Going to the Next Phase !

KWE
Global Logistics Partner

Annual Report 2016

Kintetsu World Express, Inc.

Year Ended March 31, 2016

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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.

New Medium-Term Management Plan

The starting point for creating new value

Each Partner Augments Its Own Strengths

KWE APL Logistics

When both KWE and APLL enhance their respective specialties and strengths and grow organically, we can become the group that provides a wider variety of logistics services. The growth of each partner is absolutely essential to securing significant operational synergy effects in the future.

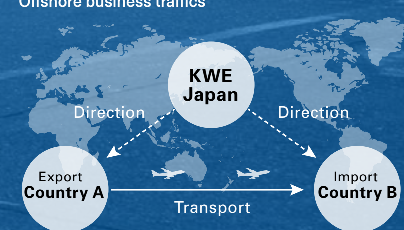
New Medium-Term Management Plan

The core business that drives the Group

Thoroughly Reinforce Air Freight Forwarding

The Group is undergoing a self-transformation, but air freight forwarding continues to be core business. Only thorough reinforcement of air freight forwarding will enable us to create value through collaboration with APLL. Air freight forwarding is the engine that will drive the Group to a new phase of growth.

Offshore business traffics



New Medium-Term Management Plan: Key Strategy 1

Become an industry leader providing comprehensive services

Expand Logistics Services

The addition of new services such as APLL's PO management, buyers' consolidation and land transport of finished vehicles has significantly broadened the field in which the Group provides value. We will make use of our varieties of services to provide optimal solutions to customers.

APL Logistics' U.S. – Mexico Intermodal Network

New Medium-Term Management Plan: Key Strategy 2

Actively respond to customers’ logistics needs at production locations and consumer markets

End-to-End Solutions Provider

KWE is strong in production logistics whereas APLL is strong in procurement & sales logistics. Combining these strengths will give us a sweeping view of customers’ entire supply chain. As a result, we will be able to provide high-quality end-to-end solutions that help customers realize their business strategies.

New Medium-Term Management Plan: Key Strategy 3

Improve productivity by leveraging the group capabilities

Going to the Next Phase!

We have made a great stride toward building a management base from which we can compete successfully in the global market, but a base is no more than a starting point. By promoting joint procurement, and by complementing and maximizing efficient utilization of each partner's infrastructure and expertise, we aim to establish a new growth track and transform ourselves into a true "Global Logistics Partner".

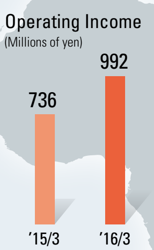
Headquarters of APLL

Foundation for Creating New Value

—Outline of 6 Segments—

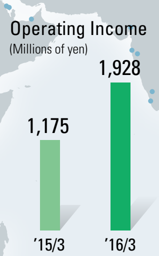
Europe, Middle East & Africa

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

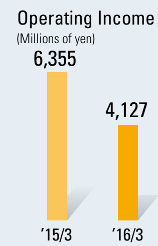


Southeast Asia

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

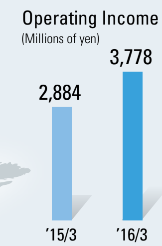


Japan



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

The Americas

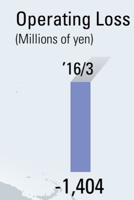


Kintetsu World Express (U.S.A.), Inc.
Kintetsu World Express (Canada) Inc.
World Wide Customs Brokers Ltd.
Kintetsu World Express Mexico, S.A. de C.V.
KWE do Brasil Servicos Logisticos Ltda.

Other

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

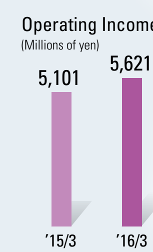
APL Logistics Group



APL Logistics Limited
plus 67 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.
Trans Global Logistics Group Ltd.
plus 8 other companies



Foundation for Creating New Value

—Our Services—

Air Freight

Main Services

- Air freight forwarding
- Trucking for pick-up and delivery
- Customs brokerage
- Customized packaging
- Installation of precision machinery

Items to handle

•Electronics components & products •Automotive parts and components •Healthcare products •Chemical products •Machinery and its parts •Apparel •Aircraft components •Alcoholic beverages, etc.

Net Sales (Millions of yen)

'15/3	179,236
'16/3	168,768

Sea Freight

Main Services

- Sea freight forwarding (FCL,LCL)
- Container drayage
- Trucking for pick-up and delivery
- Customs brokerage
- Buyer's consolidation
- PO Management

Items to handle

•Electronics components & products •Automotive parts and components •Plant equipment •Machinery and its parts •Chemical products •Equipment for events •General merchandise and retail goods, etc.

Net Sales (Millions of yen)

'15/3	76,678
'16/3	115,961

Logistics

Main Services

- Contract Logistics
  PO Management/Inventory control management/Cross-dock operation/ Assembly works/Call center functions/ Product inspection/VMI (Vendor Managed Inventory) etc.
- Logistics consulting
- Transportation via truck, trailer and rail
- Auto-related Logistics (transportation of finished vehicles, auto parts)

Items to handle

•Industrial products and components •Automotive products •Healthcare products •Chemical products •Retail goods •Consumer goods, etc.

Net Sales (Millions of yen)

'15/3	36,652
'16/3	101,380

Other Operations

Main Services

- Domestic air freight forwarding
- 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

Net Sales (Millions of yen)

'15/3	34,625
'16/3	34,141


Top Message
Transformation

A New Growth Track

I took up my new duties as the President & CEO in June 2016. Under my predecessor Satoshi Ishizaki, we have been focusing on establishing a firm position in the global market. More presence in Asia and other emerging countries, development of off-shore business traffics were among the measures. And now we are starting a fresh new day welcoming APL Logistics to our group.

I am so excited to lead the entire group with newly launched Medium-Term Management Plan "Going to the Next Phase!" My paramount concern for the coming 3 years is to reinforce our core business of freight forwarding with volume growth. Synergy effects with APL Logistics is indispensable for it. Thus, we would like to keep on competing in the global market as one of the major players.

Your continuous support and patronage should sincerely be appreciated.

Nobutoshi Torii
President and Chief Executive Officer

Review of Previous Medium-Term Management Plan

Although some numerical results fell short of our goals for its final year, overall we succeeded in launching the Group on a new growth track by acquiring APLL.

Quantitative achievements of the past three years

In the first two years covered by our previous Medium-Term Management Plan, “Ready for the Next! Phase 2”, we achieved almost all of the goals, including steady growth in operating results. In the final year, we met our ordinary income* target but were unable to meet other goals due to factors including amortization of goodwill, costs related to the acquisition of APLL, and a tough year for our business in Japan. Overall, we view this period as a success because the acquisition enabled us to prepare the foundation for our next leap forward.

* Japanese GAAP

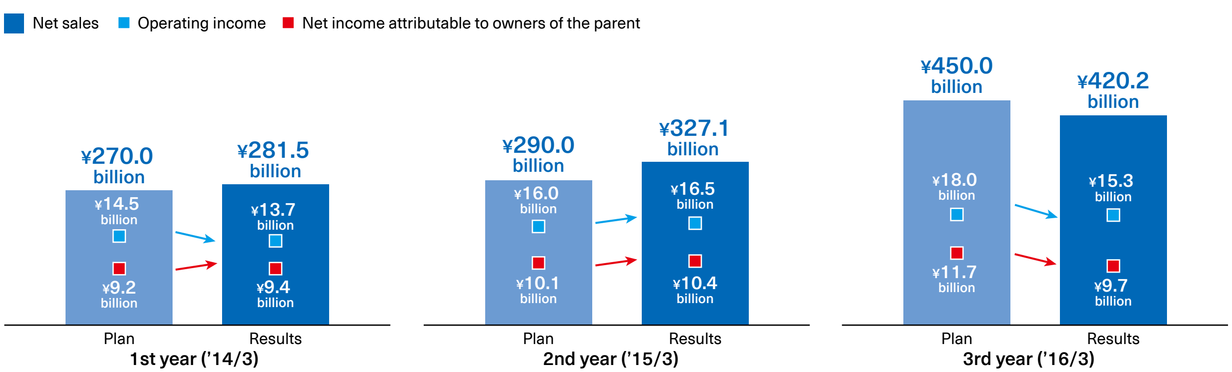
Quantitative effects of APLL acquisition

As we set June 30, 2015 as a deemed acquisition date, our consolidated results included APLL’s results for July to December 2015 (net sales of 94.4 billion yen and operating loss of 1.4 billion yen). We fell short of our operating income target mainly because we posted 0.8 billion yen in stock acquisition-related costs and some 3.3 billion yen for amortization of six months’ worth of goodwill.

An epoch in KWE’s history

Not only was the consolidation of APLL the largest M&A in KWE’s history, it is probably no exaggeration to call it epoch-making because it sparks a transformation that will allow us to compete successfully in the global market. Rather than simply adding KWE and APLL together, we will push to establish a new growth track by creating new value through collaboration.

Review of the Previous Medium-Term Management Plan (FY ended March 2014 – FY ended March 2016)



Business Environment and Management Issues

Although we expect the business environment to remain harsh for some time, we feel certain that the global logistics market will continue to grow in the medium- to long-term. We aim to accelerate growth in handling volumes by focusing on services, client industries and geographical areas where we can make the most of our strengths.

Continued harsh business environment

The future of the world economy is becoming increasingly difficult to predict as growth slows in China and other emerging markets. With the stronger yen also becoming more entrenched, we anticipate that these and other factors will tend to limit the Group's future performance. In addition, due to the commoditization of some services and increasing competition in the global logistics market, the pursuit of high-volume business is becoming indispensable to maintaining and improving profitability.

The global logistics market will continue to grow

We are convinced that global logistics will keep on growing in the medium- to long-term. For example, alongside the already maturing smartphone market, we expect new innovations in high tech to fuel logistics needs related to the Internet of Things, electric vehicles, and automatic driving systems. We also foresee that expanding e-commerce in retail and consumer goods as well as development of emerging economies will lead to increased demand for shipping.

By maintaining a broad perspective and high degree of sensitivity toward growing services, industries, and geographical regions and by astutely taking advantage of the opportunities they present, we intend to achieve long-term sustainable growth.

In order to compete successfully in the global arena

We must squarely confront the reality that there are competitors much larger than the Group that continue to grow even amid today's harsh business environment as a result of their superior speed and profitability. The most important task awaiting the Group is to improve our position in the global market by expanding handling volumes. Doing so will allow us to accelerate growth by creating new value through cooperation with APLL, and to improve profitability by taking advantage of economies of scale. These are the basic ideas behind our new Medium-Term Management Plan, as explained in the following pages.

Overview of New Medium-Term Management Plan

KWE's new Medium-Term Management Plan, "Going to the Next Phase!" focuses on collaboration with APLL as it aims to transform the Group into a true "Global Logistics Partner".

Vision

In order to accelerate expansion of handling volumes within a harsh business environment, we must construct solutions that address customers' needs and achieve quality that boosts customer satisfaction. The vision set forth in "Going to the Next Phase!"—our new Medium-Term Management Plan for the three years from April 2016 to March 2019— is "A superior business partner supporting customers' strategic objectives and activities by providing comprehensive innovative supply chain solution". The plan aims to launch the entire Group onto a new growth track and transform it into a true "Global Logistics Partner".

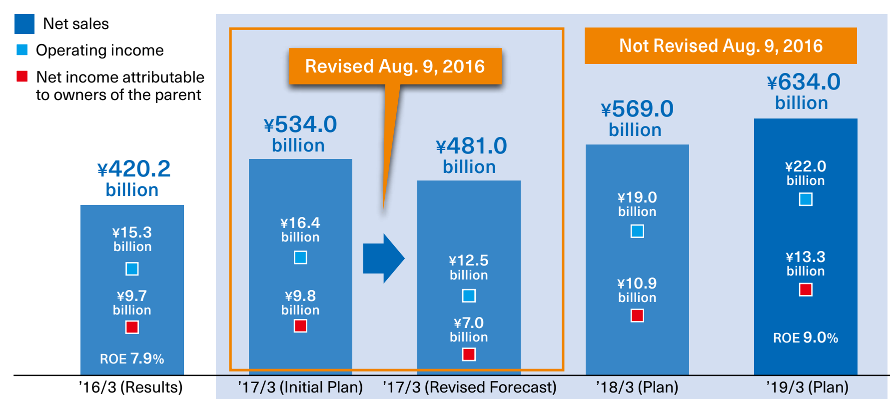
Numerical Targets

By the final year of the plan (the fiscal year through March 2019), we aim to achieve 634.0 billion yen in net sales (an increase of 51% over the year ended March 2016), 22.0 billion yen in operating income (44% more than the year ended March 2016), and ROE of 9.0% (up 1.1 point similarly). Breaking down those final year results, we expect pre-acquisition KWE to contribute 389.0 billion yen in net sales and 19.9 billion yen in operating income while APLL contributes 245.0 billion in net sales and 2.1 billion in operating income.

Our volume targets are 700,000 tons of air freight (53% more than the year ended March 2016) and 700,000 TEUs of sea freight, up 51%. We expect new value that we generate through collaboration between KWE and APLL to speed up the expansion of handling volumes. In the following pages, we explain the specific actions that we plan to take, with a focus on three key strategies.

Outline of the New Medium-Term Management Plan

New Medium-Term Management Plan Numerical Targets



New Medium-Term Management Plan: Key Strategy 1

—Become an industry leader providing comprehensive services

Since we added APLL to the Group, our previous business portfolio is undergoing major changes. In order to be certain that we achieve the numerical targets cited on the previous page, we will cultivate customer-centric culture:
solution-oriented, with variety of service options and quality enhancement by KWE & APLL group, seek for customer's satisfaction and trust.

Air Freight Forwarding
First, we will thoroughly reinforce KWE's core business of air freight forwarding and aim for even more volume expansion. Next, we intend to accelerate growth in handling volumes by actively approaching APLL's logistics customers. Although the scale is not yet large, we have already begun building collaborative business introduction since the latter part of 2015. For example, we began electronic products transport from Singapore to Hong Kong and retail-related transport from Indonesia to the U.S.

Air Freight Forwarding

Sea Freight Forwarding

Logistics

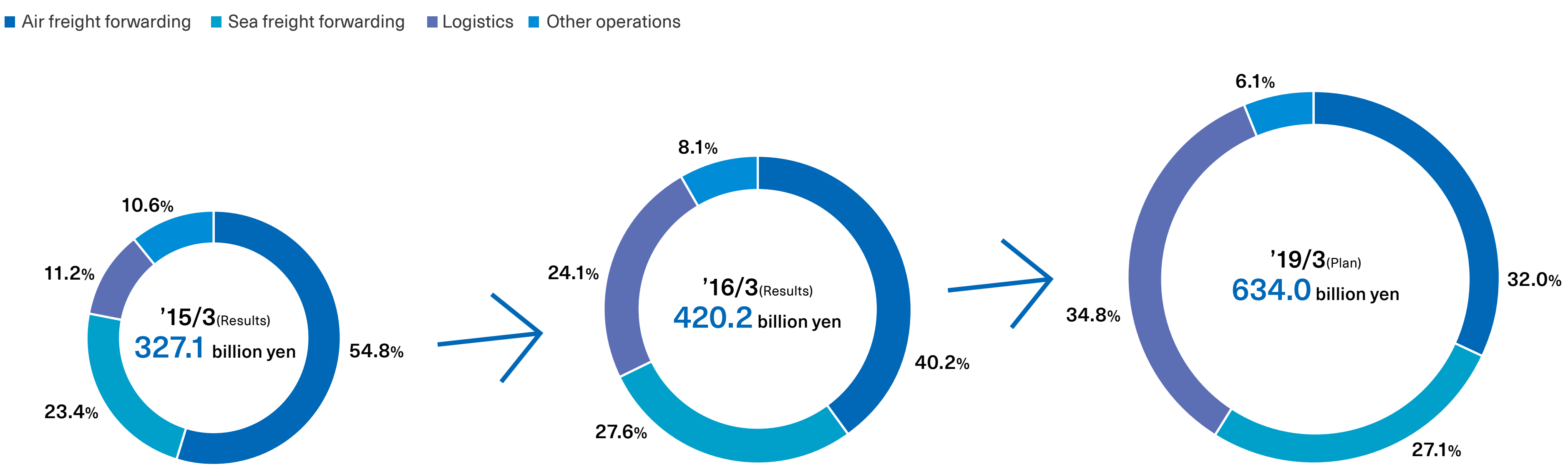
Sea Freight Forwarding

APLL handles more than 130,000 TEUs of sea freight per year. By adding that to the Group's handling volume, we can achieve a roughly 30% increase, but we are still by no means satisfied with our position in the industry. During the term of our new three-year management plan, we intend to further strengthen our sea freight business by taking advantage of APLL's strength in buyer's consolidation and order management services.

