

*kintetsu world express*



*Global Logistics Partner*



ANNUAL REPORT  
**2009**

Year Ended March 31, 2009

# Speed and Strengths

## Acting as Speedily as Possible...

Our keyword is "Speed."

Speed in assessing situations, speed in determining what to do, speed in action.

This type of speed is one of our enduring corporate traditions. KWE also has five other strengths that help us survive and thrive in these times of dramatic change.

As worldwide recession causes drastic changes in the business environment, KWE is implementing two Innovation Projects in order to lay the foundation for building a more robust constitution. The two main thrusts of these projects are organizational, personnel, and other systemic innovations, and rationalization measures in every area of the company without exception; KWE got started on these projects before any other company in our industry. Because every KWE employee from the top on down shares the same sense of crisis and is working together, we have begun achieving our goals ahead of schedule. We feel sure that our ability to take this kind of quick action will propel us to a rapid recovery when the economy turns around.

Building on the speed that is KWE's enduring corporate traditions, we are getting ready for the next stage by refining the five strengths that we introduce in the following pages.



# Strengths

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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.

# One-Stop Service

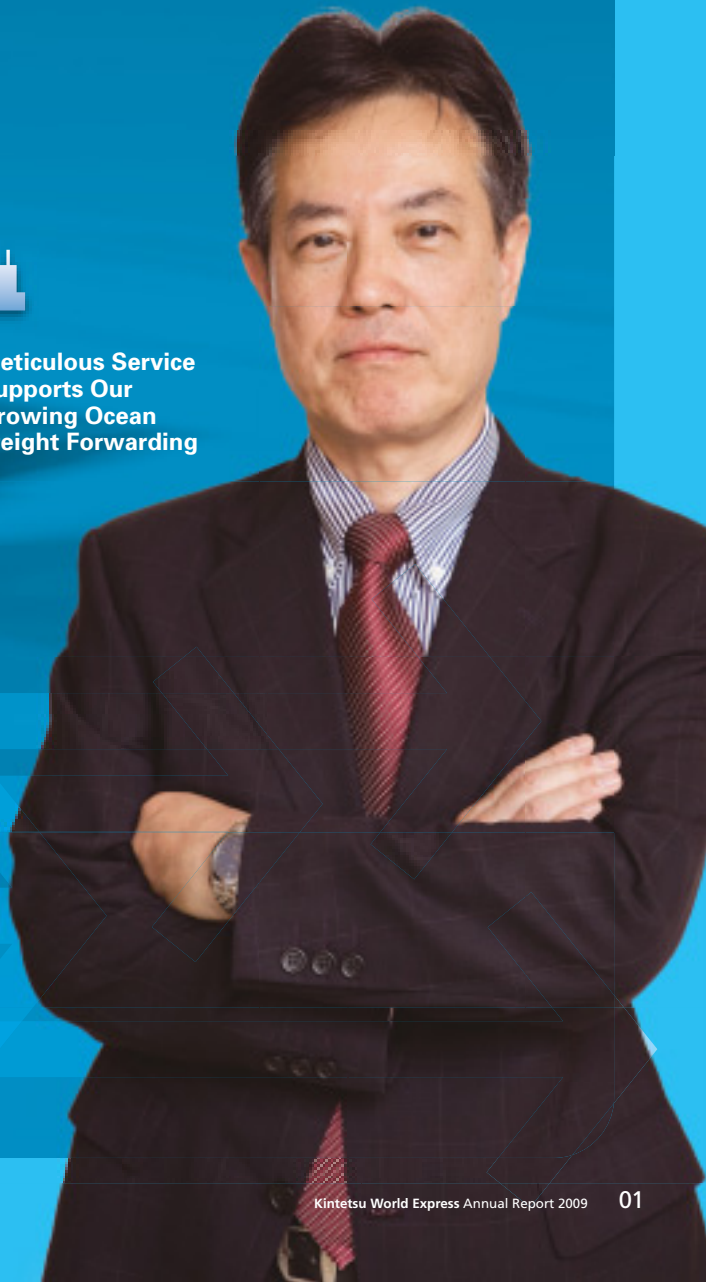
## STRENGTH 1: Ability to provide one-stop comprehensive service by offering a variety of distribution services

KWE provides one-stop service by offering a wide variety of high quality transport services using the latest technology, including air and ocean freight forwarding and logistics, etc.

In addition to electronics and automotive-related cargo, we currently handle freight from a wide range of fields including medical equipment, machine tools, aircraft-related products, apparel, and wine.

By flexibly combining air, ocean, and land transport methods to meet each customer's individual needs, we offer transport that is optimized in terms of both cost and speed.

Airfreight Forwarding is our main business, with net sales that consistently put KWE among the world's top 10 providers



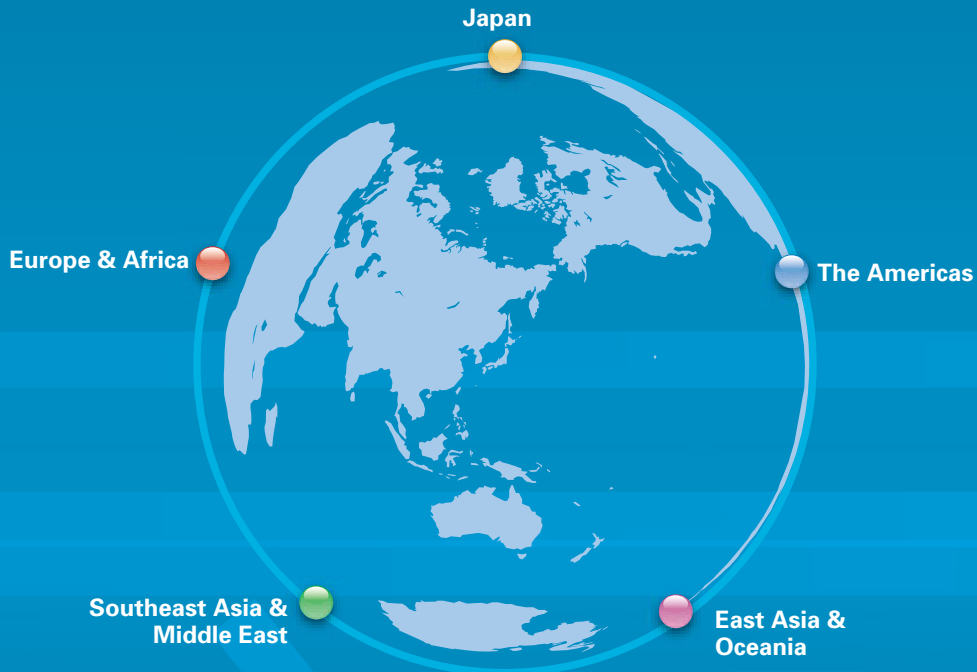
# One-Stop Service

# Global Network

## STRENGTH 2: KWE's global service network

The KWE Group has 8,670 employees working around the clock in its global network. Outside Japan, we operate in 297 locations in 192 cities in 31 countries\* around the world. We organize this network by means of a Five Regional Management System consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East regions. We promote even greater globalization of our service by clearly defining each region's "autonomy, independence, authority and responsibility" so as to enable speedy decision-making.

\* As of March 31, 2009



# 2007 Bases

# Advanced Information System

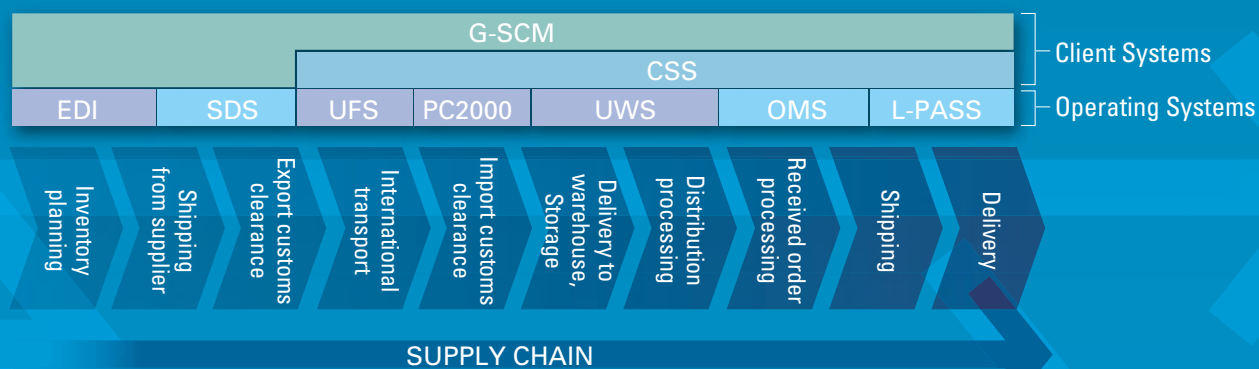
## STRENGTH 3: An advanced global information system that ties together KWE's Five Regions

In order to forge stable, long-term partnerships with customers, KWE has built an advanced information system that allows the entire KWE Group to share information and deliver the services and quality that our customers expect.

The main system is based on a worldwide, Unified Freight System (UFS) that increases the efficiency of operations and provides transport information to customers by means of CSS\* and/or G-SCM\*\*. Through this information system, which organically unites the five regions of the world where KWE does business and allows us to track the location of a cargo unit at any time from its dispatch until its arrival, we have established a framework for taking comprehensive responsibility for door-to-door transport.

\* Customer Service System (CSS), Internet-based freight tracking system for customers

\*\* Global SCM (G-SCM), A system that makes it possible to access information via the Internet regarding inventory levels and movements in and out of multiple warehouses, and inventories and inventory trends of freight in transit



Connected



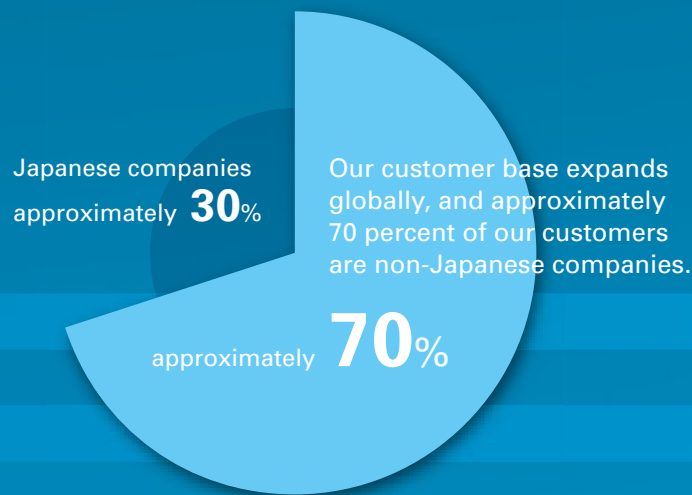
Regions

# Diversified Customer Base

## STRENGTH 4: A wide range of customers all over the world

Some 70% of KWE's customers are companies with no basis in Japan. From early in its history, KWE has aspired to be a global player. We have worked actively to cultivate non-Japanese customers overseas, and have garnered praise for the high quality service we provide.

An example of this recognition is the "Supplier Excellence Award 2007" that we received from major U.S. semiconductor manufacturer Texas Instruments Inc. in June 2008.



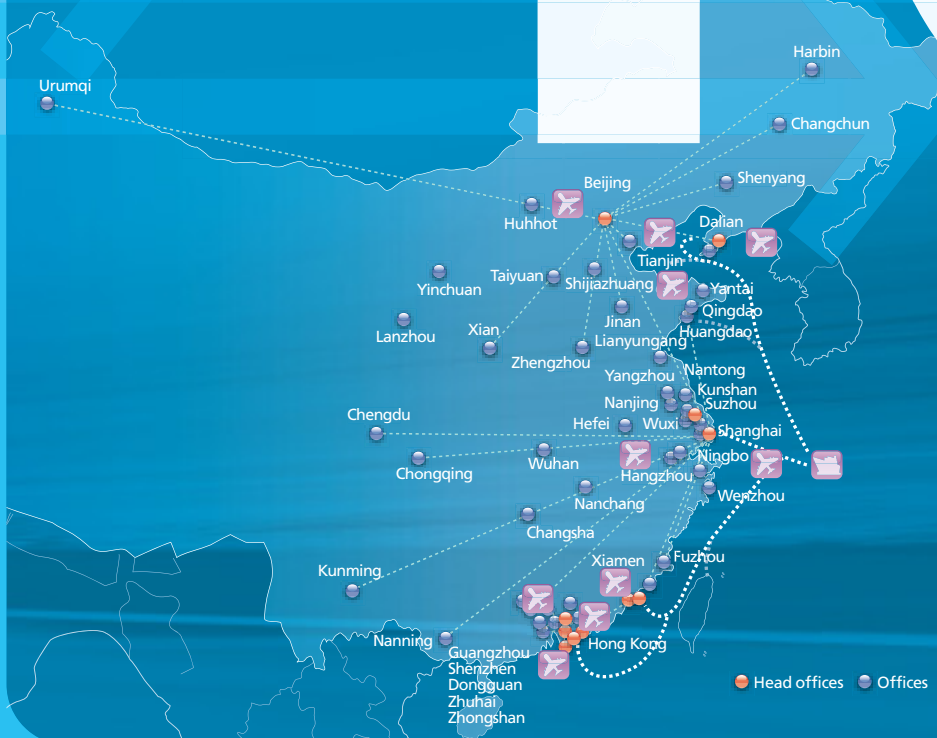
# Strong Presence in China

## STRENGTH 5: A wealth of business experience and one of the industry's biggest service networks in the Chinese market

KWE has one of the industry's biggest networks in China, with 110 locations in 46 cities.

