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Kintetsu World Express ANNUAL REPORT 2010

kintetsu world express

Global Logistics Partner

Ready for the Next!

ANNUAL REPORT 2010
Year Ended March 31, 2010

Growth rate forecast for worldwide air cargo traffic:

5.9%*

*Average annual growth, 2009–2029
Source: Current Market Outlook 2010-2029; Boeing

"Ready for the Next!"

In order to build a solid management structure that will allow us to compete as equals with major global competitors

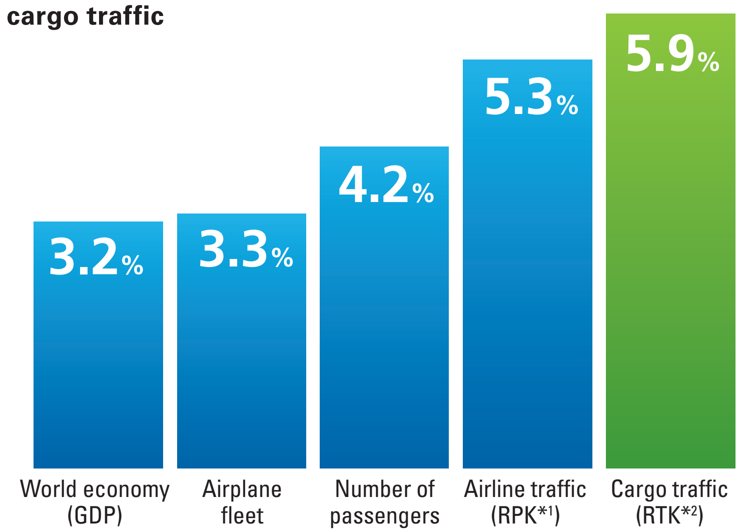
Our vision hasn't changed:

To be able to compete as equals with major global competitors

"Ready for the Next!" is KWE's new slogan for realizing the corporate vision to which we always aspire

Even if we go through a worldwide recession, freight forwarding is still a growth industry. KWE has drawn up a new Medium-Term Management Plan called "Ready for the Next!" Its main aim is to build, in three years, a solid management structure that will enable KWE to compete with major global competitors on an equal basis.

Growth rate forecast for worldwide air cargo traffic
2009 to 2029



*1 RPK: Revenue passenger kilometers
*2 RTK: Revenue tonne-kilometers

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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.

"Creating a Strong Asia"

Focusing the investment of management resources

Whoever leads Asia, leads the world

Establish our leading edge throughout Asia, with China at the core of operations



Becoming the number one player in Asia is the first step toward joining the world's top players

The Asian economy is the growth engine of the world economy. Its center is spreading out from China to all of Asia. In accordance with our "Ready for the Next!" Medium-Term Management Plan, we will start by gaining a leading edge in the Chinese market and go on to further stabilize our network by focusing management resources on strengthening our business base in Asia. We will also enter the markets of emerging countries and be quick to establish advantageous positions throughout the Asian region by constructing a logistics network that covers all of Asia.

Growth rate forecast for Asia-Pacific air cargo traffic:

6.8%*

*Average annual growth, 2009–2029
Source: Current Market Outlook 2010-2029; Boeing

"Selling a Strong Asia"

Creating a sales structure to compete with major global competitors

And then, moving beyond Asia

In order to take on the world as the Asian logistics leader

Expanding worldwide logistics as the Asian logistics leader

Strengthening logistics functions, raising productivity, boosting the effectiveness of sales efforts, and making good use of shared information within the KWE Group…These are our major policies for implementing KWE's strategy of "Selling a Strong Asia" in the global market. We believe that the most important points for boosting our competitiveness in the world market are 1) capturing freight forwarding demand and linking it to increasing logistics sales, 2) expanding cargo volumes between Asia and Japan, the Americas and Europe, and 3) expanding freight volumes within Asia.

To Our Shareholders

My most important mission is to build a business foundation that prepares KWE for its next leap forward.

By steadily implementing “Ready for the Next!” we will strive to lay the groundwork for making KWE into a true Global Logistics Partner.

Looking at the KWE Group’s consolidated results for the fiscal year ended March 2010, net sales dropped 18.6% compared to the previous year, to 211,837 million yen, while operating income declined 17.4% to 7,452 million yen, and net income jumped 31.4% to 4,571 million yen. Obviously, the biggest reason for this drop in sales was the shrinkage in the freight forwarding market that resulted from worldwide economic recession. Nevertheless, our performance for the entire term exceeded the targets we set at the beginning of the period, thanks to our success in holding down freight costs until the end of the first half, a gradual recovery in transport demand that began in the summer in response to economic stimulus measures implemented by various countries, and smooth progress in implementing our own cost reduction program, including the “KWE Innovation Project Phase II (KIP2)” streamlining measures that we introduced in April 2009 additional to KIP1. Because of this unexpected success, we decided to increase our year-end dividend payout from the 8 yen per share that we planned at the beginning of the fiscal year to 17 yen, for a total annual payout of 24 yen. Going forward, KWE aims to continue returning 30% of the non-consolidated net income to shareholders and in the future to return 20% of consolidated net income.

Since the collapse of Lehman Brothers, we have experienced an unprecedented degree of deterioration in the business environment. However, in the process of getting through this difficult time, we were able to rediscover and further hone strengths that KWE has possessed since its founding – the ability to take quick action and to work as a team, and workplace expertise. In addition, we achieved a lean profit-generating structure as a result of implementing rationalization measures throughout the company without exceptions. We will be taking advantage of these strengths as we make a renewed push to prepare the KWE Group to challenge major global competitors under our new “Ready for the Next!” Medium-Term Management Plan. Our goals are to build a well-balanced business portfolio, to increase our ability to compete in the global market by optimizing the overall Group, and to realize our enduring vision: to increase corporate value and shareholder value by establishing partnerships with our customers, and to become the ideal Global Logistics Partner, which provides reliable services and customer satisfaction all over the world.

Satoshi Ishizaki
President and Chief Executive Officer

What is “Ready for the Next!”?

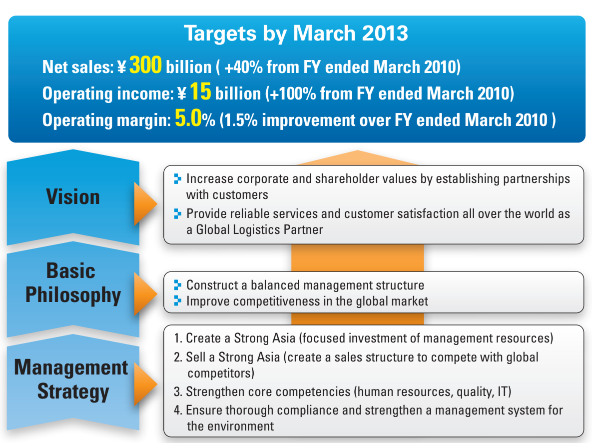
How and Why We Created “Ready for the Next!”

- The business environment has changed dramatically, but we are sticking to the basic policies in the “KWE Grand Design for the 21st Century.”
- Amid a turbulent economic picture, we aim to build a strong management structure that will enable us to contend on equal terms with major global competitors.

Planning for our next leap forward

KWE was moving along a smooth growth track in line with the “KWE Grand Design for the 21st Century” long-term management strategy that we drew up in 2002. However, after transport demand plunged due to the worldwide economic recession that began in October 2008, we shifted our focus to implementing company-wide streamlining measures laid out in the Short-Term Management Plan that we drew up for the fiscal year through March 2010 and in the “KWE Innovation Project.” Once we were on a clear path to recovery as a result of successful implementation of these streamlining measures along with recovery in transport demand, KWE drew up a new medium-term management plan that we call “Ready for the Next!” This new plan is aimed primarily at building a strong management structure that will enable us to contend on equal terms with major global competitors. The new plan retains fundamental points of the KWE Grand Design for the 21st Century – the idea of “customer intimacy” (by which we mean providing maximum value to customers) and the goal of serving as a Global Logistics Partner.

Outline of “Ready for the Next!”



Strategies and Numerical Targets

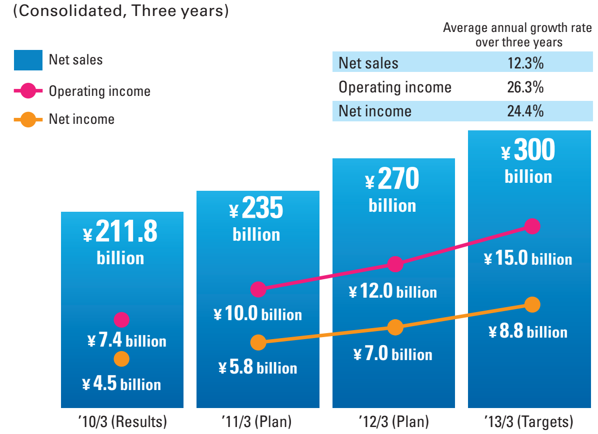
- Build a well-balanced business portfolio
- Improve competitiveness in the global market
- Targets for the fiscal term through March 2013:
  Net sales: 300 billion yen
  Operating income: 15 billion yen
  Net income: 8.8 billion yen

Our basic strategy is to build a well-balanced business portfolio and improve our competitiveness in the global market.

In order to be able to contend as equals with major global competitors, there are two issues that KWE needs to resolve. The first is the construction of a well-balanced business portfolio. KWE has definitely joined the world’s top 10 airfreight forwarders, but clearly falls short when compared to major competitors in logistics and ocean freight forwarding. Going forward, we intend to expand our logistics and ocean freight forwarding businesses to build a more balanced business portfolio. The second issue is improving our competitiveness in the global market. KWE was quick to get into the Chinese market and has established a competitive advantage there, which we need to further solidify. Without question, it is China and other Asian countries that will be driving the world economy for some time to come. Therefore, a “Strong Asia” will be at the core of our strategy for increasing KWE’s competitiveness in the global market.

New Medium-Term Management Plan: “Ready for the Next!” Basic Numerical Targets

(Consolidated, Three years)



Our goal has not changed: to be able to compete as equals with major global competitors. First we will gain the leading edge in Asia, after which we will sell Asia-related services all over the world.

Create a Strong Asia (Focused Investment of Management Resources)

To Create a Strong Asia …

Focus investment of management resources on enhancing the functionality of Asian logistics bases in order to create a very solid Asian network

- Secure a position of overwhelming advantage in the bonded logistics business in China
- Construct a distribution network that covers all of Asia
- Enter the markets of emerging countries ahead of competitors
- Expand trans-Pacific business
- Make ocean freight forwarding into a core business

Gain the overwhelming advantage in the Chinese market

KWE has already established the industry’s biggest network and some other clear advantages in the Chinese market. Under our “Ready for the Next!” plan, we will reinforce these advantages until we achieve the leading edge in the Chinese market. KWE’s team of specialists will proactively invest in bonded districts in China, including the establishment of a new company scheduled to begin operation at the end of 2010 in the Shanghai Pudong Airport Comprehensive Bonded Area. KWE will also market logistics services more actively. In addition, we aim to integrate operation of our four affiliates in southern China so as to cover the entire area of South China, participate in the new bonded facility in Guangdong Province, and create a bonded network that covers the Pearl River Delta.

From China to all of Asia

Because the Asian economy is expanding from its center in China to all of Asia, we intend to build a logistics network that covers all of Asia by enhancing our warehouses and logistics functions in South Korea, Taiwan, the Philippines, India, and Thailand. Since we see a clear trend among our customers to implement “China plus one” strategies, i.e. to establish strategic bases in Asian countries other than China, we intend to get a head start on our competitors in entering these newly developing countries. KWE opened a new branch in Bangladesh in April 2010 and we are studying entry into the Cambodian and Myanmar markets.

Expand trans-Pacific business and make ocean freight forwarding into a core business

The Americas are the world’s biggest consumer, and freight traffic from Asia to the Americas is expected to continue increasing in the future. KWE will enhance its logistics functions in the Americas and take other steps to expand trans-Pacific business. In July 2010, we began operation of a new Canadian warehouse in Guelph, Ontario. Meanwhile, we will work to build ocean freight forwarding into a core business by reinforcing handling in Container Freight Station (CFS), warehousing, buyers consolidation and other services that supplement our Non-Vessel Operating Common Carrier (NVOCC) business.

Top Interview:

To Sell a Strong Asia …

We will expand the volume of air and ocean freight that we handle within Asia, as well as the volume that we transport between Asia and Japan, the Americas, or Europe.

