“Global Top 10 Solution Partner”

A Global Brand Born in Japan

Annual Report 2020

Kintetsu World Express, Inc.

Year Ended March 31, 2020

Contents

02 Aiming for Sustainable Growth

06 Foundation for Creating New Value

08 Top Message

15 Report by Six Segments

21 Sustainability Management

36 Management's Discussion and Analysis

43 Financial Highlights

44 Financial Statements

62 Investor Information

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.

Guide to Buttons

Move Back to Previous Page

Move Forward to Next Page

Print Search PDF Content

Go to Contents Page

Our Philosophy

Contributing to Global Society through Logistics Based on Unwavering Corporate Philosophy

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."

Even under a variety of global risks currently being exposed, the mission of logistics as the lifeblood will never change. We will keep on contributing to global society with international logistics services.

Industry Vertical

Providing Value in a Wide Range of Industry Sectors

Since its founding, electronics verticals have been our field of expertise. To expand our customer base, we started sea freight forwarding as well as logistics during late 80's. And as a result, automotive, healthcare, industrial machinery, aerospace, oil & gas, retail industries have been added to the field now. We aim for sustainable growth with further expansion of our services to a wide range of customers regardless of the business environment.

50-Year Anniversary

The 50th Anniversary under a Dramatic Change

Value Creation

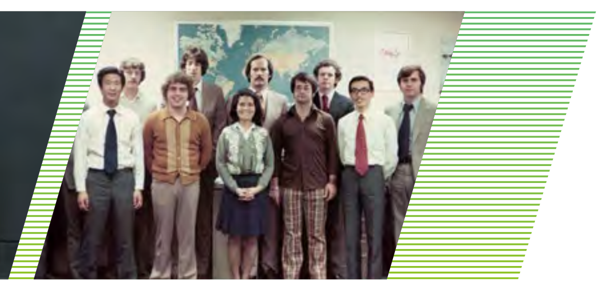
KWE celebrated its 50th anniversary in January 2020.
During this first 50 years, we could increase handling volume on a global basis both with Japanese and non-Japanese customers.
The second 50 years just started in a tough situation amid a global economic downturn with COVID-19. Still we are striving for value creation to expand our business scale further.

	1970	2020
Capital stock:	50 million yen	7,216 million yen
Number of employees:	302	17,339
Net sales:	743 million yen	544,533 million yen
Operating income:	75 million yen	19,714 million yen

KWE in the 1970s

Hong Kong

Chicago, the U.S.



Boston, the U.S.

Aiming for Sustainable Growth

Signpost for the Next 50 Years

Long-Term Vision

“Global Top 10 Solution Partner”

–A Global Brand Born in Japan–

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

Numerical Targets

Net sales: **1** trillion yen
Operating income: **50** billion yen
Air freight (Tons): Over **1** million
Sea freight (TEUs): Over **1** million
Financial soundness:
Net interest-bearing debt: **Zero**

Foundation for Creating New Value
—Outline of 6 Segments—

Europe, Middle East & Africa
The United Kingdom
Germany
France
Italy
The Netherlands
Belgium
Switzerland
Ireland
Other European countries
Russia
African and Middle Eastern countries

Net Sales ('20/3)
15.6%DOWN
(YoY change)

Southeast Asia
Singapore
Malaysia
Thailand
India
Indonesia
Vietnam
The Philippines
Cambodia

Net Sales ('20/3)
5.5%DOWN
(YoY change)

East Asia & Oceania
Hong Kong
China
South Korea
Taiwan
Australia

Net Sales ('20/3)
7.5%DOWN
(YoY change)

Japan

Net Sales ('20/3)
6.1%DOWN
(YoY change)

The Americas
United States
Canada
Mexico
Latin American countries

Net Sales ('20/3)
7.4%DOWN
(YoY change)

APL Logistics Group

Net Sales ('20/3)
9.1%DOWN
(YoY change)

Foundation for Creating New Value
—Our Services—

Air Freight

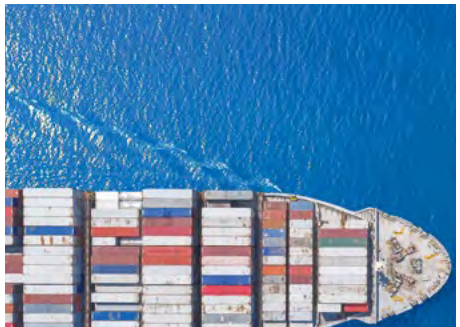
Net Sales ('20/3)

11.8%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 ('20/3)

7.3%DOWN

(YoY change)

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

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

Logistics

Net Sales ('20/3)

7.2%DOWN

(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 ('20/3)

5.7%UP

(YoY change)

Main Services
- Domestic air freight forwarding
- Customized packaging, transport, and installation of precision machinery
- Temporary staffing, primarily for logistics and trading businesses
- Transport of art objects and other materials for events and exhibitions
- Hand carry service

Top Message

A Path towards Sustainable Growth

The Challenge of Attaining Sustainable Growth

Following the celebration of KWE’s 50th anniversary in January 2020, business results for the fiscal year ended March 2020 declined in part due to global economic uncertainty over the U.S.-China trade friction, leading to decreases in sales and profits. In addition, the continued spread of the novel coronavirus (hereinafter COVID-19) since January 2020 has caused countless casualties, obstructed significant parts of the global economy, and brought about a great change in all our lives. The risk of global recession, coupled with geopolitical risks represented by the U.S.-China struggle and climate change risks, is higher than ever.

But mark my words: the global economy will not end here. Since its founding in 1970, KWE has actively expanded its business not only with domestic customers but also international brands, growing its service network and freight volume globally. Within each of us is the DNA of a pioneer. Let us channel this DNA passed down to the present and take a stand for sustainable growth in the changing post-COVID-19 world. The key to this is in upholding the long-term vision “Global Top 10 Solution Partner –A Global Brand Born in Japan,” and the promotion of management with emphasis on contributions to the SDGs. Let us continue forward with our efforts to meet the expectations of all stakeholders, including customers and shareholders and investors, and employees.

Nobutoshi Torii
President & CEO

Summary of Medium-Term Management Plan First Year Results

While the handling volume declined in part due to the U.S.-China trade friction and global economy uncertainty, we have continually strengthened our platform and sales strategies for medium- to long-term growth.

Sales strategy: Achievements in Corporate Accounts, the healthcare Industry, and Vietnam

Although the KWE Group's handling volume in the fiscal year ended March 2020 began to decline following international logistics market trends, we were able to achieve some results favorable to future medium- to long-term growth. The first result was an increase in freight volumes handled for Corporate Accounts, which is a major global customer segment. In the fiscal year ended March 2020, air freight saw a 4% year-over-year increase.

The second result was the expansion of priority cargo—sales of healthcare-related products which grew, particularly in the Americas, due to efforts to expand the regional customer base. The third point is the increase in weight of goods handled in priority countries. In Vietnam, which has been designated an emerging market, electronics and retail products contributed to a 90% year-over-year increase in air exports.

Reinforcing the business platform: Group governance, achievements in IT

We have continually strengthened group governance by instating seven corporate divisions, establishing "Japan Regional Headquarters", and fortifying the oversight of KWE Japan and domestic affiliates.

With regard to the establishment of next-generation Information Technologies (IT), the introduction of the "UFS+" system, which augments our current systems' infrastructure and abilities, is underway at major branches and will contribute to our overall operational efficiency. We have also optimized IT assets by shifting data center and servers to the cloud system and strengthened Business Continuity Plans (BCP).

To improve financial standing, we have also reduced long-term debt by increasing free cash flow.

Expand Business Scale by Concentrating on Core Business

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

Business Environment and Our Countermeasures

Amid concerns over the protracted impact of COVID-19, we will focus our efforts on business continuity and sustainable growth to fulfill our social mission as a logistics company.

Strive for business continuity and sustainable growth, even in the face of change

COVID-19 continues to impact the international logistics market, reducing global production, disrupting supply chains, stagnating consumer markets, and impeding trade.

Lockdowns have been called off in many of China's regions since March, and production activities have resumed. However, even as consumer markets in Europe and the U.S. reopen, it is difficult to assume that the global economy will return to a "pre-COVID-19" state.

Therefore, the Group will continue to protect its workforce and cultivate its business in the face of business environment changes to prepare for the long-term consequences of the pandemic.

Continue to fulfill our social mission as a logistics company, which is an essential business

In the months following the widespread impact of COVID-19, I reaffirmed that as an essential business, the logistics industry plays a vital role in maintaining social infrastructures around the world.

While under lockdown, the Group transported Personal Protective Equipment* (PPE) and healthcare products necessary to maintain individual safety and community health. We will continue to proudly fulfill our social mission, providing logistics services essential for a bright and functioning society.

*Gowns, masks, gloves, aprons, face shields, goggles, and caps, etc.

Priority Measures for the Second Year of the Medium-Term Management Plan

Collaborating with APLL to strengthen our business platform in a post-COVID-19 world.

Reinforcing business strategies and platform for the medium- to long-term

In the second year of the Medium-Term Management Plan, we will reinforce business strategies and platform to anticipate a post-covid-19 economy while closely monitoring the impact of COVID-19: strengthening group governance, introducing next-generation IT, strengthening global human resources development, and improving financial soundness.

Our new sales strategy seeks to respond quickly and appropriately to changing market trends and customer needs: branching further toward international Corporate Accounts and developing demand from Asia to North America. With a focus on healthcare and retail, we will redouble our efforts in Indonesia and Vietnam, two of our priority countries. As our handled products incorporate more from the IoT, AI, 5G, and EV industries, we will flexibly respond to changes in their evolving supply chains.

Our operational strategy focuses on securing of cargo space, carrier relationships, and purchasing power as imbalances in transportation capacity and freight rate volatility are expected to continue in the future.

Function integration/collaboration with APLL

APLL will work to expand sales for future growth, continue its oversight of SGA expenses, and rebuild its core business system. In the future, we will leverage APLL's full potential: from its longstanding history with customers in automotive, retail, and consumer goods industries, to its time-honored experience in sales, handling expertise, procurement, infrastructure, and management. Through these efforts in management improvement, we will accelerate the business expansion of the entire group. In addition, we will utilize our experience and knowledge to globally collaborate on human resources, compliance, and risk management.

Initiatives for Sustainable Growth

By strengthening sustainable management based on Sustainable Development Goals, we will continuously increase corporate value.

Ongoing Business Continuity Plans under "COVID-19 Task Force"

Our corporate response to COVID-19 is an urgent and important management issue, and we are focused on the safety of employees around the world. In February 2020, the "COVID-19 Task Force" was established, prioritizing employee and family health to reduce infection risk, modify our working system, and provide customer support. In addition, we continue to distribute essential business information internally and externally.

Aim to sustainably increase our fiscal and social corporate value

Since our stock listing in 2000, we have made strides to enhance corporate value with a focus on financial vitality and business profitability.

However, based on growing global risks, management optimization based on Sustainable Development Goals will be promoted as important aspects to increase corporate value. Through these efforts, we will mitigate short-, medium- and long-term growth risks, leading to a bright, sustainable future for KWE.

Message from William Villalon, President, APL Logistics

Another Profitable Year

In 2019, we delivered 177.1 billion yen in net sales, 3.2 billion yen in segment income and 9.1 billion yen in operating income. Coming off a banner year in 2018, 2019 showed an 9% decline year-over-year in net sales. The decreases were largely attributed to: (i) trade policy, resulting in higher tariffs and lower USA import volumes; (ii) automotive segment income impacts due to the flooding of key rail routes used by APLL and OEM labor disruptions in the United States. Despite the net sales decrease, the company exceed last year's operating income by 10%. Disciplined cost management coupled with strict financial thresholds for evaluating new and existing business were the primary drivers for 2019 success despite the soft market.

We have carried these disciplines into 2020, which will serve us well as we face unprecedented challenges as a result of the COVID-19 global Pandemic. Nonetheless, we remain steadfast in our mission: Design, build and implement innovative, profitable and sustainable products and services that help our customers meet consumer and industrial demands globally and irrespective of fulfillment channels.

Collaboration and Integration

We continue to work cooperatively with our KWE colleagues to find mutually beneficial collaboration and integration opportunities. As an examples of our joint efforts, in 2019 APLL and KWE:

- Continued to leverage KWE and APLL volumes through the Group Ocean Procurement Center in Hong Kong
- Developed joint sales efforts around core APLL solutions such as motorcycle applications for our AutoDirect product
- KWE was awarded the "Top Gun" award by one of APLL's Fortune 500 consumer customers as the best performing operator among its warehouse network in North America for the operation of the customer's Canadian facility. The other USA sites under contract to the Group are managed by APLL.
- Moved certain KWE customer-reporting functions to APLL's Chongqing (PRC) Global Service Center

As we move into 2020, further collaboration efforts are underway and both companies look forward to further leveraging our respective core competencies and procurement synergies.

The Road Ahead

In the last 2-3 years, we have witnessed a market characterized both by lower-than-trend growth and a degradation in overall global credit conditions. This has elevated our focus in maintaining and further strengthening both a strong cash flow and balance sheet. With the uncertainty and market contraction brought about by the COVID-19 Pandemic, these will continue to remain among our top priorities going into 2020. Our efforts likewise will include balancing our business portfolio through net sales diversification, product innovation in response to new-found market demands and an IT strategy prioritizing internal productivity and data science.

While we remain optimistic, the Pandemic introduces significant challenges and its associated uncertainties make forward guidance for 2020 problematic. That said, we believe that our financial strength, predominantly asset-light model and innovative organization will allow us to successfully emerge from this global crisis with minimized disruption to our long-term strategic intent.

Our long-term goals remain unchanged. To do so, we will have to innovate and adapt to the new market dynamics certain to emerge post-Pandemic. We will likewise need to balance enhancing our core products, while setting our sights in new directions. Our vision must at once be bold, but fiscally responsible and sustainable.

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

Japan

General Manager, Japan
Keisuke Hirata

Driving force for change

Japan Regional Headquarters consists of KWE Japan and affiliated companies in Japan. Building optimal global supply chains for many Japanese companies that support global technological innovation, and helping non-Japanese companies with their logistics within Japan, we will accelerate volume growth as the driving force for the entire Group. Our basic policies for the fiscal year through March 2021 are as follows:

1 For the Volume Growth

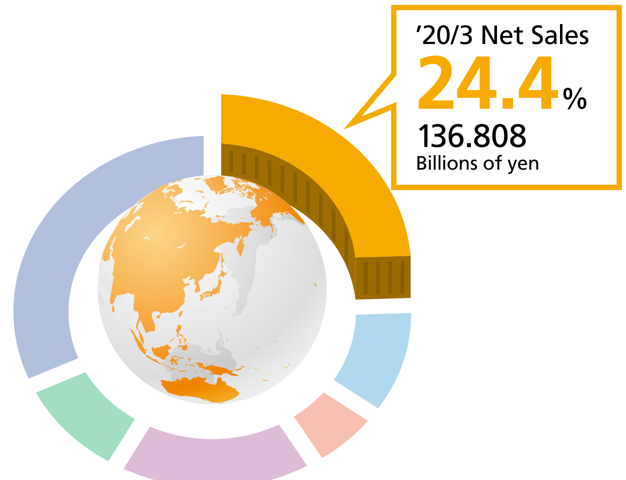
(1) Further sales promotion by industry verticals
Exports: Automotive/electronics/semiconductor manufacturing equipment/healthcare/chemicals/construction machinery/materials
Imports: Electronics/healthcare/automotive aerospace/retail
(2) Focus on off-shore trade volume
(3) Further promotion of sea freight forwarding business
(4) Restructuring of logistics business

2 For Better Quality and Productivity

(1) Optimization of IT system for high-quality operations
(2) Standardization of operations for higher efficiency
(3) Enhance productivity by promoting shared service within Japan Regional Headquarters

3 Solid Business Platform – Administration, HR, Finance, and IT

(1) Bolster functions including general affairs, HR, accounting, and information systems in accordance with business growth
(2) Strengthen business platform to continue responding flexibly to changes in the business environment



Freight Movements
Fiscal year through March 2020

	Exports	Imports
Air freight	Down 14.9%*1	Down 4.9%*2
Sea freight	Down 8.9%*3	Down 6.3%*2

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

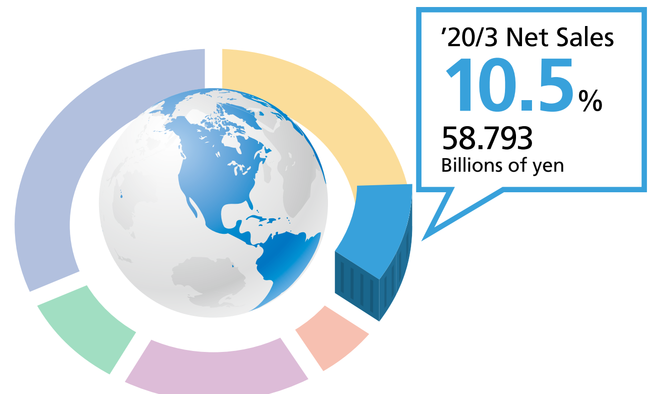
The Americas

General Manager, The Americas
Tetsuya Yamanaka

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

Enhance the inter-regional collaboration for further business growth

The Americas cover the U.S. and Canada — home to many major global companies — as well as Mexico and Latin America, which hold promise for large-scale growth going forward. In the fiscal year through March 2021, we will continue to put our focus on the following measures to expand handling volumes for further business growth.