Ever since we entered the Chinese market ahead of the competitors, we have been focusing on forward-looking investment, developing customers, and developing our logistics network there.

By organically linking logistics services and our own trucking network within China with international forwarding, we offer high quality one-stop service.





To Our Shareholders

Quickly changing to  
become more robust

## **Working harder at cultivating human resources who can carry on our corporate traditions**

I am Satoshi Ishizaki, the new president and CEO of Kintetsu World Express, Inc. I intend to carry on with the growth strategies that my predecessor, Hirokazu Tsujimoto, laid in place for the KWE Group, and I will do my best to continue providing optimal, high-quality logistics services for customers around the world. I will appreciate your support as I take on this new role.

As you know, worldwide economic recession has had a severe effect on every industry. There was also a decline in transport demand in the international airfreight forwarding market where we do most of our business, which had a big impact on KWE's performance. Because this harsh business climate is expected to continue for some time, we completely reviewed our existing management plans, including the KWE Grand Design for the 21st Century and our Phase III Medium-Term Management Plan, and decided to implement a short-term management plan covering the single year through March 2010. In order to optimize our business so that we can cope with the difficult business environment in the medium and long terms, we have been implementing organizational, personnel, and other systemic innovations under the "KWE Innovation Project (KIP1)" that began in October 2008. We have also been implementing rationalization measures aimed at slashing costs in every area of the company, without exception, under the "KWE Innovation Project Phase II (KIP2)" since April 2009.

We are implementing innovations and rationalization measures in rapid succession because globalization of the economy has greatly speeded up the rate at which our business environment is changing. In addition to using our inherent decision-making speed and five strengths to rapidly convert to a more robust constitution, we are reinforcing our personnel training functions in order to pass on these corporate traditions to the next generation. Also, our entire group will push forward in unison to achieve our goals and increase our corporate value as a Global Logistics Partner. Now more than ever, we will appreciate the continued support of our shareholders.

Satoshi Ishizaki  
President and Chief Executive Officer



# Interview with the New President

## Performance in the Fiscal Year Ended March 2009

**Q** Please give an overview of KWE's financial results for the year ended March 2009.

**A** Most indicators fell below previous-year levels due to the effects of worldwide recession.

Freight movements plunged in the second half of the term through March 2009 due to the sudden decline in the world economy, so our own freight volume also declined sharply. Airfreight forwarding generally remained sound overseas. However, freight moving to and from Japan continued to shift toward ocean freight forwarding due to soaring fuel surcharges, and from October there was a particularly sharp drop in airfreight volume. Meanwhile, ocean freight volumes remained sound, mainly within the Asian region. In addition to these fluctuations in freight volumes, we were also affected by sharp appreciation of the yen on foreign exchange markets. As a result, we had a very difficult year: consolidated net sales for the year ended March 2009 fell 10.9% from the previous year to 260,331 million yen, operating income declined 35.0% to 9,026 million yen, and net income dropped 62.0% to 3,478 million yen.



## Policies for Coping with Worldwide Recession

**Q** What are KWE's policies for responding to the harsh economic environment?

**A** Our top priority is to change over to a tougher constitution.

The KWE Group's business is inherently susceptible to the influence of fluctuations in the world economy, exchange rates, and crude oil prices. Since KWE became a listed company, we enjoyed virtually uninterrupted steady growth, so the recent worldwide recession had an unexpectedly large impact on us, and we were forced to revise our medium to long-term view of the business environment. Therefore, we reviewed the KWE Grand Design for the 21st Century, which was based on the business conditions that prevailed when it was drafted in 2002, and the Phase III Medium-Term Management Plan that we formulated in February 2008, and decided that our top priorities are rapid response to the dramatic environmental changes affecting us right now and toughening up our corporate structure. For the time being, we will push to achieve the goals in our Short-Term Management Plan for the year through March 2010. Once we have completed this, we will consider a new medium-term management plan.

**Q** What exactly do you mean by "toughening up your constitution?"

**A** Strengthening our base by reforming our organization through the KWE Innovation Project

KWE picked up on signs that the economy was worsening as early as the fiscal year through March 2009 and was among

the first in the industry to begin reforms. We started implementing the KWE Innovation Project (KIP1) by focusing on reforms in all areas of our organization, including personnel and other systems, as well as further expanding overseas business and promoting the start of new businesses. Our goal is to increase the proportion of consolidated net sales generated overseas to 70% by the year through March 2012. In addition to sending even more Japanese personnel overseas, we are consolidating our domestic sales offices in Japan. Regarding new product development, our Intermodal Transport Development Office is taking the lead in expanding new businesses that organically combines multiple transport methods such as high-speed ship, truck, and railroad. We began implementing KIP1 in October 2008, but because the economy declined even further after that — with airfreight forwarding volume in the overall industry down to roughly half of a year-earlier levels as of the October-December 2008 quarter — in April 2009 we began simultaneous implementation of additional rationalization measures under KWE Innovation Project Phase II (KIP2). This means slimming down our cost structure, developing new products that are suitable for hard economic times, and accelerating globalization of our markets and personnel. We have been steadily implementing these two reform projects and rapidly building a more robust corporate constitution. The business environment is changing faster than ever before, and we intend to maintain our ability to nimbly respond to the changes. We have been checking on the status of reforms monthly in Japan and quarterly at our overseas subsidiaries, and adjusting or reinforcing our policies as needed.



### Short-Term Management Plan for the Year through March 2010

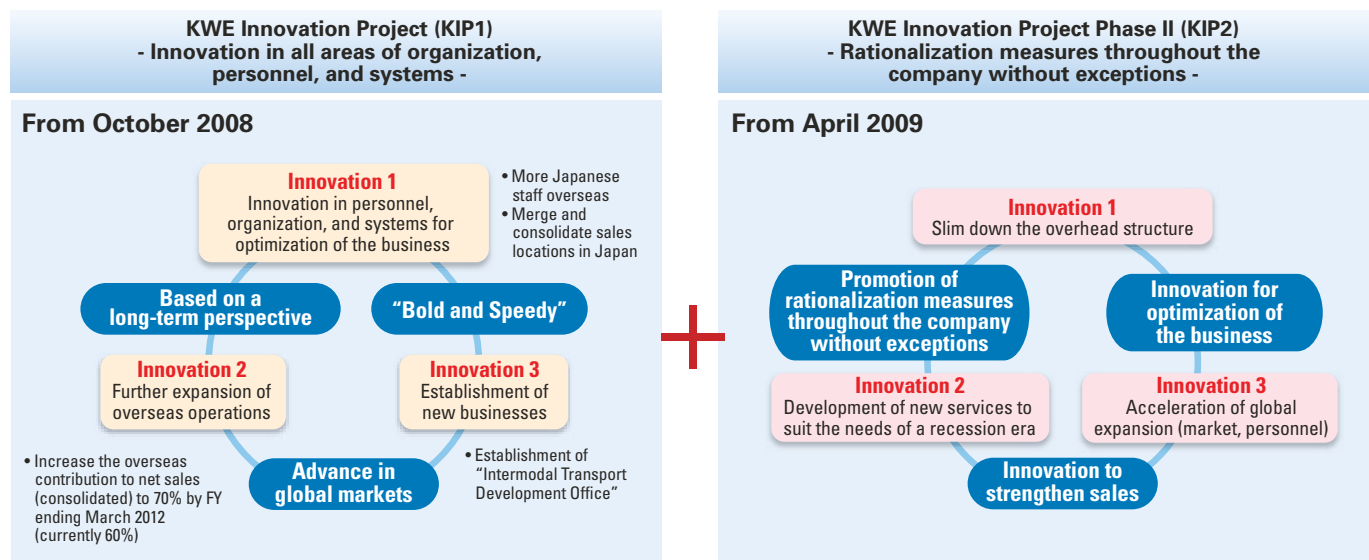
**Q** Please give an outline of the Short-Term Management Plan for the year through March 2010, and explain the basic thinking underlying it.

**A** Building a constitution that allows us to profit even in harsh economic conditions, primarily through KIP2

Our Short-Term Management Plan for the year through March 2010 aims to reform our management constitution to ensure

### Developing the Foundation for a “Robust Constitution”

Both the KWE Innovation Project (KIP1) and the KWE Innovation Project Phase II (KIP2) are being implemented





that we will be able to generate profits even while freight volumes are expected to continue to decline sharply in the future. Based on KIP2, in one year we aim to achieve a total of 6.5 billion yen in cost reductions: 3.0 billion yen at KWE Japan, and 3.5 billion yen at domestic and overseas subsidiaries. Toward that end, we have already begun implementing cuts in compensation to directors and executive officers, management salaries, overtime hours and personnel, facility costs including rental expenses, and variable costs as part of the rationalization measures that we are implementing in every area of the company, without exception. In addition, we intend to position personnel and consolidate sales offices flexibly in accordance with freight volumes. In parallel with these "defensive" strategies, we are also implementing "offensive" strategies such as a third expansion of our Narita Terminal (Chiba, Japan) to increase logistics sales, boosting ocean freight sales by enhancing sales of Intermodal services, and further expansion of our Chinese business. Through these measures, we aim to secure 206,000 million yen in consolidated net sales in the fiscal term through March 2010, 6,500 million yen in operating income, and 3,800 million yen in net income.

**Q** How can you implement such a stringent plan on an ongoing basis?

**A** Our basis is the decision-making speed that we have cultivated since our founding, five qualitative strengths, and management that values human resources.

KIP, KIP2, and our Short-Term Management Plan for the fiscal year through March 2010 are our responses to the sharpest deterioration in the business environment that our corporate group has ever experienced. Without question, these measures entail a great deal of pain, but we have confidence that we will steadily implement them and achieve our goals. We have this confidence because, as we mentioned in the beginning of this report, the capacity for rapid decision-making that KWE has cultivated since its founding and our five qualitative strengths are firmly rooted and functional within our organization despite the challenging economic environment.

I would also like to add a word about the strength of the KWE Group's human resources. It is thanks to our superior human resources that KWE's decision-making speed and five qualitative strengths can work for us. The KWE Group was quick to branch out overseas, starting out in Hong Kong and the U.S. in 1969 with the aim of becoming one of the world's top five freight forwarders. We have cultivated a large number of talented people who have the ability to initiate and develop business in overseas locations. We could do this because we have always appreciated the value of our human "resources" and worked hard at cultivating them based on the belief that education is a good investment.

Meanwhile, internal communication plays an important role in enabling our well-trained personnel to work together and

**2010/3 Short-Term Management Plan**

- The business environment has suddenly changed as a result of the worldwide recession
- Strengthening the management infrastructure to survive the severe changes in environment

We reviewed the final targets for the KWE Grand Design for the 21st Century and the Phase III Medium-Term Management Plan (FY Ending March 2012):  
 Net sales (consolidated): **500** billion yen  
 Operating income (consolidated): **22** billion yen

**2010/3 Short-Term Management Plan**

- One year management plan for this year was adopted -  
 A new medium term management plan will be drafted  
 at the end of 2010/3

maximize the effects of their joint efforts. In order to further improve the internal communication, we initiated "Sunshine Meetings" and a "Sunshine Blog" in May of 2008. Sunshine Meetings are lunch meetings in which board members visit departments that are outside their own areas of responsibility. As of March 31, 2009, Sunshine Meetings had been held in virtually every workplace. In the Sunshine Blog, each month a different board member writes weekly columns aimed at employees on topics such as management philosophy, behavioral guidelines, what makes a company pleasant to work at, and stories about early life experiences, including failures. Almost all of our employees read these columns every week. Having our board members address employees in their own words through both of our Sunshine endeavors has also proved to be an effective way to transmit KWE's traditions to the next generation of employees. In a recent survey of KWE employees conducted in Japan, 88% of our employees said they "felt pride in working for their company." I feel that both of the Sunshine initiatives will give a big boost to unifying all of KWE's employees so that they can implement KIP1, KIP2, and our Short-Term Management Plan for the year through March 2010.

development both in Japan and overseas and reinforcement of our management base. For the time being, our goal is to pay 30% of non-consolidated net income, and in the future our goal is to pay 20% of consolidated net income. Our business results for the year ended March 2009 were very disappointing due to the sudden deterioration in economic conditions, but in order to respond to shareholders' expectations for KWE's medium and long-term growth, we increased our year-end dividend payout from 13 yen per share in the previous year to 14 yen, for a total annual increase of two yen, from 25 to 27 yen. We intend to use retained earnings for capital investments aimed at strengthening our financial standing and improving customer service, as part of our efforts to establish a stable management base. The entire KWE Group will continue to work together to pursue reforms as a global company, to continuously upgrade our corporate value, and to emphasize dialogue with all of our shareholders and investors.

**Q** Please discuss the status of shareholder returns and related policies.

**A** In the year ended March 2009, we increased dividends by two yen per year. Our long-term goal for dividend payouts is more than 20% of consolidated net income.

We strive to make stable dividend payments and actively increase dividends in accordance with profit growth, while taking into account our overall situation, including business



"Sunshine Meeting"

Our board members address employees in their own words through both of our Sunshine endeavors.