Logistics

We view logistics as an area with great potential for the generation of new services through collaboration with APLL. Especially in the retail field, APLL will develop new services on its own and will also speed up collaboration with KWE to cultivate large-scale customers with a focus on the Japanese market. In the automotive-related business, we will work with APLL to actively expand business from KWE's Japanese customers, especially in North America and Latin America.

New Medium-Term Management Plan Transition of Net Sales by Business



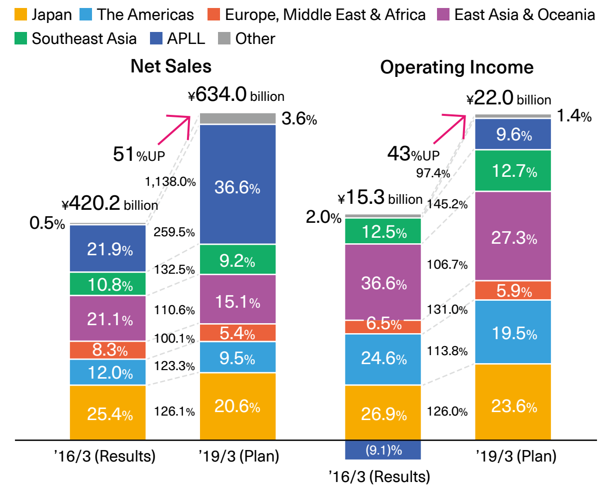
New Medium-Term Management Plan: Key Strategy 2

—Actively respond to customers' logistics needs at production locations and consumer markets

Provide optimal supply chain solutions

We aim to provide end-to-end solutions to customers in various industries and commodities. One of APLL's strengths is its capacity for providing ordering and inventory control management and other solutions that maximize overall supply chain efficiency. Rather than simply transporting goods, it gets deeply involved in the manufacturing and business models of its customers in a wide variety of fields. We will use this strength to spark new growth by integrating it with KWE's forwarding services and expanding the entire Group. In addition to making effective use of each other's global networks, KWE and APLL will expand networks and businesses in growing markets such as ASEAN countries, India, and Latin America.

New Medium-Term Management Plan
Net Sales and Operating Income Targets by Segment



New Medium-Term Management Plan: Key Strategy 3

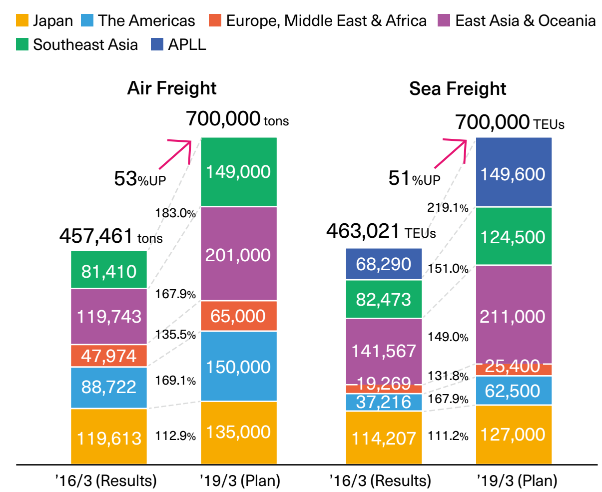
—Improve productivity by leveraging corporate capabilities

Accelerate growth in handling volumes by using economies of scale to improve purchasing power

For the time being, we will make volume growth our top priority. We expect our operating margin to be lower than in the past due to amortization of goodwill and other factors resulting from the acquisition of APLL. Although this is an essential phase in the pursuit of sustainable growth for the Group, we will strive to minimize the effects of this process by boosting productivity, speeding up joint marketing and purchasing based on KWE's and APLL's combined handling volume, pushing for even further growth in volumes and working harder than ever to strengthen ties with preferred carriers.

Regarding integration of indirect operations and IT systems, we have formed an integration team that is working full speed ahead to draft action plans and numerical targets.

New Medium-Term Management Plan
Freight Volume Targets by Segment



Introducing APL Logistics

President
Beat Simon

Joining the KWE family

In 2015, we celebrated a momentous milestone when APL Logistics was acquired by KWE.

Both companies bring different strengths to the table. KWE's expertise is in air and sea freight forwarding capabilities, while APL Logistics is focused on optimizing customer supply chains through solutions that enable customers to outperform their markets.

APL Logistics Focus

APL Logistics is unique for its deep toolkit of services to create reliable, innovative and customized solutions that fits each customer's exacting and unique needs in the Automotive, Consumer, Retail and Industrials verticals.

APL Logistics' Vertical focus is proving a success, with our capabilities and solutions grabbing the attention of the world's biggest names and winning new customers.

Modernization drive

The post-acquisition challenge for APL Logistics is to build on this success to drive growth while executing a major investment program to build a strong fit-for-purpose and standalone business unit within KWE Group.

This modernization drive will build up APL Logistics' Operations, Finance, Human Resources, IT infrastructure and shared service centers. Upon completion, APL Logistics will be transformed into one of the most advanced and efficient logistics companies in the world.

Complementary strengths

The Group has an exciting opportunity for to harness the freight forwarding strength of KWE with the solutions focus of APL Logistics to offer comprehensive solutions to a wide range of customers globally. This is an offering that few of competitors can match.

APL Logistics is committed to delivering value to KWE Group and will continue to invest in people, processes and systems to delivering growth and financial results while modernizing its internal business functions.

APL Logistics Verticals:

APL Logistics offers Vertically-focused solutions and services that span across the supply chain, including sourcing & in-bound manufacturing, order and freight management, order fulfillment, reverse logistics, trade & customs compliance and consulting services.

Automotive:

The Automotive Vertical is focused on customers in vehicle manufacturing, suppliers and distributors manage supply chain complexities in both developed and growth markets.

Consumer:

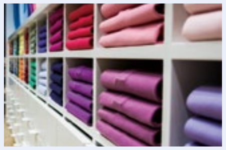
The Consumer Vertical is focused on helping customers in the consumer electronics, fast-moving consumer goods (FMCG) , consumer durables, food and beverage sectors.

Industrials:

The Industrials Vertical focuses on customers in the precision parts, power, motorized electronics and industrial machinery sectors.

Retail:

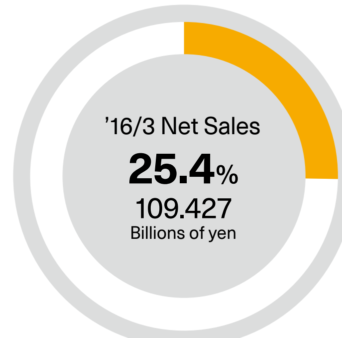
The Retail Vertical focuses on customers in the apparel, fashion, lifestyle, home furnishings, general department store merchandise and e-retailers.



Japan

The control tower, leading the Group into a new phase

As the core of the Group, KWE Japan will lead the entire Group to achieve the objectives laid out in the new Medium-Term Management Plan. In the fiscal year through March 2017, we will focus on the measures outlined below.



1 For the benefit of the entire Group;

Focus on

(1) "Corporate Accounts"

(2) Industry verticals (automotive, healthcare, and retail)

(3) Offshore business traffics

(4) Sales activities to expand overseas business

(5) Cross-selling to generate synergy effects with the APLL Group

(6) Preferred carrier strategies

2 Reinforce customer relationships to support further growth

(1) Air and sea freight volume growth and bigger market share

(2) Expand logistics business and improve profitability

3 Enhance global administrative functions

(1) Leading post-merger integration (PMI) after the acquisition of APLL

(2) Personnel training/optimal human resource placement

(3) Further development of global IT systems for operational excellence

(4) Global risk management

Freight Movements

Fiscal year through March 2016

	Exports	Imports
Air freight	Down 12.0%[*1]	Down 2.2%[*2]
Sea freight	Up 4.8%[*3]	Up 1.7%[*2]

First quarter[*4] of the fiscal year through March 2017

	Exports	Imports
Air freight	Up 3.3%[*1]	Down 4.2%[*2]
Sea freight	Up 7.0%[*3]	Up 1.7%[*2]

*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units) *4 April – June 2016

The Americas

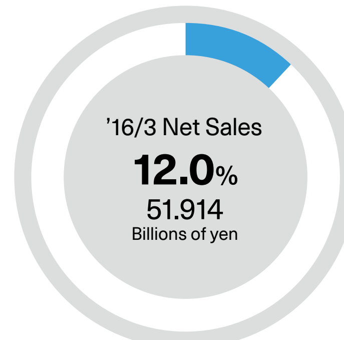
General Manager,
The Americas
Tetsuya Yamanaka

Major Countries and Regions

United States, Canada, Mexico, and Latin American countries

Lead entire KWE Group with volume growth

The Americas covers the world's largest importing and consuming countries, as well as emerging countries. Many of our corporate accounts are based in the U.S. As the growth driver for the entire Group, we will lead volume expansion. Based on close communication with APLL, we will cooperate in light of each region's characteristics, and will work in unison with the entire Group. In the fiscal year through March 2017, we will focus on the measures outlined below.



1 U.S.

We aim to contribute to boosting handling volume, and will focus on

(1) Operational excellence through personnel training

(2) Joint sales promotion with APLL

(3) Volume growth inside America

2 Canada

Focus on domestic services including warehouse operations for our existing customers. Since APLL does not have an operating location in Canada, we will use KWE Canada's air/sea/logistics services to promote cross-selling.

3 Mexico

With its 6th office in Monterrey, more focus on automotive-related business development

4 Brazil

Further utilization of Miami Gateway for inbound cargoes, also focusing on automotive-related customers

Freight Movements

Fiscal year through March 2016

	Exports	Imports
Air freight	Up 25.9%*1	Up 2.6%*2
Sea freight	Down 13.1%*3	Up 9.7%*2

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

Europe, Middle East & Africa

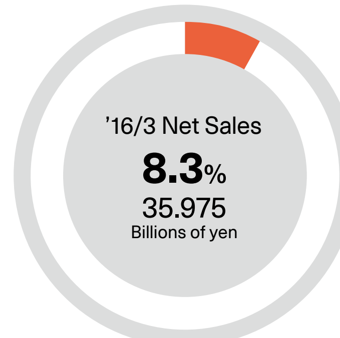
General Manager,
Europe, Middle East & Africa
Toshiyuki Kase

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 high added value and specialized services

We aim to boost handling volume by developing both intra-region and inter-region business as follows.



1 Expand EMEA-Japan/Asia handling volume

We view EMEA-Japan and EMEA-Asia transport network as important lanes with significant potential demand, and will continue to reinforce sales efforts.

2 Industry verticals and marketing

Focus on;

- EMEA-Japan, EMEA-Asia traffics
- Automotive, oil and gas, healthcare and chemical
- Co-operating with APLL

3 Reinforce import-related services (air and sea freight)

- Air: Value-added service at Brussels and London (Heathrow) airports (Dangerous goods handling, 24hrs operation)
- Sea: Project cargo handling at Rotterdam and Hamburg gateway function strengthening
- Logistics: New IT system launched by KWE South Africa
- Railway service with APLL: Trans Eurasia Express

Freight Movements

Fiscal year through March 2016

	Exports	Imports
Air freight	Down 8.4%*1	Down 2.0%*2
Sea freight	0.0%*3	Down 4.8%*2

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

East Asia & Oceania

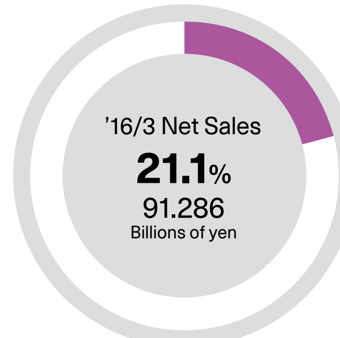
General Manager,
East Asia & Oceania
Makoto Saito

Major Countries and Regions

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

Cultivate new value in dynamic market

The East Asia & Oceania handles the largest volume in the Group. Amid a dramatically changing business environment, we will promote new services primarily in China, and maintain and broaden competitive advantage to further increase business. We will focus on the following measures.



1 Collaborate with KWE group companies to expand handling volume

We aim to expand Trans-Pacific Eastbound and intra-Asia handling volume. We will collaborate with Southeast Asia, especially in intra-Asia lanes, to enhance our "Strong Asia" network.

2 Promote "clear, easy to use" value-add services by advanced IT platform

Providing Proof of Delivery (POD) service via smartphones and other mobile devices is started in China for domestic deliveries, which enable customer access shipment status easily, save time for checking. It is one of our unique value-add services with our IT platform, we will expand those type of services not only in China but among KWE group companies for further growth.

3 Deliver innovative solutions to cope with market trend

In March 2016, we implemented new operation in Chongqing warehouse that specializes in meeting growing demand from Chinese consumers for imported goods ordered via the Internet (cross-border e-commerce). China's economic growth has slowed down and its business environment is uncertain but we expect the region to remain a growth market in the long term. We intend to cultivate new value in this dynamic market.

Freight Movements

Fiscal year through March 2016

	Exports	Imports
Air freight	Down 14.2%*1	Down 0.8%*2
Sea freight	Down 4.1%*3	Down 4.8%*2

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

Southeast Asia

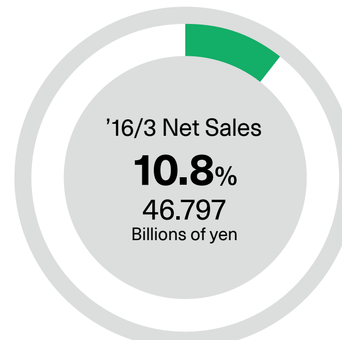
General Manager,
Southeast Asia
Yasuhiro Kaneda

Major Countries and Regions

Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, the Philippines, and Cambodia

Overwhelming presence in the market

For the recent years, Southeast Asia has been where we put more resources than other regions. Chinese manufacturers coming into the region are our business opportunities.



1 Increase handling volume on Trans-Pacific lanes

We will increase air freight volume by using our Bangkok Gateway service to U. S. destinations, and by teaming up with APLL and Trans Global Logistics Group Ltd. (TGLG). We plan to assign specialized personnel in order to boost Trans-Pacific sea freight.

2 Bolster logistics and cross-border trucking services

Prachinburi (Thailand) warehouse opened in April 2015 is operating successfully, and we plan to open a second warehouse there. In addition, we will share warehouses with APLL, and boost cross-border trucking volume, especially between Thailand and Vietnam.

3 Speed up business development in emerging markets

We are speeding up business development in this region. Having already established KWE Cambodia in February 2015, we are now looking into upgrading Myanmar and Bangladesh offices to subsidiaries and opening a base in Sri Lanka.

