

Annual Report 2015

Kintetsu World Express, Inc.

Year Ended March 31, 2015



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.

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

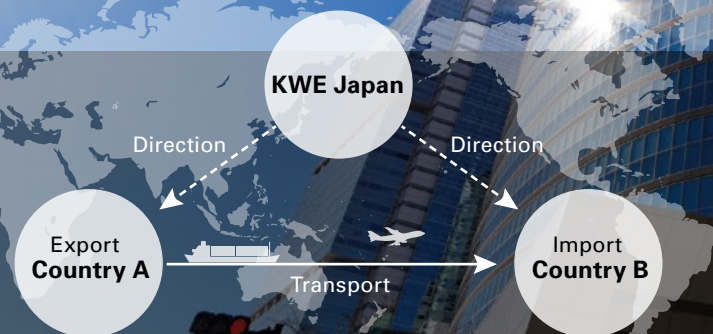
Five-Region Snapshots/ Japan

Offshore Business Traffics

Offshore business traffics for major Japanese customers ('15/3)

Air freight: **Up 35% year on year (weight)**

Sea freight: **Up 8% year on year (TEU)**



As economic globalization accelerates, demands for logistics for offshore (trilateral) business traffics are growing further. Since some years, KWE Japan could have seen more good examples of this business. We aim to expand it further also worldwide.

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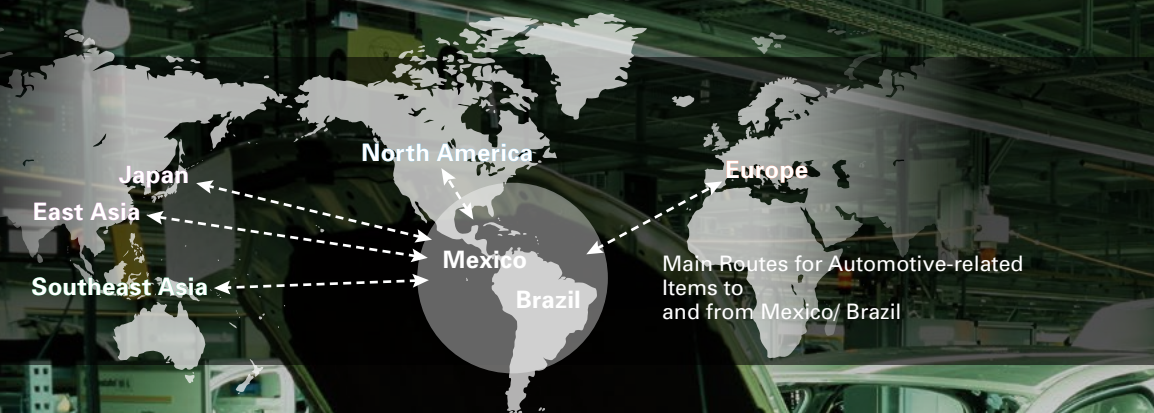
Financial Section

Investor Information

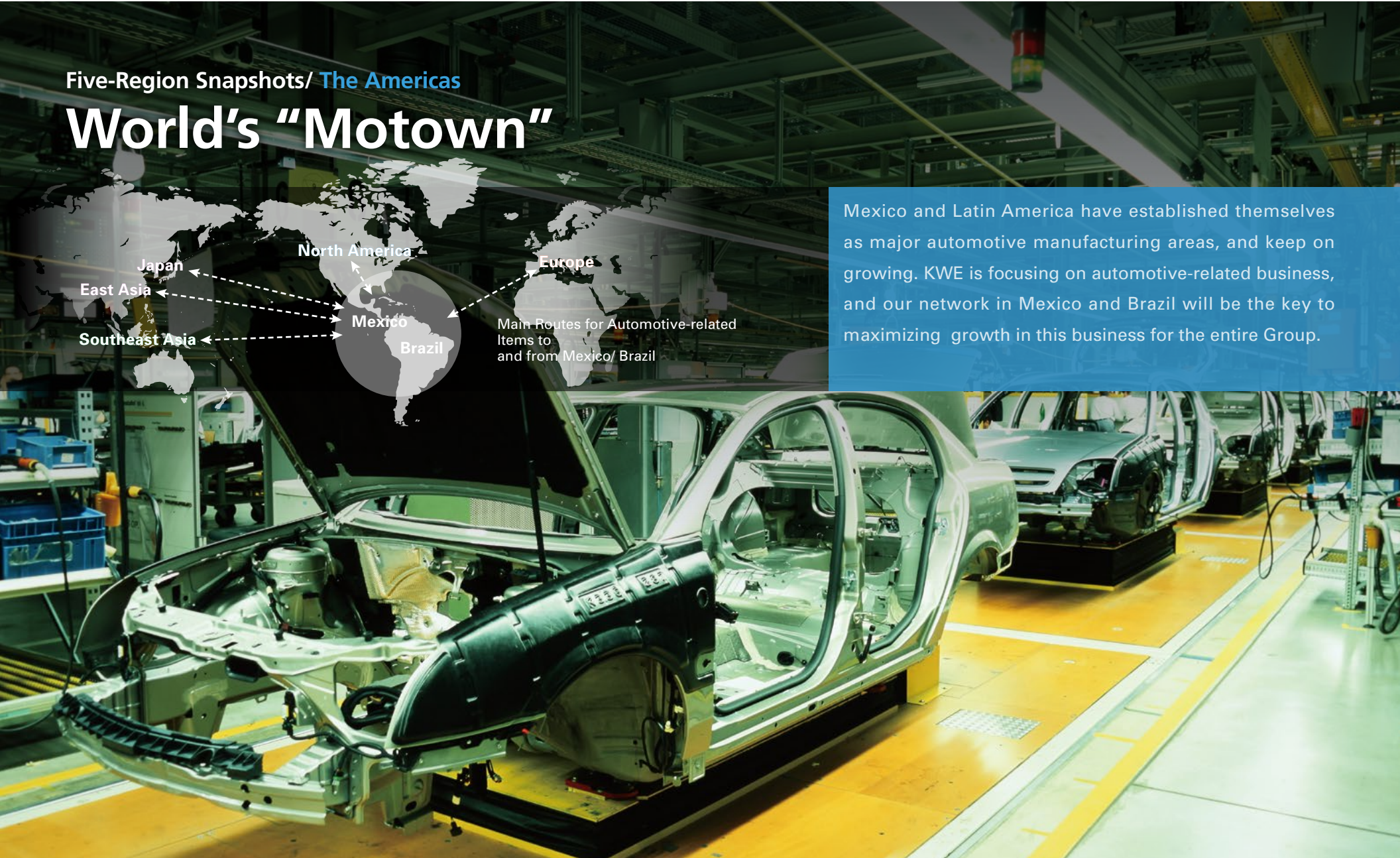
■ Japan ■ The Americas ■ Europe, Middle East & Africa ■ East Asia & Oceania ■ Southeast Asia

Five-Region Snapshots/ The Americas

World's "Motown"



Mexico and Latin America have established themselves as major automotive manufacturing areas, and keep on growing. KWE is focusing on automotive-related business, and our network in Mexico and Brazil will be the key to maximizing growth in this business for the entire Group.



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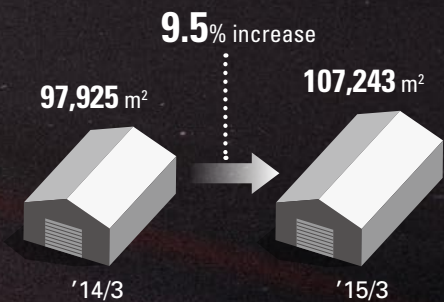
Investor Information

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



KWE is expanding the lineup of its logistics service such as aircraft-related logistics in the Middle East, distribution for construction machinery and large-scale liquid tanks in Africa, and trucking services connecting Europe and Russia. We will keep taking up the challenge of offering new services.

Logistics Facilities in Europe, Middle East & Africa



Five-Region Snapshots/ Europe, Middle East & Africa

Differentiation

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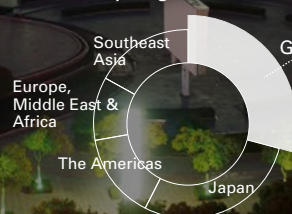
■ Japan ■ The Americas ■ Europe, Middle East & Africa ■ East Asia & Oceania ■ Southeast Asia

Five-Region Snapshots/ East Asia & Oceania

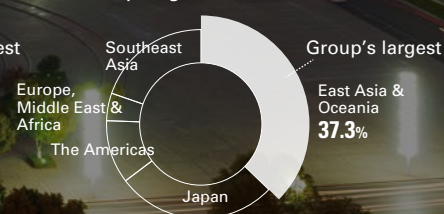
Ever Forward

In China, the biggest market, demands for domestic logistics continues to grow. By keeping on top of such changes and continuously changing ourselves, we will widen our advantage in this region.

Air Freight Exports by Region ('15/3)*1



Sea Freight Exports by Region ('15/3)*2



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

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

Five-Region Snapshots/ Southeast Asia

Further Growth



Gati-KWE, our joint venture with a major logistics company in India, is extending its performance nicely and accelerating our growth in India. The new large-scale logistics center in Singapore got off to a smooth start, and we are developing service bases in Cambodia, Laos, and Myanmar. We will make steady headway toward establishing a competitive advantage in this potential high-growth region.

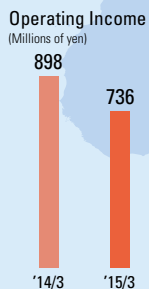
Snapshot **At a Glance** Message from CEO Report by Five Regions Corporate Governance/Management Financial Section Investor Information

■ Global Network ■ One-Stop Service

Global Network

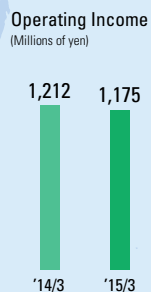
Europe, Middle East & Africa

- 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



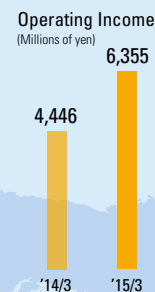
Southeast Asia

- 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.
- Kintetsu World Express (Philippines) Inc.*
- Kintetsu World Express (Subic) Inc.*
- Kintetsu World Express (Clark) Inc.*
- Kintetsu Logistics (Philippines) Inc.
- Kintetsu World Express (Cambodia) Co., Ltd.
- plus 1 other company



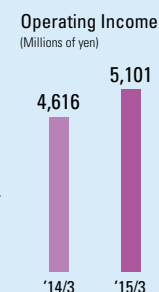
Japan

- 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.
- Kintetsu Panasonic Trading Service Co., Ltd.
- plus 3 other companies



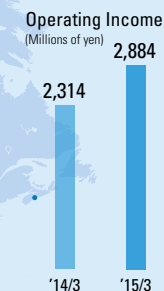
East Asia & Oceania

- 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.
- Xi'an Kintetsu Logistics Co., Ltd.
- Kintetsu World Express (Guangzhou) Ltd.
- Zhongshan Kintetsu Logistics Co., Ltd.
- Shanghai Fengxian Kintetsu Logistics Co., Ltd.
- Trans Global Logistics Group Ltd.
- plus 6 other companies



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 Logísticos Ltda.



Other

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

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

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■ Global Network ■ One-Stop Service

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)



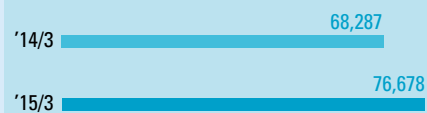
Sea Freight



Industry Verticals

- Household electric appliances and their components
- Automotive parts and components
- Plant equipment
- Aircraft-related products
- Equipment used at events
- 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)



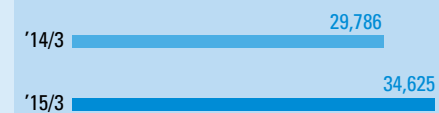
Other Operations



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)



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Step Forward



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For Further Competition in the Global Market

I am pleased to report that KWE Group has posted new record highs in net sales, operating income, and net income in the fiscal year ended March 2015. Especially toward the end of the fiscal year, demand for air freight surged due to U.S. West Coast port congestion. At the same time, profitability has been improved a lot in Southeast Asia and Europe, Middle East & Africa.

We are not pessimistic but not too optimistic about the years ahead. We shall not rest on our laurels of these good results. We hope you look forward to seeing our further growth.

In May 2015, we acquired APL Logistics Ltd, a subsidiary of NOL (Neptune Orient Lines Ltd.). This acquisition is a big step forward for us to compete in the global market utilizing maximum synergies from both of us.

Your continuous support and guidance are sincerely appreciated.

Satoshi Ishizaki
President and Chief Executive Officer

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Summary—2nd Year of the Medium-Term Plan

Through the year, we worked on optimizing our overall revenue portfolio through a more balanced portfolio of business domains and commodities. By expanding KWE’s presence in emerging countries, and promoting offshore business traffics, we saw clear progress in each strategy.

Automotive-related business

As mentioned above, we were affected by increased demand for air freight to the west coast of the U.S. At the same time, automotive-related business continued to increase. Net sales of automotive-related business in Japan grew to account for 46% of air freight exports and 30% of sea freight exports. Electronics products’ ratio in air freight exports, which has been over 60% in the past, shrank to 33%, showing that we are on track toward rebalancing our business portfolio. Our next targets are healthcare and retail-related customers.

Sea freight and logistics businesses

In the year through March 2015 we increased logistics sales by 14.4%. Our strategy called for expanding sea freight at a faster rate than air freight, but we could not accomplish that partly because of U.S. West Coast port congestion. Nevertheless, with net sales up 18.4% for air freight and 12.3% for sea freight, we are making steady progress toward a more balanced portfolio.

Presence in emerging countries

In India, in cooperation with Gati-Kintetsu Express, we expanded our electronics, automotive, and aircraft-related customer base for European, U.S., and Japanese customers. KWE Mexico began full-fledged operations, and its automotive-related business grew a lot.

Offshore business traffics

In offshore (trilateral) traffics for major Japanese customers, air freight grew 35% while sea freight grew 8%. We will work on expanding this type of business.