"Sunshine Blog"

# One-Stop × Global Network

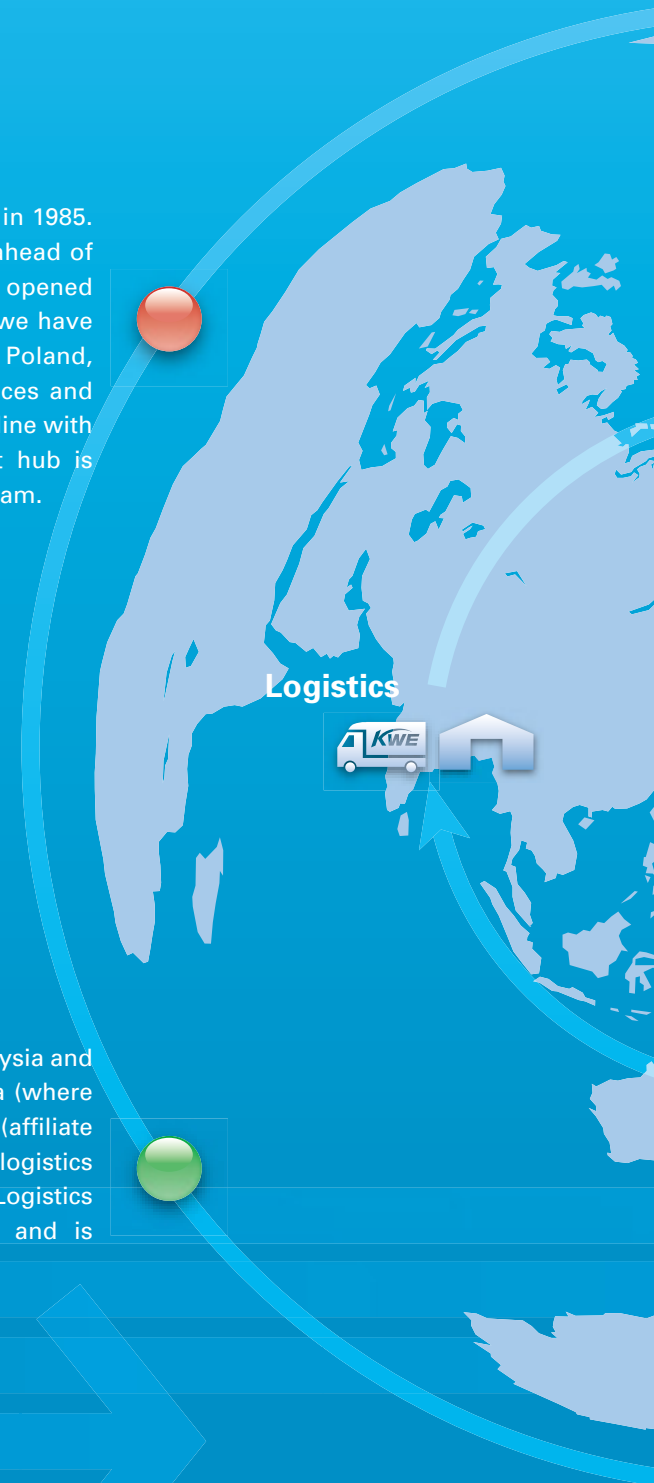
Today, as economies become more global and business environments change faster than ever, we see that KWE's business structure is definitely superior due to our ability to offer one-stop service that meets various logistics needs all over the world.

## Europe & Africa

We established affiliates in U.K. and Germany in 1985. In 1995, we established an affiliate in Russia ahead of competitors in the industry, and in 2005 we opened offices in Nakhodka and St. Petersburg. Now we have established a Czech affiliate and an office in Poland, and we are actively working to develop services and infrastructure in Central and Eastern Europe in line with our Russian business. Our regional airfreight hub is Frankfurt while our ocean freight hub is Rotterdam.

## Southeast Asia & Middle East

This region centers around Singapore and Malaysia and extends to the Middle East. It also covers India (where we established an affiliate in 1997) and Vietnam (affiliate established in 2005), emerging markets where logistics demand is expected to grow in the future. Logistics demand is strong within the Asian region, and is expected to expand greatly in the future.



## Japan

The region's main businesses are international airfreight and ocean freight forwarding, and logistics. Some of the 40 distribution centers in Japan, including our Narita Terminal and No. 4 Baraki Terminal, have received ISO certification for quality control and environmental management as well as Class A certification by TAPA (Transported Asset Protection Association). Using an advanced global information system to provide one-stop service that combines air and ocean transport with logistics services, this region leads the worldwide KWE Group.

Airfreight forwarding

Ocean freight forwarding

## The Americas

We entered the market in Chicago in 1969 and established a U.S. affiliate. From early on, we actively marketed our services to U.S. companies, thereby building a foundation for working well with non-Japanese companies. Today we handle a wide variety of cargo, including semiconductors, digital household appliances, medical equipment, and automotive products, and we operate an overland transport service with Los Angeles and Chicago as our hubs. We are focusing on expanding logistics services in the region, including in Canada.

## East Asia & Oceania

In April 1969, the KWE Group established its first overseas company in Hong Kong. In 1985, we opened a Beijing Representative Office, and today we have 11 companies in China, operating 110 locations in 46 cities, making our directly operated service network one of the biggest in the industry. Our meticulous and high-quality domestic delivery and logistics services within China are assets that we intend to use as we continue developing our Chinese business with a focus on growth in one-stop service involving air and/or ocean transport.

# One-Stop Service

## Airfreight Forwarding

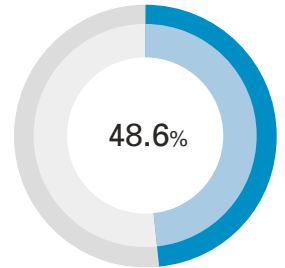


At KWE, our core business is consolidated services by which cargo collected from multiple shippers are sorted and assembled per airport of overseas destination, and are consigned as KWE cargo to airlines for international airfreight forwarding. Our export services include document preparations for air 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.

Sales Breakdown by Service ('09/3)



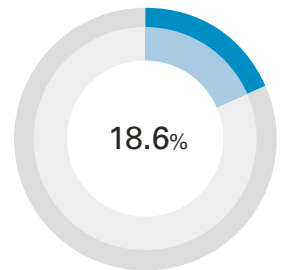
## Logistics



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.

Sales Breakdown by Service ('09/3)

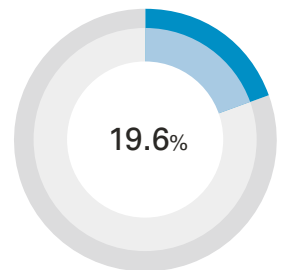


## Ocean Freight Forwarding



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.

Sales Breakdown by Service ('09/3)

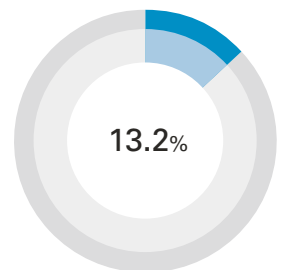


## Other Operations

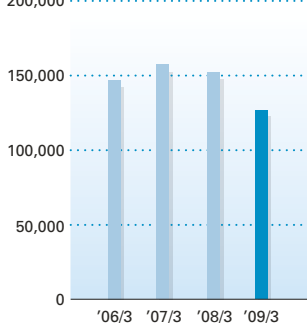


One of KWE's greatest strengths is our ability to provide door-to-door transportation services all over the world. For example, our domestic freight forwarding service, which we provide primarily to users of our international freight forwarding services, uses our nationwide service network to collect 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.

Sales Breakdown by Service ('09/3)



**Net Sales**  
(Millions of yen)



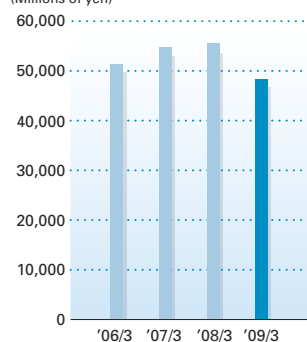
**<Main export airfreight items>**

- 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

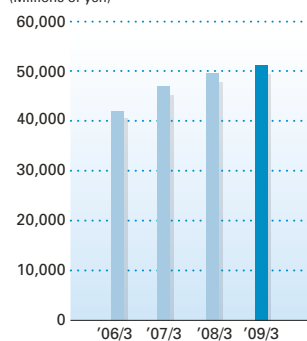
**Net Sales**  
(Millions of yen)



**<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 (Vendor Managed Inventory)
- Transport/forwarding management
- Project management

**Net Sales**  
(Millions of yen)



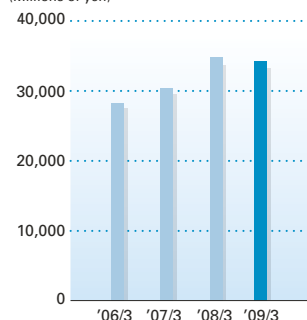
**<Main export ocean freight items>**

- Household electric appliances
- Raw materials
- Parts and semi-finished goods (such as mobile phone components)
- Automotive-related products
- Plant equipment transportation
- Aircraft-related products
- 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 services>**

- 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
- IT and other types of support for 3PL

**<Five domestic affiliates provide specialized services>**

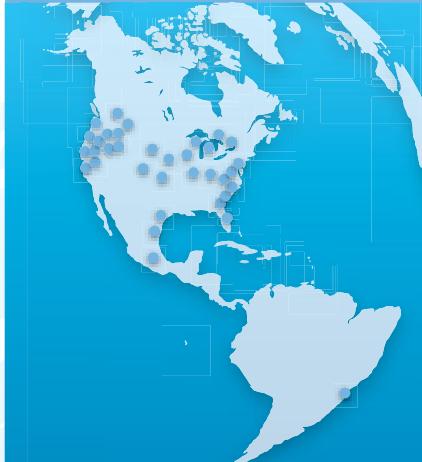
- Kintetsu Logistics Systems, Inc.
- Kintetsu World Express Delivery Co., Ltd.
- Kintetsu Cosmos, Inc.
- Kintetsu World Express Sales, Inc.
- Kintetsu World Express Shikoku, Inc.

# Global Network

## Japan



## The Americas



## Europe & Africa



Sales Breakdown  
by Region ('09/3)  
**42.8%**

Sales Breakdown  
by Region ('09/3)  
**14.0%**

Sales Breakdown  
by Region ('09/3)  
**9.1%**

Kintetsu World Express, Inc.  
Kintetsu Logistics Systems, Inc.  
Kintetsu World Express Delivery Co., Ltd.  
Kintetsu Cosmos, Inc.  
Kintetsu World Express Sales, Inc.  
Kintetsu World Express Shikoku, Inc.

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.

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  
Kintetsu World Express (Czech) S.R.O  
plus 1 other company

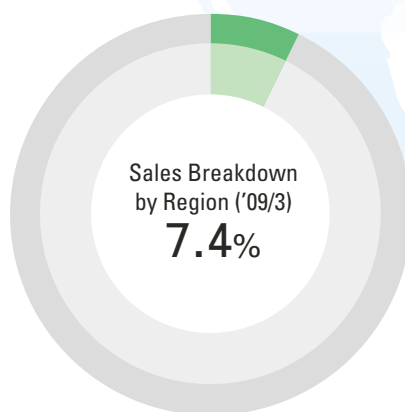
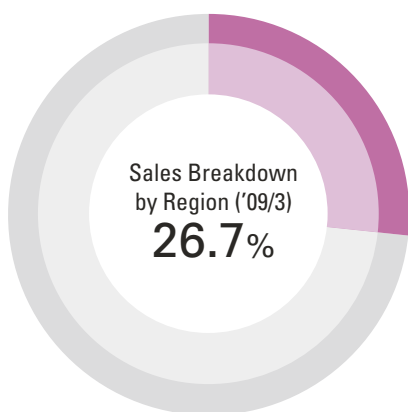
### East Asia & Oceania



### Southeast Asia & Middle East



# Report by Five Regions



- 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

- 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.
- KWE Development (Thailand) Co., Ltd.



# JAPAN

## 2010 and Beyond Unified, Group-wide Sales Promotion to Establish KWE as a Global Logistics Partner

KWE Japan will continue to lead the KWE Group as its core company. In the fiscal year through March 2010, KWE Japan will focus particularly on the following areas:

- Expanding the volume of airfreight that we handle to and from Japan
- Reform of our management constitution to ensure profit generation even in a stagnant airfreight market
- Using the combined power of our five regions worldwide to develop new global strategic customers (GSC) and raise the proportion of tonnage handled for GSCs relative to overall tonnage from the current 45% to 65%
- Company-wide efforts to expand ocean freight volume
- Establishment of an "Intermodal Transport Development

### 2009 Performance

**Transport demand declined due to deterioration in the business climate, but ocean freight exports grew nicely**

In the beginning of the fiscal year, KWE Japan enjoyed solid airfreight exports, mainly consisting of flat-panel television components bound for Central and Eastern Europe and electronic goods shipped within Asia. From October, however, airfreight exports were hard hit by the worldwide economic decline. Transport demand plunged for all destinations and all types of freight, and net sales ended 26.2% below\*1 the previous year's level.

Despite solid airfreight imports of medical products and cosmetics, etc., overall airfreight imports declined by 12.6%\*2 from the previous year in the absence of vigorous movement of semiconductor-related products, digital electronic appliances throughout the fiscal year. As was the case with airfreight exports, the decline was particularly

### Main Events and Measures Taken in the Fiscal Year Ended March 2009

2008

- May:** Granted special customs bonding status by the Tokyo Customs Office
- August:** Decided to go ahead with Narita Terminal Phase 3 Expansion (Scheduled completion, October 2009)
- October:** Consolidated several forwarding sales offices and logistics sales offices
- December:** Established a logistics center in Hokko, Osaka.

