



Annual Report 2021

Kintetsu World Express, Inc.

Year Ended March 31, 2021

“Global Top 10 Solution Partner”

A Global Brand Born in Japan



Corporate Philosophy

“Contribute to the development of a global community through logistics services—by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees.”



KWE Group Corporate Guidelines

- (1) We strive to further increase corporate value by delivering customers quality services that meet their needs and earn their confidence.
- (2) We strive to be an organization that grows and expands through logistics business.
- (3) We promote communications with stakeholders and disclose corporate information accurately and appropriately.
- (4) We are committed to comply with external regulations, and compliance monitoring and assessment are built into all levels of the business.
- (5) We ensure a safe and healthy work environment where people are treated respectfully and fairly.
- (6) We contribute in sustainable community development, with attention to global environmental issues.

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Scope and Time Frame of This Report

Organization

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

Time frame

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021) (Includes some content after April 1, 2021)

Expectations and Forecasts

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

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



For Sustainable Growth

Foundation for Creating New Value

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For Sustainable Growth Toward the Sustainable Development of a Global Society

KWE Group Sustainability Basic Policy (enacted in November 2020)

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

As the global economic/social activities have reached a critical inflection point, in November 2020, the KWE Group newly enacted “KWE Group Sustainability Basic Policy”. Under the Policy, we will work to increase our corporate value from the perspective of our stakeholders and promote initiatives that contribute to sustainable development of society.



SUSTAINABLE DEVELOPMENT GOALS



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Foundation for Value Creation - Human Resources

Leverage Human Resources for the Sustainable Development of Society

Joy and Responsibility to Provide Ongoing Support to Society through Logistics

The onset of the pandemic and climate changes have affected global supply chains that support people's lives.

But this is where every staff in the KWE Group finds delight and feels responsible with pride supporting society through logistics. Going forward, we will contribute to society's sustainable development through diversity in human resources together as a team and by offering solutions to customers.



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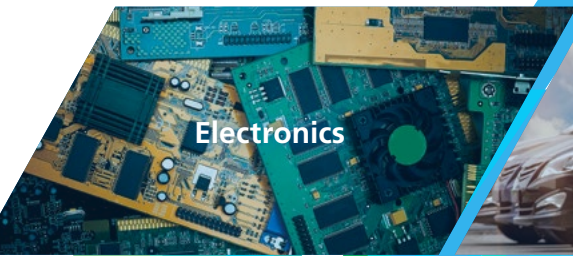
Industry Vertical

Support Supply Chains in Various Industry Sectors

Build a Diverse Business Portfolio Based on Trust

In addition to the electronics field in which we have been showing strength since the time of foundation of our business, we have been positively developing business with customers in various industry verticals.

To keep adding new industry verticals to our customer list is indispensable to keep our business less volatile.



Electronics



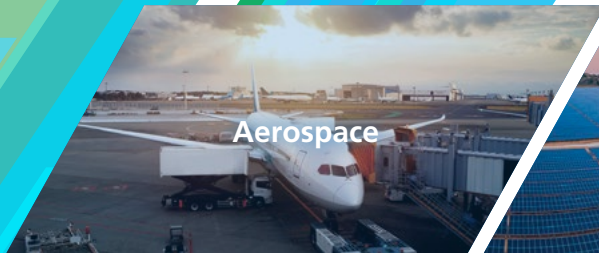
Automotive



Healthcare



Industrial



Aerospace



Energy



Retail



Perishables

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Long-Term Vision

Compass 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—

The Americas

- United States
- Canada
- Mexico
- Latin American countries

Net Sales ('21/3)

0.9%UP
(YoY change)

Europe, Middle East & Africa

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

Net Sales ('21/3)

7.6%UP
(YoY change)

Japan

Net Sales ('21/3)

10.1%UP
(YoY change)

East Asia & Oceania

- Hong Kong
- China
- South Korea
- Taiwan
- Australia

Net Sales ('21/3)

41.5%UP
(YoY change)

APL Logistics Group

Net Sales ('21/3)

16.4%DOWN
(YoY change)

Southeast Asia

- Singapore
- Malaysia
- Thailand
- India
- Indonesia
- Vietnam
- The Philippines
- Cambodia

Net Sales ('21/3)

70.6%UP
(YoY change)



Foundation for Creating New Value

—Our Services—

<p>Air Freight</p> <p>Net Sales ('21/3)</p> <p>46.9% UP</p> <p>(YoY change)</p>		<p>Main Services</p> <ul style="list-style-type: none"> • Air freight forwarding • Trucking for pick-up and delivery • Customs brokerage • Customized packaging • Installation of precision machinery 	<p>Items to handle</p> <ul style="list-style-type: none"> • Electronics components & products • Automotive parts and components • Healthcare products • Chemical products 	<ul style="list-style-type: none"> • Machinery and its parts • Apparel • Aircraft components • Alcoholic beverages, etc.
<p>Sea Freight</p> <p>Net Sales ('21/3)</p> <p>1.5% DOWN</p> <p>(YoY change)</p>		<p>Main Services</p> <ul style="list-style-type: none"> • Sea freight forwarding (FCL, LCL) • Container drayage • Trucking for pick-up and delivery • Customs brokerage • Buyer's consolidation • PO Management 	<p>Items to handle</p> <ul style="list-style-type: none"> • Electronics components & products • Automotive parts and components • Plant equipment • Machinery and its parts 	<ul style="list-style-type: none"> • Chemical products • Equipment for events • General merchandise and retail goods, etc.
<p>Logistics</p> <p>Net Sales ('21/3)</p> <p>11.0% DOWN</p> <p>(YoY change)</p>		<p>Main Services</p> <ul style="list-style-type: none"> • Contract Logistics PO Management/Inventory control management/Cross-dock operation/Assembly works/Call center functions/Product inspection/VMI (Vendor Managed Inventory), etc. • Logistics consulting 	<ul style="list-style-type: none"> • Transportation via truck, trailer, and rail • Auto-related Logistics (transportation of finished vehicles, auto parts) 	<p>Items to handle</p> <ul style="list-style-type: none"> • Industrial products and components • Automotive products • Healthcare products • Chemical products • Retail goods • Consumer goods, etc.
<p>Other Operations</p> <p>Net Sales ('21/3)</p> <p>6.1% DOWN</p> <p>(YoY change)</p>		<p>Main Services</p> <ul style="list-style-type: none"> • Domestic air freight forwarding • Customized packaging, transport, and installation of precision machinery • Temporary staffing, primarily for logistics and trading businesses 	<ul style="list-style-type: none"> • Transport of art objects and other materials for events and exhibitions • Hand carry service 	

For Sustainable
Growth

Foundation for
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Top Message

Groupwide Efforts toward Sustainable Growth



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We will integrate the Group's collective strengths to expand business and press ahead with sustainability initiatives.

The KWE Group celebrated its 50th anniversary in January 2020, making the fiscal year ended March 2021 the first year of the next half-century. In the first half of the year, handling volume declined due to economic stagnation and supply chain turmoil resulting from the worldwide spread of the novel coronavirus (hereinafter COVID-19). However, as the second half saw the start of a recovery and, partly due to a drop in passenger flights leading to a shortage of freight capacity and hike in freight costs and sales prices, we achieved record highs in net sales, operating income, and net income attributable to owners of the parent.

I would like to express my sincere gratitude to the customers who entrusted us with their business even when supply chains were disrupted in the wake of the COVID-19 pandemic, as well as to our employees, business partners, and suppliers who persevered to fulfill our mission as an essential business.

At the same time, I recognize that our efforts toward further expanding business and achieving sustainable growth are still in their beginning stages. I say this because the handling volume in the fiscal year ended March 2021 remained flat, and our strong performance during the period was largely due to external factors such as a hike in freight costs and sales prices resulting from the shortage of freight capacity.

In addition, in light of heightening global risks such as the spread of COVID-19 infection and the aggravation of climate change, it has become clear that we must work together to develop our sustainable society.

Therefore, the Group aims for continuous improvement of corporate value by expanding business to realize our Long-Term Vision, as well as integrating the Group's overall strengths to press ahead with our new sustainability activities.

I would like to ask our stakeholders for their continued support and understanding.



Nobutoshi Torii
President & CEO

Summary of Medium-Term Management Plan Second Year Results

Although activities were restricted due to the COVID-19 pandemic, we were able to unify the collective strengths and advance efforts to reinforce foundations for sustainable growth.

Progressed in strengthening our business platform to become a “Global Top 10 Solution Partner”

In order to strengthen our platform for business expansion, we have established a general counsel position in April 2021 whose responsibility is to enhance risk management, contract management and compliance, and properly assess and respond to various risks.

We have appointed the Chief Legal Officer of APL Logistics Ltd (APLL), who is an attorney, to manage legal affairs for the KWE Group, thus establishing an internal system to advise management and business divisions.

In the IT field, we furthered our efforts to construct the next global IT system, with an emphasis on IT security.

In human resources management, we initiated a global human resources development program and formulated KWE Global HR Guidelines, while in financial accounting, we continued efforts to improve financial soundness.

Strengthened each regional headquarters’ sales organization and industry vertical strategies

In the fiscal year ended March 2021, the handling

volume for corporate accounts increased by 6.5% year on year for air freight and decreased by 7.5% for sea freight. To improve performance and develop corporate accounts, Regional Sales & Marketing (RSM) departments were established in each regional headquarters to reinforce sales infrastructure and further diversify our customer portfolio.

In terms of sales strategies by vertical, we acted to boost project cargo by establishing a branch in Romania in January 2021 which has a specialist in this field as its core staff. In addition, amid growing demand for air freight handling perishables, we acquired a Canadian logistics provider that specializes in this field in May 2021.

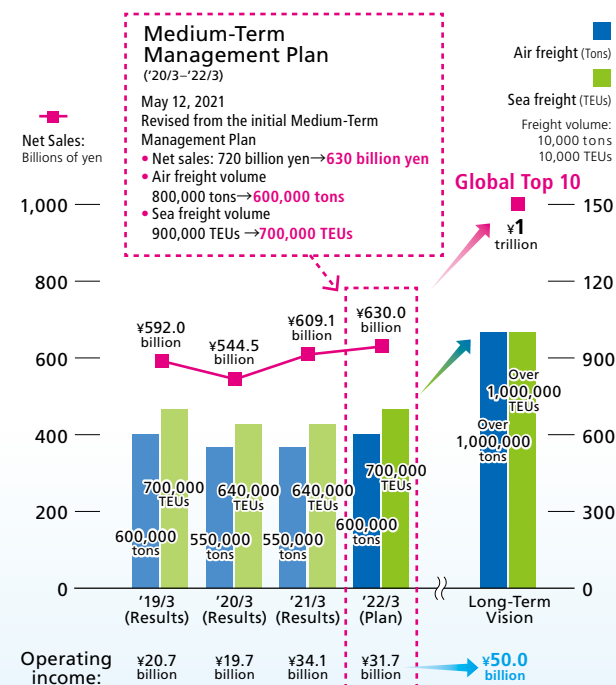
Undertook a new challenge to boost handling volume

Air transportation from Asia to Americas, which the Group prioritizes for volume expansion, grew steadily in the fiscal year ended March 2021 with a 20.9% increase year on year. In order to expand further and to improve service flexibility, we launched charter flights from the second half. With proper risk assessment, we aim for a further increase in handling volume.

In our sea freight business as well, we focused on

securing space and controlling costs through taking advantage of economies of scale. APLL has also expanded its intermodal solutions as part of its efforts to support global decarbonization.

Long-Term Vision and Medium-Term Management Plan



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Business Environment

To fulfill our mission and the needs of our customers in an ever-changing environment, our response should be swift, accurate, and flexible.

As the COVID-19 pandemic continues, we will fulfill our mission while protecting the health and safety of employees

Effects of the COVID-19 pandemic vary by country and region as some countries increase vaccination efforts, outbreaks of new variants have spread in others, and it is now more difficult to assess future conditions. In spite of this, the Group will continue to operate while protecting the health and safety of its employees, fulfilling our mission as an essential business.

Swift and measured responses to global shifts in the supply chain

As the U.S.-China trade friction and other geopolitical risks continue to increase, many customers' supply chains may relocate or reorganize production sites in the future. Therefore, in addition to frequently exchanging information with customers, we will respond flexibly and quickly to changes in the supply chain by taking advantage of our asset-light business model.

As technological innovations such as IoT, AI, 5G, and EV accelerate demand for semiconductors and

electronic components, we will steadily incorporate commodity-specific best practices to anticipate the onset of these and other emergent trends in international and domestic communities.

Ready for global competition by refining our strength in Asia

In the global top group that we aspire to join, many of the industry's global leaders have taken steps toward acquisitions and mergers, and the market share of top players is increasing.

However, there are various needs in the Asian market where the Group has its main focus that cannot be solved by handling volume alone. We should keep refining our strength there further. We are to be well prepared for further global competition by optimizing our organization, product lineups and competitive pricing.



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

While the unusual business environment continues, we will enhance each measure focusing on business expansion.

Enhance and diversify measures to secure freight capacity

The outlook for the shortage of air freight and sea freight capacity and resulting increases in freight costs and sales prices is uncertain. However, in order to increase our opportunities to expand sales by securing freight capacity, we will further enhance and diversify aggressive charter services we began in the second half of the previous year. Additionally, we will combine them with gateway services in major airports and strengthen block space agreements.

Also, we will further optimize our centralized procurement by making the most of partnerships with carriers and the Group's economies of scale in order to secure Asia-to-North America freight capacity, which is particularly short.

Boldly seize new business opportunities

As we continue to serve emerging markets associated with technologies such as IoT, AI, 5G, and particularly EV, we understand that such markets have progressed in alignment with the global decarbonization movement. As industry-wide changes affect more traditional supply chains, we should respond flexibly with respect to these changes and actively seek new business opportunities.

Identify areas to win and expand business with corporate accounts

Our most important strategy for becoming a "Global Top 10 Solution Partner" has been the business expansion with corporate accounts. In the fiscal year ended March 2021, we saw new inquiries from many custom-

ers struggling with capacity shortages. By proactively securing space, identifying novel strategies, and maximizing our responsiveness, we were able to capture new business.

To compete with global players, we should seize all opportunities while identifying areas of key advantage, and since responsiveness is the key, we will continue to optimize our operations to the challenges of the COVID-19 pandemic.



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Advancing the Sustainable Development of Society

Based on the “KWE Group Sustainability Basic Policy” rooted in our Corporate Philosophy and KWE Group Corporate Guidelines, we will promote activities focusing on material topics.

Enacted the “KWE Group Sustainability Basic Policy” in harmony with Corporate Philosophy and KWE Group Corporate Guidelines

The Group already has a history of fulfilling its social mission, i.e. playing an essential role in the global economy by providing logistics services in line with our Corporate Philosophy and KWE Group Corporate Guidelines, as well as enhancing human resources and promoting social contribution activities. Our society now exists in an era whereby all companies must make conscientious and wide-ranging efforts toward sustainability.

Therefore, in November 2020, in order to incorporate a sustainability perspective into our management and inte-

grate resolution of environmental/social issues with our business activities, we established the KWE Group Sustainability Committee with the President as its chair. In addition, we enacted the KWE Group Sustainability Basic Policy based on Corporate Philosophy and KWE Group Corporate Guidelines.

