

ANNUAL REPORT 2008
Year Ended March 31, 2008

kintetsu world express



Global Logistics Partner

The Next Leap

“The KWE Grand Design for the 21st Century” outlines our vision of the kind of corporate group we want to be in the fiscal year through March 2012. We are now starting to implement our Phase III Medium-Term Management Plan in order to achieve the objectives set forth in our Grand Design.

This marks a new phase in our efforts to achieve consolidated net sales of 500 billion yen and to establish a position for KWE as a Trans-Pacific Leader among freight forwarders.

Outline of the Phase III Medium-Term Management Plan

Projected Targets for the FY Ending March 2012

Net Sales: 500 billion yen

(1.7 times the actual performance for the FY ended March 2008)

Operating Income: 22 billion yen

(1.6 times the actual performance for the FY ended March 2008)



Targeted Corporate Image

Basic Policies

“Global Logistics Partner,” a provider of high-quality, one-stop services

To become a Trans-Pacific Leader in the Intra-Asian region

1. Expand freight volume within Asia and Pacific Rim.
2. Strengthen functionality as a comprehensive freight forwarder.
3. Expand into emerging markets.
4. Form business alliances and M&As to support growth strategies.
5. Transform into a truly global company.

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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.

Expand

1 Basic Policy 1 Expand Freight Volume within Asia and the Pacific Rim

Main Measures

1. Further Expand Business in the Chinese Market

Ongoing expansion of distribution facilities and KWE's independently owned domestic truck network with a vision for establishing a network of 200 locations

2. Expand Freight Volume Transported from Asia to North America (promotion of Trans-Pacific development)

Strategic participation in global tenders

3. Construct a logistics model for expanding air and ocean freight imports to the Americas

Strengthening of 3PL sales, construction of a truck transportation network, growth of its customs clearance department



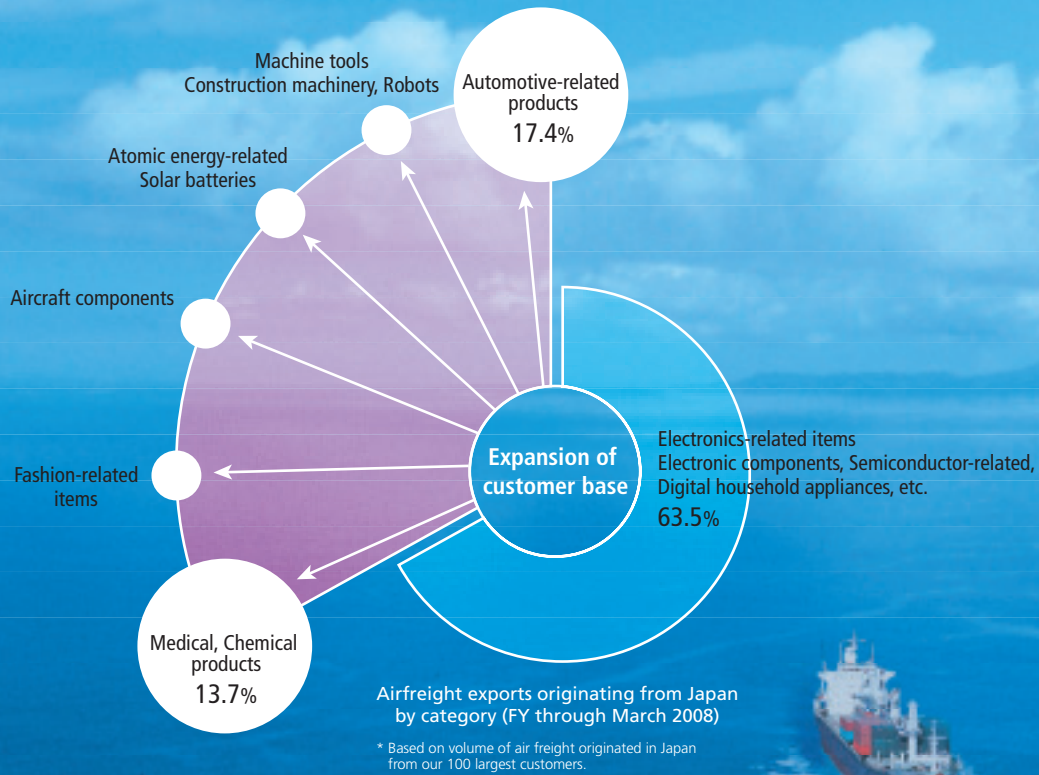
KWE is pursuing an aggressive expansion strategy in Asia and North America, which are the regions where we intend to concentrate. We will expand all types of Asian freight business – air, ocean, land and logistics – by making the most of KWE's strengths.

Strengthen

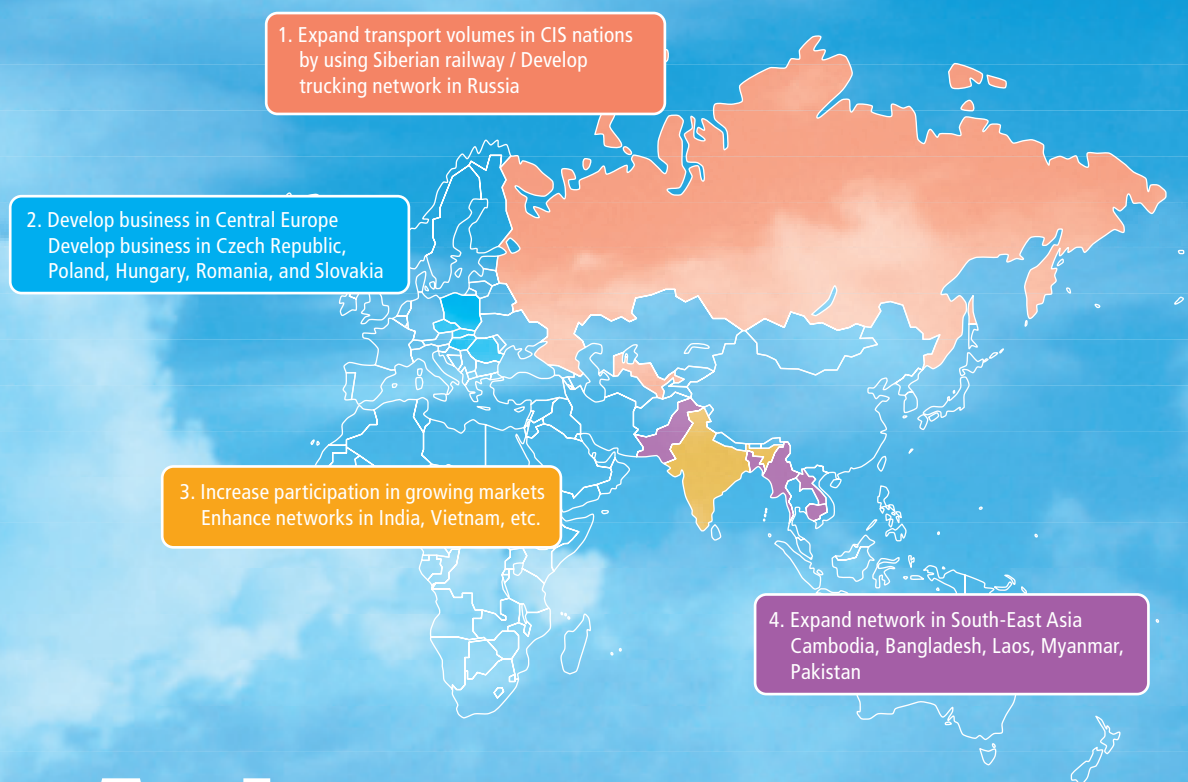
Basic Policy 2 Strengthen Functionality as a Comprehensive Freight Forwarder

Main Measures

1. Strategically invest in reliable and high-quality logistics facilities, specialized human resource and IT
2. Construct new business models
Development of a global VMI model
Expansion of rail transport services (particularly in Russia and China)
3. Expand and diversify the range of items handled
Aiming for a composition of 50% electronics-related and 50% non-electronics freight



Faced with stagnation in the air freight market due to soaring oil prices, we aim to raise our competitiveness by further enhancing our logistics, ocean freight and land transportation functions, and by building our strength as a comprehensive freight forwarder.



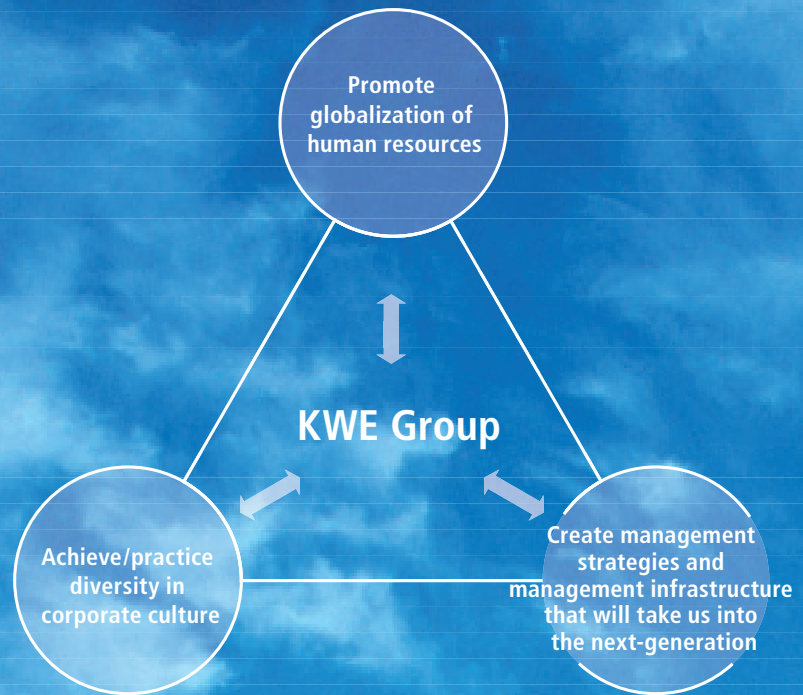
Advance

Basic Policy **3** Expand into Emerging Markets

Main Measures

1. **Expand freight volume transported to or through Russia and other CIS countries, through utilization of the Trans-Siberian railway**
2. **Expand business in Central and Eastern Europe**
Expansion of business in the Czech Republic, Poland, Hungary, Romania, and Slovakia
3. **Further expand business into growing markets**
Expansion of our networks in India, Vietnam, etc.
4. **Expand network in South-East Asia**
Begin operations in Cambodia, Bangladesh, Laos, Myanmar, and Pakistan

World affairs change moment by moment, and our corporate clients continually move into new markets. KWE intends to anticipate these changes and aggressively move into emerging markets.



Affiliate

Basic Policy **4** Form Business Alliances and M&As to Support Our Growth Strategies

Main Measures

1. Expand M&A target corporations to include not only Japanese companies but also superior companies located abroad
2. Use M&As to achieve 50 billion yen in net sales by the final year of Phase III Medium-Term Management Plan
Our targets are ¥50 billion in net sales and growth to ¥2 billion in operating income by the last year of the plan
3. Reformulate business operations in response to clients' needs
Development of international express operations within Asia
 - In April 2008, we established All Express Corporation in collaboration with Nippon Express and All Nippon Airways, to provide international express delivery services

We aim to maximize the synergy between logistics, ocean freight, and land transportation services by combining them with the air freight forwarding services that are KWE's strength. KWE will actively explore possibilities for alliances and M&As with companies both in Japan and abroad.

Diversify

Basic Policy **5** Transform into a Truly Global Company

Main Measures

1. Promote globalization of human resources

Actively educate and develop all capable employees, regardless of nationality, in order to increase the Group's global functionality

2. Develop a more diverse KWE corporate culture

3. Establish business strategies and management infrastructure for next-generation growth

- Strengthen governance functions
- Promote CSR management
- Expand global network

Already, more than 75% of KWE group employees are non-Japanese. In order to become a truly global corporation, we foster a unique, multiethnic, multicultural corporate culture.

Our Next Challenge: Aiming For a Spot among the World's Top Five Freight Forwarders

To Our Shareholders



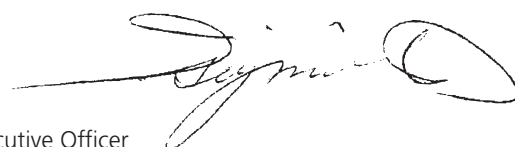
By implementing our Phase III Medium-Term Management Plan, we aim to establish ourselves as a true Global Logistics Partner

In the year ended March 2008, the final year of our Phase II Medium-Term Management Plan, KWE posted record high net sales and operating income, marking our sixth consecutive year of growth in sales and profits. Although we far exceeded our original profit target for the year, we failed to meet our targets in sales and some other areas. Overall, we succeeded in implementing a variety of measures aimed at long-term growth, and we feel satisfied that we were able to greatly enhance KWE's competitiveness in the world market.

In the year through March 2009, we began implementing our Phase III Medium-Term Management Plan. The plan maps out the final four years during which we intend to achieve the goals set forth in the KWE Grand Design for the 21st Century, which we formulated in 2002 upon our listing on the Tokyo Stock Exchange as our vision of the kind of corporation we aspire to be. Amid expectations for economic decline due to such factors as soaring oil prices and the sub-prime loan crisis, the business environment surrounding KWE grows harsher day by day. Nevertheless, we believe that by concentrating our management resources in growth fields and implementing appropriate strategies, we can still achieve further big success for KWE and meet our goal of establishing a place as one of the world's top five freight forwarders. We intend to faithfully execute the strategies set out in our new Medium-Term Management Plan and direct all the resources and energies of our corporate group on striving toward that goal.

KWE will continue to generate new value as a Global Logistics Partner that is trusted by the international community, and will continue to aim for long-term, stable increase in our corporate value. As always, we appreciate the understanding and cooperation of our shareholders and other stakeholders.

Hirokazu Tsujimoto
President and Chief Executive Officer



The Records, Perspective and

Kintetsu World Express, Inc. and consolidated subsidiaries for years ended March 31

	2002	2003	2004	2005
Income Statement Data (Millions of yen)				
Net sales	¥ 186,698	¥ 196,528	¥ 202,941	¥ 238,280
Operating income	4,232	6,257	7,571	8,387
Income before income taxes	3,985	5,666	6,219	8,291
Net income	1,946	2,777	2,887	4,441
Balance Sheet Data (Millions of yen)				
Total assets	¥ 93,208	¥ 94,603	¥ 93,990	¥ 102,661
Property and equipment - net	26,898	26,305	27,863	31,027
Interest-bearing debt	30,245	28,260	27,355	25,171
Long-term liabilities	16,616	7,306	11,892	12,541
Total liabilities	60,560	61,607	58,373	59,035
Net assets* ¹	31,484	32,451	34,881	42,726
Other Selected Data (Millions of yen)				
Capital expenditures for property and equipment (cash basis)	¥ 1,060	¥ 2,789	¥ 4,212	¥ 5,133
Depreciation and amortization expenses	2,545	2,768	2,446	3,027
Per Share Data (Yen)				
Net income	¥ 57.23	¥ 78.65	¥ 80.72	¥ 121.64
Cash dividends	7.50	9.00	12.00	15.00
Net assets* ¹	926.00	954.45	1,021.73	1,183.14
Financial Ratios (% , Times)				
As a percent of net sales:				
Operating income	2.23 %	3.18 %	3.73 %	3.52 %
Income before income taxes	2.10	2.88	3.06	3.48
Net income	1.03	1.41	1.42	1.86
Return on equity	6.5	8.7	8.6	11.4
Current ratio	1.25	1.06	1.18	1.31
Debt-to-equity	0.96	0.87	0.78	0.59

*¹ : Net assets for the fiscal year ended March 31, 2007 and thereafter were calculated according to Japan's new Company Law, which took effect May 1, 2006. The figure includes minority interests for the year. Figures for prior years show shareholders' equity.

