

KWE

kintetsu world express, inc.

Otemachi Bldg., 1-6-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Phone: 03-3201-2580 Fax: 03-3201-2666
<http://www.kwe.com>



ANNUAL REPORT 2001

Year ended March 31, 2001

kintetsu world express

Profile

A total logistics provider, Kintetsu World Express had its start in 1948 as a logistics operation division of Kinki Nippon Railways, and later became independent in 1970. In September 2000, KWE was listed on Nasdaq Japan.

Today, KWE has established 51 locally incorporated companies and 12 overseas offices in 34 countries that comprise KWE's quadrilateral management system of Japan, the Americas, Europe and Africa, and Asia and Oceania, covering 165 major cities and 224 bases around the world. It is a global corporation that ranks among the top in the world in sales of international airfreight, providing a variety of logistics services to customers around the world.

KWE, with 3,859 employees overseas, generates 70 to 80% of its operating income from transactions overseas. This puts KWE in a unique position among Japan's logistics companies.

By striving to further integrate its facilities, equipment and other tangible features with its services, technology and other intangible features, KWE aims to become a world logistics provider leading the times as it offers seamless logistics services.

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Consolidated Financial Highlights

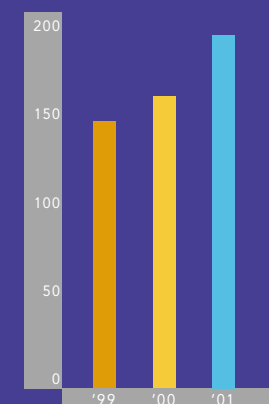
Kintetsu World Express, Inc. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

Yen in millions % change Dollars in thousands

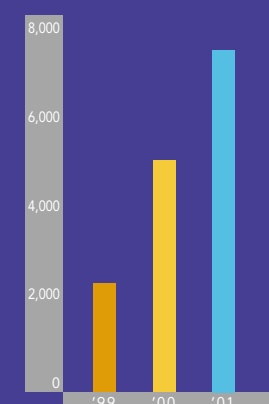
	2001	2000	2001/2000	2001
FOR THE YEAR				
Net sales	¥ 195,761	¥ 162,778	20.3 %	\$ 1,579,992
Operating income	7,546	4,908	53.7	60,904
Income before income taxes	7,081	4,425	60.0	57,151
Net income	4,024	2,241	79.6	32,478
Per share data				
Net income (Yen)	¥ 125.15	¥ 74.70	67.5 %	\$ 1.01
Cash dividends (Yen)	10.00	7.50	33.3	0.08
AT YEAR-END				
Shareholders' equity	¥ 28,827	¥ 20,225	42.5 %	\$ 232,663
Total assets	95,068	92,734	2.5	767,296

Note:
U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥123.90=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2001.

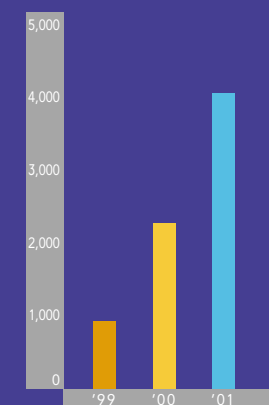
Net Sales (¥ Billion)



Operating Income (¥ Million)



Net Income (¥ Million)





Toshio Kumokawa
Chairman and
Chief Executive Officer (left)

Hirokazu Tsujimoto
President and
Chief Operating Officer (right)

To Our Shareholders and Friends

Becoming a Total Logistics Provider that Leads the Times

Our business environment is changing at an amazingly fast pace, evolving continuously. As an onrush of changes comes to our business of international airfreight and shipping, we at KWE are facing dramatic transformations. The changing picture includes the new growth industries that emerged with the advance of information technology, new ways of conducting business as information flows freely across borders, and a shift in the geographic relationships between producers and consumers. Today, we can no longer simply offer shipping services. The world increasingly is in need of a service system that responds to the diversified distribution needs of customers.

In the midst of these major changes, we have built a worldwide quadrilateral management structure to serve as the base on which to develop our operations. Our corporate goal is to become a total logistics provider leading the times. We will not merely ship goods for our customers; we will provide the best solutions to meet their distribution needs. This is the future of business that our management envisions. We believe we are shaping KWE to continue creating new values in the 21st century.

Financial Results

In the fiscal year ended March 31, 2001, our operating revenues rose by 20.3% to 195.76 billion yen and operating income grew by 53.8% to 7.55 billion yen. In addition, net income rose by 79.6% to 4.02 billion yen. All were new record highs. What is more, earnings per share came 125.15 yen, also a new record high.

In the fiscal year under review, we also aggressively built up our foundation for our worldwide quadrilateral management structure, designed to advance our goal of becoming a total logistics provider leading the times. This included establishing sales sites and administrative offices in the Americas, Europe and Africa, and Asia and Oceania. In Japan, we established Kintetsu e-Support, Inc. to enter the market for e-business. In addition, we formed a business partnership with Sagawa Express Co., Ltd. Such achievements were largely the result of sizable gains in the volume of exports and imports of airfreight, particularly those enhanced by information technology, which now is our world-renowned strength. The impressive results, however, were also due to the great success of our business strategies.

New Formation to Strengthen Our Management Structure

In the current fiscal year, which will end in March 2002, we made changes in our top management. Toshio Kumokawa, who previously served as president and chief executive officer, became chairman and chief executive officer. Hirokazu Tsujimoto, who served as senior managing director and chief operating officer, became president and chief operating officer.

Over the past 10 years under the leadership of Kumokawa, we took steps to strengthen our business structure and in the fiscal year ended March 2001 reached a milestone by listing our company on Nasdaq Japan. Our new management

structure will further strengthen our business foundations and fortify our management base, allowing us to surpass our competition on a global level in the 21st century.

We hope our new leadership will continue to strengthen our worldwide quadrilateral management structure, advance our goal of becoming a global, total logistic provider leading the times, and maximize shareholder value and corporate value.

Medium-Term Strategy: Four Priority Policies

Our new leadership has set forth the following four priority policies to reach our goal of becoming a global, total logistics provider leading the times.

Firstly, we plan to increase sales for our group as a whole. Our strength is in our operating sites that center on four locations: Japan, the Americas, Europe and Africa, and Asia and Oceania. This network is structured as an association in which individual members have their own decision-making and discretionary authority. Our plan is to strengthen this structure even further. While we will maintain the independence of the business sites in each of the four regions, we will develop a system that use collective strength and cooperative effort to allow the regions to work like the four wheels of a car.

In addition, while forming strategic alliances on a global scale with partners such as the TNT Post Group, we also will work on strengthening our network in promising, future-growth areas such as China, India and countries of Eastern Europe.

The second part of our plan is to develop logistics operations as a next-generation business. We are currently promoting the concept of e-logistics, which fully employs information technology in the area of distribution to expand services beyond conventional ones. In our logistics

operations, we will be involved in product assembly, shipping, providing sales data feedback and marketing.

Today, manufacturers of technologically advanced products – who are key clients for our business – are only engaged in research, development, production and some sales. There is a great need for comprehensive logistics services. To meet this need, we are expanding our distribution facilities and amassing a store of logistics know-how.

The third key of our plan is related to the second: boosting sales efficiency and streamlining administrative business through standardization of group information-technology infrastructure. Perfecting our global information technology is crucial to offering standardized services worldwide, meeting new client needs, and greatly enhancing our competitiveness.

The fourth and final part of our plan is boosting corporate value. We aim to maximize KWE group's corporate value by strengthening our company from within, improving corporate governance, strengthening our operations and cultivating specialists. At the same time, we will take steps to establish the Kintetsu Worldwide Express brand and also acquire ISO14001 certification.

By promoting these four key policies, we hope to increase the overall strength of our group as a total logistics provider. Through logistics, we plan to create new values and an ideal environment and continue, in the 21st century, to be a company that contributes to the development of customers, shareholders and employees, as well as global society.

