ANNUAL REPORT 2007

Year Ended March 31, 2007

kintetsu world express

KWE

Global Logistics Partner

In the Growing Forwarding Industry...

Corporate Philosophy

We at Kintetsu World Express, Inc. (KWE) shall create new values and optimal environments through our provision of cargo logistics services in order to contribute to the development of a global community together with our clients, shareholders and employees.

Our Business

Kintetsu World Express, Inc. is a total logistics provider. Alongside our main business of airfreight forwarding, we also offer logistics services and ocean freight forwarding. We divide our business into five geographical regions: Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East. We employ 2,000 people in Japan and 5,500 people outside Japan. About 60% of our operating income comes from operational bases outside Japan.

Our Core Competence

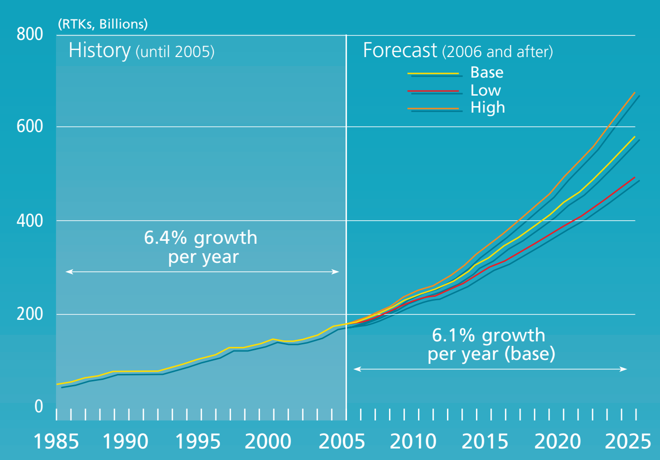
We make use of the following strengths as we push forward to achieve new growth:

- Ability to provide one-stop service integrating airfreight forwarding, ocean freight forwarding, and logistics services
- Our own global service network (273 bases in 189 cities in 30 countries as of March 2007)
- Sophisticated global information system linking our five business regions
- Broad, worldwide customer base (about 70% of KWE Group customers are non-Japanese companies)
- In the Chinese market, we have a wealth of business experience and one of the largest service networks in the industry.

Contents

KWE’s Market Position

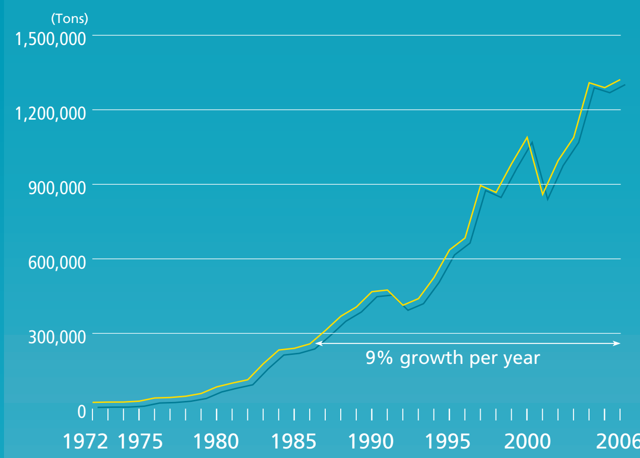
World Air Cargo Will Grow 6.1 Percent Per Year Through 2025



Source: World Aircargo Forecast 2006/2007; Boeing Copyright Boeing, All rights reserved.
RTK=revenue tonne-kilometers

World air cargo traffic will triple over the 20 years growing from 178.1 billion RTKs in 2005 to 582.8 billion RTKs in 2025.

Airfreight Tonnage Leaving Japan



Source: Japan Aircargo Forwarders Association (JAFA)

Airfreight export tonnage originating in Japan has grown by about 9% per year in the past 20 years. In the future, it is expected to continue to grow rapidly.

Sales and Shares of World's Top 10 IATA Forwarders in 2005

	Company	2005 (US $ billion)	2005 Share (%)
1	DHL Danzas	2.097	8.24
2	Nippon Express	1.263	4.96
3	Exel	1.086	4.27
4	BAX Global	0.887	3.49
5	Kuehne + Nagel	0.814	3.20
6	Schenker	0.767	3.01
7	Expeditors	0.753	2.96
8	Panalpina	0.666	2.62
9	**KWE**	**0.649**	**2.55**
10	Yusen	0.631	2.48

Source: AIR CARGO NEWS, November 10, 2006

KWE has maintained its position among the top 10 in global forwarder rankings.

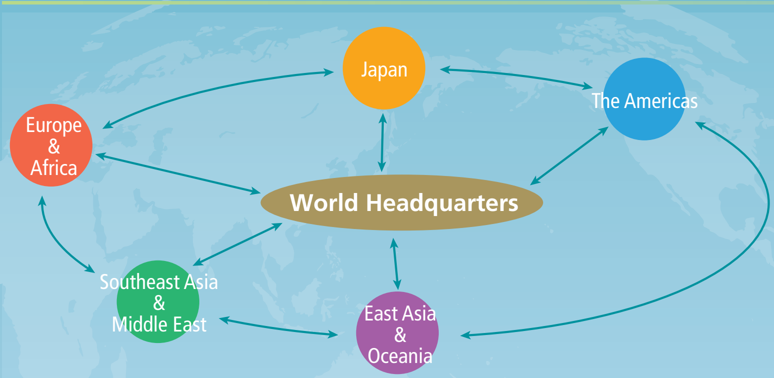
Sales and Shares of Japan's Top 10 Airfreight Exports Originating from Japan in 2006

	Company	2006 (Tons)	2006 Share (%)
1	Nippon Express	285,065	21.8
2	**KWE**	**181,920**	**13.9**
3	Yusen	154,431	11.8
4	Nishi-Nippon Railroad	68,042	5.2
5	Hankyu Express	54,876	4.2
6	Sony Supply Chain Solutions	47,607	3.6
7	Nissin	37,548	2.9
8	Vantec World Transport	37,137	2.8
9	DHL Global	36,418	2.8
10	MOL Logistics	36,245	2.8

Source: JAFA

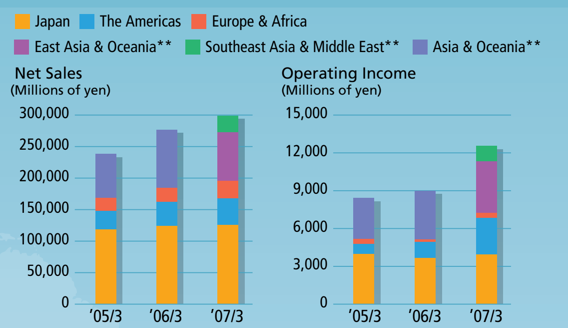
The top three Japanese freight forwarders handle about 48% of airfreight export volume originating in Japan. Of these, KWE is the second largest.

KWE's Five Regional Management System



In January 2006, we divided our Asia region into two new regions, transforming our previous Quadrilateral Management System into a Five Regional Management System. In the year ended March 2007, we saw benefits from this change.

KWE’s Net Sales and Operating Income by Region*



* Figures are before elimination or corporate.
** In January 2006, we split Asia & Oceania Headquarters into two units: “East Asia & Oceania” and “Southeast Asia & Middle East.”

As a result of our efforts aimed at developing our business worldwide, the proportion of KWE’s net sales and operating income that was earned outside Japan has increased year by year.

7-year Growth and Highlights

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

	2001	2002	2003
Income Statement Data (Millions of yen)			
Net sales	¥ 195,761	¥ 189,698	¥ 196,528
Operating income	7,546	4,232	6,257
Income before income taxes	7,081	3,985	5,666
Net income	4,024	1,946	2,777
Balance Sheet Data (Millions of yen)			
Total assets	¥ 95,068	¥ 93,208	¥ 94,603
Property and equipment - net	26,957	26,898	26,305
Interest-bearing debt	32,591	30,245	28,260
Long-term liabilities	14,660	16,616	7,306
Total liabilities	65,479	60,560	61,607
Net assets*1	28,827	31,484	32,451
Other Selected Data (Millions of yen)			
Capital expenditures for property and equipment (cash basis)	¥ 1,329	¥ 1,060	¥ 2,789
Depreciation and amortization expenses	2,033	2,545	2,768
Per Share Data (Yen)			
Net income	¥ 125.15	¥ 57.23	¥ 78.65
Cash dividends	10.00	7.50	9.00
Net assets*1	847.84	926.00	954.45
Financial Ratios (%, Times)			
As a percent of net sales:			
Operating income	3.85 %	2.23 %	3.18 %
Income before income taxes	3.62	2.10	2.88
Net income	2.06	1.03	1.41
Return on equity	16.4	6.5	8.7
Current ratio	1.13	1.25	1.06
Debt-to-equity	1.13	0.96	0.87

*1: Net assets for the fiscal year ended March 31, 2007 were calculated according to Japan's new Company Law, which took effect May 1, 2006. The figure includes 1,678 million yen in minority interests for the year. Figures from prior years show shareholders' equity.

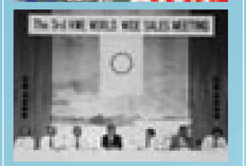
1948 May
The Operation Bureau of Kinki Nippon Railway Co., Ltd. began handling international freight and travel service.

1969 Apr.-May
Began overseas operations with establishment of subsidiaries in Hong Kong and the United States.

1970 Jan.
Kintetsu World Express, Inc. spun off from Kinki Nippon Tourist Co., Ltd.

–'70

1981 Aug.
Baraki Terminal opened in Chiba, Japan.



–'80

1994 Jan.
Adopted Quadrilateral Management System with regional headquarters for Japan, the Americas, Europe & Africa, and Asia & Oceania.

1994 Jul.
Obtained the first ISO9001 certification in Japanese airfreight industry.

1996 Nov.
Beijing Kintetsu World Express Co., Ltd. was established in China.

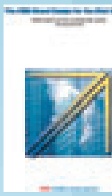
1998 Nov.
Narita Terminal opened in Chiba, Japan.

–'90

Sep.
Listed on Nasdaq Japan Market (presently Hercules Market), a section of Osaka Securities Exchange (delisted as of September 2004).

2000

Sep.
Obtained ISO14001 certificate (Tokyo Terminal).



2001

May
Listed on the Second Section of Tokyo Stock Exchange.

Oct.
Kintetsu Logistics Systems, Co., Ltd. was established as a spin-off from KWE's domestic cargo sales division.

World Headquarters (WHQ) was established at KWE Head Office in Tokyo.

Nov.
The KWE Grand Design for the 21st Century was formulated.

Phase I Medium-Term Management Plan
(April 2002 – March 2005)

2002

2004	2005	2006	2007	2007[*2]
¥ 202,941	¥ 238,280	¥ 268,796	¥ 289,928	$ 2,455,976[*3]
7,571	8,387	8,954	12,439	105,371
6,219	8,291	9,890	12,999	110,114
2,887	4,441	5,675	7,596	64,346
¥ 93,990	¥ 102,661	¥ 113,260	¥ 121,108	$ 1,025,904
27,863	31,027	33,053	32,646	276,544
27,355	25,171	24,169	19,776	167,522
11,892	12,541	11,036	8,197	69,436
58,373	59,035	61,986	62,001	525,209
34,881	42,726	49,847	59,107	500,695
¥ 4,212	¥ 5,133	¥ 3,392	¥ 1,512	$ 12,808
2,446	3,027	3,617	3,928	33,274
¥ 80.72	¥ 121.64	¥ 153.35	¥ 210.17	$ 1.78
12.00	15.00	18.00	21.00	0.178
1,021.73	1,183.14	1,380.35	1,595.27	13.51
3.73 %	3.52 %	3.33 %	4.29 %	
3.06	3.48	3.68	4.48	
1.42	1.86	2.11	2.62	
8.6	11.4	12.3	14.2	
1.18	1.31	1.31	1.40	
0.78	0.59	0.48	0.34	

*2 : U.S. dollar amounts have been translated from Japanese yen for convenience only, at the rate of ¥118.05=US$ 1, the approximate Tokyo foreign exchange market rate of March 31, 2007.
*3 : Thousands of U.S.dollars except per share amounts

Net Sales
(Millions of yen)

300,000
250,000
200,000
150,000
100,000
50,000
0

Jan.
Obtained environmental ISO14001 certificate (Narita Terminal, Japan).

Sep.
Stock listing upgraded to the First Section of Tokyo Stock Exchange.

Dec.
Became the first Japanese forwarder to be certified as Level A on international cargo security standards by the Transported Asset Protection Association (TAPA) at the KWE Narita Terminal.

Dec.
Completed construction of No. 4 Baraki Terminal in Chiba, Japan.

Jan.
The KWE Central Japan International Airport Terminal opened in Nagoya area, Japan.

May
Formed business and capital alliance with Mitsui O.S.K. Lines (MOL).

Jul.
Completed construction of Rinku Terminal in Osaka adjacent to Kansai International Airport.

Jan.
Split Asia & Oceania Headquarters into two units: "East Asia & Oceania" and "Southeast Asia & Middle East." We now adopt Five Regional Management System in place of previous quadrilateral system.

Management strategy
1. Mobilize KWE Group to work as one unit to reinforce sales activities
2. Implement four fundamental business strategies:
   (1) Increase profit from international airfreight forwarding
   (2) Provide high-quality logistics services
   (3) Expand ocean freight forwarding
   (4) Develop early foothold in China
3. Enhance global management infrastructure

Phase II Medium-Term Management Plan
(April 2005 – March 2008)

Management strategy
1. Develop new markets (Russia, India, Middle East) and establish deeper roots in China
2. Expand types and volume of freight handled through horizontal sales linking airfreight, ocean freight, and logistics businesses
3. Improve profit ratio

2003 2004 2005 2006 2007

Message to Our Shareholders

We aim to become a full-fledged player in the global market by establishing ourselves as a Trans-Pacific Leader.

Hirokazu Tsujimoto
President and Chief Executive Officer

Kintetsu World Express, Inc. was one of the first Japanese freight forwarders to start operating in the world market. In November 2002, we drew up The KWE Grand Design for the 21st Century outlining our vision of the kind of corporate group we wanted to be 10 years later. Part of that goal is to become one of the world's "Trans-Pacific Leaders," meaning always being in the top group operating in the Pacific region, and being able to hold our own as a freight forwarder in competition against US and European megagroups.

Since we launched our Grand Design, we implemented a variety of management and cost reforms through two consecutive medium-term management plans, including the increase of new business bases and aggressive capital investment in our IT system. As a result, today KWE has established itself as the number two airfreight forwarders in Japan and maintains a position among the top 10 in the world. We believe that we have achieved the basic foundation necessary for becoming a full-fledged player in the world market.

Nevertheless, we are by no means satisfied with the results we have already achieved. KWE's progress in the world market is only in the preliminary stage; our true objective lies in the advances that we are yet to make. As a first step toward establishing KWE as a "Trans-Pacific Leader," we are implementing a variety of measures in this final year of our Phase II Medium-Term Management Plan (through March 2008), including expanding the range of items that we handle, increasing freight volumes from Asia to North America, and actively developing and promoting local employees.

Our goals for the final year covered by The KWE Grand Design for the 21st Century (through March 2012) are to achieve net sales of 500 billion yen and to be among the world's top five freight forwarders. We chose the target of 500 billion yen because this is the minimum level of sales we will need in order to be able to compete head to head with US and European megagroups. In order to achieve these goals, we intend to employ aggressive but flexible business strategies and press forward with even bolder reforms than we have in the past.

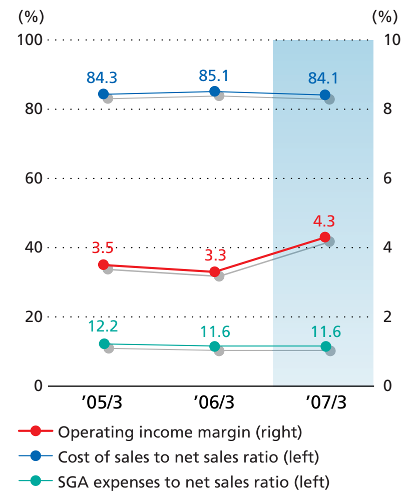
Record High Profits and Improved Profitability

In the fiscal year ended March 2007, consolidated net sales and profits increased for the fifth year in a row, and we continued to set new records for performance. Net sales grew by 7.9% over the previous year to 289.9 billion yen, operating income grew by 38.9% from the previous term to 12.4 billion yen, and net income shot up 33.9% to 7.6 billion yen.

