

# TONAMI

ANNUAL REPORT 2000

TONAMI TRANSPORTATION CO., LTD.



## NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

TONAMI TRANSPORTATION CO., LTD

Two years ended March 31, 2000

	Millions of yen		Thousands of
	1999	2000	U.S. dollars
FOR THE YEAR:			
Service revenues .....	¥100,962	<b>¥100,291</b>	<b>\$ 944,805</b>
Operating income .....	1,268	<b>1,543</b>	<b>14,537</b>
Net income .....	551	<b>910</b>	<b>8,574</b>
PER SHARE (yen and U.S. dollars):			
Net income .....	¥ 5.59	<b>¥ 9.29</b>	<b>\$0.0875</b>
Cash dividends .....	6.75	<b>6.00</b>	<b>0.0565</b>
AT YEAR-END:			
Total assets .....	¥ 98,901	<b>¥120,697</b>	<b>\$1,137,042</b>
Total shareholders' equity .....	49,367	<b>54,020</b>	<b>508,903</b>

Notes: 1 U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥106.15 = U.S.\$1, prevailing on 31st March, 2000, has been used for the translation into U.S. dollar amounts.

2 The computation of net income per share of common stock has been based on the weighted average number of shares outstanding during each financial year, retroactively adjusted to take account of a free share distribution.

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# TONAMI

System Distribution – Continually More to Offer



## PROFILE

One of Japan's leading integrated distribution companies, Tonami has been developing solutions for the distribution needs of its customers for over 50 years. The pioneer of computerized distribution systems in Japan, the Company has a highly advanced computerized network system and strong information technology. In addition to Tonami's core business of road haulage services, the Company also offers rail and air freight; removal; warehousing; marketing, distribution and information management; specialty item sales; and casualty insurance services.

## SYSTEM DISTRIBUTION – CONTINUALLY MORE TO OFFER

Integrated systems are the key to remaining competitive in today's information-oriented business world. Since our computerization in the early 1970s, we have been developing integrated distribution systems that let our customers benefit from better services and better information management. Our Tonami On-line Network, for example, integrates ordering, manufacturing, and administrative processes with a full-range of distribution services-storage, pricing, classification, packing, wrapping, and delivery-within a value-added network (VAN). We are continually expanding this network to provide seamless integration of all our services and offer new distribution and information services that can be effortlessly linked with our customers' systems to provide greater efficiency and cost savings.

## PERFORMANCE

Although there were signs of recovery in some sectors of the Japanese economy, personal consumption remained weak because of worsening unemployment and other factors, preventing a full-fledged economic recovery from getting under way.

In the transportation industry, domestic freight tonnage declined for the fourth consecutive year amid a weak recovery in private sector demand. Business conditions remained extremely difficult because of the sluggish economy and intensifying price competition as well as other forms of competition among companies.

In response, the Company sought for a growth in its operating income through aggressive sales activities and further improvement in the quality of its transportation services. In addition, the Company targeted comprehensive operations by proposing and developing optimum distribution systems and joint delivery systems for customers. However, the increased revenues earned from these efforts were not enough to offset the decrease of revenues that resulted from the decline in domestic freight tonnage. Consequently, service revenues fell 0.7%, to ¥100.2 billion.

Looking at divisional performance, in our transportation business, revenues from road haulage services slipped 0.7%, accounting for 85.4% of total revenues. In our warehousing business, which generated 8.0% of total revenues, revenues edged down 0.9%. Revenues from removal services, accounting for 2% of total revenues, were also down, decreasing 8.9%. On the other hand, revenues from rail forwarding grew 2.0% and revenues from other services jumped 5.1%.

During the fiscal year under review, we focused our capital investment on our national network. We completed an extension of the Urawa Business Establishment in Saitama Prefecture in August 2000 to expand operations. We also began construction of new facilities for the relocation of the computer center in Fukuyama Prefecture and of new facilities for the Kanazawa joint delivery center in Ishikawa Prefecture. Total capital investment during the fiscal year was ¥3,483 million. In the current fiscal year, from a full review of our information system, we are planning



the replacement and new purchases of host computers and other office equipment as well as mobile phones for haulage vehicles to improve customers satisfaction and office systems.

## OUTLOOK

Continued hardship is the forecast for the Japanese economy in the short term. A self-sustained economic recovery is expected to get under way, driven by private sector capital investment, especially IT-related investment, and supported by a recovery in corporate profits and an improving investment environment. However, a full-fledged recovery in personal consumption is seen as requiring much more time, hampering significant recovery in the overall economy.

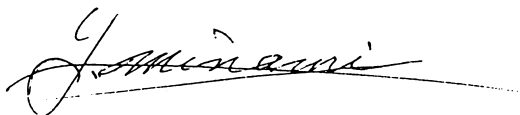
Under such conditions, the transportation industry will also face a difficult business climate. The industry cannot expect substantial recovery in domestic freight tonnage and the competition among transportation industry should further intensify.

Facing to these circumstances, we target a growth in service revenues by redoubling our efforts to cope with new demand from the distribution market while expanding our system distribution operations. Moreover, we are working to improve profitability through enhancing operating efficiency and costs reduction.

In accordance with the introduction of a new method of accounting for employees retirement benefits, we plan to write-off 100% of the shortfall of required reserve for employees retirement benefits in the fiscal year ending March 2001 based on Revised Accounting Principles.

During the fiscal year ahead, we will dedicate ourselves to the task of improving performance. In pursuing that challenge, we look forward to the continued support of our shareholders.

September 2000

A handwritten signature in black ink, appearing to read 'Y. Minami', with a long horizontal line extending to the right.