Outline of Medium-Term Management Plan (As of May 8, 2015)

Targets by March 2016

Net sales : **¥350.0 billion** (+40% from FY ended March 2013)

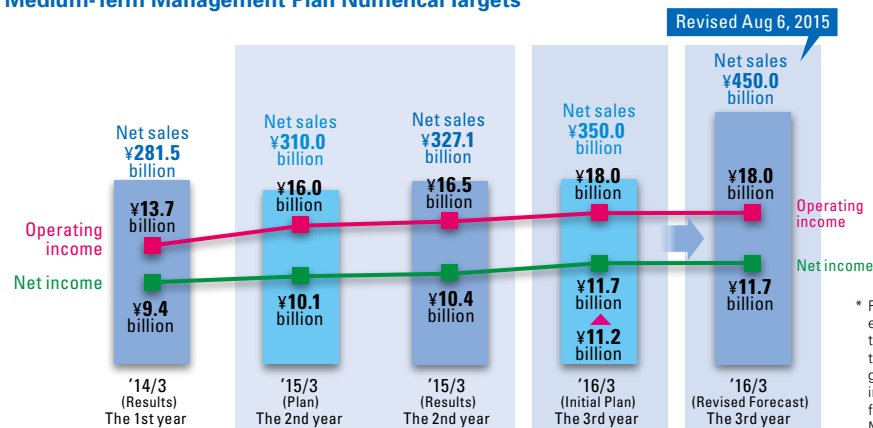
Operating income : **¥18.0 billion** (+40% from FY ended March 2013)

Ordinary income : **¥17.5 billion** (+30% from FY ended March 2013)

Key Strategies

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

Medium-Term Management Plan Numerical Targets



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Key Policies

In the year through March 2016, we will continue to implement the key policies set forth in the Medium-Term Management Plan and push to achieve final-year targets.

Southeast Asia

Profitability has increased a lot. We will continue to expand our networks and services in this region.

In Thailand, we opened phase 1 warehouse of the Prachinburi Logistics Center in April 2015. The phase 2 warehouse is scheduled to open in 2016. In India, we offer a wide variety of logistics services by Kintetsu World Express (India) and Gati-Kintetsu Express. In February 2015, we organized a new task force in Tokyo to develop business in India. We also established a

subsidiary in Cambodia in February, and will open one in Myanmar in the near future.

Mexico and Latin America

We will meet robust demand for automotive-related transport in Mexico and in Brazil.

China

In addition to its role as the "World's Factory," China continues to grow as a consumer market. Alongside

our international freight forwarding and bonded logistics, we will reinforce domestic logistics services. Whereas in the past we handled mainly electronics products, we have focused on other industry verticals. For example, we increased handling of foods at Wuhan warehouse and medical products in Shanghai. By responding flexibly to changes in demand, we intend to enhance our competitive edge in China.

Prachinburi Logistics Center Warehouse No. 1



KWE Cambodia



Wuhan Warehouse in China



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Acquisition of APL Logistics

In May 2015, KWE acquired APL Logistics Ltd (APLL). This acquisition should help us to compete successfully in the global market.

APLL's strong points

In seeking securely established management to compete in the global market, we decided to acquire APLL.

APLL is a global logistics company focusing on the Trans-Pacific. It has a stable customer base with major automotive and retail-related companies. KWE noticed the quality of APLL's services and staff, and the fact that APLL's corporate culture is similar to that of our own.

Synergies

The main reason for this decision was the high degree to which our business portfolios complement each other. Whereas KWE has been focusing on air and sea freight forwarding and has an advantage in the electronics customers, APLL has been providing a wide range of logistics services including warehouse operation, land transport, order management and other value added services. With very little overlapping in the two companies' customer bases, we can expect

significant synergies.

Due to bank loans for this acquisition, our equity ratio will decline in the near term, but as we steadily recover our investment we will maintain a stable equity ratio.

Official Signing Ceremony



Land Transport



Warehouse Operation



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Synergy with APL Logistics

Through the acquisition of APLL, we intend to focus on industry verticals, diversify our customer base, and expand business domains. Furthermore, through joint sales to customers with each other, we intend to cultivate business with both existing and new customers.

Industry verticals, customer base, and business domains

By combining the two companies, we expect the ratio of "Air Freight" to balance with that of "Logistics & Value Added Services." In the industry verticals, the ratio of automotive-related items and retail-related items will increase. The acquisition of APLL represents a dramatic leap in the strategy of the Medium-Term Management Plan: "Optimize overall revenue portfolio through more balanced portfolio of business domains

and commodities." Based on this new business portfolio, we can provide our customers with a wide variety of optimal logistics services and solutions.

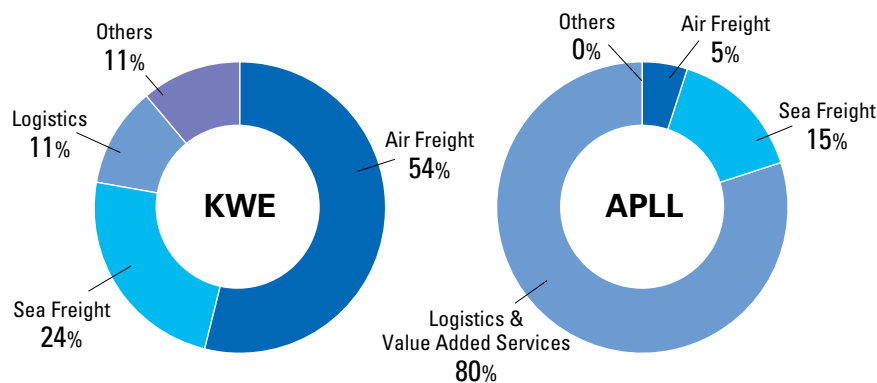
Post-merger integration

The APLL brand, its management team, and their administration should remain the same. We will use joint projects and dialogue as means to create the centripetal force that is necessary for maximizing synergies. Currently a project team led by myself is

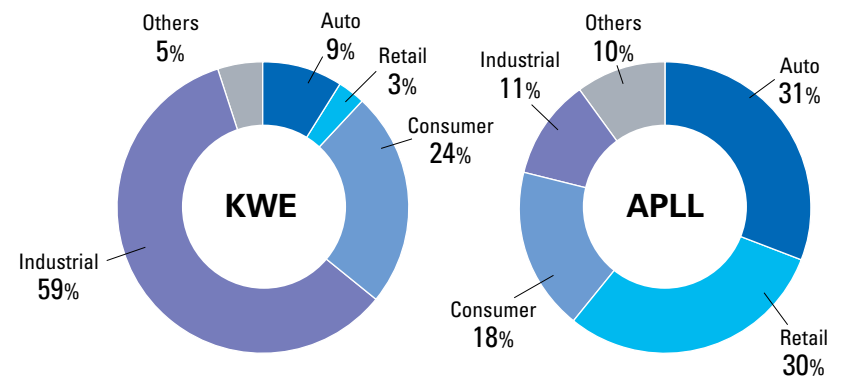
promoting PMI aimed at maximum synergies.

One of the KWE Group's main goals is to compete successfully in the global market. Through the acquisition of APLL, we have chosen to stake the future of the Group in order to realize this goal. When we successfully complete this PMI, I am sure that we will be viewing our industry from a much higher vantage point compared to where we stand today.

Net Sales, by Business of KWE/APLL



Net Sales, by Cargo Commodity of KWE/APLL



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■ East Asia & Oceania
■ Southeast Asia



To a new stage: Synergies with APLL and reinforce the Group's operating foundation

Key Policies

As the core of the Group, KWE Japan will continue to add to its secure competitive position in the global market by achieving the objectives laid out in the Medium-Term Management Plan. In the fiscal year through March 2016 we will concentrate on:

1 Well-balanced business portfolio

Increase air freight market share and sea freight volume further

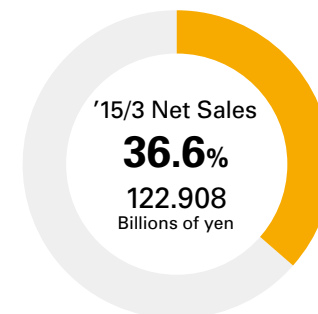
2 For the benefit of the entire Group;

Focus on

- (1) "Corporate Accounts"
- (2) Automotive, healthcare, and retail fields
- (3) Offshore business traffics
- (4) Emerging markets
- (5) Synergies with APLL Group

3 Enhance global administrative functions

- (1) Global personnel training/deployment support
- (2) The best use of global IT systems for operational excellence
- (3) Global risk management
- (4) Leading post-merger integration (PMI) after the acquisition of APLL



Freight Movements

Fiscal year through March 2015

	Exports	Imports
Air freight	Up 25.3%*1	Down 3.7%*2
Sea freight	Up 20.9%*3	Up 0.1%*2

First quarter of the fiscal year through March 2016

	Exports	Imports
Air freight	Up 2.7%*1	Down 1.1%*2
Sea freight	Up 6.8%*3	Down 1.3%*2

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

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The Americas

General Manager, The Americas
Nobutoshi Torii

Major Countries and Regions
United States, Canada, Mexico, and Latin American countries



Expand import volume and leverage our Latin American network

Key Policies

The Americas includes the U.S. and Canada, which together comprise the world's largest importing and consuming region and serve as the home base for many of KWE's major customers that conduct business on a global scale. The region also includes Mexico and Brazil, where significant growth in demand for cargo transportation and logistics 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 2016, we will focus on the measures outlined below.

1 U.S.

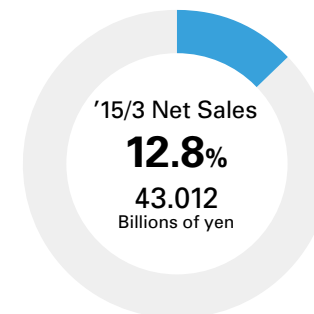
We will reinforce our sales organization to expand handling volume, while aiming to boost air freight export volume to Japan. We will also increase the volume of import air and sea freight on Trans-Pacific lanes, which attracts the heaviest transport demand in the world.

2 Canada

Focus on logistics and domestic trucking business with our existing customers of electronics products, automotive-related items, and machinery.

3 Mexico and Latin America

We have expanded business in Mexico by targeting the robust transport demand from the automotive industry. In the fiscal term through March 2016, we will focus on winning business from non-Japanese manufacturers. In addition, we intend to enhance our logistics services by increasing cooperation with well-established local partners. Expansion of our network and services in Mexico and Latin America will no doubt provide us with leverage for increasing the Group's overall handling volume.



Freight Movements

Fiscal year through March 2015

	Exports	Imports
Air freight	Up 2.0%*1	Up 5.7%*2
Sea freight	Up 3.4%*3	Up 8.2%*2

First quarter*4 of the fiscal year through March 2016

	Exports	Imports
Air freight	Up 42.6%*1	Up 25.3%*2
Sea freight	Down 25.4%*3	Up 1.5%*2

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)
*4 January – March 2015 (KWE's subsidiaries close their accounts at the end of December.)

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Europe, Middle East & Africa

General Manager,
Europe, Middle East & Africa
Toshiyuki Kase



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



Differentiation with variety of industry verticals and flexible services

Key Policies

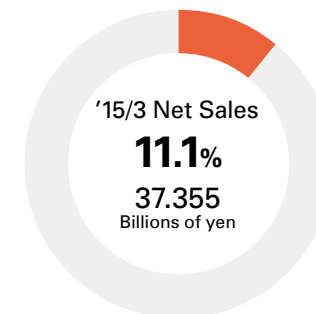
We aim to contribute to the entire Group's handling volume by developing both intra-region and inter-region business as follows.

1 Germany, the UK, and Benelux

With a newly organized agile sales force in Germany, we will strengthen the gateway functions of Frankfurt. The aircraft industry is one of the UK's major customers, and we plan to expand it further. In Benelux, we will focus on trans-Atlantic business and strengthen logistics sales.

2 Russia, the Middle East, and South Africa

In Russia, we began a Rail & Truck service from Rotterdam through Poland, to Moscow. Utilizing our warehouse in St. Petersburg that opened in June 2014, we intend to achieve a synergistic boost in the two largest cities. In the Middle East, we plan to open a 5,000 m² warehouse in Dammam, Saudi Arabia in the summer of 2015 to respond to increasing logistics demand. In South Africa, we will lead a variety of logistics projects including the Cross Border Trucking covering Sub-Saharan Africa. We will also expand unique services there to distinguish us from the competition, such as liquid logistics and catering logistics for airlines.



Freight Movements

Fiscal year through March 2015

	Exports	Imports
Air freight	Up 12.5%*1	Up 23.1%*2
Sea freight	Up 13.5%*3	Up 5.2%*2

First quarter*4 of the fiscal year through March 2016

	Exports	Imports
Air freight	Down 15.1%*1	Up 0.7%*2
Sea freight	Up 12.9%*3	Down 5.8%*2

*1 based on weight *2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

*4 January – March 2015 (KWE's subsidiaries close their accounts at the end of December.)

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East Asia & Oceania

General Manager,
East Asia & Oceania
Makoto Saito



Major Countries and Regions

Hong Kong, China, South Korea, Taiwan, and Australia

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



Reorganizing operations in concert with expanding domestic consumer markets

Key Policies

With the largest handling volume among the KWE Group, we intend to maintain and widen KWE's competitive advantage here. We will focus on the following measures.

1 "Power lanes"

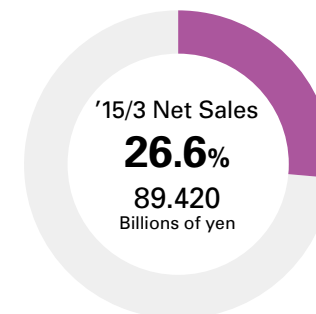
Hong Kong/Shanghai to U.S./Europe lanes attract the largest transport demand in the world. We aim to improve service quality in both air freight and sea freight, boost our transport capacity by building good partnerships with preferred carriers, and beef up sales efforts aimed at targeted customers.