Toshio Kumokawa
Chairman and
Chief Executive Officer

Hirokazu Tsujimoto
President and
Chief Operating Officer

Total Logistics Provider

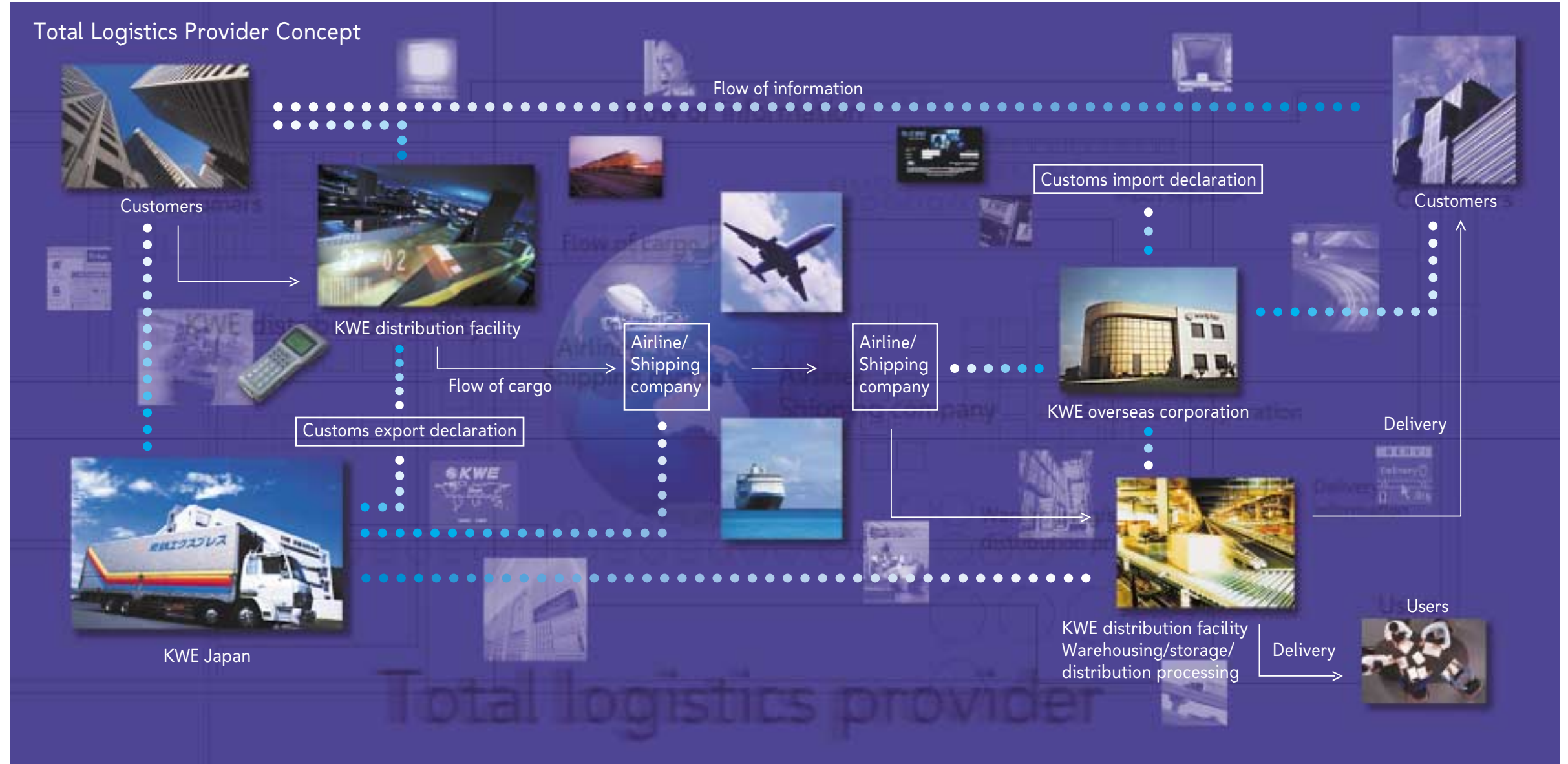
Traditionally, distribution services have largely been subcontracted shipping services in which the provider offers services at the request of the customer and follows the directions of the customer. The service of merely transporting merchandise to a designated location, however, is clearly changing along with the evolving business environment.

In our age of information technology, globalization and border-less communication, the international airfreight forwarding industry has also undergone changes. Our industry is moving from an era in which we have chiefly offered transportation between one airport and another to an era in which we offer services that respond to the varied needs of our customers. In this new era, perfecting a system of comprehensive services is key.

In recent years, our customers' needs have greatly shifted from the conventional door-to-door shipping services and their accompanying businesses. To meet diversified needs for distribution services, providers have been adding value and striving to optimize functions in the distribution chain.

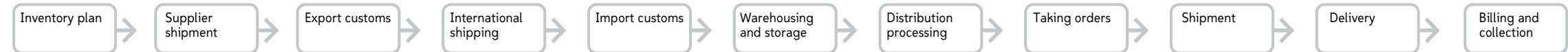
Our strength lies in our ability to offer total logistics services throughout our Group in the area of distribution services overall, including customer demands for different types of shipment. More and more companies are thinking of logistics services as a key issue in their business strategies.

In 1978, we were the first Japanese company in the industry to go on-line with a computer system for export services. In recent years, we have been aggressively introducing information technology, including the construction of an import system that can provide tracking information on cargo in real-time. In 1994, we established our quadrilateral management systems, centering on Japan, the Americas, Europe and Africa, and Asia and Oceania. By aggressively promoting localization, we are developing operations that are closely tied to particular regions and improving the efficiency of management. As a result, we are realizing a system in which information flows smoothly and management decisions can be made quickly. The KWE Group aims to be a total logistics provider for the 21st century and to continue creating new values in the future as well.



Supply Chain Management

KWE takes care of all these processes for its customers, using its distribution facilities and information system.



Four Priority Policies

To quickly respond to business issues on a global level in an era of great changes, we have set our goal as being a cutting-edge total logistics provider. To attain that goal, we have formulated four priority policies.

Priority Policy 1: Promoting sales for the KWE Group as a whole



- Promoting sales activities that make use of the comprehensive strengths of the KWE Group's quadrilateral regions and strengthening MNC sales
- Focusing on sales of high value-added products that promise high growth
- Expanding sales through strategic alliances
- Moving into new markets and strengthening networks

To build a sales system in which the Group is an integrated unit that responds to market globalization, we are conducting sales activities that are closely tied to regions by taking advantage of the comprehensive strength of our Group's quadrilateral management system. Our group strategy is to develop locally integrated operations in each of our regions abroad. This is the strength of the KWE Group.

We also plan to aggressively move into promising markets such as inland China, India and countries of Eastern Europe. We will strengthen our global service network so that it can meet with new demands.

We will also further develop strategic partnerships that are mutually beneficial.

Priority Policy 2: Expansion of logistics operations and construction of a foundation for next-generation operations



- Promotion of third-party logistics sales that make use of new systems and strategic partnerships, and development of fourth-party logistic services
- Developing and improving distribution equipment and facilities on a global scale
- Accumulation of logistics know-how, and strategic retention and cultivation of specialists
- Responding to new types of distribution, such as e-Commerce

The age in which a forwarder can provide shipping services alone has ended. Logistics operations will likely afford more business opportunities in the future as consignors of goods increasingly use outsourcing to handle their distribution operations. The KWE Group, which is geared toward total logistics services, will emphasize expanding logistics operations in the future. In April 2001, we founded distribution specialty companies in Vancouver, Washington, U.S.A., and in Liège, Belgium.

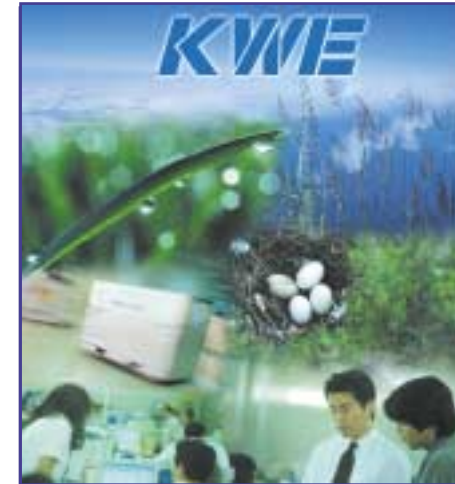
Priority Policy 3: Perfecting and strengthening our global information technology



- Offering the same quality service worldwide and using that consistency as a strategic sales tool
- Improving efficiency in sales and further streamlining operations through standardization of the KWE Group information technology infrastructure
- Responding to new customer needs through global information technology

To date, we have made sizable investments in developing our global information systems, anticipating needs for new distribution systems. We will improve customer services through the standardization of the Group's information-technology infrastructure and aim toward greater efficiency in sales and streamlining of business. By perfecting and strengthening our global information technology, we will be able to offer worldwide uniform, standardized information services unique to the KWE Group.

Priority Policy 4: Improvement of corporate group value



- Strengthening corporate governance
- Bolstering our operations in sales, service quality, information technology, and finances
- Cultivating human resources
- Improving our brand strategy
- Acquiring ISO14001 environmental certification

It is our important policy to improve our corporate group value and raise our name recognition in the market by fortifying the KWE brand. As part of this priority policy, we are tackling environmental issues. We have articulated our corporate philosophy -- to use resources wisely, promote harmony with nature, and take steps to preserve the global environment -- and also formulated our basic environmental policies. We have identified energy conservation, reduction of waste generation and promotion of recycling and reduction of vehicle emissions as key areas. In these areas, we are calling on our business partners and affiliates to help prevent pollution of the environment.

These four policies are key strategies for our Company and the development of its global operations. They indicate the basic course our Company will follow in its quest to be a total logistics provider in the 21st century.

Global Quadrilateral Management System

Japan

1. Overview and KWE's strength

Kintetsu World Express is the central company within the KWE Group, utilizing airlines and ocean liners to contract international and domestic cargo forwarding. Its primary operations also include customs brokerage and surface transportation that relate to the forwarding business. KWE boasts of being Japan's second largest forwarder of export and import airfreight. The Company has continued to be a step ahead of the rest as it became the first in the industry not only to expand outside Japan but also to obtain the ISO9000 series of certifications, as well as being among the first to build information systems.