2009

- January:** Acquired Environmental ISO 14001 Certification at No. 3 Baraki Terminal in Ichikawa, Chiba
- February:** Transported relief supplies to Gaza Strip of Japanese government



Narita Terminal Phase 3 Expansion Project

Office" within our Ocean Department, development of "inter-modal products", intensified sales efforts

- Exploration of potential M&As in Japan and overseas to support growth strategies
- Expansion and upgrading of warehouse facilities in order to provide more advanced logistics services; Narita Terminal Phase 3 Expansion Project expected to be complete in October 2009

steep from October onward.

We did not see major growth in ocean freight volume due to the worsened economy, but exports grew nicely, by 18.3%\*3 over the previous year, largely thanks to expanded shipments of equipment and various types of machinery, automotive parts, etc. Ocean imports increased 1.1%\*2 over the previous year due to growth in imports of apparel products, household goods, and automotive parts.

Overall, net sales including those generated by domestic affiliates, amounted to 114,252 million yen — down 10.1% from the previous year — and operating income decreased 73.2% year on year to 1,191 million yen.

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



	'06/3	'07/3	'08/3	'09/3
Net Sales	124,329	126,065	127,073	114,252
Operating Income	3,668	3,961	4,444	1,191
Operating Margin	2.95%	3.14%	3.50%	1.04%

(Millions of yen)



# The Americas



General manager  
The Americas  
Takashi Bamba

## 2010 and Beyond Development of a variety of services; focus on expanding types of products handled

Amid a steep drop in freight volumes, earnings remained stagnant even in January and February of 2009, but from March we gradually began to see benefits from cost-slashing measures, which primarily took the form of labor force reductions. We expect that it will be some time before cargo volumes recover, and we intend to continue managing cost-slashing measures.

When freight volumes are low throughout the market as they are now, it is important to push all types of services, including airfreight forwarding, ocean forwarding, logistics, and domestic trucking. One way that we are doing this is by enhancing our warehouse services in order to bolster imports and market the gateway functions in Los Angeles and Long Beach. We will also continue to focus on expanding the Asia-to-North-America business that we have been emphasizing for several years through our Trans-Pacific Development (TPD) Project, and will reinforce marketing efforts directed at Japanese-affiliated companies in New York, Los Angeles, and Chicago by sending more representa-



tives from Japan. At our Canadian subsidiary, we are gradually seeing results from such steps as starting to offer logistics services for telecommunications-related products to make up for decreased demand for logistics from the slumping automotive industry. We plan to build a warehouse this autumn about 60 miles west of Toronto, in Guelph.

We are also working on expanding the range of items that we handle. In addition to the types of cargo that we are accustomed to handling, including health care items and perishables, aircraft components, retail merchandise and automotive-related products, we plan to begin transporting energy-related freight, including petroleum and natural gas.

### 2009 Performance

Good results in the first half from our TPD Project aimed at boosting Asia-to-North America business; volume down in the fourth quarter due to sluggish consumption. Airfreight exports increased by 5.8%\*<sup>1</sup> year on year, thanks to progress in expanding sales to existing customers and winning new customers, primarily for electronic products. Exports were also helped by the decline of the U.S. dollar on currency markets.

Airfreight import volume from Asia to North America continued to grow as a result of the Trans-Pacific Development Project that we continued to implement from the previous year, but because of the slowdown in U.S. domestic consumption that began in the autumn, overall airfreight imports declined by 2.2%\*<sup>2</sup> from the previous year.

Ocean freight exports increased by 4.6%\*<sup>3</sup> from the previous year, and ocean freight imports increased by 7.3%\*<sup>2</sup>. In addition, the U.S. dollar declined sharply relative to the yen, so overall net sales declined 3.5% from the

previous year to 37,504 million yen and operating income declined by 5.5% to 2,538 million yen. The conversion rate at the end of the term was 91.03 yen per U.S. dollar, compared to 114.15 yen per U.S. dollar in the previous term.

\*<sup>1</sup> based on weight \*<sup>2</sup> based on number of shipments \*<sup>3</sup> based on TEUs (Twenty-foot Equivalent Units)



### Main Events and Measures Taken in the Fiscal Year Ended March 2009

#### 2008

September: Our Canadian subsidiary established Halton Hills Warehouse

	'06/3	'07/3	'08/3	'09/3
Net Sales	37,360	42,033	38,848	37,504
Operating Income	1,262	2,877	2,685	2,538
Operating Margin	3.38%	6.84%	6.91%	6.77%

(Millions of yen)



# Europe & Africa

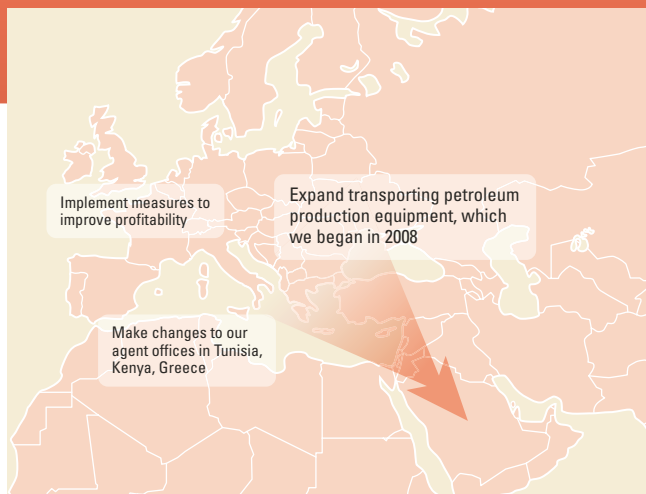


General Manager,  
Europe & Africa  
Shinya Aikawa

## 2010 and Beyond Implementation of cost-slashing measures and promotion of petroleum-related projects

The market has been extremely unstable. Stagnation beginning in December 2008 continued past January 2009, with improvement in volumes for certain sectors seen in March, only to be followed by another decline in April. In this harsh market environment, we implemented cost-slashing measures including personnel reductions and consolidation of business locations. Because our British and Benelux subsidiaries performed worse particularly, our cost-slashing measures included closing some business locations in the UK and reducing rental and logistics costs by transferring head office of Benelux subsidiary.

Along with cost-slashing measures like these, in the year through March 2010 we will focus on petroleum-related projects. In 2008 we began transporting petroleum production equipment from Europe to the Middle East, and in 2009 we won the contract to transport preci-



sion instruments to a nanotechnology laboratory in Saudi Arabia. In Amsterdam, we will gather equipment and machinery from the world's noted manufacturers, and from there we will transport it all together on a chartered airplane. The transport operations will peak toward September 2009, when the laboratory is scheduled to open. Also in the fiscal year through March 2010, we will make changes to our agent offices in Tunisia, Kenya, Greece and other locations in the region, in order to expand sales more flexibly in response to changing conditions.

## 2009 Performance

In the first half, brisk movement of flat-panel television components to Central and Eastern Europe and plant-related exports; in the second half, decreased freight volumes

Airfreight exports were hurt by the worldwide economic decline, but thanks to strong shipments of plant-related freight and solid movement of electronic items and aircraft-related products in the beginning of the term, they ended the term 7.2%\*<sup>1</sup> higher than the previous year.

Airfreight imports of flat-panel television components to Central and Eastern Europe were brisk in the first half of the term, but from the second half there was a decline in transport demand, primarily from large existing customers. Airfreight imports declined by 7.8%\*<sup>2</sup> from the previous year.

Ocean freight export volume fell by 17.4%\*<sup>3</sup> relative to the previous year, when we handled an unusually large amount

of spot business. Ocean freight imports also declined, by 0.5%\*<sup>2</sup>.

Overall net sales declined 11.5% from the previous year to 24,318 million yen, but operating income increased by 19.0% to 469 million yen.

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

## Main Events and Measures Taken in the Fiscal Year Ended March 2009

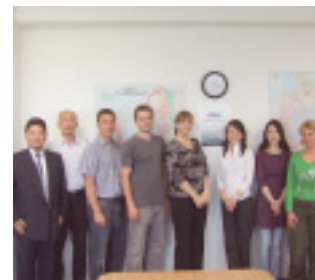
2008

**August:** Our British subsidiary opened Hawtin Park Branch

**October:** Established a subsidiary in Czech Republic

An aircraft engine manufacturer presented our British subsidiary's East Midlands Branch with an award for excellence

**November:** Our British subsidiary, London Head Office Warehouse received TAPA Class A Certification



	'06/3	'07/3	'08/3	'09/3
Net Sales	22,702	27,467	27,493	24,318
Operating Income	202	388	394	469
Operating Margin	0.89%	1.41%	1.43%	1.93%

(Millions of yen)



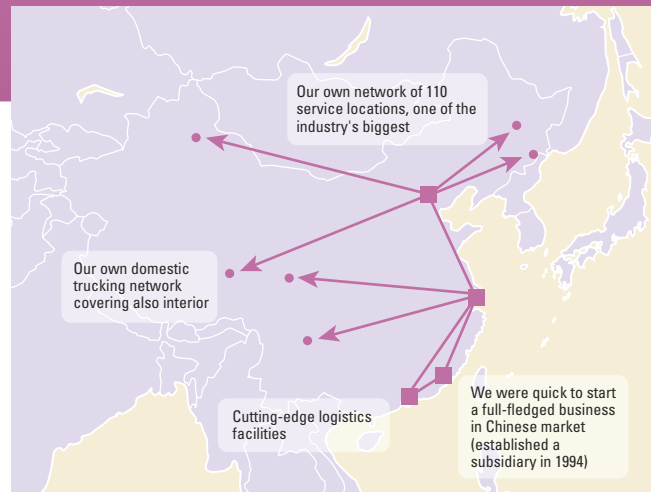
# East Asia & Oceania



## 2010 and Beyond Working hard to give KWE an overwhelming edge in China

Freight volumes sagged in January and February of 2009, then finally stopped declining in March and April. However, the respite was partly due to economic stimulus measures on the part of the Chinese government, so it would be difficult to expect that the market will now recover nicely and freight volumes will return to previous levels. In any case, the benefits of cost-slashing measures are gradually becoming apparent.

In addition to establishing a solid foothold for surviving the current downturn, it is important that we start now to consider where we want to be in two or three years when the economy is likely to recover, and lay a foundation for getting there. We have several advantages in China: our own network of 110 service locations, expertise in transport and especially in electronic compo-



nent logistics, our own domestic trucking network covering major interior cities, cutting-edge logistics facilities and operations, and the ability to offer one-stop logistics services that organically combine all of the above with KWE's airfreight and ocean freight forwarding services. By further honing these advantages, we believe that we can stay on top of our customers' needs as they become more sophisticated and diverse. We intend to work hard so that KWE will keep its overwhelming edge in China well into the future.

### 2009 Performance

Solid business until the third quarter; from the fourth quarter, a slowdown in freight movements, particularly those related to electronics

Airfreight exports were solid in the first half. But in the second half, the worldwide economic decline caused a slowdown in freight movements, particularly of electronics-related products. As a result, airfreight exports for the entire fiscal year decreased by 1.2%\*<sup>1</sup> compared to the previous year.

Airfreight imports were clearly affected by production and inventory adjustments. Transport demand decreased for the

main import items that we handle, electronic components and semiconductor-related products, resulting in a decline of 4.9%\*<sup>2</sup> from the previous year.

Ocean freight export volume increased 11.9%\*<sup>3</sup> over the previous year, and ocean freight imports also increased, by 4.8%\*<sup>2</sup>.

Overall net sales declined by 12.7% from the previous year to 71,191 million yen while operating income increased by 23.6% to 3,674 million yen.

\*<sup>1</sup> based on weight \*<sup>2</sup> based on number of shipments \*<sup>3</sup> based on TEUs (Twenty-foot Equivalent Units)



### Main Events and Measures Taken in the Fiscal Year Ended March 2009

2009  
March: Our Hong Kong subsidiary acquired Labor Safety Health Management System OHSAS18001 (2007) Certification

	'06/3	'07/3	'08/3	'09/3
Net Sales	69,754	77,395	81,561	71,191
Operating Income	2,876	4,121	4,809	3,674
Operating Margin	4.12%	5.32%	5.90%	5.16%

(Millions of yen)



# Southeast Asia & Middle East



General Manager  
Southeast Asia & Middle East  
Yoshinori Watarai

## 2010 and Beyond Focus on improving results in Thailand, enhancing trucking network, and expanding logistics business

Freight volumes for January through March 2009 were far below the same months in the previous year, but from April the market seemed to bottom out.

We will direct our efforts to three major projects in the year through March 2010.

First is improving profitability at TKK Logistics in Thailand, which we consolidated as a subsidiary in January 2009. We are convinced that we can expect major synergistic benefits to the KWE Group in the medium to long term by incorporating TKK's knowhow regarding logistics services for automotive clients. Today, however, in the aftermath of the economic decline that hit simultaneously around the world, we need to take effective steps to address stagnant performance by TKK, which has many automotive-related customers. We will work to eliminate waste, slash costs, and improve performance through measures such as coordinating business functions with KWE's existing Thai subsidiary.



Second is enhancing trucking service within the Southeast Asia region. In August 2008, we began offering truck transport between Singapore and Kuala Lumpur, and in the year through March 2010 we plan to extend that service to create a Singapore-Kuala Lumpur-Bangkok route.

Our third project is to expand our logistics business. We currently have 22 warehouses in this region with total floor space of 77,000 m<sup>2</sup>, where we primarily handle electronic components. In the future, however, we plan to expand handling of medical equipment etc. in Singapore, and in the project, we want to make maximum use of TKK Logistics' expertise in automotive-related logistics.