- Expand freight volume by enhancing logistics functions
- Boost competitiveness by raising productivity
- Engage in sales in ways that accurately reflect customer needs
- Share customer information horizontally, throughout the KWE Group

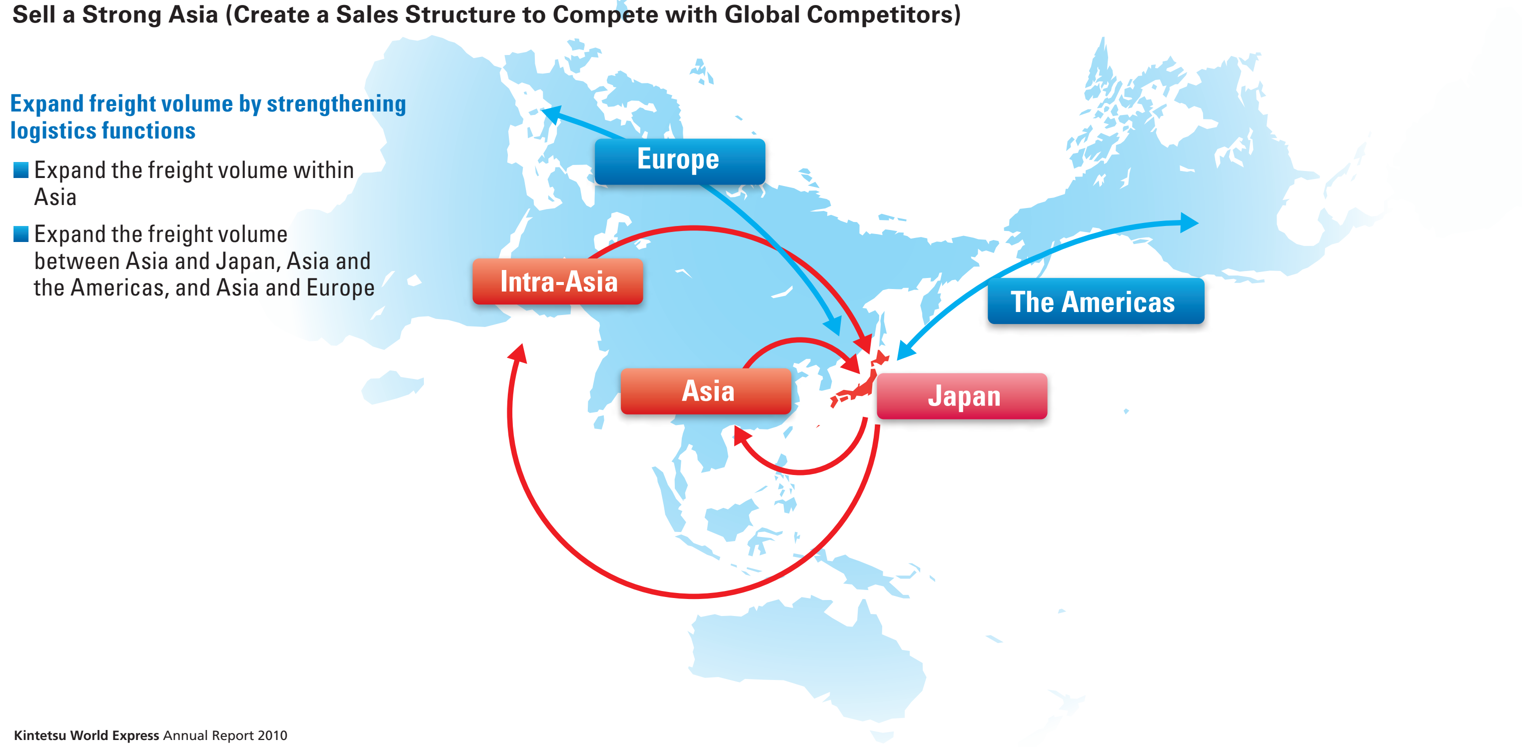
Expand freight volume based on boosting sales of logistics services

Expanding freight volume by enhancing logistics functions is the most effective way to sell a "Strong Asia" in the global market, because in order to stably expand our business, what we need to sell is not forwarding alone, but forwarding combined with logistics services. Toward that end, we first need to boost sales of logistics services by enhancing logistics facilities and sales strategies, then leverage those sales to expand the volume of freight that we move within Asia as well as between Asia and Japan, the Americas, or Europe. We also intend to boost competitiveness by strengthening our partnership with airlines and shipping lines, mainly by selecting providers and maintaining long-term relationships, as well as by raising productivity and cutting costs by standardizing operations and increasing their efficiency.

In order to better serve our customers

Because diversification and globalization of customer needs are progressing more rapidly than ever before, we plan to further expand exchanges of sales personnel among subsidiaries in order to help us reflect customer needs more accurately in our sales efforts. Examples of existing personnel exchanges include the dispatch of sales staff from South Korea to the United States, from Taiwan to China, and from Europe to China. There is also growing demand for supporting "offshore business" whereby a company manufactures merchandise overseas and transports it to a third country. We will create and enhance our in-house systems for handling this type of business and work to win more of it. In order to support these various measures aimed at strengthening sales, we will have KWE's five regions share customer information and cooperate to make effective use of this information in our sales efforts. Through these various measures, we aim to build stable partnerships with customers who are expanding their businesses on a global basis.

Sell a Strong Asia (Create a Sales Structure to Compete with Global Competitors)



To Strengthen Core Competencies …

Position human resources, quality, and IT as our core competencies and work continuously to improve them in order to sharpen our competitive edge.

- Construct and implement a global personnel system
- Improve service quality all over the world
- Strengthen global IT functions

Take a broad, long-term view when hiring and training talented personnel

Strengthen human resources from a long-term standpoint by selecting, training, and hiring executive candidates on a Group-wide basis; actively promote diversity by transcending factors like nationality, race, gender, and age, etc. Implement global hiring for specific purposes in order to acquire personnel with specialized skills from all over the world.

Use quantitative methods to improve quality

We will use quality control methods based on numerical values, in order to make the quality of our services "visible" and to improve aspects of service quality that have been difficult to address solely with qualitative methods. In this way, we aim to further increase employees' awareness of service quality and to boost customer satisfaction.

Strengthen the information systems that support KWE's global sales

The KWE Group has built a global information system that organically links its five operating regions. In order to further improve the system, we will enhance our customer management, logistics and order management systems, and develop other useful systems, such as an administrative accounting system.

Management Strategy and Major Policies

1. Create a Strong Asia (focused investment of management resources)

(1) Secure a position of overwhelming advantage in the bonded logistics business in China
- Aggressive investment in bonded areas in China
- Establish a new subsidiary in the Shanghai Pudong International Airport Comprehensive Bonded Area
- Greater South China Concept: Expand business through integrated operation of subsidiaries in Southern China

(2) Construct a distribution network that covers all of Asia
- Strengthen warehouse businesses and logistics functions in South Korea, Taiwan, the Philippines, India, and Thailand

(3) Enter the markets of emerging countries ahead of competitors (coping with our customers' "China plus one" strategies)
- Begin operating in Bangladesh
- Consider entering Cambodia and Myanmar

(4) Improve logistics functions in the American consumer market
- Strengthen logistics functions
- Create a structure for expanding trans-Pacific business

(5) Make ocean freight forwarding into a core business
- In addition to the NVOCC business, work on supplementary services such as CFS, warehousing, and buyer's consolidation, etc.

2. Sell a Strong Asia (create a sales structure to compete with global competitors)

(1) Expand freight volume by enhancing logistics functions
- Expand the freight volume between Asia and Japan, Asia and the Americas, and Asia and Europe
- Expand the freight volume within Asia

(2) Boost competitiveness by raising productivity
- Strengthen buying power
- Standardize operations

(3) Engage in sales in ways that accurately reflect customer needs
- Have personnel exchanges based on sales strategies
- Conduct proactive efforts in logistics services between countries other than Japan

(4) Share customer information horizontally, throughout the KWE Group
- Construct long-term stable relationships with customers

3. Strengthen core competencies (human resources, quality, IT)

(1) Construct and implement a global personnel system
- Select, train, and hire executive candidates on a Group-wide basis, and promote diversity
- Implement global hiring for specified purposes

(2) Improve service quality all over the world
- Use numerically-based quality control to increase employee awareness of quality and to increase customer satisfaction

(3) Strengthen global IT functions
- Enrich and strengthen internal infrastructure supporting global sales

4. Ensure thorough compliance and strengthen a management system for the environment
- Instill a keen awareness of compliance throughout the Group
- Strengthen a Group management system for the environment

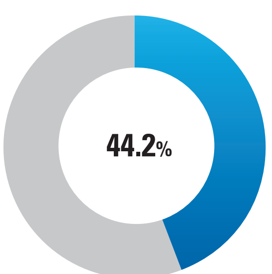
KWE at a Glance: One-Stop Service

KWE's business structure is definitely superior due to its ability to offer one-stop service that meets various logistics needs.

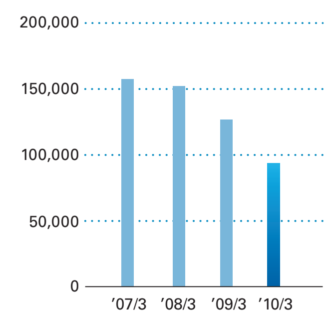
Forwarding

- 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 ('10/3)



Net Sales (Millions of yen)



Main airfreight export items

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

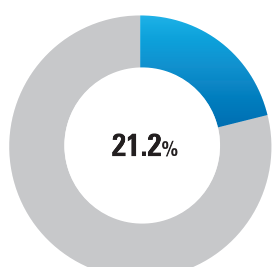
Main airfreight import items

- 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
- Foods

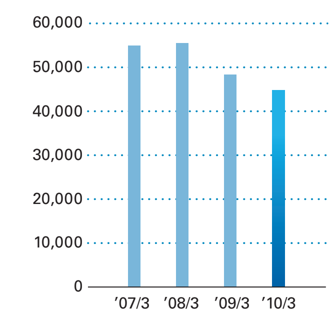
Logistics

- 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.
- 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 ('10/3)



Net Sales (Millions of yen)



Logistics services and systems

- Logistics consulting
- PO (Purchase Order) management
- Inventory control management
- Assembly works
- Reverse logistics (RMA) : Return Material Authorization
- Cross-dock operations
- VMI (Vendor Managed Inventory)
- Transport/forwarding management
- Project management
- Product inspection

Targets and Policies

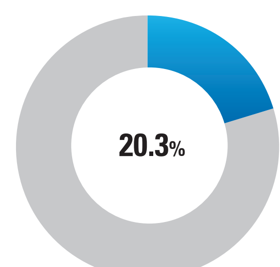
	'10/3 Results	'13/3 Targets	4 years change	Annual
Air & Ocean (Shipments, thousands)	7,014	8,551	21.9%	6.8%
Air (Weight, 1,000 tons)	869	1,201	38.2%	11.4%
Ocean (Volume, 1,000 TEU)	465	737	58.5%	16.6%

Expand our ocean freight forwarding businesses to build a more balanced business portfolio

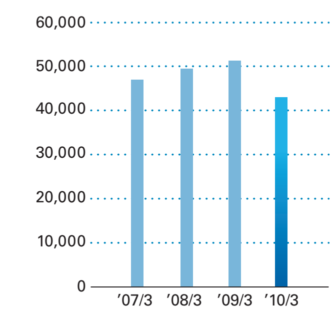
Ocean

- 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.
- We provide 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 ('10/3)



Net Sales (Millions of yen)



Main ocean freight export 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)

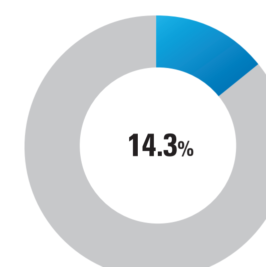
Main ocean freight import items

- Computers and their peripherals • Household electric appliances
- Automotive-related products • Apparel
- Medical and chemical products
- Mail-order products
- General merchandise and retail goods

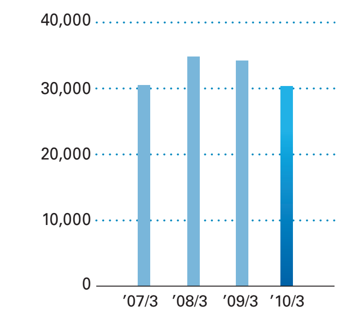
Other Operations

- 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.
- 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 ('10/3)



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.

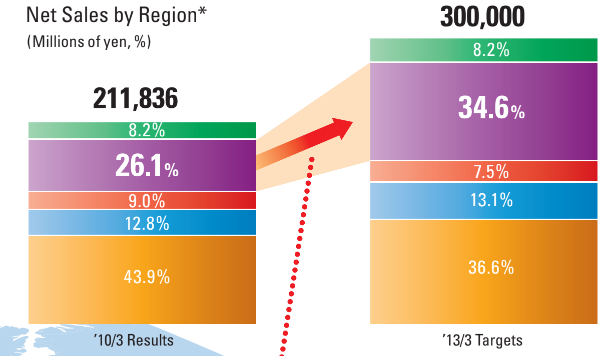
KWE at a Glance: Global Network

KWE divides the world into five regions and operates the Five Regional Management System, through which it keeps improving management's efficiency and speed.