1 Sales Strategies by Vertical

We will continue to put our priority on the healthcare, life science and automotive business fields, as we did in the previous fiscal year. The Americas have been taking a leading role in the healthcare field in particular, and will keep on moving forward KWE Group's Global Healthcare Project. We are aiming to expand export and import handling volumes by building up stronger business partnerships with major players in these verticals to support their global supply chain as an essential service provider.

2 Trans-Pacific East Bound (TPEB) Volume Growth

We will aggressively enhance our collaborative work with our group companies in Asia Pacific to develop the TPEB business from major gateway origin points such as Hong Kong, Shanghai, and Bangkok, as well as Singapore under global partnership strategy with major carriers. Increasing the retail and general merchandise business fields is the most important mission to be successful, and we will securely standardize our sales and operations quality with the East Asia & Oceania and Southeast Asia regions and with the APLL Group, in order to achieve stable growth in import business volumes into the Americas region.

3 Develop Trans-Atlantic Business for Future Growth

Going forward, expansion of Trans-Atlantic business is another critical strategy for the KWE Group to be recognized as a major global solution partner and increase its presence among the U.S.-and European-based customers. The Americas region will continuously work with the Europe, Middle East & Africa region to take strong initiatives for business development in this field by synchronizing sales foundations as well as service qualities across the regions to grow together.

Freight Movements
Fiscal year through March 2020

	Exports	Imports
Air freight	Down 4.5%[*1]	Down 12.5%[*2]
Sea freight	Down 6.4%[*3]	Up 0.9%[*2]

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

Europe, Middle East & Africa

General Manager,
Europe, Middle East & Africa
Shin Ogawa

Major Countries and Regions

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

"Think outside the Box, Always Innovation, Change the World"

Under the above slogan, we will strengthen our sustainability in the post COVID-19 business environment and increase operational efficiency with the concept of "Minimum Input Maximum Output". We will focus on the key measures described below.

1 Expand Volume and Market Share as the Global Forwarder in Europe Market

We will continue to focus on the geographical market, the so called "Principal Battlefield", consisting of Germany, Benelux, the U.K., France, and Italy where we face up to the strongest competition for international freight forwarding. Enhancement of our Gateway Operations in Benelux, Germany, and U.A.E creates a competitive platform to pursue long-haul air freight between Europe and Asia/North America.

2 Enhancement on Vertical Market Solution

We have invested in GDP (Good Distribution Practice) certified facilities in Ireland, the U.K., Benelux, Italy, and Germany to fulfill customers' requirements in the healthcare segment. Automotive is our historical strength, delivering to the final production line of car makers, on time and in the right place on a 24/7 basis. The oil and gas vertical is a newly launched project in collaboration with North America and Middle East Team. Here we are extending our competency for specialized transportation, developed in Europe and Saudi Arabia over decades, to other regions.

3 Structural Reform

Through the course of intensive review of operational efficiency, we have defined the suitable organization model for KWE's core business. With the concept of "Right person in the right position", we have created a succession plan for the next generation. Rolling out a leaner functional structure in the EMEA region will enhance productivity and will deliver excellent service to customers.

'20/3 Net Sales
6.3%
35.391
Billions of yen

Freight Movements
Fiscal year through March 2020

	Exports	Imports
Air freight	Down 8.4% *1	Down 23.3% *2
Sea freight	Down 2.9% *3	Up 4.3% *2

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

East Asia & Oceania

General Manager,
East Asia & Oceania
Yoshihiro Kusakabe

Major Countries and Regions
Hong Kong, China, South Korea, Taiwan, and Australia

Change — opportunity of further development

Production shift to South East Asia and COVID-19 caused a big change to supply chains during the fiscal year through March 2020. Fiscal year through March 2021 started in the midst of global recession. However, we take it as an opportunity of further growth and work on following key measures.

1 Sales Promotion to Non-Japanese Customers

We will expand our customer base for further development. In our region, especially, stepping into the Chinese business is one of the key elements for our further growth. We will expand our business by utilizing our solid service lineup and network in China.

2 TPEB (Trans-Pacific East Bound) Volume Growth

The expansion of TPEB is essential for our further growth. In order to expand TPEB business, we will leverage the Group's handling volumes to develop unique services and provide more reliable service for customer satisfaction. We will expand our presence in Pacific Rim region aiming to become a Global Top 10 Solution Partner.

3 Further Development in Pearl River Delta/Greater Bay Area

In this area where we can see the rapid change, we are also required to change rapidly to adjust the change of customer needs. KWEs in Hong Kong, Guangdong, and Shenzhen as one team, will be more active to provide the most suitable service for customers.

'20/3 Net Sales
16.8%
93.947
Billions of yen

Freight Movements
Fiscal year through March 2020

	Exports	Imports
Air freight	Down 0.8% *1	Down 8.5% *2
Sea freight	Down 3.2% *3	Down 5.8% *2

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

Southeast Asia

General Manager, Southeast Asia

Yasuhiro Kaneda

Major Countries and Regions

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

Add new services and commodities to drive handling volume expansion

In recent years, Southeast Asia has emerged as the region with the highest growth potential among the Group, and our Medium-Term Management Plan designates Indonesia and Vietnam, as the focus areas. In the fiscal year through March 2021, we will adopt the following measures, as part of our business expansion plan.

1 Increase Trans-Pacific East Bound (TPEB) Volume

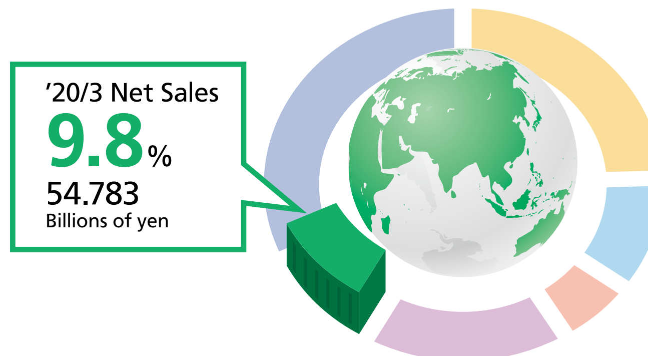
Together with East Asia & Oceania, we will strive to expand the Group's freight volumes by serving as a driving force for an accelerated volume increase in TPEB traffic. Under our strategy "From Multiple Origins to Key Destination", we will combine our efforts to link the multiple Asian countries, as a team, to provide our customers with a unified service.

2 Flexible Space Capability

Under current COVID-19 situation, market as well as operating environment is changing rapidly day by day and challenges are abound. Amid this difficulty, we are committed to provide our customers with a flexible shipping program, and we will use our group-wide network and resources to seek opportunities to secure the much needed air export space to meet their needs, in order to keep their supply chain going. Our Bangkok Gateway Services and Charter Flight Services from the major origin airports are examples of the services we currently provide.

3 Accelerate Collaboration with APLL

As part of our corporate-wide direction, we will further accelerate collaboration with APLL in order to expand air and sea freight forwarding business out of South East Asia, leveraging many of APLL's major retail customers' production sites in South Asia. New services were launched to improve export services out of South Asia, and together with APLL's order management program, we are able to provide high-quality and reliable forwarding service through the region.



Freight Movements
Fiscal year through March 2020

	Exports	Imports
Air freight	Down 7.4%*1	Down 11.8%*2
Sea freight	Down 2.5%*3	Down 9.5%*2

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

APLL

APLL Office Manager
Hiroyuki Kawaguchi

Innovative customer-centric solutions, delivered with operational excellence

Leveraging its deep expertise and the combined network of the group, APL Logistics is focused on delivering supply chain solutions in the Automotive, Consumer, Industrials and Retail verticals across key origin and destination markets. Our key policies for the fiscal year through March 2021 are as follows:

'20/3 Net Sales
31.7%
177.147
Billions of yen

1 Vertical Expertise

- Automotive: Analyze growth opportunities and penetration into emerging Asia markets, as well as container-based solutions for finished vehicle distribution
- Industrials: Focus on growing PO management demands, leveraging our deep Retail expertise
- Consumer: Comprised primarily by regional supply chains, the consumer sector offers diversification opportunities to our intercontinental supply chains. The latter may be subject to lower growth rates in the post-Pandemic environment as supply chains regionalize
- Retail: Continue to grow order management and distribution services as a core vertical offering, with differentiation attained through visibility and demand planning

2 Portfolio Optimization

- Evaluate growth and expansion opportunities in light of improved cash position
- Review existing book of business for yield improvement opportunities, while actively pursuing new growth accounts
- Increase market differentiation through specialized solutions selling, supported by supply chain engineering. This includes efforts in Southeast Asia to better serve changing retail demand dynamics

3 KWE Collaboration

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

Sustainability Management

Building Strong Trust Relationships with Stakeholders

KWE's activities are developed on a global scale, and are based on relationships with our stakeholders including customers, business partners/suppliers, local communities/governments, shareholders/investors, and employees.

KWE's efforts to build strong trust relationships with its stakeholders and foster responsible behavior form the foundation for sustainable growth.

Initiatives for SDGs

Sustainable Development Goals (SDGs) are a series of goals adopted at a September 2015 UN summit by the 193 member states, which aim to achieve them in the 15 years between 2016 and 2030. The KWE Group continues to pursue initiatives aimed at achieving these SDGs.

Environment

KWE Group Environmental Protection Policy

Based on its corporate philosophy, the KWE Group has established the following policies in order to do our best to conserve limited natural resources and protect the global environment and to contribute to global society through our logistics services.

1 Work to prevent environmental pollution and to continuously improve our actions

2 Comply with the environmental protection-related laws, regulations, and requirements of each country in which we operate, and take initiatives even beyond what is required

3 Establish the following as KWE's priority goals for environmental management relative to our business activities:
- •Reduce/Control greenhouse gas emissions
  - -Reduce/Control electric power consumption
  - -Reduce/Control emissions from vehicles and equipment
- •Reduce waste and promote recycling

4 Prevent environmental pollution through cooperation with business partners, suppliers, and affiliates

5 Make all KWE Group employees aware of our environmental protection policies, and communicate them to the public as well

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

As part of these efforts, we acquired certification under the ISO 14001 Environmental Management System at nine group companies (30 facilities).

KWE has been selected as a constituent stock in the S&P/JPX Carbon Efficient Index since 2018.


ENVIRONMENTAL MANAGEMENT SYSTEM
CERTIFICATE OF CONFORMITY
KINTETSU LOGISTICS SYSTEMS, INC.
TOKYO TERMINAL

ISO 14001 certification

S&P/JPX Carbon Efficient Index

Selected since 2018

Social

Relationship with Employees

The KWE Group believes that providing an environment that allows all employees to demonstrate their maximum potential will contribute to the further growth and development of the Group.

To this end, we are working to create an environment that respects each and every employee and fosters a high level of creativity and humanity.

We provide education and training programs to cultivate professional employees and encourage the development of personnel well suited for their positions through one-to-one work training for new employees, on-the-job training for younger employees, and other training by job level as well as an overseas training program that sends a number of younger employees from Japan to overseas group companies every year.

And overseas group companies have in place a "Business Leader Program" aimed at training selected candidates for key positions.

We have introduced a job grade system for HR management that defines job positions and grades by the value of the role to the Company. Employees are evaluated based on their achievements, demonstrated ability and actions over a period of time, and compensation and other incentives are determined based on that evaluation, not on age or their past work history.

To deepen communication between management and employees even further, we regularly hold a "Sunshine Meeting" in which board members and executives visit the workplace and speak directly with employees.

To promote diversity, we do not tolerate discrimination in any form, whether by race, ethnicity, nationality, gender, or disability, and we provide equal opportunities for everyone to play an active role.

We have started building a system with clearly stated job requirements for each position to promote motivated and talented employees and give those working at local subsidiaries the opportunity to take on more challenging responsibilities.

Going forward, we plan to accumulate personnel data in local subsidiaries and review the status of talent development on a regular basis with an aim to assign the right person to the right job.

We have drawn up an action plan for the three years from the fiscal year ended March 2020 that aims to create working conditions that enable female employees to have longer and more active careers.

Our first target is to raise the percentage of female employees to 35% of the overall workforce.

Our second target is to achieve a female manager ratio of 12% or higher.

In the fiscal year ended March 2020, the Human Resources Department conducted a study with other departments to prepare career counseling services and transfer plans.

We introduced telework and hourly paid leave on an official basis after a trial period.

We have introduced work-life balance initiatives including childbirth leave, maternity leave, child nursing leave, child

Taking a child rearing leave of absence made it easier for my wife and I to share our childcare responsibilities.

I took two weeks of child rearing leave in February 2020.

I had been thinking about taking leave for some time, and I discussed it with my boss around six months before my wife was due to give birth to avoid any disruption.

I was also fortunate in that I'm currently working as part of a team, which meant that my working environment made it easier to take leave.

While two weeks was a short period, I was able to completely switch off from work and focus on caring for our child, which enabled me to understand the areas of child rearing and housework that I needed to handle.

That made it easier for my wife and I to share our childcare responsibilities after I returned to work.

I intend to work on streamlining our operations to make it easier for male employees in my department to take child rearing leave and talking about my experience to create an atmosphere that makes it easier to take leave.

Kentaro Seita,
Kyoto Export Sales Office

rearing leave of absence, shortened working hours for child rearing, caregiving leave of absence, shortened working hours for caregiving, and a re-employment program for retirees. In the past several years, male employees have also begun to take child rearing leaves of absence.

Concerning safety initiatives, we are taking specific actions at our various business facilities.

Our Hong Kong, Philippines, Taiwanese, and Indian subsidiaries acquired certification to the OHSAS 18001 occupational health and safety management system.

Additionally, domestic group company Kintetsu Transtech, Inc. is holding regular safety training, including a general safety promotion meeting that is held twice yearly and targets all employees. The company is also pursuing initiatives such as installing digital tachograph and dashboard cameras for all vehicles, and checking for alcohol consumption by implementing IT roll calls before and after operation.

To deal with the spread of COVID-19, we set up a COVID-19 Task Force to ensure the safety of our employees. We proactively adopted telework at our facilities in Japan and overseas, and also encouraged our employees to take paid leave in order to reduce the number of people coming to the office.

As a result, for the period between May 1 through May 31, facilities in Japan managed to reduce the number by more than 50% in general administration and sales departments, by nearly 30% in operation departments such as customs clearance, for a reduction of slightly more than 30% overall.

Relationship with Customers

The KWE Group seeks to increase customer satisfaction through aggressive efforts to maintain and improve quality.

We are working to improve the quality of operations and services through Quality Management System (QMS) activities, based on the KWE Group Quality Control Policy.

Specifically, for various quality-related standards, our 30 group companies are certified under the ISO 9001: 2008 quality management system, 22 group companies have acquired Authorized Economic Operator (AEO) certification, two locations, one in Japan (No. 4 Baraki Terminal) and another in Singapore, are certified under the ISO 13485, medical devices – quality management systems, six group companies have acquired Good Distribution Practice (GDP) certification, and 14 group companies (18 facilities) have acquired Transported Asset Protection Association (TAPA) certification.

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

ISO 9001 certification

AEO Japan logo

GDP certification

Social Contribution Activities

The KWE Group undertakes social contribution activities in support of environmental protection, public welfare, culture, and other areas.

In the fiscal year ended March 2020, our Philippine subsidiary supported victims of the Taal Volcano eruption and our Thailand subsidiary donated used calendars to a school for the blind.

Philippine subsidiary

On January 12, 2020, Taal Volcano in the south of Luzon island erupted, causing considerable damage that forced the temporary evacuation of more than 100,000 people at one point.

Our Philippine subsidiary purchased items including mattresses, blankets, water, food, and toiletries using donations from employees and a contribution from the company, which were assembled by employees into emergency aid packs for individual households.

Employees also held a clothing drive and collected a large number of clothes.

On January 18, employees of our Philippine subsidiary's Batangas sales office visited an evacuation shelter to donate emergency aid packs for 60 households and clothing.

Thailand subsidiary

Our Thailand subsidiary undertakes a variety of social contribution activities; during the fiscal year ended March 2020, it began donating used desk calendars to a school for the blind in Bangkok.

The thickness of desk calendar paper is ideally suited to Braille practice and is used by pupils as part of their daily studies.

The choice of used calendars, a familiar everyday item, as the item for donation enabled a large number of employees to participate.

The employees of our Thailand subsidiary had intended to visit the school for the blind in Spring 2020 to donate the calendars and meet the students, but in order to prevent the spread of COVID-19 the president of the subsidiary and a representative of the human resources department made the visit and donated the collected calendars.

