KWE
Global Logistics Partner

Annual Report 2023

Kintetsu World Express, Inc.
Year Ended March 31, 2023

"Global Top 10 Solution Partner"

A Global Brand Born in Japan

APL Logistics
A member of the KWE Group

Contents

Scope and Time Frame of This Report

Organization

Kintetsu World Express, Inc. and its consolidated subsidiaries and affiliates accounted for using the equity method (Includes some information about KWE (non-consolidated))

Time frame

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) (Includes some content after April 1, 2023)

Expectations and Forecasts

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

Please be well advised that because of these risk factors, actual results may differ from our expectations.

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Unwavering Philosophy

Contributing to Sustainable Society through Logistics

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.

KWE Group Sustainability Basic Policy

The KWE Group endeavors to create a sustainable society for a better future based on the "Corporate Philosophy" and "KWE Group Corporate Guidelines".

Long-Term Vision
Unwavering Goal

Long-Term Vision
"Global Top 10 Solution Partner"
A Global Brand Born in Japan

- KWE's brand recognition will continue to grow by our core strengths: superior quality, a collective and competitive spirit, and a solutions-driven attitude.
- KWE's market expansion will be paved by establishing our identity as a preferred partner across all regions.
- Through the merit of our work, KWE will become a company that brings pride to its diversified and talented workforce.

Numerical Targets for the Fiscal Year Ending March 31, 2028

Net sales: **1 trillion** yen

Operating income: **50 billion** yen

Air freight (Tons): Over **1 million**

Sea freight (TEUs): Over **1 million**

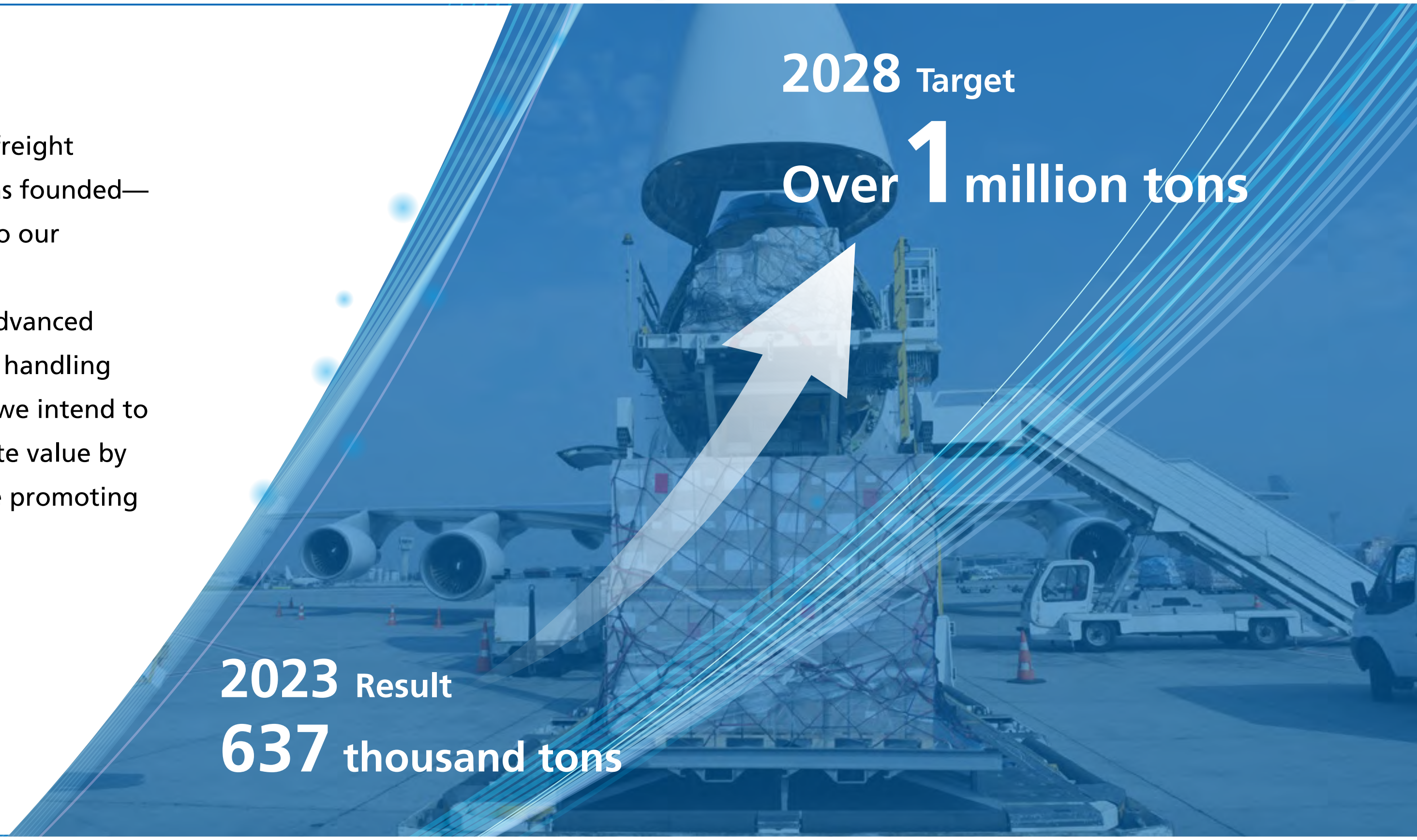
Aiming for the Global Top 10

Toward Achieving over 1 Million Tons of Air Freight Volume

Continue to Refine Our Strengths as We Provide Greater Value to Customers

Air Freight Forwarding

By continuing to refine our strengths in air freight forwarding—the business on which KWE was founded—we will increase the value that we provide to our customers and to the global community.
In addition to providing a diverse array of advanced solutions as we aim to achieve our target of handling “over 1 million tons of air freight volume”, we intend to realize continuous enhancement of corporate value by also focusing on sustainability initiatives like promoting the use of Sustainable Aviation Fuel (SAF).



Aiming for the Global Top 10

Toward Achieving over 1 Million TEUs of Sea Freight Volume

Provide the Very Best Services to Customers around the World

Sea Freight Forwarding

We have been focusing on sea freight forwarding alongside air freight forwarding. As a result of our efforts to expand handling volumes worldwide, and thanks to customers' high praise for our services, sea freight volume has increased by a factor of 2.3 over the past 10 years. Going forward, we will continue to aim toward our target of "over 1 million TEUs of sea freight volume" by providing high-quality services that deliver all types of cargo when and where needed. In addition, we will accelerate initiatives aimed at decarbonization, for example by expanding container round use.

Foundation for Creating New Value
—Outline of 6 Segments—

The Americas

United States
Canada
Mexico
Latin American countries

Net Sales ('23/3)

27.3%UP
(YoY change)

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 ('23/3)

30.6%UP
(YoY change)

JTK (Japan/Taiwan/Korea)

Japan
Taiwan
Korea

Net Sales ('23/3)*

16.8%UP
(YoY change)

APL Logistics Group

Net Sales ('23/3)

29.6%UP
(YoY change)

South East Asia & Oceania

Singapore
Malaysia
Thailand
India
Indonesia
Vietnam
The Philippines
Cambodia
Australia
Bangladesh
Sri Lanka
Laos
Myanmar

Net Sales ('23/3)

12.7%DOWN
(YoY change)

East Asia

Hong Kong
China

Net Sales ('23/3)*

2.9%DOWN
(YoY change)

* The net sales ('23/3) by segment are based on the results before the organizational change to establish a new JTK Region effective April 1, 2023. Therefore, net sales ('23/3) for JTK only consist of Japan, and net sales ('23/3) for East Asia consist of the above listed countries and Taiwan, Korea.

Foundation for Creating New Value
—Our Services—

Air Freight

Net Sales ('23/3)
0.0%DOWN
(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.

Sea Freight

Net Sales ('23/3)
12.5%UP
(YoY change)

Main Services
- Sea freight forwarding (FCL, LCL)
- Container drayage
- Trucking for pick-up and delivery
- Customs brokerage
- Buyer's consolidation
- Container round use

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.

Logistics

Net Sales ('23/3)
35.7%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.

Other Operations

Net Sales ('23/3)
4.3%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, etc.

Corporate Philosophy

KWE Group Corporate Guidelines

Input

- Financial soundness
- Global network and diverse service options
- Next generation IT systems
- Developing global human resources
- Group governance

Strengths

- Customer-first
- Human resources
- On-site capabilities, detailed service

- Realize customer value
- Provide supply chain solutions

Activity

Management Plan 2027

Global Top 10 Solution Partner

Growth strategy

- **Increase global volume**
  - Increase volume from/to Asia
  - Sales activities/marketing
- **Premium order management provider (APLL segment)**
- **Increase global volume**
  - Enhance global procurement capabilities
- **Develop unique products** (APLL segment)

Strengthen Our Business Platform

- **Group Governance**
  - Legal/risk/compliance/corporate brand value improvement
- **HR**
  - Enhance sustainable corporate value through active investment in human capital /Build and utilize HR management platform
- **IT**
  - Ensure business continuity/Contribute to sustainable growth
- **Finance/Accounting**
  - Establish an optimal accounting system / Develop financial strategy and raise funds/Develop tax strategy

Material topics leading to value creation

- Emissions
- Energy
- Social Impacts in the Supply Chain

Material topics related to basis for business continuity

- Anti-Corruption
- Diversity and Equal Opportunity
- Data Security

Output & Outcome

Net sales **1 trillion** yen
Breakdown: KWE 700.0 billion
APLL 300.0 billion

Operating income **50 billion** yen

Freight volume:
Air Over **1 million** tons
Sea Over **1 million** TEUs

- Establish a KWE Group brand
- Realize customer value
- Increase sustainable shareholder value
- Be a company where all group members take pride in their work
- Promote sustainability

Top Message

Leverage Strengths toward Sustainable Value Creation

We will pursue value creation based on our “Customer-First” approach and “On-site capabilities“

In 2019, the Group formulated its Long-Term Vision of becoming a “Global Top 10 Solution Partner” – A Global Brand Born in Japan –, and began pushing to achieve new numerical targets: 1 trillion yen in net sales, 50 billion yen in operating income, over a million tons of air freight and over a million TEUs of sea freight. We took our first steps in that direction under our previous Medium-Term Management Plan, which covered the three fiscal years from April 2019 through March 2022. During that time, we achieved record-high profits for two consecutive years. As our second step, we began implementing our “Management Plan 2027” from the fiscal year ended March 2023. Based on its priority measures, which center around growth strategies and strengthening of our business platform, we aim to achieve the numerical targets mentioned above by the fiscal year ending March 2028.

