Global Logistics Partner

Annual Report 2022

Kintetsu World Express, Inc.

Year Ended March 31, 2022

"Global Top 10 Solution Partner"

A Global Brand Born in Japan

Contents

Scope and Time Frame of This Report

Organization

Kintetsu World Express, Inc. and its consolidated subsidiaries and affiliates accounted for using the equity method (Includes some information about KWE (non-consolidated))

Time frame

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022) (Includes some content after April 1, 2022)

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.

Unwavering Philosophy

Contributing to Sustainable Society through Logistics

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.

KWE Group Corporate Guidelines

(1) We strive to further increase corporate value by delivering customers quality services that meet their needs and earn their confidence.

(2) We strive to be an organization that grows and expands through logistics business.

(3) We promote communications with stakeholders and disclose corporate information accurately and appropriately.

(4) We are committed to comply with external regulations, and compliance monitoring and assessment are built into all levels of the business.

(5) We ensure a safe and healthy work environment where people are treated respectfully and fairly.

(6) We contribute in sustainable community development, with attention to global environmental issues.

KWE Group Sustainability Basic Policy

The KWE Group endeavors to create a sustainable society for a better future based on the "Corporate Philosophy" and "KWE Group Corporate Guidelines".

The Road to Joining the Global Top 10

The Growing Scale of our Business

Pursuing Continuous Growth

2012 → 2022

Net sales 264,403 million yen → 3.7 times → 980,441 million yen

Given the continuous strengthening of the air freight forwarding business where KWE got its start, along with expansion of our sea freight forwarding business and growth in our logistics business as a result of the acquisition of APLL in 2015, the scale of KWE's business has increased 3.7 times over the past decade.

Going forward, by continuing to aim for the Global Top 10 and by pursuing continuous growth, we will develop our contribution to society through logistics.

The Road to Joining the Global Top 10

Strengthening Human Resources

Build Strength through Diversity

	2012		2022
Employees	9,671 people	1.8 times	17,069 people

As KWE continues to grow based on an asset-light model, human capital is our most important management resource.

Thanks to KWE's human capital, which has expanded 1.8 times over the past 10 years, we provide high-quality, flexible services all over the world. Moreover, we are focusing on creating new value that makes the most of diversity; for example, through an employee mix that includes many female managers and personnel from many different nations.

Long-Term Vision

Unwavering Goal

Long-Term Vision

"Global Top 10 Solution Partner"

— A Global Brand Born in Japan —

- Establish our brand by enhancing quality, competitiveness, and solutions with all our strength.
- Aim to be a preferred partner and grow a strong position in the market despite overwhelming global competition.
- Be a company where all group members take pride in their work.

Numerical Targets

Net sales: 1 trillion yen

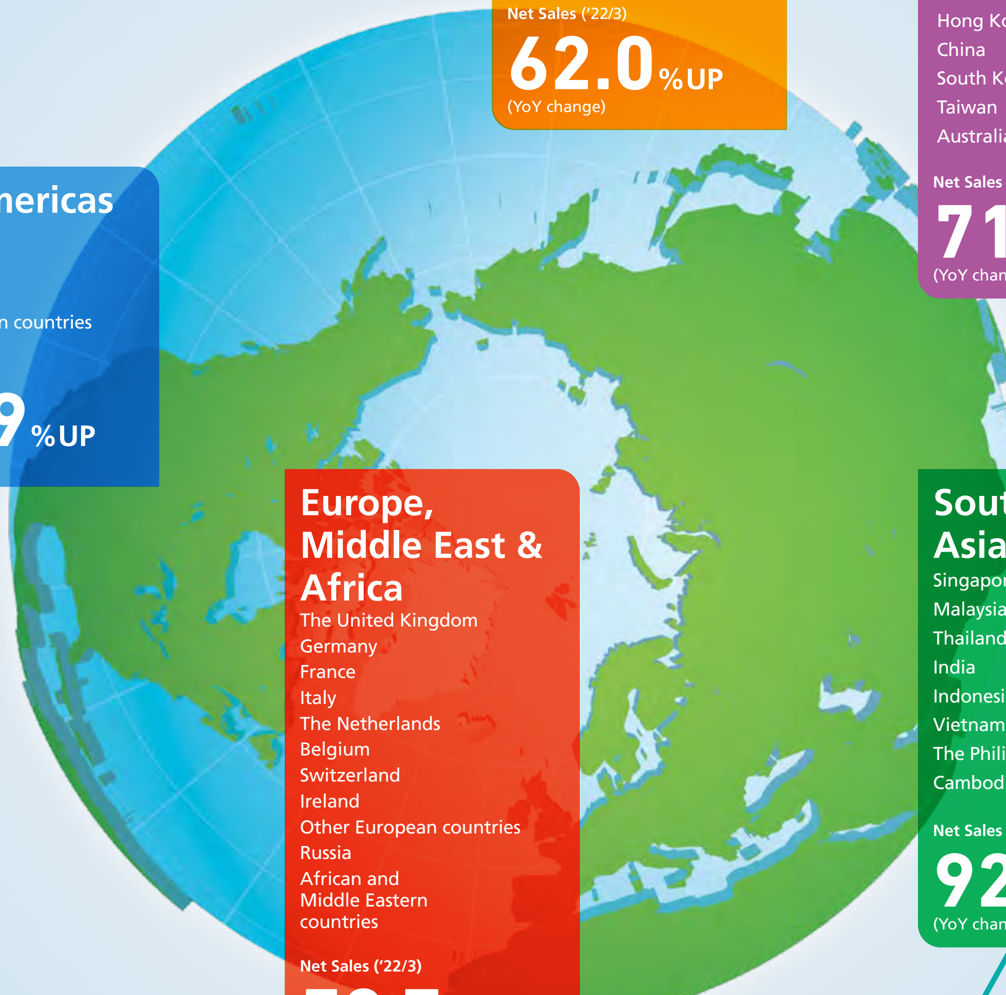
Operating income: 50 billion yen

Air freight (Tons): Over 1 million

Sea freight (TEUs): Over 1 million

Financial soundness: Net interest-bearing debt: Zero

Foundation for Creating New Value
—Outline of 6 Segments—



Japan
Net Sales ('22/3)
62.0%UP
(YoY change)

East Asia & Oceania*
Hong Kong
China
South Korea
Taiwan
Australia

Net Sales ('22/3)
71.0%UP
(YoY change)

The Americas
United States
Canada
Mexico
Latin American countries

Net Sales ('22/3)
81.9%UP
(YoY change)

Europe, Middle East & Africa
The United Kingdom
Germany
France
Italy
The Netherlands
Belgium
Switzerland
Ireland
Other European countries
Russia
African and Middle Eastern countries

Net Sales ('22/3)
58.7%UP
(YoY change)

Southeast Asia*
Singapore
Malaysia
Thailand
India
Indonesia
Vietnam
The Philippines
Cambodia

Net Sales ('22/3)
92.6%UP
(YoY change)

APL Logistics Group
Net Sales ('22/3)
32.6%UP
(YoY change)

* As a result of the review of the Group's management unit and a segmentation change to transfer Oceania in reportable segments effective April 1, 2022, "East Asia & Oceania" and "Southeast Asia" were changed to "East Asia" and "South East Asia & Oceania," respectively.

Foundation for Creating New Value

—Our Services—

Air Freight

Net Sales ('22/3)

68.8%UP

(YoY change)

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.

Sea Freight

Net Sales ('22/3)

99.4%UP

(YoY change)

Main Services

- Sea freight forwarding (FCL,LCL)
- Container drayage
- Trucking for pick-up and delivery
- Customs brokerage
- Buyer's consolidation
- Container round use

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.

Logistics

Net Sales ('22/3)

17.2%UP

(YoY change)

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.

Other Operations

Net Sales ('22/3)

20.1%UP

(YoY change)

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

Top Message

Start a New Phase toward Further Growth

We will respond promptly to changes in the business environment and continue to contribute to the realization of a sustainable society through logistics.

In the fiscal year ended March 2022, which was the final year of the Group's Medium-Term Management Plan, international transportation demand increased significantly due to the recovery of the global economy from the COVID-19 pandemic and new technological innovations. Freight rates continued to increase due to a shortage of freight capacity, and for the two consecutive years we achieved record high profits. We attribute our success in achieving such favorable results despite a highly competitive market environment not only to external factors like the rising freight rates, but also to the strengthening of our business platform and competitive advantage, which we achieved by steadily working on the priority measures in our Medium-Term Management Plan.

For the time being, the COVID-19 pandemic has been lingering mainly in China and other Asian countries. Given such factors as supply chain disruptions resulting from supply limitations, the emergence of new geopolitical risks including the conflict between Russia and Ukraine, rising prices of natural resources, and fears of economic slowdown as a result of global inflation, we expect that the business environment surrounding the Group will remain uncertain. Nevertheless, we will press on in our quest to achieve KWE's Long-Term Vision of becoming a "Global Top 10 Solution Partner "-A Global Brand Born in Japan.

I would like to ask our stakeholders for their continued support in the future.

Nobutoshi Torii
President & CEO

Review of the Previous Medium-Term Management Plan for the Three-Year Period from April 2019

We succeeded in making steady progress toward implementing the various strategies outlined in our Medium-Term Management Plan.

Strengthen our business platform

Concerning the enhancement of group governance, we made progress toward delegating authority to each regional headquarters. In addition, we strengthened our governance system by setting up a cross-organizational corporate department to handle management strategies, promote sales activities, and manage business activities for the entire KWE Group. We also established a "General Counsel" position to bolster group legal affairs and risk management related to international business activities.

In order to enhance global human resources, we started to develop successor candidates for important positions based on our succession planning, by building a global personnel system. In addition, we formulated the "KWE Leadership Competencies," in which we outlined the elements required for leaders of the Group. By using this document for human resource development, we made progress toward strengthening the core human resources who will lead the Group in the future. We also formulated the "KWE Global HR Guidelines" to point the way for human resources management.

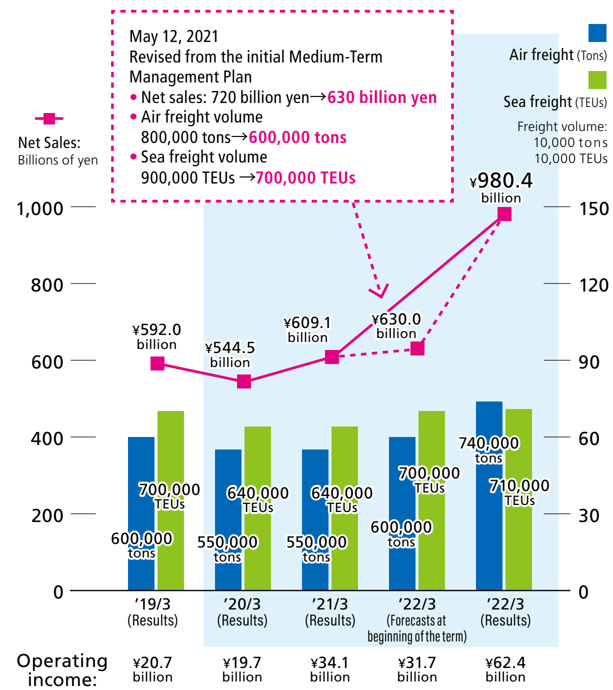
Regarding the planning and introduction of next-generation IT, investment has generally progressed as planned. We moved ahead toward developing a global core operations system aimed at improving operational efficiency, and toward shifting to a cloud-based asset-light business model. In addition, we formulated the "KWE Group IT Security Policy" and made advances in organizing our IT infrastructure to support centralized system management, and in taking measures to enhance system security.

In terms of improving financial soundness, KWE's business performance has exceeded expectations since the fiscal year ended March 2021, and as a result of efforts to increase free cash flows and reduce interest-bearing debt, net interest-bearing debt decreased by 52.8 billion yen from 80.6 billion at the end of March 2019 to 27.7 billion yen at the end of March 2022. The equity ratio also improved by 5.6 points during the same period, to 36.9%.

Sales strategy

In order to expand our customer base, the Regional Sales & Marketing (RSM) department of each regional headquarters enhanced cross-regional sales activities based on the strategies of the Corporate Sales, Marketing & Operation (CSMO) department, which functions to strengthen and promote business at the level of a corporate division. As a result, we were able to steadily increase handling volumes from corporate accounts in Europe and the U.S. Especially during the COVID-19 pandemic while transportation space was in short

Medium-Term Management Plan ('20/3-'22/3)



supply, corporate accounts appreciated the Group's flexible responsiveness, which enabled us to achieve significant success in bringing in new business.

As a result of promoting sales strategies by vertical, we actively expanded freight volumes in the electronics, automotive, and healthcare sectors, where we were helped by technological innovations in such areas as IoT, AI, 5G, and EV; a recovery in automobile production; and increased demand for the transport of COVID-related emergency medical supplies, medical equipment, and vaccines, etc. In order to expand handling of project cargo, including machinery and other industrial items as well as energy-related freight, we opened a specialized base in Romania. In the retail sector, we made headway in developing major U.S. customers in collaboration with the APLL Group. We have also actively promoted new initiatives in the transport of perishables, for example by acquiring a Canadian logistics provider that specializes in this area.

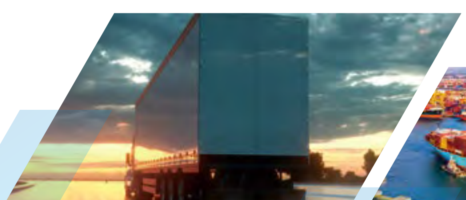
Regarding the expansion of freight volume within Asia as well as to and from Asia, we bolstered sales and operation systems in Southeast Asia, which is developing rapidly as a production base. As a result, we increased handling of automotive-related products in Indonesia, in addition to automotive-related products, electronics, and retail-related goods in Vietnam. We also opened bases in untapped markets such as Sri Lanka and Bangladesh.

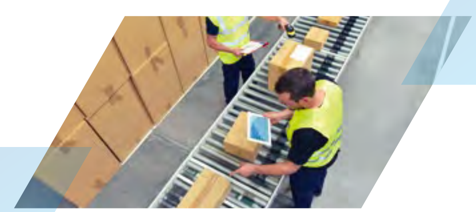
Operations strategy

In taking advantage of economies of scale in order to cut costs, amid capacity shortages due to a sharp decline in passenger flights, we responded dynamically by arranging charter flights, primarily between Asia and North America, where transportation demand is high. Although our sea freight business faced a continued lack of shipping capacity due to the shortage of containers and the disruption of sea freight container logistics arising from factors like port congestion, we managed to secure capacity by making centralized purchases through our Group Procurement Center (GPC) and by strengthening partnerships with major shipping companies around the world. In order to improve operational efficiency, in Japan we shared operational services among general administrative divisions. We also succeeded in boosting profitability by improving consolidation efficiency through using the charter flights mentioned above.

APLL

The APLL Group worked to expand business by industry vertical. In the automotive sector, it geared up to expand rail transport services in India by reinforcing its railroad trains. In retail, it developed and introduced Visibility functions for supply chain management, while in Consumer & Industrial it stepped up sales of sea freight priority services.



Business environment

While abundant business opportunities are expected, various risks and uncertainties still remain.

Opportunities and risks

In light of technological innovations and other factors including recovery from the impact of COVID-19 on the global economy, we expect continued firm demand for the transport of semiconductors and other electronic products, automotive-related products, machinery-related, and healthcare-related items, etc. In consequence, we expect our business opportunities will continue to expand.

On the other hand, given the many risk factors that could lead to a global economic slowdown or a decline in transportation demand, the business environment surrounding the Group is expected to remain uncertain in the future. These risk factors include ongoing infections from COVID-19 variants, supply chain disruptions in the manufacturing industry, geopolitical risks including the U.S.-China feud and Russia-Ukraine crisis, rising resource prices, and ongoing global inflation.

Air/sea freight rates will remain higher side for a while

The sea freight business will be affected by continued shortages of containers and labor, as well as continued container logistics disruption due to West Coast labor negotiations, which are expected to take a while to settle. Recovery of international passenger flights is still uncertain while continued strong demand and a shift from sea freight is expected. As a consequence, it is assumed that high freight rates due to the shortage of air and sea freight capacity will continue for a while.

Management strategies for the future

We will continue to contribute to the realization of a sustainable society by providing logistics and realizing our Long-Term Vision.

Toward achieving our Long-Term Vision

Based on our awareness of the business environment as described above, the KWE Group will continue to aim for the achievement of our Long-Term Vision, becoming a "Global Top 10 Solution Partner – A Global Brand Born in Japan."

Specifically, as part of our efforts to enhance management base aimed at achieving sustainable growth and increasing corporate value, we will continue to enhance Group governance and implement personnel strategies, IT strategies, and finance and accounting strategies at the global level. In addition, in order to promote business activities that contribute to the realization of a sustainable society, we will continue to work toward sustainability based on key performance indicator (KPI) targets and action plans determined in line with the material topics that the Group identified in May 2021.

The basic policy underpinning our sales strategy is to expand global volume in air and sea freight, with priority on increasing freight volumes in Asia-Europe/U.S. lanes by enhancing cooperation between the corporate divisions and regional headquarters. Accordingly, our sales activities are aimed at maintaining and expanding corporate accounts, and increasing the range of items that we handle.

KWE's operation strategies include further enhancing global purchasing capabilities, and striving to secure and supply stable capacity by making dynamic and strategic use of charter flights in order to maintain our customers' supply chains.

As a premium order management provider, the APLL Group will take various measures to solidify its position as a partner of major U.S. customers.

