Annual Report 2014

Kintetsu World Express, Inc.

Year Ended March 31, 2014

Global Logistics Partner

Ready for the Next! Phase 2

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Expectations and Forecasts

This annual report contains statements about our expectations and forecasts regarding plans, strategies, and business results related to the future of Kintetsu World Express, Inc. (KWE). These statements reflect our expectations based on personal beliefs and assumptions that were determined in light of information that was available at the time the report was prepared. There are innumerable risk factors and uncertainties that could affect the future, including economic trends, competition in the logistics industry, market conditions, fuel prices, exchange rates, and tax or other regulatory system considerations. Please be well advised that because of these risk factors, actual results may differ from our expectations.

Five-Region Snapshots/ Japan

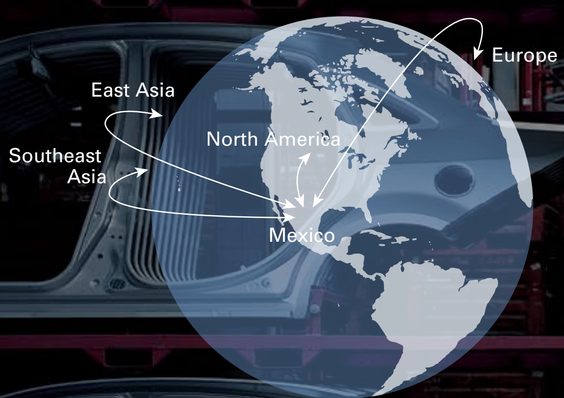
Pulling up sea freight

In the fiscal year ended March 2014, sea freight exports handled by KWE surged 19.0% year on year. KWE Japan marked a big growth, at 24.1%, and will continue to lead the entire Group's drive to increase sea freight.

Five-Region Snapshots/ The Americas

Expanding KWE's Latin American network

Main Routes for Transporting Automotive-related Items to and from Mexico



As the automotive industry continues to grow in Latin America, KWE is expanding its service network there and increasing transport of automotive-related items, focusing on Mexican and Brazilian markets. Going forward, we will work on expanding global volume, especially between Latin America, Europe, and Asia.

Five-Region Snapshots/ Europe, Middle East & Africa

Expanding air freight

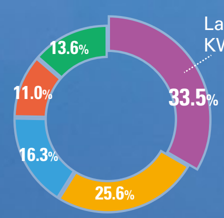
Air freight from
Europe, Middle East & Africa

In the fiscal year ended March 2014, worldwide air freight demand tended to be stagnant. However, Europe, Middle East & Africa took on new automotive and healthcare-related customers and posted 16.5% higher volume than the previous year. It was the only region in the Group where air freight tonnage exceeded the previous year. Sea freight also grew, by an impressive 44.1%, impelling the region forward toward a well-balanced business portfolio.

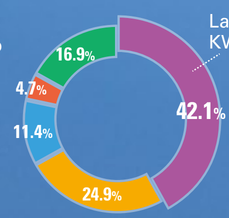
Five-Region Snapshots/ East Asia & Oceania

The Group's largest handling volume

Air Freight Exports by Region ('14/3)*1



Sea Freight Exports by Region ('14/3)*2



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

*1 based on weight
*2 based on TEUs (Twenty-foot Equivalent Units)

In the fiscal year ended March 2014 too, East Asia & Oceania handled more air freight and more sea freight than any other region in the KWE Group. Although growth in the region has slowed, it remains as an important market where we will continue to invest management resources and further strengthen our capacity for generating profits.

Five-Region Snapshots/ Southeast Asia

Moving to establish a competitive advantage

Southeast Asia Business Base Investment

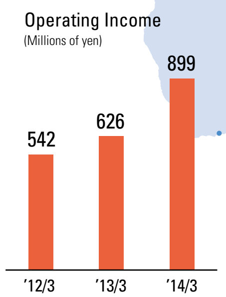
Singapore Logistics Center:	opened January 2014
Laos Representative Office and Savannakhet Satellite Office:	opened June 2014
Myanmar Representative Office:	opened June 2014
Phnom Penh Representative Office:	opened July 2014
Marunda Logistics Center in Indonesia:	scheduled to open in August 2014
Prachinburi Logistics Center in Thailand:	scheduled to open in January 2015

The Southeast Asian economy is undergoing a correction, but its high growth potential has not changed at all. Business development in this region is of the highest priority according to "Ready for the Next! Phase 2," so we will move forward to expand our business base and handling volume there.

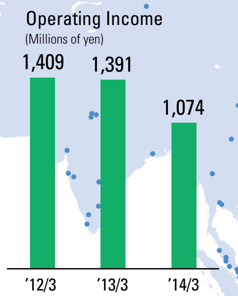
Global Network

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



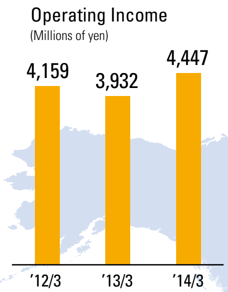
Southeast Asia



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

Japan

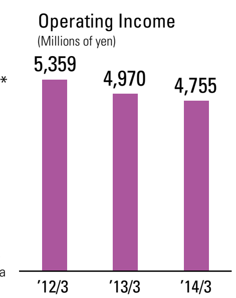
Kintetsu World Express, Inc.
Kintetsu Logistics Systems, Inc.
Kintetsu World Express Delivery Co., Ltd.
Kintetsu Cosmos, Inc.
Kintetsu World Express Sales, Inc.
Kintetsu World Express Shikoku, Inc.
plus 3 other companies

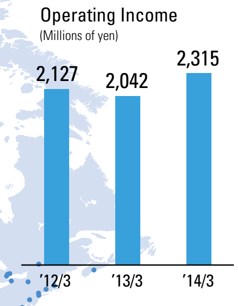


East Asia & Oceania

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.*
Xi'an Kintetsu Logistics Co., Ltd.
plus 9 other companies

* From the fiscal year ending March 2015, four Philippine subsidiaries were reclassified from East Asia & Oceania to Southeast Asia.





The Americas

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

Other

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

One-Stop Service

Air 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.

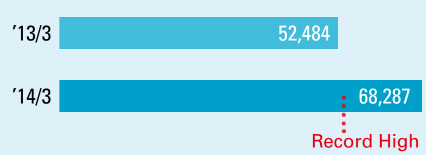
Net Sales (Millions of yen)

Sea Freight

Industry Verticals

- Household electric appliances and their components
- Raw materials
- Automotive parts and components
- 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)

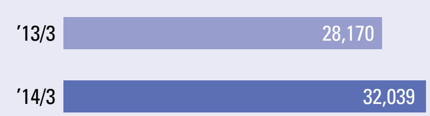


Logistics

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

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)

Top Message

“Shifting into Higher Gear”

Moving steadily forward to ensure future growth

The year through March 2014 was the first year of our medium-term management plan “Ready for the Next! Phase 2.” We could achieve our goals successfully in net sales, income before income taxes, and net income partly thanks to the weak Japanese yen. Although we could not achieve our operating income target, we were able to increase our dividend payout for the fourth consecutive year to a record high of 40 yen per share.

For me, our most remarkable accomplishments of the year were growth in sea freight volume and steady business development in Southeast Asia. Global sea freight volume increased 19.0% year on year. In Thailand, Vietnam and Singapore, we proactively upgraded and expanded our logistics facilities.

Based on these positive results, aided by a moderate but steady recovery of the world air freight market, we want to “shift into higher gear” and accelerate steady growth in this second year through March 2015.

Satoshi Ishizaki
President and Chief Executive Officer

Summary of Medium-Term Plan First-Year Results

For us, volume growth is of paramount importance. In order to build a more balanced portfolio of business domains, we are working to expand handling volume in strategic fields like automotive and healthcare, in addition to aiming for a higher rate of growth in sea freight relative to air freight growth.

Steady progress toward a well-balanced portfolio of business domains

In the fiscal year ended March 2014, air freight exports declined 4.1% from the previous year, while sea freight exports increased by 19.0%, surpassing our target. We could see progress in our logistics business, mainly in Thailand, Vietnam, and South Africa.

Automotive-related business increased

We saw good growth in handling of automotive-related business—one of our priority areas—especially in Japan, where it accounts for 26% of KWE/Japan's business. In addition to automotive business, we need to increase healthcare and retail items as well.

Greater presence in emerging countries

In India, Gati-Kintetsu Express has been expanding its business nicely, primarily through domestic trucking. It has acquired certification from the Transported Asset Protection Association (TAPA). In Latin America, we built a network based around local subsidiaries that we established in 2013 in Mexico and Brazil. In Mexico, we developed automotive-related businesses.

Expanding off-shore traffics

We achieved good growth in handling of off-shore traffics for Japanese customers: 9% year-on-year growth in air freight volume and 100% in sea freight volume. Volume in "Power Lanes" (Intra - Asia, Asia – the Americas/Europe lanes) was stagnant, presenting an issue to address in the future.

Outline of Medium-Term Management Plan

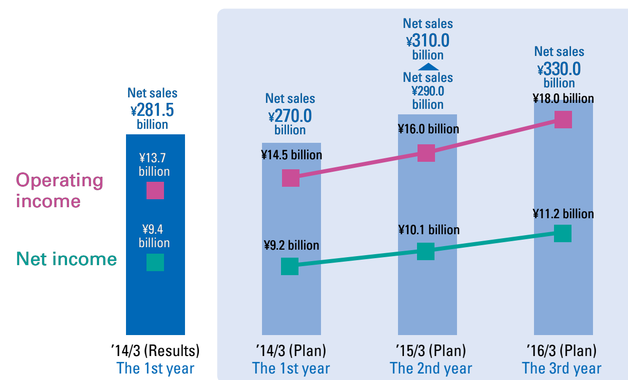
Targets by March 2016

Net sales: ¥330 billion (+30% from FY ended March 2013)
Operating income: ¥18 billion (+40% from FY ended March 2013)
Operating margin : 5.5% (Improved from FY ended March 2013)

Key Strategies

1. Optimize overall revenue portfolio through a more balanced portfolio of business domains and commodities handled
2. Expand KWE's presence in emerging countries
3. Strengthen off-shore sales structure and activities; establish best in class operations to maximize operational effectiveness and high quality services

Numerical Targets



Sea Freight Business and KWE

We have been working for many years to increase our sea freight volume. We achieved a significant increase in the fiscal year ended March 2014 and we aim for an even further increase in 2015. We intend to accelerate the building of a more balanced portfolio of business domains.

A breakthrough

In the fiscal year ended March 2014, net sales from sea freight leapt up 30.1% to a new record high. The ratio of sea freight to overall sales also increased, to a record high of 24.2%. We see that we finally made a breakthrough in the sea freight business after many years of effort.