On a non-consolidated basis, KWE's operating income in Japan consists of export sales at 59.1%, import sales at 19.4%, ocean cargo sales at 6.2% and domestic sales at 15.3%. KWE primarily handles highly advanced products such as electronics parts and semiconductor manufacturing devices. In the past dozen years or so, KWE had continued to establish related companies such as cargo delivery, packaging, insurance agency, temporary staff agency, package pick-up and delivery, warehouse-related and local sales companies. By separating accompanying businesses and by specializing in the main business, the Company has efficiently managed human resources and costs. KWE has been promoting aggressive overseas expansion and

employing sophisticated information systems. By building its global quadrilateral management system and utilizing its Narita Terminal – the industry's largest – and other facilities for providing temporary storage and distribution processing services, and using its global information system that is accessible from all KWE overseas corporations, KWE continues to improve the quality of its logistics services. KWE's series of distribution businesses such as temporary storage, distribution processing and sorting and delivery services using distribution facilities became the leading force in the industry into providing third-party logistics; such an innovative spirit has been highly regarded by the Company's clients.

2. Overview of Fiscal Year Ended March 31, 2001

The Japanese economy in the first half of the fiscal year continued on steadily, led by exports. Export airfreight from Japan saw large shipments of information-technology-related products, up until about October 2000. Although information-related products also increased among import airfreight, the trend slowed down beginning November so much that the figures dropped below the previous year's record. Both export and import ocean freight, however, fared better than airfreight as forwarding of plant facility equipment grew steadily. In domestic airfreight, shipment of semiconductors dropped in 2001 and competition within the trucking industry grew fierce; the volume handled continues to remain flat from the previous year. To enhance its operating foundation, KWE established 10 sales offices and 2 customer service centers in April 2000. In June, KWE also established Kintetsu e-Support, Inc. to join in e-business.

3. Future Strategies

KWE will actively expand on its philosophy to "Work together as one Group to promote sales" as declared in the Corporate Philosophy and Policy Statement established in November 1999, and cultivate good clients in the field of growth industries. In KWE's mid- and long-term strategies, the Company aims to lead the times as a total logistics provider, promote sales by the entire Group, expand its logistics operation generated from cargo forwarding and highly demanded by clients, and, as its foundation, complete a common information and communication network infrastructure for the KWE Group. KWE also aims to increase its corporate value as a listed company. The Company plans to expand sales by building high-value-added services in the field of third-party logistics, supply chain and e-business, taking full advantage of its distribution facility features, and by standardizing, and enhancing the features of, the Group's information network system. In addition, the Company aims to obtain ISO14001 environmental certification. KWE will continue to strive for a healthy growth of the entire Group as it further improves the management system to oversee the Group companies.



The Americas

1. Overview and KWE's strength

Since 1969 when KWE expanded to the United States, KWE USA has continued to lead the industry and secure its place, as it expanded its business operations and office network. Today, it oversees 19 corporations in the United States and elsewhere in the Americas, handling export and import airfreight forwarding. Those KWE companies in the Americas are expanding their business to third-party logistics such as ocean freight forwarding, customs brokerage, and temporary storage services and inventory management using warehouses. The companies also include one that handles the forwarding of racehorses. KWE is widely known among clients as a leading forwarder in the industry for handling cargo from North America to Asia. The KWE companies have continued to grow with customers whose cutting-edge products lead the times. The products handled are mainly electronics parts, semiconductor manufacturing device, information-communication devices and medical equipment. In Central and South Americas, the KWE companies cater mostly to multi-national corporations as they expand their third-party logistics business using

distribution facilities. The KWE companies in the Americas have secured their place as a dominating airfreight forwarder in the Pacific Rim, competing neck and neck for the ranking of the No. 1 North-America-to-Asia airfreight forwarder in terms of volume. Such an achievement is the combined result of 1) a comprehensive sales service network that is the largest among Japanese companies; 2) state-of-the-art global information system; 3) good clients whose cutting-edge products lead the times; and 4) diversified business expansion stemming from the growing airfreight business.

2. Overview of Fiscal Year Ended March 31, 2001

The boom in the American economy continued on until about October for the economy to remain favorable. There was a robust cargo movement for semiconductors and other high-value-added products, with increase in the volume of imports and exports to Japan and the Asian region gaining good results. In the United States, in addition to enhancing KWE's total sales by setting up a five-region marketing system, Perishables Department was also established. The KWE companies in the Americas also promoted a gateway system for export operations and established a new Compliance Department to reduce the error rate in dealing with customs. The Logistics Department was established with an outlook of growth into the future in the third-party-logistics business. Since November, however, its business growth has slowed down.

3. Future Strategies

In the Americas, KWE will continue to provide high-quality distribution services, firmly establish its presence in each country as a global, total logistics provider, and strive for market recognition. A plan is in the works to establish a company specializing in logistics to expand KWE's logistics business, including third-party logistics.

Preparations are well underway, with the aim of creating the best business model – including a logistics consultation service – in the Group. The KWE companies in the Americas will take full advantage of the Group's network to expand the export gateway operations and to increase cargo volume by promoting joint sales. Furthermore, the companies will increase sales in not only airfreight but also ocean freight, expand customs business and enhance surface-transportation business. The KWE companies in the Central and South Americas plan to emphasize joint sales with the KWE companies in the United States, to gain results.



Europe and Africa

1. Overview and KWE's Strengths

KWE's operations in Europe and Africa consist of 10 subsidiaries of the KWE Group, covering a wide range of regions from Sweden to South Africa. KWE's Russian corporation is the only Japanese corporation in our industry founded locally in the country. All subsidiaries mainly handle airfreight forwarding, as well as ocean freight forwarding, customs brokerage, pick-up and delivery and third-party logistics. They also emphasize surface transportation to the Euro economic region and to Eastern Europe. KWE's ocean freight forwarding contributes to more profits, with Rotterdam serving as the hub. KWE mainly handles imported goods from Japan, as well as semiconductors, semiconductor-manufacturing-device-related products, office automation equipment, automobile parts, information-communication devices and precision machinery. As for exports, products include machinery and automobile parts from Germany, compact disks and books from the United Kingdom, apparel and machinery from Italy, and pharmaceutical products from Switzerland. The quality of their operation is superior, gaining praise among local companies, foreign-affiliated or Japanese-affiliated alike for their thorough and attentive services. Compared to other KWE Group companies, these companies were generally established relatively recently and

hold promises of future growth. Presidents of the KWE companies in South Africa, Ireland, Switzerland and Italy are local nationals. The Group also includes Kintetsu Euro Transport, a company specializing in surface transport, to provide forwarding service for air- or sea-transported cargo to Western Europe, Eastern Europe and Russia, using the Group's own network system. In the United Kingdom, Germany, France, the Benelux countries and in South Africa, the KWE companies also provide third-party logistics using distribution facilities. They are expected to grow even further as demand increases.

2. Overview of Fiscal Year Ended March 31, 2001

As the European common currency euro came to be in use, the weakening of the euro and other currencies in Western Europe encouraged exports, strengthening the economy to a continued growth. The KWE Group companies also continued to do well, mainly in exports. With the volume of imports having exceeded that of exports – bringing in steady shipments of information-technology products and portable communication devices such as mobile phones and their parts – the surge also in exports resulted in KWE companies enjoying good sales. The KWE network in the region was enhanced with the KWE company in Switzerland establishing a sales office in Lugano and the KWE company in Ireland establishing another in Cork. To expand KWE's third-party logistics operation, the Euro Hub was established in Liège, Belgium.

3. Future Strategies

While the effects of the world economic recession are expected to gradually show, the KWE companies will strive harder to increase demand for logistics business. In July, the KWE company in Benelux is moving to a facility twice the size of the current one to expand its third-party-logistics business. In South Africa, the KWE company holds much promise after having succeeded in its third-party-logistics operation. At the Euro Hub that was established last year, meanwhile, KWE is considering establishing a company specializing in third-party logistics to give concrete structure, so to speak, to its third-party-logistics business. In Eastern Europe, building a Group network in Czecho, Hungary and Poland is crucial to KWE's strategies. Plans are underway to build a presence in the region as KWE carefully eyes the advance of Japanese corporations and timing. To improve services in other regions as well, KWE plans to aggressively establish new sales offices.