The KWE Grand Design for the 21st Century

"Global Logistics Partner" that maintains lasting relationships with clients

Phase III Medium-Term Management Plan Targets

(FY Ending March 2009 - FY Ending March 2012)

Net Sales : ¥500 billion (1.7 X FY Ended March 2008)

Operating Income : ¥22 billion (1.6 X FY Ended March 2008)

Phase II Medium-Term Management Plan Targets (Initial)

(FY Ended March 2006 - FY Ended March 2008)

Net Sales : 320 billion yen (1.3 X FY Ended March 2005)

Ordinary Income : 12.8 billion yen (1.4 X FY Ended March 2005)

Ordinary Income Ratio: 4.0% (0.3 percentage point improvement over FY Ended March 2005)

Phase I Medium-Term Management Plan Targets

(FY Ended March 2003 - FY Ended March 2005)

Net Sales : 240 billion yen (1.3 X FY Ended March 2002)

Ordinary Income : 8 billion yen (1.8 X FY Ended March 2002)

Highlights of KWE's Growth

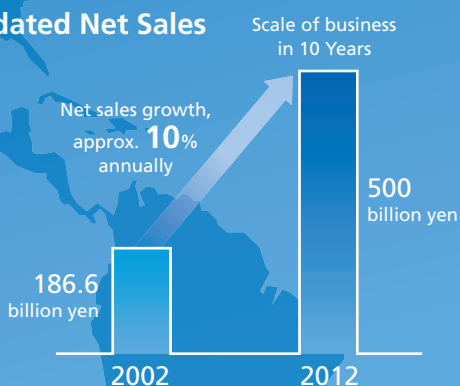
2006	2007	2008	2008*2
¥ 268,796 8,954 9,890 5,675	¥ 289,928 12,439 12,999 7,596	¥ 292,333 13,894 15,165 9,161	\$ 2,917,786*3 138,677 151,362 91,436
¥ 113,260 33,053 24,169 11,036 61,986 49,847	¥ 121,108 32,646 19,776 8,197 62,001 59,107	¥ 129,518 32,596 18,540 5,474 61,972 67,546	\$ 1,292,724 325,342 185,048 54,636 618,544 674,179
¥ 3,392 3,617	¥ 1,512 3,928	¥ 2,408 3,450	\$ 24,034 34,435
¥ 153.35 18.00 1,380.35	¥ 210.17 21.00 1,595.27	¥ 254.47 25.00 1,819.18	\$ 2.54 0.25 18.16
3.33 % 3.68 2.11 12.3 1.31 0.48	4.29 % 4.48 2.62 14.2 1.40 0.34	4.75 % 5.19 3.13 14.9 1.50 0.28	

*2 : U.S. dollar amounts have been translated from Japanese yen for convenience only, at the rate of ¥100.19=US\$ 1, the approximate Tokyo foreign exchange market rate of March 31, 2008.
*3 : Thousands of U.S.dollars except per share amounts

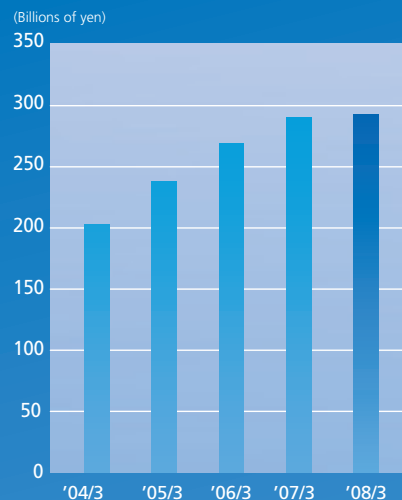
Targets

- Establishing ourselves as the Trans-Pacific Leader
- Consolidated net sales: 500 billion yen

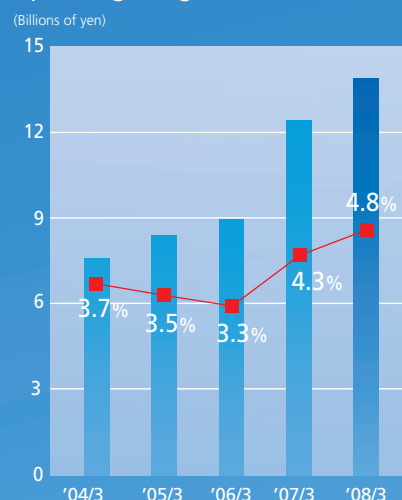
Consolidated Net Sales



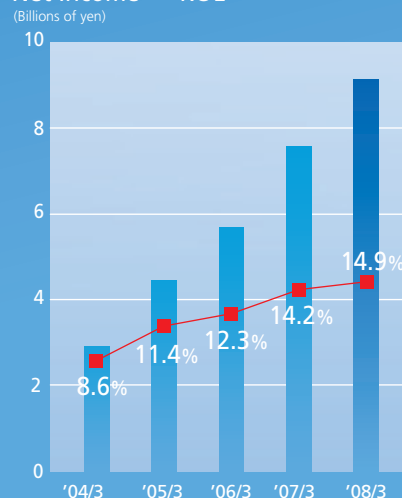
Net Sales



Operating Income



Net Income



Strategy for Realizing the KWE Grand Design for the 21st Century

Performance in the Fiscal Year Ended March 2008

Q Please give an overview of consolidated performance and your assessment of it.

A We achieved record high profits for the sixth year in a row; that's our longest bull run since the company was listed.

In the year ended March 2008, net sales grew 0.8% over the previous year, to 292,333 million yen, operating income rose 11.7% over the same period to 13,894 million yen, while net income jumped by 20.6% over the previous year to 9,161 million yen. This represents the first time since we were listed on the stock exchange that we succeeded in posting record high profits for six fiscal years in a row.

There was little growth in airfreight business in the fiscal year ended March 2008, largely due to the ongoing shift toward ocean freight in response to airlines' higher fuel surcharges and to a lack of large-scale shipments on the spot market. As a result, international airfreight movement, although solid in the first half of the term, declined in the second half to result in a year-on-year drop of 3.3% in net sales for the entire term, to 152,311 million yen. On the other hand, logistics and ocean freight remained solid throughout the fiscal term, with the former edging up 0.4% to 55,124 million yen and the latter growing 6.2% to 49,957 million yen.

Most of our year-on-year growth in sales took place in Asia, with operating income in Japan growing by 12.2% to 4,444 million yen, operating

income in the Southeast Asia & Middle East region surging 31.1% to 1,576 million yen, and operating income in East Asia & Oceania up 16.7% to 4,809 million yen, while operating income in Europe & Africa rose 1.5% to 394 million yen. Although operating income in the Americas declined 6.6% from the previous term to 2,685 million yen, we are not concerned as we believe this was only a reaction to the dramatic surge in the previous year, when sales shot up 230% year on year.



We had forecast that net sales would increase by 30 billion yen in the fiscal year through March 2008 based partly on hopes for M&As, but we revised our forecast downward to reflect the fact that we did not implement the anticipated M&As. Nevertheless, we succeeded in boosting our operating margin by half a point, from 4.3% to 4.8%, thanks to the benefits of lowering our freight cost ratio.

Q Please explain the status of shareholder returns and your related policies.

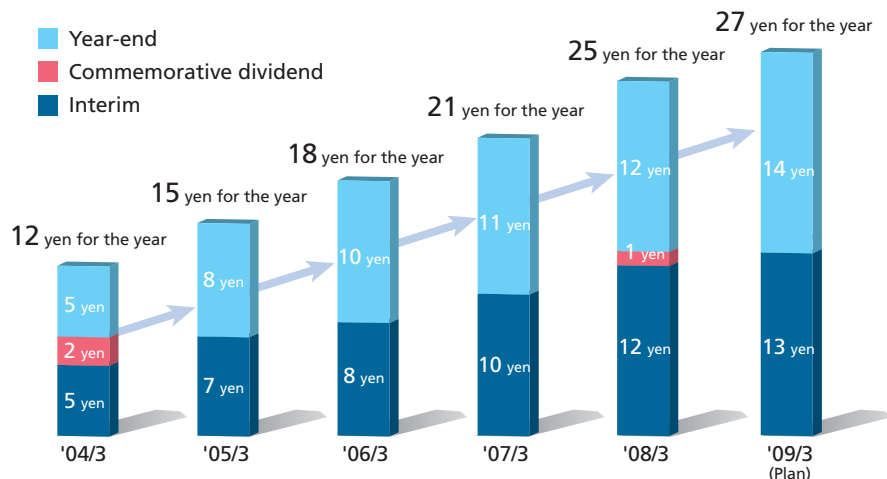
A In the fiscal year ended March 2008, we increased dividend payouts by 4 yen per share. Our long-term goal for dividend distribution is 20% of consolidated net income.

We view enhancement of corporate value, steady building of shareholder value, and returning of profits to shareholders as important responsibilities. At the same time, we strive to establish a stable management base by using retained earnings to strengthen the group's fiscal position or to purchase equipment and facilities so that we can improve customer service. Based on this policy, we increased dividends for the fiscal year ended March 2008 to 25 yen per share, up from 21 yen the previous term. This increase included 1 yen per share to commemorate the 60th anniversary of KWE's founding. Our short-term target for shareholder returns is 30% of non-consolidated net income, but our long-term goal is 20% of consolidated net income.

Return to Shareholders

Current target is 30% of non-consolidated net income.

Our future target will be 20% of consolidated net income.



* The commemorative dividend for the year ended March 2004 was for the listing in the First Section of the Tokyo Stock Exchange.
* The commemorative dividend for the year ended March 2008 was for the 60 year anniversary since the founding.

Our Performance History

Q Please explain what progress has been made so far toward realizing the KWE Grand Design for the 21st Century.

A In a variety of areas, we succeeded in preparing the ground for KWE to take giant leaps forward.

Immediately after we listed on the Tokyo Stock Exchange in 2002, we clarified our image of the kind of corporate group we wanted to be 10 years later, in the fiscal year through March 2012, and we publicized this vision as the KWE Grand Design for the 21st Century. It's an ambitious plan that aims to establish KWE as a Trans-Pacific Leader as well as to rapidly expand net sales – by an average of 10% per year – so that in the fiscal year ending March 2012 we will reach 500 billion yen in net sales.

As of the end of the fiscal year through March 2008, we have completed six of the ten years covered by the Grand Design. In this fiscal year, the final year of the Phase II Medium-Term Management Plan, ordinary income exceeded our initial target amount by 2,131 million yen, but net sales fell short of our target by 27,667 million yen. The reason we failed to meet our sales target was that we did not implement any mergers or acquisitions.

I'd like to take this opportunity to review the measures we've taken and the results we achieved as we worked to realize our Grand Design over the past six years, including the period covered by our Phase I Medium-Term Management Plan.

Under our Phase I Medium-Term Management Plan, we concentrated mainly on "selecting and focusing." We closed or merged unprofitable operating bases in order to achieve efficient distribution of management resources. Under the Phase II Medium-Term Management Plan, we promoted "aggressive management and aggressive operations,"

actively pursued forward-looking measures including alliances with other companies, and reinforced our management base to prepare for stable growth.

Measures Implemented Under Phase I and II Medium-Term Management Plans

Select and Focus	<ul style="list-style-type: none"> ● Liquidated 9 nonperforming subsidiaries in Central and South America and started consigning operations to major European forwarder Kuehne & Nagel (2002-2005) ● Liquidated Kintetsu Intermodal US (KIU) in US and transferred its operations to US subsidiary (2005) ● Closed Belgian warehouse in order to restructure Benelux subsidiary (2006) ● Restructured domestic affiliates (reduced number of companies from 12 in March 2002 to 7 as of March 2008)
Aggressive Management, Aggressive Operations	<ul style="list-style-type: none"> ● Expanded network in China (from 24 locations in March 2002 to 112 by March 2008) ● Initiated business and capital alliances with Mitsui O.S.K. Lines and MOL Logistics (2005) ● Divided Asian region into two; shifted from Quadrilateral to Five Regional Management System (2006) ● Agreement with Russian Railways subsidiary JSCO TransContainer making KWE its general agent in Japan (2007) ● Agreed to form international express delivery joint venture with Nippon Express and All Nippon Airways (2007)

As a result of these measures, we were able to achieve most of our quantitative goals. Below is the breakdown of results by business segment.

We expanded our networks, especially in growing fields and particularly in China and Russia. We also increased our ocean freight and logistics business. As a result, we reduced air freight sales to around 50% of overall sales. By dispersing risk in this way, we worked to stabilize our revenue base.

By following the Phase I and Phase II Medium-Term Management Plans, we made dramatic improvements in the soundness of KWE's management base. We intend to make maximum use of this progress and rally the forces of our entire corporate group as we push forward to achieve the goals of our Phase III Medium-Term Management Plan.

Business Segment	Qualitative Goals	Area	FY Ended March 2002	FY Ended March 2008	Change
Forwarding	<ul style="list-style-type: none"> ● Increase profits from our core operation ● Correct overdependence on high-tech freight 	Electronics	More than 70%*	63.5%*	Down by more than 6.5 points
		Automotive	10.2%*	17.4%*	Up by 7.2 points
Logistics	<ul style="list-style-type: none"> ● Provide high-quality logistics services 	Net sales	35.5 billion yen	55.1 billion yen	Up 55%
		Total logistic facilities' floor space	459,520 m ²	774,895 m ²	Up 69%
Ocean	<ul style="list-style-type: none"> ● Expand ocean freight forwarding 	Net sales	22.1 billion yen	49.9 billion yen	Up 126%
		Percentage to consolidated net sales	11.8%	17.1%	Up by 5.3 points
China	<ul style="list-style-type: none"> ● Develop business in the growing Chinese market 	Number of subsidiaries	6	11	Added five
		Number of locations	24	112	Added 88

* Based on volume of air freight originated in Japan from our 100 largest customers.



Phase III Medium-Term Management Plan

Q What are the basic policies underlying the Phase III Medium-Term Management Plan? What is the plan's basic outline?

A It's the final phase of our plan to achieve the KWE Grand Design for the 21st Century.



In the fiscal year that started in April 2008, we began implementing our Phase III Medium-Term Management Plan. The plan's goal is to realize the KWE Grand Design for the 21st Century. The Phase III plan covers the last four years during which we aim to attain our vision. We will pursue five basic strategies in order to establish ourselves as a Global Logistics Partner that provides high-quality, one-stop services, and as a Trans-Pacific Leader. We intend to unite our entire corporate group to build management strategies that will carry us into the next generation, to enhance our management infrastructure, and to achieve our goals.

The graph below gives an overall picture of Phase III and shows numerical targets. We forecast that 50 billion yen of the 500 billion yen that is our net sales target for the fiscal year ending March 2012 will come from M&As. We anticipate

that 2 billion yen of operating income will come from M&As, which translates into an operating margin of 4.0%. In order to meet our goal of becoming the world's fifth largest freight forwarder, we believe it is essential that we carefully consider what kind of companies to acquire. Given the progress of consolidation within the industry, it would be very difficult for KWE alone to become one of the top five players.

Q Please explain Phase III's basic measures.

A Phase III consists of the following five basic policies.

The Phase III Medium-Term Management Plan consists of five basic policies: 1) Expand freight volume within Asia and the Pacific Rim, 2) Strengthen functionality as a comprehensive freight forwarder, 3) Expand into emerging markets, 4) Form business alliances and M&As to support our growth strategies, and 5) Transform into a truly global company. Let me explain each of these basic policies.

1) Expand freight volume within Asia and the Pacific Rim

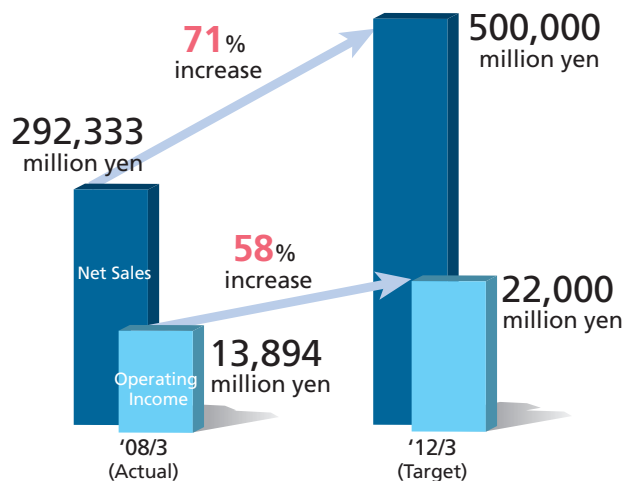
The number of locations in our Chinese service network has been expanding nicely. In the future, we aim to double our current number to reach 200 locations, including by means of M&As. Since we already have a well-developed network in coastal regions, most of our future expansion will take place in the country's interior. So far, KWE has been relatively weak in developing US-bound freight from Asian countries other than Japan, so this is a market

Outline of Phase III Medium-Term Management Plan

Achievement Targets by FY Ending March 2012

Net Sales **500,000** million yen

Operating Income **22,000** million yen



Target Corporate Image

1. A Global Logistics Partner providing high-quality, one-stop services.
2. Establishing ourselves as the Trans-Pacific Leader in the Intra-Asia region.