Freight Movements

Fiscal year through March 2016

	Exports	Imports
Air freight	Up 1.6%*1	Down 6.2%*2
Sea freight	Up 6.5%*3	Up 4.5%*2

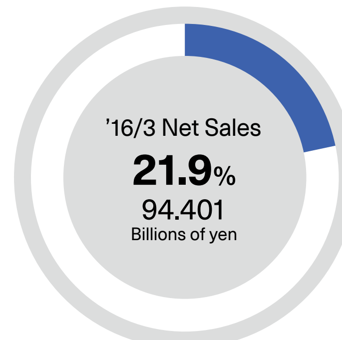
*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

APLL

General Manager,
APLL
Joij Tomiyama

Provide more types of values worldwide

The new Medium-Term Management Plan calls for making APLL into a profitable supply chain solutions provider in 2018 and be a front-runner in the automotive, consumer, industrials, and retail markets in terms of expertise, knowledge, business content, and IT capabilities. We will focus on North America, Latin America, China, India, and Southeast Asia as key operational areas. Our key policies for the fiscal year through March 2017 will be as follows.



* APLL's performance from July to December 2015 was consolidated.

1 Vertical Centric Approach

Automotive: Focus on finished vehicle logistics and after markets

Consumer: Focus on high-growth markets and Value- Added-Services

Industrials: Leverage proven solutions in Retail / Auto to drive growth

Retail: Innovate PO management and expand sales coverage outside of the U.S.

2 Specialized Solutions Provider

Enhance tool box (service menus) to provide End-to-End solutions

Commercialize IT solutions and supply chain solutions

3 Synergies with KWE

Cross-selling, Joint procurement for Air Freight and Sea Freight forwarding

Based on the above policies, we will collaborate with KWE around the world so as to deliver more types of values to customers, and provide optimal “End-to-End Solutions”.

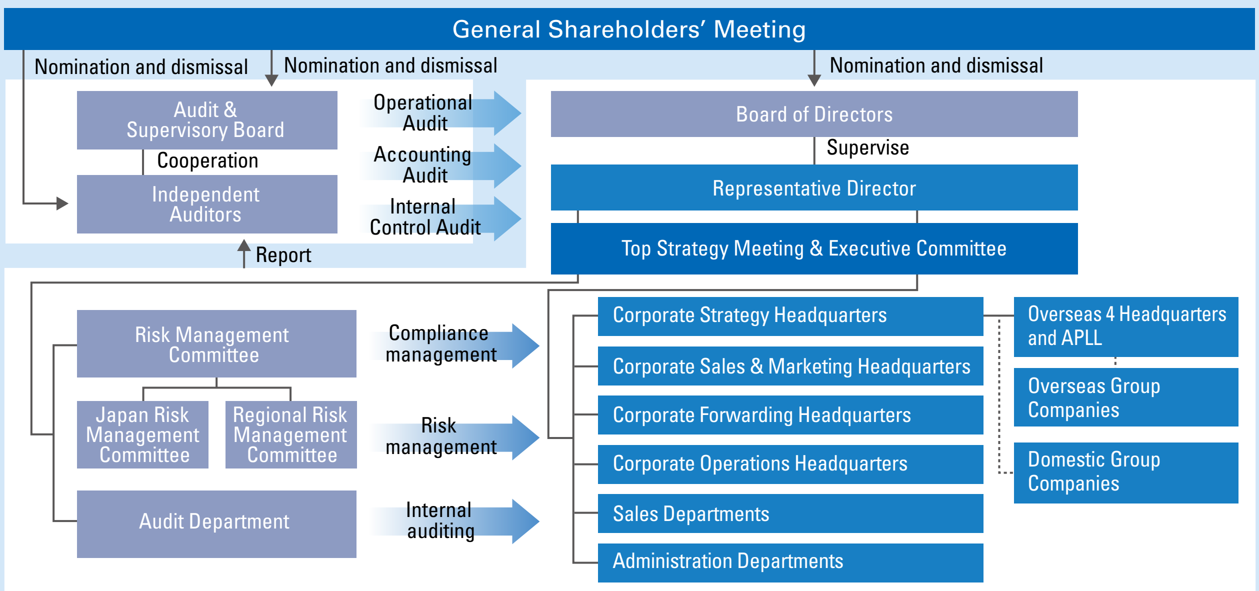
Corporate Governance

Basic Philosophy

The KWE Group'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 the Audit & Supervisory Board. In order to strengthen the management supervisory functions of the Board of Directors and speed up decision-making through the delegation of authority, we adopted a managing officer system and elect six managing 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. We appoint candidates for our executive leadership, Directors, and Audit & Supervisory Board Members after giving full consideration to each individual's past performance, sense of proportion as a manager, capabilities, etc. A Representative Director then provides an explanation and gains approval for these candidates at a meeting of the Board of Directors. 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 13 meetings in the fiscal year ended March 2016, and the four Outside Directors attended these meetings as follows.

Position	Name	Meeting attendance
Chairman	**Masanori Yamaguchi**	Attended 12 of 13 meetings
Director	**Tetsuya Kobayashi**	Attended 10 of 13 meetings
Director *Independent Director	**Yukio Ueno**	Attended 10 of 10 meetings
Director *Independent Director	**Sanae Tanaka**	Attended 10 of 10 meetings

Audit & Supervisory Board Members

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

Each of our four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) conducts audits according to auditing plans determined by the Audit & Supervisory Board. The system allows for adequate supervision of Directors' job execution, with important documents being turned over to Audit & Supervisory Board Members and the standing Audit & Supervisory Board Members attending important meetings such as the Executive Committee and KWE Group Top Strategy Meeting & Executive Committee. 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 the Audit & Supervisory Board Members' Office to support clerical work related to the Audit & Supervisory Board and the Board Members' work, and it operates in close coordination with the Audit Department. We have also established mechanisms that enable the Board Members to demand whatever reports they require from Directors, managing officers, or employees, and to investigate the status of business and assets at KWE Group companies 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, the Audit & Supervisory Board, and accounting auditor meet regularly to coordinate their annual schedules and report on operations, etc. They cooperate even more closely by exchanging information as necessary.

The Audit & Supervisory Board held 14 meetings in the fiscal year ended March 2016, and the two Outside Audit & Supervisory Board Members attended these meetings as follows.

Position	Name	Meeting attendance
Audit & Supervisory Board Member * Independent Officer	**Masao Kishida**	Attended 14 of 14 meetings
Audit & Supervisory Board Member	**Kazuyasu Ueda**	Attended 12 of 14 meetings

Relationships with Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors Masanori Yamaguchi and Tetsuya Kobayashi, are Director and Senior Advisor, and Chairman of the Board at Kintetsu Group Holdings Co., Ltd., respectively. We believe they are well suited to serve as Outside Directors because their extensive experience and broad insight as corporate managers allow them to help strengthen the corporate management supervisory functions.

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 Audit & Supervisory Board Members with a high level of independence to avoid the risk of conflicts of interest with general shareholders, we designate them as independent officers based on provisions of the Tokyo Stock Exchange and notify the exchange of this designation.

Outside Director Yukio Ueno is a Corporate Advisor at Mitsubishi Corporation. Mitsubishi and KWE have business relations that include freight forwarding, but the amounts of these transactions are minor (less than 1%). Mr. Ueno has extensive experience and broad insight as a manager and auditor at Mitsubishi Corporation, and we believe he is well suited to serve as an Outside Director based on his ability to help strengthen KWE's management oversight from a neutral position and to offer opinions on management decisions from various perspectives.

Outside Director Sanae Tanaka is a Representative at Sanae Tanaka Law Office. Ms. Tanaka has expertise and ample working experience as an attorney, and we believe she is well suited to serve as an Outside Director based on her ability to help strengthen KWE's management oversight from a neutral position and to offer opinions on management decisions from various perspectives.

Outside Audit & Supervisory Board Member Masao Kishida is a Professor in the Graduate School of Finance, Accounting and Law at Waseda University. Mr. Kishida has extensive knowledge and insight as a Graduate School Professor at Waseda University, and we believe he is well suited to serve as an Outside Audit & Supervisory Board Member based on his ability to help strengthen KWE's auditing structure by supervising management and providing appropriate advice as an Outside Audit & Supervisory Board Member.

[Career summary 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. 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)
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 in the Graduate School of Finance, Accounting and Law at Waseda University (current position)
Jun. 2006	Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)

Outside Audit & Supervisory Board Member Kazuyasu Ueda is a 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 Audit & Supervisory Board Member have no particular vested interests in KWE.

KWE judges an Outside Director or Outside Audit & Supervisory Board Member to be independent when he or she does not fall under any of the criteria set forth below.

1. An executive of KWE and its affiliated companies (hereinafter referred to as the “KWE Group”), including a person who performed in this capacity at KWE within the past ten years.
2. A party to whom the KWE Group is a major business partner, or an executive of such party (including a party to whom the KWE Group was previously a major business partner, or a person who was an executive of such party within the past five years).
3. A party who is a major business partner of the KWE Group (a company whose total amount of transactions with the KWE Group exceeded 1% of the consolidated net sales of either company in the most recent fiscal year), or an executive of such party.
4. A major shareholder (person or party) of KWE who directly or indirectly holds 10% or more of KWE’s total voting rights, or an executive of such party.
5. A party who receives a large amount of donations equal to 10 million yen or more per annum from the KWE Group, or an executive of such party.
6. A consultant, certified public accountant or other accountant, or an attorney or other legal professional who receives a large amount of monetary consideration or other property benefits totaling 10 million yen or more per annum from the KWE Group in addition to his or her officer compensation (in cases where the party receiving property is an organization such as a legal entity or an association, or a person belonging to such organization).
7. A person belonging to an audit firm that carries out statutory audits of the KWE Group, including a person who has carried out audit services as an employee of such audit corporation for KWE or a subsidiary of KWE within the past five years.
8. A spouse or a relative within the second degree of kinship of a person listed below:
   •An officer or an employee of KWE; or
   •A person to whom any of criteria 2 through 7 above applies.

Executive Committee and KWE Group Top Strategy Meeting

KWE’s Executive Committee is composed of full-time Directors and Audit & Supervisory Board Members, managing 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 and the presidents of major group companies.

Director and Audit & Supervisory Board Member Compensation

KWE policy stipulates that Director compensation is allocated within the range resolved at the General Shareholders' Meeting. Such compensation is divided into monthly- and performance-based compensation. The amount of compensation is decided based on amounts prescribed in internal regulations, KWE 's performance, economic conditions and other matters, and how well Directors contribute individually to the performance of KWE. In the year ended March 2016, we paid a total of ¥345 million to 17 Directors (including one Director who retired), including ¥37 million to the four Outside Audit & Supervisory Board Members.

KWE determines Audit & Supervisory Board Members compensation based on discussions with the Audit & Supervisory Board. In the fiscal year ended March 2016, we paid a total of ¥57 million to four Audit & Supervisory Board Members, including ¥12 million to the two Outside Audit & Supervisory Board Members.

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 KWE 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 Committee chaired by the Chief of Compliance to promote corporate behavior that complies with laws, regulations, and corporate ethics.

We have prepared a whistle-blower system to aid in the early detection and correction of violations of laws, regulations, and corporate ethics, and to protect whistle-blowers 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 company-wide 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

KWE has established an IR Group within the General Affairs Department, and officer in charge of the Department is also the officer in charge of 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 appropriately disclose financial and business information in our financial statements, annual reports, data books, business results presentations, and other materials.

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

To a reasonable extent, KWE places importance on responding proactively to the dialogue had with shareholders, investors and analysts. We hold business results presentations twice yearly for full-year and interim results (May and November) in order to explain our business performance and policies to institutional investors and analysts. We regularly hold results briefings twice a year, and participates in small meetings, IR conferences and telephone conferences at the request of securities companies, and the like. We also hold briefings for individual investors to provide an opportunity to communicate with these investors.

Disclosure Based on Principles of Corporate Governance Code

[Principle 1.4: Cross-Shareholdings]

1. Cross-Shareholdings Policy
   Investments in cross-shareholdings are aimed at maintaining and strengthening business alliances and transactions, and are made when they will help maintain and improve the corporate value of the KWE Group.
2. Criteria for Exercising Voting Rights
   KWE will exercise its voting rights and make decisions for or against proposals from the standpoint of whether the company issuing the proposal is making appropriate decisions which will help increase its corporate value over the medium to long term, and improve the corporate value of the KWE Group as a whole.

[Principle 1.7: Related Party Transactions]

Directors' competing transactions and transactions between Directors and KWE (conflict-of-interest transactions) are required to be resolved by the Board of Directors. Also, unusual transactions must be audited by standing Audit & Supervisory Board Members before being carried out.

[Principle 3.1: Full Disclosure]

(i) KWE's corporate philosophy, management strategy and management plan (the Medium-Term Management Plan) are disclosed on KWE's website and in its financial results briefing materials and other IR materials.
•Corporate philosophy
https://www.kwe.co.jp/en/about-contents/philosophies
•Management strategy and management plan (the Medium-Term Management Plan)
https://www.kwe.co.jp/en/ir-contents/strategy

(ii) KWE's perspective on corporate governance is disclosed on KWE's website and in corporate governance reports, securities reports and the Annual Report.
•KWE's perspective on corporate governance
https://www.kwe.co.jp/en/about-contents/governance

(iii) KWE's method for determining Director compensation
➡ Please see the Director and Audit & Supervisory Board Member Compensation section on Page 27.

(iv) KWE's method for nominating executive leadership, Director and Audit & Supervisory Board Member
➡ Please see the Board of Directors section on Page 24.

(v) KWE discloses the selection reasons for its candidates for Outside Directors and Outside Audit & Supervisory Board Members as well as the individual selection reasons for its Director and Audit & Supervisory Board Member candidates from within the Company in the Reference Documents for the 47th Ordinary General Meeting of Shareholders. Details are listed in the Notice of Convocation of the 47th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/en/wp-content/uploads/sites/2/2016/05/en_stockholder47.pdf

[Supplementary Principle 4.1.1]

KWE has established Board of Directors Regulations and matters to be deliberated on and decided at Board of Directors' meetings are set in accordance with laws and regulations. KWE has also established Organization and Duties Authority Regulations, which clarify the scope of actions which can be executed by management.

[Principle 4.8: Effective Use of Independent Outside Directors]

[Principle 4.9: Independence Standards and Qualification for Independent Outside Directors]

➡ Please see the Board of Directors section on Page 24 and the Relationships with Outside Directors and Outside Audit & Supervisory Board Members section on Page 25.

[Supplementary Principle 4.11.1]

➡ Please see the Board of Directors section on Page 24.

[Supplementary Principle 4.11.2]

Information about Directors and Audit & Supervisory

Board Members who serve concurrently as officers at other listed companies is provided in the Notice of Convocation of the 47th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/en/wp-content/uploads/sites/2/2016/05/en_stockholder47.pdf

[Supplementary Principle 4.11.3]
KWE receives feedback and advice from Outside Directors on the analysis and evaluation of how effectively the Board of Directors is performing. We started evaluating the effectiveness of the overall Board of Directors with reference to the individual evaluations of each Director in 2016.

[Supplementary Principle 4.14.2]
Going forward, in addition to conducting seminars for officers on the Companies Act and laws and regulations relating to the business activities of KWE, standing Directors and Audit & Supervisory Board Members will undergo continuous governance training to ensure that they are able to effectively perform their roles and fulfill the responsibilities expected of them as persons involved in important governance bodies.

For newly appointed Directors and Audit & Supervisory Board Members, training will be given so they can acquire the necessary knowledge and are equipped to handle the responsibilities they have as Directors and Audit & Supervisory Board Members, including those related to KWE's business, financial affairs and organization.

Upon invitation from KWE, Outside Directors and Audit & Supervisory Board Members will visit various facilities and have training to attain the necessary information on the industry in which KWE is involved, KWE's history, business profile, financial affairs, strategies, organization, etc.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]
➡ Please see the Investor Relations section on Page 27.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

[Supplementary Principle 1.2.4]
KWE has decided against introducing the Electronic Voting Platform as shareholders accounting for approximately 90% of total voting rights have exercised their right to vote in recent years. KWE provides convocation notices of General Shareholder's Meetings in English from 2016.

[Supplementary Principle 1.2.5]
While KWE considers shareholders with voting rights recorded in the shareholder register as of the record date eligible to exercise voting rights, it does not permit institutional investors to vote on behalf of trust banks or other institutions.