Asia and Oceania

1. Overview and KWE's Strengths

In Asia and Oceania, there are 20 subsidiaries of the KWE Group, covering the largest region among KWE's quadrilateral system. Like other regional corporations, these companies derive their income mainly from airfreight forwarding, ocean freight forwarding, customs brokerage, pick-up and delivery, and warehouse-related businesses. Focusing especially on third-party logistics operation such as temporary storage and distribution processing operations, the KWE companies in Asia and Oceania own or lease large-scale distribution facilities in Singapore, Taiwan's Taoyuan and China's Futian and Shanghai to meet the needs of international and Japanese corporate clients. From these regions where many such corporations have advanced by setting up plants, products such as electronics parts, mobile telephones and other information-communication products, as well as household appliances, are shipped to the United States. After settling in their respective countries, the KWE companies quickly set up to build foundations for distribution facilities, eager to meet client needs. Soon, their presence was eminent. The KWE companies provide detailed services by combining a variety of

transportation modes through KWE's service network that expands throughout nearby countries, such as when forwarding product parts and semi-completed products between plants. KWE's companies in the region boast of being one of the largest in each country, ranking among the top in the industry in the amount of business handled in Singapore, Hong Kong, Thailand, Malaysia, Taiwan and Korea. The sheer volume of cargo handled by KWE companies gives them leverage in their purchasing rate negotiations with airlines. Catering mainly to foreign corporations, strong in a variety of freight forwarding and third-party-logistics services using distribution facilities, KWE's services – combined with its information system – are second to none in the industry.

2. Overview of Fiscal Year Ended March 31, 2001

The KWE companies in Asia and Oceania continued to do well mainly with import and export airfreight of information and communication devices for Japan and the United States. Profit for all companies in the region significantly grew. Hardly any effect of the world economic recession was felt during this financial year. Next year, however, it may be more eminent. Securing cargo space on aircraft continued to be a serious problem. The resulting supply-and-demand imbalance caused an increase in the purchase price in some areas. To improve and enhance services in the region, the KWE company based in India established sales offices in Mumbai and Chennai while the KWE company in Hong Kong added three more sales offices. Furthermore, in China, KWE established a 6-branch-office and 11-sales-office system. ISO9002 certification was obtained at KWE's companies in Malaysia, the Philippines and Korea.

3. Future Strategies

In Asia and Oceania, KWE plans to obtain good clients mainly with airfreight forwarding but also by promoting sales of total logistics that combine third-party logistics and e-business – services that are increasing in demand in this region – with the Group's information network system, on a joint-sales basis with other KWE Group companies. To that end, the companies will establish a logistics sales organization in their region and expand and improve distribution facilities. KWE is eyeing China as a promising new market, and will develop a company-branch system to allow business activities in a wide range of areas. Finally, the KWE companies in Asia and Oceania will strive to further improve their financial health.



Environmental Protection Policies

In January 2001, we formulated our environmental protection policies. Our guiding philosophy is "to contribute to the development of a global society while also using resources wisely, promoting harmony with nature, and taking steps to preserve the global environment." We believe that this philosophy is an indispensable part of our efforts to become a global forwarder.

Fundamental to our environmental policies are management activities to monitor and control the effects on the environment of our airfreight forwarding and other shipping services, logistic services and related business activities. In our management activities, we place particular emphasis on energy conservation by reducing the use of electricity, waste reduction by reusing wooden pallets, reusing resources by recycling wrapping materials, corrugated cardboard and office paper and sorting out trash, and curbing vehicle exhaust emissions by eliminating idling.

For our various efforts, we specify target dates and define our goals. Efforts to remedy the problems are carried out on the basis of those decisions. In January of this year, we began reusing wooden pallets at the Tokyo Air Cargo City Terminal as well as at the KWE Narita Terminal and now have a reuse rate of over 95%. In addition, we have achieved a practically 100% recycling rate for both wrapping material and corrugated cardboard, which we once disposed of as industrial landfill waste. We use both sides of copy paper sheets and recycle them when both sides have been used.

We are also taking steps to lower energy costs by reducing the amount of electricity used throughout our terminals by 5%. Furthermore, we are taking steps to eliminate idling of engines in our own operations and are asking for cooperation on the part of our affiliates and business partners as well. As a result, we have reduced the idling rate among vehicles from the 18.5% before the request for cooperation to 5%. In addition, we have set a new goal to reduce the idling rate to 2% or lower.

To implement measures to prevent environmental pollution, we are requesting the cooperation of our business partners, affiliated companies and various internal divisions. We are sending our environmental protection policies to concerned parties, conducting questionnaires and using them as feedback in our efforts to prevent environmental pollution. As we take steps to obtain our environmental ISO14001 certification, we are explaining our endeavors to consignors of goods and requesting their cooperation.

We are continuously taking steps to achieve further growth as a global company.



As a company of the 21st century, we believe that we must not merely pursue profits but also give care and consideration to our environment as well.

[Basic Philosophy]

"As a total logistics provider, we aim to contribute to the development of a global society while using resources wisely, promoting harmony with nature, and taking steps to preserve the global environment."

[Basic Policies]

- (1) We will establish an organization that will allow us to suitably manage the environmental impact of our airfreight forwarding and shipping services, our logistic services and related business activities, as we promote continuous environmental management activities.
- (2) We will assess our impact on the environment, establish environmental goals and targets, take steps to prevent pollution, and work toward continuous improvement in these efforts through an environmental management system.
- (3) In addition to abiding by related environmental laws, regulations and other requirements, we will set and follow our own, more demanding standards.
- (4) We will emphasize the following areas of environmental management in our business activities:
 - Energy conservation
 - Promoting waste reduction and recycling
 - Control of exhaust gas emissions from vehicles
- (5) Through cooperation with our business partners and affiliates, we will prevent environmental pollution.
- (6) We will thoroughly educate our employees in our environmental policies, goals and targets and publicly announce our environmental policies.

We have declared our environmental initiatives in our business philosophy and our action guidelines. To clearly articulate our basic environmental philosophy and policies both inside and outside the company, we formulated our Environmental Protection Policies in January 2001. In the future, we will take steps to meet our targets through activities based on our improvement programs that are in keeping with the above-noted basic policies.

Management



Toshio Kumokawa
Chairman
and
Chief Executive Officer



Hirokazu Tsujimoto
President
and
Chief Operating Officer



Yutaka Moriyasu
Senior Managing Director and
Chief Marketing Officer,
Domestic Cargo



Yoshiaki Matsuda
Senior Managing Director and
Chief Corporate Planning and
Finance Officer



Akira Takei
Managing Director and
Chief Administration Officer



Shigeru Mori
Managing Director and
Chief Group Strategic
Management Officer



Norihiro Fujita
Director and Vice President-
the Americas



Kiyoshi Kataoka
Director and
Chief Corporate
Planning Officer



Eiji Ushio
Director and Chief
Information Officer



Takeo Shimomura
Director and Chief Marketing
Officer, Air Exports



Yoichi Tanaka
Director and Vice President-
Asia and Oceania

Akio Tsujii Absentee Director

Financial Section

Management's Discussion and Analysis

Unless otherwise noted, all financial information contained in this section is based on the consolidated financial statements included in the annual report of Kintetsu World Express, Inc. (KWE), which were prepared on the basis of generally accepted accounting principles in Japan.

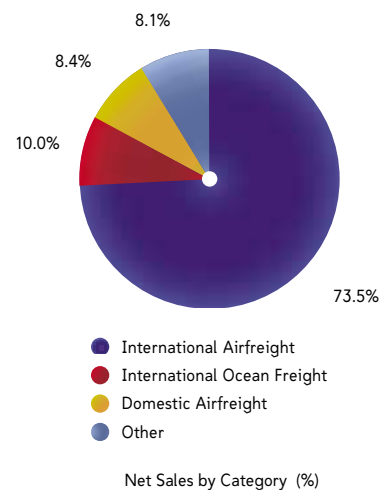
OVERVIEW

The consolidated financial statement for the fiscal year ended March 31, 2001 is composed of figures for Kintetsu World Express, Inc., 60 of its subsidiaries, and 3 affiliated companies which have been accounted for by the equity method.

KWE's principal businesses are contracting for international and domestic freight transport, using airlines and ocean liners as the means of transport and acting as an agent for airlines. KWE and the KWE Group as a whole also are involved in fields of operation related to contract transport, including airfreight agency business, airfreight forwarding business, imported consolidated freight break-bulk agency business, customs brokerage business, transport brokerage business, general trucking business, temporary freight storage and storage space leasing service, freight distribution processing service, indemnity insurance agency business, foreign freight forwarding business, real-estate management service, packaging service and temporary staff agency.

The KWE Group is an individual segment of a freight transport, but is divided by category of operation or item into international air transport, international ocean transport, domestic air transport, and other divisions. These divisions accounted for 73.5%, 10.0%, 8.4%, and 8.1% of net sales for the fiscal year, respectively.

Having employed a global quadrilateral management system, the KWE Group has net sales that consist of Japan region at 50.3%, the Americas region at 18.4%, Europe and Africa region at 6.5% and Asia and Oceania region at 24.8% with 49.7% of the total net sales coming from overseas operations.



OPERATIONS

The world economy this fiscal year saw continued economic growth in the United States, supported by vigorous consumer spending. Likewise, in Europe, the economy continued to grow steadily as the weak euro and weak local currencies contributed to a boom in exports. The economy in Asia, the manufacturing capital of the world, also continued on its favorable trend as production grew along with the steady world economy. In Japan, exports picked up among electronics-related devices, semiconductors and their manufacturing equipment, mobile communication devices and LCD-related products as world demand for computers expanded. Such an unprecedented economic boom in the first half of the fiscal year helped freight transport grow steadily as KWE's performance continued on favorably.