2 Reorganization

We reorganized our two main subsidiaries in China—Kintetsu World Express (China) and Beijing Kintetsu World Express—thereby clarifying that the former handles international freight forwarding while the latter handles domestic logistics. This change will make it easy for each company to specialize in and expand their business in the growing consumer market.

3 Industry verticals

Our target industry verticals continue to be retail, healthcare, and automotive. Regarding retail, we have begun co-loading operations with Hong Kong-based Trans Global Logistics Group (TGLG), in which we acquired a stake in April 2014. Concerning healthcare, we began handling medical products after acquiring a State Food and Drug Administration (SFDA) license for our Shanghai warehouse in April 2013. Recently we organized a task force to develop automotive-related business. It has already succeeded in obtaining new customers and keeps on progressing.



Freight Movements

Fiscal year through March 2015

	Exports	Imports
Air freight	Up 2.4%*1	Up 6.1%*2
Sea freight	Down 0.3%*3	Down 0.7%*2

First quarter*4 of the fiscal year through March 2016

	Exports	Imports
Air freight	Down 17.1%*1	Up 9.0%*2
Sea freight	Down 3.3%*3	Up 0.1%*2

*1 based on weight *2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

*4 January – March 2015 (KWE's subsidiaries close their accounts at the end of December.)

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

Southeast Asia

General Manager,
Southeast Asia
Yoshinobu Mitsuhashi



Major Countries and Regions
Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, the Philippines, Cambodia

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



Cross-border trucking and logistics services

Key Policies

Southeast Asia is the priority region all through the Medium-Term Management Plan to invest resources. Our key policies for the fiscal year through March 2016 will be as follows.

1 Volume expansion

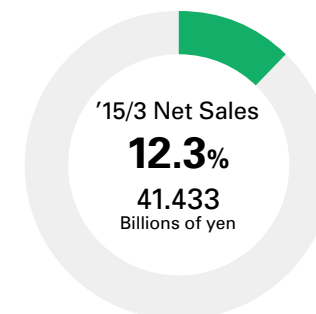
Targeting automotive, construction machinery and retail sectors, we seek to win new customers among non-Japanese as well as Japanese companies. We focus on Southeast Asia-to-Americas (Trans-Pacific East Bound) as "Power Lanes."

2 Additional networks

We will strengthen our cross-border trucking network linking Thailand, Cambodia, Myanmar and Vietnam in order to handle the increasing volume in the ASEAN Economic Community (AEC). We established KWE Cambodia in February 2015 and now plan to establish a Myanmar subsidiary as well.

3 Logistics services

In anticipation of increasing automotive-related handling, we opened our 10,000 m² Prachinburi Logistics Center in Thailand in April 2015 and also plan to open Phase 2 warehouse. In February 2015, we organized a new team to develop business in India focusing on e-commerce business and creating a larger framework for import agency services.



Freight Movements

Fiscal year through March 2015

	Exports	Imports
Air freight	Up 25.4%*1	Up 13.3%*2
Sea freight	Up 17.8%*3	Up 6.3%*2

First quarter*4 of the fiscal year through March 2016

	Exports	Imports
Air freight	Up 31.5%*1	Up 8.6%*2
Sea freight	Up 3.7%*3	Up 11.0%*2

*1 based on weight *2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

*4 January – March 2015 (KWE's subsidiaries close their accounts at the end of December.)

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Corporate Governance

Basic Philosophy

KWE's corporate philosophy is to "Contribute to the development of a global community through logistics services—by creating new values, sustaining the environment 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 16 members, including four 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 in the past. 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 for directors is structured to reflect each director's position and the Company's financial results, based on prescribed Company standards.

The Board of Directors held 12 meetings in the fiscal year ended March 2015, and the two outside directors attended 92% of the meetings.

Auditors

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

Two of the four members of our Board of Auditors are outside auditors. Each of the auditors conducts audits according to the auditing plan determined by the Board of Auditors. The system allows for adequate supervision of directors' job execution, with important documents being turned over to auditors and the standing auditors attending important meetings such as the 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



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as necessary.

The Board of Auditors held 14 meetings in the fiscal year ended March 2015, and the two outside auditors attended 96% of the meetings.

Relationships with Outside Directors and Outside Auditors

Outside directors Masanori Yamaguchi and Tetsuya Kobayashi, are Director and Senior Advisor, and Chairman of the Board at Kintetsu Group Holdings Co., Ltd., respectively. Both individuals have extensive expertise and experience in corporate management, and we believe they are well suited to serve as outside directors due to their ability to provide broad-based advice and opinions based on the general values held in the business community.

KWE has three independent officers—Yukio Ueno, Sanae Tanaka, and Masao Kishida. None of these three individuals come from a KWE affiliated company, a major shareholder, or a major business partner, and because they are outside directors or auditors with a high level of independence to avoid the risk of conflicts of interest with general shareholders, we believe they are well suited to serve as independent officers.

Outside Director Yukio Ueno is a Corporate Advisor at Mitsubishi Corporation. Mitsubishi and KWE have business relations that include air freight forwarding, but the amounts of these transactions are minor. We expect Mr. Ueno to help strengthen management oversight at KWE by applying his extensive experience as a manager and auditor at Mitsubishi.

Outside Director Sanae Tanaka is a Representative at Sanae Tanaka Law Office. Ms. Tanaka has expertise and ample working experience as an attorney, outside

director at business corporations, and director at various organizations, and we expect her to help strengthen management oversight at KWE.

Outside Auditor Masao Kishida is a Professor in the Graduate School of Finance, Accounting and Law at Waseda University. Mr. Kishida also serves as Professor Emeritus at Kobe University and is an expert on commercial law and corporate accounting, and has extensive knowledge about legal matters, finance, and accounting. We look forward to his valuable advice based on academic expertise and high ideals.

Career history of three independent officers

Yukio Ueno

Apr. 1968	Joined Mitsubishi Corporation
Jun. 1998	Director at the company
Apr. 2005	Senior Executive Vice President at the company
Jun. 2010	Auditor at the company
Jun. 2014	Corporate Advisor at the company (current position)
Jun. 2014	Director at Dream Incubator Inc. (current position)
Jun. 2015	Director at Kintetsu World Express, Inc. (current position)

Sanae Tanaka

Apr. 1989	Registered as attorney
Sep. 1991	Established Sanae Tanaka Law Office as Representative (current position)
Mar. 2011	Director at Noevir Holdings Co., Ltd. (current position)
Mar. 2015	Director at PILOT CORPORATION (current position)
May 2015	Director at Shochiku Co., Ltd. (current position)
Jun. 2015	Director at Kintetsu World Express, Inc. (current position)

Masao Kishida

Apr. 1974	Completed training at the Legal Training and Research Institute (26th term)
Apr. 1985	Professor in the Faculty of Law at Kobe University
Apr. 2004	Professor Emeritus at Kobe University
Apr. 2004	Professor in the Graduate School of Finance, Accounting and Law at Waseda University (current position)
Jun. 2006	Auditor at Kintetsu World Express, Inc. (current position)
Mar. 2007	Auditor at Kinki Nippon Tourist Co., Ltd. (currently KNT-CT Holdings Co., Ltd.) (current position)

Outside Auditor Kazuyasu Ueda is an Senior Executive Vice President at Kintetsu Group Holdings Co., Ltd. Kintetsu Group Holdings is the primary shareholder of KWE with a 44.11% stake, but business relations between KWE and Kintetsu Group Holdings are minimal, and our outside directors and outside auditors have no particular vested interests in KWE.

Additionally, in selecting outside directors and outside auditors, KWE's standard for determining independence is that these persons have no relationships with management that would significantly affect either party and that they do not have any of the attributes outlined below, which are cited as factors for determining the risk of conflicts of interest with general shareholders in the Guidelines Concerning Listed Company Compliance, etc. published by financial instruments exchanges.

- A person who executes business of the parent company or fellow subsidiary of said company;
- A person for which said company is a major client or a person who executes business for such person, or a major client of said company or a person who executes business for such client;
- A consultant, accounting professional or legal professional (in the case of a group such as a juridical person or association, including persons belonging to such group) who receives a large amount of money or other asset other than remuneration for directorship/auditorship from said company; or
- A person who has recently fallen under any of a. to the preceding c.;
- A close relative of a person referred to in any of the following (a) to (c) (excluding those of insignificance);



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- (a) A person referred to in a. to the preceding d.;
- (b) A person who executes business of said company or its subsidiary (including directors who do not execute business or accounting advisors (when any of such accounting advisors is a juridical person, including any member thereof who is in charge of such advisory affairs) in the case where said company designates its outside auditor(s) as an independent auditor(s)); or
- (c) Persons who have recently fallen under the preceding (b)

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 by the general managers in each region.

Director and Auditor Compensation

KWE determines director and auditor compensation within the range of total compensation approved at the General Shareholders' Meeting.

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 2015, we paid a total of 327 million yen to 15 directors, including 23 million yen to the two outside

directors.

KWE determines auditor compensation based on discussions with its auditors. In the year ended March 2015, we paid a total of 55 million yen to four auditors, including 12 million yen to two outside auditors.

Compliance

KWE clearly states that it will comply with and respect laws, regulations, and ethical standards in its Corporate Philosophy and KWE Group Code of Conduct, which provide a foundation for the activities of officers and employees of group companies. We have outlined a basic approach to business execution in the KWE Group Compliance Basic Policy, which shows a basic stance on corporate behavior. To promote rigorous compliance management, we have appointed a Chief of Compliance (Director) and clarified compliance responsibilities according to each position, based in part on the KWE Group Compliance Rules. We have established a Compliance Committee chaired by the Chief of Compliance to promote corporate behavior that complies with laws, regulations, and corporate ethics. We have prepared a whistleblower system to aid in the early detection and correction of violations of laws, regulations, and corporate ethics, and to protect whistleblowers from prejudicial treatment. We also have a "KWE Group Antimonopoly Compliance Manual," and group companies have prepared compliance manuals and regularly conduct compliance training and auditing.

Risk Management

KWE has established the KWE Group Risk Management Basic Policy to facilitate integrated and ongoing risk management on a global basis. We have appointed a

Chief of Risk Management (Director) and clarified risk management responsibilities according to each position, based in part on the KWE Group Risk Management Rules. We have established a Risk Management Committee chaired by the Chief of Risk Management to help identify risks that face group companies from a companywide perspective and take appropriate action. We have also created a crisis plan, which includes the KWE Group Crisis Management Rules, to prepare for emergency situations that could emerge suddenly and seriously impact our 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.

	Supplemental explanation	Representatives explain face to face
Preparation and publication of disclosure policy	Disclosure policy is available on our website	–
Briefings for individual investors	Held on an irregular basis. 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 100 people.	Yes
Posting of IR material on website	Our website: http://www.kwe.com/ir/index.html Contains links to CEO message, corporate philosophy, business results presentations, annual report, data book, share information, etc.	–
Establishment of IR group or dedicated personnel	General Affairs Department (IR Group)	–

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In addition, the Company strives to help investors understand its businesses by providing videos on the website that clarify its operations and by providing segment information.

Relationship with Customers

The KWE Group seeks to increase customer satisfaction through aggressive efforts to maintain and improve quality. We are working to improve the quality of operations and services through Quality Management System (QMS) activities, based on the KWE Group Quality Control Policy.

Specifically, for various quality-related standards, our main domestic and overseas subsidiaries are certified under the ISO 9001: 2008 quality management system, 10 group companies have acquired Authorized Economic Operator (AEO) certification, five group companies have acquired Good Distribution Practice (GDP) certification, and 18 facilities have acquired Transported Asset Protection Association (TAPA) certification.

We have also conducted Web-based customer satisfaction surveys in an effort to place the greatest priority on our customers.



AEO grant ceremony in Taiwan

Relationship with Employees

The KWE Group believes that providing an environment that allows all employees to demonstrate their maximum potential will contribute to the further growth and development of the Group. To this end, we are working

to create an environment that respects each and every employee and fosters a high level of creativity and humanity.

We provide education and training programs to cultivate professional employees and encourage the development of personnel well suited for their positions based on one-to-one work training for new employees, on-the-job training for younger employees, and other training according to seniority. We have an overseas training program that each year sends younger employees in Japan to work at overseas group companies. We hold our annual Business Leader Program to provide executive training to selected employees.

We conduct an Employee Attitude Survey each year to help gauge and improve employee motivation and organization. Our employee evaluation system does not look solely at performance, but places emphasis on how much employees demonstrate their individual capabilities to produce maximum results. To deepen communication between management and employees even further, we regularly hold a "Sunshine Meeting" in which board members and executives visit various departments and speak directly with employees. We also publish the "Sunshine Blog" on our internal company intranet as a forum for board members to convey their thoughts to employees.

To promote diversity, we do not tolerate discrimination in any form, whether by race, ethnicity, nationality, gender, or disability, and we provide equal opportunities for everyone to play an active role. We have launched personnel exchanges between various countries to allow employees who work at a local subsidiary in one country to take on the major challenge of working in another country.

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

Based on these policies, we will make ongoing efforts to minimize, monitor, and improve the environmental impact of our business activities.



A truck that meets Euro 5 emission standards

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Management



Masanori Yamaguchi
Chairman



Satoshi Ishizaki
President and
Chief Executive Officer



Hirohiko Ueno
Senior Managing Director



Joji Tomiyama
Senior Managing Director



Yoshinori Watarai
Senior Managing Director



Kazuya Mori
Managing Director



Shinya Aikawa
Managing Director



Yoshinobu Mitsuhashi
Managing Director



Keisuke Hirata
Managing Director



Toshiyuki Kase
Director



Nobutoshi Torii
Director



Katsufumi Takahashi
Director



Tetsuya Yamanaka
Director



Tetsuya Kobayashi
Outside Director



Yukio Ueno
Outside Director



Sanae Tanaka
Outside Director

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Management's Discussion and Analysis

OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 63 subsidiaries, and nine affiliated companies, for a total of 73 companies. 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 54.8% of net sales in the fiscal year ended March 2015), sea freight forwarding (23.4%), logistics (11.2%), and other operations (10.6%).