Items donated to victims

Donated used calendars

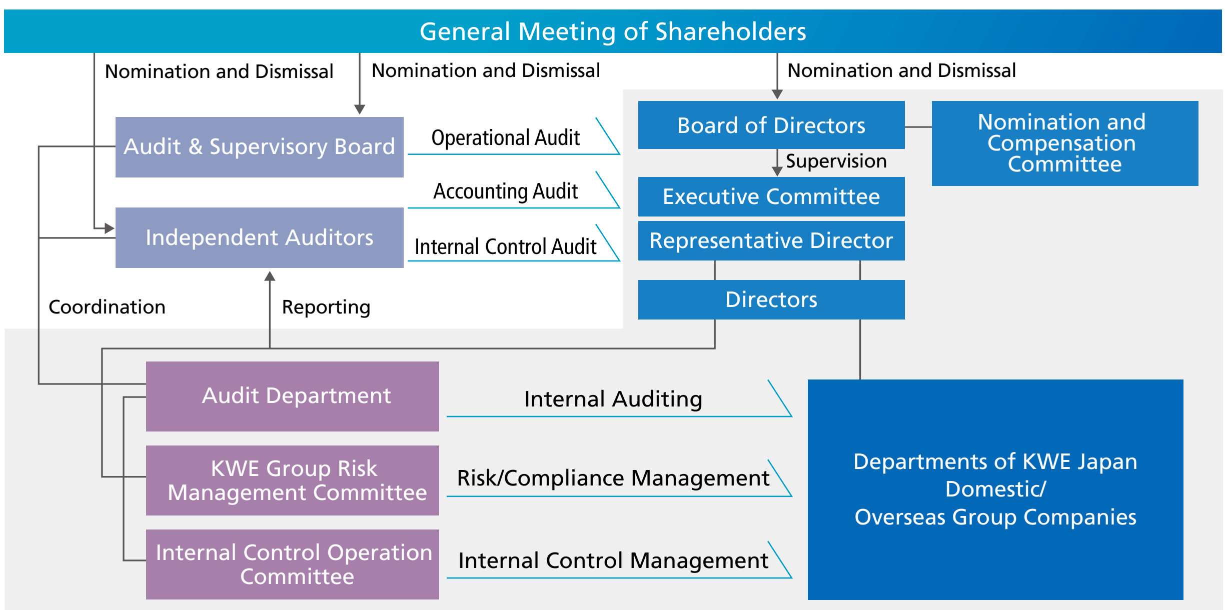
Corporate Governance

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 processes more transparent and fair.

Features of KWE's Governance

KWE's governance system basically consists of the Board of Directors and the Audit & Supervisory Board. In order to strengthen the management supervisory functions of the Board of Directors and speed up decision-making through the delegation of authority, we have adopted a managing officer system and have elected 18 managing officers (including five who also serve as Directors). In addition, we have established an "Executive Committee" under the supervision of the Board of Directors, in order to provide better forums for resolving general management policies and important issues related to business execution.



Board of Directors

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

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

The Board of Directors held 12 meetings in the fiscal year ended March 2020, and the three Outside Directors attended these meetings as follows.

Position	Name	Meeting attendance
Director	Tetsuya Kobayashi	Attended 11 of 12 meetings
Director *Independent Director	Sanae Tanaka	Attended 12 of 12 meetings
Director *Independent Director	Jun Yanai	Attended 12 of 12 meetings

Audit & Supervisory Board Members

KWE's internal auditing is supervised by our Audit Department (12 members), which audits operations and accounting, and works to improve operations and management efficiency.

Each of our four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) conducts audits according to auditing plans determined by the Audit & Supervisory Board. The system allows for adequate supervision of Directors' job execution, with important documents being turned over to Audit & Supervisory Board Members and the standing Audit & Supervisory Board Members attending important meetings such as the Executive Committee.

As a rule, the Board meets once a month. In addition to determining basic policies regarding auditing, etc., board members report to each other the findings of their daily auditing activities and exchange views.

We established the Audit & Supervisory Board Members' Office to support clerical work related to the Audit & Supervisory Board and the Board Members' work, and it operates in close coordination with the Audit Department. We have also established mechanisms that enable the Board Members to demand whatever reports they require from Directors, managing officers, or employees, and to investigate the status of business and assets at KWE Group companies at any time.

KWE's accounting auditor is KPMG AZSA LLC. Audits were conducted thoroughly throughout the fiscal term, and we have created an environment that facilitates auditing.

Our Audit Department, the Audit & Supervisory Board, and accounting auditor meet regularly to coordinate their annual schedules and report on operations, etc. They cooperate even more closely by exchanging information as necessary.

The Audit & Supervisory Board held 14 meetings in the fiscal year ended March 2020, and the two Outside Audit & Supervisory Board Members attended these meetings as follows.

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

Outside Directors and Outside Audit & Supervisory Board Members

Outside Director Tetsuya Kobayashi is a Chairman of the Board and Group CEO at Kintetsu Group Holdings Co., Ltd.

We think Mr. Kobayashi is qualified to serve as an Outside Director, regardless of the status of independence, for the reasons cited on Page 29 under "Reasons for selection of Directors and Audit & Supervisory Board Members".

KWE has three independent officers—Sanae Tanaka, Jun Yanai, and Yusuke Kawasaki. None of these three individuals come from a KWE affiliated company, a major shareholder, or a major business partner, and because they are Outside Directors or an Audit & Supervisory Board Member with a high level of independence to avoid the risk of conflicts of interest with general shareholders, we designate them as independent officers based on provisions of the Tokyo Stock Exchange and notify the exchange of this designation.

Outside Director Jun Yanai is a Corporate Advisor at Mitsubishi Corporation. Mitsubishi and KWE have business relations that include freight forwarding, but the amounts of these transactions are minor (less than 1%).

Career summary of three independent officers

Sanae Tanaka	
Apr. 1989	Registered as attorney
Sep. 1991	Representative, Sanae Tanaka Law Office (current position)
Jun. 2015	Director at Kintetsu World Express, Inc. (current position)
Jun Yanai	
Apr. 1973	Joined Mitsubishi Corporation
Apr. 2004	Executive Officer at the company
Apr. 2008	Executive Vice President at the company
Apr. 2013	Senior Executive Vice President at the company
Jun. 2013	Member of the Board, Senior Executive Vice President at the company
Jun. 2016	Corporate Advisor at the company (current position)
Jun. 2018	Director at Kintetsu World Express, Inc. (current position)
Yusuke Kawasaki	
Oct. 1984	Joined Asahi & Co. (currently KPMG AZSA LLC)
Jun. 2010	Representative Partner, KPMG AZSA LLC (retired Jun. 2016)
Jul. 2016	Representative, Yusuke Kawasaki Certified Public Accountant Office (current position)
Jun. 2017	Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)

Outside Audit & Supervisory Board Member Yoshihiro Yasumoto is a Representative Director and Senior Executive Vice President at Kintetsu Group Holdings Co., Ltd.

Kintetsu Group Holdings is the primary shareholder of KWE with a 44.11% stake, but there is no particular business relations between KWE and Kintetsu Group Holdings, and our Outside Directors and Outside Audit & Supervisory Board Member have no particular vested interests in KWE.

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

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

Reasons for selection of Directors and Audit & Supervisory Board Members

Directors

(Based on the information as of June 16, 2020)

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

Outside Directors

(Based on the information as of June 16, 2020)

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

Standing Audit & Supervisory Board Members

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

Outside Audit & Supervisory Board Members

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

Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of four Directors, including two Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. The Committee discusses Director and Audit & Supervisory Board Member nominations and dismissals and Directors' compensation.

Nomination and Compensation Committee member profiles	
Chair	**Nobutoshi Torii,** President & CEO
Members	**Kazuyasu Ueda,** Chairman of the Board
	Independent Outside Director: **Sanae Tanaka**
	Independent Outside Director: **Jun Yanai**
	Independent Outside Audit & Supervisory Board Member: **Yusuke Kawasaki**

Executive Committee

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

Policies on Determining Director Compensation Amount and Calculation Methodology

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

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

In the fiscal year ended March 2020, we paid a total of ¥ 306 million to nine Directors, including ¥20 million to the three Directors.

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

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

In the fiscal year ended March 2020, we paid a total of ¥52 million to four Audit & Supervisory Board Members, including ¥10 million to the two Outside Audit & Supervisory Board Members.

Our "Director Compensation Policy" is as follows.

Director Compensation Policy

The KWE Group's corporate philosophy is to "Contribute to the development of a global community through logistics services–by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees". As the primary management goal of the KWE Group, we will improve corporate value while maintaining good relationships with all stakeholders.

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

1. Basic Policies

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

2. Compensation Level

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

3. Compensation Structure

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

- Basic Compensation

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

- Performance-Based Stock Compensation

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

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

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

5. Determination and Review Procedures for Compensations

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

Compliance

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

Risk Management

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

The KWE Group Risk Management Committee met four times during the fiscal year ended March 2020 to discuss major risks for the entire Group and drive risk avoidance and mitigation initiatives. Risk management committees at each of KWE's overseas Regional Headquarters also met twice during the fiscal year to identify risks for their affiliates and drive initiatives to address them. Following the establishment of Japan Regional Headquarters, it set up a Japan Regional Headquarters Risk Management Committee composed of KWE's divisional Heads and the Presidents of its domestic affiliates. The Committee met four times during the fiscal year to identify risks for each division and affiliate and drive risk avoidance and mitigation initiatives.

Investor Relations

KWE has established an IR Group within the Corporate Planning & Administration Department. In order to make our management more transparent, we disclose information about the status of our business through our website and other means, and actively work at maintaining good relations with shareholders and investors. We appropriately disclose financial and business information in our financial statements, business results presentations, annual reports, data books, and other materials.

We disclose on our website monthly air freight volume for KWE and the overall industry in Japan. We also disclose quarterly overseas air freight volume for KWE. In addition, the Company strives to help investors understand its businesses by providing informational videos on the website that clarify its operations and by providing segment information. To a reasonable extent, KWE places importance on responding proactively to the dialogue with shareholders, investors, and analysts. We hold business results presentations twice yearly for full-year and interim results (May and November) in order to explain our business performance and policies to institutional investors and analysts.

KWE's May 2020 briefing, which was held via telephone conference to prevent the spread of COVID-19, was joined by 80 participants. In addition, we participate in small meetings, IR conferences and telephone conferences at the request of securities companies.

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

Disclosure Based on Principles of Corporate Governance Code

[Principle 1.4: Cross-Shareholdings]

1. Cross-Shareholdings Policy
   Investments in cross-shareholdings are aimed at maintaining and strengthening business alliances and transactions, and are made when they will help maintain and improve the corporate value of the KWE Group. Cross-shareholdings are reviewed periodically by the Board of Directors to verify the propriety of ownership, which comprehensively takes into account the purpose of ownership, benefits associated with the ownership, and risks, etc. Accordingly, shareholdings are reduced when such ownership is deemed inappropriate.
2. Details of the Verification
   With regard to the regular reviews, the Board of Directors carefully examines and verifies each cross-shareholding of listed shares from a qualitative perspective (from the standpoint of business operations, including whether it maintains and reinforces transactions) and a quantitative perspective (including market value, book value, the status of cross-shareholding, dividends, ROE, capital costs, etc.) each year. As of March 31, 2020, KWE held 14 equity securities with a value of around ¥2.3 billion. Following a review at the Board of Directors meeting held on June 16, 2020, the Board opted to sell KWE's holding in one of these securities.
3. Criteria for Exercising Voting Rights
   KWE will exercise its voting rights and make decisions for or against proposals from the standpoint of its criteria for voting right execution, such as whether the company issuing the proposal is making appropriate decisions which will help increase its corporate value over the medium-to-long term, and improve the corporate value of the KWE Group as a whole.

[Principle 1.7: Related Party Transactions]

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

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

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

[Principle 3.1: Full Disclosure]

(i) KWE's corporate philosophy, management strategy and management plan (the Medium-Term Management Plan) are disclosed on KWE's website and in its financial results briefing materials and other IR materials.

- Corporate philosophy
https://www.kwe.co.jp/en/about-contents/philosophies
- Management strategy and management plan (the Medium-Term Management Plan)
https://www.kwe.co.jp/en/ir-contents/strategy

(ii) KWE's perspective on corporate governance is disclosed on KWE's website and in corporate governance reports, securities reports and the Annual Report.

- KWE's perspective on corporate governance
https://www.kwe.co.jp/en/about-contents/governance

(iii) KKWE's method for determining Director compensation:
Please see the Policies on Determining Director Compensation Amount and Calculation Methodology section on **Page 30**.

(iv) KWE's method for nominating senior management, Director and Audit & Supervisory Board Member:
Please see the Board of Directors section on **Page 26**.

(v) KWE discloses the individual selection reasons for candidates to be elected to KWE senior management and Director and Audit & Supervisory Board Member positions in the Reference Documents for the Ordinary General Meeting of Shareholders. Additionally, with regard to dismissal of members of senior management, in the event that negligence with respect to the execution of duties, acts of fraud, facts in violation of laws and regulations and the Articles of Incorporation of KWE, etc. are discovered, they are dismissed by resolution of the Board of Directors, upon deliberation by the Nomination and Compensation Committee, as the situation demands.
https://www.kwe.co.jp/en/wp-content/uploads/sites/2/2020/05/en_stockholder51.pdf

[Supplementary Principle 4.1.1]

KWE has established Board of Directors Regulations and matters to be deliberated on and decided at Board of Directors' meetings are set in accordance with laws and regulations.

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

Please see the Outside Directors and Outside Audit & Supervisory Board Members section on **Page 28**.

[Supplementary Principle 4.11.1]

Please see the Board of Directors section on **Page 26**.

[Supplementary Principle 4.11.2]

Information about Directors and Audit & Supervisory Board Members who serve concurrently as officers at other listed companies is provided in the Notice of Convocation of the 50th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/en/wp-content/uploads/sites/2/2020/05/en_stockholder51.pdf

[Supplementary Principle 4.11.3]

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

[Supplementary Principle 4.14.2]

We started evaluating the effectiveness of the overall Board of Directors with reference to the individual evaluations of each Director in 2016. In addition to conducting seminars for officers on the Companies Act and laws and regulations relating to the business activities of KWE, standing Directors and Audit & Supervisory Board Members undergo continuous governance training to ensure that they are able to effectively perform their roles and fulfill the responsibilities expected of them as persons involved in important governance bodies.

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

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

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

Please see the Investor Relations section on **Page 32**.

Messages from Independent Directors

Sanae Tanaka
Outside Director

For KWE's Long-Term Vision and Sustainable Growth

The second half-century for KWE started in the midst of drastic change of world political economy and people's behavior pattern. Volatile business environment will persist until when we see clear path to re-growth of world economy.

I believe it is essential for KWE now to focus on improving its' corporate value based on the long-term vision which was formulated last year. I am glad to see KWE has been successfully strengthening its' business platform with human resource diversity. Health and safety of the employees are the basis for it, and KWE has been coping well with the pandemic of COVID-19 up to now.

For instance, during the fiscal year ended March 2020, KWE Japan newly launched a 3-year plan to increase opportunities for female employees in the workforce including appointments to management level. Now KWE is to start working to contribute sustainable society while building strong relationship with its stakeholders based on mutual trust.

I sincerely intend to support all these sustainable growth initiatives as an independent director of KWE.

Risks as an Opportunity to Improve KWE's Corporate Value

Global risks as infectious diseases, geopolitics, climate change are affecting KWE's business environment.

However, people in KWE Group are keep on creating added value with resilience.

For example, in North America, KWE has been optimizing its consolidation efficiency even while most of the air carriers have been suspending their flights due to COVID-19. Remote working is also a good opportunity to strengthen relationship with customers, to standardize its' daily operation eliminating papers.

I intend to offer ideas that ensure KWE's resilience drives greater corporate value, drawing on my extensive experience engaging with global business risks and opportunities at a major general trading company.

Jun Yanai
Outside Director

Management

Kazuyasu Ueda
Chairman of the Board

Nobutoshi Torii
President and
Chief Executive Officer

Joji Tomiyama
Director
Executive Vice President

Keisuke Hirata
Director
Managing Executive Officer

Katsufumi Takahashi
Director
Managing Officer

Kiyoyuki Hirosawa
Director
Managing Officer

Tetsuya Kobayashi
Outside Director

Sanae Tanaka
Outside Director

Jun Yanai
Outside Director

Management's Discussion and Analysis

OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 130 consolidated subsidiaries, and 11 affiliates accounted for using the equity method, for a total of 142 companies. Our main business are freight forwarding using air, sea, and logistics operations and other related businesses.

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

We divide our operations into the following four categories: air freight forwarding (accounting for 34.2% of net sales in the fiscal year ended March 2020), sea freight forwarding (28.2%), logistics (30.0%), and other operations (7.6%).

A breakdown of net sales* by segment shows that Japan accounts for 24.4%, the Americas for 10.5%, Europe, Middle East & Africa for 6.3%, East Asia & Oceania for 16.8%, Southeast Asia for 9.8%, APLL for 31.7%, and other for 0.5%.

* Based on simple totals before eliminations. "Other" is a business segment not included in reportable segments. It consists mainly of incidental logistics operations within the Group. Effective July 1, 2019, a consolidated subsidiary that had been reported under the reportable segment "APLL" was moved to and disclosed under "The Americas."

