion as a manager and capabilities. A Representative Director then provides an explanation and gains approval for these candidates at a meeting of the Board of Directors. Directors are appointed for one-year terms, in order to establish clear accountability and to allow for quick response to changes in business conditions. Compensation for Directors is structured to reflect each Director's position and the Company's financial results, based on prescribed Company standards.

The Board of Directors held 12 meetings in the fiscal year ended March 2018, and the two Outside Directors attended these meetings as follows.

Position	Name	Meeting attendance
Director	**Tetsuya Kobayashi**	Attended 12 of 12 meetings
Director *Independent Director	**Sanae Tanaka**	Attended 12 of 12 meetings

Audit & Supervisory Board Members

KWE's internal auditing is supervised by our Audit Department, which audits operations and accounting, and works to improve operations and management efficiency.

Each of our four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) conducts audits according to auditing plans determined by the Audit & Supervisory Board. The system allows for adequate supervision of Directors' job execution, with important documents being turned over to Audit & Supervisory Board Members and the standing Audit & Supervisory Board Members attending important meetings such as the Executive Committee. As a rule, the Board meets once a month. In addition to determining basic policies regarding auditing, etc., board members report to each other the findings of their daily auditing activities and exchange views.

We established the Audit & Supervisory Board Members' Office to support clerical work related to the Audit & Supervisory Board and the Board Members' work, and it operates in close coordination with the Audit Department. We have also established the functions that enable the Board Members to demand whatever reports they require from Directors, managing officers, or employees, and to investigate the status of business and assets at KWE Group companies at any time.

KWE's accounting auditor is KPMG AZSA LLC. Audits were conducted thoroughly throughout the fiscal term, and we have created an environment that facilitates auditing.

Our Audit Department, the Audit & Supervisory Board, and accounting auditor meet regularly to coordinate their annual schedules and report on operations. They cooperate closely by exchanging information as necessary.

The Audit & Supervisory Board held 10 meetings in the fiscal year ended March 2018, and the two Outside Audit & Supervisory Board Members attended these meetings as follows.

Position	Name	Meeting attendance
Audit & Supervisory Board Member * Independent Officer	**Yusuke Kawasaki**	Attended 10 of 10 meetings
Audit & Supervisory Board Member	**Yoshihiro Yasumoto**	Attended 10 of 10 meetings

Outside Directors and Outside Audit & Supervisory Board Members

Outside Director Tetsuya Kobayashi is a Chairman of the Board at Kintetsu Group Holdings Co., Ltd. We think Mr. Kobayashi is qualified to serve as an Outside Director, regardless of the status of independence, for the reasons cited on **Page 26** under "Reasons for selection of Directors and Audit & Supervisory Board Members".

KWE has three independent officers—Sanae Tanaka, Jun Yanai, and Yusuke Kawasaki. None of these three individuals come from a KWE affiliated company, a major shareholder, or a major business partner, and because they are Outside Directors or Audit & Supervisory Board Members with a high level of independence to avoid the risk of conflicts of interest with general shareholders, we designate them as independent officers based on provisions of the Tokyo Stock Exchange and notify the exchange of this designation.

Career summary of three independent officers

Sanae Tanaka	
Apr. 1989	Registered as attorney
Sep. 1991	Representative, Sanae Tanaka Law Office (current position)
Jun. 2015	Director at Kintetsu World Express, Inc. (current position)

Jun Yanai	
Apr. 1973	Joined Mitsubishi Corporation
Apr. 2004	Executive Officer at the company
Apr. 2008	Executive Vice President at the company
Apr. 2013	Senior Executive Vice President at the company
Jun. 2013	Member of the Board, Senior Executive Vice President at the company
Jun. 2016	Corporate Advisor at the company (current position)
Jun. 2018	Director at Kintetsu World Express, Inc. (current position)

Yusuke Kawasaki	
Oct. 1984	Joined Asahi & Co. (currently KPMG AZSA LLC)
Jun. 2010	Representative Partner, KPMG AZSA LLC (retired Jun. 2016)
Jul. 2016	Head, Yusuke Kawasaki C.P.A. Office (current position)
Jun. 2017	Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)

Outside Director Jun Yanai is a Corporate Advisor at Mitsubishi Corporation. Mitsubishi and KWE have business relations that include freight forwarding, but the amounts of these transactions are minor (less than 1%).

Outside Audit & Supervisory Board Member Yoshihiro Yasumoto is a Director, Senior Managing Executive

Officer at Kintetsu Group Holdings Co., Ltd. Kintetsu Group Holdings is the primary shareholder of KWE with a 44.11% stake, but there is no particular business relations between KWE and Kintetsu Group Holdings, and our Outside Directors and Outside Audit & Supervisory Board Member have no particular vested interests in KWE.

KWE judges an Outside Director or Outside Audit & Supervisory Board Member to be independent when he or she does not fall under any of the criteria set forth below.

1. An executive of KWE and its affiliated companies (hereinafter referred to as the “KWE Group”), including a person who performed in this capacity at KWE within the past ten years.
2. A party to whom the KWE Group is a major business partner, or an executive of such party (including a party to whom the KWE Group was previously a major business partner, or a person who was an executive of such party within the past five years).
3. A party who is a major business partner of the KWE Group (a company whose total amount of transactions with the KWE Group exceeded 1% of the consolidated net sales of either company in the most recent fiscal year), or an executive of such party.
4. A major shareholder (person or party) of KWE who directly or indirectly holds 10% or more of KWE’s total voting rights, or an executive of such party.
5. A party who receives a large amount of donations equal to 10 million yen or more per annum from the KWE Group, or an executive of such party.
6. A consultant, certified public accountant or other accountant, or an attorney or other legal professional who receives a large amount of monetary consideration or other property benefits totaling 10 million yen or more per annum from the KWE Group in addition to his or her officer compensation (in cases where the party receiving property is an organization such as a legal entity or an association, or a person belonging to such organization).
7. A person belonging to an audit firm that carries out statutory audits of the KWE Group, including a person who has carried out audit services as an employee of such audit corporation for KWE or a subsidiary of KWE within the past five years.
8. A spouse or a relative within the second degree of kinship of a person listed below:
   •An officer or an employee of KWE; or
   •A person to whom any of criteria 2 through 7 above applies.

Reasons for selection of Directors and Audit & Supervisory Board Members

Directors

(Based on the information as of June 19, 2018)

	Reasons for selection
Kazuyasu Ueda Chairman of the Board	As Senior Executive Vice President of Kintetsu Group Holdings Co., Ltd., a major shareholder of the Company, Mr. Kazuyasu Ueda has a wealth of experience, achievements, and insights. Currently, he serves as chairman of the Board and possesses knowledge regarding the overall management.
Nobutoshi Torii President & CEO	Mr. Nobutoshi Torii possesses a wealth of experience, achievements, and insights in the sales field of the Company. He is currently leading the management as President & CEO. He has worked to expand the Group's business and increase its corporate value, and thus possesses knowledge regarding the overall management of the Company.
Joji Tomiyama Director Executive Vice President	Mr. Joji Tomiyama possesses a wealth of experience, achievements, and insights in the sales field of the Company, as well as possesses knowledge regarding the overall management of the Company through experience as a President of an overseas subsidiary and is currently presiding over Information Technology and the APLL Group.
Keisuke Hirata Director Managing Executive Officer	Mr. Keisuke Hirata possesses a wealth of experience, achievements, and insights in the sales field of the Company, as well as possesses knowledge regarding the overall management of the Company through experience as a President of an overseas subsidiary. Furthermore, he is currently presiding over Sales and Marketing.
Katsufumi Takahashi Director Managing Officer	Mr. Katsufumi Takahashi possesses a wealth of experience and achievements in the sales field of the Company. He became General Manager, General Affairs Department, is currently presiding over Planning & General Affairs, and thus possesses knowledge regarding the overall management of the Company.
Kiyoyuki Hirosawa Director Managing Officer	Mr. Kiyoyuki Hirosawa possesses a wealth of experience and achievements in the sales field of the Company. He became Audit & Supervisory Board Member, is currently presiding over Human Resource, Accounting and Finance, and Audit, and thus possesses knowledge regarding the overall management of the Company.

Outside Directors

(Based on the information as of June 19, 2018)

	Independent Officer	Significant concurrent positions	Reasons for selection
Tetsuya Kobayashi		Chairman of the Board, Kintetsu Group Holdings Co., Ltd. Chairman of the Board, KNT-CT Holdings Co., Ltd. Chairman of the Board, Kintetsu Department Store Co., Ltd. Director, Mie Kotsu Group Holdings, Inc. Director, Kin-Ei Corp. Director, The Kansai Electric Power Company, Incorporated	Having served as President of Kintetsu Group Holdings, a major shareholder of the Company, Mr. Tetsuya Kobayashi has a wealth of experience and broad insights and has served to strengthen the management supervisory functions of the Company, as well as given advice on management decision-making from a wide range of perspectives.
Sanae Tanaka	○	Representative, Sanae Tanaka Law Office Director, Noevir Holdings Co., Ltd. Director, PILOT CORPORATION Director, Shochiku Co., Ltd.	Although Ms. Sanae Tanaka has not been directly involved in corporate management, she possesses specialized insights and a wealth of experience as an attorney-at-law, and she has been strengthening the management supervisory functions of the Company from an independent standpoint and providing opinions on management decisions from diversified viewpoints.
Jun Yanai	○	Corporate Advisor, Mitsubishi Corporation Director, INPEX CORPORATION	Having served as Senior Executive Vice President of Mitsubishi Corporation, Mr. Jun Yanai has a wealth of experience, achievements, and insights regarding global business management. The Company believes that he has the capability to strengthen the management supervisory functions of the Company from an independent standpoint.

Standing Audit & Supervisory Board Members

	Independent Officer	Significant concurrent positions	Reasons for selection
Takashi Sakai			Subsequent to attaining a wealth of experience and achievements in the sales field of the Company, Mr. Takashi Sakai serves as the person responsible for customs compliance, and since he is well versed in laws and regulations and business laws, etc., related to the Company's business and possesses a wealth of operational experience.
Katsumi Watanabe			Mr. Katsumi Watanabe possesses a wealth of experience and achievements in the Accounting and Finance Divisions of the Company and its subsidiaries, and also possesses knowledge regarding the overall management of the Company through being responsible for the Audit Department of the Company.

Outside Audit & Supervisory Board Members

	Independent Officer	Significant concurrent positions	Reasons for selection
Yusuke Kawasaki	○	Head, Yusuke Kawasaki C.P.A. Office Audit & Supervisory Board Member, KNT-CT Holdings Co., Ltd.	Mr. Yusuke Kawasaki possesses a wealth of experience, achievements, and insights as a certified public accountant. The Company believes that he has the capability to strengthen the audit structure of the Company.
Yoshihiro Yasumoto		Director, Senior Managing Executive Officer, Kintetsu Group Holdings Co., Ltd. Audit & Supervisory Board Member, Mie Kotsu Group Holdings, Inc. Audit & Supervisory Board Member, Kin-Ei Corp.	Having worked in the Accounting and Finance Department of Kintetsu Group Holdings Co., Ltd., a major shareholder of the Company, Mr. Yoshihiro Yasumoto has a wealth of experience, achievements, and insights. The Company believes that he has the capability to strengthen the management supervisory functions of the Company.

Executive Committee

KWE's Executive Committee is composed of standing Directors and Audit & Supervisory Board Members, managing officers, division managers, and other relevant personnel. The committee meets twice monthly under the supervision of the Board of Directors, and it serves as a forum to resolve important matters related to overall management policies and business execution.

Director and Audit & Supervisory Board Member Compensation

KWE policy stipulates that Director compensation is allocated within the range resolved at the General Shareholders' Meeting. Such compensation is divided into monthly and performance-based compensation. The amount of compensation is decided based on amounts prescribed in internal regulations, KWE 's performance, economic conditions and other matters, and how well Directors contribute individually to the performance of KWE. In the year ended March 2018, we paid a total of ¥290 million to 18 Directors (including nine Directors who retired and one Director who passed away and retired), including ¥16 million to four Outside Directors.

KWE determines Audit & Supervisory Board Members compensation based on discussions with the Audit & Supervisory Board. In the fiscal year ended March 2018, we paid a total of ¥52 million to eight Audit & Supervisory Board Members (including one Audit & Supervisory Board Member who resigned and three Audit & Supervisory Board Members who retired), including ¥11 million to the five Outside Audit & Supervisory Board Members.

Compliance

KWE clearly states that it will comply with and respect laws, regulations, and ethical standards in its Corporate Philosophy, KWE Group Corporate Guidelines and KWE Group Code of Conduct, which provide a foundation for the activities of officers and employees of KWE Group companies. We have outlined a basic approach to business execution in the KWE Group Compliance Basic Policy, which shows a basic stance on corporate behavior. To promote rigorous compliance management, we have appointed a Chief of Compliance (Director) and clarified compliance responsibilities according to each position, based in part on the KWE Group Compliance Rules. We have established a Committee chaired by the Chief of Compliance to promote corporate behavior that complies with laws, regulations, and corporate ethics. We have prepared a whistle-blower system to aid in the early detection and correction of violations of laws, regulations, and corporate ethics, and to protect whistle-blowers from prejudicial treatment. Group companies have prepared compliance manuals and regularly conduct compliance training and auditing.