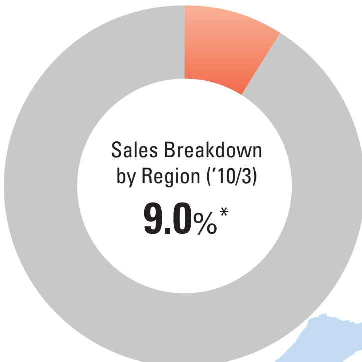
Targets and Policies

Japan
The Americas
Europe & Africa
East Asia & Oceania*
Southeast Asia & Middle East*

*Shown in the former regional segmentation before the segmentation change in July 2010

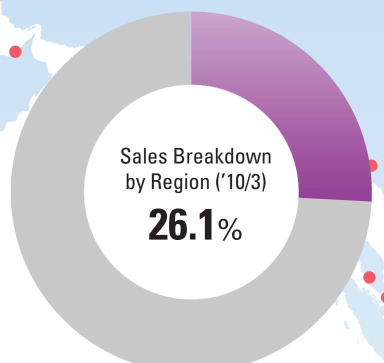


Increase our competitiveness in the global market through a "Strong Asia"



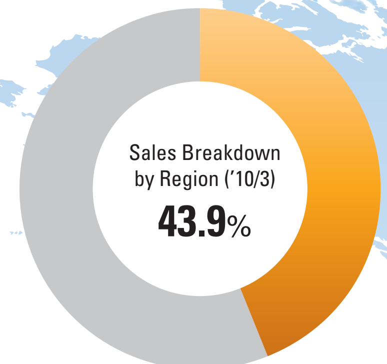
Europe, Middle East & Africa

Kintetsu World Express (U.K.) Ltd.
Kintetsu World Express (Deutschland) GmbH.
Kintetsu World Express (France) S.A.S.
Kintetsu World Express (Benelux) B.V.
Kintetsu World Express (RUS), Inc., LLC.
Kintetsu World Express (Ireland) Ltd.
Kintetsu World Express South Africa (Pty) Ltd.
Kintetsu World Express (Switzerland) Ltd.
Kintetsu World Express (Italia) S.R.L.
Kintetsu World Express (Sweden) AB
Kintetsu World Express (Middle East) FZE
Kintetsu World Express (Czech) S.R.O.
plus 2 other companies



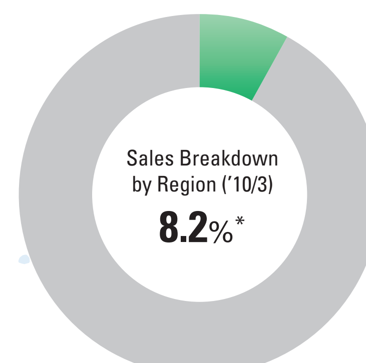
East Asia & Oceania

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



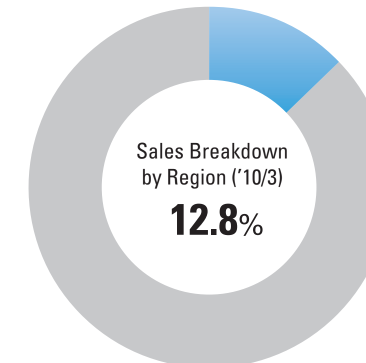
Japan

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.



Southeast Asia

KWE-Kintetsu World Express (S) Pte Ltd.
Kintetsu World Express (Malaysia) Sdn. Bnd.
Kintetsu Logistics (M) Sdn. Bhd.
Kintetsu World Express (Thailand) Co., Ltd.
TKK Logistics Co., Ltd.
Kintetsu World Express (India) Pvt Ltd.
PT. Kintetsu World Express Indonesia
Kintetsu World Express (Vietnam), Inc.
Kintetsu Logistics (Vietnam), Inc.
plus 1 other company



The Americas

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

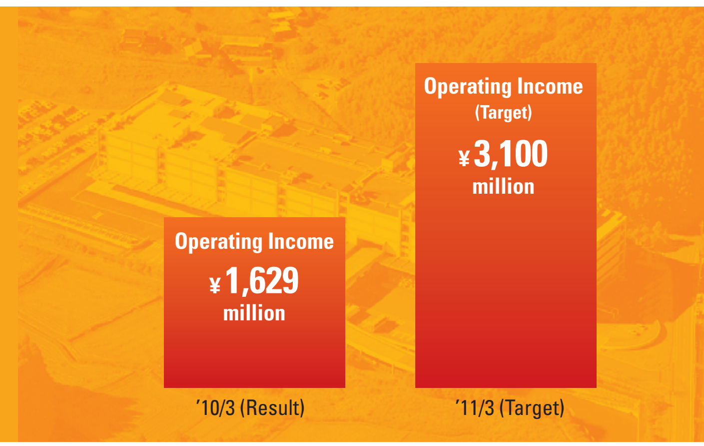
Japan

Main Policies for the Fiscal Year through March 2011

In the fiscal term through March 2011, we are seeing a continuation of the recovery in cargo movements that began about the middle of the previous fiscal year. The first quarter (April-June 2010) got off to a good start, with airfreight export tonnage up 48.0%*1, airfreight import shipments up 3.0%*2, ocean freight export volume up 31.2%*3, and ocean freight import shipments up 25.8%*2. In the fiscal term through March 2011, KWE Japan will continue to exercise its leadership as the core company of the KWE Group and focus on the following measures:

(1) Expand the volume of profit-generating airfreight that we bring into and out of Japan
(2) Continue reforms aimed at building a "lean" corporate structure: increase operational efficiency, promote flexible allocation of human resources, continue reducing liquidity costs
(3) Engage in aggressive sales efforts related to Asia, where our strength lies
(4) Further expand ocean freight forwarding: expand range of items transported (for example, transport more large-scale equipment and general department store merchandise)
(5) Expand sales of logistics services
Establish and expand solutions tailored to each type of industry

We will remain aware of profits and strengthen sales as we continue our transformation into a "lean" corporate structure



Performance in the Fiscal Year Ended March 2010

Brisk freight movements to Taiwan and China, sluggish movements to Europe and North America

Thanks to increased domestic demand in China and a recovery in confidence in the economy, we saw active airfreight exports, primarily to Taiwan and China, of liquid crystal-related and other electronic components for flat-panel televisions, personal computers and mobile phones, semiconductor manufacturing equipment, and other items. However, since shipments to North America and Europe were slack, overall airfreight exports dipped 0.6%*1 from the previous term.

In addition to stagnation in domestic consumption, there was a drop in handling of telecommunications equipment from the second half of the term, causing airfreight imports to decline 9.8%*2 from the previous term.

Ocean freight exports grew 5.8%*3 over the previous term, thanks to solid shipments of chemicals, equipment and machinery. However, ocean freight imports sagged by 0.1%*2 despite increases in shipments of consumer goods like apparel and household goods, because of a decline in shipments of automotive parts.

Overall, net sales including those generated by domestic subsidiaries amounted to 95,296 million yen, down 16.6% from the previous term, while operating income grew by 36.7% to 1,629 million yen.

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

Highlights of the Fiscal Year Ended March 2010
November 2009 Completed Narita Terminal Phase 3 Expansion

(Millions of yen)

	'07/3	'08/3	'09/3	'10/3
Net Sales	126,065	127,073	114,252	**95,296**
Operating Income	3,961	4,444	1,191	**1,629**
Operating Margin	3.14%	3.50%	1.04%	**1.71%**

The Americas

Main Policies for the Fiscal Year through March 2011

In the fiscal term through March 2011, the recovery in freight movements that began in the previous term has become more pronounced. Business got off to a good start in the first quarter (January-March *1), with airfreight exports up 30.8%*2 from the same period the previous year, airfreight imports up 32.8%*3, ocean freight exports up 33.4%*4 and ocean freight imports up 27.2%*3. We intend to implement the following important measures in the fiscal term through March 2011 in order to set KWE firmly on the recovery track.

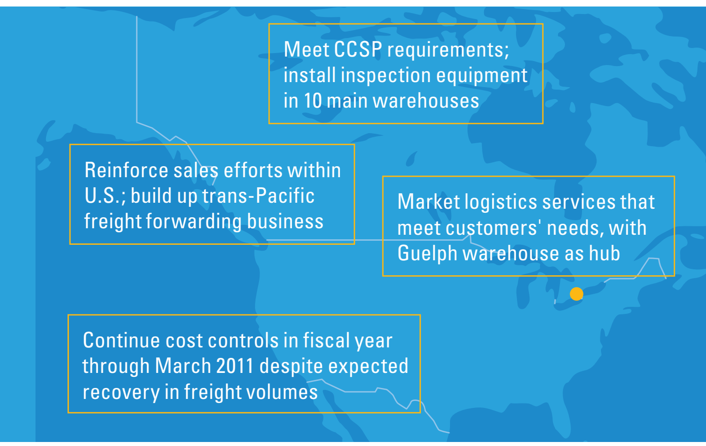
The first measure is expanding our base of Global Strategic Customers — major customers that do business in multiple regions of the world. With Asia-centered transport constituting a growing share of the world transport market, we intend to build up our trans-Pacific freight forwarding business based on our "Strong Asia" strategy. Since much of the decision-making by corporate clients that are U.S. nationals takes place within the U.S., we will reinforce sales efforts there.

The second measure is reinforcing cost controls. Amid the big declines in volumes that we experienced in the fiscal year ended March 2010, we aggressively promoted cost reduction measures, for example by consolidating sales offices and customs clearance locations. Although we expect freight volumes to recover in the fiscal term through March 2011, we are continuing to implement cost control measures.

The third measure is boosting sales of logistics services. For example, the 13,470m² Guelph Distribution Facility that we built in Canada in July 2010 will serve as the hub from which we will market logistics services that meet customers' needs. We are also actively participating in the U.S. Transportation Security Administration's Certified Cargo Screening Program (CCSP). As of August 2010, every piece of cargo must be inspected before being shipped on a passenger airplane. KWE is thoroughly preparing to meet this requirement, through actions like installing inspection equipment in our 10 main warehouses.

Strengthening sales efforts in the U.S.; promoting cost-reduction measures

General manager,
The Americas
Takashi Bamba



Performance in the Fiscal Year Ended March 2010

Recovery trend from the second half, mostly in electronics-related freight

From the second half of the term, airfreight export volumes of liquid crystal and other electronics-related cargo gradually increased, but not enough to outweigh the steep drop in volume that resulted from economic decline. Airfreight exports for the whole term fell by 25.6%*2 compared to the previous year.

Airfreight imports also recovered from the second half of the term, but ended the fiscal term at a low level, 12.3%*3 below the previous year.

Ocean freight exports increased by 6.5%*4 from the previous year, partly thanks to the addition of new customers, but ocean freight imports decreased by 7.9%*3.

As a result, overall net sales for the Americas declined 25.6% from the previous year to 27,904 million yen and operating income declined by 44.9% to 1,398 million yen.

*1 KWE's overseas subsidiaries close their accounts at the end of December. *2 Based on weight *3 Based on number of shipments *4 Based on TEUs (Twenty-foot Equivalent Units)

Highlights of the Fiscal Year Ended March 2010
July 2010 Completed Guelph warehouse and began operation

(Millions of yen)

	'07/3	'08/3	'09/3	'10/3
Net Sales	42,033	38,848	37,504	**27,904**
Operating Income	2,877	2,685	2,538	**1,398**
Operating Margin	6.84%	6.91%	6.77%	**5.01%**

Report by Five Regions

Main Policies for the Fiscal Year through March 2011

The first quarter (January-March *1) of the fiscal term through March 2011 started smoothly, with active freight movements. Compared to the same quarter the previous year, airfreight exports grew by 47.7%*3, while airfreight imports grew by 26.0%*4, ocean freight exports dropped 11.3%*5 and ocean freight imports increased 21.9%*4. We intend to implement the following important measures in the fiscal term through March 2011 to establish the region firmly on the recovery track.

First, everyone at the Europe and Africa Headquarters will work together to implement our New Medium-Term Management Plan's "Selling a Strong Asia" strategy. Specifically, this will entail 1) sending more sales staff from Europe on regular visits to other Asian countries in addition to the resident sales staff that has already been sent to China, 2) Expanding handling of airfreight sent to and from China, using Frankfurt Airport as a gateway, and 3) working closely to share information with business managers in Asia.

Second, in order to strengthen our ocean freight forwarding business, we will make our Rotterdam branch our gateway to the European continent and train staff members to specialize in ocean freight.

Third, we will enter a new market by establishing a joint venture in Saudi Arabia and engaging seriously in the petroleum-related logistics business, in which we already have some experience.

The fourth measure is to continue trans-Atlantic Development. We will cooperate with our Americas Headquarters on joint sales efforts aimed at important target customers and work proactively to expand freight volumes between Europe and the Americas.

Europe, Middle East & Africa

Reinforcing freight forwarding to and from China; promoting petroleum-related distribution

General manager,
Europe, Middle East & Africa
Shinya Aikawa

Performance in the Fiscal Year Ended March 2010*2

Despite brisk shipments of semiconductors to the Middle East, overall transport demand was sluggish

Airfreight exports of semiconductor manufacturing equipment and other equipment bound for Middle Eastern research institutes were brisk, as were shipments of Beaujolais wine. Overall, however, there was not a major recovery in transport demand and airfreight exports declined 21.2%*3 compared to the previous year.

Airfreight imports also declined, by 14.9%*4, due to sluggish shipments from Japan, the region's main import supplier.

Ocean freight exports declined 12.2%*5 and imports declined 13.4%*4.

Overall, net sales from the Europe & Africa region amounted to 19,584 million yen, a decrease of 19.5% from the previous year, and the region posted an operating loss of 19 million yen.