Future management

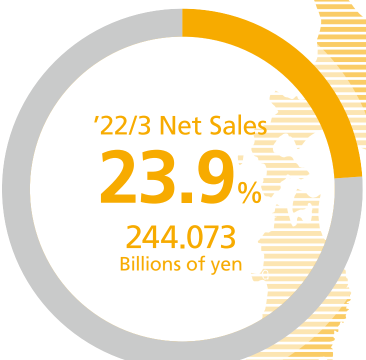
At the Board of Directors meeting held on May 13, 2022, the Company resolved to express its support for a tender offer for the Company's common stock made by Kintetsu Group Holdings Co.,Ltd. (KGHD), which is a major shareholder of the Company, and to recommend to shareholders that they respond to the offer.

We see various new trends that are likely to affect the KWE Group's business environment in the future. For example, in addition to the remarkable reorganization of the freight forwarding industry in recent years, which has been led by competitors in Europe and the U.S., there is the emergence of digital forwarders that connect shippers with freight forwarders via an online platform, and customer retention achieved by vertical integration of major shipping companies with logistics providers. More major changes in the industry are expected in the future. In order to achieve sustainable growth in these circumstances, the Company will have to expand volume in new areas through M&As or capital and business alliances with other companies, and to improve price competitiveness by boosting its purchasing power. The Board approved the resolution described above based on its view that the Company will need to work closely with KGHD and accelerate the sharing and use of KGHD's tangible and intangible management resources related to M&As and other strategies, including knowledge, expertise, human resources, and credit. The tender offer has been successfully completed as announced on July 6, 2022.

We would like to express our heartfelt gratitude to our shareholders for their generous support for the Group over the course of many years.

Going forward, in collaboration with KGHD, we will continue to contribute to the realization of a sustainable society through logistics, by speedily and steadily implementing strategies and measures that respond to changes in the business environment and diversifying international logistics needs.

Japan



Managing Officer
General Manager, Japan
Shin Ogawa

Enhance strategic partnership with multinational customers through efficient operation

Japan Region will continue to put its focus on providing optimal global supply chain solutions for major Japanese companies that support global technological innovation as well as helping non-Japanese companies to create the best-in-class logistics throughout Japan. As the flagship region for the entire KWE Group, we will move forward the following core policies for the fiscal year through March 2023 for further growth with our important business partners together.

1 For the Business Volume Growth

(1) Further sales promotion by industry verticals
Exports: Automotive/electronics/semiconductor manufacturing equipment/healthcare/chemicals/construction machinery/materials
Imports: Electronics/healthcare/automotive/retail
(2) Continuous promotion of sea freight forwarding business development
(3) Logistics business enhancement

2 For Better Quality and Productivity

(1) Ongoing optimization of IT system for pursuing the highest end of quality assurance
(2) Cross-departmental operations for higher efficiency and productivity

3 Solid Business Platform – Administration, HR, Finance, and IT

Strengthen and refine corporate business platform to continue responding flexibly to changes in the business environment post COVID-19 crisis

Freight Movements

Fiscal year through March 2022

	Exports	Imports
Air freight	Up 38.6%*1	Up 15.2%*2
Sea freight	Up 9.3%*3	Up 1.6%*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

Managing Officer
General Manager, The Americas
Shin Ogawa

A driving force of the inter-regional collaboration for further business growth

The Americas cover the U.S. and Canada — home to many major global companies — as well as Mexico and Latin American countries which hold promise for large-scale growth going forward, especially in the post COVID-19 environment as the new normal. For the fiscal year through March 2023, we will work on the following measures to expand handling volumes for further business growth.

1 Sales Strategies by Vertical

We continue to put our priority on the healthcare, life science, chemicals, and automotive business fields, as we did in the previous fiscal year. We will enhance business development in the perishables market with a newly secured forwarder specialized in seafood handling. We are also aiming to expand export and import handling volumes by building up stronger business partnerships with major players in these verticals to support their global supply chains as an essential service provider.

2 Trans-Pacific East Bound (TPEB) Volume Growth

We will aggressively increase our handling volume by 20% year-on-year in collaboration with our group companies in Asia Pacific to develop the TPEB business from strategic key origin countries such as China, Hong Kong, Thailand, Vietnam, as well as Singapore by strengthening the global partnership with major carriers and the original charter program.

We will securely standardize our sales and operations quality with the East Asia region and the South East Asia & Oceania region as well as collaboratively work with the APLL Group, in order to achieve stable growth in import volumes into the Americas region.

3 Continue to develop Trans-Atlantic Business for Future Growth

Going forward, expansion of Trans-Atlantic business is another critical strategy for the KWE Group to be recognized as a major global solution partner in a market where's mega forwarders are in fierce competition. The Americas region will continuously work with the Europe, Middle East & Africa region to take strong initiatives for business development in this field by synchronizing sales foundations to service qualities across the regions to grow together.

Freight Movements Fiscal year through March 2022

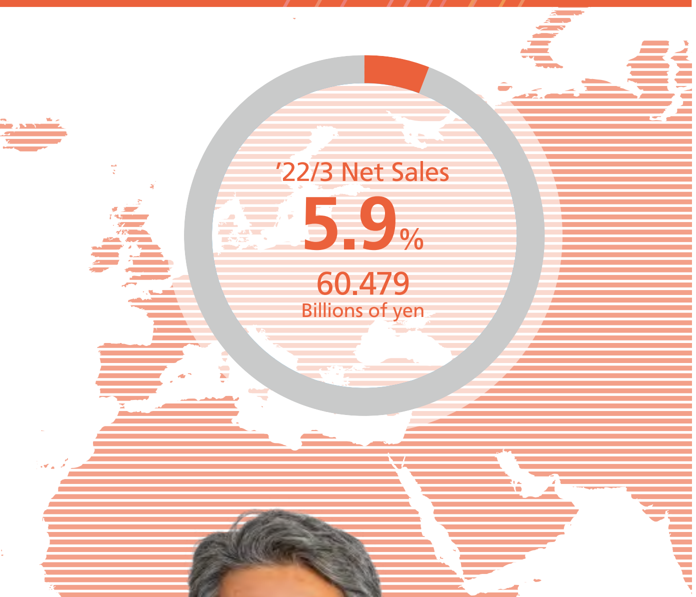
	Exports	Imports
Air freight	Up 41.7%*1	Up 29.5%*2
Sea freight	Down 5.0%*3	Up 33.6%*2

*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



Managing Officer
General Manager, Europe, Middle East & Africa
Hiroshi Azuma

Employees' Pride and Joy

The EMEA region introduces a new slogan of "Employees' Pride and Joy" for the fiscal year through March 2023. It continues from last year's slogan "Go Beyond Your Comfort Zone".
Leaving our comfort zone, we will go beyond it and take responsibility to serve our stakeholders with pride and joy, keeping in mind three key elements: 1) Operational efficiency, 2) Market recognition, and 3) Performance based reward system.

1 Volume Expansion

As one of the most compelling ways to gain market recognition, we continue to aim to be among the top 10 forwarders in each country in EMEA. After more than two years of suffering from COVID-19, the market has begun to move dynamically again. We will focus on expanding our handling volume. Regional gateways in Germany, Benelux, the United Kingdom and the United Arab Emirates function efficiently under the current volatile market conditions affected by reduced passenger flights in each country.

2 Structural Reform

This is a continuous drive to improve operational efficiency, such as utilizing human resources based on the concept of the right person in the right position. We pursue the benefits of digital transformation, which improves operational efficiency and increases the time and room for customer service. Close cooperation between the operations management department and the IT department will improve the efficiency of operating system functions that bring many benefits for all stakeholders.

3 Financial Stability

Achieving the financial target is primary and minimum goal for achieving our commitment to our stakeholders. Due to the increase of cost factors in the market, the amount of operating costs and accounts receivable is increasing year by year. It is important to maintain a healthy and stable financial position while carefully monitoring the financial cash management of each subsidiary in EMEA.

Freight Movements Fiscal year through March 2022

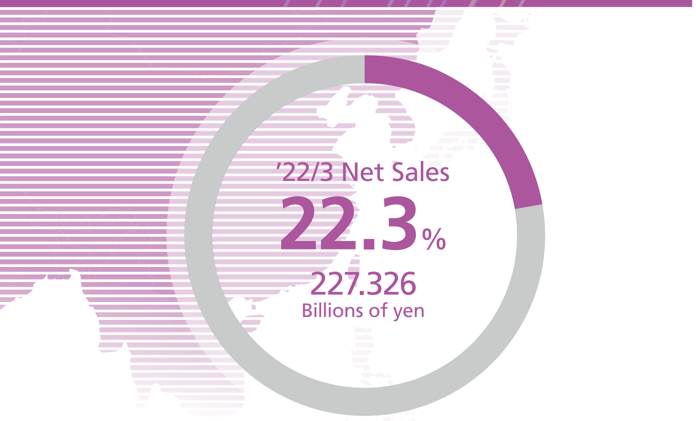
	Exports	Imports
Air freight	Up 44.9%*1	Up 29.6%*2
Sea freight	Up 20.4%*3	Up 21.7%*2

*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



Managing Officer
General Manager, East Asia*1
Yoshihiro Kusakabe

Regrowth and Expansion – Support market recovery and extend a helping hand

As KWE has begun restoring customers' difficulties in the region, strengthening development and cooperation between Asia and global businesses has been our key focus. With the increasing demand of customers' extension overseas, our products have been catered to liaise with such needs. The East Asia region is well prepared to overcome the challenges and unexpected events of the upcoming fiscal year.

1 Auxiliary Long Haul business

Developments of our customers to transpacific and Europe routes have shown signs of the recovery in the global market. We communicate closely to both customers locally and abroad and build towards success together. Because of the pandemic, supply chains have been disrupted on multiple occasions. However, this did not decrease the urgency of businesses trying to reach out to Americas or Europe. Hence, we continuously explore customers in the East Asia region and are in constant communication with carriers to provide the most comfortable solutions.

2 Augmented Variety of Products

The decrease of passenger flights has decreased the amount of available space. Similarly, space and equipment shortages and blank sailings continue to affect sea freight prices. We try to accommodate these difficulties with unique charter flights in air freight, and extended carrier coverage in sea freight. Our collaboration with a variety of partners allows us to respond flexibly to complex situations. We continuously ask customers for feedback and incorporate their ideas in procurement and high level discussions. This allows KWE products to constantly evolve and shape to customer's needs.

3 Unified Staff

We stress on the level of involvement and commitment from our staff, regardless of their position. Each and every position across the line is vital in our business. Regardless of country, the quality service we provide maintains at a high standard. Globally recognized customer confidence comes from many years of being a "Global Top 10 Solution Partner". As we strive to remain a top quality freight forwarding service provider, our strong performance would be coming from sturdy foundations and resilient synergies between our subsidiaries.

Freight Movements — Fiscal year through March 2022

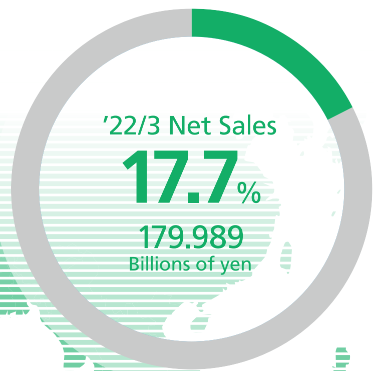
	Exports	Imports
Air freight	Up 20.5%*2	Up 10.6%*3
Sea freight	Up 15.9%*4	Up 0.0%*3

*1 As a result of the review of the Group's management unit and a segmentation change to transfer Oceania in reportable segments effective April 1, 2022, "East Asia & Oceania" and "Southeast Asia" were changed to "East Asia" and "South East Asia & Oceania," respectively.
*2 based on weight
*3 based on number of shipments
*4 based on TEUs (Twenty-foot Equivalent Units)

Southeast Asia

Major Countries and Regions

Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, the Philippines, and Cambodia



Officer
General Manager,
South East Asia & Oceania*1
Yasuyuki Tani

Proactively take action to the market changes and drive the volume growth

With the addition of our Australian subsidiary, we have made a new start as the South East Asia & Oceania Regional Headquarters. We will focus on "logistics for connecting the world" by expanding the volume in Intra-Asia, focusing on the healthcare field.
In addition, the region is expected to continue to see a shift of production bases from China. We will respond agilely to these changes in the supply chain and do our utmost to increase handling volume.
For the fiscal year through March 2023, we will implement the following measures as part of our business expansion plan.

1 Expansion of Revenues from Non-Japanese Customers in Key Areas

In this region, we have demonstrated our strength in Intra-Asia transportation for Japanese customers mainly in the automotive industry, but to expand the scale of our business, we will also increase business with corporate accounts, particularly those in Europe and the U.S. In order to focus on these customer segments as well, we will enhance cooperation with our corporate sales department and other regional headquarters to establish a wide-area sales structure.

2 Flexible Space Supply Capacity

The risk of supply chain re-breakage continues and securing stable space is an important issue. In order to respond to these unstable factors and procurement according to supply and demand, we will continue to expand Blocked Space Agreements and charters to provide a stable supply of space and build a system that does not stop our customers' supply chains.

3 Expand Service Lineup to Accommodate a Wide Range of Products and Destinations

The market is now in the phase of considering and executing relocation of production plants, change of production contractors, lengthening of supply lead time, and restructuring of supply system. We believe that building an expected service lineup that supports a wide range of products and destinations is the key to staying ahead of the competitions. With industry-specific solutions, we will provide our customers with the means to enhance their supply chain management, both in terms of cost rationalization and stable supply of space.

Freight Movements — Fiscal year through March 2022

	Exports	Imports
Air freight	Up 32.1%*2	Up 19.6%*3
Sea freight	Up 11.0%*4	Up 8.9%*3

*1 As a result of the review of the Group's management unit and a segmentation change to transfer Oceania in reportable segments effective April 1, 2022, "East Asia & Oceania" and "Southeast Asia" were changed to "East Asia" and "South East Asia & Oceania," respectively.
*2 based on weight
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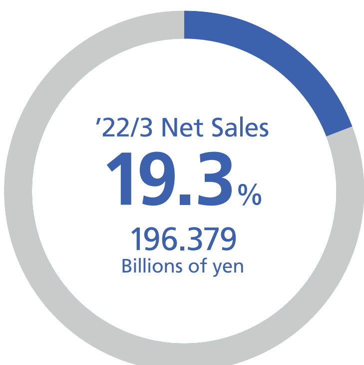
APLL



Managing Officer
President, APL Logistics Ltd
Thad Bedard

Striving to establish itself as the Premier Order Management Provider in the world with a focus on being an Employer of Choice in our chosen markets

With close attention to our core cultural values of focus, disciplined execution and compliance, APL Logistics will buildout its order management service capabilities globally across market segments.

1 Building on Strength

- As a leader in origin consolidation management, APL Logistics (APLL) will extend its capabilities by a special focus on collaborative planning tools designed to facilitate customer product flows and to establish APLL as the premier global Order Management provider
- Focus our adjacent global services in warehousing, transportation, and data management to better support this objective
- Already strong in Retail, APLL will grow its presence in the Automotive and Industrial segments as we see strong opportunity for Order Management services in key regions
- Focus on specific trade lane related activities that support our core commercial and operational strategies
- Diversify our revenue streams geographically and create new revenue streams from ancillary products and services

2 Focused Investments

- Continue to invest in groundbreaking technology to enable our Order Management service vision
- Continue to modernize our core global logistics hubs to drive efficiencies in cost, time and data capture
- Continue to build out a strong Product Development and Management capability across regions
- Continue strict focus on profitability and seek opportunities across our core account base to enhance and optimize our global position
- Strengthen our collaborative efforts with KWE through the appointment of a director from KWE to the APL Logistics Board. This will build on prior KWE/APLL collaboration success to identify deeper, global areas of opportunities for both.

3 Employer of Choice

- Becoming an Employer of Choice in our chosen markets requires a focus on accountability, equity and providing opportunities across our employee base
- Extend our existing Diversity and Inclusion programs from the Americas to other regions
- Becoming the best Order Management provider in the world means that we must have world-class HR infrastructure and we will continue to build towards this objective

APL Logistics™

Sustainability Management

For details of the following initiatives and other sustainability activities, please refer to the Sustainability Report 2022 to be published in the second quarter (July to September) of FY ending March 2023.

Environment — Recent Highlights

Material Topics: Emissions/Energy

Topics

- Got on board ANA's 1st SAF freighter flight from Japan (September 2021)

- Participating in Cathay Pacific's Corporate Sustainable Aviation Fuel (SAF) Programme (April 2022)

- Certified green power used at KWE's Misato Green Warehouse (September 2021)

- Introduced the KWE CO_2 Calculator for air and sea freight on our website (June 2022)

- Announced support for Task Force on Climate-related Financial Disclosures (TCFD) (December 2021)

KPI Highlight

CO_2 converted emissions:

7,460 t

KWE Japan non-consolidated
FY ended March 31, 2022

Social — Recent Highlights

Material Topics: Data Security/Diversity and Equal Opportunity/Social Impacts in the Supply Chain

Topics

- Transporting Covid-19 Vaccine (from April 2021)

- Disseminated KWE Vendor Code of Conduct to domestic and overseas suppliers and got approval from 809, 82% of 985 suppliers. (As of March 2022)

- Transporting oxygen concentrators to India for Nippon Foundation (June 2021)

KPI Highlight

Female manager ratio:

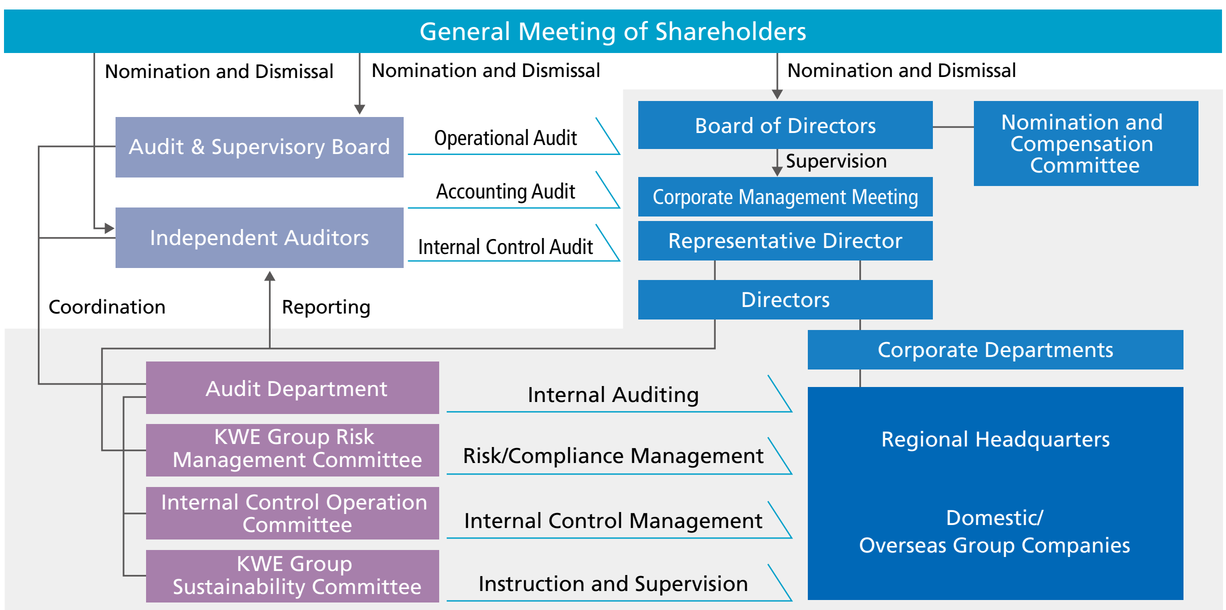
32.5 %

KWE Group
As of March 31, 2022

Corporate Governance (As of June 15, 2022)

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". As the primary management goal of the KWE Group, we will improve 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.