Basic Policies

1. Expand freight volume within Asia and Pacific Rim.
2. Strengthen functionality as a comprehensive freight forwarder.
3. Expand into emerging markets.
4. Form business alliance and M&A implementation to support growth strategies.
5. Transform into a truly global company.

where we will focus even more. We are aiming to increase our volume by 50% to 36,000 tons in 2008 as compared to 24,000 tons in 2006, but even if we accomplish this, it will only boost our share of this market from 1.3% to about 2.0%. We want to continue our efforts until we capture at least 5% of the market. At the same time, we will reinforce our import and logistics frameworks in the Americas.

2) Strengthen functionality as a comprehensive freight forwarder

Airfreight forwarding is KWE's core business, but in the last few years, there has been a slowdown in airfreight growth. There are predictions that the air freight forwarding market will grow by an average of about 6% per year over the next 20 years, but currently growth has fallen below that level. Therefore, we have accelerated KWE's ongoing efforts to improve our ability to provide comprehensive freight forwarding services. Specifically, we are dispersing risk by expanding and strengthening our logistics, ocean and land transportation businesses to balance a business portfolio that is heavily weighted toward airfreight forwarding.

We are also working to expand the range of items that we handle. Our dependence on transporting electronics-related freight has been relatively high, but by focusing on existing handling of automotive, medical, and chemical freight, we brought down the ratio of electronics-related freight to 63.5% (of airfreight exports originated in Japan) in the fiscal year ended March 2008. From now on, we will work to expand handling of construction equipment, machine tools, and aircraft-related freight, in order to reduce electronics-related freight to about 50%.

3) Expand into emerging markets

We have been steadily moving into emerging markets, primarily China, India, and Russia, and we intend to continue aggressively moving into such markets. Recently our customers have been responding to higher labor costs in China by moving production to neighboring countries. We will move quickly to reinforce our operational framework so as to allow us to respond to this trend. We have already established 10 locations in India, and we intend to further expand our business there, with a primary focus on import/export and 3PL. We intend to move into countries where we do not yet have a presence, such as Cambodia, Bangladesh, Laos, Myanmar, and Pakistan, ahead of our competitors.

In Europe, many production bases are moving to Central and Eastern Europe and the CIS, and KWE has been slow to respond to this change. Therefore, we will

work to catch up during the first two years of Phase III. The CIS and Central Asia are rapidly attracting attention due to the presence of resources like natural gas and rare metals. Also, consumer demand is rising in Russia, presenting abundant business opportunities. Rather than focusing solely on transporting freight to and from Japan, we want to seek out transportation infrastructure that includes logistics capabilities and find opportunities in the expansion of logistics between locations outside of Japan.

4) Form business alliances and M&As to support our growth strategies

We will make active use of corporate partnerships and M&As in order to reap synergetic benefits and expand our field of business. To date, we have primarily looked at Japanese companies as potential M&A targets, but this did not bring good results. From now on, we will also consider high-quality non-Japanese companies, with a focus on companies that excel in ocean freight, logistics services, and land transportation/trucking.

5) Transform into a truly a global company

Of the five basic policies that make up our Phase III Medium-Term Management Plan, we believe this one demands the most psychological change. KWE currently employs about 8,000 people, about 2,000 of whom are Japanese. From now on, we want to rapidly and actively cultivate non-Japanese employees and appoint them to executive roles in our overseas subsidiaries. Our employees are KWE's most important resource. We intend to introduce programs that train employees to function effectively at the global level, and work at cultivating human resources who can implement our group-wide business strategies.

As you can see, we intend to use our Phase III Medium-Term Management Plan to build on the successes of our Phase I and Phase II plans and pursue a steady growth track. We intend to rally all the combined forces of the KWE Group and push hard in order to achieve our performance objectives.



KWE at a Glance

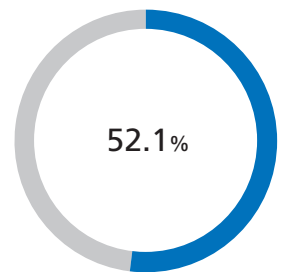


At KWE, our core business is consolidated services by which cargo collected from multiple shippers are sorted and assembled per airport of overseas destination, and are consigned as KWE cargo to airlines for international airfreight forwarding. Our export services include document preparations for air carriage, customs clearance and surface transportation. We provide such services through a closely working network in our sales division, which includes sales offices and branches, and our operation division.

Once the consolidated cargo arrives at its destination airport, KWE's local overseas subsidiary or agent picks it up at the airline warehouse for import customs clearance and delivery to the consignee.

The amount of international airfreight handled by KWE is ranked among the top 10 in the world.

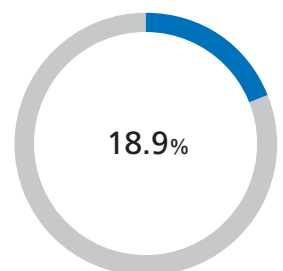
% of Net Sales



Services in the field of logistics have the highest growing demand in the distribution industry. At KWE, we have continued to provide total logistics services including customs clearance, providing temporary storage, processing products during distribution, and providing distribution and inventory services.

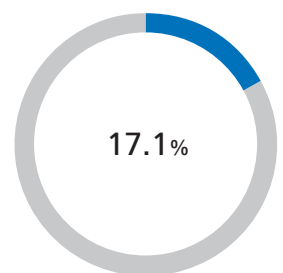
In recent years, customers' needs for logistics services have expanded and diversified due to their efforts to streamline and reduce costs of distribution. Services include not only procuring materials, processing products, distribution, handling merchandise returns and waste disposal but also handling orders, inventory management, information management and analyzing results. At KWE, we support global companies by developing and operating third-party logistics services that employ the latest technologies to meet our customers' every need.

% of Net Sales



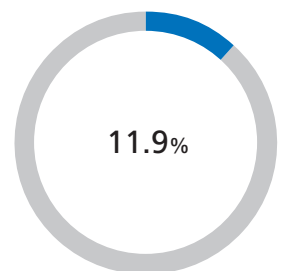
In the field of international ocean freight forwarding, KWE is a non-vessel operating common carrier (NVOCC), making use of the shipping lines' transportation services. The flow of ocean freight forwarding is basically the same as that of airfreight: In addition to transporting full container loads, we provide consolidated services whereby we pack less-than-container loads into ocean containers, arrange transport with a shipping company, clear the cargo through customs and sort it at the destination port, and deliver it to customers. In addition, we have recently been providing highly customized ocean-based transport services such as buyer's consolidation (combining customers' commercial distribution and logistics), door-to-door service supporting the establishment of overseas production bases (including transport and installation of equipment), environmentally friendly rail transport, etc.

% of Net Sales

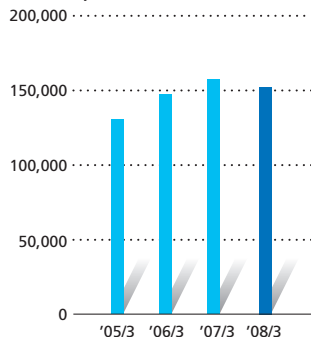


One of KWE's greatest strengths is our ability to provide door-to-door transportation services all over the world. For example, our domestic freight forwarding service, which we provide primarily to users of our international freight forwarding services, uses our nationwide service network to collect freight from every part of Japan from Hokkaido to Okinawa, transport it to an airport via one of our cargo centers, and have an airline fly it to the desired destination. At that destination, we transport the cargo from the airport to the appropriate regional cargo center. In addition to this type of domestic freight forwarding business, our various affiliates provide specialized and sophisticated services such as the customized and careful packing of precision machinery that is required for door-to-door delivery, temporary staffing, transport of materials for events and exhibitions, hand carry, and IT support, etc.

% of Net Sales



Net Sales (Millions of yen)



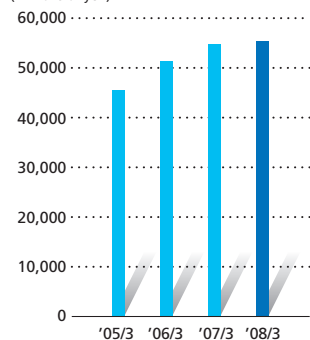
<Main export airfreight items>

- Digital electronic appliances, computers, semiconductors and other information technology and electronics products and components
- Telecommunications devices and components, including mobile phones
- Automobile parts and components
- Medical and chemical products
- Machine tools and construction machinery

<Main import airfreight items>

- IT / electronics products and components, including computers, semiconductors and their manufacturing equipment
- Medical and chemical products
- Fashion products such as textile products and high-end brand products
- Automobile parts and components
- Perishable foods
- Fresh flowers

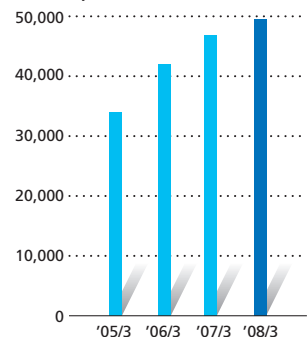
Net Sales (Millions of yen)



<Logistics services and systems>

- Logistics consulting
- PO management
- Inventory control management
- Assembly works
- Call-center functions
- Reverse logistics (RMA) : Return Material Authorization
- Cross-dock operations
- VMI services
- Transport/forwarding management
- Project management

Net Sales (Millions of yen)



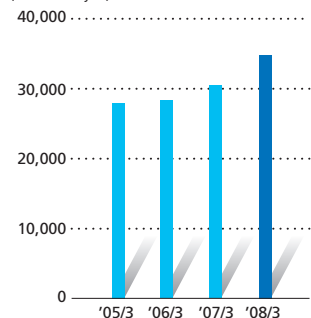
<Main export ocean freight items>

- Household electric appliances
- Raw materials
- Parts and semi-finished goods (such as mobile phone components)
- Automotive-related products
- Plant equipment transportation
- Aircraft-related products
- Transportation of equipment to be used at events and for broadcasting (such as for international sporting events, musicals and exhibitions)

<Main import ocean freight items>

- Computers and their peripherals
- Household electric appliances
- Automotive-related products
- Apparel / retail products
- Medical and chemical products
- Mail-order products

Net Sales (Millions of yen)



<Main domestic freight items>

- Domestic airfreight forwarding
- Pick-up and delivery of export and import freight
- 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

<Seven domestic affiliates provide specialized services>

- Kintetsu Logistics Systems, Inc.
- Kintetsu World Express Delivery Co., Ltd.
- Kintetsu Cosmos, Inc.
- Kintetsu World Express Sales, Inc.
- Kintetsu e-support, Inc.
- Kintetsu Eurasia Express, Inc.
- Kintetsu World Express Shikoku, Inc.

KWE's World Network

JAPAN

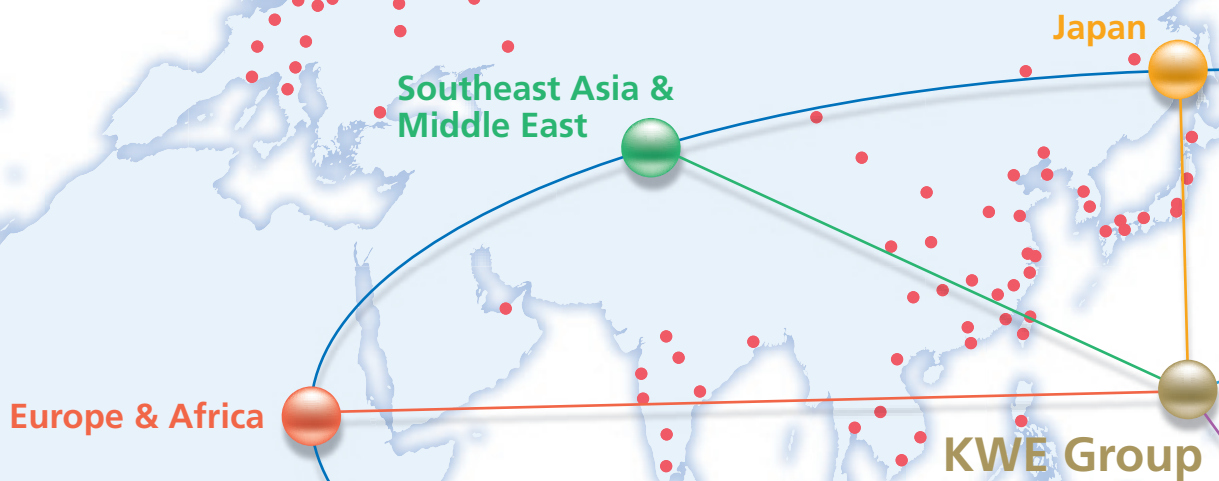
Kintetsu World Express, Inc.
Kintetsu Logistics Systems, Inc.
Kintetsu World Express Delivery Co., Ltd.
Kintetsu Cosmos, Inc.
Kintetsu World Express Sales, Inc.
Kintetsu e-support, Inc.
Kintetsu Eurasia Express, Inc.
Kintetsu World Express Shikoku, Inc.

THE AMERICAS

Kintetsu World Express (U.S.A.), Inc.
Kintetsu World Express (Canada) Inc.
World Wide Customs Brokers Ltd.
Kintetsu Blue Grass, Inc.
Kintetsu Global I.T., Inc.
Kwe Reinsurance, Inc.

EUROPE & AFRICA

Kintetsu World Express (EA) B.V.
Kintetsu World Express (U.K.) Ltd.
Kintetsu World Express (Deutschland) GmbH.
Kintetsu World Express (France) S.A.
Kintetsu World Express (Benelux) B.V.
Kintetsu World Express (Ireland) Ltd.
Kintetsu World Express South Africa (Pty) Ltd.
Kintetsu World Express (Switzerland) Ltd.
Kintetsu World Express (Italia) S.R.L.
Kintetsu World Express (RUS), Inc., LLC.
Kintetsu World Express (Sweden) AB



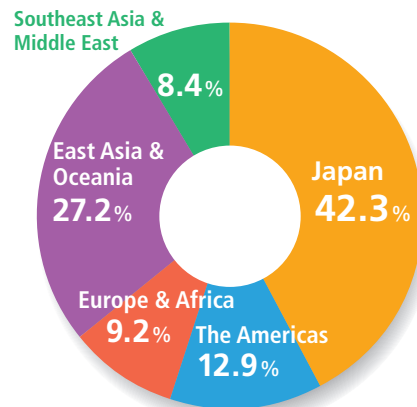
EAST ASIA & OCEANIA

Kintetsu World Express (HK) Ltd.
 Beijing Kintetsu World Express Co., Ltd.
 Kintetsu World Express (Xiamen) Co., Ltd.
 Kintetsu Logistics (Shenzhen) Co., Ltd.
 Shanghai Kintetsu Logistics Co., Ltd.
 Dalian Kintetsu Logistics Co., Ltd.
 Suzhou Kintetsu Logistics Co., Ltd.
 Kintetsu World Express (Korea), Inc.
 Kintetsu World Express (Taiwan), Inc.
 Kintetsu Intermodal (Taiwan), Inc.
 Kintetsu World Express (Philippines) Inc.
 Kintetsu World Express (Subic) Inc.
 Kintetsu World Express (Australia) Pty. Ltd.
 Kintetsu Logistics (Xiamen) Co., Ltd.
 Kintetsu World Express (Clark) Inc.
 plus 3 other companies

SOUTHEAST ASIA & MIDDLE EAST

KWE-Kintetsu World Express (S) Pte Ltd.
 Kintetsu Integrated Air Services Sdn Bhd
 Kintetsu World Express (Thailand) Co., Ltd.
 Kintetsu World Express (India) Pvt Ltd.
 PT. Kintetsu World Express Indonesia
 Kintetsu World Express (Vietnam), Inc.
 Kintetsu Logistics (M) Sdn Bhd
 Kintetsu World Express (Middle East) FZE
 Kintetsu South Asia Development Pte Ltd.
 Kintetsu Logistics (Vietnam), Inc.