OPERATIONS

During the fiscal year ended March 31, 2020, the U.S. economy showed a gradual recovery trend while Europe continued to experience low growth and China also remained weak in export and production. The Japanese economy showed a weakness in export and production under the influence of a world economic slowdown, etc. Also in 2020, the global pandemic of COVID-19 caused economic activities in many countries to stall, and signs of a global recession started to show. Under these circumstances, the KWE Group strove to expand freight volume under the Long-Term Vision set in May 2019 and Medium-Term Management Plan for the three-year period from April 2019. Due to the U.S.-China trade friction and the uncertainties over the global economy, both air and sea freight were generally sluggish.

As a result, the KWE Group's air freight exports declined by 7.3% (based on weight) year-on-year, and air freight imports decreased by 9.9% (based on number of shipments). Sea freight exports declined by 7.9% (based on volume: TEUs), and imports decreased by 5.3% (based on number of shipments).

In logistics, the handling volume declined mainly in APLL and East Asia.

Net Sales

The KWE Group's consolidated net sales totaled ¥544.533 billion in the fiscal year ended March 2020, down by 8.0%, or ¥47.476 billion, from the previous year.

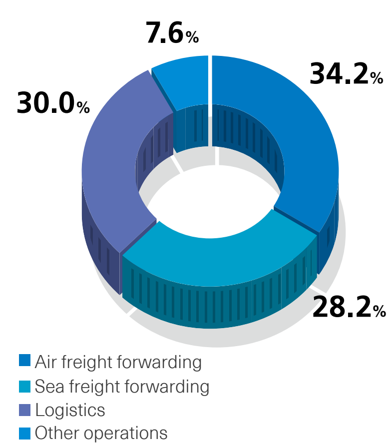
Net sales in air freight forwarding fell by 11.8%, sea freight forwarding decreased by 7.3%, logistics declined by 7.2%, and other operations rose by 5.7%.

Net sales in Japan decreased by 6.1%, the Americas declined by 7.4%, Europe, Middle East & Africa fell by 15.6%, East Asia & Oceania decreased by 7.5%, Southeast Asia declined by 5.5% and APLL decreased by 9.1%.

Cost of Sales

Cost of sales totaled ¥450.686 billion in the fiscal year ended March 2020, down by 9.0%, or ¥44.365 billion, from the previous year. The percentage to net sales was 82.8%, falling by 0.8 percentage points from 83.6% in the previous year.

Net Sales by Category



Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥74.132 billion in the fiscal year ended March 2020, down by 2.7%, or ¥2.028 billion, from the previous year.

The percentage to net sales was 13.6%, rising by 0.7 percentage points from 12.9% in the previous year.

Operating Income

Operating income totaled ¥19.714 billion in the fiscal year ended March 2020, down by 5.2%, or ¥1.082 billion, from the previous year.

The operating margin was 3.6%, rising by 0.1 percentage points from 3.5% in the previous year. Selling, general, and administrative expenses to net sales rose by 0.7 percentage points from the previous year, but cost of sales to net sales decreased by 0.8 percentage points from the previous year.

Other Income (Expenses)

Other net expenses totaled ¥6.457 billion in the fiscal year ended March 2020, expanding from net expenses of ¥0.818 billion in the previous year. This mainly reflected increase of ¥0.734 billion in interest expenses, increase of ¥0.591 billion in share of loss of entities accounted for using equity method, and increase of ¥4.209 billion in impairment loss. The impairment loss consisted of loss on software in a consolidated subsidiary, loss on goodwill related to a consolidated subsidiary, and loss on shares of an affiliate accounted for using equity method in the APLL segment.

Income before Income Taxes

Income before income taxes totaled ¥13.256 billion in the fiscal year ended March 2020, down by 33.6%, or ¥6.722 billion, from the previous year.

Income Taxes

Income taxes totaled ¥7.025 billion in the fiscal year ended March 2020, down by 14.0%, or ¥1.140 billion, from the previous year.

The effective tax rate was 53.0%, up from 40.9% in the previous year.

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

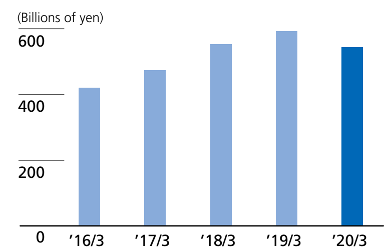
Net income attributable to owners of the parent fell by 52.1% from the previous year to ¥4.724 billion in the fiscal year ended March 2020. As a result, net income per share decreased to ¥65.68, down from ¥136.91 in the previous year. ROE decreased to 4.0% from 8.2% in the previous year.

OUTLOOK FOR THE YEAR THROUGH MARCH 2021

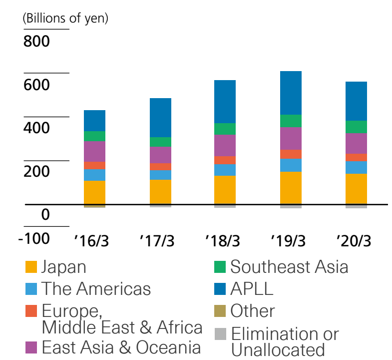
For the earnings forecasts for the fiscal year ending March 31, we expect our performance to decline year-on-year assuming a prolonged stagnation in transport demand caused by the global economic downturn, a decrease in demand for urgent transportation, and a decline in freight charge, with no prospect for the containment of COVID-19. We forecast net sales to decline by 5.2% from the fiscal year ended March 2020 to ¥516.000 billion, operating income to decrease by 3.6% to ¥19.000 billion. However, net income attributable to owners of the parent is forecasted to increase by 111.7% to ¥10.000 billion partly due to absence of impairment loss on software of ¥4.426 billion recorded in the previous year.

The Group will steadily continue to focus on various initiatives to expand the handling volume of air and sea freight of the entire group with an aim to achieve mid-to long-term growth based on the basic policy consisting of the Group's Long-Term Vision for the future, "Global Top 10

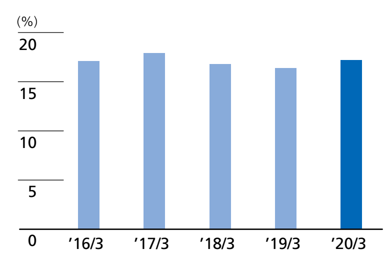
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



Solution Partner - A Global Brand Born in Japan," and the Medium-Term Management Plan.

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 31,2020 decreased by ¥2.997 billion from the previous year to ¥385.470 billion.
Current assets decreased by 4.0%, or ¥8.054 billion, to ¥193.964 billion.

This was mainly due to a decrease in notes and accounts receivable of ¥9.755 billion.
Total non-current assets increased by 2.7%, or ¥5.000 billion, to ¥191.449 billion.

This was because intangible assets decreased by ¥12.509 billion mainly due to amortization of goodwill and impairment loss on software, and investments and other assets decreased by ¥4.498 billion due to impairment loss on shares of an affiliate. Meanwhile, total property and equipment increased by ¥22.007 billion due to an increase in right-of-use assets as a result of the application of IFRS 16 Leases by certain overseas consolidated subsidiaries.

Total liabilities were ¥258.864 billion, up by 0.9%, or ¥2.220 billion from the previous year.
Current liabilities increased by 4.3%, or ¥5.227 billion, to ¥127.957 billion.

This was mainly due to an increase in lease obligations of ¥7.599 billion as a result of the application of IFRS 16 Leases.
Long-term liabilities decreased by 2.2%, or ¥3.007 billion, to ¥130.906 billion.

This was mainly due to a decrease in long-term debt of ¥30.108 billion, while bonds payable increased by ¥10.000 billion, and lease obligations increased by ¥17.002 billion as a result of the application of IFRS 16 Leases.

Total interest-bearing debt increased by 9.6%, or ¥9.212 billion to ¥170.859 billion from ¥161.647 billion in the previous year.
Net assets were ¥126.606 billion, down by 4.0%, or ¥5.217 billion, from ¥131.823 billion in the previous year.

This was mainly due to a decrease in foreign currency translation adjustments of ¥5.803 billion as a result of the trend of yen appreciation.

Retained earnings increased by ¥1.172 billion due to recording net income attributable to owners of the parent of ¥4.724 billion, despite a cumulative effect of change in accounting policies as of April 1, 2019 of ¥1.391 billion associated with the application of IFRS 16 Leases and cash dividends paid of ¥2.159 billion.

The equity ratio at the end of the fiscal year was 30.1%, down from 31.3% at the end of the previous year.

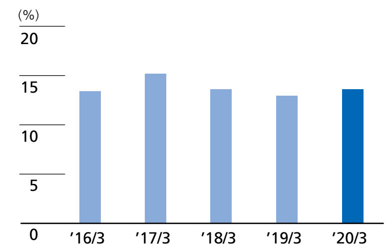
LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥36.304 billion in the fiscal year ended March 2020, up by 60.4%, or ¥13.666 billion, from ¥22.637 billion in the previous year.

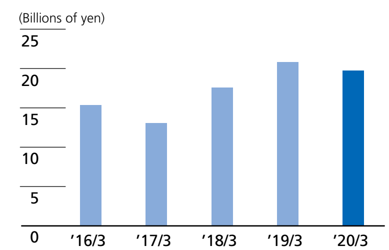
This mainly reflected cash inflows due to income before income taxes of ¥13.256 billion, depreciation and amortization of ¥20.744 billion, impairment loss of ¥4.475 billion, and decrease in notes and accounts receivable of ¥6.173 billion, and cash outflows due to income taxes paid of ¥8.257 billion. Net cash used in investing activities totaled ¥7.165 billion in the fiscal year ended March 2020, down by 2.0%, or ¥0.146 billion from ¥7.312 billion in the previous year.

This mainly reflected cash outflows due to payments for purchases of property and equipment of ¥4.732 billion, and

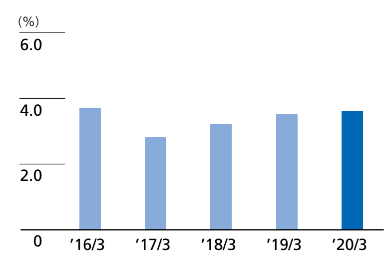
SGA Expenses to Net Sales



Operating Income



Operating Margin



payments for purchases of intangible assets of ¥1.325 billion. Net cash used in financing activities totaled ¥26.424 billion, an increase by 285%, or ¥19.555 billion from ¥6.868 billion in the previous year. This mainly reflected cash inflows due to proceeds from issuance of bonds of ¥9.939 billion, and cash outflows due to net decrease in short-term debt of ¥14.186 billion, payments for long-term debt of ¥10.468 billion, payments of capital lease obligations of ¥8.645 billion, and payments of cash dividends of ¥2.159 billion.

As a result of the above, cash and cash equivalents totaled ¥75.853 billion as of March 31,2020, almost unchanged from ¥75.799 billion as of March 31,2019.

BASIC POLICY ON THE DISTRIBUTION OF PROFITS

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

We paid a full-year dividend of ¥30 per share in the fiscal year ended March 2020, unchanged from the previous year.

The dividend payout ratio was 45.7%, rising 23.8 percentage points from 21.9% in the previous year.

We forecast a full-year dividend of ¥30 in the fiscal year ending March 2021, a dividend payout ratio of 24.0%.

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, 2020.

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

As air and sea freight transportations, the Group's main business, are susceptible to changes in the economic trend, the global economic slowdown could trigger deterioration of the transportation demand. The Group has developed "Long-Term Vision" representing our future vision and three-year "Medium-Term Management Plan" from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022, and is making a group-wide effort to carry them out. However, that initiatives toward the goals could not go as planned or expected results could not be achieved due to various factors including domestic and overseas economic/business trend, customers' transportation demand, political or social factors, natural disasters and bad weather, terrorist attacks, and regional conflicts and pandemic.

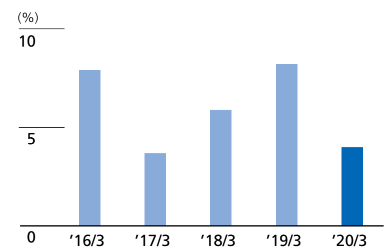
The Group will continue to address changes in business environment swiftly and flexibly and make extra effort to achieve the goals.

2. Fluctuations in freight costs

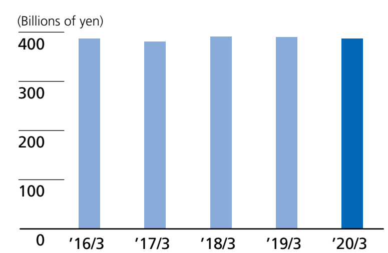
The Group requests that customers bear any cost increases resulting from higher freight costs at air and sea carriers. However, the inability to pass costs on selling prices for some reason could impact our performance.

The Group will strive to maintain and expand close relationships and channels with carriers including airlines and shipping companies in order to address changes in business environment swiftly and flexibly and minimize potential impact on the business.

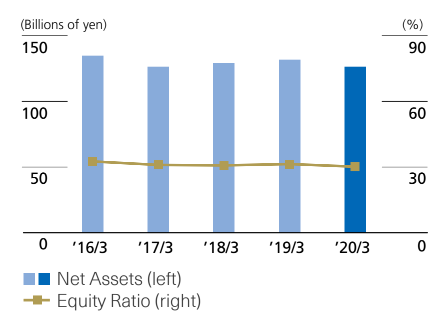
ROE



Total Assets



Net Assets and Equity Ratio



3. Exchange rate fluctuation

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, 2020, our overseas segments accounted for 75.6% and 76.3% of the Group's net sales and operating income, respectively, 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, 2020, the impact of the Japanese yen appreciation by 1 yen against the U.S. dollar on the translation of the Group's foreign currency-denominated financial statements into Japanese yen would be a decrease in net sales and operating income of approx. ¥4 billion and ¥200 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, 2020 is ¥110 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 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.

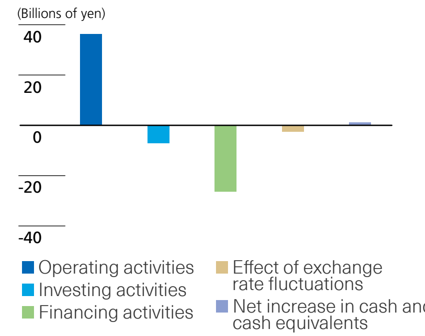
The Group raises part of its funds necessary for the business through borrowings from financial institutions and issuance of corporate bonds. A rise in market interest rates or downgrade of our credit ratings could have material impact on our future financial conditions and performance.

In order to deal with such risk, the Group is promoting diversification of funding methods, such as bank borrowings and issuance of corporate bonds, and enhancement of the financial strength through efficient management of the 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 conditions 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.

Cash Flows



In May 2015, the Group acquired APL Logistics Ltd ("APLL") engaging in global logistics business and made it a consolidated subsidiary. As of March 31, 2020, the balance of APLL's fixed assets including goodwill, etc. subject to impairment was ¥113.6 billion ($1,036 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 transportation and warehouse businesses are subject to various legal regulations around the world. It is possible that changes to existing regulations could cause a temporary spike in capital spending, which could affect our performance. It is also possible that inadequate compliance or serious violation of various regulations could affect our performance and brand image, including sanctions restricting business activities or monetary penalties.

As measures to mitigate these risks, all relevant departments including General Affairs Department (Legal Division) have appointed a person in charge and established a system enabling to obtain information on law revisions in advance and address them through timely access to information of various industries and cooperation with corporate attorneys.

The Group operates freight transportation service with the utmost care using know-how accumulated over the years. However, we may become a party in various types of lawsuits during the course of our business activities as a result of transportation accidents due to unforeseeable disasters or other events, which could affect the Group's performance and financial conditions depending on the nature and outcome.

The Group has appointed a person in charge of legal affairs in each Regional Headquarters, and all group companies have entered into a legal service agreement with their respective corporate attorneys. We have also enhanced insurance coverage to mitigate damages arising from legal disputes and ensure to pay compensation.

7. Lack of compliance, internal control or corporate governance

The Group consists of Kintetsu World Express, its 130 consolidated subsidiaries, and 11 affiliates accounted for using the equity method and operates in 46 countries around the world. As we operate business globally, material weakness in internal control which could result in misstatements of financial statements or a scandal in the Group could lead to loss of trust from our stakeholders, including customers and investors, and have negative impact on our performance and social credibility.

As measures to mitigate these risks, we strive to enhance guidance by each Regional Headquarters and Internal Control Office as well as internal audit functions of Audit Department under the leadership of the Internal Control Operation Committee of the Company. In terms of the group governance, we are working to enhance the reporting system to meeting bodies such as the Board of Directors and the Executive Committee, 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, rise of wages, 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 could make it difficult to offer high-quality logistics services, and significant rise in wages will increase personnel expenses, which could affect the Group's performance.

The Group is working to promote labor-saving and increase productivity through the improvement of operational efficiency using advance technologies such as AI and RPA as well as recruitment of new graduates and mid-career recruitment for specific purposes.