In addition, as we reported in our Annual Report 2022, we agreed to accept a tender offer from Kintetsu Group Holdings Co.,Ltd. to purchase our common stock in May 2022, and after delisting our shares in August of the same year, the Company became a wholly owned subsidiary of Kintetsu Group Holdings. Regardless of these changes, the KWE Group will continue its efforts to achieve sustainable growth and increase corporate value while maintaining good relationships with all of its stakeholders.

The value creation resulting from strengths that have been cultivated since our foundation in 1948 – a “Customer-first” approach and “On-site capabilities” – springs not only from the bonds of trust that we have built with our customers during normal times, but also from our flexible responses in the midst of the COVID-19 pandemic. In addition, our committed efforts aimed at achieving sustainability display a great deal of value. Although it is predicted that the VUCA* era will continue for some time, the Group will continue to refine its strengths in order to protect our customers’ supply chains. Furthermore, we will push forward with improving our logistics services and increasing their sophistication as we contribute to the development of global society.

I would like to ask all of our stakeholders for their continued support into the future.

* VUCA: Volatility, Uncertainty, Complexity, Ambiguity

Nobutoshi Torii
President & CEO

Management Plan 2027—Results and Challenges of the First Year/ Priority Measures for the Second Year and Beyond

In the fiscal year ended March 2023, profits declined due to such factors as a decrease in transportation demand, easing of supply limitations, and a shortage of freight capacity, but we achieved many results that will lead to a brighter future.

Expansion of global handling volumes

In the fiscal year ended March 2023, which was the first year covered by Management Plan 2027, transportation demand declined as a result of factors like production adjustments in the automotive sector due to lockdowns in China and semiconductor shortages, increased inventories, and disruptions in global supply chains. Both air and sea freight volumes decreased. In addition, there was a winding down of turmoil in shipping container logistics, a resumption of passenger flights, and easing of the tight supplies and cargo space shortages caused by the COVID pandemic.

Under these circumstances, the Group is promoting priority measures centered on strengthening cooperation between the Corporate Sales, Marketing & Operations department and the sales and marketing departments of each regional headquarters in order to expand global handling volumes as one of the growth strategies in Management Plan 2027.

As a result, in terms of expansion of shipments between Asia and Europe/the U.S., which is where most of the world's cargo movement takes place, the fiscal year ended March 2023 saw a rebound from the impact of the prolonged COVID-19 pandemic. Due to a swing back toward so-called normalization, as evidenced by a decline in market trading volumes and intensified competition with major competitors, there was a decline in demand in the market as a whole, which led to sluggish growth in demand, and company-wide volumes decreased slightly. At the same time, with regard to sales activities and marketing, our core corporate accounts and many other customers were positively impressed with the Group's flexible responses when the COVID-19 pandemic resulted in freight capacity shortages, and we were able to expand our handling share. In addition, our superior ability to handle semiconductor-related products contributed throughout the period, and we were able to keep the decline in volume below the industry average. In the fiscal year ending March 2024 and beyond, we will continue to designate target lanes and product categories and focus on promoting specific measures aimed at expanding volumes while further emphasizing the appeal of KWE's unique added value.

Concerning "strengthening global procurement functions", in the first half of the fiscal year, when both air and sea freight capacity shortages persisted, the corporate department led successful initiatives using charter flights and centralized purchasing. However, as the capacity shortage began to ease in the second half, centralized purchasing was less effective. Going forward, we will continue to build our relationships with major airlines and shipping companies as we develop new strategies in response to market trends.

Enhancing the functions of corporate departments

In terms of the second pillar of Management Plan 2027, "Strengthen Our Business Platform", in order to establish a group-wide platform that supports growth, we will focus on enhancing the functions of the Corporate Departments, and we will promote priority measures in the areas of Group governance, human resources, IT, finance, and accounting. In order for the Company to meaningfully assert its presence in the market as a full-fledged global player, we believe it is essential to establish unified platform functions that support our regional and global growth strategies. Looking at Group governance for example, in order to strengthen group-wide management of legal and risk-related issues related to our global business activities, we established a system centered around the position of General Counsel in 2021. This system functions effectively to grasp and handle legal risks, and we have made progress toward raising awareness of compliance and strengthening controls. In the future, by continuing to implement initiatives in other areas, we intend to improve the functionality of our Group platform in terms of both hardware and software.

Business environment

While the future remains uncertain and near-term demand for transportation is sluggish, we will invest in upcoming opportunities and continue to focus on our growth strategy and strengthening our business platform.

Risks and opportunities

While the future remains difficult to predict, in the short term we expect continued accumulation of inventories in many regions and lackluster demand for transportation due to various factors that spark concerns about possible economic recession. These factors include geopolitical risks (such as the Russia-Ukraine situation and tensions between the U.S. and China), rising resource prices, and continued interest rate hikes, primarily in developed countries.

At the same time, there are opportunities. Economic activity is normalizing as the COVID-19 crisis subsides and production in the automotive sector has begun to recover despite semiconductor shortages, although some say that it will take some time to return to where things stood before the spread of COVID-19. We believe that the business environment will remain harsh for the time being. However, in addition to ongoing technological innovations in growth fields like IoT, AI, 5G, and EV, we hold out hope that new innovations such as interactive AI and VR terminals will trigger a recovery in the semiconductor market, causing future transportation demand to recover more quickly. In order to be ready to meet such demand, the Group will continue to respond swiftly and flexibly to changes in the business environment as we focus on growth strategies and strengthen our business platform, and push ahead to achieve "1 trillion yen in net sales, 50 billion yen in operating income, over 1 million tons of air freight and over 1 million TEUs of sea freight" in the fiscal term ending March 2028.

Reorganization of regional segments

Based on our awareness of the risks and opportunities mentioned above, with the aim of making full use of the Group's global network to further expand our business and improve management efficiency, we transferred our Taiwanese and South Korean subsidiaries from East Asia Region to Japan Region and changed the name of the Japan Region to JTK Region in April 2023. Through this move, we aim to enhance cooperation among our businesses in Japan, Taiwan, and South Korea and further strengthen sales efforts, as well as strengthen governance and further expand our business in China.

Toward continuous improvement of corporate value

We will achieve continuous growth and improvement in corporate value by focusing on both business activities and sustainability activities that are centered around our core strengths of a "customer-first" approach and "on-site capabilities".

Passing our strengths and corporate culture to future generations

The Group will continue to strive to become a "Global Top 10 Solution Partner" by implementing Management Plan 2027, and, at the same time, will aim to continuously improve corporate value by giving concrete expression to its corporate philosophy.

The driving forces behind these efforts are our "Customer-first" approach and "on-site capabilities", which demonstrated true value even amid the chaos that we saw in the business environment over the past few years. In order to maintain the supply chains of customers plagued by disruptions in international transportation, parts shortages, etc., we racked our brains to offer solutions and received high praise from many customers for our flexible responses based on creative ways of providing service despite activity restrictions.

On-site capabilities have especially become a well-established part of the Group's corporate culture and, in our previous Medium-Term Management Plan, we further refined this tradition and established it as middle governance. In other words, we delegated authority to each regional headquarters in order to promote speedy and dynamic business operations. Under Management Plan 2027, with the finalization of this middle governance, we will pass on-site capabilities on to the next generation, which essentially means the human power that is one of the Group's assets. In this way we will establish a platform that supports the growth of the Group.

Enhancing sustainability activities on all fronts

In addition to the various initiatives described above, Management Plan 2027 calls for expanding sustainability activities in order to establish the KWE Group as a global brand and realize customer value. Specifically, the plan identifies Emissions, Energy, and Social Impacts in the Supply Chain as material topics that lead to value creation, and Anti-Corruption, Data Security, and Diversity and Equal Opportunity as material topics that contribute to a foundation for business continuity. Under the plan, we will promote activities aimed at achieving our various performance indicators and targets. In the fiscal year ended March 2023, we made progress toward implementing priority measures in line with global standards related to these material topics.

Regarding Emissions and Energy, we were able to greatly reduce domestic Scope 2 emissions by using renewable energy. Concerning Scope 3 emissions, we participated in the Sustainable Aviation Fuel (SAF) program and promoted Container Round Use and the use of Hydrogenated Vegetable Oil (HVO). In the fiscal year ending March 2024, we will continue and strengthen these efforts in order to help reduce CO_2 emissions, which are an issue of public concern.

On the topic of Social Impacts in the Supply Chain, we compiled a list of requirements for our suppliers in the fiscal year ended March 2023. In the fiscal year ending March 2024, we intend to adopt a human rights policy and establish a system for strengthening our human rights initiatives.

To advance Anti-Corruption, we conducted unified group-wide compliance education in the fiscal year ended March 2023. In the fiscal year ending March 2024, we have appointed compliance officers and established a global whistle-blowing hotline.

Concerning Data Security, we conducted employee training in cyber security measures in the fiscal year ended March 2023. In the fiscal year through March 2024, we will develop security assessment programs suited to the characteristics of each region.

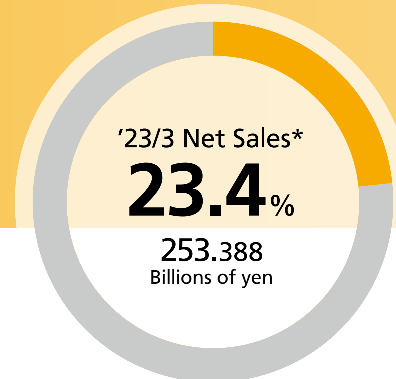
In the area of Diversity and Equal Opportunity, we formulated the KWE Group Diversity Basic Policy as a unified global guideline, educated our employees around the world regarding human rights and equal opportunity, and expanded educational programs, including encouragement for male employees to take childcare leave, and training in new skills in the fiscal year ended March 2023. In the fiscal year ending March 2024, we plan to establish group guidelines related to diversity and equal opportunity, and enhance disclosure in areas like investment in human capital.

Going forward, the Group will continue to develop these kinds of sustainability activities based on the ideals of our "customer-first" approach and "on-site capabilities", and, at the same time, position them as part of an important company-wide effort that we build step by step in a unified manner. Especially in recent years, awareness of sustainability has become extremely high among the young people who will be the Group's future leaders, and they have been very much inspired to engage in sustainability activities with a strong sense of personal relevance.

Please look forward to future growth in corporate value as a result of the Group's business activities and sustainability activities.