Risk Management

KWE has established the KWE Group Risk Management Basic Policy to facilitate integrated and ongoing risk management on a global basis. We have appointed a Chief of Risk Management (Director) and clarified risk management responsibilities according to each position, based in part on the KWE Group Risk Management Rules. We have established a Risk Management Committee chaired by the Chief of Risk Management to help identify risks that face group companies from a company-wide perspective and take appropriate action. We have also created a crisis plan, which includes the KWE Group Crisis Management Rules, to prepare for emergency situations that could emerge suddenly and seriously impact our business operations.

Investor Relations

KWE has established an IR Group within the Planning and General Affairs Department. In order to make our management more transparent, we disclose information about the status of our business through our website and other means, and actively work at maintaining good relations with shareholders and investors. We appropriately disclose financial and business information in our financial statements, business results presentations, annual reports, data books, and other materials.

We disclose on our website monthly air freight volume for KWE and the overall industry in Japan. We also disclose quarterly overseas air freight volume for KWE. In addition, the Company strives to help investors understand its businesses by providing informational videos on the website that clarify its operations and by providing segment information.

To a reasonable extent, KWE places importance on responding proactively to the dialogue had with shareholders, investors, and analysts. We hold business results presentations twice yearly for full-year and interim results (May and November) in order to explain our business performance and policies to institutional investors and analysts. In addition, we participate in small meetings, IR conferences and telephone conferences at the request of securities companies. We also hold briefings for individual investors irregularly to provide an opportunity to communicate with these investors.

Disclosure Based on Principles of Corporate Governance Code*

*Note: This annual report outlines KWE's response to the Corporate Governance Code prior to the code's revision in June 2018. Our response to the revised Corporate Governance Code will be posted in our website.

[Principle 1.4: Cross-Shareholdings]

1. Cross-Shareholdings Policy
   Investments in cross-shareholdings are aimed at maintaining and strengthening business alliances and transactions, and are made when they will help maintain and improve the corporate value of the KWE Group.
2. Criteria for Exercising Voting Rights
   KWE will exercise its voting rights and make decisions for or against proposals from the standpoint of whether the company issuing the proposal is making appropriate decisions which will help increase its corporate value over the medium to long term, and improve the corporate value of the KWE Group as a whole.

[Principle 1.7: Related Party Transactions]

Directors' competing transactions and transactions between Directors and KWE (conflict-of-interest transactions) are required to be resolved by the Board of Directors. Also, unusual transactions must be audited by standing Audit & Supervisory Board Members before being carried out.

[Principle 3.1: Full Disclosure]

(i) KWE's corporate philosophy, management strategy and management plan (the Medium-Term Management Plan) are disclosed on KWE's website and in its financial results briefing materials and other IR materials.
- Corporate philosophy
  https://www.kwe.co.jp/en/about-contents/philosophies
- Management strategy and management plan (the Medium-Term Management Plan)
  https://www.kwe.co.jp/en/ir-contents/strategy

(ii) KWE's perspective on corporate governance is disclosed on KWE's website and in corporate governance reports, securities reports and the Annual Report.
- KWE's perspective on corporate governance
  https://www.kwe.co.jp/en/about-contents/governance

(iii) KWE's method for determining Director compensation: Please see the Director and Audit & Supervisory Board Member Compensation section on **Page 27.**

(iv) KWE's method for nominating executive leadership, Director and Audit & Supervisory Board Member: Please see the Board of Directors section on **Page 23.**

(v) KWE discloses the individual selection reasons for its Director candidates in the Reference Documents for the 49th Ordinary General Meeting of Shareholders. Details are listed in the Notice of Convocation of the 49th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/wp-content/uploads/2018/05/en_stockholder49.pdf

[Supplementary Principle 4.1.1]

KWE has established Board of Directors Regulations and matters to be deliberated on and decided at Board of Directors' meetings are set in accordance with laws and regulations. KWE has also established Organization and Duties Authority Regulations, which clarify the scope of actions which can be executed by management.

[Principle 4.8: Effective Use of Independent Outside Directors][Principle 4.9: Independence Standards and Qualification for Independent Outside Directors]

Please see the Board of Directors section on **Page 23** and the Outside Directors and Outside Audit & Supervisory Board Members section on **Page 24.**

[Supplementary Principle 4.11.1]

Please see the Board of Directors section on **Page 23.**

[Supplementary Principle 4.11.2]

Information about Directors and Audit & Supervisory Board Members who serve concurrently as officers at other listed companies is provided in the Notice of Convocation of the 49th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/wp-content/uploads/2018/05/en_stockholder49.pdf

[Supplementary Principle 4.11.3]

KWE receives feedback and advice from Outside Directors on the analysis and evaluation of how effectively the Board of Directors is performing. We started evaluating the effectiveness of the overall Board of Directors with reference to the individual evaluations of each Director in 2016.

[Supplementary Principle 4.14.2]

From the fiscal year ended March 2018, in addition to conducting seminars for officers on the Companies Act and laws and regulations relating to the business activities of KWE, standing Directors and Audit & Supervisory Board Members undergo continuous governance training to ensure that they are able to effectively perform their roles and fulfill the responsibilities expected of them as persons involved in important governance bodies.

For newly appointed Directors and Audit & Supervisory Board Members, training will be given so they can acquire the necessary knowledge and are equipped to handle the responsibilities they have as Directors and Audit & Supervisory Board Members, including those related to KWE's business, financial affairs, and organization.

Upon invitation from KWE, Outside Directors and Audit & Supervisory Board Members will visit various facilities and have training to attain the necessary information on the industry in which KWE is involved, KWE's history, business profile, financial affairs, strategies, organization, etc.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]
Please see the Investor Relations section on **Page 27.**

Reasons for Non-compliance with the Principles of the Corporate Governance Code

[Supplementary Principle 1.2.4]
KWE has decided against introducing the Electronic Voting Platform as shareholders accounting for approximately 90% of total voting rights have exercised their right to vote in recent years. KWE provides convocation notices of General Shareholder's Meetings in English from 2016.

[Supplementary Principle 1.2.5]
While KWE considers shareholders with voting rights recorded in the shareholder register as of the record date eligible to exercise voting rights, it does not permit institutional investors to vote on behalf of trust banks or other institutions.

[Supplementary Principle 4.2.1]
Director and Audit & Supervisory Board Member compensation is determined based on the method described in the Director and Audit & Supervisory Board Member Compensation section on **Page 27**, and we will consider the possibility of introducing treasury stock-based compensation and stock options.

[Supplementary Principle 4.10.1]
Although KWE has not established optional advisory committees, explanations regarding Director Candidates are given to Independent Outside Directors and opinions are sought from them before Board of Directors' meetings where proposals to appoint officers are considered. KWE will keep studying the establishment of a Nominating and Compensation Committee.

Messages from Independent Directors

I will suggest better ways to leverage human resources and maximize corporate value.

KWE achieved record-high handling volume and profits in the fiscal year ended March 2018. We are moving toward our slogan of "700,000 tons of air freight and 700,000 TEUs of sea freight", which initially seemed too challenging, and all KWE Group employees are united in the goal and I recognize that achievements to date demonstrate the power of teamwork and each individual employee.

Going forward, I believe the ability to utilize human resources to maximize output as an organization will become increasingly important, in addition to expanding staff and improving operational systems, for maintaining service quality befitting the KWE Group while continuing to expand handling volume.

I intend to make good use of the experience I have cultivated over many years through my work as an attorney and through my interactions with many different corporations, individuals, and organizations. I will suggest better ways to enable effective support for leveraging human resources and maximizing the corporate value of the KWE Group.

Sanae Tanaka

I will make use of my global experience to support value creation of KWE.

I am very pleased to have joined the management of KWE as a global company following my appointment as an independent officer at the 49th Ordinary General Meeting of Shareholders held in June 2018.

I have been involved in energy-related business, mainly crude oil and petroleum trade and oil field development, at a major general trading company. I have consistently worked to add value from a global perspective amid daily changes in the balance of supply and demand and trends in prices, and I feel a sense of affinity toward KWE's logistics business. Additionally, given that energy-related business ensures a stable supply of energy in Japan and that international logistics serve as the bloodstream of the global economy, I believe both share the essential quality of playing a crucial role in society.

I endeavor to support KWE's value creation from the standpoint of an independent officer and to recommend ways to increase corporate value from a compliance standpoint as one area of expertise.

Jun Yanai

Management

Kazuyasu Ueda
Chairman of the Board

Nobutoshi Torii
President and
Chief Executive Officer

Joji Tomiyama
Director
Executive Vice President

Keisuke Hirata
Director
Managing Executive Officer

Katsufumi Takahashi
Director
Managing Officer

Kiyoyuki Hirosawa
Director
Managing Officer

Tetsuya Kobayashi
Outside Director

Sanae Tanaka
Outside Director

Jun Yanai
Outside Director

Management's Discussion and Analysis

OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 136 consolidated subsidiaries, 1 non-consolidated subsidiary accounted for using the equity method and 9 affiliates accounted for using the equity method, for a total of 147 companies. Our main business are freight forwarding using air, sea, and logistics operations and other related businesses.

The KWE Group has six reportable segments. Five are geographical segments comprising Japan; the Americas; Europe, Middle East & Africa; East Asia & Oceania; and Southeast Asia. The Company acquired all shares of APLL (APL Logistics Ltd and its group companies, headquartered in Singapore) in May 2015, and added it as a sixth reportable segment.

We divide our operations into the following four categories: air freight forwarding (accounting for 35.0% of net sales in the fiscal year ended March 2018), sea freight forwarding (28.1%), logistics (30.4%), and other operations (6.5%).

A breakdown of net sales* by segment shows that Japan accounts for 22.5%, the Americas for 9.4%, Europe, Middle East & Africa for 6.8%, East Asia & Oceania for 16.9%, Southeast Asia for 9.7%, APLL for 34.3%, and other* for 0.4%.

* Based on simple totals before eliminations. "Other" is a business segment not included in reportable segments. It consists mainly of incidental logistics operations within the Group.

OPERATIONS

During the fiscal year ended March 31, 2018, the KWE Group was pressured by higher freight costs from the beginning of the year, but was able to secure higher-than-expected volume as brisk global demand for transport, mainly in the semiconductor and other electronic components, coincided with the group-wide pursuit of various initiatives to expand handling volume as a priority objective.

As a result, the KWE Group's air freight exports rose by 17.0% (based on weight) year-on-year, and air freight imports increased 10.0% (based on number of shipments). Sea freight exports rose by 19.3% (based on volume: TEUs), and imports increased by 13.1% (based on number of shipments). Logistics showed steady growth overall due to business expansion mainly in East Asia.

Net Sales

The KWE Group's consolidated net sales totaled ¥553.197 billion in the fiscal year ended March 2018, up by 16.6%, or ¥78.867 billion, from the previous year.

Net sales increased from the previous year in all businesses, with air freight forwarding up 24.4%, sea freight forwarding up 15.4%, logistics up 10.8%, and other operations up 11.8%.

Net sales increased from the previous year in all segments, with Japan up 15.8%, the Americas up 20.3%, Europe, Middle East & Africa up 22.9%, East Asia & Oceania up 24.9%, Southeast Asia up 22.1%, and APLL up 10.9%.

Cost of Sales

Cost of sales totaled ¥460.534 billion in the fiscal year ended March 2018, up by 18.3%, or ¥71.218 billion, from the previous year. The percentage to net sales was 83.2%, rising by 1.1 percentage points from 82.1% in the previous year.

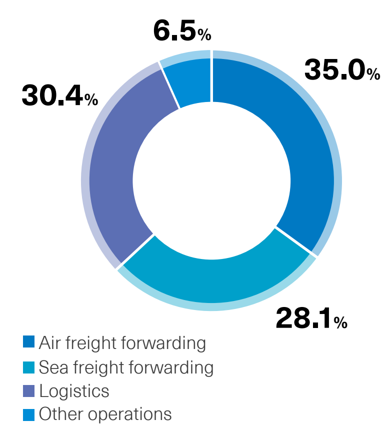
Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥75.110 billion in the fiscal year ended March 2018, up by 4.4%, or ¥3.171 billion, from the previous year. The percentage to net sales was 13.6%, falling by 1.6 percentage points from 15.2% in the previous year.

Operating Income

Operating income totaled ¥17.551 billion in the fiscal year ended

Net Sales by Business



March 2018, up by 34.2%, or ¥4.476 billion, from the previous year. The operating margin was 3.2%, rising by 0.4 percentage points from 2.8% in the previous year. Cost of sales to net sales increased by 1.1 percentage points from the previous year, but selling, general, and administrative expenses to net sales improved by decreasing by 1.6 percentage points from the previous year.

Other Income (Expenses)

Other net expenses totaled ¥0.671 billion in the fiscal year ended March 2018, expanding from net expenses of ¥0.588 billion in the previous year. Main positive factors included a decrease in equity in losses of affiliates, net of ¥0.666 billion from the previous year and completing the recording of loss on arbitration ruling, provision for loss on litigation, and loss on litigation in the previous year. However, key negative factors included a decrease in foreign currency exchange gain, net of ¥0.693 billion, an increase in impairment loss of ¥0.120 billion, and the recording of provision of allowance for doubtful accounts and loss on liquidation of subsidiaries.