[Supplementary Principle 4.2.1]
Director and Audit & Supervisory Board Member compensation is determined based on the method described in the Director and Audit & Supervisory Board Member Compensation section on Page 27, and we will consider the possibility of introducing treasury stock-based compensation and stock options.

[Supplementary Principle 4.10.1]
Although KWE has not established optional advisory committees, explanations regarding Director Candidates are given to Independent Outside Directors and opinions are sought from them before Board of Directors' meetings where proposals to appoint officers are considered. These proposals will later be presented at the General Shareholders' Meeting. In the future, management affairs, including nominations and compensation, will be discussed at regular meetings held between the Representative Director and Independent Outside Directors.

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 27 group companies are certified under the ISO 9001: 2008 quality management system, 12 group companies have acquired Authorized Economic Operator (AEO) certification, five group companies have acquired Good

Distribution Practice (GDP) certification, and 21 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 Japan logo

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.

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. Going forward, we plan to accumulate data on personnel who work at local subsidiaries in each country and assign personnel beyond the framework of individual companies.

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. As part of these efforts, we acquired certification under the ISO 14001 Environmental Management System at eight group companies.

ISO14001certification

Implementing "growth-oriented governance" that supports KWE's shift to its "Next Phase"

Yukio Ueno
Outside Director

Japan's Corporate Governance Code took effect in June 2015. As a member of the management team of a Japan's major general trading company (sogo shosha), I have participated in managing compliance, public relations, general affairs, legal affairs, and corporate social responsibility issues for the global company. In light of my previous experience, I recognize that the recent reforms to corporate governance in Japan make a great deal of sense.

As part of the KWE Group's response to the Corporate Governance Code, in June 2015 it named two new independent officers (including myself), and in November it established "KWE Group Corporate Guidelines" in line with the code.

The KWE Group's management strategies have evolved and, especially due to the consolidation of APLL, the number of overseas stakeholders has grown significantly. In light of such changes, I will do my utmost to provide effective support as the Group decides how best to approach compliance and risk management issues at the global level. By doing so, I aim to help achieve "growth-oriented governance" and maximize corporate value by maximizing group synergy effects, thereby assisting with the transition to the "Next Phase" described in KWE's new Medium-Term Management Plan.

Aiming to establish diversity in human resources even more firmly, and to maximize corporate value through collaboration with employees

Sanae Tanaka
Outside Director

Having served as an outside director of listed companies and as a trustee of various organizations in addition to working as an attorney for 27 years, I have had the opportunity to interact with people who occupy a variety of positions within society. By making use of the wide-ranging knowledge that I have cultivated through these experiences, I strive to effectively support the maximization of the KWE Group's corporate value.

Just as is written in Japan's "Corporate Governance Code", we have entered an era in which listed companies must cooperate not only with shareholders but also with other stakeholders—employees, customers, business partners, creditors, and their local communities—in order to continuously grow and increase corporate value in the medium- to long-term. I would like to focus particularly on "securing diversity in human resources", including the promotion of greater participation by women in the workplace. KWE Group Code of Conduct already addresses this issue by means of explicitly stated guidelines. In addition, I believe we have prepared an adequate basis for actualization, for example by encouraging employees to actively exercise their right to take child rearing leave of absence or request a shortened working hours for child rearing. Going forward, I would like to contribute to the KWE Group's next growth spurt by actively proposing ways to establish that basis even more firmly and to greater practical effect, in order to promote the maximization of corporate value resulting from cooperation among all employees.

Management


Masanori Yamaguchi
Chairman


Nobutoshi Torii
President and
Chief Executive Officer


Hirohiko Ueno
Executive Vice President


Joji Tomiyama
Executive Vice President


Yoshinori Watarai
Senior Managing Director


Yoshinobu Mitsuhashi
Senior Managing Director


Kazuya Mori
Managing Director


Shinya Aikawa
Managing Director


Keisuke Hirata
Managing Director


Toshiyuki Kase
Director


Katsufumi Takahashi
Director


Tetsuya Yamanaka
Director


Satoshi Ishizaki
Director and
Corporate Advisor


Tetsuya Kobayashi
Outside Director


Yukio Ueno
Outside Director


Sanae Tanaka
Outside Director

Management's Discussion and Analysis

OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 130 consolidated subsidiaries and 10 affiliates accounted for using the equity method, for a total of 141 companies. Our main business are freight forwarding business using air, sea, and land transportation, warehousing business and other related business.

The KWE Group acquired all shares in APL Logistics Ltd, a global logistics company headquartered in Singapore in May 2015, and consolidated it and its group companies ("APLL"). We include APLL's earnings from July to December 2015 in the KWE Group's earnings for the fiscal year ended in March 2016. We also add APLL as a sixth reportable segment.

We divide our operations into the following four categories: air freight forwarding (accounting for 40.2% of net sales in the fiscal year ended March 2016), sea freight forwarding (27.6%), logistics (24.1%), and other operations (8.1%).

A breakdown of net sales* by segment shows that Japan accounts for 25.4%, the Americas for 12.0%, Europe, Middle East & Africa for 8.3%, East Asia & Oceania for 21.1%, Southeast Asia for 10.8%, APLL for 21.9%, and other for 0.5%.

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

OPERATIONS

During the fiscal year ended March 31, 2016 , while the U.S. economy was on an expansionary trend and European economy showed a gradual recovery, the economic slowdown became clearer in China and the outlook grew increasingly uncertain.

The Japanese economy continued to show a gradual recovery as a whole despite weak consumer spending and production, etc. In the global market, demand for air freight showed slower growth due to the economic slowdown mainly in Asia.

Under such conditions, the KWE Group's* air freight exports fell 4.4 % (based on weight) year-on-year, and air freight imports decreased 2.0 % (based on number of shipments). Sea freight exports increased 16.9% (based on TEUs), and imports rose 1.0% (based on number of shipments). Logistics showed stable growth overall mainly due to business expansion in Asia that has been our focus in recent years.

* APLL's earnings and freight volume (sea freight export volume) from July to December 2015 were consolidated.

Net Sales

The KWE Group's consolidated net sales totaled ¥420.252 billion in the fiscal year ended March 2016, up 28.4%, or ¥93.060 billion, from the previous year.

By business, net sales in air freight forwarding fell 5.8%, sea freight forwarding rose 51.2%, logistics increased 176.6%, and other operations were down 1.4%.

By segment, net sales in Japan decreased by 11.0% year on year, the Americas increased by 20.7%, Europe, Middle East & Africa fell 3.7%, East Asia & Oceania rose 2.1%, and Southeast Asia was up 12.9%.

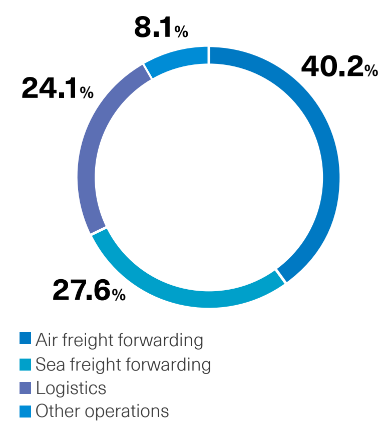
Cost of Sales

Cost of sales totaled ¥348.489 billion in the fiscal year ended March 2016, up 26.9%, or ¥73.853 billion, from the previous year. The percentage to net sales was 82.9%, falling 1.0 percentage points from 83.9% in the previous year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥56.405 billion in the fiscal year ended March 2016, up 56.7%, or ¥20.413 billion, from

Net Sales by Category



the previous year. The percentage to net sales was 13.4%, rising 2.4 percentage points from 11.0% in the previous year.

Operating Income

Operating income totaled ¥15.356 billion in the fiscal year ended March 2016, down 7.3%, or ¥1.207 billion, from the previous year. The operating margin was 3.7%, declining 1.4 percentage points from 5.1% in the previous year. Cost of sales to net sales improved by decreasing 1.0 percentage points from the previous year, but selling, general and administrative expenses to net sales increased 2.4 percentage points from the previous year.

Other Income (Expenses)

Other net income totaled ¥2.490 billion in the fiscal year ended March 2016, up from net loss of ¥0.191 billion in the previous year. This increase was due mainly to absence of a loss on U.S. antitrust matter of ¥2.032 billion recorded in the year ended March 2015.

Income before Income Taxes

Income before income taxes totaled ¥17.847 billion in the fiscal year ended March 2016, up 9.0%, or ¥1.475 billion, from the previous year.

Income Taxes

Income taxes totaled ¥7.115 billion in the fiscal year ended March 2016, up 33.0%, or ¥1.767 billion, from the previous year. The effective tax rate was 39.9%, up from 32.7% in the previous year.

Net Income Attributable to Owners of the Parent, Net Income per Share, Return on Equity

Net income attributable to owners of the parent fell 6.8% from the previous year to ¥9.773 billion in the fiscal year ended March 2016. As a result, net income per share* decreased to ¥135.74, down from ¥145.68 in the previous year. ROE decreased to 7.9% from 9.0% in the previous year.

* The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2014.

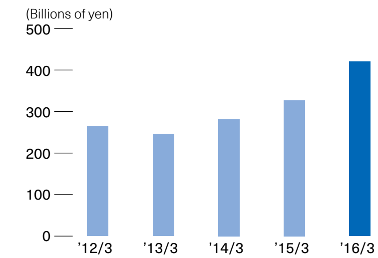
OUTLOOK FOR THE YEAR THROUGH MARCH 2017

In the fiscal year ending March 2017, there are concerns over the prolonged environmental uncertainty in the global logistics market due to economic slowdown in China and emerging countries and actualization of the geopolitical risks. Under these circumstances, we launched a new Medium-Term Management Plan, "Going to the Next Phase! " covering the three years starting in the year ending in March 2017. This plan focuses on our vision of being "a superior business partner supporting customers' strategic objectives and activities by providing comprehensive innovative supply chain solutions" (see the Message from CEO on pages 13–16 for strategy details). We seek to promptly generate and maximize synergy effects with APLL by steadily pursuing the key policies in this Medium-Term Management Plan. We also aspire to be a "global logistics partner" capable of delivering solutions that always meet the diversifying needs of our customers. In the fiscal year ending March 2017, we forecast net sales to grow 14.5% from the fiscal year ended March 2016 to ¥481.000 billion, operating income to decline 18.6% to ¥12.500 billion, and net income attributable to owners of the parent to decline 28.4% to ¥7.000 billion. (Earnings forecast was revised on August 9, 2016 due to lackluster performance of Japan and APLL.)

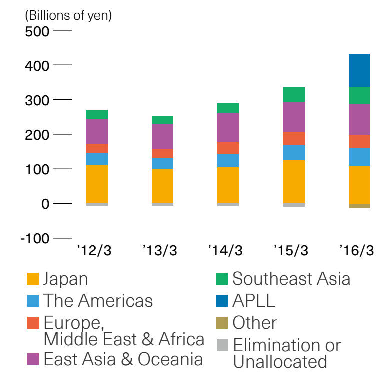
SEGMENT TRENDS BY REGION

For a breakdown of segment trends, please refer to the Report by Six Segments on pages 18 to 23.

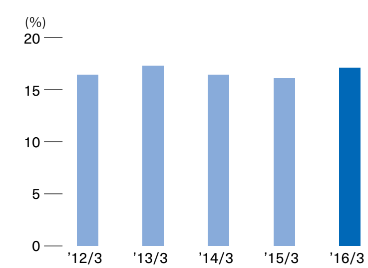
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



FINANCIAL POSITION

The Group's total assets as of March 31, 2016 increased ¥191.348 billion from the previous year to ¥385.902 billion as APLL had been included in the scope of consolidation. Current assets were ¥178.454 billion in the fiscal year ended March 2016, up 36.2%, or ¥47.448 billion from the previous year, due mainly to increases in cash and time deposits of ¥17.261 billion and in notes and accounts receivable-trade of ¥19.814 billion.

Long-lived assets increased ¥143.900 billion from the previous year to ¥207.447 billion due to an increase in property and equipment of ¥6.112 billion and an increase in intangible assets of ¥131.596 billion as a result of recording goodwill and customer-related intangible assets, and investments and other assets of ¥6.191 billion related to consolidation of APLL.

Total liabilities were ¥250.703 billion, up ¥185.837 billion from the previous year. Current liabilities grew 83.0%, or ¥44.634 billion, to ¥98.406 billion due mainly to increases in notes and accounts payable-trade of ¥11.654 billion and short-term debt of ¥19.664 billion. Long-term liabilities grew ¥141.202 billion, to ¥152.296 billion, due mainly to an increase in long-term debt of ¥130.711 billion related to funding for purchase of shares of APLL, etc. and an increase in deferred tax liabilities of ¥9.201 billion as a result of recording deferred tax liabilities related to customer-related assets recognized in consolidation of APLL, etc.

Net assets were ¥135.199 billion, up 4.3%, or ¥5.511 billion, from ¥129.687 billion in the previous year. The equity ratio at the end of the fiscal year was 32.5%, down from 64.8% at the end of the previous year, due to an increase in total assets resulting from the consolidation of APLL, as noted above.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥20.143 billion in the fiscal year ended March 2016, up 113.0%, or ¥10.685 billion, from ¥9.457 billion in the previous year. Main items included cash increases from income before income taxes of ¥17.847 billion, depreciation and amortization of ¥7.236 billion, and a decrease in notes and accounts receivable of ¥9.581 billion; and cash decreases from a decrease in notes and accounts payable of ¥5.046 billion and income taxes paid of ¥8.594 billion.

Net cash used in investing activities totaled ¥147.207 billion in the fiscal year ended March 2016, up ¥136.336 billion from ¥10.870 billion in the previous year. This mainly reflected cash outflows due to consolidation of APLL resulting in change in scope of consolidation of ¥139.804 billion and payments for purchases of property and equipment of ¥5.735 billion.

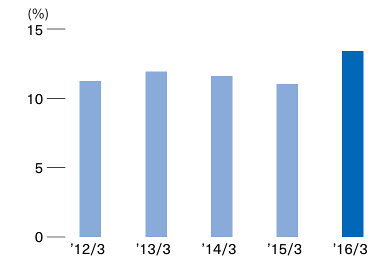
Net cash provided by financing activities amounted to ¥144.744 billion in the fiscal year ended March 2016 from ¥1.424 billion used in the previous year. This mainly reflected cash inflows due to proceeds from long-term debt of ¥131.949 billion and net increase in short-term debt of ¥15.731 billion, and cash outflows due to payments of cash dividends of ¥1.764 billion.

As a result of the above, cash and cash equivalents totaled ¥63.903 billion as of March 31, 2016, up 31.2%, or ¥15.203 billion, from ¥48.700 billion as of March 31, 2015.

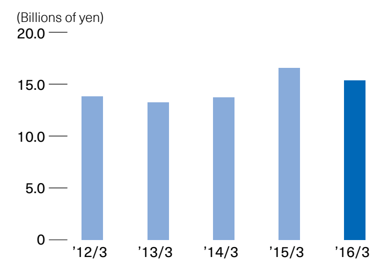
BASIC POLICY ON THE DISTRIBUTION OF PROFITS

The KWE Group primarily focuses on maintaining stable dividends, but also strives to increase dividends in view of business performance and the dividend payout ratio, giving full consideration to strengthening shareholder return, future business expansion, and stronger business base. The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015.

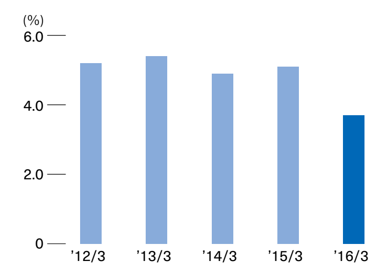
SGA Expenses to Net Sales



Operating Income



Operating Margin



There is no substantial change in policy for the annual dividends before stock split of ¥52 per share announced at the beginning of the fiscal year considering stock split. The dividend payout ratio was 19.2%, rising 3.4 percentage points from 15.8% in the previous year. We forecast a full-year dividend after stock split of ¥26 in the fiscal year ending March 2017.