Yoshihiro Minami  
President and Representative Director

# BOARD OF DIRECTORS AND STATUTORY AUDITORS

## **PRESIDENT AND REPRESENTATIVE DIRECTOR**

Yoshihiro Minami

## **SENIOR MANAGING DIRECTORS**

Takeshi Yamagishi

Yohsuke Konishi

## **MANAGING DIRECTORS**

Michiaki Adachi

Yoshio Suito

Hiroki Matsumoto

Mitsuya Naruse

Kunihiko Shibata

Katsusuke Watanuki

## **DIRECTORS**

Michio Noguchi

Kohichi Shimazaki

Shuichi Sugioka

Akira Fune

Tsutomu Chujoh

Noriaki Murata

Iwao Hamano

Kohichi Kishida

Shigeki Sakamoto

Takashi Suzuki

Akiyoshi Kunisada

## **STANDING STATUTORY AUDITORS**

Yoshitetsu Sasaki

Tsutomu Uchii

Hisao Saito

## **STATUTORY AUDITOR**

Tatsuo Watanabe

(As of 29th June, 2000)

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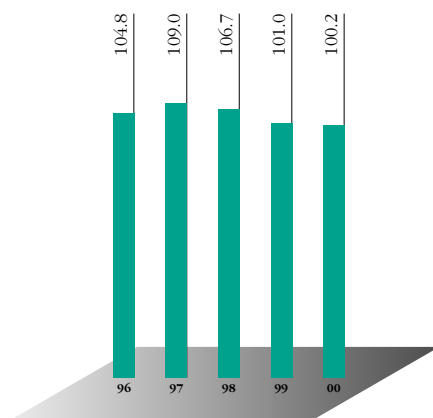
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**Service Revenues**

Billions of yen



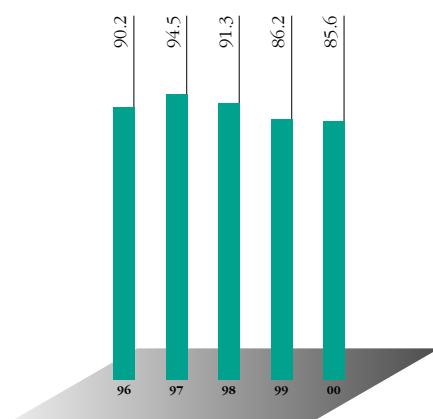
**ANALYSIS OF OPERATIONS**

With the backdrop of a struggling economy that could not overcome sluggish personal consumption, services revenues for the year ended March 31, 2000 declined 0.7%, to ¥100.2 billion (\$945 million), as the transportation industry facing further escalation in competition. To combat these conditions, the Company implemented a range of active sales activities to increase revenues while also improving service quality and operations management.

Looking at performance by division, our major operations, revenues from road haulage services, edged down 0.7%, to ¥85,602 million, accounting for 85.4% of total service revenues. Demand continued to weaken, causing further decline of operating efficiency of haulage vehicles and an escalation in competition as companies fought to maintain their share of a shrinking market.

**Revenues from Road Haulage**

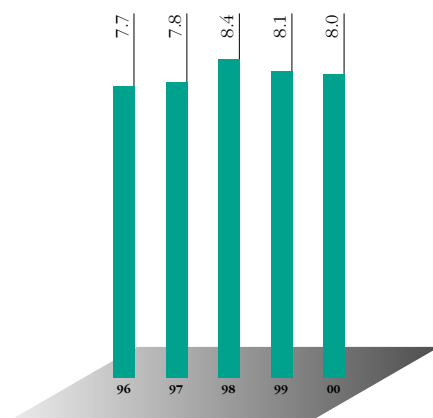
Billions of yen



Revenues from warehousing, Tonami's second largest operations, declined 0.9%, to ¥8,058 million, contributing 8.0% of total service revenues. The Company continues to be confident that demand will remain firm for its warehousing services. Revenues from removal services, which generated 2.0% of total service revenues, slipped 8.9%, to ¥2,009 million. However, revenues from rail forwarding services, which contributed 1.4% of total service revenues, edged up 2.0%, to ¥1,395 million, reflecting growing popularity for this transportation mode. Rail freight provides an attractive option to trucking routes because of more reliable scheduling and highly competitive services. Revenues from other services expanded 5.1%, to ¥3,225 million, accounting for 3.2% of total service revenues during the fiscal year in review.

**Revenues from Warehousing**

Billions of yen



Cost of services decreased 1.0%, to ¥96,070 million (\$905 million). Selling, general and administration expenses edged up slightly to ¥2,678 million (\$25.2 million). Overall, operating income increased 21.7%, to ¥1,543 million (\$14.5 million).

Other income and expenses jumped substantially to ¥518 million (\$4.9 million), principally thanks to an increase in others from minus ¥146 million to ¥402 million. Interest and dividend income slipped slightly to ¥392 million (\$3.7 million) while interest expenses increased 17.2%, to ¥306 million (\$2.9 million). Income before income taxes, therefore, rose 38.7%, to ¥2,061 million (\$19.4 million). Income taxes increased 23.1%, to ¥1,151 million (\$7.8 million) because of timing differences between accounting and taxation methods and other



factors. Consequently, net income advanced 65.2%, to ¥910 million (\$8.6 million). Net income per share rose to ¥9.29 (\$0.0875) compared with ¥5.59 in the previous year.

Net property and equipment expanded 28.0%, to ¥61,731 million (\$582 million) because of increases in land, buildings and structures, machinery and tools, and vehicles. In particular, land increased substantially during the fiscal year under review because of the purchase of land for the new Kanto Distribution Center. Construction in progress, on the other hand, decreased. During the fiscal year, Tonami maintained its policy of concentrating its capital investment to essential areas, such as the maintenance of its haulage and warehousing network.

Investments and other assets increased 4.9%, to ¥10,562 million (\$99.5 million) because of growth in investments in subsidiaries and affiliates and in others.

## ANALYSIS OF FINANCIAL POSITION

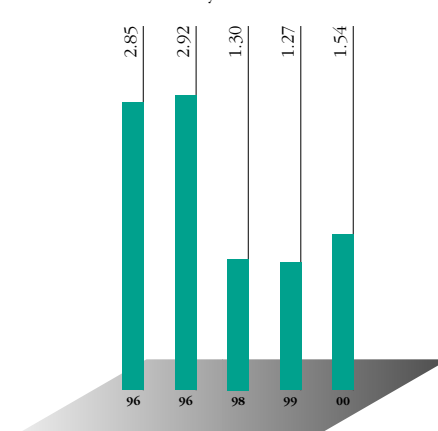
Current assets expanded 19.2%, to ¥48,404 million (\$456 million). Cash grew 25.8%, to ¥4,277 million (\$40.3 million) while marketable securities rose 39.7%, to ¥18,946 million (\$178 million). The increases in cash and marketable securities were mainly related to the investment of proceeds of a new bond issue. Among trade receivables, notes and accounts receivable remained almost the same as in the previous fiscal year, at ¥19,480 million (\$184 million).