JTK (Japan/Taiwan/Korea)

Major Countries and Regions
Japan, Taiwan, and Korea



Strategic launch in line with Chip 4 Alliance

JTK Region is newly formed by adding the affiliates in Taiwan and Korea to the previous Japan Region. This new formation is built to aim at strategic further business development in semiconductor vertical, where we see affinity of business model among the respective three countries and the U.S. This blazes new trails in the sales promotion in a manner of prompt decision and execution.

1 Leading Role of Business Volume Expansion

KWE Group is aiming to diversify handling volumes by decreasing reliance on Japan oriented shipments in order to be recognized as the Global Freight Forwarder both in name and reality. JTK region still has over 30% of share of the global volume share. We will leverage this strong presence internally and externally as the flagship region to increase the global volume in the key vertical markets, such as semiconductor, electronics, automotive, healthcare, retail, industrial equipment and materials.

2 Operational Efficiency and Productivity

The former Japan region has been pursuing operational efficiency with optimization of IT system. We expand this initiative to affiliates in Taiwan and Korea and evolve cross-border collaboration. The purpose is the enhancement of "Personal Touch of Customer Service supported by Information Technology". Marriage of Passion and Digitalization will increase the customer satisfaction with less load.

3 Best Use of Resources

JTK Region became the cross-border organization to realize the One KWE policy in terms of the shared services, right person in right position HR, compliance and other business platform. These resources will be used for the sustainability toward the next generation.

Managing Executive Officer
General Manager, JTK
Shin Ogawa

Sales Movements

Fiscal year through March 2023

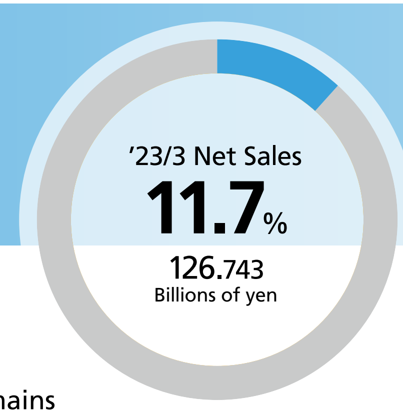
	YoY
Air freight	Up 1.6%
Sea freight	Up 40.4%
Logistics	Up 11.5%

* The net sales ('23/3) by segment are based on the results before the organizational change to establish a new JTK Region effective April 1, 2023. Therefore, net sales ('23/3) for JTK only consist of Japan.

The Americas

Major Countries and Regions

United States, Canada, Mexico, and Latin American countries



Perform better than market as a driving force of the inter-regional collaboration

While the possibility of a 2023 recession can't be ruled out, current economic remains strong. Regardless of the impact by the post pandemic and recovery process, the Americas region will aggressively pursue continued expansion of the business volume and profit with core management policy of:

1 Core Business Development by Vertical

We strengthen business partnership with key national accounts in healthcare, life science, chemical, semiconductor, and automotive business fields, where we have been traditionally dominant, by focusing and managing our Five C's (Communication, Collaboration, Culture, Creativity, and Commitment). We will enhance business development in the perishable and retail markets. We pursue solidification and expansion of business with key future global partners by optimizing our service quality.

2 Volume Expansion Geographic Focus

We will continue our efforts to aggressively increase handling volume by 20% year-on-year for Trans-Pacific volume growth in collaboration with our group companies in Asia Pacific such as China, Hong Kong, Taiwan, Korea, Thailand, Vietnam, and Singapore by optimizing the gateway operation as well as strengthening the global partnership with major carriers. Expansion of Trans-Atlantic business is another critical strategy for the KWE Group to be recognized as a major global freight forwarder in the market where mega forwarders are in fierce competition.

3 Control and Execution of Corporate Security and Compliance Measures

We will enhance middle governance and internal control by prioritizing Four P's (People, Process, Performance, and Purpose). This initiative will grow the cross-border collaboration of the U.S. and Canada as well as Mexico and Latin America countries. We aim to become best in class to retain and recruit great talent for the next generation.

Managing Executive Officer
General Manager, The Americas
Shin Ogawa

Sales Movements

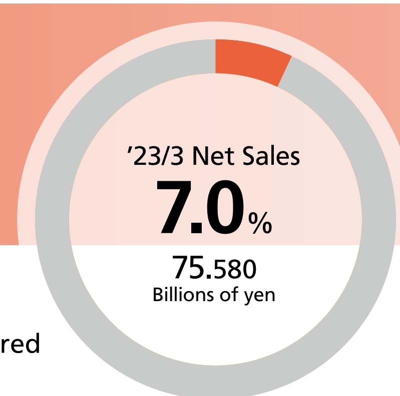
Fiscal year through March 2023

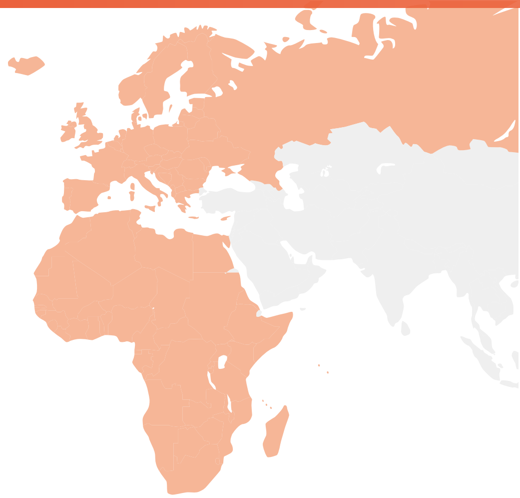
	YoY
Air freight	Up 21.7%
Sea freight	Up 38.9%
Logistics	Up 36.4%

Europe, Middle East & Africa

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





Managing Officer
General Manager, Europe, Middle East & Africa

Hiroshi Azuma

Challenge, Defend, Grow !

Since the second half of last year, the corona has receded and the world has entered a new phase, but the various effects of the Russian invasion of Ukraine continue to have a significant impact on business and people's social lives. In this market environment, we have to meet the challenges of "Volume Expansion", "Market Share", "Structural Reform" and "Financial Stability", which are never easy. At the same time, we have to protect our business, our customers, our valued employees and many other things from a variety of threats.

1 Volume Expansion

With cargo volumes declining at Europe's major airports, we will grow our business by focusing on our target regions and the commodities we handle. We will concentrate on harvesting the low-hanging fruit to increase volumes.

2 Market Share

Focus on increasing market share with an awareness of market share in each market, which is an important benchmark for increasing the volume.

3 Structural Reform

Structural reforms are being implemented to improve productivity and profitability and to create a strong and responsive organisation.

4 Financial Stability

We will focus our efforts on one of our most important objectives, which is to achieve the income and expenditure budget and maintain a healthy cash flow for the stable operation of each company.

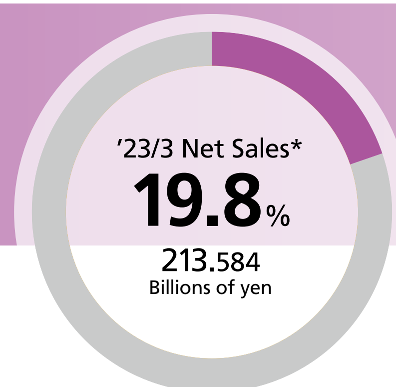
Sales Movements

Fiscal year through March 2023

	YoY
Air freight	Up 32.2%
Sea freight	Up 25.9%
Logistics	Up 33.9%

East Asia

Major Countries and Regions
Hong Kong and China



Managing Officer
General Manager, East Asia
HIroshi Michimune

"New" East Asia region

New East Asia Region consists of 16 companies in Hong Kong and China. 5 companies are engaged in forwarding business, 8 companies are specializing in logistics, and 3 are management and investment companies.
Since China's position in the world is changing, we will strive to accurately grasp the market situation and respond to customer in a timely manner.

❶ Contribution to the KWE Group by Volume Expansion and Sales Revenue Increase

In terms of sales, we will follow the Corporate Sales Strategy to expand the freight volume. In addition, we will actively engage in business development with Chinese customers. Among Chinese customers, there are world-class companies in the field of lithium-ion batteries and IT infrastructure in society. We will aim to expand business with companies from which we can expect worldwide demand in the future. In addition, we will continue our efforts to increase sea freight forwarding volume, focusing on shipments to Japan, which has always been one of our strengths.

❷ Expansion of Synergy of Corporations within EA Region

This year we opened East Asia headquarters Shanghai Branch. It improves our sales and procurement collaboration between Kintetsu World Express (China) Co., Ltd. and East Asia Regional Headquarters Sales and Marketing team. Once we could have better procurement system, we will then work to provide forwarding services at optimal prices to our customers. In addition, with the Regional Head stationed at the Shanghai Branch, we expect that the cooperative relationship between the Regional Headquarters Sales and Marketing team and KWE China in sales activities will be further strengthened.

❸ Enhancement of Management

On the management side, we will strive to make effective use of human resources in East Asia region. In addition, we will establish an optimal accounting system and make effective use of funds. We will also further strengthen governance and information sharing. And we will also introduce IT systems to improve the productivity of each company. East Asia Regional Headquarters will provide a clear direction and guideline to enable regional companies to advance towards the same goal.

Sales Movements

Fiscal year through March 2023

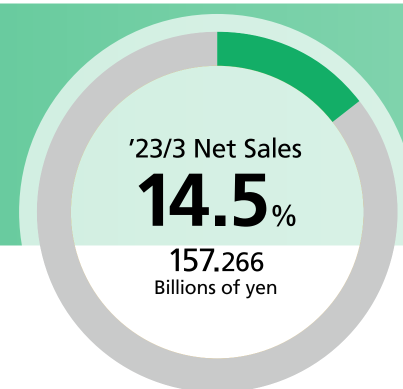
	YoY	
Air freight	Down	7.0%
Sea freight	Down	5.7%
Logistics	Up	20.6%

* The net sales ('23/3) by segment are based on the results before the organizational change effective April 1, 2023. Therefore, net sales ('23/3) for East Asia consist of the above listed countries and Taiwan, Korea.

South East Asia & Oceania

Major Countries and Regions

Singapore, Malaysia, Thailand, India, Indonesia, Vietnam, the Philippines, Cambodia, Australia, Bangladesh, Sri Lanka, Laos, and Myanmar



Officer
General Manager,
South East Asia & Oceania

Yasuyuki Tani

Leveraging growth opportunities in a changing landscape

Growth in the import business has been observed as rise in disposable income and consumer spending in the region. In response to this trend, our business has strategically positioned itself to capitalise on the emerging opportunities. We are also committed to addressing the evolving needs of our customers, placing significant emphasis on information technology and sustainability as crucial aspects of our operations. For the fiscal year through March 2024, we will implement the following measures as part of our business expansion plan.

