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Kintetsu World Express ANNUAL REPORT 2013

ANNUAL REPORT 2013

Ready for the Next! Phase 2

kintetsu world express

Global Logistics Partner

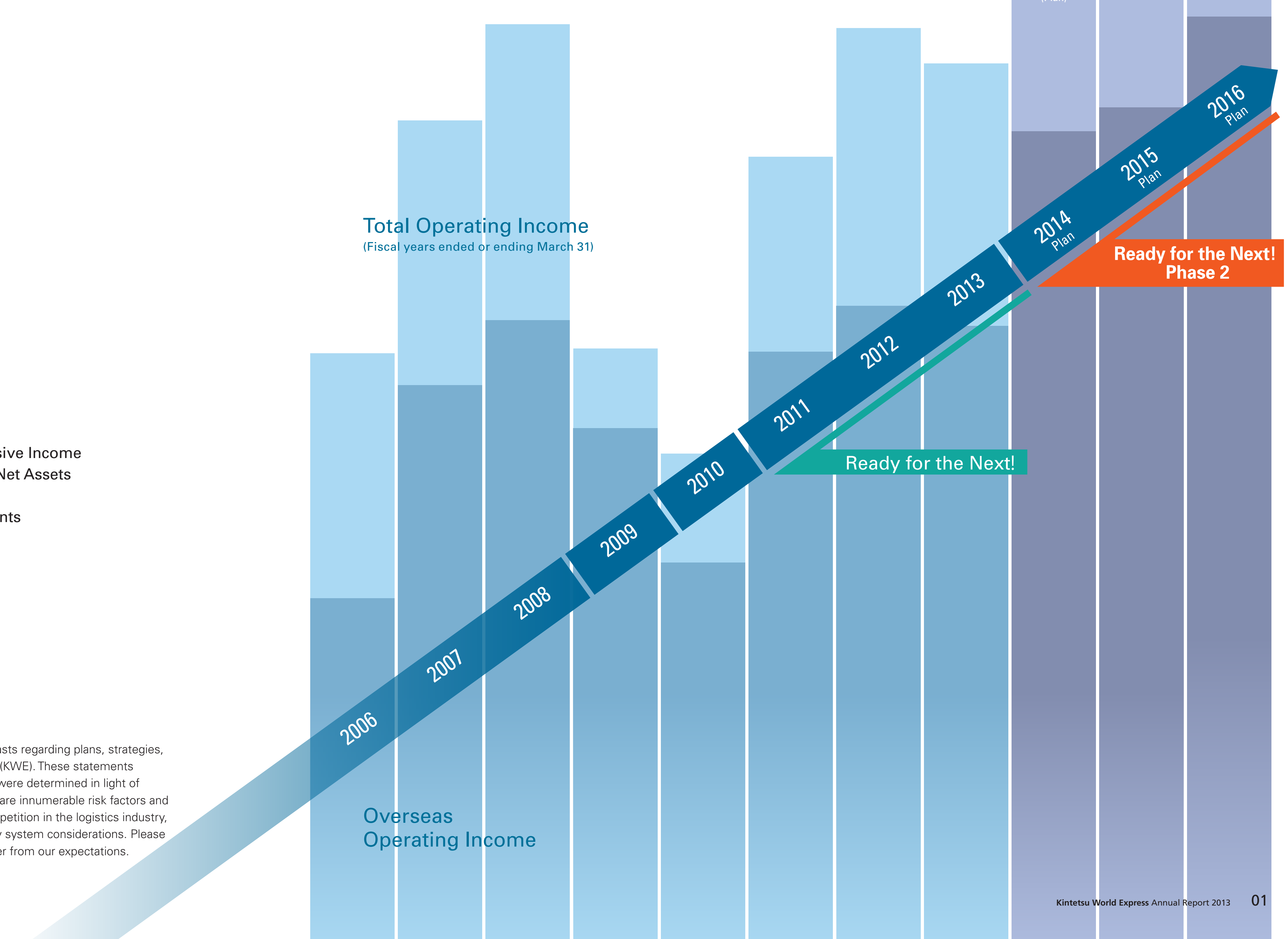
Contents

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.

Growth in the Global Arena

Thanks to relentless efforts throughout the global market, KWE's overseas operating income is on the rise. It now comprises 70% of the Group's total operating income and is still growing. In accordance with our new medium-term management plan, "Ready for the Next! Phase 2," we are moving forward even more quickly to become a true "Global Logistics Partner."



At a Glance

Expanding Global Network

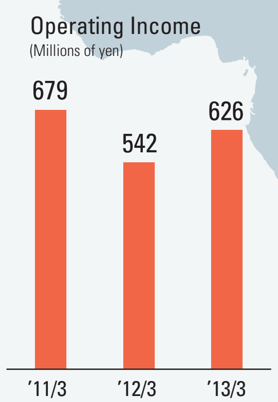
KWE has opened more than 30 new operating facilities in the three years since we introduced our previous medium-term management plan, "Ready for the Next!." We aim to establish a greater presence in the global market and achieve further growth.

How we have expanded our global network since launching "Ready for the Next!"

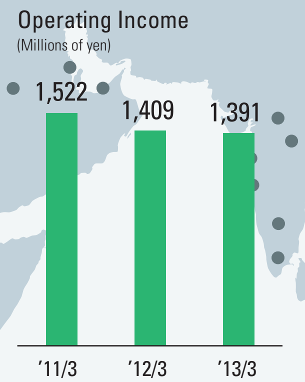
Europe, Middle East & Africa

Newly opened/established/expanded locations or companies

Aug. 2012 (Russia)	(Tolyatti) Representative office
Jun. 2010 (Saudi Arabia)	(Riyadh) Joint venture
May 2013 (South Africa)	(Durban) Branch & Warehouse



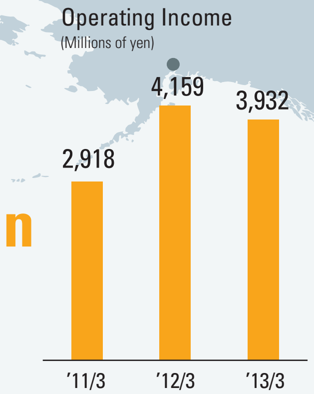
Southeast Asia



Newly opened/established/expanded locations or companies

May 2011 (India)	(Noida) Warehouse
Oct. 2011 (India)	(Manesar) Warehouse 2
Mar. 2012 (India)	(Mumbai) Warehouse
Jun. 2012 (India)	(Secunderabad) Joint venture with Gati Ltd.
Jan. 2013 (India)	(Delhi) Delhi Air Operation Office
Jan. 2013 (India)	(Aurangabad) Warehouse
Jan. 2011 (Indonesia)	(Tanjung Priok) Sea freight operations hub
Sep. 2011 (Indonesia)	(Jakarta) Logistics company
May 2012 (Indonesia)	(Semarang) Sales office
Dec. 2012 (Indonesia)	(Pulogadung) Warehouse
Nov. 2012 (Malaysia)	(Shah Alam) Warehouse
Feb. 2013 (Vietnam)	(Ho Chi Minh City) Warehouse
Feb. 2011 (Thailand)	(Bangkok) Logistics company
Mar. 2012 (Thailand)	(Eastern Seaboard) Warehouse
Mar. 2013 (Thailand)	(Eastern Seaboard) Warehouse 3
Apr. 2010 (Bangladesh)	(Dhaka) Delegate office
Jan. 2014 (Singapore)	(Jurong West) Large-scale warehouse to be opened

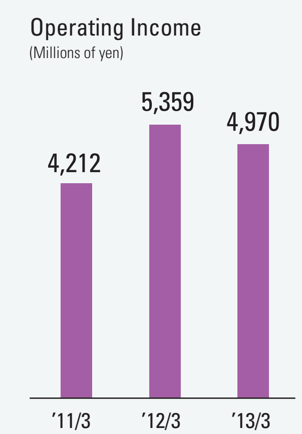
Japan



East Asia & Oceania

Newly opened/established/expanded locations or companies

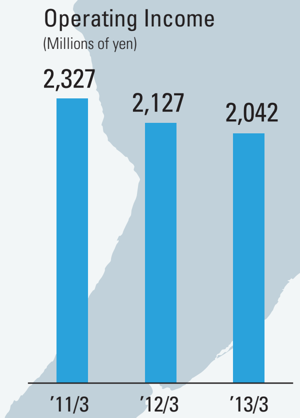
May 2010 (China)	(Yantai) Logistics company
May 2010 (China)	(Shanghai Pudong Integrated Bonded Zone) Logistics company
Jan. 2011 (China)	(Zhongshan) Logistics company
Feb. 2011 (China)	(Southwest Shanghai) Logistics company
Apr. 2011 (China)	(Dalian) Logistics company
Jun. 2011 (China)	(Chongqing) Logistics joint venture
Jul. 2011 (China)	(Chengdu) Logistics joint venture
Oct. 2011 (China)	(Shanghai) Administrative HQ for Chinese business
Apr. 2012 (China)	(Shanghai Waigaoqiao Bonded Logistics Park) Warehouse
Feb. 2012 (Philippines)	(San Pedro) Warehouse
Jun. 2012 (Australia)	(Sydney) Warehouse
Jan. 2014 (Taiwan)	(Taoyuan) Large-scale warehouse to be opened



The Americas

Newly opened/established/expanded locations or companies

Jul. 2010 (Canada)	(Guelph) Warehouse
Feb. 2012 (Canada)	(Guelph) Warehouse 2
Jan. 2013 (Mexico)	(Mexico D.F.) Mexican subsidiary
Apr. 2013 (Brazil)	(Sao Paulo) Brazilian subsidiary



At a Glance

Delivery of Effective Business Portfolio

Aiming to create a more stable profit base that is less dependent on air freight, we have been developing our sea freight and logistics businesses. Our sea freight business posted record-high sales in the fiscal year ended March 2013, and we intend to accelerate efforts to expand it under "Ready for the Next! Phase 2."

Expand Sea Freight and Logistics Further

Sales Breakdown by Business Segments (March 2013)

Air Freight

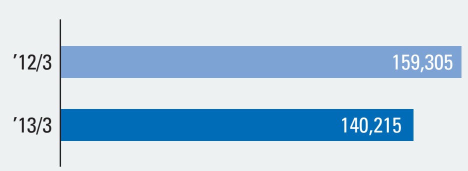
Business Summary

We provide door-to-door transport by collecting freight from multiple customers, consolidating it by destination, commissioning transport by air carriers, and arranging final delivery. This business mainly transports time-sensitive or high-added value freight.

Industry Verticals

- Electronics products and components, including smartphones, computers, digital electronic appliances, semiconductors and their manufacturing equipment
- Automotive parts and components
- Healthcare and chemical products
- Machine tools and construction machinery
- Apparel-related products
- Beaujolais wine, etc.

Net Sales (Millions of yen)



Sea Freight

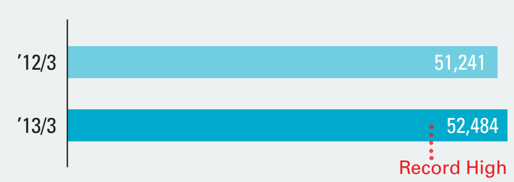
Business Summary

Similar to air freight forwarding, we provide door-to-door transport by collecting freight from customers, consolidating it by destination, commissioning transport by shipping lines, and arranging final delivery. This business mainly handles items that can be transported unhurriedly or that are too large to be transported by air.

Industry Verticals

- Household electric appliances
- Raw materials
- Parts and semi-finished goods (such as mobile phone components)
- Automotive-related products
- Plant equipment
- Aircraft-related products
- Equipment used at events and for broadcasting
- Computers and their peripherals
- Healthcare and chemical products
- Apparel-related products
- General merchandise and retail goods

Net Sales (Millions of yen)



Logistics

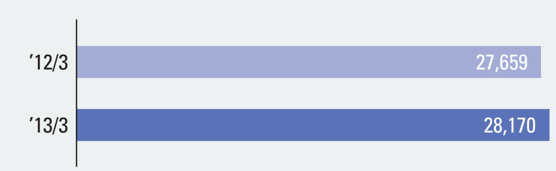
Business Summary

We offer temporary storage, logistics processing, and other logistics-related services through roughly 200 distribution centers that KWE operates worldwide, and we combine these services with international freight forwarding to provide comprehensive logistics services. This is currently the area of the logistics industry in which demand is growing most quickly.

Main Services

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

Net Sales (Millions of yen)



Other Operations

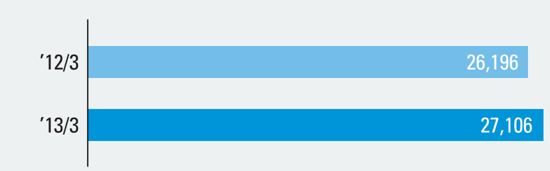
Business Summary

We provide domestic freight forwarding services. Our various affiliates provide specialized and sophisticated services such as the customized and careful packing of precision machinery, temporary staffing, transport of materials for events and exhibitions, hand carry, and IT support, etc.

Main Services

- Domestic air freight forwarding
- Trucking services
- 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

Net Sales (Millions of yen)



Note: Segment data prior to FY ended March 2012 are not displayed because we changed business segmentation.