Factors

We see two major factors underpinning the breakthrough.

First, our stance of offering comprehensive, one-stop service for both air and sea freight has finally penetrated to those on the front lines. We believe that the April 2011 institutional reform in Japan, i.e. the unification of our sales organization, which had previously been divided between air and sea freight, helped to bring about this breakthrough.

The second factor is positive evaluations by our customers. We are proud to say that our customers recognize in our sea freight services the value of the same meticulous, highly responsive KWE-style services that we have long cultivated in our air freight service.

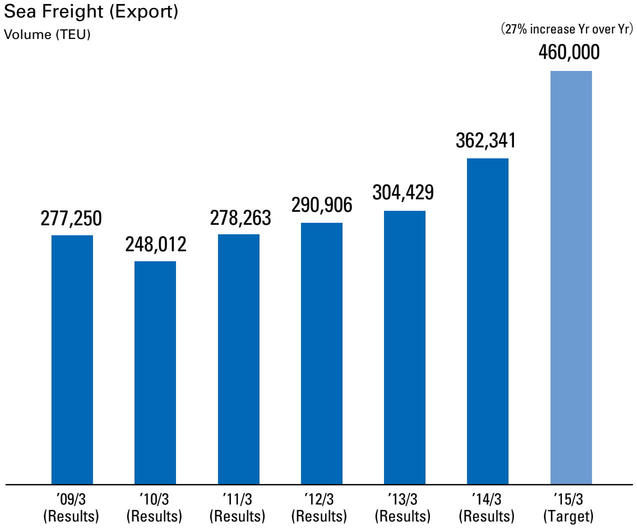
We were also helped to make this breakthrough by the corporate character of KWE, which is to band together to achieve a unified goal, as well as by an overall market shift toward sea freight that served as a tailwind for the steadfast efforts of our sales people.

Going forward

We will speed up building a more balanced portfolio of business domains by further expanding sea freight, which has already embarked on a growth track. In the year through March 2015, we will press forward for 27% growth year on year, with our focus on the apparel and automotive sectors in order to boost Asia-to-Americas sales.

Made a breakthrough in the sea freight business

Sea Freight Volume



Focus on Southeast Asia

Although economic growth in Southeast Asia has slowed recently, we don't see any change in this region's potential for growth in the medium to long-term. We will continue to enhance our business base in this region in order to secure the same competitive advantage that KWE already enjoys in East Asia.

New warehouse in Singapore

Since we have been hearing more reports about companies making Singapore their logistics hub for the Asian region, in January 2014 we began operating a new warehouse in Jurong West. This is one of the largest warehouses in the area, and mainly handles high-added value items such as electronics and medical equipment. We are working to develop one-stop service that integrates air and sea freight with cross-border trucking.

Logistics center in Indonesia

In August 2014, KWE will open a logistics center in Marunda, just outside of Jakarta. We intend to provide high-quality logistics services from this location. In addition to serving as a base for meeting domestic Indonesian demand for electronics and automotive-related items and industrial machinery, it will serve as a logistics center for the industrial park in eastern Jakarta.

Logistics center in Thailand

In January 2015, KWE plans to open a logistics center in the Rojana Industrial Park in Prachinburi, where many automakers and other manufacturers operate. Located along the Southern Economic Corridor that is expected to connect Thailand, Cambodia and Vietnam, this base for cross-border trucking will provide high-quality logistics services.

Network in the Greater Mekong Subregion

We are also building a network in the Greater Mekong Subregion, where future economic development is expected. In June and July 2014, we opened Myanmar Representative Office, Phnom Penh Representative Office, as well as Laos Representative Office and a Savannakhet Satellite Office.

Rendering of Marunda Logistics Center (Indonesia)

Rendering of Prachinburi Logistics Center (Thailand)

Further investment in East Asia

Demand for air freight forwarding from East Asia began to recover in the last quarter of the fiscal term through March 2014, and the trend turned toward a modest year-on-year increase. We will continue to invest management resources in preserving and expanding our existing competitive advantage in the important East Asian market.

Further investment in China

Chinese economic growth has slowed, but we will continue to invest in this important market because it still serves as "the world's factory," and because it is a consumption superpower. In addition to increasing handling volume in the automotive, healthcare and retail industries, we will bolster services to support the growing domestic market. In order to reinforce our framework for serving inland areas of China where growth is expected, in December 2013 we began operating a bonded logistics company and a precision machinery transport company in Xian.

A large-scale, high-tech warehouse in Taiwan

In Taiwan, there is increasing demand for a logistics hub for electronics, precision machinery and healthcare products. So in July 2014, we opened Taoyuan FTZ Terminal, one of the largest warehouses in Taiwan. We will make good use of the convenient location and sophisticated temperature control systems to provide high-quality logistics services.

Acquisition of Trans Global Logistics Group (TGLG)

In April 2014, KWE acquired 49% of outstanding shares in Hong Kong-based forwarding company Trans Global Logistics Group (TGLG). The company is strong in air freight forwarding, particularly in the apparel and retail industries, and has sales offices also in Pakistan and Sri Lanka. By generating synergistic benefits through cooperative sales with TGLG, we intend to accelerate expansion of handling volume.

Expand business in inland China (Warehouse in Xian)

Taoyuan FTZ Terminal (Taiwan)

JAPAN

Leading the entire Group toward accelerated growth

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

As the core of the whole KWE Group, KWE Japan will continue to lead it to a secure competitive position in the global market by achieving the goals laid out in our medium-term management plan. In the fiscal year through March 2015 we will concentrate on:

1 Expanding air freight market share and building a more balanced business portfolio

Further growth of sea freight forwarding, and optimizing of logistics sales and profitability

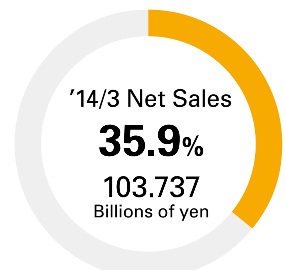
2 Reinforcing sales activities for the benefit of the entire Group

(1) Maintain and increase "Corporate Accounts"
(2) Expand business in automotive, healthcare, and retail fields
(3) Aggressively increase off-shore traffics
(4) Respond appropriately to business opportunities in emerging markets

3 Enhancing global administrative functions

(1) Identify and promote talent across national boundaries
(2) Promote use of global IT systems in order to improve service quality
(3) Implement global risk management
(4) Cultivate strong awareness of compliance issues throughout the Group

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



Freight Movements

Fiscal year through March 2014

	Exports	Imports
Air freight	Down 1.5%*1	Down 0.2%*2
Sea freight	Up 24.1%*3	Up 8.8%*2

First quarter of the fiscal year through March 2015

	Exports	Imports
Air freight	Up 8.3%*1	Down 1.5%*2
Sea freight	Up 17.4%*3	Up 5.7%*2

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

THE AMERICAS

General Manager, The Americas
Nobutoshi Torii

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

Leverage Latin American business to raise the Group's total handling volume

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

The Americas includes the U.S. and Canada, which constitute the world's largest importing and consuming region and serves as the home base for many of KWE's major customers that do business on a global scale. The region also includes Mexico and Brazil, where significant growth is expected in the future. The Americas will clearly play an important role in the KWE Group's future growth. In the fiscal year through March 2015, we will focus on the measures outlined below.

1 U.S.

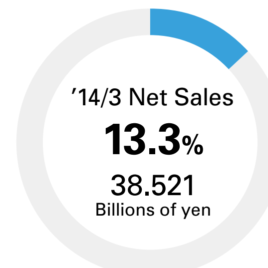
We aim to expand airfreight exports from the U.S., particularly to destinations where growth is expected, i.e. Europe and parts of Asia other than Japan. We will also bolster sales efforts aimed at expanding imports by both air and sea.

2 Canada

In Canada, we will work to increase logistics services mainly for existing customers who use air and sea forwarding to move electronics, automotive, and machinery-related items. We will also enhance air freight handling of perishables.

3 Latin America

We opened a Mexican subsidiary in January 2013 and a Brazilian subsidiary in April 2013. We have already expanded our business in Mexico thanks to robust transport demand from the automotive industry, and we intend to continue augmenting our business there. In October 2013 we began logistics services in cooperation with our local partner, SBLogistics S.A. de C.V. Without a doubt, the expansion of our service network in Latin America will provide us with leverage for raising the Group's total handling volume.



Freight Movements

Fiscal year through March 2014

	Exports	Imports
Air freight	Down 7.4%*1	Down 14.2%*2
Sea freight	Up 19.4%*3	Up 8.6%*2

First quarter*4 of the fiscal year through March 2015

	Exports	Imports
Air freight	Down 5.9%*1	Down 2.2%*2
Sea freight	Up 9.4%*3	Up 13.9%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)
*4 January – March 2014 (KWE's subsidiaries close their accounts at the end of December.)

EUROPE, MIDDLE EAST & AFRICA

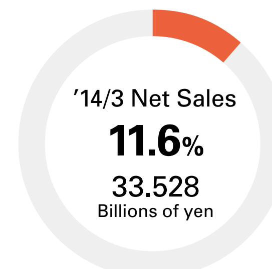
General Manager,
Europe, Middle East & Africa
Toshiyuki Kase

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

Expand our unique, competitive services in Russia, the Middle East, and South Africa

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

In this region, our medium-term mission is "to offer greater value by providing unique services based on our own blend of European and Asian cultures." Combining the cultures of East and West will make us an attractive logistics provider that offers new value to customers and serves as a trusted partner. Our key policies for the fiscal year through March 2015 are as follows.



1 Russia, the Middle East, and South Africa

In Russia, we opened a warehouse in June 2014 in a suburb of St. Petersburg in order to take up demand for transporting automotive-related freight. We will integrate the new warehouse and existing truck service, linking Russia with the EU so that we can synergistically expand logistics business. In the Middle East, we will expand Saudi Arabia-bound transport services centered around the Bahrain branch we established in 2013, and also enhance the Dubai warehouse. In South Africa, we plan to expand unique services that distinguish us from the competition, for example liquid logistics, project cargo expertise and Africa desk operations.

In all three of these markets, KWE has advantages over its competitors. We aim to boost the entire Group's handling volume by developing both intra-region and inter-region business to link this region with others including Japan, Asia, and the Americas.

2 Human resources

We are gradually seeing results from the EMEA Professional Selling Skills (PSS) seminars that we began in 2012. To date, 46 employees from 13 countries have participated. We are now offering an advanced course for employees who completed the first seminar.