*1 KWE's overseas subsidiaries close their accounts at the end of December. *2 Shown in the former regional segmentation before the segmentation change in July 2010 *3 Based on weight *4 Based on number of shipments *5 Based on TEUs (Twenty-foot Equivalent Units)

Highlights of the Fiscal Year Ended March 2010

November 2009 Our South African subsidiary won the 2009 "Logistics Achievers Silver Award" presented by South Africa's "Logistics News"

(Millions of yen)

	'07/3	'08/3	'09/3	'10/3
Net Sales	27,467	27,493	24,318	**19,584**
Operating Income	388	394	469	**(19)**
Operating Margin	1.41%	1.43%	1.93%	**-**

Main Policies for the Fiscal Year through March 2011

We saw extremely active freight movements from the first quarter (January-March*1) of the fiscal term through March 2011. Recovery and growth were particularly noticeable in airfreight exports, which surged by 107.4%*2 over the previous year. Airfreight imports grew by 38.2%*3, while ocean freight exports rose 21.1%*4 and ocean freight imports rose 19.0%*3.

In the fiscal term through March 2011, the East Asia & Oceania region will take the lead in steadily implementing the "Creating a Strong Asia" and "Selling a Strong Asia" policies called for in our New Medium-Term Management Plan. By joining forces with the four other regions, we intend to propel the KWE Group to even greater growth. Toward that end, we will implement the following five measures, which are mostly based on the major policies of our New Medium-Term Management Plan. 1) Establish a new subsidiary in the Shanghai Pudong International Airport Comprehensive Bonded Area at the end of 2010; 2) Work to implement the "Greater South China Concept" (integrate operation of subsidiaries in Southern China); 3) Promote trans-regional activities by our Chinese bonded logistics team; 4) Expand freight volume by enhancing cooperation with KWE's Southeast Asia Headquarters; 5) Further strengthen the ocean freight forwarding business.

KWE has established a number of advantages in China: our own service network with more than 109 operating locations, expertise in bonded logistics (primarily for electronic components), our own trucking network covering the major cities of China's interior, cutting-edge logistics facilities, and a comprehensive service framework that enables us to organically combine all of these strengths with airfreight and ocean freight forwarding services. We believe that further enhancing these strengths will allow us to continue to meet our customers' needs as they become more sophisticated and diverse. We intend to make every effort to ensure that KWE will remain the overwhelming leader in China into the future.

East Asia & Oceania

Our plan calls for a "Strong Asia" to be the driver of the KWE Group's growth

General Manager,
East Asia & Oceania
Yoshinori Watarai

Performance in the Fiscal Year Ended March 2010

Despite substantial drops in volume, gradual recovery began in October

After October, there was a noticeable rise in airfreight export volumes, particularly of electronics-related items. However, this did not make up for the significant drop in volumes from the beginning of the period, and airfreight export volume for the entire term ended 20.2%*2 lower than a year earlier.

Despite solid shipments of liquid crystal-related items and electronic components, backed by greater consumption and production in China, airfreight imports fell 10.9%*3 from the previous term.

Ocean freight did not fully recover; exports fell 16.9%*4 from the previous year and imports were off 17.9 %*3.

As a result, net sales for the East Asia & Oceania region declined 20.4% from the previous year to 56,649 million yen and operating income declined by 6.5% to 3,435 million yen.

*1 KWE's overseas subsidiaries close their accounts at the end of December. *2 Based on weight *3 Based on number of shipments *4 Based on TEUs (Twenty-foot Equivalent Units)

Highlights of the Fiscal Year Ended March 2010

June 2009 Our Taiwan subsidiary acquired an international logistics center license

June Our Shanghai logistics subsidiary received ISO9001 certification

December Our Korean subsidiary opened its Suwon Logistics Center

(Millions of yen)

	'07/3	'08/3	'09/3	'10/3
Net Sales	77,395	81,561	71,191	**56,649**
Operating Income	4,121	4,809	3,674	**3,435**
Operating Margin	5.32%	5.90%	5.16%	**6.06%**

Main Policies for the Fiscal Year through March 2011

We saw extremely active freight movements from the first quarter (January-March[*1]) of the fiscal term through March 2011. Recovery was particularly strong in airfreight exports, which surged by 95.0%[*3] over the same quarter the previous year. Airfreight imports grew by 30.5%[*4] while ocean freight exports decreased 2.1%[*5] and ocean imports rose 32.3%[*4].

We are undertaking three main initiatives in the fiscal term through March 2011. The first is further expansion of our logistics business. In January 2010, KWE (Singapore) received ISO13485: 2003 Quality Management System Standard for Medical Devices Certification. Armed with this certification, we will step up efforts to win even bigger customers in the health care field. In Malaysia, India, and Thailand, we are actively building new warehouses and expanding existing ones.

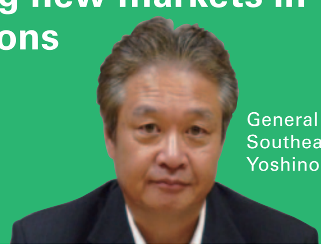
The second initiative is expansion of our cross-border trucking service. We already offer truck transport services between Singapore, Malaysia, and Thailand. Going forward, we are looking into establishing a Vietnam-based service that will extend all the way into southern China.

We call our third initiative "China plus one," which means entering markets in developing countries that will continue to attract attention in the future. In April 2010, we established a representative office in Bangladesh. We also have our eyes on the Cambodian and Myanmar markets.

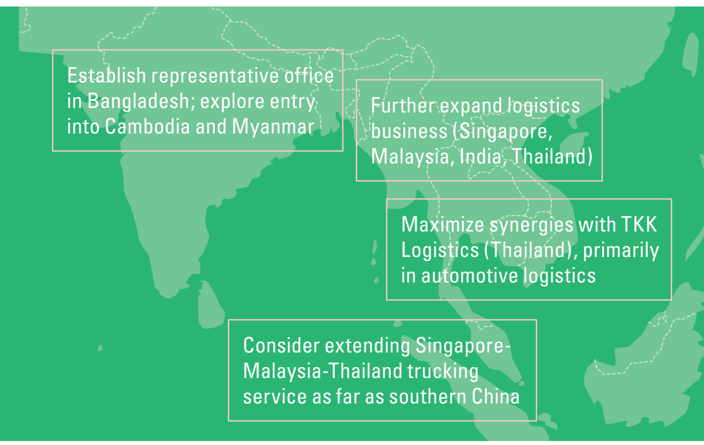
In addition, we intend to work more closely with TKK Logistics (Thailand), which became a KWE subsidiary in January 2009, and to make the most of opportunities for synergy, primarily in automotive-related logistics.

Southeast Asia

Expanding our cross-border trucking service; Entering new markets in developing nations



General Manager,
Southeast Asia
Yoshinobu Mitsuhashi



Performance in the Fiscal Year Ended March 2010[*2]

Recovery in transport demand; business from new customers

Thanks to recovery in demand from the second half of the fiscal term for airfreight related to electronics in general and semiconductors in particular, as well as to business from new customers, airfreight exports increased by 2.1%[*3].

In airfreight imports, we saw some growth from semiconductor manufacturing equipment, but because of the big drop in volume in the beginning of the term, we ended 11.6%[*4] lower than the previous year.

Ocean freight exports declined 16.9%[*5] and imports declined 6.6%[*4].

As a result, net sales for the Southeast Asia & Middle East region declined 9.6% from the previous year to 17,887 million yen, and operating income declined by 9.5% to 1,067 million yen.

*1 KWE's overseas subsidiaries close their accounts at the end of December. *2 Shown in the former regional segmentation before the segmentation change in July 2010 *3 Based on weight *4 Based on number of shipments *5 Based on TEUs (Twenty-foot Equivalent Units)

Highlights of the Fiscal Year Ended March 2010

January 2010 Our Singapore subsidiary received ISO13485: 2003 Quality Management System Standard for Medical Devices Certification

February 2010 Our Singapore subsidiary received TAPA Class A certification

April 2010 KWE established a representative office in Bangladesh

(Millions of yen)

	'07/3	'08/3	'09/3	'10/3
Net Sales	26,106	25,325	19,786	**17,887**
Operating Income	1,201	1,576	1,178	**1,067**
Operating Margin	4.60%	6.22%	5.95%	**5.97%**

Efforts to Protect the Environment

Environmental Protection Policies

KWE's behavioral guidelines for employees call for careful use of resources and protection of the environment. In October 2009, we updated the Environmental Protection Policies that we adopted in January 2001. Strengthening our protection management system for the environment is also one of the major policies of our new "Ready for the Next!" Medium-Term Management Plan. In the future, we will continue to work hard at preserving the environment through efforts related to our warehouses and equipment, and to our other business activities.

Kintetsu World Express Environmental Protection Policies

Basic Philosophy

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

Basic Policies

(1) Having established an organization that allows us to properly manage the environmental impact of our logistics services, which consist primarily of international forwarding services, we will promote ongoing environmental management activities.

(2) We will assess our business' 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 go beyond those requirements in protecting the environment.

(4) We will take particular care regarding the following types of environmental impact resulting from our business activities:

♣ Curbing CO_2 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. We will also announce our environmental policies to the public.

Aiming for a "Low Carbon Society"

KWE is working in a variety of ways to realize a "low carbon society" domestically and abroad.

Environmental Initiatives at KWE Warehouses

Ways that we reduce electric power consumption at terminals directly operated by KWE include introducing energy-efficient machinery, controlling heating and cooling temperatures more carefully, and turning off lights during lunchtime, as well as installing a solar power generator at our Narita Terminal. In order to reduce waste and conserve resources, we reuse wooden pallets and recycle wrapping and banding materials, cardboard, and office paper.

Solar power generator (Narita Terminal, Japan)

Reducing Vehicle Fuel Consumption

In order to reduce fuel consumption by delivery trucks, cargo handling vehicles, and company cars, we are reducing fuel consumption in vehicles used for bonded transport between airports and KWE warehouses, switching to battery-powered forklifts in warehouses and to eco-friendly cars, seeking cooperation from partners that operate freight trucks, discouraging idling, and complying with the Osaka Prefectural Ordinance Concerning Life Environment Preservation (compliance with restrictions on vehicle entry).

Acquisition of ISO Certification for Our Environmental Management Systems

As of March 2010, 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 eight locations overseas.

Acquisition of Green Management Certification

The Tokyo Special Transportation Sales Office of KWE domestic subsidiary Kintetsu World Express Delivery Co., Ltd. received Green Management Certification from Japan's Eco-Mo Foundation in October 2005. Since then, three other locations also received this certification.

Corporate Governance

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

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

Board of Directors
KWE's Board of Directors consists of 14 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.

The Board of Directors held 12 meetings in the fiscal year ended March 2010, and all directors, including two outside directors, attended every meeting.

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

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

The Board of Auditors held 14 meetings in the fiscal year ended March 2010, and all auditors, including two outside auditors, attended every meeting.

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 Kintentsu Corporation. Our outside auditors are Naoyuki Okamoto, President and Representative Director of Mie Kotsu Group Holdings, Inc., 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 outside 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 as a forum for discussing important matters concerning management policies for the entire group and their execution. 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. The Group also holds meetings for the heads of its regional headquarters and business strategy meetings as its own forums.

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 2010, we paid a total of 357 million yen to 19 directors, including 19 million yen to the two outside directors.

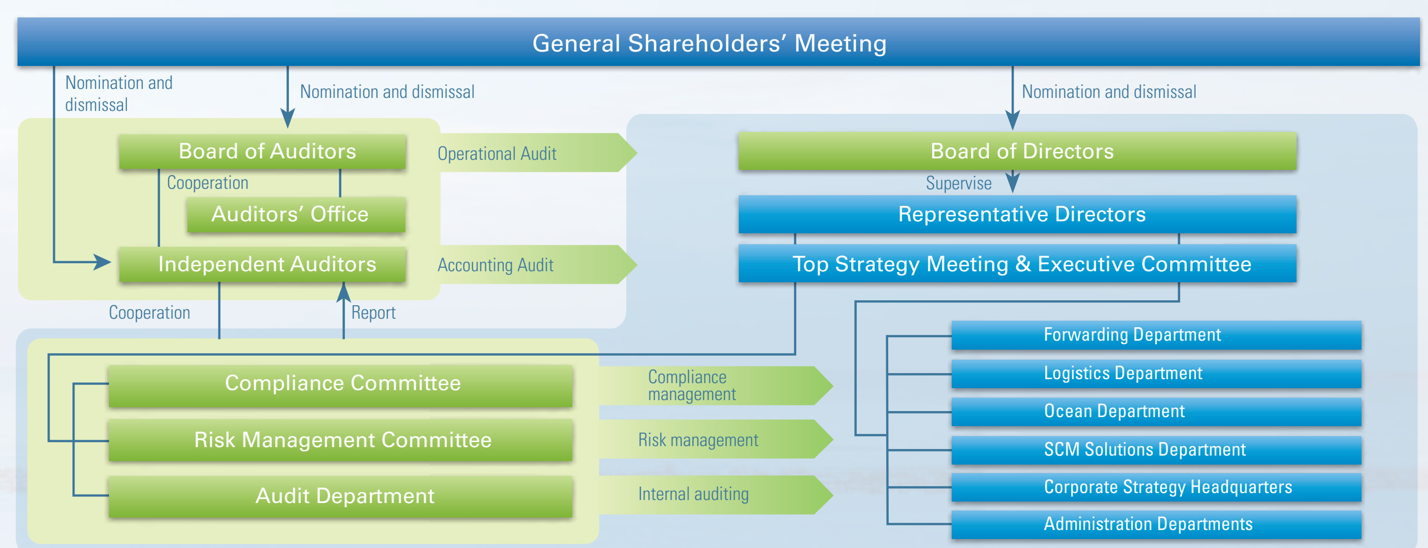
Compliance
One of the important principles that is clearly stated in the KWE Ethics and Action Standards that guides the actions of KWE executives and employees is that we should live up to the public's trust with fairness, a strong sense of ethics and responsibility. The Group has established and publicized internally the KWE Group Conduct Compliance Standards, the basis for specific actions, as well as an "Operational Compliance Q&A." In addition to establishing and publicizing internally a "KWE Group Compliance Manual" and a "KWE Group Antimonopoly Compliance Manual," the Group regularly conducts compliance training for executives and employees and compliance audits. KWE has also established a Compliance Committee to oversee companywide compliance and has compliance managers in each department. In addition to managing these organizations, the Group has positioned thorough compliance as a strategic priority in its "Ready for the Next!" Medium-Term Management Plan, which starts with the fiscal year ending March 2011.