At the same time, by launching the KWE Group Sustainability Committee consisting of Directors and General Managers of regional headquarters, the Group embarked on efforts to contribute to a sustainable society.

As President, I will lead the Group to take sustainable action

The materiality assessment conducted in May 2021 identified six material topics for the Group: Anti-Corruption, Data Security, Diversity and Equal Opportunity,

Emissions, Energy, and Social Impacts in the Supply Chain. After establishing measures and targets for each topic, we will start to take concrete actions.

As President, I will lead the Group to take sustainable action and ensure that our employees understand the importance of undertaking sustainability initiatives, and I will also explore sustainable development as a new business opportunity for the Group.

Finally, in order for us to contribute to the realization of a brighter future society, we aim to enhance corporate value not only from the perspective of shareholders and investors but also stakeholders including customers, employees, business partners, suppliers, and local communities and governments. In this way, we will contribute to the sustainable development of society.



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Message from William Villalon, President, APL Logistics

An Unprecedented Year



An outbreak of COVID-19 in Wuhan, China was reported in January 2020. Soon after, the world was in the grips of a global pandemic. At the peak of COVID-19 lockdowns ensued, stores closed, manufacturing stalled and the supply chain was monumentally disrupted. It became apparent in early 2020 that the strategy and budget APLL established heading into the year would be

secondary to ensuring employee safety and business continuity throughout the pandemic.

As a result, in 2020 we delivered 148.1 billion yen in net sales, 5.6 billion yen in operating income, declined year-over-year by 16.4% and 38.4% respectively. Segment loss amounted to 19 million yen in entire KWE group financial results.

These results are attributed primarily to significant volume drops across all verticals at the height of the pandemic. The auto segment was also hit by a global chip shortage, which will continue to plague auto production throughout 2021.

To be sure, 2020 presented us with an unimaginable challenge. Our performance was impacted by circumstances largely out of our control. Despite these unprecedented challenges, APLL still turned in a net profit. This is a remarkable “silver lining” considering that we had nearly zero net profit during the 2nd quarter when the pandemic peaked globally.

Most importantly, last year we learned a lot about the make-up of APL Logistics. Employees rallied together to enact business continuity plans that allowed us to maintain our commitments to customers in a safe and secure manner. Front line staff at facilities continued to show up and maintained operations in less-than-ideal circumstances. Office workers pivoted to work-from-home environments, and in some regions have not returned the office in over a year. This commitment to the organization and our customers is what allowed us to turn a profit.

We are not yet past this pandemic, but rest-assured we will come out the other side as a stronger APL Logistics.

The Road Ahead

Entering 2021, retailers are racing to meet consumer demand as we emerge from the pandemic. While this demand should present opportunities for APLL to rebound from 2020, it is also stressing the global supply chain: from air and ocean capacity constraints, to record high freight rates and port congestion, to equipment shortages and imbalance, to over-packed distribution centers, to chip shortages that continue to plague the auto market.

Vaccination rates are rising in some parts of the world, but COVID-19 will continue to set the tone for 2021. Perhaps we will reach some sense of “new normal” by the end of the year. Auto production will likely remain weak throughout 2021 due to the semiconductor shortage, while imports into North America and Europe, Middle East and Africa should provide recovery for our retail and consumer verticals. We hope to see robust growth in the second half of the year as the cumulative effects of vaccinations, stimulus and pent-up demand intersect.

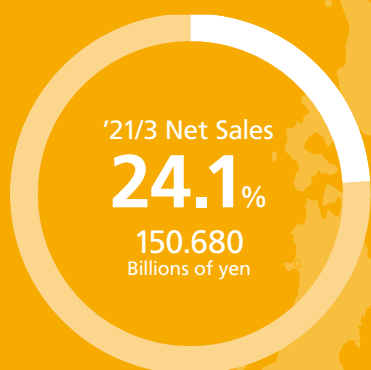
Though our path in 2021 will continue to be influenced by COVID-19, we remain committed to our long-term goals and strategies. APL Logistics will continue to develop systems to further automate operational processes central to our core offerings, while also enhancing reporting, visualization, analytics and overall user experience. Socially, we are leading the way with our GHG Product Suite, an award-winning innovation that enables customers to measure and reduce or eliminate greenhouse gas emissions in their downstream supply chain. From a people perspective, we are committed to creating more robust programs to ensure diversity and inclusion throughout the organization.

In closing, I would just like to say that I am proud of what we have been able to accomplish against the incredibly difficult backdrop of COVID-19. Thank you to all our employees for their hard work and dedication. As always, I am honored to lead this organization.

The future looks bright for APL Logistics.



Japan



General Manager, Japan
Tetsuya Yamanaka

Enhance strategic partnership with multinational customers for mutual growth

Japan Region will continue to put our focus on providing optimal global supply chain solutions for major Japanese companies that support global technological innovation as well as helping non-Japanese companies to create the best-in-class logistics throughout Japan. As the flagship region for the entire KWE group companies, we will move forward the following core policies for the fiscal year through March 2022 for further growth with our important business partners together.

1 For the Business Volume Growth

- (1) Further sales promotion by industry verticals
Exports: Automotive/electronics/semiconductor manufacturing equipment/healthcare/chemicals/construction machinery/materials
Imports: Electronics/healthcare/automotive/retail
- (2) Continuous promotion of sea freight forwarding business development
- (3) Logistics business enhancement

2 For Better Quality and Productivity

- (1) Ongoing optimization of IT system for pursuing the highest end of quality assurance
- (2) Standardization of operations for higher efficiency and productivity

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

Strengthen and refine corporate business platform to continue responding flexibly to changes in the business environment amid COVID-19 crisis

Freight Movements

	Fiscal year through March 2021	
	Exports	Imports
Air freight	Down 3.5% ^{*1}	Down 4.7% ^{*2}
Sea freight	Up 10.3% ^{*3}	Down 2.2% ^{*2}

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

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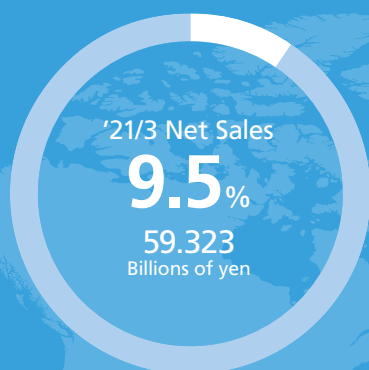
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Japan [The Americas](#) Europe, Middle East & Africa East Asia & Oceania Southeast Asia APLL

The Americas

Major Countries and Regions

United States, Canada, Mexico, and Latin American countries



General Manager,
The Americas
Tetsuya Yamanaka

Moving forward 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, especially in the post COVID-19 environment as the new normal. In the fiscal year through March 2022, we will continue to work on the following measures to expand handling volumes for further business growth as the final year of our current Medium-Term Management Plan.

1 Sales Strategies by Vertical

We will continue to put our priority on the healthcare, life science, chemicals, and automotive business fields, as we did in the previous fiscal year. We are also 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 strategic key origin countries such as China, Hong Kong, Thailand, Vietnam, as well as Singapore by strengthening the global partnership with major carriers.

We will securely standardize our sales and operations quality with the East Asia & Oceania and Southeast Asia regions as well as collaboratively work with the APLL Group, in order to achieve stable growth in import business volumes into the Americas region.

3 Continue to 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 2021	
	Exports	Imports
Air freight	Down 3.6% ^{*1}	Down 14.6% ^{*2}
Sea freight	Down 22.6% ^{*3}	Down 7.3% ^{*2}

*1 based on weight

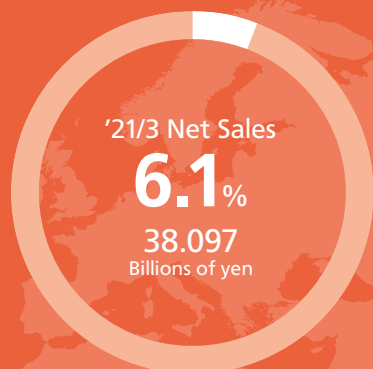
*2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

Europe, Middle East & Africa

Major Countries and Regions

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



General Manager,
Europe, Middle East & Africa
Shin Ogawa

Go Beyond Your Comfort Zone

EMEA Region starts the fiscal year through March 2022 with the slogan, “Go Beyond Your Comfort Zone”. This slogan consists of three key elements such as 1) Think outside the Box, 2) Always Innovation, and 3) Perform Better than Market. With this strong mindset, we will focus on business strategies to deliver best-in-class services to our stakeholders.

1 Boost Volume and Rank Up Market Position

We have the ambitious target to be ranked in the Top 10 Forwarders in each country in EMEA and to be recognized as the Global Partner in the European market, where we are in a battle of historical mega competition. Over the last year, we have been getting closer to the target. We will accelerate our efforts to optimize regional resources such as a) Gateways in Germany, Benelux, the U.K., Italy, and UAE, b) Regional Procurement System and c) Regional Charter Program.

2 Marketing Strategy and Diversification of Vertical Sectors

Besides our traditional strength in electronics, automotive, medical devices, industrial equipment, and the oil & gas sectors, we are extending our business into perishables and the pharmaceutical sectors. We have accelerated the setup of GDP certified facilities, cold chain solutions, and quality assurance teams at both regional and country levels. A newly established Project Cargo Team in Romania provides a strong driving force to develop oversized and out of gauge shipments around the globe. Our geographical focus is on developing long haul freight forwarding between Europe and key

markets in Asia and North America. We will demonstrate our core competence by providing a variety of routings, stable space capacity, and a personalized customer service backed by the latest digital tools.

3 Endless Efforts of Structural Reform

Our efforts to create a leaner organization with the concept of “Right Person in Right Position” will drive a continual improvement cycle and enable us to maximize operational efficiency and deliver customer service excellence. Our newly developed evaluation process will create a highly disciplined, result-oriented culture and very fair working environment for all our employees.

Freight Movements

	Fiscal year through March 2021	
	Exports	Imports
Air freight	Down 24.2% ^{*1}	Down 26.7% ^{*2}
Sea freight	Up 1.0% ^{*3}	Down 6.1% ^{*2}

*1 based on weight

*2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

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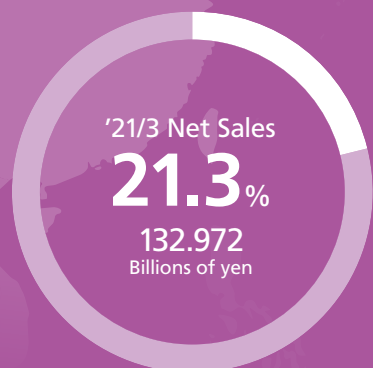
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East Asia & Oceania

Major Countries and Regions

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



General Manager,
East Asia & Oceania
Yoshihiro Kusakabe

Adapt and Grow — always ready to tackle the market challenges

COVID-19 crisis and its repercussions present us with new opportunities for growth and development. We will continue to implement necessary changes both internally and externally in order to react efficiently to new reality and challenges of the global market in the fiscal year through March 2022, for achieving growth and contribute to our goal of becoming a “Global Top 10 Solution Partner”.

1 Expand the Portfolio of Non-Japanese Customers

We continuously put efforts to expand our footprint with global customers and we have registered notable successes in our region, both in terms of customer retention and acquisition. Throughout the COVID-19 crisis, we have reacted to market disruption with efficient solutions for our customers, resulting in sustainable growth especially from Chinese multinationals.

2 TPEB (Trans-Pacific East Bound) Air freight Growth

Despite political and economic events of the last year, TPEB (Trans-Pacific East Bound) will continue to play a vital role in implementing our growth strategy. As a result of sea freight space shortage, the demand for reliable and timely air freight services allowed us to increase our BSA (Block Space Agreement) and charter capacity from multiple origins in this region to key destinations in the U.S. The strength of our global network and the professionalism of our staff supported the increase in volumes and established KWE as a quality brand among our customers.

3 Looking Further Ahead

We are confident in our capabilities to learn from the successes on TPEB and use this experience to expand business in other regions. We shall look at opportunities to increase freighter capacity, open new trade lanes and work closer with the KWE network to provide innovative solutions to our customers and grow our global coverage. We continue to invest in training and expertise of our staff and coordinate our commercial activities to leverage synergies among our branches, countries, and regions of the KWE network.

Freight Movements

	Fiscal year through March 2021	
	Exports	Imports
Air freight	Up 12.0% ^{*1}	Up 7.9% ^{*2}
Sea freight	Up 5.8% ^{*3}	Up 2.3% ^{*2}

*1 based on weight

*2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

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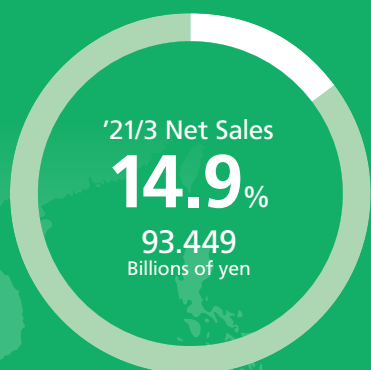
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Southeast Asia

Major Countries and Regions

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



General Manager,
Southeast Asia
Yasuhiro Kaneda

Making waves from Southeast Asia to expand global business

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 2022, we will adopt the following measures, as part of our business expansion plan.

1 Sales Expansion of Non-Japanese Accounts on Key Verticals

The second half of 2020 saw the abrupt turnaround of the freight market which was previously ravaged by the start-stop cycle of lockdowns in many countries. To continue to ride on this wave of upswing, we established a Business Development Department which will specialize in penetrating and expanding the non-Japanese market with a key focus on electronics, industrial products, healthcare, and retail.

2 Flexible Space Capability

With the current surging demand in air freight space under the continued decline of passenger flights, the Southeast Asia Region in conjunction with other regions will launch long haul charter services from multiple origins to key destinations in the U.S. and Europe. Besides enjoying economies of scale through loadings at multiple origin ports, KWE will be able to provide customers with greater shipping opportunities, which will greatly add value to our core services.

Simultaneously within Intra-Asia, we will utilize niche and regional carriers to support our customers' short haul needs.

3 Strategic Thrust into the U.S. Market

Southeast Asia has long been identified as a high growth export market to the U.S. and seen as a viable competitive alternative supply base to North Asia. With close collaboration with the various KWE procurement centers, we will develop a carrier strategy that will focus on upselling premium services in the market in order to better compete for the limited capacity from the carriers. In addition, we shall launch a coordinated approach to load from multiple origins to key destinations in the U.S., which will provide our customers at destinations with the means to strengthen their supply chain management both in terms of cost rationalization as well as integrity in product delivery.

Freight Movements

	Fiscal year through March 2021	
	Exports	Imports
Air freight	Up 5.7% ^{*1}	Down 10.3% ^{*2}
Sea freight	Down 3.9% ^{*3}	Down 5.3% ^{*2}

*1 based on weight

*2 based on number of shipments

*3 based on TEUs (Twenty-foot Equivalent Units)

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APLL

'21/3 Net Sales

23.7%

148.108
Billions of yen

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, Industrial and Retail verticals across key origin and destination markets. Our key policies for the fiscal year through March 2022 are as follows:

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

- Establishment of KWE Group General Counsel responsible for oversight of all legal and compliance issues for KWE affiliated companies, inclusive of APL Logistics. Samuel Eric Lee, formerly General Counsel of APL Logistics is appointed to the First General Counsel of the KWE Group.
- Collaboration in KWE Group Sustainability Activities - Completion of Materiality Assessment and being to build targeted, long-term strategies and goals around the following material topics: anti-corruption, data security, diversity and equal opportunity, emissions, energy, and social impacts in the supply chain



APLL Office Manager
Hiroyuki Kawaguchi

Sustainability Management

Enacted the “KWE Group Sustainability Basic Policy”

The Group enacted the “KWE Group Sustainability Basic Policy” in November 2020 in order to incorporate a sustainability perspective into our management and integrate resolution of environmental/social issues with our business activities.