Net Sales by Region ('08/3)





KWE Japan is the core company of the KWE Group, which operates 285 offices in 187 cities in 30 countries around the world. As one of a handful of major Japanese logistics providers, it handles the second largest tonnage of airfreight exports originating from Japan and also the second highest number of airfreight import shipments cleared through customs. Based on simple addition, 60.6% of net sales in the Japan region came from airfreight exports, 21.5% from airfreight imports, and 17.2% from ocean freight (imports and exports). About 63% of the freight we handled from Japan in the fiscal year ended March 2008 consisted of high-tech items such as semiconductors, other electronic components, or digital electronic appliances. In addition, we are especially active in providing logistics services, for which there is growing demand.

2008 Performance

Affiliated companies performed well despite slowdown in freight volumes in 4th quarter

Airfreight exports of electronic components to other parts of Asia were solid in the fiscal year through March 2008, but because of the shift to ocean transport and declines in the spot market and in shipments of North America-bound automobile freight, overall airfreight exports declined 0.3%*1 from the previous year.

Airfreight imports also declined from the previous year, by 4.5%*2, due to a decrease in shipments of items related to personal computers or telecommunications devices, and due to a shift to ocean freight for some items.

Ocean freight exports grew by 8.2%*3 from the previous year, largely because of increased shipments of production machinery, automobile parts and components, chemicals and

recycled materials. Ocean freight imports grew by 9.3%*2 from the previous year, mainly because there were more shipments related to automobiles, apparel, and construction materials.

Airfreight tonnage shipped to Asia increased by 4.8% while tonnage destined for the Americas declined by 13.3% and tonnage to Europe declined by 3.0%. Airfreight volumes were stagnant in the fourth quarter, partly because of the sub-prime loan problem, and our airfreight cost ratio (the ratio of airfreight costs to net sales) increased. Kintetsu Logistics Systems, Inc. and other domestic affiliates performed well.

Overall, net sales increased by 0.8% from the previous year to 127,073 million yen, and operating income increased 12.1% to 4,444 million yen.

Notes: Figures showing increases or decreases are relative to the previous fiscal term; *1 indicates comparison based on weight, *2 indicates comparison based on number of shipments, and *3 indicates comparison based on TEUs (Twenty-foot Equivalent Units).

The Year through March 2009 and Beyond

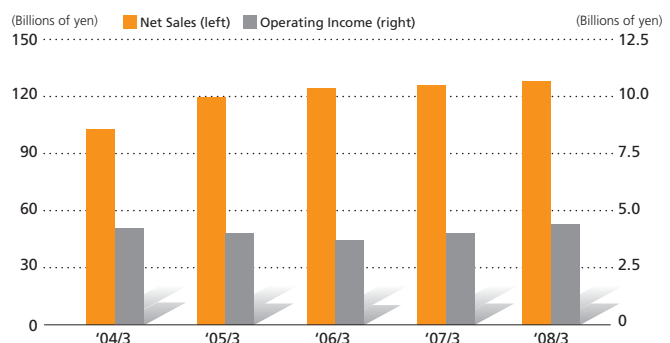
Leadership driven by KWE's Phase III Medium-Term Management Plan

As the nucleus of the KWE Group, KWE Japan will continue to display leadership in implementing our long-term management vision, the KWE Grand Design for the 21st Century, and the Phase III Medium-Term Management Plan that was designed to accomplish the Grand Design. Below are the points that we will give special attention to in the fiscal year through March 2009.

- Expand the volume of freight handled, while proportionally increasing net sales and operating income
- Reinforce project team activities aimed at increasing handling of non-electronic items, particularly those related to the automobile, medical and chemical, construction equipment, machine tool, and aviation fields
- Reinforce sales of logistics services and ocean freight by cultivating new customers and expanding the range of items handled
- Expand Japan's domestic sales network (in Kyushu, Tohoku and elsewhere)
- Make active use of All Express Corporation, our joint venture with Nippon Express Co., Ltd. and All Nippon Airways Co., Ltd.
- Adopt training programs for cultivating global-oriented human resources

Main Measures Taken in the Fiscal Year Ended March 2008

- Established sales offices at Takasaki (Gunma Prefecture), Komatsu (Ishikawa Prefecture) and Numazu (Shizuoka Prefecture) in order to enhance and expand our domestic sales network
- Contracted to become the Japanese general agent of JSCO TransContainer, a wholly owned subsidiary of Russia Railways, so that we can transport cargo to Russia, a service for which demand is expected to increase
- Concluded basic agreement with Nippon Express Co., Ltd. and All Nippon Airways Co., Ltd. over the joint formation of All Express Corporation (established April 1, 2008) in order to boost sales through international express parcel deliveries





The Americas

In May of 1969, we founded our local subsidiary, Kintetsu World Express (U.S.A.), Inc. and made our full-fledged entry into the U.S. market, where we mainly directed our sales efforts at US companies. Since then, we have expanded the scope of our operations as an international airfreight forwarder specializing in transport between the U.S. and Japan and other trans-Pacific business. Today, KWE has five subsidiaries in the Americas in addition to KWE/USA, and is expanding the scale of its business while engaging in a wide variety of areas including ocean freight forwarding, customs clearance, and logistics services in addition to our core business of import and export airfreight forwarding.



General manager,
The Americas
Joji Tomiyama

2008 Performance

Sales declined relative to the previous term's boom in large-lot shipments, but we improved management efficiency

Airfreight exports declined by 3.4%*¹ from the previous year due to a drop in large-scale shipments of semiconductor production equipment and liquid crystal-related items, which were very active in the previous year.

Airfreight imports declined by 2.7%*² from the previous year, despite brisk activity from Asia in the second half, because of a drop in shipments of flat-panel television components and

automobile products in the first half of the term.

Ocean freight exports increased by 4.4%*³ from the previous year, and ocean freight imports increased by 2.8%*².

Although we made further improvements to management efficiency compared to the previous year, net sales declined by 7.6% to 38,848 million yen due to the decline in airfreight volumes, and operating income declined by 6.6% to 2,685 million yen.

Notes: Figures showing increases or decreases are relative to the previous fiscal term; *1 indicates comparison based on weight, *2 indicates comparison based on number of shipments, and *3 indicates comparison based on TEUs (Twenty-foot Equivalent Units).

The Year through March 2009 and Beyond

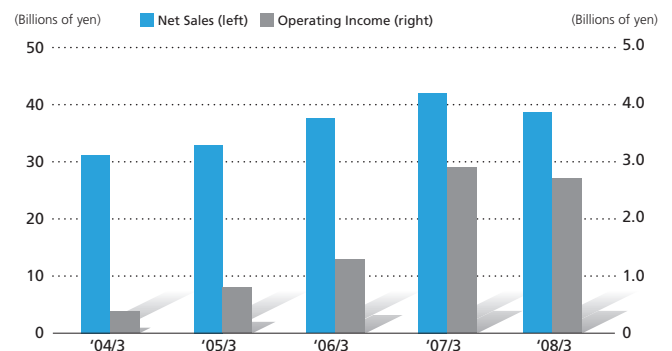
Aiming for a 5% share of the Trans-Pacific market

We will continue to promote the Trans-Pacific Development Project that we began in the year ended March 2008 in order to expand handling of North America-bound freight from Asia. Following intra-China and intra-Asia routes, volumes are expected to increase most along the Asia-to-North America route and it is essential that we increase our freight volume on this route if KWE is to become one of the world's top five global players. Our target for the time being is to boost our volume on this route by 50% relative to the year through March 2007, by the year through March 2009. It will still take some time to win large-scale customers for this route, but we have made gradual progress in winning medium-size customers. There have been months in 2008 when we already exceeded monthly sales levels from the year through March 2007 by more than 50%. We estimate that our share of this route was about 1.3% in 2006, whereas in the future we aim to boost it to 5%.

Meanwhile, we are also focusing on building a logistics model that will allow us to expand air and ocean imports to the U.S. Specifically, we intend to reinforce our sales of third-party logistics in Milton, Ontario (Canada), expand warehousing operations in El Paso and Chicago, build trucking networks (between Los Angeles and Texas, within Mexico, and from Chicago to the southern U.S.) and enhance our customs clearing division.

Main Measures Taken in the Fiscal Year Ended March 2008

- In April 2007, KWE/USA increased its warehouse space in Detroit in order to expand its logistics business.



Europe & Africa



General Manager,
Europe & Africa
Shinya Aikawa

The KWE Group began full-fledged expansion into Europe with the opening of a representative office in London in 1977. Today, there are 11 KWE companies in the Europe & Africa region.

KWE was quicker than its competitors to start doing business in Russia, where we established a subsidiary in 1995, and in South Africa, where we set up a subsidiary in 1996.

The companies in the Europe & Africa region are newer than those in other regions. As we expand the scope of our operations in this region, our sales efforts display a high degree of localization, for example due to the appointment of local people to the top management of subsidiaries in France, Germany, Ireland, South Africa, Italy, and Russia.

2008 Performance

South Africa did well, despite weakness in France, Germany, and the UK

Airfreight exports declined by 7.2%*1 from the previous year as there was no major growth in shipments of Beaujolais Nouveau wine from France whereas there was a decline in shipments of alcoholic beverages from the UK, which had been strong the previous year.

Airfreight import shipments declined 6.3%*2 from the previous year in spite of solid shipments to Central and Eastern Europe of flat-panel television components and materials, because of a downturn in shipments from major customers.

Ocean freight exports declined by 15.7%*3, while ocean

freight import shipments sagged by 1.6%*2.

In the second half of the term, reconstruction of our struggling Benelux subsidiary turned a corner, to the point that we can expect improvement in its performance as the regional headquarters beginning with the year through March 2009.

At our South African subsidiary, sales of logistics services were strong.

Overall, net sales increased by 0.1% over the previous year to 27,493 million yen, and operating income grew by 1.5% to 394 million yen.

Notes: Figures showing increases or decreases are relative to the previous fiscal term; *1 indicates comparison based on weight, *2 indicates comparison based on number of shipments, and *3 indicates comparison based on TEUs (Twenty-foot Equivalent Units).

The Year through March 2009 and Beyond

Move into growth markets and focus on transport between regional headquarters

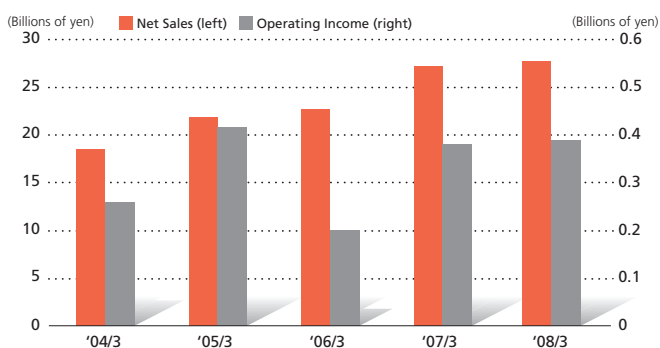
As our first major policy, we will work at entering growing markets. In the fall of 2008, we will establish subsidiaries in Poland and the Czech Republic. We are a bit behind our competitors in making a full-fledged entry into this area, but we intend to build service infrastructure that will allow us to offer differentiated services in order to catch up. We expect to see increased demand, mainly from automobile manufacturers, for transport service using the Siberian Railway which we began in the second half of the year ended March 2008 to move freight originating from Japan to Moscow and St. Petersburg in western Russia, and we will work harder than ever to promote sales of this service. We currently have 20 of our own trucks operating on the western Russia-Helsinki route that we opened in the fall of 2007, and we plan to increase the number of trucks soon due to unexpectedly large demand. We also plan to extend the route to the Netherlands and continue to expand the service in line with demand trends.

Our second major policy is to further promote the development of major customers by expanding transport business between our Europe & Africa region and the Americas and East Asia & Oceania regions. For example, we will hold regular sales conferences with the Americas headquarters, and

will station sales staff from the Europe & Africa headquarters in the Americas as we have done in the East Asia & Oceania region.

Main Measures Taken in the Fiscal Year Ended March 2008

- In November 2007, we initiated trucking service between Russia (Moscow and St. Petersburg) and Helsinki.
- In December 2007, we began offering transport service using the Siberian Railway.



Note: Following the split of Asia & Oceania Headquarters into two units, "East Asia & Oceania" and "Southeast Asia & Middle East" in January 2006, the sales from the Middle East region, which were a part of Europe & Africa, are now included in Southeast Asia & Middle East. The figures of the fiscal year ended March 2006 are adjusted retroactively.



East Asia & Oceania

The former "Asia & Oceania Regional Headquarters" had grown to include 24 subsidiaries. In January 2006, we divided it into an "East Asia & Oceania headquarters" and a "Southeast Asia & Middle East headquarters," thereby improving management efficiency in accordance with the characteristics of each region, and enabling us to conduct more responsive sales activities and better administration.

As of March 2008, the East Asia & Oceania headquarters included 18 subsidiaries including China – with its still-growing economy – Taiwan, and South Korea. The region's contribution to KWE's consolidated results has been growing year by year: in the year ended March 2008 it was 27.2% in net sales. We have an especially strong presence in the China region (including Hong Kong), where we had 11 subsidiaries in 45 cities, with a network of 112 locations as of March 31, 2008. This network in itself constitutes a major asset for the entire KWE Group. In the year ended March 2008, about 76% of this region's net sales were generated by Chinese subsidiaries.



General Manager,
East Asia & Oceania
Kenji Ueda

2008 Performance

Strong performance mainly in China, expansion of logistics and ocean freight businesses

Airfreight exports grew by 6.2%*1 over the previous year thanks to active shipments of items like laptop computers, digital cameras, and LCD television components originating in China.

Airfreight imports declined by 8.5%*2 from the previous year due to the shift to ocean freight and intensified competition.

Ocean freight exports grew by 16.1%*3 on a TEU basis and

ocean freight imports grew by 8.8%*2 thanks to strong demand for transport of LCD-related and automobile-related cargo.

Overall, net sales grew by 5.4% over the previous year to 81,561 million yen, and operating income rose 16.7% to 4,809 million yen.

Notes: Figures showing increases or decreases are relative to the previous fiscal term; *1 indicates comparison based on weight, *2 indicates comparison based on number of shipments, and *3 indicates comparison based on TEUs (Twenty-foot Equivalent Units).

The Year through March 2009 and Beyond

Reinforce one-stop service in China and focus on transport between regional headquarters

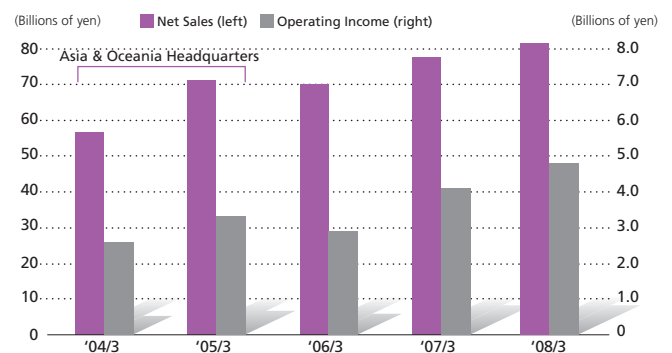
We expect demand for logistics services to grow in the future and we are enhancing our service systems around the world with logistics at their core. Especially in China, we will not only expand international transport, but will also further develop the logistics services and domestic trucking services within China that we have already been focusing on. By organically combining airfreight forwarding, ocean freight forwarding, logistics, and domestic trucking services, we plan to make the most of our unique strengths and offer high-quality, one-stop logistics services that meet our customers' needs and distinguish us from competitors. By the fiscal year through March 2012, the final year of our Phase III Medium-Term Management Plan, we aim to

expand our network to 200 bases from the current 112.

Another major policy is the expansion of freight volume from Asia to North America through our Trans-Pacific Development Project. We are gradually seeing results and intend to pursue this project even more enthusiastically.

Main Measures Taken in the Fiscal Year Ended March 2008

- We opened new offices in Huhhot (in January 2007), in Lanzhou and Shijiazhuang (February) and in Lianyungang (October) in order to further strengthen KWE's Chinese domestic transport services.
- In July 2007, KWE opened one of the industry's largest warehouse (46,000m²) in the Waigaoqiao Logistics Park, Shanghai, in response to growing demand for logistics services.
- In October 2007, we opened a domestic-only warehouse facility (10,000m²) in Beijing suburb.



Note: Following the split of Asia & Oceania Headquarters into two units, "East Asia & Oceania" and "Southeast Asia & Middle East" in January 2006, the sales from the Middle East region, which were a part of Europe & Africa, are now included in Southeast Asia & Middle East. The figures of the fiscal year ended March 2006 are adjusted retroactively.