A regional breakdown of net sales* shows that Japan accounts for 36.6%, the Americas for 12.8%, Europe, Middle East & Africa for 11.1%, East Asia & Oceania for 26.6%, Southeast Asia for 12.3%, and other regions for 0.6%.

* 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, 2015, while the U.S. economy showed a steady recovery, the European economy remained weak, and the economic growth in China and other Asian countries slowed down. In Japan, although consumer spending remained stagnant after the consumption tax rise, corporate earnings showed an improvement and the overall economy showed a sign of gradual recovery. The international freight market in which the KWE Group mainly operates showed a recovery in global demand for air freight forwarding.

The Group's handling volumes in this environment were as follows. In the air freight forwarding business, export volume grew 12.8% (based on weight) from the previous year and import volume

rose 5.9% (based on number of shipments). In the sea freight forwarding business, export volume grew 9.3% (based on TEUs) and import volume rose 2.1% (based on number of shipments). Our logistics business generally performed well, with notable growth in handling volume in East Asia.

Net Sales

The KWE Group's consolidated net sales totaled ¥327.192 billion in the fiscal year ended March 2015, up 16.2%, or ¥45.687 billion, from the previous year.

By business segment, net sales in air freight forwarding grew 18.4%, sea freight forwarding rose 12.3%, logistics increased 14.4%, and other operations were up 16.2%.

Net sales increased from the previous year in all regions, with Japan up 18.5%, the Americas up 11.7%, Europe, Middle East & Africa up 11.4%, East Asia & Oceania up 13.6%, and Southeast Asia up 26.1%.

Cost of Sales

Cost of sales totaled ¥274.636 billion in the fiscal year ended March 2015, up 16.8%, or ¥39.434 billion, from the previous year. The percentage to net sales was 83.9%, rising 0.3 percentage points from 83.6% in the previous year.

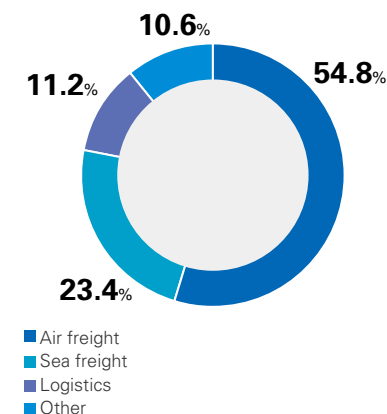
Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥35.992 billion in the fiscal year ended March 2015, up 10.5%, or ¥3.431 billion, from the previous year. However, the percentage to net sales was 11.0%, declining 0.6 percentage points from 11.6% in the previous year.

Operating Income

Operating income totaled ¥16.563 billion in the fiscal year ended

Net Sales by Category



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March 2015, up 20.5%, or ¥2.821 billion, from the previous year. The operating margin was 5.1%, rising 0.2 percentage points from 4.9% in the previous year. Cost of sales to net sales rose 0.3 percentage points from the previous year, but selling, general and administrative expenses to net sales improved by declining 0.6 percentage points from the previous year.

Other Income (Expenses)

Other expenses totaled ¥0.191 billion in the fiscal year ended March 2015, down from income of ¥1.174 billion in the previous year. Foreign exchange gain, net rose 99.8%, or ¥0.615 billion, from the previous year, but U.S. antitrust matter resulted in a loss of ¥2.032 billion.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests totaled ¥16.372 billion in the fiscal year ended March 2015, up 9.8%, or ¥1.456 billion, from the previous year.

Income Taxes

Income taxes totaled ¥5.348 billion in the fiscal year ended March 2015, up 7.5%, or ¥0.371 billion, from the previous year. After adjustments, the effective tax rate was 32.7%, down from 33.4% in the previous year.

Net Income, Net Income per Share, Return on Equity

Net income grew 11.4% from the previous year to ¥10.489 billion in the fiscal year ended March 2015. As a result, net income per share rose to ¥291.37, up from ¥261.60 in the previous year. Return on equity decreased to 9.0%, down from 9.5% in the previous year, due mainly to foreign currency translation adjustments rising 110.4%, or ¥7.394 billion, as a result of yen depreciation.

OUTLOOK FOR THE YEAR THROUGH MARCH 2016

The U.S. economy is expected to continue showing steady growth, but the outlook of the European economy remains uncertain and there are also concerns over an economic slowdown in China. Under these circumstances, the KWE Group seeks to achieve our Medium-Term Management Plan "Ready for the Next! Phase 2," which covers the three years from the fiscal year ended March 2014 to the fiscal year ending March 2016, by pursuing three 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. On this basis, we will continue to pursue various policies with the aim of building a solid corporate structure that will enable us to compete successfully against even the strongest players. In the fiscal year ending March 2016, we forecast net sales to grow 37.5% from the previous year to ¥450.000 billion, operating income to grow 8.7% to ¥18.000 billion, and net income attributable to owners of the parent to grow 11.5% to ¥11.700 billion (revised on Aug. 6, 2015; included the earning impact of the acquisition of APL Logistics Ltd).

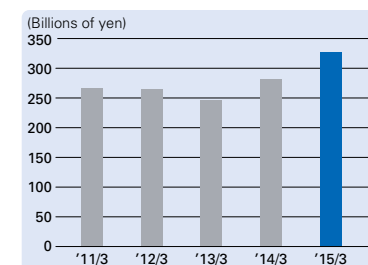
SEGMENT TRENDS BY REGION

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

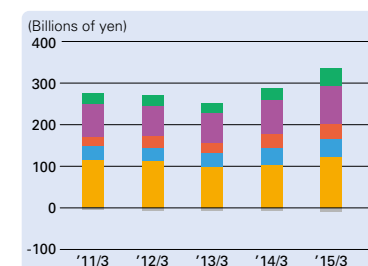
FINANCIAL POSITION

Total assets were ¥194.553 billion in the fiscal year ended March 2015, up 15.8%, or ¥26.587 billion, from the previous year. Current assets rose 15.2%, or ¥17.326 billion, to ¥131.006 billion, due

Net Sales

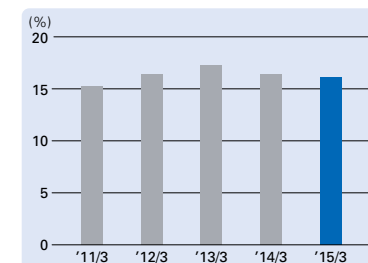


Net Sales by Region



■ Southeast Asia ■ Japan
 ■ East Asia & Oceania ■ Other
 ■ Europe, Middle East & Africa ■ Elimination or Unallocated
 ■ The Americas

Operating Gross Profit Margin



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mainly to increases in cash and time deposits and in notes and accounts receivable-trade.

Property and equipment grew 10.7%, or ¥3.843 billion, to ¥39.831 billion. Intangible assets increased 79.0%, or ¥1.112 billion, to ¥2.520 billion, due mainly to goodwill rising to ¥1.391 billion, up from ¥0.397 billion in the previous year. Investments and other assets rose 25.5%, or ¥4.305 billion, to ¥21.194 billion, due mainly to an increase in investment securities. As a result, total noncurrent assets rose 17.1%, or ¥9.261 billion, to ¥63.547 billion.

Total liabilities were ¥64.865 billion, up 14.3%, or ¥8.131 billion, from the previous year. Current liabilities grew 13.3%, or ¥6.329 billion, to ¥53.772 billion. Long-term liabilities grew 19.4%, or ¥1.802 billion, to ¥11.093 billion, due mainly to an increase in long-term debt to ¥6.608 billion, up from ¥5.267 billion in the previous year.

Net assets were ¥129.687 billion, up 16.6%, or ¥18.456 billion, from ¥111.231 billion in the previous year. Retained earnings rose 10.0%, or ¥8.876 billion, to ¥97.526 billion; and total shareholders' equity rose 8.8%, or ¥8.875 billion, to ¥109.607 billion. Foreign currency translation adjustments grew 110.4%, or ¥7.394 billion, to ¥14.089 billion; and total accumulated other comprehensive income increased 115.4%, or ¥8.786 billion, to ¥16.400 billion. The equity ratio at the end of the fiscal year was 64.8%, up from 64.5% at the end of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥9.457 billion in the fiscal year ended March 2015, down 12.1%, or ¥1.299 billion, from ¥10.756 billion in the previous year. Main items included cash increases from net income before income taxes and minority interests of ¥16.372 billion, depreciation and amortization of ¥2.806 billion, and an increase in notes and accounts payable of ¥2.097

billion; and cash decreases from an increase in notes and accounts receivable of ¥7.483 billion and income taxes paid of ¥5.893 billion.

Net cash used in investing activities totaled ¥10.870 billion in the fiscal year ended March 2015, up 116.7%, or ¥5.854 billion, from ¥5.016 billion in the previous year. Main items included payments for purchases of property and equipment of ¥4.889 billion and payments for purchases of securities of ¥2.287 billion.

Net cash used in financing activities totaled ¥1.424 billion in the fiscal year ended March 2015, down 23.6%, or ¥0.440 billion, from ¥1.864 billion in the previous year. Main items included payments of cash dividends of ¥1.517 billion.

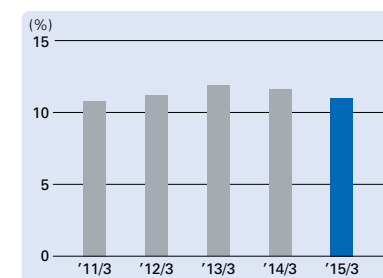
As a result of the above, cash and cash equivalents totaled ¥48.700 billion as of March 31, 2015, up 1.5%, or ¥0.737 billion, from ¥47.963 billion as of March 31, 2014.

BASIC POLICY ON THE DISTRIBUTION OF PROFITS

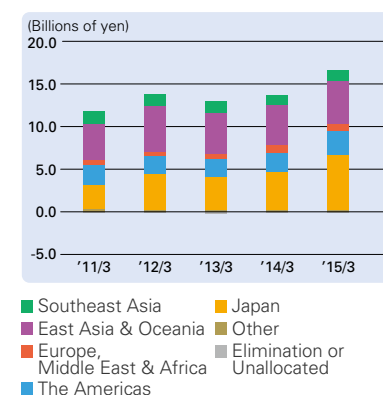
The KWE Group focuses first on maintaining stable dividends, but also strives to increase dividends in view of earnings and the dividend payout ratio, giving full consideration to enhancing shareholder returns, future business expansion, and stronger business base.

Based on this policy, we raised our full-year dividend to ¥46 in the fiscal year ended March 2015, up ¥6 from ¥40 in the previous year. The dividend payout ratio was 15.8%, rising 0.5 percentage points from 15.3% in the previous year. We forecast a full-year dividend of ¥52 in the fiscal year ending March 2016, rising ¥6 from the previous year to achieve a dividend payout ratio of 16.0%.

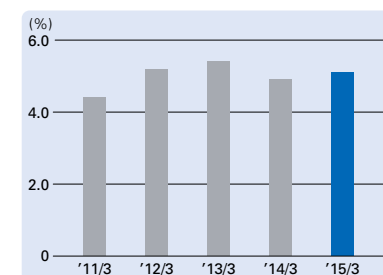
SGA Expenses to Net Sales



Operating Income by Region



Operating Margin



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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-related items, automotive-related items, medical and chemical-related items, apparel and related products, and miscellaneous goods.

In the event inventory adjustment for electronic products which are susceptible to economic conditions is conducted, or problems arise which have global impacts including credit instability in Europe such as Greece, the Great East Japan Earthquake in 2011, flooding in Thailand, the business results and financial position of the Group may be affected.

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

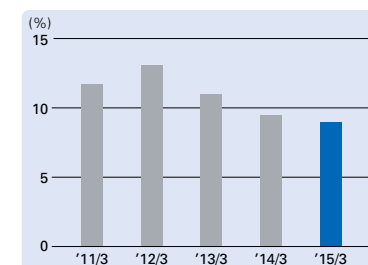
Taking into account the influence that a sudden surge in oil prices might have on distribution and transport, KWE maintains close relationships with air and sea carriers and works at expanding our channels for procuring cargo space. Nevertheless, it is possible that unforeseeable circumstances could 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

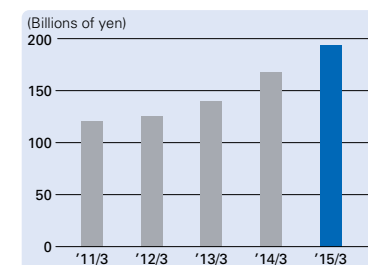
Each nation has enacted various regulations governing transport, warehousing, storage management, and other businesses in which we engage. Most of these are statutory regulations (to ensure safety, for example) or legal regulations affecting the transport business. It is possible that changes to existing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

While the Group has worked on enhancement of compliance system to ensure compliance with laws and regulations, in case there are inappropriate treatments or serious violations concerning any laws and regulations, the business results and brand image of the Group may be affected, including facing sanctions to restrict business or an administrative monetary penalty.