KWE Group Sustainability Basic Policy

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



Under this basic policy, we will work to enhance corporate value and contribute to social progress/development from the perspective of stakeholders including shareholders and investors, business partners, suppliers, local communities and governments, and employees.

Established the Sustainability Committee chaired by the President & CEO

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



Materiality Assessment

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

Description	GRI Category	Map to SDGs
Anti-Corruption	Economic & Governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Data Security	Social	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Diversity and Equal Opportunity	Social	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
Emissions	Environmental	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Energy	Environmental	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Social Impacts in the Supply Chain	Social	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Environment

KWE Group Environmental Protection Policy

Based on its corporate philosophy, the KWE Group has enacted 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

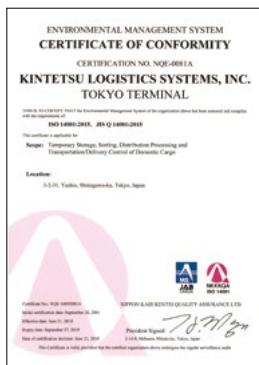
- 4 Prevent environmental pollution through cooperation with business partners, suppliers, and affiliates
- 5 Make all KWE Group employees aware of our environmental protection policies, and communicate them to the public as well

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

As part of these efforts, we acquired ISO14001 certification for environmental management systems at two domestic and 27 overseas facilities.

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

As for the material topics "Emissions" and "Energy", we are to start collecting related data from the entire group to set and identify concrete goals/targets.



ISO 14001 certification



Selected since 2018

Social

Relationship with Employees— Enacted KWE Global HR Guidelines

With the aim of becoming a "Global Top 10 Solution Partner" as part of its Long-Term Vision, the KWE Group focuses on developing global human resources as a priority measure of the Medium-Term Management Plan. In building a new global HR platform, we introduced succession planning in 2020 and began training younger generations for key positions.

As part of this process, we formulated "KWE Leadership Competencies", which summarize the elements required for the Group's leaders, and have begun using it as a human resource development tool. The above is also included in the "KWE Global HR Guidelines", which summarizes the direction of human resources management for the overall Group.

Eight Leadership Competencies (from the "KWE Global HR Guidelines")



HR Mission and Vision (from the "KWE Global HR Guidelines")

Corporate HR Mission

The KWE corporate HR mission is to ensure that every employee can enjoy a long and fulfilling career by creating a work environment where each individual is motivated to develop him or herself and contribute to the organization.

Corporate HR Vision

The KWE corporate HR vision is to attract, retain, and develop the best employees, and be a company that employees are proud of. We are committed to increasing employee engagement, resulting in the sustainable growth of both individuals and the organization.

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KWE Talent Management Platform

(from the “KWE Global HR Guidelines”)



Diversity

To promote diversity, the KWE Group does 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 are 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. Specifically, we are accumulating personnel data in local subsidiaries and reviewing the status of talent development on a regular basis with an aim to assign the right person to the right job.

KWE (non-consolidated, hereinafter “the Company” in this section) has 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. The Company’s first target is to raise the percentage of female employees to 35% of the overall workforce. The Company’s second target is to achieve a female manager ratio of 12% or higher. In the fiscal year ended March 2021, the Corporate Human Resources Department conducted a study with other departments to prepare career counseling services and transfer plans. The Company introduced telework and hourly paid leave on an official basis in 2020 after a trial period.

As for work-life balance initiatives, the Company introduced a new “Kintetsu Premium Holiday” that allows its employees to take nine consecutive days off once a year.

In addition, the Company has introduced initiatives including childbirth leave, maternity leave, child nursing leave, child 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.

Going forward, we will further promote diversity throughout the Group by initiatives in line with the material topic “Diversity and Equal Opportunity”, we recently identified.

Safety Initiatives

We are taking specific and effective actions worldwide.

Subsidiaries in Hong Kong, Philippines, Taiwan, and India acquired certification to the ISO45001 (formerly OHSAS 18001) occupational health and safety

management system.

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

Ensuring the Health, Safety, and Supply Chain Stability amid COVID-19

In February 2020, the Group set up “Emergency Response Headquarters” for COVID-19, placing top priority on ensuring the health and safety of our people and devised measures to prevent infection and stop the spread.

In Japan, in response to the rapid spread of COVID-19, from March 2020 we urged employees to work from home, work staggered shifts, and take paid leave, etc. When a state of emergency was declared, we reduced the number of employees commuting to the office as much as possible by making telework the default for operations capable of being performed remotely.

In overseas, in order to ensure the safety and security of expats and their family members we supplied masks to all of our facilities. Additionally, we promptly returned them to Japan from the countries or regions where the infection widely spread according to the risk levels announced by the Ministry of Foreign Affairs of Japan.

At the same time, the Group’s operations constitute an essential business that is indispensable to socio-economic activities. In order to fulfill our social mission of maintaining supply chains and to avoid stopping operations at front



International transportation operation of the COVID-19 vaccines

The Group undertakes international transportation operations of the COVID-19 vaccines from Europe to Japan.

With our fully dedicated task force of healthcare vertical specialists, we have been preparing for this quite serious mission including test transports, risk analysis and data synchronization. Together with our partners especially airlines and other business partners, KWE assures smooth and safe transportation of the vaccines to Japan.

lines in Japan and overseas, we constructed business frameworks to suit each situation in compliance with the administrative policies and guidelines in each country and region. Also, we worked to optimize our responses to meet our customers' needs in accordance with our Business Continuity Plans (BCP).

Enhancing Customer Relations

The KWE Group seeks to increase customer satisfaction through continuous 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 34 group companies (as of May 2021) are certified under the ISO 9001: 2008 quality management system, 23 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, eight group companies have acquired Good Distribution Practice (GDP) certification, and 13 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.

Relationship with Business Partners

The KWE Group enacted the KWE Vendor Code of Conduct in January 2020, which lays out standards of conduct regarding compliance with laws and regulations, business practices, ethical principles and conflicts of interest, health and safety, labor, supplier management, and environmental laws and regulations, etc.

The Group intends to further strengthen relationships with business partners around the world considering "Social Impacts in the Supply Chain", which it has identified as a material topic.



ISO 9001 certification



AEO Japan logo



GDP certification

Strengthening Information Security

The KWE Group handles numerous kinds of data in the course of its business activities, including customer data, personal information, and operational data. In 2007, it created the KWE Group Basic Policy on Information Security as part of its ongoing efforts to strengthen information security. In December 2020, it created the KWE Group IT Security Policy to enhance its information security more globally and is working to enhance its management system in response to the recent digital acceleration around the world.

The Group intends to further expand its activities, including strengthening “Data Security”, which it has identified as a material topic.

Social Contribution Activities

The KWE Group fulfills its responsibilities as a good corporate citizen through social contribution activities meeting the needs of local communities in support of environmental protection, public welfare, culture. In

the fiscal year ended March 2021, our Thai subsidiary supported local schools and communities, and our Philippine subsidiary donated to communities devastated by unprecedented typhoons.

Thai subsidiary

Based on the concept of Tambun (doing good deeds and accumulating merit) that is rooted in Thai culture, our Thai subsidiary and its employees have the custom of working together to carry out various social contribution activities continuously. In the fiscal year ended March 2021, they adopted “Give More, Get More Happiness” as their theme, and supported children in regions where daily necessities are constantly in short supply.

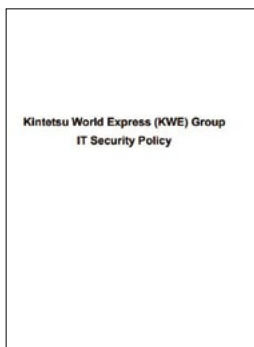
Employees in each department surveyed what kinds of foods and daily necessities were needed and donated accordingly. In October 2020, the donations were delivered to schools and communities in need, thereby helping to improve children’s quality of life and learning opportunities. To show their gratitude, the children gave

a dance and choral performance and enjoyed a good time with the employees.

Philippine subsidiary

In November 2020, two large typhoons struck Luzon island in the Philippines, with heavy rains causing floods, landslides, and many victims.

In response to a request for help from the local community, our Philippine subsidiary quickly procured foods, drinking water, and face masks to prevent COVID-19 infection. Employees also brought clothing, blankets, shoes, etc. that were packed into more than 50 large boxes. These supplies were delivered to victims of the typhoon, some via affected municipalities, and some directly by Philippine subsidiary employees, providing support for rebuilding their lives.



KWE Group IT Security Policy



Presentation of relief supplies (Thai subsidiary)



Items donated to victims (Philippine subsidiary)



Corporate Governance

Basic Philosophy

The KWE Group's corporate philosophy is to "Contribute to the development of a global community through logistics services—by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees". 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.

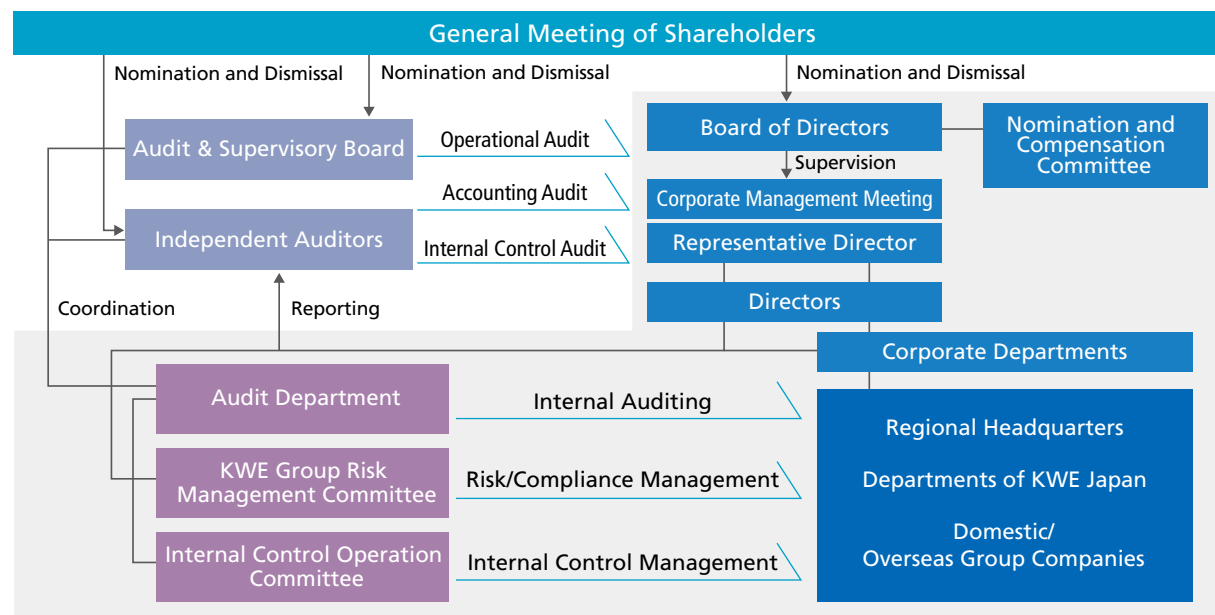
Features of KWE's Governance

KWE's governance system basically consists of the Board of Directors and the Audit & Supervisory Board. In order to speed up decision-making and clearly separate supervision from business execution, we have adopted a managing officer system and have elected 17 managing officers (including four who also serve as Directors). In addition, we have established a "Corporate Management Meeting" 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 eight 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 2021, and the three Outside Directors attended these meetings as follows.



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

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In addition, the evaluation of the effectiveness of the Board of Directors carried out in the fiscal year ended March 2021 indicated that the Board of Directors is generally operating effectively given that it has put in place the appropriate structures for making critical management decisions and supervising business execution, and is holding constructive discussions that include outside officers (three Directors, two Audit & Supervisory Board Members) who possess a diverse range of expertise. The evaluation also identified areas that require improvement for further improving the Board of Directors' effectiveness. It suggested that we should secure sufficient time for deliberation and decision-making in order to further enhance discussions. Based on the results of the evaluation, the Group will work to further improve the effectiveness of the Board of Directors and achieve corporate governance optimized for its business environment.

Audit & Supervisory Board Members

KWE's internal auditing is supervised by our Audit Department (13 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 Corporate Management Meeting.

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. They cooperate closely by exchanging information as necessary.

The Audit & Supervisory Board held 14 meetings in the fiscal year ended March 2021, 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 four independent officers—Sanae Tanaka, Jun Yanai, Yusuke Kawasaki, and Masayuki Kobayashi. None of these four individuals come from a KWE affiliated company, a major shareholder, or a major business partner, and because they are Outside Directors or Audit & Supervisory Board Members with a high level of independence to avoid the risk of conflicts of interest with general shareholders, we designate them as independent officers based on provisions of the Tokyo Stock Exchange and notify the exchange of this designation.

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

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).

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Sustainability Management Environment Social Governance**Career summary of four 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)

Masayuki Kobayashi

Apr. 1984 Joined TOKYU CONSTRUCTION CO., LTD.
 Jun. 2002 General Manager, Finance Department, Pacific Management Corporation
 Jun. 2005 Executive Officer at the company
 Mar. 2008 Director and General Manager, Management Control Division, Pacific Management Corporation
 Jun. 2010 General Manager, Compliance Department, Kenedix, Inc.
 Mar. 2017 Audit and Supervisory Board Member at the company (current position)
 Jun. 2021 Audit & Supervisory Board Member at Kintetsu World Express, Inc. (current position)

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 consolidated 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 15, 2021)

	Reasons for selection
Kazuyasu Ueda Chairman of the Board	As Senior Executive Vice President of Kintetsu Group Holdings Co., Ltd.(from April 2015 to June 2017), 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 Sales, Information Technology, and the APLL Group.
Katsufumi Takahashi Director Managing Executive 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 Hirose Director Managing Executive Officer	Mr. Kiyoyuki Hirose 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.

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Outside Directors

(Based on the information as of June 15, 2021)

	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, 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 (from April 2013 to March 2016), 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
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.
Shigehiro Tanida			Mr. Shigehiro Tanida 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 was in charge of comprehensive administration and guidance on internal controls.

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.
Masayuki Kobayashi	○	Audit and Supervisory Board Member, Kenedix, Inc.	Mr. Masayuki Kobayashi has a wealth of experience in the finance division at Pacific Management Corporation as well as experience and broad insights as General Manager, Compliance Dept. and Audit and Supervisory Board Member at Kenedix, Inc. and he is expected to oversee overall management.

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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, meets at least once a year to discuss 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

Corporate Management Meeting

KWE's Corporate Management Meeting is composed of standing Directors and Audit & Supervisory Board Members, managing officers, division managers, office Manager, and other relevant personnel. The Meeting 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

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. This policy was approved by the Board of Directors' meeting on June 18, 2019 following deliberations and findings by the Nomination and Compensation Committee.

