Annual Report 2019

Kintetsu World Express, Inc.

Year Ended March 31, 2019

"Global Top 10 Solution Partner"

A Global Brand Born in Japan

Corporate Philosophy

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.

KWE Group Corporate Guidelines

(1) We strive to further increase corporate value by delivering customers quality services that meet their needs and earn their confidence.

(2) We strive to be an organization that grows and expands through logistics business.

(3) We promote communications with stakeholders and disclose corporate information accurately and appropriately.

(4) We are committed to comply with external regulations, and compliance monitoring and assessment are built into all levels of the business.

(5) We ensure a safe and healthy work environment where people are treated respectfully and fairly.

(6) We contribute in sustainable community development, with attention to global environmental issues.

Contents

Expectations and Forecasts

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

Guide to Buttons

Move Back to Previous Page
Move Forward to Next Page
Print
Search PDF Content
Go to Contents Page

Long-Term Vision

"Global Top 10 Solution Partner"

— A Global Brand Born in Japan —

- Establish our brand by enhancing quality, competitiveness, and solutions with all our strength.
- Aim to be a preferred partner and grow a strong position in the market despite overwhelming global competition.
- Be a company where all group members take pride in their work.

Numerical Targets

Net sales: 1 trillion yen

Operating income: 50 billion yen

Air freight (Tons): Over 1 million

Sea freight (TEUs): Over 1 million

Financial soundness: Net interest-bearing debt: Zero

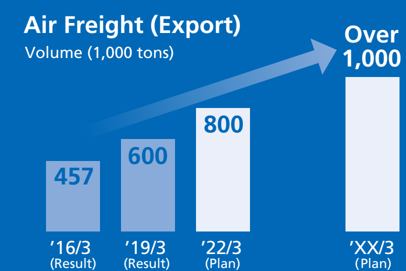
To Become a "Global Top 10 Solution Partner"

Expanding Business Scale by Concentrating on Core Businesses

1 Air Freight Forwarding

Developing Our Strengths Further and Laying Foundations for the Next Half-Century

Based on our "Return to Roots" policy, we boosted air freight volume to 600,000 tons, an increase of 31% compared to three years prior. In the coming three years, we will aim for 800,000 tons. After that, we will focus on becoming a "Global Top 10 Solution Partner" with a target of 1 million tons. Amidst growing uncertainty in the business environment, we will draw strength from the knowledge and experiences that we have cultivated thus far, and along with the flexibility of our asset-light business model, we aim to build the foundations for the next half-century step by step.



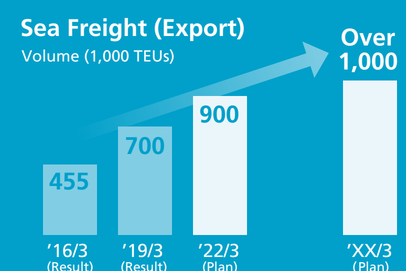
To Become a "Global Top 10 Solution Partner"

Expanding Business Scale by Concentrating on Core Businesses

2 Sea Freight Forwarding

1 Million TEUs Come within Range

Over the past three years, we achieved an increase of 54% in sea freight volume, using "700,000 TEUs" as a slogan to motivate ourselves to accomplish this goal sooner than we expected. Our target for the next three years is 900,000 TEUs. By taking up the challenges of expanding into verticals such as retail goods in addition to automobiles, machinery, and equipment, we will get within arm's reach of 1 million TEUs and ensure our path to becoming a "Global Top 10 Solution Partner".



To Become a "Global Top 10 Solution Partner"

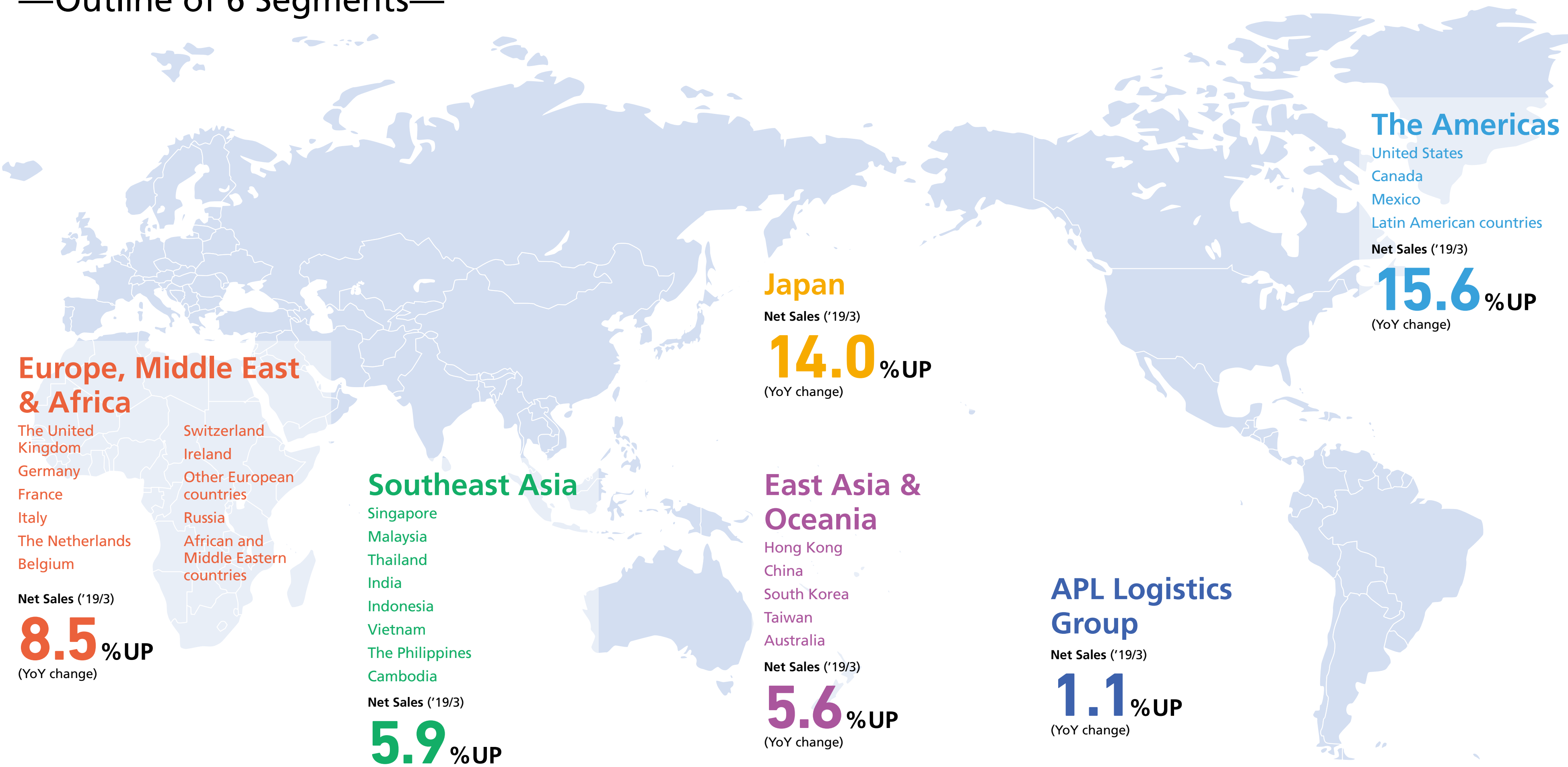
Expanding Business Scale by Concentrating on Core Businesses

3 Supply Chain Solutions

Collaboration Will Be a Key Driver for Growth

Providing supply chain solutions is the core business of APLL. By coordinating APLL's and KWE's future paths to offer a comprehensive range of logistics services, we will steadily meet our customers' needs and work diligently to integrate our strengths, fostering collaboration to become a "Global Top 10 Solution Partner".

Foundation for Creating New Value
—Outline of 6 Segments—



Europe, Middle East & Africa

The United Kingdom
Germany
France
Italy
The Netherlands
Belgium
Switzerland
Ireland
Other European countries
Russia
African and Middle Eastern countries

Net Sales ('19/3)

8.5%UP
(YoY change)

Southeast Asia

Singapore
Malaysia
Thailand
India
Indonesia
Vietnam
The Philippines
Cambodia

Net Sales ('19/3)

5.9%UP
(YoY change)

Japan

Net Sales ('19/3)

14.0%UP
(YoY change)

East Asia & Oceania

Hong Kong
China
South Korea
Taiwan
Australia

Net Sales ('19/3)

5.6%UP
(YoY change)

APL Logistics Group

Net Sales ('19/3)

1.1%UP
(YoY change)

The Americas

United States
Canada
Mexico
Latin American countries

Net Sales ('19/3)

15.6%UP
(YoY change)

Foundation for Creating New Value
—Our Services—

Air Freight

Net Sales ('19/3)

9.3%UP

(YoY change)

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.

Logistics

Net Sales ('19/3)

4.8%UP

(YoY change)

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.

Sea Freight

Net Sales ('19/3)

6.3%UP

(YoY change)

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.

Other Operations

Net Sales ('19/3)

8.2%UP

(YoY change)

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

Top Message

Our Compass for the Next Half-Century

Aiming to be a "Global Top 10 Solution Partner"

In January 2020, KWE will celebrate its 50th anniversary. By setting new records for handled volumes, net sales, and operating income for the fiscal year ended March 2019, we have succeeded in establishing a solid foundation for our next big step forward. Among our biggest accomplishments, we handled 700,000 TEUs of sea freight—the target set in our previous Medium-Term Management Plan "Going to the Next Phase!" —and increased air freight handling volume to 600,000 tons; a 31% increase over three years. We have steadily built the KWE Group's presence in the international logistics market.

Faced with the prospect of dramatic changes in industry and business, we have drawn up a long-term vision that we call "Global Top 10 Solution Partner: A Global Brand Born in Japan" that will serve as the Group's guide to achieve further progress in the next half-century. Based on this vision, we will consolidate the Group's overall strengths and further augment the Group's quality, competitiveness, and solutions. Through this, we aim to establish the KWE Group as a global brand that meets the expectations of all our stakeholders—shareholders, investors, customers, and employees. We hope you continue to look forward to the KWE Group's growth and success.

Nobutoshi Torii
President & CEO

Review of Previous Medium-Term Management Plan

Now that we can acquire large-scale business from major global customers beyond Japan, we have successfully evolved from a "Japanese forwarder" to an "Asian forwarder".

Progressing from "Japanese Forwarder" to "Asian Forwarder"

The fiscal year ended March 2019 was the final year of our Medium-Term Management Plan dubbed "Going to the Next Phase!" Although business slowed down at the end of the fiscal year due partly to trade friction between the U.S. and China, we have managed to achieve record-high net sales by successfully expanding handling volumes—in line with the plan's top priority measure.

I can say that our biggest achievement under the previous Medium-Term Management Plan was acquiring large-scale business from major non-Japanese customers which did not involve transporting to or from Japan, causing the market to start viewing KWE as an Asian Forwarder rather than just a "Japanese Forwarder".

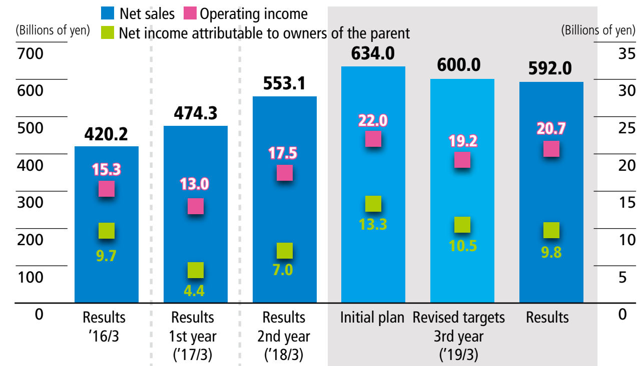
Another major achievement was the improved earnings of APL Logistics Ltd and its group companies ("APLL") that we acquired in 2015, to the extent that they can now contribute to the Group's bottom line while profits of many KWE segments declined due to factors such as a higher direct cost ratio.

Core values of a "Global Brand Born in Japan"

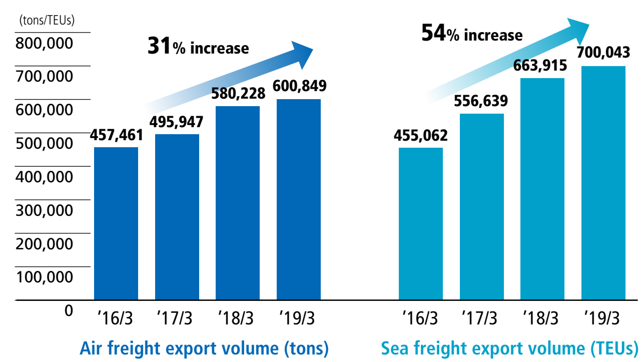
Our transition to an Asian Forwarder was the direct result of winning business from major non-Japanese customers despite competing with some of the world's largest mega-forwarders. We see this as evidence that the KWE Group is gaining recognition for its unique values—such as our ability to provide customer-tailored solutions—that are cultivated through a wealth of experience as a Japanese-affiliated forwarder. I am convinced that these strengths, which have been refined not only within Japan but also overseas, will be the core values of the "Global Brand Born in Japan" that we aim to create as part of our Long-Term Vision.

Under the new Medium-Term Management Plan, we aim to become a "Global Top 10 Solution Partner" not only by significantly developing these core values, but by also addressing issues that have emerged in response to the sharp increase in handling volumes—the need for an enhanced business operations platform and for more comprehensive human resource measures.

Business Results under Previous Medium-Term Management Plan "Going to the Next Phase!"



Growth in Air and Sea Freight Handling Volumes over Three Years



Business Environment and Responses to Changes

Given that the world's political and economic systems are reaching a historic turning point, we will foster a type of "corporate DNA" that persistently pursues sustainable growth in profits.

Displaying the true value of an asset-light business model

The world is on the brink of a historic turning point in both politics and economics. Developments that point to this include negative impacts to the global economy from U.S.-China trade friction underpinned by the two countries' struggle for hegemony, and geopolitical changes such as U.K.'s withdrawal from the EU. In particular, the U.S.-China struggle for dominance has persisted long enough that an increasing number of observers believe that it should be recognized as the new normal.

This type of global change encourages global businesses to rethink their supply chains, and therefore may have a major impact on the future of the international logistics market.

At the same time, the world population that serves as the foundation of the global economy is expected to increase. Since cross-border production and consumption are also expected to continue alongside the development of 5G and other new technologies, we believe that KWE Group's core business of international logistics will also increase in growth and social importance. By taking full advantage of our focus on freight forwarding, logistics services in leased facilities, and other asset-light businesses, we can adapt swiftly to changes and transform them into opportunities.

Aiming for sustainable growth in profits, we changed our thinking about quantitative targets

Our new Medium-Term Management Plan focuses on efforts to realize our "Long-Term Vision" rather than on the achievement of fixed performance targets as our previous plans did. We are introducing a holistic and collaborative approach to review and revise our targets each year while responding promptly to changes in the business environment. To maintain profitability and business efficiency, we will focus more intensely than ever on controlling direct costs.
In the previous fiscal year ended March 2019, our operating gross profit ratio was 16.4%; our target for the future is to exceed that level. The Group has always passed on a corporate DNA that sought profits in every circumstance. But going forward, we will evolve our corporate DNA to persistently seek sustainable growth in profits.

Our New Medium-Term Management Plan

In order to set ourselves firmly on the path to achieve our Long-Term Vision, we will focus on business expansion through a concentration of efforts on our core businesses.

Our new Medium-Term Management Plan: Positioning and targets

We view our new three-year Medium-Term Management Plan, which began in the fiscal year ending March 2020, as a first step to achieve our Long-Term Vision of posting 1 trillion yen in net sales, 1 million tons of air freight, and 1 million TEUs of sea freight. Our targets for this first phase are to achieve 720 billion yen in net sales; 800,000 tons of air freight; and 900,000 TEUs of sea freight handling volumes in the fiscal year ending March 2022.