❶ Seeking Opportunities in an Expanding Market

We operate within a market environment in which stable operations can be achieved by strategically growing our import business. Our focus is particularly on air imports and logistics, which are known for their consistent high gross margins. Notably, our region provides a vast consumer market with rising incomes, which holds significant potential for expansion. To harness this opportunity, we aim to establish a cycle where the profits from our import business are invested in the expansion of export volumes.

❷ Delivering Innovative and Environmentally Responsible Solutions

Committed to driving innovation, we plan to leverage technologies to optimise processes and improve the efficiency of information sharing with our customers. We are also dedicated to promoting sustainability through our product offerings such as CRU-CMS, Air-Sea Multimodal and EV Trucks, and by driving impactful initiatives to help save the planet. These include engaging in tree planting activities and transitioning to energy-saving LED light bulbs in our warehouses to reduce our carbon footprint.

❸ Investing in Regional Growth

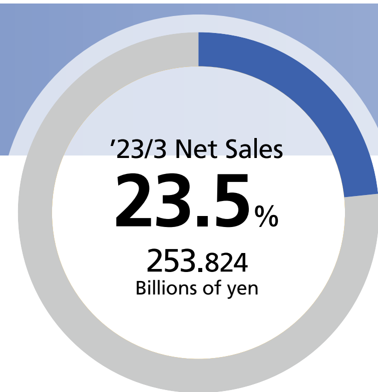
As a growth-oriented company, we are positioning ourselves to capitalize on the region's growth potential and solidify our position as a leading logistics provider as the manufacturing landscape evolves in Asia. We have identified key areas for strategic investment, including talent development, where we will allocate resources to nurture and enhance the skills of our workforce. Additionally, we plan to expand our warehouse and office infrastructure to accommodate the increasing demand for logistics services in the region. We will further enhance operations with the opening of the KWE Vietnam BPO Office and strengthen our presence in South Asia and the retail market with the launch of our KWE Bangladesh operations.

Sales Movements

Fiscal year through March 2023

	YoY
Air freight	Down 18.5%
Sea freight	Down 6.7%
Logistics	Up 26.3%

APLL



Striving to establish itself as the Premier Order Management Provider in the world with a focus on being an Employer of Choice in our chosen markets

With close attention to our core cultural values of focus, disciplined execution and compliance, APL Logistics will continue to buildout its order management service capabilities globally across market segments.

❶ Building on Strength

- A leader in origin consolidation management, APL Logistics (APLL) has launched its PANOM* suite of products to provide collaborative order management services to customers in multiple verticals
- Renewed focus in profitability across all lines of business
- Strengthen our existing warehousing, forwarding and transportation offerings to support the PANOM* objectives
- Attention and investment on greater Asia region for operations standardization, automation and commercial opportunity, especially in the ASEAN region
- Continuation of our projects to drive down unit costs via two new shared service centers in Manila and Chennai and extending these centers to handle more core business functions
- Continued focus on employee equity, company transparency and creating an Employer of Choice culture globally

* PANOM includes a unique order planning tool that leverages AI and machine learning capabilities to provide customers scenario-based planning options well before shipment execution.

❷ Focused Investments

- Continue to invest in groundbreaking technology to enable our Order Management service vision
- Continue to modernize our core global logistics hubs to drive efficiencies in cost, time and data capture
- Continue to build out a strong Product Development and Management capability across regions
- Strengthen our collaborative efforts with KWE through collaborative product development, commercial strategy and technology

❸ Employer of Choice

- Becoming an Employer of Choice in our chosen markets requires a focus on accountability, equity and providing opportunities across our employee base
- Extend our existing Diversity and Inclusion programs from the Americas to other regions
- Becoming the best Order Management provider in the world means that we must have world-class HR infrastructure and we will continue to build towards this objective

Managing Officer
President, APL Logistics Ltd
Thad Bedard

Sales Movements

Fiscal year through March 2023

	YoY
Air freight	Up 0.9%
Sea freight	Up 10.9%
Logistics	Up 43.0%

Sustainability Management

The Group is enhancing its sustainability activities under the “KWE Group Sustainability Basic Policy” in order to incorporate a sustainability perspective into our management and integrate resolution of environmental/ social issues with our business activities.

KWE Group Sustainability Basic Policy

The KWE Group endeavors to create a sustainable society for a better future based on the “Corporate Philosophy” and “KWE Group Corporate Guidelines”.

Sustainability Committee chaired by the President & CEO

In order to promote sustainability activities, we have established the “KWE Group Sustainability Committee“ chaired by the President & CEO consisting of Directors, General Managers of Regional Headquarters and Corporate Departments, and a Representative of APLL. The committee takes the lead in monitoring and evaluating sustainability opportunities to enhance the effectiveness of our activities.

Corporate Management Meeting

Advise and Report ↑ ↓ Direct and Instruct

KWE Group Sustainability Committee

Chairperson	President & CEO
Committee Members	Directors/General Managers of Regional Headquarters/ General Managers of Corporate Departments/ Representative of APLL
Secretariat	Corporate Planning & Administration Department (CPA)/ Strategy Management & Administration (APL Logistics Ltd)

Material topics

Based on the GRI Standards, we had a series of stakeholder surveys, interviews, and group discussions with reference to the material topics commonly reported in the industry. Utilizing objective indicators, we sorted out the “items of importance to stakeholders” and the “potential impact of our business on society, economy, and environment”, and selected six topics of high importance to both parties as the KWE Group’s material topics. We are currently working to achieve KPI targets, etc. set for each material topic.

Description	GRI Category	Map to SDGs
Anti-Corruption	Economic & Governance	16
Data Security	Social	16
Diversity and Equal Opportunity	Social	4, 5, 8, 10
Emissions	Environmental	12, 13
Energy	Environmental	7, 12, 13
Social Impacts in the Supply Chain	Social	5, 8, 16

Sustainability Management

For details of the following initiatives and other sustainability activities, please refer to the Sustainability Report 2023 to be published in the second quarter (July to September) of FY ending March 2024.

Environment Recent Highlights

Material Topics: Emissions/Energy

Topics

- Agreed with Lufthansa Cargo AG for the use of SAF (September 2022)
- Signed a new contract with ANA for its SAF flight initiative (November 2022)
- Obtained third-party verification of greenhouse gas emissions (December 2022)
- Achieved 100% renewable energy in all sites in Japan (March 2023)
- Launched SAF book-and-claim pilot for freight sector with Shell Aviation (April 2023)
- Became an official member of the Smart Freight Centre, a non-profit organization (July 2023)

KPI Highlight

CO_2 converted emissions:

Scope1:
50,612 tons

Scope2:
46,720 tons

KWE Group
FY ended March 31, 2023

Social Recent Highlights

Material Topics: Data Security/Diversity and Equal Opportunity/Social Impacts in the Supply Chain

Topics

- Established the KWE Group Occupational Safety and Health Policy and Regulations (August 2022)
- Supported relief efforts for Turkey-Syria Earthquake (March 2023)
- Established the KWE Group Diversity and Equal Opportunity Policy (May 2023)
- Issued a Health and Productivity Management Declaration (April 2023, KWE Japan non-consolidated)

KPI Highlight

Female manager ratio:

34.3 %

KWE Group
As of March 31, 2023

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". As the primary management goal of the KWE Group, we will improve 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 process 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 speed up decision-making and clearly separate supervision from business execution, we have adopted a managing officer system. We have also established the "Corporate Management Meeting" under the supervision of the Board of Directors in order to ensure that decisions by Representative Director are made carefully and to provide better forums to resolve general management policies and important issues related to business execution.

Board of Directors/Audit & Supervisory Board/ Group Governance

We have six Directors, including two Outside Directors, and hold a Board of Directors meeting monthly, in general, with the attendance of Audit & Supervisory Board members.

We have three Audit & Supervisory Board members and hold an Audit & Supervisory Board monthly, in general. The Board determines basic policies regarding auditing, etc., and board members report to each other the findings of their daily auditing activities and exchange views.

We manage and supervise our group companies' governance by breaking our group companies around the world into six segments, through which we improve the management system, the business execution system, and the audit/supervisory system as a consolidated group and work on enhancement of corporate governance and internal control.

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.

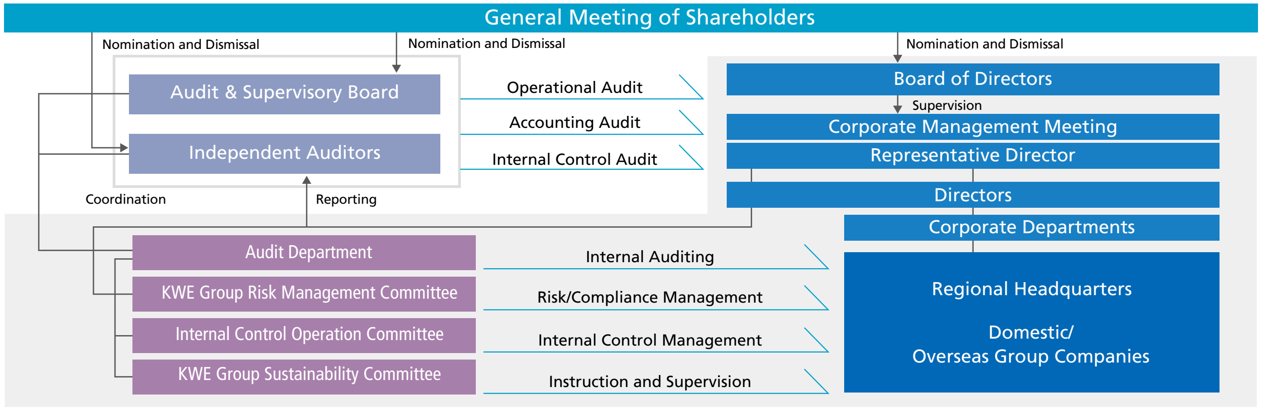
The KWE Group Risk Management Committee met four times during the fiscal year ended March 2023 to discuss major risks for the entire Group and drive risk avoidance and mitigation initiatives. Risk management committees at each KWE's overseas Regional Headquarters and Japan Regional Headquarters met twice and four times, respectively, to identify risks and drive initiatives to address them.

In order to centrally manage risks, we also promoted PDCA cycles on a continuing basis by, for example, developing a risk map and risk avoidance and mitigation plans at each Headquarters.