The number of shipments that the entire KWE Group handled this term decreased 2.6% year on year, while tonnage increased 0.9% and volume increased 9.2%, with neither of these figures representing significant increases. The first reason we were able to achieve increases in sales and profits despite this situation was that most of our overseas subsidiaries enjoyed large increases in sales and profits, especially in the Americas, and the East Asia & Oceania regions. Looking at our overseas business as a whole, net sales* rose 13.2% over the previous year to 173.0 billion yen and operating income* increased 62.1% to 8.6 billion yen. The second reason was that we succeeded in reducing the cost of sales. As airplane fuel costs rose, we increased our fuel surcharge collection rate by 4 percentage points over the previous year. We also lowered our freight cost ratio (the ratio of freight costs to net sales) by 1 percentage point compared to the previous year by negotiating with airlines, allowing us to reduce our cost of sales ratio by 1 percentage point compared to the previous year. Although we incurred additional labor costs associated with the introduction of KWE global information system, we managed to prevent the ratio of selling, general and administrative expenses to net sales from rising because we restrained other expenses. As a result, our operating income margin improved by 1 percentage point.

* Based on simple totals, before eliminations

Improved Profitability

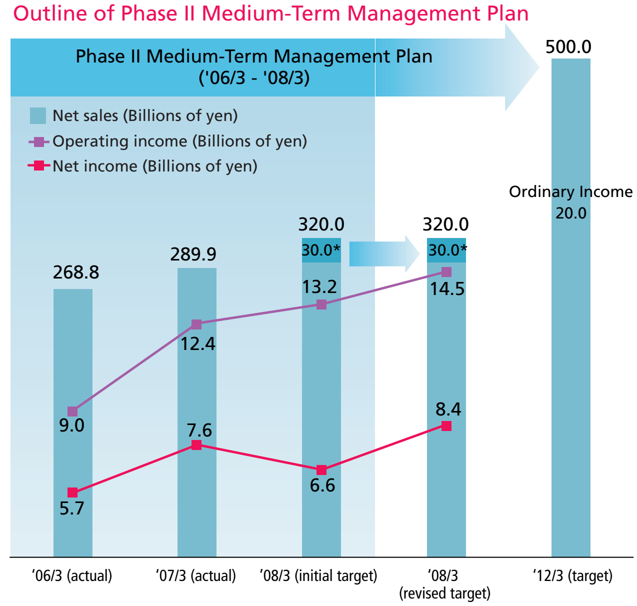


Revising Phase II Targets Upward in View of Ongoing Growth

As I mentioned at the start, the KWE Group is now implementing its Phase II Medium-term Management Plan (henceforth "Phase II") covering the three-year period from April 2005 to March 2008. In the second year of the plan, the year ended March 2007, we achieved the net income target of 6.6 billion yen that we had set for the final year (through March 2008) one year ahead of schedule. Therefore, we revised our targets for the final year upward to net income of 8.4 billion yen, and operating income of 14.5 billion yen. We left our original net sales target unchanged at 320 billion yen, 30 billion of which we aim to achieve through M&As. We are considering specific M&A candidates based on three criteria: the target should be a Japanese-affiliated company, it should show promise for meshing synergistically with KWE's business, and it should already be generating profit.

We set these numerical targets based on our next goal of achieving 500 billion yen in net sales in the year through March 2012.

Outline of Phase II Medium-Term Management Plan



*Our current plan for the year through March 2008 includes the expectation that M&As will contribute 30.0 billion yen in net sales and, 0.3 billion in operating income and 0.3 billion in ordinary income.

Three Main Measures to Implement in the Year through March 2008

In order to achieve our upwardly revised targets for Phase II, we will implement three measures: (1) increase and diversify the items that we handle, (2) increase the volume of freight that we forward from Asia to North America, and (3) develop and promote more local employees, and assign them to higher management positions.

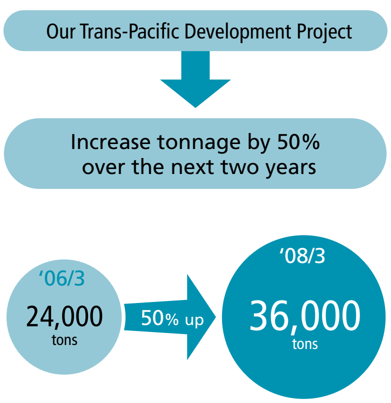
Increasing and diversifying the items that we handle means forwarding more freight that belongs to categories other than electronics. Currently, we are heavily dependent on electronics-related items, which are subject to rapid swings in supply and demand. A few years ago, electronics accounted for more than 70% of all our freight forwarding revenues. In order to stabilize our revenues, we want to lower this proportion to less than 50% in the long term. As a result of our efforts, in the year ended March 2007, the proportion of "medical/chemical" items to total freight increased by 1.6 points to 9.3% while electronics-related items accounted for 66.8%, or 2.0 points less than the previous year. Because this is still too high a proportion, in the year through March 2008 we will start focusing on "machine tools/construction machinery/robots," "aircraft components," and "fashion-related items," while continuing to concentrate on expanding the "automobile" category.

Breakdown of Sales
– Airfreight exports originating from Japan –

	'05/3	'06/3	'07/3
Electronics-related items	64.7%	68.8%	66.8%
Automobile-related products	19.4%	17.2%	16.6%
Medical/chemical products	6.5%	7.7%	9.3%

When we talk about increasing the volume of freight that we forward from Asia to North America, we mean freight that is forwarded from parts of Asia other than Japan. KWE forwards 13-14% by volume of the airfreight that is shipped from Japan to North America, but our share of the North America-bound market from other parts of Asia such as Hong Kong, Shanghai, and Singapore is less than 2% by volume. Unless we change this situation, we can't hope to achieve our goal of becoming a "Trans-pacific Leader." Toward that end, we set a target of raising our airfreight volume from other parts of Asia to North America by 50%, from 24,000 tons in 2006 to 36,000 tons in 2008. Other measures that we are taking include forming a cross-regional global team to make strategic approaches to potential customers, and promoting shared purchasing within the KWE Group.

Expanding Volume of Freight Handled from Asia to North America



"Develop local employees and assign them to higher management positions" means training and promoting even more local employees than we have in the past. KWE is rapidly increasing the number of its overseas bases, by more than 20 per year, and roughly three quarters of our Group employees are locally employed. In order to be a serious contender in the global freight forwarding industry, we believe it is extremely important to develop talented local employees and assign them to higher management positions. As an example of the direction in which we want to move, this year we appointed two locally employed presidents of our subsidiaries in Russia and Dubai. We want to continue to adequately understand our local employees and entrust them – while also watching over them – with helping to move the whole KWE Group forward.

Plugging Away at Issues Remaining from Last Term

In addition to the three measures mentioned above, we continue to address issues remaining from the previous term. The first is further cultivation of the Asian region. In January 2006, we divided our "Asia & Oceania Headquarters" into two new headquarters – "East Asia & Oceania" and "Southeast Asia & Middle East." As a result, we were able to develop our business more efficiently and achieve better results in both regions. Especially in China, we achieved large increases in sales and profits. With 107 bases, we are one of the top foreign-affiliated forwarders operating there. We plan to continue enhancing our bases there and to double sales and profits within the next five years.

The second remaining issue is making strategic investments in new markets such as Russia and India. In Russia, Japanese-affiliated companies have been upgrading their liaison offices to subsidiaries as they prepare for doing full-fledged business, particularly in industries like electronics and automobiles. In line with this trend, KWE will also enhance its presence in various ways, including the dispatch of more Japanese staff. In India, multinational companies are expanding the scale of their business not only in electronics and automobiles, but also in the medical and fashion fields. We will expand our business too, as they continue to grow.

The third issue is enhancing our domestic sales network. From 2005 to 2007, we opened outposts in western Japan, and in January 2006 we established Kintetsu World Express Shikoku, Inc. to coordinate business in the Shikoku region. These are examples of how we have been working on this issue. In the future, we will position Tohoku, Hokuriku, and Kyushu as priority regions for expanding our sales networks.

The fourth issue is improving our profitability. KWE's operating income margin in the year through March 2007 increased by 1 point over the previous year to 4.3%, which is higher than it has been in the past. Nevertheless, there are some highly profitable companies in the same industry. Therefore, we intend to raise profitability by reducing our freight costs ratio and by restructuring unprofitable subsidiaries.

Since 2005, KWE has had a business and capital alliance with Mitsui O.S.K. Lines (MOL), a major Japanese shipping company, and that partnership is gradually bearing fruit. Currently, in addition to jointly operating logistics and a buyers' consolidation service primarily for freight originating from China, we work together to develop new customers. In addition, we jointly consolidate airfreight from Japan to some destinations with MOL Logistics (Japan) Co., Ltd., a subsidiary of MOL.

Issues Carried on from Previous Term

- **Further expansion into Asian region**
  Invest more in China
- **Priority investments into emerging markets such as Russia and India**
  Start responding to needs for logistics
- **Enhance domestic sales network**
  More client-oriented marketing activities
- **Improve our profitability**
  Improve profitability by restructuring unprofitable subsidiaries and cost reduction

Increasing Corporate Value as a Trans-Pacific Leader

Through the efforts discussed above, KWE aims to solidify its position as a "Trans-Pacific Leader" and become a leading world-class freight forwarder. Achieving this goal will increase our corporate value and satisfy not just shareholders, but all stakeholders.

Growing Cash Dividends, EPS and ROE

	'05/3	'06/3	'07/3
Cash dividend per share (¥)	15	18	21
EPS (¥)	121.64	153.35	210.17
ROE (%)	11.4	12.3	14.2

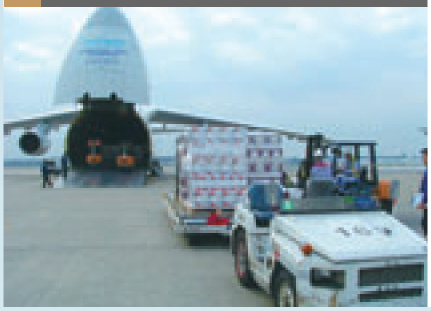
From the standpoint of increasing shareholder value, we view return on equity as an important indicator, and aim to always maintain it at or above 10% while also giving priority to maintaining healthy cash flow and further improving our financial position. Regarding the return of profits to investors, we aim to pay stable dividends and actively increase them in line with profit growth, while keeping in mind the long-term picture, which includes future business development and strengthening our management base. Based on this policy, we have decided to increase our dividend payout by 3 yen per share for the fourth year in a row and pay 21 yen per share for the fiscal year ended March 2007, compared with 9 yen per share in the year ended March 2003. In the year through March 2008, we plan to raise the dividend by 2 yen to 23 yen per share.

Based on The KWE Grand Design for the 21st Century, we aim to establish KWE as a "Trans-Pacific Leader" and a strong competitor in the world market by March 2012. The entire KWE Group will band together and do our best to further increase KWE's corporate value as a Global Logistics Partner, and to provide more value than ever to our shareholders.

Hirokazu Tsujimoto
President and Chief Executive Officer

KWE at a Glance

Airfreight Forwarding



At KWE, our core business is consolidated services by which cargo collected from multiple shippers are sorted and assembled per airport of overseas destination, and are consigned as KWE cargo to airlines for international airfreight forwarding. Our export services include document preparations for air carriage, customs clearance and surface transportation. We provide such services through a closely working network in our sales division, which includes sales offices and branches, and our operation division.

Once the consolidated cargo arrives at its destination airport, KWE's local overseas subsidiary or agent picks it up at the airline warehouse for import customs clearance and delivery to the consignee.

The amount of international airfreight handled by KWE is ranked among the top 10 in the world.

Logistics

Services in the field of logistics have the highest growing demand in the distribution industry. At KWE, we have continued to provide total logistics services including customs brokerage, providing temporary storage, processing products during distribution, and providing distribution and inventory services.

In recent years, customers' needs for logistics services have expanded and diversified due to their efforts to streamline and reduce costs of distribution. Services include not only procuring materials, processing products, distribution, handling merchandise returns and waste disposal but also handling orders, inventory management, information management and analyzing results. At KWE, we support global companies by developing and operating third-party logistics services that employ the latest technologies to meet our customers' every need.

Ocean Freight Forwarding

In the field of international ocean freight forwarding, KWE is a non-vessel operating common carrier (NVOCC), making use of the shipping lines' transportation services. The flow of ocean freight forwarding is basically the same as that of airfreight: In addition to transporting full container loads, we provide consolidated services whereby we pack less-than-container loads into ocean containers, arrange transport with a shipping company, clear the cargo through customs and sort it at the destination port, and deliver it to customers. Recently, we have been offering a buyers' consolidation service, as well as other individually tailored services based around ocean freight forwarding, such as turnkey deliveries — including installation — of equipment for companies that are moving production overseas.

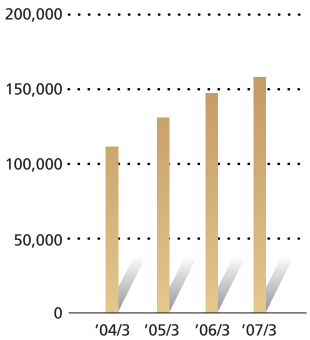
Domestic Freight Forwarding

KWE's domestic freight forwarding mainly serves customers who use international freight forwarding. Our strength is in our ability to provide consistent door-to-door transportation services around the world through air, ocean and surface forwarding.

KWE's domestic network covers all of Japan, from Hokkaido to Okinawa. Freight that is collected at various regions is carried to the airport through cargo centers, after which it is forwarded by the airlines to its destination. After arriving at the airport, the freight is transported to the cargo center and is distributed according to region.

In October 2002, we established Kintetsu Logistics Systems, Inc. as a spin-off from our domestic sales division. Through it, we have further enhanced our services and sales at domestic transportation, warehousing, packaging and industrial waste collection and disposal.

Net Sales
(Millions of yen)



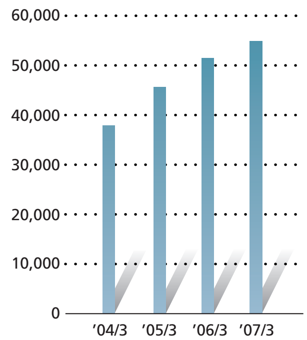
<Main export airfreight items>

* Digital electronic appliances, computers, semiconductors and other information technology and electronics products and components
* Telecommunications devices and components, including mobile phones
* Automobile parts and components
* Medical and chemical products
* Machine tools and construction machinery

<Main import airfreight items>

* IT / electronics products and components, including computers, semiconductors and their manufacturing equipment
* Medical and chemical products
* Fashion products such as textile products and high-end brand products
* Automobile parts and components
* Perishable goods
* Fresh flowers

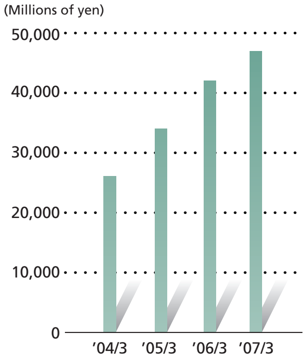
Net Sales
(Millions of yen)



<Logistics services and systems>

* Operation of distribution centers in Japan and overseas
* Operation of parts centers
* Support for VMI (Vendor-Managed Inventory) systems
* Operation of just-in-time warehouses
* Event management / delivery management
* Support for e-commerce and CRP (Continuous Replacement Programs)
* Support for RMA (Return Material Authorization)
* Management of delivery to stores

Net Sales
(Millions of yen)



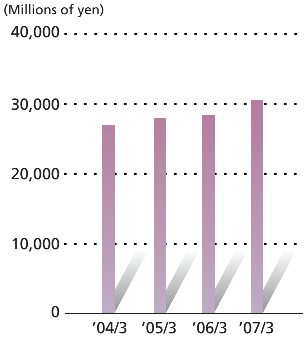
<Main export ocean freight items>

* Household electric appliances
* Raw materials
* Parts and semi-finished goods (such as mobile phone components)
* Vehicle and aircraft machinery (such as automobile, bus and aircraft engines, and power shovels)
* Plant equipment transportation (such as liquidcrystal displays and semiconductor manufacturing equipment), using dedicated specialized vehicles for transportation to Asian regions
* Transportation of equipment to be used at events and for broadcasting (such as for international sporting events, musicals and exhibitions)

<Main import ocean freight items>

* Computers and their peripherals
* Household electric appliances
* Electronic components
* Medical and chemical products
* Retail merchandise
* Mail-order products
* Stationery and toys

Net Sales
(Millions of yen)



(Domestic Freight Forwarding and Other Operations)

<Main domestic freight items>

* Computers, semiconductors and other information technology and electronics products and components
* Telecommunications devices and components, including mobile phones
* Medical and chemical products
* Automobile parts and components
* Textile and fashion products such as apparel and high-end brand products
* Perishable goods