Income before Income Taxes

Income before income taxes totaled ¥16.879 billion in the fiscal year ended March 2018, up by 35.2%, or ¥4.393 billion, from the previous year.

Income Taxes

Income taxes totaled ¥8.498 billion in the fiscal year ended March 2018, up by 21.7%, or ¥1.516 billion, from the previous year. The effective tax rate was 50.3%, down from 55.9% in the previous year.

Net Income Attributable to Owners of the Parent, Net Income per Share, Return on Equity

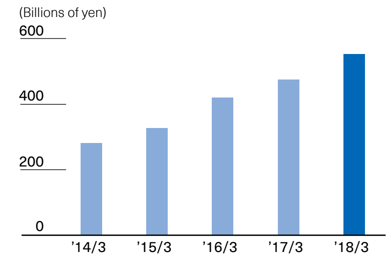
Net income attributable to owners of the parent rose by 56.1% from the previous year to ¥7.002 billion in the fiscal year ended March 2018. As a result, net income per share increased to ¥97.26, up from ¥62.33 in the previous year. ROE increased to 5.9% from 3.7% in the previous year.

OUTLOOK FOR THE YEAR THROUGH MARCH 2019

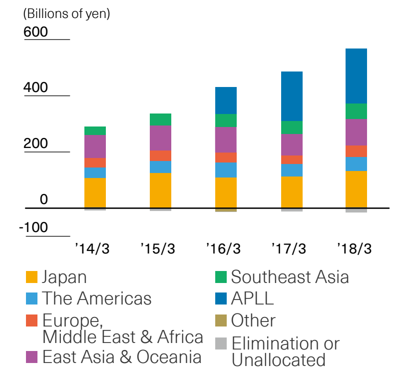
In the fiscal year ending March 2019, we expect continued robust transport demand, especially for semiconductors and other electronic components, and automotive-related products, supported by technological innovations including IoT and AI. However, we also expect headwinds from freight costs rising and staying high, the emergence of geopolitical risks, and concerns about foreign currency fluctuations. In this environment, the KWE Group will implement priority measures for the final year of the Medium-Term Management Plan, "Going to the Next Phase!", which started in the fiscal year ended March 2017. These measures comprise (1) Volume expansion of TPEB (Trans-Pacific East Bound) business, (2) Business expansion among Non-Japanese "Corporate Accounts", (3) Promotion of sales strategy by commodity, (4) Corporate system optimization to achieve 700,000 tons/700,000 TEU, (5) Continued efforts to improve earnings, (6) Strengthening of group governance for optimal group management, and (7) Development of human resources and their optimal placement. Based on these measures, the Group will push further ahead with various initiatives to expand volume with a view toward future growth and will reinforce its business base in pursuit of sustainable growth.

We revised upward our earnings forecasts for the fiscal year ending March 2019 in light of the financial results for the fiscal year ended March 2018 and the recent business environment. We forecast net sales to grow by 5.7% from the fiscal year ended March 2018 to ¥585.000 billion, operating income to rise by 9.4% to ¥19.200 billion, and net income attributable to owners of the parent to increase by 24.2% to ¥8.700 billion.

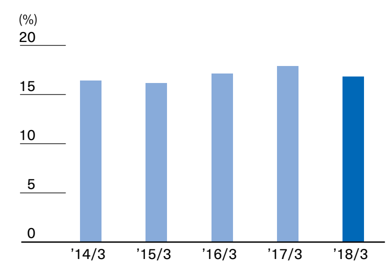
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



SEGMENT TRENDS BY REGION

For a breakdown of segment trends, please refer to the Report by Six Segments on pages 14 to 19.

FINANCIAL POSITION

The KWE Group's total assets as of March 31, 2018 increased by ¥11.028 billion from the previous year to ¥390.273 billion. Current assets were ¥194.440 billion, up by 9.2%, or ¥16.339 billion from the previous year, mainly due to increases in notes accounts receivable-trade of ¥14.481 billion and cash and time deposits of ¥2.556 billion. Total non-current assets were ¥195.832 billion, down by 2.6%, or ¥5.310 billion from the previous year, mainly due to a decrease in total intangible assets of ¥6.720 billion primarily resulting from amortization of goodwill, despite increases in property and equipment of ¥0.639 billion and in investments and other assets of ¥0.770 billion primarily resulting from accounting for using the equity method.

Total liabilities were ¥261.284 billion, up ¥8.056 billion from the previous year. Current liabilities increased by 18.2%, or ¥18.964 billion, to ¥123.414 billion, mainly due to increases in notes and accounts payable–trade of ¥10.564 billion, in short-term debt of ¥5.805 billion, and in current portion of long-term debt of ¥4.779 billion.

Long-term liabilities decreased by 7.3%, or ¥10.907 billion to ¥137.869 billion, mainly due to a decrease in long-term debt of ¥10.585 billion including the aforementioned reclassification into short-term debt.

Net assets were ¥128.988 billion, up by 2.4%, or ¥2.972 billion, from ¥126.016 billion in the previous year, mainly due to an increase in retained earnings of ¥5.130 billion resulting from recording net income attributable to owners of the parent of ¥7.002 billion and cash dividends paid of ¥1.871 billion, despite a decrease in foreign currency translation adjustments of ¥2.517 billion as a result of a stronger yen compared to March 31, 2017. The equity ratio at the end of the fiscal year was 30.7%, almost unchanged from 30.9% at the end of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

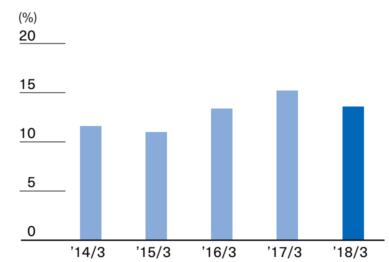
Net cash provided by operating activities totaled ¥15.063 billion in the fiscal year ended March 2018, up by 3.2%, or ¥0.473 billion, from ¥14.589 billion in the previous year. This mainly reflected cash inflows due to income before income taxes of ¥16.879 billion, depreciation and amortization of ¥11.674 billion, and an increase in notes and accounts payable of ¥7.931 billion, and cash outflows due to an increase in notes and accounts receivable of ¥14.494 billion, and income taxes paid of ¥8.473 billion.

Net cash used in investing activities totaled ¥10.030 billion in the fiscal year ended March 2018, up ¥4.687 billion from ¥5.342 billion in the previous year. This mainly reflected cash outflows due to payments for purchase of property and equipment of ¥5.192 billion and payments for purchase of intangible assets of ¥4.332 billion.

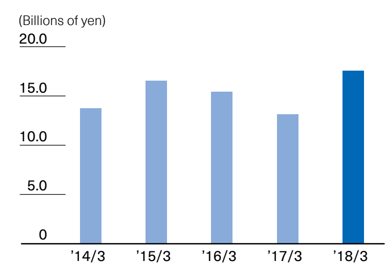
Net cash used in financing activities amounted to ¥2.754 billion in the fiscal year ended March 2018, down ¥2.902 billion from ¥5.657 billion in the previous year. This mainly reflected cash inflows due to net increase in short-term debt of ¥6.024 billion, and cash outflows due to payments for long-term debt of ¥5.825 billion, payments of cash dividends of ¥1.871 billion, and payments of cash dividends to non-controlling interests of ¥0.976 billion.

As a result of the above, cash and cash equivalents totaled ¥67.856 billion as of March 31, 2018, up by 3.6%, or ¥2.349 billion, from ¥65.506 billion as of March 31, 2017.

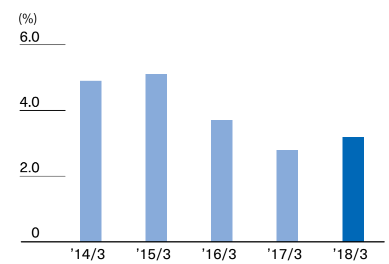
SGA Expenses to Net Sales



Operating Income



Operating Margin



BASIC POLICY ON THE DISTRIBUTION OF PROFITS

The KWE Group will secure internal reserves to bolster its financial position and prepare for the future business expansion in Japan and overseas giving full consideration to strengthen its business base, as well as focusing on maintaining stable dividends.

We paid a full-year dividend of ¥26 per share in the fiscal year ended March 2018, unchanged from the previous year. The dividend payout ratio was 26.7%, down 15.0 percentage points from 41.7% in the previous year, due to net income attributable to owners of the parent improving sharply from the previous year. We forecast a full-year dividend of ¥26 in the fiscal year ending March 2019, a dividend payout ratio of 21.5%.

DISCLOSURE OF RISK
SIGNIFICANT RISK FACTORS WITH POTENTIAL TO IMPACT OPERATING RESULTS

The followings are the major risk factors that the Group recognizes as having the potential to affect our performance and financial condition.

1. Economic conditions

The Group's performance and financial condition is affected by global economic trends and shipping demands of our customers.

Our performance and financial condition could also be affected in the event of a global economic crisis, natural disaster, pandemic, terrorist attack, or other social disruption.

2. Exchange rate fluctuations

As the Group conducts global operations, fluctuations in foreign exchange rates in any of these regions could affect our performance and financial condition. We use foreign exchange forward contracts to avoid the risk of fluctuations in foreign exchange rates in relation to foreign currency denominated receivables and payables and to foreign currency denominated scheduled transactions. Our policy is to execute and manage forward contracts according to internal company rules, to not enter into contracts with terms of more than one year in principle, and to not engage in speculative dealings or highly leveraged transactions.

3. Fluctuations in fuel prices

The Group maintains close relationships with transport companies, including air and sea carriers, and works to expand channels, given that a surge in fuel prices could affect freight costs. However, unforeseen circumstances could impact our performance.

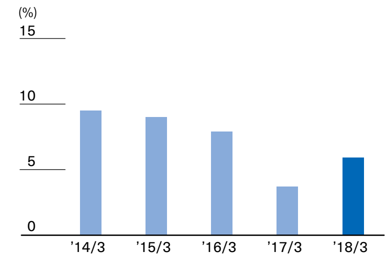
4. Fluctuations in freight costs

The Group requests that customers bear any cost increases resulting from higher freight costs at air and sea carriers. However, the inability to pass costs on selling prices for some reason could impact our performance.

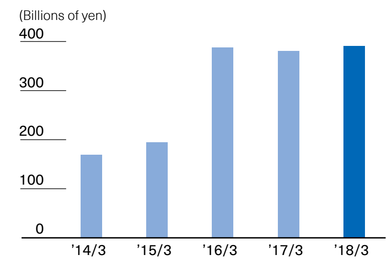
5. M&A, capital and business alliances

The Group acquires other companies and forms capital and business alliances with other companies in order to increase its competitiveness to achieve further growth. We acquired APL Logistics Ltd (including its consolidated subsidiaries), which operates a global logistics business, in May 2015. Our performance and financial condition could be affected if it incurs impairment losses on goodwill in the event of earnings at an acquired company falling short of expectations at the time of the acquisition, or a determination that expected results cannot be achieved due to changes in the business environment, competitive conditions, or other factors.

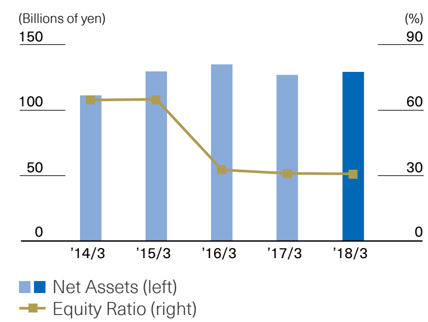
ROE



Total Assets



Net Assets and Equity Ratio



6. Financial covenants
The Group's major loan agreements with financial institutions include financial covenants. A breach of these covenants could adversely affect our operation, performance and financial condition.

7. Legal regulations
The Group's business activities are affected by the various legal regulations enacted in each country with respect to transport, warehouse storage management, and other operations. These consist mainly of social regulations (to ensure safety) and legal regulations governing transport operations. It is possible that changes to existing regulations could cause a temporary spike in capital spending, which could affect our performance. It is also possible that inadequate compliance or serious violation of various regulations could affect our performance and brand image, including sanctions restricting business activities or monetary penalties.

8. Litigation and disputes
The Group could face various forms of lawsuits or other actions related to our business activities, and depending on the content and outcome of these actions, it could impact our performance and financial condition.

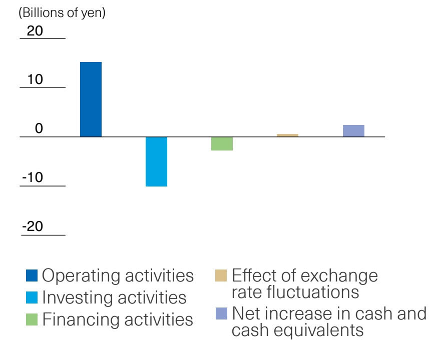
9. Transport accidents
The Group takes the utmost care as we develop our international logistics business, based on accumulated know-how as a freight forwarder. Nevertheless, our performance could be affected in the event of a transport accident occurring, for example, due to an unpredictable disaster.

10. Storage and security at logistics facilities
The Group provides services at our logistics facilities globally, and we take all steps necessary to ensure the storage and security. However, our performance could be affected by a natural disaster, war, terrorist attack, or other events.

