Corporate Governance Report (Summary)

Last Updated : October 16, 2017

Kintetsu World Express, Inc.

Nobutoshi Torii

Representative Director, President

Securities Code : 9375

https://www.kwe.co.jp/en/

The corporate governance of Kintetsu World Express, Inc. ("KWE") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The KWE Group's corporate philosophy is to "Contribute to the development of a global community through logistics services—by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees." The primary management goal of the KWE Group is to improve corporate value while maintaining good relationships with all stakeholders. To achieve this goal, it is vital to strengthen corporate governance and enhance the transparency and fairness of decision-making processes.

KWE's management structure basically consists of the Board of Directors and the Audit & Supervisory Board. Under their supervision, the Executive Committee have been established to ensure decisions made by the Representative Director are reached with adequate care, and to provide better forums for resolving general management policies and important issues related to business execution. In addition, a managing officer system has been adopted to bolster business supervisory functions of the Board of Directors and to speed up decision-making through delegation of authority.

With regard to the governance of group companies, KWE has adopted the Regional Management System, and divided the control and management of global group companies into six segments: Japan; the Americas; Europe, Middle East & Africa; East Asia & Oceania; Southeast Asia; and APL Logistics Ltd and its group companies ("APLL"). Adopting such a system allows KWE to arrange its management, business execution, and audit and supervisory systems as a consolidated business entity, and promotes initiatives for strengthening corporate governance and internal control.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

[Supplementary Principle 1.2.4]
KWE has decided against introducing the Electronic Voting Platform as approximately 90% of shareholders have already exercised their right to vote in recent years. KWE provides convocation notices of General Shareholders' Meetings in English from 2016.

[Supplementary Principle 1.2.5]
While KWE considers shareholders with voting rights recorded in the shareholder register as of the record date eligible to exercise voting rights, it does not permit institutional investors to vote on behalf of trust banks or other institutions.

[Supplementary Principle 4.2.1]
Director and Audit & Supervisory Board Member compensation are allocated within the range resolved at the General Shareholders' Meeting. Director compensation is decided by the Board of Directors, and compensation for Audit & Supervisory Board Members is determined through discussions by the Audit & Supervisory Board based on the amounts proposed by the Chief Executive Officer.
KWE has introduced performance-based compensation, and will continue to examine and carefully consider introducing treasury stock-based compensation and stock options.

[Supplementary Principle 4.10.1]
Although KWE has not established optional advisory committees, explanations regarding Director Candidates are given to Independent Outside Directors and opinions are sought from them before Board of Directors' meetings where proposals to appoint officers are considered. These proposals will later be presented at the General Shareholders' Meeting. KWE will continuously consider the possibility of establishing Nominating and Compensation Committee.

[Disclosure Based on Principles of Corporate Governance Code] Updated

[Principle 1.4 : Cross-Shareholdings]
1. Cross-Shareholdings Policy
Investments in cross-shareholdings are aimed at maintaining and strengthening business alliances and transactions, and are made when they will help maintain and improve the corporate value of the KWE Group.

2. Criteria for Exercising Voting Rights
KWE will exercise its voting rights and make decisions for or against proposals from the standpoint of whether the company issuing the proposal is making appropriate decisions which will help

increase its corporate value over the medium to long term, and improve the corporate value of the KWE Group as a whole.

[Principle 1.7 : Related Party Transactions]

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

[Principle 3.1 : Full Disclosure]

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

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

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

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

(iii) KWE policy stipulates that Director compensation is allocated within the range resolved at the General Shareholders' Meeting. Such compensation is divided into monthly- and performance-based compensation. The amount of compensation is decided based on amounts prescribed in internal regulations, KWE's performance, economic conditions and other matters, and how well Directors have contributed individually to the performance of KWE.

(iv) Nominations for candidates to be elected to KWE senior management and Director and Audit & Supervisory Board Member positions are decided by comprehensively evaluating individual performance, a sense of impartiality as an executive officer, abilities and other factors. The Chief Executive Officer shall explain these matters following the Board of Directors' meeting and seek approval.

(v) KWE discloses the individual selection reasons for its Director and Audit & Supervisory Board Member Candidates in the Reference Documents for the 48th Ordinary General Meeting of Shareholders. Details are listed in the Notice of Convocation of the 48th Ordinary General Meeting of Shareholders, which can be downloaded from our website at following URL.

https://www.kwe.co.jp/wp-content/uploads/2017/06/en_stockholder48.pdf

[Supplementary Principle 4.1.1]

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

established Organization and Duties Authority Regulations, which clarify the scope of actions which can be executed by management.

[Principle 4.8 : Effective Use of Independent Outside Directors]
KWE appoints two Directors who satisfy the independence standards of the Tokyo Stock Exchange as Independent Outside Directors.
KWE has appointed three Outside Directors, including two Independent Outside Directors, and considers them to be able to effectively perform management supervision and oversight functions.
Mr. Yukio Ueno, who was appointed and inaugurated as a director at the 48th Ordinary General Meeting of Shareholders, retired on October 4, 2017, since he passed away. As a result, the number of Independent Outside Directors as of October 16 is one.