Financial Highlights

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

								Millions of yen	Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2011	2012	2013	2013*
Income Statement Data (Millions of yen)									
Net sales	¥ 268,796	¥ 289,928	¥ 292,333	¥ 260,331	¥ 211,837	¥ 267,688	¥ 264,403	¥ 247,977	$ 2,636,651
Operating income	8,954	12,439	13,894	9,026	7,452	11,899	13,825	13,295	141,361
Income before income taxes and minority interests	9,890	12,999	15,165	7,991	7,596	12,677	14,954	14,170	150,664
Net income	5,675	7,596	9,161	3,478	4,571	7,881	9,546	9,134	97,119
Balance Sheet Data (Millions of yen)									
Total assets	¥ 113,260	¥ 121,108	¥ 129,518	¥ 109,153	¥ 116,641	¥ 120,280	¥ 125,437	¥ 140,116	$ 1,489,803
Property and equipment - net	33,053	32,646	32,596	31,207	34,632	32,765	31,661	32,512	345,689
Interest-bearing debt	24,169	19,776	18,540	17,978	16,254	14,676	14,469	14,562	154,832
Long-term liabilities	11,036	8,197	5,474	6,647	6,570	6,634	6,885	3,660	38,915
Total liabilities	61,986	62,001	61,972	47,279	48,602	48,963	47,356	47,919	509,505
Net assets	49,847	59,107	67,546	61,874	68,039	71,317	78,081	92,197	980,298
Other Selected Data (Millions of yen)									
Capital expenditures for property and equipment (cash basis)	¥ 3,392	¥ 1,512	¥ 2,408	¥ 2,795	¥ 3,322	¥ 1,465	¥ 1,549	¥ 1,625	$ 17,278
Depreciation and amortization	3,617	3,928	3,450	3,157	3,114	2,999	2,659	2,537	26,975
Net cash provided by (used in) operating activities	6,968	15,057	11,057	9,687	6,260	9,843	11,118	8,856	94,163
Net cash provided by (used in) investing activities	(6,376)	(6,439)	635	(6,481)	(3,834)	780	(3,821)	(8,044)	(85,529)
Net cash provided by (used in) financing activities	(2,566)	(5,491)	(2,437)	(1,664)	(3,996)	(2,703)	(1,397)	(1,785)	(18,979)
Cash and cash equivalents at end of year	15,708	19,468	28,500	25,905	25,045	30,966	36,096	38,272	406,932
Number of employees (persons, consolidated)	7,378	7,510	8,069	8,670	8,893	9,238	9,671	10,047	
Per Share Data (Yen)									
Net income	¥ 153.35	¥ 210.17	¥ 254.47	¥ 96.62	¥ 126.97	¥ 218.92	¥ 265.16	¥ 253.73	$ 2.70
Cash dividends	18.00	21.00	25.00	27.00	24.00	30.00	35.00	37.00	0.39
Net assets	1,380.35	1,595.27	1,819.18	1,670.18	1,822.95	1,925.90	2,113.67	2,501.11	26.59
Financial Ratios (%, Times)									
Operating margin	3.33	4.29	4.75	3.47	3.52	4.44	5.23	5.36	
Return on equity	12.3	14.2	14.9	5.5	7.3	11.7	13.1	11.0	
Current ratio	1.31	1.40	1.50	1.60	1.67	1.84	2.06	2.08	
Debt-to-equity	0.48	0.34	0.28	0.30	0.25	0.21	0.19	0.16	

* Thousands of U.S. dollars except per share amounts

Previous Medium-Term Management Plan “Ready for the Next!”

April 2010 - March 2013

To Our Shareholders and Investors

Kicking off "Ready for the Next! Phase 2"

We aim to take a global leap forward by expanding freight volumes and further enhancing our management base

Through our "Ready for the Next!" medium-term management plan, we made clear and substantial progress toward expanding our corporate Group. We exceeded our three-year total targets for net sales and operating income, expanded our bonded logistics business, and succeeded in increasing sea freight volumes, although we did not quite achieve the final year's numerical targets set forth in the plan.

Our new medium-term management plan, "Ready for the Next! Phase 2," presents the ambitious goal of achieving more than 30% growth in both net sales and operating income within three years. Based on the results we have achieved through our efforts so far, we will address issues such as building a more balanced portfolio of business domains, expanding KWE's presence in emerging countries, and increasing off-shore business. We intend to achieve our goals by focusing on specific issues and individual measures. We feel confident that the global leap forward that we will take by implementing "Ready for the Next! Phase 2" will bring us yet one step closer to our goal of being a "Global Logistics Partner."

During my frequent business trips abroad, I converse with customers and with our people. I recognize that all of our people are working as hard as they can to provide a high level of service and value, and that the global demand for logistics services will remain firm and eventually grow further. We at KWE strive to meet the expectations of all of our shareholders and investors.

Satoshi Ishizaki
President and Chief Executive Officer

Review of Previous Medium-Term Management Plan “Ready for the Next!”

Period covered: April 2010 - March 2013

Vision

- Increase corporate and shareholder values by establishing partnerships with customers
- Provide superior services to ensure customer satisfaction as a Global Logistics Partner

Basic Philosophy

- Construct a balanced management structure
- Improve KWE’s competitive position in the global market

Management Strategy and Major Policies

1. “Create a Strong Asia” – through focused investment of management resources

(1) Secure a position of overwhelming advantage in the bonded logistics business in China
(2) Construct a distribution network that covers all of Asia
(3) Enter the markets of emerging countries ahead of competitors (respond to our customers’ “China plus one” strategies)
(4) Improve logistics functions in the American consumer market
(5) Make sea freight forwarding into a core business

2. “Sell a Strong Asia” – create a sales structure that can compete with global competitors

(1) Expand freight volume by enhancing logistics functions
(2) Boost competitiveness by raising productivity
(3) Strengthen sales in ways that accurately reflect customer needs
(4) Share information horizontally, throughout the KWE Group

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

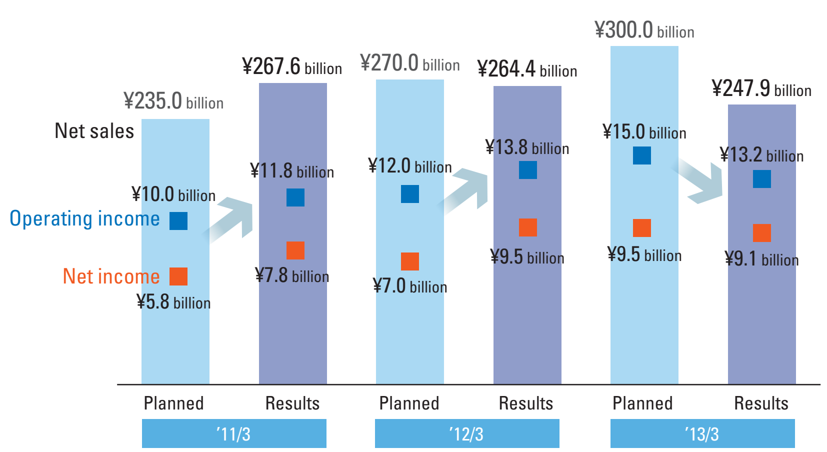
(1) Construct and implement a global personnel system
(2) Improve service quality all over the world
(3) Strengthen global IT functions

4. Ensure thorough compliance and strengthen our environmental management system

- Instill a keen awareness of compliance throughout the Group
- Strengthen the KWE Group environmental management system

Summary

First and second year results significantly exceeded targets, but we fell short of final year targets due to decreased global transportation demand.



Focus on More Specific Strategies

New Medium-Term Management Plan “Ready for the Next! Phase 2”

Period covered: April 2013 - March 2016

Vision

- Increase corporate and shareholder values by establishing stronger customer partnerships
- Provide superior services to ensure customer satisfaction as a Global Logistics Partner

Value provided

- Establish superior competitive operations and improve KWE’s ability to meet all customers’ demands and requirements

Key Strategies and Policies

1. Optimize overall revenue portfolio through a more balanced portfolio of business domains and commodities handled

(1) Increase “Corporate Accounts” and expand freight volume
(2) Expand sea freight and logistics business
(3) Define and focus on selected industry verticals
(4) Strengthen import sales activities in key consumer markets
(5) Improve buying rates and consolidation efficiency

2. Expand KWE’s presence in emerging countries

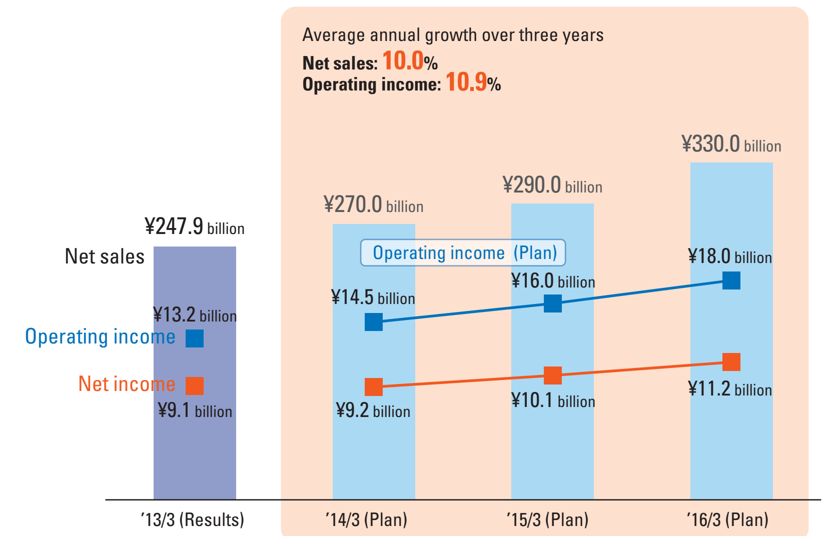
(1) Become best-in-class service provider in India
(2) Increase focus on Asia; further expansion of KWE’s services and network
(3) Expand network into new markets

3. Strengthen off-shore sales structure and activities; establish best-in-class operations to maximize operational effectiveness and high quality services

(1) Handle more off-shore business
(2) 3PL Knowledge management

Strengthen core competencies

1. Human Resources: Identify and promote talent across regional boundaries
2. IT: Ensure sustainability of global IT systems and strengthen global IT management structure
3. Risk Management: Promote development of global risk management and enhance compliance
4. Operations Quality: Unify and standardize operations aimed at raising overall efficiency



Top Message

Increasing freight volumes is of paramount importance

In order for KWE to be a Global Logistics Partner, expanding the scale of our freight volumes is of paramount importance. In addition to working Groupwide to expand overall freight volumes and handling of selected commodities, we need to achieve a higher percentage of growth in sea freight volume than we do in air freight in order to construct a more balanced portfolio of business domains.

Increase "Corporate Accounts"

While focusing management resources on "Power Lanes" like intra-Asia, Asia-North America and Asia-Europe, we will respond to our major customers' global development by utilizing established, successful global business models.

Expand sea freight and logistics businesses

We will develop large-scale warehouses in strategic locations like Singapore, Malaysia, Thailand and Taiwan. In China, we will further enhance our bonded logistics business. We will work more actively to expand sea freight volumes within lanes like Intra-Asia, Asia-North America and Asia-Europe.

Focus on selected industry verticals

We have selected the automotive, healthcare, high-tech, retail, aerospace, energy and perishables sectors as priority commodities, and we will enhance sales activities aimed at these industries.

Enhance import sales activities in key consumer markets

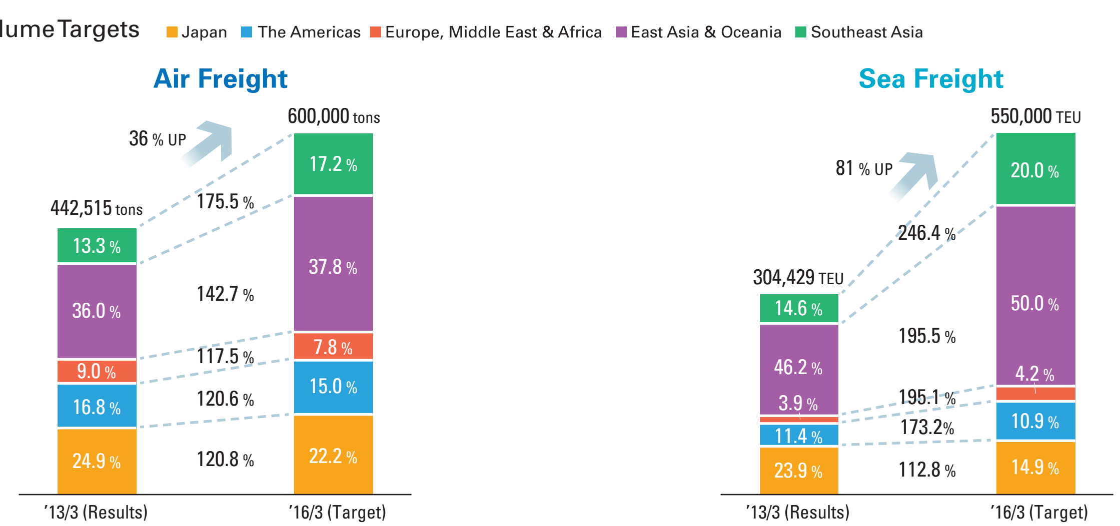
We will enhance import sales activities and work actively to expand imports from Asia to the United States and Europe, which are important consumer markets.

Improve buying rates and consolidation efficiencies

By concentrating our freight consignments to preferred carriers (airlines and shipping lines), we aim to improve our buying rates and increase consolidation efficiencies.

By implementing the policies outlined above, KWE will steadily move toward achieving volumes that rival those of leading European and U.S. competitors.

Freight Volume Targets



Making our profit-generating structure stronger than ever

Concurrent with expanding the scale of our freight volumes, we will also focus on improving our profit margins. Although these may appear to be conflicting propositions, we aim to further improve our operating margin by providing high-quality services and maintaining the lean structure that we have cultivated especially following the worldwide financial crisis of September 2008.

Simultaneously achieve larger freight volumes and a higher profit margin

KWE's operating margin in the final year of our previous medium-term management plan was 5.4%, and our goal is to raise this percentage even higher in the medium to long term. Expanding freight volumes and improving our profit margin may appear to be conflicting propositions, but we believe that by providing high-quality services we can avoid profitless price competition. In addition, we believe that by maintaining the indirect cost controls that we have implemented since the worldwide financial crisis that accompanied the collapse of Lehman Brothers, we can expand freight volumes and increase our profit margin at the same time. I firmly believe that we can achieve these goals, because I know that every single member of KWE has a strong desire to provide a great deal of added value and to achieve customer satisfaction while maintaining a clear and constant cost consciousness.