Current liabilities also expanded, increasing 75.4%, to ¥45,971 million (\$433 million). This substantial increase was attributed to the transfer entry of ¥18,823 million (\$177 million) as the current portion of bonds. Accounts payable rose 3.1%, to ¥8,025 million (\$75.6 million). Income tax payable jumped 45.0%, to ¥1,006 million (\$9.5 million). Other current liabilities edged up 1.7%, to ¥6,013 million (\$56.6 million). The current ratio fell to 1.05 from 1.55 in the previous year. Again, this decline was mainly due to the transfer entry of the large current portion of bonds into current liabilities.

Long-term liabilities sunk 11.2%, to ¥20,706 million (\$195 million). This decline can also be attributed to the shift of the current portion of long-term debt to current liabilities. Long-term debt, less current portion, fell to ¥7,000 million (\$65.9 million), reflecting a ¥7,000 million issue of straight bonds during the fiscal year under review. Due to the introduction of several changes in accounting methods, deferred tax liabilities are now recorded on the balance

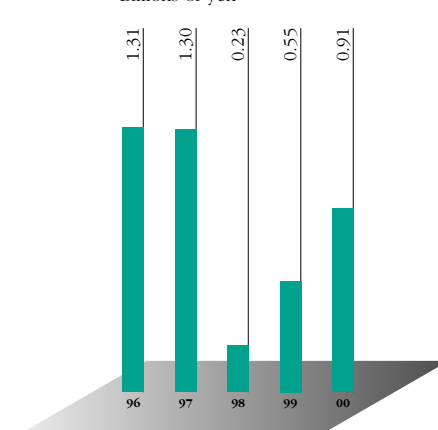
### Operating Income

Billions of yen



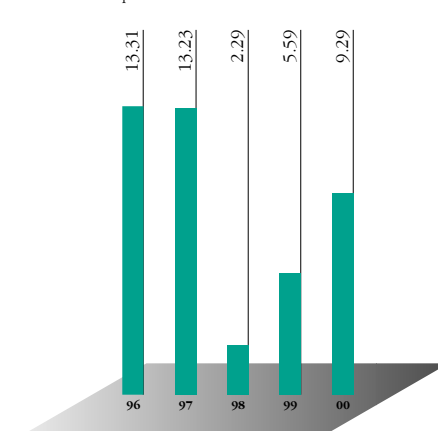
### Net Income

Billions of yen



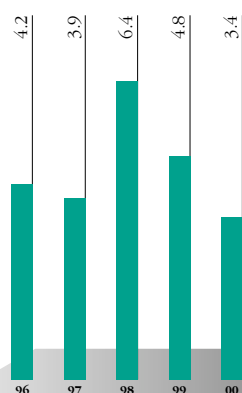
### Net Income per Share

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### Capital Expenditures

Billions of yen

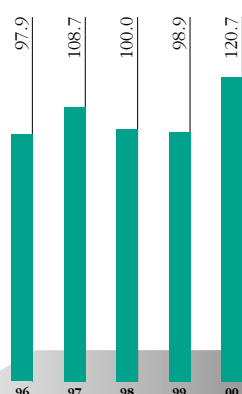


sheet. With the introduction of tax-effect accounting based on the Revised Accounting Principles, deferred tax liabilities of ¥3,398 million (\$32.0 million) were posted for the fiscal year. Based on the Law concerning Revaluation of Land, the Company recorded ¥5,746 million (\$54.1 million) in deferred tax liabilities from revaluation of land. Employees retirement benefits edged up slightly to ¥4,533 million (\$42.7 million). The Company plans to appropriate shortfall of required reserve for employees retirement benefits based on the Revised Accounting Principles in the fiscal year ending March 2001.

Due to the introduction of the accounting method for the non-consolidated statements of cash flows, comparative figures for previous years are not available. Cash and cash equivalents at beginning of period were ¥9,669 million (\$55.9 million). Cash provided by operating activities amounted to ¥4,191 million (\$39.5 million). Among significant items in cash flow from operating activities, depreciation and amortization was ¥3,458 million (\$32.6 million).

### Total Assets

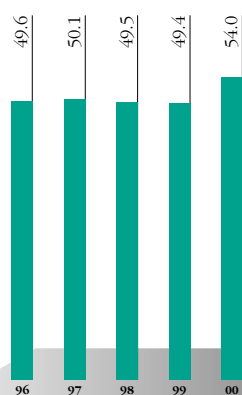
Billions of yen



Net cash provided by investing activities amounted to minus ¥4,717 million (\$44.4 million). Major items included ¥4,670 million for the purchase of marketable securities, ¥3,096 million (\$29.2 million) for the purchase of property and equipment, and ¥2,408 million (\$22.6 million) for the cession of property and equipment. Net cash provided by financing activities amounted to ¥6,466 million (\$60.9 million) because of ¥6,955 million in proceeds from issuance of bonds. Cash and cash equivalents at the end of the period, therefore, increased by ¥5,939 million (\$5.9 million) to ¥15,609 million (\$147 million), ensuring adequate liquidity for operations.

### Shareholders' Equity

Billions of yen



Shareholders' equity climbed 9.4%, to ¥54,020 million (\$509 million), principally because of the inclusion of ¥8,020 million (\$75.6 million) in unrealized gain from revaluation of land in shareholders' equity. Despite positive net income for the year, retained earnings dropped 17.7%, to ¥15,964 million (\$150 million) due to a ¥3,430 million (\$32.3 million) prior period adjustment for tax-effect accounting. Reflecting the increase in total assets, the equity ratio fell to 44.8% compared with 49.9% in the previous year.