Features of KWE's Governance

KWE's governance system basically consists of the Board of Directors and the Audit & Supervisory Board. In order to speed up decision-making and clearly separate supervision from business execution, we have adopted a managing officer system and have elected 20 managing officers (including four who also serve as Directors). In addition, we have established a "Corporate Management Meeting" 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 eight members, including three Outside Directors. Nominations for candidates to be elected to KWE senior management and Director and Audit & Supervisory Board Member positions are decided, upon deliberation by the Nomination and Compensation Committee, by comprehensively evaluating individual performance, a sense of impartiality as an executive officer, abilities and other factors. The President and Chief Executive Officer shall explain these matters following the Board of Directors' meeting and seek approval. Additionally, with regard to their dismissal, approval shall be sought at the Board of Directors' meeting, upon sufficient deliberation by the Nomination and Compensation Committee. Directors are appointed for one-year terms.

The amount of Director compensation is decided by the Board of Directors upon deliberation by the Nomination and Compensation Committee, and within the limit of compensation agreed at the General Meeting of Shareholders.

The Board of Directors held 13 meetings in the fiscal year ended March 2022, and the three Outside Directors attended these meetings as follows.

Position	Name	Meeting attendance
Director	Tetsuya Kobayashi	Attended 12 of 13 meetings
Director *Independent Director	Sanae Tanaka	Attended 13 of 13 meetings
Director *Independent Director	Jun Yanai	Attended 13 of 13 meetings

In addition, the evaluation of the effectiveness of the Board of Directors carried out in the fiscal year ended March 2022 indicated that the Board of Directors is generally operating effectively given that it has put in place the appropriate structures for making critical management decisions and supervising business execution, and is holding constructive discussions that include outside officers (three Directors, two Audit & Supervisory Board Members) who possess a diverse range of expertise.

The evaluation also identified areas that require improvement for further improving the Board of Directors' effectiveness. It suggested ensuring an environment for more open and constructive discussion and exchange of opinions in order to further enhance discussions.

Based on the results of the evaluation, the Group will work to further improve the effectiveness of the Board of Directors and achieve corporate governance optimized for its business environment.

Audit & Supervisory Board Members

KWE's internal auditing is supervised by our Audit Department (11 members), 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 Board of Directors and the Corporate Management Meeting.

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 mechanisms 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.

The Audit & Supervisory Board held 14 meetings in the fiscal year ended March 2022, 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 14 of 14 meetings
Audit & Supervisory Board Member (Independent Officer)	Masayuki Kobayashi	Attended 10 of 10 meetings*

* Masayuki Kobayashi has attended 10 meetings of the Audit & Supervisory Board since he became a member of the Board on June 15, 2021.

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.

Outside Directors and Outside Audit & Supervisory Board Members

Outside Director Tetsuya Kobayashi is a Chairman of the Board and Group CEO 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 24** under "Reasons for selection of Directors and Audit & Supervisory Board Members".

KWE has four independent officers—Sanae Tanaka, Jun Yanai, Yusuke Kawasaki, and Masayuki Kobayashi. None of these four 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.

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% of consolidated net sales).

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).

Career summaries of four 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	Representative, Yusuke Kawasaki Certified Public Accountant Office (current position)
Jun.2017	Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)
Masayuki Kobayashi	
Apr. 1984	Joined TOKYU CONSTRUCTION CO., LTD.
Jun. 2002	General Manager, Finance Department, Pacific Management Corporation
Jun. 2005	Executive Officer at the company
Mar. 2008	Director and General Manager, Management Control Division, Pacific Management Corporation
Jun. 2010	General Manager, Compliance Department, Kenedix, Inc.
Mar. 2017	Audit and Supervisory Board Member at the company (current position)
Jun. 2021	Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)

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 consolidated 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 15, 2022)

	Reasons for selection
Kazuyasu Ueda Chairman of the Board	Mr. Kazuyasu Ueda has a wealth of experience, achievements, and insights that he gained when he served as Senior Executive Vice President of Kintetsu Group Holdings Co.,Ltd. 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 Director, President & CEO. He has worked to expand the Group's business scope 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 Sales, Information Technology and APLL.
Katsufumi Takahashi Director Managing Executive 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 Corporate Planning & General Affairs, and thus possesses knowledge regarding the overall management of the Company.
Kiyoyuki Hirosawa Director Managing Executive 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 15, 2022)

	Independent Officer	Significant concurrent positions	Reasons for selection
Tetsuya Kobayashi		Representative Director and Chairman of the Board, Group CEO, Kintetsu Group Holdings Co.,Ltd. Director, KNT-CT Holdings Co., Ltd. Director, Kintetsu Department Store Co., Ltd. Director, Kin-Ei Corp. Director, The Kansai Electric Power Company, Incorporated	As Group CEO of Kintetsu Group Holdings Co.,Ltd., Mr. Tetsuya Kobayashi has a wealth of experience and broad insights. The Company expects him to give advice on management decision-making from a wide range of perspectives as well as to strengthen the management supervisory functions of the Company.
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. The Company expects her to provide opinions on management decision-making from a legal perspective as well as to strengthen the management supervisory functions of the Company from an independent standpoint.
Jun Yanai	○	Corporate Advisor, Mitsubishi Corporation Director, INPEX CORPORATION	As Senior Executive Vice President of Mitsubishi Corporation, Mr. Jun Yanai has a wealth of experience and insights. The Company expects him to provide opinions on management decision-making from a global viewpoint as well as 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
Katsumi Watanabe			Mr. Katsumi Watanabe possesses a wealth of experience, achievements, and insights in the Accounting and Finance of the Company and its subsidiaries. He was in charge of Audit, and possesses knowledge regarding the overall management of the Company.
Shigehiro Tanida			Mr. Shigehiro Tanida 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 presides over a division that provides comprehensive administration and guidance on internal controls.

Outside Audit & Supervisory Board Members

	Independent Officer	Significant concurrent positions	Reasons for selection
Yusuke Kawasaki	○	Representative, Yusuke Kawasaki Certified Public Accountant Office Auditor, KNT-CT Holdings Co., Ltd. Auditor, SHINKO WIRE COMPANY, LTD.	Mr. Yusuke Kawasaki possesses a wealth of experience, achievements, and insights as a certified public accountant, and provides appropriate advice and proposals from his professional viewpoints, and he has been strengthening the audit functions of the Company from an independent standpoint.
Masayuki Kobayashi	○	Audit and Supervisory Board Member, Kenedix, Inc.	Mr. Masayuki Kobayashi has a wealth of experience in the finance division at Pacific Management Corporation as well as experience and broad insights as General Manager, Compliance Department and Audit and Supervisory Board Member at Kenedix, Inc., and he is expected to oversee overall management.

Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of four Directors, including two Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member, meets at least once a year to discuss Director and Audit & Supervisory Board Member nominations and dismissals and Directors' compensation.

Nomination and Compensation Committee member profiles	
Chair	**Nobutoshi Torii, President & CEO**
Members	**Kazuyasu Ueda,** Chairman of the Board
	Independent Outside Director: **Sanae Tanaka**
	Independent Outside Director: **Jun Yanai**
	Independent Outside Audit & Supervisory Board Member: **Yusuke Kawasaki**

Corporate Management Meeting

KWE's Corporate Management Meeting is composed of standing Directors and Audit & Supervisory Board Members, managing officers, division managers, and other relevant personnel. As a rule, the meeting 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.

Policies on Determining Director Compensation Amount and Calculation Methodology

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". As the primary management goal of the KWE Group, we will improve corporate value while maintaining good relationships with all stakeholders.

To achieve these objectives, we set our compensation system for the Directors of KWE based on the following Director Compensation Policy. This policy was approved by the Board of Directors' meeting on June 18, 2019 following deliberations and findings by the Nomination and Compensation Committee.

Our "Director Compensation Policy" is as follows.

Director Compensation Policy

1. Basic Policies

- To achieve KWE's corporate philosophy, the compensation should be appropriate in the context of hiring and securing an outstanding and competitive management team that is capable of competing successfully in the global market.
- The compensation should facilitate consistent improvement of corporate value and management's willingness to contribute to KWE's medium- to long-term earnings growth.
- The compensation should facilitate shared awareness toward profits with shareholders.
- The compensation should have a clear linkage to corporate earnings, with high transparency and objectivity in the determination process.

2. Compensation Level

- We aim to set a compensation level that will be an appropriate incentive for earnings improvement in light of the management conditions surrounding the Company, as well as the levels set for KWE's employee salaries and Director compensations set at other companies.
- Specifically, we set the level based on our Basic Policies for Director compensation, following research and analysis of compensation levels set at industry peers and companies of similar size, through external databases and other measures.

3. Compensation Structure

The compensations for KWE's Directors (excluding Outside Directors) are comprised of "Basic Compensation", which is determined based on each Director's roles and responsibilities, and "Performance-Based Stock Compensation", which is designed as an incentive compensation over the medium-to-long term.

- Basic Compensation

The amount of Basic Compensation is determined by each Director's position and responsibilities.

- Performance-Based Stock Compensation

This is a compensation system that delivers shares to each Director at the time of resignation. The system is set for the purpose of providing incentives to Directors to improve corporate earnings and corporate value over the medium-to-long term, facilitate shared awareness toward profits with shareholders, and further strengthen their willingness to contribute to the improvement of KWE's stock price. For system design, we have referred to the Performance Share Plan in Europe and the U.S. The number of stocks delivered changes within the range of 0% to 200% of the basic stock compensation amount, which are set based on the Director's position and the level of achievement made toward management goals over the medium-to-long term.

4. Compensations for Audit & Supervisory Board Members and Outside Directors

- Considering the nature of their respective roles, KWE sets only basic compensation for Audit & Supervisory Board Members and Outside Directors.

5. Determination and Review Procedures for Compensations

- The establishment of the Director compensation plan and determination of each Director's compensation are confirmed by the Board of Directors' resolutions within the limit of total compensation agreed at the General Meeting of Shareholders, which takes into consideration deliberations and findings by the Nomination and Compensation Committee with independent officers (Independent Outside Directors and Independent Outside Audit & Supervisory Board Members) comprising the majority. The President & CEO is authorized to determine the compensation paid to individual Directors subject to the above conditions.
- Further, the Nomination and Compensation Committee periodically discusses appropriate compensation structures and levels in light of management conditions and corporate governance trends, and makes revisions properly.

The maximum amount of Director compensation was set at ¥420 million (excluding compensations for directors as employees) at our 37th Ordinary General Meeting of Shareholders held on June 27, 2006. As of the end of that General Meeting of Shareholders, the Company had 13 Directors (including two Outside Directors).

Further, the performance-based stock compensation for Directors (excluding Outside Directors) was set at a maximum of ¥250 million for the three fiscal years, with the number of stocks delivered at a maximum of 105,000 shares at our 50th Ordinary General Meeting of Shareholders held on June 18, 2019. As of the end of that General Meeting of Shareholders, the Company had six Directors (excluding Outside Directors and overseas residents).

Within the total range of compensation approved by the General Meeting of Shareholders and deliberations/findings by the Nomination and Compensation Committee in line with the above Director Compensation Policy, Directors' compensation is determined by the President & CEO Nobutoshi Torii based on the authority vested in him at the Board of Directors meeting held on June 15, 2021.

The reason for delegating such authority is that it is reasonable to delegate it to the President & CEO, who has a good grasp of the Company's overall business.

Based on the fact that individual Directors compensation is determined through the above procedure, the Board of Directors judges the results to be appropriate and aligned with the Group's policy.

In the fiscal year ended March 2022, we paid a total of ¥288 million to nine Directors, including ¥20 million to three Outside Directors.*1

The maximum amount of compensation for Audit & Supervisory Board Members was set at ¥72 million at our 37th Ordinary General Meeting of Shareholders held on June 27, 2006. As of the end of that General Meeting of Shareholders, the Company had four Audit & Supervisory Board Members.

Further, the amount of compensation for each Audit & Supervisory Board Member is discussed and determined by the Audit & Supervisory Board, within the total range of Audit & Supervisory Board Members compensation resolved at the General Meeting of Shareholders. In the fiscal year ended March 2022, we paid a total of ¥52 million to six Audit & Supervisory Board Members, including ¥10 million to the three Outside Audit & Supervisory Board Members.*2

*1 Includes the amount of compensation, etc. for one director who retired as of the end of the 52nd Ordinary General Meeting of Shareholders held on June 15, 2021.
*2 Includes the amounts of compensation, etc. for one Audit & Supervisory Board Member who retired and another who resigned as of the end of the 52nd Ordinary General Meeting of Shareholders held on June 15, 2021.

Compliance/ Risk Management

For the information on compliance, risk management initiatives, and the material topic "Anti-Corruption", please refer to the Sustainability Report 2022 to be published in the second quarter (July to September) of FY ending March 2023.

Investor Relations

KWE has established an IR Group within the Corporate Planning & Administration Department, and the officer responsible for the Department is also the officer responsible for Investor Relations. 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 group. 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.

Management (As of June 15, 2022)

Kazuyasu Ueda
Chairman of the Board

Nobutoshi Torii
President and
Chief Executive Officer

Joji Tomiyama
Director
Executive Vice President

Katsufumi Takahashi
Director
Managing Executive Officer

Kiyoyuki Hirosawa
Director
Managing Executive 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., 128 consolidated subsidiaries and nine affiliates accounted for using the equity method, for a total of 138 companies. Our main business are freight forwarding including air/sea/land transportation and logistics operations and other related businesses.

As of March 31, 2022, 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. KWE 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.

As a result of the review of the Group's management unit and a segmentation change to transfer Oceania in reportable segments effective April 1, 2022, "East Asia & Oceania" and "Southeast Asia" were changed to "East Asia" and "South East Asia & Oceania," respectively.

The KWE Group divides its operations into the following four categories: air freight forwarding (accounting for 47.1% of net sales in the fiscal year ended March 2022), sea freight forwarding (30.8%), logistics (17.4%), and other operations (4.7%).

A breakdown of net sales* by segment shows that Japan accounts for 23.9%, the Americas for 10.6%, Europe, Middle East & Africa for 5.9%, East Asia & Oceania for 22.3%, Southeast Asia for 17.7%, APLL for 19.3%, and other* for 0.3%.

* Based on a composition before elimination and adjustment. "Other" is a business segment not included in reportable segments. It consists mainly of incidental logistics operations within the KWE Group.

OPERATIONS

During the year ended March 31, 2022, the global economy continued to show a recovery trend with the easing of activity restrictions and the implementation of economic policies in various countries while the impact of COVID-19 continued. The U.S. economy maintained a recovery trend overall despite downward pressure stemming from reduced production activities due to supply constraints and labor shortages. The European economy also maintained a recovery trend overall. The Chinese economy maintained a recovery trend with the expansion of industrial production, but strict activity restrictions associated with the spread of COVID-19 in certain areas put downward pressure on consumer spending and industrial production.

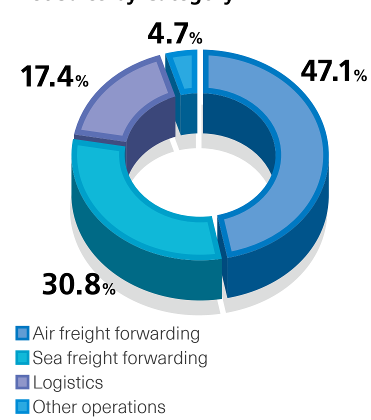
Economies in other East Asian countries continued to show recovery led by external demand, but the degree of recovery in Southeast Asia varied depending on the countries due to the resurgence of COVID-19.

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

Also, international transport demand which decreased in the year ended March 31, 2021 due to restrictions on economic activities around the world significantly increased while the tight capacity of air and sea transport due to disruptions in maritime container logistics and a reduced number of passenger flights resulted in continued capacity shortage and rise in freight rates.

Under these circumstances, the KWE Group strove to expand freight volume under the Long-Term Vision set in May 2019 and Medium-Term Management Plan for the three-year period from April 2019. As a result, air freight exports increased 33.0% year-on-year to 740 thousand tons, air freight imports rose 16.1%

Net Sales by Category



to 1,349 thousand shipments, sea freight exports increased 12.3% to 718 thousand TEUs and sea freight imports rose 8.0% to 285 thousand shipments, exceeding the pre-COVID-19 level.