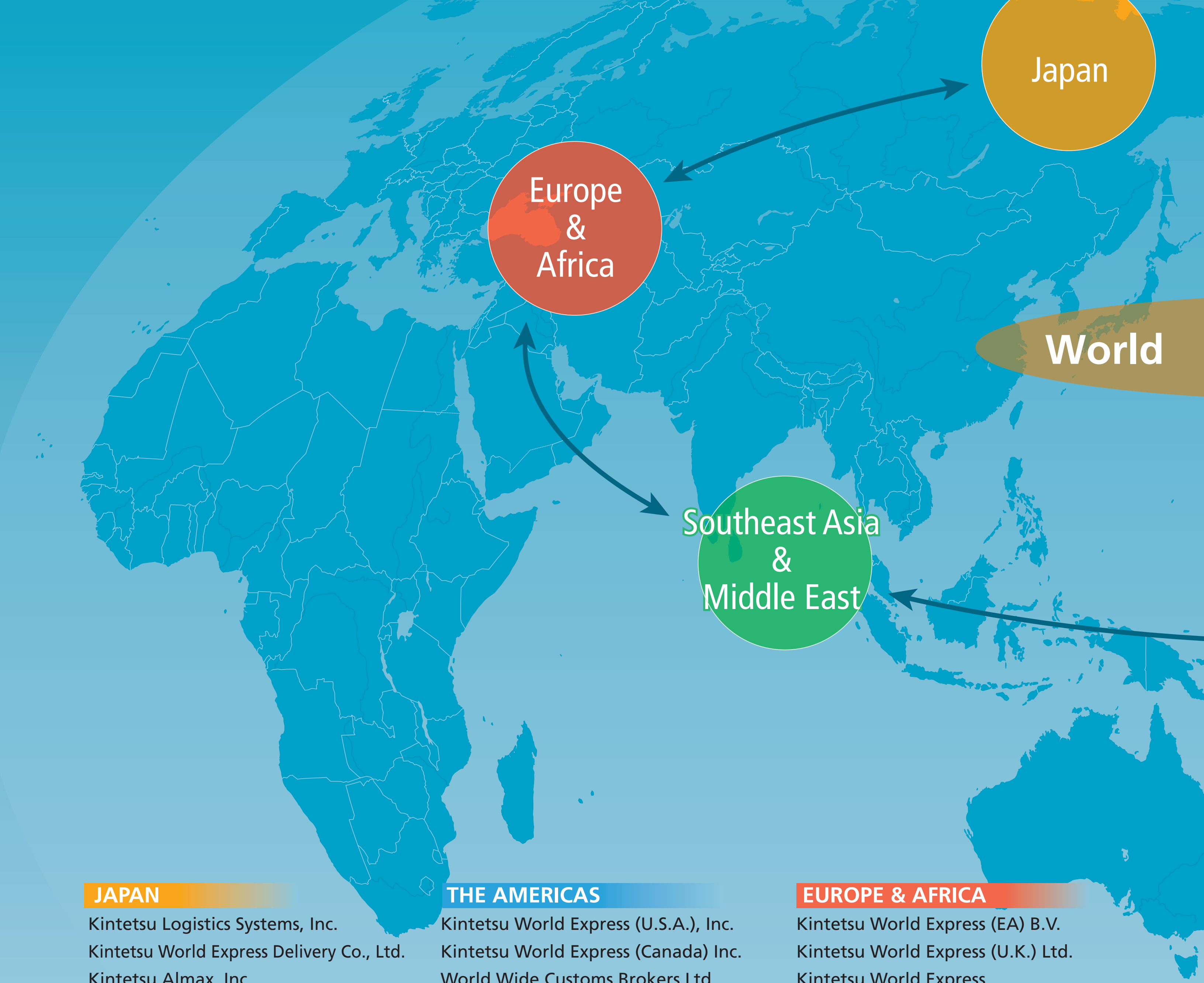
<Domestic freight forwarding operation bases>

* Sales offices at major cities across Japan
* Tokyo and Osaka airport warehouse terminals, cargo centers, and trucking centers

<Alliance with the logistics division>

* Operating a parts bank using our inventory management system
* Building a third-party logistics system
* Logistics consulting services

KWE's Network



JAPAN

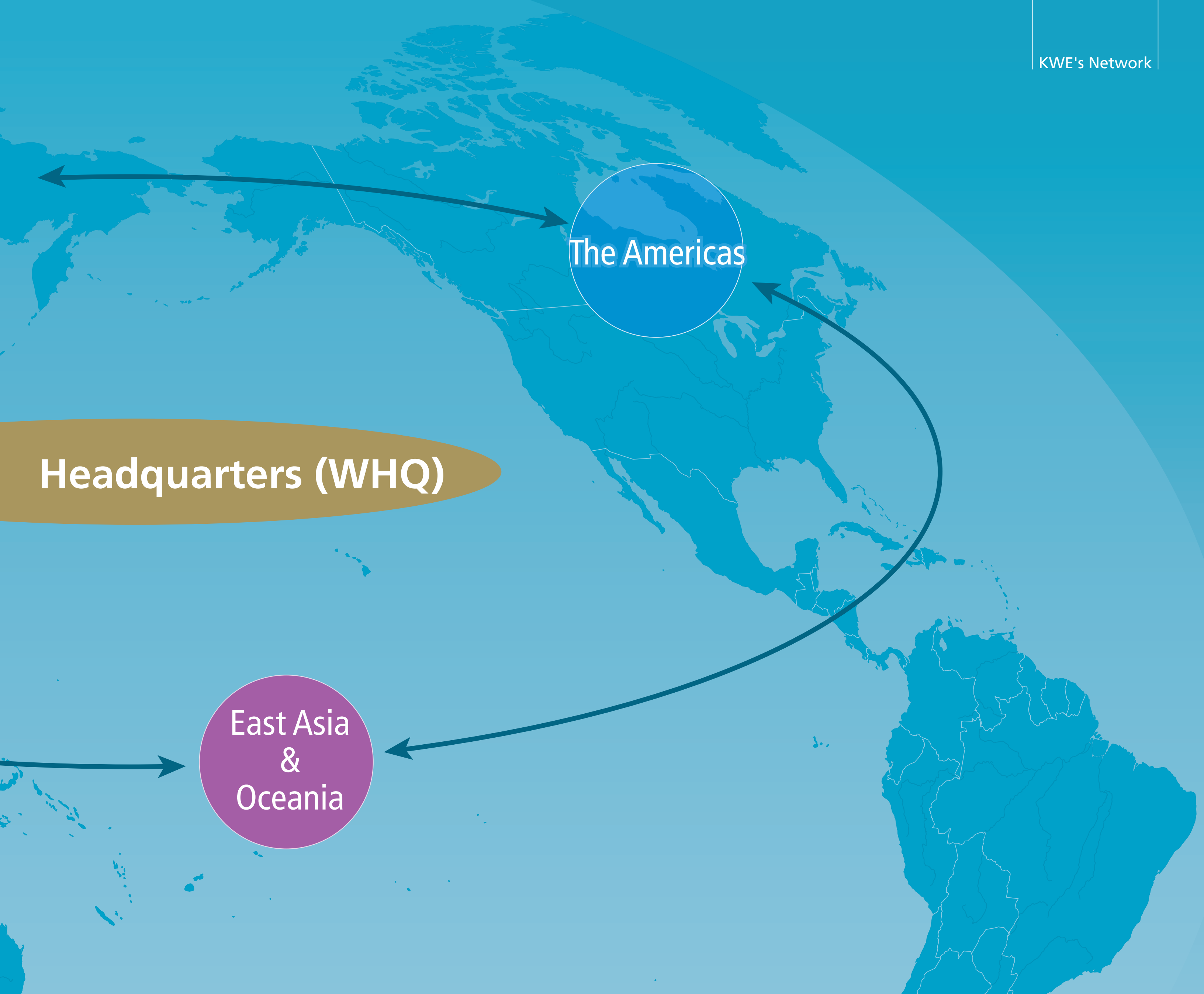
Kintetsu Logistics Systems, Inc.
Kintetsu World Express Delivery Co., Ltd.
Kintetsu Almax, Inc.
Kintetsu Cosmos, Inc.
Kintetsu World Express Sales, Inc.
Kintetsu World Express Kyushu, Inc.
Kintetsu World Express Hokkaido, Inc.
Kintetsu e- Support, Inc.
Kintetsu Eco Logistics, Inc.
Kintetsu Eurasia Express, Inc.
Kintetsu World Express Shikoku, Inc.

THE AMERICAS

Kintetsu World Express (U.S.A.), Inc.
Kintetsu World Express (Canada) Inc.
World Wide Customs Brokers Ltd.
Kintetsu Blue Grass, Inc.
Kintetsu Global I.T., Inc.
Kwe Reinsurance, Inc.

EUROPE & AFRICA

Kintetsu World Express (EA) B.V.
Kintetsu World Express (U.K.) Ltd.
Kintetsu World Express (Deutschland) GmbH.
Kintetsu World Express (France) S.A.
Kintetsu World Express (Benelux) B.V.
Kintetsu World Express (Ireland) Ltd.
Kintetsu World Express South Africa (Pty) Ltd.
Kintetsu World Express (Switzerland) Ltd.
Kintetsu World Express (Italia) S.r.l.
Kintetsu World Express (RUS), Inc., LLC.
Kintetsu World Express (Sweden) AB



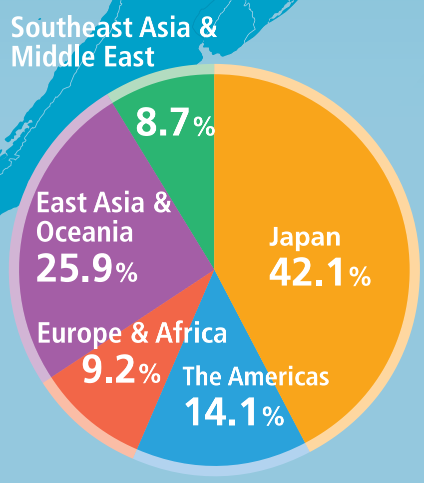
EAST ASIA & OCEANIA

Kintetsu World Express (HK) Ltd.
Beijing Kintetsu World Express Co., Ltd.
Kintetsu World Express (Xiamen) Co., Ltd.
Kintetsu Logistics (Shenzhen) Co., Ltd.
Shanghai Kintetsu Logistics Co., Ltd.
Dalian Kintetsu Logistics Co., Ltd.
Suzhou Kintetsu Logistics Co., Ltd.
Kintetsu World Express (Korea), Inc.
Kintetsu World Express (Taiwan), Inc.
Kintetsu Intermodal (Taiwan), Inc.
Kintetsu World Express (Philippines) Inc.
Kintetsu World Express (Subic) Inc.
Kintetsu World Express (Australia) Pty. Ltd.
plus 3 other companies

SOUTHEAST ASIA & MIDDLE EAST

KWE-Kintetsu World Express (S) Pte Ltd.
Kintetsu Integrated Air Services Sdn Bhd
Kintetsu World Express (Thailand) Co., Ltd.
Kintetsu World Express (India) Pvt Ltd.
PT. Kintetsu World Express Indonesia
Kintetsu World Express (Vietnam), Inc.
Kintetsu Logistics (M) Sdn Bhd
Kintetsu World Express (Middle East) FZE
Kintetsu South Asia Development Pte Ltd.
Kintetsu Logistics (Vietnam), Inc.

Net Sales by Region ('07/3)



Japan

We aim to expand the range of items that we handle, enhance our domestic sales network, and further improve profitability.

Performance and Highlights

Net sales were 126.1 billion yen (up 1.4%) and operating income was 4.0 billion yen (up 8.0%).

Airfreight exports

Shipments of semiconductor and other electronics-related products were solid, but airfreight exports still declined 1.5%*1 because of a slowdown in shipments of Asia-bound LCD-related items, and because this fiscal term a significant portion of flat-panel television component shipments bound for North America and Europe, which accounted for a good deal of airfreight business originating from Japan in the previous year, were shipped by sea instead.

Airfreight imports

There were solid shipments of items related to areas like telecommunications devices, but because of a decline in handling of semiconductor manufacturing equipment and other production equipment, and because of the shifting of some freight from air to ocean shipment, airfreight imports fell by 2.5%*2. However, logistics business related to airfreight imports grew nicely as we captured increased demand.

Ocean freight forwarding

Exports grew 2.0%*3 due to brisk shipments of various types of production equipment and related components, electronic components, and automobile items.

Imports also grew, by 4.8%*3, thanks to active shipments of cargo like personal computer peripherals, household appliances, and automobile items.

Affiliated companies

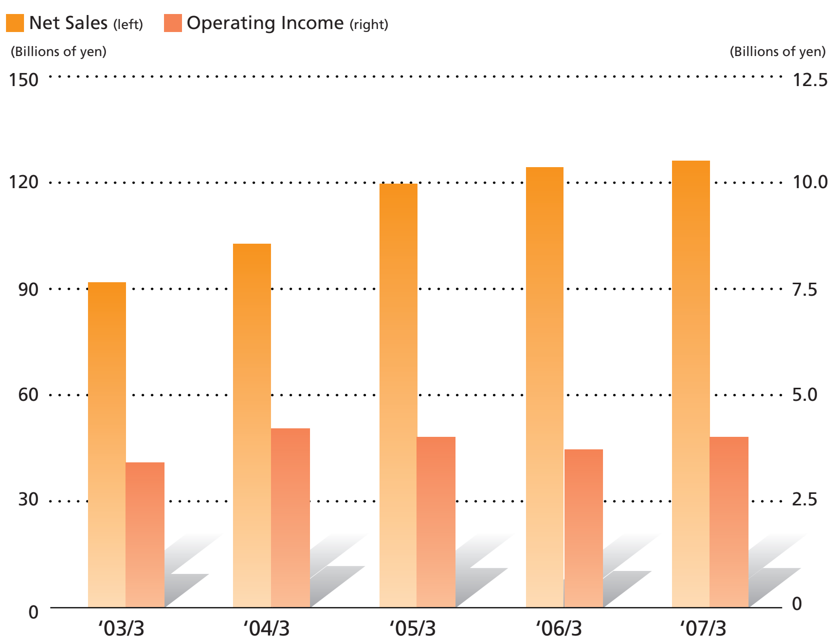
Overall results were good, as we did more specialized shipping related to facilities and event-related shipping. Even companies that failed to turn a profit in the previous term recovered nicely this term.

Other major achievements

In response to the diversification of demand for logistics services, we established the Rinku Flower Center in our Rinku Terminal in Osaka Prefecture, to specialize in handling imported fresh flowers.

- At our No. 4 Baraki Terminal in Chiba Prefecture, we began storage, labeling, and packaging operations on behalf of medical device and cosmetic product manufacturers after receiving licenses for the manufacture of such products.
- In order to enhance and expand our domestic sales network, we opened sales outposts in Fukuyama (Hiroshima Prefecture), Kumamoto (Kumamoto Prefecture), Ogaki (Gifu Prefecture), and Hikone (Shiga Prefecture).

Notes: Figures showing increases or decreases are relative to the previous fiscal term; *1 indicates comparison based on weight, *2 indicates comparison based on number of shipments, and *3 indicates comparison based on TEUs (Twenty-foot Equivalent Units).



Major Policies

Our Japan region aims to make additional strides toward establishing KWE as a logistics service provider offering ocean freight forwarding, warehousing, and distribution processing services in addition to our main business of international airfreight forwarding. Also, it is the management team at KWE's base in Japan that is primarily addressing Group-wide implementation of the three strategies called for in Phase II of our Medium-Term Management Plan: (1) develop new markets (Russia, India, Middle East) and establish deeper roots in the Chinese market, (2) expand types and volume of freight handled through horizontal sales linking airfreight, ocean freight, and logistics businesses, and (3) improve profitability.

In the year through March 2008, we will focus on the following points:

- In addition to our mainstay electronics-related products, expand handling of automobile, medical, and chemical products, and products for which worldwide transport demand is increasing, such as machine tools, construction machinery, and aircraft-related products.
- Enhance bases in provincial cities in areas like Tohoku, Hokuriku and Kyushu, in order to expand our sales network in Japan.
- Further reduce our cost-to-sales ratio by such means as improving purchasing and more carefully managing sale prices, in order to increase profitability.


Business Outline

The Tokyo office of Kintetsu World Express, Inc. (KWE) is the core company of the KWE Group, which operates 273 offices in 189 cities in 30 countries around the world.

KWE's main line of business is international airfreight forwarding, but the Company also engages in international ocean freight forwarding, logistics services, and other businesses related to international freight forwarding, such as customs clearance. These businesses have grown worldwide significantly because we entrusted a good deal of authority to each regional headquarters; however, it is primarily the management group at our base in Japan that formulates our corporate vision and implements management plans for the entire Group.

On a non-consolidated basis, 61.9% of net sales* in the Japan region came from airfreight exports, 21.5% from airfreight imports, and 16.0% from ocean freight (imports and exports). About 66% of the airfreight exports consisted of high-tech items such as semiconductors and other electronic components, digital electronic appliances, telecommunications devices, and LCD-related components. In Japan, we moved more quickly than our competitors to actively engage in logistics services, an area where demand has rapidly increased due to changes and increasing diversification in the international cargo logistics market in recent years.