Freight Movements

Fiscal year through March 2014

	Exports	Imports
Air freight	Up 16.5%*1	Down 14.5%*2
Sea freight	Up 44.1%*3	Down 19.8%*2

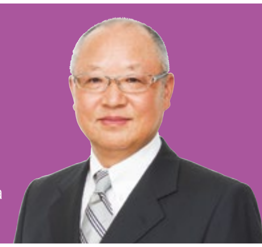
First quarter*4 of the fiscal year through March 2015

	Exports	Imports
Air freight	Up 37.1%*1	Up 27.2%*2
Sea freight	Up 3.7%*3	Up 8.4%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)
*4 January – March 2014 (KWE's subsidiaries close their accounts at the end of December.)

EAST ASIA & OCEANIA

General Manager, East Asia & Oceania
Keisuke Hirata



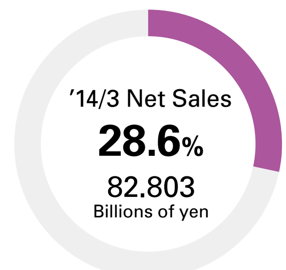
Main Countries and Regions
Hong Kong, China, South Korea, Taiwan, the Philippines, Australia

* From the fiscal year ending March 2015, four Philippine subsidiaries were reclassified from East Asia & Oceania to Southeast Asia.

Maintain and enhance our competitive advantage through new initiatives

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

The East Asia & Oceania region handles the largest handling volume within 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 2015, we will focus on the following measures.



1 Sea freight

We plan to organize a stronger sales system with well-experienced staff.

2 Air freight

In air freight, we will concentrate on boosting freight volume on what we call "Power Lanes" that connect Europe and the Americas with Hong Kong and Shanghai, which are among the world's most important gateways. Toward that end, we will develop new products, improve the quality of our services, and build even better relationships with preferred carriers.

3 Logistics

KWE Taoyuan FTZ Terminal began operation in July 2014. In addition to its large size (39,000m^2), the center is equipped with superior refrigerators, freezers and facilities for storing hazardous materials, so it can handle a wide variety of goods including healthcare-related items. We intend to maximize competitive advantages like these that distinguish us from competitors in order to expand handling volume.

4 Industry verticals

Our target industry verticals will be the automotive, healthcare, and retail sectors. Regarding the retail sector in particular, we aim to synergistically increase business for the entire KWE Group by collaborating with Hong Kong-based Trans Global Logistics Group (TGLG), in which we acquired a 49% stake in April 2014.

Freight Movements

Fiscal year through March 2014

	Exports	Imports
Air freight	Down 10.4%*1	Down 7.2%*2
Sea freight	Up 8.5%*3	Up 1.5%*2

First quarter*4 of the fiscal year through March 2015

	Exports	Imports
Air freight	Up 17.5%*1	Up 2.6%*2
Sea freight	Up 11.7%*3	Up 3.0%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)
*4 January – March 2014 (KWE's subsidiaries close their accounts at the end of December.)

SOUTHEAST ASIA

General Manager,
Southeast Asia
Yoshinobu Mitsuhashi

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

* From the fiscal year ending March 2015, four Philippine subsidiaries were reclassified from East Asia & Oceania to Southeast Asia.

Active investments in volume growth

Key Policies for the Second 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, and quickly implement a variety of measures aimed at expanding business. Our key policies for the fiscal year through March 2015 will be as follows.

1 New networks

KWE established offices in Myanmar and Laos in June 2014, and in Cambodia in July 2014 in the expectation of growth in these emerging markets. We will use these offices as bridgeheads from which to pursue market development and sales support when the time is right.

2 Logistics

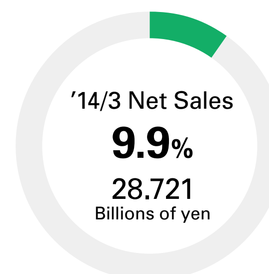
One after another, we have been building large-scale logistics centers: in Singapore (January 2014), in Marunda, Indonesia (scheduled for August 2014) and in Prachinburi, Thailand (scheduled for January 2015). We aim to speed up expansion of both air and sea freight by utilizing these facilities.

3 Automotive and retail-related business

In both air and sea freight business, we will focus on major items bound for the U.S., especially automotive and retail-related items. Our sales people will emphasize KWE's ability to secure space thanks to our global partnerships with preferred carriers, and use this collaboration to increase handling volume.

4 Cross-border trucking services

Our cross-border truck service currently consists of an operation that transports knockdown parts for automotive manufacturers, mainly in Thailand. Our network has already linked with Thailand, Cambodia and Laos, and will be with Myanmar in early 2015. Also the linkage with China and Southeast Asia will be much more strengthened.



Freight Movements

Fiscal year through March 2014

	Exports	Imports
Air freight	Down 1.6%*1	Down 9.7%*2
Sea freight	Up 37.0%*3	Down 9.6%*2

First quarter*4 of the fiscal year through March 2015

	Exports	Imports
Air freight	Up 1.5%*1	Up 11.7%*2
Sea freight	Up 26.7%*3	Up 9.4%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)
*4 January – March 2014 (KWE's subsidiaries close their accounts at the end of December.)

Protecting the Environment

Environmental Protection Policies

One of the KWE Code of Conduct calls on employees to use resources carefully and to protect the environment. We will continue to work hard to preserve the environment through our business activities.

KWE Group Environmental Protection Policy

Based on its corporate philosophy, the KWE Group has established the following policies in order to do our best to conserve limited natural resources and protect the global environment and to contribute to global society through our logistics services.

1. Work to prevent environmental pollution and to continuously improve our actions
2. Comply with the environmental protection-related laws, regulations, and requirements of each country in which we operate, and take initiatives even beyond what is required
3. Establish the following as KWE's priority goals for environmental management relative to our business activities:
   - Reduce/Control greenhouse gas emissions
     - Reduce/Control electric power consumption
     - Reduce/Control emissions from vehicles and equipment
   - Reduce waste and promote recycling
4. Prevent environmental pollution through cooperation with business partners, suppliers and affiliates
5. Make all KWE Group employees aware of our environmental protection policies, and communicate them to the public as well

Aiming for a "Low Carbon Society"

Both domestically and abroad, KWE is working in a variety of ways to realize a "low carbon society." In the fiscal year through March 2014, domestic carbon dioxide emissions decreased by 7.1% from the previous year. We are also working on reducing waste, and recycling or reusing more materials.

Reducing Power Consumption in Warehouses and Other Facilities

In order to reduce electric power consumption at KWE warehouses, offices and other facilities, we adopt energy-efficient machinery, use a solar power generator at our Narita terminal, carefully control heating and cooling temperatures, and turn off lights during lunch breaks.

Reducing Vehicle Fuel Consumption

The measures we are taking to reduce fuel consumption by delivery trucks, cargo handling vehicles, and company cars include 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. Overseas, our Russian subsidiary is shifting to the use of trucks that meet "Euro 5" emission standards. Our Chinese subsidiary is also replacing outdated trucks with newer, more fuel-efficient models.

Acquisition of ISO Certification for KWE's Environmental Management Systems

As of March 2014, KWE has received ISO14001 certification from the International Standards Organization for environmental management systems at three of the KWE Group's locations in Japan and eight locations overseas.

A truck that meets Euro 5 emission standards

Corporate Governance

Basic Philosophy

KWE's corporate philosophy is to "Contribute to the development of a global community through logistics services - by creating new value, sustaining the environments and collaborating 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 2014, and the two outside directors attended 77% 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. 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 2014, 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 2014, we paid a total of 335 million yen to 15 directors, including 23 million yen to the three outside directors.

Compliance

The KWE Group Code of Conduct explains the attitude that all group employees must adopt and the laws and regulations by which they must comply. The KWE Group Compliance Basic Policy explains our basic approach to business execution. We have appointed a Chief of Compliance (Director) and established a Compliance Committee chaired by the Chief of Compliance to promote ethical corporate behavior, based on the KWE Group Compliance Rules. We have also prepared a whistleblower system and compliance manual and regularly conduct compliance training and auditing.

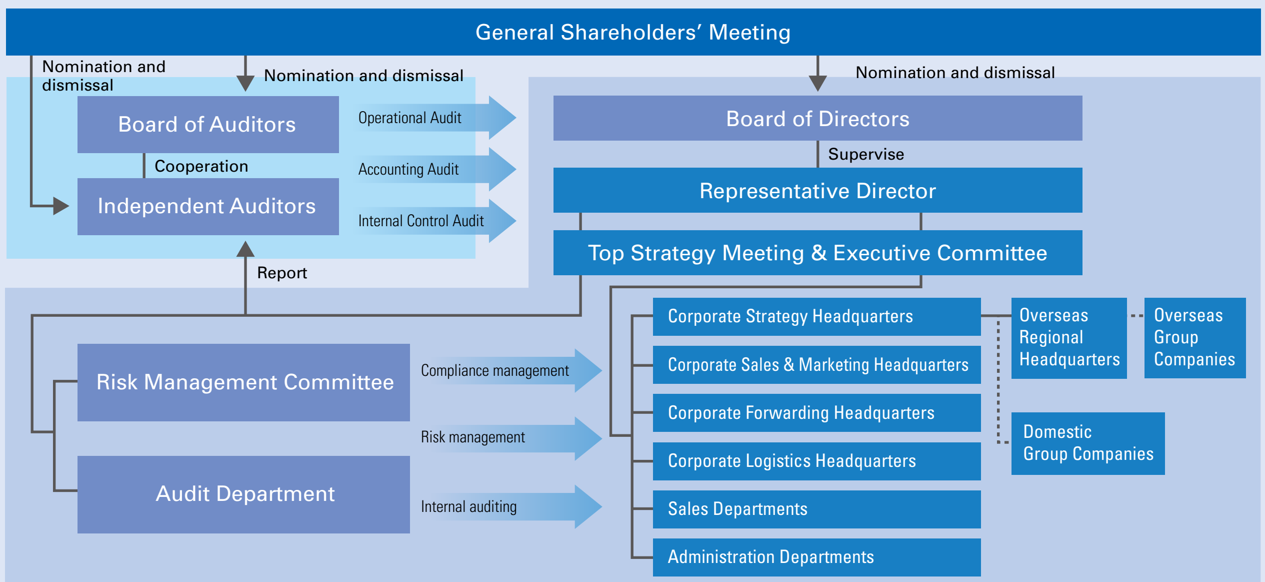
Risk Management

In order to create a framework for managing risk, KWE established risk management standards and appointed a Chief of Risk Management (Director), and ensured that all relevant personnel are familiar with them, based on the KWE Group Risk Management Basic Policy. The Company also established the KWE Group 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 the KWE Group Crisis Management Rules, so that we will be prepared in the face of 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 78 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, business results presentations, securities report, annual report, data book, share information, industry information, etc.	–
Establishment of IR group or dedicated personnel	General Affairs Department (IR 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

Kazuya Mori
Managing Director

Shinya Aikawa
Managing Director

Yoshinobu Mitsuhashi
Managing Director

Toshiyuki Kase
Director

Nobutoshi Torii
Director

Keisuke Hirata
Director

Katsufumi Takahashi
Director

Tetsuya Kobayashi
Outside Director

Management's Discussion and Analysis

Overview

The KWE Group consists of Kintetsu World Express, Inc., 61 consolidated subsidiaries, and eight affiliated companies accounted for by the equity method. Our main business is freight forwarding using transport provided by airlines and shipping companies. We also offer customs clearance, warehousing, packing, temporary staffing, property management, and insurance agency services.