Southeast Asia & Middle East



General Manager,
Southeast Asia & Middle East
Yoshinori Watarai

KWE got an early start on establishing its service network in Southeast Asia and the Middle East. Beginning with the Singapore subsidiary that we established in 1975, the region now consists of 10 affiliates in locations including Malaysia, India and Vietnam etc.

In India, where transport and logistics demand is expected to grow in the future, KWE established a subsidiary in 1997 and today provides service from 10 locations. In Vietnam, another country that promises rapid growth in demand, we established a subsidiary in March 2005, and in February 2007 went on to establish Kintetsu Logistics (Vietnam), Inc., which specializes in logistics. These are examples of how we are steadily reinforcing our framework for expanding sales of logistics service in this region.

2008 Performance

Thailand and Indonesia recover from difficult times, ocean freight grows

Airfreight exports declined by 13.5%*1 from the previous year despite progress in winning new medium-sized customers, because of big drops in both import and export shipments from existing major customers. Airfreight imports also declined 6.9%*2. However, ocean freight exports were very active, especially within Asia, and increased by 14.7%*3 over the previous year. Ocean freight imports increased

5.8%*2 year on year.

Our Thai and Indonesian subsidiaries faced challenges in the previous term, but did better in the year through March 2008. Net sales decreased by 3.0% from the previous year to 25,325 million yen, but operating income grew by 31.1% year on year to 1,576 million yen, partly thanks to efforts aimed at lowering the airfreight cost ratio.

Notes: Figures showing increases or decreases are relative to the previous fiscal term; *1 indicates comparison based on weight, *2 indicates comparison based on number of shipments, and *3 indicates comparison based on TEUs (Twenty-foot Equivalent Units).

The Year through March 2009 and Beyond

Enhancing our logistics sales network

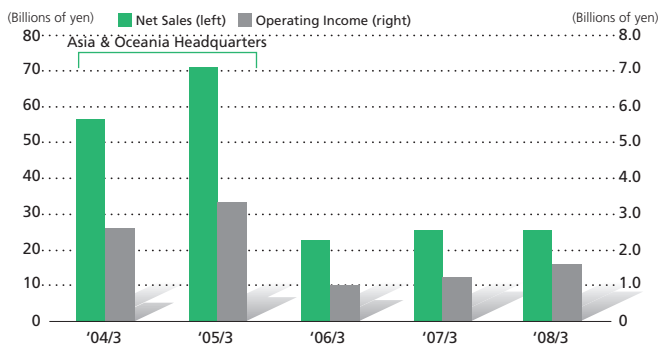
In the future, we intend to continue enhancing our logistics sales network. Continuing with the enhancement measures we took during 2007, we intend to open new logistics facilities in Malaysia and India. By doing so, we will strive to expand sales of logistics services until they contribute a portion of sales that is similar to the contributions of airfreight and ocean freight forwarding. We will also focus on cultivating human resources for logistics services sales.

Demand for trucking services is expected to grow in the future, and from August 2008 we began transport between Singapore and Malaysia. In addition, in the year through March 2009 we plan to give detailed consideration to moving into the Cambodia and Bangladesh markets, where demand for transport services is expected to increase.

At the same time, we intend to focus more on joint sales with KWE/USA to give strong support to the Trans-Pacific Development Project aimed at increasing the volume of North America-bound cargo from Asia.

Main Measures Taken in the Fiscal Year Ended March 2008

- We began operating a logistics subsidiary in Vietnam, Kintetsu Logistics (Vietnam), Inc. As a result, our Vietnamese network now consists of four bases; two in Ho Chi Minh City, one in Hanoi, and one in Haiphong.
- During 2007, we opened new logistics facilities in locations including Rojana in Thailand and Penang and Johor Bahru in Malaysia.



Note: Following the split of Asia & Oceania Headquarters into two units, "East Asia & Oceania" and "Southeast Asia & Middle East" in January 2006, the sales from the Middle East region, which were a part of Europe & Africa, are now included in Southeast Asia & Middle East. The figures of the fiscal year ended March 2006 are adjusted retroactively.

Efforts to Protect the Environment

Having clearly explained the KWE Group's stance toward environmental protection in our "Corporate Philosophy" and "Guidelines for Conduct," we constructed Environmental Management Systems (EMS). We use this system to help us engage in concrete activities that protect the environment and prevent pollution so that we can contribute to society.

Acquisition of ISO Certification for Our Environmental Management Systems

We have acquired ISO14001 certification (the International Organization for Standardization's standard for environmental management systems) for four of the KWE Group's locations in Japan, and for 11 locations overseas.



Reducing CO₂ Emissions

Because KWE does not own its own transport vehicles, most of our CO₂ emissions are the result of our use of electric power. Therefore, we restrict our electricity use by using energy-efficient machinery, controlling temperature settings on heating and cooling systems, and turning off machinery when it is not in use, etc. We work at reducing gasoline consumption in company vehicles by using hybrid cars, avoiding idling, and driving in energy-efficient ways.

As one of our criteria for selecting KWE Group companies or other business partners such as Kintetsu World Express Delivery Co., Ltd., which handles cargo collection and deliveries, we consider acquisition of ISO14001 certification and making other efforts to preserve the environment in these companies. As part of our efforts toward environmental protection, some of Kintetsu World Express Delivery's trucks are hybrids.



Reducing Waste and Reusing Resources

We do our very best to observe the "3Rs" of waste disposal: recycle, reuse, or reduce. For example, we do whatever we can to reuse wooden pallets used for shipping cargo. Generally we reuse them ourselves, and when we have too many we ask another business to reuse them. We send broken pallets that are unusable to be made into wood chips.

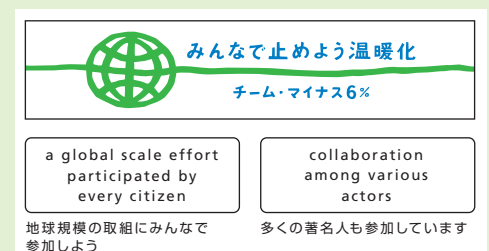


Transport of Used Materials

Kintetsu World Express Delivery Co., Ltd. (in the Kanto, Central and Kansai areas) and Kintetsu Logistics Systems, Inc. (in the Kanto area) are authorized to collect and transport industrial waste. We are actively working on reverse logistics, the transport of used materials, for example by collecting personal computers and transporting them to locations where they can be recycled.

Team Minus 6%

"Team Minus 6%" is a national project aimed at achieving the goal of reducing greenhouse gas emissions by 6% (based on 1990 levels), which Japan promised the world under the Kyoto Protocol. KWE participates in Team Minus 6%, which is committed to fighting global warming. We are working on a companywide basis to stop engine idling, reduce electricity consumption, and take other steps to protect the environment.



Corporate Governance

Basic Philosophy

KWE's corporate philosophy is to "create new values and optimal environments through our logistics services, in order to contribute to the development of a global society together with our clients, shareholders and employees." We work at building corporate value while maintaining good relationships with all stakeholders. From this perspective, it is important that our management strengthens corporate governance and makes its decision-making processes more transparent and fair.

Special Features of KWE's Governance

KWE's governance system basically consists of the Board of Directors and Board of Auditors. In order to speed up decision-making and to make a clear separation between supervisory functions and executive functions, we adopted an executive officer system and elect five executive officers. In addition, we established "KWE Group Top Strategy Meeting" and an "Executive Committee," both under the supervision of the Board of Directors, in order to ensure that decisions are reached with adequate care and to provide better forums for discussing general management policies and important issues related to business execution.

Board of Directors

KWE's Board of Directors consists of 17 members, including two outside directors. The Board of Directors selects executive officers and candidates to be directors or auditors after deliberating such factors as character, insight, and performance within the Company. Compensation – including bonuses – is structured to reflect each director's position and the Company's financial results, based on prescribed Company standards. Directors are appointed for one-year terms, in order to establish clear accountability and to allow for quick response to changes in business conditions.

In the fiscal year ended March 2008, the Board of Directors met 12 times. Every meeting was attended by one or both of the outside directors.

Auditors

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

Two of the four members of our Board of Auditors are outside auditors. 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.

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

Our audit department, Board of Auditors, and accounting

auditor meet regularly to coordinate their annual schedules and report on operations, etc. They cooperate even more closely by exchanging information as necessary.

In the fiscal year ended March 2008, the Board of Auditors met 14 times. Every meeting was attended by one or both of the outside auditors.

Relationships with Outside Directors and Outside Auditors

KWE's outside directors are Akio Tsujii, an adviser to Kintetsu Corporation, and Masanori Yamaguchi, Chairman of the Board of Kintetsu Corporation. Our outside auditors are Naoyuki Okamoto, Vice President of Kintetsu Corporation, and Masao Kishida, Professor at Waseda University's Graduate School of Finance, Accounting and Law. Although Kintetsu Corporation is a major shareholder, holding 32.09% of KWE's shares, KWE has minimal business dealings with Kintetsu, and our outside directors and auditors have no particular vested interest in KWE.

Executive Committee and KWE Group Top Strategy Meeting

KWE's Executive Committee is composed of full-time directors and auditors, executive officers, and departmental managers, etc. It meets twice monthly under the supervision of the Board of Directors in order to ensure that decisions are reached carefully. In addition, the Company holds a KWE Group Top Strategy Meeting once every three months, with participation from the presidents of the leading group companies.

In the fiscal year ended March 2008, the KWE Group Top Strategy Meeting was held four times. The main topics of discussion were proposals for inhouse projects and confirmation of project implementation status, and each Group company's management strategies.

Director Compensation

We do not see a need to offer extra incentives to our directors, as we believe our performance management system and other existing mechanisms serve adequately to provide motivation and maintain morale. In the year ended March 2008, we paid a total of 345 million yen to 14 directors, including 20 million yen to the two outside directors.

Compliance

One of the important principles that is clearly stated in the KWE Ethics and Action Standards that guides the actions of KWE executives and employees is that we should live up to the public's trust with fairness, a strong sense of ethics, and responsibility. Based on this principle, in April 2006 KWE established a Compliance Committee and in December of the same year we established the KWE Group Conduct Compliance Standards. We have worked hard to promote compliance with laws and corpo-

rate ethics, partly by making sure that all KWE executives and employees are familiar with these standards. Nevertheless, on April 16, 2008, the Japan Fair Trade Commission inspected KWE's premises due to allegations that KWE violated anti-monopoly statutes in connection with fares and fees related to international air freight transport. KWE is probing the basis of these charges through an internal investigative committee and conducting a fresh review of our mechanisms for promoting compliance.

Risk Management

In order to create a framework for managing risk, KWE established risk management standards and ensured that all relevant personnel are familiar with them. The Company also established a Risk Management Committee to oversee company-wide risk, and designated individuals to be responsible for risk management within each division. The Risk Management Committee determines basic policies and systems for managing risk and works through the divisional risk managers to identify and manage risk factors that need to be addressed from a companywide perspective. In addition, KWE has prepared a crisis plan, which includes rules for responding to accidents, so that we will be prepared in the face of any new dangers that might suddenly emerge and substantially affect the Company's business operations.

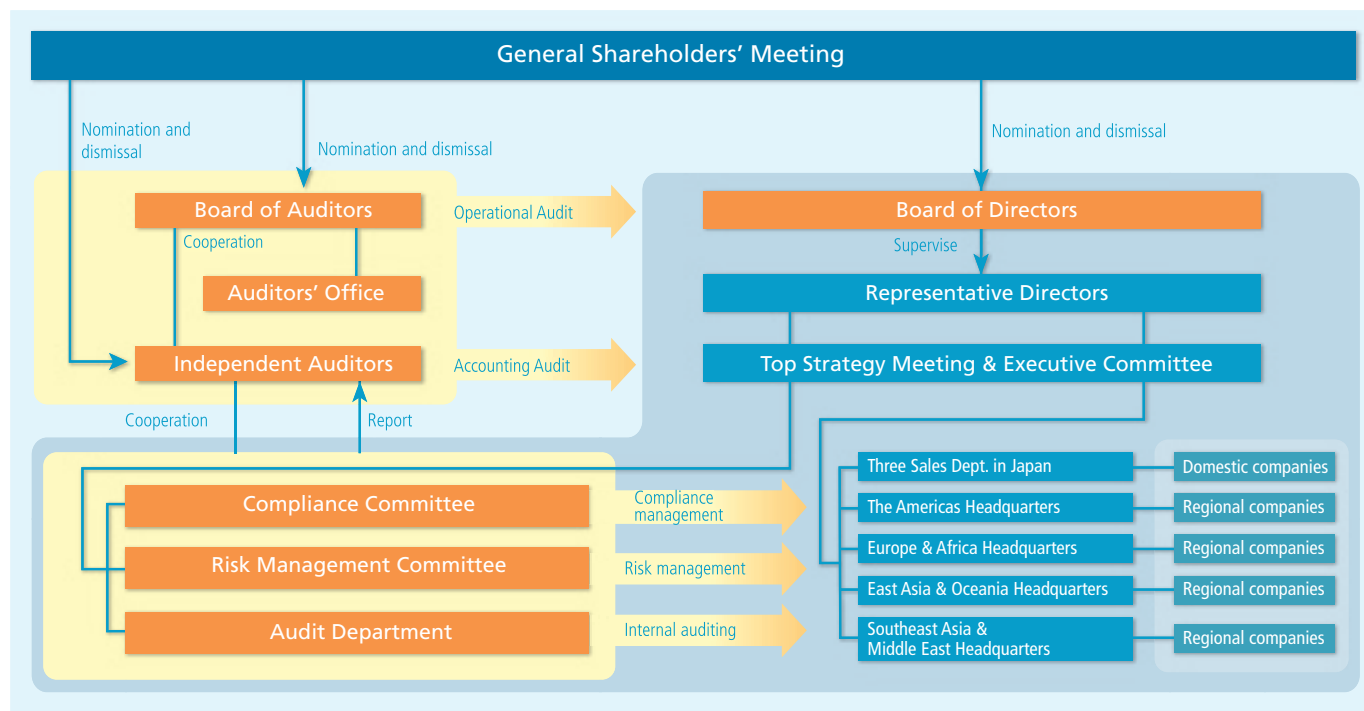
Investor Relations

In order to make our management more transparent, we disclose information about the status of our business through

	Representatives explain face to face	Supplemental explanation
Regular briefings for individual investors	Yes	Held several times per year. Most recent briefing was attended by about 600 people.
Regular briefings for analysts and institutional investors	Yes	Held biannually, in May and November. Most recent briefing was attended by about 80 people.
Posting of IR material on website	Yes	Our website: http://www.kwe.co.jp/ir/ Contains links to President's message, corporate philosophy, management plans, information about the Company, industry, and Group affiliates, financial statements, share information
Establishment of IR group or dedicated personnel	—	General Affairs Department (IR/PR Group)

our website and other means, and work at maintaining good relations with investors.

Our website displays monthly figures for airfreight export tonnage leaving Japan and the number of airfreight import shipments clearing customs in Japan, for KWE and for the entire industry, as well as KWE's standing in the industry. In addition, we work hard to promote investors' understanding of our business through such means as offering tours of our facilities and distributing video clips from our general shareholders' meetings and financial results briefings.



Management



Akio Tsujii
Chairman



Hirokazu Tsujimoto
President and
Chief Executive Officer



Yoshiaki Matsuda
Executive Vice President



Yoichi Tanaka
Senior Managing Director



Kiyoshi Kataoka
Senior Managing Director



Takeo Shimomura
Senior Managing Director



Satoshi Ishizaki
Senior Managing Director



Hirohiko Ueno
Managing Director



Masakazu Hattori
Managing Director



Kenji Ueda
Director



Joji Tomiyama
Director



Shinya Aikawa
Director



Haruto Nakata
Director



Hiroyuki Hoshiai
Director



Yoshinori Watarai
Director



Kazuya Mori
Director

Masanori Yamaguchi
Outside Director

Management's Discussion and Analysis

OVERVIEW

Our consolidated financial statements for the fiscal year ended March 31, 2008 cover Kintetsu World Express, Inc., 52 consolidated subsidiaries, and three affiliated companies that are accounted for by the equity method. KWE's principal businesses are international freight forwarding using transport provided by airlines and shipping companies, and representation on behalf of air carriers. The KWE Group also engages in customs clearance, warehousing, trucking, temporary staffing, insurance agency, property management and packing.