*Based on simple addition

KWE's Strengths and Market Position

The strength of the KWE Group lies in our ability to provide one-stop logistics services that integrate international airfreight forwarding, international ocean freight forwarding and warehousing and distribution services backed by our well-developed international service network, excellent information systems and logistics infrastructure, and talented staff.

Geographically, our strength lies in the Asia-Pacific region, centering on Japan and the rest of Asia and including the United States. In recent years, we have succeeded at expanding ahead of the competition — especially in China and other parts of East Asia — and we are widening our lead in this region.

KWE is among the largest freight forwarders in Japan. In the fiscal year ended March 2007, we ranked second in handling of airfreight departing from and arriving in Japan.

The Americas

We are focusing on expanding North America-bound service in order to boost Asia-North America freight volume.

Performance and Highlights

Net sales were 42.0 billion yen (up 12.5%) and operating income was 2.9 billion yen (up 128.0%).

Airfreight forwarding

Amid brisk shipments of semiconductor production equipment from the U.S. to Asia, airfreight exports increased 12.9%*1. Imports declined by 2.6%*2 in light of reduced shipments of flat-panel television components, which had been very active the previous year.

Ocean freight forwarding

Exports declined 3.7%*3 while imports grew by 14.1%*3.

Other major achievements

- We worked at improving management efficiency through such means as reviewing procurement costs and other expenses on a companywide basis, and by improving the bottom line in our warehousing business.
- In April 2007, KWE / USA's Detroit Branch expanded its warehouse space.

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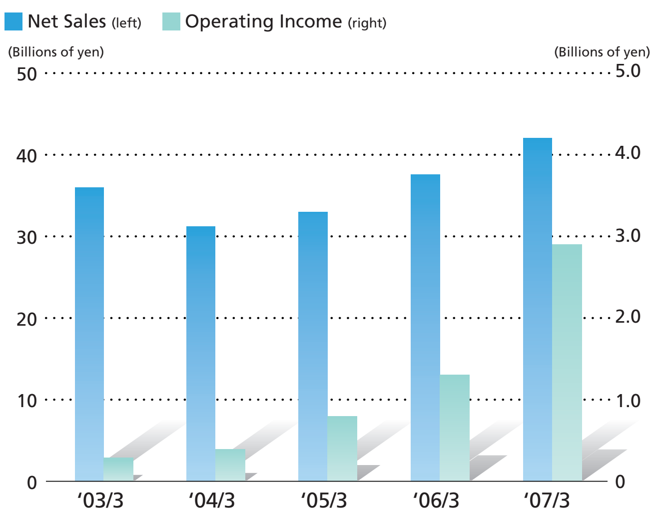

Business Outline and Strengths

After we established Kintetsu World Express (U.S.A.), Inc. (KWE/USA) in May 1969, we began directing our sales efforts mainly at American companies rather than local subsidiaries of Japanese firms, thereby building a foundation for growth. Since then, we have expanded the scope of our operations as an international forwarder specializing in transport between the U.S. and Japan and other trans-Pacific business. Today, KWE has five subsidiaries in the Americas in addition to KWE/USA, and is expanding the scale of its business while engaging in a wide variety of areas including ocean freight forwarding, customs clearance, warehousing, and logistics services in addition to our core business of import and export airfreight forwarding. Many major multinational companies are based in the U.S., and so far our growth there has centered around getting business from them, but we have also earned a great deal of trust and customer satisfaction among Japanese-affiliated shippers who appreciate our meticulous, high-quality services and our advanced information systems. In addition, Kintetsu Global I.T., Inc., based in Dallas, Texas, handles the development, maintenance, and operation of information systems for the entire KWE Group.

Major Policies

- We will promote our "Trans-Pacific Development Project" by expanding handling of North America-bound freight from Asia. We will increase freight volumes and in turn increase profits by enhancing our framework for providing services related to imports to the U.S., especially customs clearance, container freight station (CFS) operation, and overland transport.
- We will work at increasing handling of automobile and health-care products, semiconductor production equipment, and retail products such as apparel and software in order to expand the range of products that we handle. We have already started automobile-related warehousing operations in Milton in Canada, and in Detroit and Atlanta in the U.S., and we expect these operations to bring us new air and ocean freight forwarding business. We have also begun handling retail freight for several customers, in collaboration with a subsidiary of Mitsui O.S.K. Lines, Ltd. (MOL). Through these endeavors, we will accumulate broader freight handling expertise and strive to expand our customer base.

Europe & Africa

We intend to grow by forwarding more freight from Europe to China and India, enhancing our logistics business in Russia, and boosting sales capacity in Central and Eastern Europe.

Performance and Highlights

Net sales were 27.5 billion yen (up 21.0%) and operating income was 388 million yen (up 92.1%).

Airfreight forwarding

Amid solid export shipments of automobile products as well as Beaujolais Nouveau wine and other alcoholic beverages, airfreight exports increased 17.6%*1. Imports increased by 0.9%*2 despite reduced shipments of parts and materials for digital electronic appliances to Central and Eastern Europe.

Ocean freight forwarding

Exports declined 13.1%*3 while imports grew by 1.6%*3.

Other major achievements

- KWE UK opened a new office in Belfast, Northern Ireland, in May 2006.
- KWE Italy opened an office in Florence in February 2007, to specialize in handling fashion-related freight.

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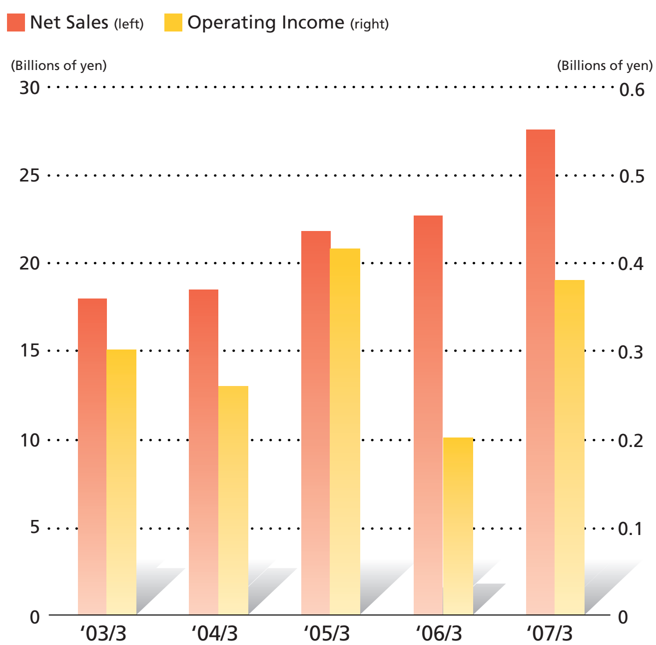

Note: Following the split of Asia & Oceania Headquarters into two units, "East Asia & Oceania" and "Southeast Asia & Middle East" in January 2006, the sales from the Middle East region, which were a part of Europe & Africa, are now included in Southeast Asia & Middle East. The figures of the fiscal year ended March 2006 are adjusted retroactively.

Business Outline and Strengths

The KWE Group began full-fledged expansion into Europe with the opening of a representative office in London in 1977. Today, there are 11 KWE companies in the Europe and Africa Region. KWE was quicker than its competitors to start doing business in Russia, where we established a subsidiary in 1995, and in South Africa, where we set up a subsidiary in 1996. The Europe & Africa headquarters is promoting localization by actively appointing local people to the top management of its subsidiaries. As a result, we have been doing more business with major local companies.

Major Policies

- We will concentrate on management improvements at our Benelux subsidiary, which has been generating losses. Among other measures taken in the year ended March 2007, we closed our warehouse in Liège, Belgium. In the year through March 2008, we will continue with reconstruction.
- We will increase handling volumes of cargo originating in Europe and bound for China and India, where demand is increasing.
- We will expand sales efforts targeting fashion-related freight from European fashion brands and major Japanese trade houses. In the year ended March 2007, KWE UK began full-fledged handling of alcoholic beverages and shipping of aircraft-related products. We will also work to increase handling of these categories.
- As Russia is making progress in enhancing its infrastructure, we plan to begin a trucking business and expand logistics services there in the second half of the year through March 2008.
- In Central and Eastern Europe, in addition to our existing offices in Poland and the Czech Republic, we will assign sales staff to Hungary and strengthen our operations there.

East Asia & Oceania

We intend to achieve long-term growth based primarily on expanding logistics services in China and South Korea, increasing the range of items that we handle, and increasing handling of freight bound for the United States.

Performance and Highlights

Net sales were 77.4 billion yen (up 11.0%), and operating income was 4.1 billion yen (up 43.3%).

Airfreight forwarding

On the export side, there was a shift toward shipping personal computers and other products by sea, due to drops in retail prices. Because of this shift and because of appreciation in the currencies of South Korea, Taiwan and the Philippines, airfreight exports grew by only 1.1%*1. Imports increased by 5.3%*2 thanks to strong shipments of semiconductors and semiconductor manufacturing equipment, etc.

Ocean freight forwarding

Exports increased 24.4%*3 while imports grew by 6.9%*3.

Other major achievements

- In order to reinforce integrated sales of airfreight forwarding, ocean freight forwarding, and logistics services, we opened a new office inside Beijing Railway Station in October 2006, and offices in Taiyuan and Yinchuan in December 2006.
- In October 2006, Kintetsu World Express (Korea) opened Gunpo Logistics Center.

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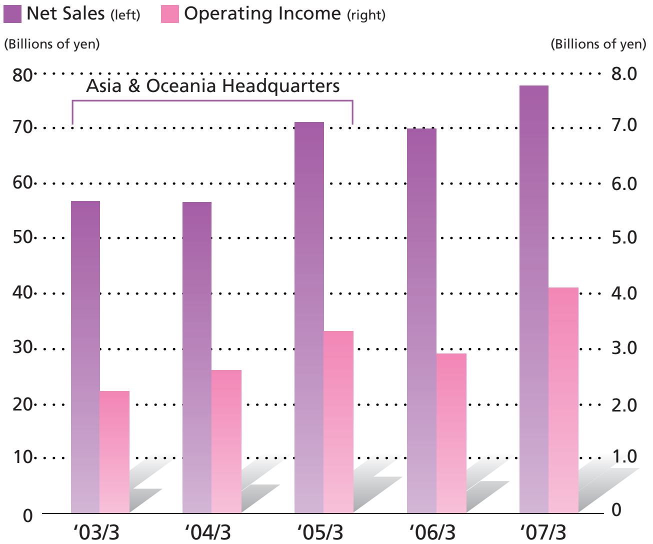

Note: Following the split of Asia & Oceania Headquarters into two units, "East Asia & Oceania" and "Southeast Asia & Middle East" in January 2006, the sales from the Middle East region, which were a part of Europe & Africa, are now included in Southeast Asia & Middle East. The figures of the fiscal year ended March 2006 are adjusted retroactively.

Business Outline and Strengths

KWE's East Asia & Oceania headquarters covers 16 subsidiaries in locations including China, Taiwan and South Korea, where our business is continuing to grow rapidly. Year by year, the contribution made by this region to KWE's consolidated results grows closer to that of Japan, which contributes more than any other region.

The feature that most distinguishes our East Asia & Oceania region is its strength in 3PL and other types of logistics businesses. The KWE Group was quick to see the growth potential and strength of demand for warehousing and other logistics services in various Asian countries, and we moved quickly to begin operating in those countries. Within a short time, KWE established distribution facilities and began successfully providing services to a wide variety of shipping customers.

In 1985, KWE became the first Japanese airfreight forwarder in China to have a representative office in Beijing. Since then, KWE remained ahead of the competition as we entered the Chinese market and built a service network there. KWE currently has 10 companies in China, including two investment companies, with a network of 107 offices in 44 cities. This in-house service network is an important asset of the KWE Group.

Major Policies

- We will enhance our services in each country in this region, focusing on logistics services where we foresee further growth in demand in the future. Specifically, we plan to expand our warehouses in Incheon, South Korea, and in Shanghai.
- In China, we offer bonded warehousing in Shanghai, Dalian, and Suzhou. We are also strong in logistics involving bonded transportation, and this is an area where we intend to further expand sales.
- We aim to increase handling of items such as apparel and sporting goods in order to expand the range of freight that we handle. By increasing forwarding of these items to North America in particular, we intend to help achieve our Group-wide goal of boosting forwarding of North America-bound freight.

Southeast Asia & Middle East

We intend to further expand our logistics business, focus on increasing shipments from India and Vietnam, and increase revenues.

Performance and Highlights

Net sales were 26.1 billion yen (up 13.7%), and operating income was 1.2 billion yen (up 25.2%).

Airfreight forwarding

Despite increased export volume of hard discs and packaged software, there was a sharp decline in export shipments from existing customers, and a decrease in handling of automobile-related exports, causing airfreight exports to decline by 4.0%*1. Imports increased by 4.3%*2, helped by increased volume of semiconductor manufacturing equipment and other production equipment imports.

Ocean freight forwarding

Exports increased 12.7%*3 while imports grew by 20.0%*3.

Other major achievements

- In order to enhance our sales bases, our Indian subsidiary opened a new office in Ahmedabad in August 2006, our Vietnamese subsidiary opened a satellite office in Hai Phong in October 2006, and in November our Thai subsidiary began operating a warehouse in Ayutthaya.

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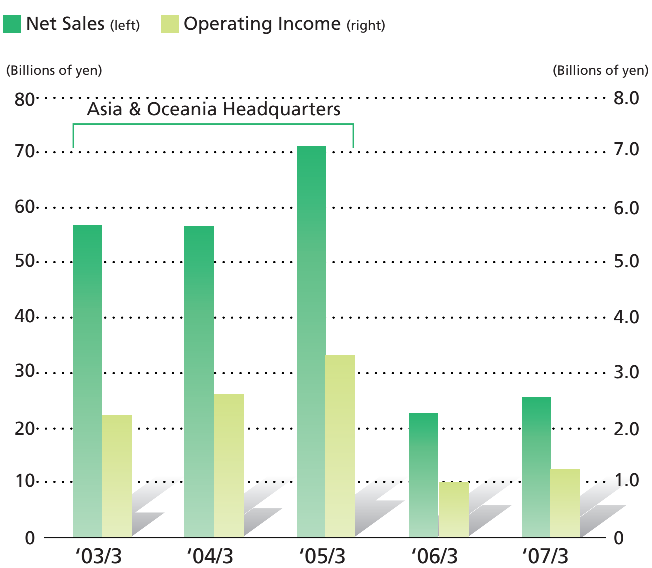


Note: Following the split of Asia & Oceania Headquarters into two units, "East Asia & Oceania" and "Southeast Asia & Middle East" in January 2006, the sales from the Middle East region, which were a part of Europe & Africa, are now included in Southeast Asia & Middle East. The figures of the fiscal year ended March 2006 are adjusted retroactively.

Business Outline and Strengths

KWE's Southeast Asia & Middle East headquarters covers 10 Group affiliates, starting with the Singapore subsidiary that we established in 1975 and including affiliates in places like Malaysia, India and Vietnam. As in the East Asia & Oceania region, KWE got an early start on establishing its service network in Southeast Asia and the Middle East.

In India, where transport and logistics demand is expected to continue to grow in the future, KWE entered the market relatively early by establishing a subsidiary in 1997, and already provides services from nine locations today. In Vietnam, another Asian country where there is promise for rapid growth in demand, we established a subsidiary in March 2005. Since then, we have been steadily building a framework for expanding future sales of logistics services, including the establishment of a subsidiary specializing in logistics, Kintetsu Logistics (Vietnam), Inc., in February 2007.

Major Policies

- By strengthening our logistics services sales framework, we aim to expand sales of 3PL services and maintain/achieve a good balance between airfreight, ocean freight, and logistics. We already began reinforcing our logistics facilities in the year ended March 2007, and early in the year through March 2008, too, we augmented our warehouse facilities in Johor Bahru, Malaysia, and Penang, Singapore. Our customers' cargo is a portion of their assets; by also storing it rather than only transporting it, we want to establish a position for ourselves as an even more important and trusted logistics partner. It is partly toward this end that we are also focusing on developing personnel who are skilled at logistics sales.
- In order to expand the range of items that we handle, we will increase forwarding of clothing cargo originating from India and Vietnam. By increasing handling of this type of freight bound for North America in particular, we aim to achieve our Group-wide goal of increasing the volume of North America-bound freight that we handle.

Corporate Governance

Basic Philosophy

KWE's corporate philosophy is to "create new values and optimal environments through our provision of cargo logistics services in order to contribute to the development of a global community together with our clients, shareholders and employees." Our top priority is to increase the corporate value while maintaining good relationships with stakeholders. From this perspective, strengthening corporate governance and making our decision-making more transparent and fair are important tasks for management to address.