**NON-CONSOLIDATED FIVE-YEAR SUMMARY** TONAMI TRANSPORTATION CO., LTD

Years ended 31st March

	Millions of yen					Thousands of U.S. dollars	
	1996	1997	1998	1999	2000	2000	
<b>RESULTS OF OPERATIONS:</b>							
Service revenues .....	¥104,840	¥109,009	¥106,736	¥100,962	<b>¥100,291</b>	<b>\$944,805</b>	
Cost of services .....	99,477	103,380	102,871	97,019	<b>96,070</b>	<b>905,040</b>	
Selling, general and administrative expenses .....	2,514	2,706	2,562	2,675	<b>2,678</b>	<b>25,228</b>	
Operating income .....	2,849	2,923	1,303	1,268	<b>1,543</b>	<b>14,537</b>	
Income before income taxes .....	3,170	3,346	922	1,486	<b>2,061</b>	<b>19,417</b>	
Net income .....	1,305	1,302	226	551	<b>910</b>	<b>8,574</b>	
Capital expenditures .....	4,156	3,907	6,350	4,794	<b>3,483</b>	<b>32,812</b>	
Depreciation expenses .....	4,217	4,122	4,064	3,687	<b>3,458</b>	<b>32,577</b>	
<b>PER SHARE (yen and U.S. dollars):</b>							
Net income .....	¥13.31	¥13.23	¥ 2.29	¥ 5.59	<b>¥ 9.29</b>	<b>\$0.0875</b>	
Cash dividends .....	7.50	8.00	7.50	6.75	<b>6.00</b>	<b>0.0565</b>	
<b>YEAR-END FINANCIAL POSITION:</b>							
Total current assets .....	¥42,315	¥52,283	¥41,589	¥40,617	<b>¥48,404</b>	<b>\$455,996</b>	
Net property and equipment .....	45,943	45,602	47,608	48,217	<b>61,731</b>	<b>581,545</b>	
Total assets .....	97,942	108,698	99,959	98,901	<b>120,697</b>	<b>1,137,042</b>	
Total current liabilities .....	26,897	34,484	27,136	26,210	<b>45,971</b>	<b>433,076</b>	
Long-term liabilities, excluding of current portion thereof .....	21,425	24,130	23,301	23,324	<b>20,706</b>	<b>195,063</b>	
Total shareholders' equity .....	49,620	50,084	49,522	49,367	<b>54,020</b>	<b>508,903</b>	
<b>OTHER YEAR-END DATA:</b>							
Number of share outstanding (thousand) .....	98,410	98,410	98,410	98,410	<b>97,610</b>		
Number of employees .....	6,680	6,360	6,195	5,952	<b>5,757</b>		

**NON-CONSOLIDATED BALANCE SHEETS** TONAMI TRANSPORTATION CO., LTD

As of 31st March, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash .....	¥ 3,399	¥ 4,277	\$ 40,292
Marketable securities, at cost (Note 5) .....	13,564	18,946	178,483
Trade receivables:			
Notes and accounts (Note 10) .....	19,385	19,480	183,514
Less: allowance for doubtful accounts .....	(40)	(44)	(414)
Inventories .....	104	146	1,375
Deferred tax assets (Note 9) .....	—	409	3,853
Other current assets (Note 9) .....	4,205	5,190	48,893
Total current assets .....	40,617	48,404	455,996
<b>Property and equipment</b> (Notes 6 and 7):			
Land .....	21,689	35,392	333,415
Buildings and structures .....	37,861	38,570	363,354
Machinery and tools .....	5,490	5,902	55,601
Vehicles .....	23,587	23,619	222,505
Construction in progress .....	321	217	2,044
Less: accumulated depreciation .....	(40,731)	(41,969)	(395,374)
Net property and equipment .....	48,217	61,731	581,545
<b>Investments and other assets:</b>			
Investments in securities, at cost (Notes 5 and 7) .....	3,577	3,571	33,641
Investments in subsidiaries and affiliates .....	1,396	1,589	14,969
Loans to employees .....	36	34	320
Others (Note 3) .....	5,058	5,368	50,570
Total investments and other assets .....	10,067	10,562	99,501
Total assets .....	¥ 98,901	¥120,697	\$1,137,042

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 7) .....	¥ 11,350	¥ <b>11,680</b>	\$ <b>110,033</b>
Current portion of bonds .....	—	<b>18,823</b>	<b>177,325</b>
Accounts payable (Note 10) .....	7,781	<b>8,025</b>	<b>75,601</b>
Deposits from employees .....	473	<b>424</b>	<b>3,994</b>
Income taxes payable .....	694	<b>1,006</b>	<b>9,477</b>
Other current liabilities .....	5,912	<b>6,013</b>	<b>56,646</b>
Total current liabilities .....	26,210	<b>45,971</b>	<b>433,076</b>
<b>Long-term liabilities:</b>			
Long-term debt, less current portion thereof (Note 7) .....	18,823	<b>7,000</b>	<b>65,944</b>
Deferred tax liabilities (Note 9) .....	—	<b>3,398</b>	<b>32,011</b>
Deferred tax liabilities from revaluation of land (Note 13) .....	—	<b>5,746</b>	<b>54,131</b>
Employees' retirement benefits .....	4,475	<b>4,533</b>	<b>42,704</b>
Other long-term liabilities .....	26	<b>29</b>	<b>273</b>
Total long-term liabilities .....	23,324	<b>20,706</b>	<b>195,063</b>
Total liabilities .....	49,534	<b>66,677</b>	<b>628,139</b>
<b>Contingent liabilities</b> (Note 12)			
<b>Shareholders' equity</b> (Note 14):			
Common stock:			
Authorised: 300,000,000 shares in 1999			
299,200,000 shares in 2000			
Issued, par value ¥50 per share:			
98,410,118 shares in 1999			
97,610,118 shares in 2000.....			
	14,183	<b>14,183</b>	<b>133,613</b>
Additional paid-in capital .....	14,687	<b>14,687</b>	<b>138,361</b>
Legal reserve .....	1,102	<b>1,166</b>	<b>10,984</b>
Unrealized gain from revaluation of land (Note 13) .....	—	<b>8,020</b>	<b>75,554</b>
Retained earnings .....	19,395	<b>15,964</b>	<b>150,391</b>
Total shareholders' equity .....	49,367	<b>54,020</b>	<b>508,903</b>
Total liabilities and shareholders' equity .....	¥ 98,901	<b>¥120,697</b>	<b>\$1,137,042</b>