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 100 people.
Posting of IR material on website	Yes	Our website: http://www.kwe.com/ir/index.html Contains links to President's message, corporate philosophy, management plans, information about the Company, industry, and Group subsidiaries and affiliates, financial statements, share information
Establishment of IR group or dedicated personnel	–	General Affairs Department (IR/PR Group)

The Company discloses on its website monthly figures for airfreight export tonnage and the number of airfreight import shipments clearing customs in Japan, for KWE and for the entire industry; KWE's standing in the industry; and its quarterly overseas cargo volume. In addition, the Company strives to help investors understand its businesses by providing videos that clarify its operations and, on its website, announcing notices of shareholders' meetings, providing videos of shareholders' meetings and financial results briefings, and publishing segment information.



Management

Akio Tsujii
Chairman

Satoshi Ishizaki
President and
Chief Executive Officer

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

Yoshinori Watarai
Managing Director

Shinya Aikawa
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., 54 consolidated subsidiaries, and three affiliated companies that have been accounted for by the equity method. Our principal businesses are international and domestic 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 four categories: airfreight forwarding (which accounted for 44.2% of net sales in the fiscal year ended March 2010), logistics (21.2%), ocean freight forwarding (20.3%), and other operations (14.3%).

The KWE Group uses a Five Regional Management System. In the fiscal year ended March 2010, each region's contribution to overall net sales* was as follows: Japan 43.9%, the Americas 12.8%, Europe & Africa 9.0%, East Asia & Oceania 26.1%, and Southeast Asia & Middle East 8.2%. In all, 56.1% of KWE's total net sales came from overseas operations.

* Shown in the regional segmentation before the change in July 2010, based on simple totals, before eliminations; hereinafter the same

OPERATIONS

During the fiscal year ended March 31, 2010, the global economy has benefited from economic measures implemented by individual governments in response to a worsening of conditions after the financial crisis and growth in emerging nations; accordingly, it would seem that the worst is now over, and signs of a recovery are starting to become apparent. Nevertheless, no full-fledged recovery has taken hold in the U.S. and Europe in particular and the outlook has remained unclear. In Japan, meanwhile, despite the fact that exports and manufacturing have bottomed out, concerns regarding the employment uncertainty, production overcapacity, and the effect of deflation persist, and the economy remains in a modest recovery phase lacking any indication of becoming self-sustaining.

Looking at the international forwarding markets in which the KWE Group is mainly involved, freight movement has intensified, particularly in Asia, but as a result of a reduction in the space available for cargo pursuant to streamlining by airlines and a shift in the supply-demand balance brought about by the recovery in freight volumes, air freight costs have increased markedly since the beginning of the second half. Against this backdrop, the KWE Group's airfreight forwarding business improved in all regions as the fiscal year progressed, but the sharp declines at the start of the fiscal year could not be offset and export volumes (by weight) and imports (by number) declined from the previous year. In the ocean freight forwarding business, export volumes and imports (by number) both declined. As a result of the above, the KWE Group's consolidated net sales fell 18.6% to 211.837 billion yen and operating income shrank 17.4% to 7.452 billion yen.

Net Sales

As mentioned above, the KWE Group's consolidated net sales decreased 18.6% to 211.837 billion yen.

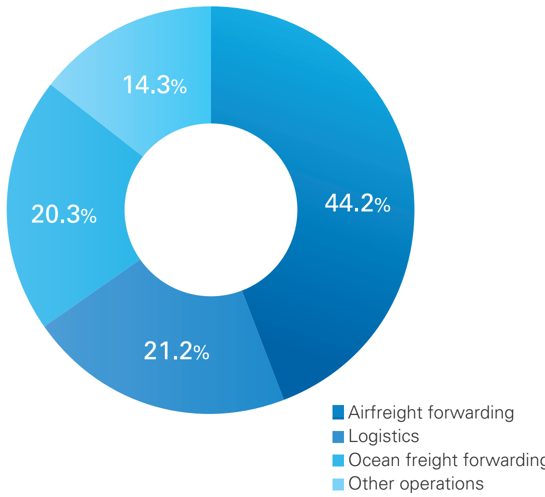
Transport demand declined as a result of economic recessions. Net sales declined by 25.9% in freight forwarding, 7.4% in logistics, 15.9% in ocean freight forwarding, and 11.6% in other operations.

Cargo movements picked up in Japan, but they did not rebound substantially in any region. Net sales declined from the previous year in all five regions: by 16.6% in Japan, by 25.6% in the Americas, by 19.5% in Europe & Africa, by 20.4% in East Asia & Oceania, and by 9.6% in Southeast Asia & Middle East.

Cost of Sales

In the fiscal year ended March 2010, the cost of sales decreased 20.2% from the previous year to 175.720 billion yen, and the percentage to net sales fell by 1.6 percentage points to 83.0%. In addition to organizational consolidation, sharp cutbacks in fixed and variable costs, and other rationalization measures we had taken since the previous fiscal year, we generated results with additional

Net Sales by Category



rationalization measures, called the KWE Innovation Project Phase II (KIP2), starting in April 2009.

Selling, General and Administrative Expenses

In the fiscal year ended March 2010, KWE's selling, general and administrative expenses declined by 7.8% from the previous year to 28.665 billion yen as a result of ¥3.3 billion of cost reductions. We cut not only variable costs, through streamlining in all areas of operations, with no exceptions, but also fixed costs. However, the percentage of selling, general and administrative expenses to net sales increased by 1.6 percentage points to 13.5%.

Operating Income

In the fiscal year ended March 2010, operating income fell 17.4% from the previous year to 7.452 billion yen, but the operating income margin rose 0.05 percentage point. Although selling, general and administrative expenses to net sales increased from the previous year, we were able to reduce the cost of sales to net sales by thoroughly cutting costs companywide.

Other Income (Expenses)

In the fiscal year ended March 2010, we posted net other income of 0.144 billion yen, compared with net other expenses of 1.035 billion yen in the previous year. The main reasons for the improvement were foreign currency exchange gains, instead of the foreign currency exchange losses we incurred in the previous fiscal year; declines in equity in losses of affiliates and loss on valuation of investment securities; and an absence of the antitrust penalty incurred in the previous fiscal year in connection with Japan's Anti-Monopoly Act.

Income Before Income Taxes and Minority Interests

In the fiscal year ended March 2010, KWE's income before income taxes and minority interests was 7.596 billion yen, down 4.9% from the previous year.

Income Taxes

Income taxes came to 2.612 billion yen, down 34.6% from the previous year. After adjustments, KWE's effective tax rate decreased from 50.0% in the previous year to 34.4% this term.

Net Income

In the fiscal year ended March 2010, KWE's net income rose 31.4% from the previous year to 4.571 billion yen. As a result, net income per share rose from the previous year's 96.62 yen to 126.97 yen, and return on equity improved from the previous year's 5.5% to 7.3%.

OUTLOOK FOR THE YEAR THROUGH MARCH 2011

In the international freight business, volume is likely to rebound, mainly for Asian routes, but transport space will probably be limited, owing to consolidation and flight cutbacks in the airline industry, and the cost of sales may rise. Under such conditions, KWE Group has started on a "Ready for the Next!" three-year plan (for the fiscal year ending March 2011 through the fiscal year ending March 2013), which is focused on establishing a solid base to compete on equal footing with major global competitors. We aim to strengthen our logistics services in Asia by concentrating our resources on them, as well as achieve further growth by meeting the needs of globalizing customers with a two-pronged strategy involving the establishment of a strong network in Asia and a framework for groupwide marketing of Asia in the global market. With market conditions likely to remain challenging, we intend to work toward the targets in this new medium-term plan and generate in the fiscal year ending March 2011 net sales of 260.000 billion yen, up 22.7% from the previous year, and operating income of 10.800 billion yen, up 44.9%. We expect overall cargo volume handled to increase 5.7%, airfreight cargo volume handled to rise 28.2%, and ocean freight cargo volume handled to grow 15.1%.

SEGMENT TRENDS BY REGION

For a breakdown of segment trends by region, please refer to the Report by Five Regions on pages 16 to 20.

FINANCIAL POSITION

In the fiscal year ended March 2010, KWE's total assets increased by 6.9% to 116.641 billion yen.

Current assets rose 7.6%, or 4.935 billion yen, to 70.043 billion yen mainly due to an increase in notes and accounts receivable.

Total property and equipment increased 11.0%, or 3.424 billion yen, to 34.632 billion yen. Intangible assets fell 18.6%, or 473 million yen, to 2.071 billion yen, and investments and other assets shrank 3.9%, or 399 million yen, to 9.895 billion yen. As a result, total long-term assets increased 5.8%, or 2.552 billion yen, to 46.597 billion yen.

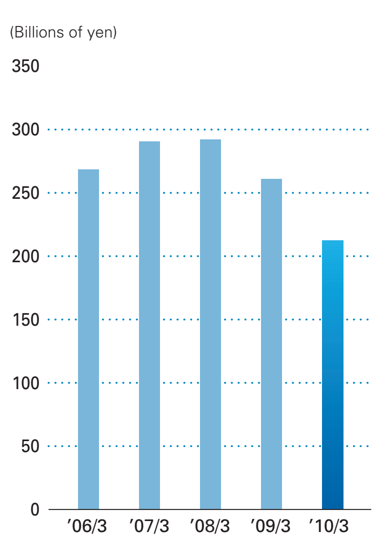
Total liabilities increased 2.8%, or 1.322 billion yen, to 48.602 billion yen. Current liabilities grew 3.4% from the previous year to 42.032 billion yen mainly because notes and accounts payable increased 23.0% from the previous year to 19.529 billion yen. Long-term liabilities decreased by 1.2% to 6.570 billion yen largely because long-term debt declined 29.7% to 3.349 billion yen and even though employees' accrued retirement benefits rose 96.4% to 2.200 billion yen.

In the fiscal year ended March 2010, net assets rose 10.0% from 61.874 billion yen in the previous year to 68.039 billion yen. The net unrealized holding gains on available-for-sale securities totaled 174 million yen, an improvement from the previous year's net unrealized losses of 415 million yen, and the foreign currency translation adjustment (a deduction) decreased by 1.096 billion yen to 4.127 billion yen. As a result, valuation and translation adjustments (a deduction) fell 1.685 billion yen to 3.953 billion yen. At the end of the term, our equity ratio had increased to 56.3% from 55.1% at the end of the previous fiscal year.