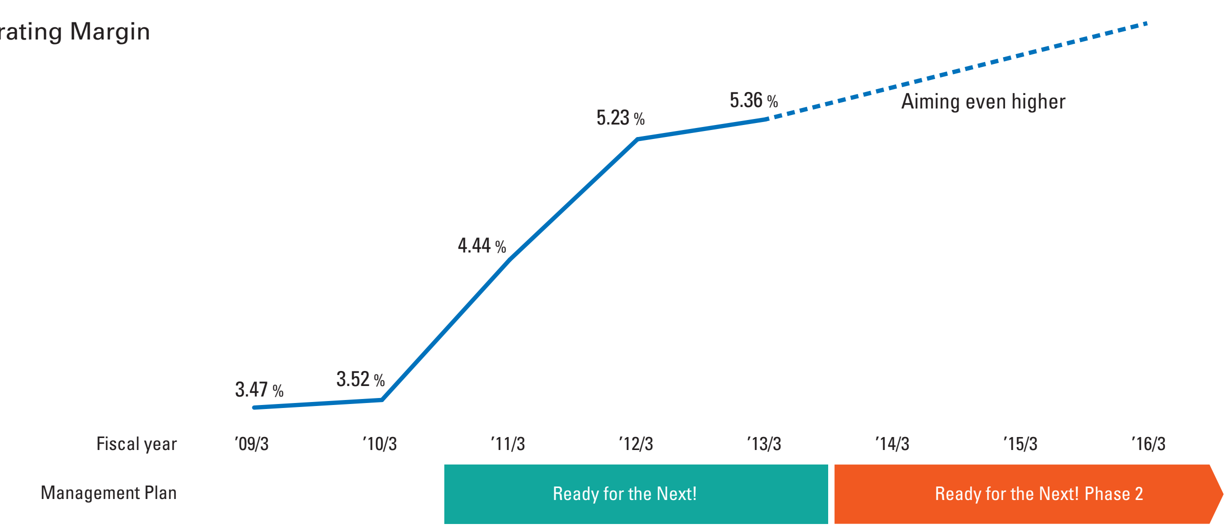
Distinguishing KWE by providing high quality and standardized services, everywhere we operate

We are proud of the high quality of KWE services, which are among the best provided by any freight forwarding company in the world. In order to expand off-shore transport and become a Global Logistics Partner, we must have mechanisms for providing this same high level of service uniformly, regardless of where in the world we do business. In order to achieve that, we have taken the lead in developing and sharing with our operating locations all over the world the know-how that we have cultivated throughout KWE's many years of operation. In addition, we will continue to develop and expand quality-oriented, long-term relationships with major global corporate clients.

Real partnerships with preferred carriers

In order to control direct costs, we will strengthen the cooperative ties we have built with our preferred carriers. Going forward, we will continue to enhance our cooperative relationships with these carriers and keep working to improve our profit margins while simultaneously expanding freight volumes.

Operating Margin



Our positive investment strategy

We will put our plentiful cash resources to work by actively investing in ourselves. We have earmarked a record high of 16.5 billion yen for capital investment over the next three years, with most of that amount to be used for expanding our logistics facilities. Regarding corporate takeovers, we will take a very selective approach emphasizing synergistic potential, and we will implement any M&A transactions as a gradual process.

Why and how we decided to implement record-high capital investment

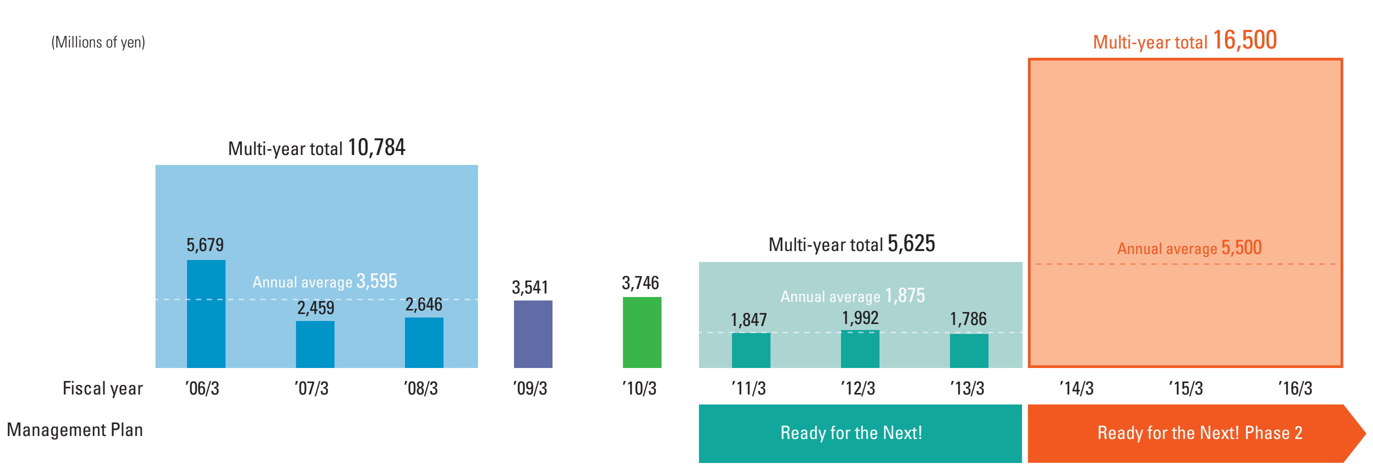
Some 70 to 80% of the 16.5 billion yen that we plan to invest in facilities over the next three years is allocated for expansion in Asia. In particular, we plan to expand our network of logistics bases in rapidly growing Southeast Asia, with a special focus on Thailand, Indonesia and Vietnam.

Underpinning this aggressive investment is the fact that manufacturers, especially automakers, have already done a good deal of investing in Southeast Asia. Our U.S., European and Japanese competitors are also actively enhancing their service infrastructures in Asia, so KWE needs to accelerate the establishment of a competitive advantage in the region.

M&As

When we consider an M&A transaction, we are more concerned with the potential for generating synergistic benefits rather than with simply growing in size. If we find a company that has strengths that KWE requires, we intend to actively pursue a merger or acquisition with such a company. For example, we established Gati-Kintetsu Express Pvt. Ltd., a joint subsidiary with major Indian logistics service provider Gati Ltd. in the fiscal term ended March 2013. We did so not only to grow larger, but to generate synergies between the mutually complementary elements of Gati's intra-India network and KWE's world-wide forwarding business. Our aim is to use these synergies as a basis for establishing a competitive advantage in the Indian logistics market in the medium to long term. In the future, we will continue to approach M&As from this same strategic standpoint.

Capital Investment



Areas of focus for the coming years

We will keep our focus on Southeast Asia, which will likely be at the center of worldwide economic growth for some time, and on the Americas, which are undergoing a remarkable recovery. We also plan to invest in the new markets of Bangladesh, Cambodia and Myanmar in the coming three years. We intend to do plenty of marketing and expand our presence there in a timely fashion.

India: We aim to be the country's best-in-class service provider

Gati-Kintetsu Express Pvt. Ltd. attracted plenty of client interest due to the appeal of a logistics network that covers 99% of India's territory and a cargo tracking service based on an advanced IT infrastructure. Going forward, we aim to increase the amount of freight moving to and from India by fostering joint sales activities between Gati-Kintetsu Express Pvt. Ltd. and the KWE Group, and to further increase KWE's presence in India so that we will secure the position of a best-in-class service provider.

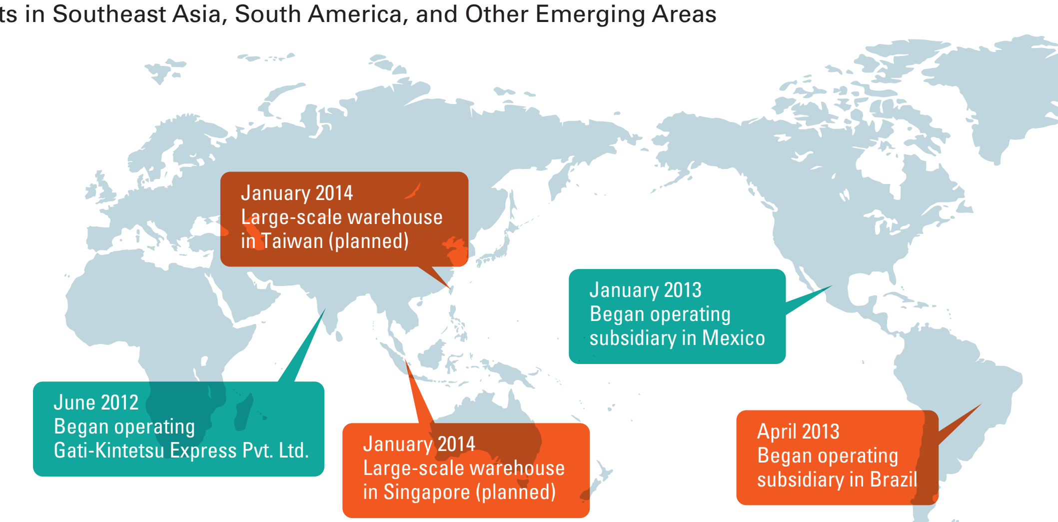
Southeast Asia: Expand KWE's services and networks through strategic investment

Development of highways, railroads, and other infrastructure has been picking up speed in Southeast Asia, particularly in the Mekong region. We have been taking up some of the increasing demand for land transportation within Asia, primarily by developing and providing cross border truck services, which is a business that we intend to expand.

New Market: Establish a footing and further expand the KWE Network

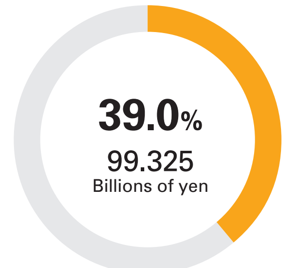
In the Americas, primarily through newly established local subsidiaries in Mexico and Brazil, we strive to capture the robust business opportunities presented by the booming automotive industry. In order to establish a strong footing in the Central and South American markets, we intend to expand our freight forwarding business in several traffic lanes, such as Japan and Thailand to Mexico, and from U.K. to Mexico and Brazil. By continuing our feasibility studies and market research, we intend to gradually expand our network in emerging markets such as Bangladesh, Cambodia and Myanmar.

Investments in Southeast Asia, South America, and Other Emerging Areas



Report by Five Regions

'13/3 Net Sales



Lead the Group toward securing KWE's competitive position

Key Policies for the First Year of "Ready for the Next! Phase 2"

As the core company of KWE Group, KWE Japan will continue to lead the corporate Group toward securing KWE's competitive position on par with leading European and U.S. competitors and achieving the goals laid out in our medium-term management plan. In the fiscal year through March 2014 we will concentrate on the following points:

[1] Expand KWE's share of the air freight market and build a more balanced business portfolio

In addition to expanding the volume of air freight, we also aim to further strengthen sea freight and logistics sales.

[2] Reinforce sales activities for the benefit of the entire Group

1. Maintain and increase "Corporate Accounts"
2. Expand business in automotive and healthcare fields
3. Aggressively increase off-shore business
4. Respond appropriately to business opportunities in Asia and emerging markets

[3] Enhance global administrative functions

1. Identify and promote talent across regional boundaries
2. Promote further use of global IT systems in order to improve service quality
3. Promote global risk management
4. Cultivate strong awareness of compliance issues

By focusing on the above points, we intend to achieve the goals established in our new Medium-Term Management Plan, "Ready for the Next! Phase 2."

Freight Movements

Fiscal year through March 2013

	Export	Import
Air freight	Down 14.4%*1	Down 4.5%*2
Sea freight	Up 7.1%*3	Up 1.5%*2

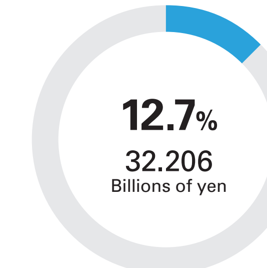
First quarter of the fiscal year through March 2014

	Export	Import
Air freight	Down 16.9%*1	Down 4.5%*2
Sea freight	Up 23.5%*3	Up 7.6%*2

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

General Manager,
The Americas
Nobutoshi Torii

'13/3 Net Sales



Main Countries and Region
United States, Canada, and Latin American countries

Play an important role in the future growth of the overall KWE Group

Key Policies for the First Year of "Ready for the Next! Phase 2"

The Americas region includes the United States and Canada, which together form the world's largest consuming region and serve as home base for many of our major customers doing business on a global scale, as well as Mexico and Brazil, where significant growth is expected in the future. The Americas will undoubtedly play an important role in the future growth of the overall KWE Group. In the fiscal year through March 2014, we will focus on the measures outlined below.

[1] Boost freight volumes in the United States

We now have a dynamic organization and framework in the U.S. to expand our business with "Corporate Accounts." As sea freight has continued to grow since last year, our plan is to employ more specialized staff. With demand for shipping automotive-related freight expected to grow we have assigned sales staff who is in charge of each automaker. All of our automotive sales staff are working as a single team with the common goal of winning more business regardless of transportation mode. We will also focus on boosting healthcare freight handling.

[2] Expand Canadian freight volumes

Based on our previous successes in Canada, we will work to expand our domestic and international transportation by winning logistics businesses from major customers. We are currently providing logistics services for customers in the automotive, machinery, and aerospace fields.

[3] Expand freight volumes in Latin American countries

Mexico and Brazil are both targets of active capital investments, primarily from the automotive industry. We expect large-scale transport demand connecting these countries by air and sea to every other part of the world. Now that Mexican and Brazilian subsidiaries are part of the KWE Group network, we plan to make use of the resulting leverage to increase the Group's total freight volume.

Freight Movements

Fiscal year through March 2013

	Export	Import
Air freight	Down 3.2%*1	Down 8.7%*2
Sea freight	Up 3.3%*3	Up 12.5%*2

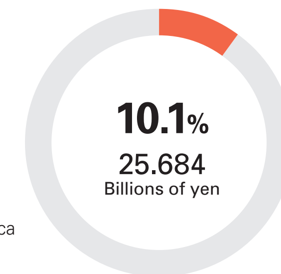
First quarter*4 of the fiscal year through March 2014

	Export	Import
Air freight	Down 3.2%*1	Down 22.8%*2
Sea freight	Up 17.2%*3	Up 3.7%*2

*1 based on weight *2 based on number of shipments *3 based on TEUs (Twenty-foot Equivalent Units) *4 January – March 2013 (KWE's subsidiaries close their accounts at the end of December.)

General Manager,
Europe, Middle East & Africa
Toshiyuki Kase

'13/3 Net Sales



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

Provide unique services based on our own blend of European and Asian cultures

Key Policies for the First Year of "Ready for the Next! Phase 2"

In the region, KWE strives to offer more value by providing unique services based on our own blend of European and Asian cultures. By doing so, we aim to become our customers' trusted partner. The followings are the main policies for the fiscal year through March 2014.

[1] Strengthen sales primarily in Russia, the Middle East, and South Africa

In Russia, we are making a strong showing in the trucking business by making productive use of our own fleet of 40 GPS-equipped trucks. Our Saudi Arabian subsidiary is expanding business, primarily in project cargo services (social infrastructure/energy-related transportation). In the UAE, we began logistics operations at Al Maktoum International Airport (commonly known as Dubai World Central or DWC) in 2012. Our South African subsidiary provides logistics services for aerospace parts and plant-related equipment. Through these efforts, we aim to boost the entire Group's freight volume by capturing intra-region demand within Europe, Middle East and Africa, and by connecting this business with Japan and the rest of Asia, the Americas and other regions in order to develop inter-region demand aggressively.

[2] Reduce the direct cost ratio

We will improve our bottom line by implementing the DCR1 (Direct Cost Reduction 1%) Project that began last year, while achieving 100% of net sales targets.