We divide our operations into the following four categories: air freight forwarding (accounting for 53.8% of net sales in the fiscal year ended March 2014), sea freight forwarding (24.2%), logistics (11.4%), and other operations (10.6%).

A regional breakdown of net sales* in the fiscal year ended March 2014 shows that Japan accounted for 35.9%, the Americas for 13.3%, Europe, Middle East & Africa for 11.6%, East Asia & Oceania for 28.6%, Southeast Asia for 9.9%, and other regions for 0.7%.

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

Operations

During the fiscal year ended March 31, 2014, the U.S. economy showed a gradual recovery and the European economy also started to show signs of recovery, but the economic growth in China and other emerging countries has been slowing down.

The international freight market in which the KWE Group mainly operates was weak overall and air freight forwarding activity was lackluster.

In this environment, the Group's handling volume in its air freight forwarding business fell below prior year levels, with export volume down 4.1% (based on weight) and import volume down 7.0% (based on number of shipments). However, the sea freight forwarding business achieved favorable growth thanks to groupwide sales efforts, with export volume up 19.0% (based on TEUs) and import volume up 1.5% (based on number of shipments). Our logistics business was sluggish overall, although volume expanded in some regions.

Net Sales

The KWE Group's consolidated net sales grew 13.5% from the previous year to ¥281.505 billion in the fiscal year ended March 2014.

By business segment, net sales in air freight forwarding grew 8.0%, sea freight forwarding rose 30.1%, logistics increased 13.7%, and other operations were up 9.9%.

Net sales increased from the previous year in all regions, with Japan up 4.4%, the Americas up 19.6%, Europe, Middle East & Africa up 30.5%, East Asia & Oceania up 15.7%, and Southeast Asia up 20.2%.

Cost of Sales

Cost of sales totaled ¥235.202 billion in the fiscal year ended March 2014, up 14.7%, or ¥30.194 billion, from the previous year. The percentage to net sales was 83.6%, rising 0.9 percentage points from 82.7% in the previous year.

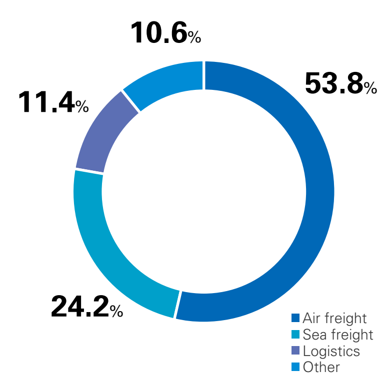
Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥32.561 billion in the fiscal year ended March 2014, up 9.7%, or ¥2.887 billion, from the previous year. The percentage to net sales was 11.6%, declining 0.4 percentage points from 12.0% in the previous year.

Operating Income

Operating income grew 3.4% from the previous year to ¥13.742 billion in the fiscal year ended March 2014. The operating margin was 4.9%, down 0.5 percentage points from 5.4% in the previous

Net Sales by Category



year. Selling, general and administrative expenses to net sales improved by falling 0.4 percentage points from the previous year, but cost of sales to net sales deteriorated by rising 0.9 percentage points from the previous year.

Other Income (Expenses)

Other income totaled ¥1.175 billion in the fiscal year ended March 2014, up from ¥0.875 billion in the previous year.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests rose 5.3% from the previous year to ¥14.917 billion in the fiscal year ended March 2014.

Income Taxes

Income taxes grew 9.9% from the previous year to ¥4.977 billion in the fiscal year ended March 2014. After adjustments, the effective tax rate was 33.4%, up from 32.0% in the previous year.

Net Income

Net income grew 3.1% from the previous year to ¥9.417 billion in the fiscal year ended March 2014. As a result, net income per share rose to ¥261.60, up from ¥253.73 in the previous year. However, return on equity deteriorated to 9.5%, down from 11.0% in the previous year, due partly to an increase in foreign currency translation adjustments from yen depreciation.

Outlook for the Year through March 2015

While the economy is expected to continue showing a gradual recovery in the U.S. and Europe, an uncertain environment is expected to continue in China and other emerging countries. Under these circumstances, the KWE Group aims to advance further on the global stage by making a unified effort to implement the key policies for the second year of our Medium-Term Management Plan "Ready for the Next! Phase 2". In the fiscal year ending March 2015, we forecast net sales to grow 10.1% from the previous year to ¥310.000 billion, operating income to grow 16.4% to ¥16.000 billion, and net income to grow 7.2% to ¥10.100 billion.

Segment Trends by Region

For a breakdown of segment trends by region, please refer to the Report by Five Regions on pages 15 to 19.

Financial Position

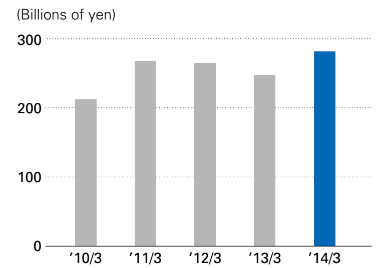
Total assets grew 19.9% from the previous year to ¥167.967 billion in the fiscal year ended March 2014. Current assets rose 23.4%, or ¥21.528 billion, to ¥113.680 billion, due mainly to increases in cash and deposits and in notes and accounts receivable-trade.

Property and equipment grew 10.7%, or ¥3.476 billion, to ¥35.988 billion. Intangible assets decreased 3.8%, or ¥0.055 billion, to ¥1.409 billion. Investments and other assets rose 20.7%, or ¥2.902 billion, to ¥16.890 billion due mainly to an increase in investment securities. As a result, total noncurrent assets rose 13.2%, or ¥6.323 billion, to ¥54.287 billion.

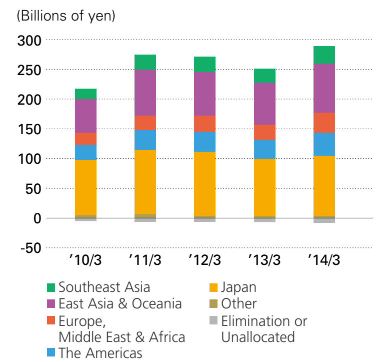
Total liabilities grew 18.4%, or ¥8.817 billion, to ¥56.736 billion. Current liabilities rose 7.2%, or ¥3.185 billion, to ¥47.444 billion. Noncurrent liabilities rose 153.9%, or ¥5.632 billion, to ¥9.292 billion. This was due to an increase in long-term debt to ¥5.267 billion, up from ¥1.001 billion in the previous year, and the non-recording of a ¥1.955 billion accrued retirement benefits to employees recorded in the previous year and new recording of ¥3.047 billion in net defined benefit liability based on a change in accounting methods for retirement benefits.

Net assets grew to ¥111.231 billion in the fiscal year ended

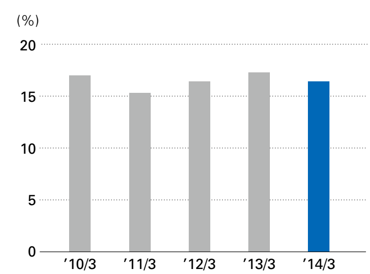
Net Sales



Net Sales by Region



Operating Gross Profit Margin



March 2014, up 20.6%, or ¥19.034 billion, from ¥92.197 billion in the previous year. Retained earnings rose to ¥88.650 billion, up 10.0%, or ¥8.085 billion, from ¥80.565 billion in the previous year; and total shareholders' equity rose to ¥100.732 billion, up 8.7%, or ¥8.085 billion, from ¥92.647 billion in the previous year. Total accumulated other comprehensive income increased from –¥2.609 billion to ¥7.614 billion, due partly to foreign currency translation adjustments rising from –¥3.252 billion to ¥6.696 billion. The equity ratio at the end of the fiscal year was 64.5%, up from 64.3% at the end of the previous year.

Liquidity and Capital Resources

Net cash provided by operating activities totaled ¥10.757 billion in the fiscal year ended March 2014, up 21.5%, or ¥1.901 billion, from the previous year. Main items included cash increases from net income before income taxes and minority interests of ¥14.917 billion and depreciation and amortization of ¥2.616 billion, and cash decreases from an increase in notes and accounts receivable of ¥3.279 billion and income taxes paid of ¥4.588 billion.

Net cash used in investing activities totaled ¥5.017 billion in the fiscal year ended March 2014, down ¥3.027 billion from ¥8.044 billion in the previous year. Main items included payments for purchases of property and equipment of ¥3.776 billion and payments for lease and guarantee deposits of ¥1.255 billion.

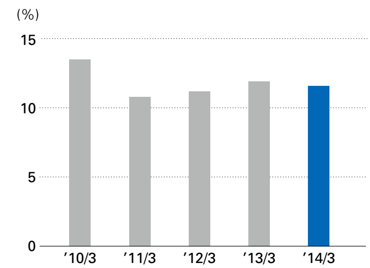
Net cash used in financing activities totaled ¥1.864 billion in the fiscal year ended March 2014, up 4.4%, or ¥0.079 billion, from ¥1.785 billion in the previous year. Main items included payments of cash dividends of ¥1.332 billion.

As a result of the above, cash and cash equivalents totaled ¥47.964 billion as of March 31, 2014, up 25.3%, or ¥9.692 billion, from ¥38.272 billion as of March 31, 2013.

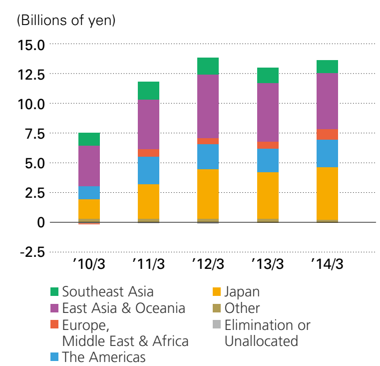
Basic Policy on the Distribution of Profits

KWE seeks to maintain stable dividends and actively increase dividends according to profit growth, giving full consideration to future business expansion and a stronger business base. We raised cash dividends applicable to the year to ¥40 per share in the fiscal year ended March 2014, up ¥3 from ¥37 in the previous year, due partly to sales and profit growth. The payout ratio was 15.3%, up 0.7 percentage points from 14.6% in the previous year.

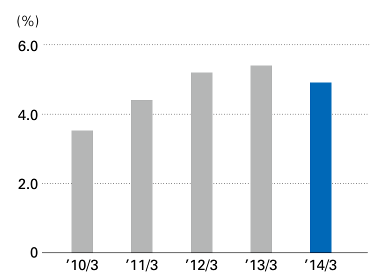
SGA Expenses to Net Sales



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.