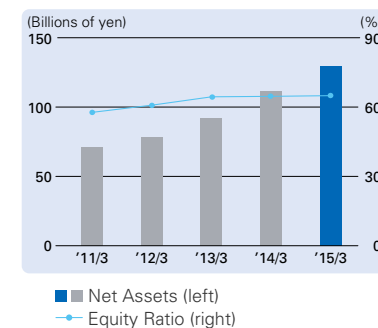
ROE



Total Assets



Net Assets and Equity Ratio



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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 18 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

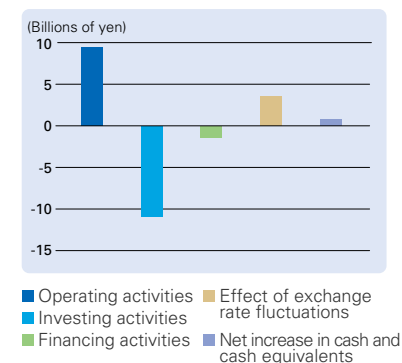
KWE systematically manages customer and freight movement information through our intra-Group information network. We perform regular audits and inspections to ensure that there are no information leaks. In addition, in accordance with Japan's Act on the Protection of Personal Information, KWE instituted 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



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Financial Highlights

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

	Millions of yen							Thousands of U.S. dollars	
	2008	2009	2010	2011	2012	2013	2014	2015	2015*
Income Statement Data (Millions of yen)									
Net sales	¥ 292,333	¥ 260,331	¥ 211,837	¥ 267,688	¥ 264,403	¥ 247,977	¥ 281,505	¥ 327,192	\$ 2,722,742
Operating income	13,894	9,026	7,452	11,899	13,825	13,295	13,742	16,563	137,829
Income before income taxes and minority interests	15,165	7,991	7,596	12,677	14,954	14,170	14,916	16,372	136,240
Net income	9,161	3,478	4,571	7,881	9,546	9,134	9,417	10,489	87,284
Balance Sheet Data (Millions of yen)									
Total assets	¥ 129,518	¥ 109,153	¥ 116,641	¥ 120,280	¥ 125,437	¥ 140,116	¥ 167,966	¥ 194,553	\$ 1,618,981
Property and equipment - net	32,596	31,207	34,632	32,765	31,661	32,512	35,988	39,831	331,455
Interest-bearing debt	18,540	17,980	16,254	14,677	14,470	14,562	15,078	15,734	130,911
Long-term liabilities	5,474	6,647	6,570	6,634	6,885	3,660	9,291	11,093	92,310
Total liabilities	61,972	47,279	48,602	48,963	47,356	47,919	56,734	64,865	539,776
Net assets	67,546	61,874	68,039	71,317	78,081	92,197	111,231	129,687	1,079,196
Other Selected Data (Millions of yen)									
Capital expenditures for property and equipment (cash basis)	¥ 2,408	¥ 2,795	¥ 3,322	¥ 1,465	¥ 1,549	¥ 1,625	¥ 3,776	¥ 4,889	\$ 40,684
Depreciation and amortization	3,450	3,157	3,114	2,999	2,659	2,537	2,615	2,806	23,350
Net cash provided by (used in) operating activities	11,057	9,687	6,260	9,843	11,118	8,856	10,756	9,457	78,696
Net cash provided by (used in) investing activities	635	(6,481)	(3,834)	780	(3,821)	(8,044)	(5,016)	(10,870)	(90,455)
Net cash provided by (used in) financing activities	(2,437)	(1,664)	(3,996)	(2,703)	(1,397)	(1,785)	(1,864)	(1,424)	(11,849)
Cash and cash equivalents at end of year	28,500	25,905	25,045	30,966	36,096	38,272	47,963	48,700	405,259
Number of employees (persons, consolidated)	8,069	8,670	8,893	9,238	9,671	10,047	10,219	10,680	
Per Share Data (Yen)									
Net income	¥ 254.47	¥ 96.62	¥ 126.97	¥ 218.92	¥ 265.16	¥ 253.73	¥ 261.60	¥ 291.37	\$ 2.42
Cash dividends	25.00	27.00	24.00	30.00	35.00	37.00	40.00	46.00	0.38
Net assets	1,819.18	1,670.18	1,822.95	1,925.90	2,113.67	2,501.11	3,009.69	3,500.31	29.12
Financial Ratios (% , Times)									
Operating margin	4.8	3.5	3.5	4.4	5.2	5.4	4.9	5.1	
Return on equity	14.9	5.5	7.3	11.7	13.1	11.0	9.5	9.0	
Current ratio	1.5	1.6	1.7	1.8	2.1	2.1	2.4	2.4	
Debt-to-equity	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	
Exchange rate (Yen/U.S. dollar)	100.19	98.23	93.04	83.15	82.19	94.05	102.92	120.17	

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

Medium-Term Management Plan
"Ready for the Next! Phase 2"

April 2013 - March 2016

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Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits (Notes 3, 6 and 12)	¥ 53,318	¥ 50,360	\$ 443,688
Notes and accounts receivable-trade (Note 12)	68,685	56,786	571,565
Less: Allowance for doubtful accounts	(395)	(350)	(3,287)
Marketable securities (Notes 4 and 12)	7	5	58
Deferred tax assets (Note 8)	1,509	750	12,557
Other current assets (Note 12)	7,880	6,127	65,573
Total current assets	131,006	113,680	1,090,172
Property and equipment:			
Land	11,817	11,164	98,335
Buildings and structures	36,653	34,687	305,009
Machinery and equipment	3,161	3,054	26,304
Lease assets	1,269	1,279	10,560
Construction in progress	4,234	2,602	35,233
Others	13,451	11,296	111,933
	70,587	64,084	587,392
Less: Accumulated depreciation	(30,755)	(28,096)	(255,929)
Total property and equipment	39,831	35,988	331,455
Intangible assets:			
Goodwill	1,391	397	11,575
Other intangible assets	1,129	1,011	9,395
Total intangible assets	2,520	1,408	20,970
Investments and other assets:			
Investments in: (Notes 4 and 12)			
Affiliates	9,120	6,775	75,892
Others	6,423	4,355	53,449
Long-term loans receivable (Note 12)	248	502	2,063
Deferred tax assets (Note 8)	585	737	4,868
Other investments	4,944	4,642	41,141
Less: Allowance for doubtful accounts	(128)	(123)	(1,065)
Total investments and other assets	21,194	16,889	176,366
Total assets	¥ 194,553	¥ 167,966	\$ 1,618,981

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Notes and accounts payable-trade (Notes 6 and 12)	¥ 28,683	¥ 24,283	\$ 238,686
Short-term debt (Notes 5 and 12)	8,299	8,522	69,060
Current portion of long-term debt (Notes 5 and 12)	226	569	1,880
Lease obligations (Note 5)	158	161	1,314
Income taxes payable (Note 12)	2,436	1,935	20,271
Deferred tax liabilities (Note 8)	240	183	1,997
Accrued bonuses to employees	2,479	1,938	20,629
Accrued bonuses to directors and corporate auditors	272	245	2,263
Other current liabilities	10,974	9,603	91,320
Total current liabilities	53,772	47,443	447,466
Long-term liabilities:			
Long-term debt (Notes 5 and 12)	6,608	5,267	54,988
Lease obligations (Note 5)	441	556	3,669
Net defined benefit liability (Note 7)	3,295	3,047	27,419
Deferred tax liabilities (Note 8)	664	233	5,525
Other long-term liabilities	83	187	690
Total long-term liabilities	11,093	9,291	92,310
Contingent liabilities (Note 9)			
Net assets (Note 10):			
Shareholders' equity:			
Common stock			
Authorized		120,000,000 shares	
Issued	7,216	7,216	60,048
Capital surplus	4,867	4,867	40,500
Retained earnings	97,526	88,650	811,566
Treasury stock	(2)	(1)	(16)
Total shareholders' equity	109,607	100,732	912,099
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	2,187	1,242	18,199
Deferred gains (losses) on hedges	39	-	324
Foreign currency translation adjustments	14,089	6,695	117,242
Remeasurements of defined benefit plans	84	(324)	699
Total accumulated other comprehensive income	16,400	7,614	136,473
Minority interests in consolidated subsidiaries	3,679	2,884	30,614
Total net assets	129,687	111,231	1,079,196
Total liabilities and net assets	¥ 194,553	¥ 167,966	\$ 1,618,981

See accompanying notes.

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Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 15)	¥ 327,192	¥ 281,505	\$ 2,722,742
Cost of sales	274,636	235,202	2,285,395
Operating gross profit	52,556	46,303	437,347
Selling, general and administrative expenses (Note 16)	35,992	32,561	299,509
Operating income (Note 15)	16,563	13,742	137,829
Other income (expenses):			
Interest and dividend income	540	441	4,493
Interest expenses	(228)	(238)	(1,897)
Foreign currency exchange gain, net	1,231	616	10,243
Equity in earnings of affiliates, net	255	178	2,121
Subsidy income	217	255	1,805
Commission fee	(360)	-	(2,995)
Loss on disposal of fixed assets	(24)	(196)	(199)
Loss on valuation of investment securities (Note 4)	-	(217)	-
Loss on U.S. antitrust matter (Note 17)	(2,032)	-	(16,909)
Others, net (Note 17)	209	336	1,739
	(191)	1,174	(1,589)
Income before income taxes and minority interests	16,372	14,916	136,240
Income taxes (Note 8):			
Current	6,016	5,052	50,062
Deferred	(668)	(74)	(5,558)
	5,348	4,977	44,503
Income before minority interests	11,024	9,939	91,736
Minority interests in net income of consolidated subsidiaries	535	522	4,452
Net income	¥ 10,489	¥ 9,417	\$ 87,284

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Amounts per share:			
Net income	¥ 291.37	¥ 261.60	\$ 2.42
Cash dividends applicable to the year	46.00	40.00	0.38

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 11,024	¥ 9,939	\$ 91,736
Other comprehensive income (Note 18):			
Unrealized gains (losses) on available-for-sale securities	944	599	7,855
Deferred gains (losses) on hedges	39	-	324
Foreign currency translation adjustments	6,891	10,015	57,343
Remeasurements of defined benefit plans	407	-	3,386
Share of other comprehensive income of associates accounted for using equity method	824	402	6,856
Total other comprehensive income	9,107	11,017	75,784
Comprehensive income	¥ 20,131	¥ 20,957	\$ 167,521
Comprehensive income attributable to:			
Owners of the parent	¥ 19,275	¥ 19,964	\$ 160,397
Minority interests	856	992	7,123

See accompanying notes.

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Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2015 and 2014

	Millions of yen												
	Number of shares of common stock (thousands)	Shareholders' equity					Accumulated other comprehensive income						Total net assets
Common stock		Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries		
Balance at April 1, 2013	36,000	¥ 7,216	¥ 4,867	¥ 80,565	¥ (1)	¥ 92,646	¥ 643	¥ -	¥ (3,251)	¥ -	¥ (2,608)	¥ 2,159	¥ 92,197
Cash dividends paid	-	-	-	(1,331)	-	(1,331)	-	-	-	-	-	-	(1,331)
Net income	-	-	-	9,417	-	9,417	-	-	-	-	-	-	9,417
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-	599	-	9,947	(324)	10,222	725	10,948
Balance at April 1, 2014	36,000	¥ 7,216	¥ 4,867	¥ 88,650	¥ (1)	¥ 100,732	¥ 1,242	¥ -	¥ 6,695	¥ (324)	¥ 7,614	¥ 2,884	¥ 111,231
Cumulative effect of change in accounting policies (Note 2 (12))	-	-	-	(101)	-	(101)	-	-	-	-	-	-	(101)
Balance at April 1, 2014, as restated	-	7,216	4,867	88,549	(1)	100,630	1,242	-	6,695	(324)	7,614	2,884	111,129
Cash dividends paid	-	-	-	(1,511)	-	(1,511)	-	-	-	-	-	-	(1,511)
Net income	-	-	-	10,489	-	10,489	-	-	-	-	-	-	10,489
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Net changes in items other than shareholders' equity	-	-	-	-	-	-	944	39	7,393	409	8,786	794	9,580
Balance at March 31, 2015	36,000	¥ 7,216	¥ 4,867	¥ 97,526	¥ (2)	¥ 109,607	¥ 2,187	¥ 39	¥ 14,089	¥ 84	¥ 16,400	¥ 3,679	¥ 129,687

See accompanying notes.

	Thousands of U.S. dollars (Note 1)												
	Number of shares of common stock (thousands)	Shareholders' equity					Accumulated other comprehensive income						Total net assets
Common stock		Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries		
Balance at April 1, 2014	36,000	\$ 60,048	\$ 40,500	\$ 737,704	\$ (8)	\$ 838,245	\$ 10,335	\$ -	\$ 55,712	\$ (2,696)	\$ 63,360	\$ 23,999	\$ 925,613
Cumulative effect of change in accounting policies (Note 2 (12))	-	-	-	(840)	-	(840)	-	-	-	-	-	-	(840)
Balance at April 1, 2014, as restated	-	60,048	40,500	736,864	(8)	837,397	10,335	-	55,712	(2,696)	63,360	23,999	924,764
Cash dividends paid	-	-	-	(12,573)	-	(12,573)	-	-	-	-	-	-	(12,573)
Net income	-	-	-	87,284	-	87,284	-	-	-	-	-	-	87,284
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Net changes in items other than shareholders' equity	-	-	-	-	-	-	7,855	324	61,521	3,403	73,113	6,607	79,720
Balance at March 31, 2015	36,000	\$ 60,048	\$ 40,500	\$ 811,566	\$ (16)	\$ 912,099	\$ 18,199	\$ 324	\$ 117,242	\$ 699	\$ 136,473	\$ 30,614	\$ 1,079,196

See accompanying notes.

