Financial Results Meeting:
FY Ended March 2011
(April 1, 2010 - March 31, 2011)



May 12, 2011

Global Logistics Partner
Kintetsu World Express, Inc.

## **Contents**

- Outline of Results (Consolidated & Non-Consolidated) for FY Ended March 2011 and the Forecast for FY Ending March 2012
- 02 Results for FY Ended March 2011
- 03 Major Factors Affecting Results for FY ended March 2011
- 04 Year on Year Comparison of Consolidated Net Sales, Cost of Sales, SGA Expenses
- 05 Freight Cost Ratio for Airfreight Exports Revenue
- **06** Consolidated Balance Sheets (1)
- **07** Consolidated Balance Sheets (2)
- 08 Consolidated Cash Flow Statements
- 09 Consolidated Net Sales by Category
- 10 Consolidated Net Sales and Operating Income by Region
- **11** Operating Margin by Region
- **12** Major Factors Affecting Results by Region
- **13** Consolidated Operating Results by Quarter
- 14 Consolidated Earnings Forecast for FY Ending March 2012

   The Second Year of the Medium-Term Management Plan
- 15 Consolidated Net Sales Forecast by Category & Region for FY Ending March 2012

- Review of the 1st year of the Medium-Term Management Plan "Ready for the Next!" and Business Expansion Strategies for the Future
- 17 Outline of "Ready for the Next!" (1)
- 18 Outline of "Ready for the Next!" (2)

  Basic Numerical Targets (Consolidated, Three Years)
- 19 Review of the 1st year of "Ready for the Next!"

  Creating a Strong Asia, Selling a Strong Asia (1)
- 20 Creating a Strong Asia, Selling a Strong Asia (2)
- 21 Creating a Strong Asia, Selling a Strong Asia (3)
- **22** Overseas Development for the Future
- 23 Business Alliance and Establishment of Joint Venture with Hitachi Transport System, Ltd. (HTS)
- 24 New Corporate Structure (from April 2011) (1)
- 25 New Corporate Structure (from April 2011) (2)
- **26** Group-wide Volume Targets
- 27 Investment Plan
- 28 Consolidated Net Sales Forecast by Category & Region
- 29 Dividends
- Supplementary Material
- 31 KWE Group's Worldwide Five Regional Management System
- 32 Major Topics Recent Updates
- 33 Non-consolidated Balance Sheets
- 34 Yearly Trends in KWE Freight Volume (Consolidated)
- **35** Freight Volume by Region (Five Regions)
- **36** Airfreight Export Volume by Destination
- **37** Items Handled (1) (Non-consolidated: Airfreight)
- 38 Items Handled (2) (Non-consolidated: Ocean Freight)



# **Results for FY Ended March 2011**

Shipments (thousar	nds) Weight (1.0	000 tons) Volume	(1 000 TELL	) Amount	(¥million
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					0 ( ,	
ltem		FY ended Marc	h 2010 Results	FY ended March	2011 Results	FY ended March 2011 Forecast
			Y on Y (%)		Y on Y (%)	( <b>※Forecast at 2011/2/7 3Q</b> )
Weight (Airfreight	export)	377	Δ 12.8	497	31.8	-
Shipments (Airfre	ight import)	1,192	△ 11.2	1,325	11.1	
Volume (Ocean ex	(port)	248	△ 10.5	278	12.2	C . NO. 181 -
Shipments (Ocear	n import)	186	△ 8.6	217	16.6	
Netsolo	Consolidated	211,836	Δ 18.6	267,688	26.4	260,000
Net sales	Non-consolidated	76,078	Δ 15.3	92,719	21.9	
Cross wrotit	Consolidated	36,116	Δ 10.0	40,842	13.1	_ ~~
Gross profit	Non-consolidated	16,018	Δ 2.6	16,641	3.9	
Operating	Consolidated	7,451	△ 17.4	11,898	59.7	10,800
income	Non-consolidated	1,480	1,292.2	2,002	35.3	
Ordinary	Consolidated	8,032	△ 12.7	12,831	59.7	11,300
income	Non-consolidated	4,179	48.4	4,659	11.5	
Income before income taxes	Consolidated	7,596	△ 4.9	12,676	66.9	7
and minority interests	Non-consolidated	3,634	131.2	4,332	19.2	, <sub>2</sub> 7 —
Not income	Consolidated	4,570	31.4	7,880	72.4	7,600
Net income	Non-consolidated	3,124	940.5	2,554	△ 18.2	

FY ended March 2010	¥93.57
1st half of the FY ended March 2011	¥91.36
FY ended March 2011	¥87.81

Indicator	FY ended March 2010	FY ended March 2011
EPS	¥126.97	¥218.92
BPS	¥1,822.95	¥1,925.90
ROE	7.3%	11.7%

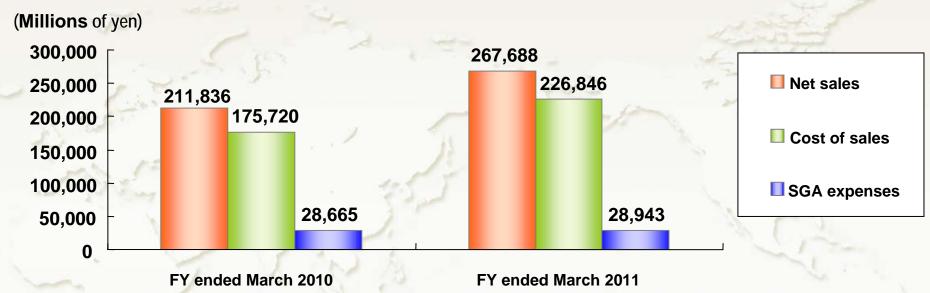


## Major Factors Affecting Results for FY Ended March 2011

- 1 Despite earnings rebound from 3Q, KWE Japan's full-year results fell short of target owing to rising freight costs
  - •Strong Asia-bound shipments in the first half of FY weakened from August onward as a result of inventory and production adjustments.
  - Freight costs (freight costs and fuel surcharge) continued to rise, putting pressure on profits.
- 2 Overseas and domestic subsidiaries performed strongly
  - Business in Europe and the Americas both improved owing to rising volume and restructuring benefits from the previous FY.
  - In Asia, freight costs, which rose sharply but improved from 3Q, and volume expansion contributed to profit increase.
  - Domestic subsidiaries performed strongly.