Although KWE's business falls within the single segment of freight transportation, we divide our operations into the following categories: airfreight forwarding (which accounted for 52.1% of net sales this fiscal year), logistics (18.9%), ocean freight forwarding (17.1%), and other operations (11.9%). The KWE Group adopts a Five Regional Management System. This fiscal year, each region's contribution to overall net sales* was as follows: Japan 42.3%, the Americas 12.9%, Europe & Africa 9.2%, East Asia & Oceania 27.2%, and Southeast Asia & Middle East 8.4%. In all, 57.7% of KWE's total net sales* came from overseas operations.

*Based on simple totals, before eliminations

OPERATIONS

The fiscal year ended March 2008 started off strong as the economies of China and other emerging countries grew while there was sustained economic recovery in industrialized areas such as Japan, the US, and Europe. In the second half however, we were affected by the US's sub-prime loan problem and surging prices of natural resources, and the increasing development of feelings of uncertainty about the future. Economic growth continued throughout the term in Japan, but toward the end of the term, individual consumption and capital spending slowed down. Amid high materials costs and stagnation in housing investment, the risk of economic downturn increased.

In the international airfreight forwarding market where we do most of our business, growth in freight volumes has slowed since some customers have switched from air to ocean in transportation as a result of shippers' supply chain management efforts and higher transport costs resulting from the entrenchment of high fuel surcharges.

Under these conditions, the volume of airfreight handled by the entire Group declined, but the volume of ocean freight increased due to strong demand, particularly within Asia.

Within this business environment, the KWE Group's consolidated net sales rose 0.8% year on year to 292.333 billion yen and operating income increased 11.7% to 13.894 billion yen. Both results were record highs.

Net Sales

As mentioned above, the KWE Group's consolidated net sales rose 0.8% year on year to 292.333 billion yen in the fiscal term ended March 2008, renewing our record high for the sixth consecutive year.

Net sales increased year on year in Logistics by 0.4%, in Ocean Freight Forwarding by 6.2%, and in Other Operations by 14.5%, while sales declined in Airfreight Forwarding by 3.3%.

By region, net sales grew year on year in three regions: in Japan by 0.8%, in Europe & Africa by 0.1%, and in East Asia & Oceania by 5.4%, while they declined in the other two regions, by 7.6% in the Americas and by 3.0% in Southeast Asia & Middle East. As a result, sales from overseas accounted for 57.7%* of total sales, compared with 57.9% the previous term.

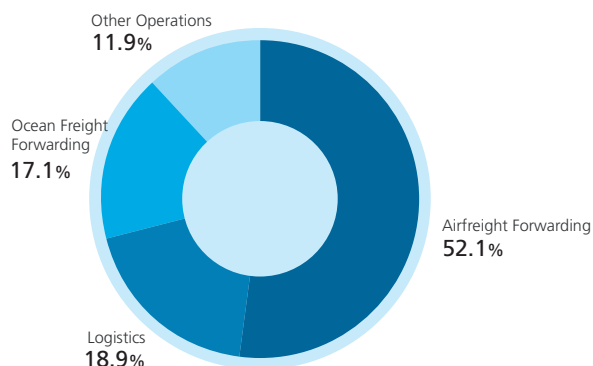
Fuel surcharges were increased several times during the fiscal year, which had a boosting effect on sales.

*Based on simple totals, before eliminations

Cost of Sales

In the fiscal term through March 2008, our cost of sales increased 0.4% over the previous year to 244.753 billion yen, while the percentage to net sales declined by 0.4 percentage point to 83.7%. We achieved this improvement despite the fact that airfreight volumes were stagnant throughout the

Net Sales by Category



year, because of our efforts to hold down the cost of freightage as a percentage of sales.

Selling, General and Administrative Expenses

In the fiscal year through March 2008, KWE's selling, general and administrative expenses declined by 0.3% from the previous year to 33.686 billion yen, and the percentage to net sales declined by 0.1 percentage point to 11.5%. Salaries, benefits, reserves for bonus payments and retirement pay all increased, but because we held down loan loss reserves in the amount of 103 million yen and reduced other expenses, we were able to lower the ratio to net sales.

Operating Income

In the fiscal year through March 2008, operating income rose for the sixth straight year, by 11.7% from the previous year to 13.894 billion yen, another record high. The operating income margin rose 0.5 percentage point from the previous year's 4.3% to 4.8%. We achieved this result by lowering the cost of freightage as a percentage of sales and by working to raise the profitability of our business.

Other Income (Expenses)

In the fiscal year through March 2008, we posted 1.271 billion yen in other income and expenses, compared to 560 million yen the previous year. The main reasons for the increase in income were a rise in interest and dividends income, a rise in equity in earnings of affiliates, and a decline in interest payments.

Income Before Income Taxes and Minority Interests

In the fiscal year through March 2008, KWE's income before income taxes and minority interests was 15.165 billion yen, an increase of 16.7% from the previous year.

Income Taxes

Income taxes came to 5.437 billion yen this fiscal year, an increase of 11.4% from the previous year. After adjustments, KWE's effective tax rate decreased from 37.6% in the previous year to 35.9% this term.

Net Income

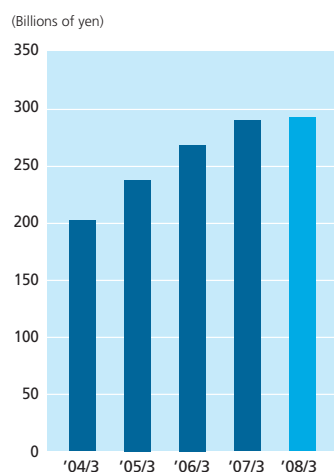
In the fiscal year through March 2008, KWE's net income rose 20.6% over the previous year to 9.161 billion yen. Because of this, net income per share rose from the previous year's 210.17 yen to 254.47 yen, and return on equity improved from the previous year's 14.2% to 14.9%.

OUTLOOK FOR THE YEAR THROUGH MARCH 2009 (As of May 13, 2008)

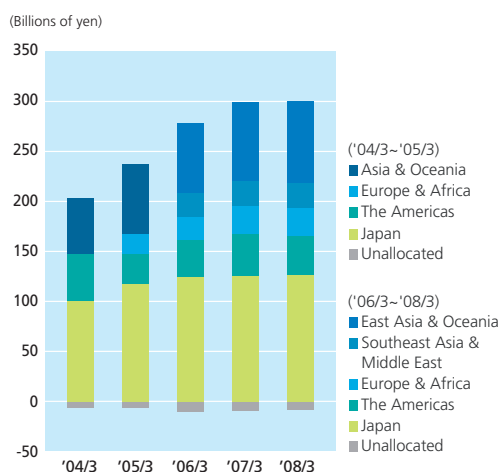
We project that net sales in the fiscal term through March 2009 will increase 9.5% over the current term to 320.000 billion yen, and operating income will rise 15.2% to 16.000 billion yen. In addition to concerns about an economic slowdown resulting from further increases in natural resource prices and a weaker dollar, we expect to see slowdowns in freight movements in some sectors because of high fuel surcharges and a decline in business confidence.

The business environment has remained harsh since the beginning of the fiscal year through March 2009, with airfreight imports and exports handled by KWE Japan

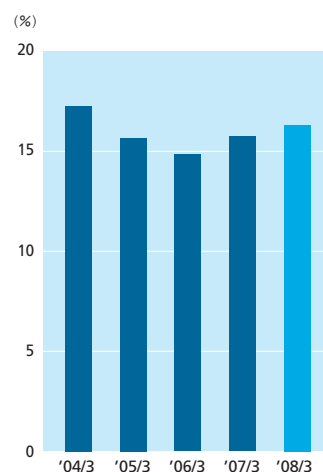
Net Sales



Net Sales by Region



Gross Profit Margin



continuing to slow. On the other hand, our overseas business is developing well. In the Americas, business from existing customers has been growing, and our campaign to expand freight handling from Asia to North America has gradually been producing results. These and other factors have sustained both imports and exports at good levels. We are also making progress by gradually winning more customers in Europe, where the export business is especially sound. In East Asia & Oceania, we see the results of the expansion in North America-bound freight mentioned earlier. Performance in the Southeast Asia & Middle East region is generally developing according to plan.

As of this writing, there is some concern about how the dollar's weak trend relative to the yen might affect our consolidated results in yen terms.

Overall, the macroeconomic environment in the year through March 2009 is expected to be difficult, but we intend to push forward and implement the original management strategies laid out in our Phase III Medium-Term Management Plan in order to meet our performance goals for the year.

SEGMENT TRENDS BY REGION

For a breakdown of segment trends by region, please refer to the Five Regions report on pages 18 to 22.

FINANCIAL POSITION

In the fiscal year ended March 2008, KWE's total assets increased by 6.9% to 129.518 billion yen.

One reason for this change was an increase in current assets, which rose 12.5%, or 9.453 billion yen, to 84.797 billion yen due to increases in cash and time deposits, trade notes and accounts receivable, in conjunction with strong financial results.

Total property and equipment declined slightly, by 0.2% or 49 million yen, to 32.596 billion yen.

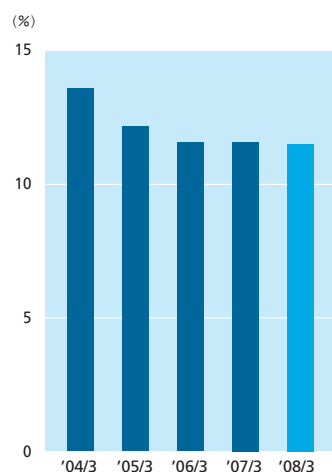
On the liability side, total liabilities decreased slightly, by 28 million yen from the previous term, to 61.972 billion yen. Current liabilities grew 5.0% from the previous year to 56.498 billion yen. Trade notes and accounts payable decreased 4.3% from the previous year to 26.352 billion yen, but short-term debt including current maturities of long-term debt grew 6.8% from the previous year to 14.599 billion yen and income taxes payable increased 33.2% to 3.143 billion yen. Employees' accrued bonuses also grew, 39.7% to 1.637 billion yen. Total long-term liabilities decreased 33.2% to 5.474 billion yen, mainly because long-term debt declined by 35.5% to 3.941 billion yen and because employees' accrued retirement benefits shrank by 35.2% to 910 million yen.

KWE's net assets for the year ended March 2008 totaled 67.546 billion yen, up 14.3% or 8.439 billion yen from the previous year's 59.107 billion yen. Retained earnings rose 19.5% from the previous year to 51.151 billion yen, net unrealized holding gains on available-for-sale securities declined by 25.8% to 765 million yen, and foreign currency translation adjustments decreased 0.4% to 1.491 billion yen. At the end of the term, our equity ratio had increased to 50.6%, from 47.4% at the end of the previous fiscal year.

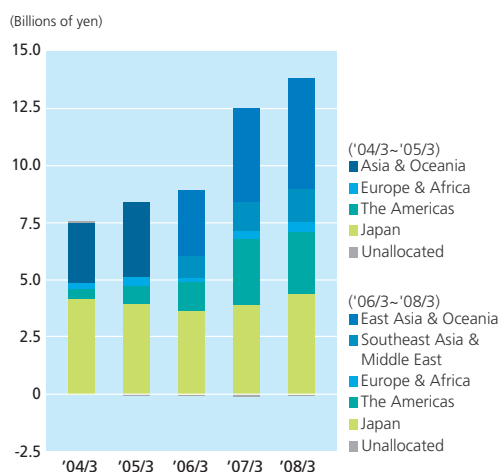
LIQUIDITY AND CAPITAL RESOURCES

In the fiscal year through March 2008, KWE generated 11.057 billion yen in cash flow from operating activities. This was 4.000 billion yen, or 26.6% less than the previous year. Cash flow from operating activities decreased despite the increase of 2.166 billion yen in income before income taxes, largely

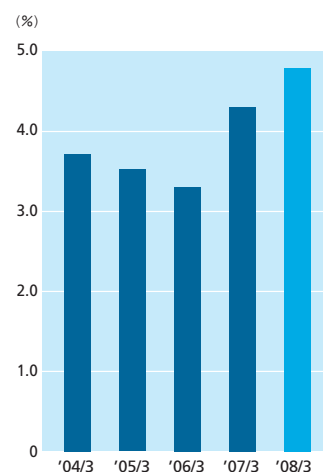
SGA Expenses to Net Sales



Operating Income by Region



Operating Income Margin



because there was an increase of 2.778 billion yen from the previous year to 2.799 billion yen in cash outflows arising from increased notes and accounts receivable while cash outflows arising from decreased notes and accounts payable increased 4.369 billion yen to 1.553 billion yen.

In the year through March 2008, we generated 635 million yen through investing activities, a difference of 7.073 billion from the previous year, when there was a net outflow of cash used for investing activities. In the previous year, we used 4,597 billion yen – mostly for investment in software – in "other net," whereas this fiscal year we generated 2,886 million yen in cash from this category. Capital investments and related payments for purchases of property and equipment increased by 896 million yen to 2.408 billion yen.

During the fiscal year through March 2008, cash outflows used for financing activities decreased by 3.053 billion yen from the previous year to 2.437 billion yen. The main reason for this large decrease in outflows was the fact that the net decrease in short-term debt shrank from a decline of 3.502 billion yen to a decline of 240 million yen, resulting in the generation of 3.261 billion yen. Also, dividend payments this fiscal year rose 15.0% from the previous year to 828 million yen.

At the end of the term through March 2008, cash and cash equivalents rose by 9.032 billion yen from a year earlier to 28.500 billion yen.

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

The following are the major risk factors that KWE recognizes as having the potential to affect our operations.

1. Economic conditions

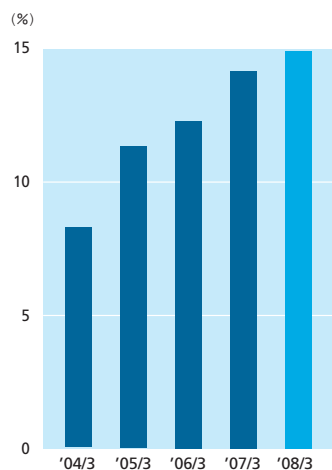
KWE operates on a global basis, with operations primarily located within our Five Regional Management System consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East. The main products we handle are shipping items such as high-tech products (electronic components, semiconductors and semiconductor production equipment, telecommunications-related items, LCD-related items, digital electronic appliances, etc.), automobile items (including auto parts and fully assembled vehicles), medical items (related to medical care or pharmaceuticals, and chemicals), high-end apparel and related products, and goods for sale by mass merchandisers.

The performance or financial condition of the KWE Group could be affected if there is a change in demand for electronics items, which are particularly sensitive to economic fluctuations, or in the event of a major international occurrence like the terrorist attacks that took place in the United States in September 2001, the start of the 2003 Iraq war, or the outbreaks of SARS and avian influenza.

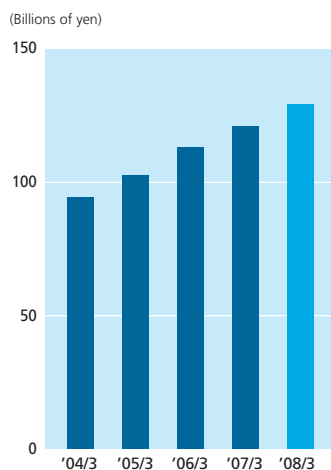
2. Exchange rate fluctuations

KWE has built a Five Regional Management System, consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East regions. Fluctuations in foreign exchange rates in any of these regions could affect KWE's performance or financial condition. In order to minimize risks arising from such currency fluctuations, KWE uses foreign exchange forward contracts. Our policy is to use these forward contracts only to hedge the amount of KWE's net debts or credits related to business contracts denominated in foreign

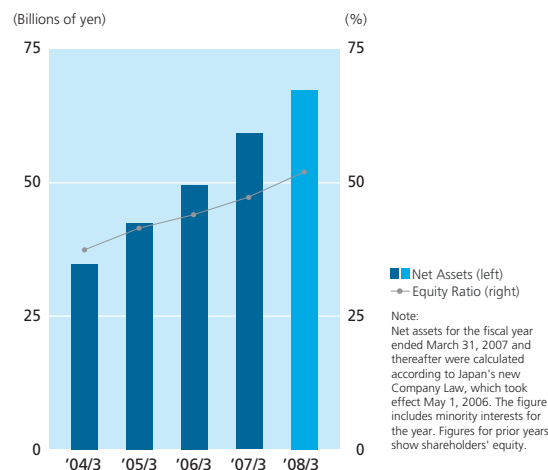
ROE



Total Assets



Net Assets and Equity Ratio



currencies. In principle, we do not enter into forward contracts with terms of more than one year. Moreover, we have a policy of not engaging in speculative dealings or highly leveraged transactions. We use foreign exchange forward contracts only to offset the risk posed by potential future fluctuations in relation to normal business dealings denominated in a foreign currency.