Continuing our focus on core businesses

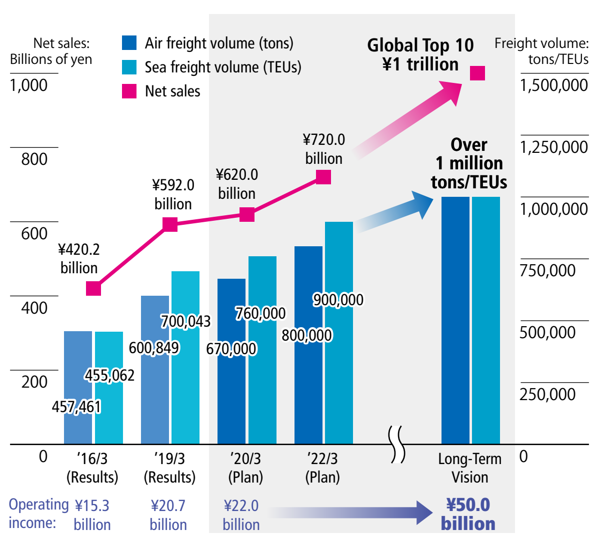
In order to achieve these goals in a rapidly changing business environment, KWE will continue to focus on the air and sea freight forwarding businesses while APLL prioritizes 4PL and other supply chain solutions, with net sales targets for the fiscal year ending March 2022 at 500 billion yen for KWE and 220 billion yen for APLL.

Additionally, while our six segments will share the responsibility of achieving these targets, we will not establish volume targets for individual segments. We will promote flexible responses to changes in the business environment by strengthening inter-segment collaboration, and we plan to adjust how we delegate roles to each segment while maintaining the mobility of our asset-light business model.

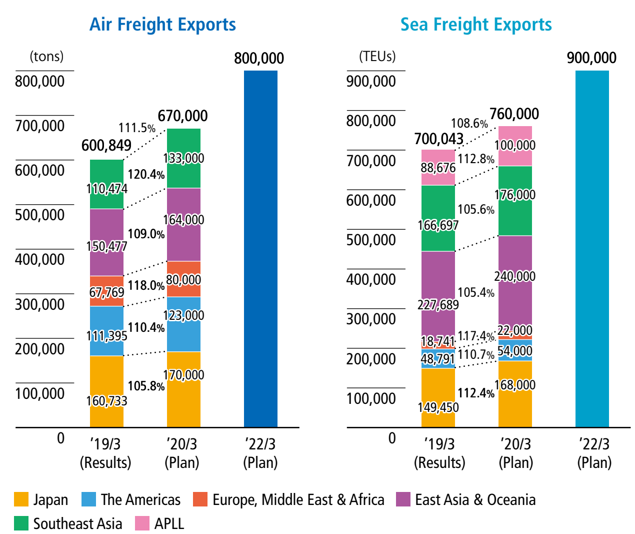
Expand Business Scale by Concentrating on Core Business

Numerical Targets (FY ending March 2022)	
KWE	**APLL**
Net sales: **720** billion yen	
Operating gross profit ratio: over **16.4**%	
Forwarding	**Supply chain solution**
•Net sales: **500** billion yen •Air freight **800,000** ton •Sea freight : **900,000** TEU	•Net sales: **220** billion yen

Long-Term Vision and Medium-Term Management Plan



Medium-Term Management Plan Volume Targets



Key Strategies of the New Medium-Term Management Plan: Strengthening Our Business Platform

In order to promote expedient and dynamic business expansion on a global level, we will continue to strengthen our business platform, beginning with the enhancement of group governance.

Enhancing group governance: Delegation of authority and checks & balances

Given the rapid changes expected in our customers' supply chains, we will delegate even more authority to each regional headquarters to further augment our fast-paced and dynamic business development. It is paramount that we boost the autonomous functions of each segment—fortifying regional management in HR, sales, operations, IT, and accounting. At the same time, we will also work to achieve thorough compliance, strengthen the Group's risk management system, and apply checks and balances by establishing a new corporate branch to supervise the Group across regional boundaries.

Developing global human resources: Building a new global HR platform

As we delegate authority to each regional headquarters and strengthen our asset-light businesses, our most important management asset—human resources—will shape the success or failure of our strategies and serve as the foundation of our business strength. Therefore, we will establish a new global HR platform. While maintaining respect for diversity, we will enhance the development of a global workforce that can demonstrate a high level of autonomy, creativity, and mobility.

In the medium-to-long term, we will consider introducing global talent management systems to drive sustainable performance for multinational organizations.

Implementing IT systems of the next generation

Continual enhancement of IT systems is essential to strengthen international logistics business. Therefore, we will plan to install next-generation IT systems while simultaneously enhancing the functionality of existing core systems, streamlining IT assets to fit our asset-light model, and improving IT governance.

Improving financial stability

A particular goal of our Long-Term Vision is to reach zero net interest-bearing debt. After investing in future growth and appropriately returning to shareholders, we will take various measures to boost positive cash flows, thereby improving our equity ratio.

Key Strategies of the New Medium-Term Management Plan: Sales/Operations Strategy

We will focus on developing major customers in regions where transport demand is highest, and expand into commodities of new industry groups.

Expand handling between Asia and the Americas and take on the challenge of new industry groups and commodities

In order to expand our customer base and handling volumes, we will first cultivate our portfolio of major customers. Under our previous Medium-Term Management Plan, we succeeded in increasing handling volumes for major non-Japanese customers, especially within Asia. Despite this, we only met our goal halfway in the transpacific market. In order to expand handling volumes in these routes, we will enhance our operations strategies while increasing cooperation between operating branches.

Specifically, we will establish areas of expertise by expanding transportation space, pursuing economies of scale through centralized procurement, establishing optimal gateway services consolidation efficiency, and promoting shared services. We will also reinforce our presence in Indonesia and Vietnam, and expand our network in Bangladesh and Sri Lanka. We will continue to focus on the electronics, automotive, and healthcare fields as priority sectors while expanding in machinery and other industrial commodities, as well as aircraft and energy-related freight. In addition, we will take up the challenge to increase handling of new products in the retail and perishables fields.

Key Strategies of the New Medium-Term Management Plan: Integration and Collaboration with APLL

We will pursue both quantitative and qualitative synergies

Aiming for greater overall group management efficiency

In the four years following the acquisition of APLL, we have clearly identified areas for potential collaboration. These areas are shown in the chart on the right. Moving forward, we will actively expand collaboration in vertical markets that are directly linked to our forwarding business, such as retail and consumer goods. We will also create greater synergies by complementing each other in areas where only one side has a particular expertise, and we will work to improve the Group's overall management efficiency.

KWE/APLL Integration & Collaboration

Message from William Villalon, President, APL Logistics

Banner Year for Profitability

Building off of the momentum we generated in 2017, I am proud to report that 2018 was one of the Company's most profitable years ever. While net sales grew 1.1% year-over-year (YoY) to 196.9 billion yen, operating income increased by 104.8% YoY, and segment income was 2.2 billion yen.

Though there were many successes to celebrate in 2018, our historic results were particularly driven by a record year by Vascor, our automotive joint venture, as well as strong performances by our global order management solutions and our North America contract logistics operations. We also realized the rewards of disciplined cost management coupled with strict financial thresholds for evaluating new and existing business. These two things will be fundamental to our continued profitability in 2019 as we shift focus to growing the business.

2018 also brought our complete and final separation from the legacy APL/NOL finance and IT infrastructure, and commenced test migration of customers to our proprietary Logistics SuperSuite (LSS) platform. We also took big strides in further development and implementation of important corporate initiatives around talent retention and acquisition, sustainability, and Corporate Social Responsibility (CSR).

We look forward to continued profitability in 2019, and remain steadfast in our mission: **Design, build and implement innovative, profitable and sustainable products and services that help our customers meet consumer and industrial demands globally and irrespective of fulfillment channels.**

Collaboration and Integration

We continue to work cooperatively with KWE to find mutually beneficial collaboration and integration opportunities. As an example of our joint efforts, in 2018 APLL and KWE:

- Fully implemented and began maximizing volume scale with the Group Procurement Center in Hong Kong
- New last mile service in Japan by KWE for one of APLL's major retail customers
- Consolidated local field IT in Southeast Asia for better coverage and service
- Were awarded the "Top Gun" award by one of APLL's Fortune 500 consumer customers for KWE's outstanding operation of the customer's Canada warehouse facility
- Moved certain KWE customer-reporting functions to APLL's Chongqing global service center

As we move into 2019, further collaboration efforts are underway and both companies look forward to further leveraging our respective core competencies.

The Road Ahead

In 2018, APL Logistics realized the positive impacts of disciplined cost management, and that will continue in 2019 and beyond. However, we understand the need to complement cost discipline with viable growth. To that end, APL Logistics will renew focus on product and service innovation as we look to grow the business by targeting new multi-national accounts in strategic geographies, while also building upon the profitability of our key customer accounts and products. As part of our enhanced customer experience, we will look to integrate a majority of our customers to the new LSS platform, while also integrating our U.S. Data Centre with KWE's.

Our long-term strategy will be built around a comprehensive analysis of each vertical, region, product, service and function to develop well-informed, long-term strategies that support sustainable growth. With that in mind, we also understand the need to remain nimble to keep up with the ever-changing supply chain space and customer demands. This is particularly relevant in light of the current political and economic volatility around the globe. Technology will be a recurrent theme in our strategy going forward so as to meet/exceed market expectations in areas such as data analytics, where the potential exists to leverage vast quantities of operating data. With the right strategy and fundamentals in place, we believe we are ready to face any challenges that may come our way.

In closing, I would like to thank everyone at APL Logistics for their exceptional effort in 2018. I remain honored to lead this great organization, and I look forward to our continued success in 2019.

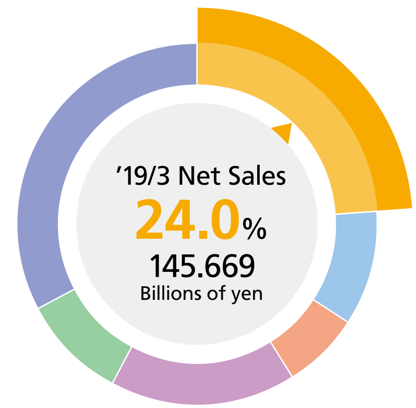
President
William Villalon

Japan

General Manager, Japan
Keisuke Hirata

A fresh start as "Japan Regional Headquarters"

In June 2019, we launched our "Japan Regional Headquarters", which consists of KWE Japan and affiliated companies in Japan. We support the establishment of optimal global supply chain for the many Japanese companies that contribute to global technological innovation. Through the resulting expansion in handling volumes, we will demonstrate leadership as the engine that drives the entire Group. Our basic policy for the fiscal year through March 2020 is as follows.



1 For the Expansion of the Handling Volumes

(1) Further Expansion of sales by Vertical
Exports: Automotive/machinery/semiconductors
Imports: Healthcare/automotive/aircrafts/electronics
(2) Further develop sea freight forwarding business
(3) Strengthen logistics businesses that contribute to expansion of forwarding volumes

2 Bolster Operation Systems to Improve Operational Quality and Productivity

(1) Enhance workforce and build operation systems in accordance with volume growth
(2) Promote standardization and improve operational efficiency

3 Strengthen Our Business Platform

Bolster functions including general affairs, HR, accounting, and information systems in accordance with business growth

Freight Movements
Fiscal year through March 2019

	Exports	Imports
Air freight	Up 4.6%*1	Up 1.0%*2
Sea freight	Up 2.4%*3	Up 0.8%*2

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

The Americas

General Manager,
The Americas
Tetsuya Yamanaka

Major Countries and Regions

United States, Canada, Mexico, and Latin American countries

Enhance intra-Group cooperation to further increase handling volumes

The Americas cover the U.S. and Canada — home to many major global companies — as well as Mexico and Latin America, which hold promise for large-scale growth going forward. In the fiscal year through March 2020, we will focus mainly on the following measures to expand handling volumes.

1 Sales Strategies by Vertical

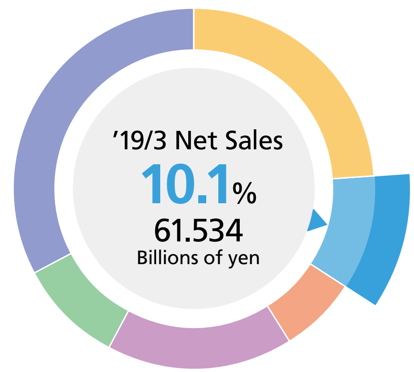
We will continue to concentrate on the healthcare and automotive fields, as we did in the previous fiscal year. The Americas play a central role in the healthcare field in particular, and will lead the entire Group's Global Healthcare Project. Building on the results we achieved in the previous fiscal year in transport from the U.S. to Singapore and Australia, and from Europe to South America, we aim to further expand handling volumes in the healthcare field for the entire Group.

2 Trans-Pacific East Bound (TPEB) Volume Growth

We will strengthen partnerships with large airlines at major departure points including Hong Kong, Shanghai, and Bangkok, and secure stable transport space and lead times. Concerning the retail and general merchandise fields, in which the Group has ample room for expanding sales, we will closely coordinate sales and operations with the East Asia & Oceania and Southeast Asia regions and with the APLL Group, in order to achieve growth in import volumes.

3 Develop Trans-Atlantic Business

Going forward, expansion of trans-Atlantic business is essential for the KWE Group to be recognized as a global player and increase its presence among non-Japanese customers. We are already working with the Europe, Middle East & Africa to assemble a task force toward that end. As a long-term project, we will continuously devote resources to establishing a joint sales team, personnel exchanges, and development of IT tools that support sales.



Freight Movements
Fiscal year through March 2019

	Exports	Imports
Air freight	Up 8.3%*1	Up 7.4%*2
Sea freight	Up 4.6%*3	Up 10.9%*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
Shin Ogawa

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

To become "The Leading Asian Global Forwarder"

In the fiscal year through March 2020, our mission will be to achieve "Sustainability toward the Next Generation". Guided by the slogan "The Leading Asian Global Forwarder", we will focus on the key measures described below.

1 Expand Handling Volumes and Maintain Operating Gross Profit Ratio

We will focus on the same strategies as the entire Group, i.e. expanding handling volumes and maintaining our operating gross profit ratio. In the previous fiscal year, we strengthened our operation platform in order to expand handling volumes; whereas in the fiscal year through March 2020, we will focus on strengthening sales and customer services by enhancing the functions of the Business Development Dept. Specifically, we will improve operational productivity and augment regional procurement.

2 Implement Three Marketing Strategies

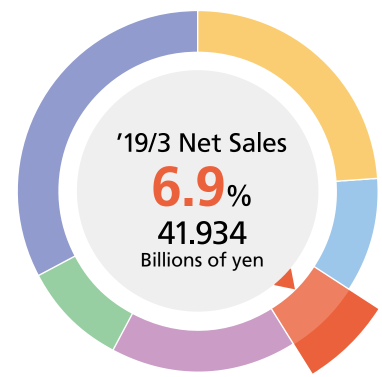
(1) Position Germany, Benelux, the U.K., France, and Italy as the main markets for increasing handling volumes, and work to boost sales

(2) Focus on increasing handling volumes from our region to long-haul destinations such as Asia or the Americas

(3) Continue to expand volumes in the healthcare, automotive, industrial equipment, and perishables fields

3 Trans-Atlantic Collaboration with the Americas

In order to increase market recognition of KWE as a global forwarder, we will collaborate with the Americas region and aim to expand our business with a focus on healthcare field.



Freight Movements
Fiscal year through March 2019

	Exports	Imports
Air freight	Up 6.9%*1	Up 7.9%*2
Sea freight	Down 7.2%*3	Up 6.7%*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
Yoshihiro Kusakabe

Major Countries and Regions

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

Respond to major market changes and focus on developing and expanding new fields

The market environment in the region is changing dramatically. From the second half of the fiscal year through March 2019, the market began to show signs of slowing and the situation became tough, unlike what we had seen in the previous few years. In the fiscal year through March 2020, we believe it will be particularly important to respond to the trend among customers toward shifting production sites to Southeast Asia, as well as to develop and expand new fields. In the fiscal year through March 2020, we will focus on the measures outlined below.

1 Expand Business in South China and Guangdong-Hong Kong-Macao Greater Bay Area

We will expand business mainly through the three subsidiaries in Hong Kong, Shenzhen, and Guangzhou.

2 Expand Trucking Business Between China and Vietnam

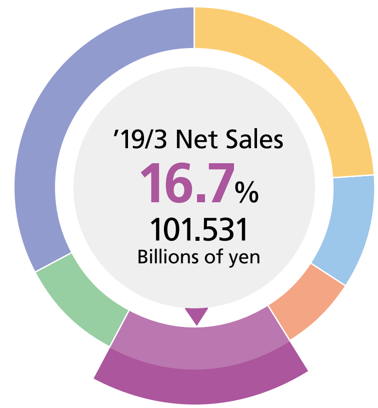
We will work to expand the trucking business that links South China and Vietnam.