# Year on Year Comparison of Consolidated Net Sales, Cost of Sales, SGA Expenses



	FY ended March 2010	Ratio to net sales	FY ended March 2011	Ratio to net sales
Net sales	211,836	100.0%	267,688	100.0%
Cost of sales	175,720	83.0%	226,846	84.8%
SGA expenses	28,665	13.5%	28,943	10.8%
Operating income	7,451	3.5%	11,898	4.4%



# Freight Cost Ratio for Airfreight Exports Revenue

	FY ended March 2010	1st 6 months of FY ended March 2011	FY ended March 2011
KWE/Japan	62.2%	70.4%	70.1%
The Americas	54.5%	60.9%	62.1%
Europe, Middle East & Africa	62.2%	65.5%	68.4%
East Asia & Oceania	66.4%	75.6%	72.8%
Southeast Asia	69.2%	76.5%	77.3%
Group as a whole	62.7%	71.0%	70.5%

**%** From 1 July, 2010, control of operations in Middle East was transferred from Southeast Asia & Middle East Headquarters to Europe & Africa Headquarters. The names of both headquarters have been changed accordingly. (The data above was adjusted on the same basis.)

In addition to a year on year hike in fuel surcharges, change of demand-andsupply balance according to expanded freight volume caused a substantial increase in freight cost at each region.



# **Consolidated Balance Sheets (1)**

	FY ended March 2010	FY ended March 2011	Changes
Assets:	and water		
Current assets	70,043	77,864	7,821
Fixed assets	46,597	42,415	△ 4,182
Property and equipment	34,631	32,764	Δ 1,866
Intangible fixed assets	2,071	1,830	Δ 240
Investments and other assets	9,894	7,820	△ 2,074
Total assets:	116,640	120,280	3,639
Liabilities:	and the same of th		1
Current liabilities	42,032	42,329	297
Long-term liabilities	6,569	6,633	64
Total liabilities	48,602	48,963	361
Net assets:			
Total net assets	68,038	71,317	3,278
Total liabilities and net assets	116,640	120,280	3,639



# **Consolidated Balance Sheets (2)**

■ Debts (Millions of yen)

FY ended March 2010	FY ended March 2011	Changes
15,304	13,945	△ 1,359

### Investments

(Millions of yen)

FY ended March 2010	FY ended March 2011	Changes	FY ending March 2012 (Forecast)
4,206	1,847	△ 2,359	4,000

- Main investments (FY ended March 2011)
  - Logistics facilities (Guelph warehouse in Canada, and others)
  - IT, vehicles, offices
- Main scheduled investments (FY ending March 2012)
  - Logistics facilities (Taiwan, and others)
  - IT, vehicles, offices

### Depreciation

FY ended March 2010	FY ended March 2011	Changes
3,149	3,034	△ 115

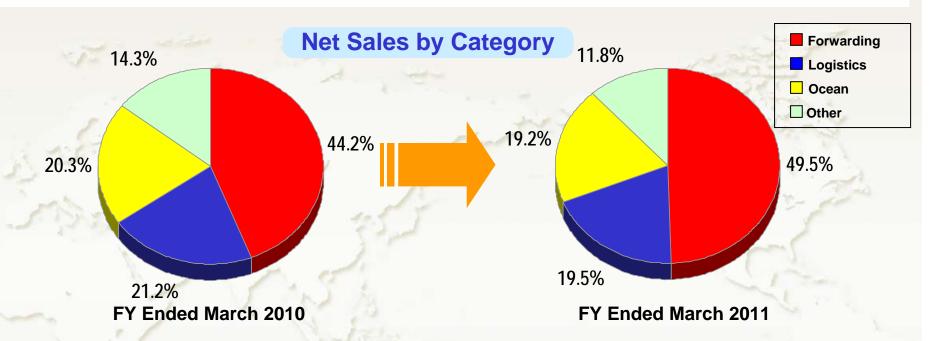


## **Consolidated Cash Flow Statements**

	FY ended March 2010	FY ended March 2011	Changes
Cash flows from operating activities	6,259	9,843	3,583
Cash flows from investing activities	△ 3,834	779	4,614
Cash flows from financing activities	△ 3,995	Δ 2,703	1,292
Effect of exchange rate changes on cash and cash equivalents	710	△ 1,998	△ 2,709
Net increase (net decrease) in cash and cash equivalents	△ 859	5,920	6,780
Cash and cash equivalents at beginning of year	25,904	25,045	△ 859
Cash and cash equivalents at end of year	25,045	30,966	5,920



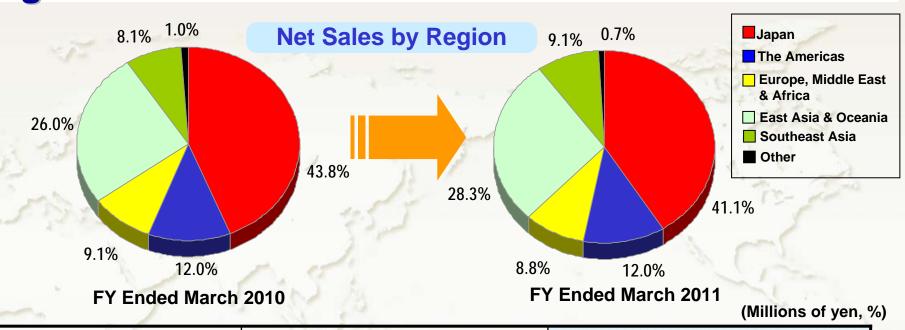
# **Consolidated Net Sales by Category**



		FY ended March	Y ended March 2010 (Results)		2011 (Results)
Category		Net sales	Y on Y	Net sales	Y on Y
tion	Forwarding	93,700	Δ25.9%	132,467	41.4 %
gh	Logistics	44,805	△7.4%	52,234	16.6 %
Frei	Ocean	42,984	△15.9%	51,285	19.3 %
trar	Other	30,346	Δ11.6%	31,700	4.5 %
	Total	211,836	Δ18.6%	267,688	26.4 %



# Consolidated Net Sales and Operating Income by Region



Pagion	FY ended Marc	ch 2010 (Results)	FY ended March 2011 (Results)		
Region	Net sales	Operating income	Net sales	Operating income	
Japan	95,295	1,628	112,725	2,918	
The Americas	26,053	1,097	32,855	2,327	
Europe, Middle East & Africa	19,831	Δ6	24,085	679	
East Asia & Oceania	56,613	3,433	77,606	4,212	
Southeast Asia	17,640	1,054	25,078	1,522	



Other

Adjustment

**Total** 

\* From the current fiscal year, control of operations in Middle East was transferred from Southeast Asia & Middle East Headquarters to Europe & Africa Headquarters. The names of both headquarters have been changed accordingly. Figures for FY ended March 2010 have been adjusted to reflect the new segment structure.