Compliance

The KWE Group's Corporate Departments work with the Group General Counsel (GC) to implement governance and compliance frameworks across the Group. To ensure the proper and effective functioning of a group-wide whistleblower system, we develop training programs to increase employee understanding of compliance issues and our internal hotline system throughout the Group.

During the year ended March 31, 2023, we conducted the compliance training for all employees five times.



Management (As of June 12, 2023)

Yoshihiro Yasumoto
Chairman of the Board

Nobutoshi Torii
President and
Chief Executive Officer

Tetsuya Yamanaka
Director
Managing Executive Officer

Tetsuya Kobayashi
Director

Sanae Tanaka
Outside Director

Jun Yanai
Outside Director

Management's Discussion and Analysis

OVERVIEW

Kintetsu Group Holdings Co.,Ltd. became our parent company on July 12, 2022, and Kintetsu World Express, Inc. was delisted on August 26, 2022. Under the parent company, we will continue to provide international logistics services that are as good and even better than those we provided in the past.

The KWE Group consists of Kintetsu World Express, Inc., 127 consolidated subsidiaries and 8 affiliates accounted for using the equity method, for a total of 136 companies. Our main businesses are freight forwarding using air, sea, and logistics operations as well as warehousing and other related businesses on a global scale.

As of March 31, 2023, the KWE Group has six reportable segments. Five are geographical segments comprising Japan; the Americas; Europe, Middle East & Africa; East Asia; and South East Asia & Oceania, and APLL (APL Logistics Ltd and its group companies, headquartered in Singapore) as a sixth reportable segment. In order to improve management efficiency, beginning April 1, 2023, we have transferred Kintetsu World Express (Taiwan), Inc. and Kintetsu World Express (Korea), Inc. from the East Asia segment to the Japan segment, which has been renamed to"JTK (Japan/Taiwan/Korea)." The name of the East Asia segment remains unchanged.

We divide our operations into the following four categories: air freight forwarding (accounting for 42.7% of net sales in the fiscal year ended March 2023), sea freight forwarding (31.4%), logistics (21.4%), and other operations (4.5%).

A breakdown of net sales by segment shows that Japan accounts for 23.4%, the Americas for 11.7%, Europe, Middle East & Africa for 7.0%, East Asia for 19.8%, South East Asia & Oceania for 14.5%, APLL for 23.5%, and other for 0.1%.

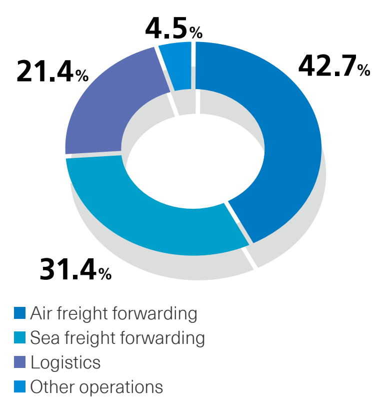
OPERATIONS

In the fiscal year ended March 2023, the international logistics market saw decreased transportation demand and slower freight movements amid lockdowns in Shanghai and other parts of China, decreased shipment volumes resulting from production adjustments in the automotive sector due to a shortage of semiconductors, inventory buildups in various regions, and breaks in cross-border supply chains. Concerning the availability of transportation space, turmoil in the container logistics that supports sea freight forwarding has settled down, and the shortage of air freight capacity that was caused by the COVID-19 pandemic has headed toward resolution, helped by such factors as a recovery in the number of passenger flights.

Amid these circumstances, the KWE Group formulated "Management Plan 2027", which covers six financial terms from the year ended March 2023 to the year ending March 2028, and took its first steps toward entering a new phase. Under the previous Medium-Term Management Plan, which covered a period through the fiscal year ended March 2022, we engaged in activities aimed at expanding the scale of our business by concentrating on core businesses, and we established a middle governance that strengthened autonomous functioning by delegating authority to each regional headquarters. At the same time, we established a corporate division that unifies the KWE Group across organizational lines and serves as an axis that supports the centrifugal force of the regional headquarters, resulting in a system that maintains appropriate checks and balances.

We view Management Plan 2027 as the finishing touch for our middle governance system. We formulated strategies and various measures based on two pillars: growth strategy, and strengthening of our business platform. We have set our sights on achieving the following numerical targets: net sales of ¥1 trillion, ¥50 billion in

Net Sales by Category



operating income, more than 1 million tons of air freight volume, and more than 1 million TEUs of sea freight volume. Our aim is to become a "Global Top 10 Solution Partner – A Global Brand Born in Japan".

In the fiscal year ended March 2023, which was the first year covered by the new plan, the Group handled 637,000 tons of air freight, down 13.9% year on year, and 698,000 TEUs of sea freight, down 2.8% year on year.

Net Sales

Net sales for the fiscal year ended March 2023 increased by 10.3%, or ¥100.507 billion, to ¥1,080.949 billion, as a result of high sales prices despite decreased freight volumes amid lower demand for both air and sea freight forwarding.

By business segment, air freight forwarding was flat year on year, sea freight forwarding was up 12.5%, logistics was up 35.7%, and others was up 4.3%.

Net sales rose by 16.8% in Japan, 27.3% in the Americas, 30.6% in Europe, the Middle East & Africa, but fell by 2.9% in East Asia, 12.7% in South Eeast Asia & Oceania, and rose by 29.6% in APLL.

Cost of Sales /Operating Gross Profit

Cost of sales totaled ¥944.016 billion in the fiscal year ended March 2023, up by 12.4%, or ¥104.233 billion, from the previous year mainly due to rising freight cost ratio for air freight. Operating gross profit totaled ¥136.933 billion in the fiscal year ended March 2023, down by 2.6%, or ¥3.725 billion, from the previous year. Operating gross profit margin was 12.7%, down by 1.6 percentage points from the previous year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥92.747 billion in the fiscal year ended March 2023, up by 18.6%, or ¥14.563 billion, from the previous year. The percentage to net sales was 8.6%, rising by 0.6 percentage points from the previous year.

Operating Income

Operating income totaled ¥44.185 billion in the fiscal year ended March 2023, down by 29.3%, or ¥18.289 billion, from the previous year. The operating margin was 4.1%, falling by 2.3 percentage points from the previous year.

Other Income (Expenses)

Other income totaled ¥14.514 billion in the fiscal year ended March 2023, an increase by ¥12.871 billion from ¥1.643 billion in the previous year. This was mainly due to an increase in foreign currency exchange gain, gain on valuation of derivatives, and gain on sale of shares of subsidiaries and associates.

Income before Income Taxes

Income before income taxes totaled ¥58.700 billion in the fiscal year ended March 2023, down by 8.5%, or ¥5.418 billion, from the previous year.

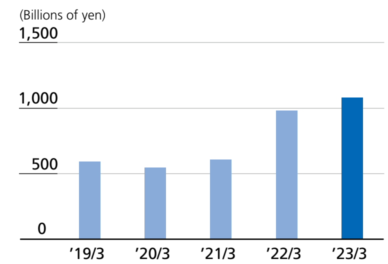
Income Taxes

Income taxes totaled ¥16.488 billion in the fiscal year ended March 2023, down by 11.2%, or ¥2.074 billion, from the previous year. The effective tax rate was 28.1%, down from 28.9% in the previous year.

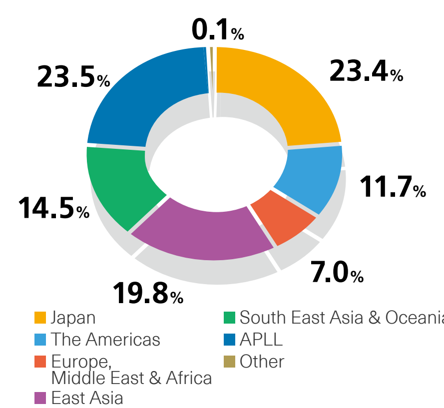
Net Income Attributable to Owners of the Parent, Net Income per Share, Return on Equity

Net income attributable to owners of the parent decreased by 5.4% from the previous year to ¥41.091 billion in the fiscal year ended March 2023. As a result, net income per share declined to ¥41,132,339.74, down from ¥43,461,400.00 in the previous year. ROE decreased to 18.4% from 25.8% in the previous year.

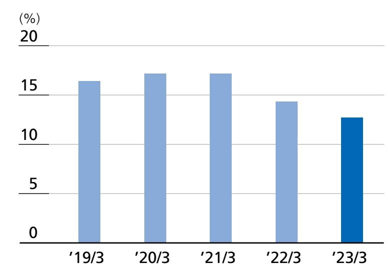
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



OUTLOOK FOR THE YEAR THROUGH MARCH 2024

While the international freight forwarding market has seen improvement in the transportation supply-demand balance, the business environment surrounding the KWE Group will be still affected by geopolitical risks such as the Russia-Ukraine crisis and the U.S.-China feud, rising resource prices, and higher interest rates that are primarily seen in developed countries. Amid growing concerns about looming economic recession, demand for transportation is lackluster and the future is expected to remain uncertain. Under these circumstances, the Group will continue to work toward achieving sustainable growth by promoting strategies and measures based on Management Plan 2027, and will aim to achieve its numerical targets and further growth.

As a growth strategy for achieving those targets, we will work to expand freight volumes in Asia-Europe/U.S. lanes and will promote related sales activities and marketing of those routes by strengthening cooperation between the corporate division and each segment's headquarters with the goal of expanding global freight volumes. In addition, in order to strengthen our business platform that supports growth strategies, we will promote the enhancement and optimization of Group governance, human resources, IT, finance and accounting functions in order to establish a platform for the entire Group.

While the Group earnings for the fiscal year ending March 2024 are likely to be affected by the global economy, exchange rates, and other factors, the forecasts at this point are net sales of ¥924.838 billion (down 14.4%), operating income of ¥34.000 billion (down 23.0%), and net income attributable to owners of the parent of ¥20.226 billion (down 51.0%).

In terms of freight volumes, we expect to handle 710,000 tons of air freight (up 11.5% from the previous year) and 740,000 TEUs of sea freight, up 6.0% year on year.

SEGMENT TRENDS BY REGION

For a breakdown of segment trends, please refer to the Report by Six Segments on pages 15 to 20.