Beginning October 2000, however, the economy started to slow down due to production adjustments made by information-technology-related companies in the United States. It was not long before it had repercussions on European and Asian economies.

Despite such temporary drops in the volume of shipments, the international airfreight forwarding industry is expected to grow even further with increased demand and market expansion. The operating environment of the industry is rapidly changing, as international airfreight forwarders must now make a transition from simply providing forwarding services to providing logistics services to meet new, diversified customer needs. Such needs arose from the emergence of new-growth industries due to advancements in information technology, changes in the business procedures due to information exchanges going border-less, a global shift in producing and consuming regions, and shorter product lifecycles due to new technology developments and frequent, new consumer demands for high-value added products fit for airfreight forwarding.

In such an environment, the KWE Group aims to become the Total Logistics Provider leading the times. To that end, the Group worked as one following its priority policies to promote sales, expand logistics operations, perfect and put into strategic operations its global information technology, and improve its corporate group value. The following are the activities the Company engaged in this fiscal year as it responded to rapid changes in its operating environment.

First, the Company began by concluding a business collaboration agreement with Sagawa Express Co., Ltd. as part of its strategic collaborations to conduct sales as a unified Group and to expand its logistics operation. Through this agreement, the Company can now provide logistics services integrating Sagawa Express's domestic network and KWE's overseas network.

To expand and complete KWE's distribution facilities, the Company relocated its French subsidiary to a 1,000-square-meter warehouse facility, secured a 10,270-square-meter large warehouse near the Johannesburg Airport for its South African subsidiary, and established the 3,960-square-meter Euro Hub in Liège, Belgium as its European distribution base.

Meanwhile, to improve and expand KWE's global information infrastructure, the Company established Kintetsu e-Support,

Inc. in June 2000 in Japan to take the lead in joining the e-Business market at full-scale. The Company also continues to promote building a standard operation system at Kintetsu Global I.T., Inc., a system development company established in Dallas, Texas in the United States in October 1997, with the goal of the entire KWE Group offering consistent quality in its services.

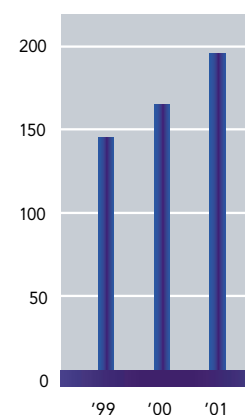
To enhance KWE's operating base, the Company established 10 new sales offices and 2 new customer centers in Japan, while Kintetsu World Express Hokkaido, Inc. that was established the previous fiscal year opened its Hakodate Office. Overseas, KWE's American subsidiary established a Perishables Department while subsidiaries in Switzerland and Ireland each established a new sales office, the Hong Kong subsidiary opened 2 offices and one representative office, and Beijing Kintetsu World Express Co., Ltd. began branch office operation and established a 6-branch-office-and-11-sales-office system.

Net Sales

Net sales this fiscal year rose 20.3% over the previous year to 195.76 billion yen, the highest in KWE Group's history. It is the fruit of the Group's concerted effort to promote cooperative sales, cultivate multi-national companies and leading medium-sized companies, and expand freight volume.

All of KWE's quadrilateral bases – Japan, the Americas, Europe and Africa, and Asia and Oceania – experienced increased income, especially in the Americas and Asia and Oceania, where net sales increased dramatically by 33.2% and 47.8%, respectively. The figures are the result of optimizing the functions of KWE Group's unique global quadrilateral management system. Consequently, the percentage of net sales in Japan to overall net sales dropped from the previous year's 55.5% to 50.3%.

Net Sales (¥ Billion)



Cost of Sales

Cost of sales this fiscal year increased 20.3% to 161.36 billion yen while the percentage to net sales remained the same as the previous year at 82.4%.

The Company has no transport aircraft or ships of its own, so cost of sales consist mainly of the cost of freightage purchased from the airlines and ocean liners that it uses for transport, as well as the indirect costs of freight operation such as wages.

This fiscal year, the cost of freightage rose 21.9% to a total of 139.01 billion yen. For this reason, the cost of sales amounted to 71.0% of net sales, a slight rise over the previous year's figure of 70.1%. One factor in this rise was increased volume of export cargo in the Asian region, which led to a chronic shortage of airfreight space and a corresponding increase in the freightage rates.

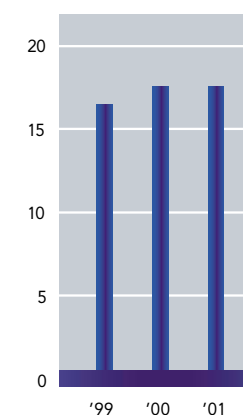
Future efforts to deal with this situation include providing value-added services in the field of distribution, such as third-party logistics and e-Business, with the idea of maintaining and increasing profits.

Selling, General and Administrative Expenses

KWE's selling, general and administrative expenses this fiscal year rose 13.4% to 26.86 billion yen, but their percentage to net sales declined from 14.6% to 13.7%.

Curbing selling, general and administrative expenses was made possible primarily through cost-cutback efforts at KWE's Japan operations. Breakdown of the selling, general and administrative expenses includes an increase in provisions for doubtful accounts from the previous year's 178 million to 555 million yen, and an increase of provision for accrued retirement benefits to employees from the previous year's 154 million yen to 748 million yen following the adoption of the new accounting standard for employees' severance and pension benefits. The increase in salaries and compensations, however, was limited to 12.6% from the previous year, owing

Gross Profit Margin (%)



to increased productivity and cutbacks in the number of staff. Holding down the increase of salaries and compensations that constitute about half of selling, general and administrative expenses led to a decrease in the ratio of said expenses to net sales.

Operating Income

Operating income shows a significant increase over the previous fiscal year, rising 53.8% to 7.55 billion yen. A major factor in this rise was the 0.9% decrease in the percentage of selling and administrative expenses. The operating income to net sales also improved, rising from 3.0% to 3.9%.

Other Income and Expenses

The net amount of other income and expenses added up to a loss of 465 million yen for the fiscal year. There was a 3.7% reduction in losses over the previous year. A major factor in this loss was 1.17 billion yen of interest payments. The amount of interest paid increased slightly over the previous fiscal year. During this fiscal year, there were no significant non-operating profits or extraordinary income. Thus, overall, other income and expenses maintained much the same trend as the previous year.

Income Before Income Taxes

This fiscal year, income before income taxes came to 7.08 billion yen, an increase of 60.0% over the previous year.

Income Taxes

The company's income taxes rose 36.3% to 2.82 billion yen, leading to a decline in the effective tax rate from the previous year's 46.8% to 39.9% after adjustments were included. The effective tax rate dropped partly due to the differences in the statutory tax rates of consolidated subsidiaries in the United States where the Company experienced increased earnings, and to adjustments made for losses carried forward by consolidated subsidiaries, which were not recognized for accounting purposes.

Net Income

Net income this fiscal year increased 79.6% to 4.02 billion yen, the highest net income in KWE history. Because of this, net income per share went from the previous year's 74.70 yen to 125.15 yen. The return on equity for this year increased from the previous year's 11.8% to 16.4%.

TRENDS IN SEGMENTS BY LOCATION

Japan

This fiscal year, the Company realized volume increases in both exports and imports due to an active freight movement of semiconductor-related products, information-related products and electronic parts to the United States and Asia, and to the KWE Group Network functioning effectively. However, affected by the U.S. economy slowdown since November 2000, export airfreight volume from Japan began to drop below the previous year's level, leading to a decline in the Company's freight handling.

Domestic airfreight continued performance at the previous year's level as competition among trucking companies

intensified. Meanwhile, international sea cargo grew steadily primarily among factory machinery and equipment.

Domestic affiliated companies implemented a cutback on costs, as well as increased the percentage of sales to customers outside the KWE Group.

This fiscal year, to improve the Company's operating base, 10 new sales offices and two new customer centers were established.

As a result of the above, KWE's net sales in Japan increased 9.0% over the previous year to 98.49 billion yen, and operating income also increased 38.4% to 4.71 billion yen.

Net sales in Japan constituted 50.3% of the total net sales of all the regions, down from the previous year's 55.5%. Likewise, operating income in Japan constituted 62.4% of the total operating income of all the regions, down from the previous year's 69.4%.

The Americas

This fiscal year, KWE subsidiaries in the Americas handled an increased volume of cargo to and from Japan and Asia until October 2000 with active freight movement among high-value-added cargo such as semiconductors, information-communication-related parts, devices and manufacturing equipment. Since the economic slowdown of November 2000, however, growth in business performance also slowed down.

To improve operating base, the Perishables Department was newly established.

As a result of the above, net sales increased 33.2% over the previous year to 36.1 billion yen while operating income also increased 118.9% to 811 million yen.

Net sales in the Americas constituted 18.4% of the total net sales of all the regions, up from the previous year's 16.6%. Likewise, operating income in the Americas constituted 10.7% of the total operating income of all the regions, up from the previous year's 7.5%.