302

**△** 58

7,451

1,976

**△** 6,640

267,688

296

 $\Delta$  56

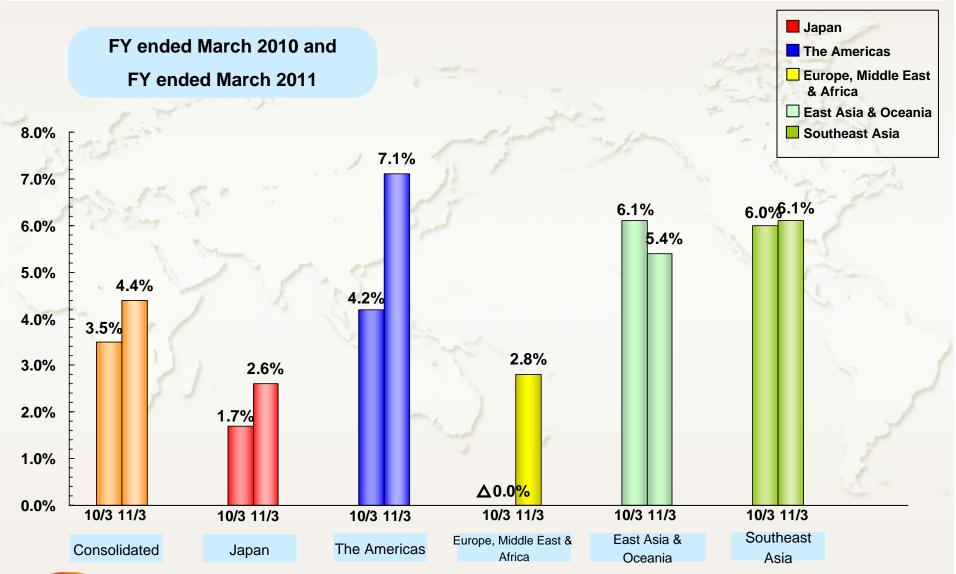
11,898

2,166

**△** 5,763

211,836

# **Operating Margin by Region**





\*\* From the current fiscal year, control of operations in Middle East was transferred from Southeast Asia & Middle East Headquarters to Europe & Africa Headquarters. The names of both headquarters have been changed accordingly. Figures for FY ended March 2010 have been adjusted to reflect the new segment structure.

# **Major Factors Affecting Results by Region**

### Japan

- Airfreight exports increased 12.9%, and imports decreased 1.6% year on year.
- •Full-year negative impact of fuel surcharges amounted to ¥430 million. (previous term: ¥210 million)
- Domestic subsidiaries performed strongly.

### The Americas

• Earnings trended above original targets owing to a recovery in volume, mainly in semiconductors and LCD-related materials, and benefits from restructuring implemented during the previous FY (consolidation of operation bases, reduction in labor costs, etc.).

### Europe, Middle East & Africa

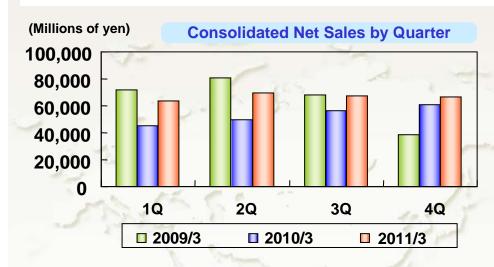
• Earnings trended above original targets owing to benefits from restructuring implemented during the previous FY (closing of two operation bases in the U.K., relocation of KWE (Benelux) head office, etc.) and an expansion in volume.

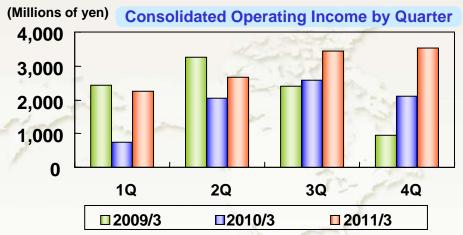
### East Asia & Oceania and Southeast Asia

• Although freight costs were high at the beginning of FY, the condition has improved since 3Q. Volume, particularly for electronic products, increased sharply, which contributed a surge in profit.



# **Consolidated Operating Results by Quarter**





Net sales (consolidated)	1Q		2Q		3Q		4Q
FY ended March 2009	72,202	81,024	(153,226)	68,408	(221,634)	38,696	(260,330)
FY ended March 2010	45,468	49,273	(94,741)	55,993	(150,734)	61,102	(211,836)
FY ended March 2011	63,587	69,324	(132,912)	67,772	(200,684)	67,004	(267,688)
						10	

Operating income (consolidated)	1Q	2Q		30	ર		4Q
FY ended March 2009	2,423	3,247	(5,670)	2,399	(8,069)	956	(9,025)
FY ended March 2010	727	2,046	(2,773)	2,565	(5,338)	2,113	(7,451)
FY ended March 2011	2,266	2,675	(4,942)	3,427	(8,369)	3,530	(11,898)

Ordinary income (consolidated)	1Q	2Q			3Q		4Q
FY ended March 2009	2,341	3,610	(5,951)	2,704	(8,655)	548	(9,203)
FY ended March 2010	816	2,111	(2,927)	2,749	(5,676)	2,356	(8,032)
FY ended March 2011	2,461	2,938	(5,399)	3,580	(8,979)	3,852	(12,831)



## **Consolidated Earnings Forecast for FY Ending March 2012**

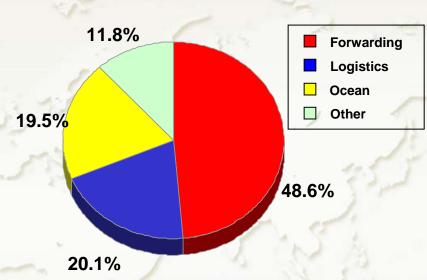
### - The Second Year of the Medium-Term Management Plan

ltem	FY ended March 2011 (Results)		FY ending March 2012 (Forecasts)			
		Y on Y (%)	7	Y on Y (%)		
Net sales	267,688	26.4	287,000	7.2		
Gross profit	40,842	13.1	44,000	7.7		
Operating income	11,898	59.7	13,000	9.3		
Ordinary income	12,831	59.7	13,000	1.3		
Income before income taxes and minority interests	12,676	66.9	13,000	2.6		
Net income	7,880	72.4	8,000	1.5		