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Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before income taxes and minority interests	¥ 16,372	¥ 14,916	\$ 136,240
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,806	2,615	23,350
Increase (Decrease) in accrued bonuses to employees	329	(168)	2,737
Increase (Decrease) in accrued bonuses to directors and corporate auditors	14	19	116
Increase (Decrease) in net defined benefit liability	442	486	3,678
Interest and dividend income	(540)	(441)	(4,493)
Interest expense	228	238	1,897
Loss on valuation of investment securities	–	217	–
Loss on U.S. antitrust matter	2,032	–	16,909
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(7,483)	(3,278)	(62,270)
Increase (Decrease) in notes and accounts payable	2,097	304	17,450
(Increase) Decrease in other assets	543	(276)	4,518
Increase (Decrease) in other liabilities	198	289	1,647
Others, net	(100)	213	(832)
Subtotal	16,942	15,137	140,983
Interest and cash dividend received	735	453	6,116
Interest paid	(228)	(246)	(1,897)
Payment on U.S. antitrust matter	(2,032)	–	(16,909)
Payment on Singapore antitrust matter	(64)	–	(532)
Income taxes paid	(5,893)	(4,587)	(49,038)
Net cash provided by (used in) operating activities	9,457	10,756	78,696

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(3,878)	(6,183)	(32,270)
Proceeds from withdrawal of time deposit	2,135	7,695	17,766
Payments for purchases of securities	(2,287)	(145)	(19,031)
Proceeds from sales of securities	67	74	557
Payments for purchases of property and equipment	(4,889)	(3,776)	(40,684)
Proceeds from sales of property and equipment	34	74	282
Proceeds from loans receivable	1,497	38	12,457
Payments for loans receivable	(264)	(1,830)	(2,196)
Purchase of investments in subsidiaries	–	(98)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(396)	–	(3,295)
Others, net	(2,888)	(866)	(24,032)
Net cash provided by (used in) investing activities	(10,870)	(5,016)	(90,455)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(300)	(178)	(2,496)
Payments of capital lease obligations	(176)	(141)	(1,464)
Proceeds from long-term debt	1,470	4,785	12,232
Payments for long-term debt	(565)	(4,730)	(4,701)
Payments of cash dividends	(1,517)	(1,331)	(12,623)
Payments of cash dividends to minority shareholders	(335)	(266)	(2,787)
Others, net	(0)	–	(0)
Net cash provided by (used in) financing activities	(1,424)	(1,864)	(11,849)
Effect of exchange rate fluctuations on cash and cash equivalents	3,573	5,816	29,732
Net increase (decrease) in cash and cash equivalents	736	9,692	6,124
Cash and cash equivalents at beginning of year	47,963	38,271	399,126
Cash and cash equivalents at end of year (Note 3)	¥ 48,700	¥ 47,963	\$ 405,259

See accompanying notes.

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Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2015 and 2014

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 ("IFRS").

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. In accordance with 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)", certain differences between Japanese GAAP and those in overseas are adjusted in the consolidation process. The accompanying

consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company provided in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

All Japanese yen figures have been rounded down to million yen. The translation of the Japanese yen amounts into U.S. dollars is rounded down to thousand dollars and is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015 which is ¥120.17 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 2015 presentation.

"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 securities held for trading purposes, as of March 31, 2015 and 2014. 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 and have been depreciated over the estimated useful lives of the respective assets by straight-line method. The range of useful lives is principally as follows:

Buildings and structures.....	5-43 years
Machinery and equipment.....	3-10 years
Others	2-20 years

(Changes in accounting policy)
The Company, and its all domestic and some of overseas consolidated subsidiaries changed depreciation method for property and equipment other than assets for buildings from the decline-balance method to the straight-line method from the current fiscal year.

In order to achieve one of the goals stated in Mid-term Management Plan ("Ready for the Next! Phase2") to expand logistics business, the Company took the planned major capital investment "Misato Warehouse Project" as the opportunity to assess the usage of property and equipment held, and determined that allocating depreciation costs equally over the period of use would better reflect periodic profit or loss more properly as the outcome of capital investments or its contribution to profit have been observed in a stable manner. These changes of depreciation method will achieve the unification of accounting policy among the Companies as majority of overseas consolidated subsidiaries have been applied the straight-line method.

The impact of this change on the earnings for the year ended March 31, 2015 was not significant.

(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

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Consolidated financial statements include the accounts of the Company and 63 subsidiaries for the year ended March 31, 2015. At March 31, 2014 the Company had 61 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, 2015, 9 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, 2014, 8 affiliates were accounted for by the equity method.

(4) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short term highly liquid investments with maturities 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,

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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.

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

- a) The calculation method of the retirement benefit obligation
The retirement benefit obligation amount to be amortized in the period of the year ended March 31, 2015 is calculated under benefit formula bases.
- b) Actuarial gains and losses, past service costs, and net transition obligation
The amount of ¥3,788 million as the excess of the retirement 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 retirement 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 retirement benefit obligation for the year.

(Changes in accounting policy)

The Company and some of its consolidated subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiary have changed the method of attributing expected benefit periods from straight-line basis to a benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No.26, the effect of changing determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, net defined benefit liability increased by ¥130 million (\$1,081 thousand) and retained earnings decreased by ¥101 million (\$840 thousand) at the beginning of the current fiscal year. In addition, operating income and income before income taxes and minority interests increased by ¥137 million (\$1,140 thousand) in the current fiscal year, respectively. As a result, net assets per share decreased by ¥2.82 (\$0.02) as of March 31, 2015 and net income per share increased by ¥3.83 (\$0.03) for the year ended March 31, 2015.

(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 net payment and receipt 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, 2015 and 2014 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.

(19) Accounting Standards Issued but Not Yet Applied

- "Revised Accounting Standards for Business Combination" (ASBJ Statement No.21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2, September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, September 13, 2013)

(1) Summary

The above standards and guidance have been revised primarily to account for:

- ① How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
 - ② Treatment of acquisition related costs
 - ③ Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
 - ④ Provisional application of accounting treatments
- (2) Effective date

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Effective from the beginning of the fiscal year ending March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

The Company is currently evaluating the effects of applying these accounting standards and its guidance on the consolidated financial statements.

(3) Effects of the application of the standards

Note 3: Consolidated Statements of Cash Flows

1. Reconciliations of cash and cash equivalents to the amounts presented in the accompanying consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥ 53,318	¥ 50,360	\$ 443,688
Time deposits with maturities exceeding three months	(4,618)	(2,396)	(38,428)
Cash and cash equivalents	¥ 48,700	¥ 47,963	\$ 405,259

2. Assets and liabilities of newly consolidated subsidiaries by acquisition

The following is the summary of assets acquired and liabilities assumed through the acquisition shares of Kintetsu Panasonic Trading Service Co., Ltd. for the year ended March 31, 2015, related acquisition costs and net payment:

	Millions of yen		Thousands of U.S. dollars
	2015	2015	2015
Current assets	¥ 1,104	\$ 9,186	
Non-current assets	74	615	
Goodwill	1,053	8,762	
Current liabilities	(400)	(3,328)	
Non-current liabilities	(271)	(2,255)	
Minority interests	(177)	(1,472)	
Acquisition cost	1,382	11,500	
Cash and cash equivalents of newly consolidated subsidiary	(986)	(8,205)	
Payment for the acquisition	¥ 396	\$ 3,295	

3. Significant non-cash transactions

The amounts of assets and obligations related to finance lease transactions that were newly recorded in the current fiscal years ended March 31, 2015 and March 31, 2014 respectively are ¥83 million (\$690 thousand) and ¥354 million.

Note 4: Securities

The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2015 and 2014:

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity debt securities, at March 31, 2015						
Securities with available fair values exceeding book value	¥ 139	¥ 139	¥ 0	\$ 1,156	\$ 1,156	\$ 0
Securities with available fair values not exceeding book value	-	-	-	-	-	-
Total	¥ 139	¥ 139	¥ 0	\$ 1,156	\$ 1,156	\$ 0

	Millions of yen		
	Book value	Fair value	Difference
Held-to-maturity debt securities, at March 31, 2014			
Securities with available fair values exceeding book value	¥ 138	¥ 139	¥ 0
Securities with available fair values not exceeding book value	-	-	-
Total	¥ 138	¥ 139	¥ 0

	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Available-for-sale securities, at March 31, 2015						
Securities with book value exceeding acquisition costs	¥ 5,874	¥ 2,650	¥ 3,223	\$ 48,880	\$ 22,052	\$ 26,820
Securities with book value not exceeding acquisition costs	58	59	(1)	482	490	(8)
Total	¥ 5,933	¥ 2,710	¥ 3,222	\$ 49,371	\$ 22,551	\$ 26,812

	Millions of yen		
	Book value	Acquisition cost	Difference
Available-for-sale securities, at March 31, 2014			
Securities with book value exceeding acquisition costs	¥ 3,765	¥ 1,865	¥ 1,899
Securities with book value not exceeding acquisition costs	104	112	(8)
Total	¥ 3,869	¥ 1,977	¥ 1,891

Available-for-sale securities sold during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Available-for-sale securities			
Sales proceeds	¥ 67	¥ 74	\$ 557
Gain on sales	2	0	16
Loss on sales	-	-	-

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Book value of available-for-sale securities, with no fair market value, as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Available-for-sale securities			
Unlisted securities	¥ 358	¥ 352	\$ 2,979
Unlisted equity securities issued by affiliates	¥ 9,120	¥ 6,775	\$ 75,892
Total	¥ 9,478	¥ 7,128	\$ 78,871

Securities impaired

Certain investment securities (Available-for-sale securities) was impaired, and valuation loss on investment securities of ¥217 million was recorded for the year ended March 31, 2014.

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, 2015 and 2014 are 1.3% and 1.6%, respectively.

(1) Long-term debt including lease obligations at March 31, 2015 and 2014 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term debt from banks and other financial institutions due 2015 to 2025, with average interest of 1.5% for 2015 and 1.6% for 2014			
Unsecured	¥ 7,435	¥ 6,555	\$ 61,870
Less: Portion due within one year	(385)	(731)	(3,203)
Long-term debt, less current portion	¥ 7,050	¥ 5,823	\$ 58,666

(2) Annual maturities of long-term debt including lease obligations at March 31, 2015 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 583	\$ 4,851
2018	493	4,102
2019	5,254	43,721
2020 and thereafter	718	5,974
Total	¥ 7,050	\$ 58,666

(3) The Company has committed line of credit available for borrowing fund for forthcoming acquisition of APL Logistics Ltd with a certain financial institution as of March 31, 2015. The line of credit can be used for this purpose only.

The line of credit is ¥144,000 million (\$1,198,302 thousand) and not used as of March 31, 2015.

Note 6: Pledged Assets and Secured Liabilities

At March 31, 2015 and 2014, assets pledged as collateral for secured liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets pledged as collateral			
Cash and time deposits	¥ 178	¥ 406	\$ 1,481
Total	¥ 178	¥ 406	\$ 1,481

At March 31, 2015 and 2014, liabilities related to these assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Secured liabilities			
Notes and accounts payable-trade	¥ 67	¥ 146	\$ 557
Total	¥ 67	¥ 146	\$ 557

Note 7: Accounting for Retirement Benefits

1. Defined benefit plans

(1) Changes in retirement benefit obligations except plans applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥ 15,920	¥ 15,403	\$ 132,478
Cumulative effect of change in accounting policies	130	-	1,081
Balance at April 1, 2014, as restated	16,051	15,403	133,569
Service cost	905	913	7,530
Interest cost	130	307	1,081
Actuarial (gain) loss	676	42	5,625
Benefits paid	(644)	(756)	(5,359)
Other	14	9	116
Balance at end of year	¥ 17,133	¥ 15,920	\$ 142,573

(2) Changes in plan assets except plans applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥ 14,036	¥ 12,603	\$ 116,801
Expected return on plan assets	413	368	3,436
Actuarial (gain) loss	797	772	6,632
Contributions paid by the employer	968	1,041	8,055
Benefits paid	(644)	(758)	(5,359)
Other	13	8	108
Balance at end of year	¥ 15,584	¥ 14,036	\$ 129,682

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(3) Changes in retirement benefit obligations applying simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥ 1,162	¥ 1,057	\$ 9,669
Addition due to business combination	256	–	2,130
Retirement benefit costs	490	266	4,077
Benefits paid	(29)	(44)	(241)
Contributions paid by the employer	(181)	(169)	(1,506)
Other	46	52	382
Balance at end of year	¥ 1,745	¥ 1,162	\$ 14,521

(4) Reconciliation of retirement benefit obligations and plan assets with net defined benefit liability and asset on the consolidated balance sheet (including the Companies utilizing simplified method)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ 17,646	¥ 16,315	\$ 146,841
Plan assets	(15,998)	(14,343)	(133,128)
Unfunded projected benefit obligations	1,648	1,972	13,713
Net liability (asset) on the consolidated balance sheet	¥ 3,295	¥ 3,047	\$ 27,419
Net defined benefit liability	3,295	3,047	27,419
Net defined benefit asset	–	–	–
Net amount of liability (asset) on the consolidated balance sheet	¥ 3,295	¥ 3,047	\$ 27,419

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 905	¥ 913	\$ 7,530
Interest cost	130	307	1,081
Expected return on plan assets	(413)	(368)	(3,436)
Amortization on actuarial gains and losses	245	370	2,038
Amortization on prior service cost	4	6	33
Amortization on net transition obligation	259	252	2,155
Retirement benefit cost with simplified method	490	266	4,077
Total	¥ 1,621	¥ 1,748	\$ 13,489

(6) Other comprehensive income on remeasurement of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ 4	¥ –	\$ 33
Actuarial gains and losses	365	–	3,037
Net transition obligation	259	–	2,155
Total	¥ 629	¥ –	\$ 5,234

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income, before tax

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized past service costs	¥ 7	¥ 12	\$ 58
Unrecognized actuarial losses (gains)	(95)	270	(790)
Unrecognized net transition obligation	–	259	–
Total	¥ (87)	¥ 542	\$ (723)

(8) Plan assets

	2015	2014
(a) Components of plan assets		
Bonds	48.0%	50.2%
Equity securities	37.0%	35.3%
Cash and time deposits	2.7%	2.3%
Other	12.3%	12.2%
Total	100.0%	100.0%

(Note) Retirement benefit trust set to the defined benefit plan is included in total of plan asset.
The component ratio as of March 31, 2015 and 2014 is 1.5% and 2.6%, respectively.

(b) Method of determining the long-term expected rate of return on plan assets
Long-term expected rate of return on plan assets is determined considering the long-term rates of return which are currently expected and expected in the future from the variety of assets portfolio components.

(9) Actuarial assumptions (stated at weighted-average)

	2015	2014
Discount rate	0.8%	2.0%
Long-term expected rate of return on plan assets	3.0%	2.9%

2. Defined contribution plan

The amount of contribution which certain consolidated subsidiaries should contribute under the defined contribution plan for the years ended March 31, 2015 and 2014 is ¥183 million (\$1,522 thousand) and ¥130 million, respectively.

Note 8: Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal tax rate of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.