3 Develop Railway Transportation Business between China and Europe

In anticipation of China's Belt and Road Initiative, we will work with our Europe, Middle East & Africa headquarters to start railway transportation business.

4 Cost Cutting Measures

In order to further lower direct cost ratio, we will work on selection and concentration of airlines and shipping companies, promotion of block space agreements, and improving consolidation efficiency.



Freight Movements
Fiscal year through March 2019

	Exports	Imports
Air freight	Up 3.0%*1	Down 2.0%*2
Sea freight	Up 14.2%*3	Up 2.4%*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

Add new networks and commodities to drive handling volume expansion

Southeast Asia is the region with the highest growth potential among the Group, and the Group-wide sales strategy in our Medium-Term Management Plan designates Indonesia and Vietnam as focus areas. In the fiscal year through March 2020, we will work on the following measures.

1 Increase Trans-Pacific East Bound (TPEB) Volume

With the East Asia & Oceania, we will expand the Group's air and sea freight volumes by serving as a driving force for the volume increase in the Trans-Pacific East Bound (TPEB). Recently, we had some cases in which shipments from Southeast Asia to the Americas or Europe led to businesses with global accounts.

2 Bangkok Gateway Program

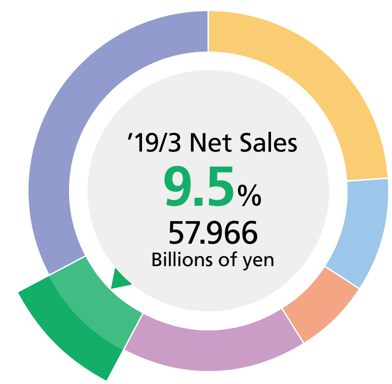
We will continue to promote our North America-bound/Europe-bound Bangkok Gateway Program based on stable provision of cargo space and high-quality services throughout the year.

3 Accelerate Collaboration with APLL

We will further accelerate collaboration with APLL in order to expand air freight forwarding business out of Southeast Asia, where major retail customers operate many production sites. We plan to develop networks in South Asia including Bangladesh and Sri Lanka, where retail business is brisk.

4 Develop Healthcare-related Business

Healthcare products are also expected to grow in this region in the future. We will develop the market and enhance our platform to handle them.



Freight Movements
Fiscal year through March 2019

	Exports	Imports
Air freight	Down 3.3%*1	Down 0.2%*2
Sea freight	Up 17.0%*3	Up 4.7%*2

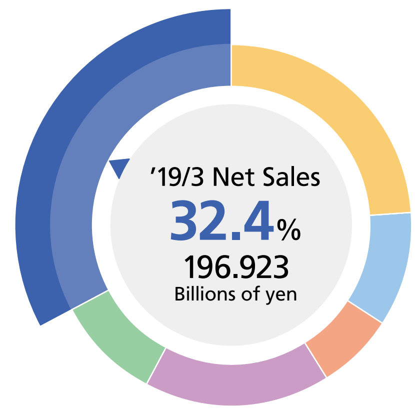
*1 based on weight *2 based on number of shipments
*3 based on TEUs (Twenty-foot Equivalent Units)

APLL

General Manager,
APLL
Kazuhisa Kawamura

Innovative customer-centric solutions, delivered with operational excellence

Leveraging its deep expertise and the combined network of the group, APL Logistics is focused on delivering supply chain solutions in the Automotive, Consumer, Industrials and Retail verticals across key origin and destination markets. Our key policies for the fiscal year through March 2020 are as follows:



1 Vertical Expertise

- Automotive: Analyze growth opportunities and penetration into emerging Asia markets, as well as global electronic vehicle opportunities
- Consumer & Industrials: Focus on growing origin management and raw materials solutions
- Retail: Grow order management and distribution services as core vertical offering, with differentiation through visibility and demand planning

2 Portfolio Optimization

- Evaluate growth and expansion opportunities in light of improved cash position
- Review existing book of business for yield improvement opportunities while actively pursuing new growth accounts
- Increase market differentiation through specialized solutions selling, supported by supply chain engineering

3 KWE Collaboration

- Capitalize on benefits of fully implemented Hong Kong-based joint ocean procurement department
- New path for air freight collaboration enabling APLL to leverage KWE's capabilities as part of a larger APLL core offering, and/or to increase a share of an existing customer's business
- Leverage Carmichael International and KWE's customs brokerage scale in light of Carmichael's integration with KWE in April 2019

Environment

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

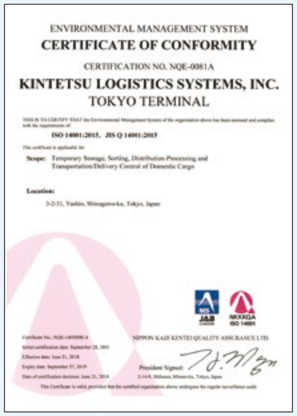
3 Establish the following as KWE's priority goals for environmental management relative to our business activities:

- 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 10 group companies (32 facilities).


ENVIRONMENTAL MANAGEMENT SYSTEM
CERTIFICATE OF CONFORMITY
CERTIFICATION NO. NQE-0081A
KINTETSU LOGISTICS SYSTEMS, INC.
TOKYO TERMINAL

ISO 14001certification

Social

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 29 group companies are certified under the ISO 9001: 2008 quality management system, 15 group companies have acquired Authorized Economic Operator (AEO) certification, two locations, one in Japan (No. 4 Baraki Terminal) and another in Singapore, are certified under the ISO 13485, medical devices – quality management systems, six group companies have acquired Good Distribution Practice (GDP) certification, and 12 group companies (19 facilities) have acquired Transported Asset Protection Association (TAPA) certification.


SGS
KINTETSU WORLD EXPRESS, INC.
ISO 9001:2015

ISO 9001 certification

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

AEO Japan logo

GDP certification

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 newly joined employees, and other training according to seniority. We have an overseas training program that sends many younger employees in Japan to work at overseas group companies. We hold our Business Leader Program to provide executive training to selected employees.

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 workplaces and speak directly with employees.

Diversity

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. Additionally, KWE Japan prepared a three-year action plan starting in the fiscal year ended March 2017 in response to the Act on the Promotion of Women's Participation and Advancement in the Workplace coming into force in Japan. We have been pursuing a variety of initiatives with the objectives of raising the percentage of female employees to 30% of our overall workforce, and newly assigning at least five female employees at overseas subsidiaries where female employee placements were few. So far, as of April 1, 2019, the percentage of female employees has exceeded our target, accounting for 32% of total employees. However, we have yet to achieve our target for the number of female employee placements overseas, and will maintain efforts to reach our target. We are currently planning on a new objective, and will announce details in the near future.

Safety Initiatives

Concerning safety initiatives, we are taking specific actions at our various business facilities. Our Hong Kong, Philippines, Taiwanese, and Indian subsidiaries acquired certification to the OHSAS 18001 occupational health and safety management system. Additionally, domestic group company Kintetsu Transtech, Inc. is holding regular safety training, including a general safety promotion meeting that is held twice yearly and targets all employees. The company is also pursuing new initiatives such as installing digital tachograph and dashboard camera for all vehicles, and checking for alcohol consumption by implementing IT roll calls before and after operation.

Social Contribution Activities

The KWE Group undertakes social contribution activities in support of environmental protection, public welfare, culture, and other areas. In the fiscal year ended March 2019, our overseas subsidiaries held volunteering programs, such as socializing with elderly citizens in collaboration with a local nonprofit organization in Hong Kong, and hosting "Old For You But New For Me" in Thailand.

Hong Kong subsidiary

Kintetsu World Express (HK) Ltd. has been participating in a volunteering event hosted by A Drop of Life (nongovernmental organization) during the Mid-Autumn Festival since 2014, visiting retirement homes to socialize with the elderly. We have also participated in the event in 2018, on September 9.

This year, a total of 31 volunteers comprised of the company's employees and their family members, prepared 300 blue bags filled with mooncakes and fruits as shown in the photo. On the day of the event, they visited each resident in the facility and had a peaceful moment conversing with the residents. The residents were looking forward to the event, and we were pleased to deliver smiles and a fun time.

Thai subsidiary

In January 2019, KWE-Kintetsu World Express (Thailand) Co., Ltd. prepared new shoes and towels, and requested used and unused clothes as well as toys from employees in order to deliver these supplies to schools and regions in need under the theme of "Old For You But New For Me".

Ban Hay Sip Village, which is one of our donation destinations, has about 200 Karens living today after migrating from Myanmar to escape civil war. We chose the village as our destination for support in consideration of insufficient supplies for children. About 40 people from the village greeted us on the day of the event. They sang a song in Karen as a token of gratitude for our supplies, and we enjoyed our cultural exchanges.

Our other donation destination, Tagopidthong School, is located near the border between Thailand and Myanmar. The school was built 40 years ago under a project initiated by the Thai Royal Family to provide equal educational opportunities for children.

We delivered stationeries, toys, and snacks to a dormitory where about 75 Karens are experiencing boarding life, in exchange for joyful smiles from students. We were very impressed by their cheerfulness and politeness.

We will continue to actively engage in activities that contribute to people's living environment and society.


Volunteering event during the Mid-Autumn Festival (Hong Kong subsidiary)


"Old For You But New For Me" (Thai subsidiary)

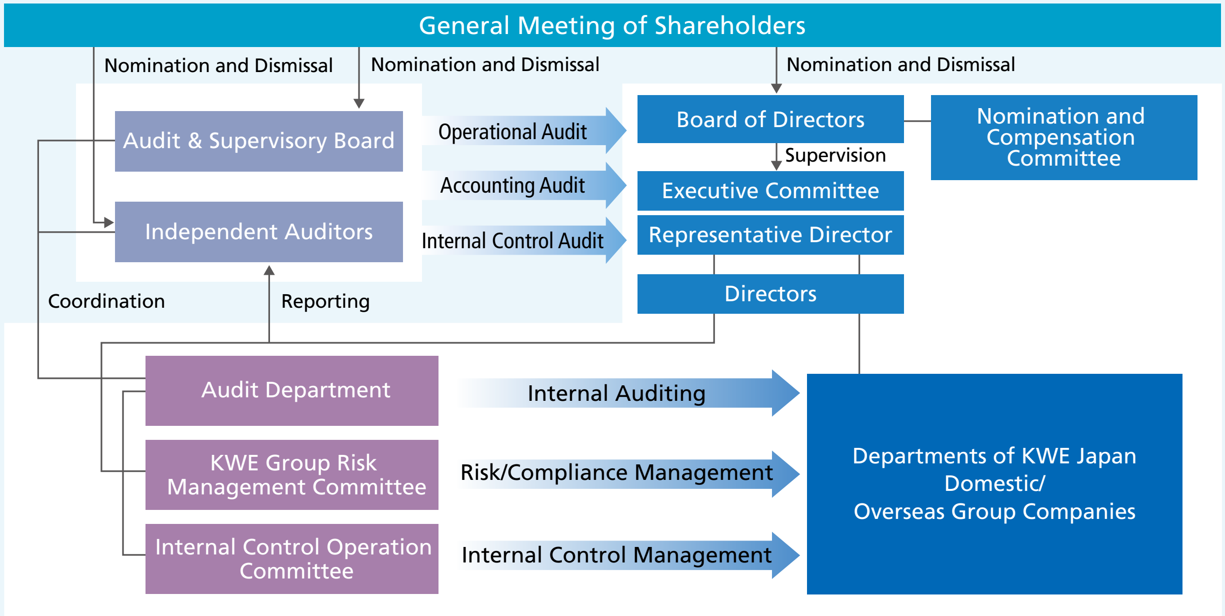
Corporate Governance

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.

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 have adopted a managing officer system and have elected 18 managing officers (including five who also serve as Directors). In addition, we have established an "Executive Committee" under the supervision of the Board of Directors, in order to provide better forums for resolving general management policies and important issues related to business execution.



Board of Directors

KWE's Board of Directors consists of nine members, including three Outside Directors. Nominations for candidates to be elected to KWE senior management and Director and Audit & Supervisory Board Member positions are decided, upon deliberation by the Nomination and Compensation Committee, by comprehensively evaluating individual performance, a sense of impartiality as an executive officer, abilities and other factors. The President and Chief Executive Officer shall explain these matters following the Board of Directors' meeting and seek approval. Additionally, with regard to their dismissal, approval shall be sought at the Board of Directors' meeting, upon sufficient deliberation by the Nomination and Compensation Committee.

Directors are appointed for one-year terms, in order to establish clear accountability and to allow for quick response to changes in business conditions. The amount of Director compensation is decided by the Board of Directors upon deliberation by the Nomination and Compensation Committee.

The Board of Directors held 12 meetings in the fiscal year ended March 2019, and the three Outside Directors attended these meetings as follows.

Position	Name	Meeting attendance
Director	Tetsuya Kobayashi	Attended 10 of 12 meetings
Director *Independent Director	Sanae Tanaka	Attended 12 of 12 meetings
Director *Independent Director	Jun Yanai	Attended 10 of 10 meetings*

*The number of meetings held following the inauguration in June 2018

Audit & Supervisory Board Members

KWE's internal auditing is supervised by our Audit Department (12 members), 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.

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 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 the functions 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. They cooperate closely by exchanging information as necessary.

The Audit & Supervisory Board held 14 meetings in the fiscal year ended March 2019, and the two Outside Audit & Supervisory Board Members attended these meetings as follows.

Position	Name	Meeting attendance
Audit & Supervisory Board Member * Independent Officer	Yusuke Kawasaki	Attended 14 of 14 meetings
Audit & Supervisory Board Member	Yoshihiro Yasumoto	Attended 14 of 14 meetings

Outside Directors and Outside Audit & Supervisory Board Members

Outside Director Tetsuya Kobayashi is a Chairman of the Board at Kintetsu Group Holdings Co., Ltd. We think Mr. Kobayashi is qualified to serve as an Outside Director, regardless of the status of independence, for the reasons cited on **Page 28** under "Reasons for selection of Directors and Audit & Supervisory Board Members".

KWE has three independent officers—Sanae Tanaka, Jun Yanai, and Yusuke Kawasaki. 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 Jun Yanai is a Corporate Advisor at Mitsubishi Corporation. Mitsubishi Corporation and KWE have business relations that include freight forwarding, but the amounts resulting from these transactions are minor (less than 1%).

Career summary of three independent officers

Sanae Tanaka

Apr. 1989	Registered as attorney
Sep. 1991	Representative, Sanae Tanaka Law Office (current position)
Jun. 2015	Director at Kintetsu World Express, Inc. (current position)

Jun Yanai

Apr. 1973	Joined Mitsubishi Corporation
Apr. 2004	Executive Officer at the company
Apr. 2008	Executive Vice President at the company
Apr. 2013	Senior Executive Vice President at the company
Jun. 2013	Member of the Board, Senior Executive Vice President at the company
Jun. 2016	Corporate Advisor at the company (current position)
Jun. 2018	Director at Kintetsu World Express, Inc. (current position)

Yusuke Kawasaki

Oct. 1984	Joined Asahi & Co. (currently KPMG AZSA LLC)
Jun. 2010	Representative Partner, KPMG AZSA LLC (retired Jun. 2016)
Jul. 2016	Representative, Yusuke Kawasaki Certified Public Accountant Office (current position)
Jun. 2017	Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)

Outside Audit & Supervisory Board Member Yoshihiro Yasumoto is a Director, Senior Managing Executive Officer at Kintetsu Group Holdings Co., Ltd. Kintetsu Group Holdings is the primary shareholder of KWE with a 44.11% stake, but there is no particular business relations between KWE and Kintetsu Group Holdings, 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.

Reasons for selection of Directors and Audit & Supervisory Board Members

Directors

(Based on the information as of June 18, 2019)

	Reasons for selection
Kazuyasu Ueda Chairman of the Board	As Senior Executive Vice President of Kintetsu Group Holdings Co., Ltd., a major shareholder of the Company, Mr. Kazuyasu Ueda has a wealth of experience, achievements, and insights. Currently, he serves as Chairman of the Board and possesses knowledge regarding the overall management.
Nobutoshi Torii President & CEO	Mr. Nobutoshi Torii possesses a wealth of experience, achievements, and insights in the sales field of the Company. He is currently leading the management as President & CEO. He has worked to expand the Group's business and increase its corporate value, and thus possesses knowledge regarding the overall management of the Company.
Joji Tomiyama Director Executive Vice President	Mr. Joji Tomiyama possesses a wealth of experience, achievements, and insights in the sales field of the Company, as well as possesses knowledge regarding the overall management of the Company through experience as a President of an overseas subsidiary and is currently presiding over Information Technology and the APLL Group.
Keisuke Hirata Director Managing Executive Officer	Mr. Keisuke Hirata possesses a wealth of experience, achievements, and insights in the sales field of the Company, as well as possesses knowledge regarding the overall management of the Company through experience as a President of an overseas subsidiary. Furthermore, he is currently presiding over Sales and Marketing.
Katsufumi Takahashi Director Managing Officer	Mr. Katsufumi Takahashi possesses a wealth of experience and achievements in the sales field of the Company. He became General Manager, General Affairs Department, is currently presiding over Planning & General Affairs, and thus possesses knowledge regarding the overall management of the Company.
Kiyoyuki Hirosawa Director Managing Officer	Mr. Kiyoyuki Hirosawa possesses a wealth of experience and achievements in the sales field of the Company. He became Audit & Supervisory Board Member, is currently presiding over Human Resource, Accounting and Finance, and Audit, and thus possesses knowledge regarding the overall management of the Company.