# Consolidated Net Sales Forecast by Category & Region for FY Ending March 2012



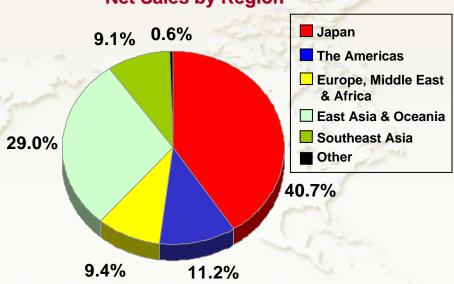


### FY ending March 2012 (Forecast)

(Millions of yen, %)

			· , ,		
Category		FY ending March 2012 (Forecast)			
		Net sales	Composition		
ے ا	Forwarding	139,500	48.6%		
ght	Logistics	57,700	20.1%		
Freight nsportation	Ocean	56,000	19.5%		
trar	Other	33,800	11.8%		
Total		287,000	100.0%		

### **Net Sales by Region**



### **FY ending March 2012 (Forecast)**

(Willions of )					
Region	FY ending March 2012 (Forecast)				
Region	Net sales	Operating income			
Japan	119,800	3,500			
The Americas	33,000	2,300			
Europe, Middle East & Africa	27,600	900			
East Asia & Oceania	85,400	4,800			
Southeast Asia	26,700	1,600			
Other	2,000	100			
Adjustment	△7,500	△200			
Total	287,000	13,000			



Review of the 1st Year
of the Medium-Term Management Plan
"Ready for the Next!"
and
Business Expansion Strategies for the Future

# Outline of "Ready for the Next!" – (1)

- Aim to build a strong corporate structure that will enable us to compete on an even footing with global competitors -

### **Targets by March 2013**

Consolidated net sales: 322 billion yen (+50% from FY ended March 2010)

Revised from the original target on May 11, 2011

**Consolidated operating income:** 15 billion yen (+100% from FY ended March 2010) **Consolidated ordinary income:** 

15 billion yen (+90% from FY ended March 2010) Consolidated operating margin:

4.7% (1.2% improvement over FY ended March 2010)

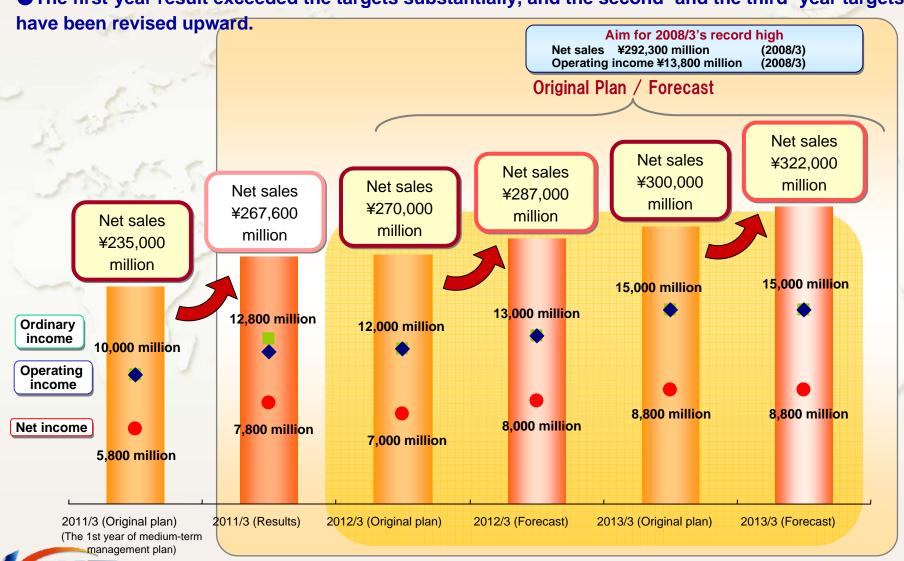
### **Management Strategy**

- **Create a Strong Asia (focused investment of management resources)**
- Sell a Strong Asia (create a sales structure that allows for competition with major global competitors)
- 3. Strengthen core competencies (human resources, quality, IT)
- Ensure thorough compliance and strengthen a management system for 4. the environment



# Outline of "Ready for the Next!" – (2) Basic Numerical Targets (Consolidated, Three Years)

●The first-year result exceeded the targets substantially, and the second- and the third- year targets



# Review of the 1st year of "Ready for the Next!" "Creating a Strong Asia, Selling a Strong Asia" – (1)

### Develop Bonded Logistics Business in China

- ◆ Shanghai Kintetsu World Express Co., Ltd. established. (May 2010)
  - (1) Conveniently situated adjacent to Shanghai Pudong Airport, China's largest international gateway airport.
  - (2) Functions as a hub for land, air, and ocean freight due to proximity to the Yanshan port and the Waigaoqiao Free Trade Zone.
  - (3) Bonded logistics provider located near China's largest market (in terms of production and consumption).
    - => Business expanding steadily. Runs domestic and international freight forwarding operations with an emphasis on bonded logistics.