11. Customer data management / information leaks
The Group systematically manages customer and freight movement information through our intra-Group information network. We perform regular audits and inspections to ensure that there are no information leaks. In addition, in accordance with Japan's Act on the Protection of Personal Information, we instituted a company-wide policy regarding the safeguarding of personal information, and we strive to make every employee familiar with it. Nevertheless, in the unlikely event that for some reason customer information should be leaked to an outside party, the resulting loss of trust in the Company could affect our performance.

12. Information system security
The Group uses integrated computer systems group-wide and manages much of its global operations with IT systems. We strive to ensure that these information systems operate reliably by using a redundant structure of data centers and network connections, and have hardware and software safeguards against unauthorized access and viruses. Nevertheless, our performance could be adversely affected if these information systems temporarily malfunction as a result of unforeseen virus, hacker attacks or blackouts, etc.

Cash Flows



Financial Highlights

Kintetsu World Express, Inc. and Consolidated Subsidiaries / For years ended March 31

	Millions of yen								Thousands of U.S. dollars*2
	2011	2012	2013	2014	2015	2016	2017	2018	2018
Results of Operation (Millions of yen)									
Net sales	¥ 267,688	¥ 264,403	¥ 247,977	¥ 281,505	¥ 327,192	¥ 420,252	¥ 474,330	¥ 553,197	$ 5,207,050
Operating income	11,898	13,824	13,295	13,742	16,563	15,356	13,075	17,551	165,201
Income before income taxes	12,676	14,954	14,170	14,916	16,372	17,847	12,486	16,879	158,876
Net income attributable to owners of the parent	7,880	9,545	9,134	9,417	10,489	9,773	4,487	7,002	65,907
Financial Position (Millions of yen)									
Total assets	¥ 120,280	¥ 125,437	¥ 140,116	¥ 167,966	¥ 194,553	¥ 385,902	¥ 379,244	¥ 390,273	$ 3,673,503
Property and equipment	32,764	31,661	32,512	35,988	39,831	45,944	46,109	46,749	440,032
Interest-bearing debt	14,676	14,469	14,562	15,078	15,734	166,187	166,260	166,429	1,566,538
Long-term liabilities	6,633	6,885	3,659	9,291	11,093	152,296	148,777	137,869	1,297,712
Total liabilities	48,963	47,356	47,919	56,735	64,865	250,703	253,228	261,284	2,459,375
Net assets	71,317	78,080	92,197	111,231	129,687	135,199	126,016	128,988	1,214,118
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 9,843	¥ 11,118	¥ 8,855	¥ 10,756	¥ 9,457	¥ 20,143	¥ 14,589	¥ 15,063	$ 141,782
Net cash provided by (used in) investing activities	779	(3,820)	(8,044)	(5,016)	(10,870)	(147,207)	(5,342)	(10,030)	(94,408)
Net cash provided by (used in) financing activities	(2,703)	(1,396)	(1,785)	(1,864)	(1,424)	144,744	(5,657)	(2,754)	(25,922)
Cash and cash equivalents at end of year	30,966	36,096	38,271	47,963	48,700	63,903	65,506	67,856	638,704
Capital expenditures for property and equipment (cash basis)	1,465	1,549	1,625	3,776	4,889	5,735	3,762	5,192	48,870
Depreciation and amortization	2,998	2,659	2,536	2,615	2,806	7,236	10,729	11,674	109,883
Per Share Data (Yen)*1									
Net income	¥ 109.46	¥ 132.58	¥ 126.86	¥ 130.80	¥ 145.68	¥ 135.74	¥ 62.33	¥ 97.26	$ 0.91
Cash dividends	15.00	17.50	18.50	20.00	23.00	26.00	26.00	26.00	0.24
Net assets	962.95	1,056.84	1,250.56	1,504.84	1,750.16	1,741.44	1,627.84	1,662.72	15.65
Management Indicators									
Operating margin (%)	4.4	5.2	5.4	4.9	5.1	3.7	2.8	3.2	
Return on equity (%)	11.7	13.1	11.0	9.5	9.0	7.9	3.7	5.9	
Current ratio (Times)	1.8	2.1	2.1	2.4	2.4	1.8	1.7	1.6	
Debt-to-equity (Times)	0.2	0.2	0.2	0.1	0.1	1.3	1.4	1.4	
Number of employees (consolidated)	9,238	9,671	10,047	10,219	10,680	17,311	18,159	18,140	

*1 The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Per share data is calculated based on the assumption that the stock split was conducted on April 1, 2010.
*2 U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018 which is ¥106.24 to U.S.$1.

Medium-Term Management Plan
"Going to the Next Phase!"
April 2016 - March 2019

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2018 and 2017

ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current assets:			
Cash and time deposits (Notes 3, 5 and 13)	¥ 72,832	¥ 70,275	$ 685,542
Notes and accounts receivable-trade (Notes 5 and 13)	110,005	95,523	1,035,438
Less: Allowance for doubtful accounts	(2,098)	(1,189)	(19,747)
Marketable securities (Notes 4 and 13)	2,558	3,278	24,077
Deferred tax assets (Note 10)	920	893	8,659
Other current assets	10,223	9,319	96,225
Total current assets	194,440	178,101	1,830,195
Property and equipment:			
Land	14,082	14,181	132,548
Buildings and structures	39,549	39,113	372,260
Machinery and equipment	5,610	5,275	52,804
Leased assets	1,595	1,329	15,013
Others	23,453	19,904	220,754
	84,291	79,804	793,401
Less: Accumulated depreciation	(37,541)	(33,694)	(353,360)
Total property and equipment	46,749	46,109	440,032
Intangible assets:			
Goodwill (Note 15)	65,586	71,925	617,338
Customer-related intangible assets	35,139	38,349	330,751
Other intangible assets	20,602	17,774	193,919
Total intangible assets	121,328	128,049	1,142,018
Investments and other assets:			
Investments in: (Notes 4 and 13)			
Affiliates	14,456	13,978	136,069
Others	5,772	5,583	54,329
Long-term loans receivable (Note 13)	–	52	–
Net defined benefit asset (Note 9)	–	6	–
Deferred tax assets (Note 10)	1,272	1,147	11,972
Other investments (Note 5)	6,311	6,274	59,403
Less: Allowance for doubtful accounts	(58)	(58)	(545)
Total investments and other assets	27,754	26,983	261,238
Total assets (Note 15)	¥ 390,273	¥ 379,244	$ 3,673,503

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current liabilities:			
Notes and accounts payable-trade (Notes 5 and 13)	¥ 51,622	¥ 41,057	$ 485,899
Short-term debt (Notes 5, 8 and 13)	31,422	25,617	295,764
Current portion of long-term debt (Notes 8, 13 and 14)	10,602	5,822	99,792
Lease obligations (Note 8)	209	157	1,967
Income taxes payable (Notes 10 and 13)	3,867	3,823	36,398
Deferred tax liabilities (Note 10)	366	286	3,445
Accrued bonuses to employees	4,616	4,405	43,448
Accrued bonuses to directors and corporate auditors	250	369	2,353
Provision for loss on litigation	–	230	–
Other current liabilities	20,456	22,680	192,545
Total current liabilities	123,414	104,450	1,161,652
Long-term liabilities:			
Long-term debt (Notes 8, 13 and 14)	123,651	134,237	1,163,883
Lease obligations (Note 8)	543	425	5,111
Net defined benefit liability (Note 9)	2,877	2,520	27,080
Deferred tax liabilities (Note 10)	9,089	9,561	85,551
Other long-term liabilities	1,707	2,032	16,067
Total long-term liabilities	137,869	148,777	1,297,712
Net assets (Note 11):			
Shareholders' equity:			
Common stock			
Authorized 240,000,000 shares			
Issued 72,000,000 shares	7,216	7,216	67,921
Capital surplus	4,084	4,018	38,441
Retained earnings	112,268	107,137	1,056,739
Treasury stock	(3)	(3)	(28)
Total shareholders' equity	123,565	118,367	1,163,074
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	1,893	1,754	17,818
Foreign currency translation adjustments	(5,268)	(2,751)	(49,585)
Remeasurements of defined benefit plans	(478)	(170)	(4,499)
Total accumulated other comprehensive income	(3,853)	(1,167)	(36,266)
Non-controlling interests in consolidated subsidiaries	9,276	8,815	87,311
Total net assets	128,988	126,016	1,214,118
Total liabilities and net assets	¥ 390,273	¥ 379,244	$ 3,673,503

See accompanying notes.

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net sales (Note 15)	¥ 553,197	¥ 474,330	$ 5,207,050
Cost of sales	460,534	389,316	4,334,845
Operating gross profit	92,662	85,014	872,195
Selling, general and administrative expenses (Notes 15 and 16)	75,110	71,939	706,984
Operating income (Note 15)	17,551	13,075	165,201
Other income (expenses):			
Interest and dividend income	613	540	5,769
Interest expenses	(1,019)	(913)	(9,591)
Foreign currency exchange gain, net	195	888	1,835
Equity in earnings (losses) of affiliates, net (Note 15)	(209)	(875)	(1,967)
Subsidy income	120	160	1,129
Gain on sales of fixed assets	568	137	5,346
Reversal of impairment losses	94	–	884
Settlement received	526	431	4,951
Impairment loss (Notes 7 and 15)	(175)	(55)	(1,647)
Loss on disposal of fixed assets	(2)	(51)	(18)
Loss on liquidation of subsidiaries (Note 17)	(457)	–	(4,301)
Provision of allowance for doubtful accounts	(1,019)	–	(9,591)
Loss on litigation	–	(36)	–
Provision for loss on litigation	–	(227)	–
Loss on arbitration ruling	–	(747)	–
Others, net (Notes 4, 15 and 17)	93	160	875
	(671)	(588)	(6,315)
Income before income taxes	16,879	12,486	158,876
Income taxes (Note 10):			
Current	8,836	7,396	83,170
Deferred	(338)	(414)	(3,181)
	8,498	6,982	79,988
Net income	8,381	5,504	78,887
Net income attributable to non-controlling interests	1,378	1,017	12,970
Net income attributable to owners of the parent	¥ 7,002	¥ 4,487	$ 65,907

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net income	¥ 8,381	¥ 5,504	$ 78,887
Other comprehensive income (Note 18):			
Unrealized gains (losses) on available-for-sale securities	138	416	1,298
Deferred gains (losses) on hedges	–	4	–
Foreign currency translation adjustments	(2,897)	(7,804)	(27,268)
Remeasurements of defined benefit pension plans	(305)	121	(2,870)
Share of other comprehensive income of entities accounted for using equity method	407	(1,261)	3,830
Total other comprehensive income	(2,657)	(8,524)	(25,009)
Comprehensive income	¥ 5,724	¥ (3,020)	$ 53,878
Comprehensive income attributable to			
Owners of the parent	¥ 4,316	¥ (3,664)	$ 40,625
Non-controlling interests	1,407	644	13,243

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2018 and 2017

		Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2016	72,000	¥ 7,216	¥ 4,293	¥ 103,271	¥ (3)	¥ 114,777	¥ 1,338	¥ (4)	¥ 9,473	¥ (205)	¥ 10,602	¥ 9,819	¥ 135,199
Cash dividends paid	–	–	–	(1,871)	–	(1,871)	–	–	–	–	–	–	(1,871)
Net income attributable to owners of the parent	–	–	–	4,487	–	4,487	–	–	–	–	–	–	4,487
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	–	(0)
Adjustment due to change in the fiscal period of consolidated subsidiaries	–	–	–	1,250	–	1,250	–	–	–	–	–	–	1,250
Change in equity of parent related to transaction with non-controlling shareholders	–	–	(275)	–	–	(275)	–	–	–	–	–	–	(275)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	416	4	(12,225)	34	(11,769)	(1,003)	(12,773)
Balance at April 1, 2017	**72,000**	**¥ 7,216**	**¥ 4,018**	**¥ 107,137**	**¥ (3)**	**¥ 118,367**	**¥ 1,754**	**¥ –**	**¥ (2,751)**	**¥ (170)**	**¥ (1,167)**	**¥ 8,815**	**¥ 126,016**
Cash dividends paid	**–**	**–**	**–**	**(1,871)**	**–**	**(1,871)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,871)**
Net income attributable to owners of the parent	**–**	**–**	**–**	**7,002**	**–**	**7,002**	**–**	**–**	**–**	**–**	**–**	**–**	**7,002**
Capital increase of consolidated subsidiaries	**–**	**–**	**66**	**–**	**–**	**66**	**–**	**–**	**–**	**–**	**–**	**–**	**(66)**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**138**	**–**	**(2,517)**	**(307)**	**(2,686)**	**461**	**(2,224)**
Balance at March 31, 2018	**72,000**	**¥ 7,216**	**¥ 4,084**	**¥ 112,268**	**¥ (3)**	**¥ 123,565**	**¥ 1,893**	**¥ –**	**¥ (5,268)**	**¥ (478)**	**¥ (3,853)**	**¥ 9,276**	**¥ 128,988**

See accompanying notes.