Our "Director Compensation Policy" is as follows.

Director Compensation 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.

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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 an Independent Outside Audit & Supervisory Board Member) 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.

The maximum amount of Director compensation was set at ¥420 million (excluding compensations for directors as employees) at our 37th Ordinary General Meeting of Shareholders held on June 27, 2006. Further, the performance-based stock compensation for Directors (excluding Outside Directors) was set at a maximum of ¥250 million for the three fiscal years, with the number of stocks delivered at a maximum of 105,000 shares at our 50th Ordinary General Meeting of Shareholders held on June 18, 2019. Within the total range of

compensation approved by the General Meeting of Shareholders and deliberations/findings by the Nomination and Compensation Committee in line with the above Director Compensation Policy, Directors' compensation is determined by the President & CEO Nobutoshi Torii based on the authority vested in him at the Board of Directors' meeting held on June 16, 2020. Based on the fact that individual Directors compensation is determined through the above procedure, the Board of Directors judges the results to be appropriate and aligned with the Group's policy. In the fiscal year ended March 2021, we paid a total of ¥ 309 million to nine Directors, including ¥20 million to three Outside Directors.

The maximum amount of compensation for Audit & Supervisory Board Members was set at ¥72 million at our 37th Ordinary General Meeting of Shareholders held on June 27, 2006. 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 2021, we paid a total of ¥52 million to four Audit & Supervisory Board Members, including ¥10 million to the two Outside Audit & Supervisory Board Members.

Compliance

The Group clearly states that it will comply with and respect laws, regulations, and ethical standards in Corporate Philosophy, which defines the "basic philosophy", "values", and "purpose" behind its management and business activities. It is also clearly stated in KWE Group Corporate Guidelines and KWE Group Code of Conduct, which provide a foundation for the

activities of officers and employees.

In addition, the KWE Group Compliance Basic Policy defines the Group's basic philosophy and approach regarding compliance and underpins our business conduct. The Group positions compliance as one of its most important policies, and creates manuals and carries out periodic compliance training and audits in order to instill awareness of the importance of compliance throughout the Group. Additionally, each of the KWE Group companies has prepared a whistle-blower system to enable early detection and correction of violations of laws/regulations/corporate ethics and other frauds.

In the fiscal year ending March 2022, we identified the material topic "Anti-Corruption" and are preparing to implement a group-wide training/education program to instill awareness of this topic among employees.

Risk Management

KWE has enacted 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 twice during the fiscal year ended March 2021 to discuss

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major risks for the entire Group and drive risk avoidance and mitigation initiatives. Risk management committees at each of KWE's overseas Regional Headquarters and Japan Regional Headquarters met twice and three times, respectively, to identify risks and drive initiatives to address them.

Investor Relations

KWE has established an IR Group within the Corporate Planning & Administration Department, and the officer responsible for the Department is also the officer responsible for Investor Relations. In order to make our management more transparent, we disclose information about the status of our business through our website and other means, and 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 financial results presentations quarterly (May, August, November, and February) to explain our business performance and management policies to institutional investors and analysts. KWE's May 2021 briefing, which was held via telephone conference to prevent the spread of COVID-19,

was joined by 75 participants. In addition, we participate in small meetings, IR conferences and telephone conferences at the request of securities companies. We also hold briefings for individual investors irregularly to provide an opportunity to communicate with these investors.

Disclosure Policy

<https://www.kwe.com/ir/irpolicy/>

Disclosure Based on Principles of Corporate Governance Code

*The descriptions below correspond to the relevant sections of the Corporate Governance Code prior to the June 2021 revision.

[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, 2021, KWE held 13 equity securities with a value of around ¥4.9 billion. Following a review at the Board of Directors' meeting held on June 15, 2021, the Board opted to sell KWE's holding in two 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 Corporate Human Resources Department, Corporate Finance & Accounting Department, and the representatives of the labor unions to deliberate various

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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.com/about/whoweare/policy/philosophies/index.html>

- **Management strategy and management plan (the Medium-Term Management Plan)**

<https://www.kwe.com/ir/management/plan/index.html>

(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.com/about/sustainability/governance/index.html>

(iii) KWE'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.com/news/ir/2021/index.html>

[Supplementary Principle 4.1.1]

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

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

Please see the Outside Directors and Outside Audit & Supervisory Board Members section on **Pages 27 to 28**.

[Supplementary Principle 4.11.1]

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

[Supplementary Principle 4.11.2]

Please see Reasons for Selection of Directors and Audit & Supervisory Board Members on **Page 29**.

[Supplementary Principle 4.11.3]

KWE receives feedback and advice from Outside Directors on the analysis and evaluation of how effectively the Board of Directors is performing. We started evaluating the

effectiveness of the overall Board of Directors with reference to the individual evaluations of each Director in 2016.

[Supplementary Principle 4.14.2]

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

For newly appointed Directors and Audit & Supervisory Board Members, training will be given so they can acquire the necessary knowledge and are equipped to handle the responsibilities they have as Directors and Audit & Supervisory Board Members, including those related to KWE's business, financial affairs, and organization. Upon invitation from KWE, Outside Directors and Audit & Supervisory Board Members will visit various facilities and have training to attain the necessary information on the industry in which KWE is involved, KWE's history, business profile, financial affairs, strategies, organization, etc.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

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

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Messages from Independent Directors

Support Initiatives for Sustainable Growth by Viewing from a Perspective of Employees on the Front Lines

Regarding the KWE Group's sustainability activities which just started on a full scale, I believe it is important to view them from a perspective of employees on the front lines and create a corporate climate and a structure that allow each employee to work on sustainability activities with a sense of "ownership".

Last year, I had the opportunity to talk with female employees in various departments in the Company, and I felt that they have a positive attitude toward all that they do. I also felt that it is important for the Company to find out what kind of career each employee wants to pursue, regardless of gender, and give opportunities to motivated employees. I believe that our efforts for "Diversity and Equal Opportunity", one of the material topics, will surely produce results if both employees and the Company maintain such an attitude, contributing to sustainable growth of the Group. I will support these initiatives toward increasing corporate value as an independent officer.



Sanae Tanaka

Outside Director,
Member of the Nomination and
Compensation Committee

Make Recommendations concerning Sustainability Activities from a Broad Perspective

As climate change risk and infectious disease risk increase and the global economic/social activities drastically change with a shift from "shareholder capitalism" to "stakeholder capitalism", the KWE Group has enacted the KWE Group Sustainability Basic Policy and six material topics and is now developing measures and targets for each material topic. I will support these initiatives toward sustainable value creation of the Group as an independent officer, in addition to the existing activities.

Particularly for "Anti-Corruption", one of the material topics, I will use my insight that I have obtained through my experience as a chief compliance officer in a major general trading company. I will also offer my recommendations on initiatives for material topics "Emissions" and "Energy", leveraging my many years of experience in the energy-related business, including my current role to support initiatives toward a net zero carbon society as an outside director of an energy-related company.



Jun Yanai

Outside Director,
Member of the Nomination and
Compensation Committee

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Management



Kazuyasu Ueda
Chairman of the Board



Nobutoshi Torii
President and
Chief Executive Officer



Joji Tomiyama
Director
Executive Vice President



Katsufumi Takahashi
Director
Managing Executive Officer



Kiyoyuki Hirosawa
Director
Managing Executive Officer



Tetsuya Kobayashi
Outside Director



Sanae Tanaka
Outside Director



Jun Yanai
Outside Director

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OVERVIEW

The KWE Group consists of Kintetsu World Express, Inc., 129 consolidated subsidiaries and 10 affiliates accounted for using the equity method, for a total of 140 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 44.9% of net sales in the fiscal year ended March 2021), sea freight forwarding (24.8%), logistics (23.9%), and other operations (6.4%).

A breakdown of net sales* by segment shows that Japan accounts for 24.1%, the Americas for 9.5%, Europe, Middle East & Africa for 6.1%, East Asia & Oceania for 21.3%, Southeast Asia for 14.9%, APLL for 23.7%, and other* for 0.4%.

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

OPERATIONS

During the year ended March 31, 2021, the global economy experienced a rapid deterioration due to the global pandemic of COVID-19. While the economy later started to show a recovery trend in some countries as the economic activities gradually resumed and various policies have been implemented, uncertainty remained overall partly due to intermittent resurgence of infections. The Japanese economy also continued to experience a tough

situation as the country searched for a way to achieve both infection prevention and economic activities.

The global market witnessed a sharp decline in demand for international transportation in the first half of the fiscal year due to restrictions on economic activities around the world but started to show a recovery trend gradually in the second half.

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. However, growth in handling volume slowed, with air freight exports unchanged year-on-year (based on weight) and imports decreased by 3.8% (based on number of shipments), and with sea freight exports fell by 0.7% (based on volume: TEUs) and imports declined by 2.8% (based on number of shipments). Logistics were stagnant overall due to a decrease in the handling volume in APLL and Europe, Middle East & Africa.

While the handling volume decreased overall as above, net sales exceeded the previous year mainly due to the shortage of air and sea freight capacity and the resulting rise in freight cost.

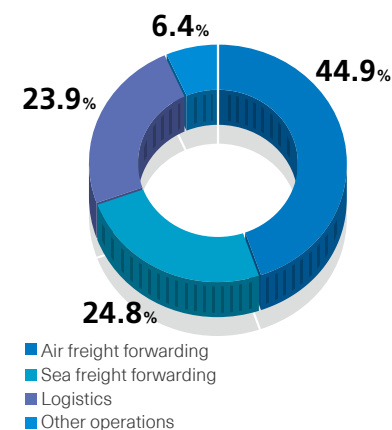
Net Sales

The KWE Group's consolidated net sales totaled ¥609.110 billion in the fiscal year ended March 2021, up by 11.9%, or ¥64.577 billion, from the previous year mainly due to the shortage of air and sea freight capacity and the resulting rise in freight cost despite an overall decline in handling volume.

Net sales in air freight forwarding rose by 46.9%, sea freight forwarding decreased by 1.5%, logistics fell by 11.0%, and other operations declined by 6.1%.

Net sales rose by 10.1% in Japan, 0.9% in the Americas, 7.6% in Europe, Middle East & Africa, 41.5% in East Asia & Oceania, and 70.6% in Southeast Asia, but fell by 16.4% in APLL.

Net Sales by Category



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Cost of Sales

Cost of sales totaled ¥504.332 billion in the fiscal year ended March 2021, up by 11.9%, or ¥53.646 billion, from the previous year.

The percentage to net sales was unchanged year-on-year at 82.8%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled ¥70.600 billion in the fiscal year ended March 2021, down by 4.8%, or ¥3.532 billion, from the previous year.

The percentage to net sales was 11.6%, falling by 2.0 percentage points from 13.6% in the previous year.

Operating Income

Operating income totaled ¥34.177 billion in the fiscal year ended March 2021, up by 73.4%, or ¥14.462 billion, from the previous year.

The operating margin was 5.6%, rising by 2.0 percentage points from 3.6% in the previous year. Selling, general, and administrative expenses to net sales declined by 2.0 percentage points from the previous year, while cost of sales to net sales was unchanged from the previous year.

Other Income (Expenses)

Other net expenses totaled ¥0.348 billion in the fiscal year ended March 2021, decreasing from net expenses of ¥6.457 billion in the previous year. This mainly reflected an increase in equity in earnings of affiliates, net of ¥3.253 billion and declines of ¥3.733 billion in impairment loss from the previous year.

Income before Income Taxes

Income before income taxes totaled ¥33.829 billion in the fiscal year ended March 2021, up by 155.2%, or ¥20.572 billion, from the previous year.

Income Taxes

Income taxes totaled ¥10.760 billion in the fiscal year ended March 2021, up by 53.1%, or ¥3.734 billion, from the previous year.

The effective tax rate was 31.8%, down from 53.0% in the previous year.

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

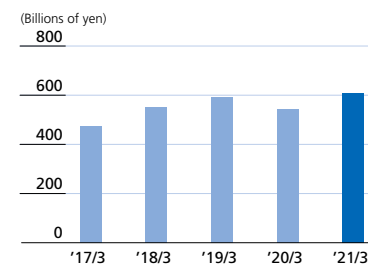
Net income attributable to owners of the parent rose by 358.2% from the previous year to ¥21.644 billion in the fiscal year ended March 2021. As a result, net income per share increased to ¥301.06 from ¥65.68 in the previous year. ROE increased to 17.0% from 4.0% in the previous year.

OUTLOOK FOR THE YEAR THROUGH MARCH 2022

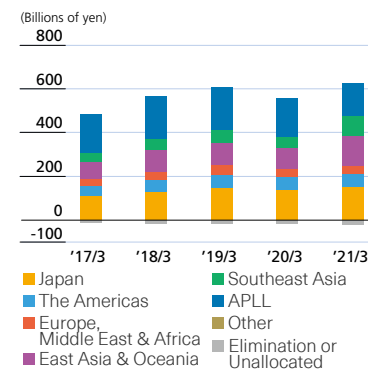
While the transportation volume is expected to recover, the business environment is forecasted to remain unpredictable due to factors such as the COVID-19 situation, increasing uncertainty of the global situation including the U.S.-China feud and a slowdown of production activities due to a global shortage in semiconductors. For the year ending March 31, 2022, although continuing high freight cost due to the shortage of air and sea freight capacity since the previous year is expected to continue for a while, the overall situation is assumed to remain uncertain.

Amid these conditions, the KWE Group will work to use flexible and strategic charter flights and Block Space Agreements (BSA), reinforce relations with carriers and optimize centralized procurement, implement continuous initiatives for items related to technological innovation (IoT, AI, 5G, EV, etc.), expand business with our multinational Corporate Accounts (CA), and optimize operations corresponding to the pandemic based on the Group's Long-Term Vision for the future, "Global Top 10 Solution Partner -

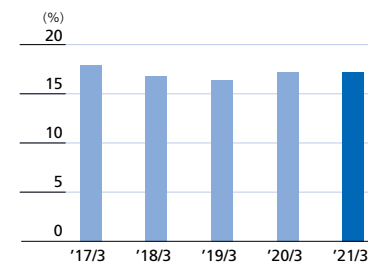
Net Sales



Net Sales by Segment



Operating Gross Profit Margin



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

While the Group earnings for the fiscal year ending March 2022 are likely to be affected by the global economy, exchange rates, and other factors, the forecasts at this point are net sales of ¥630.000 billion (up 3.4%), operating income of ¥31.700 billion (down 7.2%), and net income attributable to owners of the parent of ¥19.200 billion (down 11.3%).

We do not assume any large-scale restrictions on socio-economic activities such as a lockdown due to the spread of COVID-19 infections.

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, 2021 increased by ¥33.357 billion from the previous year to ¥418.827 billion.

Current assets increased by 22.4%, or ¥43.438 billion, to ¥237.402 billion. This was mainly due to increases in cash and time deposits of ¥9.783 billion and notes and accounts receivable-trade of ¥32.763 billion.

Total non-current assets declined by 5.3%, or ¥10.154 billion, to ¥181.294 billion. This reflected a ¥12.128 billion decline in intangible assets, mainly due to the amortization of goodwill and customer-related intangible assets.