### 2009 Performance

The drop in freight movements by large existing customers outweighed gains from the development of new medium-sized customers

Although we made progress in developing new medium-sized customers for airfreight, there were big drops in both import and export volumes for large existing customers. As a result, airfreight exports fell 15.8%\*<sup>1</sup> from the previous year and airfreight imports declined by 5.1%\*<sup>2</sup>.

On the other hand, ocean freight exports increased by 14.5%\*<sup>3</sup> year on year, and ocean freight imports increased by 6.3%\*<sup>2</sup>.

Overall net sales decreased by 21.9% from the previous year to 19,786 million yen and operating income decreased by 25.2% to 1,178 million yen.

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



### Main Events and Measures Taken in the Fiscal Year Ended March 2009

- 2008**  
**February:** Our Indian subsidiary opened a sales office in Cochin  
**June:** Launched chartered shipping service between Singapore and Bintan Island
- 2009**  
**January:** TKK Logistics in Thailand became our subsidiary

	(Millions of yen)			
	'06/3	'07/3	'08/3	'09/3
Net Sales	22,966	26,106	25,325	19,786
Operating Income	959	1,201	1,576	1,178
Operating Margin	4.18%	4.60%	6.22%	5.95%

# Efforts to Protect the Environment

## Environmental Protection Policies

Preventing global warming, destruction of the ozone layer, acid rain, shrinkage of rain forests, and pollution of various aspects of the global environment, including the seas and air, has become an international concern. KWE has clearly expressed its stance toward environmental action through our Environmental Protection Policies, and is taking concrete steps to prevent environmental pollution by constructing and using environmental management systems (EMS).

### Basic Philosophy

KWE will strive to contribute to society through our global logistics services and protect the global environment.

### Basic Policies

- (1) We will establish an organization that allows us to properly manage the environmental impact of our logistic services, which consist primarily of international forwarding services, and we will promote ongoing environmental management activities.
- (2) We will assess our businesses' impact on the environment, establish environmental goals and targets, take steps to prevent pollution, and continuously improve our environmental efforts by using environmental management systems.
- (3) In addition to abiding by relevant environmental laws, regulations and other requirements, we will protect the environment above and beyond those requirements.
- (4) We will emphasize the following areas of environmental management in our business activities:
  - **Curbing CO<sub>2</sub> emissions**  
promoting energy conservation  
curbing exhaust emissions from vehicles
  - **Reducing waste and promoting recycling**
- (5) We will prevent environmental pollution by cooperating and collaborating with our business partners and affiliates.
- (6) We will educate all of our employees regarding our environmental policies, goals and targets, and we will announce our environmental policies to the public.

## Aiming for a "Low Carbon Society"

Leaders at the G8 Summit held in Toyako, Hokkaido, in July 2008, agreed to share the goal of reducing global greenhouse gas emissions by 50% by 2050. KWE is working in a variety of ways to realize the type of "low carbon society" that is consistent with this goal.

### Acquisition of ISO Certification for Our Environmental Management Systems

As of July 2009, KWE had received ISO14001 certification from the International Standards Organization for environmental management systems at six of the KWE Group's locations in Japan, and for 10 locations overseas.

### Reducing CO<sub>2</sub> Emissions

Because KWE does not own its own transport vehicles, most of our CO<sub>2</sub> emissions result from our use of electric power. Therefore, we restrict our electricity consumption by using energy-efficient machinery, and by controlling temperature settings on heating and cooling systems and turning off equipment at set times, etc. We work at reducing gasoline consumption in company vehicles by using hybrid cars, discouraging idling, and by using energy-efficient driving techniques. Also our subsidiaries are working in same ways.




## Reducing Waste and Reusing Resources

We do our very best to observe the "3Rs" of waste reduction: reduce, reuse, or recycle. 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. We also recycle all cardboard and plastic wrapping material, cut back our usage of office paper, and thoroughly separate all of our trash to maximize recycling.

### Team Minus 6%

"Team Minus 6%" is a national project aimed at fulfilling the promise that Japan made to the world as part of the Kyoto Protocol: reducing greenhouse gas emissions by 6% based on 1990 levels. The KWE Group participates in Team Minus 6% by working on a companywide basis to stop engine idling, reduce electric power consumption, and by taking other steps to protect the environment.



みんなで止めよう温暖化  
チーム・マイナス6%

a global scale effort  
participated by  
every citizen

地球規模の取組にみんなで  
参加しよう

collaboration  
among various  
actors

多くの著名人も参加しています

# 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 four 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 15 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.

## Auditors

KWE's internal auditing is supervised by our seven-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. Each of the auditors conducts audits according to the auditing plan determined by the Board of Auditors. The system allows for adequate supervision of directors' job execution, with important documents being turned over to auditors and the standing auditors attending important meetings such as Executive Committee and KWE Group Top Strategy Meeting. As a rule, the Board meets once a month. In addition to determining basic policies regarding auditing, etc., board members report to each other the findings of their daily auditing activities and exchange views.

We established Auditor's Office to handle clerical work related to the Board of Auditors and auditors' work, and it

operates in close coordination with the Audit Department, which conducts internal audits. We have also established mechanisms that enable auditors to demand whatever reports they require from directors, executive officers, or employees, and to investigate the status of KWE's business and assets at any time.

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.

## 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 40.98% 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 general managers of the regional headquarters.

## 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 2009, we paid a total of 331 million yen to 18 directors, including 19 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, KWE established a Compliance Committee and we formulated the KWE Group

Conduct Compliance Standards. We have worked hard to promote compliance with laws and corporate ethics, partly by making sure that all KWE executives and employees are familiar with these standards.

Nevertheless, on March 18, 2009, KWE received cease and desist and penalty payment orders from the Japan Fair Trade Commission based on alleged violations of antimonopoly statutes in previous years in connection with fares and fees related to international airfreight forwarding. We decided to comply with those orders. In order to ensure that we never find ourselves in this type of situation again, the entire company is working to make certain that everyone is adequately aware of compliance-related issues and working to restore trust in the company. Specifically, from July 2009, we will:

- create an “Operational Compliance Q&A” and distribute it to all employees
- create an “Antimonopoly Compliance Manual” and distribute it to all employees
- hold compliance training sessions for employees and directors on a regular basis
- conduct compliance audits on a regular basis

### 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 companywide 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

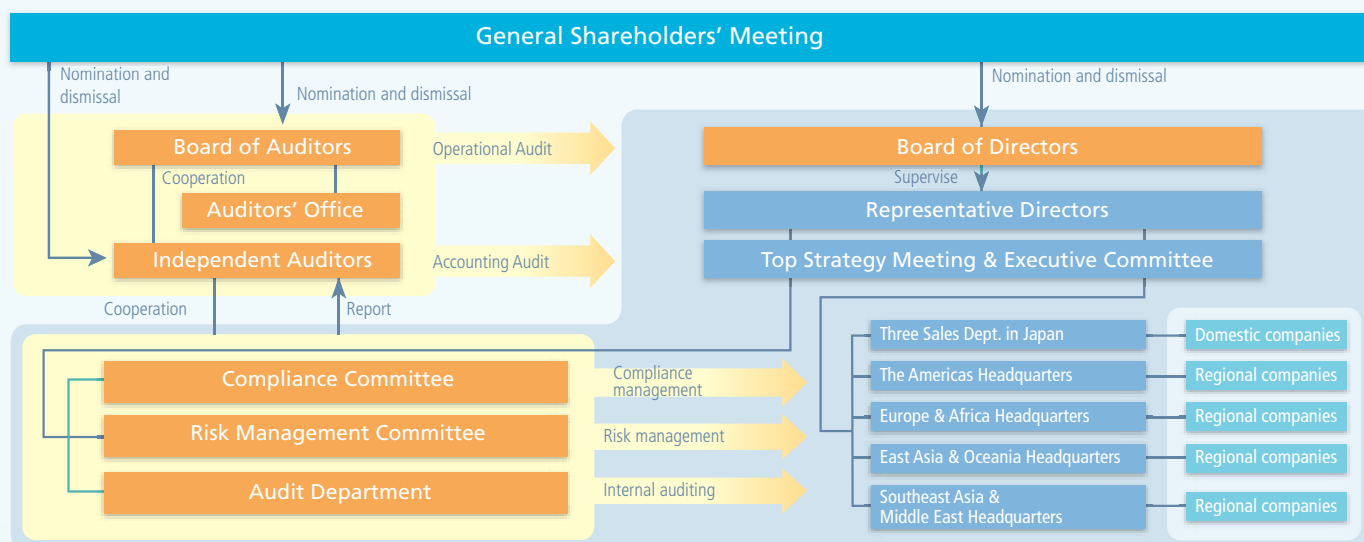
rules for responding to accidents, so that we will be prepared in the face of any new dangers that might suddenly emerge and substantially affect the Company’s business operations.

### Investor Relations

In order to make our management more transparent, we disclose information about the status of our business through our website and other means, and work at maintaining good relations with shareholders and investors.

	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 200 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: <a href="http://www.kwe.co.jp/ir/">http://www.kwe.co.jp/ir/</a> 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 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 publishing notices of general shareholder meetings on our website, distributing videos of general shareholder meetings and financial results briefings, and publishing segment information, etc.



# Management



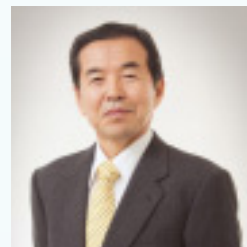
**Akio Tsujii**  
Chairman



**Satoshi Ishizaki**  
President and  
Chief Executive Officer



**Kiyoshi Kataoka**  
Executive Vice President



**Masakazu Hattori**  
Senior Managing Director



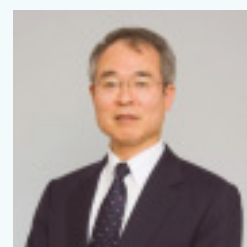
**Hirohiko Ueno**  
Senior Managing Director



**Kenji Ueda**  
Senior Managing Director



**Joji Tomiyama**  
Senior Managing Director



**Haruto Nakata**  
Managing Director



**Hiroyuki Hoshiai**  
Managing Director



**Shinya Aikawa**  
Director



**Yoshinori Watarai**  
Director



**Kazuya Mori**  
Director



**Toshimichi Inamura**  
Director



**Takashi Bamba**  
Director

**Masanori Yamaguchi**  
Outside Director

# Management's Discussion and Analysis

## OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 53 consolidated subsidiaries, and four affiliated companies that are accounted for by the equity method. Our principal businesses are international freight contracting (airfreight forwarding, import freight consolidation, and international ocean freight forwarding) using transport provided by airlines and shipping companies, and representation on behalf of air carriers. We also offer customs clearance, warehousing, trucking, temporary staffing, insurance agency, property management and packing services.

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 48.6% of net sales in the fiscal year ended March 2009), logistics (18.6%), ocean freight forwarding (19.6%), and other operations (13.2%).

The KWE Group uses a Five Regional Management System. In the year ended March 2009, each region's contribution to overall net sales\* was as follows: Japan 42.8%, the Americas 14.0%, Europe & Africa 9.1%, East Asia & Oceania 26.7%, and Southeast Asia & Middle East 7.4%. In all, 57.2% of KWE's total net sales\* came from overseas operations.

\*Based on simple totals, before eliminations

## OPERATIONS

In the fiscal year ended March 2009, repercussions from the financial crisis that started in the U.S. primarily affected developed countries at first, but gradually caused slowdowns in the economies of emerging nations including those with rich natural resources, which until then had been growing steadily. As a result, there was rapid deterioration in the world economy in the second half of the term. There was also a clear decline in Japan's economy, with exports and production dropping markedly while capital investment and personal consumption also declined at an accelerated rate.

The business environment surrounding airfreight forwarding, the KWE Group's principal business, remained extremely harsh due to the effects of higher shipping costs resulting from prolonged escalation in fuel surcharges from carriers and a sharp drop in shipping demand in the second half of the term.

Given these conditions, our airfreight forwarding business suffered a steep drop in freight volumes leaving and entering Japan from October 2008, due to worldwide adjustments in production and inventories. Even overseas, where business had been sound from the beginning of the term, freight volumes declined due to the worldwide economic downturn; both export and import volume decreased. In ocean freight forwarding, although the rate of growth slowed from the second half of the term, both export and import volume increased through the year. Within this business environment,

the KWE Group's consolidated net sales and operating income both declined relative to the previous year, with net sales decreasing 10.9% to 260.331 billion yen and operating income falling 35.0% to 9.026 billion yen.

## Net Sales

As mentioned above, the KWE Group's consolidated net sales decreased 10.9% year on year to 260.331 billion yen in the fiscal term ended March 2009.

Transport demand declined as a result of economic recession, except for a year-on-year increase of 2.3% in ocean freight. As a result, net sales declined by 16.9% in freight forwarding, 12.2% in logistics, and 1.8% in other operations.

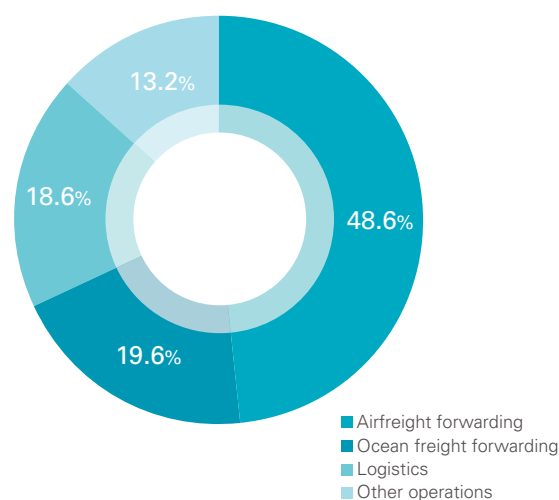
In addition, our worldwide business was greatly affected by the yen's appreciation on foreign exchange markets, and in all five regions, net sales fell relative to the previous term. In Japan, net sales declined 10.1%, in the Americas 3.5%, in Europe & Africa 11.5%, in East Asia & Oceania 12.7%, and in Southeast Asia & the Middle East, 21.9%\*. Overall, we were seriously affected by the plunge in airfreight forwarding volumes in the second half of the fiscal year.