FINANCIAL POSITION

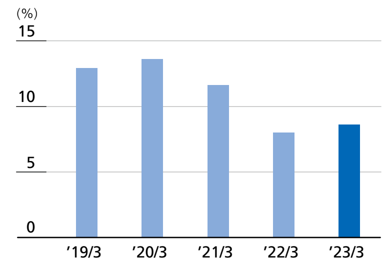
The KWE Group's total assets as of March 31, 2023 increased by 1.4%, or ¥7.314 billion from the previous year to ¥545.314 billion. Current assets decreased by 3.1%, or ¥10.723 billion, to ¥334.210 billion. This was mainly due to a ¥68.213 billion decrease in notes, accounts receivable-trade and contract assets despite a ¥49.480 billion increase in cash and time deposits.

Total non-current assets increased by 9.4%, or ¥18.061 billion, to ¥210.958 billion, despite a decline of ¥4.124 billion in investments and other assets, primarily resulting from the sale of shares in affiliates. Main factors underpinning the overall increase in total non-current assets were a ¥15.880 billion increase in property and equipment (mainly due to increased right-of-use assets) along with a ¥6.305 billion rise in intangible assets, largely owing to currency translation differences, which outweighed the effects of depreciation and amortization.

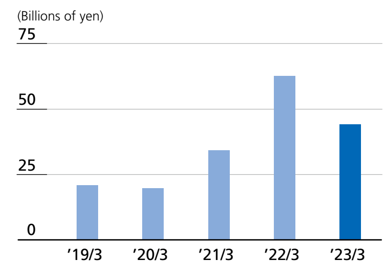
Total liabilities were ¥283.504 billion, down by 13.3%, or ¥43.438 billion from the previous year. Total current liabilities decreased by 20.1%, or ¥38.293 billion, to ¥152.423 billion. This was mainly due to decreases in notes and accounts payable-trade of ¥28.022 billion and short-term debt of ¥13.734 billion. Total long-term liabilities decreased by 3.8%, or ¥5.144 billion, to ¥131.080 billion, mainly due to decreases in long-term debt of ¥14.800 billion and net defined benefit liability of ¥2.799 billion despite an increase in lease obligations of ¥11.663 billion.

Total net assets increased by 24.1%, or ¥50.753 billion, to ¥261.810 billion. Although dividend payments decreased assets by ¥11.639 billion, ¥41.091 billion in net income attributable to owners of the parent resulted in a ¥29.445 billion increase in

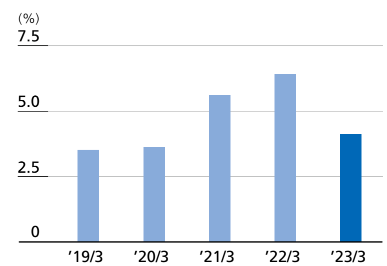
SGA Expenses to Net Sales



Operating Income



Operating Margin



retained earnings, in addition to an increase of ¥18.846 billion resulting from foreign currency translation adjustments due to the yen's depreciation.

Consequently, the equity ratio at the end of the fiscal year was 45.5%, from 36.9% at the end of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥110.059 billion in the fiscal year ended March 2023, up by 266.3%, or ¥80.010 billion from the previous year. This mainly reflected cash inflows due to income before income taxes of ¥58.700 billion, depreciation and amortization of ¥25.472 billion, decrease in notes and accounts receivable and contract assets of ¥83.433 billion, and cash outflows due to a decrease in notes and accounts payable of ¥37.396 billion, and income taxes paid of ¥23.809 billion.

Net cash used in investing activities totaled ¥11.702 billion, an increase by 100.7%, or ¥5.871 billion from the previous year. This mainly reflected cash outflows due to payments for purchases of property and equipment of ¥5.737 billion, payments for purchases of intangible assets of ¥2.099 billion, and payments for loans receivable of ¥6.000 billion.

Net cash used in financing activities totaled ¥54.238 billion, an increase by 312.0%, or ¥41.074 billion from the previous year. This mainly reflected cash outflows due to net decrease in short-term debt of ¥19.969 billion, payments of capital lease obligations of ¥11.559 billion, payments for long-term debt of ¥10.000 billion, and payments of cash dividends of ¥11.639 billion.

As a result of the above, cash and cash equivalents totaled ¥150.647 billion as of March 31, 2023, up by 44.8%, or ¥46.619 billion, from the previous year, mainly due to the increase in funds from operating activities exceeding the decrease in funds from investing and financing activities.

DISCLOSURE OF SIGNIFICANT RISK FACTORS WITH POTENTIAL TO IMPACT OPERATING RESULTS

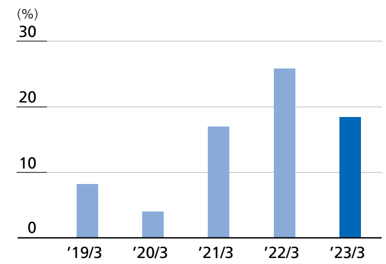
The followings are the major risk factors that the Group recognizes as having the potential to affect our performance and financial condition.

Any forward-looking statements contained herein are based on judgments made by the Group as of March 31, 2023.

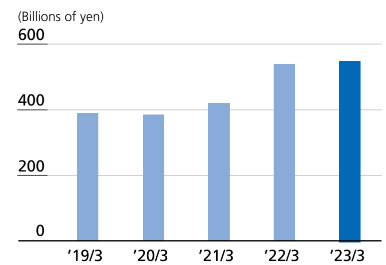
1. Changes in business environment and promotion of the Management Plan

As air and sea freight forwarding, the Group's main business, are susceptible to changes in economic trends, the global economic slowdown could trigger deterioration of transportation demand. The Group has developed "Long-Term Vision" representing our future vision and is implementing group-wide strategies and measures to carry them out. However, our performance and the management plan could be affected by various factors including domestic and overseas economic/business trends, customers' transportation demand, political or social factors, natural disasters and bad weather, terrorist attacks, and regional conflicts and pandemic. In addition to intensification in recent years of political and economic tensions between the U.S. and China, and the two countries' struggle over hegemony, global macroeconomic recession caused by the emergence of geopolitical risks like the Russia-Ukraine crisis will have a major impact on international transportation demand and may affect the business performance and financial position of the Group. The Group will continue to enhance the BCP system among group companies, address changes in business environment and customer trend/needs swiftly and flexibly, and put enormous effort into improving its performance.

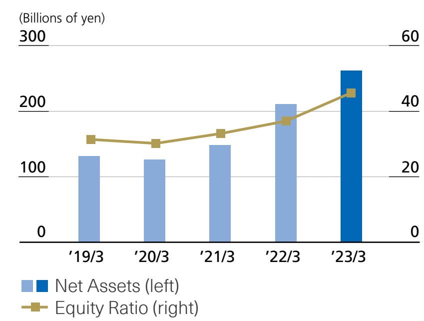
ROE



Total Assets



Net Assets and Equity Ratio



2. Fluctuations in freight costs

Regarding air freight forwarding, we have been working to secure transport capacity using chartered flights, but since charter contracts are fixed purchases, our performance may be affected if transport demand is lower than expected and sale prices fall. In order to mitigate this risk, we intend to take measures to minimize the potential impact on business performance, such as securing partial load space and increasing the proportion of spot purchases at market rates, as we have done before. Furthermore, in order to expand our handling volumes and achieve continuous growth by providing stable transport space and services, we will strengthen our relationships with airlines, promote centralized purchasing, and respond quickly and flexibly to changes in the business environment. Moreover, for the consolidated fiscal year through March 2023, the Company recorded a provision of ¥3,470 million for loss on contracts, in consideration of the estimated amount of losses that the Group may incur in the future as a result of charter contracts currently in force. Meanwhile, the logistics industry faces labor shortages, and depending on how these situations play out, transportation and cargo handling costs may fluctuate significantly. In the event that these costs rise more than expected and we are unable to collect appropriate fees from customers, the Group's performance and financial condition could be affected. In the face of these risks, the Group has been striving to minimize the impact on its performance by swiftly and flexibly addressing changes in the business environment through such means as enhancing cooperation with actual transport companies (airline, shipping, and truck companies, etc.) and centralized procurement, while working to collect from customers fees that appropriately reflect the changed environment.

3. Exchange rate fluctuations

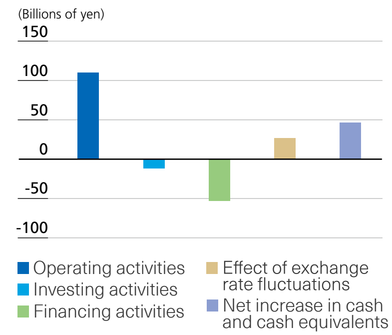
As the Group conducts global operations, fluctuations in foreign exchange rates in any of these regions could affect our performance and financial condition. For the fiscal year ended March 31,2023, overseas segments accounted for 76.6% of the Group's net sales and 100.3% of its operating income (while the Japan segment posted a loss), and therefore fluctuations in foreign exchange rates used to translate foreign currency-denominated financial statements into Japanese yen could affect the consolidated performance and financial condition. For the fiscal year ended March 31, 2023, the impact of the Japanese yen appreciating by 1 yen per U.S. dollar in the translation of the Group's foreign currency-denominated financial statements into Japanese yen would result in net sales and operating income decreasing by approximately ¥6.5 billion and ¥400 million, respectively. 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.

4. Funding, interest rate changes, and downgrade of credit ratings

The Group's major loan agreements with financial institutions include financial covenants. The outstanding balance of loans payable with financial covenants as of March 31, 2023 was ¥60 billion. In the event that the Group is in breach of any of the following financial covenants, the Group will forfeit the benefit of time and could be immediately required to repay a part or all of the outstanding balance.

1) Maintain the amount of shareholders' equity in the consolidated balance sheets as of each reporting date at 75% or higher of such amount as of the reporting date of the fiscal

Cash Flows



year immediately before the fiscal year or that as of March 31, 2015, whichever is higher;
2) Not to record ordinary loss for two consecutive years on a consolidated basis; and
3) Maintain net debt equity ratio at three times or less in the consolidated balance sheets in each fiscal year.

The Group raises part of its funds necessary for the business through borrowings from financial institutions and the issuance of corporate bonds. A rise in market interest rates or downgrade of our credit ratings could have a material impact on our future financial conditions and performance.

In order to mitigate these risks, the Group is working to enhance its financial condition by diversifying its funding methods, for example by issuing corporate bonds and borrowing from its parent company, Kintetsu Group Holdings Co.,Ltd., in addition to borrowing from banks, and by promoting efficient management of Group funds (e.g. cash management system and intra-group loans). We will also strive to build good relationships with financial institutions and continue our management efforts toward steady progress of the management strategy.

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

In May 2015, the Group acquired APL Logistics Ltd ("APLL") engaging in the global logistics business and made it a consolidated subsidiary. As of March 31, 2023, the balance of APLL's fixed assets including goodwill, etc. subject to impairment test was ¥114.1 billion ($860 million). The Group is working on improving APLL's asset efficiency and maximizing its profit.