**NON-CONSOLIDATED STATEMENTS OF INCOME** TONAMI TRANSPORTATION CO., LTD.

For the two years ended 31st March, 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	<b>2000</b>	<b>2000</b>
<b>Service revenues</b> (Note 10) .....	¥100,962	<b>¥100,291</b>	<b>\$944,805</b>
<b>Operating costs and expenses:</b>			
Cost of services (Notes 10 and 15) .....	97,019	<b>96,070</b>	<b>905,040</b>
Selling, general and administrative expenses (Note 15) .....	2,675	<b>2,678</b>	<b>25,228</b>
	99,694	<b>98,748</b>	<b>930,268</b>
<b>Operating income</b> .....	1,268	<b>1,543</b>	<b>14,537</b>
<b>Other income and expenses:</b>			
Interest and dividend income (Note 10) .....	406	<b>392</b>	<b>3,693</b>
Gain on disposal of property and equipment, net .....	219	<b>30</b>	<b>283</b>
Interest expenses .....	(261)	<b>(306)</b>	<b>(2,883)</b>
Others .....	(146)	<b>402</b>	<b>3,787</b>
	218	<b>518</b>	<b>4,880</b>
<b>Income before income taxes</b> .....	1,486	<b>2,061</b>	<b>19,417</b>
<b>Income taxes</b> (Note 9):			
Current .....	935	<b>1,594</b>	<b>15,017</b>
Deferred .....	—	<b>(442)</b>	<b>(4,164)</b>
	935	<b>1,151</b>	<b>10,843</b>
<b>Net income</b> .....	¥ 551	<b>¥ 910</b>	<b>\$ 8,574</b>
	Yen		U.S. dollars (Note 1)
<b>Net income per share of common stock</b> .....	¥ 5.59	<b>¥ 9.29</b>	<b>\$0.0875</b>

The accompanying Notes are an integral part of these statements.

For the two years ended 31st March, 2000

	Shares of common stock (thousands)	Millions of yen				
		Common stock	Additional paid-in capital	Legal reserve	Unrealized gain from revaluation	Retained earnings
<b>Balance as at 31st March, 1998</b> .....	98,410	¥14,183	¥14,687	¥1,031	—	¥19,621
Net income .....						551
Cash dividends paid (¥6.75 per share) .....						(664)
Transfer to legal reserve .....				71		(71)
Bonuses to directors and statutory auditors .....						(42)
<b>Balance as at 31st March, 1999</b> .....	98,410	14,183	14,687	1,102	—	19,395
Net income .....						910
Prior period adjustment for tax-effect accounting .....						(3,431)
Retirement of treasury stock .....	(800)					(222)
Cash dividends paid (¥6.00 per share) .....						(588)
Transfer to legal reserve .....				64		(64)
Unrealized gain from revaluation of land .....					¥8,020	
Bonuses to directors and statutory auditors .....						(36)
<b>Balance as at 31st March, 2000</b> .....	<b>97,610</b>	<b>¥14,183</b>	<b>¥14,687</b>	<b>¥1,166</b>	<b>¥8,020</b>	<b>¥15,964</b>

	Common stock	Additional paid-in capital	Thousands of U.S. dollars (Note 1)		
			Legal reserve	Unrealized gain from revaluation	Retained earnings
<b>Balance as at 31st March, 1998</b> .....	\$133,613	\$138,361	\$ 9,713	—	\$184,842
Net income .....					5,191
Cash dividends paid (\$0.0636 per share) .....					(6,255)
Transfer to legal reserve .....			669		(669)
Bonuses to directors and statutory auditors .....					(396)
<b>Balance as at 31st March, 1999</b> .....	133,613	138,361	10,382	—	182,713
Net income .....					8,573
Prior period adjustment for tax-effect accounting .....					(32,322)
Retirement of treasury stock .....					(2,091)
Cash dividends paid (\$0.0565 per share) .....					(5,539)
Transfer to legal reserve .....			603		(603)
Unrealized gain from revaluation of land .....				\$75,554	
Bonuses to directors and statutory auditors .....					(339)
<b>Balance as at 31st March, 2000</b> .....	<b>\$133,613</b>	<b>\$138,361</b>	<b>\$10,984</b>	<b>\$75,554</b>	<b>\$150,391</b>

The accompanying Notes are an integral part of these statements.

**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS** TONAMI TRANSPORTATION CO., LTD.

For the two years ended 31st March, 1999

	Millions of yen	
	1998	1999
<b>Cash flows from operating activities:</b>		
Net income .....	¥ 226	¥ 551
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expenses .....	4,064	3,687
Provision for allowance for doubtful accounts .....	28	(90)
Provision for employees' retirement benefits, less payments .....	171	172
(Gain) loss on sales of property and equipment .....	231	(165)
Interest expenses offset with exchange differences in liabilities .....	(45)	—
Other .....	(21)	—
Changes in assets and liabilities:		
Decrease in trade receivables .....	1,058	1,413
(Increase) decrease in inventories .....	8	(3)
(Increase) decrease in other current assets .....	(1,025)	666
(Decrease) in accounts payable .....	(810)	(253)
Increase (decrease) in accrued income and other taxes .....	(1,101)	697
Increase (decrease) in other current liabilities .....	1,206	(1,186)
Net cash provided by operating activities .....	3,990	5,489
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment .....	(5,996)	(5,408)
Proceeds from sales of property and equipment .....	291	1,183
(Increase) decrease in investments and advances .....	(166)	336
Net cash used in investing activities .....	(5,871)	(3,889)
<b>Cash flows from financing activities:</b>		
Dividends paid .....	(739)	(664)
Repayments of long-term debt .....	(173)	(175)
Increase (decrease) in short-term debt .....	240	(60)
Redemptions of notes with warrants .....	(7,249)	—
Redemptions of convertible bonds .....	(1,000)	—
Other .....	(50)	(42)
Net cash provided by financing activities .....	(8,971)	(941)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(10,852)</b>	<b>659</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>27,156</b>	<b>16,304</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>¥16,304</b>	<b>¥16,963</b>

The accompanying Notes are an integral part of these statements.