		Thousands of U.S. dollars (Note 1)											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2017	**72,000**	**$ 67,921**	**$ 37,820**	**$ 1,008,443**	**$ (28)**	**$ 1,114,147**	**$ 16,509**	**$ –**	**$ (25,894)**	**$ (1,600)**	**$ (10,984)**	**$ 82,972**	**$ 1,186,144**
Cash dividends paid	**–**	**–**	**–**	**(17,611)**	**–**	**(17,611)**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,611)**
Net income attributable to owners of the parent	**–**	**–**	**–**	**65,907**	**–**	**65,907**	**–**	**–**	**–**	**–**	**–**	**–**	**65,907**
Capital increase of consolidated subsidiaries	**–**	**–**	**621**	**–**	**–**	**621**	**–**	**–**	**–**	**–**	**–**	**–**	**621**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**1,298**	**–**	**(23,691)**	**(2,889)**	**(25,282)**	**4,339**	**(20,933)**
Balance at March 31, 2018	**72,000**	**$ 67,921**	**$ 38,441**	**$ 1,056,739**	**$ (28)**	**$ 1,163,074**	**$ 17,818**	**$ –**	**$ (49,585)**	**$ (4,499)**	**$ (36,266)**	**$ 87,311**	**$ 1,214,118**

See accompanying notes.

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 16,879	¥ 12,486	$ 158,876
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	11,674	10,729	109,883
Impairment loss	175	55	1,647
Reversal of impairment losses	(94)	–	(884)
Increase (Decrease) in accrued bonuses to employees	257	526	2,419
Increase (Decrease) in accrued bonuses to directors and corporate auditors	(115)	130	(1,082)
Increase (Decrease) in net defined benefit liability	(105)	(29)	(988)
Increase (Decrease) in provision for loss on litigation	(227)	227	(2,136)
Interest and dividend income	(613)	(540)	(5,769)
Interest expense	1,019	913	9,591
Equity in losses (earnings) of affiliates	209	875	1,967
Loss (gain) on liquidation of subsidiaries	457	–	4,301
Settlement received	(526)	(431)	(4,951)
Loss on litigation	–	36	–
Loss on arbitration ruling	–	747	–
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(14,494)	(10,668)	(136,426)
Increase (Decrease) in notes and accounts payable	7,931	4,385	74,651
(Increase) Decrease in other assets	97	(601)	913
Increase (Decrease) in other liabilities	66	(40)	621
Others, net	1,610	1,228	15,154
Subtotal	24,203	20,032	227,814
Interest and cash dividend received	818	800	7,699
Interest paid	(1,023)	(911)	(9,629)
Income taxes paid	(8,473)	(5,726)	(79,753)
Settlement package received	526	431	4,951
Payments for loss on litigation	(236)	(36)	(2,221)
Payment for loss on arbitration ruling	(750)	–	(7,059)
Net cash provided by (used in) operating activities	15,063	14,589	141,782

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(6,270)	(6,642)	(59,017)
Proceeds from withdrawal of time deposit	6,014	7,401	56,607
Payments for purchases of securities	(3,000)	(3,991)	(28,237)
Proceeds from sales of securities	3,563	3,179	33,537
Payments for purchases of property and equipment	(5,192)	(3,762)	(48,870)
Payments for purchases of intangible assets	(4,332)	(1,955)	(40,775)
Proceeds from sales of property and equipment	649	448	6,108
Proceeds from loans receivable	305	28	2,870
Payments for loans receivable	(1,504)	(0)	(14,156)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	243	–
Others, net	(263)	(291)	(2,475)
Net cash provided by (used in) investing activities	(10,030)	(5,342)	(94,408)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	6,024	(4,849)	56,701
Proceeds from share issuance to non-controlling shareholders	78	–	734
Payments of capital lease obligations	(179)	(201)	(1,684)
Proceeds from long-term debt	–	3,000	–
Payments for long-term debt	(5,825)	(1,046)	(54,828)
Payments of cash dividends	(1,871)	(1,872)	(17,611)
Payments of cash dividends to non-controlling interests	(976)	(687)	(9,186)
Others, net	(3)	(0)	(28)
Net cash provided by (used in) financing activities	(2,754)	(5,657)	(25,922)
Effect of exchange rate fluctuations on cash and cash equivalents	70	(1,418)	658
Net increase (decrease) in cash and cash equivalents	2,349	2,172	22,110
Cash and cash equivalents at beginning of year	65,506	63,903	616,585
Increase (Decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	–	(569)	–
Cash and cash equivalents at end of year (Note 3)	¥ 67,856	¥ 65,506	$ 638,704

See accompanying notes.

Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2018 and 2017

Note 1: Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Kintetsu World Express, Inc. (The "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain aspects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles. In accordance with the accounting standard, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements (issued by the Accounting Standards Board of Japan ("ASBJ") on March 26, 2015)", certain differences between Japanese GAAP and those in overseas are adjusted in the consolidation process. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company provided in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

All Japanese yen figures have been rounded down to million yen. The translation of the Japanese yen amounts into U.S. dollars is rounded down to thousand dollars and is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018 which is ¥106.24 to U.S. $1. The convenience translations should not be construed as representations of possible future amounts, converted into U.S. dollars at this or any other rate of exchange.

Certain prior year amounts have been reclassified to conform to the year 2018 presentation.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation
The Consolidated financial statements include the accounts of the Company and 136 subsidiaries for the year ended March 31, 2018. At March 31, 2017 the Company had 136 subsidiaries and consolidated all of them.

The Company and the consolidated subsidiaries are together referred to as the "Group" hereinafter.

(2) Consolidation and Elimination
For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits are eliminated, and the portion thereof attributable to non-controlling interests charged to net income attributable to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

(3) Investments in Non-consolidated Subsidiaries and Affiliates
The Company has 1 non-consolidated subsidiary accounted for using the equity method because its impact on the consolidated financial statements is of low importance.

At March 31, 2018, 1 non-consolidated subsidiary and 9 affiliates, of which the Company has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. At March 31, 2017, 1 non-consolidated subsidiary and 9 affiliates were accounted for by the equity method.

(4) Accounting Period
The Company's accounting period begins each year on April 1 and ends the following year on March 31. The fiscal year end of APL Logistics Ltd and its 70 consolidated subsidiaries is the last Friday of December of each year.

The difference between the fiscal year end of the Company and that of APL Logistics and its subsidiaries exceeds 3 months hence financial statements based on preliminary closing date of December 31 is used. Necessary adjustments have been made in the consolidation process to address material transactions that occurred between closing dates different to the Company.

(5) Cash and Cash Equivalents
In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(6) Securities
In applying Japanese GAAP, securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Group does not hold any security defined as securities held for trading purposes, as of March 31, 2018 and 2017. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with market value are stated at market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income in net assets. Realized gains and losses on sales of such securities are computed using weighted-average cost. Other securities that do not have market value are stated at weighted-average cost. If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amounts is recognized as loss in the period of the decline.

(7) Allowance for Doubtful Accounts
The Company and domestic consolidated subsidiaries adopted the policy of providing the allowance for doubtful accounts using the actual rate of bad debt losses experienced in the past for the receivable other than those, for which allowance is provided based on individual evaluation of their possibility of collection.

The allowance for doubtful accounts held by overseas consolidated subsidiaries represents the amount deemed necessary to cover possible losses.

(8) Property and Equipment excluding Leased Assets
Property and equipment are stated at cost and have been depreciated over the estimated useful lives of the respective assets on the straight-line method. The range of useful lives is principally as follows:
Buildings and Structures............ 5-50 years
Machinery and equipment........ 2-15 years
Others... 1-15 years

(9) Intangible Assets excluding Leased Assets
Amortization of intangible assets is computed using the straight-line method. Software for internal use is amortized on the straight-line method over their useful lives (primarily 5-10 years). Goodwill and negative goodwill which was accounted on or before March 31, 2010 are amortized on the straight-line method primarily over 20 years. Immaterial goodwill is amortized as incurred. Customer-related intangible assets and Trademark rights which were identified in business combination are amortized on the straight-line method over their useful lives of 20 years.

(10) Leased Assets under Finance Lease without Transfer of Ownership
Assets used under finance lease arrangements are capitalized. Depreciation for Leased Assets is amortized on the straight-line method with their residual values being zero over their leased periods used as the number of years for useful lives.

(11) Accounting for Impairment of Long-lived Assets
The Group reviews their long-lived assets for impairment whenever changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(12) Accrued Bonuses to Employees
Bonuses to employees are provided for the portion of relevant to the current year of the estimated amount of bonus payments.

(13) Accrued Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are provided for the portion relevant to the current year of the estimated amount of bonus payments.

(14) Accounting for Retirement Benefits

The Group adopts the accounting standard for employees' severance and retirement benefits, under which allowance and expenses for severance and pension benefits are determined based on the amounts obtained by actuarial calculations.

The Company and certain consolidated subsidiaries have a defined benefit pension plan while certain overseas subsidiaries have either a defined benefit pension plan or a defined contribution pension plan.

Under such conditions, the Group adopts following policies about the Accounting for Retirement Benefits.

a) The calculation method of the retirement benefit obligation
The retirement benefit obligation amount to be amortized in the period of the year ended March 31, 2018 is calculated under benefit formula bases.

b) Actuarial gains and losses and past service costs
The past service cost is amortized on the straight-line method over the period of 13 years.
Actuarial gains and losses are amortized evenly commencing from the following fiscal year on the straight-line method over the period prescribed by the average of the estimated remaining service period of 13 years.

c) The simplified method for the retirement benefit obligation
Some consolidated subsidiaries calculate the amounts of net defined benefit liability and retirement benefit cost by utilizing the simplified method that the estimated severance amount for all employees at the year-end is deemed as the retirement benefit obligation for the year.

(15) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the year-end date. The foreign exchange gains and losses from transactions are recognized in the consolidated statements of income and the consolidated statements of comprehensive income to the extent that they are not hedged by forward exchange contracts.

(16) Foreign Currency Financial Statements

The balance sheet accounts of foreign consolidated subsidiaries and affiliates are translated into Japanese yen at current exchange rates prevailing at the relevant balance sheet date except for equity, which is translated at the historical rates. Revenue and expense accounts of the foreign consolidated subsidiaries and affiliates are translated into Japanese yen at the average exchange rates. The differences arising from such translations were shown as "Foreign currency translation adjustments" and "Non-controlling interests in consolidated subsidiaries" in separate components of equity.

(17) Income Taxes

Income taxes consist of corporation, inhabitant and enterprise taxes. The provision for income taxes is computed based on the pretax income of each of the Company and its consolidated subsidiaries with certain adjustments required for tax purposes. The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes, together with the assessment of the recoverability of deferred tax assets.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(18) Derivatives

The Group uses derivative financial instruments to manage their exposure to fluctuations in foreign currency exchange and interest rates. Derivative financial instruments are stated at fair value and changes in their fair values are recognized as gains or losses.

(19) Hedging Activities

For derivatives used for hedging purposes, gains or losses on derivatives are deferred until the period in which the hedged transactions are recognized. Interest rate and currency swaps, which qualify for hedge accounting and meet specific matching criteria, are not measured at fair value. The net payment and receipt under the swap agreements are instead recognized and included in interest expense, and hedged items denominated in a foreign currency are translated at the contracted rate (integral accounting).

The following summarizes hedging derivative financial instruments used by the Group.

Hedging instruments	Hedged object
Interest and currency swaps	Long-term debt denominated in foreign currency
Forward foreign exchange contracts	Foreign currency scheduled transactions

The evaluation of hedge effectiveness is based on a comparison between the cumulative fluctuations in rates or fluctuation of cash flows on hedged object and hedging instruments. The evaluation of hedge effectiveness for interest and currency swaps is omitted as they meet the requirements of integral accounting.

(20) Per Share Information

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year. Diluted earnings per share of common stock for the years ended March 31, 2018 and 2017 are not presented since the Company had no securities with dilutive effect. Cash dividends per share presented in the consolidated statements of income represent dividends declared as applicable to the respective year, including dividends paid after the end of the year.

(21) Standards and Guidance Issued but Not Yet Adopted

The following guidance were issued but not yet adopted.

·"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018 (hereinafter, "Guidance No. 28"))
·"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018 (hereinafter, "Guidance No. 26"))

a) Overview
The above guidance was revised in regard to the treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and to clarify the treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type1' according to the guidance.

b) Effective date
Effective from the beginning of the fiscal year ending March 31, 2019.

c) Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

·"Accounting Standard for Revenue Recognition" (ASBJ Standard No. 29, March 30, 2018)
·"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

a) Overview
A comprehensive revenue recognition model where revenue is recognized by applying the following five steps:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

b) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

c) Effects of the implementation of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(22) Changes in Presentation

Consolidated statements of cash flows

Prior to April 1, 2017, "Payment for purchase of intangible assets" was included in "Other" in the cash flows from investing activities section of the consolidated statements of cash flows. Since during this fiscal year ended March 31, 2018, the materiality of the amount increased, such amount was disclosed separately in the cash flows from investing activities section of the consolidated statements of cash flows. The amount included in "Other" for the year ended March 31, 2017 was ¥(1,955) million.

Note 3: Consolidated Statements of Cash Flows

1. Reconciliations of cash and cash equivalents to the amounts presented in the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits	¥ 72,832	¥ 70,275	$ 685,542
Time deposits with maturities exceeding three months	(4,976)	(4,768)	(46,837)
Cash and cash equivalents	¥ 67,856	¥65,506	$ 638,704

2. Assets and liabilities of newly consolidated subsidiaries by acquisition
For the year ended March 31, 2017
The following is the summary of assets acquired and liabilities assumed through the acquisition of shares in India Infrastructure and Logistics Private Limited for the year ended March 31, 2017, related acquisition cost and net proceeds:

	Millions of yen
	2017
Current assets	¥ 1,458
Non-current assets	2,325
Goodwill	2,703
Current liabilities	(1,868)
Non-current liabilities	(45)
Non-controlling interests	0
Foreign currency translation adjustments	0
Acquisition cost	4,572
Cash and cash equivalents of newly consolidated subsidiaries	(243)
Debt equivalent to the shares	(4,572)
Proceeds for the acquisition	¥ 243

For the year ended March 31, 2018
No such transaction noted in current fiscal year.