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

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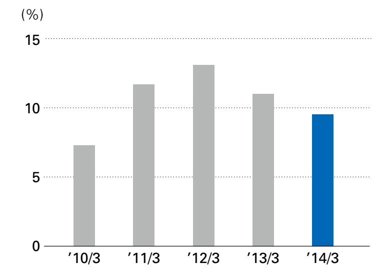
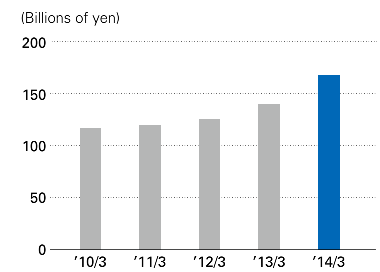
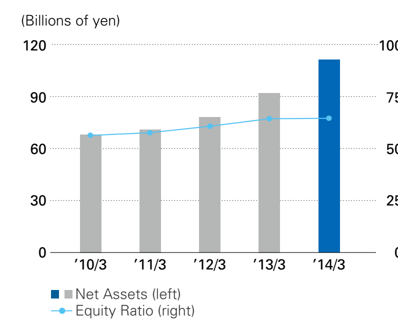


Total Assets



Net Assets and Equity Ratio



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 20 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.

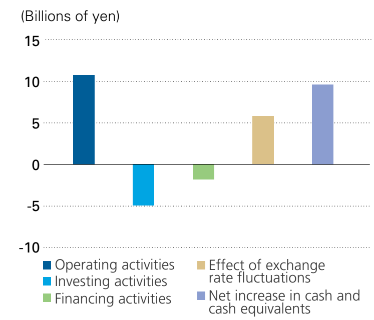
7. Customer data management / information leaks

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



Financial Highlights

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

							Millions of yen	Thousands of U.S. dollars
	2007	2008	2009	2010	2011	2012	2013	2014	2014*
Income Statement Data (Millions of yen)									
Net sales	¥ 289,928	¥ 292,333	¥ 260,331	¥ 211,837	¥ 267,688	¥ 264,403	¥ 247,977	¥ 281,505	$ 2,735,183
Operating income	12,439	13,894	9,026	7,452	11,899	13,825	13,295	13,742	133,521
Income before income taxes and minority interests	12,999	15,165	7,991	7,596	12,677	14,954	14,170	14,917	144,938
Net income	7,596	9,161	3,478	4,571	7,881	9,546	9,134	9,417	91,498
Balance Sheet Data (Millions of yen)									
Total assets	¥ 121,108	¥ 129,518	¥ 109,153	¥ 116,641	¥ 120,280	¥ 125,437	¥ 140,116	¥ 167,967	$ 1,632,015
Property and equipment - net	32,646	32,596	31,207	34,632	32,765	31,661	32,512	35,988	349,670
Interest-bearing debt	19,776	18,540	17,980	16,254	14,677	14,470	14,562	15,078	146,503
Long-term liabilities	8,197	5,474	6,647	6,570	6,634	6,885	3,660	9,292	90,284
Total liabilities	62,001	61,972	47,279	48,602	48,963	47,356	47,919	56,736	551,263
Net assets	59,107	67,546	61,874	68,039	71,317	78,081	92,197	111,231	1,080,752
Other Selected Data (Millions of yen)									
Capital expenditures for property and equipment (cash basis)	¥ 1,512	¥ 2,408	¥ 2,795	¥ 3,322	¥ 1,465	¥ 1,549	¥ 1,625	¥ 3,776	$ 36,689
Depreciation and amortization	3,928	3,450	3,157	3,114	2,999	2,659	2,537	2,616	25,418
Net cash provided by (used in) operating activities	15,057	11,057	9,687	6,260	9,843	11,118	8,856	10,757	104,518
Net cash provided by (used in) investing activities	(6,439)	635	(6,481)	(3,834)	780	(3,821)	(8,044)	(5,017)	(48,747)
Net cash provided by (used in) financing activities	(5,491)	(2,437)	(1,664)	(3,996)	(2,703)	(1,397)	(1,785)	(1,864)	(18,111)
Cash and cash equivalents at end of year	19,468	28,500	25,905	25,045	30,966	36,096	38,272	47,964	466,032
Number of employees (persons, consolidated)	7,510	8,069	8,670	8,893	9,238	9,671	10,047	10,219	
Per Share Data (Yen)									
Net income	¥ 210.17	¥ 254.47	¥ 96.62	¥ 126.97	¥ 218.92	¥ 265.16	¥ 253.73	¥ 261.60	$ 2.54
Cash dividends	21.00	25.00	27.00	24.00	30.00	35.00	37.00	40.00	0.39
Net assets	1,595.27	1,819.18	1,670.18	1,822.95	1,925.90	2,113.67	2,501.11	3,009.69	29.24
Financial Ratios (%, Times)									
Operating margin	4.3	4.8	3.5	3.5	4.4	5.2	5.4	4.9	
Return on equity	14.2	14.9	5.5	7.3	11.7	13.1	11.0	9.5	
Current ratio	1.4	1.5	1.6	1.7	1.8	2.1	2.1	2.4	
Debt-to-equity	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1	
Exchange rate (Yen/U.S. dollar)	118.05	100.19	98.23	93.04	83.15	82.19	94.05	102.92	

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

Medium-Term Management Plan
"Ready for the Next! Phase 2"
April 2013 - March 2015

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
March 31, 2014 and 2013

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current assets:			
Cash and time deposits (Notes 3, 6 and 12)	¥ 50,361	¥ 41,541	$ 489,322
Notes and accounts receivable-trade (Note 12)	56,786	46,441	551,749
Less: Allowance for doubtful accounts	(350)	(320)	(3,401)
Marketable securities (Notes 4 and 12)	5	14	49
Deferred tax assets (Note 8)	751	741	7,297
Other current assets (Note12)	6,127	3,735	59,531
Total current assets	113,680	92,152	1,104,547
Property and equipment:			
Land (Note 6)	11,164	10,815	108,473
Buildings and structures (Note 6)	34,688	33,087	337,038
Machinery and equipment	3,054	2,886	29,674
Lease assets	1,279	886	12,427
Construction in progress	2,603	628	25,291
Others	11,296	9,464	109,755
	64,084	57,766	622,658
Less: Accumulated depreciation	(28,096)	(25,254)	(272,988)
Total property and equipment	35,988	32,512	349,670
Intangible assets:			
Goodwill	398	389	3,867
Other intangible assets	1,011	1,075	9,823
Total intangible assets	1,409	1,464	13,690
Investments and other assets:			
Investments in (Notes 4, 6 and 12) :			
Affiliates	6,776	6,179	65,838
Others	4,356	3,601	42,324
Long-term loans receivable (Note 12)	502	190	4,877
Deferred tax assets (Note 8)	737	616	7,161
Other investments	4,642	3,523	45,103
Less: Allowance for doubtful accounts	(123)	(121)	(1,195)
Total investments	16,890	13,988	164,108
Total assets	¥ 167,967	¥ 140,116	$ 1,632,015

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Notes and accounts payable-trade (Note 12)	¥ 24,283	¥ 19,760	$ 235,941
Short-term debt (Notes 5 and 12)	8,523	8,405	82,812
Current portion of long-term debt (Notes 5 and 12)	569	4,693	5,529
Lease obligations (Note 5)	162	90	1,574
Income taxes payable (Note 12)	1,935	1,282	18,801
Deferred tax liabilities (Note 8)	184	157	1,788
Accrued bonuses to employees	1,939	1,867	18,839
Accrued bonuses to directors and corporate auditors	246	208	2,390
Other current liabilities	9,603	7,797	93,305
Total current liabilities	47,444	44,259	460,979
Long-term liabilities:			
Long-term debt (Notes 5 and 12)	5,267	1,001	51,175
Lease obligations (Note 5)	557	373	5,413
Accrued retirement benefits to employees (Note 7)	–	1,955	–
Net defined benefit liability (Note 7)	3,047	–	29,606
Deferred tax liabilities (Note 8)	234	126	2,274
Other long-term liabilities	187	205	1,816
Total long-term liabilities	9,292	3,660	90,284
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	70,113
Capital surplus	4,868	4,868	47,299
Retained earnings	88,650	80,565	861,349
Treasury stock	(2)	(2)	(20)
Total shareholders' equity	100,732	92,647	978,741
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	1,243	643	12,077
Foreign currency translation adjustments	6,696	(3,252)	65,061
Remeasurements of defined benefit plans	(325)	–	(3,158)
Total accumulated other comprehensive income	7,614	(2,609)	73,980
Minority interests in consolidated subsidiaries	2,885	2,159	28,031
Total net assets	111,231	92,197	1,080,752
Total liabilities and net assets	¥ 167,967	¥ 140,116	$ 1,632,015

See accompanying notes.

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Note 14)	¥ 281,505	¥ 247,977	$ 2,735,183
Cost of sales	235,202	205,008	2,285,290
Operating gross profit	46,303	42,969	449,893
Selling, general and administrative expenses (Note 15)	32,561	29,674	316,372
Operating income (Note 14)	13,742	13,295	133,521
Other income (expenses):			
Interest and dividend income	442	345	4,295
Interest expense	(239)	(274)	(2,322)
Foreign currency exchange gain, net	616	215	5,985
Equity in earnings of affiliates, net	178	173	1,729
Subsidy income	256	236	2,487
Loss on cancellation of leasehold contract	–	(119)	–
Loss on valuation of investment securities (Note 4)	(217)	(6)	(2,108)
Loss on liquidation of subsidiaries	–	(2)	–
Loss on disposal of fixed assets	(197)	(13)	(1,914)
Other, net (Note 16)	336	320	3,265
	1,175	875	11,417
Income before income taxes and minority interests	14,917	14,170	144,938
Income taxes (Note 8):			
Current	5,052	4,514	49,087
Deferred	(75)	16	(729)
	4,977	4,530	48,358
Income before minority interests	9,940	9,640	96,580
Minority interests in net income of consolidated subsidiaries	523	506	5,082
Net income	¥ 9,417	¥ 9,134	$ 91,498

	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Amounts per share :			
Net income	¥ 261.60	¥ 253.73	$ 2.54
Cash dividends applicable to the year	40.00	37.00	0.39

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥ 9,940	¥ 9,640	$ 96,580
Other comprehensive income (Note 17)			
Unrealized gains (losses) on available-for-sale securities	600	462	5,830
Foreign currency translation adjustments	10,015	5,502	97,308
Share of other comprehensive income of associates accounted for using equity method	402	338	3,906
Total other comprehensive income	11,017	6,302	107,044
Comprehensive Income	¥ 20,957	¥ 15,942	$ 203,624
Comprehensive income attributable to			
Owners of the parent	¥ 19,965	¥ 15,208	$ 193,985
Minority interests	992	734	9,639