6. Changes in legal regulations related to our business operations and litigation

The Group's freight forwarding and logistics businesses are subject to various legal regulations around the world. It is possible that changes to existing laws and regulations could impose restrictions on our business and operating activities and result in additional costs or a decrease in sales, which could affect our performance and financial condition. It is also possible that, while we conduct our business by placing highest priority on compliance, inadequate compliance or serious violation of laws and regulations could lead to restrictions on our operating activities or imposition of monetary penalties, etc. and affect our performance and reputation.

In April 2021, as a measure to mitigate these risks by assessing and addressing potential legal risks properly, the Group has newly appointed a general counsel to provide appropriate advice on overall legal matters within the Group including lawsuits and direction and coordination of all legal affairs of the Group to support the Chief Risk Management Officer. Our efforts to enhance risk management and mitigate risks also include the introduction of the Global Insurance Program (GIP) aimed at mitigating risks of and enhancing compensation for damages arising from the Group's operation.

7. Lack of compliance, internal control or corporate governance

As of March 31, 2023, the Group consists of Kintetsu World

Express, Inc., its 127 consolidated subsidiaries and eight affiliates accounted for using the equity method and operates in 45 countries around the world. As we develop business globally, material weakness in internal control which could result in inappropriate accounting treatments or fraud or compliance issues such as a violation of laws and regulations or internal rules or a serious scandal, etc. could lead to loss of trust from our stakeholders, including customers and investors, and have a negative impact on our performance and social credibility.

In order to mitigate risks, for internal control, we strive to enhance guidance by each Regional Headquarters and Internal Control Division as well as internal audit functions of Audit Department under the leadership of the Internal Control Operation Committee of the Group. And for group governance, we are working to enhance the reporting system to meeting bodies such as the Board of Directors and Corporate Management Meeting, the middle governance at each Regional Headquarters, and Corporate Division's functions to audit each Regional Headquarters, and compliance training by using e-learning in group companies.

8. Labor-related (securing of human resources, loss of human resources, etc.)

The Group's business activities rely heavily on human resources and securing and developing excellent human resources in all fields is essential for our growth. Failure to secure and develop such necessary human resources and failure to retain excellent human resources could make it difficult to grow or continue the Group's business, which could affect the Group's performance and financial condition.

The Group is working to promote labor-saving and increase productivity through the improvement of operational efficiency by using AI, RPA and other advanced technologies, as well as by recruiting experienced people for specific purposes along with regular recruitment of new graduates. We also strive to secure necessary human resources through the use of our subsidiary engaging in staffing services and an initiative aimed at the extension of retirement age.

9. Information leaks, cyberterrorism, and information management security (customer data), etc.

Leakage of customer or personal information to outside parties for an unexpected reason will cause loss of trust in the Company and could affect our performance and financial condition. Also, any situation where our system is unable to function for a long period of time due to an unexpected computer system failure, communication failure, or computer virus or cyberterrorism which recently has become increasingly sophisticated and frequent, could affect our performance and financial condition.

For the Group's customer and personal information and business information, we have enacted the KWE IT Security Policy and strive to enhance the information management system through periodic system checks, audit, and employee education. Also, in order to mitigate the system failure risk, we are striving to ensure reliable system operation by dispersing data centers, using cloud storage, and introducing network redundancy and enhance the security system in the aspects of both hardware and software to safeguard against unauthorized access and viruses.

10.Spread of the novel coronavirus infection (COVID-19) or other diseases

The Group operates in 45 countries as of March 31, 2023. The rapid and global spread of an infectious disease like COVID-19 could affect the Group's business operation in countries and regions where the Group operates due to factors including restrictions on social and economic activities to prevent the spread of infections, suspension of customers' business activities, and infection in the Group employees. Also, the stagnation of global economy resulting from restrictions of economic activities could have a significant impact on our performance and financial condition.

With continuous maintenance of good health of all employees and their family members as our highest priority, the Group implements measures to prevent infection and its spread as well as strive to mitigate risk by establishing the BCP system including business operation system and customer support according to the situation, based on the Group Business Continuity Policy and in line with the policies and guidelines of respective governments.

11.Climate change risk

The Group recognizes climate change as an important management issue. In May 2021, the Group identified material topics (material issues) through the "KWE Group Sustainability Basic Policy" established in November 2020 and the "KWE Sustainability Promotion Committee" that promotes related activities including the reduction of CO_2 emissions as a countermeasure against climate change. In addition, in December 2021, the Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB) to consider plans for corporate management and financial information related to the impacts of climate change. Going forward, a failure on the part of the Group to respond appropriately to climate change risks could affect its business performance and financial condition.

Financial Highlights

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

	Millions of yen								Thousands of U.S. dollars*1
	2016	2017	2018	2019	2020	2021	2022	2023	2023
Results of Operation (Millions of yen)									
Net sales	¥ 420,252	¥ 474,330	¥ 553,197	¥ 592,009	¥ 544,533	¥ 609,110	¥ 980,441	¥ 1,080,949	$ 8,095,177
Operating income	15,356	13,075	17,551	20,797	19,714	34,177	62,475	44,185	330,899
Income before income taxes	17,847	12,486	16,879	19,978	13,256	33,829	64,118	58,700	439,601
Net income attributable to owners of the parent	9,773	4,487	7,002	9,857	4,724	21,644	43,417	41,091	307,728
Financial Position (Millions of yen)									
Total assets	¥ 385,441	¥ 378,733	¥ 389,582	¥ 388,467	¥ 385,470	¥ 418,827	¥ 537,999	¥ 545,314	$ 4,083,831
Property and equipment	45,944	46,109	46,749	46,137	68,145	68,548	74,187	90,067	674,507
Interest-bearing debt	166,187	166,260	166,429	161,647	170,859	157,804	166,507	151,829	1,137,040
Long-term liabilities	152,129	148,553	137,545	133,913	130,906	132,826	136,225	131,080	981,652
Total liabilities	250,242	252,717	260,594	256,643	258,864	270,087	326,942	283,504	2,123,148
Net assets	135,199	126,016	128,988	131,823	126,606	148,739	211,057	261,810	1,960,682
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 20,143	¥ 14,589	¥ 15,063	¥ 22,637	¥ 36,304	¥ 37,938	¥ 30,048	¥ 110,059	$ 824,226
Net cash provided by (used in) investing activities	(147,207)	(5,342)	(10,030)	(7,312)	(7,165)	(3,589)	(5,831)	(11,702)	(87,635)
Net cash provided by (used in) financing activities	144,744	(5,657)	(2,754)	(6,868)	(26,424)	(26,914)	(13,164)	(54,238)	(406,185)
Cash and cash equivalents at end of year	63,903	65,506	67,856	75,799	75,853	85,995	104,028	150,647	1,128,188
Capital expenditures for property and equipment (cash basis)	5,735	3,762	5,192	4,702	4,732	3,361	4,225	5,737	42,964
Depreciation and amortization	7,236	10,729	11,674	12,074	20,744	21,030	21,632	25,472	190,758
Per Share Data (Yen)									
Net income*2	¥ 135.74	¥ 62.33	¥ 97.26	¥ 136.91	¥ 65.68	¥ 301.06	¥ 603.90	¥ 41,132,339.74	$ 308,038.19
Cash dividends	26.00	26.00	26.00	30.00	30.00	50.00	120.00	8,568,001.00	64,165.36
Net assets*2	1,741.44	1,627.84	1,662.72	1,690.89	1,615.38	1,926.30	2,757.51	248,112,152.13	1,858,100.44
Management Indicators									
Operating margin (%)	3.7	2.8	3.2	3.5	3.6	5.6	6.4	4.1	
Return on equity (%)	7.9	3.7	5.9	8.2	4.0	17.0	25.8	18.4	
Current ratio (Times)	1.8	1.7	1.6	1.6	1.5	1.7	1.8	2.2	
Debt-to-equity (Times)	1.3	1.4	1.4	1.3	1.5	1.1	0.8	0.6	
Number of employees (consolidated)	17,311	18,159	18,140	17,661	17,339	16,587	17,069	18,552	

*1 U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2023 which is ¥133.53 to U.S.$1.
*2 Effective October 1,2022, share consolidation was implemented at a ratio of 1,000 share per 71,997,220 shares of common stock. Net income per share and net assets per share are calculated on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended March 31, 2023.

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2023 and 2022

ASSETS	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Current assets:			
Cash and time deposits	¥ 157,576	¥ 108,095	$ 1,180,079
Notes, accounts receivable-trade and contract assets	142,452	210,665	1,066,816
Less: Allowance for doubtful account	(1,536)	(1,511)	(11,503)
Marketable securities	5,008	4,647	37,504
Other current assets	30,710	23,036	229,985
Total current assets	334,210	344,934	2,502,883
Property and equipment:			
Buildings and structures	18,430	18,062	138,021
Machinery and equipment	6,823	6,020	51,097
Land	14,522	14,340	108,754
Leased assets	954	251	7,144
Right-of-use assets	41,778	28,730	312,873
Others	7,558	6,781	56,601
Total property and equipment	90,067	74,187	674,507
Intangible assets:			
Goodwill	53,634	50,402	401,662
Customer-related intangible assets	29,197	27,403	218,654
Other intangible assets	16,130	14,850	120,796
Total intangible assets	98,961	92,656	741,114
Investments and other assets:			
Investments in:			
Affiliates	3,890	7,461	29,132
Others	5,182	5,653	38,807
Long-term loans receivable	767	719	5,744
Net defined benefit asset	310	228	2,321
Deferred tax assets	3,313	4,219	24,810
Other investments	9,196	8,444	68,868
Less: Allowance for doubtful accounts	(731)	(673)	(5,474)
Total investments and other assets	21,929	26,053	164,225
Deferred assets			
Bond issuance cost	145	168	1,085
Total deferred assets	145	168	1,085
Total assets	¥ 545,314	¥ 537,999	$ 4,083,831