**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS** TONAMI TRANSPORTATION CO., LTD.

For the year ended 31st March, 2000

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	2000
<b>Cash flows from operating activities:</b>		
Net income before income taxes .....	¥ 2,061	\$ 19,416
Depreciation and amortization .....	3,458	32,577
Gain on disposal of property and equipment .....	(36)	(339)
Gain on sales of marketable securities .....	(97)	(914)
Loss on devaluation of marketable securities .....	93	876
Decrease in allowance for doubtful accounts .....	(11)	(104)
Increase in employees' retirement benefits .....	58	546
Decrease in accrued bonuses to employees .....	(58)	(546)
Interest and dividend income .....	(392)	(3,693)
Interest expenses .....	306	2,883
Decrease in trade receivables .....	404	3,806
Increase in inventories .....	(42)	(396)
Increase in accounts payable .....	233	2,195
Increase in accrued consumption taxes .....	163	1,536
Other, net .....	(753)	(7,094)
Subtotal .....	5,387	50,749
Interest and dividends received .....	392	3,693
Interest paid .....	(306)	(2,883)
Income taxes paid .....	(1,282)	(12,077)
Net cash provided by operating activities .....	4,191	39,482
<b>Cash flows from investing activities:</b>		
Purchase of time deposits .....	(380)	(3,580)
Proceeds from redemption of time deposits .....	—	—
Purchase of marketable securities .....	(4,670)	(43,994)
Proceeds from sales of marketable securities .....	1,366	12,869
Purchase of property and equipment .....	(3,096)	(29,166)
Proceeds from sales of property and equipment .....	2,408	22,685
Purchase of investments in securities .....	(287)	(2,704)
Proceeds from sales of investments in securities .....	101	951
Loan made .....	(2,035)	(19,171)
Proceeds from collection of loans .....	1,892	17,824
Other, net .....	(18)	(170)
Net cash used in investing activities .....	(4,717)	(44,437)
<b>Cash flows from financing activities:</b>		
Increase in short-term loans .....	330	3,109
Proceeds from issuance of bonds .....	6,955	65,520
Repurchase of treasury stocks .....	(222)	(2,091)
Dividends paid .....	(588)	(5,539)
Net cash provided by financing activities .....	6,466	60,914
<b>Effect of exchange rate change on cash and cash equivalents .....</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>5,939</b>	<b>55,949</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>9,669</b>	<b>91,088</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥15,609</b>	<b>\$147,047</b>

The accompanying Notes are an integral part of these statements.

## 1. Basis of presenting financial statements

The accompanying non-consolidated financial statements have been prepared from accounting records maintained by Tonami Transportation Co., Ltd. (the “Company”) in conformity with the Securities and Exchange Law of Japan and accounting principles generally accepted in Japan. However, in order to facilitate understanding for readers outside Japan, certain reclassifications have been made to the non-consolidated financial statements prepared for domestic purposes.

U.S. dollar amounts presented in the financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥106.15 = U.S.\$1, prevailing on 31st March, 2000, has been used for the translation into U.S. dollar amounts in the financial statements.

## 2. Summary of significant accounting policies

### (a) Non-consolidation

The accompanying non-consolidated financial statements include only the accounts of the Company.

Investments in subsidiaries and affiliates are stated at cost.

### (b) Marketable securities and investments in securities

Marketable securities and investments in securities are stated at cost determined by the moving average method.

### (c) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount based on the actual write-off rate stipulated by Japanese tax law plus the estimated amount of probable bad debts.

### (d) Property and equipment and depreciation

Property and equipment are stated at cost. However, under Japanese tax law, capital gains arisen from disposals and other similar transactions are deducted from the cost of the property and equipment acquired in substitution.

Depreciation of property and equipment is computed by the declining-balance method at rates based on estimated useful lives, except for buildings and structures. The buildings and structures are depreciated by the straight-line method.

### (e) Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same as operating leases.

### (f) Employees' retirement benefits

The Company's employees are entitled to a lump-sum payment upon retirement or severance of employment. The balances of the liability are the maximum allowable amounts under Japanese tax law or 40% of the amounts which would be required if all employees voluntarily terminated their employment at those dates.

The Company also has a non-contributory pension fund, into which on 1st April, 1991, the liquidated contributory pension fund was transferred. The annual provisions for pension benefits include current period costs and amortisation of past service costs.

### (g) Stock issue expenses

Stock issue expenses are charged to income as incurred.

### (h) Income taxes

Effective from the year ended 31st March, 2000, in accordance with the Revised Accounting Principles for Non-consolidated Financial Statements (the “Revised Accounting Principles”), the Company adopted tax-effect accounting.

Income taxes consist of corporation, enterprise, and inhabitants taxes.

### (i) Net income per share of common stock

The computation of net income per share of common stock has been based on the weighted average number of shares outstanding during each financial year, retroactively adjusted to take account of a free share distribution.

### (j) Statements of cash flows

Cash and cash equivalents include cash on hand, deposits placed with banks on demand, and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

## 3. Supplementary information

### (a) Accounting for software for internal use

In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 “Practical Guidance for Accounting for Research and Development Costs, etc.,” the Company accounts for software for internal use in the same manner in 2000 as in the prior years.

Software costs are amortized by the straight-line method over their estimated useful lives (five years).

#### 4. Reclassification

Effective from the year ended 31st March, 2000, the Company is required to prepare consolidated statements of cash flows in accordance with the Revised Accounting Principles. The consolidated statements of cash flows for the year ended 31st March, 1999, which were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not customarily prepared in Japan and not required to be filed with the Ministry of Finance prior to the year ended 31st March, 2000, are not restated, resulting in an inconformity to the 2000 presentation under the Revised Accounting Principles.

The consolidated statements of cash flows for the year ended 31st March, 2000 include interest paid and income taxes paid under operating activities section, which were previously presented as a supplementary cash flow information in the notes to the consolidated financial statements.