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1. Significant components of deferred tax assets and liabilities

The tax effects of significant temporary differences resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Loss carryforwards	¥ 148	¥ 145	\$ 1,231
Accrued bonuses	456	408	3,794
Accrued enterprise tax	141	111	1,173
Net defined benefit liability	1,072	1,211	8,920
Net unrealized holding losses on available-for-sale securities	192	230	1,597
Allowance for doubtful accounts	89	73	740
Loss on U.S. antitrust matter	672	-	5,592
Others	514	511	4,277
Gross deferred tax assets	3,289	2,691	27,369
Less: Valuation allowance	(483)	(536)	(4,019)
Total deferred tax assets	2,806	2,155	23,350
Deferred tax liabilities:			
Depreciation	(151)	(150)	(1,256)
Reserved profit of foreign subsidiaries	(50)	(53)	(416)
Net unrealized holding gains on available-for-sale securities	(1,046)	(656)	(8,704)
Others	(366)	(224)	(3,045)
Total deferred tax liabilities	(1,616)	(1,084)	(13,447)
Net deferred tax assets	¥ 1,190	¥ 1,070	\$ 9,902

2. Reconciliation between the statutory income tax and effective tax rate

The reconciliation of the difference between the statutory income tax rate and the effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 is as follows:

	2015	2014
Statutory tax rate	35.6%	38.0%
Entertainment expenses and other non-deductible permanent differences	1.3	1.0
Dividend income and other non-taxable income	(0.7)	(0.7)
Difference of the statutory tax rate among countries other than Japan	(6.2)	(8.0)
Effect of elimination of intercompany dividends received	0.5	0.6
Compensable tax loss in subsidiaries	(0.5)	(0.5)
Corporate inhabitant tax	1.4	1.5
Valuation allowance on deferred tax	0.2	1.1
Equity in earnings of affiliated companies	(0.6)	(0.5)
Decrease of deferred tax assets at fiscal year-end due to the change of tax rate	0.8	0.2
Foreign tax credit	(0.1)	(0.1)
Other, net	1.0	0.8
Effective tax rate	32.7%	33.4%

3. Adjustment of deferred tax assets and liabilities pursuant to the change in statutory tax rate

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed

from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rate, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥47 million (\$391 thousand), income taxes-deferred recorded for the year ended March 31, 2015 increased by ¥131 million (\$1,090 thousand), unrealized gains (losses) on available-for-sale securities increased by ¥80 million (\$665 thousand), deferred gains (losses) on hedges increased by ¥1 million (\$8 thousand) and remeasurements of defined benefit plans increased by ¥2 million (\$16 thousand) for the year ended March 31, 2015.

Note 9: Contingent Liabilities

The Companies have no material contingent liabilities as of March 31, 2015.

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 equalled 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.

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(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for non-capitalized finance leases at March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	2014
Others (tools, dies, furniture and fixtures):				
Assumed acquisition cost	¥ -	¥ 7	\$ -	\$ -
Accumulated depreciation	-	(7)	-	-
Net book value	¥ -	¥ 0	\$ -	\$ -

(2) Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	2014
Payments due within one year	¥ -	¥ 0	\$ -	\$ -
Payments due after one year	-	-	-	-
	¥ -	¥ 0	\$ -	\$ -

(3) Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	2014
Lease payments	¥ 0	¥ 21	\$ 0	\$ -
Depreciation expense portion	0	20	0	0
Interest expense portion	0	0	0	0

Lease obligations under operating leases, including finance charges, at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	2014
Payments due within one year	¥ 4,609	¥ 4,235	\$ 38,353	\$ 34,100
Payments due after one year	10,717	6,496	89,181	52,500
	¥ 15,326	¥ 10,732	\$ 127,535	\$ 86,600

risk at time of settlement. However, the Companies reduce that risk by having each company reviews its financing plans periodically and by controlling the liquidity position.

As Derivative transactions, the Companies enter into foreign exchange forward contracts to hedge receivables and payables, and scheduled transitions denominated in foreign currencies. Also the Companies enter into interest rate and currency swap contracts to manage interest exposures on debt from financial institution.

As for foreign exchange forward contracts for certain receivables and payables, it is executed and controlled by the finance section upon request of the overseas settlement section according to the Companies' internal rules and as for foreign exchange forward contract for scheduled transactions, it is limited use for forthcoming transaction such as purchase of stock of subsidiaries.

Interest rate and currency swap, which is qualified for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid of 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, 2015 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	¥ 53,318	¥ 53,318	¥ -	\$ 443,688	\$ 443,688	\$ -
(2) Notes and accounts receivable-trade	68,685	68,685	-	571,565	571,565	-
(3) Marketable securities						
Available-for-sale securities	7	7	-	58	58	-
(4) Investment securities						
Held-to-maturity debt securities	139	139	0	1,156	1,156	0
Other securities	5,925	5,925	-	49,305	49,305	-
(5) Long-term loans receivable (including current portion of long-term loan receivable)	540	540	-	4,493	4,493	-
Total	¥ 128,617	¥ 128,617	¥ 0	\$ 1,070,292	\$ 1,070,292	\$ 0
Liabilities:						
(6) Notes and accounts payable-trade	¥ 28,683	¥ 28,683	¥ -	\$ 238,686	\$ 238,686	\$ -
(7) Short-term debt	8,299	8,299	-	69,060	69,060	-
(8) Income taxes payable	2,436	2,436	-	20,271	20,271	-
(9) Long-term debt (including current portion of long-term debt)	6,835	6,902	67	56,877	57,435	557
Total	¥ 46,254	¥ 46,322	¥ 67	\$ 384,904	\$ 385,470	\$ 557
Derivative transactions(*):						
(1) Hedge accounting is not applied	¥ (8)	¥ (8)	¥ -	\$ (66)	\$ (66)	\$ -
(2) Hedge accounting is applied	58	58	¥ -	482	482	-
Total	¥ 50	¥ 50	¥ -	\$ 416	\$ 416	\$ -

(*) Derivative assets and liabilities are presented on net basis. Net liabilities are disclosed in brackets.

Note 12: Financial Instruments

1. Qualitative information on financial instruments

(1) Group policy for 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 mainly for financing related to business transaction and Long-term debts are mainly for financing related to capital investments.

Those payables and debts are exposed to liquidity

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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 approximate to 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 approximate to 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 approximate to 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.

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

Derivative transactions

The fair value information for derivatives is included in Note 13.

Note 2. Unlisted equity securities (carrying amount: ¥9,478 million (\$78,871 thousand)) are not included in Assets (4) Investment securities because there is no market value and it is extremely difficult to measure the fair value.

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	¥ 53,318	¥ -	¥ -	\$ 443,688	\$ -	\$ -
(2) Notes and accounts receivable-trade	68,685	-	-	571,565	-	-
(3) Marketable securities						
Held-to-maturity debt securities (government securities)	-	139	-	-	1,156	-
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	5	53	-	41	441	-
Other securities with maturity date (government securities)	2	47	-	16	391	-
(4) Long-term loans receivable	291	248	-	2,421	2,063	-
Total	¥ 122,304	¥ 489	¥ -	\$ 1,017,758	\$ 4,069	\$ -

Note 13: Derivatives

(1) Derivative transactions to which hedge accounting is not applied as of March 31, 2015

[Currency related]

	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	¥ 572	¥ (0)	¥ (0)	\$ 4,759	\$ (0)	\$ (0)
Purchase euro	414	(6)	(6)	3,445	(49)	(49)
Purchase pound sterling	53	(0)	(0)	441	(0)	(0)
Purchase Swiss franc	44	(0)	(0)	366	(0)	(0)
Purchase Hong Kong dollar	29	(0)	(0)	241	(0)	(0)
Purchase Swedish krona	4	(0)	(0)	33	(0)	(0)
	¥ 1,120	¥ (8)	¥ (8)	\$ 9,320	\$ (66)	\$ (66)

Note: Fair value is based on information provided by financial institutions at the end of fiscal year.

(2) Derivative transactions to which hedge accounting is applied as of March 31, 2015

[Interest and Currency related]

	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
Hedged items and hedge accounting method						
Hedged items: Long-term debt and interest for loan						
Hedge accounting method: Integral accounting for interest rate and currency swaps						
Interest rate and currency swap contracts	¥ 3,000	¥ 3,000	Note	\$ 24,964	\$ 24,964	Note
Fixed rate payments/Floating rate receipts						
Receipts in U.S. dollars/Payments in yen						

Note: 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 fair value, but the net payment and receipt 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.

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[Currency related]

	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
Hedged items and hedge accounting method						
Hedged items: Scheduled transactions for business integration denominated in foreign currency						
Hedge accounting method: Deferral hedge accounting						
Foreign currency forward contracts to Purchase U.S. dollar	¥ 83,768	¥ -	¥ 58	\$ 697,079	\$ -	\$ 482

Note 14: Business Combination

Business Combination by acquisition in the fiscal year ended March 31, 2015 is as follows :

1. Outline of the acquisition

(1) Name and business of the acquired company
Panasonic Trading Service Japan Co., Ltd. -
Services relating to import, export and tripartite trade procedures for the Panasonic Group

(2) Purpose for business combination

By introducing Panasonic Trading Service Japan Co., Ltd., which has a thorough knowledge of the logistics needs of manufacturers, the company expects to be able to further accumulate its know-how and generate new value, thereby increasing the competitiveness of the entire Kintetsu World Express Group.

(3) Date of the business combination

April 1, 2014

3. Acquisition cost and details

	Millions of yen	Thousands of U.S. dollars
Cash consideration for acquisition of share	¥ 1,364	\$ 11,350
Cost directly associated with acquisition (advisory fee, etc.)	18	149
Cost of acquisition	¥ 1,382	\$ 11,500

(4) Legal form of business combination
Acquisition of shares

(5) Name of company after business combination
Kintetsu Panasonic Trading Service Co., Ltd.

(6) Share of voting rights acquired
Voting rights before the date of business combination: -%
Voting rights after the date of business combination: 65%

(7) Basis of determining the acquisition
The Company acquired the shares in Panasonic Trading Service Japan Co., Ltd. for cash consideration.

2. Period for inclusion of acquired company's performance in the consolidated financial statements
From April 1, 2014 to March 31, 2015

4. Amount of goodwill recognized, its sources, and its amortized method and period

(1) Amount of goodwill recognized
¥1,053 million (\$8,762 thousand)

(2) Source of goodwill

The goodwill is attributable to the excess future profitability.

(3) Amortization of goodwill and period
Straight-line method over 20 years

5. Details of assets acquired and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,104	\$ 9,186
Non-current assets	74	615
Total assets	1,178	9,802
Current liabilities	400	3,328
Non-current liabilities	271	2,255
Total liabilities	¥ 672	\$ 5,592

Note 15: Segment Information

(1) Overview of reportable segments

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

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

(2) Services of each reportable segments

Each regional segments performs business activities mainly in Air freight forwarding, Sea freight forwarding, Logistics and other (Domestic freight forwarding, etc.) services.

(3) Changes in presentation of reportable segments

Starting from the fiscal year ended March 31, 2015, the business in Philippines is reclassified from "East Asia & Oceania" to "Southeast Asia" in reportable segments classification as a result of review of the Group's management unit. The segment information for the year ended March 31, 2014 is restated to conform to the new classification.

(4) 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 reconciled to operating income. Inter-segment sales or transfer are accounted for market price to be used under general business conditions.

(Change in depreciation method of property and equipment)

As described in Note 2: "Summary of Significant Accounting Policies (7) Property and Equipment," the Company, its domestic and some of its overseas consolidated subsidiaries changed the depreciation method for property and equipment other than assets for buildings from the declining-balance method to the straight-line method effective from fiscal year ended March 31, 2015. The impact on this change on segment income was not significant.

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(Application of accounting standard for retirement benefits)
As described in Note 2: "Summary of Significant Accounting Policies (12) Accounting for retirement benefits," the Company and its domestic subsidiaries changed the method of attributing expected benefit to periods from straight-line bases to benefit formula bases and determining of the discount rate effective from fiscal year

ended March 31, 2015. As a result of this change, segment income in "Japan" increased by ¥137 million (\$1,140 thousand).

(5) Net Sales, segment income or loss, assets and others of reportable segments
The segment information of the Companies for the years ended March 31, 2015 and 2014 is presented below.