Logistics exceeded the results of a year earlier in all segments.

Net Sales

The KWE Group's consolidated net sales totaled ¥980.441 billion in the fiscal year ended March 2022, up by 61.0%, or ¥371.331 billion, from the previous year mainly due to volume increase and the shortage of air and sea freight capacity and the resulting rise in freight rates.

Net sales in air freight forwarding rose by 68.8%, sea freight forwarding increased by 99.4%, logistics rose by 17.2%, and other operations increased by 20.1%.

Net sales rose by 62.0% in Japan, 81.9% in the Americas, 58.7% in Europe, Middle East & Africa, 71.0% in East Asia & Oceania, 92.6% in Southeast Asia, and 32.6% in APLL.

Cost of Sales/Operating Gross Profit

Cost of sales totaled ¥839.782 billion in the fiscal year ended March 2022, up by 66.5%, or ¥335.449 billion, from the previous year mainly due to rise in freight costs. Operating gross profit totaled ¥140.658 billion, up by 34.2%, or ¥35.881 billion, from the previous year. Operating gross profit margin was 14.3%, falling by 2.9 percentage points from 17.2% in the previous year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥78.183 billion in the fiscal year ended March 2022, up by 10.7%, or ¥7.583 billion, from the previous year mainly due to increased labor costs and office expenses.

The percentage to net sales was 8.0%, falling by 3.6 percentage points from 11.6% in the previous year.

Operating Income

Operating income totaled ¥62.475 billion in the fiscal year ended March 2022, up by 82.8%, or ¥28.298 billion, from the previous year. The operating margin was 6.4%, rising by 0.8 percentage points from 5.6% in the previous year.

Other Income (Expenses)

Other net income totaled ¥1.643 billion in the fiscal year ended March 2022, increasing from net expenses of ¥0.348 billion in the previous year. This mainly reflected foreign exchange gains in the fiscal year ended March 2022 while foreign exchange losses were recorded in the previous year.

Income before Income Taxes

Income before income taxes totaled ¥64.118 billion in the fiscal year ended March 2022, up by 89.5%, or ¥30.289 billion, from the previous year.

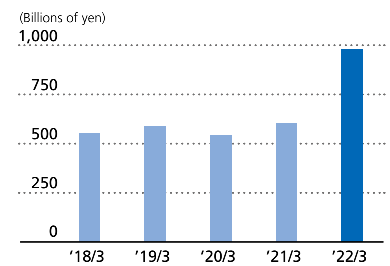
Income Taxes

Income taxes totaled ¥18.562 billion in the fiscal year ended March 2022, up by 72.5%, or ¥7.802 billion, from the previous year. The effective tax rate was 28.9%, down from 31.8% in the previous year.

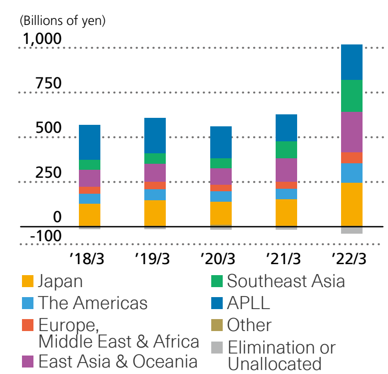
Net Income Attributable to Owners of the Parent, Net Income per Share, Return on Equity

Net income attributable to owners of the parent rose by 100.6% from the previous year to ¥43.417 billion in the fiscal year ended March 2022. As a result, net income per share increased to ¥603.90, up from ¥301.06 in the previous year. ROE increased to 25.8% from 17.0% in the previous year.

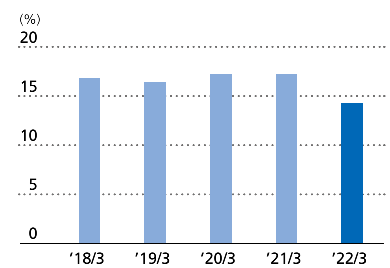
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



OUTLOOK FOR THE YEAR THROUGH MARCH 2023

While the recovering global economy is expected to bring high transportation demand, the business environment is forecasted to remain unpredictable due to factors such as the infection status of new COVID-19 variants and disruptions in manufacturing supply chains caused by supply constraints as well as the actualization of geopolitical risks, including the U.S.-China feud and Russia-Ukraine crisis, the rise in resource prices and global inflation, which may lead to an economic downturn. Also, it is assumed that high freight rates due to the shortage of air and sea freight capacity will continue for a while.

Amid these conditions, the KWE Group will work to realize its Group's Long-Term Vision for the future, "Global Top 10 Solution Partner - A Global Brand Born in Japan," by strengthening group governance and promoting various measures based on HR/IT/finance and accounting strategies in order to enhance our business platform. We will also address priority measures in both forwarding business and logistics business, with the basic policy of "Further growth in global volume" in our sales/operations strategy.

While the Group earnings for the fiscal year ending March 2023 are likely to be affected by the global economy, exchange rates, and other factors, the forecasts at this point are net sales of ¥944.500 billion (down 3.7%), operating income of ¥50.500 billion (down 19.2%), and net income attributable to owners of the parent of ¥32.000 billion (down 26.3%).

As for handling volume, the Group's target for air freight is 780 thousand tons (up 5.3% year on year) and for sea freight 778 thousand TEUs (up 8.2% year on year).

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, 2022 increased by ¥119.172 billion from the previous year to ¥537.999 billion. Current assets increased by 45.3%, or ¥107.531 billion, to ¥344.934 billion. This was mainly due to an increase in notes and accounts receivable-trade of ¥70.419 billion.

Total non-current assets increased by 6.4%, or ¥11.602 billion, to ¥192.896 billion.

Total property and equipment increased by ¥5.638 billion and total intangible assets increased by ¥2.611 billion both mainly resulting from currency translation differences in excess of a decrease by depreciation and amortization, respectively. Investments and other assets also increased by ¥3.352 billion.

Total liabilities were ¥326.942 billion, up by 21.1%, or ¥56.854 billion from the previous year. Current liabilities increased by 38.9%, or ¥53.455 billion, to ¥190.716 billion. This was mainly due to increases in notes and accounts payable-trade of ¥36.786 billion, short-term debt (including current portion of long-term debt) of ¥4.702 billion, and other of ¥6.154 billion.

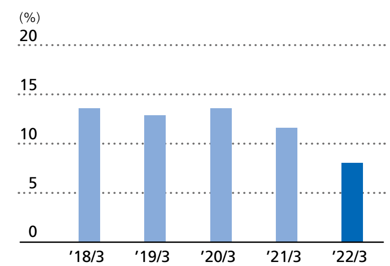
Long-term liabilities increased by 2.6%, or ¥3.399 billion, to ¥136.225 billion. This was mainly due to increases in bonds payable of ¥10.000 billion and lease obligations of ¥2.889 billion, despite ¥10.000 billion decrease in long-term debt.

Total interest-bearing debt increased by 5.5%, or ¥8.702 billion to ¥166.507 billion from ¥157.804 billion in the previous year.

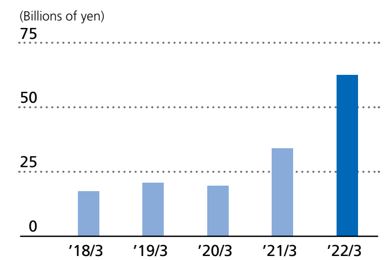
Net assets were ¥211.057 billion, up 41.9%, or ¥62.317 billion, from ¥148.739 billion in the previous year.

This was mainly because of an increase in retained earnings of ¥37.551 billion due to recording net income attributable to owners of the parent of ¥43.417 billion, despite cash dividends paid of ¥5.759 billion. In addition, foreign currency translation adjustment increased by ¥21.908 billion due to a weaker yen trend.

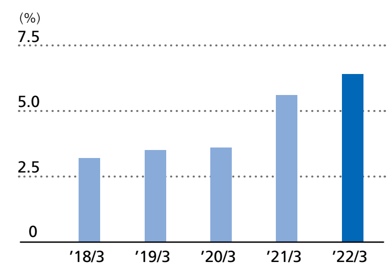
SGA Expenses to Net Sales



Operating Income



Operating Margin



Consequently, the equity ratio as of March 31, 2022 was 36.9%, up from 33.1% at the end of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥30.048 billion in the fiscal year ended March 2022, down by 20.8%, or ¥7.890 billion, from ¥37.938 billion in the previous year. This mainly reflected cash inflows due to income before income taxes of ¥64.118 billion, depreciation and amortization of ¥21.632 billion, and increase in notes and accounts payable of ¥26.268 billion, and cash outflows due to increase in notes and accounts receivable of ¥54.983 billion, contract assets of ¥6.174 billion, and income taxes paid of ¥18.108 billion.

Net cash used in investing activities totaled ¥5.831 billion, up by 62.5%, or ¥2.241 billion from ¥3.589 billion in the previous year. This mainly reflected cash outflows due to payments for purchases of property and equipment of ¥4.225 billion and payments for purchases of intangible assets of ¥1.337 billion.

Net cash used in financing activities totaled ¥13.164 billion, down by 51.1%, or ¥13.749 billion from ¥26.914 billion in the previous year. This mainly reflected cash outflows due to repayments of lease obligations of ¥9.617 billion, repayments for long-term debt of ¥13.086 billion, and dividends paid of ¥5.758 billion, despite cash inflows due to net increase in short-term debt of ¥6.188 billion, proceeds from issuance of bonds of ¥9.940 billion.

As a result of the above, cash and cash equivalents totaled ¥104.028 billion as of March 31, 2022, up by 21.0%, or ¥18.033 billion, from ¥85.995 billion as of March 31, 2021.

DISCLOSURE OF SIGNIFICANT RISK FACTORS WITH POTENTIAL TO IMPACT OPERATING RESULTS

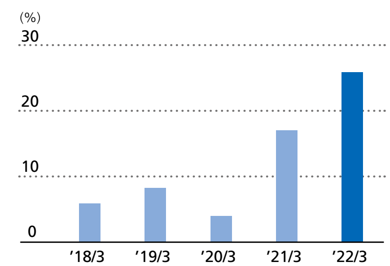
The followings are the major risk factors that the Group recognizes as having the potential to affect our performance and financial condition.

Any forward-looking statements contained herein are based on judgments made by the Group as of March 31, 2022.

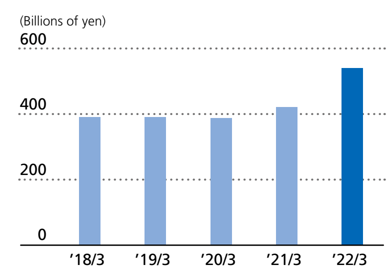
1. Changes in business environment and promotion of the Management Plan

As air and sea freight forwarding, the Group's main business, are susceptible to changes in economic trends, the global economic slowdown could trigger deterioration of transportation demand. The Group has developed "Long-Term Vision" representing our future vision and is implementing group-wide strategies and measures to carry them out. However, our performance and the management plan could be affected by various factors including domestic and overseas economic/business trends, customers' transportation demand, political or social factors, natural disasters and bad weather, terrorist attacks, and regional conflicts and pandemic. In addition to intensification in recent years of political and economic tensions between the U.S. and China, and the two countries' struggle over hegemony, global macroeconomic recession caused by the emergence of geopolitical risks like the Russia-Ukraine crisis will have a major impact on international transportation demand and may affect the business performance and financial position of the Group. The Group will continue to enhance the BCP system among group companies, address changes in business environment and customer trend/needs swiftly and flexibly, and put enormous effort into improving its performance.

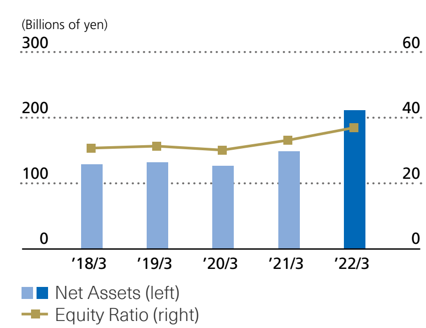
ROE



Total Assets



Net Assets and Equity Ratio



2. Fluctuations in freight costs

Air freight forwarding has been affected by the slow return of passenger flights – especially long-distance passenger flights – which dropped due to the COVID-19 pandemic. Sea freight forwarding is affected by disruptions in maritime container logistics due to shortages of containers and congestion at ports. Due to these factors, freight costs for air and sea freight forwarding have fluctuated significantly and remain unstable. In response to this situation, regarding air freight forwarding, we have been working to secure transport capacity on chartered flights, but since charter contracts are fixed purchases, our performance may be affected if transport demand is lower than expected. In addition, the logistics industry faces labor shortages, and depending on how these situations play out, transportation and cargo handling costs may fluctuate significantly. In the event that these costs rise more than expected and we are unable to collect appropriate fees from customers, the Group's performance and financial condition could be affected. The Group has been striving to minimize the impact on its performance by addressing changes in business environment swiftly and flexibly through enhancement of cooperation with the actual transport companies including airline, shipping, and truck companies, enhancement of centralized procurement within the Group, and collection of appropriate fees reflecting environmental changes from customers.

3. 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. For the fiscal year ended March 31,2022, our overseas segments accounted for 77% and 83% of the Group's net sales and operating income, respectively, and therefore fluctuations in foreign exchange rates used to translate foreign currency-denominated financial statements into Japanese yen could affect the consolidated performance and financial condition. For the fiscal year ended March 31, 2022, the impact of the Japanese yen appreciation by 1 yen against the U.S. dollar on the translation of the Group's foreign currency-denominated financial statements into Japanese yen would result in decreases in net sales and operating income of approx. ¥7.0 billion and ¥500 million, respectively.
We use foreign exchange forward contracts and currency swap 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 these contracts according to internal company rules, to not engage in speculative dealings or highly leveraged transactions.

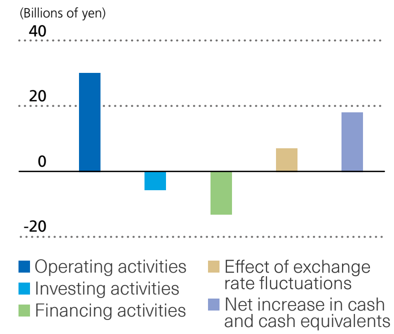
4. Funding, interest rate changes, and downgrade of credit ratings

The Group's major loan agreements with financial institutions include financial covenants. The outstanding balance of loans payable with financial covenants as of March 31, 2022 is ¥70 billion. In the event that the Group is in breach of any of the following financial covenants, the Group will forfeit the benefit of time and could be immediately required to repay a part or all of the outstanding balance.

1) Maintain the amount of shareholders' equity in the consolidated balance sheets as of each reporting date at 75% or higher of such amount as of the reporting date of the fiscal year immediately before the fiscal year or that as of March 31, 2015, whichever is higher;
2) Not to record ordinary loss for two consecutive years on a consolidated basis; and
3) Maintain net debt equity ratio at three times or less in the consolidated balance sheets in each fiscal year.

The Group raises part of its funds necessary for the business

Cash Flows



through borrowings from financial institutions and the issuance of corporate bonds. A rise in market interest rates or downgrade of our credit ratings could have a material impact on our future financial conditions and performance.

In order to deal with such risk, the Group is promoting diversification of funding methods, such as bank borrowings and issuance of corporate bonds, and enhancement of the financial strength through efficient management of the Group funds (e.g. cash management system and intra-group loans). We will also strive to build good relationships with financial institutions and continue our management efforts toward steady progress of the management strategy.

5. Acquisition, 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. Our performance and financial conditions 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.

In May 2015, the Group acquired APL Logistics Ltd ("APLL") engaging in the global logistics business and made it a consolidated subsidiary. As of March 31, 2022, the balance of APLL's fixed assets including goodwill, etc. subject to impairment test was ¥101.7 billion ($884 million). The Group is working on improving APLL's asset efficiency and maximizing its profit.

6. Changes in legal regulations related to our business operations and litigation

The Group's freight forwarding and logistics businesses are subject to various legal regulations around the world. It is possible that changes to existing laws and regulations could impose restrictions on our business and operating activities and result in additional costs or a decrease in sales, which could affect our performance. It is also possible that, while we conduct our business by placing highest priority on compliance, inadequate compliance or serious violation of laws and regulations could lead to restrictions on our operating activities or imposition of monetary penalties, etc. and affect our performance and reputation.

In April 2021, as a measure to mitigate these risks by assessing and addressing potential legal risks properly, the Group has newly appointed a general counsel to provide appropriate advice on overall legal matters within the Group including lawsuits and direction and coordination of all legal affairs of the Group to support the Chief Risk Management Officer. Our efforts to enhance risk management and mitigate risks also include the introduction of the Global Insurance Program (GIP) aimed at mitigating risks of and enhancing compensation for damages arising from the Group's operation.

7. Lack of compliance, internal control or corporate governance

As of March 31, 2022, the Group consists of Kintetsu World Express, Inc., its 128 consolidated subsidiaries, and nine affiliates accounted for using the equity method and operates in 46 countries around the world. As we develop business globally, material weakness in internal control which could result in inappropriate accounting treatments or fraud or compliance issues such as a violation of laws and regulations or internal rules or a serious scandal, etc. could lead to loss of trust from our stakeholders, including customers and investors, and have a negative impact on our performance and social credibility.

In order to mitigate risks, for internal control, we strive to enhance guidance by each Regional Headquarters and Internal Control Division as well as internal audit functions of Audit Department under the leadership of the Internal Control Operation Committee of the Company. And for group governance, we are working to enhance the reporting system to meeting bodies such as the Board of Directors and Corporate Management Meeting, the middle governance at each Regional Headquarters, and Corporate Division's functions to audit each Regional Headquarters, and compliance training by using e-learning in group companies.