#### 5. Marketable securities and investments in securities

The cost and market value of marketable equity securities and other securities included in marketable securities and investments in securities as at 31st March, 1999 are summarised as follows:—

	Millions of yen
	1999
In marketable securities:	
Cost .....	¥2,749
Market value .....	2,829
In investments in securities:	
Cost .....	2,377
Market value .....	2,791

Effective from the year ended March 31, 2000, in accordance with the Revised Accounting Principles, the Company does not present the market information of marketable securities and investments in securities hereon, but presents it in the notes to the consolidated financial statements.

#### 6. Property and equipment

As stated above, capital gains arisen from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amount deducted in the cost of property and equipment was ¥266 million (\$2,506 thousand) and ¥275 million (\$2,591 thousand) as at 31st March, 1999 and 2000, respectively.

#### 7. Short-term bank loans and long-term debt

##### (a) Short-term bank loans

Short-term bank loans as at 31st March, 1999 and 2000 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Secured .....	¥3,394	¥3,294	\$31,032
Unsecured .....	7,956	8,386	79,001

Interest rates range from 0.95% to 1.50%.

##### (b) Long-term debt

Long-term debt as at 31st March, 1999 and 2000 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
0.9% ¥10 billion convertible			
bonds due 2001 .....	¥ 8,823	¥ 8,823	\$ 83,118
0.0% ¥10 billion convertible			
bonds due 2000 .....	10,000	10,000	94,206
2.05% ¥7 billion unsecured			
straight bonds due 2003 .....	—	7,000	65,944
Total .....	18,823	25,823	243,269
Less amount due within one year ...	—	18,823	177,325
	¥18,823	¥ 7,000	\$ 65,944

The ¥10 billion 0.9% convertible bonds, issued in February 1994 are convertible into common stock of the Company at the conversion rate of ¥841 per share during the period to 29th March, 2001.

The ¥10 billion 0.0% convertible bonds, issued in October 1996 are convertible into common stock of the Company at the conversion rate of ¥550 per share during the period to 11st October, 2000.

The maturity date of the ¥7 billion 2.05% unsecured straight bonds, issued in September 1999 is 16th September, 2003.

The annual maturities of long-term debt outstanding as at 31st March, 2000 were as follows:—

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2001 .....	¥18,823	\$177,325
2002 .....	—	—
2003 .....	—	—
2004 .....	7,000	65,944
2005 and thereafter .....	—	—

### (c) Pledged assets

Property and equipment having a net value of ¥22,275 million (\$209,845 thousand) was pledged as collateral for long-term bank loans and for other purposes, and investment in securities of ¥340 million (\$3,203 thousand) was pledged as collateral for short-term bank loans as at 31st March, 2000.

### 8. Pension plans

The Company's pension plan assets referred to in Note 2(g) as at 31st March, 2000 are ¥26,387 million (\$248,582 thousand).

### 9. Income taxes

As described in Note 2(h), effective from the year ended 31st March, 2000, the Company has adopted tax-effect accounting in accordance with the Revised Accounting Principles. The effect of this adoption of the new accounting principles was to provide for deferred tax assets (current assets) of ¥409 million (\$3,853 thousand) and deferred tax liabilities (long-term liabilities) of ¥3,397 million (\$32,002 thousand), and to increase net income by ¥442 million (\$4,164 thousand) and unappropriated retained earnings by ¥734 million (\$6,915 thousand).

Significant components of deferred tax assets and liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Excess bonuses accrued .....	¥ 184	\$ 1,733
Accrued enterprise taxes .....	76	716
Excess employees' retirement benefits accrued .....	331	3,118
Other .....	155	1,460
Gross deferred tax assets ...	747	7,037
Valuation allowance .....	—	—
Total deferred tax assets ....	747	7,037
Deferred tax liabilities:		
Reserve under Special Taxation Measures Law .....	(3,736)	(35,195)
Net deferred tax liabilities .....	¥(2,988)	\$(28,149)

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes, which, in aggregate, resulted in a decrease of statutory rates from 47% for 1999 to 42% for 2000 as a staged reduction in corporate income tax rates since 1999. The statutory tax rate differs from the effective tax rate reflected in the non-consolidated statements of income for the year ended March 31, 2000 for the following reasons:

Statutory tax rate .....	41.7%
Increase (decrease) in tax resulting from:	
Nondeductible expenses including entertainment, etc.....	6.1
Nontaxable income including dividends received deduction, etc.....	(4.3)
Per capita portion of inhabitant taxes .....	9.7
Other .....	2.6
Effective tax rate.....	55.9%

### 10. Accounts and transactions with subsidiaries and affiliates

As at 31st March, 2000, the Company had 24 subsidiaries and eight affiliates.

Receivables from, payables to, and transactions with these subsidiaries and affiliates are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Notes and accounts receivable ..	¥ 389	¥ 502	\$ 4,729
Loans receivable .....	691	1,154	10,871
Accounts payable .....	1,808	2,341	22,054
	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Service revenues .....	¥2,271	¥2,127	\$20,038
Cost of services .....	6,771	7,293	68,705
Interest income .....	22	34	320

## 11. Finance leases

Lease payment under finance lease for the year ended March 31, 1999 and 2000 were ¥150 million (\$1,413 thousand) and ¥237 million (\$2,233 thousand), respectively.

Future lease payments of finance leases as at March 31, 1999 and 2000 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Due within one year .....	¥ 121	¥ 244	\$ 2,299
Due after one year .....	225	620	5,841
	¥ 346	¥ 864	\$ 8,139

## 12. Contingent liabilities

As at 31st March, 2000, the Company was contingently liable as follows:—

	Millions of yen		Thousands of U.S. dollars
Guarantees of employees'			
housing loans .....	¥ 42		\$ 396
Others .....	837		7,885
Notes receivable discounted .....	—		—

## 13. Revaluation of land

In accordance with the Law concerning Revaluation of Land enacted on 31st March, 1998, the Company has revaluated its own land used for business operations on 31st March, 2000 and reported unrealized gain from revaluation of land in shareholders' equity section.

The revaluated book value of land has been determined based on the value of land registered on the cadastres and their supplementary records, which are provided by the Local Tax Law under the Law Concerning Revaluation of Land, with making reasonable adjustments.