Expansion of facilities planned in FY ending March 2012 (warehouse floor area increase from 7,000 m<sup>2</sup> to 42,000 m<sup>2</sup>)



Affiliates established in bonded areas in Zhongshan (Guangdong), Da Yao Wan (Dalian), Feng Xian (Shanghai)



Guangdong Zhongshan Bonded Logistics Center Zhong Shan Kintetsu Logistics Company Limited



Shanghai Minhang Export Zone
Shanghai Fengxian Kintetsu Logistics Co.,Ltd.
(Warehouse floor area: 5,903m²
Operation started in Feb. 2011)



Dalian BLP Kintetsu Logistics Co.,Ltd. (Warehouse floor area: 3,504m<sup>2</sup> Operation started in April. 2011)



(Warehouse floor area:10,152m² Operation started in Jan. 2011)

## Review of the 1st year of "Ready for the Next!" "Creating a Strong Asia, Selling a Strong Asia" – (2)

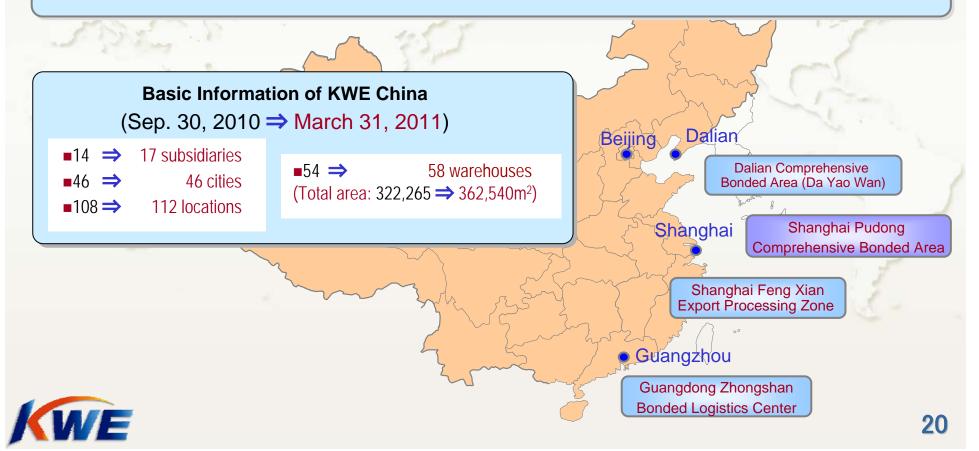
**Provide one-stop service in China** 



Aggressively move into bonded areas in China

Focusing especially on bonded logistics business, which would be highly demanded.

⇒ Secure a position of absolute advantage in bonded logistics business in China.



# Review of the 1st year of "Ready for the Next!" "Creating a Strong Asia, Selling a Strong Asia" – (3)

### **Bangladesh Delegate Office established** (April 2010)

Strengthen marketing activities in emerging market in South Asia

# Warehouse established in Guelph (near Toronto), Canada (July 2010)

Business is steadily growing. The warehouse space will be expanded in August 2011.

 $(13,500m^2 \Rightarrow 23,200m^2)$ 

Reinforce logistics in the Americas as the consumer market



Bangladesh Delegate Office/Agency



Guelph Distribution Facility, Canada

### Joint venture established in Saudi Arabia (June 2010)

**Expand Business of Asia/Europe ⇔ Middle East** 

Transportation of oil-drilling and project-related equipments



Opening ceremony in Saudi Arabia



# **Overseas Development for the Future**

With overseas sales and profits further growing, accelerate overseas network expansion ⇒ In countries other than China as well

### Strengthen logistics sales in ASEAN countries

Focus on Thailand, the Philippines, Indonesia, and Vietnam

### Strengthen sales in India

- Expand transportation for India ⇔ Europe/Asia/South Africa/the Americas Infrastructure building for logistics business expansion
- Nagpur office, the 18th office in India, was established in March 2011



### Strengthen sales in Middle East

⇒ Aim for expansion of transportation of oil, gas, plant-related equipments



# **Business Alliance and Establishment of Joint Venture** with Hitachi Transport System, Ltd. (HTS)

Joint venture with HTS





### Objective of business alliance and joint venture

HTS, with its strength in the 3PL business, and KWE, with its strength in the forwarding business, provide mutual support and cooperation, reinforce their capability to meet customers' various needs, and increase enterprise value, thereby aiming at continuous growth in today's highly competitive global logistics market.

### Joint venture's main businesses

Marketing and sales, logistics engineering and project management for heavy load (ex. overseas projects mainly in the social infrastructure and energy sectors, offshoring of production facilities)

Name: To be announced

Location: Koto-ku, Tokyo

Capital: ¥50 million

Establishment: July 1, 2011 (plan)

**Investment ratio: Hitachi Transport 51%, KWE 49%** 



# New Corporate Structure (from April 2011) – (1)

KWE Japan's new organization

Reorganize the Sales Dept. into cross-transportation modes structure to make the best of our long-term relationship with customers

#### Former structure **New structure Forwarding Department Exports Sales Department** Integration of Exports Sections Airfreight Exports Sales of former Forwarding Airfreight Exports Sales **Department and Ocean** Ocean Freight Exports Sales Department Ocean Freight Exports Sales Contract Logistics Sales **Ocean Department Imports Sales Department** Integration of Imports Airfreight Exports Sales Sections of former Logistics **Department and Ocean** Airfreight Imports Sales Ocean Freight Exports Sales Department Ocean Freight Imports Sales Airfreight Imports Sales Ocean Freight Imports Sales **Contract Logistics Sales Logistics Sales Department Logistics Department** Specialized in sales of warehouse-related services and operations Airfreight Imports Sales **Contract Logistics Sales** Ocean Freight Imports Sales **Contract Logistics Sales**



# New Corporate Structure (from April 2011) – (2)

Group Management Organization

Create a structure that plans and executes the best strategy to the whole group across the departments and the regions

Formulates, promotes, and is responsible for general coordination **Corporate Strategy** of Group management strategies (Established in April 2010) **Headquarters** Derives from the former GSC (Global Strategic Customers) Dept., which was responsible for identifying and dealing with major **Corporate Sales &** customers involved in global operations, and aims to further **Marketing Headquarters** enhance the marketing functions of the latter, as well as diversify our client base. Formulates and executes strategies to expand our airfreight and **Corporate Forwarding** ocean freight forwarding businesses globally. Also aims to create **President** a framework for maintaining and improving the quality of our **Headquarters** and CEO services on a global scale. Air Freight Dept. Sea Freight Dept. **Quality Management Dept.** Formulates and promotes Group-wide sales and business **Corporate Logistics** strategies for our logistics operations (functions inherited **Headquarters** from the former SCM Solutions Dept.)