Total liabilities were ¥270.087 billion, up by 4.3%, or ¥11.223 billion from the previous year. Current liabilities increased by 7.3%, or ¥9.303 billion, to ¥137.261 billion. This mainly reflected increases of 38.5% or ¥18.476 billion in notes and accounts payable-trade, 101.8% or ¥3.591 billion in income taxes payable,

and 34.1% or ¥1.567 billion in accrued bonuses to employees, despite a 34.3% or ¥16.355 billion decline in short-term debt including current portion of long-term debt.

Long-term liabilities increased by 1.5%, or ¥1.919 billion, to ¥132.826 billion. This was mainly due to a 150.0% or ¥15.000 billion increase in bonds payable, despite a 14.9% or ¥13.083 billion decrease in long-term debt.

Total interest-bearing debt decreased by 7.6%, or ¥13.054 billion to ¥157.804 billion from ¥170.859 billion in the previous year.

Net assets were ¥148.739 billion, up 17.5%, or ¥22.133 billion, from ¥126.606 billion in the previous year. This was mainly due to a 16.0% increase in retained earnings of ¥19.480 billion.

The equity ratio at the end of the fiscal year was 33.1%, up from 30.1% at the end of the previous year.

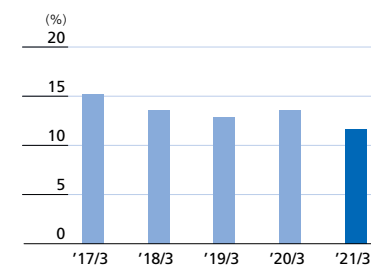
LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled ¥37.938 billion in the fiscal year ended March 2021, up by 4.5%, or ¥1.634 billion, from ¥36.304 billion in the previous year.

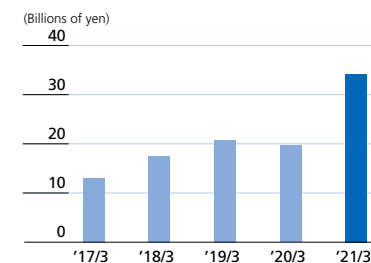
This mainly reflected cash inflows due to income before income taxes of ¥33.829 billion, depreciation and amortization of ¥21.030 billion, and increase in notes and accounts payable of ¥16.802 billion, and cash outflows due to increase in notes and accounts receivable of ¥29.004 billion.

Net cash used in investing activities totaled ¥3.589 billion in the fiscal year ended March 2021, down by 49.9%, or ¥3.576 billion from ¥7.165 billion in the previous year. This mainly reflected cash outflows due to payments for purchases of property and equipment of ¥3.361 billion, payments for purchases of intangible assets of ¥1.319 billion, and net cash inflows of ¥0.682 billion due to proceeds from withdrawal of time deposit in excess of payments for

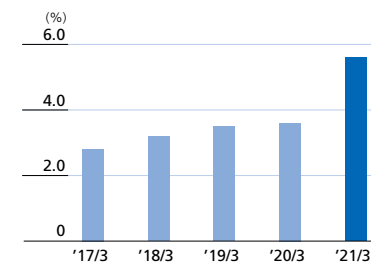
SGA Expenses to Net Sales



Operating Income



Operating Margin



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time deposit.

Net cash used in financing activities totaled ¥26.914 billion, an increase by 1.9%, or ¥0.490 billion from ¥26.424 billion in the previous year. This mainly reflected cash inflows due to proceeds from issuance of bonds of ¥14.913 billion, net increase in short-term debt of ¥0.862 billion, and cash outflows due to payments for long-term debt of ¥30.102 billion, and payments of capital lease obligations of ¥9.222 billion.

As a result of the above, cash and cash equivalents totaled ¥85.995 billion as of March 31, 2021, up by 13.4%, or ¥10.141 billion, from ¥75.853 billion as of March 31, 2020.

BASIC POLICY ON THE DISTRIBUTION OF PROFITS

With adequate profit return to shareholders positioned as an important policy, the Group's basic policy is to maintain stable dividends in comprehensive consideration of relevant factors and performance of each year, while strengthening its financial standing and preparing for future business development.

We paid a full-year dividend of ¥50 per share in the fiscal year ended March 2021, up ¥20 from the previous year. The dividend payout ratio was 16.6%, declining 29.1 percentage points from 45.7% in the previous year.

We forecast a full-year dividend of ¥50 in the fiscal year ending March 2022, a dividend payout ratio of 18.7%.

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.

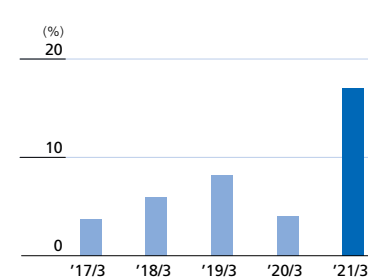
Any forward-looking statements contained herein are based on judgments made by the Group as of March 31, 2021.

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

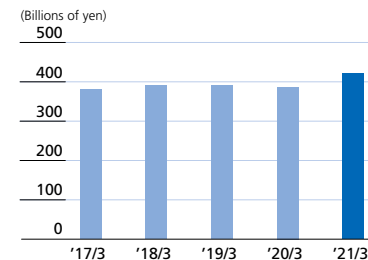
As air and sea freight forwarding, the Group's main business, are susceptible to changes in economic trends, the global economic slowdown could trigger deterioration of transportation demand. The Group has developed "Long-Term Vision" representing our future vision and three-year "Medium-Term Management 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, our performance and the management plan could be affected by various factors including domestic and overseas economic/business trends, customers' transportation demand, political or social factors, natural disasters and bad weather, terrorist attacks, and regional conflicts and pandemic. During the year ended March 31, 2021, the global pandemic of the novel coronavirus (hereinafter COVID-19) caused temporary restrictions of social and economic activities, suspension of production and sales activities in the manufacturing sector, and supply chain disruptions, etc. all over the world, plunging the global economy into severe recession. It also had a large effect on the Group such as a decline in the handling volume due to sluggish shipment and decreases in logistics, etc.

While there are concerns over the impact on the Group's performance and financial condition of the stagnant global economy as the end of the COVID-19 crisis is still nowhere in sight and the geopolitical risks such as the U.S.-China feud are increasing, the Group will put an enormous effort into achieving our targets, including further enhancing the BCP system of group companies and addressing changes in business environment and customer trend/needs swiftly and flexibly.

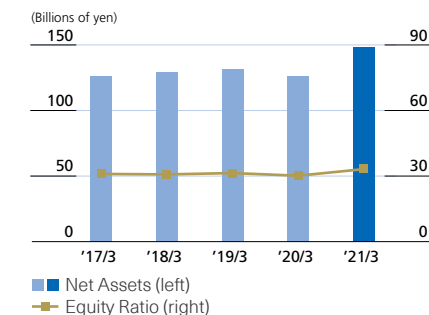
ROE



Total Assets



Net Assets and Equity Ratio



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2. Fluctuations in freight costs

As the global pandemic of COVID-19 has caused a shortage of freight capacity due to a continued reduction in passenger flights, a shortage of empty containers in sea freight, an increase in personnel cost due to a labor shortage, and a rise in transport demand, freight costs have been significantly fluctuating and are expected to do so depending on these environmental factors. In the event that freight costs rise more than expected or we are unable to collect appropriate fees from customers, the Group's performance and financial condition could be affected. The Group has been striving to minimize the impact on its performance by addressing changes in business environment swiftly and flexibly through enhancement of cooperation with the actual transport companies including airline, shipping, and truck companies, enhancement of centralized procurement within the Group, and collection of appropriate fees reflecting environmental changes from customers.

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, 2021, our overseas segments accounted for 75.9% of both the Group's net sales and operating income, 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, 2021, 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 result in decreases in net sales and operating income of approx. ¥4.5 billion and ¥300 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

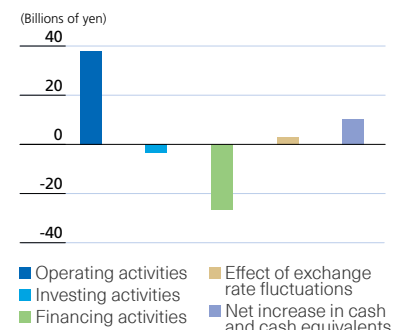
The Group's major loan agreements with financial institutions include financial covenants. The outstanding balance of loans payable with financial covenants as of March 31, 2021 is ¥80 billion. In the event that the Group is in breach of any of the following financial covenants, the Group will forfeit 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 the issuance of corporate bonds. A rise in market interest rates or downgrade of our credit ratings could have a material impact on our future financial conditions and performance.

In order to deal with such risk, the Group is promoting diversification of funding methods, such as bank borrowings and

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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.

In May 2015, the Group acquired APL Logistics Ltd ("APLL") engaging in the global logistics business and made it a consolidated subsidiary. As of March 31, 2021, the balance of APLL's fixed assets including goodwill, etc. subject to impairment test was ¥99 billion (\$957 million). The Group is working on improving APLL's asset efficiency and maximizing its profit.

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

The Group's freight forwarding and logistics businesses are subject to various legal regulations around the world. It is possible that changes to existing laws and regulations could impose restrictions on our business and operating activities and result in additional costs or a decrease in sales, which could affect our performance. It is also possible that, while we conduct our business by placing

highest priority on compliance, inadequate compliance or serious violation of laws and regulations could lead to restrictions on our operating activities or imposition of monetary penalties, etc. and affect our performance and reputation.

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

7. Lack of compliance, internal control or corporate governance

The Group consists of Kintetsu World Express, its 129 consolidated subsidiaries, and 10 affiliates accounted for using the equity method and operates in 46 countries around the world. As we develop business globally, material weakness in internal control which could result in inappropriate accounting treatments or fraud or compliance issues such as a violation of laws and regulations or internal rules or a serious scandal, etc. could lead to loss of trust from our stakeholders, including customers and investors, and have a negative impact on our performance and social credibility.

In order to mitigate risks, for internal control, we strive to enhance guidance by each Regional Headquarters and Internal Control Division as well as internal audit functions of Audit Department under the leadership of the Internal Control Operation Committee of the Company. And for group governance, we are working to enhance the reporting system to meeting bodies such as the Board of Directors and Corporate Management Meeting, the

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middle governance at each Regional Headquarters, and Corporate Division's functions to audit each Regional Headquarters, and compliance training by using e-learning in group companies.

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

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

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. We also strive to secure necessary human resources through the use of our subsidiary engaging in staffing services and an initiative aimed at the extension of retirement age.

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

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

For the Group's customer and personal information and business information, we have enacted the KWE Group Basic Policy on

Information Security and IT Security Policy and strive to enhance the information management system through periodic system checks, audit, and employee education. Also, in order to mitigate the system failure risk, we are striving to ensure reliable system operation by dispersing data centers and introducing network redundancy and enhance the security system in the aspects of both hardware and software to safeguard against unauthorized access and viruses.

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

The global pandemic of COVID-19 could have negative impacts on the Group's business operation in countries and regions where the Group operates due to factors including restrictions on social and economic activities to prevent the spread of infections, suspension of customers' business activities, and infection in the Group employees. Also, the stagnation of global economy resulting from restrictions of economic activities could have a significant impact on our performance and financial condition.

With maintenance of good health of all employees and their family members as our highest priority, the Group has formed "Emergency Response Headquarters" for COVID-19 and implemented measures to prevent infection and its spread as well as strive to mitigate risk by establishing the BCP system including business operation system and customer support according to the situation, based on the Group Business Continuity Policy and in line with the policies and guidelines of respective governments.

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

	Millions of yen								Thousands of U.S. dollars ^{*2}
	2014	2015	2016	2017	2018	2019	2020	2021	2021
Results of Operation (Millions of yen)									
Net sales	¥ 281,505	¥ 327,192	¥ 420,252	¥ 474,330	¥ 553,197	¥ 592,009	¥ 544,533	¥ 609,110	\$ 5,501,851
Operating income	13,742	16,563	15,356	13,075	17,551	20,797	19,714	34,177	308,707
Income before income taxes	14,916	16,372	17,847	12,486	16,879	19,978	13,256	33,829	305,564
Net income attributable to owners of the parent	9,417	10,489	9,773	4,487	7,002	9,857	4,724	21,644	195,501
Financial Position (Millions of yen)									
Total assets ^{*1}	¥ 167,966	¥ 193,792	¥ 385,441	¥ 378,733	¥ 389,582	¥ 388,467	¥ 385,470	¥ 418,827	\$ 3,783,099
Property and equipment	35,988	39,831	45,944	46,109	46,749	46,137	68,145	68,548	619,167
Interest-bearing debt	15,078	15,734	166,187	166,260	166,429	161,647	170,859	157,804	1,425,381
Long-term liabilities ^{*1}	9,291	10,573	152,129	148,553	137,545	133,913	130,906	132,826	1,199,765
Total liabilities ^{*1}	56,735	64,105	250,242	252,717	260,594	256,643	258,864	270,087	2,439,589
Net assets	111,231	129,687	135,199	126,016	128,988	131,823	126,606	148,739	1,343,501
Cash Flows (Millions of yen)									
Net cash provided by (used in) operating activities	¥ 10,756	¥ 9,457	¥ 20,143	¥ 14,589	¥ 15,063	¥ 22,637	¥ 36,304	¥ 37,938	\$ 342,679
Net cash provided by (used in) investing activities	(5,016)	(10,870)	(147,207)	(5,342)	(10,030)	(7,312)	(7,165)	(3,589)	(32,418)
Net cash provided by (used in) financing activities	(1,864)	(1,424)	144,744	(5,657)	(2,754)	(6,868)	(26,424)	(26,914)	(243,103)
Cash and cash equivalents at end of year	47,963	48,700	63,903	65,506	67,856	75,799	75,853	85,995	776,759
Capital expenditures for property and equipment (cash basis)	3,776	4,889	5,735	3,762	5,192	4,702	4,732	3,361	30,358
Depreciation and amortization	2,615	2,806	7,236	10,729	11,674	12,074	20,744	21,030	189,955
Per Share Data (Yen)^{*2}									
Net income	¥ 130.80	¥ 145.68	¥ 135.74	¥ 62.33	¥ 97.26	¥ 136.91	¥ 65.68	¥ 301.06	\$ 2.71
Cash dividends	20.00	23.00	26.00	26.00	26.00	30.00	30.00	50.00	0.45
Net assets	1,504.84	1,750.16	1,741.44	1,627.84	1,662.72	1,690.89	1,615.38	1,926.30	17.39
Management Indicators									
Operating margin (%)	4.9	5.1	3.7	2.8	3.2	3.5	3.6	5.6	
Return on equity (%)	9.5	9.0	7.9	3.7	5.9	8.2	4.0	17.0	
Current ratio (Times)	2.4	2.4	1.8	1.7	1.6	1.6	1.5	1.7	
Debt-to-equity (Times)	0.1	0.1	1.3	1.4	1.4	1.3	1.5	1.1	
Number of employees (consolidated)	10,219	10,680	17,311	18,159	18,140	17,661	17,339	16,587	

*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 was made to those of fiscal year ended 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, 2013.

*3 U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021 which is ¥110.71 to U.S.\$1.