[3] Strengthen selling capacity

We will increase sales staff by adding a total of 23 sales-related employees. In addition, we will work harder than ever to achieve freight volume expansion among the region's leading subsidiaries in Germany, U.K., and Benelux.

Freight Movements

Fiscal year through March 2013

	Export	Import
Air freight	Down 9.6%*1	Down 10.3%*2
Sea freight	Up 4.9%*3	Down 2.4%*2

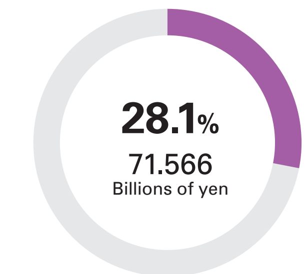
First quarter*4 of the fiscal year through March 2014

	Export	Import
Air freight	Down 0.4%*1	Down 22.5%*2
Sea freight	Up 33.1%*3	Down 19.8%*2

*1 based on weight *2 based on number of shipments *3 based on TEUs (Twenty-foot Equivalent Units) *4 January – March 2013 (KWE's subsidiaries close their accounts at the end of December.)

General Manager,
East Asia & Oceania
Keisuke Hirata

'13/3 Net Sales



Main Countries and Regions
Hong Kong, China, South Korea, Taiwan, the Philippines, Australia

Maintain and enhance our competitive advantage

Key Policies for the First Year of "Ready for the Next! Phase 2"

The East Asia & Oceania region handles the largest freight volume within the KWE Group. We will further strengthen all businesses—air freight, sea freight and logistics—in order to maintain and widen KWE's competitive advantage in East Asia, primarily in China. In the fiscal year through March 2014, we will focus on the following measures.

[1] Further expand air freight volumes

We will concentrate on boosting freight volumes on "Power Lanes" connecting the Americas and Europe with Hong Kong and Shanghai, which are among the world's most important gateways. We will increase regular freight consolidation, improve service quality, and build good relationships with preferred carriers.

[2] Bolster sea freight business in North and South China

Although container shipments to and from North China and South China have been increasing industry-wide, KWE Group's performance has not been keeping pace with the overall increase, so we will concentrate on sales in these regions. Our target industry verticals will be automotive, office machinery and the retail sector. In addition to improving buying rates, we will develop new services including buyers' consolidation.

[3] Expand bonded logistics business

We will expand our existing bonded logistics business with a special focus on Shenzhen, Busan, Shanghai Waigaoqiao Free Trade Zone, and Taoyuan. We will also watch demand trends among our customers in other areas, and expand logistics infrastructure including warehouse facilities in order to further distinguish ourselves from competitors.

Freight Movements

Fiscal year through March 2013

	Export	Import
Air freight	Up 2.2%*1	Down 2.1%*2
Sea freight	Down 0.5%*3	Down 0.1%*2

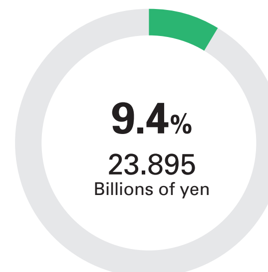
First quarter*4 of the fiscal year through March 2014

	Export	Import
Air freight	Down 19.3%*1	Down 13.1%*2
Sea freight	Up 1.1%*3	Down 6.1%*2

*1 based on weight *2 based on number of shipments *3 based on TEUs (Twenty-foot Equivalent Units) *4 January – March 2013 (KWE's subsidiaries close their accounts at the end of December.)

General Manager,
Southeast Asia
Yoshinobu Mitsuhashi

'13/3 Net Sales



Main Countries and Regions
Singapore, Malaysia, Thailand, India, Indonesia, Vietnam

Invest the most management resources to accelerate growth

Key Policies for the First Year of "Ready for the Next! Phase 2"

According to our medium-term management plan, Southeast Asia is our highest-priority region, where we will invest the most management resources in order to accelerate growth. We will immediately strengthen our business base to make up for having fallen behind our competitors and quickly implement a variety of measures aimed at expanding business. Our main policies for the fiscal year through March 2014 will be as follows.

[1] Focus on automotive and garment industry verticals in both air and sea freight

In the automotive sector, we will strengthen sales efforts primarily in Thailand, Vietnam, Malaysia, Indonesia, and India, where many Japanese manufacturers are expanding their business. In the garment industry, we will work aggressively to capture shipment demands from Vietnam, Bangladesh, and Cambodia. Sea freight has been growing nicely in recent years, and we will further increase our sales staff to strengthen selling capacity.

[2] Expand logistics business

With healthcare, electronics, automotives, and fast-moving consumer goods (FMCG) as our main targets, we will expand our logistics infrastructure in Singapore, Thailand and Malaysia in order to increase business.

[3] Expand cross-border truck services

Demand for cross-border truck services that connect air freight and sea freight services is increasing. We currently offer stable services between Singapore, Kuala Lumpur and Bangkok. In the future, we are looking into developing service network in Myanmar and Cambodia.

Freight Movements

Fiscal year through March 2013

	Export	Import
Air freight	Down 13.8%*1	Up 0.8%*2
Sea freight	Up 21.2%*3	Up 13.0%*2

First quarter*4 of the fiscal year through March 2014

	Export	Import
Air freight	Down 19.7%*1	Down 21.2%*2
Sea freight	Up 33.7%*3	Down 12.1%*2

*1 based on weight *2 based on number of shipments *3 based on TEUs (Twenty-foot Equivalent Units) *4 January – March 2013 (KWE's subsidiaries close their accounts at the end of December.)

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 July 2011, we made some additions to our Environmental Protection Policies and created a new Energy Management Policy in response to revisions to Japan's Act Concerning the Rational Use of Energy. 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.

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:
- Reducing electrical power consumption, promoting energy-saving activities and updating equipment based on Japan's Act Concerning the Rational Use of Energy
- Curbing CO_2 emissions
  - 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.

Energy Management Policy

We will actively implement comprehensive, group-wide measures in order to meet our target of reducing annual specific energy consumption by at least 1%.

(1) We will expand on our existing energy conservation and management activities by establishing and implementing stronger energy management regulations.

(2) We will establish and fully implement medium- and long-term plans for boosting energy efficiency at existing facilities and for ensuring a high level of energy efficiency at newly constructed facilities.

(3) When investing in new facilities, we will make the use of energy-saving plant and equipment a priority.

Aiming for a "Low Carbon Society"

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

In the fiscal year through March 2013, domestic carbon dioxide emissions increased by 14.0% over the previous year because we used more "city gas" (mainly methane-based natural gas), but in the future we will continue our efforts aimed at reducing emissions.

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. We will also continue to work on reducing waste and conserving resources.

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, and switching to battery-powered forklifts in warehouses and to eco-friendly cars, among other measures.

Overseas, our Russian subsidiary is working on switching to the use of trucks that meet "Euro 5" emission standards.


A truck that meets Euro 5 emission standards

Acquisition of ISO Certification for Our Environmental Management Systems

As of March 2013, KWE had received ISO14001 certification from the International Standards Organization for environmental management systems at three of the KWE Group's locations in Japan, and for 8 locations overseas.

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 six executive officers. In addition, we established an "Executive Committee" and "KWE Group Top Strategy Meeting," 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. Directors are appointed for one-year terms, in order to establish clear accountability and to allow for quick response to changes in business conditions. Compensation is structured to reflect each director's position and the Company's financial results, based on prescribed Company standards.

The Board of Directors held 13 meetings in the fiscal year ended March 2013, and the two outside directors attended 85% of the meetings.

Auditors

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

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

We established an Auditors' Office to support 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 LLC. 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 2013, and the two outside auditors attended 96% of the meetings.

Relationships with Outside Directors and Outside Auditors

KWE's outside directors are Masanori Yamaguchi, Chairman of the Board of Kintetsu Corporation, and Tetsuya Kobayashi, President of Kintetsu Corporation. Our outside auditors are Masao Kishida, Professor at Waseda University's Graduate School of Finance, and Kazuyasu Ueda, a Director, Senior Managing Executive Officer of Kintetsu Corporation. 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 of the general managers of the regional headquarters.

Director Compensation

KWE's President and Chief Executive Officer determines the allocation of director compensation according to each director's position. A portion of this compensation is based on performance. In the year ended March 2013, we paid a total of 302 million yen to 15 directors, including 26 million yen to the two outside directors.

Compliance

The KWE Group Compliance Basic Policy and the KWE Group Compliance Code of Conduct as specific standards of behavior establish our basic approach to business execution. We have also assigned personnel responsible for compliance in each division and subsidiary and have established a Compliance Committee to oversee groupwide compliance management, based on provisions in the KWE Group Compliance Rules. General managers of each overseas regional headquarters participate as compliance managers in the Compliance Committee, and compliance managers and representatives from overseas affiliated companies participate in the compliance operations structure. We have also prepared a compliance manual, regularly conduct compliance training and auditing, and have introduced a whistleblower system.

Risk Management

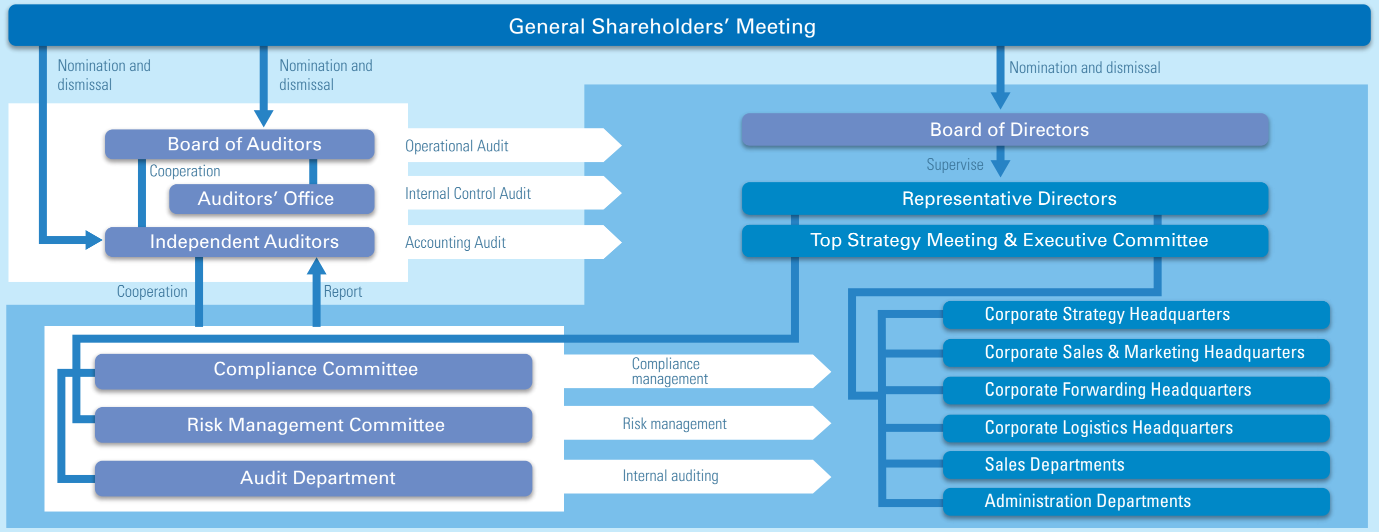
In order to create a framework for managing risk, KWE established risk management standards and ensured that all relevant personnel are familiar with them, based on the KWE Group Risk Management Basic Policy. The Company also established a Risk Management Committee to oversee companywide risk, and designated 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.

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

	Supplemental explanation	Representatives explain face to face
Preparation and publication of disclosure policy	Disclosure policy is available on our website	–
Regular briefings for individual investors	Held several times per year. Most recent briefing was attended by about 200 people.	Yes
Regular briefings for analysts and institutional investors	Held biannually, in May and November. Most recent briefing was attended by about 80 people.	Yes
Posting of IR material on website	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)	–



Management

Masanori Yamaguchi
Chairman

Satoshi Ishizaki
President and
Chief Executive Officer

Hirohiko Ueno
Senior Managing Director

Joji Tomiyama
Senior Managing Director

Hiroyuki Hoshiai
Senior Managing Director

Yoshinori Watarai
Senior Managing Director

Haruto Nakata
Managing Director

Kazuya Mori
Managing Director

Shinya Aikawa
Managing Director

Yoshinobu Mitsuhashi
Managing Director

Toshiyuki Kase
Director

Nobutoshi Torii
Director

Keisuke Hirata
Director

Tetsuya Kobayashi
Outside Director

Management's Discussion and Analysis

OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 60 consolidated subsidiaries, and seven affiliated companies accounted for by the equity method. Our principle business is freight forwarding using transport provided by airlines and shipping companies and trucking companies. We also offer customs clearance, domestic freight transporting, warehousing, packing, temporary staffing, property management, and insurance agency services.

We divide our operations into the following four categories: air freight forwarding (which accounted for 56.5% of net sales in the fiscal year ended March 2013), sea freight forwarding (21.2%), logistics (11.4%), and other operations (10.9%).

A regional breakdown of net sales* in the fiscal year ended March 2013 shows that Japan accounted for 39.0%, the Americas for 12.7%, Europe, Middle East & Africa for 10.1%, East Asia & Oceania for 28.1%, Southeast Asia for 9.4%, and other for 0.7%.

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

OPERATIONS

During the fiscal year ended March 31, 2013, the global economy further decelerated due to a relapse of credit insecurity in Europe and concerns over U.S. financial issues, and the growth rates in China and India also slowed down. In Japan, the economy remained stagnant as a result of a prolonged strong yen and slowdown in the global economy, but started to show signs of recovery after the change of government as the expectations for correction of the strong yen and monetary policy contributed to improvement in market confidence.

The international freight market in which the KWE Group mainly operates was weak overall in the absence of robust global transportation demand.

In this environment, the volume of freight handled by the KWE Group in its air freight forwarding business fell below prior year levels, with export volume down 6.6% (based on weight) and import volume down 3.8% (based on number of shipments). However, the sea freight forwarding business achieved growth, with export volume up 4.6% (based on TEUs) and import volume up 3.4% (based on number of shipments). Our logistics business did not show significant growth overall on account of weak air freight forwarding.

Net sales

The KWE Group's consolidated net sales fell 6.2% from the previous year to ¥247.977 billion in the fiscal year ended March 2013.

By business segment, net sales in the air freight forwarding fell 12.0%, sea freight forwarding grew 2.4%, logistics rose 1.8%, and other operations increased 3.5%.