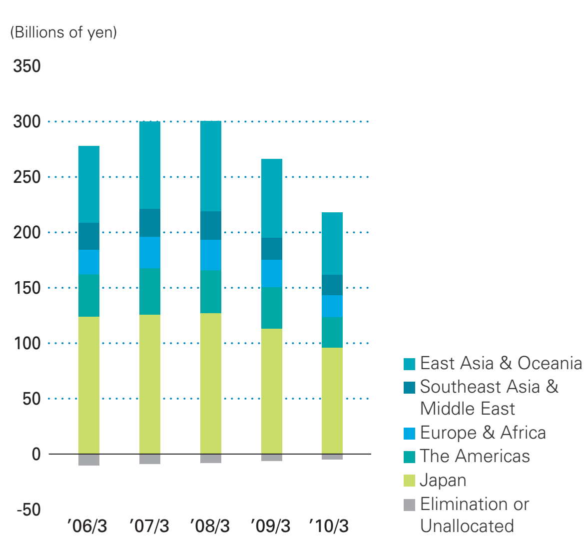
LIQUIDITY AND CAPITAL RESOURCES

In the fiscal year ended March 2010, KWE generated 6.260 billion yen in cash flow from operating activities. This was 3.427 billion yen, or 35.4%, less than in the previous year. The main reasons for the decline were a 395 million yen decline in net income before income taxes and minority interests, an increase in notes and accounts receivable of 4.322 billion yen (versus the previous fiscal year's decrease of 8.048 billion yen), and an increase in notes and accounts payable of 2.869 billion yen (versus the previous fiscal year's

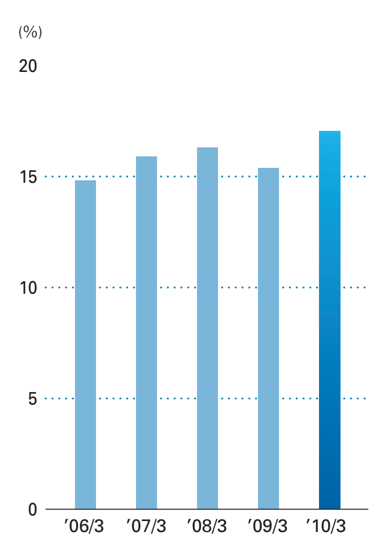
Net Sales



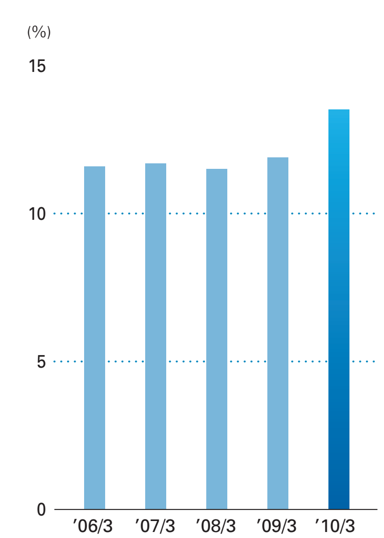
Net Sales by Region



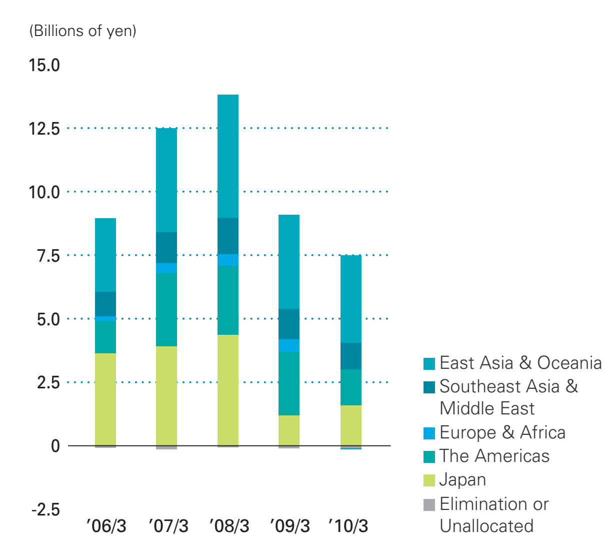
Gross Profit Margin



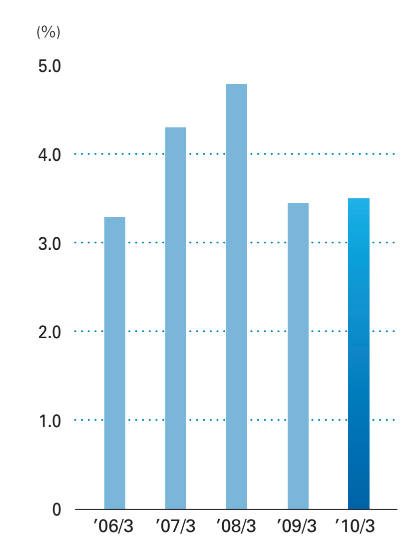
SGA Expenses to Net Sales



Operating Income (Loss) by Region



Operating Income Margin



decrease of 3.862 billion yen).

Net cash used in investing activities in the fiscal year ended March 2010 totaled 3.834 billion yen, down 40.8%, or 2.646 billion yen from the previous fiscal year. The main reasons for the decline were 2 million yen in net cash provided by purchases and sales of securities, versus the previous fiscal year's net cash used of 2.571 billion yen. Payments for purchases of property and equipment, which trend in line with the amount of capital investment, increased from 2.795 billion yen in the previous year to 3.322 billion yen.

Net cash used in financing activities increased 2.332 billion yen from 1.664 billion yen in the previous year to 3.996 billion yen. Also, payments of cash dividends declined 19.3% from the previous year to 756 million yen.

As a result of all of the above, cash and cash equivalents as of March 31, 2010 declined by 859 million yen from a year earlier to 25.045 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

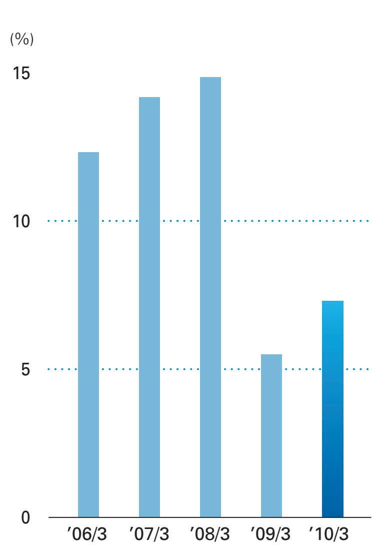
KWE operates on a global basis, with operations primarily located within our Five Regional Management System consisting of Japan; the Americas; Europe, Middle East & Africa; East Asia & Oceania; and Southeast Asia. The main products we handle are shipping items such as electronics items (electronic components, 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 and chemical 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.

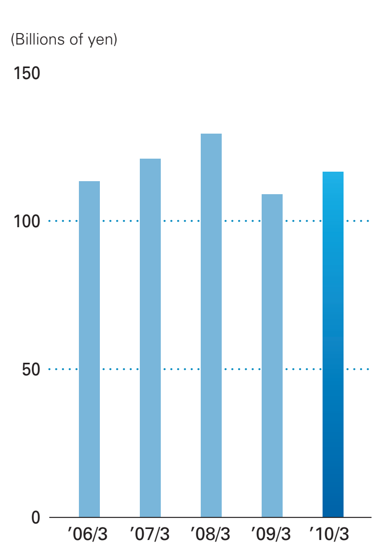
2. Exchange rate fluctuations

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

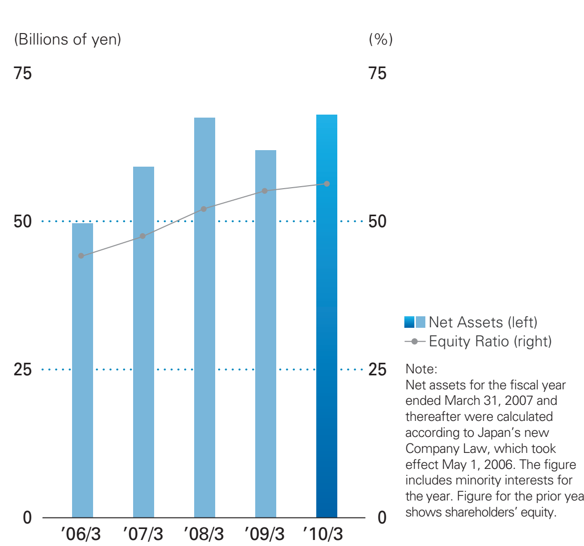
ROE



Total Assets



Net Assets and Equity Ratio



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

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, Middle East & Africa; East Asia & Oceania; Southeast Asia. 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.

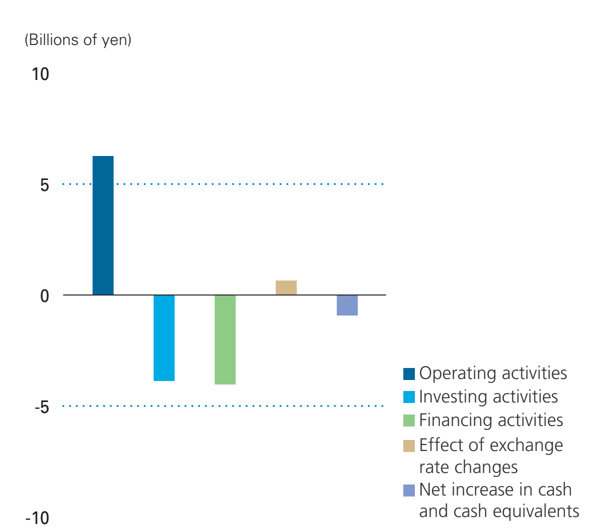
7. Customer data management / information leaks

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



Kintetsu World Express, Inc. and Subsidiaries

Consolidated Balance Sheets

March 31, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current assets :			
Cash and time deposits (Notes 3 and 12)	¥ 25,934	¥ 26,295	$ 278,740
Notes and accounts receivable – Trade (Note 12)	41,133	35,236	442,100
Less: Allowance for doubtful accounts	(260)	(225)	(2,794)
Deferred tax assets (Note 8)	679	1,002	7,298
Other current assets	2,557	2,800	27,483
Total current assets	70,043	65,108	752,827
Property and equipment :			
Land (Note 6)	10,799	9,455	116,068
Buildings and structures (Note 6)	31,404	27,679	337,532
Machinery and equipment	2,824	2,608	30,353
Lease Assets	1,156	706	12,425
Others	10,096	10,016	108,512
	56,279	50,464	604,890
Less: Accumulated depreciation	(21,647)	(19,257)	(232,663)
Total property and equipment	34,632	31,207	372,227
Intangible assets :			
Goodwill	126	271	1,354
Other intangible assets	1,945	2,274	20,905
Total intangible assets	2,071	2,545	22,259
Investments and other assets :			
Investments in (Notes 4, 6 and 12) :			
Affiliates	1,199	1,696	12,887
Others	4,240	3,476	45,572
Long-term loans receivable (Note 12)	250	679	2,687
Deferred tax assets (Note 8)	702	786	7,545
Other investments	3,921	3,984	42,143
Less: Allowance for doubtful accounts	(417)	(328)	(4,482)
Total investments	9,895	10,293	106,352
	¥ 116,641	¥ 109,153	$ 1,253,665

See accompanying notes.

LIABILITIES AND NET ASSETS		Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities :				
Short-term debt (Notes 5 and 12)		¥ 10,092	¥ 11,655	$ 108,469
Current maturities of long-term debt (Notes 5 and 12)		1,864	948	20,034
Notes and accounts payable – Trade (Note 12)		19,529	15,872	209,899
Lease obligations (Note 5)		187	129	2,010
Income taxes payable (Note 12)		990	1,712	10,641
Deferred tax liabilities (Note 8)		64	67	688
Employees' accrued bonuses		1,589	1,419	17,079
Directors' and corporate auditors' accrued bonuses		168	192	1,806
Other current liabilities		7,549	8,638	81,137
Total current liabilities		42,032	40,632	451,763
Long-term liabilities :				
Long-term debt (Notes 5 and 12)		3,349	4,763	35,995
Lease obligations (Note 5)		762	485	8,190
Employees' accrued retirement benefits (Note 7)		2,200	1,121	23,646
Deferred tax liabilities (Note 8)		88	39	946
Other long-term liabilities		171	239	1,838
Total long-term liabilities		6,570	6,647	70,615
Contingent liabilities (Note 9)				
Net assets (Note 10) :				
Shareholders' equity :				
Common stock				
Authorized	120,000,000 shares			
Issued	36,000,000 shares	7,216	7,216	77,558
Capital surplus		4,868	4,868	52,321
Retained earnings		57,496	53,681	617,971
Treasury stock, at cost		(1)	(1)	(11)
Total shareholders' equity		69,579	65,764	747,839
Valuation and translation adjustments :				
Net unrealized holding gains (losses) on available-for-sale securities		174	(415)	1,870
Foreign currency translation adjustment		(4,127)	(5,223)	(44,357)
Total valuation and translation adjustments		(3,953)	(5,638)	(42,487)
Minority interests in consolidated subsidiaries		2,413	1,748	25,935
Total net assets		68,039	61,874	731,287
		¥ 116,641	¥ 109,153	$ 1,253,665

See accompanying notes.

Consolidated Statements of Income

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales (Note 13)	¥ 211,837	¥ 260,331	$ 2,276,838
Cost of sales	175,720	220,207	1,888,650
Gross profit	36,117	40,124	388,188
Selling, general and administrative expenses (Note 14)	28,665	31,098	308,093
Operating income (Note 13)	7,452	9,026	80,095
Other income (expenses) :			
Interest and dividends income	218	437	2,343
Interest expenses	(301)	(369)	(3,235)
Foreign currency exchange gain (loss), net	529	(27)	5,686
Equity in earnings of affiliates, net	(93)	(256)	(1,000)
Gain on sales of investment securities	–	642	–
Antitrust penalty	–	(1,495)	–
Loss on offices closing	(205)	(46)	(2,203)
Loss on valuation of investment securities	(87)	(225)	(935)
Other, net (Note 15)	83	304	891
	144	(1,035)	1,547
Income before income taxes and minority interests	7,596	7,991	81,642
Income taxes (Note 8) :			
Current	2,503	4,106	26,902
Deferred	109	(111)	1,172
	2,612	3,995	28,074
Minority interests in net income of consolidated subsidiaries	413	518	4,439
Net income	¥ 4,571	¥ 3,478	$ 49,129

	Yen		U.S. dollars (Note 1)
	2010	2009	2010
Amounts per share :			
Net income	¥ 126.97	¥ 96.62	$ 1.36
Cash dividends applicable to the year	24.00	27.00	0.26

See accompanying notes.