[Principle 4.9 : Independence Standards and Qualification for Independent Outside Directors]
KWE has established and discloses its own independence standards, based on the independence standards for outside officers prescribed by the Companies Act and the Tokyo Stock Exchange.
https://www.kwe.co.jp/en/about-contents/governance

[Supplementary Principle 4.11.1]
KWE policy stipulates that Directors are to be appointed only after stringent evaluation of their individual performance, a sense of impartiality as an executive officer, abilities and other factors.

[Supplementary Principle 4.11.2]
Information about Directors and Audit & Supervisory Board Members who serve concurrently as officers at other listed companies is provided in the Notice of Convocation of the 48th Ordinary General Meeting of Shareholders, which can be downloaded from our website at the following URL.
https://www.kwe.co.jp/wp-content/uploads/2017/06/en_stockholder48.pdf

[Supplementary Principle 4.11.3]
KWE receives feedback and advice from Outside Directors on the analysis and evaluation of how effectively the Board of Directors is performing. We started evaluating the effectiveness of the overall Board of Directors with reference to the individual evaluations of each director in 2016.

[Supplementary Principle 4.14.2]
From fiscal year ended March 2018, in addition to conducting seminars for officers on the Companies Act and laws and regulations relating to the business activities of KWE, standing Directors and Audit & Supervisory Board Members will undergo continuous governance training to ensure that they are able to effectively perform their roles and fulfill the responsibilities expected of them as persons involved in important governance bodies.
For newly appointed Directors and Audit & Supervisory Board Members, training will be given so

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

[Principle 5.1 : Policy for Constructive Dialogue with Shareholders]
KWE has established an IR Group within the Planning and General Affairs Department, and the director responsible for the Department is also the director responsible for Investor Relations.
To a reasonable extent, KWE places importance on responding proactively to the dialogue had with shareholders, investors and analysts. In addition to individual meetings, KWE regularly holds results briefings twice a year, and participates in small meetings, IR conferences and telephone conferences at the request of securities companies, and the like.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Kintetsu Group Holdings Co., Ltd.	31,755,800	44.11
Mitsui O.S.K. Lines, Ltd.	3,599,000	5.00
Japan Trustee Services Bank, Ltd.（Trust Account）	3,188,900	4.43
NORTHERN TRUST CO. (AVFC) RE HSD00	2,228,900	3.10
Japan Trustee Services Bank, Ltd.（Trust Account 9）	2,079,300	2.89
Hokko Daiwa Taxi Co., Ltd.	1,875,000	2.60
The Master Trust Bank of Japan ,Ltd.（Trust Account）	1,371,300	1.90
NORTHERN TRUST CO. (AVFC) RE HCR00	1,096,900	1.52
National Mutual Insurance Federation of Agricultural Cooperatives	1,081,400	1.50
JUNIPER	949,400	1.32

Controlling Shareholder (except for Parent Company)	---
Parent Company	None

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	International Freight Forwarding and Logistics
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Not prescribed the Maximum Number
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	Company Chairperson
Number of Directors Updated	8
Appointment of Outside Director	Appointed
Number of Outside Directors Updated	2
Number of Independent Directors Updated	1

Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tetsuya Kobayashi	From another company							○				
Sanae Tanaka	Lawyer											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;
"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;
"▲"when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive Director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/ Audit & Supervisory Board Member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
i. Executive of a company, between which and the Company Outside Directors/ Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tetsuya Kobayashi		Currently serves as a Chairman of the Board at Kintetsu Group Holdings Co., Ltd.	As a manager of Kintetsu Group Holdings, a major shareholder of the Company, Mr. Tetsuya Kobayashi has a wealth of experience and broad insights and has served to strengthen the management supervisory functions of the Company, as well as given advice on management decision-making from a wide range of perspectives. Therefore, we believe that he is well suited to serve as an Outside Director, regardless of the status of independent.

Sanae Tanaka	○	Currently serves as a Representative at Sanae Tanaka Law Office.	Ms. Sanae Tanaka possesses specialized insights and a wealth of experience as an attorney-at-law, and she has been strengthening the management supervisory functions of the Company from an independent standpoint and providing opinions on management decisions from diversified viewpoints. In addition, as a highly independent, Outside Director who does not come from an affiliated company, major shareholder or major business partner of KWE, thus avoiding the risk of having conflicting interests with general shareholders, we designate her as an independent officer based on provisions of the Tokyo Stock Exchange and notify the exchange of this designation.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established

[Audit & Supervisory Board Members / Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	Not prescribed the Maximum Number
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

(1) Regular meetings are held among Audit & Supervisory Board Members, independent accounting auditors and Audit Department. They confirm the schedule of auditing and opinions are exchanged on matters relating to the auditing plan.
(2) Audit & Supervisory Board Members and Audit Department exchange the opinions with independent accounting auditors about the auditing report of the end and a half-year settlement of the accounts.