Outside Directors (Based on the information as of June 18, 2019)

	Independent Officer	Significant concurrent positions	Reasons for selection
Tetsuya Kobayashi		Chairman of the Board, Kintetsu Group Holdings Co., Ltd. Chairman of the Board, KNT-CT Holdings Co., Ltd. Director, Kintetsu Department Store Co., Ltd. Director, Mie Kotsu Group Holdings, Inc. Director, Kin-Ei Corp. Director, The Kansai Electric Power Company, Incorporated	Having served as President of Kintetsu Group Holdings, a major shareholder of the Company, Mr. Tetsuya Kobayashi has a wealth of experience and broad insights and has served to strengthen the management supervisory functions of the Company, as well as given advice on management decision-making from a wide range of perspectives.
Sanae Tanaka	○	Representative, Sanae Tanaka Law Office Director, Noevir Holdings Co., Ltd. Director, PILOT CORPORATION Director, Shochiku Co., Ltd.	Although Ms. Sanae Tanaka has not been directly involved in corporate management, she possesses specialized insights and a wealth of experience as an attorney-at-law, and she has been strengthening the management supervisory functions of the Company from an independent standpoint and providing opinions on management decisions from diversified viewpoints.
Jun Yanai	○	Corporate Advisor, Mitsubishi Corporation Director, INPEX CORPORATION	As Senior Executive Vice President of Mitsubishi Corporation, Mr. Jun Yanai has a wealth of experience, achievements, and insights regarding global business management, and he has been strengthening the management supervisory functions of the Company from an independent standpoint and providing opinions on management decisions from diversified viewpoints.

Standing Audit & Supervisory Board Members

	Independent Officer	Significant concurrent positions	Reasons for selection
Takashi Sakai			Mr. Takashi Sakai possesses a wealth of experience, achievements, and insights in the sales field of the Company. He was in charge of Customs Compliance, is well-versed to relevant laws and regulations on the Company's business, and possesses a wealth of business knowledge.
Katsumi Watanabe			Mr. Katsumi Watanabe possesses a wealth of experience, achievements, and insights in the Accounting and Finance of the Company and its subsidiaries. He was in charge of Audit, and possesses knowledge regarding the overall management of the Company.

Outside Audit & Supervisory Board Members

	Independent Officer	Significant concurrent positions	Reasons for selection
Yusuke Kawasaki	○	Representative, Yusuke Kawasaki Certified Public Accountant Office Auditor, KNT-CT Holdings Co., Ltd.	Mr. Yusuke Kawasaki possesses a wealth of experience, achievements, and insights as a certified public accountant, and provides appropriate advice and proposals from his professional viewpoints, and he has been strengthening the audit functions of the Company from an independent standpoint.
Yoshihiro Yasumoto		Director, Senior Managing Executive Officer, Kintetsu Group Holdings Co., Ltd. Audit & Supervisory Board Member, Kin-Ei Corp.	Having worked in the Accounting and Finance Department of Kintetsu Group Holdings Co., Ltd., a major shareholder of the Company, Mr. Yoshihiro Yasumoto has a wealth of experience, achievements and insights, and he has been strengthening the audit functions of the Company.

Executive Committee

KWE's Executive Committee is composed of standing Directors and Audit & Supervisory Board Members, managing officers, division managers, and other relevant personnel. The committee meets twice monthly under the supervision of the Board of Directors, and it serves as a forum to resolve important matters related to overall management policies and business execution.

Policies on Determining Director Compensation Amount and Calculation Methodology

To increase fairness, objectivity, and transparency on procedures related to Director compensations, KWE has established a Nomination and Compensation Committee (comprised of three independent officers and two internal Directors), with independent officers comprising the majority. We determine our "Director Compensation Policy" based on resolutions by the Board of Directors, which takes into consideration the Nomination and Compensation Committee's deliberation and findings.

The amount of Director compensations is determined based on the resolution by the Board of Directors, within the total range of Director compensations agreed at the General Meeting of Shareholders, which takes into consideration the Nomination and Compensation Committee's deliberation and findings with our Director Compensation Policy.

In the year ended March 2019, we paid a total of ¥280 million to nine Directors, including ¥18 million to three Outside Directors.

At our 37th Ordinary General Meeting of Shareholders held on June 27, 2006, we have set the maximum Director compensation at ¥420 million (excluding compensations for directors as employees). Aside from the said maximum amount, we have introduced a performance-based stock compensation plan for Directors (excluding Outside Directors and Directors residing outside Japan), as resolved at the 50th Ordinary General Meeting of Shareholders held on June 18, 2019.

Further, the amount of compensation for each Audit & Supervisory Board Member is discussed and determined by the Audit & Supervisory Board, within the total range of Audit & Supervisory Board Members compensation resolved at the General Meeting of Shareholders.

In the fiscal year ended March 2019, we paid a total of ¥52 million to four Audit & Supervisory Board Members, including ¥10 million to the two Outside Audit & Supervisory Board Members.

Our "Director Compensation Policy" is as follows.

Director Compensation Policy

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". As the primary management goal of the KWE Group, we will improve corporate value while maintaining good relationships with all stakeholders.

To achieve these objectives, we set our compensation system for the Directors of KWE based on the following Director Compensation Policy, and pay compensations based on this policy.

1. Basic Policies

- To achieve KWE's corporate philosophy, the compensation should be appropriate in the context of hiring and securing an outstanding and competitive management team that is capable of competing successfully in the global market.
- The compensation should facilitate consistent improvement of corporate value and management's willingness to contribute to KWE's medium- to long-term earnings growth.
- The compensation should facilitate shared awareness toward profits with shareholders.
- The compensation should have a clear linkage to corporate earnings, with high transparency and objectivity in the determination process.

2. Compensation Level

- We aim to set a compensation level that will be an appropriate incentive for earnings improvement in light of the management conditions surrounding the Company, as well as the levels set for KWE's employee salaries and Director compensations set at other companies.
- Specifically, we set the level based on our Basic Policies for Director compensation, following research and analysis of compensation levels set at industry peers and companies of similar size, through external databases and other measures.

3. Compensation Structure

The compensations for KWE's Directors (excluding Outside Directors) are comprised of "Basic Compensation", which is determined based on each Director's roles and responsibilities, and "Performance-Based Stock Compensation", which is designed as an incentive compensation over the medium-to-long term.

- **Basic Compensation**

The amount of Basic Compensation is determined by each Director's position and responsibilities.

- **Performance-Based Stock Compensation**

This is a compensation system that delivers shares to each Director at the time of resignation. The system is set for the purpose of providing incentives to Directors to improve corporate earnings and corporate value over the medium-to-long term, facilitate shared awareness toward profits with shareholders, and further strengthen their willingness to contribute to the improvement of KWE's stock price. For system design, we have referred to the Performance Share Plan in Europe and the U.S. The number of stocks delivered changes within the range of 0% to 200% of the basic stock compensation amount, which are set based on the Director's position and the level of achievement made toward management goals over the medium-to-long term.

4. Compensations for Audit & Supervisory Board Members and Outside Directors

- Considering the nature of their respective roles, KWE sets only basic compensation for Audit & Supervisory Board Members and Outside Directors.

5. Determination and Review Procedures for Compensations

- The establishment of the Director compensation plan and determination of each Director's compensation are confirmed by the Board of Directors' resolutions within the limit of total compensation agreed at the General Meeting of Shareholders, which takes into consideration deliberations and findings by the Nomination and Compensation Committee with independent officers (Independent Outside Directors and Independent Outside Audit & Supervisory Board Members) comprising the majority.
- Further, the Nomination and Compensation Committee periodically discusses appropriate compensation structures and levels in light of management conditions and corporate governance trends, and makes revisions properly.

Compliance

KWE clearly states that it will comply with and respect laws, regulations, and ethical standards in its Corporate Philosophy, KWE Group Corporate Guidelines 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. 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 Corporate Planning & Administration Department. In order to make our management more transparent, we disclose information about the status of our business through our website and other means, and actively work at maintaining good relations with shareholders and investors. We appropriately disclose financial and business information in our financial statements, business results presentations, annual reports, data books, 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 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. In addition, we participate in small meetings, IR conferences and telephone conferences at the request of securities companies. We also hold briefings for individual investors irregularly to provide an opportunity to communicate with these investors.

Disclosure Policy

https://www.kwe.co.jp/en/ir-contents/irpolicy

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. The Board of Directors regularly reviews the investments in cross-shareholdings and upon comprehensively taking into account the purpose of the shareholding as well as the benefits and risks associated with the shareholding, verifies whether or not to continue holding the shares. If it is decided that the continued holding is not appropriate, KWE reduces the shares, as necessary.
2. Details of the Verification
   With regard to the regular reviews, the Board of Directors carefully examines and verifies each cross-shareholding of listed shares from a qualitative perspective (from the standpoint of business operations, including whether it maintains and reinforces transactions) and a quantitative perspective (including market value, book value, the status of cross-shareholding, dividends, ROE, capital costs, etc.) each year. As of March 31, 2018, KWE had held 33 issues for a total of 2.6 billion yen but upon conducting a review, we decided to dispose of 16 issues. Furthermore, following the review in June 2019, we determined the disposal of three more issues.
3. Criteria for Exercising Voting Rights
   KWE will exercise its voting rights and make decisions for or against proposals from the standpoint of its criteria for voting right execution, such as 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 2.6: Roles of Corporate Pension Funds as Asset Owners]

KWE operates a pension fund to secure the necessary returns in the long-term in order to ensure benefits for its beneficiaries into the future. To this end, KWE has formulated a basic policy regarding the management of pension assets and selects its investment products based on its policy for asset allocation. Moreover, KWE has appointed a Pension Committee comprising members of the Human Resources Department, Accounting Department, and the representatives of the labor unions to deliberate various matters including those relating to the pension financing and asset management and has established a system to ensure stable asset formation for its subscribers and proper operation of the pension financing.

[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 Policies on Determining Director Compensation Amount and Calculation Methodology section on **Page 29**.

(iv) KWE's method for nominating senior management, Director and Audit & Supervisory Board Member: Please see the Board of Directors section on **Page 25**.

(v) KWE discloses the individual selection reasons for candidates to be elected to KWE senior management and Director and Audit & Supervisory Board Member positions in the Reference Documents for the Ordinary General Meeting of Shareholders. Additionally, with regard to dismissal of members of senior management, in the event that negligence with respect to the execution of duties, acts of fraud, facts in violation of laws and regulations and the Articles of Incorporation of KWE, etc. are discovered, they are dismissed by resolution of the Board of Directors, upon deliberation by the Nomination and Compensation Committee, as the situation demands.

Notice of Convocation of the 50th Ordinary General Meeting of Shareholders
https://www.kwe.co.jp/wp-content/uploads/2019/05/en_stockholder50.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 4.9: Independence Standards and Qualification for Independent Outside Directors]
Please see the Outside Directors and Outside Audit & Supervisory Board Members section on **Page 26**.

[Supplementary Principle 4.11.1]
Please see the Board of Directors section on **Page 25**.

[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 50th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/wp-content/uploads/2019/05/en_stockholder50.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]
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 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 30**.

Messages from Independent Directors

Sanae Tanaka

I will suggest ways to use human resources even more effectively, in order to make KWE a "Global Top 10 Solution Partner"

In its new Long-Term Vision, KWE has set ambitious handling volume targets of "1 million tons of air freight and 1 million TEUs of sea freight".

In order to reach these targets while the business environment is changing significantly and many customers are starting to review their global supply chains, it is vital that we exhibit maximum dynamism and speed that are only possible with an asset-light model of forwarding business. I believe that the key to success in this area is "human resource".

As a member of the Nomination and Compensation Committee that was established in December 2018, I expressed my views during the formulation of the performance-based stock compensation plan that KWE introduced for its Directors* in August 2019 in order to elicit the best possible performance from the management team. Regarding future nominations of candidates of senior management, Directors and Audit & Supervisory Board Members, I will continue to make recommendations aimed at further improving KWE's human resource utilization in order to make KWE a "Global Top 10 Solution Partner", by offering suggestions from the kind of objective viewpoint that only a third person can offer.

*Not including Outside Directors or Directors residing outside Japan

I will do my best to help strengthen KWE's foundation for ongoing value creation

The world is on the brink of a major turning point, politically and economically, and the business environment surrounding international logistics is also changing. Against such a backdrop, KWE is approaching the 50th anniversary of its founding, in January 2020, and implementing a variety of measures, both in and outside Japan, in order to strengthen its foundation for ongoing value creation in the next half-century. As an independent officer, I will do my best to support those endeavors.

I would like to help further strengthen the KWE Group's risk management system by making use of the experience I gained over the course of many years in my previous positions in business investment and commodities trading at a major general trading company, and by applying the knowledge I have acquired in my management of compliance activities as a Chief Compliance Officer.

In addition, now that I have been assigned to the Nomination and Compensation Committee, I will offer suggestions based on the objective viewpoint of an independent officer, as well as from the broad perspective that I gain from serving on the Nomination and Compensation Advisory Committees of another company.

Jun Yanai

Management

Kazuyasu Ueda
Chairman of the Board

Nobutoshi Torii
President and
Chief Executive Officer

Joji Tomiyama
Director
Executive Vice President

Keisuke Hirata
Director
Managing Executive Officer

Katsufumi Takahashi
Director
Managing Officer

Kiyoyuki Hirosawa
Director
Managing Officer

Tetsuya Kobayashi
Outside Director

Sanae Tanaka
Outside Director

Jun Yanai
Outside Director

Management's Discussion and Analysis

OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 132 consolidated subsidiaries, 1 non-consolidated subsidiary accounted for using the equity method and 10 affiliates accounted for using the equity method, for a total of 144 companies. Our main business are freight forwarding using air, sea, and logistics operations and other related businesses.

The KWE Group has six reportable segments. Five are geographical segments comprising Japan; the Americas; Europe, Middle East & Africa; East Asia & Oceania; and Southeast Asia. KWE acquired all shares of APLL (APL Logistics Ltd and its group companies, headquartered in Singapore) in May 2015, and added it as a sixth reportable segment.

We divide our operations into the following four categories: air freight forwarding (accounting for 35.7% of net sales in the fiscal year ended March 2019), sea freight forwarding (28.0%), logistics (29.7%), and other operations (6.6%).

A breakdown of net sales* by segment shows that Japan accounts for 24.0%, the Americas for 10.1%, Europe, Middle East & Africa for 6.9%, East Asia & Oceania for 16.7%, Southeast Asia for 9.5%, APLL for 32.4%, and other* for 0.4%.

* 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 Group.

OPERATIONS

During the fiscal year ended March 31, 2019, while the U.S. economy continued to expand, economic activity slowed in Europe, mainly the Eurozone, as well as in China. Japan also started to show weakness in exports and production. Reflecting these conditions, the global logistics market also started to exhibit a gradual slowing in growth, but thanks to group-wide efforts with various initiatives to expand handling volume as a primary objective, we were able to increase volume for both air freight and sea freight forwarding.

As a result, the KWE Group's air freight exports rose by 3.6% (based on weight) year-on-year, and air freight imports increased 0.9% (based on number of shipments). Sea freight exports rose by 5.4% (based on volume: TEUs), and imports increased by 3.4% (based on number of shipments).

Logistics were also favorable overall, mainly due to East Asia business maintaining growth from the previous year.

Net Sales

The KWE Group's consolidated net sales totaled ¥592.009 billion in the fiscal year ended March 2019, up by 7.0%, or ¥38.812 billion, from the previous year.

Net sales increased from the previous year in all businesses, with air freight forwarding up 9.3%, sea freight forwarding up 6.3%, logistics up 4.8%, and other operations up 8.2%.