Net sales decreased from the previous year in all regions, with Japan down 10.2%, the Americas down 1.2%, Europe, Middle East & Africa down 4.3%, East Asia & Oceania down 2.9%, and Southeast Asia down 6.2%.*

* Based on simple totals before eliminations

Cost of Sales

Cost of sales totaled ¥205.008 billion in the fiscal year ended March 2013, down 7.2%, or ¥15.911 billion, from the previous year. The percentage to net sales was 82.7%, improving 0.9 percentage points from 83.6% in the previous year.

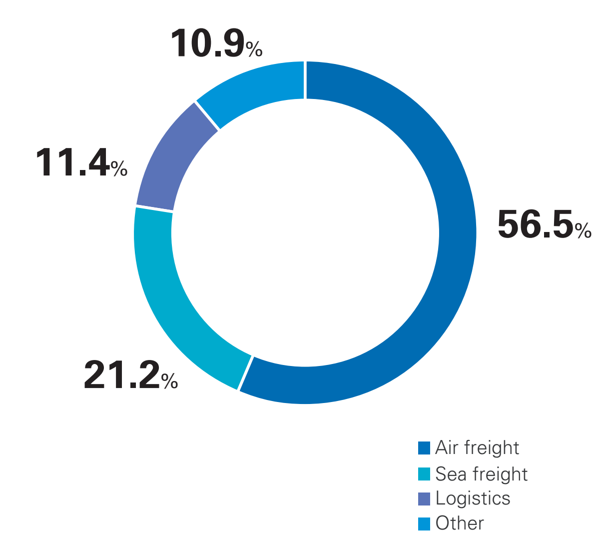
Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥29.674 billion in the fiscal year ended March 2013, up 0.1%, or ¥0.015 billion, from the previous year. The percentage to net sales was 12.0%, up 0.8 percentage points from 11.2% in the previous year.

Operating Income

Operating income fell 3.8% from the previous year to ¥13.295 billion in the fiscal year ended March 2013. The operating margin improved to 5.4%, up 0.2 percentage points from 5.2% in the previous year. Although selling, general and administrative expenses to net sales deteriorated by rising 0.8 percentage points from the

Net Sales by Category



previous year, cost of sales to net sales improved by declining 0.9 percentage points from the previous year.

Other Income (Expenses)
Net other income totaled ¥0.875 billion in the fiscal year ended March 2013, down from ¥1.129 billion in the previous year.

Income before Income Taxes and Minority Interests
Income before income taxes and minority interests fell 5.2% from the previous year to ¥14.170 billion in the fiscal year ended March 2013.

Income Taxes
Income taxes fell 8.3% from the previous year to ¥4.530 billion in the fiscal year ended March 2013. After adjustments, the effective tax rate was 32.0%, down from 33.0% in the previous year.

Net Income
Net income fell 4.3% from the previous year to ¥9.134 billion in the fiscal year ended March 2013. As a result, net income per share fell to ¥253.73, down from ¥265.16 in the previous year; and return on equity fell to 11.0%, down from 13.1% in the previous year.

OUTLOOK FOR THE YEAR THROUGH MARCH 2014

The U.S. economy is showing signs of recovery, but due partly to future concerns about the European economy and prospects for slower economic growth in emerging countries, the international logistics market is likely to continue to face an uncertain business environment. Under these circumstances, the KWE Group aims to expand its global operations further by launching "Ready for the Next! Phase 2" as a new Medium-Term Management Plan that seeks to establish competitive, high-quality operations and enhance our ability to respond to the diversifying needs of our customers. In the fiscal year ending March 2014, the first year of our new plan, we forecast net sales to grow 8.9% from the previous year to ¥270.000 billion, operating income to grow 9.1% to ¥14.500 billion, and net income to grow 0.7% to ¥9.200 billion.

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

Total assets grew 11.7% from the previous year to ¥140.116 billion in the fiscal year ended March 2013. Current assets rose 10.6%, or ¥8.832 billion, to ¥92.152 billion, due mainly to increases in cash and time deposits and in notes and accounts receivable-trade.

Property and equipment grew 2.7%, or ¥0.851 billion, to ¥32.512 billion. Intangible assets decreased 8.5%, or ¥0.136 billion, to ¥1.464 billion. Investments and other assets rose 57.9%, or ¥5.131 billion, to ¥13.988 billion. This was due mainly to a 2.2-fold increase in investment securities to ¥9.780 billion, up from ¥4.453 billion in the previous year. As a result, total noncurrent assets rose 13.9%, or ¥5.846 billion, to ¥47.964 billion.

Total liabilities grew 1.2%, or ¥0.563 billion, to ¥47.919 billion. Current liabilities rose 9.4%, or ¥3.788 billion, to ¥44.259 billion. Long-term liabilities fell 46.9%, or ¥3.226 billion, to ¥3.660 billion. This was due mainly to a decrease in long-term debt to ¥1.001 billion, down from ¥4.855 billion in the previous year.

Net assets grew to ¥92.197 billion in the fiscal year ended March 2013, up 18.1%, or ¥14.117 billion, from ¥78.081 billion in the previous year. Retained earnings rose to ¥80.565 billion, up 10.8%, or ¥7.875 billion, from ¥72.691 billion in the previous year; and total shareholders' equity rose to ¥92.647 billion, up 9.3%, or ¥7.874 billion, from ¥84.773 billion in the previous year. Additionally, total accumulated other comprehensive income (a deduction) decreased from ¥8.681 billion to ¥2.609 billion, due partly to foreign currency translation adjustments (a deduction) declining from ¥8.862 billion to ¥3.252 billion. The equity ratio at the end of the fiscal year was 64.3%, up from 60.7% at the end of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥8.856 billion in the fiscal year ended March 2013, down 20.4%, or ¥2.262 billion, from the previous year. Main items included an increase in net income before income taxes and minority interests of ¥14.170 billion, an increase in depreciation and amortization of ¥2.537 billion, a decrease in notes and accounts payable of ¥2.119 billion, a decrease in payment on U.S. antitrust matter of ¥0.931 billion, and a decrease in income taxes paid of ¥5.458 billion.

Net cash used in investing activities totaled ¥8.044 billion in the fiscal year ended March 2013, up 2.1-fold, or ¥4.223 billion, from ¥3.821 billion in the previous year. Main items included payments for purchases of property and equipment of ¥1.625 billion and payments for purchases of securities of ¥4.445 billion.

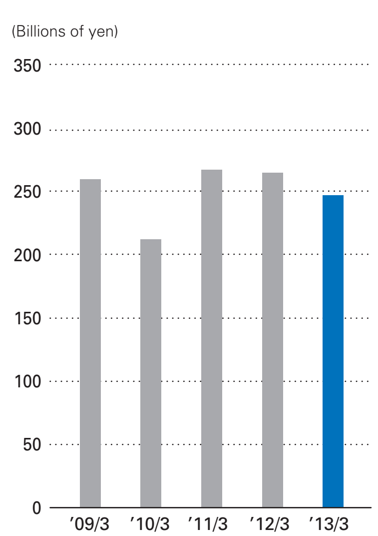
Net cash used in financing activities totaled ¥1.785 billion in the fiscal year ended March 2013, up 27.9%, or ¥0.388 billion, from ¥1.397 billion in the previous year. Main items included payments of cash dividends of ¥1.260 billion and payments of cash dividends to minority shareholders of ¥0.404 billion.

As a result of the above, cash and cash equivalents totaled ¥38.272 billion as of March 31, 2013, up ¥2.175 billion from ¥36.096 as of March 31, 2012.

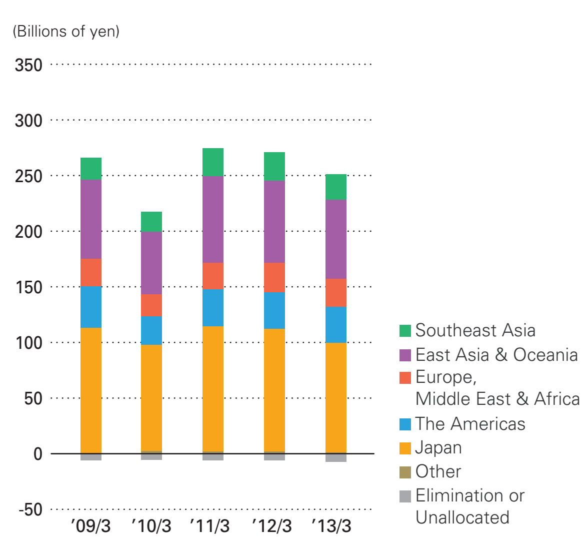
BASIC POLICY ON THE DISTRIBUTION OF PROFITS

KWE seeks to maintain stable dividends and actively increase dividends according to profit growth, giving full consideration to future business expansion and a stronger management base. Sales and profits decreased during the fiscal year ended March 2013, affected by global economic weakness, but to respond to the medium to long-term growth expectations of our shareholders, we raised our annual dividend to ¥37, up ¥2 from ¥35 in the previous year.

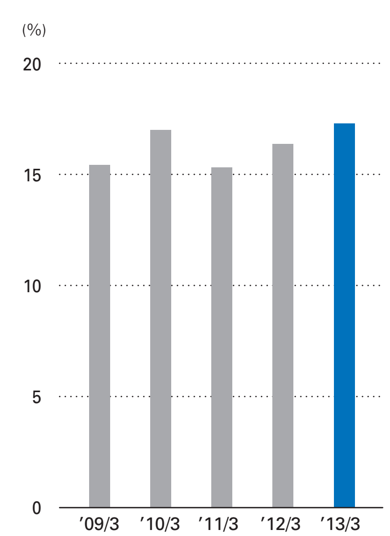
Net Sales



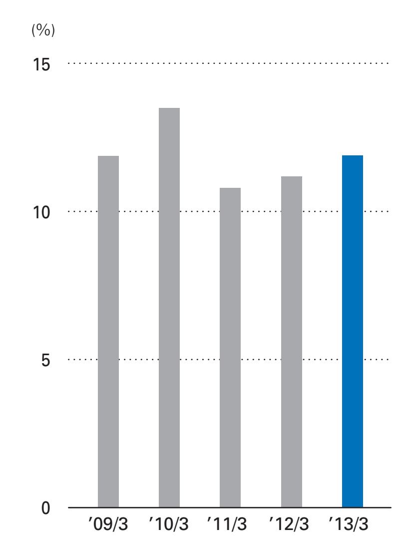
Net Sales by Region



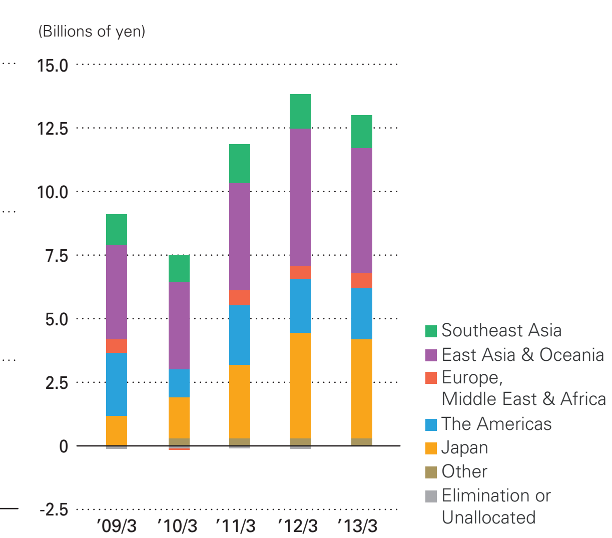
Operating Gross Profit Margin



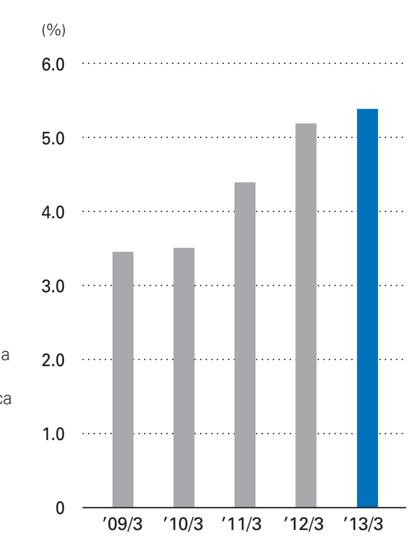
SGA Expenses to Net Sales



Operating Income (Loss) by Region



Operating Margin



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.), automotive 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 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, the Great East Japan Earthquake and the flooding in Thailand in 2011 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.

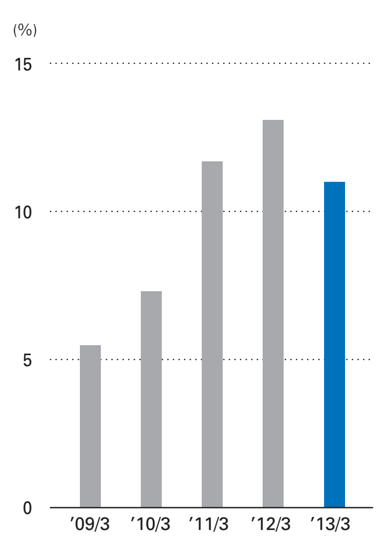
2. Exchange rate fluctuations

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.

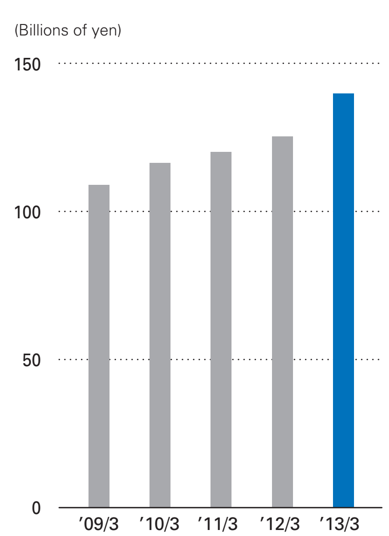
3. Fluctuations in crude oil prices

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 sea 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.

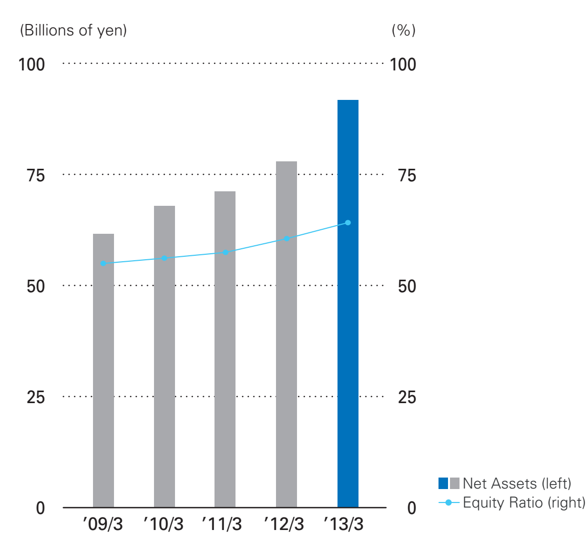
ROE



Total Assets



Net Assets and Equity Ratio



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. It is also possible that inappropriate responses to and serious violations of various regulations could affect the KWE Group's earnings and brand image.