3. Significant non-cash transactions
The amounts of assets and obligations related to finance lease transactions that were newly recorded in the current fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2017 are ¥344 million ($3,237 thousand) and ¥150 million, respectively.

Note 4: Securities

The following tables summarized acquisition costs, book values and fair values of securities with available fair values at March 31, 2018 and 2017:

Held-to-maturity debt securities, at March 31, 2018: None
Held-to-maturity debt securities, at March 31, 2017: None

Available-for-sale securities, at March 31, 2018:	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 4,691	¥ 1,978	¥ 2,712	$ 44,154	$ 18,618	$ 25,527
Securities with book value not exceeding acquisition costs	3,256	3,324	(68)	30,647	31,287	(640)
Total	¥ 7,947	¥ 5,303	¥ 2,644	$ 74,802	$ 49,915	$ 24,887

Available-for-sale securities, at March 31, 2017:	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 5,126	¥ 2,657	¥ 2,468
Securities with book value not exceeding acquisition costs	3,353	3,362	(9)
Total	¥ 8,479	¥ 6,019	¥ 2,459

Available-for-sale securities sold during the years ended March 31, 2018 and 2017:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Sales proceeds	¥ 27	¥ 281	$ 254
Gain on sales	0	19	0
Loss on sales	–	–	–

Note 5: Pledged Assets and Secured Liabilities

1. At March 31, 2018 and 2017, assets pledged as collateral for secured liabilities were as follows:

Assets pledged as collateral	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits	¥ 111	¥ 22	$ 1,044
Notes and accounts receivable-trade	4,867	3,894	45,811
Other investments	6	–	56
Total	¥ 4,985	¥ 3,917	$ 46,922

2. At March 31, 2018 and 2017, liabilities related to these assets pledged as collateral were as follows:

Secured liabilities	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Notes and accounts payable-trade	¥ 0	¥ 5	$ 0
Short-term debt	3,190	2,905	30,026
Total	¥ 3,191	¥ 2,910	$ 30,035

Note 6: Contingent Liabilities

At March 31, 2018 and 2017, guarantees were as follows:

Guarantees	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Borrowing from financial institution by non-consolidated subsidiary accounted for using equity method	¥ –	¥ 718	$ –
Total	¥ –	¥ 718	$ –

Note 7: Impairment Loss

Impairment loss for the year ended March 31, 2018
The Group primarily classifies its assets by management accounting unit and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥175 million ($1,647 thousand) as other expenses.

1) The impairment loss was recognized on goodwill of India Infrastructure and Logistics Private Limited in India (APLL Segment), and the Group reduced the book value of these assets by ¥25 million ($235 thousand) to their recoverable amount because it is no longer foreseen to generate revenues that was expected at share acquisition. The recoverable amount was measured by value in use calculated by discounting future cash flows at a discount rate of 15.0%.
2) The impairment loss was recognized on the idle tangible assets of Japan Segment, and the Group reduced the book value of these assets by ¥150 million ($1,411 thousand), of which ¥137 million ($1,289 thousand) was allocated to land, and ¥12 million ($112 thousand) to building and structures etc. The recoverable amount was measured by the net selling price valued by outside real estate appraiser.

Impairment loss for the year ended March 31, 2017
The Group primarily classifies its assets by management accounting unit and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥55 million as other expenses.

The impairment loss was recognized on goodwill of India Infrastructure and Logistics Private Limited in India (APLL Segment), and the Group reduced the book value of these assets to their recoverable amount because it is no longer foreseen to generate revenues that was expected at share acquisition. The recoverable amount was measured by value in use calculated by discounting future cash flows at a discount rate of 14.0%.

Note 8: Short-term Debt and Long-term Debt

1. Short-term debt consists principally of borrowings from banks. The weighted average interest rate of short-term debt as of March 31, 2018 and 2017 are 2.3% and 1.8%, respectively.

2. Long-term debt including lease obligations at March 31, 2018 and 2017 consists of the following:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Long-term debt from banks and other financial institutions due 2016 to 2026, with average interest of 0.4% for 2018 and 2017			
Unsecured	¥135,006	¥ 140,643	$1,270,764
Less: Portion due within one year	(10,811)	(5,980)	(101,760)
Long-term debt, less current portion	¥124,195	¥ 134,663	$1,169,004

3. Annual maturities of long-term debt including lease obligations at March 31, 2018 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 10,623	$ 99,990
2021	30,232	284,563
2022	13,192	124,171
2023 and thereafter	70,146	660,259
Total	¥ 124,195	$ 1,169,004

4. Financial covenants
As of March 31, 2018
The Company's long-term debt (including current portion of long-term debt) from bank of ¥125,000 million ($1,176,581 thousand) includes financial covenants, with which the Company is in compliance as follows:
(a) Maintain the amount of shareholders' equity recorded on the Company's consolidated balance sheets as of the end of each fiscal year at not less than 75% of the total shareholders' equity recorded on the Company's consolidated balance sheets as of the end of the previous fiscal year or the fiscal year ended March 31, 2015.
(b) As of the end of each fiscal year, the Company shall not recognize ordinary losses as recorded in its consolidated statements of income for two consecutive periods.
(c) Maintain net debt equity ratio on the Company's consolidated balance sheets as of the end of each fiscal year at less than three times.

As of March 31, 2017
The Company's long-term debt from bank of ¥130,000 million includes financial covenants, with which the Company is in compliance as follows:
(a) Maintain the amount of shareholders' equity recorded on the Company's consolidated balance sheets as of the end of each fiscal year at not less than 75% of the total shareholders' equity recorded on the Company's consolidated balance sheets as of the end of the previous fiscal year or the fiscal year ended March 31, 2015.
(b) As of the end of each fiscal year, the Company shall not recognize ordinary losses as recorded in its consolidated statements of income for two consecutive periods.
(c) Maintain net debt equity ratio on the Company's consolidated balance sheets as of the end of each fiscal year at less than three times.

Note 9: Accounting for Retirement Benefits

1. Defined benefit pension plans
(1) Changes in retirement benefit obligations except pension plans applying simplified method

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Balance at beginning of year, as previously reported	¥ 14,114	¥ 14,134	$132,850
Increase due to business combination	–	10	–
Service cost	948	788	8,923
Interest cost	172	169	1,618
Actuarial differences incurred during the year	430	(117)	4,047
Benefits paid	(1,066)	(878)	(10,033)
Past service costs	(39)	–	(367)
Effect of change in accounting period	–	34	–
Increase due to change from the simplified method to the principle method	797	–	7,501
Other	27	(29)	254
Balance at end of year	¥ 15,385	¥ 14,114	$ 144,813

(2) Changes in plan assets except pension plans applying simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥ 13,549	¥ 13,423	$127,532
Increase due to business combination	–	5	–
Expected return on plan assets	405	398	3,812
Actuarial differences incurred during the year	(22)	71	(207)
Contributions paid by the employer	661	550	6,221
Contributions paid by the employee	96	97	903
Benefits paid	(1,052)	(868)	(9,902)
Effect of change in accounting period	–	(114)	–
Other	1	(14)	9
Balance at end of year	¥ 13,639	¥ 13,549	$128,379

(3) Changes in retirement benefit obligations applying simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥ 1,949	¥ 1,832	$ 18,345
Retirement benefit costs	432	428	4,066
Benefits paid	(165)	(128)	(1,553)
Contributions paid by the employer	(292)	(214)	(2,748)
Effect of change in accounting period	–	30	–
Decrease due to change from the simplified method to the principle method	(797)	–	(7,501)
Other	5	0	47
Balance at end of year	¥ 1,132	¥ 1,949	$ 10,655

(4) Reconciliation of retirement benefit obligations and plan assets with net defined benefit liability and asset on the consolidated balance sheet (including the Companies applying simplified method)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligations	¥ 14,921	¥ 14,427	$140,446
Plan assets	(14,420)	(14,214)	(135,730)
	500	212	4,706
Unfunded projected benefit obligations	2,376	2,301	22,364
Net liability (asset) on the consolidated balance sheet	¥ 2,877	¥ 2,513	$ 27,080
Net defined benefit liability	2,877	2,520	27,080
Net defined benefit asset	–	(6)	–
Net amount of liability (asset) on the consolidated balance sheet	¥ 2,877	¥ 2,513	$ 27,080

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 851	¥ 691	$ 8,010
Interest cost	172	169	1,618
Expected return on plan assets	(405)	(398)	(3,812)
Amortization on actuarial gains and losses	11	(14)	103
Amortization on prior service cost	(38)	0	(357)
Retirement benefit cost with simplified method	432	428	4,066
Net retirement benefit costs of defined benefit pension plan	¥ 1,024	¥ 877	$ 9,638

(6) Other comprehensive income on remeasurements of defined benefit pension plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Past service costs	¥ 0	¥ 0	$ 0
Actuarial differences	(441)	173	(4,150)
Total	¥ (440)	¥ (174)	$ (4,141)

(7) Remeasurements of defined benefit pension plans in accumulated other comprehensive income, before tax

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized past service costs	¥ 2	¥ 3	$ 18
Unrecognized actuarial differences	725	283	6,824
Total	¥ 728	¥ 287	$ 6,852

(8) Plan assets

(a) Components of plan assets	2018	2017
Bonds	40.7%	36.9%
Equity securities	21.2%	23.2%
Cash and time deposits	7.6%	8.6%
Life insurance company account	3.7%	3.7%
Alternative investments	26.2%	27.2%
Other	0.6%	0.4%
Total	100.0%	100.0%

Notes:
1. Plan asset consists of retirement benefit trust set to the defined benefit pension plan which accounted for 0.4% and 0.6% of the plan assets as of March 31, 2018 and 2017 respectively.
2. Alternative investments are mainly investments on hedge funds.

(b) Method of determining the long-term expected rate of return on plan assets
Long-term expected rate of return on plan assets is determined considering the long-term rates of return which are currently expected and expected in the future from the variety of assets portfolio components.

(9) Actuarial assumptions (stated at weighted-average)

	2018	2017
Discount rate	**1.2%**	1.2%
Long-term expected rate of return on plan assets	**3.0%**	3.0%

2. Defined contribution pension plan
Contributions to defined contribution pension plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2018 and 2017 were ¥1,305 million ($12,283 thousand) and ¥1,136 million, respectively.

Note 10: Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 30.9% for the years ended March 31, 2018 and 2017, respectively.

1. Significant components of deferred tax assets and liabilities
Significant components of deferred tax assets and liabilities resulting from temporary differences as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets:			
Loss carry forward	**¥ 2,870**	¥ 5,397	**$ 27,014**
Accrued bonuses	**687**	659	**6,466**
Accrued enterprise tax	**125**	115	**1,176**
Net defined benefit liability	**1,223**	1,102	**11,511**
Valuation loss on investment securities	**186**	178	**1,750**
Allowance for doubtful accounts	**352**	177	**3,313**
Allowance for paid leave	**258**	377	**2,428**
Foreign tax credit	**922**	352	**8,678**
Others	**796**	1,154	**7,492**
Gross deferred tax assets	**7,422**	9,514	**69,860**
Less: Valuation allowance	**(4,211)**	(6,469)	**(39,636)**
Total deferred tax assets	**3,210**	3,044	**30,214**
Deferred tax liabilities:			
Depreciation	**(1,235)**	(1,081)	**(11,624)**
Reserved profit of foreign subsidiaries	**(145)**	(122)	**(1,364)**
Unrealized holding gains on securities	**(763)**	(718)	**(7,181)**
Valuation difference on business combination	**(7,470)**	(8,324)	**(70,312)**
Others	**(858)**	(603)	**(8,076)**
Total deferred tax liabilities	**(10,473)**	(10,851)	**(98,578)**
Net deferred tax assets (liabilities)	**¥ (7,263)**	¥ (7,806)	**$ (68,364)**

2. Reconciliation between the statutory tax rate and effective tax rate
The reconciliations of the difference between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2018 and 2017 were as follows:

	2018	2017
Statutory tax rate	**30.9%**	30.9%
Entertainment expenses and other non-deductible permanent differences	**0.8**	8.5
Dividend income and other non-taxable income	**(0.6)**	(2.2)
Difference of the statutory tax rate among countries other than Japan	**(3.3)**	(1.2)
Amortization of goodwill	**6.5**	8.7
Corporate inhabitant tax, withholding tax	**7.5**	5.3
Valuation allowance, utilization of tax losses	**0.9**	2.0
Equity in earnings (losses) of affiliates, net	**0.4**	3.2
Effect of elimination of intercompany dividends received	**0.5**	1.5
Reserved profit of foreign subsidiaries	**6.5**	0.1
Other, net	**0.3**	(0.9)
Effective tax rate	**50.4%**	55.9%

Note 11: Consolidated Statements of Changes in Net Assets

1. Shareholders' Equity
Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Companies Act ("the Act"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Act, both legal earnings reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings under certain conditions.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

2. Dividends from surplus, etc.
(1) Number of shares issued

	Shares	
	2018	2017
Number of shares at the beginning of the fiscal year	**72,000,000**	72,000,000
Increase	**–**	–
Decrease	**–**	–
Number of shares at the end of the fiscal year	**72,000,000**	72,000,000

Note: Type of all share issued is common stock.