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, and 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

As KWE conducts global operations, fluctuations in foreign exchange rates in any of these regions could affect KWE's performance or financial condition. KWE uses foreign exchange forward contracts to avoid the risk of fluctuations in foreign exchange rates in relation to foreign currency denominated receivables and payables and to foreign currency denominated scheduled transactions. Our policy is to execute and manage forward contracts according to internal company rules, to not enter into contracts with terms of more than one year in principle, and to not engage in speculative dealings or highly leveraged transactions.

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.

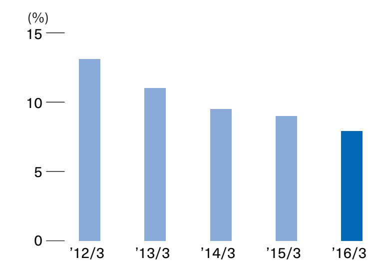
4. M&A, capital and business alliances

KWE acquires other companies and forms capital and business alliances with other companies in order to increase its competitiveness to achieve further growth. KWE acquired APL Logistics Ltd (including its consolidated subsidiaries), which operates a global logistics business, in May 2015. KWE's business results and financial position could be affected if it incurs impairment losses on goodwill in the event of earnings at an acquired company falling short of expectations at the time of the acquisition, or a determination that expected results cannot be achieved due to changes in the business environment, competitive conditions, or other factors.

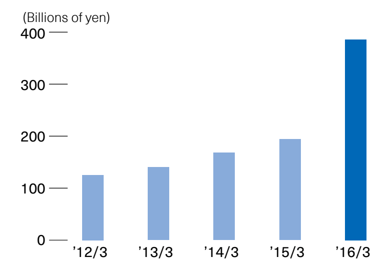
5. Financial covenants

KWE's major loan agreements with financial institutions include financial covenants. A breach of these covenants could adversely affect KWE's operation, business results, and financial position.

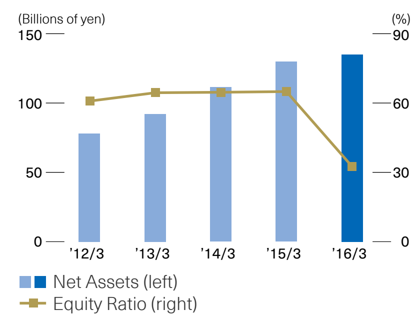
ROE



Total Assets



Net Assets and Equity Ratio



6. 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.

7. 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 a 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.

8. Storage and security at distribution facilities

KWE owns distribution-related facilities in Japan and overseas. We take measures to ensure safe storage and security at these facilities; for example, we have obtained certification from the Transported Asset Protection Association (TAPA, an organization that sets international freight security standards) for facilities in 21 locations in global. 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.

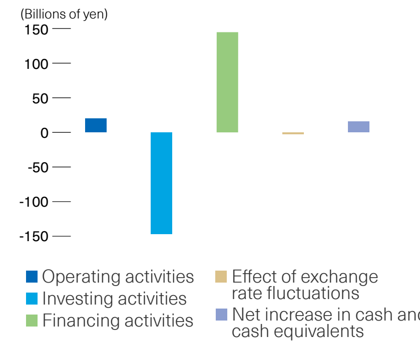
9. Customer data management / information leaks

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.

10. Information system security

KWE uses integrated computer systems group-wide and manages much of its global operations with IT systems. We strive to ensure that these information systems operate reliably by using a redundant structure of data centers and network connections, and have hardware and software safeguards against unauthorized access and viruses. Nevertheless, in spite of these precautionary measures, our financial results could be adversely affected if these information systems temporarily malfunction as a result of unforeseen virus, hacker attacks or blackouts, etc.

Cash Flows



Financial Highlights

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

	Millions of yen								Thousands of U.S. dollars[*2]
	2009	2010	2011	2012	2013	2014	2015	2016	2016
Results of Operation (Millions of yen)									
Net sales	¥ 260,330	¥ 211,836	¥ 267,688	¥ 264,403	¥ 247,977	¥ 281,505	¥ 327,192	¥ 420,252	$ 3,729,605
Operating income	9,025	7,451	11,898	13,824	13,295	13,742	16,563	15,356	136,279
Income before income taxes	7,991	7,596	12,676	14,954	14,170	14,916	16,372	17,847	158,386
Net income attributable to owners of the parent	3,478	4,570	7,880	9,545	9,134	9,417	10,489	9,773	86,732
Financial Position (Millions of yen)									
Total assets	¥ 109,153	¥ 116,640	¥ 120,280	¥ 125,437	¥ 140,116	¥ 167,966	¥ 194,553	¥ 385,902	$ 3,424,760
Property and equipment - net	31,207	34,631	32,764	31,661	32,512	35,988	39,831	45,944	407,738
Interest-bearing debt	17,978	16,254	14,676	14,469	14,562	15,078	15,734	166,187	1,474,858
Long-term liabilities	6,646	6,569	6,633	6,885	3,659	9,291	11,093	152,296	1,351,579
Total liabilities	47,279	48,602	48,963	47,356	47,919	56,735	64,865	250,703	2,224,911
Net assets	61,873	68,038	71,317	78,080	92,197	111,231	129,687	135,199	1,199,849
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 9,687	¥ 6,259	¥ 9,843	¥ 11,118	¥ 8,855	¥ 10,756	¥ 9,457	¥ 20,143	$ 178,762
Net cash provided by (used in) investing activities	(6,481)	(3,834)	779	(3,820)	(8,044)	(5,016)	(10,870)	(147,207)	(1,306,416)
Net cash provided by (used in) financing activities	(1,663)	(3,995)	(2,703)	(1,396)	(1,785)	(1,864)	(1,424)	144,744	1,284,558
Cash and cash equivalents at end of year	25,904	25,045	30,966	36,096	38,271	47,963	48,700	63,903	567,119
Capital expenditures for property and equipment (cash basis)	2,794	3,322	1,465	1,549	1,625	3,776	4,889	5,735	50,896
Depreciation and amortization	3,156	3,114	2,998	2,659	2,536	2,615	2,806	7,236	64,217
Per Share Data (Yen)[*1]									
Net income	¥ 48.31	¥ 63.49	¥ 109.46	¥ 132.58	¥ 126.86	¥ 130.80	¥ 145.68	¥ 135.74	$ 1.20
Cash dividends	13.50	12.00	15.00	17.50	18.50	20.00	23.00	26.00	0.23
Net assets	835.09	911.48	962.95	1,056.84	1,250.56	1,504.84	1,750.16	1,741.44	15.45
Management Indicators									
Operating margin (%)	3.5	3.5	4.4	5.2	5.4	4.9	5.1	3.7	
Return on equity (%)	5.5	7.3	11.7	13.1	11.0	9.5	9.0	7.9	
Current ratio (Times)	1.6	1.7	1.8	2.1	2.1	2.4	2.4	1.8	
Debt-to-equity (Times)	0.3	0.3	0.2	0.2	0.2	0.1	0.1	1.3	
Number of employees (consolidated)	8,670	8,893	9,238	9,671	10,047	10,219	10,680	17,311	

*1 The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015.
Per share data is calculated based on the assumption that the stock split was conducted on April 1, 2008.
*2 U.S. dollars is included solely for the convenience of readers outside Japan,
using the prevailing exchange rate at March 31, 2016 which is ¥112.68 to U.S.$1.

Medium-Term Management Plan
“Ready for the Next! Phase 2”
April 2013 - March 2016

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2016 and 2015

ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Current assets:			
Cash and time deposits (Notes 3, 5 and 13)	¥ 70,580	¥ 53,318	$ 626,375
Notes and accounts receivable-trade (Note 13)	88,500	68,685	785,410
Less: Allowance for doubtful accounts	(1,153)	(395)	(10,232)
Marketable securities (Notes 4 and 13)	3,253	7	28,869
Deferred tax assets (Note 9)	702	1,509	6,230
Other current assets (Notes 13 and 14)	16,571	7,880	147,062
Total current assets	178,454	131,006	1,583,723
Property and equipment:			
Land	14,006	11,817	124,298
Buildings and structures	39,633	36,653	351,730
Machinery and equipment	3,857	3,161	34,229
Leased assets	1,439	1,269	12,770
Others	18,895	17,685	167,687
	77,831	70,587	690,725
Less: Accumulated depreciation	(31,887)	(30,755)	(282,987)
Total property and equipment	45,944	39,831	407,738
Intangible assets:			
Goodwill	75,768	1,391	672,417
Customer-related intangible assets	41,797	–	370,935
Other intangible assets	16,550	1,129	146,876
Total intangible assets	134,117	2,520	1,190,246
Investments and other assets:			
Investments in: (Notes 4 and 13)			
Affiliates	15,351	9,120	136,235
Others	4,966	6,423	44,071
Long-term loans receivable (Note 13)	78	248	692
Net defined benefit asset (Note 8)	96	–	851
Deferred tax assets (Note 9)	1,084	585	9,620
Other investments	5,894	4,944	52,307
Less: Allowance for doubtful accounts	(86)	(128)	(763)
Total investments and other assets	27,386	21,194	243,042
Total assets	¥ 385,902	¥ 194,553	$ 3,424,760

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Notes and accounts payable-trade (Notes 5 and 13)	¥ 40,338	¥ 28,683	$ 357,987
Short-term debt (Notes 7 and 13)	27,273	8,299	242,039
Current portion of long-term debt (Notes 7 and 13)	916	226	8,129
Lease obligations (Note 7)	205	158	1,819
Income taxes payable (Notes 9 and 13)	3,470	2,436	30,795
Deferred tax liabilities (Note 9)	293	240	2,600
Accrued bonuses to employees	4,008	2,479	35,569
Accrued bonuses to directors and corporate auditors	335	272	2,973
Other current liabilities (Notes 8 and 14)	21,564	10,974	191,373
Total current liabilities	98,406	53,772	873,322
Long-term liabilities:			
Long-term debt (Notes 7 and 13)	137,320	6,608	1,218,672
Lease obligations (Note 7)	471	441	4,179
Net defined benefit liability (Note 8)	2,640	3,295	23,429
Deferred tax liabilities (Note 9)	9,866	664	87,557
Other long-term liabilities (Note 8)	1,998	83	17,731
Total long-term liabilities	152,296	11,093	1,351,579
Contingent liabilities (Note 10)			
Net assets (Note 11):			
Shareholders' equity:			
Common stock			
Authorized 240,000,000 shares			
Issued 72,000,000 shares	7,216	7,216	64,039
Capital surplus	4,293	4,867	38,099
Retained earnings	103,271	97,526	916,498
Treasury stock	(3)	(2)	(26)
Total shareholders' equity	114,777	109,607	1,018,610
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	1,338	2,187	11,874
Deferred gains (losses) on hedges	(4)	39	(35)
Foreign currency translation adjustments	9,473	14,089	84,069
Remeasurements of defined benefit plans	(205)	84	(1,819)
Total accumulated other comprehensive income	10,602	16,400	94,089
Non-controlling interests in consolidated subsidiaries	9,819	3,679	87,140
Total net assets	135,199	129,687	1,199,849
Total liabilities and net assets	¥ 385,902	¥ 194,553	$ 3,424,760

See accompanying notes.

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 16)	¥ 420,252	¥ 327,192	$ 3,729,605
Cost of sales	348,489	274,636	3,092,731
Operating gross profit	71,762	52,556	636,865
Selling, general and administrative expenses (Note 17)	56,405	35,992	500,576
Operating income (Note 16)	15,356	16,563	136,279
Other income (expenses):			
Interest and dividend income	665	540	5,901
Interest expenses	(802)	(228)	(7,117)
Foreign currency exchange gain, net	1,491	1,231	13,232
Equity in earnings of affiliates, net	651	255	5,777
Subsidy income	553	217	4,907
Gain on revision of retirement benefit plan (Note 8)	523	–	4,641
Impairment loss (Notes 6 and 16)	(559)	–	(4,960)
Loss on disposal of fixed assets	(12)	(24)	(106)
Loss on valuation of investment securities	(10)	–	(88)
Loss on U.S. antitrust matter (Note 18)	–	(2,032)	–
Others, net (Note 18)	(9)	(150)	(79)
	2,490	(191)	22,097
Income before income taxes	17,847	16,372	158,386
Income taxes (Note 9):			
Current	5,931	6,016	52,635
Deferred	1,184	(668)	10,507
	7,115	5,348	63,143
Net income	10,731	11,024	95,234
Net income attributable to non-controlling interests	958	535	8,501
Net income attributable to owners of the parent	¥ 9,773	¥ 10,489	$ 86,732

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income	¥ 10,731	¥ 11,024	$ 95,234
Other comprehensive income (Note 19):			
Unrealized gains (losses) on available-for-sale securities	(851)	944	(7,552)
Deferred gains (losses) on hedges	(43)	39	(381)
Foreign currency translation adjustments	(4,200)	6,891	(37,273)
Remeasurements of defined benefit pension plans	(294)	407	(2,609)
Share of other comprehensive income of entities accounted for using equity method	(735)	824	(6,522)
Total other comprehensive income	(6,125)	9,107	(54,357)
Comprehensive income	¥ 4,606	¥ 20,131	$ 40,876
Comprehensive income attributable to			
Owners of the parent	¥ 4,037	¥ 19,275	$ 35,827
Non-controlling interests	568	856	5,040

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2016 and 2015

		Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
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	–	–	–	(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 April 1, 2015	36,000	¥ 7,216	¥ 4,867	¥ 97,526	¥ (2)	¥ 109,607	¥ 2,187	¥ 39	¥ 14,089	¥ 84	¥ 16,400	¥ 3,679	¥ 129,687
Cumulative effect of change in accounting policies (Note 2 (19))	–	–	(574)	(2,264)	–	(2,838)	–	–	(62)	–	(62)	–	(2,900)
Balance at April 1, 2015, as restated	–	7,216	4,293	95,262	(2)	106,769	2,187	39	14,027	84	16,338	3,679	126,787
Stock split (Note 11)	36,000	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	(1,763)	–	(1,763)	–	–	–	–	–	–	(1,763)
Net income attributable to owners of the parent	–	–	–	9,773	–	9,773	–	–	–	–	–	–	9,773
Purchase of treasury stock	–	–	–	–	(1)	(1)	–	–	–	–	–	–	(1)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(848)	(43)	(4,553)	(290)	(5,735)	6,140	404
Balance at March 31, 2016	72,000	¥ 7,216	¥ 4,293	¥ 103,271	¥ (3)	¥ 114,777	¥ 1,338	¥ (4)	¥ 9,473	¥ (205)	¥ 10,602	¥ 9,819	¥ 135,199

See accompanying notes.

		Thousands of U.S. dollars (Note 1)											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2015	36,000	$ 64,039	$ 43,193	$ 865,512	$ (17)	$ 972,728	$ 19,408	$ 346	$ 125,035	$ 745	$ 145,544	$ 32,649	$ 1,150,931
Cumulative effect of change in accounting policies (Note 2 (19))	–	–	(5,094)	(20,092)	–	(25,186)	–	–	(550)	–	(550)	–	(25,736)
Balance at April 1, 2015, as restated	–	64,039	38,099	845,420	(17)	947,541	19,408	346	124,485	745	144,994	32,649	1,125,195
Stock split (Note 11)	36,000	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	(15,646)	–	(15,646)	–	–	–	–	–	–	(15,646)
Net income attributable to owners of the parent	–	–	–	86,732	–	86,732	–	–	–	–	–	–	86,732
Purchase of treasury stock	–	–	–	–	(8)	(8)	–	–	–	–	–	–	(8)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(7,525)	(381)	(40,406)	(2,573)	(50,896)	54,490	3,585
Balance at March 31, 2016	72,000	$ 64,039	$ 38,099	$ 916,498	$ (26)	$ 1,018,610	$ 11,874	$ (35)	$ 84,069	$ (1,819)	$ 94,089	$ 87,140	$ 1,199,849

See accompanying notes.