5. Transport accidents

KWE takes the utmost care as we work to expand our international logistics business, based on the know-how that we have accumulated as an air freight 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 a wide-area disaster such as an earthquake, war or terrorist attack, etc., KWE's performance could be adversely affected.

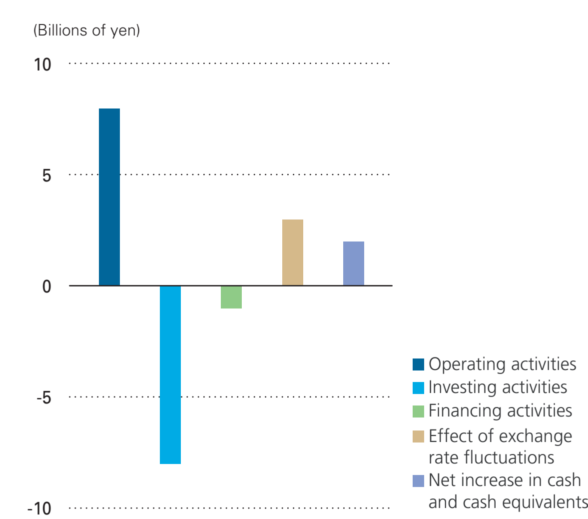
7. Customer data management / information leaks

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, hacker attacks or blackouts, etc.

Cash Flows



Kintetsu World Express, Inc. and Subsidiaries

Consolidated Balance Sheets

March 31, 2013 and 2012

ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current assets:			
Cash and time deposits (Notes 3, 6 and 12)	¥ 41,541	¥ 36,944	$ 441,690
Notes and accounts receivable-trade (Note 12)	46,441	43,065	493,790
Less: Allowance for doubtful accounts	(320)	(293)	(3,402)
Marketable securities (Notes 4 and 12)	14	52	149
Deferred tax assets (Note 8)	741	737	7,879
Other current assets	3,735	2,814	39,713
Total current assets	92,152	83,319	979,819
Property and equipment:			
Land (Note 6)	10,815	10,523	114,992
Buildings and structures (Note 6)	33,087	31,747	351,802
Machinery and equipment	2,886	2,456	30,686
Lease assets	886	1,059	9,420
Others	10,092	8,186	107,305
	57,766	53,971	614,205
Less: Accumulated depreciation	(25,254)	(22,310)	(268,516)
Total property and equipment	32,512	31,661	345,689
Intangible assets:			
Goodwill	389	336	4,136
Other intangible assets	1,075	1,264	11,430
Total intangible assets	1,464	1,600	15,566
Investments and other assets:			
Investments in (Notes 4, 6 and 12) :			
Affiliates	6,179	1,576	65,699
Others	3,601	2,877	38,288
Long-term loans receivable (Note 12)	190	185	2,020
Deferred tax assets (Note 8)	616	870	6,550
Other investments	3,523	3,579	37,459
Less: Allowance for doubtful accounts	(121)	(230)	(1,287)
Total investments	13,988	8,857	148,729
Total assets	¥ 140,116	¥ 125,437	$ 1,489,803

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Notes and accounts payable-trade (Note 12)	¥ 19,760	¥ 19,396	$ 210,101
Short-term debt (Notes 5 and 12)	8,405	8,905	89,367
Current portion of long-term debt (Notes 5 and 12)	4,693	158	49,899
Lease obligations (Note 5)	90	161	957
Income taxes payable (Note 12)	1,282	1,824	13,631
Deferred tax liabilities (Note 8)	157	96	1,669
Accrued bonuses to employees	1,867	1,791	19,851
Accrued bonuses to directors and corporate auditors	208	196	2,212
Provision for U.S. antitrust matter	–	860	–
Other current liabilities	7,797	7,084	82,903
Total current liabilities	44,259	40,471	470,590
Long-term liabilities:			
Long-term debt (Notes 5 and 12)	1,001	4,855	10,643
Lease obligations (Note 5)	373	391	3,966
Accrued retirement benefits to employees (Note 7)	1,955	1,316	20,787
Deferred tax liabilities (Note 8)	126	194	1,340
Other long-term liabilities	205	129	2,179
Total long-term liabilities	3,660	6,885	38,915
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	76,724
Capital surplus	4,868	4,868	51,760
Retained earnings	80,565	72,691	856,619
Treasury stock	(2)	(2)	(21)
Total shareholders' equity	92,647	84,773	985,082
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	643	181	6,837
Foreign currency translation adjustments	(3,252)	(8,862)	(34,577)
Total accumulated other comprehensive income	(2,609)	(8,681)	(27,740)
Minority interests in consolidated subsidiaries	2,159	1,989	22,956
Total net assets	92,197	78,081	980,298
Total liabilities and net assets	¥ 140,116	¥ 125,437	$ 1,489,803

See accompanying notes.

Kintetsu World Express, Inc. and Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2013 and 2012

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Net sales (Note 15)	¥ 247,977	¥ 264,403	$ 2,636,651
Cost of sales	205,008	220,918	2,179,777
Operating gross profit	42,969	43,485	456,874
Selling, general and administrative expenses (Note 16)	29,674	29,660	315,513
Operating income (Note 15)	13,295	13,825	141,361
Other income (expenses):			
Interest and dividend income	345	252	3,668
Interest expense	(274)	(240)	(2,913)
Foreign currency exchange gain, net	215	420	2,286
Equity in earnings of affiliates, net	173	100	1,839
Subsidy income	236	191	2,509
Loss on cancellation of leasehold contract	(119)	–	(1,265)
Loss on valuation of investment securities	(6)	(181)	(64)
Loss on liquidation of subsidiaries	(2)	(140)	(21)
Compensation income	–	390	–
Reversal of provision for U.S. antitrust matter	–	212	–
Restructuring loss	–	(112)	–
Other, net (Note 17)	307	237	3,264
	875	1,129	9,303
Income before income taxes and minority interests	14,170	14,954	150,664
Income taxes (Note 8):			
Current	4,514	4,706	47,995
Deferred	16	233	170
	4,530	4,939	48,165
Income before minority interests	9,640	10,015	102,499
Minority interests in net income of consolidated subsidiaries	506	469	5,380
Net income	¥ 9,134	¥ 9,546	$ 97,119

	Yen 2013	Yen 2012	U.S. dollars (Note 1) 2013
Amounts per share:			
Net income	¥ 253.73	¥ 265.16	$ 2.70
Cash dividends applicable to the year	37.00	35.00	0.39

See accompanying notes.

Kintetsu World Express, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Income before minority interests	¥ 9,640	¥ 10,015	$ 102,499
Other comprehensive income (Note 18)			
Unrealized gains (losses) on available-for-sale securities	462	135	4,912
Foreign currency translation adjustments	5,502	(1,764)	58,501
Share of other comprehensive income of associates accounted for using equity method	338	(33)	3,594
Total other comprehensive income	6,302	(1,662)	67,007
Comprehensive Income	¥ 15,942	¥ 8,353	$ 169,506
Comprehensive income attributable to			
Owners of the parent	¥ 15,208	¥ 7,948	$ 161,701
Minority interests	734	405	7,805

See accompanying notes.

Kintetsu World Express, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

Millions of yen

	Number of shares of common stock (thousands)	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income: Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2011	36,000	¥ 7,216	¥ 4,868	¥ 64,332	¥ (1)	¥ 76,415	¥ 79	¥ (7,163)	¥ (7,084)	¥ 1,986	¥ 71,317
Net income	–	–	–	9,546	–	9,546	–	–	–	–	9,546
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	–	(1,699)	(1,699)	–	(1,699)
Unrealized gains (losses) on available-for-sale securities	–	–	–	–	–	–	102	–	102	–	102
Purchase of treasury stock	–	–	–	–	(1)	(1)	–	–	–	–	(1)
Cash dividends paid	–	–	–	(1,187)	–	(1,187)	–	–	–	–	(1,187)
Other, net	–	–	–	–	–	–	–	–	–	3	3
Balance at April 1, 2012	36,000	¥ 7,216	¥ 4,868	¥ 72,691	¥ (2)	¥ 84,773	¥ 181	¥ (8,862)	¥ (8,681)	¥ 1,989	¥ 78,081
Net income	–	–	–	9,134	–	9,134	–	–	–	–	9,134
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	–	5,610	5,610	–	5,610
Unrealized gains (losses) on available-for-sale securities	–	–	–	–	–	–	462	–	462	–	462
Purchase of treasury stock	–	–	–	–	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	(1,260)	–	(1,260)	–	–	–	–	(1,260)
Other, net	–	–	–	–	–	–	–	–	–	170	170
Balance at March 31, 2013	36,000	¥ 7,216	¥ 4,868	¥ 80,565	¥ (2)	¥ 92,647	¥ 643	¥ (3,252)	¥ (2,609)	¥ 2,159	¥ 92,197

Thousands of U.S. dollars (Note 1)

	Number of shares of common stock (thousands)	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income: Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	36,000	$ 76,724	$ 51,760	$ 772,897	$ (21)	$ 901,360	$ 1,925	$ (94,226)	$ (92,301)	$ 21,148	$ 830,207
Net income	–	–	–	97,119	–	97,119	–	–	–	–	97,119
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	–	59,649	59,649	–	59,649
Unrealized gains (losses) on available-for-sale securities	–	–	–	–	–	–	4,912	–	4,912	–	4,912
Purchase of treasury stock	–	–	–	–	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	(13,397)	–	(13,397)	–	–	–	–	(13,397)
Other, net	–	–	–	–	–	–	–	–	–	1,808	1,808
Balance at March 31, 2013	36,000	$ 76,724	$ 51,760	$ 856,619	$ (21)	$ 985,082	$ 6,837	$ (34,577)	$ (27,740)	$ 22,956	$ 980,298

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before income taxes and minority interests	¥ 14,170	¥ 14,954	$ 150,664
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,537	2,659	26,975
Gain on negative goodwill	(34)	–	(362)
Loss on liquidation of subsidiaries	2	140	21
Loss on cancellation of leasehold contract	119	–	1,265
Increase (Decrease) in accrued bonuses to employees	(67)	133	(712)
Increase (Decrease) in accrued bonuses to directors and corporate auditors	(2)	(3)	(21)
Increase (Decrease) in accrued retirement benefits to employees	606	285	6,443
Interest and dividend income	(345)	(252)	(3,668)
Interest expense	274	240	2,913
Loss (Gain) on sales of investment securities	–	3	–
Loss on valuation of investment securities	6	181	64
Increase (Decrease) in provision for U.S. antitrust matter	(860)	(154)	(9,144)
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	736	(2,749)	7,826
Increase (Decrease) in notes and accounts payable	(2,119)	836	(22,530)
(Increase) Decrease in other assets	(633)	221	(6,730)
Increase (Decrease) in other liabilities	988	(188)	10,505
Other, net	(189)	(354)	(2,010)
Sub-total	15,189	15,952	161,499
Interest and cash dividend received	354	243	3,764
Interest paid	(298)	(234)	(3,168)
Payment on U.S. antitrust matter	(931)	–	(9,899)
Income taxes paid	(5,458)	(4,843)	(58,033)
Net cash provided by (used in) operating activities	8,856	11,118	94,163
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(3,929)	(444)	(41,776)
Proceeds from withdrawal of time deposit	1,805	369	19,192
Payments for purchases of securities	(4,445)	(1,619)	(47,262)
Proceeds from sales of securities	232	85	2,467
Payments for purchases of property and equipment	(1,625)	(1,549)	(17,278)
Proceeds from sales of property and equipment	50	40	532
Proceeds from loans receivable	9	7	95
Purchase of investments in subsidiaries	(80)	(267)	(851)
Other, net	(61)	(443)	(648)
Net cash provided by (used in) investing activities	(8,044)	(3,821)	(85,529)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(535)	143	(5,688)
Payments of capital lease obligations	(171)	(186)	(1,818)
Proceeds from long-term debt	1,000	242	10,633
Payments for long-term debt	(415)	(268)	(4,413)
Payments of cash dividends	(1,260)	(1,188)	(13,397)
Payments of cash dividends to minority shareholders	(404)	(140)	(4,296)
Other, net	–	(0)	–
Net cash provided by (used in) financing activities	(1,785)	(1,397)	(18,979)
Effect of exchange rate fluctuations on cash and cash equivalents	3,149	(770)	33,482
Net increase (decrease) in cash and cash equivalents	2,176	5,130	23,137
Cash and cash equivalents at beginning of year	36,096	30,966	383,795
Cash and cash equivalents at end of year (Note 3)	¥ 38,272	¥ 36,096	$ 406,932

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2013 and 2012

Note 1: Basis of Presenting the Consolidated Financial Statements

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

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 domicile. Based on the accounting standard, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements (issued by the Accounting Standards Board of Japan ("ASBJ") on February 19, 2010)", the difference between Japanese GAAP and those in overseas are adjusted in the consolidation process. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company provided in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

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, 2013 which is ¥94.05 to U.S. $1. The convenience translations should not be construed as representations of possible future amounts, converted into U.S. dollars at this or any other rate of exchange.

Certain prior year amounts have been reclassified to conform to the year 2013 presentation. These changes have 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 60 subsidiaries for the year ended March 31, 2013. At March 31, 2012 the Company had 59 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 are 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, 2013, 7 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, 2012, 6 affiliates are accounted for by the equity method.

(4) Cash and Cash Equivalents

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

(5) Securities

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

The Companies do not hold any security defined as (a) above as of March 31, 2013 and 2012. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with market value are stated at market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using weighted-average cost. Other securities that do not have market value are stated at weighted-average cost. If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amounts is recognized as loss in the period of the decline.

(6) Allowance for Doubtful Accounts

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

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

(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 .... 5-38 years
Machinery and equipment ...... 3-7 years
Others .... 2-20 years

(b) Lease Assets

Assets used under finance lease arrangements are capitalized. Depreciation for Lease Assets is amortized on the straight-line method with their residual values being zero over their leased periods used as the number of years for useful lives. 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) Intangible Assets excluding Lease Assets
Amortization of intangible assets is computed using the straight-line method. Software for internal use is amortized on the straight-line method over their estimated useful lives (primarily 5 years). Goodwill and negative goodwill which was accounted on or before March 31, 2010 are amortized on the straight line method over a 20-year-period. Immaterial goodwill is 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) Accrued Bonuses to Employees
Bonuses to employees are provided for the portion of relevant to the current year of the estimated amount of bonus payments.