Net sales increased from the previous year in all segments, with Japan up 14.0%, the Americas up 15.6%, Europe, Middle East & Africa up 8.5%, East Asia & Oceania up 5.6%, Southeast Asia up 5.9%, and APLL up 1.1%.

Cost of Sales

Cost of sales totaled ¥495.052 billion in the fiscal year ended March 2019, up by 7.5%, or ¥34.517 billion, from the previous year. The percentage to net sales was 83.6%, rising by 0.4 percentage points from 83.2% in the previous year.

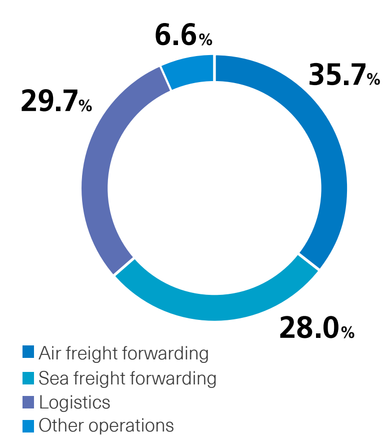
Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥76.160 billion in the fiscal year ended March 2019, up by 1.4%, or ¥1.049 billion, from the previous year. The percentage to net sales was 12.9%, falling by 0.7 percentage points from 13.6% in the previous year.

Operating Income

Operating income totaled ¥20.797 billion in the fiscal year ended

Net Sales by Business



March 2019, up by 18.5%, or ¥3.245 billion, from the previous year. The operating margin was 3.5%, rising by 0.3 percentage points from 3.2% in the previous year. Cost of sales to net sales increased by 0.4 percentage points from the previous year, but selling, general, and administrative expenses to net sales improved by decreasing by 0.7 percentage points from the previous year.

Other Income (Expenses)

Other net expenses totaled ¥0.818 billion in the fiscal year ended March 2019, expanding from net expenses of ¥0.671 billion in the previous year. Main positive factors included an increase in foreign currency exchange gain, net of ¥1.333 billion from the previous year and completing the recording of provision of allowance for doubtful accounts and loss on liquidation of subsidiaries in the previous year. However, key negative factors included an increase in equity in losses of affiliates, net of ¥2.418 billion from the previous year, a decrease in gain on sales of fixed assets, and completing the recording of settlement received in the previous year.

Income before Income Taxes

Income before income taxes totaled ¥19.978 billion in the fiscal year ended March 2019, up by 18.4%, or ¥3.098 billion, from the previous year.

Income Taxes

Income taxes totaled ¥8.166 billion in the fiscal year ended March 2019, down by 3.9%, or ¥0.332 billion, from the previous year. The effective tax rate was 40.9%, down from 50.3% in the previous year.

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

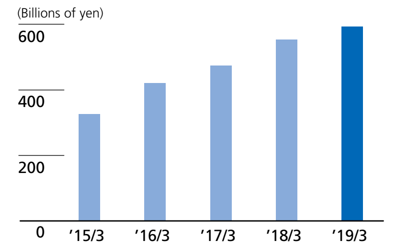
Net income attributable to owners of the parent rose by 40.8% from the previous year to ¥9.857 billion in the fiscal year ended March 2019. As a result, net income per share increased to ¥136.91, up from ¥97.26 in the previous year. ROE increased to 8.2% from 5.9% in the previous year.

OUTLOOK FOR THE YEAR THROUGH MARCH 2020

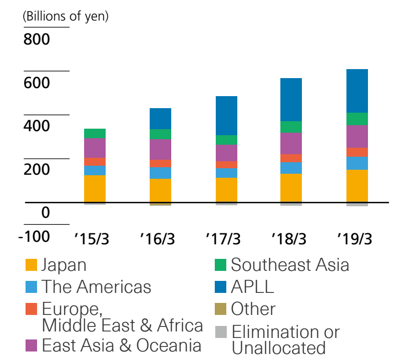
In the fiscal year ending March 2020, we expect the business environment to remain uncertain, including trade friction between the U.S. and China, the ongoing issue of Brexit, a slowdown in the Chinese economy, and a cooling of transport demand for semiconductors and electronic components. In this environment, as one step toward our Long-Term Vision to become a "Global Top 10 Solution Partner: A Global Brand Born in Japan", the KWE Group launched the Medium-Term Management Plan (FY Ending March 2020-FY Ending March 2022) in April 2019, based on the concept of "Expand business scale by concentrating on core business". We will implement our Medium-Term Management Plan while annually reviewing and revising our initiatives in accordance with changes in the business. Guided by this plan, we will focus on expanding our business based on (1) strengthening our business platform (enhancing group governance, developing global human resources, planning and installing IT systems of the next generation, and improving financial stability); (2) sales strategy (expansion of our customer base, promotion of sales strategies by vertical, expansion of handling volumes intra-Asia and from/to Asia, and expansion into emerging markets); (3) operations strategy (cost reductions by economies of scale and improvements in operational efficiency); and (4) APLL's business strategy by industry vertical (Automotive, Retail, Consumer, and Industrial).

Our earnings forecasts for the fiscal year ending March 2020 could possibly change depending on a variety of factors, including global economic conditions and foreign currency trends. We currently forecast net sales to decline by 5.4% from the fiscal year ended March 2019 to ¥560.000 billion, operating income to decrease by 18.3% to ¥17.000

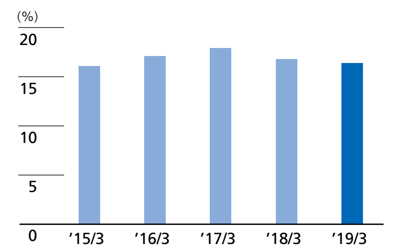
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



billion, and net income attributable to owners of the parent to decline by 49.3% to ¥5.000billion.

(During the three months ended June 30, 2019, KWE recorded impairment loss for shares of Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using equity method of APLL. Consequently, we made the downward revision to our earnings forecasts for the fiscal year ending March 31, 2020 on July 24, 2019.)

SEGMENT TRENDS BY REGION

For a breakdown of segment trends, please refer to the Report by Six Segments on pages 16 to 21.

FINANCIAL POSITION

The KWE Group's total assets as of March 31, 2019 decreased by ¥1.115 billion from the previous year to ¥388.467 billion. Current assets were ¥202.018 billion, up by 4.4%, or ¥8.498 billion from the previous year, mainly due to an increase in cash and time deposits of ¥7.492 billion.

Total non-current assets were ¥186.448 billion, down by ¥9.613 billion from the previous year, mainly due to a decrease in property and equipment of ¥0.611 billion, a decrease in total intangible assets of ¥6.645 billion primarily resulting from amortization of goodwill, and a decrease in investments and other assets of ¥2.356 billion primarily resulting from accounting for using the equity method.

Total liabilities were ¥256.643 billion, down ¥3.950 billion from the previous year. Current liabilities decreased by 0.3%, or ¥0.318 billion, to ¥122.729 billion.

Long-term liabilities decreased by 2.6%, or ¥3.631 billion to ¥133.913 billion, mainly due to a decrease in long-term debt of ¥5.659 billion despite an increase in net defined benefit liability of ¥2.866 billion from the previous year.

Total interest-bearing debt decreased by 2.9%, or ¥4.782 billion to ¥161.647 billion from ¥166.429 billion in the previous year.

Net assets were ¥131.823 billion, up by 2.2%, or ¥2.835 billion, from ¥128.988 billion in the previous year, mainly due to an increase in retained earnings of ¥7.985 billion resulting from recording net income attributable to owners of the parent of ¥9.857 billion and cash dividends paid of ¥1.871 billion, despite a decrease in foreign currency translation adjustments of ¥3.603 billion.

The equity ratio at the end of the fiscal year was 31.3%, up from 30.7% at the end of the previous year.

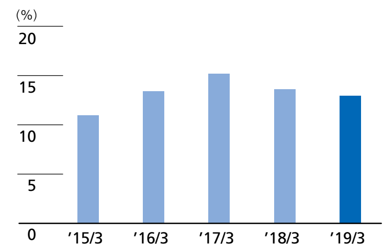
LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥22.637 billion in the fiscal year ended March 2019, up by 50.3%, or ¥7.573 billion, from ¥15.063 billion in the previous year. This mainly reflected cash inflows due to income before income taxes of ¥19.978 billion, depreciation and amortization of ¥12.074billion, equity in losses of affiliates of ¥2.628 billion, and increase in notes and accounts payable of ¥2.090 billion, and cash outflows due to income taxes paid of ¥9.751 billion.

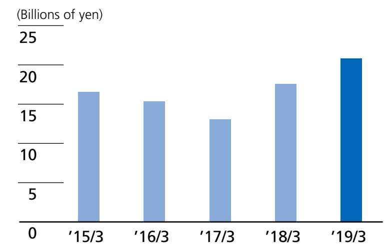
Net cash used in investing activities totaled ¥7.312 billion in the fiscal year ended March 2019, down ¥2.718 billion from ¥10.030 billion in the previous year. This mainly reflected cash outflows due to payments for purchases of property and equipment of ¥4.702 billion and payments for purchases of intangible assets of ¥2.907 billion.

Net cash used in financing activities amounted to ¥6.868 billion in the fiscal year ended March 2019, up ¥4.114 billion from ¥2.754 billion in the previous year. This mainly reflected cash inflows due to proceeds from long-term debt of ¥4.800 billion and net increase in short-term debt of ¥1.904 billion, and cash outflows due to payments for long-term debt of ¥10.602 billion, payments of cash dividends of ¥1.871 billion, and payments of cash dividends to non-controlling interests of ¥0.821 billion.

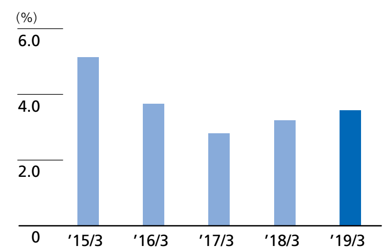
SGA Expenses to Net Sales



Operating Income



Operating Margin



As a result of the above, cash and cash equivalents totaled ¥75.799 billion as of March 31, 2019, up by 11.7%, or ¥7.943 billion, from ¥67.856 billion as of March 31, 2018.

BASIC POLICY ON THE DISTRIBUTION OF PROFITS

The KWE Group will secure internal reserves to bolster its financial position (reduction of interest-bearing debt, etc.) and prepare for the future business expansion giving full consideration to strengthen its business base, as well as focusing on maintaining stable dividends.

We paid a full-year dividend of ¥30 per share in the fiscal year ended March 2019, up ¥4 from the previous year. The dividend payout ratio was 21.9%, down 4.8 percentage points from 26.7% in the previous year, due to an improvement of net income attributable to owners of the parent.

We forecast a full-year dividend of ¥30 in the fiscal year ending March 2020.

DISCLOSURE OF SIGNIFICANT RISK FACTORS WITH POTENTIAL TO IMPACT OPERATING RESULTS

The followings are the major risk factors that the Group recognizes as having the potential to affect our performance and financial condition.

Any forward-looking statements contained herein are based on judgments made by the Group as of March 31, 2019.

1. Economic conditions

The Group's performance and financial condition is affected by global economic trends and shipping demands of our customers. Our performance and financial condition could also be affected in the event of a global economic crisis, natural disaster, pandemic, terrorist attack, or other social disruption.

2. Exchange rate fluctuations

As the Group conducts global operations, fluctuations in foreign exchange rates in any of these regions could affect our performance and financial condition. We use foreign exchange forward contracts and currency swap 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 these contracts according to internal company rules, to not engage in speculative dealings or highly leveraged transactions.

3. Fluctuations in fuel prices

The Group maintains close relationships with transport companies, including air and sea carriers, and works to expand channels, given that a surge in fuel prices could affect freight costs. However, unforeseen circumstances could impact our performance.

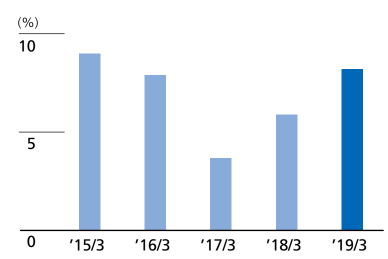
4. Fluctuations in freight costs

The Group requests that customers bear any cost increases resulting from higher freight costs at air and sea carriers. However, the inability to pass costs on selling prices for some reason could impact our performance.

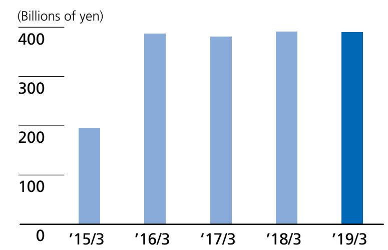
5. M&A, capital and business alliances

The Group acquires other companies and forms capital and business alliances with other companies in order to increase its competitiveness to achieve further growth. We acquired APL Logistics Ltd (including its consolidated subsidiaries), which operates a global logistics business, in May 2015. Our performance and financial condition 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

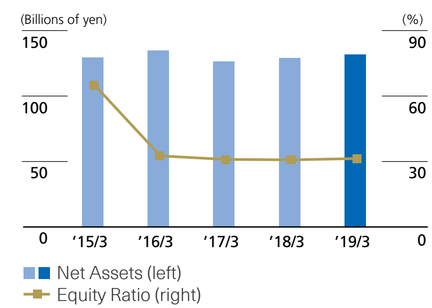
ROE



Total Assets



Net Assets and Equity Ratio



achieved due to changes in the business environment, competitive conditions, or other factors.

6. Financial covenants

The Group's major loan agreements with financial institutions include financial covenants. A breach of these covenants could adversely affect our operation, performance and financial condition.

7. Legal regulations

The Group's business activities are affected by the various legal regulations enacted in each country with respect to transport, warehouse storage management, and other operations. These consist mainly of social regulations (to ensure safety) and legal regulations governing transport operations. It is possible that changes to existing regulations could cause a temporary spike in capital spending, which could affect our performance. It is also possible that inadequate compliance or serious violation of various regulations could affect our performance and brand image, including sanctions restricting business activities or monetary penalties.

8. Litigation and disputes

The Group could face various forms of lawsuits or other actions related to our business activities, and depending on the content and outcome of these actions, it could impact our performance and financial condition.

9. Transport accidents

The Group takes the utmost care as we develop our international logistics business, based on accumulated know-how as a freight forwarder. Nevertheless, our performance could be affected in the event of a transport accident occurring, for example, due to an unpredictable disaster.

10. Storage and security at logistics facilities

The Group provides services at our logistics facilities globally, and we take all steps necessary to ensure the storage and security. However, our performance could be affected by a natural disaster, war, terrorist attack, or other events.

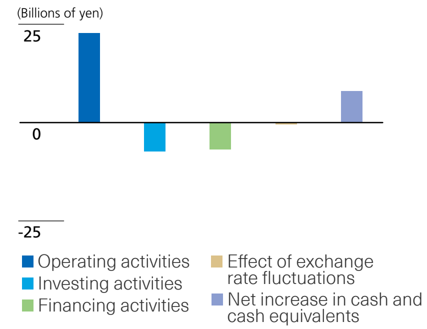
11. Customer data management / information leaks

The Group 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, we instituted a company-wide policy regarding the safeguarding of personal information, and we strive to make every employee familiar with it. 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 performance.