# **Group-wide Volume Targets**

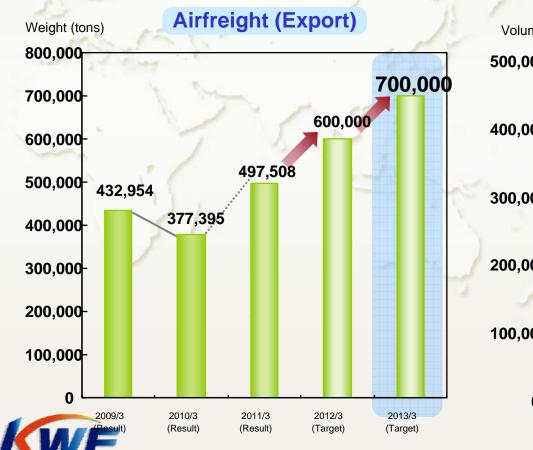
### Airfreight forwarding

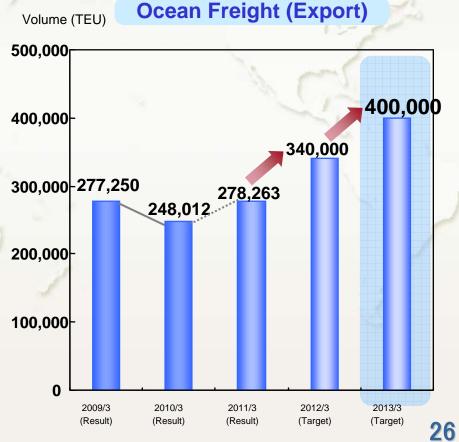
- ◆ Intensify the deal with major airfreight companies worldwide ⇒ Lower operating costs
- Expand offshore business (forwarding services between countries other than Japan)
- Seek new customers among European, the U.S., Asian and Japanese global companies

### Ocean freight forwarding

- ◆Expand freight volume to/from Asia
- ◆ Seek new customers among European, the U.S., Asian and Japanese global companies
- ◆Bolster global procurement and control transporting cargo space
- ◆Leverage external resources effectively (M&As, business alliances, etc.)

### —Group-wide Volume Targets—





### **Investment Plan**

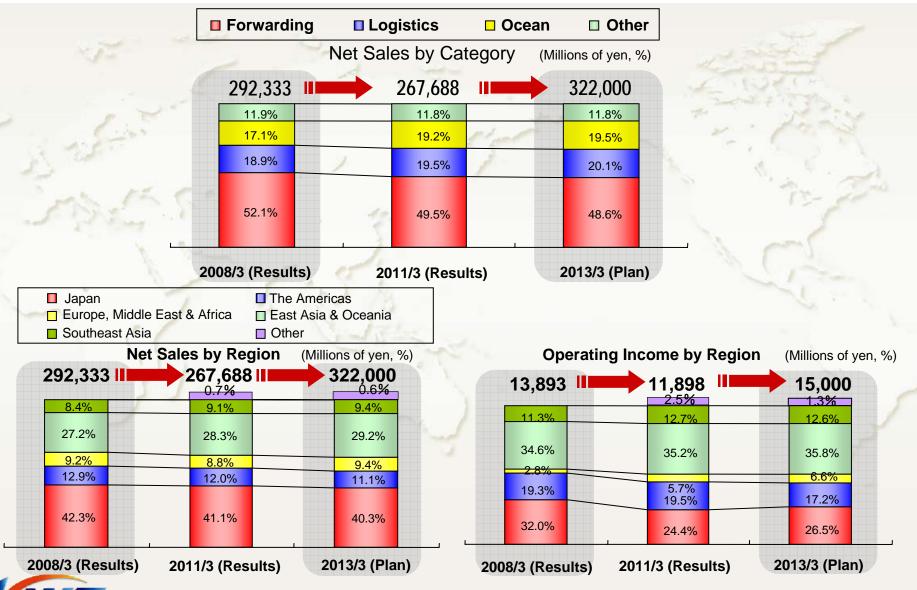
# Key Investment Projects

- Expand bonded logistics business in China
- Develop overseas business
- Promote M&A (Ocean freight and Logistics)

Planned investment amount: approx. ¥4.0 billion (Average of FY ending March 2012 and FY ending March 2013)



## **Consolidated Net Sales Forecast by Category & Region**



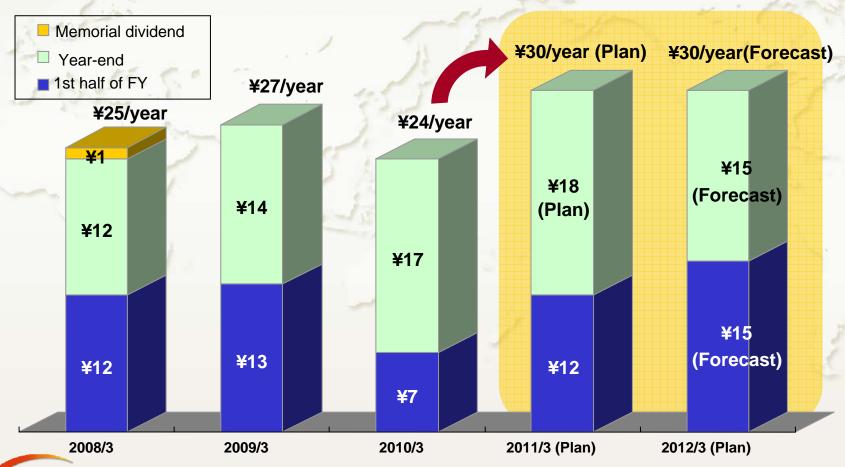
## **Dividends**

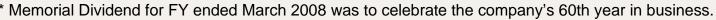
Currently targeting 30% of non-consolidated net income



In the future, 20% of consolidated net income will be targeted

### Stable dividend for shareholders

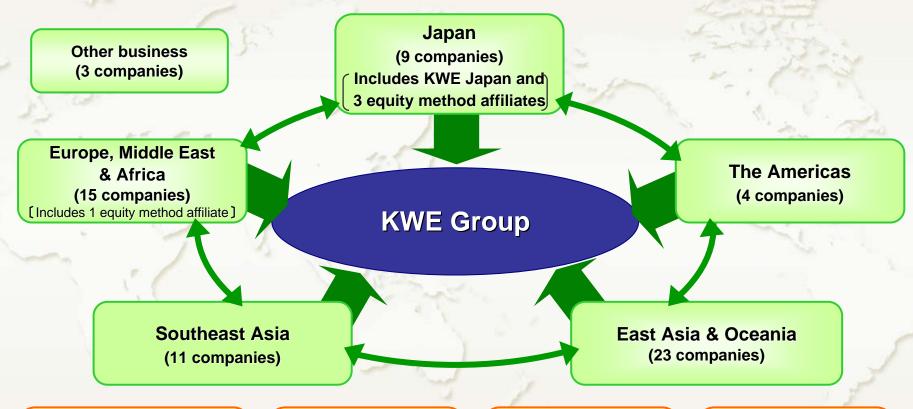






# **KWE Group's Worldwide Five Regional Management System**

32 countries overseas, 194 cities, 308 locations (as of March 31, 2011)