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Kintetsu World Express, Inc. and Subsidiaries
 As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
ASSETS			
Current assets:			
Cash and time deposits (Notes 3, 5 and 12)	¥ 90,277	¥ 80,493	\$ 815,436
Notes and accounts receivable-trade (Notes 5 and 12)	132,397	99,633	1,195,890
Less: Allowance for doubtful accounts	(1,350)	(1,458)	(12,194)
Marketable securities (Notes 4 and 12)	4,203	4,366	37,964
Other current assets	11,875	10,930	107,262
Total current assets	237,402	193,964	2,144,359
Property and equipment:			
Land	14,110	13,921	127,450
Buildings and structures	41,305	40,129	373,091
Machinery and equipment	9,632	9,602	87,002
Leased assets	1,025	1,056	9,258
Right-of-use assets	49,998	45,737	451,612
Others	22,657	21,200	204,651
	138,729	131,648	1,253,084
Less: Accumulated depreciation	(70,180)	(63,502)	(633,908)
Total property and equipment	68,548	68,145	619,167
Intangible assets:			
Goodwill (Note 14)	48,973	56,053	442,353
Customer-related intangible assets	26,532	30,072	239,653
Other intangible assets	14,538	16,047	131,316
Total intangible assets	90,045	102,173	813,341
Investments and other assets:			
Investments in: (Notes 4 and 12)			
Affiliates	6,797	7,041	61,394
Others	5,410	3,888	48,866
Long-term loans receivable (Note 12)	648	624	5,853
Net defined benefit asset (Note 8)	5	-	45
Deferred tax assets (Note 9)	3,811	3,665	34,423
Other investments (Note 5)	6,642	6,516	59,994
Less: Allowance for doubtful accounts	(615)	(607)	(5,555)
Total investments and other assets	22,700	21,129	205,040
Deferred assets			
Bond issuance cost	130	56	1,174
Total deferred assets	130	56	1,174
Total assets (Note 14)	¥ 418,827	¥ 385,470	\$ 3,783,099

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Notes 5 and 12)	¥ 66,455	¥ 47,978	\$ 600,261
Short-term debt (Notes 5, 7 and 12)	18,216	17,560	164,537
Current portion of long-term debt (Notes 7, 12 and 13)	13,088	30,100	118,218
Lease obligations (Note 7)	7,988	7,789	72,152
Income taxes payable (Notes 9 and 12)	7,118	3,526	64,294
Accrued bonuses to employees	6,157	4,589	55,613
Accrued bonuses to directors and corporate auditors	229	267	2,068
Other current liabilities	18,008	16,144	162,659
Total current liabilities	137,261	127,957	1,239,824
Long-term liabilities:			
Bonds payable (Notes 7 and 12)	25,000	10,000	225,815
Long-term debt (Notes 7, 12 and 13)	74,800	87,883	675,639
Lease obligations (Note 7)	18,711	17,525	169,009
Provision for share-based remuneration for directors	41	20	370
Net defined benefit liability (Note 8)	5,928	6,736	53,545
Deferred tax liabilities (Note 9)	6,994	7,206	63,174
Other long-term liabilities	1,350	1,534	12,194
Total long-term liabilities	132,826	130,906	1,199,765
Net assets (Note 10):			
Shareholders' equity:			
Common stock			
Authorized 240,000,000 shares			
Issued 72,000,000 shares	7,216	7,216	65,179
Capital surplus	4,499	4,084	40,637
Retained earnings	140,906	121,425	1,272,748
Treasury stock	(150)	(150)	(1,354)
Total shareholders' equity	152,471	132,576	1,377,210
Accumulated other comprehensive income			
Unrealized gains (losses) on available-for-sale securities	1,939	852	17,514
Foreign currency translation adjustments	(14,061)	(14,675)	(127,007)
Remeasurements of defined benefit plans	(1,862)	(2,619)	(16,818)
Total accumulated other comprehensive income	(13,985)	(16,443)	(126,321)
Non-controlling interests in consolidated subsidiaries	10,253	10,472	92,611
Total net assets	148,739	126,606	1,343,501
Total liabilities and net assets	¥ 418,827	¥ 385,470	\$ 3,783,099

See accompanying notes.

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For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales (Note 14)	¥ 609,110	¥ 544,533	\$ 5,501,851
Cost of sales	504,332	450,686	4,555,433
Operating gross profit	104,777	93,846	946,409
Selling, general and administrative expenses (Notes 14 and 15)	70,600	74,132	637,702
Operating income (Note 14)	34,177	19,714	308,707
Other income (expenses):			
Interest and dividend income	681	891	6,151
Interest expenses	(1,729)	(2,033)	(15,617)
Foreign currency exchange gain (loss), net	(100)	1,630	(903)
Equity in earnings (losses) of affiliates, net (Note 14)	33	(3,220)	298
Subsidy income	1,185	213	10,703
Gain on sales of fixed assets	–	33	–
Gain on sales of investment securities	41	148	370
Settlement received	–	213	–
Impairment loss (Note 6)	(741)	(4,475)	(6,693)
Loss on disposal of fixed assets	–	(12)	–
Loss on valuation of golf club membership	–	(2)	–
Loss on litigation	–	(81)	–
Others, net (Notes 4, 14 and 16)	282	236	2,547
	(348)	(6,457)	(3,143)
Income before income taxes	33,829	13,256	305,564
Income taxes (Note 9):			
Current	11,536	7,607	104,200
Deferred	(776)	(581)	(7,009)
	10,760	7,025	97,190
Net income	23,069	6,230	208,373
Net income attributable to non-controlling interests	1,424	1,506	12,862
Net income attributable to owners of the parent	¥ 21,644	¥ 4,724	\$ 195,501

See accompanying notes.

Consolidated Statements of Comprehensive Income

Kintetsu World Express, Inc. and Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 23,069	¥ 6,230	\$ 208,373
Other comprehensive income (Note 17):			
Unrealized gains (losses) on available-for-sale securities	1,092	(593)	9,863
Foreign currency translation adjustments	421	(5,870)	3,802
Remeasurements of defined benefit pension plans	788	(303)	7,117
Share of other comprehensive income of entities accounted for using equity method	102	(212)	921
Total other comprehensive income	2,404	(6,980)	21,714
Comprehensive income	¥ 25,473	¥ (749)	\$ 230,087
Comprehensive income attributable to			
Owners of the parent	¥ 24,101	¥ (1,908)	\$ 217,694
Non-controlling interests	1,372	1,159	12,392

See accompanying notes.

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Consolidated Statements of Changes in Net Assets

Kintetsu World Express, Inc. and Subsidiaries
 For the years ended March 31, 2021 and 2020

	Millions of yen											
	Number of shares of common stock (thousands)	Shareholders' equity					Total shareholders' equity	Accumulated other comprehensive income				
Common stock		Capital surplus	Retained earnings	Treasury stock	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		
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	-	-	-	(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 April 1, 2020	72,000	¥ 7,216	¥ 4,084	¥ 121,425	¥ (150)	¥ 132,576	¥ 852	¥ (14,675)	¥ (2,619)	¥ (16,443)	¥ 10,472	¥ 126,606
Cash dividends paid	-	-	-	(2,159)	-	(2,159)	-	-	-	-	-	(2,159)
Net income attributable to owners of the parent	-	-	-	21,644	-	21,644	-	-	-	-	-	21,644
Adjustment due to change in the fiscal period of consolidated subsidiaries	-	-	-	(3)	-	(3)	-	-	-	-	-	(3)
Change in equity of parent related to transaction with non-controlling shareholders	-	-	414	-	-	414	-	-	-	-	-	414
Net changes of items other than shareholders' equity	-	-	-	-	-	-	1,086	614	756	2,457	(219)	2,238
Balance at March 31, 2021	72,000	¥ 7,216	¥ 4,499	¥ 140,906	¥ (150)	¥ 152,471	¥ 1,939	¥ (14,061)	¥ (1,862)	¥ (13,985)	¥ 10,253	¥ 148,739

See accompanying notes.

	Thousands of U.S. dollars (Note 1)											
	Number of shares of common stock (thousands)	Shareholders' equity					Total shareholders' equity	Accumulated other comprehensive income				
Common stock		Capital surplus	Retained earnings	Treasury stock	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		
Balance at April 1, 2020	72,000	\$ 65,179	\$ 36,889	\$ 1,096,784	\$ (1,354)	\$ 1,197,507	\$ 7,695	\$ (132,553)	\$ (23,656)	\$ (148,523)	\$ 94,589	\$ 1,143,582
Cash dividends paid	-	-	-	(19,501)	-	(19,501)	-	-	-	-	-	(19,501)
Net income attributable to owners of the parent	-	-	-	195,501	-	195,501	-	-	-	-	-	195,501
Adjustment due to change in the fiscal period of consolidated subsidiaries	-	-	-	(27)	-	(27)	-	-	-	-	-	(27)
Change in equity of parent related to transaction with non-controlling shareholders	-	-	3,739	-	-	3,739	-	-	-	-	-	3,739
Net changes of items other than shareholders' equity	-	-	-	-	-	-	9,809	5,546	6,828	22,193	(1,978)	20,214
Balance at March 31, 2021	72,000	\$ 65,179	\$ 40,637	\$ 1,272,748	\$ (1,354)	\$ 1,377,210	\$ 17,514	\$ (127,007)	\$ (16,818)	\$ (126,321)	\$ 92,611	\$ 1,343,501

See accompanying notes.

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Consolidated Statements of Cash Flows

Kintetsu World Express, Inc. and Subsidiaries
 For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 33,829	¥ 13,256	\$ 305,564
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	21,030	20,744	189,955
Impairment loss	741	4,475	6,693
Increase (Decrease) in accrued bonuses to employees	1,545	22	13,955
Increase (Decrease) in accrued bonuses to directors and corporate auditors	(47)	(8)	(424)
Increase (Decrease) in Provision for share-based remuneration for directors	21	20	189
Increase (Decrease) in net defined benefit liability	309	565	2,791
Interest and dividend income	(681)	(891)	(6,151)
Interest expense	1,729	2,033	15,617
Equity in losses (earnings) of affiliates	(33)	3,220	(298)
Settlement received	–	(213)	–
Loss on litigation	–	81	–
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(29,004)	6,173	(261,981)
Increase (Decrease) in notes and accounts payable	16,802	(2,613)	151,765
(Increase) Decrease in other assets	(1,956)	(249)	(17,667)
Increase (Decrease) in other liabilities	896	(2,504)	8,093
Others, net	776	1,342	7,009
Subtotal	45,960	45,453	415,138
Interest and cash dividend received	755	1,032	6,819
Interest paid	(1,695)	(2,055)	(15,310)
Income taxes paid	(7,081)	(8,257)	(63,959)
Settlement package received	–	213	–
Payments for loss on litigation	–	(81)	–
Net cash provided by (used in) operating activities	37,938	36,304	342,679

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposit	(3,800)	(4,618)	(34,323)
Proceeds from withdrawal of time deposit	4,483	4,167	40,493
Payments for purchases of securities	(5,103)	(6,151)	(46,093)
Proceeds from sales of securities	5,337	4,957	48,207
Payments for purchases of property and equipment	(3,361)	(4,732)	(30,358)
Payments for purchases of intangible assets	(1,319)	(1,325)	(11,914)
Proceeds from sales of property and equipment	223	241	2,014
Proceeds from loans receivable	0	18	0
Payments for loans receivable	–	(0)	–
Others, net	(48)	276	(433)
Net cash provided by (used in) investing activities	(3,589)	(7,165)	(32,418)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	862	(14,186)	7,786
Repayment to non-controlling shareholders	(498)	–	(4,498)
Payments of capital lease obligations	(9,222)	(8,645)	(83,298)
Payments for long-term debt	(30,102)	(10,468)	(271,899)
Proceeds from issuance of bonds	14,913	9,939	134,703
Payments of cash dividends	(2,159)	(2,159)	(19,501)
Payments of cash dividends to non-controlling interests	(706)	(757)	(6,377)
Others, net	–	(146)	–
Net cash provided by (used in) financing activities	(26,914)	(26,424)	(243,103)
Effect of exchange rate fluctuations on cash and cash equivalents	2,921	(2,659)	26,384
Net increase (decrease) in cash and cash equivalents	10,355	54	93,532
Cash and cash equivalents at beginning of year	75,853	75,799	685,150
Increase (Decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	(214)	–	(1,932)
Cash and cash equivalents at end of year (Note 3)	¥ 85,995	¥ 75,853	\$ 776,759

See accompanying notes.

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Notes to Consolidated Financial Statements

Kintetsu World Express, Inc. and Subsidiaries
 For the years ended March 31, 2021 and 2020

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, 2021 which is ¥110.71 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 2021 presentation.

Company.

One consolidated subsidiary has changed the fiscal year-end from December 31 to March 31 starting from April 1, 2020. As a result of this change, the company consolidated the 12 months' result from April 1, 2020 to March 31, 2021. As for this company, 3 months gains and losses from January 1, 2020 to March 31, 2020, are included in the retained earnings on the Balance Sheet. Additionally, 3 months cash flows during the period are included in an adjustment item of cash and cash equivalents at the beginning of year on the Statement of Cash Flows.

(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, 2021 and 2020. 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 method. Other securities that do not have market value are stated at cost using weighted-average method. 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 its 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 (primarily 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) 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.

(12) Accrued Bonuses to Directors and Corporate Auditors

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

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Consolidated financial statements include the accounts of the Company and 129 subsidiaries for the year ended March 31, 2021. At March 31, 2020 the Company had 130 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, 2021, 1 non-consolidated subsidiary and 9 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, 2020, 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 63 consolidated subsidiaries is December 31 of each year. The financial statements at the date of those subsidiaries are used to prepare consolidated financial statements.

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

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(13) 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.

(14) Amortization of deferred assets

Bond issuance cost is amortized using straight-line method for 5-10 years.

(15) 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, 2021 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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, 2021 and 2020 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.

(22) Significant Accounting Estimates

Recognition of an impairment loss on non-current assets

- a) The amount presented in the financial consolidated statements
- The Group has non-current assets of ¥99,058 million (\$894,752 thousand) (including customer-related assets of ¥26,168 million (\$236,365 thousand), trademarks of ¥6,978 million (\$63,029 thousand) and goodwill of ¥46,159 million (\$416,936 thousand)) related to APL Logistics Ltd ("APLL") and the indications of impairment of non-current assets are not identified as of the fiscal year-end. However, if the APLL's financial performance deteriorates and results in recognizing an impairment loss, the loss would have significant effect on the consolidated financial statements. Therefore, the Group compares undiscounted future cash flows with the carrying amount of non-current assets in order to analyze the likelihood of the occurrence of an

impairment loss and its impact. As a result, the Group judges that the undiscounted future cash flows exceed the carrying amount of non-current assets and doesn't recognize the impairment loss.

b) Detailed information about significant accounting estimates

Undiscounted future cash flows were estimated on the basis of APLL's mid-term business plan. Key assumptions underlying the mid-term business plan, such as the forecasts of net sales from major customers (including the effects from the novel coronavirus disease (COVID-19) and when COVID-19 will be brought under control), mid- to long-term net sales growth rate, operating gross profit ratio, expected selling, general and administrative expenses and economic indicators, involve an uncertainty and those forecasts thereon may have a significant effect on the estimate of future cash flows.

The Group outsources the calculation of undiscounted future cash flows to an outside professional firm.