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 17,847	¥ 16,372	$ 158,386
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,236	2,806	64,217
Impairment loss	559	–	4,960
Increase (Decrease) in accrued bonuses to employees	373	329	3,310
Increase (Decrease) in accrued bonuses to directors and corporate auditors	75	14	665
Increase (Decrease) in net defined benefit liability	(966)	442	(8,572)
Interest and dividend income	(665)	(540)	(5,901)
Interest expense	802	228	7,117
Loss on valuation of investment securities	10	–	88
Loss on U.S. antitrust matter	–	2,032	–
Gain on revision of retirement benefit plan	(523)	–	(4,641)
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	9,581	(7,483)	85,028
Increase (Decrease) in notes and accounts payable	(5,046)	2,097	(44,781)
(Increase) Decrease in other assets	(695)	543	(6,167)
Increase (Decrease) in other liabilities	231	198	2,050
Others, net	(278)	(100)	(2,467)
Subtotal	28,542	16,942	253,301
Interest and cash dividend received	984	735	8,732
Interest paid	(788)	(228)	(6,993)
Payment on U.S. antitrust matter	–	(2,032)	–
Payment on Singapore antitrust matter	–	(64)	–
Income taxes paid	(8,594)	(5,893)	(76,269)
Net cash provided by (used in) operating activities	20,143	9,457	178,762

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(6,889)	(3,878)	(61,137)
Proceeds from withdrawal of time deposit	6,450	2,135	57,241
Payments for purchases of securities	(2,907)	(2,287)	(25,798)
Proceeds from sales of securities	2,478	67	21,991
Payments for purchases of property and equipment	(5,735)	(4,889)	(50,896)
Proceeds from sales of property and equipment	142	34	1,260
Proceeds from loans receivable	326	1,497	2,893
Payments for loans receivable	(302)	(264)	(2,680)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(139,804)	(396)	(1,240,717)
Others, net	(964)	(2,888)	(8,555)
Net cash provided by (used in) investing activities	(147,207)	(10,870)	(1,306,416)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	15,731	(300)	139,607
Payments of capital lease obligations	(183)	(176)	(1,624)
Proceeds from long-term debt	131,949	1,470	1,171,006
Payments for long-term debt	(466)	(565)	(4,135)
Payments of cash dividends	(1,764)	(1,517)	(15,654)
Payments of cash dividends to non-controlling interests	(520)	(335)	(4,614)
Others, net	(1)	(0)	(8)
Net cash provided by (used in) financing activities	144,744	(1,424)	1,284,558
Effect of exchange rate fluctuations on cash and cash equivalents	(2,476)	3,573	(21,973)
Net increase (decrease) in cash and cash equivalents	15,203	736	134,921
Cash and cash equivalents at beginning of year	48,700	47,963	432,197
Cash and cash equivalents at end of year (Note 3)	¥ 63,903	¥ 48,700	$ 567,119

See accompanying notes.

Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2016 and 2015

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. 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 March 26, 2015)", 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, 2016 which is ¥112.68 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 2016 presentation.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation
The Consolidated financial statements include the accounts of the Company and 130 subsidiaries for the year ended March 31, 2016. At March 31, 2015 the Company had 63 subsidiaries and consolidated all of them.

The Company and the consolidated subsidiaries are together referred to as the "Group" 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 non-controlling interests charged to net income attributable to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

(3) Investments in Affiliates
At March 31, 2016, 10 affiliates, of which the Company has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. At March 31, 2015, 9 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, "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 Group does not hold any security defined as securities held for trading purposes, as of March 31, 2016 and 2015. 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 accumulated other comprehensive income in 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 excluding Leased Assets
Property and equipment are stated at cost and have been depreciated over the estimated useful lives of the respective assets on the straight-line method. The range of useful lives is principally as follows:

Buildings and Structures	5-43 years
Machinery and equipment	2-7 years
Others	1-20 years

(8) Intangible Assets excluding Leased 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 useful lives (primarily 5-10 years). Goodwill and negative goodwill which was accounted on or before March 31, 2010 are amortized on the straight-line method primarily over 20 years. Immaterial goodwill is amortized as incurred. Customer-related intangible assets and Trademark rights which were identified in business combination are amortized on the straight-line method over their useful lives of 20 years.

(9) Leased Assets under Finance Lease without Transfer of Ownership
Assets used under finance lease arrangements are capitalized. Depreciation for Leased 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.

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

(11) 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.

(12) 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.

(13) Accounting for Retirement Benefits
The Group adopts 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 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 Group adopts 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, 2016 is calculated under benefit formula bases.

b) Actuarial gains and losses and past service costs
The past service cost is amortized on the straight-line method over the period of 13 years.
Actuarial gains and losses are amortized evenly commencing from the following fiscal year on the straight-line method over the period prescribed by the average of the estimated remaining service period of 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.

(Additional information)
On January 2016, the Company and its certain domestic consolidated subsidiary transferred part of its defined benefit pension plan to defined contribution plan and this transfer was accounted for in accordance with "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No.1, January 31, 2002). As a result, the Group recorded gain on revision of retirement benefit plan of ¥523 million ($4,641 thousand) for the year ended March 31, 2016.

(14) 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.

(15) 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 "Non-controlling interests in consolidated subsidiaries" in separate components of equity.

(16) 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, together with the assessment of the recoverability of deferred tax assets.
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.

(17) Derivatives
The Group uses derivative financial instruments to manage their exposure to fluctuations in foreign currency exchange and interest rates. Derivative financial instruments are stated at fair value and changes in their fair values are recognized as gains or losses.

(18) 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. Interest rate and currency swaps, which qualify for hedge accounting and meet specific matching criteria, are not measured at fair value. The net payment and receipt under the swap agreements are instead recognized and included in interest expense, and hedged items denominated in a foreign currency are translated at the contracted rate (integral accounting).

The following summarizes hedging derivative financial instruments used by the Group.

Hedging instruments	Hedged object
Interest and currency swaps	Long-term debt denominated in foreign currency
Forward foreign exchange contracts	Foreign currency scheduled transactions

The evaluation of hedge effectiveness is based on a comparison between the cumulative fluctuations in rates or fluctuation of cash flows on hedged object and hedging instruments. The evaluation of hedge effectiveness for interest and currency swaps is omitted as they meet the requirements of integral accounting.

(19) 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, 2016 and 2015 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.

(20) Changes in Accounting Policies
(Application of accounting standards for Business Combinations)
The Group adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")), etc. (together, the "Business Combination Accounting Standards") from the current fiscal year. As a result, the Group changed its accounting policies to recognize in capital surplus the differences arising from changes in the Group's ownership interest of subsidiaries over which the Group continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Group changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Group also changed the presentation of net income and of the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.
With regard to the application of the Business Combination Accounting Standards, the Group followed the provisional treatments in article 58-2 (3) of Statement No.21, article 44-5 (3) of Statement No.22 and article 57-4 (3) of Statement No.7 and recognized in capital surplus or retained earnings the cumulative effect as of the beginning of the current fiscal year that resulted from the retrospective application of the new accounting policies for all of the previous fiscal years. As a result, goodwill, capital surplus, retained earnings and foreign currency translation adjustments as of the beginning of the current fiscal year decreased by ¥563 million ($4,996 thousand), ¥574 million ($5,094 thousand), 2,264 million ($20,092 thousand) and ¥62 million ($550 thousand), respectively, and operating income and income before income taxes for the current fiscal year decreased by ¥668 million ($5,928 thousand) and ¥692 million ($6,141 thousand).
In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities".
Since the cumulative effect is reflected in net assets as of the beginning of the current fiscal year, the beginning balance of capital surplus, retained earnings and foreign currency translation adjustments in the consolidated statement of changes in net assets decreased by ¥574 million ($5,094 thousand), ¥2,264 million ($20,092 thousand) and ¥62 million ($550 thousand), respectively.
The effects on per share information are explained in Note 20 "Amounts per Share".

Note 3: Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥ 70,580	¥ 53,318	$ 626,375
Time deposits with maturities exceeding three months	(6,676)	(4,618)	(59,247)
Cash and cash equivalents	¥ 63,903	¥ 48,700	$ 567,119

2. Assets and liabilities of newly consolidated subsidiaries by acquisition
The following is the summary of assets acquired and liabilities assumed through the acquisition of shares in APL Logistics Ltd and its group companies for the year ended March 31, 2016, related acquisition cost and net payment:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Current assets	¥ 56,936	$ 505,289
Non-current assets	72,904	647,000
Goodwill	78,158	693,627
Current liabilities	(39,585)	(351,304)
Non-current liabilities	(11,256)	(99,893)
Non-controlling interests	(5,490)	(48,722)
Foreign currency translation adjustments	(3,004)	(26,659)
Acquisition cost	148,661	1,319,320
Cash and cash equivalents of newly consolidated subsidiaries	(8,857)	(78,603)
Payment for the acquisition	¥ 139,804	$ 1,240,717

3. Significant non-cash transactions
The amounts of assets and obligations related to finance lease transactions that were newly recorded in the current fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2015 are ¥113 million ($1,002 thousand) and ¥83 million, respectively.

Note 4: Securities

The following tables summarized acquisition costs, book values and fair values of securities with available fair values at March 31, 2016 and 2015:

Held-to-maturity debt securities, at March 31, 2016:	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair values exceeding book value	¥ 139	¥ 140	¥ 0	$ 1,233	$ 1,242	$ 0
Securities with available fair values not exceeding book value	–	–	–	–	–	–
Total	¥ 139	¥ 140	¥ 0	$ 1,233	$ 1,242	$ 0

Held-to-maturity debt securities, at March 31, 2015:	Millions of yen		
	Book value	Fair value	Difference
Securities with available fair values exceeding book value	¥ 139	¥ 139	¥ 0
Securities with available fair values not exceeding book value	–	–	–
Total	¥ 139	¥ 139	¥ 0

Available-for-sale securities, at March 31, 2016:	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 4,489	¥ 2,584	¥ 1,904	$ 39,838	$ 22,932	$ 16,897
Securities with book value not exceeding acquisition costs	3,246	3,264	(18)	28,807	28,966	(159)
Total	¥ 7,735	¥ 5,849	¥ 1,886	$ 68,645	$ 51,908	$ 16,737

Available-for-sale securities, at March 31, 2015:	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 5,874	¥ 2,650	¥ 3,223
Securities with book value not exceeding acquisition costs	58	59	(1)
Total	¥ 5,933	¥ 2,710	¥ 3,222

Available-for-sale securities sold during the years ended March 31, 2016 and 2015:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Sales proceeds	¥ 72	¥ 67	$ 638
Gain on sales	9	2	79
Loss on sales	–	–	–

Note 5: Pledged Assets and Secured Liabilities

At March 31, 2016 and 2015, assets pledged as collateral for secured liabilities were as follows:

Assets pledged as collateral	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥ 159	¥ 178	$ 1,411
Total	¥ 159	¥ 178	$ 1,411

At March 31, 2016 and 2015, liabilities related to these assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
Secured liabilities	2016	2015	2016
Notes and accounts payable-trade	¥ 59	¥ 67	$ 523
Total	¥ 59	¥ 67	$ 523

Note 6: Loss on Impairment of Fixed Assets

The Group primarily classifies its assets by management accounting unit and reviewed its long-lived assets for impairment.

For the year ended March 31, 2016, the Group recognized an impairment loss of ¥559 million ($4,960 thousand) as other expenses. The impairment loss was recognized on business assets ("containers") in United States (APLL Segment) and the Group reduced the book value of these assets to their recoverable amount due to the recognition of continuous operating loss.

The recoverable amount of the business assets was measured at the net realizable value.

Note 7: Short-term Debt and Long-term Debt

1. Short-term debt consists principally of borrowings from banks. The weighted average interest rate of short-term debt as of March 31, 2016 and 2015 are 0.9% and 1.3%, respectively.

2. Long-term debt including lease obligations at March 31, 2016 and 2015 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Long-term debt from banks and other financial institutions due 2016 to 2026, with average interest of 0.4% for 2016 and 1.5% for 2015			
Unsecured	¥138,913	¥ 7,435	$1,232,809
Less: Portion due within one year	(1,122)	(385)	(9,957)
Long-term debt, less current portion	¥137,791	¥ 7,050	$1,222,852

3. Annual maturities of long-term debt including lease obligations at March 31, 2016 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 6,037	$ 53,576
2019	10,788	95,740
2020	10,564	93,752
2021 and thereafter	110,400	979,765
Total	¥ 137,791	$ 1,222,852

4. Financial covenants

The Company's long-term debt from bank of ¥130,000 million ($1,153,709 thousand) includes financial covenants, with which the Company is in compliance as follows:

(a) Maintain the amount of shareholders' equity recorded on the Company's consolidated balance sheets as of the end of each fiscal year at not less than 75% of the total shareholders' equity recorded on the Company's consolidated balance sheets as of the end of the previous fiscal year or the fiscal year ended March 31, 2015.

(b) As of the end of each fiscal year, the Company shall not recognize ordinary losses as recorded in its consolidated statements of income for two consecutive periods.

(c) Maintain net debt equity ratio on the Company's consolidated balance sheets as of the end of each fiscal year at not less than three times.

Note 8: Accounting for Retirement Benefits

1. Defined benefit pension plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year, as previously reported	¥ 17,133	¥ 15,920	$152,050
Cumulative effect of change in accounting policies	–	130	–
Balance at beginning of year, as restated	17,133	16,051	152,050
Increase due to business combination	616	–	5,466
Service cost	915	905	8,120
Interest cost	151	130	1,340
Actuarial differences incurred during the year	63	676	559
Benefits paid	(587)	(644)	(5,209)
Decrease due to partial transfer to defined contribution pension plan	(4,112)	–	(36,492)
Other (Foreign currency exchange)	(45)	14	(399)
Balance at end of year	¥ 14,134	¥ 17,133	$125,434

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 15,584	¥ 14,036	$138,303
Increase due to business combination	132	–	1,171
Expected return on plan assets	447	413	3,966
Actuarial differences incurred during the year	(414)	797	(3,674)
Contributions paid by the employer	922	968	8,182
Benefits paid	(583)	(644)	(5,173)
Decrease due to partial transfer to defined contribution pension plan	(2,650)	–	(23,517)
Other	(15)	13	(133)
Balance at end of year	¥ 13,423	¥ 15,584	$119,124

(3) Changes in retirement benefit obligations applying simplified method

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 1,745	¥ 1,162	$ 15,486
Increase due to business combination	–	256	–
Retirement benefit costs	533	490	4,730
Benefits paid	(81)	(29)	(718)
Contributions paid by the employer	(327)	(181)	(2,902)
Other (Foreign currency exchange)	(37)	46	(328)
Balance at end of year	¥ 1,832	¥ 1,745	$ 16,258

(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
	2016	2015	2016
Funded retirement benefit obligations	¥ 14,378	¥ 17,646	$ 127,600
Plan assets	(13,975)	(15,998)	(124,023)
	403	1,648	3,576
Unfunded projected benefit obligations	2,140	1,647	18,991
Net liability (asset) on the consolidated balance sheet	¥ 2,543	¥ 3,295	$ 22,568
Net defined benefit liability	2,640	3,295	23,429
Net defined benefit asset	(96)	–	(851)
Net amount of liability (asset) on the consolidated balance sheet	¥ 2,543	¥ 3,295	$ 22,568

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 915	¥ 905	$ 8,120
Interest cost	151	130	1,340
Expected return on plan assets	(447)	(413)	(3,966)
Amortization on actuarial gains and losses	149	245	1,322
Amortization on prior service cost	1	4	8
Amortization on net transition obligation	–	259	–
Retirement benefit cost with simplified method	533	490	4,730
Net retirement benefit costs of defined benefit pension plan	¥ 1,302	¥ 1,621	$ 11,554
Gain due to partial transfer to defined contribution pension plan	¥ 523	¥ –	$ 4,641

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs	¥ 2	¥ 4	$ 17
Actuarial differences	(429)	365	(3,807)
Net transition obligation	–	259	–
Total	¥ (426)	¥ 629	$ (3,780)

Note: Past service costs and actuarial differences for the year ended March 31, 2016 include the effects of partial transfer to defined contribution pension plan which amount to ¥1 million ($8 thousand) and ¥(99) million ($(878) thousand), respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized past service costs	¥ 4	¥ 7	$ 35
Unrecognized actuarial differences	334	(95)	2,964
Total	¥ 338	¥ (87)	$ 2,999

(8) Plan assets

(a) Components of plan assets	2016	2015
Bonds	51.6%	50.5%
Equity securities	22.7%	26.5%
Cash and time deposits	8.1%	7.7%
Life insurance company account	3.7%	3.0%
Alternative investments	13.4%	12.3%
Other	0.5%	0.0%
Total	100.0%	100.0%

Notes:
1. Plan asset consists of retirement benefit trust set to the defined benefit pension plan which account for 0.9% and 1.5% of the plan assets as of March 31, 2016 and 2015 respectively.
2. Alternative investments are mainly investments on hedge funds.