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
March 31, 2014 and 2013

		Millions of yen										
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
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
Cash dividends paid	–	–	–	(1,260)	–	(1,260)	–	–	–	–	–	(1,260)
Net income	–	–	–	9,134	–	9,134	–	–	–	–	–	9,134
Net changes in items other than shareholders' equity	–	–	–	–	–	–	462	5,610	–	6,072	170	6,242
Balance at April 1, 2013	36,000	¥ 7,216	¥ 4,868	¥ 80,565	¥ (2)	¥ 92,647	¥ 643	¥ (3,252)	¥ –	¥ (2,609)	¥ 2,159	¥ 92,197
Cash dividends paid	–	–	–	(1,332)	–	(1,332)	–	–	–	–	–	(1,332)
Net income	–	–	–	9,417	–	9,417	–	–	–	–	–	9,417
Net changes in items other than shareholders' equity	–	–	–	–	–	–	600	9,948	(325)	10,223	726	10,949
Balance at March 31, 2014	36,000	¥ 7,216	¥ 4,868	¥ 88,650	¥ (2)	¥ 100,732	¥ 1,243	¥ 6,696	¥ (325)	¥ 7,614	¥ 2,885	¥ 111,231

		Thousands of U.S. Dollars (Note 1)										
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2013	36,000	$ 70,113	$ 47,299	$ 782,793	$ (20)	$ 900,185	$ 6,247	$ (31,597)	$ –	$ (25,350)	$ 20,977	$ 895,812
Cash dividends paid	–	–	–	(12,942)	–	(12,942)	–	–	–	–	–	(12,942)
Net income	–	–	–	91,498	–	91,498	–	–	–	–	–	91,498
Net changes in items other than shareholders' equity	–	–	–	–	–	–	5,830	96,658	(3,158)	99,330	7,054	106,384
Balance at March 31, 2014	36,000	$ 70,113	$ 47,299	$ 861,349	$ (20)	$ 978,741	$ 12,077	$ 65,061	$ (3,158)	$ 73,980	$ 28,031	$ 1,080,752

See accompanying notes.

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before income taxes and minority interests	¥ 14,917	¥ 14,170	$ 144,938
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,616	2,537	25,418
Gain on negative goodwill	–	(34)	–
Loss on liquidation of subsidiaries	–	2	–
Loss on cancellation of leasehold contract	–	119	–
Increase (Decrease) in accrued bonuses to employees	(168)	(67)	(1,632)
Increase (Decrease) in accrued bonuses to directors and corporate auditors	20	(2)	194
Increase (Decrease) in accrued retirement benefits to employees	–	606	–
Increase (Decrease) in net defined benefit liability	487	–	4,732
Interest and dividend income	(442)	(345)	(4,295)
Interest expense	239	274	2,322
Loss (Gain) on sales of investment securities	(0)	–	(0)
Loss on valuation of investment securities	217	6	2,108
Increase (Decrease) in provision for U.S. antitrust matter	–	(860)	–
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(3,279)	736	(31,860)
Increase (Decrease) in notes and accounts payable	305	(2,119)	2,963
(Increase) Decrease in other assets	(277)	(633)	(2,691)
Increase (Decrease) in other liabilities	290	988	2,818
Other, net	213	(189)	2,070
Subtotal	15,138	15,189	147,085
Interest and cash dividend received	454	354	4,411
Interest paid	(247)	(298)	(2,400)
Payment on U.S. antitrust matter	–	(931)	–
Income taxes paid	(4,588)	(5,458)	(44,578)
Net cash provided by (used in) operating activities	10,757	8,856	104,518

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(6,183)	(3,929)	(60,076)
Proceeds from withdrawal of time deposit	7,696	1,805	74,777
Payments for purchases of securities	(146)	(4,445)	(1,419)
Proceeds from sales of securities	74	232	719
Payments for purchases of property and equipment	(3,776)	(1,625)	(36,689)
Proceeds from sales of property and equipment	74	50	719
Proceeds from loans receivable	39	9	379
Payments for loans receivable	(1,830)	(0)	(17,781)
Purchase of investments in subsidiaries	(98)	(80)	(952)
Other, net	(867)	(61)	(8,424)
Net cash provided by (used in) investing activities	(5,017)	(8,044)	(48,747)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(179)	(535)	(1,739)
Payments of capital lease obligations	(142)	(171)	(1,380)
Proceeds from long-term debt	4,785	1,000	46,492
Payments for long-term debt	(4,730)	(415)	(45,958)
Payments of cash dividends	(1,332)	(1,260)	(12,942)
Payments of cash dividends to minority shareholders	(266)	(404)	(2,584)
Net cash provided by (used in) financing activities	(1,864)	(1,785)	(18,111)
Effect of exchange rate fluctuations on cash and cash equivalents	5,816	3,149	56,510
Net increase (decrease) in cash and cash equivalents	9,692	2,176	94,170
Cash and cash equivalents at beginning of year	38,272	36,096	371,862
Cash and cash equivalents at end of year (Note 3)	¥ 47,964	¥ 38,272	$ 466,032

See accompanying notes.

Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
March 31, 2014 and 2013

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 is 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, 2014 which is ¥102.92 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 2014 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 61 subsidiaries for the year ended March 31, 2014. At March 31, 2013 the Company had 60 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, 2014, 8 affiliates, of which the Company has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method whereby the costs of investments are adjusted for equity in undistributed earnings or losses since acquisition. At March 31, 2013, 7 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, 2014 and 2013. 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........... 3-10 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 their 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) Accounting for Retirement Benefits
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.

Under such conditions, the Companies adopt following policies about the accounting for Retirement Benefits.

a) The calculation method of the projected benefit obligation

The projected benefit obligation amount to be amortized in the period of the year ended March 31, 2014 is calculated under Straight-line basis.

b) Actuarial gains and losses, past service costs, and net transition obligation

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

The past service cost is amortized on the straight-line method over the period of 13 years commencing from the year ended March 31, 2002.

Unrecognized net actuarial gains and losses are amortized evenly commencing from the following fiscal year by the straight-line method over the period prescribed by the average of the estimated remaining service period (13 years).

c) The simplified method for the projected benefit obligation

Some consolidated subsidiaries calculate the amounts of net defined benefit liability and retirement benefit cost by utilizing the simplified method that the estimated severance amount for all employees at the year-end is deemed as the projected benefit obligation for the year.

(Changes in accounting policy)
Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012 (hereinafter, the "Statement No.26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012 (hereinafter, the Guidance No.25")) except the article 35 of the Statement No.26 and the article 67 of the Guidance No.25 and actuarial gains and losses, past service costs and net transition obligation that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of the Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, a liability for retirement benefits in the amount of ¥3,047 million ($29,606 thousand) has been recognized, deferred tax assets has increased by ¥193 million ($1,875 thousand) and accumulated other comprehensive income has decreased by ¥325 million ($3,158 thousand), at the end of the current fiscal year.

(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 statements 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
The Companies use derivative financial instruments to manage their exposure to fluctuations in foreign exchange and interest rates.

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

(17) Hedging Activities
For derivatives used for hedging purposes, gains or losses on derivatives are deferred until the period in which the hedged transactions are recognized. The Company uses interest rate and currency swaps, which qualify for hedge accounting and meet specific matching criteria, are not measured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense, and hedged items denominated in a foreign currency are translated at the contracted rate (integral accounting). Measurement of hedge effectiveness is not considered necessary for currency and interest rate swap contract that meets the requirements for integral accounting.

(18) Per Share Information
Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year. Diluted earnings per share of common stock for the years ended March 31, 2014 and 2013 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: Consolidated Statements of Cash Flows

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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits	¥ 50,361	¥ 41,541	$ 489,322
Time deposits with maturities exceeding three months	(2,397)	(3,269)	(23,290)
Cash and cash equivalents	¥ 47,964	¥ 38,272	$ 466,032

Significant non-cash transactions are as follows:
The amounts of assets and obligations related to finance lease transactions that were newly recorded in the current fiscal year ended March 31, 2014 and the fiscal year ended March 31, 2013 are ¥354 million ($3,440 thousand) and ¥72 million.

Note 4: Securities

The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2014 and 2013:

Held-to-maturity debt securities, at March 31, 2014	Millions of yen Book value	Fair value	Difference	Thousands of U.S. dollars Book value	Fair value	Difference
Securities with available fair values exceeding book value	¥ 139	¥ 140	¥ 1	$ 1,351	$ 1,360	$ 9
Other securities	–	–	–	–	–	–
Total	¥ 139	¥ 140	¥ 1	$ 1,351	$ 1,360	$ 9

Held-to-maturity debt securities, at March 31, 2013	Millions of yen Book value	Fair value	Difference
Securities with available fair values exceeding book value	¥ 139	¥ 140	¥ 1
Other securities	–	–	–
Total	¥ 139	¥ 140	¥ 1

Available-for-sale securities, at March 31, 2014	Millions of yen Book value	Acquisition cost	Difference	Thousands of U.S. dollars Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 3,765	¥ 1,866	¥ 1,899	$ 36,582	$ 18,131	$ 18,451
Other securities	104	112	(8)	1,010	1,088	(78)
Total	¥ 3,869	¥ 1,978	¥ 1,891	$ 37,592	$ 19,219	$ 18,373

Available-for-sale securities, at March 31, 2013	Millions of yen Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 2,802	¥ 1,817	¥ 985
Other securities	111	123	(12)
Total	¥ 2,913	¥ 1,940	¥ 973

Available-for-sale securities sold during the years ended March 31, 2014 and 2013 are as follows:

Available-for-sale securities	Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Sales value	¥ 74	¥ 232	$ 719
Gain on sales	0	0	0
Loss on sales	–	–	–

Book value of available-for-sale securities, with no fair market value, as of March 31, 2014 and 2013 are as follows:

Available-for-sale securities	Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Unlisted securities	¥ 353	¥ 563	$ 3,430
Unlisted equity securities issued by affiliates	6,776	6,179	65,838
Total	¥ 7,129	¥ 6,742	$ 69,268

Securities impaired
Certain investment securities (Available-for-sale securities) was impaired, and valuation loss on investment securities of ¥217million ($2,108 thousand) is recorded for the year ended March 31, 2014.
¥6 million was recorded for the year ended March 31, 2013 as valuation loss on investment securities.