12. Information system security

The Group 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, our performance 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*3
	2012	2013	2014	2015	2016	2017	2018	2019	2019
Results of Operation (Millions of yen)									
Net sales	¥ 264,403	¥ 247,977	¥ 281,505	¥ 327,192	¥ 420,252	¥ 474,330	¥ 553,197	¥ 592,009	$ 5,333,894
Operating income	13,824	13,295	13,742	16,563	15,356	13,075	17,551	20,797	187,377
Income before income taxes	14,954	14,170	14,916	16,372	17,847	12,486	16,879	19,978	179,998
Net income attributable to owners of the parent	9,545	9,134	9,417	10,489	9,773	4,487	7,002	9,857	88,809
Financial Position (Millions of yen)									
Total assets*1	¥ 125,437	¥ 140,116	¥ 167,966	¥ 193,792	¥ 385,441	¥ 378,733	¥ 389,582	¥ 388,467	$ 3,500,018
Property and equipment	31,661	32,512	35,988	39,831	45,944	46,109	46,749	46,137	415,686
Interest-bearing debt	14,469	14,562	15,078	15,734	166,187	166,260	166,429	161,647	1,456,410
Long-term liabilities*1	6,885	3,659	9,291	10,573	152,129	148,553	137,545	133,913	1,206,532
Total liabilities*1	47,356	47,919	56,735	64,105	250,242	252,717	260,594	256,643	2,312,307
Net assets	78,080	92,197	111,231	129,687	135,199	126,016	128,988	131,823	1,187,701
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 11,118	¥ 8,855	¥ 10,756	¥ 9,457	¥ 20,143	¥ 14,589	¥ 15,063	¥ 22,637	$ 203,955
Net cash provided by (used in) investing activities	(3,820)	(8,044)	(5,016)	(10,870)	(147,207)	(5,342)	(10,030)	(7,312)	(65,879)
Net cash provided by (used in) financing activities	(1,396)	(1,785)	(1,864)	(1,424)	144,744	(5,657)	(2,754)	(6,868)	(61,879)
Cash and cash equivalents at end of year	36,096	38,271	47,963	48,700	63,903	65,506	67,856	75,799	682,935
Capital expenditures for property and equipment (cash basis)	1,549	1,625	3,776	4,889	5,735	3,762	5,192	4,702	(42,364)
Depreciation and amortization	2,659	2,536	2,615	2,806	7,236	10,729	11,674	12,074	108,784
Per Share Data (Yen)*2									
Net income	¥ 132.58	¥ 126.86	¥ 130.80	¥ 145.68	¥ 135.74	¥ 62.33	¥ 97.26	¥ 136.91	$ 1.23
Cash dividends	17.50	18.50	20.00	23.00	26.00	26.00	26.00	30.00	0.27
Net assets	1,056.84	1,250.56	1,504.84	1,750.16	1,741.44	1,627.84	1,662.72	1,690.89	15.23
Management Indicators									
Operating margin (%)	5.2	5.4	4.9	5.1	3.7	2.8	3.2	3.5	
Return on equity (%)	13.1	11.0	9.5	9.0	7.9	3.7	5.9	8.2	
Current ratio (Times)	2.1	2.1	2.4	2.4	1.8	1.7	1.6	1.6	
Debt-to-equity (Times)	0.2	0.2	0.1	0.1	1.3	1.4	1.4	1.3	
Number of employees (consolidated)	9,671	10,047	10,219	10,680	17,311	18,159	18,140	17,661	

*1 Due to the change in presentation as a result of applying the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Statement No. 28, February 16, 2018) effective April 1, 2018, total assets, long-term liabilities, and total liabilities for fiscal years ended March 31, 2015 to March 31, 2018 have been restated retrospectively to reflect such change. No restatement has made to those of fiscal years ended March 31, 2012 to March 31, 2014.
*2 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, 2011.
*3 U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019 which is ¥110.99 to U.S.$1.

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2019 and 2018

ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current assets:			
Cash and time deposits (Notes 3, 5 and 12)	¥ 80,324	¥ 72,832	$ 723,704
Notes and accounts receivable-trade (Notes 5 and 12)	109,388	110,005	985,566
Less: Allowance for doubtful accounts	(1,167)	(2,098)	(10,514)
Marketable securities (Notes 4 and 12)	2,995	2,558	26,984
Other current assets	10,477	10,223	94,395
Total current assets	202,018	193,520	1,820,145
Property and equipment:			
Land	14,120	14,082	127,218
Buildings and structures	40,334	39,549	363,402
Machinery and equipment	6,979	5,610	62,879
Leased assets	1,589	1,595	14,316
Others	23,353	23,453	210,406
	86,377	84,291	778,241
Less: Accumulated depreciation	(40,239)	(37,541)	(362,546)
Total property and equipment	46,137	46,749	415,686
Intangible assets:			
Goodwill (Note 14)	60,494	65,586	545,040
Customer-related intangible assets	32,492	35,139	292,747
Other intangible assets	21,695	20,602	195,468
Total intangible assets	114,683	121,328	1,033,273
Investments and other assets:			
Investments in: (Notes 4 and 12)			
Affiliates	10,642	14,456	95,882
Others	4,797	5,772	43,220
Long-term loans receivable (Note 12)	671	–	6,045
Deferred tax assets (Note 9)	3,152	1,502	28,398
Other investments (Note 5)	6,985	6,311	62,933
Less: Allowance for doubtful accounts	(620)	(58)	(5,586)
Total investments and other assets	25,627	27,984	230,894
Total assets (Note 14)	¥ 388,467	¥ 389,582	$ 3,500,018

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current liabilities:			
Notes and accounts payable-trade (Notes 5 and 12)	¥ 52,738	¥ 51,622	$ 475,159
Short-term debt (Notes 5, 7 and 12)	32,474	31,422	292,584
Current portion of long-term debt (Notes 7, 12 and 13)	10,467	10,602	94,305
Lease obligations (Note 7)	190	209	1,711
Income taxes payable (Notes 9 and 12)	3,762	3,867	33,894
Accrued bonuses to employees	4,769	4,616	42,967
Accrued bonuses to directors and corporate auditors	283	250	2,549
Other current liabilities	18,043	20,456	162,564
Total current liabilities	122,729	123,048	1,105,766
Long-term liabilities:			
Long-term debt (Notes 7, 12 and 13)	117,991	123,651	1,063,077
Lease obligations (Note 7)	523	543	4,712
Net defined benefit liability (Note 8)	5,743	2,877	51,743
Deferred tax liabilities (Note 9)	8,111	8,765	73,078
Other long-term liabilities	1,543	1,707	13,902
Total long-term liabilities	133,913	137,545	1,206,532
Contingent liabilities (Note 6)			
Net assets (Note 10):			
Shareholders' equity:			
Common stock			
Authorized 240,000,000 shares			
Issued 72,000,000 shares	7,216	7,216	65,014
Capital surplus	4,084	4,084	36,796
Retained earnings	120,253	112,268	1,083,457
Treasury stock	(3)	(3)	(27)
Total shareholders' equity	131,550	123,565	1,185,241
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	1,387	1,893	12,496
Foreign currency translation adjustments	(8,871)	(5,268)	(79,926)
Remeasurements of defined benefit plans	(2,325)	(478)	(20,947)
Total accumulated other comprehensive income	(9,810)	(3,853)	(88,386)
Non-controlling interests in consolidated subsidiaries	10,083	9,276	90,846
Total net assets	131,823	128,988	1,187,701
Total liabilities and net assets	¥ 388,467	¥ 389,582	$ 3,500,018

See accompanying notes.

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 14)	¥ 592,009	¥ 553,197	$ 5,333,894
Cost of sales	495,052	460,534	4,460,329
Operating gross profit	96,957	92,662	873,565
Selling, general and administrative expenses (Notes 14 and 15)	76,160	75,110	686,187
Operating income (Note 14)	20,797	17,551	187,377
Other income (expenses):			
Interest and dividend income	771	613	6,946
Interest expenses	(1,298)	(1,019)	(11,694)
Foreign currency exchange gain, net	1,528	195	13,767
Equity in earnings (losses) of affiliates, net (Note 14)	(2,628)	(209)	(23,677)
Subsidy income	255	120	2,297
Gain on sales of fixed assets	47	568	423
Reversal of impairment losses	–	94	–
Gain on sales of investment securities	277	–	2,495
Settlement received	–	526	–
Impairment loss (Note 6)	(265)	(175)	(2,387)
Loss on disposal of fixed assets	(19)	(2)	(171)
Loss on liquidation of subsidiaries (Note 16)	–	(457)	–
Provision of allowance for doubtful accounts	–	(1,019)	–
Others, net (Notes 4, 14 and 16)	513	93	4,622
	(818)	(671)	(7,370)
Income before income taxes	19,978	16,879	179,998
Income taxes (Note 9):			
Current	9,318	8,836	83,953
Deferred	(1,151)	(338)	(10,370)
	8,166	8,498	73,574
Net income	11,812	8,381	106,424
Net income attributable to non-controlling interests	1,955	1,378	17,614
Net income attributable to owners of the parent	¥ 9,857	¥ 7,002	$ 88,809

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net income	¥ 11,812	¥ 8,381	$ 106,424
Other comprehensive income (Note 17):			
Unrealized gains (losses) on available-for-sale securities	(506)	138	(4,558)
Foreign currency translation adjustments	(2,990)	(2,897)	(26,939)
Remeasurements of defined benefit pension plans	(1,841)	(305)	(16,587)
Share of other comprehensive income of entities accounted for using equity method	(925)	407	(8,334)
Total other comprehensive income	(6,264)	(2,657)	(56,437)
Comprehensive income	¥ 5,547	¥ 5,724	$ 49,977
Comprehensive income attributable to			
Owners of the parent	¥ 3,900	¥ 4,316	$ 35,138
Non-controlling interests	1,647	1,407	14,839

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2017	72,000	¥ 7,216	¥ 4,018	¥ 107,137	¥ (3)	¥ 118,367	¥ 1,754	¥ (2,751)	¥ (170)	¥ (1,167)	¥ 8,815	¥ 126,016
Cash dividends paid	–	–	–	(1,871)	–	(1,871)	–	–	–	–	–	(1,871)
Net income attributable to owners of the parent	–	–	–	7,002	–	7,002	–	–	–	–	–	7,002
Capital increase of consolidated subsidiaries	–	–	66	–	–	66	–	–	–	–	–	66
Net changes in items other than shareholders' equity	–	–	–	–	–	–	138	(2,517)	(307)	(2,686)	461	(2,224)
Balance at April 1, 2018	72,000	¥ 7,216	¥ 4,084	¥ 112,268	¥ (3)	¥ 123,565	¥ 1,893	¥ (5,268)	¥ (478)	¥ (3,853)	¥ 9,276	¥ 128,988
Cash dividends paid	–	–	–	(1,871)	–	(1,871)	–	–	–	–	–	(1,871)
Net income attributable to owners of the parent	–	–	–	9,857	–	9,857	–	–	–	–	–	9,857
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(506)	(3,603)	(1,847)	(5,957)	806	(5,150)
Balance at March 31, 2019	72,000	¥ 7,216	¥ 4,084	¥ 120,253	¥ (3)	¥ 131,550	¥ 1,387	¥ (8,871)	¥ (2,325)	¥ (9,810)	¥ 10,083	¥ 131,823

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	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, 2018	72,000	$ 65,014	$ 36,796	$ 1,011,514	$ (27)	$ 1,113,298	$ 17,055	$ (47,463)	$ (4,306)	$ (34,714)	$ 83,575	$ 1,162,158
Cash dividends paid	–	–	–	(16,857)	–	(16,857)	–	–	–	–	–	(16,857)
Net income attributable to owners of the parent	–	–	–	88,809	–	88,809	–	–	–	–	–	88,809
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(4,558)	(32,462)	(16,641)	(53,671)	7,261	(46,400)
Balance at March 31, 2019	72,000	$ 65,014	$ 36,796	$ 1,083,457	$ (27)	$ 1,185,241	$ 12,496	$ (79,926)	$ (20,947)	$ (88,386)	$ 90,846	$ 1,187,701

See accompanying notes.

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 19,978	¥ 16,879	$ 179,998
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	12,074	11,674	108,784
Impairment loss	265	175	2,387
Reversal of impairment losses	–	(94)	–
Increase (Decrease) in accrued bonuses to employees	194	257	1,747
Increase (Decrease) in accrued bonuses to directors and corporate auditors	32	(115)	288
Increase (Decrease) in net defined benefit liability	228	(105)	2,054
Increase (Decrease) in provision for loss on litigation	–	(227)	–
Interest and dividend income	(771)	(613)	(6,946)
Interest expense	1,298	1,019	11,694
Equity in losses (earnings) of affiliates	2,628	209	23,677
Loss (gain) on liquidation of subsidiaries	–	457	–
Settlement received	–	(526)	–
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(1,762)	(14,494)	(15,875)
Increase (Decrease) in notes and accounts payable	2,090	7,931	18,830
(Increase) Decrease in other assets	(1,610)	97	(14,505)
Increase (Decrease) in other liabilities	(3,308)	66	(29,804)
Others, net	1,321	1,610	11,901
Subtotal	32,661	24,203	294,269
Interest and cash dividend received	1,036	818	9,334
Interest paid	(1,309)	(1,023)	(11,793)
Income taxes paid	(9,751)	(8,473)	(87,854)
Settlement package received	–	526	–
Payments for loss on litigation	–	(236)	–
Payment for loss on arbitration ruling	–	(750)	–
Net cash provided by (used in) operating activities	22,637	15,063	203,955

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(6,966)	(6,270)	(62,762)
Proceeds from withdrawal of time deposit	7,335	6,014	66,087
Payments for purchases of securities	(3,025)	(3,000)	(27,254)
Proceeds from sales of securities	3,095	3,563	27,885
Payments for purchases of property and equipment	(4,702)	(5,192)	(42,364)
Payments for purchases of intangible assets	(2,907)	(4,332)	(26,191)
Proceeds from sales of property and equipment	214	649	1,928
Proceeds from loans receivable	16	305	144
Payments for loans receivable	(97)	(1,504)	(873)
Others, net	(276)	(263)	(2,486)
Net cash provided by (used in) investing activities	(7,312)	(10,030)	(65,879)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	1,904	6,024	17,154
Proceeds from share issuance to non-controlling shareholders	5	78	45
Payments of capital lease obligations	(233)	(179)	(2,099)
Proceeds from long-term debt	4,800	–	43,247
Payments for long-term debt	(10,602)	(5,825)	(95,522)
Payments of cash dividends	(1,871)	(1,871)	(16,857)
Payments of cash dividends to non-controlling interests	(821)	(976)	(7,397)
Others, net	(49)	(3)	(441)
Net cash provided by (used in) financing activities	(6,868)	(2,754)	(61,879)
Effect of exchange rate fluctuations on cash and cash equivalents	(513)	70	(4,622)
Net increase (decrease) in cash and cash equivalents	7,943	2,349	71,565
Cash and cash equivalents at beginning of year	67,856	65,506	611,370
Cash and cash equivalents at end of year (Note 3)	¥ 75,799	¥ 67,856	$ 682,935

See accompanying notes.

Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2019 and 2018

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, 2019 which is ¥110.99 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 2019 presentation.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Consolidated financial statements include the accounts of the Company and 132 subsidiaries for the year ended March 31, 2019. At March 31, 2018 the Company had 136 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 Non-consolidated Subsidiaries and Affiliates

The Company has 1 non-consolidated subsidiary accounted for using the equity method because its impact on the consolidated financial statements is immaterial.

At March 31, 2019, 1 non-consolidated subsidiary and 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, 2018, 1 non-consolidated subsidiary and 9 affiliates were accounted for by the equity method.

(4) Accounting Period

The Company's accounting period begins each year on April 1 and ends the following year on March 31.

The fiscal year end of APL Logistics Ltd and its 66 consolidated subsidiaries is the last Friday of December of each year.

The difference between the fiscal year end of the Company and that of APL Logistics Ltd and its subsidiaries exceeds 3 months hence financial statements based on preliminary closing date of December 31 is used.

Necessary adjustments have been made in the consolidation process to address material transactions that occurred between closing dates different to the Company.

(5) 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.

(6) 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, 2019 and 2018. 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.

(7) 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.

(8) 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 using the straight-line method. The range of useful lives is principally as follows:

Buildings and structures .... 5-50 years
Machinery and equipment ...... 2-30 years
Others .... 1-15 years

(9) Intangible Assets excluding Leased Assets

Amortization of intangible assets is computed using the straight-line method. Software for internal use is amortized using 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 using the straight-line method over their useful lives of 20 years.

(10) 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.

(11) Accounting for Impairment of Long-lived 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 selling price at disposition.

(12) Accrued Bonuses to Employees

Bonuses to employees are provided for the portion that is relevant to the current year of the estimated amount of bonus payments.

(13) 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.

(14) 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 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, 2019 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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 swap contracts, 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 swap contracts	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.

(20) 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, 2019 and 2018 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.

(21) Standards and Guidance Issued but Not Yet Adopted

The following guidance were issued but not yet adopted.

·"Accounting Standard for Revenue Recognition" (ASBJ Standard No. 29, March 30, 2018)
·"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

a) Overview
A comprehensive revenue recognition model where revenue is recognized by applying the following five steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

b) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

c) Effects of the implementation of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

·"IFRS16"

a) Overview
Changes in accounting for lease.

b) Effective date
Effective from the beginning of the fiscal year ending March 31, 2020.

c) Effects of the implementation of the standards
The Company is currently evaluating the effect of IFRS 16.

(22) Changes in Presentation

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'non-current liabilities', respectively.