Investor Relations

In order to make management more transparent, we disclose information about the status of our business through our website and other means, and we work at other types of IR activities. We work hard to promote investors' understanding of our business. For example, starting with our semiannual financial results meetings, we hold tours of our airport and distribution facilities for analysts and investors, and constantly improve our website, and hold regular events such as conferences to explain KWE to individual investors. In November 2006, these efforts were recognized by the Japan Investor Relations Association with a "Fiscal 2006 IR Prime Business Award Premium."

Report of Our IR Activities

	Explanations by representative director	Supplemental remarks
Regular presentation meetings with private investors	Yes	Hold regularly several times a year. About 600 investors attended in the last meeting.
Regular presentation meetings with analysts and institutional investors	Yes	Hold meetings twice a year in May and November. About 100 analysts and investors attended in the last meeting.
IR information on its website	Yes	URL of KWE's IR page: http://www.kwe.co.jp/en/investment/index.html Disclosed information: President's message, corporate philosophy, management plan, corporate profile, subsidiaries and affiliates, financial information, etc.
Establishment of dedicated IR group (or staff)	–	General Affairs Department (IR · PR Group)

Special Features of KWE's Governance

KWE's Board of Directors and Board of Auditors make up the basis of our governance system. In June 2006, KWE adopted an executive officer system to strengthen the Board of Directors' supervisory functions and to speed up decision-making by delegating authority. In addition, we established the KWE Group Top Strategy Meeting and Executive Committee, both under the supervision of the Board of Directors and Board of Auditors, to discuss general management policies and important matters concerning business execution, in order to ensure that representative directors take adequate care in reaching decisions.

Board of Directors

KWE's Board of Directors has 14 members, two of whom are outside directors. The Board of Directors selects directors, auditors, and executive officers after deliberating about such factors as the candidates' character, degree of insight, and performance history within the Company. Compensation (including bonuses) is structured to reflect each director's position and the Company's financial results, based on prescribed Company standards. The term of office for directors is set at one year in order to establish clear accountability and to provide flexibility for quick adjustments to changing business conditions.

In the fiscal year ended March 2007, the Board of Directors met 12 times. Every meeting was attended by one or both of the outside directors.

Board of Auditors

The Board of Auditors is composed of four auditors, two of whom are external auditors. As a rule, the Board meets once a month, and also holds about three irregular meetings per year to confirm its auditing schedule and to exchange views about auditing plans. The Board meets with the independent auditors to review the results of audits at the end of each fiscal term and half-term, and to exchange views.

In the fiscal year ended March 2007, the Board of Auditors met 14 times. Every meeting was attended by one or both of the outside auditors.

Relationships with Outside Directors and Outside Auditors

KWE's outside directors are Akio Tsujii, Adviser to and former Chairman of the Board of Kintetsu Corporation, and Masanori Yamaguchi, current Chairman of the Board of Kintetsu Corporation. Our outside auditors are Naoyuki Okamoto, Vice President and Representative Director of Kintetsu Corporation, and Masao Kishida, Professor at Waseda University's Graduate School of Finance, Accounting & Law. Kintetsu Corporation is a major shareholder (holding 25.0% of shares) in KWE; however, KWE has minimal business dealings with Kintetsu, and our outside directors and auditors have no particular vested interest in KWE.

Executive Committee

KWE's Executive Committee meets twice monthly, under the supervision of the Board of Directors, in order to ensure that decisions are reached carefully. The Executive Committee is composed of directors and auditors, executive officers, and departmental managers, etc.

Group Top Strategy Meeting

Once every three months, the Company holds a KWE Group Top Strategy Meeting, with participation from the presidents of important group companies. In the fiscal year ended March 2007, the KWE Group Top Strategy Meeting was held four times. The main topics of discussion were proposals for in-house projects and confirmation of project implementation status, and each Group company's management strategies.

Director Compensation

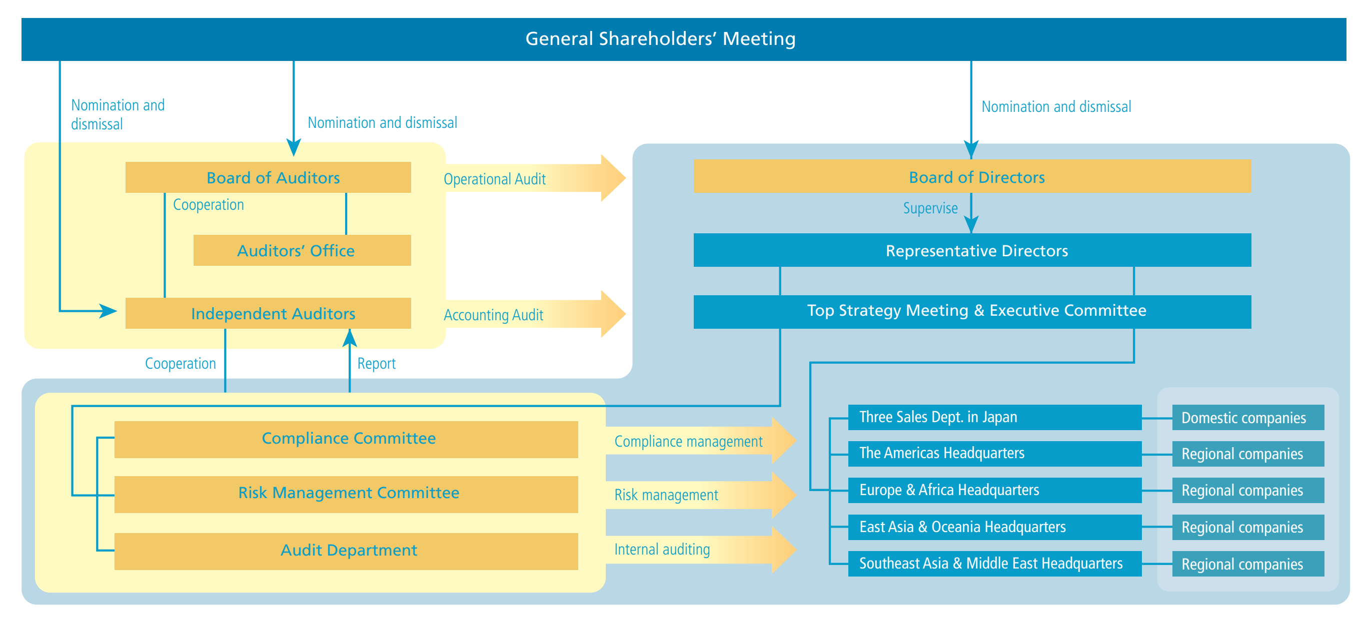
We do not see a need to grant incentives to directors, as we believe their motivation is maintained sufficiently by the mechanisms we currently have in place, including our performance management system. In the year ended March 2007, we paid a total of 298.98 million yen to 13 directors, including 15.05 million yen to the two outside directors.

Compliance

One of the important principles that is clearly stated in the KWE Ethics and Action Standards, which constitutes the basis for the actions of KWE executives and employees, is to live up to the public's trust with fairness, a strong sense of ethics, and responsibility. We also established a set of specific action standards called KWE Group Conduct Compliance Standards, which we have made well known to employees. In order to promote corporate behavior that follows laws and corporate ethics, KWE established a Compliance Committee to oversee companywide compliance, and designated managers responsible for compliance within each division. Additionally, we created a "whistleblowing system" to facilitate the early detection and correction of any violations of law or corporate ethics.

Risk Management

In order to create a framework for managing risk, KWE established risk management standards and disseminated them to all relevant personnel. The Company also established a Risk Management Committee to oversee companywide risk, and designated individuals to be responsible for risk management within each division. The Risk Management Committee determines basic guidelines and procedures for managing risk and works through the divisional risk managers to identify and manage risk factors that need to be addressed from a companywide perspective. KWE has also prepared a crisis plan, which includes a set of emergency response guidelines to be followed in response to the sudden emergence of a new danger could substantially affect the Company's business operations.



Management

Akio Tsujii
Chairman

Hirokazu Tsujimoto
President and
Chief Executive Officer

Yoshiaki Matsuda
Executive Vice President

Yoichi Tanaka
Senior Managing Director

Kiyoshi Kataoka
Senior Managing Director

Takeo Shimomura
Senior Managing Director

Satoshi Ishizaki
Senior Managing Director

Norihiro Fujita
Managing Director

Hirohiko Ueno
Managing Director

Masakazu Hattori
Director

Kenji Ueda
Director

Joji Tomiyama
Director

Shinya Aikawa
Director

Masanori Yamaguchi
Outside Director

Environmental Protection

In order to be a world-class company, we have to 'Be kind to the environment'. We do that by cooperating, one action at a time.

Basic Philosophy

KWE's basic policy regarding the environment is to control the environmental impact of our international (mainly air and ocean) freight forwarding and logistic services.

In January 2001, we formulated the KWE Environmental Protection Policies in order to more concretely declare our basic philosophy and policies regarding the environment to people inside and outside the Company. As a company that aspires to be a world-class global forwarder, we know that we absolutely must realize our basic corporate philosophy of "contributing to the development of a global community while eliminating wasting of resources, valuing harmony with nature, and taking steps to preserve the global environment."

Special Characteristics of KWE's Environmental Protection Activities

The environmental protection actions that KWE takes in connection with our business activities include energy conservation, waste reduction, and reuse and recycling of resources. What stands out about our efforts is that we act on our belief that because we are a global business, we must participate in a good deal of cooperative action with others. So we actively call for cooperation from trading partners, affiliated companies, and others, for example by asking drivers not to leave their engines running. We do this because KWE aims to be a world-class company in every business in which we engage.

Specific Actions and Results

In order to implement our environmental policies more effectively, we acquired ISO14001 certification for our Tokyo Terminal in September 2001. In January 2003, we obtained the certification for our Narita Terminal – an international logistics base – and in January 2006 for the No. 4 Baraki Terminal in Chiba, Japan. We also acquired ISO14001 certification for our Central Japan International Airport Terminal in Nagoya area, in March 2007.

In addition, as a first step toward establishing local environmental beautification activities, in 2006 we started cleanup campaigns in the areas surrounding our Narita Terminal and Kintetsu Logistics Systems Inc.'s Tokyo Terminal. From 2007, we plan to start introducing similar activities in the areas surrounding other terminals. We will also expand our efforts aimed at preserving the environment to areas not mentioned above, in accordance with KWE's company wide environmental guidelines.

Narita Terminal Results for Fiscal Year through March 2007

Goal	Specific measures	Target at beginning of year	Results
Promote energy conservation, reduce electricity consumption and carbon dioxide emissions	Reduce electric power consumption	Reduce kWh consumption and carbon dioxide emissions (conversion basis) by 5% (compared with previous-year average)	Increased 4.6%
Promote waste reduction and recycling / reuse	Reduce overall waste output	Reduce waste output by 5% (compared with previous-year average)	Increase in combustible waste related to some clients' freight; failed to achieve goal
	Reduce both combustible and noncombustible waste	Reduce waste output by 5% (compared with previous-year average)	
	Sort trash thoroughly	No more than 6 incidents per month of improper sorting in terminal	Achieved goal; 4.1 incidents per month of improper sorting in terminal
	Separate cardboard cartons and maintain reuse channels	Separate all cardboard and maintain reuse channels	Achieved 100% of cardboard goal
	Separate plastic wrapping materials and maintain reuse channels	Separate all plastic wrapping materials and maintain reuse channels	Achieved 100%
	Separate wooden pallets and maintain reuse channels	Separate all wooden pallets and maintain reuse channels	Achieved 100%
	Improve recycling ratio	Recycling rate of over 80%	Due to increase in combustible waste, achieved only 75.3%
Restrict exhaust emissions from vehicles	Reduce carbon dioxide emissions from company cars, trucks, and forklifts	Reduce by a total of 5% (compared with previous-year average)	Reduced 9.9%
Study and reduce overall carbon dioxide emissions	Study reduction of and reduce total carbon dioxide emissions (conversion basis)	Reduce by 5% from previous year	Use of electricity increased, but fuel usage decreased; reduction of 4.1%
Promote anti-pollution efforts inside and outside the Company	Participate actively in environmental protection activities near the Narita Terminal, in Shibayama, and at Narita Airport		Participated in cleanup around Terminal and in environmental activities at Narita Airport

Introducing Hybrid Vehicles

Wherever possible, KWE has been replacing vehicles that it uses for sales activities with hybrid vehicles. In September 2006, Kintetsu World Express Delivery Co. Ltd. also introduced three hybrid vehicles as part of its overall environmental protection program. In October 2005, Japan's EcoMo Foundation granted "Green Management" certification to Kintetsu World Express Delivery's Tokyo Special Transportation Sales Office and Chiba Special Transportation Sales Office, which are involved in activities aimed at preventing environmental damage.

TAPA: Keeping Cargo Safe

High-tech companies and other corporate clients of KWE have a growing need to manage the security of their freight. Because we view security control as an important added value, the entire KWE Group has been working actively to acquire certification for our operational bases from the Transported Asset Protection Association (TAPA).

What is TAPA?

TAPA (Transported Asset Protection Association) is a nonprofit organization that was founded in the United States in 1997 by high-tech product manufacturers, and others involved with high-tech products, including transporters and consulting companies. Today, TAPA has offices in the United States, Europe, Asia, and other locations. It is run by volunteers from its member organizations. Its purpose is to prevent members from suffering major losses due to theft or other improprieties in the course of storage or transport of high-tech and other valuable products. It is especially important for airfreight forwarders and logistics providers who handle valuable merchandise to work together to prevent asset theft. TAPA members share information about theft and other damages, discuss measures to prevent losses, and have created freight handling standards designed to ensure safe transport and storage. In addition to the U.S. headquarters, TAPA now has a headquarters in Europe (established 1999) in Asia (established 2000), and in other locations.

See the following websites for more information:
TAPA US at http://www.tapaonline.org/
TAPA Europe at http://www.tapaemea.com/
TAPA Asia at http://www.tapa-asia.org/
TAPA Brazil http://www.tapabrasil.org.br/

TAPA Certification Program

TAPA has established standards that it calls Freight Security Requirements (FSR) to ensure the safety of freight during transit and storage. For KWE facilities, we have cleared the most recent set of safety standards known as "TAPA FSR-2005." These standards consist of more than 70 specific requirements addressing eight categories of action such as perimeter security, control of access to office areas, control of facility docks and warehouses, security systems and security procedures. There are three levels of certification, A, B, and C, which are granted as a result of passing evaluation of these items. The highest rank, A, is granted when a company earns a satisfactory number of points for fulfilling all items.

Terminals for Which KWE Has Acquired TAPA Certification

KWE's Hong Kong facility was the first to get TAPA certification, in December 2001. As of March 2007, we had already received Level A certification for 16 locations worldwide.

KWE Terminal with Level A Certification

Asia	Japan (two locations), Hong Kong (two locations), Shanghai, Taipei, Manila, Seoul (two locations), Singapore, Shenzhen, Penang, Kuala Lumpur
Oceania	Sydney
United States	Seattle
Europe	Amsterdam

As an example, our Narita Terminal was audited in December 2003 and received "Level A" certification. The certification is valid for two years. As is the case with ISO certification, an examination is required for renewal.

Narita Terminal

Location	Sambu-gun, Chiba, Japan
Lot size	61,290.6 m^2
Floor space	40,095.33 m^2

24 hours / 7days duty

Installation of entry / exit monitoring CCTV cameras

Recording of monitor camera data

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

Our consolidated financial statements for the fiscal year ended March 31, 2007 cover Kintetsu World Express, Inc., 54 of its subsidiaries, and four affiliated companies that have been accounted for by the equity method. KWE's principal businesses are international and domestic freight forwarding using transport provided by airlines and shipping companies, and representation on behalf of air carriers. The KWE Group also engages in the related fields of customs clearance, trucking, temporary staffing, insurance agency, property management and packing.

Although KWE's business falls within the single segment of freight transportation, we divide our operations into four categories: airfreight forwarding (which accounted for 54.3% of net sales this fiscal year), logistics (19.0%), ocean freight forwarding (16.2%), and other operations (10.5%).

The KWE Group has adopted a Five Regional Management System. This fiscal year, the Japan region accounted for 42.1% of net sales*, the Americas region contributed 14.1%, the Europe & Africa region took in 9.2%, the East Asia & Oceania region brought in 25.9%, and Southeast Asia & Middle East region accounted for 8.7%. In all, 57.9% of KWE's total net sales* came from overseas operations.

*Based on simple totals, before eliminations

OPERATIONS

Despite the impact of stubbornly high oil prices, the world economy was strong overall this fiscal year. The U.S. economy grew moderately, led by consumer spending and capital investment; the European economy continued to grow; and China's economic growth stayed strong. Japan's economy grew steadily, with help from strong business investment and growth in exports.