\*Based on simple totals, before eliminations

## Cost of Sales

In the fiscal term through March 2009, our cost of sales decreased 10.0% from the previous year to 220.207 billion yen, but the percentage to net sales rose by 0.9 percentage point to 84.6%. After repeated, large increases in fuel surcharges in the first half of the term, we benefited from reductions in the surcharges and other costs in the second half. However, since the cost reductions did not keep pace with the decline in our

## Net Sales by Category



net sales, the ratio of cost to net sales for the full term ended up increasing.

### Selling, General and Administrative Expenses

In the fiscal year through March 2009, KWE's selling, general and administrative expenses declined by 7.7% from the previous year to 31.098 billion yen, but the percentage to net sales increased by 0.4 percentage point to 11.9%. Salaries, benefits, and provision for accrued bonuses all decreased, but retirement benefits and provision for doubtful accounts increased. Because the decline in net sales was larger than the reduction in costs, the ratio of these expenses to net sales increased.

### Operating Income

In the fiscal year through March 2009, operating income fell 35.0% from the previous year to 9.026 billion yen, while our operating income margin declined 1.3 percentage points from the previous year's 4.8% to 3.5%. These figures were the result of increased fuel surcharges and other cost increases in the first half of the term, followed by the sharp drop in airfreight in the second half.

### Other Income (Expenses)

In the fiscal year through March 2009, we posted net other expenses of 1.035 billion yen, compared to 1.271 billion yen in net other income the previous year. The main reasons for the change were the posting of foreign currency exchange losses this term instead of the foreign currency exchange gains that we posted the previous term, the posting of equity-method investment losses, and 1.495 billion yen in losses posted in

connection with Japan's Antimonopoly Act. Specifically, KWE was suspected of violating Japan's Antimonopoly Act in connection with international airfreight forwarding rates and charges, and in March 2009 received cease and desist and penalty payment orders from the Japan Fair Trade Commission.

### Income before Income Taxes and Minority Interests

In the fiscal year through March 2009, KWE's income before income taxes and minority interests was 7.991 billion yen, down 47.3% from the previous year.

### Income Taxes

Income taxes came to 3.995 billion yen in the fiscal year through March 2009, a decrease of 26.5% from the previous year. After adjustments, KWE's effective tax rate increased from 35.9% in the previous year to 50.0% this term.

### Net Income

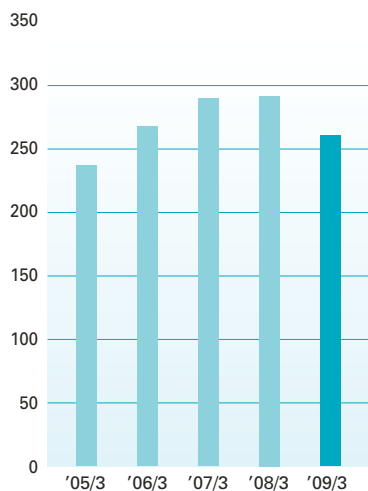
In the fiscal year through March 2009, KWE's net income fell 62.0% from the previous year to 3.478 billion yen. As a result, net income per share declined from the previous year's 254.47 yen to 96.62 yen, and return on equity decreased from the previous year's 14.9% to 5.5%.

## OUTLOOK FOR THE YEAR THROUGH MARCH 2010

Worldwide recession caused drastic changes to our business environment and also had a severe impact on our corporate performance. Because we expect these harsh conditions to continue for some time, we decided to revise the final goals of the KWE Grand Design for the 21st Century and our Phase III

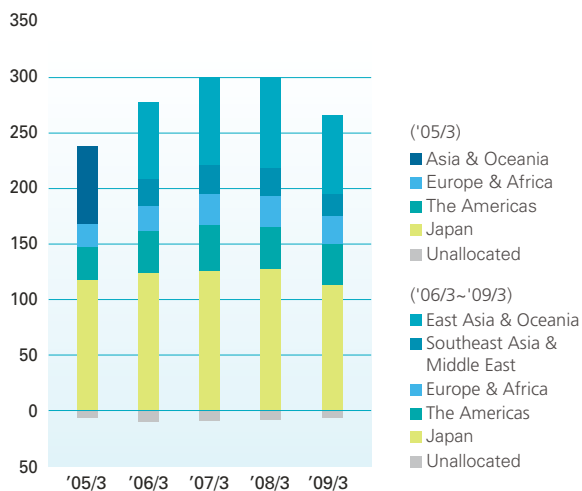
### Net Sales

(Billions of yen)



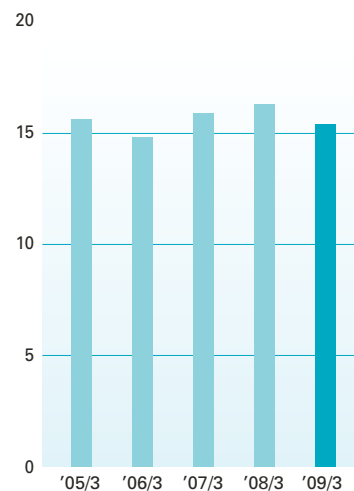
### Net Sales by Region

(Billions of yen)



### Gross Profit Margin

(%)



Medium-Term Management Plan, which were 500 billion yen in consolidated net sales and 22 billion yen in consolidated operating income. In order to reinforce our management base to withstand today's severe environmental changes, we formulated the "Short-Term Management Plan for the year through March 2010."

We already began implementing organizational, personnel, and other systemic innovations under the "KWE Innovation Project (KIP1)" in October 2008. And since April 2009, we have been implementing rationalization measures in every area of the company without exception under the "KWE Innovation Project Phase II (KIP2)," in order to reform our management constitution so that we will be certain to generate profits even if freight volumes remain sharply lower, as is expected. With market conditions expected to be extremely difficult, we project that by implementing our innovation plans, we can achieve 206.000 billion yen in consolidated net sales in the year through March 2010 (20.9% below the fiscal year through March 2009), and 6.500 billion yen in operating income, down 28.0% year on year. We predict that the number of shipments we will handle will decrease by 9.1% (air and ocean), airfreight tonnage will decrease by 27.1%, and ocean freight volume will decrease by 10.8%.

### SEGMENT TREND BY REGION

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

### FINANCIAL POSITION

In the fiscal year ended March 2009, KWE's total assets declined by 15.7% to 109.153 billion yen.

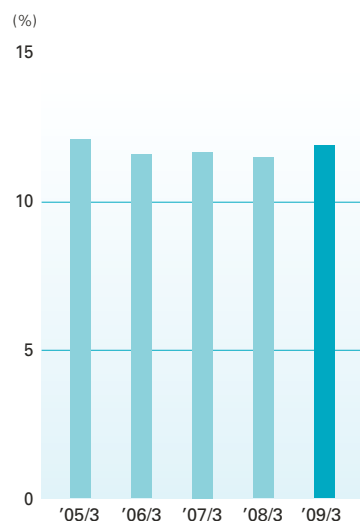
Looking at specific types of assets, current assets shrank by 23.2%, or 19.689 billion yen, to 65.108 billion yen, mainly because notes and accounts receivable declined in conjunction with the sudden drop in net sales due to economic recession.

Total property and equipment declined by 4.3% or 1.389 billion yen, to 31.207 billion yen. Intangible assets fell 23.7%, or 792 million yen, to 2.544 billion yen, but investments and other assets grew 17.1%, or 1.504 billion yen, to 10.293 billion yen. As a result, total fixed assets shrank by 1.5% or 676 million yen to 44.045 billion yen.

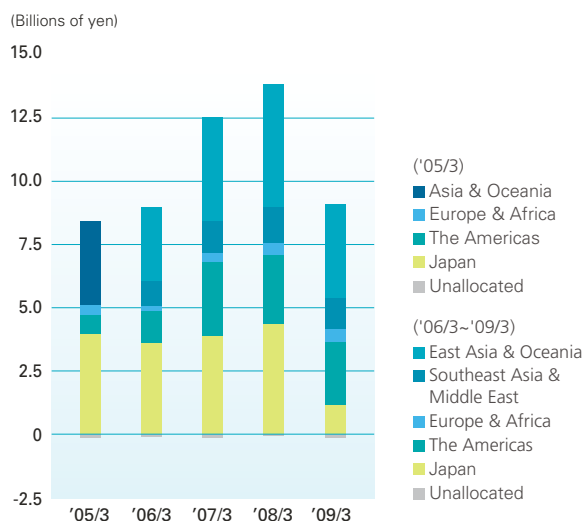
On the liability side, total liabilities decreased by 14.693 billion yen, or 23.7% from the previous term, to 47.279 billion yen. Current liabilities decreased 28.1% from the previous year to 40.632 billion yen, mainly thanks to a year-on-year decline of 39.8% in notes and accounts payable to 15.872 billion yen. However, long-term liabilities increased by 21.4% to 6.646 billion yen, largely because long-term debt grew by 20.8% from the previous year to 4.763 billion yen and because we began applying the new "Accounting Standard for Lease Transactions" as of this fiscal term, resulting in the posting of 485 million yen in lease obligations.

KWE's net assets for the year ended March 2009 totaled 61.874 billion yen, down 8.4% or 5.673 billion yen from the previous year's 67.546 billion yen. The net unrealized holding gains on available-for-sale securities declined by 1.179 billion yen to a loss of 415 million yen, while foreign currency translation adjustment decreased by 6.714 billion yen to -5.223 billion yen. As a result, valuation and translation adjustments totaled -5.638 billion yen, down by 7.894 billion yen from the previous year. At the end of the term, our equity ratio had increased from 50.6% at the end of the previous fiscal year to 55.1%.

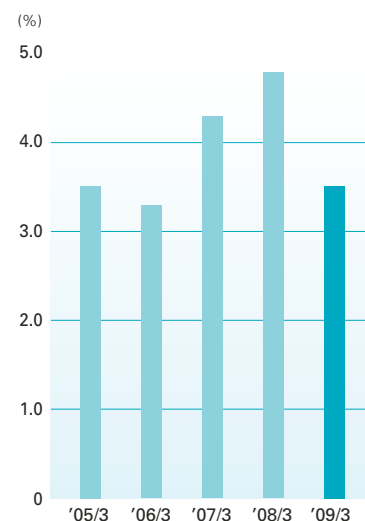
### SGA Expenses to Net Sales



### Operating Income by Region



### Operating Income Margin



## LIQUIDITY AND CAPITAL RESOURCES

In the fiscal year through March 2009, KWE generated 9.687 billion yen in cash flow from operating activities. This was 1.370 billion yen or 12.4% less than the previous year. The main reasons for the decline were the 7.174 billion-yen drop in income before income taxes and minority interests, and the change in notes and accounts receivable from an increase of 2.799 billion yen in the previous year to a decrease of 8.048 billion yen, although notes and accounts payable decreased by 3.862 billion compared with a decrease of 1.553 billion yen the previous term.

In the year through March 2009, there was a net outflow of 6.481 billion yen for investing activities, while in the previous year we generated 635 million yen. The main reasons for this change were a decline in income from matured time deposits from 2.969 billion yen in the previous term to 58 million yen, and an increase in payments for purchases of securities from 353 million yen in the previous year to 3.635 billion yen. Payments for purchases of property and equipment related to capital investments amounted to 2.795 billion yen, little changed from the previous year's 2.408 billion yen.

Cash outflows used for financing activities decreased by 773 million yen from 2.437 billion yen the previous year to 1.664 billion yen. Also, payments of cash dividends rose 13.1% from the previous year to 936 million yen.

As a result of all of the above, KWE's cash and cash equivalents as of March 31, 2009 declined by 2.596 billion yen from a year earlier to 25.905 billion yen.

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

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

### 1. Economic conditions

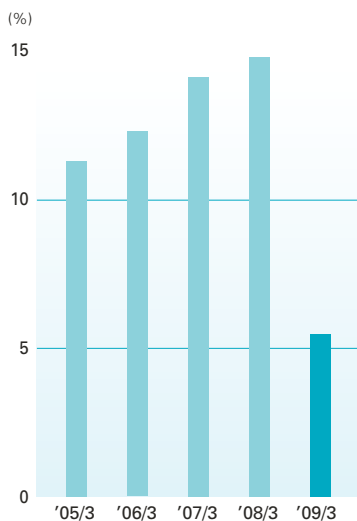
KWE operates on a global basis, with operations primarily located within our Five Regional Management System consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East. The main products we handle are shipping items such as high-tech products (electronic 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, outbreaks of SARS and avian influenza that occurred in 2004, or the worldwide financial crisis that began in the autumn of 2008, or if there is some other issue of concern at the global level, such as recent fears that swine flu could become a worldwide epidemic.