(2) Number of treasury stock shares

	Shares 2018		Shares 2017
Number of shares at the beginning of the fiscal year	2,364		2,309
Increase	–	(Note 2)	55
Decrease	–		–
Number of shares at the end of the fiscal year	2,364		2,364

Notes:
1. Type of all share issued is common stock.
2. The 55 shares increase of treasury stock shares for the fiscal year ended March 31, 2017 is due to the purchase of shares less than standard unit.

(3) Items related to dividends
(a) Dividend paid

Resolutions	Dividend paid: Millions of yen	Dividend paid: Thousands of U.S. dollars	Dividend per share: Yen	Dividend per share: U.S. dollars	Record date	Effective date
Year ended March 31, 2018						
Ordinary general meeting of shareholders held on June 27, 2017	**¥ 1,151**	**$ 10,833**	**¥ 16.00**	**$ 0.15**	**March 31, 2017**	**June 28, 2017**
Board of Directors' meeting held on November 9, 2017	**719**	**6,767**	**10.00**	**0.09**	**September 30, 2017**	**December 8, 2017**
Year ended March 31, 2017						
Ordinary general meeting of shareholders held on June 21, 2016	¥ 1,151		¥ 16.00		March 31, 2016	June 22, 2016
Board of Directors' meeting held on November 8, 2016	719		10.00		September 30, 2016	December 9, 2016

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.

(b) Dividends with a record date during the years ended March 31, 2018 and 2017 but an effective date subsequent to the following fiscal year.

Resolutions	Dividend paid: Millions of yen	Dividend paid: Thousands of U.S. dollars	Dividend per share: Yen	Dividend per share: U.S. dollars	Record date	Effective date
Year ended March 31, 2018						
Ordinary general meeting of shareholders held on June 19, 2018	**¥ 1,151**	**$ 10,833**	**¥ 16.00**	**$ 0.15**	**March 31, 2018**	**June 20, 2018**
Year ended March 31, 2017						
Ordinary general meeting of shareholders held on June 27, 2017	¥ 1,151		¥ 16.00		March 31, 2017	June 28, 2017

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.

Note 12: Accounting for Leases

Lease obligations under non-cancellable operating leases for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Payments due within one year	¥ 8,730	¥ 8,424	$ 82,172
Payments due after one year	18,031	19,753	169,719
Total	¥ 26,762	¥ 28,178	$ 251,901

Note 13: Financial Instruments

1. Qualitative information on financial instruments

(1) Group policy for financial instruments

The Group limits the use of financial instruments for fund management purposes to short term bank deposit, high credit rating debt securities and to loans from banks for financing. Utilizing derivative is not for speculative purposes but to manage financial risks as described in detail below.

(2) Details of financial instruments used and the exposures to risks and policies and processes for managing the risks

Notes and accounts receivable-trade are exposed to credit risk of customers. To minimize the credit risk, the Group performs due date controls and balance controls for each customer in accordance with internal customer credit management rule and regularly screens customers' credit status.

Investment securities are held-to-maturity debt securities, high credit rating debt securities and shares of companies with which the Group has operational relationships and they are exposed to stock market fluctuation risks. To control the risks, the Group are continuously monitoring the investees' financial position and the market values.

Credit risk arising from held-to-maturity debt securities and high credit rating debt securities is minimal.

Maturities of notes and accounts payable-trade are mostly within one year. Among loans payable, short-term debts are mainly for financing related to business transactions and long-term debts are mainly for financing related to capital investments and mergers and acquisitions.

Those payables and debts are exposed to liquidity risk at time of settlement. However, the Group reduces that risk by having each company review its financing plans periodically and by controlling the liquidity position.

As for derivative transactions, the Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain receivables and payables, and scheduled transactions denominated in foreign currencies. Also the Group enters into interest rate and currency swap contracts to manage interest and currency exposures on debt from financial institutions.

As for foreign exchange forward contracts, it is executed and controlled under the Group's internal rules and regulations.

The credit risk of derivative transactions is deemed to be very low because the Group only conducts transactions with financial institutions with high credit ratings.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2018 were as follows.

Moreover, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (See Note 2)

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits	¥ 72,832	¥ 72,832	¥ –	$ 685,542	$ 685,542	$ –
(2) Notes and accounts receivable-trade	110,005	110,005	–	1,035,438	1,035,438	–
(3) Marketable securities						
Available-for-sale securities	2,558	2,558	–	24,077	24,077	–
(4) Investment securities						
Equity securities	6,916	2,441	(4,474)	65,097	22,976	(42,112)
Other securities	5,389	5,389	–	50,724	50,724	–
Total	¥197,701	¥193,226	¥ (4,474)	$1,860,890	$1,818,768	$(42,112)
Liabilities:						
(5) Notes and accounts payable-trade	¥ 51,622	¥ 51,622	¥ –	$ 485,899	$ 485,899	$ –
(6) Short-term debt	31,422	31,422	–	295,764	295,764	–
(7) Income taxes payable	3,867	3,867	–	36,398	36,398	–
(8) Long-term debt (including current portion of long-term debt)	134,253	134,259	6	1,263,676	1,263,733	56
Total	¥221,166	¥221,172	¥ 6	$2,081,758	$2,081,814	$ 56
Derivative transactions(*):						
(1) Hedge accounting is not applied	¥ (2)	¥ (2)	¥ –	$ (18)	$ (18)	$ –
(2) Hedge accounting is applied	–	–	–	–	–	–
Total	¥ (2)	¥ (2)	¥ –	$ (18)	$ (18)	$ –

(*)Derivative assets and liabilities are presented on net basis. Net liabilities are disclosed in brackets.

Notes:

1. Fair value measurement of financial instruments

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

The relevant book values are used because the settlement periods of the above items are short in nature and their fair values are approximate to their book values.

(3) Marketable securities and (4) Investment securities

The fair value equals quoted market price or price provided by financial institutions.

Liabilities

(5) Notes and accounts payable-trade, (6) Short-term debt and (7) Income taxes payable

The relevant book values are used because the settlement periods of the above items are short in nature and their fair values are approximate to their book values.

(8) Long-term debt (including current portion of long-term debt)

Long-term debt (including those in foreign currencies) consists of interest rate and currency swaps, which meet the specific matching criteria of integral accounting. The fair value is computed by discounting the aggregate value of the principal and interest, together with the interest rate and currency swaps, using the interest rate that would be assumed if a similar loan agreement was entered.

Derivative transactions

The fair value information for derivatives is included in Note 14.

2. Financial instruments whose fair value cannot be reliably determined

Investments in equity instruments that do not have a quoted market price in an active market as of March 31, 2018 were as follows:

	Book value	
	Millions of yen	Thousands of U.S. dollars
Investments in affiliates	¥ 7,540	$ 70,971
Investments in others	382	3,595

Notes:

1. These investments are not included in Assets (4) Investment securities.
2. Certain unlisted security was impaired and valuation loss on investment security of ¥149 million ($1,402 thousand) was recorded for the year ended March 31, 2018.
3. The redemption schedule for monetary claim and debt securities with maturity dates subsequent to the consolidated balance sheet is as follows:

	Millions of yen			Thousands of U.S. dollars		
	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years
Assets						
(1) Cash and time deposits	¥ 72,832	¥ –	¥ –	$ 685,542	$ –	$ –
(2) Notes and accounts receivable-trade	110,005	–	–	1,035,438	–	–
(3) Marketable securities						
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	2,535	34	–	23,861	320	–
Other securities with maturity date (government securities)	22	28	–	207	263	–
Total	¥185,395	¥ 63	¥ –	$ 1,745,058	$ 592	$ –

Note 14: Derivatives

1. Derivative transactions to which hedge accounting was not applied as of March 31, 2018

[Currency related]

	Millions of yen			Thousands of U.S. dollars		
	Contract amounts due within one year	Fair value	Unrealized gain (loss)	Contract amounts due within one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions						
Foreign currency forward contracts to						
Purchase U.S. dollar	¥ 794	¥ (1)	¥ (1)	$ 7,473	$ (9)	$ (9)
Purchase euro	311	(0)	(0)	2,927	(0)	(0)
Purchase British pound	44	0	0	414	0	0
Purchase Thai baht	43	(0)	(0)	404	(0)	(0)
Purchase Swiss franc	20	(0)	(0)	188	(0)	(0)
Purchase Hong Kong dollar	17	(0)	(0)	160	(0)	(0)
Purchase Swedish krona	2	(0)	(0)	18	(0)	(0)
	¥ 1,234	¥ (2)	¥ (2)	$ 11,615	$ (18)	$ (18)

Note: Fair value is based on information provided by financial institutions at the end of fiscal year.

2. Derivative transactions to which hedge accounting was applied as of March 31, 2018

[Interest and Currency related]

	Millions of yen			Thousands of U.S. dollars		
Hedged items and hedge accounting method	Contract amounts	Contract amounts due over one year	Fair value	Contract amounts	Contract amounts due over one year	Fair value
Hedged items: Long-term debt and interest						
Hedge accounting method: Integral accounting for interest rate and currency swaps						
Currency and interest rate swaps to	¥ 66,000	¥ 60,000	Note	$ 621,234	$ 564,759	Note
Floating-rate receipt, fixed-rate payment						
Receipt in U.S. dollars, payment in yen						

Note: Currency and interest rate swaps which qualify for hedge accounting and meet specific criteria are not remeasured at market value but the differential paid or received under the swap agreement is recognized and included in interest expense of the long-term debt.

Note 15: Segment Information

1. Overview of reportable segments
Reportable segments of the Group are components of an entity for which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.
The Company and its consolidated subsidiaries consist of 6 reportable segments namely "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", "Southeast Asia" and "APLL".

2. Services of each reportable segments
"Japan" , "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania" and "Southeast Asia" segments perform business activities mainly in Air freight forwarding, Sea freight forwarding and Logistics (Warehouse operation) services. "APLL" segment provides services related to Logistics (Truck and Rail transportation and Warehouse operation) and Sea freight forwarding.

3. Calculation for net sales, segment income or loss, assets and other of reportable segments
Accounting practice for reportable segments is the same as the practice described in Note 1 "Basis of Presenting the Consolidated Financial Statements".
Income of reportable segments is stated on the basis of operating income. Inter-segment sales or transfer are based on market price to be used under general business conditions.

4. Net sales, segment income or loss, assets and others of reportable segments
The segment information of the Companies for the years ended March 31, 2018 and 2017 are presented below:

	Millions of yen										
	Reportable Segments										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other (1)	Total	Adjustment (2)	Consolidated (3)
Year ended March 31, 2018:											
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
Operating expenses	121,618	49,636	38,012	90,496	51,459	196,847	548,070	2,038	550,108	(14,463)	535,645
Segment income (loss)	¥ 6,189	¥ 3,582	¥ 623	¥ 5,634	¥ 3,257	¥ (1,986)	¥ 17,301	¥ 244	¥ 17,546	¥ 4	¥ 17,551
At March 31, 2018:											
Segment assets	¥ 76,415	¥ 22,258	¥ 19,035	¥ 56,030	¥ 29,220	¥ 192,319	¥ 395,279	¥ 2,193	¥ 397,473	¥ (7,200)	¥ 390,273
Year ended March 31, 2018:											
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
Investments in affiliates	2,675	–	228	468	4,167	6,916	14,456	–	14,456	–	14,456
Increase in property and equipment and other intangible assets	1,626	196	137	419	755	6,483	9,620	679	10,299	–	10,299
Year ended March 31, 2017:											
Net sales											
Net sales to outside customers	¥ 107,493	¥ 41,318	¥ 30,410	¥ 75,362	¥ 43,830	¥ 175,578	¥ 473,995	¥ 335	¥ 474,330	¥ –	¥ 474,330
Inter-segment sales/transfers	2,850	2,921	1,031	1,595	999	82	9,481	1,626	11,108	(11,108)	–
Total net sales	110,344	44,240	31,442	76,958	44,830	175,660	483,476	1,961	485,438	(11,108)	474,330
Operating expenses	105,903	41,753	30,084	71,988	41,844	179,014	470,589	1,779	472,369	(11,113)	461,255
Segment income (loss)	¥ 4,440	¥ 2,486	¥ 1,357	¥ 4,969	¥ 2,985	¥ (3,353)	¥ 12,887	¥ 182	¥ 13,069	¥ 5	¥ 13,075
At March 31, 2017:											
Segment assets	¥ 70,261	¥ 20,175	¥ 16,854	¥ 50,601	¥ 27,097	¥ 195,181	¥ 380,170	¥ 2,065	¥ 382,236	¥ (2,992)	¥ 379,244
Year ended March 31, 2017:											
Other:											
Depreciation	¥ 1,361	¥ 218	¥ 222	¥ 617	¥ 408	¥ 4,223	¥ 7,052	¥ 43	¥ 7,095	¥ –	¥ 7,095
Amortization of goodwill	47	–	–	–	–	3,598	3,645	–	3,645	–	3,645
Investments in affiliates	2,427	–	202	731	4,313	6,303	13,978	–	13,978	–	13,978
Increase in property and equipment and other intangible assets	910	142	199	362	276	4,380	6,272	47	6,319	–	6,319