**Logistics facilities** 143 locations overseas (708,734 m<sup>2</sup>) 38 locations in Japan (201,010 m<sup>2</sup>)

**Acquired ISO 9001** certification (19 subsidiaries including Japan)

**Acquired ISO14001** certification (13 locations worldwide including the Narita terminal)

**Acquired TAPA** certification (19 locations worldwide including the Narita terminal)



# **Major Topics** – Recent Updates

**New companies** 

January

Zhong Shan Kintetsu Logistics Co., Ltd. established within the Zhongshan

**Bonded Logistics Center in China** 

February

Shanghai Fengxian Kintetsu Logistics Co., Ltd. in Shanghai Minhang Export

Zone in China started operation

April

Dalian BLP Kintetsu Logistics Co., Ltd. in the Dalian Bonded Logistics Park

in China started operation

Overseas service structure

Dec. January

KWE (UK) acquired AEO certification

KWE (Indonesia) established Tanjungpriok office as ocean freight operation hub

Japan service structure

Nov.

March

No.4 Baraki Terminal acquired ISO13485: Quality Management System

Standard for Medical Devices Certification

Narita Terminal completed installation of

private electric power generator

Other

April

Corporate reorganization (cf. Pages 24 and 25)

Four headquarters consisting of Corporate Strategy Headquarters,

Corporate Sales & Marketing (former GSC) Headquarters, Corporate Forwarding Headquarters (new), and Corporate Logistics Headquarters (former SCMS) manage

the KWE Group's businesses in the new structure

Former "Forwarding Dept.", "Logistics Dept.", and "Ocean Dept."

reorganized as "Export Sales Dept.", "Import Sales Dept.", and "Logistics Sales

Dept."



32

Private electric

power generator

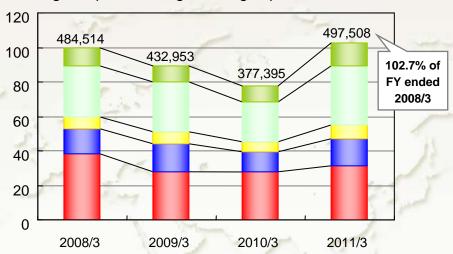
## **Non-consolidated Balance Sheets**

	FY ended March 2010	FY ended March 2011	Changes
Assets:	400		
Current assets	24,968	29,371	4,403
Fixed assets	38,793	37,023	△ 1,770
Property and equipment	23,495	22,631	△ 864
Intangible fixed assets	850	689	Δ 161
Investments and other assets	14,448	13,702	△ 746
Total assets:	63,762	66,394	2,632
Liabilities:	and a second second		
Current liabilities	19,682	20,609	927
Long-term liabilities	3,976	4,284	308
Total liabilities	23,659	24,894	1,235
Net Assets:			o€ -
Total net assets	40,103	41,500	1,397
Total liabilities and net assets	63,762	66,394	2,632

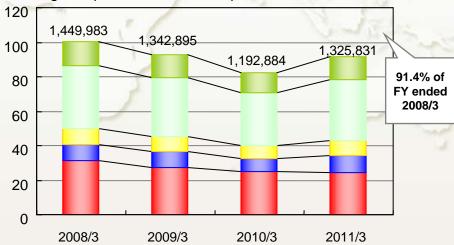


# Yearly Trends in KWE Freight Volume (Consolidated) (FY ended 2008/3 – 2011/3)

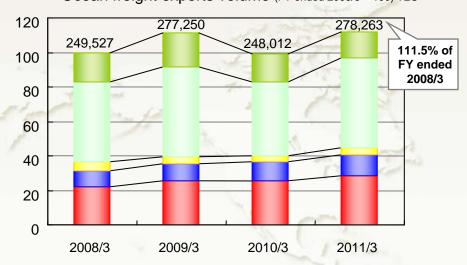
Airfreight exports tonnage leaving Japan (FY ended 2008/3 = 100) ton



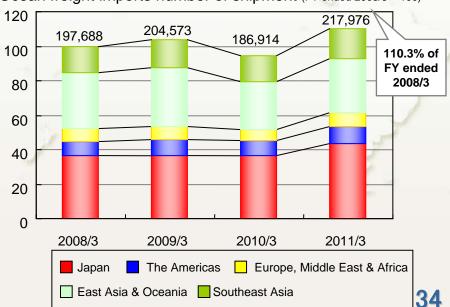
Airfreight imports number of shipments (FY ended 2008/3 = 100)



Ocean freight exports volume (FY ended 2008/3 = 100) TEU

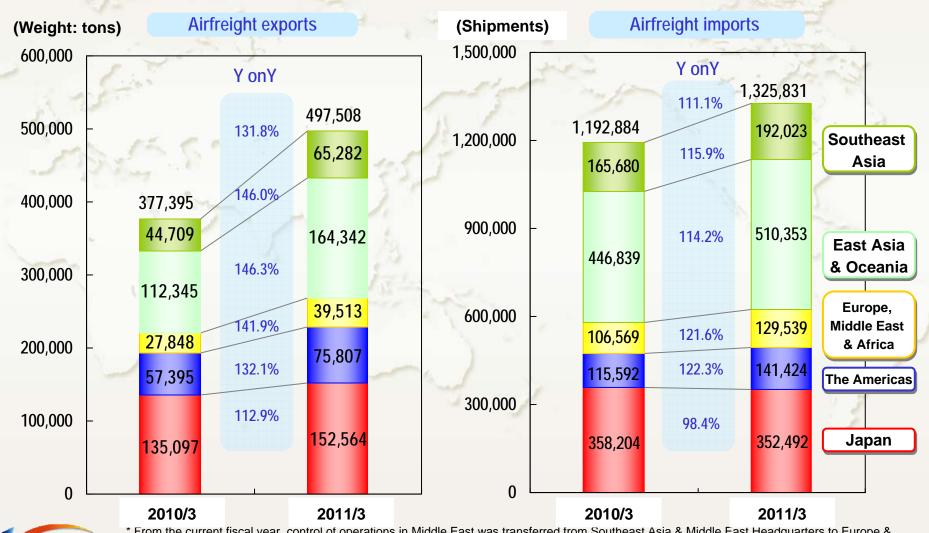


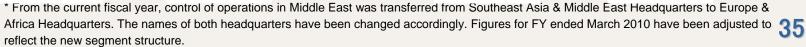
Ocean freight imports number of shipment (FY ended 2008/3 = 100)