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, 2014 and 2013 are 1.6% and 1.4%, respectively.
Long-term debt at March 31, 2014 and 2013 consists of the following:

	Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Long-term debt from banks and other financial institutions due 2015 to 2025, with average interest of 1.6% for 2014 and 2.0% for 2013 Unsecured	¥ 6,555	¥ 6,157	$ 63,691
Less: Portion due within one year	(731)	(4,783)	(7,103)
Long-term debt, less current portion	¥ 5,824	¥ 1,374	$ 56,588

Annual maturities of long-term debt at March 31, 2014 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 262	$ 2,546
2017	235	2,283
2018	146	1,419
2019 and thereafter	5,181	50,340
Total	¥ 5,824	$ 56,588

Note 6: Pledged Assets

At March 31, 2014 and 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
	2014	2013	2014
Cash and time deposits	¥ 407	¥ 121	$ 3,955
Buildings and structures	–	554	–
Land	–	814	–
Investment securities	–	139	–
Total	¥ 407	¥ 1,628	$ 3,955

Note 7: Accounting for Retirement Benefits

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

	Millions of yen
	2013
Projected benefit obligation	¥ 16,649
Unrecognized prior service cost	(19)
Unrecognized actuarial differences	(1,371)
Less fair value of plan assets	(12,792)
Less unrecognized net transition obligation	(512)
Accrued retirement benefits	¥ 1,955

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

	Millions of yen
	2013
Service cost - benefits earned during the year	¥ 1,066
Interest cost on projected benefit obligation	311
Expected return on plan assets	(331)
Amortization on net transition obligation	252
Amortization on prior service cost	6
Amortization on actuarial gains and losses	437
Retirement benefit expenses	¥ 1,741

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

1. Defined benefit plans for the year ended March 31, 2014

(1) Movement in retirement benefit obligations except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥ 15,403	$ 149,660
Service cost	914	8,881
Interest cost	308	2,993
Actuarial (gain) loss	43	417
Benefits paid	(757)	(7,355)
Past service cost	–	–
Other	10	97
Balance at March 31, 2014	¥ 15,921	$ 154,693

(2) Movements in plan assets except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥ 12,603	$ 122,454
Expected return on plan assets	369	3,585
Actuarial (gain) loss	773	7,511
Contributions paid by the employer	1,041	10,115
Benefits paid	(758)	(7,365)
Other	9	87
Balance at March 31, 2014	¥ 14,037	$ 136,387

(3) Movement in liability for retirement benefits (Defined benefit plan applying the simplified method)

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥ 1,057	$ 10,270
Retirement benefit costs	266	2,585
Benefits paid	(44)	(428)
Contributions paid by the employer	(169)	(1,642)
Other	53	515
Balance at March 31, 2014	¥ 1,163	$ 11,300

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits for the year ended March 31, 2014 (including the Companies utilizing simplified method)

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥ 16,315	$ 158,522
Plan assets	(14,343)	(139,361)
	1,972	19,161
Unfunded retirement benefit obligations	¥ 1,075	$ 10,445
Total Net liability (asset) for retirement benefits at March 31, 2014	3,047	29,606
Liability for retirement benefits	3,047	29,606
Asset for retirement benefits	–	–
Total Net liability (asset) for retirement benefits at March 31, 2014	¥ 3,047	$ 29,606

(5) Retirement benefit costs

	Millions of yen 2014	Thousands of U.S. dollars 2014
Service cost	¥ 914	$ 8,881
Interest cost	308	2,993
Expected return on plan assets	(369)	(3,585)
Amortization on actuarial gains and losses	371	3,604
Amortization on prior service cost	6	58
Amortization on net transition obligation	252	2,448
Retirement benefit cost with simplified method	266	2,585
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥ 1,748	$ 16,984

(6) Remeasurements of defined benefit plans

	Millions of yen 2014	Thousands of U.S. dollars 2014
Actuarial gains and losses that are yet to be recognized	¥ 270	$ 2,623
Past service costs that are yet to be recognized	13	126
Net transition obligation	259	2,517
Total balance at March 31, 2014	¥ 542	$ 5,266

(7) Plan assets

(a) Plan assets comprise	
Bonds	50.2%
Equity securities	35.3%
Cash and time deposits	2.3%
Other	12.2%
Total	100.0%

(b) Long-term expected rate of return:
Current and target asset allocations, present and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 (expressed as weighted-averages) are as follows:	
Discount rate	2.0%
Long-term expected rate of return	2.9%

2. Defined contribution plan
The contribution amount of the Companies for the fiscal year ended March 31, 2014 is ¥131 million ($1,273 thousand).

Note 8: Income Taxes

Income taxes consist of corporation, inhabitant and enterprise taxes.
The statutory tax rate is 38.0% for 2013 and 2014, respectively.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Deferred tax assets:			
Operating loss carryforwards	¥ 145	¥ 154	$ 1,409
Accrued bonuses	408	438	3,964
Allowance for doubtful accounts	74	59	719
Accrued retirement benefits to employees	–	869	–
Net defined benefit liability	1,211	–	11,766
Accrued enterprise tax	112	79	1,088
Net unrealized holding losses on available-for-sale securities	230	136	2,235
Other	511	452	4,965
Total	2,691	2,187	26,146
Valuation allowance	(536)	(443)	(5,208)
Total deferred tax assets	2,155	1,744	20,938
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(656)	(333)	(6,374)
Depreciation and other	(429)	(337)	(4,168)
Total deferred tax liabilities	(1,085)	(670)	(10,542)
Net deferred tax assets	¥ 1,070	¥ 1,074	$ 10,396

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, 2014 and 2013 is as follows:

	2014	2013
Statutory tax rate	38.0%	38.0%
Entertainment expenses and other non-deductible permanent differences	1.0	0.8
Dividend income and other non-taxable income	(0.7)	(0.2)
Difference of the statutory tax rate among countries other than Japan	(8.0)	(8.3)
Effect of elimination of intercompany dividends received	0.6	0.2
Compensable tax loss in subsidiaries	(0.5)	(0.1)
Corporate inhabitant tax	1.5	1.8
Valuation allowance on deferred tax	1.1	0.3
Equity in earnings of affiliated companies	(0.5)	(0.4)
Provision for U.S. antitrust matter	–	0.1
Decrease of deferred tax assets at fiscal year-end due to the change of tax rate	0.2	–
Foreign tax credit	(0.1)	(0.1)
Other, net	0.8	(0.1)
Effective tax rate	33.4%	32.0%

Note. Adjustment of deferred tax assets and deferred tax liabilities caused by enacted changes in tax laws and rates

Based on the promulgation of an Act for the partial revision of income taxes on March 31, 2014, the special corporate tax for reconstruction is no longer applied from April 1, 2014. As a result of this, the statutory tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2014 to March 31, 2015 was changed from 38.0% to 35.6% accordingly. Due to this change, deferred tax assets (net of deferred tax liabilities) was decreased by ¥22 million ($214 thousand) and deferred income taxes was increased by ¥22 million ($214 thousand) respectively.

Note 9: Contingent Liabilities

The Companies have no contingent liabilities as of March 31, 2014.

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, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Others (tools, dies, furniture and fixtures):			
Assumed acquisition cost	¥ 7	¥ 150	$ 68
Accumulated depreciation	(7)	(130)	(68)
Net book value	¥ 0	¥ 20	$ 0
Other intangible assets (software):			
Assumed acquisition cost	¥ –	¥ 66	$ -
Accumulated depreciation	–	(66)	-
Net book value	¥ –	¥ 0	$ -

(2)Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Payments due within one year	¥ 0	¥ 22	$ 0
Payments due after one year	¥ –	0	–
	¥ 0	¥ 22	$ 0

(3)Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease payments	¥ 22	¥ 43	$ 214
Depreciation expense portion	20	40	194
Interest expense portion	0	1	0

Lease obligations under operating leases, including finance charges, at March 31,2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Payments due within one year	¥ 4,236	¥ 3,065	$ 41,158
Payments due after one year	6,497	3,653	63,127
	¥ 10,733	¥ 6,718	$ 104,285

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 policies.

As another derivative transactions to hedge the risk of fluctuation at an interest for loans, interest rate and currency swaps are adopted.

The ones that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

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, 2014 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	¥ 50,361	¥ 50,361	¥ –	$ 489,322	$ 489,322	$ –
(2) Notes and accounts receivable-trade	56,786	56,786	–	551,749	551,749	–
(3) Marketable securities						
Available-for-sale securities	5	5	–	49	49	–
(4) Investment securities						
Held-to-maturity debt securities	139	140	1	1,351	1,360	9
Other securities	3,864	3,864	–	37,543	37,543	–
(5) Long-term loans receivable (including current portion of long-term loan receivable)	1,965	1,965	–	19,092	19,092	–
Total	¥ 113,120	¥113,121	¥ 1	$1,099,106	$ 1,099,115	$ 9
Liabilities:						
(6) Notes and accounts payable-trade	¥ 24,283	¥ 24,283	¥ –	$ 235,941	$ 235,941	$ –
(7) Short-term debt	8,523	8,523	–	82,812	82,812	–
(8) Income taxes payable	1,935	1,935	–	18,801	18,801	–
(9) Long-term debt (including current portion of long-term debt)	5,836	5,885	49	56,704	57,180	476
Total	¥ 40,577	¥ 40,626	¥ 49	$ 394,258	$ 394,734	$ 476
Derivative transactions	¥ 6	¥ 6	¥ –	$ 58	$ 58	$ –

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.
When a part of long-term debt is under the contract of interest rate and currency swaps which are derivative transactions, its present value is also calculated in same method as other long-term debt.

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

Note 2. Unlisted equity securities (carrying amount: ¥7,129 million ($69,268 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 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years
Assets						
(1) Cash and time deposits	¥ 50,361	¥ –	¥ –	$ 489,322	$ –	$ –
(2) Notes and accounts receivable-trade	56,786	–	–	551,749	–	–
(3) Marketable securities						
Held-to-maturity debt securities (government securities)	–	139	–	–	1,351	–
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	4	49	–	39	476	–
Other securities with maturity date (government securities)	2	40	–	19	389	–
(4) Long-term loans receivable	1,463	502	–	14,215	4,877	–
Total	¥ 108,616	¥ 730	¥ –	$1,055,344	$ 7,093	$ –

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, 2014 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract amounts due within one year	Fair value	Unrealized gain(loss)	Contract amounts due within one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions						
Foreign currency forward contracts to						
Purchase U.S. dollar	¥ 560	¥ 3	¥ 3	$ 5,441	$ 29	$ 29
Purchase euro	501	2	2	4,868	19	19
Purchase pound sterling	155	1	1	1,506	10	10
Purchase Swiss franc	31	0	0	301	0	0
Purchase Hong Kong dollar	25	(0)	(0)	243	(0)	(0)
Purchase Swedish krona	5	(0)	(0)	49	(0)	(0)
	¥ 1,277	¥ 6	¥ 6	$ 12,408	$ 58	$ 58

Derivative transactions to which hedge accounting is applied as of March 31, 2014 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Contract amounts due over one year	Fair value	Contract amounts	Contract amounts due over one year	Fair value
Integral accounting for interest rate and currency swaps						
Interest rate and currency swap contracts Fixed rate payments / Floating rate receipts Receipts in U.S. dollars / Payments in yen	¥ 3,000	¥ 3,000	Note*	$ 29,149	$ 29,149	Note*

Note* Fair value is determined based on the quoted price obtained from relevant financial institution.