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

(12) Accrued Retirement Benefits to Employees
The Companies adopt 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 a defined benefit pension plan while certain overseas subsidiaries have either a defined benefit pension plan or a defined contribution pension plan. Effective April 1, 2001 the Company integrated entire lump-sum payment plan into funded pension plan. The transition amount arising from the integration of ¥84 million is amortized on the straight-line method 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 translation 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 method over the prescribed years within the estimated remaining service period (13 years).

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

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

(15) Income Taxes
Income taxes consist of corporation, inhabitant and enterprise taxes. The provision for income taxes is computed based on the pretax income of each of the Company and its consolidated subsidiaries with certain adjustments required for tax purposes. The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(16) Derivatives
Derivative financial instruments are stated at fair value and changes in their fair values are recognized as gains or losses.

(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, 2013 and 2012 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, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits	¥ 41,541	¥ 36,944	$ 441,690
Deposits over three months	(3,269)	(848)	(34,758)
Cash and cash equivalents	¥ 38,272	¥ 36,096	$ 406,932

Note 4: Securities

The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2013 and 2012:

Held-to-maturity debt securities, at March 31, 2013	Millions of yen: Book value	Millions of yen: Fair value	Millions of yen: Difference	Thousands of U.S. dollars: Book value	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Difference
Securities with available fair values exceeding book value	¥ 139	¥ 140	¥ 1	$ 1,478	$ 1,489	$ 11
Other securities	–	–	–	–	–	–
Total	¥ 139	¥ 140	¥ 1	$ 1,478	$ 1,489	$ 11

Held-to-maturity debt securities, at March 31, 2012	Millions of yen: Book value	Millions of yen: Fair value	Millions of yen: Difference
Securities with available fair values exceeding book value	¥ 138	¥ 138	¥ 0
Other securities	–	–	–
Total	¥ 138	¥ 138	¥ 0

Available-for-sale securities, at March 31, 2013	Millions of yen: Book value	Millions of yen: Acquisition cost	Millions of yen: Difference	Thousands of U.S. dollars: Book value	Thousands of U.S. dollars: Acquisition cost	Thousands of U.S. dollars: Difference
Securities with book value exceeding acquisition costs	¥ 2,802	¥ 1,817	¥ 985	$ 29,793	$ 19,319	$ 10,474
Other securities	111	123	(12)	1,180	1,308	(128)
Total	¥ 2,913	¥ 1,940	¥ 973	$ 30,973	$ 20,627	$ 10,346

Available-for-sale securities, at March 31, 2012	Millions of yen: Book value	Millions of yen: Acquisition cost	Millions of yen: Difference
Securities with book value exceeding acquisition costs	¥ 1,068	¥ 781	¥ 287
Other securities	1,165	1,181	(16)
Total	¥ 2,233	¥ 1,962	¥ 271

Available-for-sale securities sold during the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities	2013	2012	2013
Sales value	¥ 232	¥ 85	$ 2,467
Gain on sales	0	0	0
Loss on sales	–	(3)	–

Book value of available-for-sale securities, with no fair market value, as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities	2013	2012	2013
Unlisted securities	¥ 563	¥ 558	$ 5,986
Unlisted equity securities issued by affiliates	6,179	1,576	65,699
Total	¥ 6,742	¥ 2,134	$ 71,685

Securities impaired
Certain investment securities (Available-for-sale securities) was impaired, and valuation loss on investment securities of ¥6 million ($64 thousand) is recorded for the year ended March 31, 2013.

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

Short-term debt consists principally of borrowings from banks. The weighted average interest rate of short-term debt as of March 31, 2013 and 2012 are 1.40% and 1.15%, respectively.

Long-term debt at March 31, 2013 and 2012 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Long-term debt from banks and other financial institutions due 2014 to 2036, with average interest of 1.95% for 2013 and 2.17% for 2012			
Unsecured	¥ 6,157	¥ 5,565	$ 65,465
Less: Portion due within one year	(4,783)	(319)	(50,856)
	¥ 1,374	¥ 5,246	$ 14,609

Annual maturities of long-term debt at March 31, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ –	$ –
2015	603	6,411
2016	144	1,531
2017	131	1,393
2018 and thereafter	496	5,274
Total	¥ 1,374	$ 14,609

Note 6: Pledged Assets

At March 31, 2013, assets pledged as collateral for payment of Notes and accounts payable-trade and Other current liabilities are as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥ 121	$ 1,287
Buildings and structures	554	5,890
Land	814	8,655
	¥ 1,489	$ 15,832

In addition, the Company pledged security of ¥139 million ($1,478 thousand) as collateral for deferred payment of customs duties.

Note 7: Accrued Retirement Benefits to Employees

Accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ 16,649	¥ 16,570	$ 177,023
Unrecognized prior service cost	(19)	(25)	(202)
Unrecognized actuarial differences	(1,371)	(2,497)	(14,577)
Less fair value of plan assets	(12,792)	(11,968)	(136,013)
Less unrecognized net transition obligation	(512)	(764)	(5,444)
Accrued retirement benefits	¥ 1,955	¥ 1,316	$ 20,787

The components of net periodic benefit cost for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost - benefits earned during the year	¥ 1,066	¥ 1,027	$ 11,334
Interest cost on projected benefit obligation	311	318	3,307
Expected return on plan assets	(331)	(322)	(3,519)
Amortization on net transition obligation	252	252	2,679
Amortization on prior service cost	6	6	64
Amortization on actuarial differences	437	438	4,646
Retirement benefit expenses	¥ 1,741	¥ 1,719	$ 18,511

The discount rate used by the Company to measure the projected pension benefit obligation is 2.0% for 2013 and 2012 and the rate of expected return on plan assets is 3.0% for 2013 and 2012.

Note 8: Income Taxes

Income taxes consist of corporation, inhabitant and enterprise taxes. The statutory tax rate is 40.7% for 2012 and 38.0% for 2013, respectively.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Operating loss carryforwards	¥ 154	¥ 109	$ 1,637
Accrued bonuses	438	388	4,657
Allowance for doubtful accounts	59	106	627
Accrued retirement benefits to employees	869	875	9,240
Accrued enterprise tax	79	91	840
Net unrealized holding losses on available-for-sale securities	136	99	1,446
Other	452	512	4,807
Total	2,187	2,180	23,254
Valuation allowance	(443)	(387)	(4,710)
Total deferred tax assets	1,744	1,793	18,544
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(333)	(89)	(3,541)
Depreciation and other	(337)	(387)	(3,583)
Total deferred tax liabilities	(670)	(476)	(7,124)
Net deferred tax assets	¥ 1,074	¥ 1,317	$ 11,420

The significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2013 and 2012 is as follows:

	2013	2012
Statutory tax rate	38.0%	40.7%
Entertainment expenses and other non-deductible permanent differences	0.8	0.9
Dividend income and other non-taxable income	(0.2)	(0.2)
Difference of the statutory tax rate among countries other than Japan	(8.3)	(10.1)
Effect of elimination of intercompany dividends received	0.2	0.3
Compensable tax loss in subsidiaries	(0.1)	(1.0)
Corporate inhabitant tax	1.8	1.0
Valuation allowance on deferred tax	0.3	(0.0)
Equity in earnings of affiliated companies	(0.4)	(0.3)
Provision for U.S. antitrust matter	0.1	(0.4)
Decrease of deferred tax assets at fiscal year-end due to the change of tax rate	–	1.6
Foreign tax credit	(0.1)	-
Other, net	(0.1)	0.5
Effective tax rate	32.0%	33.0%

Note 9: Contingent Liabilities

The Companies have no contingent liabilities as of March 31, 2013.

Note 10: Net Assets

Net assets are comprised of three subsections, which are shareholders' equity, accumulated other comprehensive income and minority interests in consolidated subsidiaries.

Under 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 Japanese laws and regulations.

Note 11: Accounting for Leases

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

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for non-capitalized finance leases at March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Others (tools, dies, furniture and fixtures):			
Assumed acquisition cost	¥ 150	¥ 232	$ 1,595
Accumulated depreciation	(130)	(178)	(1,382)
Net book value	¥ 20	¥ 54	$ 213
Other intangible assets (Software):			
Assumed acquisition cost	¥ 66	¥ 66	$ 702
Accumulated depreciation	(66)	(59)	(702)
Net book value	¥ 0	¥ 7	$ 0

(2) Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Payments due within one year	¥ 22	¥ 42	$ 234
Payments due after one year	0	22	0
	¥ 22	¥ 64	$ 234

(3) Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease payments	¥ 43	¥ 107	$ 457
Depreciation expense portion	40	100	425
Interest expense portion	1	3	11

Lease obligations under operating leases, including finance charges, at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Payments due within one year	¥ 3,065	¥ 2,700	$ 32,589
Payments due after one year	3,653	3,935	38,841
	¥ 6,718	¥ 6,635	$ 71,430

Note 12: Financial Instruments

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

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

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

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

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

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 its fund-raising plans periodically and by controlling the 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 executed and controlled by the finance section upon request of the overseas settlement section according to 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, 2013 are as follows.

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

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits	¥ 41,541	¥ 41,541	¥ –	$ 441,690	$ 441,690	$ –
(2) Notes and accounts receivable-trade	46,441	46,441	–	493,790	493,790	–
(3) Marketable securities						
Available-for-sale securities	14	14	–	149	149	–
(4) Investment securities						
Held-to-maturity debt securities	139	140	1	1,478	1,489	11
Other securities	2,899	2,899	–	30,824	30,824	–
(5) Long-term loans receivable	190	190	–	2,020	2,020	–
Total	¥ 91,224	¥ 91,225	¥ 1	$ 969,951	$ 969,962	$ 11
Liabilities:						
(6) Notes and accounts payable-trade	¥ 19,760	¥ 19,760	¥ –	$ 210,101	$ 210,101	$ –
(7) Short-term debt	8,405	8,405	–	89,367	89,367	–
(8) Income taxes payable	1,282	1,282	–	13,631	13,631	–
(9) Long-term debt (including current portion of long-term debt)	5,694	5,726	32	60,542	60,883	341
Total	¥ 35,141	¥ 35,173	¥ 32	$ 373,641	$ 373,982	$ 341
Derivative transactions	¥ (11)	¥ (11)	¥ –	$ (117)	$ (117)	$ –

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) Marketable securities and (4) Investment securities

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

(5) 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

(6) Notes and accounts payable-trade, (7) Short-term debt and (8) 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.

(9) Long-term debt

The fair value of long-term debt 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

Derivative assets and liabilities are on a net base. Net liabilities are disclosed in brackets.

Note 2. Unlisted equity securities (carrying amount: ¥6,742 million ($71,685 thousand)) are not included in Assets (4) Investment securities as they do not have a quoted market price in an active market.

Note 3. The redemption schedule for monetary claim and debt securities with maturity dates subsequent to the consolidated balance sheet 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	¥ 41,541	¥ –	¥ –	$ 441,690	$ –	$ –
(2) Notes and accounts receivable-trade	46,441	–	–	493,790	–	–
(3) Marketable securities						
Held-to-maturity debt securities (government securities)	–	139	–	–	1,478	–
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	6	23	–	64	245	–
Other securities with maturity date (government securities)	8	41	–	85	436	–
(4) Long-term loans receivable	–	45	145	–	478	1,542
Total	¥ 87,996	¥ 248	¥ 145	$ 935,629	$ 2,637	$ 1,542

Note 13: Derivatives

Fair value is based on information provided by financial institutions at the end of fiscal year.
Derivative transactions to which hedge accounting is not applied as of March 31, 2013 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contracts outstanding due within one year	Fair value	Unrealized gain (loss)	Contracts outstanding due within one year	Fair value	Unrealized gain (loss)
Over The Counter transactions						
Foreign currency forward contracts to						
Purchase U.S. dollar	¥ 392	¥ (8)	¥ (8)	$ 4,167	$ (85)	$ (85)
Purchase euro	379	(2)	(2)	4,029	(21)	(21)
Purchase pound sterling	83	(0)	(0)	883	(0)	(0)
Purchase Swiss franc	34	(0)	(0)	362	(0)	(0)
Purchase Hong Kong dollar	30	(1)	(1)	319	(11)	(11)
Purchase Swedish krona	4	(0)	(0)	43	(0)	(0)
	¥ 922	¥ (11)	¥ (11)	$ 9,803	$ (117)	$ (117)

Note 14: Business Combinations

Business Combination in the fiscal year ended March 31, 2013 is as follows:

(a) Acquisition of an additional equity of subsidiary in Thailand

1. Outline of the transaction

(1) Name and nature of business subject to transaction
Name of business: KWE-Kintetsu World Express (Thailand) Co., Ltd.
Nature of business: International air and sea freight forwarding

(2) Date of business combination
December 20, 2012

(3) Legal form of business combination
Acquisition of an additional equity

(4) Name of company after transaction
KWE-Kintetsu World Express (Thailand) Co., Ltd.

(5) Outline and purpose of transaction
In order to obtain greater management efficiency, the Companies acquired additional shares from minority shareholders.
As a result, the Companies' controlling share was increased to 98% in the fiscal year.

2. Outline of the accounting treatment implemented

This transaction was accounted for as a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ statement No. 21, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) issued by the Accounting Standard Board of Japan.

3. Acquisition cost

The Companies paid cash of ¥175 million ($1,861 thousand) for this acquisition.

4. Goodwill

As a result of elimination of additional shares, an excess of acquisition cost over the minority interest was ¥48 million ($510 thousand), which was accounted for as goodwill.

Note 15: Segment Information

(1) Overview of reportable segments

Reportable segments of the Company are components of an entity about which separate financial information is available and such information is evaluated regularly by the board of directors in deciding how to allocate resources and in assessing performance.

The Company has established a Corporate Strategic Headquarters who sets global strategy and controls overall business activities of the Company and subsidiaries.

Under a Corporate Strategic Headquarters, the Company manages business activities of domestic subsidiaries and each regional headquarters manages business activities of overseas subsidiaries. Consolidated subsidiaries both within Japan and overseas are independent business entities and conduct business activities in their particular area under the guidance of either the Company or the respective regional headquarters.

Therefore, the Company and its consolidated subsidiaries consist of 5 regional reportable segments as "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania" and "Southeast Asia." Each regional segments performs business activities mainly in Air freight forwarding, Sea freight forwarding, Logistics and other (Domestic freight forwarding, etc.) services.