	Millions of yen									
	Reportable Segments					Total	Other (1)	Total	Adjustment (2)	Consolidated (3)
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia					
Year ended March 31, 2015:										
Net sales										
Net sales to outside customers	¥ 120,669	¥ 40,912	¥ 36,186	¥ 88,479	¥ 40,613	¥ 326,861	¥ 331	¥ 327,192	¥ -	¥ 327,192
Inter-segment sales/transfers	2,239	2,100	1,168	941	820	7,269	1,535	8,805	(8,805)	-
Total net sales	122,908	43,012	37,355	89,420	41,433	334,130	1,866	335,997	(8,805)	327,192
Operating expenses	116,553	40,128	36,618	84,319	40,257	317,877	1,559	319,437	(8,808)	310,628
Segment income	¥ 6,355	¥ 2,884	¥ 736	¥ 5,101	¥ 1,175	¥ 16,252	¥ 307	¥ 16,559	¥ 3	¥ 16,563
At March 31, 2015:										
Segment assets	¥ 77,642	¥ 23,694	¥ 17,380	¥ 55,723	¥ 27,575	¥ 202,016	¥ 1,997	¥ 204,014	¥ (9,460)	¥ 194,553
Year ended March 31, 2015:										
Other:										
Depreciation	¥ 1,111	¥ 238	¥ 263	¥ 559	¥ 437	¥ 2,610	¥ 109	¥ 2,720	¥ -	¥ 2,720
Amortization of goodwill	52	-	15	0	52	121	-	121	-	121
Investments in affiliates	1,922	-	98	2,084	5,014	9,120	-	9,120	-	9,120
Increase in property and equipment and other intangible assets	1,761	580	285	1,335	1,419	5,382	34	5,417	-	5,417
Year ended March 31, 2014:										
Net sales										
Net sales to outside customers	¥ 101,705	¥ 36,660	¥ 32,644	¥ 77,896	¥ 32,304	¥ 281,212	¥ 293	¥ 281,505	¥ -	¥ 281,505
Inter-segment sales/transfers	2,031	1,860	883	786	555	6,116	1,568	7,685	(7,685)	-
Total net sales	103,737	38,520	33,527	78,682	32,859	287,328	1,861	289,190	(7,685)	281,505
Operating expenses	99,290	36,206	32,628	74,065	31,646	273,838	1,615	275,453	(7,690)	267,763
Segment income	¥ 4,446	¥ 2,314	¥ 898	¥ 4,616	¥ 1,212	¥ 13,490	¥ 246	¥ 13,737	¥ 4	¥ 13,742
At March 31, 2014:										
Segment assets	¥ 63,793	¥ 18,464	¥ 16,859	¥ 46,410	¥ 22,927	¥ 168,454	¥ 1,614	¥ 170,069	¥ (2,102)	¥ 167,966
Year ended March 31, 2014:										
Other:										
Depreciation	¥ 1,158	¥ 227	¥ 235	¥ 457	¥ 348	¥ 2,426	¥ 156	¥ 2,583	¥ -	¥ 2,583
Amortization of goodwill	-	-	15	0	51	67	-	67	-	67
Investments in affiliates	1,790	-	61	251	4,672	6,775	-	6,775	-	6,775
Increase in property and equipment and other intangible assets	3,040	182	526	396	308	4,454	20	4,475	-	4,475

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	Thousands of U.S. dollars										
	Reportable Segments						Total	Other	Total	Adjustment	Consolidated
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total					
Year ended March 31, 2015											
Net sales											
Net sales to outside customers	\$ 1,004,152	\$ 340,451	\$ 301,123	\$ 736,281	\$ 337,962	\$ 2,719,988	\$ 2,754	\$ 2,722,742	\$ -	\$ 2,722,742	
Inter-segment sales/transfers	18,631	17,475	9,719	7,830	6,823	60,489	12,773	73,271	(73,271)	-	
Total net sales	1,022,784	357,926	310,851	744,112	344,786	2,780,477	15,528	2,796,013	(73,271)	2,722,742	
Operating expenses											
Segment income	\$ 969,900	\$ 333,926	\$ 304,718	\$ 701,664	\$ 335,000	\$ 2,645,227	\$ 12,973	\$ 2,658,209	\$ (73,296)	\$ 2,584,904	
At March 31, 2015:											
Segment assets	\$ 646,101	\$ 197,170	\$ 144,628	\$ 463,701	\$ 229,466	\$ 1,681,085	\$ 16,618	\$ 1,697,711	\$ (78,721)	\$ 1,618,981	
Year ended March 31, 2015											
Other:											
Depreciation	\$ 9,245	\$ 1,980	\$ 2,188	\$ 4,651	\$ 3,636	\$ 21,719	\$ 907	\$ 22,634	\$ -	\$ 22,634	
Amortization of goodwill	432	-	124	0	432	1,006	-	1,006	-	1,006	
Investments in affiliates	15,994	-	815	17,342	41,724	75,892	-	75,892	-	75,892	
Increase in property and equipment and other intangible assets	14,654	4,826	2,371	11,109	11,808	44,786	282	45,077	-	45,077	

Notes:

- "Other" is segment which is not included in reportable segments and provides incidental logistics related services within the Companies.
- Amounts in "Adjustment" represents as follows:
Segment income of ¥3 million (\$24 thousand) and ¥4 million for the years ended March 31, 2015 and 2014, respectively represents elimination of inter-segment transactions.
Segment assets of ¥(9,460) million (\$78,721 thousand) and ¥(2,102) million at March 31, 2015 and 2014 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.
- Segment income is adjusted with operating income in the consolidated statements of income.

(6) Net Sales by Service

Net Sales by Service for the years ended March 31, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net Sales by Service:			
Air freight forwarding	¥ 179,236	¥ 151,392	\$ 1,491,520
Sea freight forwarding	76,678	68,287	638,079
Logistics	36,652	32,039	305,001
Others	34,625	29,786	288,133
	¥ 327,192	¥ 281,505	\$ 2,722,742

(7) Net Sales classified by Country or Geographic area
Net Sales classified by country or geographic area for the years ended March 31, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net Sales classified by Country or Geographic area			
Japan	¥ 120,669	¥ 101,705	\$ 1,004,152
China	69,368	61,274	577,248
North America	39,442	36,620	328,218
Asia and Oceania	59,724	48,927	496,995
Europe	27,229	23,445	226,587
Others	10,758	9,531	89,523
	¥ 327,192	¥ 281,505	\$ 2,722,742

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

(8) Property and equipment classified by Country or Geographic area
Property and equipment classified by country or geographic area for the years ended March 31, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Property and equipment classified by Country or Geographic area			
Japan	¥ 24,779	¥ 24,198	\$ 206,199
China	2,703	2,313	22,493
North America	3,909	3,307	32,528
Asia and Oceania	7,673	5,301	63,851
Europe	392	340	3,262
Others	373	526	3,103
	¥ 39,831	¥ 35,988	\$ 331,455

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(9) 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, 2015 and 2014 are presented below:

	Millions of yen								
	Reportable Segments							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total			
Year ended March 31, 2015									
Goodwill									
Amortization of goodwill	¥ 52	¥ -	¥ 15	¥ 0	¥ 52	¥ 121	¥ -	¥ 121	
Balance of goodwill	1,000	-	154	2	531	1,688	-	1,688	
Negative goodwill									
Amortization of negative goodwill	-	-	-	28	6	35	-	35	
Balance of negative goodwill	-	-	-	205	91	297	-	297	
Year ended March 31, 2014									
Goodwill									
Amortization of goodwill	¥ -	¥ -	¥ 15	¥ 0	¥ 51	¥ 67	¥ -	¥ 67	
Balance of goodwill	-	-	169	2	557	729	-	729	
Negative goodwill									
Amortization of negative goodwill	-	-	-	28	6	35	-	35	
Balance of negative goodwill	-	-	-	233	98	332	-	332	
	Thousands of U.S. dollars								
	Reportable Segments							Other	Total
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	Total			
Year ended March 31, 2015									
Goodwill									
Amortization of goodwill	\$ 432	\$ -	\$ 124	\$ 0	\$ 432	\$ 1,006	\$ -	\$ 1,006	
Balance of goodwill	8,321	-	1,281	16	4,418	14,046	-	14,046	
Negative goodwill									
Amortization of negative goodwill	-	-	-	233	49	291	-	291	
Balance of negative goodwill	-	-	-	1,705	757	2,471	-	2,471	

Note 16: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Labor and payroll costs	¥ 19,118	¥ 17,076	\$ 159,091
Provision for accrued bonuses to employees	1,095	884	9,112
Retirement benefit costs	1,113	1,295	9,261
Provision for doubtful accounts	170	61	1,414
Others	14,493	13,242	120,604
	¥ 35,992	¥ 32,561	\$ 299,509

Note 17: Other Income (Expenses)

(1) Loss on U.S. antitrust matter

In relation to the class action against the Company alleging a violation of U.S. antitrust act concerning international air freight transportation service, the Company recorded the amount paid in accordance with settlement agreement with the plaintiffs.

(2) Others, net during the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Amortization of negative goodwill	¥ 35	¥ 35	\$ 291
Settlement income	-	86	-
Gain (loss) on sales or disposals of property and equipment, net	-	40	-
Loss on Singapore antitrust matter	-	(63)	-
Other, net	174	237	1,447
	¥ 209	¥ 336	\$ 1,739

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Note 18: Consolidated Statements of Comprehensive Income

Amounts reclassified to net income for the years ended March 31, 2015 and 2014 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
	2015	2014	2015
Unrealized gains (losses) on available-for-sale securities			
Increase (Decrease) during the year	¥ 1,337	¥ 922	\$ 11,125
Reclassification	(2)	0	(16)
Subtotal, before tax	1,335	922	11,109
Tax (expense) or benefit	(390)	(322)	(3,245)
Subtotal, net of tax	944	599	7,855
Deferred gains or losses on hedges			
Increase (Decrease) during the year	58	-	482
Reclassification	-	-	-
Subtotal, before tax	58	-	482
Tax (expense) or benefit	(19)	-	(158)
Subtotal, net of tax	39	-	324
Foreign currency translation adjustments			
Increase (Decrease) during the year	6,891	10,015	57,343
Reclassification	-	-	-
Subtotal, before tax	6,891	10,015	57,343
Tax (expense) or benefit	-	-	-
Subtotal, net of tax	6,891	10,015	57,343
Remeasurements of defined benefit plans			
Increase (Decrease) during the year	120	-	998
Reclassification	509	-	4,235
Subtotal, before tax	629	-	5,234
Tax (expense) or benefit	(222)	-	(1,847)
Subtotal, net of tax	407	-	3,386
Share of other comprehensive income of associates accounted for using equity method			
Increase (Decrease) during the year	823	402	6,848
Reclassification	1	-	8
Subtotal	824	402	6,856
Total other comprehensive income	¥ 9,107	¥ 11,017	\$ 75,784

Note 19: Subsequent Events

(1) Cash dividends

On June 16, 2015, the shareholders of the Company approved the payment of a cash dividend to shareholders of record as of March 31, 2015 of ¥29.00 (\$0.24) per share for a total of ¥1,043 million (\$8,679 thousand).

Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015 and will be recognized in the period in which they are approved by the shareholders.

(2) Business combination

On February 17, 2015, the Company reached an agreement with Neptune Orient Lines Ltd. ("NOL") to purchase all of the shares in APL Logistics Ltd ("APLL"), which is a wholly owned subsidiary of NOL and on May 29, 2015, the Company acquired all the shares in APLL.

1. Outline of the transaction

(1) Name, business and financial conditions of the acquired company

APL Logistics Ltd - Logistics services
Financial conditions as of fiscal year ended December 2014
Share capital : \$275 million
Net assets (Consolidated) : \$282 million
Total assets (Consolidated) : \$643 million

(2) Purpose of transaction

APL Logistics Ltd is a logistics company with strengths in logistics services and various high-value-added service for companies in the automotive industry and retail industry, among others, and it is expanding its business globally, with a focus on North America and Asia. The Company expects to combine the logistics services of APLL with the air and sea freight forwarding services of KWE that the Company is expanding globally, and the synergies will, in turn, make it possible to create new value and provide a broad range of optimized logistics services to customers.

(3) Date of business combination

May 29, 2015

(4) Legal form of business combination

Acquisition of shares

(5) Name of company after transaction

APL Logistics Ltd

(6) Share of voting rights acquired

Voting rights after the date of business combination : 100%

(7) Basis of determining the acquisition

The Company acquired the shares in APL Logistics Ltd for cash consideration.

2. Acquisition cost and details (Estimate)

Cash consideration for acquisition of share: ¥149,189 million (\$1,241,482 thousand)

Note : Final acquisition cost is subject to adjustments for the net cash and net working capital of APLL and its subsidiaries on completion.

3. Costs directly associated with acquisition (advisory fee, etc.): ¥3,160 million (\$26,296 thousand)

4. Amount of goodwill recognized, its source, and its amortized method and period

Not fixed at present

5. Details of assets acquired and liabilities assumed on the date of the business combination

Not fixed at present

(3) Raising of fund

On May 27, 2015, the Company raised the fund to acquire the shares in APL Logistics Ltd as described below:

(1) Lender: The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(2) Amount of borrowing: ¥144,000 million (\$1,198,302 thousand)

(3) Interest rate: Market rate + Spread

(4) Date of borrowing: May 27, 2015

(5) Repayment date: March 27, 2016

(6) Collateral: None

(7) Other: Restricted use to acquire the shares in APL Logistics Ltd

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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, 2015 and 2014, 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. These 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 judgment, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 19 to the consolidated financial statements, Kintetsu World Express, Inc. acquired all the shares in API Logistics Ltd on May 29, 2015 and raised the fund to acquire its shares on May 27, 2015.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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.

June 16, 2015
Tokyo, Japan

KPMG AZSA LLC

代表取締役社長 佐藤 隆夫

Investor Information

(As of March 31, 2015)

- **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 Shareholders' Meeting:**
General Shareholders' Meeting is held every June in Tokyo, Japan.
- **Shareholder Register Administrator:**
Mitsubishi UFJ Trust and Banking Corporation
- **Number of Employees:**
10,680 (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>

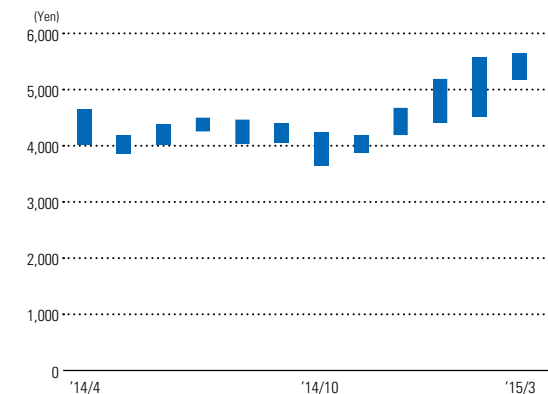
Major Shareholders

(As of March 31, 2015)

Shareholder	Number of shares held	% of shares held
Kintetsu Corporation*	15,877,900	44.11%
Mitsui O.S.K. Lines, Ltd.	1,799,500	5.00%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,212,400	3.37%
NORTHERN TRUST CO. (AVFC) RE-HSD00	999,900	2.78%
Hokko Daiwa Taxi Co., Ltd.	937,500	2.60%
Japan Trustee Services Bank, Ltd. (Trust Account)	848,700	2.36%
Juniper	839,600	2.33%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	828,900	2.30%
JP Morgan Chase Bank 385174	816,000	2.27%
National Mutual Insurance Federation of Agricultural Cooperatives	698,700	1.94%

* Kintetsu Corporation changed its name to Kintetsu Group Holdings Co., Ltd. as of April 1, 2015.

Stock Price





Global Logistics Partner

Shinagawa Intercity TowerA-24Fl., 2-15-1 Konan,
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