(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)

	2016	2015
Discount rate	0.9%	0.8%
Long-term expected rate of return on plan assets	2.9%	3.0%

2. Defined contribution pension plan

Contributions to defined contribution pension plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2016 and 2015 were ¥547 million ($4,854 thousand) and ¥183 million, respectively.

3. Other

Assets of ¥3,648 million ($32,374 thousand) will be transferred to defined contribution pension plan over 8 years as a result of this partial transfer of funded defined benefit pension plan to defined contribution pension plan.

The remaining balance to be transferred as of March 31, 2016 of ¥885 million ($7,854 thousand) is included in other current liabilities and other long-term liabilities.

Note 9: 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 statutory tax rate of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

1. Significant components of deferred tax assets and liabilities
Significant components of deferred tax assets and liabilities resulting from temporary differences as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Loss carryforwards	¥ 4,991	¥ 148	$ 44,293
Accrued bonuses	577	456	5,120
Accrued enterprise tax	34	141	301
Net defined benefit liability	1,097	1,072	9,735
Valuation loss on investment securities	175	192	1,553
Allowance for doubtful accounts	171	89	1,517
Loss on U.S. antitrust matter	–	672	–
Allowance for paid leave	335	193	2,973
Others	1,020	321	9,052
Gross deferred tax assets	8,405	3,289	74,591
Less: Valuation allowance	(5,355)	(483)	(47,523)
Total deferred tax assets	3,049	2,806	27,058
Deferred tax liabilities:			
Depreciation	(1,123)	(151)	(9,966)
Reserved profit of foreign subsidiaries	(115)	(50)	(1,020)
Unrealized holding gains on securities	(559)	(1,046)	(4,960)
Valuation difference on business combination	(9,065)	–	(80,449)
Others	(558)	(366)	(4,952)
Total deferred tax liabilities	(11,421)	(1,616)	(101,357)
Net deferred tax assets (liabilities)	¥ (8,372)	¥ 1,190	$ (74,298)

2. Reconciliation between the statutory income tax and effective tax rate
The reconciliations 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, 2016 and 2015 were as follows:

	2016	2015
Statutory tax rate	33.1%	35.6%
Entertainment expenses and other non-deductible permanent differences	2.9	1.3
Dividend income and other non-taxable income	(2.4)	(0.7)
Difference of the statutory tax rate among countries other than Japan	(5.3)	(6.2)
Amortization of goodwill	3.7	0.2
Expense owing directly to business combination	1.5	–
Corporate inhabitant tax, withholding tax	3.5	1.4
Valuation allowance, utilization of tax losses	2.3	(0.3)
Other, net	0.6	1.4
Effective tax rate	39.9%	32.7%

3. Adjustment of deferred tax assets and liabilities pursuant to the change in statutory tax rate
On March 31, 2016, 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, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 32.3% to 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) increased by ¥6 million ($53 thousand), income taxes-deferred recorded for the year ended March 31, 2016 increased by ¥18 million ($159 thousand), unrealized gains on available-for-sale securities increased by ¥31 million ($275 thousand) and remeasurements of defined benefit plans decreased by ¥6 million ($53 thousand) for the year ended March 31, 2016.

Note 10: Contingent Liabilities

The Group has no material contingent liabilities as of March 31, 2016.

Note 11: Consolidated Statements of Changes in Net Assets

1. Shareholders' equity
Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock. However, 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.

Under the Japanese Companies Act ("the Act"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Act, both legal earnings reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings under certain conditions.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

2. Dividends from surplus, etc.
(1) Number of shares issued

	Shares	
	2016	2015
Number of shares at the beginning of the fiscal year	36,000,000	36,000,000
Increase	(Note 3) 36,000,000	–
Decrease	–	–
Number of shares at the end of the fiscal year	72,000,000	36,000,000

Notes:
1. Type of all share issued is common stock.
2. The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date.
3. Increase in number of 36,000,000 shares issued of common stock is due to this stock split.

(2) Number of treasury stock shares

	Shares			
		2016		2015
Number of shares at the beginning of the fiscal year		790		714
Increase	(Note 3)	1,519	(Note 4)	76
Decrease		–		–
Number of shares at the end of the fiscal year		2,309		790

Notes:
1. Type of all share issued is common stock.
2. The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date.
3. The 1,519 shares increase in the number of treasury stock shares for the fiscal year ended March 31, 2016 consists of increases of 49 shares from the purchase of shares of less than standard unit before this stock split, increases of 839 shares as a result of this stock split and increases of 631 shares from the purchase of shares less than standard unit after this stock split.
4. The 76 shares increase of treasury stock shares for the fiscal year ended March 31, 2015 is due to the purchase of shares less than standard unit.

(3) Items related to dividends
(a) Dividend paid

Resolutions	Dividend paid		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Year ended March 31, 2016						
Ordinary general meeting of shareholders held on June 16, 2015	**¥ 1,043**	**$ 9,256**	**¥ 29.00**	**$ 0.25**	**March 31, 2015**	**June 17, 2015**
Board of directors meeting held on November 9, 2015	**719**	**6,380**	**20.00**	**0.17**	**September 30, 2015**	**December 10, 2015**
Year ended March 31, 2015						
Ordinary general meeting of shareholders held on June 17, 2014	¥ 899	$ 7,978	¥ 25.00	$ 0.22	March 31, 2014	June 18, 2014
Board of directors meeting held on November 10, 2014	611	5,422	17.00	0.15	September 30, 2014	December 10, 2014

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.
3. The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date, therefore, the dividend per share in the above table (a) are amounts prior to the stock split.

(b) Dividends with a record date during the year ended March 31, 2016 and 2015 but an effective date subsequent to the following fiscal year.

Resolutions	Dividend paid		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Year ended March 31, 2016						
Ordinary general meeting of shareholders held on June 21, 2016	**¥ 1,151**	**$ 10,214**	**¥ 16.00**	**$ 0.14**	**March 31, 2016**	**June 22, 2016**
Year ended March 31, 2015						
Ordinary general meeting of shareholders held on June 16, 2015	¥ 1,043	$ 9,256	¥ (Note 3) 29.00	$ 0.25	March 31, 2015	June 17, 2015

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.
3. The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date. The dividend per share for the year ended March 31, 2015 in the above table (b) is amount prior to the stock split. Taking the stock split into consideration, the dividend per share with a record date during the year ended March 31, 2015 but payable in the following fiscal year is ¥14.50 ($0.1).

Note 12: Accounting for Leases

Lease obligations under noncancellable operating leases for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Payments due within one year	¥ 7,237	¥ 4,609	$ 64,226
Payments due after one year	15,220	10,717	135,072
Total	¥ 22,457	¥ 15,326	$ 199,298

Note 13: Financial Instruments

1. Qualitative information on financial instruments
(1) Group policy for financial instruments
The Group limits 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 Group performs 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 Group have operational relationships and they are exposed to stock market fluctuation risks. To control the risks, the Group is continuously monitoring the investees' financial position and the market values.

Credit risk arising from held-to-maturity debt securities and high credit rating debt securities is minimal.

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 transactions and long-term debts are mainly for financing related to capital investments and mergers and acquisitions.

Those payables and debts are exposed to liquidity risk at time of settlement. However, the Group reduces that risk by having each company review its financing plans periodically and by controlling the liquidity position.

As derivative transactions, the Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain receivables and payables, and scheduled transactions denominated in foreign currencies. Also the Group enters into interest rate and currency swap contracts to manage interest and currency exposures on debt from financial institutions.

As for foreign exchange forward contracts, it is executed and controlled under the Group's internal rules and regulations.

The credit risk of derivative transactions is deemed to be very low because the Group only conducts 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, 2016 were 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	¥ 70,580	¥ 70,580	¥ –	$ 626,375	$ 626,375	$ –
(2) Notes and accounts receivable-trade	88,500	88,500	–	785,410	785,410	–
(3) Marketable securities						
Held-to-maturity debt securities	139	140	0	1,233	1,242	0
Available-for-sale securities	3,113	3,113	–	27,626	27,626	–
(4) Investment securities						
Equity securities	6,541	4,211	(2,330)	58,049	37,371	(20,678)
Other securities	4,622	4,622	–	41,018	41,018	–
(5) Long-term loans receivable (including current portion of long-term loan receivable)	464	464	–	4,117	4,117	–
Total	¥173,963	¥171,633	¥ (2,329)	$1,543,867	$1,523,189	$(20,669)
Liabilities:						
(6) Notes and accounts payable-trade	¥ 40,338	¥ 40,338	¥ –	$ 357,987	$ 357,987	$ –
(7) Short-term debt	27,273	27,273	–	242,039	242,039	–
(8) Income taxes payable	3,470	3,470	–	30,795	30,795	–
(9) Long-term debt (including current portion of long-term debt)	138,237	140,677	2,440	1,226,810	1,248,464	21,654
Total	¥209,319	¥211,760	¥ 2,440	$1,857,641	$1,879,304	$ 21,654
Derivative transactions(*):						
(1) Hedge accounting is not applied	¥ 0	¥ 0	¥ –	$ 0	$ 0	$ –
(2) Hedge accounting is applied	(4)	(4)	–	(35)	(35)	–
Total	¥ (4)	¥ (4)	¥ –	$ (35)	$ (35)	$ –

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

Notes:

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 in nature 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 (including current portion of long-term loan 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 in nature and their fair values are approximate to their book values.

(9) Long-term debt (including current portion of long-term debt)

Long-term debt (including those in foreign currencies) consists of interest rate and currency swaps, which meet the specific matching criteria of integral accounting. The fair value is computed by discounting the aggregate value of the principal and interest, together with the interest rate and currency swaps, using the interest rate that would be assumed if a similar loan agreement were entered.

Derivative transactions

The fair value information for derivatives is included in Note 14.

2. Financial instruments whose fair value cannot be reliably determined

Investments in equity instruments that do not have a quoted market price in an active market as of March 31, 2016 were as follows.

	Book value	
	Millions of yen	Thousands of U.S. dollars
Investments in affiliates	¥ 8,810	$ 78,186
Investments in others	343	3,044

Notes:

1. These investments are not included in Assets (4) Investment securities.
2. Certain unlisted security was impaired and valuation loss on investment security of ¥10 million ($88 thousand) was recorded for the year ended March 31, 2016.
3. The redemption schedule for monetary claim and debt securities with maturity dates subsequent to the consolidated balance sheet 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	¥ 70,580	¥ –	¥ –	$ 626,375	$ –	$ –
(2) Notes and accounts receivable-trade	88,500	–	–	785,410	–	–
(3) Marketable securities						
Held-to-maturity debt securities (government securities)	139	–	–	1,233	–	–
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	3,110	53	–	27,600	470	–
Other securities with maturity date (government securities)	3	46	–	26	408	–
(4) Long-term loans receivable	386	78	–	3,425	692	–
Total	¥162,720	¥ 179	¥ –	$ 1,444,089	$ 1,588	$ –

Note 14: Derivatives

1. Derivative transactions to which hedge accounting was not applied as of March 31, 2016

[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	¥ 407	¥ (1)	¥ (1)	$ 3,611	$ (8)	$ (8)
Purchase euro	210	2	2	1,863	17	17
Purchase British pound	45	0	0	399	0	0
Purchase Thai baht	17	(0)	(0)	150	(0)	(0)
Purchase Hong Kong dollar	13	(0)	(0)	115	(0)	(0)
Purchase Swiss franc	12	0	0	106	0	0
Purchase Swedish krona	1	0	0	8	0	0
	¥ 707	¥ 0	¥ 0	$ 6,274	$ 0	$ 0

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

2. Derivative transactions to which hedge accounting was applied as of March 31, 2016

[Interest and Currency related]

	Millions of yen			Thousands of U.S. dollars		
Hedged items and hedge accounting method	Contract amounts	Contract amounts due over one year	Fair value	Contract amounts	Contract amounts due over one year	Fair value
Hedged items: Long-term debt and interest						
Hedge accounting method: Integral accounting for interest rate and currency swaps						
Currency and interest rate swaps to Floating-rate receipt, fixed-rate payment Receipt in U.S. dollars, payment in yen	¥ 69,000	¥ 69,000	Note	$ 612,353	$ 612,353	Note

Note: Currency and interest rate swaps which qualify for hedge accounting and meet specific criteria are not remeasured at market value but the differential paid or received under the swap agreement is recognized and included in interest expense of the long-term debt.

[Currency related]

	Millions of yen			Thousands of U.S. dollars		
Hedged items and hedge accounting method	Contract amounts	Contract amounts due over one year	Fair value	Contract amounts	Contract amounts due over one year	Fair value
Hedged items: Scheduled transactions						
Hedge accounting method: Deferral hedge accounting						
Foreign currency forward contracts to						
Purchase euro	¥ 52	¥ –	¥ 0	$ 461	$ –	$ 0
Purchase Chinese yuan	191	–	(7)	1,695	–	(62)
Sell British pound	288	–	2	2,555	–	17
	¥ 532	¥ –	¥ (4)	$ 4,721	$ –	$ (35)

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

Note 15: Business Combination

(Business combination by acquisition)

1. Overview of business combination

(1) Name and business of the acquired company
APL Logistics Ltd - Logistics businesses

(2) Purpose for business combination
By combining the logistics services for automotive and retail industries mainly in North America and Asia, and various high-value-added services that are the strengths of APL Logistics Ltd and its subsidiaries with Kintetsu World Express, Inc. and its subsidiaries' air and sea freight forwarding services, the Group is able to create new values and provide broader range of optimized logistics services to customers. This will result in the establishment of a further competitive position which enables the Group to expand its business in the global market.

(3) Date of the business combination
May 29, 2015

(4) Legal form of business combination
Acquisition of shares

(5) Name of company after business combination
APL Logistics Ltd

(6) Share of voting rights acquired
Voting rights at 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. Period for inclusion of acquired company's performance in the consolidated financial statements
From July 1, 2015 to December 31, 2015

3. Acquisition cost:

	Millions of yen	Thousands of U.S. dollars
Cash consideration for acquisition of share	¥ 148,661	$ 1,319,320

4. Expense owing directly to acquisition (mainly advisory fees):

	Millions of yen	Thousands of U.S. dollars
Expense owing directly to acquisition	¥ 3,153	$ 27,981

5. Amount of goodwill recognized, its sources, and its amortization method and period
(1) Amount of goodwill recognized
¥78,158 million ($693,627 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

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 56,936	$ 505,289
Non-current assets	72,904	647,000
Total assets	129,840	1,152,289
Current liabilities	39,585	351,304
Non-current liabilities	11,256	99,893
Total liabilities	¥ 50,842	$ 451,206

7. Amounts allocated to intangible assets other than goodwill and the weighted average amortization period by components:

	Millions of yen	Thousands of U.S. dollars	The weighted average amortization period
Customer-related intangible assets	¥ 42,580	$ 377,884	20 years
Trademark rights	11,388	101,064	20
Software	65	576	5
Total	¥ 54,033	$ 479,526	20

8. Approximate amount of impact on the consolidated statement of income for the year ended March 31, 2016 assuming that the business combination was completed on April 1, 2015:

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 95,910	$ 851,171
Operating loss	(47)	(417)
Income before income taxes and non-controlling interests	1,197	10,623
Net income attributable to owners of the parent	394	3,496

Note: Approximate amount of impact was calculated as the difference between net sales and profit and loss information calculated assuming that the business combination was completed on April 1, 2015 and those recorded in the acquired company's consolidated statements of income. The approximate amount of impact has not been audited.