(23) 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 26, 2021)

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.

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“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.

of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

(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 (\$1,318 thousand) and 105,000 shares, as of the fiscal year ended March 31, 2021 and ¥146 million and 105,000 shares, as of the fiscal year ended March 31, 2020.

(24) Changes in presentation method

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company and its subsidiaries adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure

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
	2021	2020	2021
Cash and time deposits	¥ 90,277	¥ 80,493	\$ 815,436
Time deposits with maturities exceeding three months	(4,281)	(4,639)	(38,668)
Cash and cash equivalents	¥ 85,995	¥ 75,853	\$ 776,759

2. Significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Leased assets	¥ 58	¥ 13	\$ 523
Right-of-use assets	9,586	33,359	86,586
Lease obligations	9,391	34,034	84,825

Note 4: Securities

The following tables summarized acquisition costs, book values and fair values of securities with available fair values at March 31, 2021 and 2020:

Held-to-maturity debt securities, at March 31, 2021: None

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

Available-for-sale securities, at March 31, 2021:	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	¥ 6,229	¥ 3,542	¥ 2,686	\$ 56,264	\$ 31,993	\$ 24,261
Securities with book value not exceeding acquisition costs	3,005	3,031	(26)	27,142	27,377	(234)
Total	¥ 9,234	¥ 6,574	¥ 2,660	\$ 83,407	\$ 59,380	\$ 24,026

Available-for-sale securities, at March 31, 2020:	Millions of yen			Book value	Acquisition cost	Difference
	Book value	Acquisition cost	Difference			
Securities with book value exceeding acquisition costs		¥ 4,572	¥ 3,046			¥ 1,525
Securities with book value not exceeding acquisition costs		3,306	3,713			(406)
Total		¥ 7,878	¥ 6,759			¥ 1,118

Available-for-sale securities sold during the years ended March 31, 2021 and 2020:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Sales proceeds	¥ 105	¥ 300	\$ 948
Gain on sales	41	148	370
Loss on sales	–	0	–

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Note 5: Pledged Assets and Secured Liabilities

1. At March 31, 2021 and 2020, assets pledged as collateral for secured liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets pledged as collateral			
Cash and time deposits	¥ 25	¥ 22	\$ 225
Notes and accounts receivable-trade	1,724	1,903	15,572
Other investments	8	5	72
Total	¥ 1,757	¥ 1,931	\$ 15,870

2. At March 31, 2021 and 2020, liabilities related to these assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Secured liabilities			
Notes and accounts payable-trade	¥ 6	¥ 1	\$ 54
Short-term debt	1,581	1,342	14,280
Total	¥ 1,588	¥ 1,344	\$ 14,343

Note 6: Impairment Loss

Impairment loss for the year ended March 31, 2021
 The Group primarily classifies its assets by management accounting unit and rental properties by individual property and reviewed its non-current assets for impairment and recognized an impairment loss of ¥741 million (\$6,693 thousand).

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 ¥741 million (\$6,693 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, 2020
 The Group primarily classifies its assets by management accounting unit and rental properties by individual property and reviewed its non-current assets for

impairment and recognized an impairment loss of ¥4,475 million.

- 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 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 were expected.
- 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 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%.

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, 2021 and 2020 are 1.0% and 2.3%, respectively.

2. Long-term debt including bonds payable and lease obligations at March 31, 2021 and 2020 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt from banks and other financial institutions due 2022 to 2054, with average interest of 0.9% and 0.8% for 2021 and 2020, respectively			
Unsecured	¥ 139,588	¥ 153,299	\$ 1,260,843
Less: Current portion due within one year	(21,076)	(37,889)	(190,371)
Long-term debt, non-current portion	¥ 118,511	¥ 115,409	\$ 1,070,463

3. Maturities of long-term debt including bonds payable and lease obligations at March 31, 2021 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥ 15,832	\$ 143,004
2024	18,588	167,898
2025	12,153	109,773
2026 and thereafter	71,937	649,778
Total	¥ 118,511	\$ 1,070,463

4. Financial covenants

As of March 31, 2021

The Company's long-term debt (including current portion of long-term debt) from bank of ¥80,000 million (\$722,608 thousand) includes financial covenants, with which the Company is in compliance as follows:

- 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.
- 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.
- 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, 2020

The Company's long-term debt (including current portion of long-term debt) from bank of ¥110,000 million includes financial covenants, with which the Company is in compliance as follows:

- 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.
- 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.
- 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.

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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
	2021	2020	2021
Balance at the beginning of year, as previously reported	¥ 19,655	¥ 18,082	\$ 177,535
Service cost	1,160	1,286	10,477
Interest cost	85	97	767
Actuarial differences incurred during the year	(40)	262	(361)
Benefits paid	(1,320)	(914)	(11,923)
Increase due to change from the simplified method to the principle method	–	929	–
Others	119	(88)	1,074
Balance at the end of year	¥ 19,660	¥ 19,655	\$ 177,581

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of year	¥ 14,238	¥ 13,578	\$ 128,606
Expected return on plan assets	284	361	2,565
Actuarial differences incurred during the year	665	(724)	6,006
Contributions paid by the employer	1,076	1,007	9,719
Contributions paid by the employee	100	99	903
Benefits paid	(1,235)	(858)	(11,155)
Increase due to change from the simplified method to the principle method	–	858	–
Others	116	(83)	1,047
Balance at the end of year	¥ 15,246	¥ 14,238	\$ 137,711

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of year	¥ 1,320	¥ 1,239	\$ 11,923
Retirement benefit costs	413	501	3,730
Benefits paid	(113)	(119)	(1,020)
Contributions paid by the employer	(158)	(200)	(1,427)
Increase due to change from the simplified method to the principle method	–	(71)	–
Others	46	(30)	415
Balance at the end of year	¥ 1,508	¥ 1,320	\$ 13,621

(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
	2021	2020	2021
Funded retirement benefit obligations	¥ 18,126	¥ 18,170	\$ 163,725
Plan assets	(15,246)	(14,238)	(137,711)
	2,880	3,931	26,013
Unfunded projected benefit obligations	3,042	2,804	27,477
Net liability (asset) on the consolidated balance sheet	¥ 5,922	¥ 6,736	\$ 53,491
Net defined benefit liability	5,928	6,736	53,545
Net defined benefit asset	(5)	–	(45)
Net amount of liability (asset) on the consolidated balance sheet	¥ 5,922	¥ 6,736	\$ 53,491

(5) The components of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 1,060	¥ 1,186	\$ 9,574
Interest cost	85	97	767
Expected return on plan assets	(284)	(361)	(2,565)
Amortization on actuarial gains and losses	430	549	3,884
Amortization on prior service cost	0	0	0
Retirement benefit cost with the simplified method	413	501	3,730
Net retirement benefit costs of defined benefit pension plan	¥ 1,706	¥ 1,975	\$ 15,409

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service costs	¥ 0	¥ 0	\$ 0
Actuarial differences	1,135	(437)	10,252
Total	¥ 1,136	¥ (436)	\$ 10,261

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized past service costs	¥ 0	¥ 1	\$ 0
Unrecognized actuarial differences	2,684	3,819	24,243
Total	¥ 2,684	¥ 3,820	\$ 24,243

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(8) Plan assets

(a) Components of plan assets	2021	2020
Bonds	48.0%	53.0%
Equity securities	30.2%	10.7%
Cash and time deposits	14.5%	14.4%
Life insurance company account	3.6%	3.8%
Alternative investments	3.3%	17.5%
Other	0.4%	0.6%
Total	100.0%	100.0%

Notes:

- Plan assets consist of retirement benefit trust set to the defined benefit pension plan which accounted for 0.1% of the plan assets as of March 31, 2020. Retirement benefit trust has been terminated as of March 31, 2021.
- 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

	2021	2020
Discount rate	Primarily 0.2%	Primarily 0.2%
Long-term expected rate of return on plan assets	Primarily 2.0%	Primarily 2.5%

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, 2021 and 2020 were ¥1,239 million (\$11,199 thousand) and ¥1,250 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, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Loss carry forward (Note 2)	¥ 1,228	¥ 1,803	\$ 11,092
Accrued bonuses	1,319	862	11,914
Accrued enterprise tax	178	69	1,607
Depreciation	172	295	1,553
Net defined benefit liability	1,611	2,228	14,551
Valuation loss on investment securities	915	915	8,264
Allowance for doubtful accounts	548	499	4,949
Allowance for paid leave	324	289	2,926
Foreign tax credit	839	889	7,578
Accrued social insurance premium	282	160	2,547
Others	939	667	8,481
Gross deferred tax assets	8,360	8,682	75,512
Valuation allowance for net operating loss carry forward (Note 2)	(1,209)	(1,720)	(10,920)
Valuation allowance for deductible temporary differences	(1,667)	(1,928)	(15,057)
Gross valuation allowance (Note 1)	(2,877)	(3,649)	(25,986)
Total deferred tax assets	5,483	5,032	49,525
Deferred tax liabilities:			
Depreciation	(1,185)	(1,011)	(10,703)
Reserved profit of foreign subsidiaries	(310)	(139)	(2,800)
Unrealized holding gains on securities	(786)	(334)	(7,099)
Valuation difference on business combination	(5,622)	(6,362)	(50,781)
Others	(761)	(725)	(6,873)
Total deferred tax liabilities	(8,666)	(8,573)	(78,276)
Net deferred tax assets (liabilities)	¥ (3,182)	¥ (3,540)	\$ (28,741)

Notes:

- Valuation reserve amount decreased by ¥772 million (\$6,973 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.

- Net operating loss carry forward and deferred tax assets per expiration date of March 31, 2021 were as follows:

	Millions of yen							Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
Net operating loss carry forward (*)	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 1,228	¥ 1,228	
Valuation allowance (for net operating loss carry forward)	-	-	-	-	-	1,209	1,209	
Deferred tax assets	-	-	-	-	-	18	18	

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	Thousands of U.S. dollars							Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
Net operating loss carry forward (*)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,092	\$ 11,092
Valuation allowance (for net operating loss carry forward)	-	-	-	-	-	10,920	10,920	10,920
Deferred tax assets	-	-	-	-	-	162	162	162

(*) 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, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	The note is omitted because the difference between statutory tax rate and effective tax rate is less than 5% of statutory tax rate.	30.6%
Entertainment expenses and other non-deductible permanent differences		6.0
Dividend income and other non-taxable income		(2.9)
Difference of the statutory tax rate among countries other than Japan		(4.8)
Amortization of goodwill		8.1
Corporate inhabitant tax, withholding tax		10.4
Income taxes for prior periods		(0.6)
Valuation allowance, utilization of tax losses		(3.3)
Equity in earnings (losses) of affiliates, net		7.4
Effect of elimination of intercompany dividends received		0.7
Reserved profit of foreign subsidiaries		(0.1)
Others, net		1.5
Effective tax rate		53.0%

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	
	2021	2020
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	
	2021	2020
Number of shares at the beginning of the fiscal year	107,367	2,367
Increase	-	105,000
Decrease	-	-
Number of shares at the end of the fiscal year	107,367	107,367

Notes:

- Type of all share issued is common stock.
- The number of shares of treasury stock shares at April 1, 2020 and March 31, 2021 included 105,000 shares each 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, 2021						
Ordinary general meeting of shareholders held on June 16, 2020	¥ 1,439	\$ 12,997	¥ 20.00	\$ 0.18	March 31, 2020	June 17, 2020
Board of Directors' meeting held on November 11, 2020	719	6,494	10.00	0.09	September 30, 2020	December 10, 2020
Year ended March 31, 2020						
Ordinary general meeting of shareholders held on June 18, 2019	¥ 1,439		¥ 20.00		March 31, 2019	June 19, 2019
Board of Directors' meeting held on November 12, 2019	719		10.00		September 30, 2019	December 10, 2019

Notes:

- Type of all share issued is common stock.
- Source of dividends is retained earnings.
- Total cash dividends paid in accordance with the resolution of the Ordinary general meeting of shareholders held on June 16, 2020 included ¥2 million (\$18 thousand) of cash dividends for the stock held by the director compensation BIP trust.
- Total cash dividends paid in accordance with the resolution of the meeting of the Board of Directors held on November 11, 2020 included ¥1 million (\$9 thousand) of cash dividends for the stock held by the director compensation BIP trust.

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(b) Dividends with a record date during the years ended March 31, 2021 and 2020 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, 2021						
Ordinary general meeting of shareholders held on June 15, 2021	¥ 2,879	\$26,004	¥ 40.00	\$ 0.36	March 31, 2021	June 16, 2021
Year ended March 31, 2020						
Ordinary general meeting of shareholders held on June 16, 2020	¥ 1,439		¥ 20.00		March 31, 2020	June 17, 2020

Notes:

- Type of all share issued is common stock.
- Source of dividends is retained earnings.
- Total cash dividends paid included ¥4 million (\$37 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Payments due within one year	¥ 383	¥ 386	\$ 3,459
Payments due after one year	1,259	1,408	11,372
Total	¥ 1,643	¥ 1,794	\$ 14,840

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, 2021 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	¥ 90,277	¥ 90,277	¥ -	\$ 815,436	\$ 815,436	\$ -
(2) Notes and accounts receivable-trade	132,397	132,397	-	1,195,890	1,195,890	-
(3) Marketable securities						
Available-for-sale securities	4,203	4,203	-	37,964	37,964	-
(4) Investment securities						
Investments in affiliates	1,187	1,032	(155)	10,721	9,321	(1,400)
Investments in others	5,031	5,031	-	45,443	45,443	-
(5) Long-term loans receivable	648			5,853		
Allowance for doubtful accounts (*1)	(571)			(5,157)		
	77	77	-	695	695	-
Total	¥ 233,174	¥ 233,018	¥ (155)	\$ 2,106,169	\$ 2,104,760	\$ (1,400)
Liabilities:						
(6) Notes and accounts payable-trade	¥ 66,455	¥ 66,455	¥ -	\$ 600,261	\$ 600,261	\$ -
(7) Short-term debt	18,216	18,216	-	164,537	164,537	-
(8) Income taxes payable	7,118	7,118	-	64,294	64,294	-
(9) Bonds payable	25,000	24,749	(250)	225,815	223,548	(2,258)
(10) Long-term debt (including current portion of long-term debt)	87,888	87,893	4	793,857	793,902	36
Total	¥ 204,678	¥ 204,433	¥ (245)	\$ 1,848,776	\$ 1,846,563	\$ (2,212)
Derivative transactions (*2):						
Hedge accounting is not applied	¥ 15	¥ 15	¥ -	\$ 135	\$ 135	\$ -
Total	¥ 15	¥ 15	¥ -	\$ 135	\$ 135	\$ -

(*) Lease-obligations recognized by adopting IFRS 16 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.

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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 13.

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, 2021 were as follows:

	Book value	
	Millions of yen	Thousands of U.S. dollars
Investments in affiliates	¥ 5,609	\$ 50,663
Investments in others	379	3,423

Notes:

These investments are not included in Assets (4) Investment securities.