Interest rate swap contracts and cross currency interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense of the long-term debt as hedged items.
Thus, the fair value of such interest rate swap contracts is included in the fair value of the long-term debt.

Note 14: 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, 2014 and 2013 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, 2014:										
Net sales:										
Net sales to outside customers	¥ 101,706	¥ 36,661	¥ 32,644	¥ 82,000	¥ 28,201	¥ 281,212	¥ 293	¥ 281,505	–	¥ 281,505
Inter-segment sales/transfers	2,031	1,860	884	803	520	6,098	1,569	7,667	(7,667)	–
Total sales	103,737	38,521	33,528	82,803	28,721	287,310	1,862	289,172	(7,667)	281,505
Operating expenses	99,290	36,206	32,629	78,048	27,647	273,820	1,615	275,435	(7,672)	267,763
Segment income	¥ 4,447	¥ 2,315	¥ 899	¥ 4,755	¥ 1,074	¥ 13,490	¥ 247	¥ 13,737	5	¥ 13,742
At March 31, 2014:										
Segment assets	¥ 63,793	¥ 18,465	¥ 16,859	¥ 48,149	¥ 21,130	¥ 168,396	¥ 1,615	¥ 170,011	(2,044)	¥ 167,967
Year ended March 31, 2014:										
Others:										
Depreciation	¥ 1,158	¥ 227	¥ 236	¥ 483	¥ 323	¥ 2,427	¥ 156	¥ 2,583	–	¥ 2,583
Amortization of goodwill	–	–	15	9	44	68	–	68	–	68
Investment in affiliates	1,791	–	61	251	4,673	6,776	–	6,776	–	6,776
Increase in property and equipment and other intangible assets	3,041	182	527	415	289	4,454	21	4,475	–	4,475
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

	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, 2014:										
Net sales:										
Net sales to outside customers	$ 988,205	$ 356,209	$ 317,178	$ 796,735	$ 274,009	$ 2,732,336	$ 2,847	$ 2,735,183	$ –	$ 2,735,183
Inter-segment sales/transfers	19,734	18,072	8,590	7,802	5,052	59,250	15,245	74,495	(74,495)	–
Total sales	1,007,939	374,281	325,768	804,537	279,061	2,791,586	18,092	2,809,678	(74,495)	2,735,183
Operating expenses	964,730	351,788	317,033	758,336	268,626	2,660,513	15,692	2,676,205	(74,543)	2,601,662
Segment income	$ 43,209	$ 22,493	$ 8,735	$ 46,201	$ 10,435	$ 131,073	$ 2,400	$ 133,473	$ 48	$ 133,521
At March 31, 2014:										
Segment assets	$ 619,831	$ 179,411	$ 163,807	$ 467,829	$ 205,305	$ 1,636,183	$ 15,692	$ 1,651,875	$ (19,860)	$ 1,632,015
Year ended March 31, 2014:										
Others:										
Depreciation	$ 11,251	$ 2,206	$ 2,293	$ 4,693	$ 3,138	$ 23,581	$ 1,516	$ 25,097	$ –	$ 25,097
Amortization of goodwill	–	–	146	87	428	661	–	661	–	661
Investment in affiliates	17,402	–	593	2,439	45,404	65,838	–	65,838	–	65,838
Increase in property and equipment and other intangible assets	29,547	1,768	5,121	4,032	2,808	43,276	204	43,480	–	43,480

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" are as follows:
Segment income of ¥5 million ($48 thousand) and ¥(12) million for the years ended March 31, 2014 and 2013, respectively represents elimination of inter-segment transactions.
Segment assets of ¥(2,044) million ($(19,860) thousand) and ¥(2,001) million at March 31, 2014 and 2013 respectively includes elimination of inter-segment transactions and surplus operating fund (cash and time deposit) of the Company which are not allocated to each segments.
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, 2014 and 2013 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net Sales by Service:			
Air freight forwarding	¥ 151,392	¥ 140,216	$1,470,968
Sea freight forwarding	68,287	52,484	663,496
Logistics	32,039	28,170	311,300
Others	29,787	27,107	289,419
	¥ 281,505	¥ 247,977	$2,735,183

(5) Net Sales classified by Country or Geographic area
Net Sales classified by Country or Geographic area for the years ended March 31, 2014 and 2013 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net Sales classified by Country or Geographic area			
Japan	¥ 101,706	¥ 97,662	$ 988,204
China	61,274	52,921	595,356
North America	36,621	30,886	355,820
Asia and Oceania	48,927	41,532	475,389
Europe	23,446	17,978	227,808
Others	9,531	6,998	92,606
	¥ 281,505	¥ 247,977	$2,735,183

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, 2014 and 2013 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Property and equipment classified by Country or Geographic area			
Japan	¥ 24,199	¥ 22,660	$ 235,124
China	2,313	1,730	22,474
North America	3,307	3,040	32,132
Asia and Oceania	5,302	4,556	51,516
Europe	340	260	3,304
Others	527	266	5,120
	¥ 35,988	¥ 32,512	$ 349,670

(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, 2014 and 2013 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, 2014								
Goodwill								
Amortization of goodwill	¥ –	¥ –	¥ 15	¥ 9	¥ 44	¥ 68	¥ –	¥ 68
Balance of goodwill	–	–	170	117	443	730	–	730
Negative goodwill								
Amortization of negative goodwill	–	–	–	28	7	35	–	35
Balance of negative goodwill	–	–	–	234	98	332	–	332
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

	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, 2014								
Goodwill								
Amortization of goodwill	$ –	$ –	$ 146	$ 87	$ 428	$ 661	$ –	$ 661
Balance of goodwill	–	–	1,652	1,137	4,304	7,093	–	7,093
Negative goodwill								
Amortization of negative goodwill	–	–	–	272	68	340	–	340
Balance of negative goodwill	–	–	–	2,274	952	3,226	–	3,226

Note 15: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Labor and payroll costs	¥ 17,077	¥ 15,185	$ 165,925
Provision for accrued bonuses to employees	884	914	8,589
Provision for accrued retirement benefits to employees	–	1,253	–
Retirement benefit costs	1,295	–	12,583
Provision for doubtful accounts	62	57	602
Others	13,243	12,265	128,673
	¥ 32,561	¥ 29,674	$ 316,372

Note 16: Other Income (Expenses)

Other, net during the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Amortization of negative goodwill	¥ 35	¥ 35	$ 340
Gain on negative goodwill	–	34	–
Settlement income	87	72	845
Loss on Singapore antitrust matter	(63)	–	(612)
Gain (loss) on sales or disposals of property and equipment, net	40	(9)	389
Other, net	237	188	2,303
	¥ 336	¥ 320	$ 3,265

Note 17: Consolidated Statements of Comprehensive Income

Amounts reclassified to net income for the years ended March 31, 2014 and 2013 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
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities			
Increase(decrease) during the year	¥ 923	¥ 701	$ 8,968
Reclassification	0	5	0
Subtotal, before tax	923	706	8,968
Tax (expense) or benefit	(323)	(244)	(3,138)
Subtotal, net of tax	600	462	5,830
Foreign currency translation adjustments			
Increase (decrease) during the year	10,015	5,500	97,308
Reclassification	–	2	–
Subtotal, before tax	10,015	5,502	97,308
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	10,015	5,502	97,308
Share of other comprehensive income of associates accounted for using equity method			
Increase(decrease) during the year	402	338	3,906
Reclassification	–	–	–
Subtotal	402	338	3,906
Total other comprehensive income	¥ 11,017	¥ 6,302	$ 107,044

Note 18: Subsequent Events

On June 17, 2014, the shareholders of the Company approved the payment of a cash dividend to shareholders of record as of March 31, 2014 of ¥25.00 ($0.24) per share for a total of ¥900 million ($8,745 thousand).

Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2014 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 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 17, 2014
Tokyo, Japan

Investor Information

(As of March 31, 2014)

Head Office:
Shinagawa Intercity TowerA-24Fl.
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:
10,219 (worldwide)

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

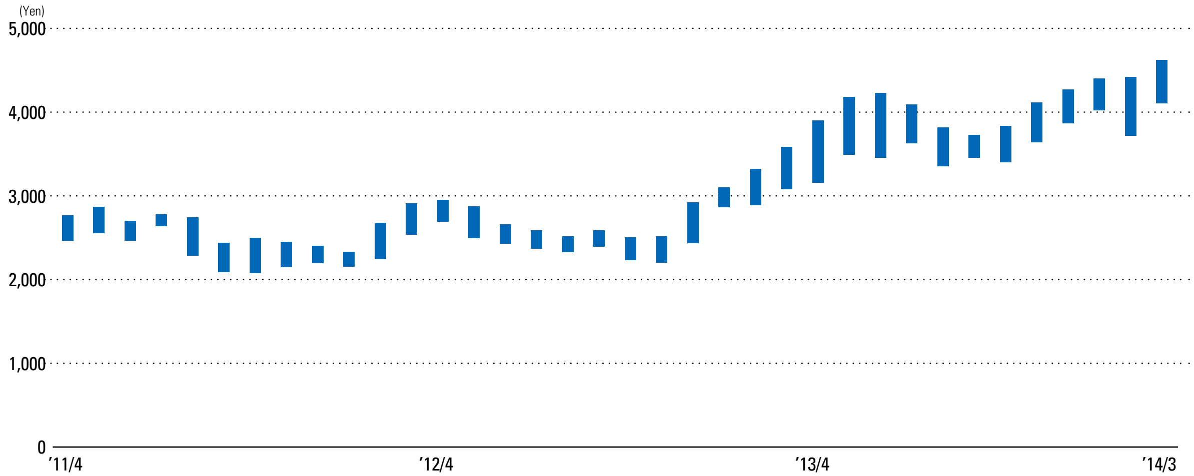
Website Address:
http://www.kwe.com

Major Shareholders

(As of March 31, 2014)

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)	1,551,700	4.31%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	970,500	2.70%
Japan Trustee Services Bank, Ltd. (Trust Account)	965,900	2.68%
Hokko Daiwa Taxi Co., Ltd.	937,500	2.60%
JP Morgan Chase Bank 385174	891,000	2.48%
National Mutual Insurance Federation of Agricultural Cooperatives	713,700	1.98%
Juniper	691,800	1.92%
Okunikko Kogen Hotel	587,500	1.63%

Stock Price



Global Logistics Partner

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