Note 16: Segment Information

1. Overview of reportable segments
Reportable segments of the Group are components of an entity for 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 Strategy Headquarters who sets global strategy and controls overall business activities of the Group.
The Company and its consolidated subsidiaries consist of 6 reportable segments namely "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", "Southeast Asia" and "APLL".

2. Services of each reportable segments
"Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania" and "Southeast Asia" segments perform business activities mainly in Air freight forwarding, Sea freight forwarding and Logistics (Warehouse operation) services. "APLL" segment provides services related to Logistics (Truck and Rail transportation and Warehouse operation) and Sea freight forwarding.

3. Changes in presentation of reportable segments
During the consolidated fiscal year, the Company acquired all shares in APL Logistics Ltd, and APL Logistics and its consolidated subsidiaries ("APLL") were included in the scope of consolidation, therefore, the business activities from "APLL" were classified as a new reportable segment.

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 Note 1 "Basis of Presenting the Consolidated Financial Statements".
Income of reportable segments is stated on the basis of operating income. Inter-segment sales or transfer are accounted for market price to be used under general business conditions.
As described in Note 2 (20) "Changes in accounting policies", the Company has adopted the "Revised Accounting Standard for Business Combinations", etc. from the current fiscal year.
Accordingly, the Company changed its accounting policies to recognize in capital surplus the differences arising from changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred.
As a result, segment income of "Japan" increased by 0 million yen, "Europe, Middle East & Africa" increased by 15 million yen, "East Asia & Oceania" increased by 0 million yen, "Southeast Asia" increased by 52 million yen and "APLL" decreased by 737 million yen, respectively, compared to those calculated under the previous method.

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, 2016 and 2015 is presented below:

	Millions of yen										
	Reportable Segments										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other (1)	Total	Adjustment (2)	Consolidated (3)
Year ended March 31, 2016:											
Net sales											
Net sales to outside customers	**¥ 106,635**	**¥ 48,409**	**¥ 34,886**	**¥ 89,740**	**¥ 45,833**	**¥ 94,399**	**¥ 419,905**	**¥ 346**	**¥ 420,252**	**¥ –**	**¥ 420,252**
Inter-segment sales/transfers	**2,791**	**3,504**	**1,088**	**1,545**	**963**	**2**	**9,897**	**1,762**	**11,659**	**(11,659)**	**–**
Total net sales	**109,427**	**51,914**	**35,975**	**91,286**	**46,797**	**94,401**	**429,802**	**2,109**	**431,911**	**(11,659)**	**420,252**
Operating expenses	**105,300**	**48,136**	**34,983**	**85,665**	**44,868**	**95,805**	**414,759**	**1,800**	**416,559**	**(11,664)**	**404,895**
Segment income (loss)	**¥ 4,127**	**¥ 3,778**	**¥ 992**	**¥ 5,621**	**¥ 1,928**	**¥ (1,404)**	**¥ 15,043**	**¥ 308**	**¥ 15,351**	**¥ 4**	**¥ 15,356**
At March 31, 2016:											
Segment assets	**¥ 69,577**	**¥ 24,181**	**¥ 16,341**	**¥ 54,642**	**¥ 25,815**	**¥ 199,606**	**¥ 390,164**	**¥ 2,117**	**¥ 392,282**	**¥ (6,380)**	**¥ 385,902**
Year ended March 31, 2016:											
Other:											
Depreciation	**¥ 1,180**	**¥ 246**	**¥ 241**	**¥ 740**	**¥ 517**	**¥ 2,267**	**¥ 5,193**	**¥ 61**	**¥ 5,255**	**¥ –**	**¥ 5,255**
Amortization of goodwill	**47**	**–**	**–**	**–**	**–**	**1,944**	**1,992**	**–**	**1,992**	**–**	**1,992**
Investments in affiliates	**2,155**	**–**	**183**	**1,768**	**4,702**	**6,541**	**15,351**	**–**	**15,351**	**–**	**15,351**
Increase in property and equipment and other intangible assets	**3,032**	**166**	**397**	**545**	**450**	**2,440**	**7,032**	**79**	**7,112**	**–**	**7,112**
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	336,997	(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 (loss)	¥ 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	¥ 24,014	¥ (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

	Thousands of U.S.dollars										
	Reportable Segments										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total	Adjustment	Consolidated
Year ended March 31, 2016:											
Net sales											
Net sales to outside customers	$ 946,352	$ 429,614	$ 309,602	$ 796,414	$ 406,753	$ 837,761	$ 3,726,526	$ 3,070	$ 3,729,605	$ –	$ 3,729,605
Inter-segment sales/transfers	24,769	31,096	9,655	13,711	8,546	17	87,832	15,637	103,470	(103,470)	–
Total net sales	971,130	460,720	319,266	810,134	415,308	837,779	3,814,359	18,716	3,833,075	(103,470)	3,729,605
Operating expenses	934,504	427,192	310,463	760,250	398,189	850,239	3,680,857	15,974	3,696,831	(103,514)	3,593,317
Segment income (loss)	$ 36,625	$ 33,528	$ 8,803	$ 49,884	$ 17,110	$ (12,460)	$ 133,501	$ 2,733	$ 136,235	$ 35	$ 136,279
At March 31, 2016:											
Segment assets	$ 617,474	$ 214,598	$ 145,021	$ 484,930	$ 229,100	$ 1,771,441	$ 3,462,584	$ 18,787	$ 3,481,380	$ (56,620)	$ 3,424,760
Year ended March 31, 2016:											
Other:											
Depreciation	$ 10,472	$ 2,183	$ 2,138	$ 6,567	$ 4,588	$ 20,118	$ 46,086	$ 541	$ 46,636	$ –	$ 46,636
Amortization of goodwill	417	–	–	–	–	17,252	17,678	–	17,678	–	17,678
Investments in affiliates	19,124	–	1,624	15,690	41,728	58,049	136,235	–	136,235	–	136,235
Increase in property and equipment and other intangible assets	26,908	1,473	3,523	4,836	3,993	21,654	62,406	701	63,116	–	63,116

Notes:
1. "Other" is segment which is not included in reportable segments and provides incidental logistics related services within the Group.
2. Amounts in "Adjustment" represents as follows:
Segment income of ¥4 million ($35 thousand) and ¥3 million for the years ended March 31, 2016 and 2015 respectively represents elimination of inter-segment transactions.
Segment assets of ¥(6,380) million ($(56,620) thousand) and ¥(9,460) million at March 31, 2016 and 2015 respectively consist of elimination of inter-segment transactions of ¥(15,024) million ($(133,333) thousand) and ¥(16,976) million at March 31, 2016 and 2015 respectively and surplus fund (cash and time deposit) of the Company of ¥8,643 million ($76,703 thousand) and ¥7,515 million, which are not allocated to each segments at March 31, 2016 and 2015 respectively.
3. 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, 2016 and 2015 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net sales by Service:			
Air freight forwarding	**¥168,768**	¥ 179,236	**$1,497,763**
Sea freight forwarding	**115,961**	76,678	**1,029,117**
Logistics	**101,380**	36,652	**899,716**
Others	**34,141**	34,625	**302,990**
	¥420,252	¥ 327,192	**$3,729,605**

7. Net sales classified by Country or Geographic area
Net sales classified by country or geographic area for the years ended March 31, 2016 and 2015 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net sales classified by Country or Geographic area			
Japan	**¥106,662**	¥ 120,669	**$ 946,592**
North America	**88,952**	39,442	**789,421**
China	**82,233**	69,368	**729,792**
Asia and Oceania	**76,649**	59,724	**680,236**
Europe	**37,804**	29,988	**335,498**
Latin America	**20,230**	1,800	**179,534**
Others	**7,718**	6,198	**68,494**
	¥420,252	¥ 327,192	**$3,729,605**

Note: 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, 2016 and 2015 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Property and equipment classified by Country or Geographic area			
Japan	**¥ 26,304**	¥ 24,779	**$ 233,439**
North America	**5,815**	3,909	**51,606**
China	**3,020**	2,703	**26,801**
Asia and Oceania	**9,158**	7,673	**81,274**
Europe	**508**	557	**4,508**
Latin America	**801**	17	**7,108**
Others	**334**	191	**2,964**
	¥ 45,944	¥ 39,831	**$ 407,738**

9. Information regarding impairment loss of long-lived assets of reportable segments

Impairment loss of non-current assets by reportable segments for the years ended March 31, 2016 and 2015 are presented below:

	Millions of yen								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2016									
Impairment loss of non-current assets	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 559**	**¥ 559**	**¥ –**	**¥ 559**
Year ended March 31, 2015									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

	Thousands of U.S. dollars								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2016									
Impairment loss of non-current assets	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 4,960**	**$ 4,960**	**$ –**	**$ 4,960**

10. 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, 2016 and 2015 are presented below:

	Millions of yen								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2016									
Goodwill									
Amortization of goodwill	**¥ 47**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 1,944**	**¥ 1,992**	**¥ –**	**¥ 1,992**
Balance of goodwill	**853**	**–**	**–**	**–**	**–**	**75,059**	**75,913**	**–**	**75,913**
Negative goodwill									
Amortization of negative goodwill	**–**	**–**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
Balance of negative goodwill	**–**	**–**	**–**	**–**	**144**	**–**	**144**	**–**	**144**
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

	Thousands of U.S. dollars								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2016									
Goodwill									
Amortization of goodwill	**$ 417**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 17,252**	**$ 17,678**	**$ –**	**$ 17,678**
Balance of goodwill	**7,570**	**–**	**–**	**–**	**–**	**666,125**	**673,704**	**–**	**673,704**
Negative goodwill									
Amortization of negative goodwill	**–**	**–**	**–**	**–**	**97**	**–**	**97**	**–**	**97**
Balance of negative goodwill	**–**	**–**	**–**	**–**	**1,277**	**–**	**1,277**	**–**	**1,277**

Note 17: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Personnel expenses	¥ 34,849	¥ 26,047	$ 309,274
Facility expenses	6,041	3,927	53,611
Office expenses	3,454	2,325	30,653
Depreciation	2,913	876	25,851
Amortization of goodwill	1,992	121	17,678
Others	7,153	2,693	63,480
Total	¥ 56,405	¥ 35,992	$ 500,576

Note 18: Other Income (Expenses)

1. Others, net during the years ended March 31, 2016 and 2015 were summarized as follows :

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amortization of negative goodwill	¥ 11	¥ 35	$ 97
Other, net	(20)	(185)	(177)
	¥ (9)	¥ (150)	$ (79)

2. 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 for the year ended March 31, 2015.

Note 19: Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized gains (losses) on available-for-sale securities			
Increase (Decrease) during the year	¥ (1,339)	¥ 1,337	$ (11,883)
Reclassification	0	(2)	0
Subtotal, before tax	(1,339)	1,335	(11,883)
Tax (expense) or benefit	487	(390)	4,321
Subtotal, net of tax	(851)	944	(7,552)
Deferred gains or losses on hedges			
Increase (Decrease) during the year	(4)	58	(35)
Reclassification	(58)	–	(514)
Subtotal, before tax	(63)	58	(559)
Tax (expense) or benefit	20	(19)	177
Subtotal, net of tax	(43)	39	(381)
Foreign currency translation adjustments			
Increase (Decrease) during the year	(4,200)	6,891	(37,273)
Reclassification	–	–	–
Subtotal, before tax	(4,200)	6,891	(37,273)
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	(4,200)	6,891	(37,273)
Remeasurements of defined benefit plans			
Increase (Decrease) during the year	(478)	120	(4,242)
Reclassification	51	509	452
Subtotal, before tax	(426)	629	(3,780)
Tax (expense) or benefit	132	(222)	1,171
Subtotal, net of tax	(294)	407	(2,609)
Share of other comprehensive income of associates accounted for using equity method			
Increase (Decrease) during the year	(730)	823	(6,478)
Reclassification	(4)	1	(35)
Subtotal	(735)	824	(6,522)
Total other comprehensive income	¥ (6,125)	¥ 9,107	$ (54,357)

Note 20: Amounts Per Share

Net assets per share as of March 31, 2016 and 2015 and net income per share for the years ended March 31, 2016 and 2015 were summarized as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets per share	¥ 1,741.44	¥ 1,750.16	$ 15.45
Earnings per share	135.74	145.68	1.20

Notes:
1. Diluted net income per share for the years ended March 31, 2016 and 2015 are omitted, because the Company has no dilutive shares.
2. The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date. Accordingly, the amount of net assets per share and net income per share which are presented in the above table is calculated based on the assumption that the stock split was conducted at the beginning of the previous year (fiscal year 2015).
3. As described in Note 2 (20) "Changes in Accounting Policies", the Group has adopted the "Accounting Standard for Business Combinations", etc. from the current fiscal year. As a result, net assets per share as of March 31, 2016 decreased by ¥49.91 ($0.44) and earnings per share for the fiscal year ended March 31, 2016 decreased by ¥9.62 ($0.08), respectively.
4. Basis for calculation of earnings per share for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income attributable to owners of the parent	¥ 9,773	¥ 10,489	$ 86,732
Net income not attributable to common shareholders	–	–	–
Net income attributable to common shareholders	¥ 9,773	¥ 10,489	$ 86,732

	Shares	
	2016	2015
Weighted-average number of shares of common stock outstanding	71,998,046	71,998,552

Note: The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015 as the effective date. Accordingly, the weighted-average number of shares of common stock outstanding which is presented in the above table is calculated based on the assumption that the stock split was conducted at the beginning of the previous year (fiscal year 2015).

Note 21: Subsequent Events

None

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Kintetsu World Express, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kintetsu World Express, Inc. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 21, 2016
Tokyo, Japan

Investor Information

(As of March 31, 2016)

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	240,000,000 shares
Issued and outstanding	72,000,000 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:

17,311 (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:

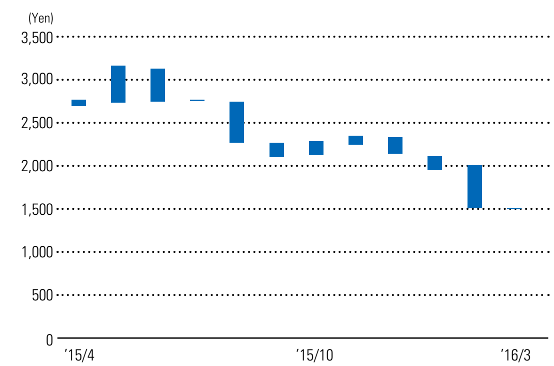
http://www.kwe.com

Major Shareholders

(As of March 31, 2016)

Shareholder	Number of shares held	% of shares held
Kintetsu Group Holdings Co., Ltd.	31,755,800	44.11%
Mitsui O.S.K. Lines, Ltd.	3,599,000	5.00%
NORTHERN TRUST CO. (AVFC) RE-HSD00	2,517,500	3.50%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,515,000	3.49%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,332,400	3.24%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,875,500	2.60%
Hokko Daiwa Taxi Co., Ltd.	1,875,000	2.60%
JUNIPER	1,320,800	1.83%
National Mutual Insurance Federation of Agricultural Cooperatives	1,281,400	1.78%
JP MORGAN CHASE BANK 385174	1,278,600	1.78%

Stock Price



* Stock price is calculated based on the assumption that the stock split, the Company conducted on October 1, was conducted on April 1, 2015.

Global Logistics Partner

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