8. Labor-related (securing of human resources, loss of human resources, etc.)

The Group's business activities rely heavily on human resources and securing and developing excellent human resources in all fields is essential for our growth. Failure to secure and develop such necessary human resources and failure to retain excellent human resources could make it difficult to grow or continue the Group's business, which could affect the Group's performance.

The Group is working to promote labor-saving and increase productivity through the improvement of operational efficiency using advance technologies such as AI and RPA as well as recruitment of new graduates and mid-career recruitment for specific purposes. We also strive to secure necessary human resources through the use of our subsidiary engaging in staffing services and an initiative aimed at the extension of retirement age.

9. Information leaks, cyberterrorism, and information management security (customer data), etc.

Leakage of customer or personal information to outside parties for an unexpected reason will cause loss of trust in the Company and could affect our performance and financial condition. Also, any situation where our system is unable to function for a long period of time due to an unexpected computer system failure, communication failure, or computer virus or cyberterrorism which recently has become increasingly sophisticated and frequent, could affect our performance and financial condition.

For the Group's customer and personal information and business information, we have enacted the KWE IT Security Policy and strive to enhance the information management system through periodic system checks, audit, and employee education. Also, in order to mitigate the system failure risk, we are striving to ensure reliable system operation by dispersing data centers, using cloud storage, and introducing network redundancy and enhance the security system in the aspects of both hardware and software to safeguard against unauthorized access and viruses.

10. Spread of the novel coronavirus infection (COVID-19) or other diseases

The Group operates in 46 countries as of March 31, 2022. The rapid and global spread of an infectious disease like COVID-19 could affect the Group's business operation in countries and regions where the Group operates due to factors including restrictions on social and economic activities to prevent the spread of infections, suspension of customers' business activities, and infection in the Group employees. Also, the stagnation of global economy resulting from restrictions of economic activities could have a significant impact on our performance and financial condition.

With continuous maintenance of good health of all employees and their family members as our highest priority, the Group implements measures to prevent infection and its spread as well as strive to mitigate risk by establishing the BCP system including business operation system and customer support according to the situation, based on the Group Business Continuity Policy and in line with the policies and guidelines of respective governments.

Financial Highlights

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

	Millions of yen								Thousands of U.S. dollars*1
	2015	2016	2017	2018	2019	2020	2021	2022	2022
Results of Operation (Millions of yen)									
Net sales	¥ 327,192	¥ 420,252	¥ 474,330	¥ 553,197	¥ 592,009	¥ 544,533	¥ 609,110	¥ 980,441	$ 8,010,793
Operating income	16,563	15,356	13,075	17,551	20,797	19,714	34,177	62,475	510,458
Income before income taxes	16,372	17,847	12,486	16,879	19,978	13,256	33,829	64,118	523,882
Net income attributable to owners of the parent	10,489	9,773	4,487	7,002	9,857	4,724	21,644	43,417	354,743
Financial Position (Millions of yen)									
Total assets	¥ 193,792	¥ 385,441	¥ 378,733	¥ 389,582	¥ 388,467	¥ 385,470	¥ 418,827	¥ 537,999	$ 4,395,775
Property and equipment	39,831	45,944	46,109	46,749	46,137	68,145	68,548	74,187	606,152
Interest-bearing debt	15,734	166,187	166,260	166,429	161,647	170,859	157,804	166,507	1,360,462
Long-term liabilities	10,573	152,129	148,553	137,545	133,913	130,906	132,826	136,225	1,113,040
Total liabilities	64,105	250,242	252,717	260,594	256,643	258,864	270,087	326,942	2,671,313
Net assets	129,687	135,199	126,016	128,988	131,823	126,606	148,739	211,057	1,724,462
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 9,457	¥ 20,143	¥ 14,589	¥ 15,063	¥ 22,637	¥ 36,304	¥ 37,938	¥ 30,048	$ 245,510
Net cash provided by (used in) investing activities	(10,870)	(147,207)	(5,342)	(10,030)	(7,312)	(7,165)	(3,589)	(5,831)	(47,642)
Net cash provided by (used in) financing activities	(1,424)	144,744	(5,657)	(2,754)	(6,868)	(26,424)	(26,914)	(13,164)	(107,557)
Cash and cash equivalents at end of year	48,700	63,903	65,506	67,856	75,799	75,853	85,995	104,028	849,971
Capital expenditures for property and equipment (cash basis)	4,889	5,735	3,762	5,192	4,702	4,732	3,361	4,225	34,520
Depreciation and amortization	2,806	7,236	10,729	11,674	12,074	20,744	21,030	21,632	176,746
Per Share Data (Yen)									
Net income	¥ 145.68	¥ 135.74	¥ 62.33	¥ 97.26	¥ 136.91	¥ 65.68	¥301.06	¥ 603.90	$ 4.93
Cash dividends	23.00	26.00	26.00	26.00	30.00	30.00	50.00	120.00	0.98
Net assets	1,750.16	1,741.44	1,627.84	1,662.72	1,690.89	1,615.38	1,926.30	2,757.51	22.53
Management Indicators									
Operating margin (%)	5.1	3.7	2.8	3.2	3.5	3.6	5.6	6.4	
Return on equity (%)	9.0	7.9	3.7	5.9	8.2	4.0	17.0	25.8	
Current ratio (Times)	2.4	1.8	1.7	1.6	1.6	1.5	1.7	1.8	
Debt-to-equity (Times)	0.1	1.3	1.4	1.4	1.3	1.5	1.1	0.8	
Number of employees (consolidated)	10,680	17,311	18,159	18,140	17,661	17,339	16,587	17,069	

*1 U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022 which is ¥122.39 to U.S.$1.

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2022 and 2021

ASSETS	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Current assets:			
Cash and time deposits (Notes 3, 5 and 12)	¥ 108,095	¥ 90,277	$ 883,201
Notes and accounts receivable-trade (Notes 5 and 12)	202,816	132,397	1,657,128
Contract assets	7,848	1,363	64,122
Less: Allowance for doubtful accounts	(1,511)	(1,350)	(12,345)
Marketable securities (Notes 4 and 12)	4,647	4,203	37,968
Other current assets	23,036	10,512	188,217
Total current assets	344,934	237,402	2,818,318
Property and equipment:			
Land	14,340	14,110	117,166
Buildings and structures	43,203	41,305	352,994
Machinery and equipment	10,979	9,632	89,705
Leased assets	1,009	1,025	8,244
Right-of-use assets	59,847	49,998	488,986
Others	25,745	22,657	210,352
	155,124	138,729	1,267,456
Less: Accumulated depreciation	(80,937)	(70,180)	(661,304)
Total property and equipment	74,187	68,548	606,152
Intangible assets:			
Goodwill (Note 15)	50,402	48,973	411,814
Customer-related intangible assets	27,403	26,532	223,899
Other intangible assets	14,850	14,538	121,333
Total intangible assets	92,656	90,045	757,055
Investments and other assets:			
Investments in: (Notes 4 and 12)			
Affiliates	7,461	6,797	60,960
Others	5,653	5,410	46,188
Long-term loans receivable (Note 12)	719	648	5,874
Retirement benefit asset (Note 8)	228	5	1,862
Deferred tax assets (Note 9)	4,219	3,811	34,471
Other investments (Note 5)	8,444	6,642	68,992
Less: Allowance for doubtful accounts	(673)	(615)	(5,498)
Total investments and other assets	26,053	22,700	212,868
Deferred assets			
Bond issuance cost	168	130	1,372
Total deferred assets	168	130	1,372
Total assets (Note 15)	¥ 537,999	¥ 418,827	$ 4,395,775

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Current liabilities:			
Notes and accounts payable-trade (Notes 5 and 12)	¥ 103,241	¥ 66,455	$ 843,541
Short-term debt (Notes 5, 7 and 12)	26,007	18,216	212,492
Current portion of long-term debt (Notes 7, 12 and 13)	10,000	13,088	81,706
Lease obligations (Note 7)	9,097	7,988	74,327
Income taxes payable (Notes 9 and 12)	9,295	7,118	75,945
Provision for bonuses	8,555	6,157	69,899
Provision for bonuses for directors	355	229	2,900
Other current liabilities	24,162	18,008	197,418
Total current liabilities	190,716	137,261	1,558,264
Long-term liabilities:			
Bonds payable (Notes 7 and 12)	35,000	25,000	285,971
Long-term debt (Notes 7, 12 and 13)	64,800	74,800	529,455
Lease obligations (Note 7)	21,601	18,711	176,493
Provision for share-based remuneration for directors	56	41	457
Retirement benefit liability (Note 8)	5,912	5,928	48,304
Deferred tax liabilities (Note 9)	7,482	6,994	61,132
Other long-term liabilities	1,373	1,350	11,218
Total long-term liabilities	136,225	132,826	1,113,040
Net assets (Note 10):			
Shareholders' equity:			
Common stock			
Authorized 240,000,000 shares			
Issued 72,000,000 shares	7,216	7,216	58,959
Capital surplus	4,499	4,499	36,759
Retained earnings	178,457	140,906	1,458,101
Treasury shares	(144)	(150)	(1,176)
Total shareholders' equity	190,028	152,471	1,552,643
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	2,104	1,939	17,190
Foreign currency translation adjustment	7,846	(14,061)	64,106
Remeasurements of defined benefit plans	(1,724)	(1,862)	(14,086)
Total accumulated other comprehensive income	8,226	(13,985)	67,211
Non-controlling interests in consolidated subsidiaries	12,802	10,253	104,600
Total net assets	211,057	148,739	1,724,462
Total liabilities and net assets	¥ 537,999	¥ 418,827	$ 4,395,775

See accompanying notes.

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Note 15)	¥ 980,441	¥ 609,110	$ 8,010,793
Cost of sales	839,782	504,332	6,861,524
Operating gross profit	140,658	104,777	1,149,260
Selling, general and administrative expenses (Notes 15 and 16)	78,183	70,600	638,802
Operating income (Note 15)	62,475	34,177	510,458
Other income (expenses):			
Interest and dividend income	576	681	4,706
Interest expenses	(1,598)	(1,729)	(13,056)
Foreign currency exchange gain (loss), net	2,101	(100)	17,166
Share of profit of entities accounted for using equity method, net (Note 14)	321	33	2,622
Subsidy income	399	1,185	3,260
Gain on sales of investment securities	34	41	277
Impairment loss (Note 6)	(194)	(741)	(1,585)
Loss on liquidation of subsidiaries	(392)	–	(3,202)
Loss on termination of retirement benefit plan	(62)	–	(506)
Others, net (Notes 4, 15 and 17)	458	282	3,742
	1,643	(348)	13,424
Income before income taxes	64,118	33,829	523,882
Income taxes (Note 9):			
Current	19,192	11,536	156,810
Deferred	(630)	(776)	(5,147)
	18,562	10,760	151,662
Net income	45,556	23,069	372,219
Net income attributable to non-controlling interests	2,138	1,424	17,468
Net income attributable to owners of the parent	¥ 43,417	¥ 21,644	$ 354,743

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥ 45,556	¥ 23,069	$ 372,219
Other comprehensive income (Note 18):			
Unrealized gains (losses) on available-for-sale securities	154	1,092	1,258
Foreign currency translation adjustment	22,701	421	185,480
Remeasurements of defined benefit plans	141	788	1,152
Share of other comprehensive income of entities accounted for using equity method	482	102	3,938
Total other comprehensive income	23,480	2,404	191,845
Comprehensive income	¥ 69,036	¥ 25,473	$ 564,065
Comprehensive income attributable to			
Owners of the parent	¥ 65,630	¥ 24,101	$ 536,236
Non-controlling interests	3,406	1,372	27,829

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2022 and 2021

	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	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, 2020	72,000	¥ 7,216	¥ 4,084	¥ 121,425	¥ (150)	¥ 132,576	¥ 852	¥ (14,675)	¥ (2,619)	¥ (16,443)	¥ 10,472	¥ 126,606
Cash dividends paid	–	–	–	(2,159)	–	(2,159)	–	–	–	–	–	(2,159)
Net income attributable to owners of the parent	–	–	–	21,644	–	21,644	–	–	–	–	–	21,644
Adjustment due to change in the fiscal period of consolidated subsidiaries	–	–	–	(3)	–	(3)	–	–	–	–	–	(3)
Change in equity of parent related to transaction with non-controlling shareholders	–	–	414	–	–	414	–	–	–	–	–	414
Net changes in items other than shareholders' equity	–	–	–	–	–	–	1,086	614	756	2,457	(219)	2,238
Balance at April 1, 2021	72,000	¥ 7,216	¥ 4,499	¥ 140,906	¥ (150)	¥ 152,471	¥ 1,939	¥ (14,061)	¥ (1,862)	¥ (13,985)	¥ 10,253	¥ 148,739
Cumulative effects of changes in accounting policies (Notes 2 (24))	–	–	–	(107)	–	(107)	–	–	–	–	–	(107)
Balance at April 1, 2021, as restated	–	7,216	4,499	140,799	(150)	152,364	1,939	(14,061)	(1,862)	(13,985)	10,253	148,632
Dividends of surplus	–	–	–	(5,759)	–	(5,759)	–	–	–	–	–	(5,759)
Net income attributable to owners of the parent	–	–	–	43,417	–	43,417	–	–	–	–	–	43,417
Purchase of treasury shares	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	5	5	–	–	–	–	–	5
Net changes of items other than shareholders' equity	–	–	–	–	–	–	165	21,908	138	22,212	2,548	24,761
Balance at March 31, 2022	72,000	¥ 7,216	¥ 4,499	¥ 178,457	¥ (144)	¥ 190,028	¥ 2,104	¥ 7,846	¥ (1,724)	¥ 8,226	¥ 12,802	¥ 211,057

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	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, 2021	72,000	$ 58,959	$ 36,759	$ 1,151,286	$ (1,225)	$ 1,245,779	$ 15,842	$ (114,886)	$ (15,213)	$ (114,265)	$ 83,773	$ 1,215,287
Cumulative effects of changes in accounting policies (Notes 2 (24))	–	–	–	(874)	–	(874)	–	–	–	–	–	(874)
Balance at April 1, 2021, as restated	–	58,959	36,759	1,150,412	(1,225)	1,244,905	15,842	(114,886)	(15,213)	(114,265)	83,773	1,214,412
Dividends of surplus	–	–	–	(47,054)	–	(47,054)	–	–	–	–	–	(47,054)
Net income attributable to owners of the parent	–	–	–	354,743	–	354,743	–	–	–	–	–	354,743
Purchase of treasury shares	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	40	40	–	–	–	–	–	40
Net changes of items other than shareholders' equity	–	–	–	–	–	–	1,348	179,001	1,127	181,485	20,818	202,312
Balance at March 31, 2022	72,000	$ 58,959	$ 36,759	$ 1,458,101	$ (1,176)	$ 1,552,643	$ 17,190	$ 64,106	$ (14,086)	$ 67,211	$ 104,600	$ 1,724,462

See accompanying notes.

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 64,118	¥ 33,829	$ 523,882
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	21,632	21,030	176,746
Impairment loss	194	741	1,585
Loss on termination of retirement benefit plan	62	–	506
Increase (decrease) in allowance for doubtful accounts	144	(162)	1,176
Increase (decrease) in provision for bonuses	1,952	1,545	15,949
Increase (decrease) in provision for bonuses for directors	114	(47)	931
Increase (decrease) in Provision for share-based remuneration for directors	18	21	147
Increase (decrease) in retirement benefit liability	63	309	514
Interest and dividend income	(576)	(681)	(4,706)
Interest expenses	1,598	1,729	13,056
Share of loss (profit) of entities accounted for using equity method	(321)	(33)	(2,622)
Loss (gain) on sales of investment securities	(34)	(41)	(277)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(54,983)	(29,004)	(449,244)
Increase (decrease) in notes and accounts payable	26,268	16,802	214,625
Decrease (increase) in contract assets	(6,174)	(336)	(50,445)
Others, net	(5,243)	257	(42,838)
Subtotal	48,834	45,960	399,003
Interest and dividends received	909	755	7,427
Interest paid	(1,587)	(1,695)	(12,966)
Income taxes paid	(18,108)	(7,081)	(147,953)
Net cash provided by (used in) operating activities	30,048	37,938	245,510

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposits	(3,255)	(3,800)	(26,595)
Proceeds from withdrawal of time deposits	3,862	4,483	31,554
Payments for purchases of property and equipment	(4,225)	(3,361)	(34,520)
Proceeds from sales of property and equipment	120	223	980
Payments for purchases of intangible assets	(1,337)	(1,319)	(10,924)
Payments for purchases of securities	(5,537)	(5,103)	(45,240)
Proceeds from sale and redemption of investment securities	5,397	5,337	44,096
Payments of leasehold and guarantee deposits	(2,309)	(616)	(18,865)
Proceeds from refund of leasehold and guarantee deposits	1,328	534	10,850
Proceeds from collection of loans receivable	–	0	–
Others, net	125	33	1,021
Net cash provided by (used in) investing activities	(5,831)	(3,589)	(47,642)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	6,188	862	50,559
Repayment to non-controlling shareholders	–	(498)	–
Repayments of lease obligations	(9,617)	(9,222)	(78,576)
Repayments for long-term debt	(13,086)	(30,102)	(106,920)
Proceeds from issuance of bonds	9,940	14,913	81,215
Purchase of treasury shares	(0)	–	(0)
Proceeds from disposal of treasury shares	1	–	8
Dividends paid	(5,758)	(2,159)	(47,046)
Dividends paid to non-controlling interests	(833)	(706)	(6,806)
Net cash provided by (used in) financing activities	(13,164)	(26,914)	(107,557)
Effect of exchange rate fluctuations on cash and cash equivalents	6,981	2,921	57,038
Net increase (decrease) in cash and cash equivalents	18,033	10,355	147,340
Cash and cash equivalents at beginning of year	85,995	75,853	702,630
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	–	(214)	–
Cash and cash equivalents at end of year (Note 3)	¥ 104,028	¥ 85,995	$ 849,971

See accompanying notes.

Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2022 and 2021

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 June 28, 2019)", 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, 2022 which is ¥122.39 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 2022 presentation.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Consolidated financial statements include the accounts of the Company and 128 subsidiaries for the year ended March 31, 2022. At March 31, 2021 the Company had 129 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 immaterial.

At March 31, 2022, 1 non-consolidated subsidiary and 8 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, 2021, 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 62 consolidated subsidiaries is December 31 of each year. The financial statements at the date of those subsidiaries are used to prepare consolidated financial statements.

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, 2022 and 2021. 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 method. Other securities that do not have market value are stated at cost using weighted-average method. 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 using the straight-line method. The range of useful lives is principally as follows:

Buildings and structures	5- 50 years
Machinery and equipment	2- 30 years
Right-of-use assets	2- 60 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 using 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 using the straight-line method over their useful lives (primarily 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) Provision for bonuses

Bonuses for employees are provided for the portion that is relevant to the current year of the estimated amount of bonus payments.

(12) Provision for bonuses for directors

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

(13) Provision for Share-based Remuneration for Directors

Provision for share-based remuneration for directors are provided at the estimated amount of stock benefits to directors at the fiscal year-end in accordance with the internal rules for stock delivery.

(14) Amortization of deferred assets

Bond issuance cost is amortized using straight-line method for 5-10 years.

(15) 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 actuarial calculations.

The Company and certain consolidated subsidiaries have a defined benefit plan while certain overseas subsidiaries have either a defined benefit plan or a defined contribution 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, 2022 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 retirement 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.

(16) 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.

(17) 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 adjustment" and "Non-controlling interests in consolidated subsidiaries" in separate components of equity.

(18) 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.

(19) 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.

(20) 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 swap contracts, 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 swap contracts	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.

(Hedging relationships that apply "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR")
Among the above mentioned hedging relationships, all the hedging relationships subject to the application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No. 40, March 17, 2022) have adopted the special treatment set forth in PITF No. 40. The details of the hedging relationships applying PITF No. 40 are as follows:

Hedge accounting method: Interest rate and currency swap contracts, which qualify for hedge accounting and meet specific matching criteria

Hedging instrument: Interest rate and currency swap contracts

Hedged object: Long-term debt denominated in foreign currency

Type of hedging transaction: Fixing the cash flows

(21) 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, 2022 and 2021 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.

(22) Revenue Recognition

a) Air freight
TIn the Air freight, the Group provides comprehensive international logistics services by air transportation. The Group recognizes revenue when the goods are shipped or delivered because the transportation period is deemed to be short, though a performance obligation is satisfied over a certain period.

b) Sea Freight
In the Sea freight, the Group provides comprehensive international logistics services by sea transportation. The Group recognizes revenue mainly based on the progress in view of term to the destination because a performance obligation is satisfied over a certain period.

c) Logistics
In the Logistics, the Group provides comprehensive logistics services, namely, contract logistics, including storage, handling, inventory control, purchase orders control, transportation and delivery. If the contract stipulates that a performance obligation is satisfied at a point in time when stored goods are delivered, the Company recognizes revenue when the work is completed and stored goods are delivered. If the contract stipulates provision of service over a certain period, the Group recognizes revenue based on the time elapsed.

c) Others
In the Others, the Group provides mainly comprehensive domestic logistics services by air transportation. The Group recognizes revenue when the goods are shipped or delivered because the transportation period is deemed to be short, though a performance obligation is satisfied over a certain period.

(23) Significant Accounting Estimates
Recognition of an impairment loss on non-current assets

a) The amount presented in the consolidated financial statements.
The Group has non-current assets of ¥101,739 million (including customer-related assets of ¥27,061 million ($221,104 thousand), trademarks of ¥7,220 million ($58,991 thousand) and goodwill of ¥47,561 million ($388,602 thousand)) related to APL Logistics Ltd ("APLL") and the indications of impairment of non-current assets are not identified as of the fiscal year-end.
However, if the APLL's financial performance deteriorates and results in recognizing an impairment loss, the loss would have significant effect on the consolidated financial statements.
Therefore, the Group compares undiscounted future cash flows with the carrying amount of non-current assets in order to analyze the likelihood of the occurrence of an impairment loss and its impact. As a results, the Group judges that the undiscounted future cash flows exceed the carrying amount of non-current assets and doesn't recognize the impairment loss.

b) Detailed information about significant accounting estimates
Undiscounted future cash flows were estimated on the basis of APLL's mid-term business plan. Key assumptions underlying the mid-term business plan, such as the forecasts of net sales from major

customers (including the effects from the novel coronavirus disease (COVID-19) and when COVID-19 will be brought under control), mid- to long-term net sales growth rate, operating gross profit ratio, expected selling, general and administrative expenses and economic indicators, involve an uncertainty and those forecasts thereon may have a significant effect on the estimate of future cash flows.
The Group outsources the calculation of undiscounted future cash flows to an outside professional firm.

(24) Changes in accounting policy
(Adoption of "Accounting Standard for Revenue Recognition")
The Company adopted Revenue Recognition Accounting Standards (ASBJ Statement No.29 March 31, 2020) (hereafter, "Revenue Recognition Accounting Standard") from the beginning of the current consolidated fiscal year. The Company recognizes revenue at an amount expected to be received in exchange for the promised goods or services at the time when the control of said goods or services is transferred to customers.

Due to this change, the Company recognizes the revenue based on the progress when a performance obligation is satisfied over a certain period.

The Company followed the transitional measures set forth in the notes to section 84 of the Revenue Recognition Accounting Standard. Therefore, the Company has adjusted the retained earnings at the beginning of the current consolidated fiscal year to include the cumulative effects of retroactive application of the new accounting policy prior to the beginning of the said consolidated fiscal year, and adopted the new accounting policy to the balance at the beginning of the fiscal year.

As a result, the beginning balance of retained earnings has decreased by ¥107 million ($874 thousand). The impact of this change on consolidated statements of income is immaterial.

Following the transitional measures set forth in section 89-3 of the Revenue Recognition Accounting Standard, relevant information for the previous consolidated fiscal year is not provided.

(Adoption of "Accounting Standard for Fair Value Measurement")
The company adopted Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) (hereafter, "Accounting Standard for Fair Value Measurement") from the beginning of the current year.

Following the transitional measures set forth in section 19 in the Accounting Standard for Fair Value Measurement and section 44-2 in Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company adopts the new accounting policy set forth in the Accounting Standard for Fair Value etc., subsequently. There is no impact of this change on consolidated financial statements.

Fair value information of financial instruments by level are disclosed in the notes of "Financial Instruments". However, following the transitional measures set forth in section 7-4 of "Implementation Guidance on Disclosures about Faire Value of Financial Instruments" (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

(25) Changes in Presentation
(Consolidated Balance Sheets)
Prior to April 1, 2021, "Contract assets" was included in "Other" in the current assets section of the consolidated balance sheets. Since the materiality of the amount increased during this fiscal year ended March 31, 2022, such amount was disclosed separately in the current assets section of the consolidated balance sheets. The amount included in "Other" for the year ended March 31, 2021 was ¥1,363 million.

(Consolidated Statement of Cash Flows)
Prior to April 1, 2021, "Decrease (increase) in contract assets" was included in "Other" in the cash flows from operating activities section of the consolidated statements of cash flows. Since the materiality of the amount increased during this fiscal year ended March 31, 2022, such amount was disclosed separately in the cash flows from operating activities section of the consolidated statements of cash flows. The amount included in "Other" for the year ended March 31, 2021 was ¥(336) million.

(26) Additional Information
(performance-linked stock compensation plan)
In order to increase the Directors' awareness of their contribution to the enhancement of the Company's medium – to long-term corporate value and the sharing mutual interest with shareholders, the Company introduced a performance-linked stock compensation plan (the "Plan") for Directors of the Company (excluding Outside Directors and nonresidents of Japan). The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the Plan.

a) Transaction summary
The Plan uses a director compensation BIP (Board Incentive Plan) trust by which Directors are granted shares of the Company and paid the cash equivalent to the market value of the shares of the Company after conversion into cash according to the degree of achievement of performance targets and their positions.

b) The Company's own stock in the trust
The Company's own stock in the possession of the trust is recorded as treasury shares under net assets at book value (excluding ancillary expenses). The book value and number of treasury shares were ¥140 million ($1,143 thousand) and 101,012 shares, as of the fiscal year ended March 31, 2022 and ¥146 million and 105,000 shares, as of the fiscal year ended March 31, 2021.

(Transfer of retirement benefit plans)
Effective April 1, 2022, the Company and one of its consolidated subsidiaries transferred from a defined benefit plan to a defined contribution plan, and applied the "Guidance on Accounting for Transfer Between Retirement Benefit Plans" (ASBJ Implementation Guidance No. 1, revised on December 16, 2016) and the "Practical Solution on Accounting for Transfer Between Retirement Benefit Plans" (Practical Issues Task Force No. 2, revised on February 7, 2007). Information on the impact, etc. of this have been listed to "Note 8: Accounting for Retirement Benefits"

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
	2022	2021	2022
Cash and time deposits	¥ 108,095	¥ 90,277	$ 883,201
Time deposits with maturities exceeding three months	(4,066)	(4,281)	(33,221)
Cash and cash equivalents	¥ 104,028	¥ 85,995	$ 849,971

2. Significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Leased assets	¥ 61	¥ 58	$ 498
Right-of-use assets	11,887	9,528	97,123
Lease obligations	11,689	9,391	95,506

Note 4: Securities

The following tables summarized acquisition costs, book values and fair values of securities with available fair values at March 31, 2022 and 2021:

Held-to-maturity debt securities, at March 31, 2022: None
Held-to-maturity debt securities, at March 31, 2021: None

	Millions of yen			Thousands of U.S. dollars		
Available-for-sale securities, at March 31, 2022:	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 5,185	¥ 2,279	¥ 2,905	$ 42,364	$ 18,620	$ 23,735
Securities with book value not exceeding acquisition costs	4,735	4,751	(15)	38,687	38,818	(122)
Total	¥ 9,920	¥ 7,030	¥ 2,889	$ 81,052	$ 57,439	$ 23,604

Available-for-sale securities, at March 31, 2021:	Millions of yen Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 6,229	¥ 3,542	¥ 2,686
Securities with book value not exceeding acquisition costs	3,005	3,031	(26)
Total	¥ 9,234	¥ 6,574	¥ 2,660

Available-for-sale securities sold during the years ended March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities	2022	2021	2022
Sales proceeds	¥ 96	¥ 105	$ 784
Gain on sales	35	41	285
Loss on sales	(0)	–	(0)

Note 5: Pledged Assets and Secured Liabilities

1. At March 31, 2022 and 2021, assets pledged as collateral for secured liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
Assets pledged as collateral	2022	2021	2022
Cash and time deposits	¥ 27	¥ 25	$ 220
Notes and accounts receivable-trade	2,236	1,724	18,269
Other investments	8	8	65
Total	¥ 2,273	¥ 1,757	$ 18,571

2. At March 31, 2022 and 2021, liabilities related to these assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
Secured liabilities	2022	2021	2022
Notes and accounts payable-trade	¥ 6	¥ 6	$ 49
Short-term debt	1,644	1,581	13,432
Total	¥ 1,650	¥ 1,588	$ 13,481

Note 6: Impairment Loss

Impairment loss for the year ended March 31, 2022
The Group primarily classifies its assets by management accounting unit and rental properties by individual property and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥194 million ($1,585 thousand).

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 ¥194 million ($1,585 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 14.5%.

Impairment loss for the year ended March 31, 2021
The Group primarily classifies its assets by management accounting unit and rental properties by individual property and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥741 million.

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 ¥741 million 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 15.5%.

Note 7: 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, 2022 and 2021 are 1.2% and 1.0%, respectively.

2. Long-term debt including bonds payable and lease obligations at March 31, 2022 and 2021 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Long-term debt from banks and other financial institutions due 2023 to 2054, with average interest of 1.2% and 0.9% for 2022 and 2021, respectively			
Unsecured	¥ 140,499	¥ 139,588	$ 1,147,961
Less: Current portion due within one year	(19,097)	(21,076)	(156,033)
Long-term debt, non-current portion	¥ 121,401	¥ 118,511	$ 991,919

3. Maturities of long-term debt including bonds payable and lease obligations at March 31, 2022 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 21,301	$ 174,041
2025	14,223	116,210
2026	47,491	388,030
2027 and thereafter	38,385	313,628
Total	¥ 121,401	$ 991,919

4. Financial covenants

As of March 31, 2022

The Company's long-term debt (including current portion of long-term debt) from bank of ¥70,000 million ($571,942 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, 2021

The Company's long-term debt (including current portion of long-term debt) from bank of ¥80,000 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 8: Accounting for Retirement Benefits

Effective April 1, 2022, the Company and one of its consolidated subsidiaries transferred from a defined benefit plan to a defined contribution plan, and applied the "Guidance on Accounting for Transfer Between Retirement Benefit Plans" (ASBJ Implementation Guidance No. 1, revised on December 16, 2016) and the "Practical Solution on Accounting for Transfer Between Retirement Benefit Plans" (Practical Issues Task Force No. 2, revised on February 7, 2007).

As a result, the loss on termination of retirement benefit plan to be recorded in the fiscal year ended March 31, 2022 is ¥62 million ($506 thousand).

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of year, as previously reported	¥ 19,660	¥ 19,655	$ 160,634
Service cost	1,265	1,160	10,335
Interest cost	133	85	1,086
Actuarial differences incurred during the year	(50)	(40)	(408)
Benefits paid	(1,649)	(1,320)	(13,473)
Increase due to change from the simplified method to the principle method	281	–	2,295
Loss on termination of retirement benefit plan	62	–	506
Others	122	119	996
Balance at the end of year	¥ 19,824	¥ 19,660	$ 161,974

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of year	¥ 15,246	¥ 14,238	$ 124,569
Expected return on plan assets	322	284	2,630
Actuarial differences incurred during the year	(239)	665	(1,952)
Contributions paid by the employer	1,414	1,076	11,553
Contributions paid by the employee	101	100	825
Benefits paid	(1,517)	(1,235)	(12,394)
Others	84	116	686
Balance at the end of year	¥ 15,411	¥ 15,246	$ 125,917

(3) Changes in retirement benefit obligations applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of year	¥ 1,508	¥ 1,320	$ 12,321
Retirement benefit costs	311	413	2,541
Benefits paid	(129)	(113)	(1,054)
Contributions paid by the employer	(197)	(158)	(1,609)
Decrease due to change from the simplified method to the principle method	(281)	–	(2,295)
Others	59	46	482
Balance at the end of year	¥ 1,270	¥ 1,508	$ 10,376

(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 the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligations	¥ 17,989	¥ 18,126	$ 146,980
Plan assets	(15,411)	(15,246)	(125,917)
	2,578	2,880	21,063
Unfunded projected benefit obligations	3,105	3,042	25,369
Net liability (asset) on the consolidated balance sheet	¥ 5,683	¥ 5,922	$ 46,433
Net defined benefit liability	5,912	5,928	48,304
Net defined benefit asset	(228)	(5)	(1,862)
Net amount of liability (asset) on the consolidated balance sheet	¥ 5,683	¥ 5,922	$ 46,433

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 1,117	¥ 1,060	$ 9,126
Interest cost	133	85	1,086
Expected return on plan assets	(322)	(284)	(2,630)
Amortization on actuarial gains and losses	393	430	3,211
Amortization on prior service cost	0	0	0
Retirement benefit cost with the simplified method	307	413	2,508
Loss on termination of retirement benefit plan	62	–	506
Net retirement benefit costs of defined benefit plan	¥ 1,691	¥ 1,706	$ 13,816

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Past service costs	¥ 0	¥ 0	$ 0
Actuarial differences	204	1,135	1,666
Total	¥ 204	¥ 1,136	$ 1,666

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

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Unrecognized past service costs	¥ –	¥ 0	$ –
Unrecognized actuarial differences	2,479	2,684	20,254
Total	¥ 2,479	¥ 2,684	$ 20,254

(8) Plan assets

(a) Components of plan assets	2022	2021
Bonds	0.9%	48.0%
Equity securities	0.1%	30.2%
Cash and time deposits	98.1%	14.5%
Life insurance company account	–	3.6%
Alternative investments	–	3.3%
Other	0.9%	0.4%
Total	100.0%	100.0%

Notes:
1. Retirement benefit trust has been terminated as of March 31, 2021.
2. Alternative investments are mainly investments on hedge funds.
3. Cash and time deposits as of March 31, 2022 include assets for transferring to defined contribution plan.

(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

	2022	2021
Discount rate	Primarily 0.2%	Primarily 0.2%
Long-term expected rate of return on plan assets	Primarily 2.0%	Primarily 2.0%

2. Defined contribution plan
Contributions to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2022 and 2021 were ¥1,262 million ($10,311 thousand) and ¥1,239 million, respectively.