3. Fluctuations in crude oil prices

Taking into account the influence that a sudden surge in oil prices might have on distribution and transport, KWE maintains close relationships with air and ocean carriers and works at expanding our channels for procuring cargo space. Nevertheless, it is possible that unforeseeable circumstances could affect our corporate performance. In the event that airlines should increase their fuel surcharges, we will do our best to pass on the increased costs to customers. However, fuel prices may be volatile in the future and it is possible that they could affect our corporate performance

4. Legal regulations

Each nation has enacted various regulations governing transport, warehousing, storage management, and other businesses in which we engage. Most of these are statutory regulations (to ensure safety, for example) or legal regulations affecting the transport business. It is possible that changes to existing regulations could cause a temporary spike in capital spending, which could affect KWE's performance.

5. Transport accidents

KWE takes the utmost care as we work to expand our logistics business, based on the know-how that we have accumulated as

an airfreight forwarder. We work hard to secure and increase the trust that our customers place in us. Nevertheless, KWE's performance could be affected in the event of a transport accident occurring, for example, due to an unpredictable disaster.

6. Storage and security at distribution facilities

KWE owns distribution-related facilities in five regions: Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East. We take measures to ensure safe storage and security at these facilities; for example, we have obtained Level A certification from the Transported Asset Protection Association (TAPA, an organization that sets international freight security standards) for facilities in 18 locations in Japan and abroad. However, if our storage or security measures should cease to function due to war or terrorist attack, etc., KWE's performance could be adversely affected.

7. Customer data management / information leaks

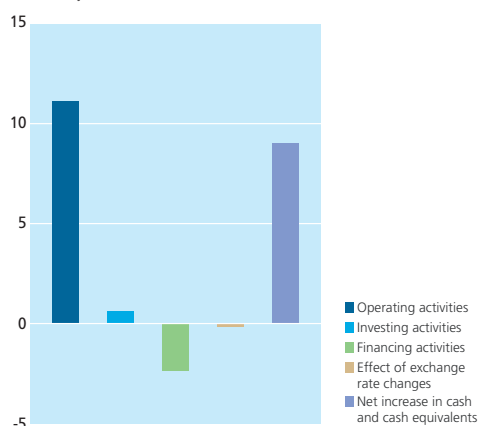
KWE systematically manages customer and freight movement information through our intra-Group information network. We perform regular audits and inspections to ensure that there are no information leaks. In addition, in accordance with Japan's Act on the Protection of Personal Information, KWE instituted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

8. Information system security

KWE uses integrated computer systems group-wide and manages much of its global operations with IT systems. We strive to ensure that these information systems operate reliably by using a redundant structure of data centers and network connections, and have hardware and software safeguards against unauthorized access and viruses. Nevertheless, in spite of these precautionary measures, our financial results could be adversely affected if these information systems temporarily malfunction as a result of unforeseen virus or hacker attacks.

Cash Flows

(Billions of yen)



Consolidated Balance Sheets

March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and time deposits (Note 3)	¥ 28,734	¥ 22,668	\$ 286,795
Notes and accounts receivable – Trade	52,792	49,913	526,919
Less: Allowance for doubtful accounts	(381)	(361)	(3,803)
Deferred tax assets (Note 8)	932	716	9,302
Other current assets	2,720	2,408	27,149
Total current assets	84,797	75,344	846,362
Property and equipment (Note 6) :			
Land	9,627	9,672	96,087
Buildings and structures	29,085	28,692	290,298
Machinery and equipment	2,927	2,567	29,214
Others	11,121	10,034	111,000
	52,760	50,965	526,599
Less: Accumulated depreciation	(20,164)	(18,319)	(201,257)
Total property and equipment	32,596	32,646	325,342
Intangible assets :			
Goodwill	291	312	2,904
Other intangible assets	3,045	3,862	30,393
Total intangible assets	3,336	4,174	33,297
Investments and other assets :			
Investments in (Note 4) :			
Affiliates	1,297	1,312	12,945
Others	3,108	3,525	31,021
Long-term loans receivable	54	71	539
Deferred tax assets (Note 8)	313	312	3,124
Other investments	4,237	3,949	42,290
Less: Allowance for doubtful accounts	(220)	(225)	(2,196)
Total investments	8,789	8,944	87,723
	¥ 129,518	¥ 121,108	\$ 1,292,724

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current liabilities :			
Short-term debt (Note 5)	¥ 10,455	¥ 10,661	\$ 104,352
Current maturities of long-term debt (Note 5)	4,144	3,006	41,361
Notes and accounts payable – Trade	26,352	27,542	263,020
Income taxes payable	3,143	2,359	31,370
Deferred tax liabilities (Note 8)	74	81	739
Employees' accrued bonuses	1,637	1,172	16,339
Directors' and corporate auditors' accrued bonuses	246	257	2,455
Other current liabilities	10,447	8,726	104,273
Total current liabilities	56,498	53,804	563,909
Long-term debt (Note 5)	3,941	6,109	39,335
Employees' accrued retirement benefits (Note 7)	910	1,404	9,083
Deferred tax liabilities (Note 8)	322	305	3,214
Other long-term liabilities	301	379	3,004
Contingent Liabilities (Note 9)			
Net assets (Note 10) :			
Shareholders' equity :			
Common stock			
Authorized 120,000,000 shares			
Issued 36,000,000 shares	7,216	7,216	72,023
Capital surplus	4,868	4,868	48,588
Retained earnings	51,151	42,818	510,540
Treasury stock, at cost	(1)	(1)	(10)
Total shareholders' equity	63,234	54,901	631,141
Valuation and translation adjustments :			
Net unrealized holding gains on available-for-sale securities	765	1,030	7,635
Foreign currency translation adjustment	1,491	1,498	14,882
Total valuation and translation adjustments	2,256	2,528	22,517
Minority interests in consolidated subsidiaries	2,056	1,678	20,521
Total net assets	67,546	59,107	674,179
	¥ 129,518	¥ 121,108	\$ 1,292,724

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2008

	Millions of yen											
	Number of shares of common stock (thousands)	Shareholders' equity					Valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
		Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Total Valuation and translation adjustments			
Balance at March 31, 2006	36,000	¥ 7,216	¥ 4,868	¥ 36,069	¥ (0)	¥ 48,153	¥ 881	¥ 813	¥ 1,694	-	49,847	
Reclassified balances as of March 31, 2007	-	-	-	-	-	-	-	-	-	1,427	1,427	
Net income	-	-	-	7,596	-	7,596	-	-	-	-	7,596	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	685	685	-	685	
Net increase in unrealized holding gains on available-for-sale securities	-	-	-	-	-	-	149	-	149	-	149	
Purchase of treasury stock	-	-	-	-	(1)	(1)	-	-	-	-	(1)	
Cash dividends paid	-	-	-	(720)	-	(720)	-	-	-	-	(720)	
Bonuses to directors and statutory auditors	-	-	-	(131)	-	(131)	-	-	-	-	(131)	
Other, net	-	-	-	4	-	4	-	-	-	251	255	
Balance at March 31, 2007	36,000	¥ 7,216	¥ 4,868	¥ 42,818	¥ (1)	¥ 54,901	¥ 1,030	¥ 1,498	¥ 2,528	¥ 1,678	¥ 59,107	
Net income	-	-	-	9,161	-	9,161	-	-	-	-	9,161	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	(7)	(7)	-	(7)	
Net decrease in unrealized holding gains on available-for-sale securities	-	-	-	-	-	-	(265)	-	(265)	-	(265)	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	(0)	
Cash dividends paid	-	-	-	(828)	-	(828)	-	-	-	-	(828)	
Other, net	-	-	-	-	-	-	-	-	-	378	378	
Balance at March 31, 2008	36,000	¥ 7,216	¥ 4,868	¥ 51,151	¥ (1)	¥ 63,234	¥ 765	¥ 1,491	¥ 2,256	¥ 2,056	¥ 67,546	

	Thousands of U.S.Dollars (Note 1)											
	Number of shares of common stock (thousands)	Shareholders' equity					Valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
		Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Total Valuation and translation adjustments			
Balance at March 31, 2007	36,000	\$ 72,023	\$ 48,588	\$ 427,368	\$ (10)	\$ 547,969	\$ 10,280	\$ 14,952	\$ 25,232	\$ 16,748	\$ 589,949	
Net income	-	-	-	91,436	-	91,436	-	-	-	-	91,436	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	(70)	(70)	-	(70)	
Net decrease in unrealized holding gains on available-for-sale securities	-	-	-	-	-	-	(2,645)	-	(2,645)	-	(2,645)	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	(0)	
Cash dividends paid	-	-	-	(8,264)	-	(8,264)	-	-	-	-	(8,264)	
Other, net	-	-	-	-	-	-	-	-	-	3,773	3,773	
Balance at March 31, 2008	36,000	\$ 72,023	\$ 48,588	\$ 510,540	\$ (10)	\$ 631,141	\$ 7,635	\$ 14,882	\$ 22,517	\$ 20,521	\$ 674,179	

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES :			
Net income before income taxes and minority interests	¥ 15,165	¥ 12,999	\$ 151,362
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	3,450	3,928	34,435
Increase (Decrease) in accrued bonuses	480	122	4,791
Increase (Decrease) in directors' and corporate auditors' accrued bonuses	(5)	257	(50)
Increase (Decrease) in accrued retirement benefits	(481)	(497)	(4,801)
Interest and dividends income	(519)	(319)	(5,180)
Interest expenses	413	485	4,122
Loss on disposal of fixed assets	–	184	–
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(2,799)	(21)	(27,937)
Increase (Decrease) in notes and accounts payable	(1,553)	2,816	(15,501)
(Increase) Decrease in other assets	29	75	289
Increase (Decrease) in other liabilities	1,960	(434)	19,563
Bonuses to directors and statutory auditors	–	(131)	–
Other, net	(532)	461	(5,309)
Sub-total	15,608	19,925	155,784
Interest and cash dividends received	497	293	4,960
Interest paid	(409)	(474)	(4,082)
Income taxes paid	(4,639)	(4,687)	(46,302)
Net cash provided by (used in) operating activities	11,057	15,057	110,360
CASH FLOWS FROM INVESTING ACTIVITIES :			
Payments for purchases of securities	(353)	(250)	(3,523)
Proceeds from sales of securities	242	132	2,415
Payments for purchases of property and equipment	(2,408)	(1,512)	(24,034)
Proceeds from sales of property and equipment	246	88	2,455
Payment for purchase of investments in subsidiaries	–	(318)	–
Proceeds from loans receivable	22	18	220
Other, net	2,886	(4,597)	28,805
Net cash provided by (used in) investing activities	635	(6,439)	6,338
CASH FLOWS FROM FINANCING ACTIVITIES :			
Net increase (decrease) in short-term debt	(240)	(3,502)	(2,395)
Payments of capital lease obligations	(97)	(113)	(968)
Proceeds from long-term debt	1,948	800	19,443
Payments for long-term debt	(3,005)	(1,782)	(29,993)
Payments of cash dividends	(828)	(720)	(8,264)
Payments of cash dividends to minority shareholders	(215)	(173)	(2,147)
Other, net	(0)	(1)	(0)
Net cash provided by (used in) financing activities	(2,437)	(5,491)	(24,324)
Effect of exchange rate changes on cash and cash equivalents	(223)	633	(2,225)
Net increase (decrease) in cash and cash equivalents	9,032	3,760	90,149
Cash and cash equivalents at beginning of year	19,468	15,708	194,311
Cash and cash equivalents at end of year (Note 3)	¥ 28,500	¥ 19,468	\$ 284,460

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Note 1:

Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Kintetsu World Express, Inc. (the "Company") and its domestic 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 respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated

financial statements of the Company prepared 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. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2:

Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and 56 subsidiaries for the year ended March 31, 2008. At March 31, 2007 the Company had 54 subsidiaries and consolidated all of them.

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

(2) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

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

(3) Investments in Affiliates

At March 31, 2008, 3 affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method whereby the costs of investments are adjusted for equity in undistributed earnings or losses since acquisition. At March 31, 2007, 4 affiliates are accounted for by the equity method.

(4) 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 of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(5) Securities

Securities are classified as (a) securities held for trading purposes (hereafter, "trading securities"), (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) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Securities held by the Companies are classified into three categories.

Held-to-maturity securities are stated at amortized cost.

Available-for-sale securities with market values are stated at market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains on sale of such securities are computed using weighted-average cost.

Other securities that do not have market value are stated at weighted-average cost.

If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amount is recognized as loss in the period of the decline.

(6) Allowance for Doubtful Accounts

The Companies 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.

(7) Property and Equipment

Property and equipment are stated at cost. Depreciation for buildings held by the Company and domestic consolidated subsidiaries is computed on the straight-line method based on the estimated useful lives of assets. Depreciation for others is computed using the declining-balance method. Depreciation of property and equipment held by overseas consolidated subsidiaries is mainly computed by the straight-line method. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(Change in accounting policy)

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of depreciation for all property and equipment acquired on or after April 1, 2007 to reflect the revisions to the Corporation Tax Law. This change had minor impact on income before income taxes and minority interests.

(Additional Information)

Effective April 1, 2007, property and equipment acquired before April 1, 2007 for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years from the following fiscal year. This change had minor impact on income before income taxes and minority interests.

(8) Amortization of Intangible Assets

Amortization of intangible assets is computed using the straight-line method.

Software for internal use is amortized over their estimated useful lives (primarily 5 years) on a straight-line basis.

Goodwill and negative goodwill are amortized on a straight-line basis over 20 years. Immaterial goodwill and negative goodwill are expensed as incurred.

(9) Accounting for Impairment of Fixed Assets

The Companies review its long-lived assets for impairment whenever changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. As a result of adopting the accounting standards and the guidance, there was no impact on the Company's consolidated financial statements.

(10) Accrued Bonuses

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

(11) Accrued Directors' and Corporate Auditors' Bonus

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

(12) Accrued Retirement Benefits to Employees

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

The Company and certain domestic consolidated subsidiaries have defined benefit pension plans and certain overseas subsidiaries provide defined benefit pension plans and defined contribution plans.

Effective April 1, 2001, the Company integrated entire lump-sum payment plan into funded pension plan. The transition amount arising from this integration of ¥67 million is amortized on a straight-line basis over the period of 13 years commencing with the year ended March 31, 2002.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥3,788 million, is recognized in expenses in equal amounts primarily over 15 years commencing with the year ended March 31, 2001.

Unrecognized net actuarial differences are amortized as expenses from the next fiscal year by the straight-line basis over the prescribed years within the estimated remaining service period (primarily 13 years).

(13) Translation of Foreign Currency Transactions

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates and the resulting translation gains or losses are taken into income.

Receivables and payables denominated in foreign currencies, which are hedged by forward exchange contracts, are translated at the contracted rates of exchange.

(14) Translation of Foreign Currency Financial Statements

Foreign currency financial statements of overseas consolidated subsidiaries are translated into Japanese yen at current exchange rates prevailing at the relevant balance sheet dates of these subsidiaries, except that shareholders' equity accounts are translated at historical rates. Differences arising from translation are presented as "Foreign currency translation adjustment" in valuation and translation adjustment.

(15) Income Taxes

Income taxes consist of corporation, enterprise and inhabitant 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. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(16) Leases

Finance leases of the Company and the domestic consolidated subsidiaries, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that used for ordinary operating leases.

Certain overseas subsidiaries capitalize their assets leased under finance lease contracts in accordance with local accounting principles.

(17) Hedging Activities

The Company and its subsidiaries use forward foreign currency contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation in foreign currency exchange rates with respect to foreign currency receivables and payables, within the amount of foreign currency receivables and payables. Forward foreign currency contracts are subject to risks of foreign exchange rate changes.

The following hedging derivative financial instrument used by the Company and items hedged:

Hedging instrument : Forward foreign exchange contracts
Hedged items : Foreign currency receivables and payables
If derivative financial instruments are used as

hedges and meet certain hedging criteria, the Company defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- (a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
- (i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
 - (ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract

- (b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

(18) 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, 2008 and 2007 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.