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

Leakage of customer information to outside parties for some reason will cause loss of the Company's trust and could affect our performance. Also, any situation where our information system is unable to function for a long period of time due to an unexpected computer virus, cyberterrorism or power outage could affect our performance.

The Group systematically manages customer and freight tracking information through our intra-Group information network. We perform regular audits and inspections to ensure that there are no information leaks. In addition, we established a basic information security policy to ensure that all employees are well-informed.

The Group also uses integrated computer systems group-wide and manages much of its global operations with IT systems. We strive to ensure that these information systems operate reliably by using a redundant structure of data centers and network connections, and have hardware and software safeguards against unauthorized access and viruses.

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

The global pandemic of COVID-19 which began in early 2020 led to production suspensions at customers and disruption of supply chains, resulting in a drastic contraction in economic activities and slowdown of freight movement, and it could have a significant impact on our performance in the future. If COVID-19 continues to spread and the Group's employees are infected with the virus, it could have a significant impact on the business continuity.

With maintenance of good health of all employees and their family members as our highest priority, the Group has formed "COVID-19 Task Force" and put in place a BCP system including instructions regarding measures to prevent infection, change working system as well as to support our valuable customers. In addition, we make decisions and take actions based on the situation in line with the policies and guidelines of respective governments and understand situations of overseas subsidiaries on a timely basis and provide the information within and outside the Company.

Financial Highlights

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

	Millions of yen								Thousands of U.S. dollars[*3]
	2013	2014	2015	2016	2017	2018	2019	2020	2020
Results of Operation (Millions of yen)									
Net sales	¥ 247,977	¥ 281,505	¥ 327,192	¥ 420,252	¥ 474,330	¥ 553,197	¥ 592,009	¥ 544,533	$ 5,003,519
Operating income	13,295	13,742	16,563	15,356	13,075	17,551	20,797	19,714	181,144
Income before income taxes	14,170	14,916	16,372	17,847	12,486	16,879	19,978	13,256	121,804
Net income attributable to owners of the parent	9,134	9,417	10,489	9,773	4,487	7,002	9,857	4,724	43,407
Financial Position (Millions of yen)									
Total assets[*1]	¥ 140,116	¥ 167,966	¥ 193,792	¥ 385,441	¥ 378,733	¥ 389,582	¥ 388,467	¥ 385,470	$ 3,541,946
Property and equipment	32,512	35,988	39,831	45,944	46,109	46,749	46,137	68,145	626,160
Interest-bearing debt	14,562	15,078	15,734	166,187	166,260	166,429	161,647	170,859	1,569,962
Long-term liabilities[*1]	3,659	9,291	10,573	152,129	148,553	137,545	133,913	130,906	1,202,848
Total liabilities[*1]	47,919	56,735	64,105	250,242	252,717	260,594	256,643	258,864	2,378,608
Net assets	92,197	111,231	129,687	135,199	126,016	128,988	131,823	126,606	1,163,337
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 8,855	¥ 10,756	¥ 9,457	¥ 20,143	¥ 14,589	¥ 15,063	¥ 22,637	¥ 36,304	$ 333,584
Net cash provided by (used in) investing activities	(8,044)	(5,016)	(10,870)	(147,207)	(5,342)	(10,030)	(7,312)	(7,165)	(65,836)
Net cash provided by (used in) financing activities	(1,785)	(1,864)	(1,424)	144,744	(5,657)	(2,754)	(6,868)	(26,424)	(242,800)
Cash and cash equivalents at end of year	38,271	47,963	48,700	63,903	65,506	67,856	75,799	75,853	696,986
Capital expenditures for property and equipment (cash basis)	1,625	3,776	4,889	5,735	3,762	5,192	4,702	4,732	43,480
Depreciation and amortization	2,536	2,615	2,806	7,236	10,729	11,674	12,074	20,744	190,609
Per Share Data (Yen)[*2]									
Net income	¥ 126.86	¥ 130.80	¥ 145.68	¥ 135.74	¥ 62.33	¥ 97.26	¥ 136.91	¥ 65.68	$ 0.60
Cash dividends	18.50	20.00	23.00	26.00	26.00	26.00	30.00	30.00	0.27
Net assets	1,250.56	1,504.84	1,750.16	1,741.44	1,627.84	1,662.72	1690.89	1,615.38	14.84
Management Indicators									
Operating margin (%)	5.4	4.9	5.1	3.7	2.8	3.2	3.5	3.6	
Return on equity (%)	11.0	9.5	9.0	7.9	3.7	5.9	8.2	4.0	
Current ratio (Times)	2.1	2.4	2.4	1.8	1.7	1.6	1.6	1.5	
Debt-to-equity (Times)	0.2	0.1	0.1	1.3	1.4	1.4	1.3	1.5	
Number of employees (consolidated)	10,047	10,219	10,680	17,311	18,159	18,140	17,661	17,339	

*1 Due to the change in presentation as a result of applying the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Statement No.28, February 16, 2018) effective April 1, 2018, total assets, long-term liabilities, and total liabilities for fiscal years ended March 31, 2015 to March 31, 2018 have been restated retrospectively to reflect such change. No restatement has made to those of fiscal years ended March 31, 2013 to March 31, 2014.
*2 The Company conducted a stock split at a ratio of 1:2 of common stock on October 1, 2015. Per share data is calculated based on the assumption that the stock split was conducted on April 1, 2011.
*3 U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020 which is ¥108.83 to U.S.$1.

Consolidated Balance Sheets

Kintetsu World Express, Inc. and Subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2020	2019	2020
Current assets:			
Cash and time deposits (Notes 3, 5 and 12)	¥ 80,493	¥ 80,324	$ 739,621
Notes and accounts receivable-trade (Notes 5 and 12)	99,633	109,388	915,492
Less: Allowance for doubtful accounts	(1,458)	(1,167)	(13,397)
Marketable securities (Notes 4 and 12)	4,366	2,995	40,117
Other current assets	10,930	10,477	100,431
Total current assets	193,964	202,018	1,782,265
Property and equipment:			
Land	13,921	14,120	127,915
Buildings and structures	40,129	40,334	368,731
Machinery and equipment	9,602	6,979	88,229
Leased assets	1,056	1,589	9,703
Right-of-use assets	45,737	–	420,260
Others	21,200	23,353	194,799
	131,648	86,377	1,209,666
Less: Accumulated depreciation	(63,502)	(40,239)	(583,497)
Total property and equipment	68,145	46,137	626,160
Intangible assets:			
Goodwill (Note 14)	56,053	60,494	515,050
Customer-related intangible assets	30,072	32,492	276,320
Other intangible assets	16,047	21,695	147,450
Total intangible assets	102,173	114,683	938,831
Investments and other assets:			
Investments in: (Notes 4 and 12)			
Affiliates	7,041	10,642	64,697
Others	3,888	4,797	35,725
Long-term loans receivable (Note 12)	624	671	5,733
Deferred tax assets (Note 9)	3,665	3,152	33,676
Other investments (Note 5)	6,516	6,985	59,873
Less: Allowance for doubtful accounts	(607)	(620)	(5,577)
Total investments and other assets	21,129	25,627	194,146
Deferred assets			
Bond issuance cost	56	–	514
Total deferred assets	56	–	514
Total assets (Note 14)	¥ 385,470	¥ 388,467	$ 3,541,946

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	2020	2019	2020
Current liabilities:			
Notes and accounts payable-trade (Notes 5 and 12)	¥ 47,978	¥ 52,738	$ 440,852
Short-term debt (Notes 5, 7 and 12)	17,560	32,474	161,352
Current portion of long-term debt (Notes 7, 12 and 13)	30,100	10,467	276,578
Lease obligations (Note 7)	7,789	190	71,570
Income taxes payable (Notes 9 and 12)	3,526	3,762	32,399
Accrued bonuses to employees	4,589	4,769	42,166
Accrued bonuses to directors and corporate auditors	267	283	2,453
Other current liabilities	16,144	18,043	148,341
Total current liabilities	127,957	122,729	1,175,751
Long-term liabilities:			
Bonds payable (Notes 7 and 12)	10,000	–	91,886
Long-term debt (Notes 7, 12 and 13)	87,883	117,991	807,525
Lease obligations (Note 7)	17,525	523	161,030
Provision for share-based remuneration for directors	20	–	183
Net defined benefit liability (Note 8)	6,736	5,743	61,894
Deferred tax liabilities (Note 9)	7,206	8,111	66,213
Other long-term liabilities	1,534	1,543	14,095
Total long-term liabilities	130,906	133,913	1,202,848
Contingent liabilities (Note 6)			
Net assets (Note 10):			
Shareholders' equity:			
Common stock			
Authorized 240,000,000 shares			
Issued 72,000,000 shares	7,216	7,216	66,305
Capital surplus	4,084	4,084	37,526
Retained earnings	121,425	120,253	1,115,730
Treasury stock	(150)	(3)	(1,378)
Total shareholders' equity	132,576	131,550	1,218,193
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	852	1,387	7,828
Foreign currency translation adjustments	(14,675)	(8,871)	(134,843)
Remeasurements of defined benefit plans	(2,619)	(2,325)	(24,065)
Total accumulated other comprehensive income	(16,443)	(9,810)	(151,088)
Non-controlling interests in consolidated subsidiaries	10,472	10,083	96,223
Total net assets	126,606	131,823	1,163,337
Total liabilities and net assets	¥ 385,470	¥ 388,467	$ 3,541,946

See accompanying notes.

Consolidated Statements of Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales (Note 14)	¥ 544,533	¥ 592,009	$ 5,003,519
Cost of sales	450,686	495,052	4,141,192
Operating gross profit	93,846	96,957	862,317
Selling, general and administrative expenses (Notes 14 and 15)	74,132	76,160	681,172
Operating income (Note 14)	19,714	20,797	181,144
Other income (expenses):			
Interest and dividend income	891	771	8,187
Interest expenses	(2,033)	(1,298)	(18,680)
Foreign currency exchange gain, net	1,630	1,528	14,977
Equity in earnings (losses) of affiliates, net (Note 14)	(3,220)	(2,628)	(29,587)
Subsidy income	213	255	1,957
Gain on sales of fixed assets	33	47	303
Gain on sales of investment securities	148	277	1,359
Settlement received	213	–	1,957
Impairment loss (Note 6)	(4,475)	(265)	(41,119)
Loss on disposal of fixed assets	(12)	(19)	(110)
Loss on valuation of golf club membership	(2)	–	(18)
Loss on litigation	(81)	–	(744)
Others, net (Notes 4, 14 and 16)	236	513	2,168
	(6,457)	(818)	(59,331)
Income before income taxes	13,256	19,978	121,804
Income taxes (Note 9):			
Current	7,607	9,318	69,898
Deferred	(581)	(1,151)	(5,338)
	7,025	8,166	64,550
Net income	6,230	11,812	57,245
Net income attributable to non-controlling interests	1,506	1,955	13,838
Net income attributable to owners of the parent	¥ 4,724	¥ 9,857	$ 43,407

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	¥ 6,230	¥ 11,812	$ 57,245
Other comprehensive income (Note 17):			
Unrealized gains (losses) on available-for-sale securities	(593)	(506)	(5,448)
Foreign currency translation adjustments	(5,870)	(2,990)	(53,937)
Remeasurements of defined benefit pension plans	(303)	(1,841)	(2,784)
Share of other comprehensive income of entities accounted for using equity method	(212)	(925)	(1,947)
Total other comprehensive income	(6,980)	(6,264)	(64,136)
Comprehensive income	¥ (749)	¥ 5,547	$ (6,882)
Comprehensive income attributable to			
Owners of the parent	¥ (1,908)	¥ 3,900	$ (17,531)
Non-controlling interests	1,159	1,647	10,649

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2020 and 2019

		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, 2018	72,000	¥ 7,216	¥ 4,084	¥ 112,268	¥ (3)	¥ 123,565	¥ 1,893	¥ (5,268)	¥ (478)	¥ (3,853)	¥ 9,276	¥ 128,988
Cash dividends paid	–	–	–	(1,871)	–	(1,871)	–	–	–	–	–	(1,871)
Net income attributable to owners of the parent	–	–	–	9,857	–	9,857	–	–	–	–	–	9,857
Purchase of treasury stock	–	–	–	–	(0)	(0)	–	–	–	–	–	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(506)	(3,603)	(1,847)	(5,957)	806	(5,150)
Balance at April 1, 2019	72,000	¥ 7,216	¥ 4,084	¥ 120,253	¥ (3)	¥ 131,550	¥ 1,387	¥ (8,871)	¥ (2,325)	¥ (9,810)	¥ 10,083	¥ 131,823
Cumulative effect of change in accounting policies (Notes 2 (23))	–	–	–	(1,391)	–	(1,391)	–	–	–	–	(27)	(1,419)
Balance at April 1, 2019, as restated	–	7,216	4,084	118,861	(3)	130,158	1,387	(8,871)	(2,325)	(9,810)	10,055	130,404
Cash dividends paid	–	–	–	(2,159)	–	(2,159)	–	–	–	–	–	(2,159)
Net income attributable to owners of the parent	–	–	–	4,724	–	4,724	–	–	–	–	–	4,724
Purchase of treasury stock	–	–	–	–	(146)	(146)	–	–	–	–	–	(146)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(534)	(5,803)	(294)	(6,632)	416	(6,215)
Balance at March 31, 2020	72,000	¥ 7,216	¥ 4,084	¥ 121,425	¥ (150)	¥ 132,576	¥ 852	¥ (14,675)	¥ (2,619)	¥ (16,443)	¥ 10,472	¥ 126,606

See accompanying notes.

		Thousands of U.S. dollars (Note 1)										
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2019	72,000	$ 66,305	$ 37,526	$ 1,104,961	$ (27)	$ 1,208,765	$ 12,744	$ (81,512)	$ (21,363)	$ (90,140)	$ 92,649	$ 1,211,274
Cumulative effect of change in accounting policies (Notes 2 (23))	–	–	–	(12,781)	–	(12,781)	–	–	–	–	(248)	(13,038)
Balance at April 1, 2019, as restated	–	66,305	37,526	1,092,171	(27)	1,195,975	12,744	(81,512)	(21,363)	(90,140)	92,391	1,198,235
Cash dividends paid	–	–	–	(19,838)	–	(19,838)	–	–	–	–	–	(19,838)
Net income attributable to owners of the parent	–	–	–	43,407	–	43,407	–	–	–	–	–	43,407
Purchase of treasury stock	–	–	–	–	(1,341)	(1,341)	–	–	–	–	–	(1,341)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(4,906)	(53,321)	(2,701)	(60,939)	3,822	(57,107)
Balance at March 31, 2020	72,000	$ 66,305	$ 37,526	$ 1,115,730	$ (1,378)	$ 1,218,193	$ 7,828	$ (134,843)	$ (24,065)	$ (151,088)	$ 96,223	$ 1,163,337

See accompanying notes.

Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 13,256	¥ 19,978	$ 121,804
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	20,744	12,074	190,609
Impairment loss	4,475	265	41,119
Increase (Decrease) in accrued bonuses to employees	22	194	202
Increase (Decrease) in accrued bonuses to directors and corporate auditors	(8)	32	(73)
Increase (Decrease) in Provision for share-based remuneration for directors	20	–	183
Increase (Decrease) in net defined benefit liability	565	228	5,191
Interest and dividend income	(891)	(771)	(8,187)
Interest expense	2,033	1,298	18,680
Equity in losses (earnings) of affiliates	3,220	2,628	29,587
Settlement received	(213)	–	(1,957)
Loss on litigation	81	–	744
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	6,173	(1,762)	56,721
Increase (Decrease) in notes and accounts payable	(2,613)	2,090	(24,009)
(Increase) Decrease in other assets	(249)	(1,610)	(2,287)
Increase (Decrease) in other liabilities	(2,504)	(3,308)	(23,008)
Others, net	1,342	1,321	12,331
Subtotal	45,453	32,661	417,651
Interest and cash dividend received	1,032	1,036	9,482
Interest paid	(2,055)	(1,309)	(18,882)
Income taxes paid	(8,257)	(9,751)	(75,870)
Settlement package received	213	–	1,957
Payments for loss on litigation	(81)	–	(744)
Net cash provided by (used in) operating activities	36,304	22,637	333,584

See accompanying notes.

	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(4,618)	(6,966)	(42,433)
Proceeds from withdrawal of time deposit	4,167	7,335	38,289
Payments for purchases of securities	(6,151)	(3,025)	(56,519)
Proceeds from sales of securities	4,957	3,095	45,548
Payments for purchases of property and equipment	(4,732)	(4,702)	(43,480)
Payments for purchases of intangible assets	(1,325)	(2,907)	(12,174)
Proceeds from sales of property and equipment	241	214	2,214
Proceeds from loans receivable	18	16	165
Payments for loans receivable	(0)	(97)	(0)
Others, net	276	(276)	2,536
Net cash provided by (used in) investing activities	(7,165)	(7,312)	(65,836)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(14,186)	1,904	(130,350)
Proceeds from share issuance to non-controlling shareholders	–	5	–
Payments of capital lease obligations	(8,645)	(233)	(79,435)
Proceeds from long-term debt	–	4,800	–
Payments for long-term debt	(10,468)	(10,602)	(96,186)
Proceeds from issuance of bonds	9,939	–	91,325
Payments of cash dividends	(2,159)	(1,871)	(19,838)
Payments of cash dividends to non-controlling interests	(757)	(821)	(6,955)
Others, net	(146)	(49)	(1,341)
Net cash provided by (used in) financing activities	(26,424)	(6,868)	(242,800)
Effect of exchange rate fluctuations on cash and cash equivalents	(2,659)	(513)	(24,432)
Net increase (decrease) in cash and cash equivalents	54	7,943	496
Cash and cash equivalents at beginning of year	75,799	67,856	696,489
Cash and cash equivalents at end of year (Note 3)	¥ 75,853	¥ 75,799	$ 696,986

See accompanying notes.

Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2020 and 2019

Note 1: Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Kintetsu World Express, Inc. (The "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain aspects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles. In accordance with the accounting standard, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements (issued by the Accounting Standards Board of Japan ("ASBJ") on June 28, 2019)", certain differences between Japanese GAAP and those in overseas are adjusted in the consolidation process. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company provided in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

All Japanese yen figures have been rounded down to million yen. The translation of the Japanese yen amounts into U.S. dollars is rounded down to thousand dollars and is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020 which is ¥108.83 to U.S. $1. The convenience translations should not be construed as representations of possible future amounts, converted into U.S. dollars at this or any other rate of exchange.

Certain prior year amounts have been reclassified to conform to the year 2020 presentation.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Consolidated financial statements include the accounts of the Company and 130 subsidiaries for the year ended March 31, 2020. At March 31, 2019 the Company had 132 subsidiaries and consolidated all of them.

The Company and the consolidated subsidiaries are together referred to as the "Group" hereinafter.

(2) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits are eliminated, and the portion thereof attributable to non-controlling interests charged to net income attributable to non-controlling interests.

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

(3) Investments in Non-consolidated Subsidiaries and Affiliates

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

At March 31, 2020, 1 non-consolidated subsidiary and 10 affiliates, of which the Company has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. At March 31, 2019, 1 non-consolidated subsidiary and 10 affiliates were accounted for by the equity method.

(4) Accounting Period

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

The fiscal year-end of APL Logistics Ltd and its 64 consolidated subsidiaries and one other consolidated subsidiary is December 31 of each year. The financial statements at the date of those subsidiaries are used to prepare the Company's consolidated financial statements.

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

(5) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(6) Securities

In applying Japanese GAAP, securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Group does not hold any security defined as securities held for trading purposes, as of March 31, 2020 and 2019. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with market value are stated at market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income in net assets. Realized gains and losses on sales of such securities are computed using weighted-average cost. Other securities that do not have market value are stated at weighted-average cost. If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amounts is recognized as loss in the period of the decline.

(7) Allowance for Doubtful Accounts

The Company and domestic consolidated subsidiaries adopted the policy of providing the allowance for doubtful accounts using the actual rate of bad debt losses experienced in the past for the receivable other than those, for which allowance is provided based on individual evaluation of their possibility of collection.

The allowance for doubtful accounts held by overseas consolidated subsidiaries represents the amount deemed necessary to cover possible losses.

(8) Property and Equipment excluding Leased Assets

Property and equipment are stated at cost and have been depreciated over the estimated useful lives of the respective assets using the straight-line method. The range of useful lives is principally as follows:

Buildings and structures	5- 50 years
Machinery and equipment	2- 30 years
Right-of-use assets	2- 60 years
Others	1- 15 years

(9) Intangible Assets excluding Leased Assets

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

(10) Leased Assets under Finance Lease without Transfer of Ownership

Assets used under finance lease arrangements are capitalized. Depreciation for Leased Assets is amortized on the straight-line method with their residual values being zero over their leased periods used as the number of years for useful lives.

(11) Accounting for Impairment of Long-lived Assets

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

(12) Accrued Bonuses to Employees

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

(13) Accrued Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are provided for the portion relevant to the current year of the estimated amount of bonus payments.

(14) Provision for Share-based Remuneration for Directors

Provision for share-based remuneration for directors are provided at the estimated amount of stock benefits to directors at the fiscal year-end in accordance with the internal rules for stock delivery.

(15) Amortization of deferred assets

Bond issuance costs is amortized using straight-line method for 10 years.

(16) Accounting for Retirement Benefits

The Group adopts the accounting standard for employees' severance and retirement benefits, under which allowance and expenses for severance and pension benefits are determined based on actuarial calculations.

The Company and certain consolidated subsidiaries have a defined benefit pension plan while certain overseas subsidiaries have either a defined benefit pension plan or a defined contribution pension plan.

Under such conditions, the Group adopts following policies about the Accounting for Retirement Benefits.

a) The calculation method of the retirement benefit obligation
The retirement benefit obligation amount to be amortized in the period of the year ended March 31, 2020 is calculated under benefit formula bases.

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

c) The simplified method for the retirement benefit obligation
Some consolidated subsidiaries calculate the amounts of net defined benefit liability and retirement benefit cost by utilizing the simplified method that the estimated severance amount for all employees at the year-end is deemed as the retirement benefit obligation for the year.

(17) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the year-end date. The foreign exchange gains and losses from transactions are recognized in the consolidated statements of income and the consolidated statements of comprehensive income to the extent that they are not hedged by forward exchange contracts.

(18) Foreign Currency Financial Statements

The balance sheet accounts of foreign consolidated subsidiaries and affiliates are translated into Japanese yen at current exchange rates prevailing at the relevant balance sheet date except for equity, which is translated at the historical rates. Revenue and expense accounts of the foreign consolidated subsidiaries and affiliates are translated into Japanese yen at the average exchange rates. The differences arising from such translations were shown as "Foreign currency translation adjustments" and "Non-controlling interests in consolidated subsidiaries" in separate components of equity.

(19) Income Taxes

Income taxes consist of corporation, inhabitant and enterprise taxes. The provision for income taxes is computed based on the pretax income of each of the Company and its consolidated subsidiaries with certain adjustments required for tax purposes. The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes, together with the assessment of the recoverability of deferred tax assets.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(20) Derivatives

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

(21) Hedging Activities

For derivatives used for hedging purposes, gains or losses on derivatives are deferred until the period in which the hedged transactions are recognized. Interest rate and currency swap contracts, which qualify for hedge accounting and meet specific matching criteria, are not measured at fair value. The net payment and receipt under the swap agreements are instead recognized and included in interest expense, and hedged items denominated in a foreign currency are translated at the contracted rate (integral accounting).

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

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

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

(22) Per Share Information

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year. Diluted earnings per share of common stock for the years ended March 31, 2020 and 2019 are not presented since the Company had no securities with dilutive effect. Cash dividends per share presented in the consolidated statements of income represent dividends declared as applicable to the respective year, including dividends paid after the end of the year.

(23) Changes in accounting policy

Some subsidiaries using International Financial Reporting Standards started to apply IFRS No.16 Lease (hereinafter referred to as "IFRS16") from the current fiscal year. In accordance with IFRS16, lessees are required to recognize almost all leases as assets or liabilities in the balance sheet.

Having followed the transitional treatment regarding the application of IFRS16, the cumulative effects of the changes in the accounting policies were subtracted from the opening balance of retained earnings for the current consolidated fiscal year. As a result, in the opening balances of the consolidated balance sheet of the current consolidated fiscal year, "Right-of-use assets" increased by JPY 27,333 million. In addition, "Lease obligations" classified as current and non-current liabilities increased by JPY 7,642 million and JPY 21,248 million, respectively.

Besides, "Operating income" increased by JPY 1,036 million and "Income before income taxes" increased by JPY 20 million in the current fiscal year.

Having reflected the cumulative effects on the opening balance of net assets for the current consolidated fiscal year, the opening balance of retained earnings in the consolidated statement of changes in net assets decreased by JPY 1,391 million.

In the consolidated statement of cash flow for the current consolidated fiscal year, cash outflow from operating activities decreased by JPY 8,517 million and cash outflow from financing activities increased by JPY 8,517 million, respectively.

The effects on the earnings per share information for the current consolidated fiscal year were inconsequential.

(24) Standards and Guidance Issued but Not Yet Adopted

The following guidance was issued but not yet adopted.

·"Accounting Standard for Revenue Recognition" (ASBJ Standard No. 29, March 31, 2020)

·"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

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

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

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

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

·"Accounting Standard for Fair Value Measurement"

(ASBJ Statement No. 30, July 4, 2019)
·"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
·"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
·"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)

a) Overview
In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:
Financial instruments in "Accounting Standard for Financial Instruments"; and
Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

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

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

·"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020)

a) Overview
In order to disclose sufficient information to the financial statement users about the accounting estimates, which are reflected in the financial statements and may have risks that significantly affect the financial statements for the following fiscal year, "Accounting Standard for Disclosure of Accounting Estimates" were developed.

b) Effective date
Effective from the end of the fiscal year ending March 31, 2021.

(25) Additional Information

In order to increase the Directors' awareness of their contribution to the enhancement of the Company's medium – to long-term corporate value and the sharing mutual interest with shareholders, the Company introduced a performance-linked stock compensation plan (the "Plan") for Directors of the Company (excluding Outside Directors and nonresidents of Japan).

The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the Plan.

a) Transaction summary
The Plan uses a director compensation BIP (Board Incentive Plan) trust by which Directors are granted shares of the Company and paid the cash equivalent to the market value of the shares of the Company after conversion into cash according to the degree of achievement of performance targets and their positions.

b) The Company's own stock in the trust
The Company's own stock in the possession of the trust is recorded as treasury stock under net assets at book value (excluding ancillary expenses). The book value and number of shares of treasury stock were ¥146 million and 105,000 shares, as of the fiscal year ended March 31, 2020.

Note 3: Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits	¥ 80,493	¥ 80,324	$ 739,621
Time deposits with maturities exceeding three months	(4,639)	(4,524)	(42,626)
Cash and cash equivalents	¥ 75,853	¥ 75,799	$ 696,986

2. Significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Leased assets	¥ 13	¥ 193	$ 119
Right-of-use assets	33,359	–	306,523
Lease obligations	34,034	193	312,726

The increase of Right-of-use assets and Lease obligations has been included because some of the subsidiaries adopted IFRS16 retrospectively from the beginning of the fiscal year ended March 31, 2020.

Note 4: Securities

The following tables summarized acquisition costs, book values and fair values of securities with available fair values at March 31, 2020 and 2019:

Held-to-maturity debt securities, at March 31, 2020: None
Held-to-maturity debt securities, at March 31, 2019: None

Available-for-sale securities, at March 31, 2020:	Millions of yen			Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 4,572	¥ 3,046	¥ 1,525	$ 42,010	$ 27,988	$ 14,012
Securities with book value not exceeding acquisition costs	3,306	3,713	(406)	30,377	34,117	(3,730)
Total	¥ 7,878	¥ 6,759	¥ 1,118	$ 72,388	$ 62,106	$ 10,272

Available-for-sale securities, at March 31, 2019:	Millions of yen		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition costs	¥ 3,770	¥ 1,715	¥ 2,054
Securities with book value not exceeding acquisition costs	3,640	3,741	(100)
Total	¥ 7,411	¥ 5,457	¥ 1,954

Available-for-sale securities sold during the years ended March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities	2020	2019	2020
Sales proceeds	¥ 300	¥ 635	$ 2,756
Gain on sales	148	277	1,359
Loss on sales	0	0	0

Note 5: Pledged Assets and Secured Liabilities

1. At March 31, 2020 and 2019, assets pledged as collateral for secured liabilities were as follows:

Assets pledged as collateral	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Cash and time deposits	¥ 22	¥ 24	$ 202
Notes and accounts receivable-trade	1,903	4,074	17,485
Other investments	5	5	45
Total	¥ 1,931	¥ 4,104	$ 17,743

2. At March 31, 2020 and 2019, liabilities related to these assets pledged as collateral were as follows:

Secured liabilities	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Notes and accounts payable-trade	¥ 1	¥ 1	$ 9
Short-term debt	1,342	2,872	12,331
Total	¥ 1,344	¥ 2,874	$ 12,349

Note 6: Impairment Loss

Impairment loss for the year ended March 31, 2020
The Group primarily classifies its assets by management accounting unit and rental properties by individual property and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥4,475 million ($41,119 thousand).

1) The impairment loss was recognized on software of APL Logistics Ltd, and the Group reduced the book value of these assets by ¥4,426 million ($40,668 thousand) to their recoverable amount because it is no longer foreseen to use in the future. The recoverable amount was measured by value in use without discounted calculation because no future cash flows was expected.
2) The impairment loss was recognized on goodwill of India Infrastructure and Logistics Private Limited in India (APLL Segment), and the Group reduced the book value of these assets by ¥48 million ($441 thousand) to their recoverable amount because it is no longer foreseen to generate revenues that was expected at share acquisition. The recoverable amount was measured by value in use calculated by discounting future cash flows at a discount rate of 15.5%.

Impairment loss for the year ended March 31, 2019
The Group primarily classifies its assets by management accounting unit and idle assets by individual property and reviewed its long-lived assets for impairment and recognized an impairment loss of ¥265 million.

The impairment loss was recognized on goodwill of India Infrastructure and Logistics Private Limited in India (APLL Segment), and the Group reduced the book value of these assets by ¥265 million to their recoverable amount because it is no longer foreseen to generate revenues that were expected at share acquisition. The recoverable amount was measured by value in use calculated by discounting future cash flows at a discount rate of 16.0%.

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

1. Short-term debt consists principally of borrowings from banks. The weighted average interest rate of short-term debt as of March 31, 2020 and 2019 are 2.3% and 2.6%, respectively.

2. Long-term debt including bonds payable and lease obligations at March 31, 2020 and 2019 consists of the following:

	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Long-term debt from banks and other financial institutions due 2021 to 2054, with average interest of 0.8% and 0.4% for 2020 and 2019, respectively			
Unsecured	¥ 153,299	¥ 129,172	$ 1,408,609
Less: Current portion due within one year	(37,889)	(10,657)	(348,148)
Long-term debt, non-current portion	¥ 115,409	¥ 118,514	$ 1,060,452

3. Maturities of long-term debt including bonds payable and lease obligations at March 31, 2020 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 19,125	$ 175,732
2023	14,205	130,524
2024	17,334	159,275
2025 and thereafter	64,743	594,900
Total	¥ 115,409	$ 1,060,452

4. Financial covenants

As of March 31, 2020
The Company's long-term debt (including current portion of long-term debt) from bank of ¥110,000 million ($1,010,750 thousand) includes financial covenants, with which the Company is in compliance as follows:
(a) Maintain the amount of shareholders' equity recorded on the Company's consolidated balance sheets as of the end of each fiscal year at not less than 75% of the total shareholders' equity recorded on the Company's consolidated balance sheets as of the end of the previous fiscal year or the fiscal year ended March 31, 2015.
(b) As of the end of each fiscal year, the Company shall not recognize ordinary losses as recorded in its consolidated statements of income for two consecutive periods.
(c) Maintain net debt equity ratio on the Company's consolidated balance sheets as of the end of each fiscal year at less than three times.

As of March 31, 2019
The Company's long-term debt (including current portion of long-term debt) from bank of ¥120,000 million includes financial covenants, with which the Company is in compliance as follows:
(a) Maintain the amount of shareholders' equity recorded on the Company's consolidated balance sheets as of the end of each fiscal year at not less than 75% of the total shareholders' equity recorded on the Company's consolidated balance sheets as of the end of the previous fiscal year or the fiscal year ended March 31, 2015.
(b) As of the end of each fiscal year, the Company shall not recognize ordinary losses as recorded in its consolidated statements of income for two consecutive periods.
(c) Maintain net debt equity ratio on the Company's consolidated balance sheets as of the end of each fiscal year at less than three times.