Note 9: 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 30.6% and 30.6% for the years ended March 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Deferred tax assets:			
Loss carry forward (Note 2)	¥ 804	¥ 1,228	$ 6,569
Provision for bonuses	1,683	1,278	13,751
Accrued enterprise tax	205	178	1,674
Depreciation	200	172	1,634
Net defined benefit liability	1,593	1,652	13,015
Valuation loss on investment securities	908	915	7,418
Allowance for doubtful accounts	686	546	5,605
Allowance for paid leave	412	324	3,366
Foreign tax credit	933	839	7,623
Accrued social insurance premium	315	282	2,573
Accrued expenses	682	350	5,572
Others	532	591	4,346
Gross deferred tax assets	8,959	8,360	73,200
Valuation allowance for net operating loss carry forward (Note 2)	(804)	(1,209)	(6,569)
Valuation allowance for deductible temporary differences	(1,970)	(1,667)	(16,096)
Gross valuation allowance (Note 1)	(2,775)	(2,877)	(22,673)
Total deferred tax assets	6,184	5,483	50,527
Deferred tax liabilities:			
Depreciation	(1,556)	(1,185)	(12,713)
Reserved profit of foreign subsidiaries	(422)	(310)	(3,447)
Unrealized holding gains on securities	(866)	(786)	(7,075)
Valuation difference on business combination	(5,817)	(5,622)	(47,528)
Others	(783)	(761)	(6,397)
Total deferred tax liabilities	(9,446)	(8,666)	(77,179)
Net deferred tax assets (liabilities)	¥ (3,262)	¥ (3,182)	$ (26,652)

Notes:
1. Valuation reserve amount decreased by ¥101 million ($825 thousand). The main reason of this decrease is due to the fact that the valuation allowance for net operating loss carried forward in subsidiaries decreases.

2. Net operating loss carry forward and deferred tax assets per expiration date of March 31, 2022 were as follows:

	Millions of yen						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Net operating loss carry forward (*)	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 804	¥ 804
Valuation allowance (for net operating loss carry forward)	–	–	–	–	–	804	804
Deferred tax assets	–	–	–	–	–	–	–

	Thousands of U.S. dollars						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Net operating loss carry forward (*)	$ –	$ –	$ –	$ –	$ –	$ 6,569	$ 6,569
Valuation allowance (for net operating loss carry forward)	–	–	–	–	–	6,569	6,569
Deferred tax assets	–	–	–	–	–	–	–

(*)Figures for tax loss carry forward were the amounts multiplied by effective statutory tax rate.

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, 2022 and 2021 were as follows:

	2022	2021
Statutory tax rate	30.6%	The note is omitted because the difference between statutory tax rate and effective tax rate is less than 5% of statutory tax rate.
Entertainment expenses and other non-deductible permanent differences	0.8	
Dividend income and other non-taxable income	(0.8)	
Difference of the statutory tax rate among countries other than Japan	(7.0)	
Amortization of goodwill	1.7	
Corporate inhabitant tax, withholding tax	2.8	
Valuation allowance, utilization of tax losses	(0.5)	
Effect of elimination of intercompany dividends received	0.2	
Reserved profit of foreign subsidiaries	0.2	
Others, net	0.9	
Effective tax rate	28.9%	

Note 10: 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	
	2022	2021
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	
	2022	2021
Number of shares at the beginning of the fiscal year	107,367	107,367
Increase	77	–
Decrease	3,988	–
Number of shares at the end of the fiscal year	103,456	107,367

Notes:
1. Type of all share issued is common stock.
2. The number of shares of treasury shares at April 1,2021 and March 31, 2022 included 105,000 shares and 101,012 shares each held by the director compensation BIP trust.
3. The 77 shares increase of treasury shares for the fiscal year ended March 31, 2022 is due to the purchase of shares less than standard unit and the 3,988 share of decrease is due to the delivering of shares held by the director compensation BIP trust.

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

Resolutions	Dividend paid		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Year ended March 31, 2022						
Ordinary general meeting of shareholders held on June 15, 2021	¥ 2,879	$23,523	¥ 40.00	$ 0.32	March 31, 2021	June 16, 2021
Board of Directors' meeting held on November 10, 2021	2,879	23,523	40.00	0.32	September 30, 2021	December 10, 2021
Year ended March 31, 2021						
Ordinary general meeting of shareholders held on June 16, 2020	¥ 1,439		¥ 20.00		March 31, 2020	June 17, 2020
Board of Directors' meeting held on November 11, 2020	719		10.00		September 30, 2020	December 10, 2020

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.
3. Total cash dividends paid in accordance with the resolution of the Ordinary general meeting of shareholders held on June 15, 2021 included ¥4 million ($32 thousand) of cash dividends for the stock held by the director compensation BIP trust.
4. Total cash dividends paid in accordance with the resolution of the meeting of the Board of Directors held on November 10, 2021 included ¥4 million ($32 thousand) of cash dividends for the stock held by the director compensation BIP trust.

(b) Dividends with a record date during the years ended March 31, 2022 and 2021 but an effective date subsequent to the following fiscal year.

Resolutions	Dividend paid		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Year ended March 31, 2022						
Ordinary general meeting of shareholders held on June 15, 2022	**¥5,759**	**$47,054**	**¥80.00**	**$0.65**	**March 31, 2022**	**June 16, 2022**
Year ended March 31, 2021						
Ordinary general meeting of shareholders held on June 15, 2021	¥2,879		¥40.00		March 31, 2021	June 16, 2021

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.
3. Total cash dividends paid included ¥8 million ($65 thousand) of cash dividends for the stock held by the director compensation BIP trust.

Note 11: Accounting for Leases

Lease obligations under non-cancellable operating leases for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Payments due within one year	¥ 312	¥ 383	$ 2,549
Payments due after one year	1,137	1,259	9,289
Total	¥ 1,449	¥ 1,643	$ 11,839

Note 12: 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, to loans from banks and to bond issuance 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 is continuously monitoring the investees' financial position and the market values.

Credit risk arising from the debt securities are minimal since the Group has only high credit rating securities.

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 and for refinancing long-term debts.

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, payables and scheduled transactions denominated in foreign currencies. Also the Group enters into currency and interest rate swap contracts and currency swap contracts to manage interest and currency exposures on debt from financial institutions.

Derivative transactions are 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.

(3) Supplementary Explanation of Matters Relating to Fair Value of Financial Instruments and Others

Since certain assumptions and others are adopted for calculating fair values of financial instruments, they may differ when adopting different assumptions and others.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2022 were as follows.

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Marketable securities						
Available-for-sale securities	¥ 4,647	¥ 4,647	¥ –	$ 37,968	$ 37,968	$ –
(2) Investment securities						
Investments in affiliates	1,631	937	(693)	13,326	7,655	(5,662)
Investments in others	5,273	5,273	–	43,083	43,083	–
Total	¥ 11,551	¥ 10,858	(693)	$ 94,378	$ 88,716	$ (5,662)
Liabilities:						
(3) Bonds payable	¥ 35,000	¥ 34,520	(479)	$ 285,971	$ 282,049	$ (3,913)
(4) Long-term debt (including current portion of long-term debt)	74,800	74,704	(95)	611,161	610,376	(776)
Total	¥109,800	¥109,224	¥ (575)	$ 897,132	$ 892,425	$ (4,698)
Derivative transactions (*1):						
Hedge accounting is not applied	¥ 435	¥ 435	¥ –	$ 3,554	$ 3,554	$ –
Total	¥ 435	¥ 435	¥ –	3,554	3,554	$ –

(*) Cash and time deposits, notes and accounts receivable-trade, notes and accounts payable-trade, short-term debt and income taxes payable are omitted since these financial instruments are mainly settled in the short term and the fair values approximate the book values.
(*) Lease-obligations recognized by adopting IFRS 16 are not included.
(*1) Derivative assets and liabilities are presented on net basis. Net liabilities are disclosed in brackets.

Notes:

1. Investments in equity securities without market prices are not included in "(2) Investment securities".
The carrying amount of those financial instruments as of March 31, 2022 were as follows:

	Book value	
	Millions of yen	Thousands of U.S. dollars
Investments in affiliates	¥ 5,830	$ 47,634
Investments in others	380	3,104

2. The redemption schedule for monetary claim and debt securities with maturity dates subsequent to the consolidated balance sheet as of March 31, 2022 were 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	¥108,095	¥ –	¥ –	$ 883,201	$ –	$ –
(2) Notes and accounts receivable-trade	202,816	–	–	1,657,128	–	–
(3) Marketable securities						
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	4,632	38	–	37,846	310	–
Other securities with maturity date (government bonds and municipal bonds)	15	61	–	122	498	–
Total	¥315,560	¥ 99	¥ –	$ 2,578,315	$ 808	$ –

3. Matters relating to breakdown of fair value of financial instruments by level
Fair values of financial instruments are categorized into three levels as below on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.
Level 2 fair value: the fair value measured by inputs other than inputs included within Level 1 among observable valuation inputs.
Level 3 fair value: the fair value measured by unobservable valuation inputs.

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

(1) Financial instruments measured at fair value in the consolidated balance sheet as of March 31, 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
(1) Marketable securities								
Available-for-sale securities								
Other securities with maturity date (corporate bonds)	¥ –	¥ 4,632	¥ –	¥ 4,632	$ –	$ 37,846	$ –	$37,846
Other securities with maturity date (government bonds and municipal bonds)	12	3	–	15	98	24	–	122
(2) Investment securities								
Investments in others								
Listed equity securities	5,173	–	–	5,173	42,266	–	–	42,266
Other securities with maturity date (corporate bonds)	–	38	–	38	–	310	–	310
Other securities with maturity date (government bonds and municipal bonds)	58	2	–	61	473	16	–	498
Total	¥ 5,243	¥ 4,676	¥ –	¥ 9,920	$42,838	$ 38,205	$ –	$81,052
Derivative transactions:								
(3) Derivative transactions								
Currency related transactions	¥ –	¥ 435	¥ –	¥ 435	$ –	$ 3,554	$ –	$ 3,554
Total	¥ –	¥ 435	¥ –	¥ 435	$ –	$ 3,554	$ –	$ 3,554

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet as of March 31, 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
(1) Investment securities								
Investments in affiliates	¥ 937	¥ –	¥ –	¥ 937	$ 7,655	$ –	$ –	$ 7,655
Total	¥ 937	¥ –	¥ –	¥ 937	$ 7,655	$ –	$ –	$ 7,655
Liabilities:								
(2) Bonds payable	¥ –	¥ 34,520	¥ –	¥ 34,520	$ –	$282,049	$ –	$282,049
(3) Long-term debt (including current portion of long-term debt)	–	74,704	–	74,704	–	610,376	–	610,376
Total	¥ –	¥109,224	¥ –	$109,224	$ –	$892,425	$ –	$892,425

Notes : Explanation of valuation techniques and valuation inputs used in fair value measurements
Marketable securities and Investment securities
Listed equity securities and Other securities with maturity date are measured by the quoted price. Listed equity securities and government bonds are categorized as Level 1 since they are traded in the active markets.
Municipal bonds and corporate bonds are categorized as Level 2 since their tradings are not frequent and the prices are not the quoted price in the active markets.

Derivative transactions
Since derivative transactions are over-the-counter transactions and there are no quoted market prices, they are measured based on the prices offered by the financial institutions and categorized as Level 2.

Bonds payable
Since transactions are not frequent in bonds market and there are no prices in the active market, they are categorized as Level 2.

Long-term debt(including current portion of long-term debt)
The fair values of Long-term debt are measured based on the present value by discounting the aggregate value of the principal and interest at the interest rate that would be assumed if a similar new loan agreement was entered and categorized as Level 2.The part of Long-term debt (including those in foreign currencies) with floating interest rate met the specific matching criteria of integral accounting for interest rate and currency swap contracts and the fair value is computed by discounting the aggregate value of the principal and interest, together with the interest rate and currency swap contracts, using the interest rate that would be assumed if a similar loan agreement was entered.

Note 13: Derivatives

1. Derivative transactions to which hedge accounting was not applied as of March 31, 2022

[Currency related]

	Millions of yen				Thousands of U.S. dollars			
	Contract amounts	Contract amounts due over one year	Fair value	Unrealized gain (loss)	Contract amounts	Contract amounts due over one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions								
Foreign currency forward contracts to								
Purchase U.S. dollar	¥ 455	¥ –	¥ 21	¥ 21	$ 3,717	$ –	$ 171	$ 171
Purchase Euro	202	–	13	13	1,650	–	106	106
Purchase British pound	24	–	1	1	196	–	8	8
Purchase Thai baht	126	–	3	3	1029	–	24	24
Purchase Swiss franc	8	–	0	0	65	–	0	0
Purchase Hong Kong dollar	8	–	0	0	65	–	0	0
Currency swap contracts								
Receipt in Chinese yuan, payment in Japanese yen	4,328	2,322	395	395	35,362	18,972	3,227	3,227
Total	¥ 5,154	¥ 2,322	¥ 435	¥ 435	$42,111	$18,972	$ 3,554	$ 3,554

2. Derivative transactions to which hedge accounting was applied as of March 31, 2022

[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 swap contracts Floating-rate receipt, fixed-rate payment Receipt in U.S. dollars, payment in Japanese yen	¥ 42,000	¥ 36,000	Note	$ 343,165	$ 294,141	Note

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 14: Revenue Recognition

1. Disaggregation of Revenue

	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, 2022:									
Air freight	¥ 122,778	¥ 62,146	¥ 41,548	¥ 123,489	¥ 109,460	¥ 2,564	¥ 461,988	¥ –	¥ 461,988
Sea freight	58,867	25,208	12,694	69,723	55,950	79,090	301,535	–	301,535
Logistics	14,776	4,790	2,775	25,821	7,913	114,410	170,488	–	170,488
Others	28,106	8,080	1,515	4,707	3,653	–	46,063	–	46,063
Revenue from contracts with customers	224,528	100,226	58,533	223,742	176,978	196,066	980,075	–	980,075
Other revenues	–	–	–	–	–	–	–	366	366
Total	¥ 224,528	¥ 100,226	¥ 58,533	¥ 223,742	¥ 176,978	¥ 196,066	¥ 980,075	¥ 366	¥ 980,441

	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, 2022:									
Air freight	$1,003,170	$ 507,770	$ 339,472	$1,008,979	$ 894,354	$ 20,949	$3,774,720	$ –	$3,774,720
Sea freight	480,978	205,964	103,717	569,678	457,145	646,212	2,463,722	–	2,463,722
Logistics	120,728	39,137	22,673	210,973	64,653	934,798	1,392,989	–	1,392,989
Others	229,642	66,018	12,378	38,459	29,847	–	376,362	–	376,362
Revenue from contracts with customers	1,834,528	818,906	478,249	1,828,106	1,446,016	1,601,977	8,007,802	–	8,007,802
Other revenues								2,990	2,990
Total	$1,834,528	$ 818,906	$ 478,249	$1,828,106	$1,446,016	$1,601,977	$8,007,802	$ 2,990	$8,010,793

Notes: The above amounts are net of Inter-segment sales/transfers

2. Contract balances
Information on Receivables from contracts with customers, Contract assets and Contract liabilities as of March 31, 2022 are presented below.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables from contracts with customers	¥ 202,715	$ 1,656,303
Contract assets	7,848	64,122
Contract liabilities	167	1,364

Notes: Contract liabilities are included in Other current liabilities on Consolidated balance sheets

3. Transaction price allocated to the remaining performance obligations
The Group does not enter into a significant transaction whose expected individual contract term exceeds one year.

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, Sea freight and Logistics (Warehouse operation) services. "APLL" segment provides services related to Logistics (Truck and Rail transportation and Warehouse operation) and Sea freight.

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.
As described in "Changes in accounting policies", the Company changed accounting treatment for revenue recognition by adopting the Revenue Recognition Standards from the current consolidated fiscal year, and accordingly changed the methods relevant to measuring profits or losses of operating segments in the same manner. The impact of this change on net sales and segment income or loss is immaterial.