Kintetsu World Express, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2010 and 2009

	Millions of yen										
		Shareholders' equity					Valuation and translation adjustments				
	Number of shares of common stock (thousands)	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	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2008	36,000	¥ 7,216	¥ 4,868	¥ 51,151	¥ (1)	¥ 63,234	¥ 765	¥ 1,491	¥ 2,256	¥ 2,056	¥ 67,546
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)
Balance at March 31, 2009	36,000	¥ 7,216	¥ 4,868	¥ 53,681	¥ (1)	¥ 65,764	¥ (415)	¥ (5,223)	¥ (5,638)	¥ 1,748	¥ 61,874
Net income	–	–	–	4,571	–	4,571	–	–	–	–	4,571
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	–	1,096	1,096	–	1,096
Net increase in unrealized holding gains on available-for-sale securities	–	–	–	–	–	–	589	–	589	–	589
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	(0)
Cash dividends paid	–	–	–	(756)	–	(756)	–	–	–	–	(756)
Other, net	–	–	–	–	–	–	–	–	–	665	665
Balance at March 31, 2010	36,000	¥ 7,216	¥ 4,868	¥ 57,496	¥ (1)	¥ 69,579	¥ 174	¥ (4,127)	¥ (3,953)	¥ 2,413	¥ 68,039

	Thousands of U.S. dollars (Note 1)										
		Shareholders' equity					Valuation and translation adjustments				
	Number of shares of common stock (thousands)	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	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	36,000	$ 77,558	$ 52,321	$ 576,967	$ (11)	$ 706,835	$ (4,460)	$ (56,138)	$ (60,598)	$ 18,788	$ 665,025
Net income	–	–	–	49,129	–	49,129	–	–	–	–	49,129
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	–	11,781	11,781	–	11,781
Net increase in unrealized holding gains on available-for-sale securities	–	–	–	–	–	–	6,330	–	6,330	–	6,330
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	(0)
Cash dividends paid	–	–	–	(8,125)	–	(8,125)	–	–	–	–	(8,125)
Other, net	–	–	–	–	–	–	–	–	–	7,147	7,147
Balance at March 31, 2010	36,000	$ 77,558	$ 52,321	$ 617,971	$ (11)	$ 747,839	$ 1,870	$ (44,357)	$ (42,487)	$ 25,935	$ 731,287

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before income taxes and minority interests	¥ 7,596	¥ 7,991	$ 81,642
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	3,114	3,157	33,470
Increase (Decrease) in employees' accrued bonuses	155	(36)	1,666
Increase (Decrease) in directors' and corporate auditors' accrued bonuses	(27)	(28)	(290)
Increase (Decrease) in employees' accrued retirement benefits	1,071	313	11,511
Interest and dividends income	(218)	(437)	(2,343)
Interest expenses	301	369	3,235
Gain on sales of investment securities	–	(642)	–
Antitrust penalty	–	1,495	–
Compensation for damage	–	44	–
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(4,322)	8,048	(46,453)
Increase (Decrease) in notes and accounts payable	2,869	(3,862)	30,836
(Increase) Decrease in other assets	612	(468)	6,578
Increase (Decrease) in other liabilities	3	(1,751)	32
Other, net	86	647	924
Sub-total	11,240	14,840	120,808
Interest and cash dividends received	261	419	2,805
Interest paid	(327)	(353)	(3,515)
Proceeds from insurance income	–	11	–
Compensation for damage paid	–	(55)	–
Payments for antitrust penalty	(1,495)	–	(16,068)
Income taxes paid	(3,419)	(5,175)	(36,747)
Net cash provided by (used in) operating activities	6,260	9,687	67,283
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of securities	(32)	(3,635)	(344)
Proceeds from sales of securities	34	1,063	366
Payments for purchases of property and equipment	(3,322)	(2,795)	(35,705)
Proceeds from sales of property and equipment	103	45	1,107
Proceeds from loans receivable	43	63	462
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(115)	–	(1,236)
Other, net	(545)	(1,222)	(5,858)
Net cash provided by (used in) investing activities	(3,834)	(6,481)	(41,208)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(2,008)	1,481	(21,582)
Payments of capital lease obligations	(191)	(141)	(2,053)
Proceeds from long-term debt	357	2,609	3,837
Payments for long-term debt	(1,054)	(4,447)	(11,328)
Payments of cash dividends	(756)	(936)	(8,126)
Payments of cash dividends to minority shareholders	(344)	(230)	(3,697)
Other, net	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(3,996)	(1,664)	(42,949)
Effect of exchange rate changes on cash and cash equivalents	710	(4,137)	7,630
Net increase (decrease) in cash and cash equivalents	(860)	(2,595)	(9,244)
Cash and cash equivalents at beginning of year	25,905	28,500	278,429
Cash and cash equivalents at end of year (Note 3)	¥ 25,045	¥ 25,905	$ 269,185

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2010 and 2009

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. Based on the accounting standard, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements (issued by the Accounting Standards Board of Japan ("ASBJ") on May 17, 2006)", the difference of accounting policies between Japanese GAAP and those in overseas are adjusted in the consolidation process. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company 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, 2010, which was ¥93.04 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.

Certain prior year amounts have been reclassified to conform to the year 2010 presentation. These changes had no impact on previously reported results of operations.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and 54 subsidiaries for the year ended March 31, 2010. At March 31, 2009 the Company had 53 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, 2010, 3 affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method whereby the costs of investments are adjusted for equity in undistributed earnings or losses since acquisition. At March 31, 2009, 4 affiliates were 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 mainly 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. The range of useful lives is principally as follows:

Buildings and structures	13 - 47 years
Machinery and equipment	3 - 6 years
Others	3 - 10 years

(b) Lease Assets

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 amortized as incurred.

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

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

(11) Directors' and Corporate Auditors' Accrued Bonuses
Bonuses to directors' and corporate auditors' are provided for the portion relevant to the current year of the estimated amount of bonus payments.

(12) Employees' Accrued Retirement Benefits
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 (13 years).

<Accounting Changes>
Effective from the year ended March 31, 2010, the Company and domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" ("ASBJ" Statement No. 19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period. The adoption of this new accounting standard had no impact on operating income and income before income taxes and minority interests.

(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
The balance sheet accounts 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.
Effective April 1, 2009, the Company translated foreign currency revenue and expense accounts of overseas consolidated subsidiaries into Japanese yen at the average exchange rates. Previously the Company applied the current exchange rates as of the balance sheet date of those subsidiaries. This change is for presenting more accurate operating result in case of sharp fluctuation in exchange rates. Further, overseas consolidated subsidiaries come to have greater implication for consolidated financial statements due to expansion of their operations. The effect of this change was to decrease net sales by ¥113 million ($1,215 thousand) and increase operating income by ¥30 million ($322 thousand) and income before income taxes and minority interests by ¥32 million ($344 thousand). An impact on the segment is referred to in Note 13.

(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 Companies 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 Companies 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 Companies 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.
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, 2010 and 2009 are not presented since the Company had no securities with dilutive effect.
Cash dividends per share presented in the consolidated statements of income represent dividends declared as applicable to the respective year, including dividends paid after the end of the year.

Note 3: Cash and Cash Equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥ 25,934	¥ 26,295	$ 278,740
Deposits over three months	(889)	(390)	(9,555)
Cash and cash equivalents	¥ 25,045	¥ 25,905	$ 269,185

Note 4: Securities

The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2010 and 2009:

Held-to-maturity debt securities, at March 31, 2010	Millions of yen: Book value	Market value	Difference	Thousands of U.S. dollars: Book value	Market value	Difference
Securities with available fair values exceeding book value	¥ 136	¥ 140	¥ 4	$ 1,462	$ 1,505	$ 43
Other securities	–	–	–	–	–	–
Total	¥ 136	¥ 140	¥ 4	$ 1,462	$ 1,505	$ 43

Held-to-maturity debt securities, at March 31, 2009	Millions of yen: Book value	Market value	Difference
Securities with available fair values exceeding book value	¥ 317	¥ 323	¥ 6
Other securities	–	–	–
Total	¥ 317	¥ 323	¥ 6

Available-for-sale securities, at March 31, 2010	Millions of yen: Book value	Acquisition cost	Difference	Thousands of U.S. dollars: Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 3,238	¥ 2,916	¥ 322	$ 34,802	$ 31,341	$ 3,461
Other securities	311	365	(54)	3,343	3,923	(580)
Total	¥ 3,549	¥ 3,281	¥ 268	$ 38,145	$ 35,264	$ 2,881

Available-for-sale securities, at March 31, 2009	Millions of yen: Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition costs	¥ 311	¥ 444	¥ 133
Other securities	2,889	2,038	(851)
Total	¥ 3,200	¥ 2,482	¥ (718)

Available-for-sale securities sold for the years ended March 31, 2010 and 2009 are as follows:

Available-for-sale securities	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Sales value	¥ 5	¥ 1,018	$ 54
Gain on sales	–	642	–
Loss on sales	0	–	0

Held-to-maturity debt securities sold for the years ended March 31, 2010 and 2009 are as follows:

Held-to-maturity debt securities	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Sales value	¥ 28	–	$ 301
Gain on sales	0	–	0
Loss on sales	–	–	–

Certain Held-to-maturity debt securities held by the overseas subsidiary was sold for the years ended March 31, 2010 because of making effective use of funds.

Held-to-maturity debt securities held by the overseas subsidiary was reclassified in Available-for-sale securities for the years ended March 31, 2010 because of the sales of certain Held-to-maturity debt securities as mentioned above. This reclassification had immaterial impact on the consolidated financial statements.

Book value of available-for-sale securities, with no fair market value, as of March 31, 2010 and 2009 are as follows:

Available-for-sale securities	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Non-listed securities	¥ 555	¥ 677	$ 5,965
Non-listed equity securities issued by affiliates	1,199	1,696	12,887
Total	¥ 1,754	¥ 2,373	$ 18,852

Securities impaired

Certain investment securities (Available-for sale securities) was impaired, and valuation loss on investment securities of ¥87 million ($935 thousand) is recorded for the year ended March 31, 2010.

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

Short-term debt consisted principally of borrowings from banks. The weighted average interest rates of short-term debt as of March 31, 2010 and 2009 were 1.04% and 1.32%, respectively.

Long-term debt at March 31, 2010 and 2009 consists of the followings:

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Long-term debt from banks and other financial institutions due 2011 to 2036, with average interests 2.89% for 2010 and 2.77% for 2009			
Secured	¥ 43	¥ 101	$ 462
Unsecured	6,119	6,224	65,767
	6,162	6,325	66,229
Less: Portion due within one year	(2,051)	(1,077)	(22,044)
	¥ 4,111	¥ 5,248	$ 44,185

Annual maturities of long-term debt at March 31, 2010 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ –	$ –
2012	432	4,643
2013	328	3,525
2014	2,764	29,708
2015 and thereafter	587	6,309
Total	¥ 4,111	$ 44,185

Note 6: Pledged Assets

At March 31, 2010, assets pledged as collateral for long-term debt mentioned in Note 5 are as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 977	$ 10,501
Land	912	9,802
	¥ 1,889	$ 20,303

In addition, the Company pledged security ¥136 million ($1,462 thousand) as collateral for deferred payment of customs duties.

Note 7: Employees' Retirement Benefits

The accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consists of the following:

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Projected benefit obligation	¥ 16,970	¥ 17,199	$ 182,395
Unrecognized prior service costs	(38)	(45)	(409)
Unrecognized actuarial differences	(2,726)	(5,070)	(29,299)
Less fair value of plan assets	(10,737)	(9,442)	(115,402)
Less unrecognized net transition obligation	(1,269)	(1,521)	(13,639)
Prepaid pension cost	–	–	–
Accrued retirement benefits	¥ 2,200	¥ 1,121	$ 23,646

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Service costs – benefits earned during the year	¥ 1,036	¥ 1,017	$ 11,135
Interest cost on projected benefit obligation	326	403	3,504
Expected return on plan assets	(371)	(523)	(3,987)
Amortization on net transition obligation	252	252	2,709
Amortization on prior service costs	7	6	75
Amortization on actuarial differences	530	346	5,696
Retirement benefit expenses	¥ 1,780	¥ 1,501	$ 19,132

The discount rates used by the Company to measure the projected pension benefit obligation was 2.0% for 2010 and 2009 and the rate of expected return on plan assets was 4.0% for 2010 and 2009.

Note 8: Income Taxes

Income taxes consist of corporation, inhabitants and enterprise taxes.