LIABILITIES AND NET ASSETS	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Current liabilities:			
Notes and accounts payable-trade	¥ 75,219	¥ 103,241	$ 563,311
Short-term debt	7,473	26,007	55,964
Current portion of long-term debt	14,800	10,000	110,836
Lease obligations	11,291	9,097	84,557
Income taxes payable	6,933	9,295	51,920
Accrued bonuses to employees	7,430	8,555	55,642
Accrued bonuses to directors and corporate auditors	330	355	2,471
Provision for losses related to contracts	3,470	–	25,986
Other current liabilities	25,475	24,162	190,781
Total current liabilities	152,423	190,716	1,141,488
Long-term liabilities:			
Bonds payable	35,000	35,000	262,113
Long-term debt	50,000	64,800	374,447
Lease obligations	33,264	21,601	249,112
Net defined benefit liability	7,774	7,482	58,219
Provision for share-based remuneration for directors	–	56	–
Deferred tax liabilities	3,113	5,912	23,313
Other long-term liabilities	1,928	1,373	14,438
Total long-term liabilities	131,080	136,225	981,652
Contingent liabilities			
Net assets:			
Shareholders' equity:			
Common stock			
Authorized 4,000 shares			
Issued 1,000 shares	7,216	7,216	54,040
Capital surplus	4,499	4,499	33,692
Retained earnings	207,903	178,457	1,556,975
Treasury stock	–	(144)	–
Total shareholders' equity	219,619	190,028	1,644,716
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	1,805	2,104	13,517
Foreign currency translation adjustments	26,693	7,846	199,902
Remeasurements of defined benefit plans	(6)	(1,724)	(44)
Total accumulated other comprehensive income	28,493	8,226	213,382
Non-controlling interests in consolidated subsidiaries	13,698	12,802	102,583
Total net assets	261,810	211,057	1,960,682
Total liabilities and net assets	¥ 545,314	¥ 537,999	$ 4,083,831

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net sales	¥ 1,080,949	¥ 980,441	$ 8,095,177
Cost of sales	944,016	839,782	7,069,692
Operating gross profit	136,933	140,658	1,025,484
Selling, general and administrative expenses	92,747	78,183	694,577
Operating income	44,185	62,475	330,899
Other income (expenses):			
Interest and dividend income	1,340	576	10,035
Interest expenses	(1,826)	(1,598)	(13,674)
Equity in earnings of affiliates, net	223	321	1,670
Foreign currency exchange gain (loss), net	7,496	2,101	56,137
Gain on valuation of derivatives	4,973	–	37,242
Subsidy income	557	399	4,171
Gain on sales of investment securities	46	34	344
Gain on sale of shares of subsidiaries and associates	1,790	–	13,405
Impairment loss	–	(194)	–
Loss on disposal of fixed assets	(28)	–	(209)
Loss on liquidation of subsidiaries	–	(392)	–
Loss on business restructuring	(55)	–	(411)
Loss on termination of retirement benefit plan	(36)	(62)	(269)
Loss on termination of BIP trust	(94)	–	(703)
Others, net	127	458	951
	14,514	1,643	108,694
Income before income taxes	58,700	64,118	439,601
Income taxes:			
Current	16,848	19,192	126,173
Deferred	(360)	(630)	(2,696)
	16,488	18,562	123,477
Net income	42,211	45,556	316,116
Net income attributable to non-controlling interests	1,120	2,138	8,387
Net income attributable to owners of the parent	¥ 41,091	¥ 43,417	$ 307,728

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income	¥ 42,211	¥ 45,556	$ 316,116
Other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities	(326)	154	(2,441)
Foreign currency translation adjustments	20,277	22,701	151,853
Remeasurements of defined benefit pension plans	1,713	141	12,828
Share of other comprehensive income of entities accounted for using equity method	(407)	482	(3,048)
Total other comprehensive income	21,257	23,480	159,192
Comprehensive income	¥ 63,469	¥ 69,036	$ 475,316
Comprehensive income attributable to			
Owners of the parent	¥ 61,357	¥ 65,630	$ 459,499
Non-controlling interests	2,111	3,406	15,809

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2023 and 2022

	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, 2021	72,000	¥ 7,216	¥ 4,499	¥ 140,906	¥ (150)	¥ 152,471	¥ 1,939	¥ (14,061)	¥ (1,862)	¥ (13,985)	¥ 10,253	¥ 148,739
Cumulative effect of change in accounting policies	–	–	–	(107)	–	(107)	–	–	–	–	–	(107)
Balance at April 1, 2021, as restated	–	¥ 7,216	¥ 4,499	¥ 140,799	¥ (150)	¥ 152,364	¥ 1,939	¥ (14,061)	¥ (1,862)	¥ (13,985)	¥ 10,253	¥ 148,632
Dividends of surplus	–	–	–	(5,759)	–	(5,759)	–	–	–	–	–	(5,759)
Net income attributable to owners of the parent	–	–	–	43,417	–	43,417	–	–	–	–	–	43,417
Adjustment due to change in the fiscal period of consolidated subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	5	5	–	–	–	–	–	5
Net changes in items other than shareholders' equity	–	–	–	–	–	–	165	21,908	138	22,212	2,548	24,761
Balance at April 1, 2022	72,000	¥ 7,216	¥ 4,499	¥ 178,457	¥ (144)	¥ 190,028	¥ 2,104	¥ 7,846	¥ (1,724)	¥ 8,226	¥ 12,802	¥ 211,057
Dividends of surplus	–	–	–	(11,639)	–	(11,639)	–	–	–	–	–	(11,639)
Net income attributable to owners of the parent	–	–	–	41,091	–	41,091	–	–	–	–	–	41,091
Purchase of treasury shares	–	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Disposal of treasury shares	–	–	–	–	140	140	–	–	–	–	–	140
Cancellation of treasury stock	–	–	–	(5)	5	–	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	–	–	–	(0)	–	–	(299)	18,846	1,718	20,266	896	21,162
Balance at March 31, 2023	1	¥ 7,216	¥ 4,499	¥ 207,903	¥ –	¥ 219,619	¥ 1,805	¥ 26,693	¥ (6)	¥ 28,493	¥ 13,698	¥ 261,810

	Thousands of U.S. dollars											
		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, 2022	72,000	$ 54,040	$ 33,692	$ 1,336,456	$ (1,078)	$ 1,423,110	$ 15,756	$ 58,758	$ (12,910)	$ 61,604	$ 95,873	$ 1,580,596
Dividends of surplus	–	–	–	(87,163)	–	(87,163)	–	–	–	–	–	(87,163)
Net income attributable to owners of the parent	–	–	–	307,728	–	307,728	–	–	–	–	–	307,728
Purchase of treasury shares	–	–	–	–	(7)	(0)	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	1,048	1,048	–	–	–	–	–	1,048
Cancellation of treasury stock	–	–	–	(37)	37	(0)	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	(2,239)	141,136	12,866	151,771	6,710	158,481
Balance at March 31, 2023	1	$ 54,040	$ 33,692	$ 1,556,975	$ –	$ 1,644,716	$ 13,517	$ 199,902	$ (44)	$ 213,382	$ 102,583	$ 1,960,682

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 58,700	¥ 64,118	$ 439,601
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	25,472	21,632	190,758
Impairment losses	–	194	-
Loss on termination of retirement benefit plan	36	62	269
Increase (decrease) in allowance for doubtful accounts	69	144	516
Increase (decrease) in accrued bonuses to employees	(1,593)	1,952	(11,929)
Increase (decrease) in accrued bonuses to directors and corporate auditors	(32)	114	(239)
Increase (decrease) in provision for losses related to contracts	3,470	–	25,986
Increase (decrease) in provision for share-based remuneration for directors	(56)	18	(419)
Increase (decrease) in net defined benefit liability	(426)	63	(3,190)
Interest and dividend income	(1,340)	(576)	(10,035)
Interest expense	1,826	1,598	13,674
Equity in losses (earnings) of affiliates	(223)	(321)	(1,670)
Loss on retirement of non-current assets	28	–	209
Loss (gain) on sale of investment securities	(46)	(34)	(344)
Loss (gain) on sale of shares of subsidiaries and associates	(1,790)	–	(13,405)
Loss (gain) on valuation of derivatives	(4,973)	–	(37,242)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable and contract assets	83,433	(61,158)	624,825
Increase (decrease) in notes and accounts payable	(37,396)	26,268	(280,056)
Others, net	8,918	(5,243)	66,786
Subtotal	134,076	48,834	1,004,088
Interest and cash dividend received	1,602	909	11,997
Interest paid	(1,810)	(1,587)	(13,555)
Income taxes paid	(23,809)	(18,108)	(178,304)
Net cash provided by (used in) operating activities	110,059	30,048	824,226

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(6,593)	(3,255)	(49,374)
Proceeds from withdrawal of time deposit	3,805	3,862	28,495
Payments for purchases of property and equipment	(5,737)	(4,225)	(42,964)
Proceeds from sales of property and equipment	99	120	741
Payments for purchases of intangible assets	(2,099)	(1,337)	(15,719)
Payments for purchases of securities	(6,135)	(5,537)	(45,944)
Proceeds from sales of securities	6,427	5,397	48,131
Proceeds from sale of shares of subsidiaries and associates	5,100	–	38,193
Payments of leasehold and guarantee deposits	(1,973)	(2,309)	(14,775)
Proceeds from refund of leasehold and guarantee deposits	1,182	1,328	8,851
Proceeds from collection of loans receivable	–	–	–
Payments for loans receivable	(6,000)	–	(44,933)
Others, net	219	125	1,640
Net cash provided by (used in) investing activities	(11,702)	(5,831)	(87,635)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(19,969)	6,188	(149,546)
Repayment to non-controlling shareholders	–	–	–
Payments of capital lease obligations	(11,559)	(9,617)	(86,564)
Payments for long-term debt	(10,000)	(13,086)	(74,889)
Proceeds from issuance of bonds	–	9,940	–
Purchase of treasury shares	(1)	0	(7)
Proceeds from disposal of treasury shares	140	1	1,048
Payments of cash dividends	(11,639)	(5,758)	(87,163)
Payments of cash dividends to non-controlling interests	(1,209)	(833)	(9,054)
Net cash provided by (used in) financing activities	(54,238)	(13,164)	(406,185)
Effect of exchange rate fluctuations on cash and cash equivalents	2,501	6,981	18,729
Net increase (decrease) in cash and cash equivalents	46,619	18,033	349,127
Cash and cash equivalents at beginning of year	104,028	85,995	779,060
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	–	–	–
Cash and cash equivalents at end of year	¥ 150,647	¥ 104,028	$ 1,128,188

Corporate Information

(As of March 31, 2023)

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Established:
January 1970

Paid-in Capital:
¥ 7,216 million

Number of Common Stocks:

Authorized	4,000 shares
Issued and outstanding	1,000 shares

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

Parent Company:
Kintetsu Group Holdings Co.,Ltd.

Number of Employees:
18,552 (Consolidated)

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

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