Note 8: Accounting for Retirement Benefits

1. Defined benefit pension plans

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of year, as previously reported	¥ 18,082	¥ 15,385	$ 166,149
Service cost	1,286	1,125	11,816
Interest cost	97	188	891
Actuarial differences incurred during the year	262	2,410	2,407
Benefits paid	(914)	(995)	(8,398)
Past service costs	–	0	–
Increase due to change from the simplified method to the principle method	929	–	8,536
Others	(88)	(32)	(808)
Balance at the end of year	¥ 19,655	¥ 18,082	$ 180,602

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of year	¥ 13,578	¥ 13,639	$ 124,763
Expected return on plan assets	361	412	3,317
Actuarial differences incurred during the year	(724)	(455)	(6,652)
Contributions paid by the employer	1,007	765	9,252
Contributions paid by the employee	99	97	909
Benefits paid	(858)	(876)	(7,883)
Increase due to change from the simplified method to the principle method	858	–	7,883
Others	(83)	(5)	(762)
Balance at the end of year	¥ 14,238	¥ 13,578	$ 130,827

(3) Changes in retirement benefit obligations applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of year	¥ 1,239	¥ 1,132	$ 11,384
Retirement benefit costs	501	408	4,603
Benefits paid	(119)	(63)	(1,093)
Contributions paid by the employer	(200)	(246)	(1,837)
Increase due to change from the simplified method to the principle method	(71)	–	(652)
Others	(30)	9	(275)
Balance at the end of year	¥ 1,320	¥ 1,239	$ 12,129

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligations	¥ 18,170	¥ 17,683	$ 166,957
Plan assets	(14,238)	(14,435)	(130,827)
	3,931	3,248	36,120
Unfunded projected benefit obligations	2,804	2,495	25,764
Net liability (asset) on the consolidated balance sheet	¥ 6,736	¥ 5,743	$ 61,894
Net defined benefit liability	6,736	5,743	61,894
Net amount of liability (asset) on the consolidated balance sheet	¥ 6,736	¥ 5,743	$ 61,894

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 1,186	¥ 1,028	$ 10,897
Interest cost	97	188	891
Expected return on plan assets	(361)	(412)	(3,317)
Amortization on actuarial gains and losses	549	208	5,044
Amortization on prior service cost	0	1	0
Retirement benefit cost with the simplified method	501	408	4,603
Net retirement benefit costs of defined benefit pension plan	¥ 1,975	¥ 1,421	$ 18,147

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service costs	¥ 0	¥ 0	$ 0
Actuarial differences	(437)	(2,657)	(4,015)
Total	¥ (436)	¥ (2,656)	$ (4,006)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized past service costs	¥ 1	¥ 2	$ 9
Unrecognized actuarial differences	3,819	3,382	35,091
Total	¥ 3,820	¥ 3,384	$ 35,100

(8) Plan assets

(a) Components of plan assets	2020	2019
Bonds	53.0%	47.2%
Equity securities	10.7%	18.3%
Cash and time deposits	14.4%	12.2%
Life insurance company account	3.8%	3.8%
Alternative investments	17.5%	17.8%
Other	0.6%	0.7%
Total	100.0%	100.0%

Notes:
1. Plan asset consists of retirement benefit trust set to the defined benefit pension plan which accounted for 0.1% and 0.3% of the plan assets as of March 31, 2020 and 2019 respectively.
2. Alternative investments are mainly investments on hedge funds.

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

(9) Actuarial assumptions

	2020	2019
Discount rate	Primarily 0.2%	Primarily 0.2%
Long-term expected rate of return on plan assets	Primarily 2.5%	Primarily 3.0%

2. Defined contribution pension plan
Contributions to defined contribution pension plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2020 and 2019 were ¥1,250 million ($11,485 thousand) and ¥1,244 million, respectively.

Note 9: Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 30.6% and 30.6% for the years ended March 31, 2020 and 2019, respectively.

1. Significant components of deferred tax assets and liabilities
Significant components of deferred tax assets and liabilities resulting from temporary differences as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Loss carry forward (Note 2)	¥ 1,803	¥ 2,668	$ 16,567
Accrued bonuses	862	725	7,920
Accrued enterprise tax	69	119	634
Depreciation	295	58	2,710
Net defined benefit liability	2,228	2,027	20,472
Valuation loss on investment securities	915	926	8,407
Allowance for doubtful accounts	499	476	4,585
Allowance for paid leave	289	292	2,655
Foreign tax credit	889	995	8,168
Others	827	870	7,599
Gross deferred tax assets	8,682	9,160	79,775
Valuation allowance for net operating loss carry forward (Note 2)	(1,720)	(2,547)	(15,804)
Valuation allowance for deductible temporary differences	(1,928)	(1,470)	(17,715)
Gross valuation allowance (Note 1)	(3,649)	(4,017)	(33,529)
Total deferred tax assets	5,032	5,142	46,237
Deferred tax liabilities:			
Depreciation	(1,011)	(1,436)	(9,289)
Reserved profit of foreign subsidiaries	(139)	(152)	(1,277)
Unrealized holding gains on securities	(334)	(581)	(3,069)
Valuation difference on business combination	(6,362)	(6,924)	(58,458)
Others	(725)	(1,006)	(6,661)
Total deferred tax liabilities	(8,573)	(10,101)	(78,774)
Net deferred tax assets (liabilities)	¥ (3,540)	¥ (4,958)	$ (32,527)

Notes:
1. Valuation reserve amount decreased by ¥368 million ($3,381 thousand). The main reason of this decrease is due to the fact that the valuation allowance for net operating loss carried forward in subsidiaries decreases
2. Net operating loss carry forward and deferred tax assets per expiration date of March 31, 2020 were as follows:

	Millions of yen						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Net operating loss carry forward (*)	¥ 7	¥ –	¥ –	¥ –	¥ –	¥ 1,795	¥ 1,803
Valuation allowance (for net operating loss carry forward)	–	–	–	–	–	1,720	1,720
Deferred tax assets	7	–	–	–	–	74	82

	Thousands of U.S. dollars						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Net operating loss carry forward (*)	$ 64	$ –	$ –	$ –	$ –	$ 16,493	$ 16,567
Valuation allowance (for net operating loss carry forward)	–	–	–	–	–	15,804	15,804
Deferred tax assets	64	–	–	–	–	679	753

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

2. Reconciliation between the statutory tax rate and effective tax rate
The reconciliations of the difference between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019 were as follows:

	2020	2019
Statutory tax rate	30.6%	30.6%
Entertainment expenses and other non-deductible permanent differences	6.0	1.5
Dividend income and other non-taxable income	(2.9)	(1.0)
Difference of the statutory tax rate among countries other than Japan	(4.8)	(3.8)
Amortization of goodwill	8.1	5.5
Expense owing directly to business combination	0.0	–
Income taxes for prior periods	(0.6)	2.3
Valuation allowance, utilization of tax losses	(3.3)	(6.2)
Equity in earnings (losses) of affiliates, net	7.4	4.0
Effect of elimination of intercompany dividends received	0.7	1.0
Reserved profit of foreign subsidiaries	(0.1)	0.9
Others, net	1.5	(2.4)
Effective tax rate	53.0%	40.9%

Note 10: Consolidated Statements of Changes in Net Assets

1. Shareholders' Equity
Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

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

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

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

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

	Shares	
	2020	2019
Number of shares at the beginning of the fiscal year	72,000,000	72,000,000
Increase	–	–
Decrease	–	–
Number of shares at the end of the fiscal year	72,000,000	72,000,000

Note: Type of all share issued is common stock.

(2) Number of treasury stock shares

	Shares	
	2020	2019
Number of shares at the beginning of the fiscal year	2,367	2,364
Increase	(Notes 2 and 3) 105,000	3
Decrease	–	–
Number of shares at the end of the fiscal year	107,367	2,367

Notes:
1. Type of all share issued is common stock.
2. The 100,500 shares increase of treasury stock shares for the fiscal year ended March 31, 2020 is due to the purchase of shares by the director compensation BIP trust.
3. The number of shares of treasury stock shares as of March 31, 2020 included 105,000 shares held by the director compensation BIP trust.

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

Resolutions	Dividend paid		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Year ended March 31, 2020						
Ordinary general meeting of shareholders held on June 18, 2019	¥ 1,439	$13,222	¥ 20.00	$ 0.18	March 31, 2019	June 19, 2019
Board of Directors' meeting held on November 12, 2019 (Note 3)	719	6,606	10.00	0.09	September 30, 2019	December 10, 2019
Year ended March 31, 2019						
Ordinary general meeting of shareholders held on June 19, 2018	¥ 1,151		¥ 16.00		March 31, 2018	June 20, 2018
Board of Directors' meeting held on November 8, 2018	719		10.00		September 30, 2018	December 10, 2018

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.
3. Total cash dividends paid in accordance with the resolution of the meeting of the Board of Directors held on November 12, 2019 included ¥1 million ($9 thousand) of cash dividends for the stock held by the director compensation BIP trust.

(b) Dividends with a record date during the years ended March 31, 2020 and 2019 but an effective date subsequent to the following fiscal year.

Resolutions	Dividend paid		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Year ended March 31, 2020						
Ordinary general meeting of shareholders held on June 16, 2020	¥ 1,439	$13,222	¥ 20.00	$ 0.18	March 31, 2020	June 17, 2020
Year ended March 31, 2019						
Ordinary general meeting of shareholders held on June 18, 2019	¥ 1,439		¥ 20.00		March 31, 2019	June 19, 2019

Notes:
1. Type of all share issued is common stock.
2. Source of dividends is retained earnings.
3. Total cash dividends paid included ¥2 million ($19 thousand) of cash dividends for the stock held by the director compensation BIP trust.

Note 11: Accounting for Leases

Lease obligations under non-cancellable operating leases for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Payments due within one year	¥ 386	¥ 8,712	$ 3,546
Payments due after one year	1,408	17,868	12,937
Total	¥ 1,794	¥ 26,581	$ 16,484

Note 12: Financial Instruments

1. Qualitative information on financial instruments

(1) Group policy for financial instruments

The Group limits the use of financial instruments for fund management purposes to short term bank deposit, high credit rating debt securities, to loans from banks and to bond issuance for financing. Utilizing derivative is not for speculative purposes but to manage financial risks as described in detail below.

(2) Details of financial instruments used and the exposures to risks and policies and processes for managing the risks

Notes and accounts receivable-trade are exposed to credit risk of customers. To minimize the credit risk, the Group performs due date controls and balance controls for each customer in accordance with internal customer credit management rule and regularly screens customers' credit status.

Investment securities are held-to-maturity debt securities, high credit rating debt securities and shares of companies with which the Group has operational relationships and they are exposed to stock market fluctuation risks. To control the risks, the Group is continuously monitoring the investees' financial position and the market values.

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

Maturities of notes and accounts payable-trade are mostly within one year. Among loans payable, short-term debts are mainly for financing related to business transactions, and long-term debts are mainly for financing related to capital investments and mergers and acquisitions and for refinancing long-term debts.

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

As for derivative transactions, the Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain receivables, payables and scheduled transactions denominated in foreign currencies. Also the Group enters into currency and interest rate swap contracts and currency swap contracts to manage interest and currency exposures on debt from financial institutions. Derivative transactions are executed and controlled under the Group's internal rules and regulations.

The credit risk of derivative transactions is deemed to be very low because the Group only conducts transactions with financial institutions with high credit ratings.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2020 were as follows.

Moreover, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (See Note 2)

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits	¥ 80,493	¥ 80,493	¥ –	$ 739,621	$ 739,621	$ –
(2) Notes and accounts receivable-trade	99,633	99,633	–	915,492	915,492	–
(3) Marketable securities						
Available-for-sale securities	4,366	4,366	–	40,117	40,117	–
(4) Investment securities						
Equity securities	1,017	1,017	–	9,344	9,344	–
Other securities	3,512	3,512	–	32,270	32,270	–
(5) Long-term loans receivable	624			5,733		
Allowance for doubtful accounts (*1)	(561)			(5,154)		
	63	63	–	578	578	–
Total	¥ 189,085	¥ 189,085	–	$ 1,737,434	$ 1,737,434	–
Liabilities:						
(6) Notes and accounts payable-trade	¥ 47,978	¥ 47,978	¥ –	$ 440,852	$ 440,852	$ –
(7) Short-term debt	17,560	17,560	–	161,352	161,352	–
(8) Income taxes payable	3,526	3,526	–	32,399	32,399	–
(9) Bonds payable	10,000	9,817	(182)	91,886	90,204	(1,672)
(10)Long-term debt (including current portion of long-term debt)	117,983	117,692	(291)	1,084,103	1,081,429	(2,673)
Total	¥ 197,049	¥ 196,574	¥ (474)	$ 1,810,612	$ 1,806,248	$ (4,355)
Derivative transactions (*2):						
Hedge accounting is not applied	¥ (126)	¥ (126)	¥ –	$ (1,157)	$ (1,157)	$ –
Total	¥ (126)	¥ (126)	¥ –	$ (1,157)	$ (1,157)	$ –

(*) Lease obligations recognized by adopting IFRS16 are not included.
(*1) This is the allowance for doubtful accounts with respect to long-term loans receivable.
(*2) Derivative assets and liabilities are presented on net basis. Net liabilities are disclosed in brackets.

Notes:

1. Fair value measurement of financial instruments

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

The relevant book values are used because the settlement periods of the above items are short in nature and their fair values are approximate to their book values.

(3) Marketable securities and (4) Investment securities

The fair value equals quoted market price or price provided by financial institutions.

(5) Long-term loans receivable

The relevant book values are used because their fair values are approximate to their book values in view of loan collection schedule and condition of interest rates.

Liabilities

(6) Notes and accounts payable-trade, (7) Short-term debt and (8) Income taxes payable

The relevant book values are used because the settlement periods of the above items are short in nature and their fair values are approximate to their book values.

(9) Bonds payable

Bonds are stated at the price presented by financial institutions.

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

Long-term debt (including those in foreign currencies) consists of interest rate and currency swap contracts, which meet the specific matching criteria of integral accounting.

The fair value is computed by discounting the aggregate value of the principal and interest, together with the interest rate and currency swap contracts, using the interest rate that would be assumed if a similar loan agreement was entered.

Derivative transactions

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

2. Financial instruments whose fair value cannot be reliably determined

Investments in equity instruments that do not have a quoted market price in an active market as of March 31, 2020 were as follows:

	Book value	
	Millions of yen	Thousands of U.S. dollars
Investments in affiliates	¥ 6,024	$ 55,352
Investments in others	376	3,454

Notes:

1. These investments are not included in Assets (4) Investment securities.
2. The redemption schedule for monetary claim and debt securities with maturity dates subsequent to the consolidated balance sheet is as follows:

	Millions of yen			Thousands of U.S. dollars		
	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years
Assets						
(1) Cash and time deposits	¥ 80,493	¥ –	¥ –	$ 739,621	$ –	$ –
(2) Notes and accounts receivable-trade	99,633	–	–	915,492	–	–
(3) Marketable securities						
Held-to-maturity debt securities						
Other securities with maturity date (corporate bonds)	4,353	30	–	39,998	275	–
Other securities with maturity date (government securities)	12	55	–	110	505	–
(4) Long-term loans receivable	–	–	63	–	–	578
Total	¥184,492	¥ 86	¥ 63	$ 1,695,231	$ 790	$ 578

Note 13: Derivatives

1. Derivative transactions to which hedge accounting was not applied as of March 31, 2020

[Currency related]

	Millions of yen				Thousands of U.S. dollars			
	Contract amounts due within one year	Contract amounts due over one year	Fair value	Unrealized gain (loss)	Contract amounts due within one year	Contract amounts due over one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions								
Foreign currency forward contracts to								
Purchase U.S. dollar	¥ 560	¥ –	¥ 14	¥ 14	$ 5,145	$ –	$ 128	$ 128
Purchase euro	260	–	1	1	2,389	–	9	9
Purchase British pound	46	–	0	0	422	–	0	0
Purchase Thai baht	40	–	(0)	(0)	367	–	(0)	(0)
Purchase Swiss franc	20	–	0	0	183	–	0	0
Purchase Hong Kong dollar	16	–	0	0	147	–	0	0
Purchase Swedish krona	3	–	(0)	(0)	27	–	(0)	(0)
Currency swap contracts								
Receipt in Chinese yuan, payment in Japanese yen	1,846	1,846	(142)	(142)	16,962	16,962	(1,304)	(1,304)
Total	¥ 2,794	¥ 1,846	¥ (126)	¥ (126)	$ 25,673	$ 16,962	$ (1,157)	$ (1,157)

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

2. Derivative transactions to which hedge accounting was applied as of March 31, 2020

[Interest and Currency related]

	Millions of yen			Thousands of U.S. dollars		
Hedged items and hedge accounting method	Contract amounts	Contract amounts due over one year	Fair value	Contract amounts	Contract amounts due over one year	Fair value
Hedged items: Long-term debt and interest						
Hedge accounting method: Integral accounting for interest rate and currency swaps						
Currency and interest rate swap contracts						
Floating-rate receipt, fixed-rate payment						
Receipt in U.S. dollars, payment in Japanese yen	¥ 54,000	¥ 48,000	Note	$ 496,186	$ 441,054	Note

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

Note 14: Segment Information

1. Overview of reportable segments
Reportable segments of the Group are components of an entity for which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.
The Company and its consolidated subsidiaries consist of 6 reportable segments namely "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", "Southeast Asia" and "APLL".

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

3. Matters regarding changes in reportable segments
From the second quarter of the year ended March 31, 2020, due to the small change in management unit, a consolidated subsidiary, which previously classified as "APLL" was changed into "The Americas".
Moreover, segment information for the year ended March 31, 2019, has been presented based on the new classification after the change.

4. Calculation for net sales, segment income or loss, assets and other of reportable segments
Accounting practice for reportable segments is the same as the practice described in Note 1 "Basis of Presenting the Consolidated Financial Statements".
Income of reportable segments is stated on the basis of operating income. Inter-segment sales or transfer are based on market price to be used under general business conditions.