Europe and Africa

This fiscal year was no different in that in the European and African market, volume of imports exceeded that of exports. However, with the fall of the euro and other local currencies against the U.S.dollar, there was a surge in exports of world-competitive, mobile-communication-device-related products such as mobile telephones, as well as other information-technology-related products. The continued weakness of the currencies led to a rise in exports, which contributed to KWE's increased income.

To improve operating foundation, KWE's affiliates in Switzerland and Ireland each established a sales office. To improve KWE's distribution foundation, the Euro Hub was established in Belgium.

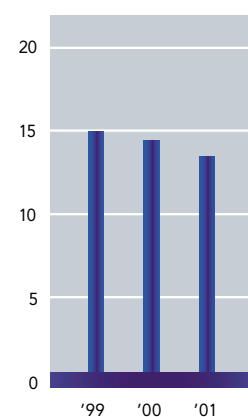
As a result of the above, net sales increased 1.1% over the previous year to 12.72 billion yen while operating income also increased 522.7% to 410 million yen.

Net sales in Europe and Africa constituted 6.5% of the total net sales of all the regions, down from the previous year's 7.7%. Operating income in Europe and Africa, however, constituted 5.4% of the total operating income of all the regions, significantly up from the previous year's 1.3%.

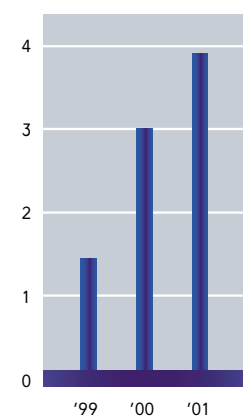
Asia and Oceania

This fiscal year, business performance in Asia and Oceania significantly grew with the region bustling with airfreight exports and imports of main units, peripherals and peripheral parts of information-communication, office-automation and computer-related products to and from Japan and the United States. As the manufacturing base of companies around the world, the region continues to experience busy freight movement. The global recession that began in the United States has hardly had any effect here this fiscal year. Furthermore, the lack of cargo space on airplanes has become chronic, leading to some increases in costs.

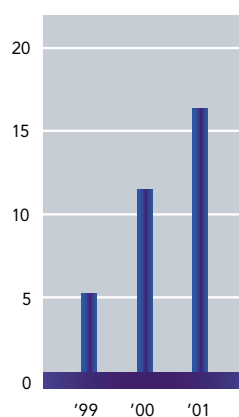
SGA Expenses to Net Sales (%)



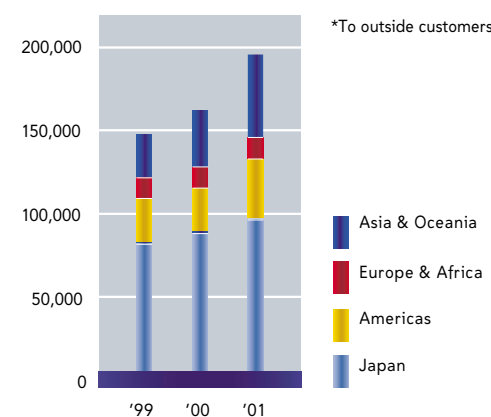
Operating Income Margin (%)



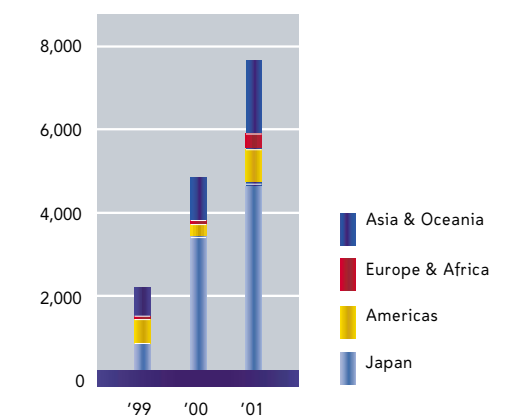
ROE (%)



Net Sales by Geographic Area* (¥ Million)



Operating Income by Geographic Area* (¥ Million)



To improve operation base, two new sales offices were established in India while 3 new sales offices were established in Hong Kong. In China, KWE established a 6-branch-office-and-11-sales-office system.

As a result of the above, net sales increased 47.8% over the previous year to 48.45 billion yen while operating income also increased 71.6% to 1.76 billion yen.

Net sales in Asia and Oceania constituted 24.8% of the total net sales of all the regions, up from the previous year's 20.1%. Likewise, operating income in Asia and Oceania constituted 23.4% of the total operating income of all the regions, up from the previous year's 21.0%.

FINANCIAL POSITION

This fiscal year, KWE's total assets increased 2.5% to 95.07 billion yen.

Looking at the individual factors, the Company's current assets grew 2.7% to 57.42 billion yen. This was due mainly to an increase in liquidity caused by this fiscal year's net income, as well as to the sales of securities. Cash and cash equivalents increased 22.1% this year to 14.96 billion yen. No marketable securities were posted this fiscal year after the Company reexamined the purposes of holding securities: Those that were posted as marketable securities up to the previous year are now shown as investment securities.

The Company's investments increased 28.7% to 9.11 billion yen. The increase was due primarily to the 1.56-billion-yen increase in investment in non-affiliated companies over the previous year to 2.83 billion yen, including the 897 million yen transferred from the previous year's current-asset securities.

Property and equipment at the end of the previous fiscal year were 26.96 billion yen, remaining much the same as the previous year with only a 0.1% increase.

On the other hand, total liabilities decreased 8.9% to 65.48 billion yen and current liabilities decreased 6.0% to 50.82 billion yen. Notes and accounts payable declined 14.2% from

the previous year to 19.54 billion yen.

Fixed liabilities decreased 17.8% to 14.66 billion yen due primarily to the decline in long-term debt which were repaid through funds raised by a public stock offering. The decrease in long-term debt was 19.3% from the previous year to 12.56 billion yen.

Meanwhile, the Company's shareholders' equity rose 42.5% to 28.83 billion yen. This was due to the increase in common stock and additional paid-in capital caused by the Company's public stock offering, as well as to the increase in retained earnings caused by this year's net income. Common stock increased 73.7% over the previous year to 5.21 billion yen while additional paid-in capital, posted from this fiscal year, came to 2.86 billion yen and consolidated retained earnings increased 21.6% over the previous year to 20.95 billion yen.

As a result, equity ratio rose from 21.8% at the end of the previous fiscal year to 30.3%.

LIQUIDITY AND CAPITAL RESOURCES

The Company recognizes that one of the most important elements in increasing its corporate value is to create cash flow from its operations and to use it as sources of investment in new growth fields. In addition, the Company's management team has always striven to maintain sufficient liquidity in order to ensure flexible development and expansion of corporate strategies and respond to changes in the business environment.

By the end of this fiscal year, the Company's cash and cash equivalents had increased 2.71 billion yen to 14.96 billion yen. During this fiscal year, KWE generated 3.37 billion yen in cash flow from operating activities. This is an 8.6% drop from the previous year. Despite increased income before income taxes over the previous year, the 4.05 billion yen decline in notes and accounts payables and 3.25 billion yen in income taxes paid and other payments contributed to the drop in cash flow.

Cash used in investing activities this year amounted to 1.39 billion yen, of which payment for the purchase of property and equipment were 133 billion yen. This was attributable mainly to expenditures for the expansion and augmentation of terminal and office facilities aimed to enhance the Company's distribution services and information infrastructure, the purchasing of system servers and system terminal peripherals, and the purchasing of trucks and other freight transport vehicles.

Finally, cash used in financing activities amounted to 265 million yen, and this was attributable mainly to repayment of loans. The Company raised 5.08 billion yen through the stock offering to repay 4.6 billion yen of long-term debt and reduce 479 million yen of short-term debt.

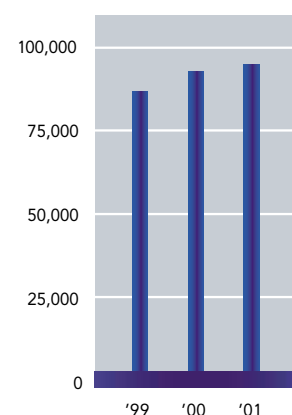
RISK MANAGEMENT

In the normal course of its operations, the Company is exposed to market risks from the currency exchange rates, interest rates, and stock prices. Of the risks mentioned, in order to partly diminish or completely eliminate risks from changes in foreign exchange rates, the Company makes use of exchange forward contracts. Otherwise, the Company makes no use of these products for purposes of investment or short-term trading.