Note: The independent accounting auditors of KWE belong to KPMG AZUSA LLC.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	1

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yusuke Kawasaki	Certified public accountant													
Yoshihiro Yasumoto	From another company									○				

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;
"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;
"▲"when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive Director or accounting advisor of the Company or its subsidiaries
c. Non-executive Director or executive of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a company, between which and the Company Outside Directors/ Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Yusuke Kawasaki	○	Currently serves as a head, Yusuke Kawasaki C.P.A.office.	Mr. Yusuke Kawasaki possesses a wealth of experience, achievements, and insights as a certified public accountant. The Company believes that he has the capability to strengthen the audit structure of the Company. In addition, as a highly independent, Outside Audit & Supervisory Boards Member who does not come from an affiliated company, major shareholder or major business partner of KWE, thus avoiding the risk of having conflicting interests with general shareholders, we designate him as an independent officer based on

			provisions of the Tokyo Stock Exchange and notify the exchange of this designation.
Yoshihiro Yasumoto		Currently serves as a Director, Senior Managing Executive officer at Kintetsu Group Holdings Co., Ltd.	Having worked in the Accounting and Finance Division. of Kintetsu Group Holdings Co., Ltd., a major shareholder of the Company, Mr. Yoshihiro Yasumoto has a wealth of experience, achievements, and insights. The Company believes that he has the capability to strengthen the management supervisory functions of the Company.

[Independent Directors/ Audit & Supervisory Board Members] Updated

Number of Independent Directors/Auditors	2

Matters relating to Independent Directors/ Audit & Supervisory Board Members
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[Incentives]

Incentive Policies for Directors	None

Supplementary Explanation

Recipients of Stock Options	---

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation
Individual compensation is not disclosed as no officers received an amount exceeding 100 million yen. Total amount of officer compensation reported in the business report for the fiscal year ended March 2017 357 million yen paid to 16 Directors, including 33 million yen to Four Outside Directors 54 million yen paid to five Audit & Supervisory Board Members, including 12 million yen to two Outside Audit & Supervisory Board Members

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

KWE determines Director and Audit & Supervisory Board Member compensation within the range of total compensation approved at the General Shareholders' Meeting. Pursuant to Board of Directors' resolutions, the President and Chief Executive Officer decides the allocation of Director compensation according to each Director's position. A portion of this compensation is based on performance. Compensation for Audit & Supervisory Board Members is decided through discussions held by the Audit & Supervisory Board.
The system of retirement bonuses for officers was abolished as at the 35th Ordinary General Shareholders' Meeting held on June 24, 2004.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

To enable thorough deliberation at the Board of Directors' meetings, the officer in charge of General Affairs and other officers supply and explain materials to Outside Directors and Outside Audit & Supervisory Board Members in advance. Support is provided to Outside Directors by responsible departments according to the materials required, while Outside Audit & Supervisory Board Members are supported on a full-time basis by the Audit & Supervisory Board Members' Office.

2.Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. For the execution of business, in principle, the Board of Directors' meetings are held monthly and the extraordinary Board of Directors' meetings are held as required. Also, the Executive Committee have been established to ensure decisions made by the Representative Director are reached with adequate care and to provide better forums for resolving general management policies and important issues related to business execution.
2. Regarding audits carried out by Audit & Supervisory Board Members, in principle, the Audit & Supervisory Board is held monthly, and the extraordinary Audit & Supervisory Board is held as required. Audit & Supervisory Board Members attend the Board of Directors' meetings and other important meetings, and regularly receive business execution reports, and conduct audits in accordance with the Audit & Supervisory Board Members' Audit Regulations established by the Audit & Supervisory Board. Audit & Supervisory Board Members also receive reports from the independent accounting auditors and the Audit Department as appropriate, and examine them at the Audit & Supervisory Board.
3. Internal audits are conducted in accordance with the Internal Audit Regulations and the Rules for Conducting Internal Audits by staff belonging to the Audit Department who carry out accounting, labor, customs and tax, and affiliated company audits according to yearly audit plans.
4. Details of certified public accountant audits are as follows:

(1) Name of certified public accountant KPMG AZSA LLC

(2) Persons conducting audits

Designated employees of the certified public accountant: Takashi Kawakami, Hiroshi Takasaki and Tomoyuki Takatsu.

(Note) As each of the persons above has been carrying out audits for KWE for less than seven years, the length of time they have been doing so is not disclosed.

Other persons involved in the audits: six accountants and 13 other employees

3. Reasons for Adoption of Current Corporate Governance System Updated

KWE's current corporate governance system, which consists of the Board of Directors with eight Directors, including two Outside Directors, and the Audit & Supervisory Board with four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, helps to enhance management supervision and oversight functions through the securing of outside officers with abundant experience and broad insight. We believe that this system is effective for ensuring appropriate management decision making and proper business execution.