As a result, ¥229 million of deferred tax assets classified as "current assets" have been included in deferred tax assets (¥1,502 million) in "investments and other assets", and ¥690 million of deferred tax assets classified as "current assets" and ¥366 million of deferred tax liabilities classified as "current liabilities" have been included in deferred tax liability classified as "non-current liability" (¥8,765 million) in the balance sheet as of the end of the previous fiscal year.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

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
	2019	2018	2019
Cash and time deposits	¥ 80,324	¥ 72,832	$ 723,704
Time deposits with maturities exceeding three months	(4,524)	(4,976)	(40,760)
Cash and cash equivalents	¥ 75,799	¥ 67,856	$ 682,935

2. 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, 2019 and the fiscal year ended March 31, 2018 are ¥193 million ($1,738 thousand) and ¥344 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, 2019 and 2018:

Held-to-maturity debt securities, at March 31, 2019: None
Held-to-maturity debt securities, at March 31, 2018: None

Available-for-sale securities, at March 31, 2019:	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	¥ 3,770	¥ 1,715	¥ 2,054	$ 33,967	$ 15,451	$ 18,506
Securities with book value not exceeding acquisition costs	3,640	3,741	(100)	32,795	33,705	(900)
Total	¥ 7,411	¥ 5,457	¥ 1,954	$ 66,771	$ 49,166	$ 17,605

Available-for-sale securities, at March 31, 2018:	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 4,691	¥ 1,978	¥ 2,712
Securities with book value not exceeding acquisition costs	3,256	3,324	(68)
Total	¥ 7,947	¥ 5,303	¥ 2,644

Available-for-sale securities sold during the years ended March 31, 2019 and 2018:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales proceeds	¥ 635	¥ 27	$ 5,721
Gain on sales	277	0	2,495
Loss on sales	0	–	0

Note 5: Pledged Assets and Secured Liabilities

1. At March 31, 2019 and 2018, assets pledged as collateral for secured liabilities were as follows:

Assets pledged as collateral	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits	¥ 24	¥ 111	$ 216
Notes and accounts receivable-trade	4,074	4,867	36,706
Other investments	5	6	45
Total	¥ 4,104	¥ 4,985	$ 36,976

2. At March 31, 2019 and 2018, liabilities related to these assets pledged as collateral were as follows:

Secured liabilities	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notes and accounts payable-trade	¥ 1	¥ 0	$ 9
Short-term debt	2,872	3,190	25,876
Total	¥ 2,874	¥ 3,191	$ 25,894

Note 6: Impairment Loss

Impairment loss for the year ended March 31, 2019
The Group primarily classifies its assets by management accounting unit and idle assets by individual property and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥265 million ($2,387 thousand) as other expenses.
The impairment loss was recognized on goodwill of India Infrastructure and Logistics Private Limited in India (APLL Segment), and the Group reduced the book value of these assets by ¥265 million ($2,387 thousand) to their recoverable amount because it is no longer foreseen to generate revenues that was expected at share acquisition. The recoverable amount was measured by value in use calculated by discounting future cash flows at a discount rate of 16.0%.

Impairment loss for the year ended March 31, 2018
The Group primarily classifies its assets by management accounting unit and idle assets by individual property and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥175 million as other expenses.

1) The impairment loss was recognized on goodwill of India Infrastructure and Logistics Private Limited in India (APLL Segment), and the Group reduced the book value of these assets by ¥25 million to their recoverable amount because it is no longer foreseen to generate revenues that was expected at share acquisition. The recoverable amount was measured by value in use calculated by discounting future cash flows at a discount rate of 15.0%.

2) The impairment loss was recognized on the idle tangible assets of Japan Segment, and the Group reduced the book value of these assets by ¥150 million, of which ¥137 million was allocated to land, and ¥12 million to building and structures etc. The recoverable amount was measured by the net selling price valued by outside real estate appraiser.

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, 2019 and 2018 are 2.6% and 2.3%, respectively.

2. Long-term debt including lease obligations at March 31, 2019 and 2018 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Long-term debt from banks and other financial institutions due 2016 to 2026, with average interest of 0.4% for 2019 and 2018			
Unsecured	¥ 129,172	¥ 135,006	$ 1,163,816
Less: Portion due within one year	(10,657)	(10,811)	(96,017)
Long-term debt, less current portion	¥ 118,514	¥ 124,195	$ 1,067,789

3. Annual maturities of long-term debt including lease obligations at March 31, 2019 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 30,275	$ 272,772
2022	13,231	119,208
2023	10,111	91,098
2024 and thereafter	64,896	584,701
Total	¥ 118,514	$ 1,067,789

4. Financial covenants

As of March 31, 2019

The Company's long-term debt (including current portion of long-term debt) from bank of ¥120,000 million ($1,081,178 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 less than three times.

As of March 31, 2018

The Company's long-term debt (including current portion of long-term debt) from bank of ¥125,000 million 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 less than three times.

Note 8: Accounting for Retirement Benefits

1. Defined benefit pension plans

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year, as previously reported	¥ 15,385	¥ 14,114	$ 138,616
Service cost	1,125	948	10,136
Interest cost	188	172	1,693
Actuarial differences incurred during the year	2,410	430	21,713
Benefits paid	(995)	(1,066)	(8,964)
Past service costs	0	(39)	0
Increase due to change from the simplified method to the principle method	–	797	–
Other	(32)	27	(288)
Balance at end of year	¥ 18,082	¥ 15,385	$ 162,915

(2) Changes in plan assets except pension plans applying simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 13,639	¥ 13,549	$ 122,884
Expected return on plan assets	412	405	3,712
Actuarial differences incurred during the year	(455)	(22)	(4,099)
Contributions paid by the employer	765	661	6,892
Contributions paid by the employee	97	96	873
Benefits paid	(876)	(1,052)	(7,892)
Other	(5)	1	(45)
Balance at end of year	¥ 13,578	¥ 13,639	$ 122,335

(3) Changes in retirement benefit obligations applying simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 1,132	¥ 1,949	$ 10,199
Retirement benefit costs	408	432	3,676
Benefits paid	(63)	(165)	(567)
Contributions paid by the employer	(246)	(292)	(2,216)
Decrease due to change from the simplified method to the principle method	–	(797)	–
Other	9	5	81
Balance at end of year	¥ 1,239	¥ 1,132	$ 11,163

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligations	¥ 17,683	¥ 14,921	$ 159,320
Plan assets	(14,435)	(14,420)	(130,056)
	3,248	500	29,263
Unfunded projected benefit obligations	2,495	2,376	22,479
Net liability (asset) on the consolidated balance sheet	¥ 5,743	¥ 2,877	$ 51,743
Net defined benefit liability	5,743	2,877	51,743
Net defined benefit asset	–	–	–
Net amount of liability (asset) on the consolidated balance sheet	¥ 5,743	¥ 2,877	$ 51,743

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 1,028	¥ 851	$ 9,262
Interest cost	188	172	1,693
Expected return on plan assets	(412)	(405)	(3,712)
Amortization on actuarial gains and losses	208	11	1,874
Amortization on prior service cost	1	(38)	9
Retirement benefit cost with simplified method	408	432	3,676
Net retirement benefit costs of defined benefit pension plan	¥ 1,421	¥ 1,024	$ 12,802

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service costs	¥ 0	¥ 0	$ 0
Actuarial differences	(2,657)	(441)	(23,939)
Total	¥ (2,656)	¥ (440)	$ (23,930)

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized past service costs	¥ 2	¥ 2	$ 18
Unrecognized actuarial differences	3,382	725	30,471
Total	¥ 3,384	¥ 728	$ 30,489

(8) Plan assets

(a) Components of plan assets	2019	2018
Bonds	47.2%	40.7%
Equity securities	18.3%	21.2%
Cash and time deposits	12.2%	7.6%
Life insurance company account	3.8%	3.7%
Alternative investments	17.8%	26.2%
Other	0.7%	0.6%
Total	100.0%	100.0%

Notes:
1. Plan asset consists of retirement benefit trust set to the defined benefit pension plan which accounted for 0.3% and 0.4% of the plan assets as of March 31, 2019 and 2018 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

	2019	2018
Discount rate	Primarily 0.2%	Primarily 1.1%
Long-term expected rate of return on plan assets	Primarily 3.0%	Primarily 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, 2019 and 2018 were ¥1,244 million ($11,208 thousand) and ¥1,305 million, respectively.

Note 9: Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 30.6% and 30.9% for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Loss carry forward (Note 2)	¥ 2,668	¥ 2,870	$ 24,038
Accrued bonuses	725	687	6,532
Accrued enterprise tax	119	125	1,072
Net defined benefit liability	2,027	1,223	18,262
Valuation loss on investment securities	926	940	8,343
Allowance for doubtful accounts	476	352	4,288
Allowance for paid leave	292	258	2,630
Foreign tax credit	995	922	8,964
Others	928	796	8,361
Gross deferred tax assets	9,160	8,176	82,529
Valuation allowance for net operating loss carry forward (Note 2)	(2,547)	–	(22,948)
Valuation allowance for deductible temporary differences	(1,470)	–	(13,244)
Gross valuation allowance (Note 1)	(4,017)	(4,966)	(36,192)
Total deferred tax assets	5,142	3,210	46,328
Deferred tax liabilities:			
Depreciation	(1,436)	(1,235)	(12,938)
Reserved profit of foreign subsidiaries	(152)	(145)	(1,369)
Unrealized holding gains on securities	(581)	(763)	(5,234)
Valuation difference on business combination	(6,924)	(7,470)	(62,383)
Others	(1,006)	(858)	(9,063)
Total deferred tax liabilities	(10,101)	(10,473)	(91,008)
Net deferred tax assets (liabilities)	¥ (4,958)	¥ (7,263)	$ (44,670)

Notes:
1. Valuation reserve amount decreased by ¥948 million ($8,541 thousand). The main reason of this decrease is due to the fact that ¥1,002 million ($9,027 thousand) decreased the Company's valuation reserve for valuation loss on investment securities.
2. Net operating loss carry forward and deferred tax assets per expiration date of March 31, 2019 were as follows:

	Millions of yen						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Net operating loss carry forward (*)	¥ 22	¥ –	¥ –	¥ 58	¥ 570	¥ 2,017	¥ 2,668
Valuation allowance (for net operating loss carry forward)	–	–	–	58	528	1,960	2,547
Deferred tax assets	22	–	–	–	41	57	120

	Thousands of U.S. dollars						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Net operating loss carry forward (*)	$ 198	$ –	$ –	$ 522	$ 5,135	$ 18,172	$ 24,038
Valuation allowance (for net operating loss carry forward)	–	–	–	522	4,757	17,659	22,948
Deferred tax assets	198	–	–	–	369	513	1,081

(*) Figures for tax loss carry forward were the amounts multiplied by effective statutory tax rate.

2. Reconciliation between the statutory tax rate and effective tax rate
   The reconciliations of the difference between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Statutory tax rate	30.6%	30.9%
Entertainment expenses and other non-deductible permanent differences	1.5	0.8
Dividend income and other non-taxable income	(1.0)	(0.6)
Difference of the statutory tax rate among countries other than Japan	(3.8)	(3.3)
Amortization of goodwill	5.5	6.5
Corporate inhabitant tax, withholding tax	8.5	7.5
Income taxes for prior periods	2.3	(1.7)
Valuation allowance, utilization of tax losses	(6.2)	4.3
Equity in earnings (losses) of affiliates, net	4.0	0.4
Effect of elimination of intercompany dividends received	1.0	0.5
Reserved profit of foreign subsidiaries	0.9	6.5
Other, net	(2.4)	(1.4)
Effective tax rate	40.9%	50.4%

Note 10: 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 2019	Shares 2018
Number of shares at the beginning of the fiscal year	72,000,000	72,000,000
Increase	–	–
Decrease	–	–
Number of shares at the end of the fiscal year	72,000,000	72,000,000

Note: Type of all share issued is common stock.

(2) Number of treasury stock shares

		Shares 2019	Shares 2018
Number of shares at the beginning of the fiscal year		2,364	2,364
Increase	(Note 2)	3	–
Decrease		–	–
Number of shares at the end of the fiscal year		2,367	2,364

Notes:
1. Type of all share issued is common stock.
2. The 3 shares increase of treasury stock shares for the fiscal year ended March 31, 2019 is due to the purchase of shares less than standard unit.

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

Resolutions	Dividend paid: Millions of yen	Dividend paid: Thousands of U.S. dollars	Dividend per share: Yen	Dividend per share: U.S. dollars	Record date	Effective date
Year ended March 31, 2019						
Ordinary general meeting of shareholders held on June 19, 2018	¥ 1,151	$ 10,370	¥ 16.00	$ 0.14	March 31, 2018	June 20, 2018
Board of Directors' meeting held on November 8, 2018	719	6,478	10.00	0.09	September 30, 2018	December 10, 2018
Year ended March 31, 2018						
Ordinary general meeting of shareholders held on June 27, 2017	¥ 1,151		¥ 16.00		March 31, 2017	June 28, 2017
Board of Directors' meeting held on November 9, 2017	719		10.00		September 30, 2017	December 8, 2017

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.

(b) Dividends with a record date during the years ended March 31, 2019 and 2018 but an effective date subsequent to the following fiscal year.

Resolutions	Dividend paid: Millions of yen	Dividend paid: Thousands of U.S. dollars	Dividend per share: Yen	Dividend per share: U.S. dollars	Record date	Effective date
Year ended March 31, 2019						
Ordinary general meeting of shareholders held on June 18, 2019	¥ 1,439	$ 12,965	¥ 20.00	$ 0.18	March 31, 2019	June 19, 2019
Year ended March 31, 2018						
Ordinary general meeting of shareholders held on June 19, 2018	¥ 1,151		¥ 16.00		March 31, 2018	June 20, 2018

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.

Note 11: Accounting for Leases

Lease obligations under non-cancellable operating leases for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Payments due within one year	¥ 8,712	¥ 8,730	$ 78,493
Payments due after one year	17,868	18,031	160,987
Total	¥ 26,581	¥ 26,762	$ 239,490

Note 12: 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 has operational relationships and they are exposed to stock market fluctuation risks. To control the risks, the Group are 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 for derivative transactions, the Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain receivables, payables and scheduled transactions denominated in foreign currencies. Also the Group enters into currency and interest rate swap contracts and currency swap contracts to manage interest and currency exposures on debt from financial institutions. Derivative transactions are 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, 2019 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	¥ 80,324	¥ 80,324	¥ –	$ 723,704	$ 723,704	$ –
(2) Notes and accounts receivable-trade	109,388	109,388	–	985,566	985,566	–
(3) Marketable securities						
Available-for-sale securities	2,995	2,995	–	26,984	26,984	–
(4) Investment securities						
Equity securities	4,519	1,730	(2,789)	40,715	15,586	(25,128)
Other securities	4,415	4,415	–	39,778	39,778	–
(5) Long-term loans receivable	671			6,045		
Allowance for doubtful accounts (*1)	(572)			(5,153)		
	98	98	–	882	882	–
Total	¥201,742	¥198,952	¥ (2,789)	$1,817,659	$1,792,521	$(25,128)
Liabilities:						
(6) Notes and accounts payable-trade	¥ 52,738	¥ 52,738	¥ –	$ 475,159	$ 475,159	$ –
(7) Short-term debt	32,474	32,474	–	292,584	292,584	–
(8) Income taxes payable	3,762	3,762	–	33,894	33,894	–
(9) Long-term debt (including current portion of long-term debt)	128,459	128,467	8	1,157,392	1,157,464	72
Total	¥217,435	¥217,443	¥ 8	$1,959,050	$1,959,122	$ 72
Derivative transactions (*2):						
Hedge accounting is not applied	¥ (88)	¥ (88)	¥ –	$ (792)	$ (792)	$ –
Total	¥ (88)	¥ (88)	¥ –	$ (792)	$ (792)	$ –

(*1) This is the allowance for doubtful accounts with respect to long-term loans receivable.
(*2) 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

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 swap contracts, 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 swap contracts, using the interest rate that would be assumed if a similar loan agreement was 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, 2019 were as follows:

	Book value	
	Millions of yen	Thousands of U.S. dollars
Investments in affiliates	¥ 6,122	$ 55,158
Investments in others	381	3,432

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 ¥1,311 million ($11,811 thousand) was recorded for the year ended March 31, 2019.
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	¥ 80,324	¥ –	¥ –	$ 723,704	$ –	$ –
(2) Notes and accounts receivable-trade	109,388	–	–	985,566	–	–
(3) Marketable securities						
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	2,976	22	–	26,813	198	–
Other securities with maturity date (government securities)	18	42	–	162	378	–
(4) Long-term loans receivable	–	–	98	–	–	882
Total	¥192,708	¥ 65	¥ 98	$ 1,736,264	$ 585	$ 882

Note 13: Derivatives

1. Derivative transactions to which hedge accounting was not applied as of March 31, 2019

[Currency related]

	Millions of yen				Thousands of U.S. dollars			
	Contract amounts due within one year	Contract amounts due over one year	Fair value	Unrealized gain (loss)	Contract amounts due within one year	Contract amounts due over one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions								
Foreign currency forward contracts to								
Purchase U.S. dollar	¥ 792	¥ –	¥ (2)	¥ (2)	$ 7,135	$ –	$ (18)	$ (18)
Purchase euro	394	–	(3)	(3)	3,549	–	(27)	(27)
Purchase British pound	44	–	(0)	(0)	396	–	(0)	(0)
Purchase Thai baht	32	–	(0)	(0)	288	–	(0)	(0)
Purchase Swiss franc	20	–	0	0	180	–	0	0
Purchase Hong Kong dollar	19	–	(0)	(0)	171	–	(0)	(0)
Purchase Swedish krona	2	–	(0)	(0)	18	–	(0)	(0)
Currency swap contracts								
Receipt in Chinese yuan, payment in Japanese yen	1,986	1,986	(81)	(81)	17,893	17,893	(729)	(729)
Total	¥ 3,291	¥ 1,986	¥ (88)	¥ (88)	$ 29,651	$ 17,893	$ (792)	$ (792)

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, 2019

[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 swap contracts Floating-rate receipt, fixed-rate payment Receipt in U.S. dollars, payment in Japanese yen	¥ 60,000	¥ 54,000	Note	$ 540,589	$ 486,530	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.