(2) Calculation for net sales, segment income or loss, assets and other of reportable segments

Accounting practice for reportable segments is the same as the practice described in "Basis of Presenting the Consolidated Financial Statements."

Income of reportable segments is based on operating income. Inter-segment sales or transfer are accounted for market price to be used under general business conditions.

(3) Net Sales, segment income or loss, assets and others of reportable segments

The segment information of the Companies for the years ended March 31, 2013 and 2012 is presented below:

	Millions of yen									
	Reportable Segments									
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total	Other (1)	Total	Adjustment (2)	Consolidated (3)
Year ended March 31, 2013:										
Net sales:										
Net sales to outside customers	¥ 97,662	¥ 30,590	¥ 24,975	¥ 70,925	¥ 23,529	¥247,681	¥ 296	¥ 247,977	¥ –	¥ 247,977
Inter-segment sales/transfers	1,663	1,616	709	641	366	4,995	1,526	6,521	(6,521)	–
Total sales	99,325	32,206	25,684	71,566	23,895	252,676	1,822	254,498	(6,521)	247,977
Operating Expenses	95,393	30,164	25,058	66,596	22,504	239,715	1,476	241,191	(6,509)	234,682
Segment income	¥ 3,932	¥ 2,042	¥ 626	¥ 4,970	¥ 1,391	¥ 12,961	¥ 346	¥ 13,307	¥ (12)	¥ 13,295
At March 31, 2013:										
Segment assets	¥ 58,633	¥ 14,597	¥ 12,764	¥ 36,967	¥ 17,775	¥140,736	¥ 1,381	¥ 142,117	¥ (2,001)	¥ 140,116
Year ended March 31, 2013:										
Others:										
Depreciation	¥ 1,233	¥ 188	¥ 193	¥ 460	¥ 259	¥ 2,333	¥ 176	¥ 2,509	¥ –	¥ 2,509
Amortization of goodwill	–	–	15	9	39	63	–	63	–	63
Investment in affiliates	1,630	–	19	130	4,400	6,179	–	6,179	–	6,179
Increase in property and equipment and other intangible assets	1,076	54	123	350	174	1,777	9	1,786	–	1,786
Year ended March 31, 2012:										
Net sales:										
Net sales to outside customers	¥ 109,160	¥ 31,018	¥ 25,847	¥ 72,975	¥ 25,141	¥ 264,141	¥ 262	¥ 264,403	¥ –	¥ 264,403
Inter-segment sales/transfers	1,468	1,570	995	741	342	5,116	1,526	6,642	(6,642)	–
Total sales	110,628	32,588	26,842	73,716	25,483	269,257	1,788	271,045	(6,642)	264,403
Operating expenses	106,469	30,461	26,300	68,357	24,074	255,661	1,473	257,134	(6,556)	250,578
Segment income (loss)	¥ 4,159	¥ 2,127	¥ 542	¥ 5,359	¥ 1,409	¥ 13,596	¥ 315	¥ 13,911	¥ (86)	¥ 13,825
At March 31, 2012:										
Segment asset	¥ 58,154	¥ 12,344	¥ 10,451	¥ 31,446	¥ 12,416	¥ 124,811	¥ 1,179	¥ 125,990	¥ (553)	¥ 125,437
Year ended March 31, 2012:										
Others:										
Depreciation	¥ 1,277	¥ 178	¥ 230	¥ 487	¥ 279	¥ 2,451	¥ 182	¥ 2,633	¥ –	¥ 2,633
Amortization of goodwill	–	–	15	9	38	62	–	62	–	62
Investment in affiliates	1,500	–	12	64	–	1,576	–	1,576	–	1,576
Increase in property and equipment and other intangible assets	621	514	177	419	193	1,924	68	1,992	–	1,992

	Thousands of U.S. dollars									
	Reportable Segments									
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total	Other	Total	Adjustment	Consolidated
Year ended March 31, 2013:										
Net sales:										
Net sales to outside customers	$1,038,405	$325,253	$265,550	$754,120	$ 250,175	$2,633,503	$ 3,148	$2,636,651	$ –	$2,636,651
Inter-segment sales/transfers	17,682	17,182	7,538	6,816	3,892	53,110	16,225	69,335	(69,335)	–
Total sales	1,056,087	342,435	273,088	760,936	254,067	2,686,613	19,373	2,705,986	(69,335)	2,636,651
Operating expenses	1,014,279	320,723	266,432	708,092	239,277	2,548,803	15,694	2,564,497	(69,207)	2,495,290
Segment income	$ 41,808	$ 21,712	$ 6,656	$ 52,844	$ 14,790	$ 137,810	$ 3,679	$ 141,489	$ (128)	$ 141,361
At March 31, 2013:										
Segment assets	$ 623,424	$155,205	$135,715	$393,057	$ 188,995	$1,496,396	$ 14,683	$1,511,079	$ (21,276)	$1,489,803
Year ended March 31, 2013:										
Others:										
Depreciation	$ 13,110	$ 1,999	$ 2,052	$ 4,891	$ 2,754	$ 24,806	$ 1,871	$ 26,677	$ –	$ 26,677
Amortization of goodwill	–	–	159	96	415	670	–	670	–	670
Investment in affiliates	17,331	–	202	1,382	46,784	65,699	–	65,699	–	65,699
Increase in property and equipment and other intangible assets	11,441	574	1,308	3,721	1,850	18,894	96	18,990	–	18,990

Notes: 1. "Other" is segment which is not included in reportable segments and provides incidental logistics related services within the Companies.

2. Amounts in "Adjustment" represents as follows:
Segment income of ¥(12) million ($(128) thousand) and ¥(86) million for the years ended March 31, 2013 and 2012, respectively represents elimination of inter-segment transactions.
Segment assets of ¥(2,001) million ($(21,276) thousand) and ¥(553) million at March 31, 2013 and 2012 respectively include elimination of inter-segment transactions and surplus operating fund (cash and time deposit) of the Company which are not allocated to each segment.

3. Segment income is adjusted with operating income in the consolidated statements of income.

(4) Net Sales by Service

Net Sales by Service for the years ended March 31, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net Sales by Service:			
Air freight forwarding	¥ 140,216	¥ 159,305	$1,490,867
Sea freight forwarding	52,484	51,242	558,044
Logistics	28,170	27,660	299,521
Others	27,107	26,196	288,219
	¥ 247,977	¥ 264,403	$2,636,651

(5) Net Sales classified by Country or Geographic area

Net Sales classified by country or geographic area for the years ended March 31, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net Sales classified by Country or Geographic area			
Japan	¥ 97,662	¥ 109,160	$1,038,405
China	52,921	55,515	562,690
North America	30,886	31,280	328,400
Asia and Oceania	41,532	44,839	441,595
Europe	17,978	17,212	191,154
Others	6,998	6,397	74,407
	¥ 247,977	¥ 264,403	$2,636,651

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

(6) Property and equipment classified by Country or Geographic area

Property and equipment classified by country or geographic area for the years ended March 31, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Property and equipment classified by Country or Geographic area			
Japan	¥ 22,660	¥ 22,728	$ 240,936
China	1,730	1,511	18,395
North America	3,040	2,842	32,323
Asia and Oceania	4,556	4,038	48,442
Europe	260	270	2,764
Others	266	272	2,829
	¥ 32,512	¥ 31,661	$ 345,689

(7) Information on Amortization of goodwill and balance of goodwill of reportable segments

Amortization of goodwill and the balance of goodwill by reportable segments for the years ended March 31, 2013 and 2012 are presented below:

	Millions of yen							
	Reportable Segments							
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total	Other	Total
Year ended March 31, 2013								
Goodwill								
Amortization of goodwill	¥ –	¥ –	¥ 15	¥ 9	¥ 39	¥ 63	¥ –	¥ 63
Balance of goodwill	–	–	185	126	445	756	–	756
Negative goodwill								
Amortization of negative goodwill	–	–	–	28	7	35	–	35
Balance of negative goodwill	–	–	–	262	105	367	–	367
Year ended March 31, 2012								
Goodwill								
Amortization of goodwill	¥ –	¥ –	¥ 15	¥ 9	¥ 38	¥ 62	¥ –	¥ 62
Balance of goodwill	–	–	200	136	402	738	–	738
Negative goodwill								
Amortization of negative goodwill	–	–	–	28	7	35	–	35
Balance of negative goodwill	–	–	–	291	111	402	–	402

	Thousands of U.S. dollars							
	Reportable Segments							
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total	Other	Total
Year ended March 31, 2013								
Goodwill								
Amortization of goodwill	$ –	$ –	$ 159	$ 96	$ 415	$ 670	$ –	$ 670
Balance of goodwill	–	–	1,967	1,340	4,732	8,039	–	8,039
Negative goodwill								
Amortization of negative goodwill	–	–	–	298	74	372	–	372
Balance of negative goodwill	–	–	–	2,787	1,116	3,903	–	3,903

Note 16: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Labor and payroll cost	¥ 15,185	¥ 14,722	$ 161,457
Provision for accrued bonuses to employees	914	1,010	9,718
Provision for accrued retirement benefits to employees	1,253	1,333	13,323
Provision for doubtful accounts	57	142	606
Others	12,265	12,453	130,409
	¥ 29,674	¥ 29,660	$ 315,513

Note 17: Other Income (Expenses)

Other, net during the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Amortization of negative goodwill	¥ 35	¥ 35	$ 372
Gain on negative goodwill	34	–	362
Settlement income	72	66	766
Loss on valuation of golf club membership	(9)	(24)	(96)
Loss on EU antitrust matter	–	(68)	–
Loss on sales or disposals of property and equipment, net	(9)	(32)	(96)
Other, net	184	260	1,956
	¥ 307	¥ 237	$ 3,264

Note 18: Consolidated Statements of Comprehensive Income

Amounts reclassified to net income for the years ended March 31, 2013 and 2012 that were recognized in other comprehensive income in the current or previous period and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gains (losses) on available-for-sale securities			
Increase (decrease) during the year	¥ 701	¥ 28	$ 7,453
Reclassification	5	164	54
Sub total, before tax	706	192	7,507
Tax (expense) or benefit	(244)	(57)	(2,595)
Sub total, net of tax	462	135	4,912
Foreign currency translation adjustments			
Increase (decrease) during the year	5,500	(1,898)	58,480
Reclassification	2	140	21
Sub total, before tax	5,502	(1,758)	58,501
Tax (expense) or benefit	–	(6)	–
Sub total, net of tax	5,502	(1,764)	58,501
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	338	0	3,594
Reclassification	–	(33)	–
Sub total	338	(33)	3,594
Total other comprehensive income	¥ 6,302	¥ (1,662)	$ 67,007

Note 19: Subsequent Events

On June 18, 2013, the shareholders of the Company approved the payment of a cash dividend to shareholders of record as of March 31, 2013 of ¥22.00 ($0.23) per share for a total of ¥792 million ($8,421 thousand).

Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013 and will be recognized in the period in which they are approved by the shareholders.

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Kintetsu World Express, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kintetsu World Express, Inc. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 18, 2013
Tokyo, Japan

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

Investor Information

(As of March 31, 2013)

Kintetsu World Express, Inc. (KWE)

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

■ Established:
January 1970

■ Paid-in Capital
¥ 7,216 million

■ Number of Common Stocks
Authorized 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:
10,047 (worldwide)

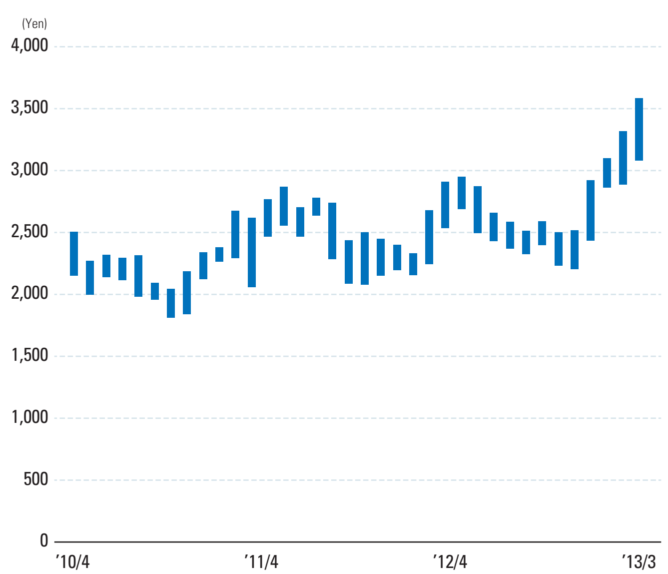
■ Investor Relations:
Shinagawa Intercity TowerA-24F
2-15-1 Konan, Minato-ku, Tokyo 108-6024, Japan
Tel: +81-3-6863-6443
Fax: +81-3-5462-8501

■ Website Address:
http://www.kwe.com

Major Shareholders (As of March 31, 2013)

Shareholder	Number of shares held	% of shares held
Kintetsu Corporation	14,752,900	40.98%
Mitsui O.S.K. Lines, Ltd.	1,799,500	5.00%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,690,500	4.70%
JP Morgan Chase Bank 385174	1,027,892	2.86%
Hokko Daiwa Taxi Co., Ltd.	937,500	2.60%
Japan Trustee Services Bank, Ltd. (Trust Account)	893,000	2.48%
National Mutual Insurance Federation of Agricultural Cooperatives	713,700	1.98%
Juniper	686,200	1.91%
The Chase Manhattan Bank N.A.	657,475	1.83%
Okunikko Kogen Hotel	587,500	1.63%

Stock Price



KWE Group

(As of March 31, 2013)

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.
plus 3 other companies

The Americas

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

Europe, Middle East & Africa

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

East Asia & Oceania

Kintetsu World Express (HK) Ltd.
Kintetsu World Express (Taiwan), Inc.
Kintetsu World Express (Australia) Pty Ltd.
Kintetsu World Express (Korea), Inc.
Kintetsu World Express (China) Co., Ltd.
Beijing Kintetsu World Express Co., Ltd.
Kintetsu World Express (Xiamen) Co., Ltd.
Kintetsu Logistics (Shenzhen) Co., Ltd.
Shanghai Kintetsu Logistics Co., Ltd.
Dalian Kintetsu Logistics Co., Ltd.
Suzhou Kintetsu Logistics Co., Ltd.
Kintetsu Logistics (Xiamen) Co., Ltd.
Yantai Kintetsu Logistics Co., Ltd.
Kintetsu World Express (Philippines) Inc.
Kintetsu World Express (Subic) Inc.
Kintetsu World Express (Clark) Inc.
Kintetsu Logistics (Philippines) Inc.
plus 8 other companies

Southeast Asia

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

Other

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