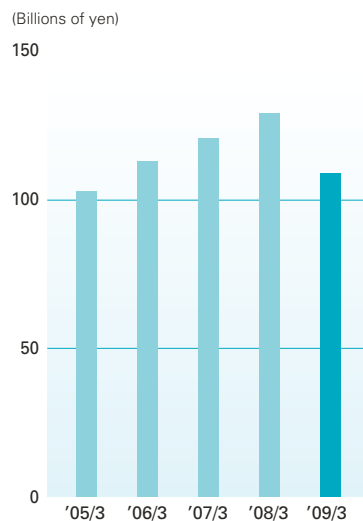
### 2. Exchange rate fluctuations

KWE has built a Five Regional Management System, consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania,

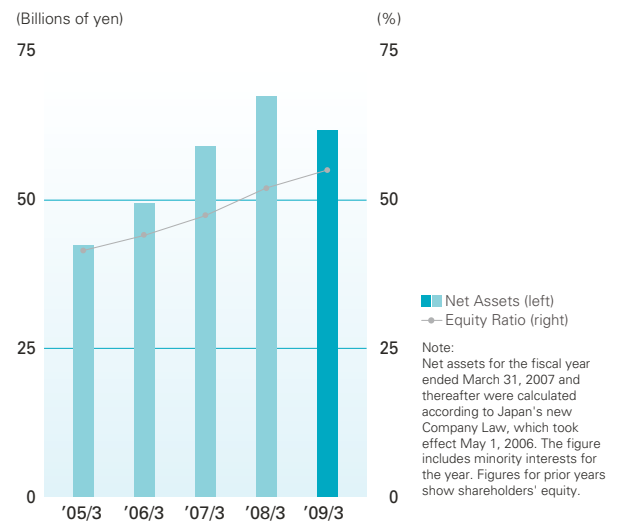
### ROE



### Total Assets



### Net Assets and Equity Ratio



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 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 19 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.

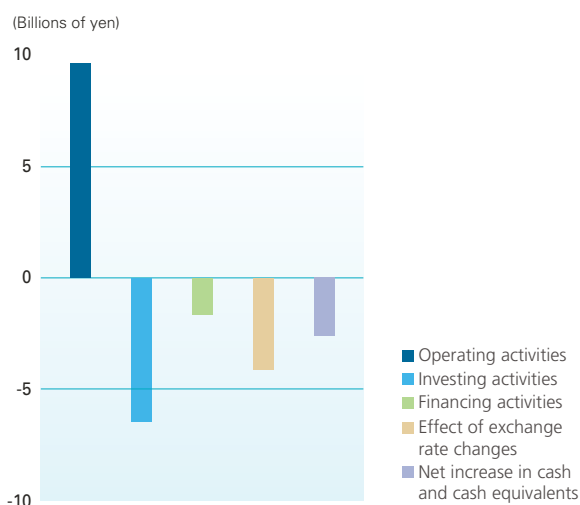
### 7. Customer data management / information leaks

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



# Consolidated Balance Sheets

March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Current assets :</b>			
Cash and time deposits (Note 4)	¥ 26,295	¥ 28,734	\$ 267,688
Notes and accounts receivable – Trade	35,236	52,792	358,709
Less: Allowance for doubtful accounts	(225)	(381)	(2,291)
Deferred tax assets (Note 9)	1,002	932	10,201
Other current assets	2,800	2,720	28,505
<b>Total current assets</b>	<b>65,108</b>	<b>84,797</b>	<b>662,812</b>
<b>Property and equipment (Note 7) :</b>			
Land	9,455	9,627	96,254
Buildings and structures	27,679	29,085	281,777
Machinery and equipment	2,608	2,927	26,550
Lease Assets	706	–	7,187
Others	10,016	11,121	101,965
	<b>50,464</b>	<b>52,760</b>	<b>513,733</b>
Less: Accumulated depreciation	(19,257)	(20,164)	(196,040)
<b>Total property and equipment</b>	<b>31,207</b>	<b>32,596</b>	<b>317,693</b>
<b>Intangible assets :</b>			
Goodwill	271	291	2,759
Other intangible assets	2,274	3,045	23,149
<b>Total intangible assets</b>	<b>2,545</b>	<b>3,336</b>	<b>25,908</b>
<b>Investments and other assets :</b>			
Investments in (Note 5) :			
Affiliates	1,696	1,297	17,266
Others	3,476	3,108	35,386
Long-term loans receivable	679	54	6,912
Deferred tax assets (Note 9)	786	313	8,002
Other investments	3,984	4,237	40,558
Less: Allowance for doubtful accounts	(328)	(220)	(3,339)
<b>Total investments</b>	<b>10,293</b>	<b>8,789</b>	<b>104,785</b>
	<b>¥ 109,153</b>	<b>¥ 129,518</b>	<b>\$ 1,111,198</b>

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Current liabilities :</b>			
Short-term debt (Note 6)	¥ 11,655	¥ 10,455	\$ 118,650
Current maturities of long-term debt (Note 6)	948	4,144	9,651
Notes and accounts payable – Trade	15,872	26,352	161,580
Lease obligations (Note 6)	129	–	1,313
Income taxes payable	1,712	3,143	17,428
Deferred tax liabilities (Note 9)	67	74	682
Employees' accrued bonuses	1,419	1,637	14,446
Directors' and corporate auditors' accrued bonuses	192	246	1,955
Other current liabilities	8,638	10,447	87,937
Total current liabilities	40,632	56,498	413,642
<b>Long-term debt (Note 6)</b>	4,763	3,941	48,488
<b>Lease obligations (Note 6)</b>	485	–	4,937
<b>Employees' accrued retirement benefits (Note 8)</b>	1,121	910	11,412
<b>Deferred tax liabilities (Note 9)</b>	39	322	397
<b>Other long-term liabilities</b>	239	301	2,433
<b>Contingent liabilities (Note 10)</b>			
<b>Net assets (Note 11) :</b>			
<b>Shareholders' equity :</b>			
Common stock			
Authorized	120,000,000 shares		
Issued	36,000,000 shares		
		7,216	73,460
Capital surplus		4,868	49,557
Retained earnings		53,681	546,483
Treasury stock, at cost		(1)	(10)
Total shareholders' equity		65,764	669,490
<b>Valuation and translation adjustments :</b>			
Net unrealized holding gains on available-for-sale securities	(415)	765	(4,225)
Foreign currency translation adjustment	(5,223)	1,491	(53,171)
Total valuation and translation adjustments	(5,638)	2,256	(57,396)
<b>Minority interests in consolidated subsidiaries</b>	1,748	2,056	17,795
<b>Total net assets</b>	61,874	67,546	629,889
	¥ 109,153	¥ 129,518	\$ 1,111,198

See accompanying notes.



# Consolidated Statements of Changes in Net Assets

Years ended March 31, 2009 and 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			
<b>Balance at March 31, 2007</b>	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	
<b>Balance at March 31, 2008</b>	36,000	¥ 7,216	¥ 4,868	¥ 51,151	¥ (1)	¥ 63,234	¥ 765	¥ 1,491	¥ 2,256	¥ 2,056	¥ 67,546	
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	(12)	-	(12)	-	-	-	-	(12)	
Net income	-	-	-	3,478	-	3,478	-	-	-	-	3,478	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	(6,714)	(6,714)	-	(6,714)	
Net decrease in unrealized holding gains on available-for-sale securities	-	-	-	-	-	-	(1,180)	-	(1,180)	-	(1,180)	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	(0)	
Cash dividends paid	-	-	-	(936)	-	(936)	-	-	-	-	(936)	
Other, net	-	-	-	-	-	-	-	-	-	(308)	(308)	
<b>Balance at March 31, 2009</b>	36,000	¥ 7,216	¥ 4,868	¥ 53,681	¥ (1)	¥ 65,764	¥ (415)	¥ (5,223)	¥ (5,638)	¥ 1,748	¥ 61,874	

	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			
<b>Balance at March 31, 2008</b>	36,000	\$ 73,460	\$ 49,557	\$ 520,727	\$ (10)	\$ 643,734	\$ 7,788	\$ 15,179	\$ 22,967	\$ 20,930	\$ 687,631	
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	(122)	-	(122)	-	-	-	-	(122)	
Net income	-	-	-	35,407	-	35,407	-	-	-	-	35,407	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	(68,350)	(68,350)	-	(68,350)	
Net decrease in unrealized holding gains on available-for-sale securities	-	-	-	-	-	-	(12,013)	-	(12,013)	-	(12,013)	
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	(0)	
Cash dividends paid	-	-	-	(9,529)	-	(9,529)	-	-	-	-	(9,529)	
Other, net	-	-	-	-	-	-	-	-	-	(3,135)	(3,135)	
<b>Balance at March 31, 2009</b>	36,000	\$ 73,460	\$ 49,557	\$ 546,483	\$ (10)	\$ 669,490	\$ (4,225)	\$ (53,171)	\$ (57,396)	\$ 17,795	\$ 629,889	

See accompanying notes.

# Consolidated Statements of Cash Flows

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Net income before income taxes and minority interests	¥ 7,991	¥ 15,165	\$ 81,350
<b>Adjustments to reconcile net income before income taxes to net cash provided by operating activities:</b>			
Depreciation and amortization	3,157	3,450	32,139
Increase (Decrease) in accrued bonuses	(36)	480	(366)
Increase (Decrease) in directors' and corporate auditors' accrued bonuses	(28)	(5)	(285)
Increase (Decrease) in accrued retirement benefits	313	(481)	3,186
Interest and dividends income	(437)	(519)	(4,449)
Interest expenses	369	413	3,756
Gain on sales of investment securities	(642)	–	(6,536)
Loss on violation of the antitrust laws	1,495	–	15,219
Compensation for damage	44	–	448
Changes in assets and liabilities :			
(Increase) Decrease in notes and accounts receivable	8,048	(2,799)	81,930
Increase (Decrease) in notes and accounts payable	(3,862)	(1,553)	(39,316)
(Increase) Decrease in other assets	(468)	29	(4,764)
Increase (Decrease) in other liabilities	(1,751)	1,960	(17,826)
Other, net	647	(532)	6,588
Sub-total	14,840	15,608	151,074
Interest and cash dividends received	419	497	4,265
Interest paid	(353)	(409)	(3,594)
Proceeds from insurance income	11	–	112
Compensation for damage paid	(55)	–	(560)
Income taxes paid	(5,175)	(4,639)	(52,682)
Net cash provided by (used in) operating activities	9,687	11,057	98,615
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>			
Payments for purchases of securities	(3,635)	(353)	(37,005)
Proceeds from sales of securities	1,063	242	10,822
Payments for purchases of property and equipment	(2,795)	(2,408)	(28,454)
Proceeds from sales of property and equipment	45	246	458
Proceeds from loans receivable	63	22	641
Other, net	(1,222)	2,886	(12,440)
Net cash provided by (used in) investing activities	(6,481)	635	(65,978)
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>			
Net increase (decrease) in short-term debt	1,481	(240)	15,077
Payments of capital lease obligations	(141)	(97)	(1,435)
Proceeds from long-term debt	2,609	1,948	26,560
Payments for long-term debt	(4,447)	(3,005)	(45,271)
Payments of cash dividends	(936)	(828)	(9,529)
Payments of cash dividends to minority shareholders	(230)	(215)	(2,342)
Other, net	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(1,664)	(2,437)	(16,940)
Effect of exchange rate changes on cash and cash equivalents	(4,137)	(223)	(42,114)
Net increase (decrease) in cash and cash equivalents	(2,595)	9,032	(26,417)
Cash and cash equivalents at beginning of year	28,500	19,468	290,135
Cash and cash equivalents at end of year (Note 4)	¥ 25,905	¥ 28,500	\$ 263,718

See accompanying notes.

# Notes to Consolidated Financial Statements

Years ended March 31, 2009 and 2008

## 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 from 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. As discussed in Note 3 a), effective for the year ended March 31, 2009, the Company adopted the new accounting standards, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." Based on these accounting standards, the difference of accounting policies are adjusted in the consolidation process. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company 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. Certain supplementary information included in the statutory Japanese language consolidated financial statements 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, 2009, which was ¥98.23 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 53 subsidiaries for the year ended March 31, 2009. At March 31, 2008 the Company had 56 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, 2009, 4 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, 2008, 3 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) 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

(a) Property and Equipment excluding Lease Assets  
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 held by the Company and domestic consolidated subsidiaries 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.

#### (b) Lease Assets

As discussed in Note 3 b), the Company and consolidated domestic subsidiaries adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008. Under the new accounting standards, assets used under finance lease arrangements are capitalized. Depreciation for Lease Assets is computed on the straight-line method based on the lease period. Residual value is regarded as zero. The finance

leases without transfer of ownerships started before April 1, 2008 are continuously accounted for by a method similar to that used for operating leases.

#### (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 recognized as loss and gain.

#### (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.

#### (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 ¥84 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

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) 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.

### (17) 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, 2009 and 2008 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: Accounting Change

a) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements Effective for the year ended March 31, 2009, the Company adopted the new accounting standards, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." ("Practical Issues Task Force No.18" ("PITF No.18") issued by the Accounting Standards Board of Japan on May 17, 2006). PITF No.18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No.18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles.

The adoption of this new accounting standard had minor impact on operating income and income before income taxes and minority interests.

b) Accounting Standard for Lease Transactions  
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, had been accounted for by a method similar to that used for operating leases.

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Lease Transactions" (Statement No.13 issued by the Accounting Standards Board of Japan on March 30, 2007, which revised the existing accounting standard for lease transactions issued on June 17, 1993) and the implementation guidance for the accounting standard for lease transactions (the Financial Accounting Standard Implementation Guidance No.16 issued by the Accounting Standards Board of Japan on March 30, 2007, which revised the existing implementation guidance for the accounting standard for lease transactions issued on January 18, 1994).

Due to the adoption of this new accounting standard, assets used under finance lease arrangements are capitalized and depreciated.