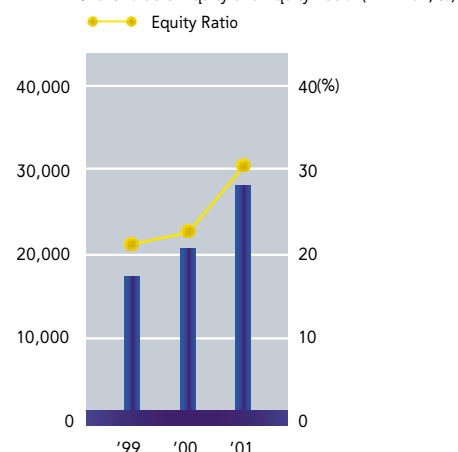
Moreover, all derivative transactions carried out by KWE is within the range of the risk borne on the balance sheet, and the Company does not purchase leveraged products or take part in options trading. Furthermore, the Company's financial managers strictly supervise any transactions involving these products. Thus, the Company's trading of derivative financial products is cancelled out by the risks in the assets and liabilities on the balance sheet. In addition, there are no transactions off the balance sheets, since any foreign currency-based accounts receivable and debt concluded along with foreign exchange contracts are shown on the balance sheet in Japanese currency.

Otherwise, KWE may be exposed to non-financial or non-quantifiable risk in the course of its normal operations. These include country risks, credit risks and legal risks. Because of their unpredictability, however, they have not been recorded in this year's annual report.

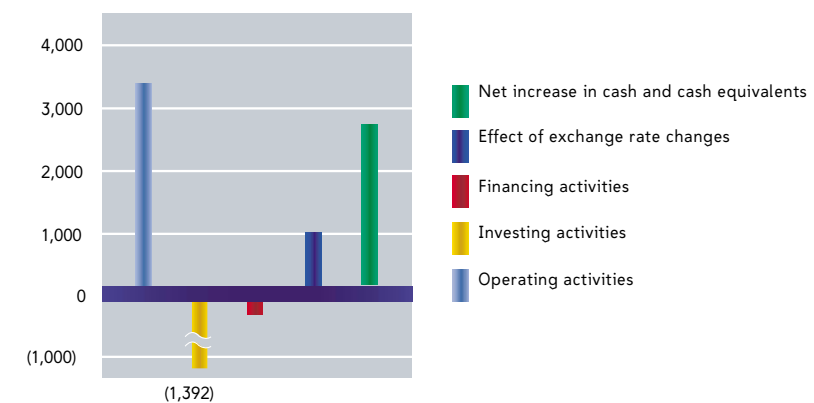
Total Assets (¥ Million)



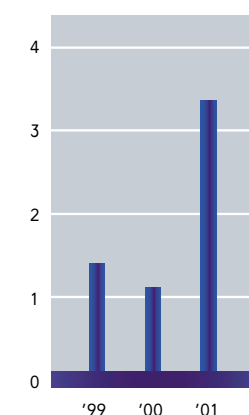
Shareholders' Equity and Equity Ratio (¥ Million, %)



Cash Flows (¥ Million)



Working Capital to Net Sales (%)



KWE's Network

JAPAN

Kintetsu World Express Delivery Co., Ltd.
1-19-13 Matsumoto, Edogawa-Ku, Tokyo 133-0043
<Tel> 03-5607-4411
<Fax> 03-5607-4413

Kintetsu Packs, Inc.
2-30 Shiohama, Ichikawa-City, Chiba 272-0127
<Tel> 047-399-9600
<Fax> 047-399-9710

Kintetsu Almax, Inc.
2-3-13 Kandaogawa-Machi, Chiyoda-Ku, Tokyo 101-0052
<Tel> 03-3259-8461
<Fax> 03-3259-8465

Kintetsu Cosmos Tokyo, Inc.
6 Fl., Daimon Urbanist, 2-3-6 Daimon, Shibadaimon, Minato-Ku, Tokyo 105-0012
<Tel> 03-5473-8250
<Fax> 03-5473-8650

Kintetsu Cosmos Osaka, Inc.
9Fl., Asako Nagabori Bldg., 1-3-9 Minami-Senba, Chuo-Ku, Osaka-City, Osaka 542-0081
<Tel> 06-6260-1171
<Fax> 06-6260-1041

"Q" Net System, Inc.
The KWE Tokyo Terminal, 3-2-31 Yashio, Shinagawa-Ku, Tokyo 140-0003
<Tel> 03-5755-6699
<Fax> 03-5755-6599

"Q" Net Osaka, Inc.
2-1-25 Umemachi, Konohana-Ku, Osaka-City Osaka 554-0032
<Tel> 06-6466-9001
<Fax> 06-6466-9002

Kintetsu World Express Sales East, Inc.
Isuzu Shiba Bldg., 4-2-3 Shiba, Minato-Ku, Tokyo 108-0014
<Tel> 03-5443-9201
<Fax> 03-5443-2757

Kintetsu World Express Sales West, Inc.
Minamisenba Yuzu Bldg., 3-2-4 Minami-Senba, Chuo-ku, Osaka-City, Osaka 542-0081
<Tel> 06-6241-0272
<Fax> 06-6241-0291

Kintetsu World Express Kyushu, Inc.
1-2-8, Kukomae, Hakata-ku, Fukuoka-City, Fukuoka 812-0002
<Tel> 092-626-1941
<Fax> 092-616-1943

Kintetsu World Express Hokkaido, Inc.
9-17 Kita, Nango-dori, 15-Chome, Shiroishi-Ku, Sapporo-city, Hokkaido 003-0023
<Tel> 011-863-3871
<Fax> 011-864-5128

Kintetsu e- Support, Inc.
4th Fl., Kyodo Bldg., 7-15-5 Ginza, Chuo-Ku, Tokyo 104-0061
<Tel> 03-3524-1091
<Fax> 03-5565-5471

AMERICAS

Kintetsu World Express (U.S.A), Inc.
100 Jericho Quadrangle, Suite 326, Jericho NY 11753 U.S.A
<Tel> 1-516-933-7100
<Fax> 1-516-933-7701

Kintetsu Intermodal (U.S.A), Inc.
1035 Watson Center Road., Carson, Ca 90745 U.S.A.
<Tel> 1-310-522-0311
<Fax> 1-310-834-3880

Kintetsu World Express (Canada), Inc.
6405 Northam Drive, Mississauga, Ontario L4V 1J2, Canada
<Tel> 1-905-677-8830
<Fax> 1-905-673-8689

Kintetsu World Express Do Brasil Ltda.
Av. Miruna, 700-Moema, Cep 04084-002, Sao Palou, SP. Brazil
<Tel> 55-11-5055-0642
<Fax> 55-11-5055-0229

World Wide Customs Brokers Ltd.
106, 2730-39th Avenue. N.E. Calgary, Alberta, T1Y 7H6 Canada
<Tel> 1-403-291-2543
<Fax> 1-403-291-0361

Kintetsu World Express (Mexico) S.A De C.V.
Ave. Fuerza Aerea Mexicana No. 128, Local 4 Col. Federal, C.P. 15700. Mexico City, Mexico
<Tel> 52-5-260-7576
<Fax> 52-5-260-8123

GSXXI, Inc.
1031 Watson Center Road, Carson, Ca 90745 U.S.A.
<Tel> 1-310-522-9818
<Fax> 1-310-522-1001

Kintetsu World Express Del Peru S.A.
Calle Manuel Gonzales Olaechea No. 271, San Isidro, Lima 27, Peru
<Tel> 51-221-7591
<Fax> 51-421-5297

Kintetsu World Express De Colombia Ltda.
Avenida el Dorado No.84a 55 Oficina 201 modulo azul centro Comercial Dorado Plaza, Santafe de Bogota, Colombia
<Tel> 57-1-4104855
<Fax> 57-1-4162515

Kintetsu Blue Grass, Inc.
100, Jericho Quadrangle, Suite 326, Jericho, NY 11753 U.S.A.
<Tel> 1-516-933-7100
<Fax> 1-516-933-7701

Kintetsu World Express Venezuela, S.A.
Avenida Tamanaco, Edificio Extebandes, Piso 3, Oficina 3A, Urbanizacion El Rosal, Distrito Capital, Caracas 1060, Venezuela
<Tel> 58-212-952-6364
<Fax> 58-212-952-2195

Kintetsu Global I.T., Inc.
1950 N. Stemmons, Suite 3061 Dallas, TX 75207, U.S.A.
<Tel> 1-214-775-1400
<Fax> 1-214-775-1401

Kintetsu World Express Chile Ltda.
Padre Mariano 135, Providencia-Santiago, Chile
<Tel> 56-2-236-3439
<Fax> 56-2-235-4666

KWE Agentes Aduanales, S.A.
Avenida Tamanaco, Edificio Extebandes, Piso 3, Oficina 3A, Urbanizacion El Rosal, Distrito Capital, Caracas 1060, Venezuela
<Tel> 58-212-952-6364
<Fax> 58-212-952-2195

Kintetsu Aduanas S.A.
Calle Manuel Gonzales Olaechea No. 271, San Isidro, Lima 27, Peru
<Tel> 51-1-442-9993
<Fax> 51-1-421-5297

Kintetsu Worldwide Logistics, Inc.
7500 North East 41st Street, Suite 220, Vancouver, WA 98662, U.S.A.
<Tel> 1-360-892-9066
<Fax> 1-360-896-6372