Note 14: 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 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. 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 based on market price to be used under general business conditions.

4. Net sales, segment income or loss, assets and others of reportable segments
The segment information of the Companies for the years ended March 31, 2019 and 2018 are 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, 2019:											
Net sales											
Net sales to outside customers	¥ 141,678	¥ 57,294	¥ 40,543	¥ 99,271	¥ 56,042	¥ 196,757	¥ 591,588	¥ 421	¥ 592,009	¥ –	¥ 592,009
Inter-segment sales/transfers	3,991	4,239	1,390	2,260	1,924	166	13,972	2,264	16,236	(16,236)	–
Total net sales	145,669	61,534	41,934	101,531	57,966	196,923	605,560	2,685	608,246	(16,236)	592,009
Operating expenses	139,891	58,142	40,531	96,338	55,305	194,720	584,929	2,540	587,470	(16,257)	571,212
Segment income	¥ 5,777	¥ 3,391	¥ 1,402	¥ 5,193	¥ 2,661	¥ 2,203	¥ 20,630	¥ 145	¥ 20,776	¥ 20	¥ 20,797
At March 31, 2019:											
Segment assets	¥ 74,163	¥ 26,299	¥ 17,949	¥ 55,594	¥ 28,922	¥ 186,232	¥ 389,161	¥ 2,453	¥ 391,614	¥ (3,147)	¥ 388,467
Year ended March 31, 2019:											
Other:											
Depreciation	¥ 1,498	¥ 264	¥ 229	¥ 567	¥ 531	¥ 5,169	¥ 8,260	¥ 157	¥ 8,418	¥ –	¥ 8,418
Amortization of goodwill	47	–	–	–	–	3,619	3,666	–	3,666	–	3,666
Investments in affiliates	2,796	–	269	467	2,588	4,519	10,642	–	10,642	–	10,642
Increase in property and equipment and other intangible assets	1,384	293	144	526	352	5,264	7,966	58	8,025	–	8,025
Year ended March 31, 2018:											
Net sales											
Net sales to outside customers	¥ 124,321	¥ 48,821	¥ 37,589	¥ 94,049	¥ 53,333	¥ 194,722	¥ 552,836	¥ 360	¥ 553,197	¥ –	¥ 553,197
Inter-segment sales/transfers	3,486	4,397	1,047	2,082	1,383	138	12,535	1,923	14,458	(14,458)	–
Total net sales	127,807	53,219	38,636	96,131	54,716	194,860	565,372	2,283	567,655	(14,458)	553,197
Operating expenses	121,618	49,636	38,012	90,496	51,459	196,847	548,070	2,038	550,108	(14,463)	535,645
Segment income (loss)	¥ 6,189	¥ 3,582	¥ 623	¥ 5,634	¥ 3,257	¥ (1,986)	¥ 17,301	¥ 244	¥ 17,546	¥ 4	¥ 17,551
At March 31, 2018:											
Segment assets	¥ 75,879	¥ 22,187	¥ 19,035	¥ 55,981	¥ 29,200	¥ 192,319	¥ 394,603	¥ 2,179	¥ 396,783	¥ (7,200)	¥ 389,582
Year ended March 31, 2018:											
Other:											
Depreciation	¥ 1,363	¥ 233	¥ 237	¥ 600	¥ 494	¥ 4,904	¥ 7,834	¥ 98	¥ 7,932	¥ –	¥ 7,932
Amortization of goodwill	47	–	–	–	–	3,705	3,753	–	3,753	–	3,753
Investments in affiliates	2,675	–	228	468	4,167	6,916	14,456	–	14,456	–	14,456
Increase in property and equipment and other intangible assets	1,626	196	137	419	755	6,483	9,620	679	10,299	–	10,299

	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, 2019:											
Net sales											
Net sales to outside customers	$ 1,276,493	$ 516,208	$ 365,285	$ 894,413	$ 504,928	$ 1,772,745	$ 5,330,101	$ 3,793	$ 5,333,894	$ –	$ 5,333,894
Inter-segment sales/transfers	35,958	38,192	12,523	20,362	17,334	1,495	125,885	20,398	146,283	(146,283)	–
Total net sales	1,312,451	554,410	377,817	914,776	522,263	1,774,240	5,455,987	24,191	5,480,187	(146,283)	5,333,894
Operating expenses	1,260,392	523,848	365,177	867,988	498,288	1,754,392	5,270,105	22,884	5,292,999	(146,472)	5,146,517
Segment income	$ 52,049	$ 30,552	$ 12,631	$ 46,787	$ 23,975	$ 19,848	$ 185,872	$ 1,306	$ 187,188	$ 180	$ 187,377
At March 31, 2019:											
Segment assets	$ 668,195	$ 236,949	$ 161,717	$ 500,891	$ 260,582	$ 1,677,916	$ 3,506,270	$ 22,101	$ 3,528,371	$ (28,353)	$ 3,500,018
Year ended March 31, 2019:											
Other:											
Depreciation	$ 13,496	$ 2,378	$ 2,063	$ 5,108	$ 4,784	$ 46,571	$ 74,421	$ 1,414	$ 75,844	$ –	$ 75,844
Amortization of goodwill	423	–	–	–	–	32,606	33,030	–	33,030	–	33,030
Investments in affiliates	25,191	–	2,423	4,207	23,317	40,715	95,882	–	95,882	–	95,882
Increase in property and equipment and other intangible assets	12,469	2,639	1,297	4,739	3,171	47,427	71,772	522	72,303	–	72,303

Notes:

1. "Other" is segment which is not included in reportable segments and provides incidental logistics related services within the Group.
2. "Adjustment" includes:
   Segment income of ¥20 million ($180 thousand) and ¥4 million for the years ended March 31, 2019 and 2018, respectively represents elimination of inter-segment transactions.
   Segment assets of ¥(3,147) million ($(28,353) thousand) and ¥(7,200) million at March 31, 2019 and 2018 respectively consist of elimination of inter-segment transactions of ¥(16,721) million ($(150,653) thousand) and ¥(14,932) million at March 31, 2019 and 2018 respectively and surplus fund (cash and time deposit) of the Company of ¥13,574 million ($122,299 thousand) and ¥7,732 million, which are not allocated to each segment at March 31, 2019 and 2018 respectively.
3. Segment income is adjusted with operating income in the consolidated statements of income.

5. Net sales by Service
   Net sales by Service for the years ended March 31, 2019 and 2018 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales by Service:			
Air freight forwarding	¥ 211,358	¥ 193,354	$ 1,904,297
Sea freight forwarding	165,614	155,803	1,492,152
Logistics	176,100	168,060	1,586,629
Others	38,935	35,978	350,797
	¥ 592,009	¥ 553,197	$ 5,333,894

6. Net sales classified by Country or Geographic area
   Net sales classified by country or geographic area for the years ended March 31, 2019 and 2018 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales classified by Country or Geographic area:			
Japan	¥ 141,771	¥ 124,370	$ 1,277,331
North America			
United States	162,644	149,916	1,465,393
Others	12,451	11,305	112,181
Asia and Oceania			
China	97,519	93,811	878,628
Others	107,904	104,146	972,195
Europe	45,322	46,388	408,343
Latin America	16,496	15,239	148,626
Others	7,898	8,018	71,159
	¥ 592,009	¥ 553,197	$ 5,333,894

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

7. Property and equipment classified by Country or Geographic area
   Property and equipment classified by country or geographic area for the years ended March 31, 2019 and 2018 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Property and equipment classified by Country or Geographic area:			
Japan	¥ 25,276	¥ 25,589	$ 227,732
North America			
United States	3,521	3,923	31,723
Others	2,090	2,171	18,830
Asia and Oceania			
China	2,296	2,525	20,686
Others	11,715	10,989	105,550
Europe	339	370	3,054
Latin America	555	658	5,000
Others	342	520	3,081
	¥ 46,137	¥ 46,749	$ 415,686

8. 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, 2019 and 2018 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, 2019									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ –	¥ 1,311	¥ 2,331	¥ 3,643	¥ –	¥ 3,643
Year ended March 31, 2018									
Impairment loss of non-current assets	¥ 150	¥ –	¥ –	¥ 149	¥ –	¥ 435	¥ 736	¥ –	¥ 736

	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, 2019									
Impairment loss of non-current assets	$ –	$ –	$ –	$ –	$ 11,811	$ 21,001	$ 32,822	$ –	$ 32,822

Notes:
1. Southeast Asia segment recognized impairment loss for goodwill associated with Gati-Kintetsu Express Pvt. Ltd., an affiliate accounted for using equity method, and recorded it in equity in earnings (losses) of affiliates, net.
2. The impairment loss that APLL segment recognized includes impairment loss for share of ¥2,065 million ($18,605 thousand) associated with Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using equity method, and it was recorded in equity in earnings (losses) of affiliates, net.

9. Information on amortization of goodwill and balance of goodwill of reportable segments
Amortization of goodwill and the balance of goodwill by reportable segments for the years ended March 31, 2019 and 2018 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, 2019									
Goodwill									
Amortization of goodwill	¥ 47	¥ –	¥ –	¥ –	¥ –	¥ 3,619	¥ 3,666	¥ –	¥ 3,666
Balance of goodwill	711	–	–	–	–	59,891	60,603	–	60,603
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	108	–	108	–	108
Year ended March 31, 2018									
Goodwill									
Amortization of goodwill	¥ 47	¥ –	¥ –	¥ –	¥ –	¥ 3,705	¥ 3,753	¥ –	¥ 3,753
Balance of goodwill	758	–	–	–	–	64,946	65,705	–	65,705
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	119	–	119	–	119

	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, 2019									
Goodwill									
Amortization of goodwill	$ 423	$ –	$ –	$ –	$ –	$ 32,606	$ 33,030	$ –	$ 33,030
Balance of goodwill	6,405	–	–	–	–	539,607	546,022	–	546,022
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	99	–	99	–	99
Balance of negative goodwill	–	–	–	–	973	–	973	–	973

Note 15: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2019 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Personnel expenses	¥ 47,344	¥ 46,455	$ 426,560
Facility expenses	10,258	9,289	92,422
Office expenses	4,225	4,004	38,066
Depreciation	5,359	5,001	48,283
Amortization of goodwill	3,666	3,753	33,030
Others	5,305	6,605	47,797
Total	¥ 76,160	¥ 75,110	$ 686,187

Note 16: Other Income (Expenses)

Other Income (Expenses) for the year ended March 31, 2018 includes loss on liquidation of subsidiaries as a result of the resolution of liquidation of its consolidated subsidiary, APL Logistics/CFR AD Holdings, LLC. The amount consists of loss on goodwill of ¥410 million and loss on disposal of fixed assets of ¥47 million.

Others, net during the years ended March 31, 2019 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gain (loss) on sales or disposals of property and equipment, net	¥ –	¥ –	$ –
Amortization of negative goodwill	11	11	99
Settlement income	–	0	–
Other, net	502	82	4,522
Total	¥ 513	¥ 93	$ 4,622

Note 17: Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized gains (losses) on available-for-sale securities			
Increase (Decrease) during the year	¥ (413)	¥ 184	$ (3,721)
Reclassification	(277)	0	(2,495)
Subtotal, before tax	(690)	184	(6,216)
Tax (expense) or benefit	183	(45)	1,648
Subtotal, net of tax	(506)	138	(4,558)
Foreign currency translation adjustments			
Increase (Decrease) during the year	(3,057)	(2,897)	(27,543)
Reclassification	67	–	603
Subtotal, before tax	(2,990)	(2,897)	(26,939)
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	(2,990)	(2,897)	(26,939)
Remeasurements of defined benefit plans			
Increase (Decrease) during the year	(2,865)	(452)	(25,813)
Reclassification	209	12	1,883
Subtotal, before tax	(2,656)	(440)	(23,930)
Tax (expense) or benefit	814	134	7,333
Subtotal, net of tax	(1,841)	(305)	(16,587)
Share of other comprehensive income of associates accounted for using equity method			
Increase (Decrease) during the year	(919)	413	(8,280)
Reclassification	(5)	(5)	(45)
Subtotal	(925)	407	(8,334)
Total other comprehensive income	¥ (6,264)	¥ (2,657)	$ (56,437)

Note 18: Amounts Per Share

Net assets per share as of March 31, 2019 and 2018 and net income per share for the years ended March 31, 2019 and 2018 were summarized as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥ 1,690.89	¥ 1,662.72	$ 15.23
Earnings per share	136.91	97.26	1.23

Notes:

1. Diluted net income per share for the years ended March 31, 2019 and 2018 are omitted, because the Company has no dilutive shares.
2. Basis for calculation of earnings per share for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income attributable to owners of the parent	¥ 9,857	¥ 7,002	$ 88,809
Net income not attributable to common shareholders	–	–	–
Net income attributable to common shareholders	¥ 9,857	¥ 7,002	$ 88,809

	Shares	
	2019	2018
Weighted-average number of shares of common stock outstanding	71,997,635	71,997,636

Note 19: 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC
June 18, 2019
Tokyo, Japan

Investor Information

(As of March 31, 2019)

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 Meeting of Shareholders:
Held every June in Tokyo, Japan.

Shareholder Register Administrator:
Mitsubishi UFJ Trust and Banking Corporation

Number of Employees:
17,661 (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

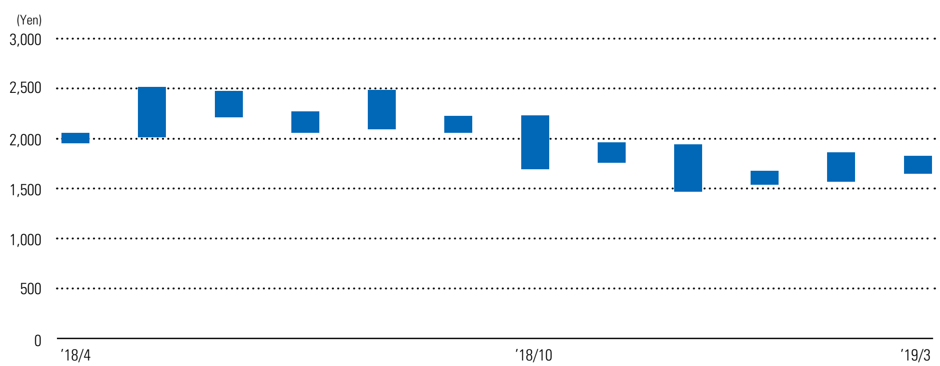
Website Address:
https://www.kwe.com

Major Shareholders

(As of March 31, 2019)

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%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,585,300	3.59%
NORTHERN TRUST CO. (AVFC) RE HSD00	2,207,600	3.07%
Hokko Daiwa Taxi Co., Ltd.	1,875,000	2.60%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,759,000	2.44%
NORTHERN TRUST CO. (AVFC) RE HCR00	1,305,300	1.81%
STATE STREET BANK AND TRUST COMPANY 505001	963,311	1.34%
National Mutual Insurance Federation of Agricultural Cooperatives	951,400	1.32%
JUNIPER	949,400	1.32%

Stock Price



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