In the international airfreight market, where the KWE Group does most of its business, the sharp rise in fuel surcharges that began several years ago continued and transport costs increased. As a result, some products whose market prices have declined were shipped by sea, which is relatively inexpensive, rather than by air. The international airfreight forwarding market was nevertheless strong overall.

Within this business environment, the KWE Group's consolidated net sales rose 7.9% year on year to 289.928 billion yen and operating income increased 38.9% to 12.439 billion yen. Both results were record highs.

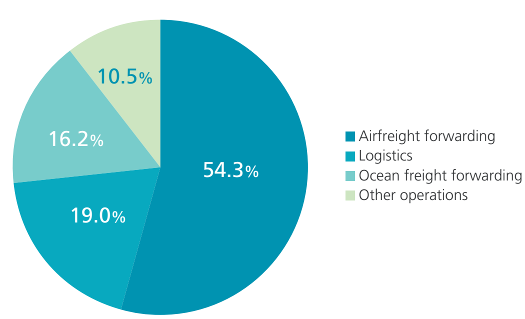
In addition to achieving strong financial results, we expanded our operations facilities in Japan and various parts of the world to establish a base for future growth. In Japan, we opened up a Rinku Flower Center, specifically for imported fresh flowers, inside our Rinku Terminal (Osaka Prefecture) and received approval for the manufacture of medical devices and cosmetic products and started providing storage, labeling, and packaging services at our No. 4 Baraki Terminal (Chiba Prefecture). We also established new sales units in four locations in Japan. In Europe, we established a European headquarters in the Netherlands, and our UK subsidiary set up an office in Belfast, Northern Ireland. In East Asia, we opened 10 offices in China, and our South Korean subsidiary opened up two logistics centers. In other parts of Asia, our Indian subsidiary opened an office in Ahmedabad; our Vietnam subsidiary set up an office in Hai Phong; and Thai subsidiary set up a warehouse in Ayutthaya.

Net Sales

Net sales this fiscal year rose for the fifth straight year, by 7.9% from the previous year to 289.928 billion yen, a new record level.

Net sales increased year on year in all five regions: 21.0% in Europe & Africa, 13.7% in Southeast Asia & Middle East, 12.5% in the Americas, 11.0% in East Asia & Oceania, and 1.4% in Japan. Net sales outside Japan constituted 57.9% of

Net Sales by Category



overall net sales, compared to 55.1% the previous year.*

The main reason for the strong growth in sales in Europe & Africa was a 17.6% year-on-year increase in export airfreight tonnage, accounted for mainly by automobile products and alcoholic beverages. In Southeast Asia & Middle East, export airfreight tonnage declined 4.0% year on year, but the number of imported airfreight items increased 4.3% and contributed to the overall sales growth. In the Americas, export airfreight tonnage rose 12.9% partly because of a pickup in shipments of semiconductor production equipment from the United States to Asia. In East Asia & Oceania, export airfreight tonnage grew 1.1% and the number of imported airfreight items increased 5.3%.

In Japan, export airfreight tonnage declined 1.5% because of lackluster shipments of flat-panel television components to North America and Europe and LCD components to Asia. The number of imported airfreight items also declined, by 2.5%, owing to a shift to ocean freight transport for some cargo. On the ocean freight side, shipments of many different types of cargo picked up, contributing to increases of 2.0% for exports and 4.8% for imports by volume.

*Based on simple totals, before eliminations

Cost of Sales

Cost of sales this fiscal year increased 6.6% over the previous year to 243.705 billion yen, and the percentage to net sales declined by 1 percentage point to 84.1%.

KWE has no aircraft or ships of its own to use for transport, so our main direct costs are freight charges paid to airlines and shipping companies, while wages are our main indirect costs. Freight charges have risen because of gradual increases in the past few years in fuel surcharges added by airlines to cover the higher costs of aircraft fuel. We were able to mitigate the effects of higher fuel surcharges this fiscal year by passing on a higher proportion of the surcharge to customers and reducing airfreight costs through careful airline selection and tougher negotiation. As a result, the cost of freightage as a percentage of sales declined 1 percentage point year on year to 69.7%.

Selling, General and Administrative Expenses

KWE's selling, general and administrative expenses this fiscal year rose 8.5% from the previous year to 33.784 billion yen, but the percentage to net sales was unchanged at 11.6%. We expected this ratio to rise because we assumed personnel costs would increase by 1,000 million yen as a result of the setup of a new global information system, but the ratio ended up unchanged because the additional personnel costs were only 910 million yen and other costs were cut.

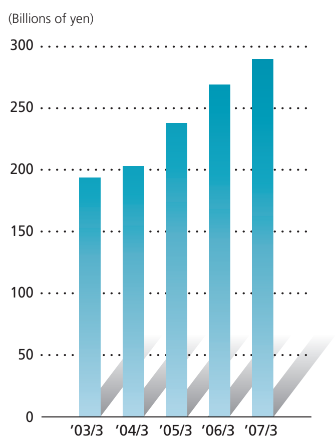
Operating Income

Operating income this fiscal year rose again, for the fifth straight year, by 38.9% from the previous year to 12.439 billion yen, a record high. The operating income margin rose 1 percentage point to 4.3%.

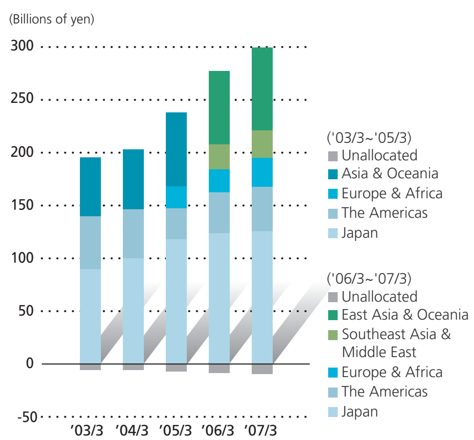
Other Income (Expenses)

This fiscal year we posted 560 million yen in net other income, compared to 936 million yen in net other income the previous year. The main reasons for the decline were a 120 million yen decline in gains from foreign currency settlement, owing to the yen's depreciation against the dollar, and a 152 million yen increase in loss on the disposal of fixed assets.

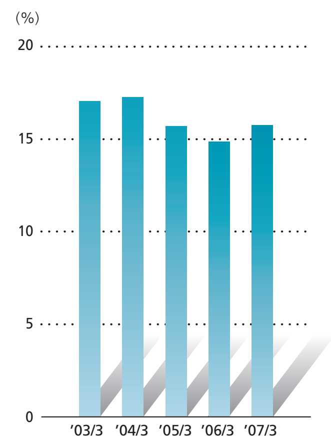
Net Sales



Net Sales by Region



Gross Profit Margin



Income Before Income Taxes and Minority Interests

This fiscal year, KWE's income before income taxes and minority interests was 12.999 billion yen, an increase of 31.4% from the previous year.

Income Taxes

Income taxes came to 4.882 billion yen this fiscal year, an increase of 29.3% from the previous year. After the adjustments for income taxes, KWE's effective tax rate decreased from 38.2% in the previous year to 37.6% this term.

Net Income

KWE's net income this fiscal year rose 33.9% over the previous year to 7.596 billion yen. Because of this, net income per share rose from the previous year's 153.35 yen to 210.17 yen, and return on equity improved from the previous year's 12.3% to 14.2%.

SEGMENT TRENDS BY REGION

For a breakdown of segment trends by region, please refer to the Report by Five Regions on pages 12 to 17.

FINANCIAL POSITION

This fiscal year, KWE's total assets increased by 6.9% to 121.108 billion yen.

One reason for this change was an increase in our current assets, which rose 13.1%, or 8.733 billion yen, to 75.344 billion yen, due to a rise in trade notes and accounts receivable, in conjunction with the strong financial results.

The amount of investments decreased 56.7%, or 3.221 billion yen, to 2.459 billion yen owing to the completion of some major investment deals the previous fiscal year. Total property and equipment decreased by 1.2%, or 407 million yen to 32.646 billion yen. Our main investments were a new warehouse in Incheon, South Korea, and IT-related investments.

Meanwhile, total liabilities increased 15 million yen to 62.001 billion yen. Current liabilities grew 5.6% from the previous year to 53.804 billion yen. Trade notes and accounts payable rose 17.6% from the previous year to 27.542 billion yen, in conjunction with a pickup in business, and short-term debt shrank 13.3% from the previous year to 13.667 billion yen.

Long-term liabilities decreased 25.7% to 8.197 billion yen, mainly because long-term debt declined by 27.3% to 6.109 billion yen as a result of loan repayments.

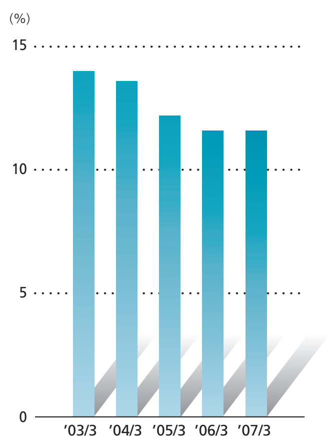
Starting this fiscal year, based on new rules for consolidated financial statements that took effect in 2005, shareholders' equity is shown as net assets. KWE's net assets totaled 59.107 billion yen, up 18.6% from the previous year's 49.847 billion yen in total shareholders' equity. Retained earnings rose 18.7% from the previous year to 42.818 billion yen, and foreign currency translation adjustments increased 84.3% to 1.498 billion yen. At the end of the term, our equity ratio increased to 47.4%, from 44.0% at the end of the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

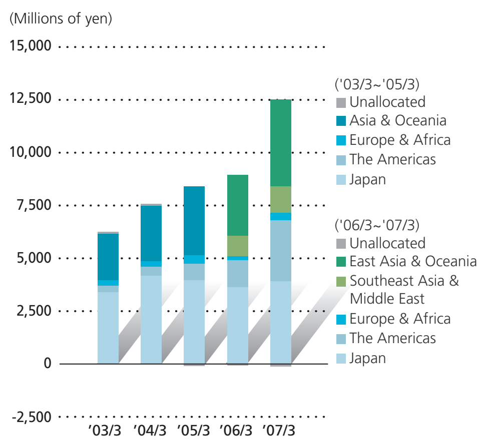
This fiscal year, KWE generated 15.057 billion yen in cash flow from operating activities. This was 8.089 billion yen, or 116.1% more than the previous year. Cash flow from operating activities was boosted by a year-on-year increase of 3.109 billion yen in income before income taxes, a 3.634 billion-yen reduction in cash outflows arising from increased accounts receivable, and an increase of 2.194 billion yen in notes and accounts payable.

Cash used in investing activities this fiscal year amounted to 6.439 billion yen, up 63 million yen from the previous term.

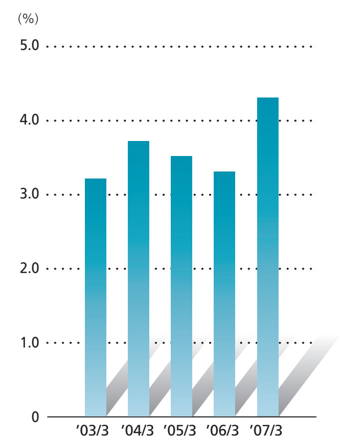
SGA Expenses to Net Sales



Operating Income by Region



Operating Income Margin



Cash outflows from the purchases of securities were down 965 million yen to 250 million yen while capital investments and related payments for purchases of property and equipment were down 1.880 billion yen to 1.512 billion yen. Cash outflows in "other, net," which are mainly software investments, increased 2.226 billion yen to 4.597 billion yen.

This year we spent a net 5.491 billion yen on financing activities, up 2.925 billion yen from the previous year. Most of this increase was accounted for by an increase in the net decline in short-term debt by 2.980 billion yen to 3.502 billion yen, as a result mainly of loan repayments. Also, dividend payments this fiscal year rose 25.0% from the previous year to 720 million yen.

At the end of the term through March 2007, cash and cash equivalents rose by 3.760 billion yen from a year earlier to 19.468 billion yen.

DISCLOSURE OF RISK
SIGNIFICANT RISK FACTORS WITH POTENTIAL TO IMPACT OPERATING RESULTS

The following are the major risk factors that KWE recognizes as having the potential to affect our operations.

1. Economic conditions

KWE operates on a global basis, with operations primarily located within our Five Regional Management System consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East. The main products we handle are shipping items such as high-tech products (electronic components, semiconductors and semiconductor production equipment, telecommunications-related items, LCD-related items, digital electronic appliances, etc.), automobile items (including auto parts and fully assembled vehicles), medical items (related to medical care or pharmaceuticals, and chemicals), high-end apparel and related products, and goods for sale by mass merchandisers.

The performance or financial condition of the KWE Group could be affected if there is a change in demand for IT items, which are particularly sensitive to economic fluctuations, or in the event of a major international occurrence like the terrorist attacks that took place in the United States in September 2001, the start of the 2003 Iraq war, or the outbreaks of SARS and avian influenza.

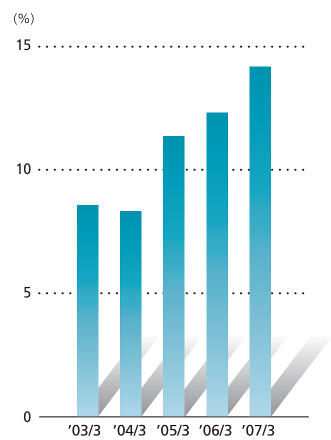
2. Exchange rate fluctuations

KWE has built a Five Regional Management System, consisting of Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East regions. Fluctuations in foreign exchange rates in any of these regions could affect KWE's performance or financial condition. In order to minimize risks arising from such currency fluctuations, KWE uses foreign exchange forward contracts. Our policy is to use these forward contracts only to hedge the amount of KWE's net debts or credits related to business contracts denominated in foreign currencies. In principle, we do not enter into forward contracts with terms of more than one year. Moreover, we have a policy of not engaging in speculative dealings or highly leveraged transactions. We use foreign exchange forward contracts only to offset the risk posed by potential future fluctuations in relation to normal business dealings denominated in a foreign currency.

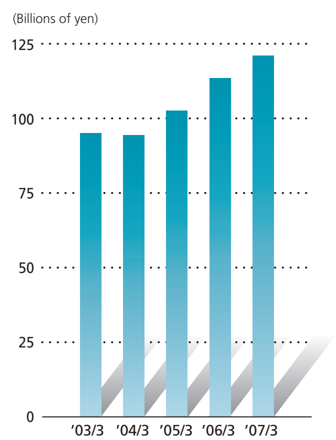
3. Fluctuations in crude oil prices

Taking into account the influence that a sudden surge in oil

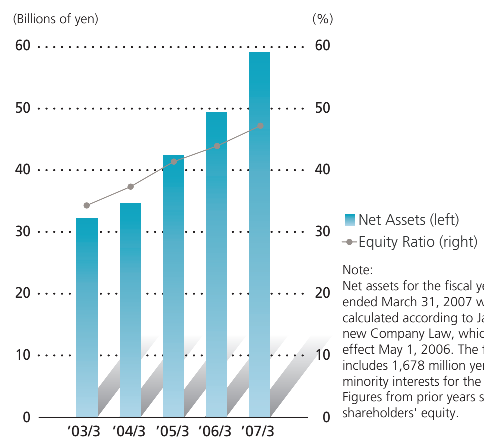
ROE



Total Assets



Net Assets and Equity Ratio



Note:
Net assets for the fiscal year ended March 31, 2007 were calculated according to Japan's new Company Law, which took effect May 1, 2006. The figure includes 1,678 million yen in minority interests for the year. Figures from prior years show shareholders' equity.

prices might have on distribution and transport, KWE maintains close relationships with air and ocean carriers and works at expanding our channels for procuring cargo space. Nevertheless, it is possible that unforeseeable circumstances could affect our corporate performance. Airlines increased their fuel surcharges two times during this fiscal year, and we were able to pass on these charges to our customers, but fuel oil prices could be volatile and affect our corporate performance in the future.

4. Legal regulations

Each nation has enacted various regulations governing transport, warehousing, storage management, and other businesses in which we engage. Most of these are statutory regulations (to ensure safety, for example) or legal regulations affecting the transport business. It is possible that changes to existing regulations could cause a temporary spike in capital spending, which could affect KWE's performance.

5. Transport accidents

KWE takes the utmost care as we work to expand our logistics business, based on the know-how that we have accumulated as an airfreight forwarder. We work hard to secure and increase the trust that our customers place in us. Nevertheless, KWE's performance could be affected in the event of a transport accident occurring, for example, due to an unpredictable disaster.

6. Storage and security at distribution facilities

KWE owns distribution-related facilities in five regions: Japan, the Americas, Europe & Africa, East Asia & Oceania, and Southeast Asia & Middle East. We take measures to ensure safe storage and security at these facilities; for example, we have obtained Level A certification from the Technology Asset Protection Association (TAPA, an organization that sets international freight security standards) for facilities in 16 locations in Japan and abroad. However, if our storage or security measures should cease to function due to war or terrorist attack, etc., KWE's performance could be adversely affected.