5. Net sales, segment income or loss, assets and others of reportable segments
The segment information of the Companies for the years ended March 31, 2020 and 2019 are presented below:

	Millions of yen										
	Reportable Segments										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other (1)	Total	Adjustment (2)	Consolidated (3)
Year ended March 31, 2020:											
Net sales											
Net sales to outside customers	¥ 132,890	¥ 54,809	¥ 34,447	¥ 91,957	¥ 53,030	¥ 176,967	¥ 544,103	¥ 429	¥ 544,533	¥ –	¥ 544,533
Inter-segment sales/transfers	3,917	3,983	943	1,989	1,752	180	12,768	2,298	15,066	(15,066)	–
Total net sales	136,808	58,793	35,391	93,947	54,783	177,147	556,871	2,727	559,599	(15,066)	544,533
Operating expenses	132,141	55,038	35,070	88,821	52,480	173,927	537,479	2,424	539,904	(15,085)	524,818
Segment income	¥ 4,667	¥ 3,755	¥ 321	¥ 5,125	¥ 2,302	¥ 3,220	¥ 19,392	¥ 303	¥ 19,695	¥ 18	¥ 19,714
At March 31, 2020:											
Segment assets	¥ 72,970	¥ 33,905	¥ 14,240	¥ 64,423	¥ 33,379	¥ 166,575	¥ 385,494	¥ 2,542	¥ 388,037	¥ (2,567)	¥ 385,470
Year ended March 31, 2020:											
Other:											
Depreciation	¥ 1,536	¥ 617	¥ 472	¥ 4,046	¥ 1,785	¥ 8,521	¥ 16,980	¥ 165	¥ 17,145	¥ –	¥ 17,145
Amortization of goodwill	47	118	–	–	–	3,444	3,610	–	3,610	–	3,610
Investments in affiliates	2,785	–	316	505	2,417	1,017	7,041	–	7,041	–	7,041
Increase in property and equipment and other intangible assets	1,569	2,411	1,642	24,517	10,322	19,276	59,740	298	60,039	–	60,039
Year ended March 31, 2019:											
Net sales											
Net sales to outside customers	¥ 141,678	¥ 59,236	¥ 40,543	¥ 99,271	¥ 56,042	¥ 194,815	¥ 591,588	¥ 421	¥ 592,009	¥ –	¥ 592,009
Inter-segment sales/transfers	3,991	4,239	1,390	2,260	1,924	166	13,972	2,264	16,236	(16,236)	–
Total net sales	145,669	63,476	41,934	101,531	57,966	194,982	605,560	2,685	608,246	(16,236)	592,009
Operating expenses	139,891	59,878	40,531	96,338	55,305	192,984	584,929	2,540	587,470	(16,257)	571,212
Segment income (loss)	¥ 5,777	¥ 3,597	¥ 1,402	¥ 5,193	¥ 2,661	¥ 1,997	¥ 20,630	¥ 145	¥ 20,776	¥ 20	¥ 20,797
At March 31, 2019:											
Segment assets	¥ 74,163	¥ 34,585	¥ 17,949	¥ 55,594	¥ 28,922	¥ 177,946	¥ 389,161	¥ 2,453	¥ 391,614	¥ (3,147)	¥ 388,467
Year ended March 31, 2019:											
Other:											
Depreciation	¥ 1,498	¥ 357	¥ 229	¥ 567	¥ 531	¥ 5,075	¥ 8,260	¥ 157	¥ 8,418	¥ –	¥ 8,418
Amortization of goodwill	47	119	–	–	–	3,499	3,666	–	3,666	–	3,666
Investments in affiliates	2,796	–	269	467	2,588	4,519	10,642	–	10,642	–	10,642
Increase in property and equipment and other intangible assets	1,384	293	144	526	352	5,264	7,966	58	8,025	–	8,025

	Thousands of U.S. dollars										
	Reportable Segments										
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total	Adjustment	Consolidated
Year ended March 31, 2020:											
Net sales											
Net sales to outside customers	$ 1,221,078	$ 503,620	$ 316,521	$ 844,960	$ 487,273	$ 1,626,086	$ 4,999,568	$ 3,941	$ 5,003,519	$ –	$ 5,003,519
Inter-segment sales/transfers	35,991	36,598	8,664	18,276	16,098	1,653	117,320	21,115	138,436	(138,436)	–
Total net sales	1,257,079	540,227	325,195	863,245	503,381	1,627,740	5,116,888	25,057	5,141,955	(138,436)	5,003,519
Operating expenses	1,214,196	505,724	322,245	816,144	482,219	1,598,153	4,938,702	22,273	4,960,985	(138,610)	4,822,365
Segment income	$ 42,883	$ 34,503	$ 2,949	$ 47,091	$ 21,152	$ 29,587	$ 178,186	$ 2,784	$ 180,970	$ 165	$ 181,144
At March 31, 2020:											
Segment assets	$ 670,495	$ 311,540	$ 130,846	$ 591,959	$ 306,707	$ 1,530,598	$ 3,542,166	$ 23,357	$ 3,565,533	$ (23,587)	$ 3,541,946
Year ended March 31, 2020:											
Other:											
Depreciation	$ 14,113	$ 5,669	$ 4,337	$ 37,177	$ 16,401	$ 78,296	$ 156,023	$ 1,516	$ 157,539	$ –	$ 157,539
Amortization of goodwill	431	1,084	–	–	–	31,645	33,171	–	33,171	–	33,171
Investments in affiliates	25,590	–	2,903	4,640	22,208	9,344	64,697	–	64,697	–	64,697
Increase in property and equipment and other intangible assets	14,416	22,153	15,087	225,277	94,845	177,120	548,929	2,738	551,676	–	551,676

Notes:

1. "Other" is segment which is not included in reportable segments and provides incidental logistics related services within the Group.
2. "Adjustment" includes:
   Segment income of ¥18 million ($165 thousand) and ¥20 million for the years ended March 31, 2020 and 2019, respectively represents elimination of inter-segment transactions.
   Segment assets of ¥(2,567) million ($(23,587) thousand) and ¥(3,147) million at March 31, 2020 and 2019 respectively consist of elimination of inter-segment transactions of ¥(18,605) million ($(170,954) thousand) and ¥(16,721) million at March 31, 2020 and 2019 respectively and surplus fund (cash and time deposit) of the Company of ¥16,038 million ($147,367 thousand) and ¥13,574 million, which are not allocated to each segment at March 31, 2020 and 2019 respectively.
3. Segment income is adjusted with operating income in the consolidated statements of income.
4. The increases in property, equipment and other intangible assets for the year ended March 31, 2020 contain the increase of ¥54,063 million ($496,765 thousand) due to recognition of right-of-use assets by adopting IFRS16.

5. Net sales by Service

Net sales by Service for the years ended March 31, 2020 and 2019 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales by Service:			
Air freight forwarding	¥ 186,389	¥ 211,358	$ 1,712,661
Sea freight forwarding	153,469	165,614	1,410,171
Logistics	163,508	176,100	1,502,416
Others	41,165	38,935	378,250
	¥ 544,533	¥ 592,009	$ 5,003,519

6. Net sales classified by Country or Geographic area

Net sales classified by country or geographic area for the years ended March 31, 2020 and 2019 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales classified by Country or Geographic area:			
Japan	¥ 133,090	¥ 141,771	$ 1,222,916
North America			
United States	151,278	162,644	1,390,039
Others	10,129	12,451	93,071
Asia and Oceania			
China	86,832	97,519	797,868
Others	105,654	107,904	970,816
Europe	38,809	45,322	356,602
Latin America	12,760	16,496	117,247
Others	5,977	7,898	54,920
	¥ 544,533	¥ 592,009	$ 5,003,519

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

7. Property and equipment classified by Country or Geographic area

Property and equipment classified by country or geographic area for the years ended March 31, 2020 and 2019 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Property and equipment classified by Country or Geographic area:			
Japan	¥ 25,169	¥ 25,276	$ 231,268
North America			
United States	7,560	3,521	69,466
Others	2,516	2,090	23,118
Asia and Oceania			
China	8,002	2,296	73,527
Others	22,461	11,715	206,386
Europe	870	339	7,994
Latin America	953	555	8,756
Others	611	342	5,614
	¥ 68,145	¥ 46,137	$ 626,160

8. Information regarding impairment loss of long-lived assets of reportable segments
Impairment loss of non-current assets by reportable segments for the years ended March 31, 2020 and 2019 are presented below:

	Millions of yen								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2020									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 7,817	¥ 7,817	¥ –	¥ 7,817
Year ended March 31, 2019									
Impairment loss of non-current assets	¥ –	¥ –	¥ –	¥ –	¥ 1,311	¥ 2,331	¥ 3,643	¥ –	¥ 3,643

	Thousands of U.S. dollars								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2020									
Impairment loss of non-current assets	$ –	$ –	$ –	$ –	$ –	$ 71,827	$ 71,827	$ –	$ 71,827

Notes:
The impairment loss that APLL segments recognized includes the loss on software of ¥4,426 million ($40,675 thousand) associated with APL Logistics Ltd and loss on goodwill of ¥48 million ($444 thousand) associated with India infrastructure and Logistics Private Limited.

APLL segment also recognized loss for share of ¥3,342 million ($30,714 thousand) associated with Changan Minsheng APLL Logistics Co., Ltd., an affiliate accounted for using equity method, and it was recorded in equity in earnings (losses) of affiliates, net for the year ended March 31, 2020.

9. Information on amortization of goodwill and balance of goodwill of reportable segments
Amortization of goodwill and the balance of goodwill by reportable segments for the years ended March 31, 2020 and 2019 are presented below:

	Millions of yen								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2020									
Goodwill									
Amortization of goodwill	¥ 47	¥ 118	¥ –	¥ –	¥ –	¥ 3,444	¥ 3,610	¥ –	¥ 3,610
Balance of goodwill	664	2,458	–	–	–	53,028	56,150	–	56,150
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	97	–	97	–	97
Year ended March 31, 2019									
Goodwill									
Amortization of goodwill	¥ 47	¥ 119	¥ –	¥ –	¥ –	¥ 3,499	¥ 3,666	¥ –	¥ 3,666
Balance of goodwill	711	2,651	–	–	–	57,240	60,603	–	60,603
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	11	–	11	–	11
Balance of negative goodwill	–	–	–	–	108	–	108	–	108

	Thousands of U.S. dollars								
	Reportable Segments								
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL	Total	Other	Total
Year ended March 31, 2020									
Goodwill									
Amortization of goodwill	$ 431	$ 1,084	$ –	$ –	$ –	$ 31,645	$ 33,171	$ –	$ 33,171
Balance of goodwill	6,101	22,585	–	–	–	487,255	515,942	–	515,942
Negative goodwill									
Amortization of negative goodwill	–	–	–	–	101	–	101	–	101
Balance of negative goodwill	–	–	–	–	891	–	891	–	891

Note 15: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2020 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Personnel expenses	¥ 45,423	¥ 47,344	$ 417,375
Facility expenses	9,160	10,258	84,167
Office expenses	4,247	4,225	39,024
Depreciation	6,889	5,359	63,300
Amortization of goodwill	3,610	3,666	33,171
Others	4,800	5,305	44,105
Total	¥ 74,132	¥ 76,160	$ 681,172

Note 16: Other Income (Expenses)

Others, net during the years ended March 31, 2020 and 2019 were summarized as follows :

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gain (loss) on sales or disposals of property and equipment, net	¥ –	¥ –	$ –
Amortization of negative goodwill	11	11	101
Settlement income	–	–	–
Other, net	225	502	2,067
Total	¥ 236	¥ 513	$ 2,168

Note 17: Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized gains (losses) on available-for-sale securities			
Increase (Decrease) during the year	¥ (695)	¥ (413)	$ (6,386)
Reclassification	(142)	(277)	(1,304)
Subtotal, before tax	(838)	(690)	(7,700)
Tax (expense) or benefit	244	183	2,242
Subtotal, net of tax	(593)	(506)	(5,448)
Foreign currency translation adjustments			
Increase (Decrease) during the year	(5,868)	(3,057)	(53,918)
Reclassification	(2)	67	(18)
Subtotal, before tax	(5,870)	(2,990)	(53,937)
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	(5,870)	(2,990)	(53,937)
Remeasurements of defined benefit plans			
Increase (Decrease) during the year	(987)	(2,865)	(9,069)
Reclassification	550	209	5,053
Subtotal, before tax	(436)	(2,656)	(4,006)
Tax (expense) or benefit	133	814	1,222
Subtotal, net of tax	(303)	(1,841)	(2,784)
Share of other comprehensive income of associates accounted for using equity method			
Increase (Decrease) during the year	(206)	(919)	(1,892)
Reclassification	(6)	(5)	(55)
Subtotal	(212)	(925)	(1,947)
Total other comprehensive income	¥ (6,980)	¥ (6,264)	$ (64,136)

Note 18: Related Party Transactions

Related party transactions and outstanding balances for the year ended March 31, 2020

•Classification	Other related company	
•Name of the company or individual	Kintetsu Group Holdings Co., Ltd.	
•Place	Osaka City, Japan	
•Capital stock amount		¥126,476 Million ($1,162,142 thousand)
•Nature of business	Pure holding company	
•Ownership ratio of voting rights (%)	(Owned ratio)	Direct 44.2
		Indirect 3.0
•Nature of relationship	Director serving both companies	
•Nature of transaction	Lending loan and receipt of interest	
•Amount of transaction	Lending loan	¥4,767 Million ($43,802 thousand)
	Receipt of interest	¥13 Million ($119 thousand)
•Name of Accounts	Other current assets	
•Balance at period end	Lending loan	–
	Receipt of interest	¥3 Million ($27 thousand)

Related party transactions and outstanding balances for the year ended March 31, 2019
None

Note 19: Amounts Per Share

Net assets per share as of March 31, 2020 and 2019 and net income per share for the years ended March 31, 2020 and 2019 were summarized as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 1,615.38	¥ 1,690.89	$ 14.84
Earnings per share	65.68	136.91	0.60

Notes:
1. Diluted net income per share for the years ended March 31, 2020 and 2019 are omitted, because the Company has no dilutive shares.
2. Basis for calculation of earnings per share for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income attributable to owners of the parent	¥ 4,724	¥ 9,857	$ 43,407
Net income not attributable to common shareholders	–	–	–
Net income attributable to common shareholders	¥ 4,724	¥ 9,857	$ 43,407

	Shares	
	2020	2019
Weighted-average number of shares of common stock outstanding	71,932,308	71,997,635

Note 20: Subsequent Events

None

Independent Auditor's Report

Independent auditor's report for the consolidated financial statements of Kintetsu World Express, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information is available on our website.

https://www.kwe.co.jp/en/ir-contents/ir-library2020#annualreport

Investor Information

(As of March 31, 2020)

Head Office:
Shinagawa Intercity TowerA-24Fl.
2-15-1 Konan, Minato-ku, Tokyo 108-6024, Japan
Tel: +81-3-6863-6440

Established:
January 1970

Paid-in Capital
¥ 7,216 million

Number of Common Stocks

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

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

Shareholder Register Administrator:
Mitsubishi UFJ Trust and Banking Corporation

Number of Employees:
17,339 (worldwide)

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

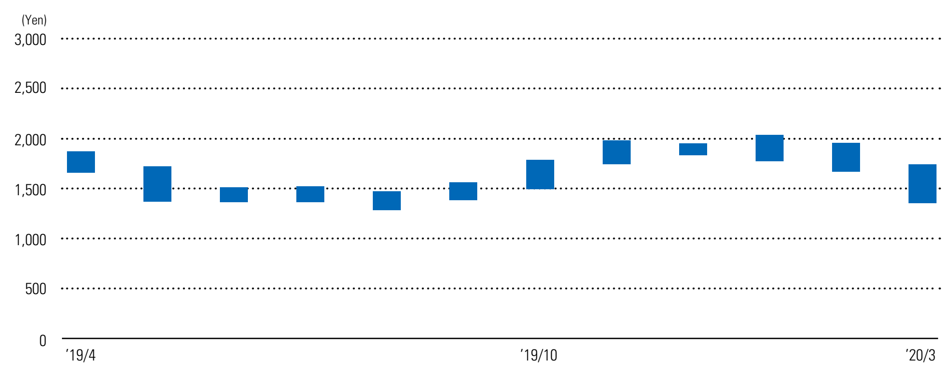
Website Address:
https://www.kwe.com

Major Shareholders

(As of March 31, 2020)

Shareholder	Number of shares held	% of shares held
Kintetsu Group Holdings Co., Ltd.	31,755,800	44.11%
Japan Trustee Services Bank, Ltd. (Trust Account)	4,235,700	5.88%
Mitsui O.S.K. Lines, Ltd.	3,599,000	5.00%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,998,700	4.16%
Hokko Daiwa Taxi Co., Ltd.	1,875,000	2.60%
NORTHERN TRUST CO. (AVFC) RE HSD00	1,444,600	2.01%
NORTHERN TRUST CO. (AVFC) RE HCR00	1,165,300	1.62%
National Mutual Insurance Federation of Agricultural Cooperatives	951,400	1.32%
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK INTERNATIONAL GMBH, LUXEMBOURG BRANCH ON BEHALF OF ITS CLIENTS: CLIENT OMNI OM25	827,900	1.15%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	817,900	1.14%

Stock Price



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

Printed in Japan