Note 3:

Cash and Cash Equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and time deposits	¥ 28,734	¥ 22,668	\$ 286,795
Deposits over three months	(234)	(3,200)	(2,335)
Cash and cash equivalents	¥ 28,500	¥ 19,468	\$ 284,460

Note 4:

Securities

The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2008 and 2007:

Held-to-maturity debt securities, at March 31, 2008	Millions of yen			Thousands of U.S. dollars		
	Book value	Market Value	Difference	Book value	Market Value	Difference
Securities with available fair values exceeding book value	¥ 189	¥ 193	¥ 4	\$ 1,886	\$ 1,926	\$ 40
Other securities	—	—	—	—	—	—
Total	¥ 189	¥ 193	¥ 4	\$ 1,886	\$ 1,926	\$ 40

Held-to-maturity debt securities, at March 31, 2007	Millions of yen		
	Book value	Market Value	Difference
Securities with available fair values exceeding book value	¥ —	¥ —	¥ —
Other securities	—	—	—
Total	¥ —	¥ —	¥ —

Available-for-sale securities, at March 31, 2008	Millions of yen			Thousands of U.S. dollars		
	Acquisition Cost	Book Value	Difference	Acquisition Cost	Book Value	Difference
Securities with book value exceeding acquisition costs	¥ 967	¥ 2,328	¥ 1,361	\$ 9,652	\$ 23,236	\$ 13,584
Other securities	381	256	(125)	3,803	2,555	(1,248)
Total	¥ 1,348	¥ 2,584	¥ 1,236	\$ 13,455	\$ 25,791	\$ 12,336

Available-for-sale securities, at March 31, 2007	Millions of yen		
	Acquisition Cost	Book Value	Difference
Securities with book value exceeding acquisition costs	¥ 1,075	¥ 2,897	¥ 1,822
Other securities	239	155	(84)
Total	¥ 1,314	¥ 3,052	¥ 1,738

The Company reported the impairment loss of ¥77 million for available-for-sale securities for the year ended March 31 2008.

Book value of available-for-sale securities, with no fair market value, as of March 31, 2008 and 2007 were as follows:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Non-listed securities	¥ 335	¥ 473	\$ 3,344
Non-listed equity securities issued by affiliates	1,297	1,312	12,945
Total	¥ 1,632	¥ 1,785	\$ 16,289

The carrying value of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2008 and 2007 are summarized by contractual maturities as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Corporate bonds	Others	Corporate bonds	Others	Corporate bonds	Others
One year or less	¥ —	¥ 57	¥ —	¥ —	\$ —	\$ 569
One to five years	—	140	—	—	—	1,397
Five to 10 years	—	—	—	—	—	—
More than 10 years	—	—	—	—	—	—
Total	¥ —	¥ 197	¥ —	¥ —	\$ —	\$ 1,966

Note 5:**Short-term Debt and Long-term Debt**

Short-term debt consisted principally of borrowings from banks. The weighted average interest rates of short-term debt as of March 31, 2008 and 2007 were 1.59% and 1.42%, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Long-term debt from banks and other financial institutions due 2010 to 2022, with average interests 2.80% for 2008 and 2.73% for 2007.			
Secured	¥ 211	¥ 297	\$ 2,106
Unsecured	7,874	8,818	78,590
	8,085	9,115	80,696
Less: Portion due within one year	(4,144)	(3,006)	(41,361)
	¥ 3,941	¥ 6,109	\$ 39,335

Annual maturities of long-term debt at March 31, 2008 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ –	\$ –
2010	120	1,198
2011	2,619	26,140
2012	610	6,088
2013 and thereafter	592	5,909
Total	¥ 3,941	\$ 39,335

Note 6:**Pledged Assets**

At March 31, 2008, assets pledged as collateral for long-term debt mentioned in Note 5 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 1,056	\$ 10,540
Land	912	9,103
	¥ 1,968	\$ 19,643

In addition, the Company pledged security ¥132 million (\$1,317 thousand) as collateral for deferred payment of customs duties.

Note 7:**Employees' Retirement Benefits**

The accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥ 18,943	¥ 18,696	\$ 189,071
Unrecognized prior service costs	(35)	(40)	(349)
Unrecognized actuarial differences	(3,015)	(299)	(30,093)
Less fair value of pension assets	(13,337)	(14,927)	(133,117)
Less unrecognized net transition obligation	(1,773)	(2,026)	(17,696)
Prepaid pension cost	127	–	1,267
Accrued retirement benefits	¥ 910	¥ 1,404	\$ 9,083

Included in the consolidated statements of income for the years ended March 31, 2008 and 2007 are retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service costs – benefits earned during the year	¥ 1,029	¥ 963	\$ 10,271
Interest cost on projected benefit obligation	353	351	3,523
Expected return on plan assets	(592)	(536)	(5,909)
Amortization on net transition obligation	252	252	2,515
Amortization on prior service costs	5	5	50
Amortization on actuarial differences	122	151	1,218
Retirement benefit expenses	¥ 1,169	¥ 1,186	\$ 11,668

The discount rates used by the Company to measure the projected pension benefit obligation was 2.0% for 2008 and 2007 and the rate of expected return on plan assets was 4.0% for 2008 and 2007.

Note 8:

Income Taxes

Income taxes consist of corporation, inhabitants and enterprise taxes.

The statutory tax rates for the years ended March 31, 2008 and 2007 were 40.69%.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Deferred tax assets :			
Operating loss carryforwards	¥ 637	¥ 772	\$ 6,358
Accrued bonuses	408	301	4,072
Directors' bonuses	–	14	–
Bad debt allowance	124	104	1,238
Employees' retirement benefits	222	366	2,216
Accrued enterprise tax	142	83	1,427
Other	721	647	7,196
Total	2,254	2,287	22,507
Valuation allowance	(293)	(189)	(2,924)
Total deferred tax assets	1,961	2,098	19,573
Deferred tax liabilities :			
Net unrealized gains on marketable securities	(503)	(707)	(5,021)
Depreciation and other	(609)	(749)	(6,079)
Total deferred tax liabilities	(1,112)	(1,456)	(11,100)
Net deferred tax assets	¥ 849	¥ 642	\$ 8,473

Significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2008 and 2007 were as follows:

	2008	2007
Statutory tax rate	40.69%	40.69%
Permanently non-deductible expenses for tax purposes such as entertainment expenses	2.35	1.08
Permanently non-taxable income such as dividend income	(2.11)	(1.07)
Difference of the statutory tax rate among countries other than Japan	(9.56)	(9.13)
Temporary differences not recognized on operating losses of subsidiaries	–	1.99
Use of net operating losses carryforward of subsidiaries	–	(1.10)
Effect of elimination of intercompany dividends received	3.03	5.35
Other, net	1.45	(0.25)
Effective tax rate	35.85%	37.56%

Note 9:

Contingent Liabilities

The Company was contingently liable as of March 31, 2008, as a guarantor for borrowings of The Keodirelang Group (PTY) LTD. which amounted to ¥161 million (\$1,607 thousand).

Note 10:

Net Assets

Net assets comprises three subsections, which are the shareholders' equity, valuation and translation adjustments and minority interests in consolidated subsidiaries.

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, 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.

Japanese Company Law ("the Law") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code ("the Code") was repealed.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. Under the Law, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in capital or legal earnings reserve. Under the Code, additional paid-in capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, even when the total amount of additional paid-in capital and legal earnings reserve is less than 25% of common stock, additional paid-in capital and legal earnings reserve may be available for dividends if there are sufficient distributable surplus.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the Board of Directors.

Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. 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 Japanese laws and regulations.

Note 11:

Accounting for Leases

The Company and domestic consolidated subsidiaries have various lease agreements whereby the Companies act as lessees.

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Certain information for non-capitalized finance leases for the years ended March 31, 2008 and 2007 were as follows:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for finance leases at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of
	2008	2007	U.S. dollars
			2008
Machinery and equipment :			
Assumed acquisition cost	¥ 258	¥ 252	\$ 2,575
Accumulated depreciation	(209)	(183)	(2,086)
Net book value	¥ 49	¥ 69	\$ 489
Others (tools, dies, furniture and fixtures) :			
Assumed acquisition cost	¥ 995	¥ 998	\$ 9,931
Accumulated depreciation	(428)	(557)	(4,272)
Net book value	¥ 567	¥ 441	\$ 5,659
Software :			
Assumed acquisition cost	¥ 382	¥ 741	\$ 3,813
Accumulated depreciation	(221)	(522)	(2,206)
Net book value	¥ 161	¥ 219	\$ 1,607

(2) Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of
	2008	2007	U.S. dollars
			2008
Payments due within one year	¥ 279	¥ 336	\$ 2,785
Payments due after one year	516	414	5,150
	¥ 795	¥ 750	\$ 7,935

(3) Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease payments	¥ 395	¥ 463	\$ 3,943
Depreciation expense portion	373	439	3,723
Interest expense portion	18	18	180

In addition, lease obligations under operating leases, including finance charges, at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Payments due within one year	¥ 3,785	¥ 1,277	\$ 37,778
Payments due after one year	7,940	3,405	79,250
	¥ 11,725	¥ 4,682	\$ 117,028

Note 12:

Segment Information

(1) Industry Segments

The Companies are engaged predominantly in a single industry which is air and sea cargo business.

(2) Geographic Areas

The segment information of the Companies for the years ended March 31, 2008 and 2007, classified by geographic areas is presented below:

	Millions of yen						Elimination or Unallocated	Consolidated
	Japan	The Americas	Europe & Africa	East Asia & Oceania	Southeast Asia & Middle East	Total		
Year ended March 31, 2008 :								
Net Sales :								
Net sales to outside customers	¥ 125,638	¥ 34,967	¥ 26,436	¥ 80,470	¥ 24,822	¥ 292,333	–	¥ 292,333
Inter-segment sales/transfers	1,435	3,881	1,057	1,091	503	7,967	(7,967)	–
Total sales	127,073	38,848	27,493	81,561	25,325	300,300	(7,967)	292,333
Operating expenses	122,629	36,163	27,099	76,752	23,749	286,392	(7,953)	278,439
Operating income	¥ 4,444	¥ 2,685	¥ 394	¥ 4,809	¥ 1,576	¥ 13,908	(14)	¥ 13,894
At March 31, 2008 :								
Total assets	¥ 62,916	¥ 17,026	¥ 14,554	¥ 34,050	¥ 10,265	¥ 138,811	(9,293)	¥ 129,518
Year ended March 31, 2007 :								
Net Sales :								
Net sales to outside customers	¥ 124,497	¥ 37,516	¥ 26,091	¥ 76,182	¥ 25,642	¥ 289,928	–	¥ 289,928
Inter-segment sales/transfers	1,568	4,517	1,376	1,213	464	9,138	(9,138)	–
Total sales	126,065	42,033	27,467	77,395	26,106	299,066	(9,138)	289,928
Operating expenses	122,104	39,156	27,079	73,274	24,905	286,518	(9,029)	277,489
Operating income	¥ 3,961	¥ 2,877	¥ 388	¥ 4,121	¥ 1,201	¥ 12,548	(109)	¥ 12,439
At March 31, 2007 :								
Total assets	¥ 63,663	¥ 14,133	¥ 14,298	¥ 31,548	¥ 9,446	¥ 133,088	(11,980)	¥ 121,108
	Thousands of U.S. dollars						Elimination or Unallocated	Consolidated
	Japan	The Americas	Europe & Africa	East Asia & Oceania	Southeast Asia & Middle East	Total		
Year ended March 31, 2008 :								
Net Sales :								
Net sales to outside customers	\$ 1,253,997	\$ 349,007	\$ 263,859	\$ 803,174	\$ 247,749	\$ 2,917,786	–	\$ 2,917,786
Inter-segment sales/transfers	14,323	38,736	10,550	10,889	5,021	79,519	(79,519)	–
Total sales	1,268,320	387,743	274,409	814,063	252,770	2,997,305	(79,519)	2,917,786
Operating expenses	1,223,964	360,944	270,476	766,065	237,040	2,858,489	(79,380)	2,779,109
Operating income	\$ 44,356	\$ 26,799	\$ 3,933	\$ 47,998	\$ 15,730	\$ 138,816	(139)	\$ 138,677
At March 31, 2008 :								
Total assets	\$ 627,967	\$ 169,937	\$ 145,264	\$ 339,854	\$ 102,456	\$ 1,385,478	(92,754)	\$ 1,292,724

The amounts for the common assets included in the column "Elimination or Unallocated" are ¥5,410 million (\$53,997 thousand) and ¥3,252 million for the years ended March 31, 2008 and 2007, respectively, which mainly consist of surplus funds (cash and time deposits).

(3) Net Sales in Overseas Countries

Net sales of the Companies from sources outside Japan for the years ended March 31, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales in overseas countries:			
The Americas	¥ 34,973	¥ 37,522	\$ 349,067
Europe & Africa	26,444	26,098	263,938
East Asia & Oceania	80,472	76,183	803,194
Southeast Asia & Middle East	24,825	25,645	247,779
	¥ 166,714	¥ 165,448	\$ 1,663,978
Percentage of such sales against consolidated net sales	57.0%	57.1%	57.0%

Overseas' sales include foreign subsidiaries' sales to overseas third parties as well as the Company's and domestic subsidiaries' export sales to third parties.

Note 13:

Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Labor and payroll cost	¥ 16,336	¥ 16,116	\$ 163,050
Provision for accrued bonuses to employees	932	769	9,302
Provision for accrued retirement benefits to employees	924	854	9,222
Provision for doubtful accounts	52	155	519
Others	15,442	15,890	154,128
	¥ 33,686	¥ 33,784	\$ 336,221

Note 14:

Other Income (Expenses)

Other, net during the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Gain (loss) on sales or disposals of property and equipment, net	¥ 82	¥ (184)	\$ 818
Reversal of allowance for doubtful accounts	–	137	–
Loss on impairment of investment securities	(77)	–	(769)
Amortization of goodwill	30	31	299
Retirement on company reorganization	–	(30)	–
Loss on closure of branch office	–	(171)	–
Loss on fraud case	–	(50)	–
Gain on previous year adjustment	278	–	2,775
Loss on cargo transportation damages	(70)	–	(699)
Other, net	286	304	2,855
	¥ 529	¥ 37	\$ 5,279

Note 15:

Subsequent Events

On June 19, 2008, the shareholders of the Company approved payment of a cash dividend to shareholders of record as of March 31, 2008 of ¥13.00 (\$0.13) per share for a total of ¥468 million (\$4,671 thousand).



Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Kintetsu World Express, Inc. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kintetsu World Express, Inc. and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 19, 2008

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.

Investor Information

(As of March 31, 2008)

Kintetsu World Express, Inc. (KWE)

Head Office:

Ohtemachi Bldg., 1-6-1
Ohtemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Tel: +81-3-3201-2580

Established:

January 1970

Paid-in Capital

¥ 7,216 million

Number of Common Stocks

Authorized	120,000,000 shares
Issued and outstanding	36,000,000 shares

General Annual Meeting:

The annual meeting of shareholders of the Company is held every June in Tokyo, Japan.

Shareholder Register Administrator:

Mitsubishi UFJ Trust and Banking Corporation
Tel: + 81-3-5391-1900
or 0120-232-711 (toll-free number only in Japan)

Number of Employees:

8,069 (worldwide on a consolidated basis)

Investor Relations:

Kintetsu World Express, Inc. (KWE)
Ohtemachi Bldg., 1-6-1
Ohtemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Tel: +81-3-3201-2654
Fax: +81-3-3201-2666

Website Address:

<http://www.kwe.com>

Major Shareholders

(As of March 31, 2008)

Shareholder	Number of shares held	% of shares held
Kintetsu Corporation	11,552,900	32.09%
Kinki Nippon Tourist Co., Ltd.	3,200,000	8.89%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,637,200	7.33%
Mitsui O.S.K. Lines, Ltd.	1,799,500	5.00%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,556,700	4.32%
State Street Bank and Trust Co.	1,269,533	3.53%
Hokko Daiwa Taxi Co., Ltd.	937,500	2.60%
Okunikko Kogen Hotel	587,500	1.63%
Trust & Custody Services Bank, Ltd. (Trust Account)	582,200	1.62%
Juniper	578,500	1.61%



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