	Thousands of U.S. dollars										
	Reportable Segments										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total	Adjustment	Consolidated
Year ended March 31, 2018:											
Net sales											
Net sales to outside customers	$ 1,170,190	$ 459,535	$ 353,812	$ 885,250	$ 502,004	$ 1,832,850	$ 5,203,652	$ 3,388	$ 5,207,050	$ –	$ 5,207,050
Inter-segment sales/transfers	32,812	41,387	9,855	19,597	13,017	1,298	117,987	18,100	136,088	(136,088)	–
Total net sales	1,203,002	500,931	363,667	904,847	515,022	1,834,149	5,321,649	21,489	5,343,138	(136,088)	5,207,050
Operating expenses	1,144,747	467,206	357,793	851,807	484,365	1,852,852	5,158,791	19,182	5,177,974	(136,135)	5,041,839
Segment income (loss)	$ 58,254	$ 33,716	$ 5,864	$ 53,030	$ 30,657	$ (18,693)	$ 162,848	$ 2,296	$ 165,154	$ 37	$ 165,201
At March 31, 2018:											
Segment assets	$ 719,267	$ 209,506	$ 179,169	$ 527,390	$ 275,037	$ 1,810,231	$ 3,720,623	$ 20,641	$ 3,741,274	$ (67,771)	$ 3,673,503
Year ended March 31, 2018:											
Other:											
Depreciation	$ 12,829	$ 2,193	$ 2,230	$ 5,647	$ 4,649	$ 46,159	$ 73,738	$ 922	$ 74,661	$ –	$ 74,661
Amortization of goodwill	442	–	–	–	–	34,873	35,325	–	35,325	–	35,325
Investments in affiliates	25,178	–	2,146	4,405	39,222	65,097	136,069	–	136,069	–	136,069
Increase in property and equipment and other intangible assets	15,304	1,844	1,289	3,943	7,106	61,022	90,549	6,391	96,940	–	96,940

Notes:

1. "Other" is segment which is not included in reportable segments and provides incidental logistics related services within the Group.
2. "Adjustment" includes:
   Segment income of ¥4 million ($37 thousand) and ¥5 million for the years ended March 31, 2018 and 2017, respectively represents elimination of inter-segment transactions.
   Segment assets of ¥(7,200) million ($(67,771) thousand) and ¥(2,992) million at March 31, 2018 and 2017 respectively consist of elimination of inter-segment transactions of ¥(14,932) million ($(140,549) thousand) and ¥(11,918) million at March 31, 2018 and 2017 respectively and surplus fund (cash and time deposit) of the Company of ¥7,732 million ($72,778 thousand) and ¥8,926 million, which are not allocated to each segment at March 31, 2018 and 2017 respectively.
3. Segment income is adjusted with operating income in the consolidated statements of income.

5. Net sales by Service
   Net sales by Service for the years ended March 31, 2018 and 2017 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net sales by Service:			
Air freight forwarding	¥193,354	¥ 155,486	$1,819,973
Sea freight forwarding	155,803	134,991	1,466,519
Logistics	168,060	151,680	1,581,890
Others	35,978	32,172	338,648
	¥553,197	¥ 474,330	$5,207,050

6. Net sales classified by Country or Geographic area
   Net sales classified by country or geographic area for the years ended March 31, 2018 and 2017 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net sales classified by Country or Geographic area:			
Japan	¥124,370	¥ 107,552	$1,170,651
North America			
United States	149,916	104,870	1,411,106
Others	11,305	9,047	106,410
Asia and Oceania			
China	93,811	77,911	883,010
Others	104,146	88,406	980,289
Europe	46,388	39,559	436,634
Latin America	15,239	39,647	143,439
Others	8,018	7,335	75,470
	¥553,197	¥ 474,330	$5,207,050

Note: Amounts are classified by country or geographic where service is rendered.

7. Property and equipment classified by Country or Geographic area
   Property and equipment classified by country or geographic area for the years ended March 31, 2018 and 2017 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Property and equipment classified by Country or Geographic area:			
Japan	¥ 25,589	¥ 25,752	$ 240,860
North America			
United States	3,923	3,283	36,925
Others	2,171	2,283	20,434
Asia and Oceania			
China	2,525	2,758	23,766
Others	10,989	10,427	103,435
Europe	370	382	3,482
Latin America	658	670	6,193
Others	520	552	4,894
	¥ 46,749	¥ 46,109	$ 440,032

8. Information regarding impairment loss of long-lived assets of reportable segments
Impairment loss of non-current assets by reportable segments for the years ended March 31, 2018 and 2017 are presented below:

	Millions of yen								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2018									
Impairment loss of non-current assets	**¥ 150**	**¥ –**	**¥ –**	**¥ 149**	**¥ –**	**¥ 435**	**¥ 736**	**¥ –**	**¥ 736**
Year ended March 31, 2017									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ 1,054	¥ –	¥ 55	¥ 1,110	¥ –	¥ 1,110

	Thousands of U.S. dollars								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2018									
Impairment loss of non-current assets	**$ 1,411**	**$ –**	**$ –**	**$ 1,402**	**$ –**	**$ 4,094**	**$ 6,927**	**$ –**	**$ 6,927**

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 equity in earnings (losses) of affiliates, net.
2. The impairment loss that APLL segment recognized includes the loss on goodwill of ¥410 million ($3,859 thousand) caused by the resolution of liquidation of its consolidated subsidiaries and the loss is presented as loss on liquidation of subsidiaries.

9. Information on amortization of goodwill and balance of goodwill of reportable segments
Amortization of goodwill and the balance of goodwill by reportable segments for the years ended March 31, 2018 and 2017 are presented below:

	Millions of yen								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2018									
Goodwill									
Amortization of goodwill	**¥ 47**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 3,705**	**¥ 3,753**	**¥ –**	**¥ 3,753**
Balance of goodwill	**758**	**–**	**–**	**–**	**–**	**64,946**	**65,705**	**–**	**65,705**
Negative goodwill									
Amortization of negative goodwill	**–**	**–**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
Balance of negative goodwill	**–**	**–**	**–**	**–**	**119**	**–**	**119**	**–**	**119**
Year ended March 31, 2017									
Goodwill									
Amortization of goodwill	¥ 47	¥ –	¥ –	¥ –	¥ –	¥ 3,598	¥ 3,645	¥ –	¥ 3,645
Balance of goodwill	806	–	–	–	–	71,249	72,055	–	72,055
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	130	–	130	–	130

	Thousands of U.S. dollars								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2018									
Goodwill									
Amortization of goodwill	**$ 442**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 34,873**	**$ 35,325**	**$ –**	**$ 35,325**
Balance of goodwill	**7,134**	**–**	**–**	**–**	**–**	**611,314**	**618,458**	**–**	**618,458**
Negative goodwill									
Amortization of negative goodwill	**–**	**–**	**–**	**–**	**103**	**–**	**103**	**–**	**103**
Balance of negative goodwill	**–**	**–**	**–**	**–**	**1,120**	**–**	**1,120**	**–**	**1,120**

Note 16: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Personnel expenses	¥ 46,455	¥ 42,910	$ 437,264
Facility expenses	9,289	8,068	87,434
Office expenses	4,004	4,071	37,688
Depreciation	5,001	4,406	47,072
Amortization of goodwill	3,753	3,645	35,325
Others	6,605	8,835	62,170
Total	¥ 75,110	¥ 71,939	$ 706,984

Note 17: Other Income (Expenses)

Other income (expenses) includes loss on liquidation of subsidiaries as a result of the resolution of liquidation of its consolidated subsidiary, APL Logistics/CFR AD Holdings, LLC. The amount consists of loss on goodwill of ¥410 million ($3,859 thousand) and loss on disposal of fixed assets of ¥47 million ($442 thousand).

Others, net during the years ended March 31, 2018 and 2017 were summarized as follows :

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Amortization of negative goodwill	¥ 11	¥ 11	$ 103
Other, net	82	149	771
	¥ 93	¥ 160	$ 875

Note 18: Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized gains (losses) on available-for-sale securities			
Increase (Decrease) during the year	¥ 184	¥ 591	$ 1,731
Reclassification	0	(18)	0
Subtotal, before tax	184	573	1,731
Tax (expense) or benefit	(45)	(156)	(423)
Subtotal, net of tax	138	416	1,298
Deferred gains or losses on hedges			
Increase (Decrease) during the year	–	11	–
Reclassification	–	(7)	–
Subtotal, before tax	–	4	–
Tax (expense) or benefit	–	(0)	–
Subtotal, net of tax	–	4	–
Foreign currency translation adjustments			
Increase (Decrease) during the year	(2,897)	(7,804)	(27,268)
Reclassification	–	–	–
Subtotal, before tax	(2,897)	(7,804)	(27,268)
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	(2,897)	(7,804)	(27,268)
Remeasurements of defined benefit plans			
Increase (Decrease) during the year	(452)	188	(4,254)
Reclassification	12	(13)	112
Subtotal, before tax	(440)	174	(4,141)
Tax (expense) or benefit	134	(53)	1,261
Subtotal, net of tax	(305)	121	(2,870)
Share of other comprehensive income of associates accounted for using equity method			
Increase (Decrease) during the year	413	(1,085)	3,887
Reclassification	(5)	(176)	(47)
Subtotal	407	(1,261)	3,830
Total other comprehensive income	¥ (2,657)	¥ (8,524)	$ (25,009)

Note 19: Amounts Per Share

Net assets per share as of March 31, 2018 and 2017 and net income per share for the years ended March 31, 2018 and 2017 were summarized as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share	¥ 1,662.72	¥ 1,627.84	$ 15.65
Earnings per share	97.26	62.33	0.91

Notes:
1. Diluted net income per share for the years ended March 31, 2018 and 2017 are omitted, because the Company has no dilutive shares.
2. Basis for calculation of earnings per share for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net income attributable to owners of the parent	¥ 7,002	¥ 4,487	$ 65,907
Net income not attributable to common shareholders	–	–	–
Net income attributable to common shareholders	¥ 7,002	¥ 4,487	$ 65,907

	Shares	
	2018	2017
Weighted-average number of shares of common stock outstanding	71,997,636	71,997,672

Note 20: Subsequent Events

None

KPMG

Independent Auditor's Report

To the Board of Directors of Kintetsu World Express, Inc.:

We have audited the accompanying consolidated financial statements of Kintetsu World Express, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kintetsu World Express, Inc. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 19, 2018
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Investor Information

(As of March 31, 2018)

Head Office:
Shinagawa Intercity TowerA-24Fl.
2-15-1 Konan, Minato-ku, Tokyo 108-6024, Japan
Tel: +81-3-6863-6440

Established:
January 1970

Paid-in Capital
¥ 7,216 million

Number of Common Stocks

Authorized	240,000,000 shares
Issued and outstanding	72,000,000 shares

General Shareholders' Meeting:
Held every June in Tokyo, Japan.

Shareholder Register Administrator:
Mitsubishi UFJ Trust and Banking Corporation

Number of Employees:
18,140 (worldwide)

Investor Relations:
Shinagawa Intercity TowerA-24Fl.
2-15-1 Konan, Minato-ku, Tokyo 108-6024, Japan
Tel: +81-3-6863-6443 / Fax: +81-3-5462-8501

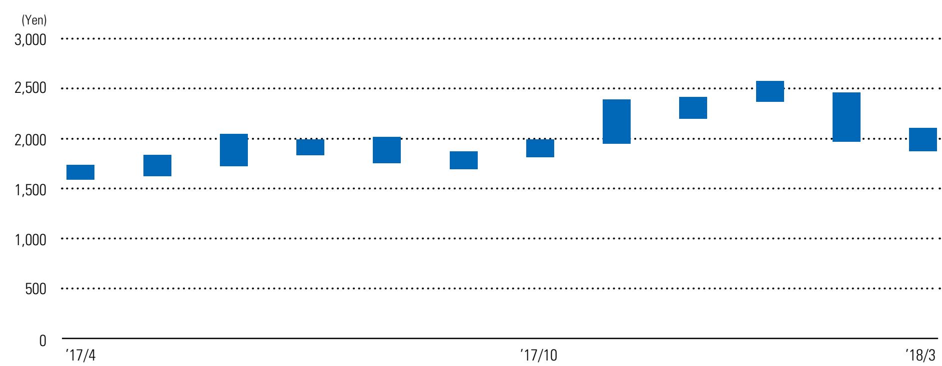
Website Address:
https://www.kwe.com

Major Shareholders

(As of March 31, 2018)

Shareholder	Number of shares held	% of shares held
Kintetsu Group Holdings Co., Ltd.	31,755,800	44.11%
Mitsui O.S.K. Lines, Ltd.	3,599,000	5.00%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,826,000	3.93%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,698,900	3.75%
NORTHERN TRUST CO. (AVFC) RE HSD00	2,319,400	3.22%
Hokko Daiwa Taxi Co., Ltd.	1,875,000	2.60%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,742,500	2.42%
NORTHERN TRUST CO. (AVFC) RE HCR00	1,145,200	1.59%
National Mutual Insurance Federation of Agricultural Cooperatives	1,051,400	1.46%
JUNIPER	949,400	1.32%

Stock Price



Global Logistics Partner

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