The finance leases without transfer of ownerships started before April 1, 2008 are continuously accounted for by a method similar to that used for operating leases.

The adoption of this new accounting standard had minor impact on operating income and income before income taxes and minority interests.

### Note 4: 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, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	¥ 26,295	¥ 28,734	\$ 267,688
Deposits over three months	(390)	(234)	(3,970)
Cash and cash equivalents	¥ 25,905	¥ 28,500	\$ 263,718

### Note 5:

#### Securities

The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2009 and 2008:

Held-to-maturity debt securities, at March 31, 2009	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	¥ 317	¥ 323	¥ 6	\$ 3,227	\$ 3,288	\$ 61
Other securities	—	—	—	—	—	—
Total	¥ 317	¥ 323	¥ 6	\$ 3,227	\$ 3,288	\$ 61

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	\$ 189	\$ 193	\$ 4
Other securities	—	—	—	—	—	—
Total	¥ 189	¥ 193	¥ 4	\$ 189	\$ 193	\$ 4

Available-for-sale securities, at March 31, 2009	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	¥ 311	¥ 444	¥ 133	\$ 3,166	\$ 4,520	\$ 1,354
Other securities	2,889	2,038	(851)	29,411	20,747	(8,664)
Total	¥ 3,200	¥ 2,482	¥ (718)	\$ 32,577	\$ 25,267	\$ (7,310)

Available-for-sale securities, at March 31, 2008	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition costs	¥ 967	¥ 2,328	¥ 1,361
Other securities	381	256	(125)
Total	¥ 1,348	¥ 2,584	¥ 1,236

The Company reported the impairment loss of ¥226 million for available-for-sale securities for the year ended March 31, 2009.

Available-sale securities sold for the years ended March 31, 2009 and 2008 were as follows:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Sales value	¥ 1,018	¥ 52	\$ 10,363
Gain on sales	642	—	6,536
Loss on sales	—	—	—

Book value of available-for-sale securities, with no fair market value, as of March 31, 2009 and 2008 were as follows:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Non-listed securities	¥ 677	¥ 335	\$ 6,892
Non-listed equity securities issued by affiliates	1,696	1,297	17,266
Total	¥ 2,373	¥ 1,632	\$ 24,158

The carrying value of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2009 and 2008 are summarized by contractual maturities as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Corporate bonds	Others	Corporate bonds	Others	Corporate bonds	Others
One year or less	¥ —	¥ —	¥ —	¥ 57	\$ —	\$ —
One to five years	—	322	—	140	—	3,278
Five to 10 years	—	—	—	—	—	—
Over 10 years	—	—	—	—	—	—
Total	¥ —	¥ 322	¥ —	¥ 197	\$ —	\$ 3,278

## Note 6: 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, 2009 and 2008 were 1.32% and 1.59%, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Long-term debt from banks and other financial institutions due 2010 to 2022, with average interests 2.77% for 2009 and 2.80% for 2008.			
Secured	¥ 101	¥ 211	\$ 1,028
Unsecured	6,224	7,874	63,361
	6,325	8,085	64,389
Less: Portion due within one year	(1,077)	(4,144)	(10,964)
	¥ 5,248	¥ 3,941	\$ 53,425

Annual maturities of long-term debt at March 31, 2009 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ -	\$ -
2011	1,905	19,393
2012	264	2,688
2013	185	1,883
2014 and thereafter	2,894	29,461
Total	¥ 5,248	\$ 53,425

## Note 7: Pledged Assets

At March 31, 2009, assets pledged as collateral for long-term debt mentioned in Note 6 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 1,016	\$ 10,343
Land	912	9,284
	¥ 1,928	\$ 19,627

In addition, the Company pledged security ¥134 million (\$1,364 thousand) as collateral for deferred payment of customs duties.

## Note 8: Employees' Retirement Benefits

The accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ 17,199	¥ 18,943	\$ 175,089
Unrecognized prior service costs	(45)	(35)	(458)
Unrecognized actuarial differences	(5,070)	(3,015)	(51,614)
Less fair value of plan assets	(9,442)	(13,337)	(96,121)
Less unrecognized net transition obligation	(1,521)	(1,773)	(15,484)
Prepaid pension cost	-	127	-
Accrued retirement benefits	¥ 1,121	¥ 910	\$ 11,412

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008 are retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service costs - benefits earned during the year	¥ 1,017	¥ 1,029	\$ 10,353
Interest cost on projected benefit obligation	403	353	4,103
Expected return on plan assets	(523)	(592)	(5,324)
Amortization on net transition obligation	252	252	2,565
Amortization on prior service costs	6	5	61
Amortization on actuarial differences	346	122	3,522
Retirement benefit expenses	¥ 1,501	¥ 1,169	\$ 15,280

The discount rates used by the Company to measure the projected pension benefit obligation was 2.0% for 2009 and 2008 and the rate of expected return on plan assets was 4.0% for 2009 and 2008.

## Note 9: Income Taxes

Income taxes consist of corporation, inhabitants and enterprise taxes.

The statutory tax rates for the years ended March 31, 2009 and 2008 were 40.69%.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Deferred tax assets :			2009
Operating loss			
carryforwards	¥ 442	¥ 637	\$ 4,500
Accrued bonuses	387	408	3,940
Bad debt allowance	7	124	71
Employees' retirement			
benefits	472	222	4,805
Accrued enterprise tax	96	142	977
Net unrealized losses			
on marketable			
securities	292	–	2,973
Other	871	721	8,867
<b>Total</b>	<b>2,567</b>	<b>2,254</b>	<b>26,133</b>
Valuation allowance	(519)	(293)	(5,284)
<b>Total deferred tax assets</b>	<b>2,048</b>	<b>1,961</b>	<b>20,849</b>
Deferred tax liabilities :			
Net unrealized gains			
on marketable			
securities	–	(503)	–
Depreciation and other	(366)	(609)	(3,725)
<b>Total deferred tax liabilities</b>	<b>(366)</b>	<b>(1,112)</b>	<b>(3,725)</b>
<b>Net deferred tax assets</b>	<b>¥ 1,682</b>	<b>¥ 849</b>	<b>\$ 17,124</b>

Significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2009 and 2008 were as follows:

	2009	2008
Statutory tax rate	40.69%	40.69%
Permanently non-deductible expenses for tax purposes such as entertainment expenses	2.63	2.35
Permanently non-taxable income such as dividend income	(2.50)	(2.11)
Difference of the statutory tax rate among countries other than Japan	(16.49)	(9.56)
Effect of elimination of intercompany dividends received	7.61	3.03
Valuation allowance	2.82	–
Loss on violation of the antitrust laws	7.61	–
Gain on sale of shares of subsidiaries to another subsidiary	3.87	–
Difference of investment for subsidiaries	2.17	–
Other, net	1.58	1.45
<b>Effective tax rate</b>	<b>49.99%</b>	<b>35.85%</b>

## Note 10: Contingent Liabilities

The Company has no contingent liabilities as of March 31, 2009.

## Note 11: 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 12: Accounting for Leases

The financial lease transactions which are deemed to transfer the ownership of the leased assets to lessees and started before April 1, 2008 are continuously accounted for by a method similar to that used for operating leases.

Certain information for non-capitalized finance leases for the years ended March 31, 2009 and 2008 were as follows:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for finance leases at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
			2009
<b>Machinery and equipment :</b>			
Assumed acquisition cost	¥ 253	¥ 258	\$ 2,575
Accumulated depreciation	(230)	(209)	(2,341)
Net book value	¥ 23	¥ 49	\$ 234
<b>Others (tools, dies, furniture and fixtures) :</b>			
Assumed acquisition cost	¥ 764	¥ 995	\$ 7,778
Accumulated depreciation	(354)	(428)	(3,604)
Net book value	¥ 410	¥ 567	\$ 4,174
<b>Software :</b>			
Assumed acquisition cost	¥ 312	¥ 382	\$ 3,176
Accumulated depreciation	(118)	(221)	(1,201)
Net book value	¥ 194	¥ 161	\$ 1,975

(2) Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
			2009
Payments due within one year	¥ 237	¥ 279	\$ 2,413
Payments due after one year	404	516	4,113
	¥ 641	¥ 795	\$ 6,526

(3) Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
			2009
Lease payments	¥ 313	¥ 395	\$ 3,186
Depreciation expense portion	294	373	2,993
Interest expense portion	¥ 18	¥ 18	\$ 183
In addition, lease obligations under operating leases, including finance charges, at March 31, 2009 and 2008 were as follows:			
	Millions of yen		Thousands of
	2009	2008	U.S. dollars
			2009
Payments due within one year	¥ 3,000	¥ 3,785	\$ 30,541
Payments due after one year	5,302	7,940	53,975
	¥ 8,302	¥ 11,725	\$ 84,516

## Note 13:

## 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, 2009 and 2008, classified by geographic areas is presented below:

	Millions of yen							
	Japan	The Americas	Europe & Africa	East Asia & Oceania	Southeast Asia & Middle East	Total	Elimination or Unallocated	Consolidated
Year ended March 31, 2009 :								
Net Sales:								
Net sales to outside customers	¥ 113,156	¥ 33,912	¥ 23,517	¥ 70,342	¥ 19,404	¥ 260,331	–	¥ 260,331
Inter-segment sales/transfers	1,096	3,592	801	849	382	6,720	(6,720)	–
Total sales	114,252	37,504	24,318	71,191	19,786	267,051	(6,720)	260,331
Operating expenses	113,061	34,966	23,849	67,517	18,608	258,001	(6,696)	251,305
Operating income	¥ 1,191	¥ 2,538	¥ 469	¥ 3,674	¥ 1,178	¥ 9,050	(24)	¥ 9,026
At March 31, 2009 :								
Total assets	¥ 57,526	¥ 11,698	¥ 10,661	¥ 24,658	¥ 8,012	¥ 112,555	(3,402)	¥ 109,153
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

	Thousands of U.S. dollars							
	Japan	The Americas	Europe & Africa	East Asia & Oceania	Southeast Asia & Middle East	Total	Elimination or Unallocated	Consolidated
Year ended March 31, 2009 :								
Net Sales:								
Net sales to outside customers	\$ 1,151,949	\$ 345,231	\$ 239,408	\$ 716,095	\$ 197,536	\$ 2,650,219	–	\$ 2,650,219
Inter-segment sales/transfers	11,158	36,567	8,154	8,643	3,889	68,411	(68,411)	–
Total sales	1,163,107	381,798	247,562	724,738	201,425	2,718,630	(68,411)	2,650,219
Operating expenses	1,150,982	355,961	242,788	687,336	189,433	2,626,500	(68,167)	2,558,333
Operating income	\$ 12,125	\$ 25,837	\$ 4,774	\$ 37,402	\$ 11,992	\$ 92,130	(244)	\$ 91,886
At March 31, 2009 :								
Total assets	\$ 585,625	\$ 119,088	\$ 108,531	\$ 251,023	\$ 81,564	\$ 1,145,831	(34,633)	\$ 1,111,198

The amounts for the common assets included in the column "Elimination or Unallocated" are ¥6,511 million (\$66,283 thousand) and ¥5,410 million for the years ended March 31, 2009 and 2008, 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, 2009 and 2008 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net sales in overseas countries:			
The Americas	¥ 33,917	¥ 34,973	\$ 345,282
Europe & Africa	23,527	26,444	239,509
East Asia & Oceania	70,343	80,472	716,105
Southeast Asia & Middle East	19,406	24,825	197,557
	¥ 147,193	¥ 166,714	\$ 1,498,453
Percentage of such sales against consolidated net sales	56.5%	57.0%	56.5%

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 14: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Labor and payroll cost	¥ 14,607	¥ 16,336	\$ 148,702
Provision for accrued bonuses to employees	921	932	9,376
Provision for accrued retirement benefits to employees	1,236	924	12,583
Provision for doubtful accounts	200	52	2,036
Others	14,134	15,442	143,887
	¥ 31,098	¥ 33,686	\$ 316,584

## Note 15: Other Income (Expenses)

Other, net during the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Gain (loss) on sales or disposals of property and equipment, net	¥ (6)	¥ 82	\$ (61)
Loss on impairment of investment securities	(226)	(77)	(2,301)
Amortization of negative goodwill	34	30	346
Gain on prior period adjustment	22	278	224
Compensation for damage	(44)	(70)	(448)
Loss on closure of branch office	(46)	–	(468)
Reversal of allowance for doubtful accounts	24	–	244
Refunded corporate taxes	159	–	1,618
Loss on valuation of golf club membership	(40)	–	(407)
Other, net	156	286	1,588
	¥ 33	¥ 529	\$ 335

## Note 16: Subsequent Events

On June 18, 2009, the shareholders of the Company approved payment of a cash dividend to shareholders of record as of March 31, 2009 of ¥14.00 (\$0.14) per share for a total of ¥504 million (\$5,131 thousand).

Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

### 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 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 18, 2009

# Investor Information

(As of March 31, 2009)

## 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:

8,670 (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, 2009)

Shareholder	Number of shares held	% of shares held
Kintetsu Corporation	14,752,900	40.98%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,424,000	6.73%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,896,100	5.27%
Mitsui O.S.K. Lines, Ltd.	1,799,500	5.00%
State Street Bank and Trust Co.	1,358,100	3.77%
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	1,117,900	3.11%
Hokko Daiwa Taxi Co., Ltd.	937,500	2.60%
Okunikko Kogen Hotel	587,500	1.63%
Juniper	578,500	1.61%
Hakone Kogen Hotel	537,500	1.49%



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