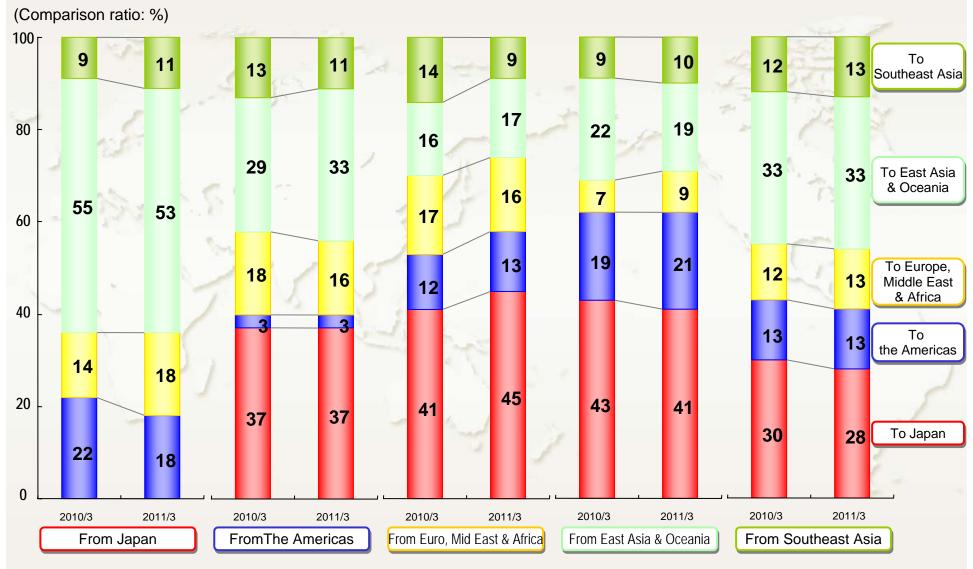


# Freight Volume by Region (Five Regions)





# **Airfreight Export Volume by Destination**

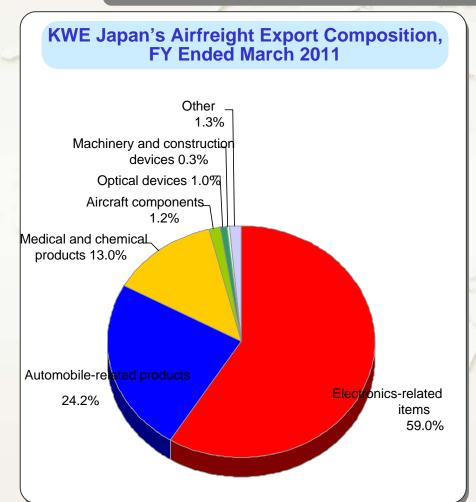


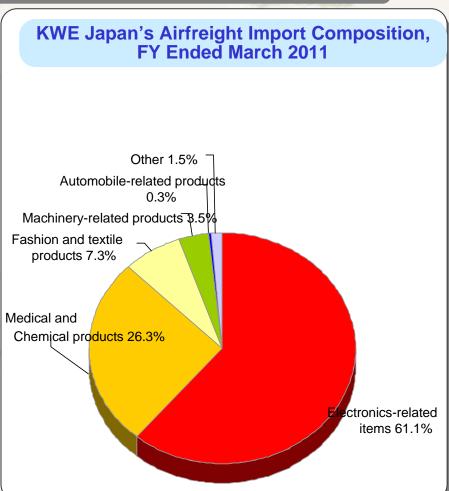


<sup>\*</sup> From the current fiscal year, control of operations in Middle East was transferred from Southeast Asia & Middle East Headquarters to Europe & Africa Headquarters. The names of both headquarters have been changed accordingly. Figures for FY ended March 2010 have been adjusted to 36 reflect the new segment structure.

# Items Handled – (1) (Non-Consolidated: Airfreight)

- Based on net sales of top 100-ranked companies - Airfreight Composition

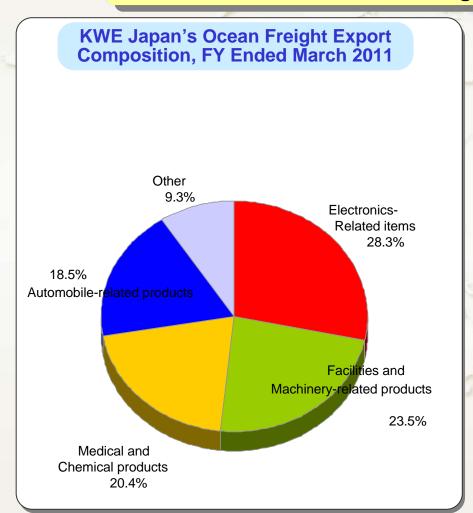


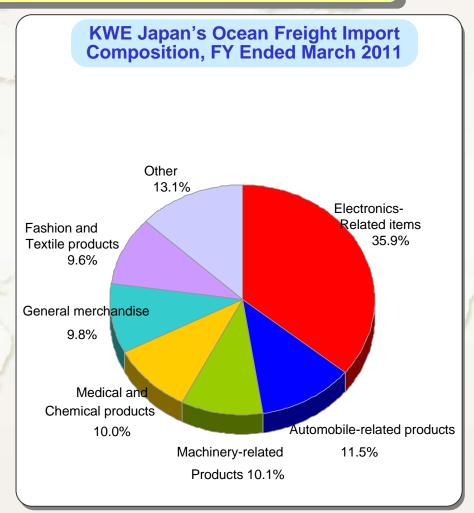




# Items Handled – (2) (Non-Consolidated: Ocean freight)

- Based on net sales of top 100-ranked companies - Ocean Freight Composition









Kintetsu World Express, Inc. Website: http://www.kwe.co.jp/en/index.html

\* The information contained herein does not constitute an offer to solicit investment which can only be made by formal prospectus. The forward-looking statements contained herein are not intended to assure or guarantee future performance. Actual results may vary from that projected herein.