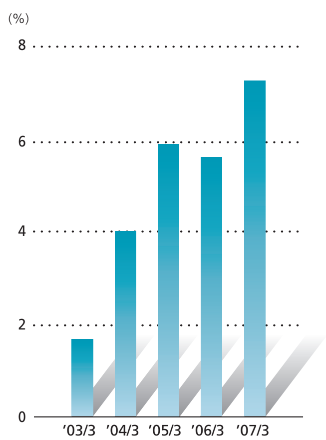
7. Customer data management / information leaks

KWE systematically manages customer and freight movement information through our intra-Group information network. We perform regular audits and inspections to ensure that there are no information leaks. In addition, in accordance with Japan's Act on the Protection of Personal Information (which took effect on April 1, 2005), KWE instituted a companywide policy regarding the safeguarding of personal information, and we strive to make every employee familiar with it. Therefore, we believe the risk of customer data being leaked outside the Company is extremely small. Nevertheless, in the unlikely event that for some reason customer information should be leaked to an outside party, the resulting loss of trust in the Company could affect our corporate performance.

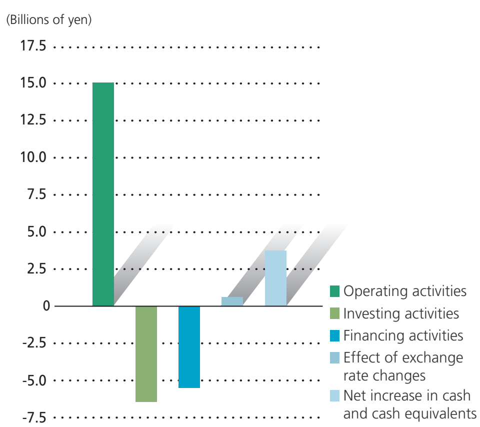
8. Information system security

KWE uses integrated computer systems groupwide and manages much of its global operations with IT systems. We strive to ensure that these information systems operate reliably by using a redundant structure of data centers and network connections, and have hardware and software safeguards against unauthorized access and viruses. Nevertheless, in spite of these precautionary measures, our financial results could be adversely affected if these information systems temporarily malfunction as a result of unforeseen virus or hacker attacks.

Working Capital to Net Sales



Cash Flows



Kintetsu World Express, Inc. and Subsidiaries

Consolidated Balance Sheets

March 31, 2007 and 2006

ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
Current assets :			
Cash and time deposits (Note 4)	¥ 22,668	¥ 15,745	$ 192,020
Notes and accounts receivable – Trade	49,913	48,079	422,812
Less: Allowance for doubtful accounts	(361)	(398)	(3,058)
Deferred income taxes (Note 9)	716	740	6,065
Other current assets	2,408	2,445	20,399
Total current assets	75,344	66,611	638,238
Property and equipment (Note 7) :			
Land	9,672	9,667	81,931
Buildings and structures	28,692	27,849	243,050
Machinery and equipment	2,567	2,414	21,745
Others	10,034	9,708	84,998
	50,965	49,638	431,724
Less: Accumulated depreciation	(18,319)	(16,585)	(155,180)
Total property and equipment	32,646	33,053	276,544
Intangible assets :			
Goodwill	312	159	2,643
Other intangible assets	3,862	4,737	32,715
Total intangible assets	4,174	4,896	35,358
Investments and other assets :			
Investments in (Note 5):			
Affiliates	1,312	1,426	11,114
Others	3,525	3,028	29,860
Long-term loans receivable	71	151	601
Deferred income taxes (Note 9)	312	364	2,643
Other investments	3,949	3,877	33,452
Less: Allowance for doubtful accounts	(225)	(146)	(1,906)
Total investments	8,944	8,700	75,764
	¥ 121,108	¥ 113,260	$1,025,904

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY/NET ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
Current liabilities :			
Short-term debt (Note 6)	¥ 10,661	¥ 13,998	$ 90,309
Current maturities of long-term debt (Note 6)	3,006	1,772	25,464
Notes and accounts payable – Trade	27,542	23,419	233,308
Income taxes payable (Note 9)	2,359	2,439	19,983
Deferred income taxes (Note 9)	81	4	686
Employees' accrued bonuses	1,172	1,039	9,928
Directors' and corporate auditors' accrued bonuses (Note 3(a))	257	–	2,177
Other current liabilities	8,726	8,279	73,918
Total current liabilities	53,804	50,950	455,773
Long-term debt (Note 6)	6,109	8,399	51,749
Employees' accrued retirement benefits (Note 8)	1,404	1,883	11,893
Deferred income taxes (Note 9)	305	57	2,584
Other long-term liabilities	379	697	3,210
Minority interests in consolidated subsidiaries	–	1,427	–
Contingent liabilities (Note 10)			
Shareholders' equity (Note 11) **:**			
Common stock			
Authorized 120,000,000 shares			
Issued 36,000,000 shares	–	7,216	–
Capital surplus	–	4,868	–
Retained earnings	–	36,069	–
Net unrealized holding gains on available-for-sale securities	–	881	–
Foreign currency translation adjustment	–	813	–
Treasury stock, at cost	–	(0)	–
Total shareholders' equity	–	49,847	–
Net assets (Note 3(b)) :			
Shareholders' equity (Note 11) **:**			
Common stock			
Authorized 120,000,000 shares			
Issued 36,000,000 shares	7,216	–	61,127
Capital surplus	4,868	–	41,237
Retained earnings	42,818	–	362,711
Treasury stock, at cost	(1)	–	(9)
Total shareholders' equity	54,901	–	465,066
Valuation and translation adjustments :			
Net unrealized holding gains on available-for-sale securities	1,030	–	8,725
Foreign currency translation adjustment	1,498	–	12,690
Total valuation and translation adjustments	2,528	–	21,415
Minority interests in consolidated subsidiaries	1,678	–	14,214
Total net assets	59,107	–	500,695
	¥ 121,108	¥ 113,260	$1,025,904

See accompanying notes.

Kintetsu World Express, Inc. and Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Net sales (Note 13)	¥ 289,928	¥ 268,796	$ 2,455,976
Cost of sales	243,705	228,719	2,064,422
Gross profit	46,223	40,077	391,554
Selling, general and administrative expenses (Note 14)	33,784	31,123	286,183
Operating income (Note 13)	12,439	8,954	105,371
Other income (expenses) :			
Interest and dividends income	319	194	2,702
Interest expenses	(485)	(530)	(4,108)
Foreign currency exchange gain	672	792	5,693
Equity in earnings (losses) of affiliates	17	(8)	144
Other, net (Note 15)	37	488	312
	560	936	4,743
Income before income taxes and minority interests	12,999	9,890	110,114
Income taxes (Note 9) :			
Current	4,575	3,876	38,755
Deferred	307	(99)	2,600
	4,882	3,777	41,355
Minority interests in consolidated subsidiaries	(521)	(438)	(4,413)
Net income	¥ 7,596	¥ 5,675	$ 64,346

	Yen		U.S. dollars (Note 1)
	2007	2006	2007
Amounts per share :			
Net income	¥ 210.17	¥ 153.35	$ 1.78
Cash dividends applicable to the year	21.00	18.00	0.178

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Year ended March 31, 2006

		Millions of yen					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
Balance at March 31, 2005	36,000	¥ 7,216	¥ 4,868	¥ 31,094	¥ 378	¥ (830)	¥ (0)
Net income	–	–	–	5,675	–	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	1,643	–
Net increase in unrealized holding gains on available-for-sale securities	–	–	–	–	503	–	–
Purchase of treasury stock	–	–	–	–	–	–	(0)
Cash dividends paid	–	–	–	(576)	–	–	–
Bonuses to directors and statutory auditors	–	–	–	(124)	–	–	–
Balance at March 31, 2006	36,000	¥ 7,216	¥ 4,868	¥ 36,069	¥ 881	¥ 813	¥ (0)

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2007

		Millions of yen						
		Shareholders equity				Valuation and translation adjustments		
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Minority interests in consolidated subsidiaries
Balance at March 31, 2006	**36,000**	**¥ 7,216**	**¥ 4,868**	**¥ 36,069**	**¥ (0)**	**¥ 881**	**¥ 813**	**–**
Reclassified balances as of March 31, 2007 (Note 3 b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,427**
Net income	**–**	**–**	**–**	**7,596**	**–**	**–**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**685**	**–**
Net increase in unrealized holding gains on available-for-sale securities	**–**	**–**	**–**	**–**	**–**	**149**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**
Cash dividends paid	**–**	**–**	**–**	**(720)**	**–**	**–**	**–**	**–**
Bonuses to directors and statutory auditors	**–**	**–**	**–**	**(131)**	**–**	**–**	**–**	**–**
Other, net	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**251**
Balance at March 31, 2007	**36,000**	**¥ 7,216**	**¥ 4,868**	**¥ 42,818**	**¥ (1)**	**¥ 1,030**	**¥ 1,498**	**¥ 1,678**

		Thousands of U.S. Dollars (Note 1)						
		Shareholders equity				Valuation and translation adjustments		
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustment	Minority interests in consolidated subsidiaries
Balance at March 31, 2006	**36,000**	**$ 61,127**	**$ 41,237**	**$ 305,540**	**$ (0)**	**$ 7,463**	**$ 6,887**	**–**
Reclassified balances as of March 31, 2007 (Note 3 b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,088**
Net income	**–**	**–**	**–**	**64,346**	**–**	**–**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**5,803**	**–**
Net increase in unrealized holding gains on available-for-sale securities	**–**	**–**	**–**	**–**	**–**	**1,262**	**–**	**–**
Purchase of treasury stock	**–**	**–**	**–**	**–**	**(9)**	**–**	**–**	**–**
Cash dividends paid	**–**	**–**	**–**	**(6,099)**	**–**	**–**	**–**	**–**
Bonuses to directors and statutory auditors	**–**	**–**	**–**	**(1,110)**	**–**	**–**	**–**	**–**
Other, net	**–**	**–**	**–**	**34**	**–**	**–**	**–**	**2,126**
Balance at March 31, 2007	**36,000**	**$ 61,127**	**$ 41,237**	**$ 362,711**	**$ (9)**	**$ 8,725**	**$ 12,690**	**$ 14,214**

See accompanying notes.

Kintetsu World Express, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES :			
Net income before income taxes and minority interests	¥ 12,999	¥ 9,890	$ 110,114
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	3,928	3,617	33,274
Increase in accrued bonuses	122	51	1,033
Increase in directors' and corporate auditors' accrued bonuses	257	–	2,177
Increase (Decrease) in accrued retirement benefits	(497)	(86)	(4,210)
Interest and dividends income	(319)	(194)	(2,702)
Interest expenses	485	530	4,108
Loss on disposal of fixed assets	184	32	1,559
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(21)	(3,655)	(178)
Increase (Decrease) in notes and accounts payable	2,816	622	23,854
(Increase) Decrease in other assets	75	342	635
Increase (Decrease) in other liabilities	(434)	(730)	(3,676)
Bonuses to directors and statutory auditors	(131)	(124)	(1,110)
Other, net	461	(13)	3,906
Sub-total	19,925	10,282	168,784
Interest and cash dividends received	293	197	2,482
Interest paid	(474)	(534)	(4,015)
Income taxes paid	(4,687)	(2,977)	(39,703)
Net cash provided by operating activities	15,057	6,968	127,548
CASH FLOWS FROM INVESTING ACTIVITIES :			
Payments for purchases of securities	(250)	(1,215)	(2,118)
Proceeds from sales of securities	132	90	1,118
Payments for purchases of property and equipment	(1,512)	(3,392)	(12,808)
Proceeds from sales of property and equipment	88	230	745
Payment for purchase of investments in subsidiaries	(318)	–	(2,694)
Proceeds from sales of investments in subsidiaries	–	100	–
Proceeds from loans receivable	18	182	152
Other, net	(4,597)	(2,371)	(38,940)
Net cash used in investing activities	(6,439)	(6,376)	(54,545)
CASH FLOWS FROM FINANCING ACTIVITIES :			
Net increase (decrease) in short-term debt	(3,502)	(522)	(29,666)
Payments of capital lease obligations	(113)	(54)	(957)
Proceeds from long-term debt	800	300	6,777
Payments for long-term debt	(1,782)	(1,621)	(15,095)
Payments of cash dividends	(720)	(576)	(6,099)
Payments of cash dividends to minority shareholders	(173)	(152)	(1,465)
Other, net	(1)	59	(9)
Net cash used in financing activities	(5,491)	(2,566)	(46,514)
Effect of exchange rate changes on cash and cash equivalents	633	1,022	5,362
Net increase (decrease) in cash and cash equivalents	3,760	(952)	31,851
Cash and cash equivalents at beginning of year	15,708	16,660	133,062
Cash and cash equivalents at end of year (Note 4)	¥ 19,468	¥ 15,708	$ 164,913

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2007 and 2006

Note 1: Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of Kintetsu World Express, Inc. (the "Company") and subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities 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 respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 3, is presented with the consolidated balance sheet as of March 31, 2006 prepared in accordance with the previous presentation rules.

Also, as discussed in Note 3, the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard.

The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required to be filed with the Local Finance Bureau.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2007, which was ¥118.05 to U.S.$1.

The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S.dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 2006 consolidated financial statements to conform to the presentation for 2007.

Note 2: Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 54 subsidiaries at March 31, 2007 and the consolidated financial statements include the accounts of the Company and all subsidiaries. At March 31, 2006 the Company had 53 subsidiaries and consolidated all of them.

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

(2) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

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

(3) Investments in Affiliates

At March 31, 2007, four affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method whereby the costs of investments are adjusted for equity in undistributed earnings or losses since acquisition.

(4) 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 of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(5) Securities

Securities are classified as (a) securities held for trading purposes (hereafter, "trading securities"), (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) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Securities held by the Companies are classified into two categories.

Available-for-sale securities with market values are stated at market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains on sale of such securities are computed using weighted-average cost.

Other securities that do not have market value are stated at weighted-average cost.

If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amount is recognized as loss in the period of the decline.

(6) Allowance for Doubtful Accounts

The Companies 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.

(7) Property and Equipment

Property and equipment are stated at cost. Depreciation for buildings held by the Company and domestic consolidated subsidiaries is computed on the straight-line method based on the estimated useful lives of assets. Depreciation for others is computed using the declining-balance method. Depreciation of tangible fixed assets held by overseas consolidated subsidiaries is mainly computed by the straight-line method. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(8) Amortization of Intangible Assets

Amortization of intangible assets is computed using the straight-line method.

Software for internal use is amortized over their estimated useful lives (primarily 5 years) on a straight-line basis.

(9) Accounting for Impairment of Fixed Assets

Effective April 1, 2005, the Company and its consolidated domestic subsidiaries adopted "Accounting standards for impairment of fixed assets" ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the guidance on accounting standards for impairment of fixed assets (the "Financial Accounting Standard Guidance No.6" issued by the Accounting Standards Board of Japan on October 31, 2003).

The Companies review its long-lived assets for impairment whenever changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. As a result of adopting the accounting standards and the guidance, there was no impact on the Company's consolidated financial statements.

(10) Accrued Bonuses

Accrued bonuses to employees are provided for the portion relevant to the current year of the estimated amount of bonus payments.

(11) Accrued Directors' and Corporate Auditors' Bonus

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

(12) Accrued Retirement Benefits to Employees

The Companies adopted the Accounting standard for employees' severance and retirement benefits, under which allowance and expenses for severance and pension benefits are determined based on the amounts obtained by actuarial calculations.

The Company and certain domestic consolidated subsidiaries have defined benefit pension plans and certain overseas subsidiaries provide defined benefit pension plans and defined contribution plans.

Effective April 1, 2001, the Company integrated entire lump-sum payment plan into funded pension plan. The transition amount arising from this integration of ¥67 million is amortized on a straight-line basis over the period of 13 years commencing with the year ended March 31, 2002.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥3,788 million, is recognized in expenses in equal amounts primarily over 15 years commencing with the year ended March 31, 2001.

Unrecognized net actuarial differences are amortized as expenses from the next fiscal year by the straight-line basis over the prescribed years within the estimated remaining service period (primarily 13 years).

(13) Translation of Foreign Currency Transactions

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates and the resulting translation gains or losses are taken into income.

Receivables and payables denominated in foreign currencies, which are hedged by forward exchange contracts, are translated at the contracted rates of exchange.

(14) Translation of Foreign Currency Financial Statements

Foreign currency financial statements of overseas consolidated subsidiaries are translated into Japanese yen at current exchange rates prevailing at the relevant balance sheet dates of these subsidiaries, except that shareholders' equity accounts are translated at historical rates. Differences arising from translation are presented as "Foreign currency translation adjustment" in valuation and translation adjustment.