The statutory tax rates for the years ended March 31, 2010 and 2009 were 40.69%.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Deferred tax assets :			
Operating loss carryforwards	¥ 416	¥ 442	$ 4,471
Accrued bonuses	454	387	4,879
Allowance for doubtful accounts	148	7	1,591
Employees' accrued retirement benefits	825	472	8,867
Accrued enterprise tax	52	96	559
Net unrealized holding losses on available-for-sale securities	–	292	–
Other	406	871	4,364
Total	2,301	2,567	24,731
Valuation allowance	(586)	(519)	(6,298)
Total deferred tax assets	1,715	2,048	18,433
Deferred tax liabilities :			
Net unrealized holding gains on available-for-sale securities	(109)	–	(1,172)
Depreciation and other	(377)	(366)	(4,052)
Total deferred tax liabilities	(486)	(366)	(5,224)
Net deferred tax assets	¥ 1,229	¥ 1,682	$ 13,209

Significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2010 and 2009 were as follows:

	2010	2009
Statutory tax rate	40.69%	40.69%
Permanently non-deductible expenses for tax purposes such as entertainment expenses	2.61	2.63
Permanently non-taxable income such as dividend income	(1.19)	(2.50)
Difference of the statutory tax rate among countries other than Japan	(11.97)	(16.49)
Effect of elimination of intercompany dividends received	0.96	7.61
Valuation allowance	3.52	2.82
Antitrust penalty	–	7.61
Gain on sale of shares of subsidiaries to another subsidiary	1.33	3.87
Difference of investment for subsidiaries	–	2.17
Corporate inhabitant tax	1.22	0.86
Adjustment of corporate tax for previous year	(3.35)	–
Other, net	0.57	0.72
Effective tax rate	34.39%	49.99%

Note 9: Contingent Liabilities

The Company has no contingent liabilities as of March 31, 2010.

Note 10: Net Assets

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

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

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

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

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

Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

Note 11: Accounting for Leases

The 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, 2010 and 2009 were as follows:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for finance leases at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Machinery and equipment:			
Assumed acquisition cost	¥ 6	¥ 253	$ 64
Accumulated depreciation	(3)	(230)	(32)
Net book value	¥ 3	¥ 23	$ 32
Others (tools,dies, furniture and fixtures):			
Assumed acquisition cost	¥ 613	¥ 764	$ 6,588
Accumulated depreciation	(368)	(354)	(3,955)
Net book value	¥ 245	¥ 410	$ 2,633
Other intangible assets (Software):			
Assumed acquisition cost	¥ 188	¥ 312	$ 2,021
Accumulated depreciation	(117)	(118)	(1,258)
Net book value	¥ 71	¥ 194	$ 763

(2) Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Payments due within one year	¥ 161	¥ 237	$ 1,730
Payments due after one year	168	404	1,806
	¥ 329	¥ 641	$ 3,536

(3) Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease payments	¥ 205	¥ 313	$ 2,203
Depreciation expense portion	194	294	2,085
Interest expense portion	10	18	107

In addition, lease obligations under operating leases, including finance charges, at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Payments due within one year	¥ 2,529	¥ 3,000	$ 27,182
Payments due after one year	3,929	5,302	42,229
	¥ 6,458	¥ 8,302	$ 69,411

Note 12: Financial Instruments

1. Qualitative information on financial instrument

(1) Policies for using financial instruments

The Companies raise the fund through bank loans and makes short-term deposits for fund management purposes.

The Companies also utilize derivative financial instruments to hedge various risks as described in detail below and does not enter into derivatives for speculative purposes.

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

Notes and accounts receivable – Trade are exposed to credit risk of customers. To minimize the credit risk, the Companies perform due date controls and balance controls for each customer in accordance with internal customer credit management rules, and regularly screens customers' credit status.

Investment securities are exposed to stock market fluctuation risk. However, those are primarily the shares of companies with which the Companies have operational relationships, and the Companies are continuously monitoring investees' financial condition and the market values under the relationships. The credit risk of held-to-maturity debt securities is deemed to be very low because the Companies only invested debt securities with high credit rating.

Maturities of Notes and accounts payable – Trade are mostly within one year. Among loans payable, Short-term debts are primarily for fund raising related to sales transactions, and Long-term debts are primarily for fund raising related to capital investments. Those payables and debts are exposed to liquidity risk at time of settlement. However, the Companies reduce that risk by having each company review fund-raising plans periodically and controlling liquidity position.

Foreign exchange forward contracts as derivative transactions are used in order to avoid the risk of currency exchange associated with assets and liabilities denominated in foreign currencies. Derivative transactions are implemented by the overseas settlement section and controlled by the finance sections, based on the Companies' internal polices. The credit risk of derivative transactions is deemed to be very low because the Companies only conduct transactions with financial institutions with high credit ratings.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2010 are as follows.

Moreover, items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets :						
(1) Cash and time deposits	¥ 25,934	¥ 25,934	¥ –	$ 278,740	$ 278,740	$ –
(2) Notes and accounts receivable – Trade	41,133	41,133	–	442,100	442,100	–
(3) Investment securities						
Held-to-maturity debt securities	136	140	4	1,462	1,505	43
Other securities	3,549	3,549	–	38,145	38,145	–
(4) Long-term loans receivable	250	250	–	2,687	2,687	–
Total	¥ 71,002	¥ 71,006	¥ 4	$ 763,134	$ 763,177	$ 43
Liabilities :						
(5) Notes and accounts payable – Trade	¥ 19,529	¥ 19,529	¥ –	$ 209,899	$ 209,899	$ –
(6) Short-term debt	10,092	10,092	–	108,469	108,469	–
(7) Income taxes payable	990	990	–	10,641	10,641	–
(8) Long-term debt (including current maturities of long-term debt)	5,213	5,314	101	56,030	57,115	1,086
Total	¥ 35,824	¥ 35,925	¥ 101	$ 385,039	$ 386,124	$ 1,086
Derivative transactions	¥ –	¥ –	¥ –	$ –	$ –	$ –

Note 1. Fair value measurement of financial instruments

Assets

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

The relevant book values are used because the settlement periods of the above items are short and their fair values are almost the same as their book values.

(3) Investment securities

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

(4) Long-term loans receivable

The relevant book values are used because their fair values are almost the same as their book values in view of loan collection schedule and condition of interest rates.

Liabilities

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

The relevant book values are used because the settlement periods of the above items are short and their fair values are almost the same as their book values.

(8) Long-term debt

The fair value of long-term debts is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivative transactions:

The fair value equals provided price by financial institutions. The amount of fair value of allocation of gain/loss on foreign exchange forward contracts were included in the fair value of [Liabilities (5) Notes and accounts payable – Trade].

Note 2. Unlisted equity securities (carrying amount: ¥1,754 million ($18,852 thousand)) are not included in [Assets (3) Investment securities] because they have no market value and it is extremely difficult to measure the fair value.

Note 3. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date.

	Millions of yen			Thousands of U.S. dollars		
	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years
Assets						
(1) Cash and time deposits	¥ 25,934	¥ –	¥ –	$ 278,740	$ –	$ –
(2) Notes and accounts receivable – Trade	41,133	–	–	442,100	–	–
(3) Investment securities				–	–	–
Held-to-maturity debt securities	–	136	–	–	1,462	–
Other securities	–	157	–	–	1,687	–
(4) Long-term loans receivable	–	66	184	–	709	1,978
Total	¥ 67,067	¥ 359	¥ 184	$ 720,840	$ 3,858	$ 1,978

(Additional information)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and its "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 Guidance, March 10, 2008) were applied for the year ended March 31, 2010.

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, 2010 and 2009, 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, 2010:								
Net sales:								
Net sales to outside customers	¥ 94,389	¥ 25,130	¥ 18,978	¥ 55,787	¥ 17,553	¥ 211,837	¥ –	¥ 211,837
Inter-segment sales/transfers	907	2,774	606	862	334	5,483	(5,483)	–
Total sales	95,296	27,904	19,584	56,649	17,887	217,320	(5,483)	211,837
Operating expenses	93,667	26,506	19,603	53,214	16,820	209,810	(5,425)	204,385
Operating income (loss)	¥ 1,629	¥ 1,398	¥ (19)	¥ 3,435	¥ 1,067	¥ 7,510	¥ (58)	¥ 7,452
At March 31, 2010:								
Total assets	¥ 60,954	¥ 12,842	¥ 10,910	¥ 28,419	¥ 10,875	¥ 124,000	¥ (7,359)	¥ 116,641
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

	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, 2010:								
Net sales:								
Net sales to outside customers	$ 1,014,499	$ 270,099	$ 203,977	$ 599,602	$ 188,661	$ 2,276,838	$ –	$ 2,276,838
Inter-segment sales/transfers	9,749	29,815	6,513	9,265	3,590	58,932	(58,932)	–
Total sales	1,024,248	299,914	210,490	608,867	192,251	2,335,770	(58,932)	2,276,838
Operating expenses	1,006,739	284,888	210,694	571,947	180,783	2,255,051	(58,308)	2,196,743
Operating income (loss)	$ 17,509	$ 15,026	$ (204)	$ 36,920	$ 11,468	$ 80,719	$ (624)	$ 80,095
At March 31, 2010:								
Total assets	$ 655,138	$ 138,027	$ 117,261	$ 305,449	$ 116,885	$ 1,332,760	$ (79,095)	$ 1,253,665

The amounts for the common assets included in the column "Elimination or Unallocated" are ¥4,613 million ($49,581 thousand) and ¥6,511 million for the years ended March 31, 2010 and 2009, respectively, which mainly consist of surplus funds (cash and time deposits).

As discussed Note 2. (14), effective April 1, 2009, the Company translated foreign currency revenue and expense accounts of overseas consolidated subsidiaries into Japanese yen at the average exchange rate. Previously the Company applied the current exchange rate as of the balance sheet date. The effect of this change was to increase net sales by ¥438 million ($4,708 thousand) in The Americas and by ¥183 million ($1,967 thousand) in East Asia & Oceania, to decrease net sales by ¥514 million ($5,525 thousand) in Europe & Africa and by ¥193 million ($2,074 thousand) in Southeast Asia & Middle East, to increase operating income by ¥22 million ($236 thousand) in The Americas, by ¥23 million ($247 thousand) in East Asia & Oceania and to decrease operating income by 2 million ($21 thousand) in Europe & Africa, by ¥13 million ($140 thousand) in Southeast Asia & Middle East.

There was no effect in Japan segment.

(3) Net Sales in Overseas Countries

Net sales of the Companies from sources outside Japan for the years ended March 31, 2010 and 2009 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales in overseas countries:			
The Americas	¥ 25,133	¥ 33,917	$ 270,131
Europe & Africa	18,985	23,527	204,052
East Asia & Oceania	55,790	70,343	599,635
Southeast Asia & Middle East	17,555	19,406	188,682
	¥ 117,463	¥ 147,193	$ 1,262,500
Percentage of such sales against consolidated net sales	55.4%	56.5%	55.4%

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

As discussed Note 2. (14), effective April 1, 2009, the Company translated foreign currency revenue and expense accounts of overseas consolidated subsidiaries into Japanese yen at the average exchange rate. Previously the Company applied the current exchange rate as of the balance sheet date. The effect of this change was to increase net sales by ¥395 million ($4,245 thousand) in The Americas and by ¥188 million ($2,020 thousand) in East Asia & Oceania, to decrease net sales by ¥507 million ($5,449 thousand) in Europe & Africa and by ¥189 million ($2,031 thousand) in Southeast Asia & Middle East.

Note 14: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Labor and payroll cost	¥ 13,918	¥ 14,607	$ 149,591
Provision for accrued bonuses to employees	926	921	9,953
Provision for accrued retirement benefits to employees	1,059	1,236	11,382
Provision for doubtful accounts	179	200	1,924
Others	12,583	14,134	135,243
	¥ 28,665	¥ 31,098	$ 308,093

Note 15: Other Income (Expenses)

Other, net during the years ended March 31, 2010 and 2009 are summarized as follows :

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gain (loss) on sales or disposals of property and equipment, net	¥ (40)	¥ (6)	$ (430)
Amortization of negative goodwill	35	34	376
Gain on prior period adjustment	–	22	–
Compensation for damage	–	(44)	–
Reversal of allowance for doubtful accounts	–	24	–
Refunded corporate taxes	–	159	–
Loss on valuation of golf club membership	(8)	(40)	(86)
Bad debt expenses	(61)	–	(656)
Restructuring loss	(35)	–	(376)
Other, net	192	155	2,063
	¥ 83	¥ 304	$ 891

Note 16: Subsequent Events

On June 22, 2010, the shareholders of the Company approved payment of a cash dividend to shareholders of record as of March 31, 2010 of ¥17.00 ($0.18) per share for a total of ¥612 million ($6,578 thousand).

Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010 and are recognized in the period in which they are approved by the shareholders.

Independent Auditors' Report

To the 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, 2010 and 2009, 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 financial position of Kintetsu World Express, Inc. and subsidiaries as of March 31, 2010 and 2009, and the 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, 2010 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 22, 2010

Investor Information

(As of March 31, 2010)

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

Number of Employees:
8,893 (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, 2010)

Shareholder	Number of shares held	% of shares held
Kintetsu Corporation	14,752,900	40.98%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,880,600	5.22%
Mitsui O.S.K. Lines, Ltd.	1,799,500	5.00%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,370,800	3.81%
The Chase Manhattan Bank N.A. London S.L.Omnibus Account	1,212,974	3.37%
State Street Bank and Trust Co.	1,017,903	2.83%
Hokko Daiwa Taxi Co., Ltd.	937,500	2.60%
Juniper	778,300	2.16%
Okunikko Kogen Hotel	587,500	1.63%
Hakone Kogen Hotel	537,500	1.49%