Kintetsu Almacenes Generales
Avenida Tamanaco, Edificio Extebandes, Piso 3, Oficina 3A, Urbanizacion El Rosal, Distrito Capital, Caracas 1060, Venezuela
<Tel> 58-212-952-6364
<Fax> 58-212-952-2195

EUROPE

Kintetsu World Express (U.K) Ltd.
Unit 2, Poyle 14, Newlands Drive, Colnbrook, Slough, Berkshire, SL30DX, U.K.
<Tel> 44-1753-684997
<Fax> 44-1753-682054

Kintetsu World Express (Deutschland) GmbH.
Wahlerstrasse 37, 40472 Duesseldorf, Germany
<Tel> 49-211-6559-0
<Fax> 49-211-6559-189

Kintetsu World Express (France) S.A.
Batiment10, Garonor BP637, 93614 Aulnay Sous Bois, France
<Tel> 33-1-4814-5959
<Fax> 33-1-4814-5960

Kintetsu World Express (Benelux) B.V.
Folkstoneweg 67 1118LN, Schiphol, South East, The Netherlands
<Tel> 31-20-6554444
<Fax> 31-20-6554465

Kintetsu World Express (Ireland) Ltd.
Unit 4 Horizon Logistics Park, New Naul Road, Harristown, Co. Dublin Republic of Ireland
<Tel> 353-1-823-9600
<Fax> 353-1-836-1111

Kintetsu World Express South Africa (PTY) Ltd.
Block F, Wingfield Park. Cnr. Jones & Springbok Roads, Jet Park, Boksburg, Gauteng, South Africa
<Tel> 27-11-397-1900
<Fax> 27-11-397-1030

Kintetsu Euro Transport Ltd.
Logistics Centre, Willoughby Road, Bracknell, RG12 8FD U.K.
<Tel> 44-1344-488767
<Fax> 44-1344-488768

Kintetsu World Express (Switzerland) Ltd.
P.O. Box 225, 8058 Zurich Airport, Switzerland
<Tel> 41-1-8384488
<Fax> 41-1-8384489

Kintetsu World Express (Italia) S.R.L.
Via Londra 22, Milano Oltre, 20090 Segrate Milano, Italy
<Tel> 39-02-26950092
<Fax> 39-02-26950188

Kintetsu World Express (R), Inc.
Chasovaya ST. 24, Bldg. 1, Office 401, Moscow 125315 Russian Federation
<Tel> 7-095-155-4592
<Fax> 7-502-937-3265

Kintetsu World Express, Inc. Sweden Representative Office
c/o Exceed AB
Soderbyvagen 13 Marsta 195 60, P.O.Box 18, S-190 45 Stockholm-Arlanda, Sweden
<Tel> 46-8-591-28620/28955
<Fax> 46-8-591-29490

Kintetsu World Express, Inc. Dubai Representative Office
P.O.Box 29543, Dubai, U.A.E.
<Tel> 971-4-3946983
<Fax> 971-4-3946984

KWE Euro logistics S.A.
Rue de l'Aeropostale, 8, B-4460 Grace-Hollogne, Belgium
<Tel> 32-4246-7646
<Fax> 32-4246-7659

ASIA & OCEANIA

Kintetsu World Express (H.K.) Ltd.
G/F., Sunshine Kowloon Bay Cargo Center, 59 Tai Yip St., Kowloon, Hong Kong S.A.R. China
<Tel> 852-2796-1176
<Fax> 852-2756-8803

KWE-Kintetsu World Express (S) Pte Ltd.
20 Changi South Avenue 2, Singapore 486547 Singapore
<Tel> 65-542-7778
<Fax> 65-545-6008

Kintetsu World Express (Taiwan), Inc.
3rd FL., No.99, Sec.2, Chang An E. Rd., Taipei, Taiwan R.O.C.
<Tel> 886-2-2506-3151
<Fax> 886-2-2506-9290

Kintetsu Integrated Air Services Sdn Bhd
No.15, Jalan PJS 7/19, Bandar Sunway, Petaling Jaya, 46150 Selangor Darul Ehsan, Malaysia
<Tel> 60-3-733-2466
<Fax> 60-3-737-2142

Kintetsu World Express (Thailand) Co., Ltd.
Green Tower Bldg., 3Rd Fl., 3656/7 Rama 4 Road, Klongton, Klongtoey, Bangkok 10110, Thailand
<Tel> 66-2-367-3161
<Fax> 66-2-249-3982

Kintetsu World Express (Australia) Pty Ltd.
Unit 8. Harcourt Estate, 2-16 Harcourt Parade, Rosebery, N.S.W. 2018 Australia
<Tel> 61-2-9667-2300
<Fax> 61-2-9667-2262

Kintetsu World Express (Shenzhen) Co., Ltd.
51-5, Hong Liu Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, P.R. China
<Tel> 86-755-359-8777
<Fax> 86-755-359-0782

Kintetsu World Express (Korea) , Inc.
Insong Bldg., 395-3, Hapjung-Dong, Mapo-ku, Seoul, 121-200 Korea
<Tel> 82-2-322-2508
<Fax> 82-2-322-2215

Beijing Kintetsu World Express Co., Ltd.
6A2 East Zone, Hanwei Plaza, No.7 Guanghua Street, Chaoyang District, Beijing 100004, P.R.China
<Tel> 86-10-6561-1662
<Fax> 86-10-6561-1658

Kintetsu World Express (India) Pvt Ltd.
Unit 106, Embassy Square, 148, Infantry Road, Bangalore 560001, India
<Tel> 91-80-228-3891
<Fax> 91-80-228-3894

Kintetsu World Express (Philippines), Inc.

Units 103 & 104 JJM Bldg. II, Ninoy Aquino Av.,
Paranaque City, Metro Manila, Philippines
<Tel> 63-2-852-9220
<Fax> 63-2-852-9212

Kintetsu Logistics (M) Sdb. Bhd

No. 15, Jalan PJS 7/19, Bandar Sunway, Petaling
Jaya, 46150 Selangor Darul Ehsan, Malaysia
<Tel> 60-3-733-2466
<Fax> 60-3-737-2142

Kintetsu South China Co., Ltd.

G/F., Sunshine Kowloon Bay Cargo Centre, 59 Tai
Yip St., Kowloon, Hong Kong S.A.R China
<Tel> 852-2796-1176
<Fax> 852-2756-8803

Kintetsu Far East Development Co., Ltd.

G/F., Sunshine Kowloon Bay Cargo Centre, 59 Tai
Yip St., Kowloon, Hong Kong S.A.R China
<Tel> 852-2796-1176
<Fax> 852-2756-8803

Kintetsu Intermodal (Thailand) Co., Ltd.

Green Tower Bldg., 3rd Fl., 3656/8 Rama 4 Road,
Klongton, Klongtoey, Bangkok 10110, Thailand
<Tel> 66-2-367-3176
<Fax> 66-2-249-3950

Shanghai Kintetsu Logistics Co., Ltd.

No. 360 Basheng Road, Xin Development Bldg 22,
Waigaoqiao Free Trade Zone, Shanghai,
P.R. China
<Tel> 86-21-5048-1616
<Fax> 86-21-5048-0531

Kintetsu World Express (Subic) Inc.

Building 8119 Argonaut Highway, Cubi Point,
Subic Bay Free Port Zone, Philippines
<Tel> 63-47-252-8671
<Fax> 63-47-252-8669

Kintetsu Intermodal (Taiwan), Inc.

3Rd Fl., No.99 Sec. 2 Chang An E. Road, Taipei,
Taiwan R.O.C.
<Tel> 886-2-2506-3151
<Fax> 886-2-2506-9290

**Kintetsu World Express, Inc. Vietnam
Representative Office**

Vietrans Saigon Bldg., 147 Nguyen Tat Thanh
Street, Dist. 4, Hochiminh City, Vietnam
<Tel> 84-8-8261323/8261324
<Fax> 84-8-8261325

**Jakarta Representative Office : KWE Division
of P.T. Ritra Cargo Indonesia**

2nd Fl., Ritra Bldg., Ji. Wr. Buncit Raya No. 6, P.O.
Box 4747 JKT, Jakarta 12740, Indonesia
<Tel> 62-21-797-0917
<Fax> 62-21-798-2193



Investor Information

Kintetsu World Express, Inc. (KWE)

Head Office:

Otemachi Bldg., 1-6-1
Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Phone: 03-3201-2580

Established:

January 1970

Paid-in Capital:

¥ 5,212 million

Number of Common Stocks:

Authorized 120,000,000 shares
Issued and outstanding 34,000,000 shares

General Annual Meeting:

The annual meeting of shareholders of the Company is held every
June in Tokyo, Japan.

Transfer Agent:

Daiko Shoken Business Co., Ltd.
Transfer Agent Department
Phone : 03-3666-2233

No. of Employees:

5,692 (consolidated)

Investor Relations:

Kintetsu World Express, Inc. (KWE)
Otemachi Bldg., 1-6-1
Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Phone: 03-3201-2654
Fax: 03-3201-2666

Web Site Address:

www.kwe.com

(as of March 31, 2001)