(15) Income Taxes

Income taxes consist of corporation, enterprise and inhabitant 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. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(16) Leases

Finance leases of the Company and the domestic consolidated subsidiaries, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that used for ordinary operating leases.

Certain overseas subsidiaries capitalize their assets leased under finance lease contracts in accordance with local accounting principles.

(17) Hedging Activities

The Company and its subsidiaries use forward foreign currency contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation in foreign currency exchange rates with respect to foreign currency receivables and payables, within the amount of foreign currency receivables and payables. Forward foreign currency contracts are subject to risks of foreign exchange rate changes.

The following hedging derivative financial instrument used by the Company and items hedged:

Hedging instrument : Forward foreign exchange contracts
Hedged items : Foreign currency receivables and payables

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract

(b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

(18) Per Share Information

Diluted earnings per share of common stock for the years ended March 31, 2007 and 2006 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.

Note 3: Accounting Changes

a) Accrued Bonuses to Directors and Corporate Auditors
Effective for the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standards,"Accounting Standard for Directors' Bonuses" ("Statement No.4" issued by the Accounting Standards Board of Japan on November 29, 2005).

Due to the adoption of this new accounting standard, the directors' bonuses are expensed when incurred, although it had been accounted for an appropriation of retained earnings upon resolution of shareholders' meeting. As a result, operating income, income before income taxes and minority interests are decreased by ¥120 million compared with those would have been reported under the previous accounting policy.

b) Accounting Standard for Presentation of Net Assets in the Balance Sheet
Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New

Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006, prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. Minority interests are included in the net assets section at March 31, 2007.

Under the previous presentation rules, companies were required to present minority interests in the section between the liabilities and the shareholders' equity sections.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥57,429 million ($486,481 thousand) would have been presented.

Note 4: Cash and Cash Equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Cash and time deposits	¥ 22,668	¥ 15,745	$ 192,020
Deposits over three months	(3,200)	(37)	(27,107)
Cash and cash equivalents	¥ 19,468	¥ 15,708	$ 164,913

Note 5: Securities

The following tables summarize acquisition cost, book value and market value of available-for-sale securities with available fair values as of March 31, 2007 and 2006:

Available-for-sale securities, at March 31, 2007	Millions of yen			Thousands of U.S.dollars		
	Acquisition Cost	Book Value	Difference	Acquisition Cost	Book Value	Difference
Securities with book value exceeding acquisition costs	¥ 1,075	¥ 2,897	¥ 1,822	$ 9,106	$ 24,540	$ 15,434
Other securities	239	155	(84)	2,025	1,313	(711)
Total	¥ 1,314	¥ 3,052	¥ 1,738	$ 11,131	$ 25,853	$ 14,723

Available-for-sale securities, at March 31, 2006	Millions of yen		
	Acquisition Cost	Book Value	Difference
Securities with book value exceeding acquisition costs	¥ 750	¥ 2,289	¥ 1,539
Other securities	212	159	(53)
Total	¥ 962	¥ 2,448	¥ 1,486

Book value of available-for-sale securities, with no fair market value, as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
Available-for-sale securities	2007	2006	2007
Non-listed securities	¥ 473	¥ 580	$ 4,007
Non-listed equity securities issued by affiliates	1,312	1,426	11,114
Total	¥ 1,785	¥ 2,006	$ 15,121

Note 6: Short-term Debt and Long-term Debt

Short-term debt consisted principally of borrowings from banks. The weighted average interest rates of short-term debt as of March 31, 2007 and 2006 were 1.42% and 1.83%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the followings:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S.dollars 2007
Long-term debt from banks and other financial institutions due 2007 to 2036, with average interests 2.73% for 2007 and 2.47% for 2006.			
Secured	¥ 297	¥ 383	$ 2,516
Unsecured	8,818	9,788	74,697
	9,115	10,171	77,213
Less: Portion due within one year	(3,006)	(1,772)	(25,464)
	¥ 6,109	¥ 8,399	$ 51,749

Annual maturities of long-term debt at March 31, 2007 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2008	¥ 3,006	$ 25,464
2009	4,072	34,494
2010	1,135	9,615
2011	383	3,244
2012	208	1,762
2013 and thereafter	311	2,634
Total	¥ 9,115	$ 77,213

Note 7: Pledged Assets

At March 31, 2007, assets pledged as collateral for long-term debt mentioned in Note 6 were as follows:

	Millions of yen	Thousands of U.S.dollars
Buildings and structures	¥ 1,095	$ 9,276
Land	912	7,725
	¥ 2,007	$ 17,001

In addition, the Company pledged security ¥140 million ($1,186 thousand) as collateral for deferred payment of customs duties.

Note 8: Employees' retirement benefits

The accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S.dollars 2007
Projected benefit obligation	¥ 18,696	¥ 18,529	$ 158,373
Unrecognized prior service costs	(40)	(45)	(339)
Unrecognized actuarial differences	(299)	(750)	(2,533)
Less fair value of pension assets	(14,927)	(13,573)	(126,446)
Less unrecognized net transition obligation	(2,026)	(2,278)	(17,162)
Prepaid pension cost	–	–	–
Accrued retirement benefits	¥ 1,404	¥ 1,883	$ 11,893

Included in the consolidated statements of income for the years ended March 31, 2007 and 2006 are retirement benefit expenses comprised of the following:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S.dollars 2007
Service costs – benefits earned during the year	¥ 963	¥ 885	$ 8,158
Interest cost on projected benefit obligation	351	414	2,973
Expected return on plan assets	(536)	(416)	(4,540)
Amortization on net transition obligation	252	252	2,135
Amortization on prior service costs	5	5	42
Amortization on actuarial differences	151	254	1,279
Retirement benefit expenses	¥ 1,186	¥ 1,394	$ 10,047

The discount rates used by the Company to measure the projected pension benefit obligation was 2.0% for 2007 and 2006 and the rate of expected return on plan assets was 4.0% for 2007 and 2006.

Note 9: Income Taxes

Income taxes consist of corporation, inhabitants and enterprise taxes.
The statutory tax rates for the years ended March 31, 2007 and 2006 were 40.69%.
Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Deferred tax assets :			
Operating loss carryforwards	¥ 772	¥ 375	$ 6,540
Bonuses	301	348	2,550
Directors' bonuses	14	–	118
Bad debt allowance	104	125	881
Retirement benefits to employees	366	561	3,100
Accrued enterprise tax	83	128	703
Other	647	604	5,481
Total	2,287	2,141	19,373
Valuation allowance	(189)	(375)	(1,601)
Total deferred tax assets	2,098	1,766	17,772
Deferred tax liabilities :			
Net unrealized gains on marketable securities	(707)	(605)	(5,989)
Depreciation and other	(749)	(118)	(6,345)
Total deferred tax liabilities	(1,456)	(723)	(12,334)
Net deferred tax assets	¥ 642	¥ 1,043	$ 5,438

Significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2007 and 2006 were as follows:

	2007	2006
Statutory tax rate	40.69%	40.69%
Non-deductible expenses	1.08	1.49
Tax exempt revenues	(1.07)	(0.88)
Difference of the statutory tax rate among countries other than Japan	(9.13)	(8.79)
Temporary differences not recognized on operating losses of subsidiaries	1.99	2.38
Use of net operating losses carryforward of subsidiaries	(1.10)	–
Effect of elimination of intercompany dividends received	5.35	4.53
Other, net	(0.25)	(1.23)
Effective tax rate	37.56%	38.19%

Note 10: Contingent Liabilities

The Company was contingently liable as of March 31, 2007, as a guarantor for borrowings of Cargo Community System Japan Co., Ltd. and The Keodirelang Group (PTY) LTD. which amounted to ¥224 million ($1,898 thousand) all in.

Note 11: Shareholders' Equity

As described in Note 3 "Presentation of Net Assets in the Balance Sheet," net assets comprises three subsections, which are the shareholders' equity, valuation and translation adjustments and minority interests.

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, 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.

Japanese Company Law ("the Law") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code was repealed ("the Code").

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock. Under the Law, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in capital or legal earnings reserve. Under the Code, additional paid-in capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, even when the total amount of additional paid-in capital and legal earnings reserve is less than 25% of common stock, additional paid-in capital and legal earnings reserve may be available for dividends if there are sufficient distributable surplus.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or may be capitalized by a resolution of the Board of Directors.

Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 Japanese laws and regulations.

Note 12: Accounting for Leases

The Company and domestic consolidated subsidiaries have various lease agreements whereby the Companies act as lessees.

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Certain information for non-capitalized finance leases for the years ended March 31, 2007 and 2006 were as follows:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for finance leases at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Machinery and equipment :			
Assumed acquisition cost	¥ 252	¥ 252	$ 2,134
Accumulated depreciation	(183)	(158)	(1,550)
Net book value	¥ 69	¥ 94	$ 584
Others (tools, dies, furniture and fixtures) :			
Assumed acquisition cost	¥ 998	¥ 1,186	$ 8,454
Accumulated depreciation	(557)	(747)	(4,718)
Net book value	¥ 441	¥ 439	$ 3,736
Software :			
Assumed acquisition cost	¥ 741	¥ 799	$ 6,277
Accumulated depreciation	(522)	(510)	(4,422)
Net book value	¥ 219	¥ 289	$ 1,855

(2) Lease obligations under non-capitalized finance leases, including finance charges at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Payments due within one year	¥ 336	¥ 407	$ 2,846
Payments due after one year	414	443	3,507
	¥ 750	¥ 850	$ 6,353

(3) Lease payments and the amounts corresponding to depreciation and interest expense under such leases for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Lease payments	¥ 463	¥ 485	$ 3,922
Depreciation expense portion	439	460	3,719
Interest expense portion	18	22	152

In addition, lease obligations under operating leases, including finance charges, at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Payments due within one year	¥ 1,277	¥ 176	$ 10,817
Payments due after one year	3,405	273	28,844
	¥ 4,682	¥ 449	$ 39,661

Note 13: Segment Information

(1) Industry Segments

The Companies are engaged predominantly in a single industry which is air and sea cargo business.

(2) Geographic Areas

The segment information of the Companies for the years ended March 31, 2007 and 2006, classified by geographic areas is presented below:

As of January 2006, we divided our former Asia & Oceania headquarters into two new headquarters: "East Asia & Oceania" and "Southeast Asia & Middle East." We shifted responsibility for Middle Eastern markets from "Europe & Africa" headquarters and integrated it into "Southeast Asia & Middle East" headquarters.

In order to conform to the 2007 presentation, segment information for the year ended March 31, 2006 have been restated.

	Millions of yen							
	Japan	The Americas	Europe & Africa	East Asia & Oceania	Southeast Asia & Middle East	Total	Elimination or Unallocated	Consolidated
Year ended March 31, 2007:								
Net Sales:								
Net sales to outside customers	¥ 124,497	¥ 37,516	¥ 26,091	¥ 76,182	¥ 25,642	¥ 289,928	¥ –	¥ 289,928
Inter-segment sales/transfers	1,568	4,517	1,376	1,213	464	9,138	(9,138)	–
Total sales	126,065	42,033	27,467	77,395	26,106	299,066	(9,138)	289,928
Operating expenses	122,104	39,156	27,079	73,274	24,905	286,518	(9,029)	277,489
Operating income	¥ 3,961	¥ 2,877	¥ 388	¥ 4,121	¥ 1,201	¥ 12,548	¥ (109)	¥ 12,439
At March 31, 2007:								
Total assets	¥ 63,663	¥ 14,133	¥ 14,298	¥ 31,548	¥ 9,446	¥ 133,088	¥ (11,980)	¥ 121,108
Year ended March 31, 2006:								
Net Sales:								
Net sales to outside customers	¥ 122,876	¥ 33,162	¥ 21,556	¥ 68,616	¥ 22,586	¥ 268,796	¥ –	¥ 268,796
Inter-segment sales/transfers	1,453	4,198	1,146	1,138	380	8,315	(8,315)	–
Total sales	124,329	37,360	22,702	69,754	22,966	277,111	(8,315)	268,796
Operating expenses	120,661	36,098	22,500	66,878	22,007	268,144	(8,302)	259,842
Operating income	¥ 3,668	¥ 1,262	¥ 202	¥ 2,876	¥ 959	¥ 8,967	¥ (13)	¥ 8,954
At March 31, 2006:								
Total assets	¥ 64,352	¥ 14,685	¥ 10,876	¥ 26,301	¥ 8,453	¥ 124,667	¥ (11,407)	¥ 113,260

	Thousands of U.S.dollars							
	Japan	The Americas	Europe & Africa	East Asia & Oceania	Southeast Asia & Middle East	Total	Elimination or Unallocated	Consolidated
Year ended March 31, 2007:								
Net Sales:								
Net sales to outside customers	$1,054,612	$ 317,798	$ 221,016	$ 645,337	$ 217,213	$2,455,976	$ –	$ 2,455,976
Inter-segment sales/transfers	13,283	38,263	11,656	10,275	3,931	77,408	(77,408)	–
Total sales	1,067,895	356,061	232,672	655,612	221,144	2,533,384	(77,408)	2,455,976
Operating expenses	1,034,341	331,690	229,386	620,703	210,970	2,427,090	(76,485)	2,350,605
Operating income	$ 33,554	$ 24,371	$ 3,286	$ 34,909	$ 10,174	$ 106,294	$ (923)	$ 105,371
At March 31, 2007:								
Total assets	$ 539,288	$ 119,721	$ 121,118	$ 267,243	$ 80,017	$1,127,387	$ (101,483)	$ 1,025,904

The amounts for the common assets included in the column "Elimination or Unallocated" are ¥3,252 million ($27,548 thousand) and ¥3,636 million for the years ended March 31, 2007 and 2006, respectively, which mainly consist of surplus funds (cash and time deposits).

(3) Net Sales in Overseas Countries

Net sales of the Companies from sources outside Japan for the years ended March 31, 2007 and 2006 are presented below:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Net sales in overseas countries:			
The Americas	¥ 37,522	¥ 33,167	$ 317,848
Europe & Africa	26,098	21,570	221,076
East Asia & Oceania	76,183	68,620	645,345
Southeast Asia & Middle East	25,645	22,589	217,239
	¥ 165,448	¥ 145,946	$ 1,401,508
Percentage of such sales against consolidated net sales	57.1%	54.3%	57.1%

Overseas' sales include foreign subsidiaries' sales to overseas third parties as well as the Company's and domestic subsidiaries' export sales to third parties.

Note 14: Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Labor and payroll cost	¥ 16,116	¥ 14,366	$ 136,518
Provision for accrued bonuses to employees	769	950	6,514
Provision for accrued retirement benefits to employees	854	816	7,234
Provision for doubtful accounts	155	205	1,313
Others	15,890	14,786	134,605
	¥ 33,784	¥ 31,123	$ 286,184

Note 15: Other Income (Expenses)

Other, net during the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	2007
Gain (loss) on sales or disposals of property and equipment, net	¥ (184)	¥ 57	¥ (1,559)
Reversal of allowance for doubtful accounts	137	282	1,160
Early retirement	–	(105)	–
Gain on sales of investment securities	–	83	–
Loss on impairment of investment securities	–	(19)	–
Amortization of goodwill	31	28	263
Retirement on company reorganization	(30)	–	(254)
Loss on closure of branch office	(171)	–	(1,449)
Loss on fraud case	(50)	–	(424)
Other, net	304	162	2,575
	¥ 37	¥ 488	$ 312

Note 16: Subsequent Events

On June 20, 2007, the shareholders of the Company approved payment of a cash dividend to shareholders of record as of March 31, 2007 of ¥11.00 ($0.09) per share for a total of ¥396 million ($3,355 thousand).

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of
Kintetsu World Express,Inc.:

We have audited the accompanying consolidated balance sheets of Kintetsu World Express,Inc. and subsidiaries as of March 31, 2007 and 2006, the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statement of shareholders' equity for the year ended March 31, 2006, and the consolidated statements of cash flows for the years ended March 31, 2007 and 2006, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kintetsu World Express,Inc. and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
(1) As discussed in Note 13 to the consolidated financial statements, the segment information classified by geographic areas has been restated.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 20, 2007

KPMG AZSA & Co., an audit corporation incorporated
under the Japanese Certified Public Accountants Law,
is the Japan member firm of KPMG International,
a Swiss cooperative.

Investor Information (As of March 31, 2007)

Kintetsu World Express, Inc. (KWE)

Head Office:
Ohtemachi Bldg., 1-6-1
Ohtemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Tel: +81-3-3201-2580

Established:
January 1970

Paid-in Capital
¥ 7,216 million

Number of Common Stocks

Authorized	120,000,000 shares
Issued and outstanding	36,000,000 shares

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

Shareholder Register Administrator:
Mitsubishi UFJ Trust and Banking Corporation
Tel: + 81-3-5391-1900
or 0120-232-711 (toll-free number only in Japan)

Number of Employees:
7,510 (worldwide on a consolidated basis)

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