3. The redemption schedule for monetary claim and debt securities with maturity dates subsequent to the consolidated balance sheet is as follows:

	Millions of yen			Thousands of U.S. dollars		
	One year or less	One to five years	Over five years	One year or less	One to five years	Over five years
Assets						
(1) Cash and time deposits	¥ 90,277	¥ –	¥ –	\$ 815,436	\$ –	\$ –
(2) Notes and accounts receivable-trade	132,397	–	–	1,195,890	–	–
(3) Marketable securities						
Available-for-sale securities						
Other securities with maturity date (corporate bonds)	4,188	36	–	37,828	325	–
Other securities with maturity date (government securities)	15	55	–	135	496	–
(4) Long-term loans receivable	–	77	–	–	695	–
Total	¥ 226,877	¥ 169	¥ –	\$ 2,049,290	\$ 1,526	\$ –

Note 13: Derivatives

1. Derivative transactions to which hedge accounting was not applied as of March 31, 2021

[Currency related]

	Millions of yen				Thousands of U.S. dollars			
	Contract amounts	Contract amounts due over one year	Fair value	Unrealized gain (loss)	Contract amounts	Contract amounts due over one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions								
Foreign currency forward contracts to								
Purchase U.S. dollar	¥ 590	¥ –	¥ 10	¥ 10	\$ 5,329	\$ –	\$ 90	\$ 90
Purchase euro	435	–	(0)	(0)	3,929	–	(0)	(0)
Purchase British pound	96	–	0	0	867	–	0	0
Purchase Thai baht	168	–	(1)	(1)	1517	–	(9)	(9)
Purchase Swiss franc	21	–	0	0	189	–	0	0
Purchase Hong Kong dollar	36	–	0	0	325	–	0	0
Purchase Swedish krona	2	–	(0)	(0)	18	–	(0)	(0)
Currency swap contracts								
Receipt in Chinese yuan, payment in Japanese yen	2,030	2,030	6	6	18,336	18,336	54	54
Total	¥ 3,381	¥ 2,030	¥ 15	¥ 15	\$ 30,539	\$ 18,336	\$ 135	\$ 135

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, 2021

[Interest and Currency related]

	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Contract amounts due over one year	Fair value	Contract amounts	Contract amounts due over one year	Fair value
Hedged items and hedge accounting method						
Hedged items: Long-term debt and interest						
Hedge accounting method: Integral accounting for interest rate and currency swaps						
Currency and interest rate swap contracts	¥ 48,000	¥ 42,000	Note	\$ 433,565	\$ 379,369	Note
Floating-rate receipt, fixed-rate payment						
Receipt in U.S. dollars, payment in Japanese yen						

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.

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Note 14: Segment Information

1. Overview of reportable segments

Reportable segments of the Group are components of an entity for which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Company and its consolidated subsidiaries consist of 6 reportable segments namely "Japan", "The Americas", "Europe, Middle East & Africa", "East Asia & Oceania", "Southeast Asia" and "APLL".

2. Services of each reportable segments

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

3. Calculation for net sales, segment income or loss, assets and other of reportable segments

Accounting practice for reportable segments is the same as the practice described in Note 1 "Basis of Presenting the Consolidated Financial Statements".

Income of reportable segments is stated on the basis of operating income. Inter-segment sales or transfer are based on market price to be used under general business conditions.

4. Net sales, segment income or loss, assets and others of reportable segments

The segment information of the Companies for the years ended March 31, 2021 and 2020 are presented below:

	Millions of yen										
	Reportable Segments						Total	Other (1)	Total	Adjustment (2)	Consolidated (3)
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL					
Year ended March 31, 2021:											
Net sales											
Net sales to outside customers	¥ 145,458	¥ 55,572	¥ 37,251	¥ 130,842	¥ 91,667	¥ 147,951	¥ 608,745	¥ 365	¥ 609,110	¥ -	¥ 609,110
Inter-segment sales/transfers	5,221	3,750	846	2,129	1,781	157	13,886	2,373	16,259	(16,259)	-
Total net sales	150,680	59,323	38,097	132,972	93,449	148,108	622,631	2,738	625,370	(16,259)	609,110
Operating Expenses	142,451	54,186	36,762	121,837	85,435	148,128	588,801	2,421	591,223	(16,289)	574,933
Segment income (loss)	¥ 8,229	¥ 5,136	¥ 1,335	¥ 11,134	¥ 8,013	¥ (19)	¥ 33,829	¥ 317	¥ 34,147	¥ 30	¥ 34,177
At March 31, 2021:											
Segment assets	¥ 85,421	¥ 48,593	¥ 21,047	¥ 82,772	¥ 47,366	¥ 149,796	¥ 434,998	¥ 2,855	¥ 437,854	¥ (19,026)	¥ 418,827
Year ended March 31, 2021:											
Other:											
Depreciation	¥ 1,535	¥ 641	¥ 411	¥ 3,956	¥ 1,955	¥ 8,822	¥ 17,324	¥ 196	¥ 17,520	¥ -	¥ 17,520
Amortization of goodwill	47	153	-	-	-	3,320	3,521	-	3,521	-	3,521
Investments in affiliates	3,109	-	336	198	1,964	1,187	6,797	-	6,797	-	6,797
Increase in property and equipment and other intangible assets	1,290	434	401	5,474	1,470	5,110	14,181	199	14,381	-	14,381
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

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	Thousands of U.S. dollars										Consolidated
	Reportable Segments						Total	Other	Total	Adjustment	
	Japan	The Americas	Europe, Middle East & Africa	East Asia & Oceania	Southeast Asia	APLL					
Year ended March 31, 2021:											
Net sales											
Net sales to outside customers	\$ 1,313,865	\$ 501,960	\$ 336,473	\$ 1,181,844	\$ 827,992	\$ 1,336,383	\$ 5,498,554	\$ 3,296	\$ 5,501,851	\$ -	\$ 5,501,851
Inter-segment sales/transfers	47,159	33,872	7,641	19,230	16,087	1,418	125,426	21,434	146,861	(146,861)	-
Total net sales	1,361,033	535,841	344,115	1,201,083	844,088	1,337,801	5,623,981	24,731	5,648,721	(146,861)	5,501,851
Operating Expenses											
Segment income (loss)	\$ 1,286,704	\$ 489,440	\$ 332,056	\$ 1,100,505	\$ 771,700	\$ 1,337,982	\$ 5,318,408	\$ 21,867	\$ 5,340,285	\$ (147,132)	\$ 5,193,144
At March 31, 2021:											
Segment assets	\$ 771,574	\$ 438,921	\$ 190,109	\$ 747,647	\$ 427,838	\$ 1,353,048	\$ 3,929,166	\$ 25,788	\$ 3,954,963	\$ (171,854)	\$ 3,783,099
Year ended March 31, 2021:											
Other:											
Depreciation	\$ 13,865	\$ 5,789	\$ 3,712	\$ 35,732	\$ 17,658	\$ 79,685	\$ 156,480	\$ 1,770	\$ 158,251	\$ -	\$ 158,251
Amortization of goodwill	424	1,381	-	-	-	29,988	31,803	-	31,803	-	31,803
Investments in affiliates	28,082	-	3,034	1,788	17,740	10,721	61,394	-	61,394	-	61,394
Increase in property and equipment and other intangible assets	11,652	3,920	3,622	49,444	13,277	46,156	128,091	1,797	129,897	-	129,897

Notes:

- "Other" is a segment which is not included in reportable segments and provides incidental logistics related services within the Group.
- "Adjustment" includes:
Segment income of ¥30 million (\$270 thousand) and ¥18 million for the years ended March 31, 2021 and 2020, respectively represents elimination of inter-segment transactions.
Segment assets of ¥(19,026) million (\$(171,854) thousand) and ¥(2,567) million at March 31, 2021 and 2020 respectively consist of elimination of inter-segment transactions of ¥(33,955) million (\$(306,702) thousand) and ¥(18,605) million at March 31, 2021 and 2020 respectively and surplus fund (cash and time deposit) of the Company of ¥14,928 million (\$134,838 thousand) and ¥16,038 million, which are not allocated to each segment at March 31, 2021 and 2020 respectively.
- Segment income is adjusted with operating income in the consolidated statements of income.

4. Net sales by Service

Net sales by service for the years ended March 31, 2021 and 2020 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales by Service:			
Air freight forwarding	¥ 273,760	¥ 186,389	\$ 2,472,766
Sea freight forwarding	151,232	153,469	1,366,019
Logistics	145,468	163,508	1,313,955
Others	38,649	41,165	349,101
	¥ 609,110	¥ 544,533	\$ 5,501,851

- Net sales classified by Country or Geographic area
Net sales classified by country or geographic area for the years ended March 31, 2021 and 2020 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales classified by Country or Geographic area:			
Japan	¥ 145,676	¥ 133,090	\$ 1,315,834
North America			
United States	136,836	151,278	1,235,985
Others	10,167	10,129	91,834
Asia and Oceania			
China	117,190	86,832	1,058,531
Others	145,491	105,654	1,314,163
Europe	41,068	38,809	370,951
Latin America	9,033	12,760	81,591
Others	3,647	5,977	32,941
	¥ 609,110	¥ 544,533	\$ 5,501,851

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

- Property and equipment classified by Country or Geographic area
Property and equipment classified by country or geographic area for the years ended March 31, 2021 and 2020 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Property and equipment classified by Country or Geographic area:			
Japan	¥ 24,463	¥ 25,169	\$ 220,964
North America			
United States	6,162	7,560	55,658
Others	2,791	2,516	25,210
Asia and Oceania			
China	8,977	8,002	81,085
Others	23,977	22,461	216,574
Europe	892	870	8,057
Latin America	890	953	8,039
Others	392	611	3,540
	¥ 68,548	¥ 68,145	\$ 619,167

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Note 15: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Personnel expenses	¥ 44,467	¥ 45,423	\$ 401,652
Facility expenses	9,370	9,160	84,635
Office expenses	2,371	4,247	21,416
Depreciation	6,879	6,889	62,135
Amortization of goodwill	3,521	3,610	31,803
Others	3,989	4,800	36,031
Total	¥ 70,600	¥ 74,132	\$ 637,702

Note 16: Other Income (Expenses)

Others, net during the years ended March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Amortization of negative goodwill	¥ 11	¥ 11	\$ 99
Other, net	271	225	2,447
Total	¥ 282	¥ 236	\$ 2,547

Note 17: Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gains (losses) on available-for-sale securities			
Increase (Decrease) during the year	¥ 1,586	¥ (695)	\$ 14,325
Reclassification	(41)	(142)	(370)
Subtotal, before tax	1,544	(838)	13,946
Tax (expense) or benefit	(452)	244	(4,082)
Subtotal, net of tax	1,092	(593)	9,863
Foreign currency translation adjustments			
Increase (Decrease) during the year	423	(5,868)	3,820
Reclassification	(1)	(2)	(9)
Subtotal, before tax	421	(5,870)	3,802
Tax (expense) or benefit	–	–	–
Subtotal, net of tax	421	(5,870)	3,802
Remeasurements of defined benefit plans			
Increase (Decrease) during the year	705	(987)	6,367
Reclassification	431	550	3,893
Subtotal, before tax	1,136	(436)	10,261
Tax (expense) or benefit	(348)	133	(3,143)
Subtotal, net of tax	788	(303)	7,117
Share of other comprehensive income of associates accounted for using equity method			
Increase (Decrease) during the year	145	(206)	1,309
Reclassification	(43)	(6)	(388)
Subtotal	102	(212)	921
Total other comprehensive income	¥ 2,404	¥ (6,980)	\$ 21,714

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Note 18: Related Party Transactions

Related Party Transactions and Outstanding balances for the year ended March 31, 2021

•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 (\$1,142,408 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 ¥11,421 million (\$103,161 thousand)
	Receipt of interest ¥36 million (\$325 thousand)
•Name of Accounts	Other current assets
•Balance at period end	Lending loan – Receipt of interest ¥12 million (\$108 thousand)

Notes:

- Lending loan is the transactions based on Cash Management System organized by Kintetsu Group Holdings Co., Ltd. and the interest rate is reasonably determined considering the market interest rate.
- The amount of transaction for Lending loan is stated at the average balance during the period because the transactions have occurred iteratively.

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
•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
	Receipt of interest ¥13 million
•Name of Accounts	Other current assets
•Balance at period end	Lending loan – Receipt of interest ¥3 million

Notes:

- Lending loan is the transactions based on Cash Management System organized by Kintetsu Group Holdings Co., Ltd. and the interest rate is reasonably determined considering the market interest rate.
- The amount of transaction for Lending loan is stated at the average balance during the period because the transactions have occurred iteratively.

Note 19: Amounts per Share

Net assets per share as of March 31, 2021 and 2020 and net income per share for the years ended March 31, 2021 and 2020 were summarized as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 1,926.30	¥ 1,615.38	\$ 17.39
Earnings per share	301.06	65.68	2.71

Notes:

- Diluted net income per share for the years ended March 31, 2021 and 2020 are omitted, because the Company has no dilutive shares.
- Basis for calculation of earnings per share for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income attributable to owners of the parent	¥ 21,644	¥ 4,724	\$ 195,501
Net income not attributable to common shareholders	–	–	–
Net income attributable to common shareholders	¥ 21,644	¥ 4,724	\$ 195,501

	Shares	
	2021	2020
Weighted-average number of shares of common stock outstanding	71,892,633	71,932,308

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, 2021 and 2020, 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 and other explanatory information is available on our website.

<https://www.kwe.com/ir/library/upload/docs/iar2021.pdf>

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(As of March 31, 2021)

■ 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:

16,587 (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:

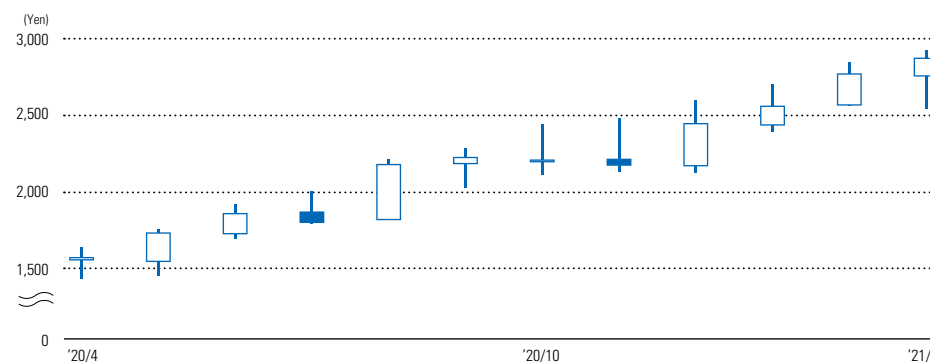
<https://www.kwe.com>

Major Shareholders

(As of March 31, 2021)

Shareholder	Number of shares held	% of shares held
Kintetsu Group Holdings Co., Ltd.	31,755,800	44.11%
Mitsui O.S.K. Lines, Ltd.	3,599,000	5.00%
Custody Bank of Japan, Ltd. (Trust Account)	2,959,300	4.11%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,749,300	3.82%
Hokko Daiwa Taxi Co., Ltd.	1,875,000	2.60%
National Mutual Insurance Federation of Agricultural Cooperatives	1,186,400	1.65%
State Street Bank and Trust Company 505001	1,160,105	1.61%
Northern Trust Co. (AVFC) RE HSD00	976,000	1.36%
State Street Bank and Trust Company 505103	846,826	1.18%
Northern Trust Co. (AVFC) RE HCR00	780,500	1.08%

Stock Price





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