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, 2022 and 2021 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, 2022:											
Net sales											
Net sales to outside customers	¥ 224,528	¥ 100,226	¥ 58,533	¥ 223,742	¥ 176,978	¥ 196,066	¥ 980,075	¥ 366	¥ 980,441	¥ –	¥ 980,441
Inter-segment sales/transfers	19,544	7,653	1,946	3,583	3,011	313	36,052	3,260	39,312	(39,312)	–
Total net sales	244,073	107,880	60,479	227,326	179,989	196,379	1,016,127	3,626	1,019,754	(39,312)	980,441
Operating Expenses	232,506	94,547	56,181	211,109	166,712	192,986	954,044	3,236	957,281	(39,314)	917,966
Segment income (loss)	¥ 11,566	¥ 13,332	¥ 4,297	¥ 16,216	¥ 13,277	¥ 3,393	¥ 62,083	¥ 389	¥ 62,473	¥ 2	¥ 62,475
At March 31, 2022:											
Segment assets	¥ 107,113	¥ 81,691	¥ 30,608	¥ 114,441	¥ 64,626	¥ 171,119	¥ 569,601	¥ 3,517	¥ 573,119	¥ (35,119)	¥ 537,999
Year ended March 31, 2022:											
Other:											
Depreciation	¥ 1,537	¥ 674	¥ 421	¥ 4,360	¥ 2,084	¥ 8,621	¥ 17,699	¥ 247	¥ 17,947	¥ –	¥ 17,947
Amortization of goodwill	47	276	–	–	–	3,371	3,696	–	3,696	–	3,696
Investments in affiliates	3,432	–	363	181	1,852	1,631	7,461	–	7,461	–	7,461
Increase in property and equipment and other intangible assets	1,139	879	628	8,412	1,304	4,969	17,334	153	17,488	–	17,488
Year ended March 31, 2021:											
Net sales											
Net sales to outside customers	¥ 145,458	¥ 55,572	¥ 37,251	¥ 130,842	¥ 91,667	¥ 147,951	¥ 608,745	¥ 365	¥ 609,110	¥ –	¥ 609,110
Inter-segment sales/transfers	5,221	3,750	846	2,129	1,781	157	13,886	2,373	16,259	(16,259)	–
Total net sales	150,680	59,323	38,097	132,972	93,449	148,108	622,631	2,738	625,370	(16,259)	609,110
Operating Expenses	142,451	54,186	36,762	121,837	85,435	148,128	588,801	2,421	591,223	(16,289)	574,933
Segment income	¥ 8,229	¥ 5,136	¥ 1,335	¥ 11,134	¥ 8,013	¥ (19)	¥ 33,829	¥ 317	¥ 34,147	¥ 30	¥ 34,177
At March 31, 2021:											
Segment assets	¥ 85,421	¥ 48,593	¥ 21,047	¥ 82,772	¥ 47,366	¥ 149,796	¥ 434,998	¥ 2,855	¥ 437,854	¥ (19,026)	¥ 418,827
Year ended March 31, 2021:											
Other:											
Depreciation	¥ 1,535	¥ 641	¥ 411	¥ 3,956	¥ 1,955	¥ 8,822	¥ 17,324	¥ 196	¥ 17,520	¥ –	¥ 17,520
Amortization of goodwill	47	153	–	–	–	3,320	3,521	–	3,521	–	3,521
Investments in affiliates	3,109	–	336	198	1,964	1,187	6,797	–	6,797	–	6,797
Increase in property and equipment and other intangible assets	1,290	434	401	5,474	1,470	5,110	14,181	199	14,381	–	14,381

	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, 2022:											
Net sales											
Net sales to outside customers	$ 1,834,528	$ 818,906	$ 478,249	$ 1,828,106	$ 1,446,016	$ 1,601,977	$ 8,007,802	$ 2,990	$ 8,010,793	$ –	$ 8,010,793
Inter-segment sales/transfers	159,686	62,529	15,899	29,275	24,601	2,557	294,566	26,636	321,202	(321,202)	–
Total net sales	1,994,223	881,444	494,149	1,857,390	1,470,618	1,604,534	8,302,369	29,626	8,332,004	(321,202)	8,010,793
Operating Expenses	1,899,714	772,505	459,032	1,724,887	1,362,137	1,576,811	7,795,113	26,440	7,821,562	(321,219)	7,500,334
Segment income (loss)	$ 94,501	$ 108,930	$ 35,109	$ 132,494	$ 108,481	$ 27,722	$ 507,255	$ 3,178	$ 510,442	$ 16	$ 510,458
At March 31, 2022:											
Segment assets	$ 875,177	$ 667,464	$ 250,085	$ 935,051	$ 528,033	$ 1,398,145	$ 4,653,983	$ 28,736	$ 4,682,727	$ (286,943)	$ 4,395,775
Year ended March 31, 2022:											
Other:											
Depreciation	$ 12,558	$ 5,506	$ 3,439	$ 35,623	$ 17,027	$ 70,438	$ 144,611	$ 2,018	$ 146,637	$ –	$ 146,637
Amortization of goodwill	384	2,255	–	–	–	27,543	30,198	–	30,198	–	30,198
Investments in affiliates	28,041	–	2,965	1,478	15,131	13,326	60,960	–	60,960	–	60,960
Increase in property and equipment and other intangible assets	9,306	7,181	5,131	68,731	10,654	40,599	141,629	1,250	142,887	–	142,887

Notes:
1. "Other" is a segment which is not included in reportable segments and provides incidental logistics related services within the Group.
2. "Adjustment" includes:
Segment income of ¥2 million ($16 thousand) and ¥30 million for the years ended March 31, 2022 and 2021, respectively represents elimination of inter-segment transactions.
Segment assets of ¥(35,119) million ($(286,943) thousand) and ¥(19,026) million at March 31, 2022 and 2021 respectively consist of elimination of inter-segment transactions of ¥(56,634) million ($(462,733) thousand) and ¥(33,955) million at March 31, 2022 and 2021 respectively and surplus fund (cash and time deposit) of the Company of ¥21,515 million ($175,790 thousand) and ¥14,928 million, which are not allocated to each segment at March 31, 2022 and 2021 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, 2022 and 2021 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net sales by Service:			
Air freight	¥ 461,988	¥ 273,760	$ 3,774,720
Sea freight	301,535	151,232	2,463,722
Logistics	170,488	145,468	1,392,989
Others	46,430	38,649	379,361
	¥ 980,441	¥ 609,110	$ 8,010,793

6. Net sales classified by Country or Geographic area
Net sales classified by country or geographic area for the years ended March 31, 2022 and 2021 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net sales classified by Country or Geographic area:			
Japan	¥ 224,775	¥ 145,676	$ 1,836,547
North America			
United States	199,537	136,836	1,630,337
Others	14,582	10,167	119,143
Asia and Oceania			
China	199,296	117,190	1,628,368
Others	252,951	145,491	2,066,761
Europe	70,694	41,068	577,612
Latin America	14,025	9,033	114,592
Others	4,578	3,647	37,405
	¥ 980,441	¥ 609,110	$ 8,010,793

Note: Amounts are classified by country or geographic area 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, 2022 and 2021 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Property and equipment classified by Country or Geographic area:			
Japan	¥ 23,887	¥ 24,463	$ 195,171
North America			
United States	6,387	6,162	52,185
Others	3,325	2,791	27,167
Asia and Oceania			
China	12,600	8,977	102,949
Others	25,758	23,977	210,458
Europe	975	892	7,966
Latin America	762	890	6,225
Others	489	392	3,995
	¥ 74,187	¥ 68,548	$ 606,152

8. Information regarding impairment loss of non-current assets of reportable segments
Impairment loss of non-current assets by reportable segments for the years ended March 31, 2022 and 2021 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, 2022									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 194	¥ 194	¥ –	¥ 194
Year ended March 31, 2021									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 921	¥ 921	¥ –	¥ 921

	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, 2022									
Impairment loss of non-current assets	$ –	$ –	$ –	$ –	$ –	$ 1,585	$ 1,585	$ –	$ 1,585

Note:
The impairment loss that APLL segment recognized for the year ended Mar 31, 2022 includes the loss on goodwill of ¥194 million ($1,585 thousand) associated with India Infrastructure and Logistics Private Limited.

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, 2022 and 2021 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, 2022									
Goodwill									
Amortization of goodwill	¥ 47	¥ 276	¥ –	¥ –	¥ –	¥ 3,371	¥ 3,696	¥ –	¥ 3,696
Balance of goodwill	569	2,347	–	–	–	47,561	50,477	–	50,477
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	74	–	74	–	74
Year ended March 31, 2021									
Goodwill									
Amortization of goodwill	¥ 47	153	¥ –	¥ –	¥ –	¥ 3,320	¥ 3,521	¥ –	¥ 3,521
Balance of goodwill	616	2,283	–	–	–	46,159	49,059	–	49,059
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	86	–	86	–	86

	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, 2022									
Goodwill									
Amortization of goodwill	$ 384	$ 2,255	$ –	$ –	$ –	$ 27,543	$ 30,198	$ –	$ 30,198
Balance of goodwill	4,649	19,176	–	–	–	388,602	412,427	–	412,427
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	89	–	89	–	89
Balance of negative goodwill	–	–	–	–	604	–	604	–	604

Note 16: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2022 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Personnel expenses	¥ 49,641	¥ 44,467	$ 405,596
Facility expenses	9,659	9,370	78,919
Office expenses	3,030	2,371	24,756
Depreciation	7,050	6,879	57,602
Amortization of goodwill	3,696	3,521	30,198
Others	5,103	3,989	41,694
Total	¥ 78,183	¥ 70,600	$ 638,802

Note 17: Other Income (Expenses)

Others, net during the years ended March 31, 2022 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amortization of negative goodwill	¥ 11	¥ 11	$ 89
Other, net	447	271	3,652
Total	¥ 458	282	$ 3,742

Note 18: Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gains (losses) on available-for-sale securities			
Increase (decrease) during the year	¥ 264	¥ 1,586	$ 2,157
Reclassification	(34)	(41)	(277)
Subtotal, before tax	230	1,544	1,879
Tax (expense) or benefit	(76)	(452)	(620)
Subtotal, net of tax	154	1,092	1,258
Foreign currency translation adjustment			
Increase (decrease) during the year	22,711	423	185,562
Reclassification	(10)	(1)	(81)
Subtotal, before tax	22,701	421	185,480
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	22,701	421	185,480
Remeasurements of defined benefit plans			
Increase (decrease) during the year	(189)	705	(1,544)
Reclassification	393	431	3,211
Subtotal, before tax	204	1,136	1,666
Tax (expense) or benefit	(62)	(348)	(506)
Subtotal, net of tax	141	788	1,152
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	494	145	4,036
Reclassification	(11)	(43)	(89)
Subtotal	482	102	3,938
Total other comprehensive income	¥ 23,480	¥ 2,404	$ 191,845

Note 19: Related Party Transactions

Related Party Transactions and Outstanding balances for the year ended March 31, 2022

•Classification	Other related company		
•Name of the company or individual	Kintetsu Group Holdings Co.,Ltd.		
•Place	Osaka City , Japan		
•Capital stock amount	¥126,476 Million ($ 1,033,385 thousand)		
•Nature of business	Pure holding company		
•Ownership ratio of voting rights (%)	(Owned ratio)	Direct	44.2
		Indirect	3.0
•Nature of relationship	Director serving both companies		
•Nature of transaction	Lending loan and receipt of interest		
•Amount of transaction	Lending loan	¥5,200 Million ($ 42,487 thousand)	
	Receipt of interest	¥15 Million ($ 122 thousand)	
•Balance at period end	Lending loan	–	
	Receipt of interest (Other current assets)	¥2 Million ($ 16 thousand)	

Notes:
1. Lending loan is the transactions based on Cash Management System organized by Kintetsu Group Holdings Co.,Ltd. and the interest rate is reasonably determined considering the market interest rate.
2. The amount of transaction for Lending loan is stated at the average balance during the period because the transactions have occurred iteratively.

Related Party Transactions and Outstanding balances for the year ended March 31, 2021

•Classification	Other related company		
•Name of the company or individual	Kintetsu Group Holdings Co.,Ltd.		
•Place	Osaka City , Japan		
•Capital stock amount	¥126,476 Million		
•Nature of business	Pure holding company		
•Ownership ratio of voting rights (%)	(Owned ratio)	Direct	44.2
		Indirect	3.0
•Nature of relationship	Director serving both companies		
•Nature of transaction	Lending loan and receipt of interest		
•Amount of transaction	Lending loan	¥11,421 Million	
	Receipt of interest	¥36 Million	
•Balance at period end	Lending loan	–	
	Receipt of interest (Other current assets)	¥12 Million	

Notes:
1. Lending loan is the transactions based on Cash Management System organized by Kintetsu Group Holdings Co., Ltd. and the interest rate is reasonably determined considering the market interest rate.
2. The amount of transaction for Lending loan is stated at the average balance during the period because the transactions have occurred iteratively.

Note 20: Amounts Per Share

Net assets per share as of March 31, 2022 and 2021 and net income per share for the years ended March 31, 2022 and 2021 were summarized as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥ 2,757.51	¥ 1,926.30	$ 22.53
Net income per share	603.90	301.06	4.93

Notes:
1. Diluted net income per share for the years ended March 31, 2022 and 2021 are omitted, because the Company has no dilutive shares.
2. Basis for calculation of earnings per share for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net income attributable to owners of the parent	¥ 43,417	¥ 21,644	$ 354,743
Net income not attributable to common shareholders	–	–	–
Net income attributable to common shareholders	¥ 43,417	¥ 21,644	$ 354,743

	Shares	
	2022	2021
Weighted-average number of shares of common stock outstanding	71,895,499	71,892,633

Note 21: Subsequent Events

Tender Offer for the Company Shares by Kintetsu Group Holdings Co.,Ltd.
The Company resolved at its board of directors meeting held on May 13, 2022 to express its opinion in favor of a tender offer (the "Tender Offer") for its common shares (the "Company Shares") to be conducted by Kintetsu Group Holdings Co.,Ltd. (the "Tender Offeror") and to recommend its shareholders tender their shares in the Tender Offer.

The resolution of the board of directors of the Company stated above was made on the assumption that the Tender Offeror intends to make the Company its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures and that the Company Shares will be delisted.

1. Outline of the Tender Offeror

(1) Name	Kintetsu Group Holdings Co.,Ltd.
(2) Location	6-1-55 Uehommachi, Tennoji-ku, Osaka
(3) Name and title of representative	Toshihide Ogura, Representative Director and President
(4) Description of business	Control and management of business activities by owning shares or interests of companies engaged in such business as a holding company
(5) Capital	126,476 million yen (as of March 31, 2022)
(6) Date of incorporation	June 1, 1944
(7) Major shareholders and shareholding ratios (as of September 30, 2021)	The Master Trust Bank of Japan, Ltd. (Trust Account) 12.0% Custody Bank of Japan, Ltd. (Trust Account) 3.2% Nippon Life Insurance Company 2.2% STATE STREET BANK WEST CLIENT - TREATY 505234 1.9% MUFG Bank, Ltd. 1.6% Custody Bank of Japan, Ltd. (Trust Account 7) 1.5% JP MORGAN CHASE BANK 385781 1.2% GOVERNMENT OF NORWAY 1.1% Mitsubishi UFJ Trust and Banking Corporation 1.0% STATE STREET BANK AND TRUST COMPANY 505103 0.9%
(8)Relationship between the Company and the Tender Offeror	
Capital relationship	The Tender Offeror directly holds 31,755,800 Company Shares (ownership ratio (Note 1): 44.11%) and indirectly holds 2,145,000 Company Shares (ownership ratio: 2.98%) through consolidated subsidiaries of the Tender Offeror, thereby holding 33,900,800 Company Shares (ownership ratio: 47.09%) in total, and the Company is an equity-method affiliate of the Tender Offeror.
Personnel relationship	One of the directors of the Company serves as a director of the Tender Offeror and one director was previously employed at the Tender Offeror. Also, one of the audit and supervisory board members of the Company serves as an audit and supervisory board member of the subsidiary of the Tender Offeror and one of the managing officers of the Company serves as an employee of the Tender Offeror. Other than the above, four employees of the Tender Offeror Group (meaning the Tender Offeror and its consolidated subsidiaries and equity-method affiliates; the "Tender Offeror Group" ; the same applies hereinafter) excluding the Company Group (meaning the Company and its consolidated subsidiaries and equity-method affiliates; the "Company Group"; the same applies hereinafter) are seconded to the Company Group as of March 31, 2022.
Business relationship	The Company belongs to the cash management system operated by the Tender Offeror, in which the Company conducts transactions such as deposits of funds, etc.
Status as related party	The Company is an equity-method affiliate of the Tender Offeror. Therefore, the Tender Offeror constitutes a related party of the Company.

(Note 1) "Ownership ratio" means the percentage (rounded to the nearest two decimal places) in the product (71,997,556 shares) of (i) the total number of issued shares of the Company as of March 31, 2022 (72,000,000 shares) less (ii) the number of treasury shares held by the Company as of the same date (2,444 shares) (excluding 101,012 Company Shares held by the director compensation BIP trust at the same date.)

2. Outline of the Tender Offer
(1) Period of the Tender Offer
From May 16, 2022 through July 5, 2022 (37 business days)
(2) Price of Tender Offer
4,175 yen per common share
(3) Number of Share Certificates, Etc. to be Purchased
Number of Share Certificates, Etc. to be purchased : 40,241,756 shares
Minimum number of Share Certificates, Etc. to be purchased : 16,242,600 shares
Maximum number of Share Certificates, Etc. to be purchased : – shares

Independent Auditor's Report

Independent auditor's report for the consolidated financial statements of Kintetsu World Express, Inc. and its consolidated subsidiaries, which comprise the Consolidated Balance Sheets as at March 31, 2022 and 2021, the Consolidated Statements of Income and Comprehensive Income, Changes in Net Assets and Cash Flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information is available on our website.

Investor Information

(As of March 31, 2022)

Head Office:
24th Fl., Shinagawa Intercity Tower A, 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 Meeting of Shareholders:
Held every June in Tokyo, Japan.

Shareholder Register Administrator:
Mitsubishi UFJ Trust and Banking Corporation

Number of Employees:
17,069 (Consolidated)

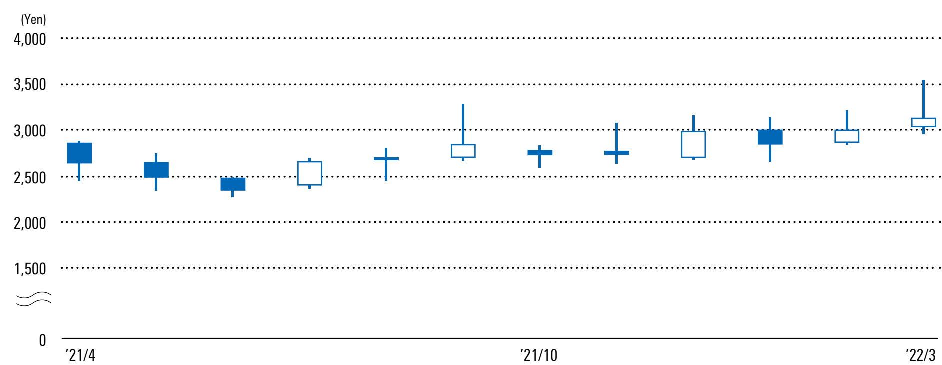
Website Address:
https://www.kwe.com

Major Shareholders

(As of March 31, 2022)

Shareholder	Number of shares held	% of shares held
Kintetsu Group Holdings Co.,Ltd.	31,755,800	44.11 %
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,511,700	9.04%
Mitsui O.S.K. Lines, Ltd.	3,599,000	5.00 %
Custody Bank of Japan, Ltd. (Trust Account)	2,562,200	3.56 %
Kintetsu Taxi Holdings Co., Ltd.	1,875,000	2.60 %
National Mutual Insurance Federation of Agricultural Cooperatives	1,186,400	1.65 %
STATE STREET BANK AND TRUST COMPANY 505001	1,022,349	1.42%
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	970,800	1.35 %
NORTHERN TRUST CO. (AVFC) RE HCR00	700,600	0.97 %
THE BANK OF NEW YORK MELLON 140044	645,100	0.90 %

Stock Price



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