	Millions of yen		Thousands of U.S. dollars
Book value of land before revaluation .....	¥21,624		\$203,712
Book value of land after revaluation .....	35,391		333,406

## 14. Shareholders' equity

Year-end dividends shall be approved by a meeting of the shareholders after the end of each financial year and interim dividends may be declared by the Board of Directors after the end of each first six month period, respectively.

In accordance with the Commercial Code, year-end dividends and the related appropriation of retained earnings are not reflected in the financial statements at the end of the financial year, but are recorded at the time they are approved.

## 15. Supplementary income information

Supplementary income information for the two years ended 31st March, 2000 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Depreciation expenses .....	¥3,687	¥3,458	\$32,577
Lease and rental .....	3,250	3,218	30,316

## 16. Subsequent event

The annual shareholders' meeting of the Company, which was held on 29th June, 2000, duly approved the following appropriations of retained earnings existing as at 31st March, 2000:—

	Millions of yen		Thousands of U.S. dollars
Transfer to legal reserve .....	¥ 33		\$ 311
Dividends (¥3.00 per share) .....	293		2,760
Bonuses to directors and statutory auditors .....	35		330

**REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
OF THE COMPANY**

To the Board of Directors of  
Tonami Transportation Co., Ltd.

We have examined the non-consolidated balance sheets of Tonami Transportation Co., Ltd. as at 31st March, 1999 and 2000 and the related non-consolidated statements of income, shareholders' equity and cash flows for the years then ended.

Our examinations were made in accordance with **auditing standards generally accepted in Japan** and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of Tonami Transportation Co., Ltd. as at 31st March, 1999 and 2000 and the results of its operations and cash flows for the years then ended, in conformity with **accounting principles generally accepted in Japan** applied on a consistent basis.

As described in Notes 2 (h) and 3 to the non-consolidated financial statements, Tonami Transportation Co., Ltd. has adopted new accounting standards for research and development and tax-effect accounting in the preparation of its non-consolidated financial statements for the year ended 31st March, 2000.

The United States dollar amounts shown in the accompanying non-consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the non-consolidated financial statements expressed in yen have been translated into dollars on the basis described in Note 1.

Effective 1st April, 2000, Century Audit Corporation merged with Ota Showa & Co. and changed its name to Century Ota Showa & Co.

*Century Ota Showa & Co.*

Century Ota Showa & Co.

Toyama Prefecture, Japan  
29th June, 2000

**CONSOLIDATED FIVE-YEAR SUMMARY**

 TONAMI TRANSPORTATION CO., LTD  
 AND CONSOLIDATED SUBSIDIARIES

Years ended 31st March

	Millions of yen					Thousands of U.S. dollars	
	1996	1997	1998	1999	2000	2000	
<b>RESULTS OF OPERATIONS:</b>							
Operating revenues .....	¥115,659	¥125,299	¥125,164	¥116,829	<b>¥117,794</b>	<b>\$1,109,694</b>	
Operating cost .....	108,163	115,308	117,180	108,979	<b>108,902</b>	<b>1,025,925</b>	
Selling, general and administrative expenses .....	3,953	6,317	5,950	5,906	<b>6,480</b>	<b>61,046</b>	
Operating income .....	3,140	3,220	2,034	1,944	<b>2,412</b>	<b>22,723</b>	
Net income .....	1,399	1,457	411	124	<b>1,276</b>	<b>12,021</b>	
Depreciation expenses .....	4,935	5,007	4,996	4,470	<b>4,216</b>	<b>39,717</b>	
<b>PER SHARE (yen and U.S. dollars):</b>							
Net income .....	¥14.27	¥14.81	¥ 4.18	¥ 1.26	<b>¥ 13.04</b>	<b>\$0.1228</b>	
<b>YEAR-END FINANCIAL POSITION:</b>							
Total current assets .....	¥45,740	¥56,623	¥46,458	¥44,610	<b>¥52,002</b>	<b>\$489,892</b>	
Net property and equipment .....	49,500	49,824	52,545	53,431	<b>66,990</b>	<b>631,088</b>	
Total assets .....	105,317	117,883	110,144	108,546	<b>130,284</b>	<b>1,227,358</b>	
Total current liabilities .....	30,747	39,683	32,855	31,579	<b>51,113</b>	<b>481,517</b>	
Long-term liabilities, excluding of current portion thereof .....	22,256	25,180	24,578	24,884	<b>22,075</b>	<b>207,960</b>	
Total shareholders' equity .....	51,939	52,533	52,139	51,491	<b>56,431</b>	<b>531,616</b>	
<b>OTHER YEAR-END DATA:</b>							
Number of employees .....	—	—	—	—	<b>7,142</b>	—	

**CONSOLIDATED BALANCE SHEETS** TONAMI TRANSPORTATION CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES

As of 31st March, 1999 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 4,900	¥ 5,916	\$ 55,732
Marketable securities, at cost (Note 5) .....	13,591	18,971	178,718
Trade receivables:			
Notes and accounts .....	21,965	21,692	204,352
Less: allowance for doubtful accounts .....	(50)	(82)	(772)
Inventories .....	424	524	4,936
Deferred tax assets (Note 9) .....	—	473	4,456
Other current assets .....	3,780	4,505	42,440
Total current assets .....	44,610	52,002	489,892
<b>Property and equipment</b> (Notes 6 and 7):			
Land .....	23,243	37,011	348,667
Buildings and structures .....	22,792	22,657	213,443
Machinery and vehicles .....	6,449	6,541	61,620
Construction in progress .....	325	217	2,044
Other .....	622	563	5,304
Total property and equipment .....	53,431	66,990	631,088
<b>Investments and other assets:</b>			
Investments in securities, at cost (Notes 5 and 6) .....	4,280	4,367	41,140
Foreign exchange translation adjustments (Note 2) .....	—	305	2,873
Others .....	6,225	6,619	62,355
Total investments and other assets .....	10,505	11,291	106,368
Total assets .....	¥108,546	¥130,284	\$1,227,358

The accompanying Notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 7) .....	¥ 13,052	¥ 13,732	\$ 129,364
Current portion of long-term debt (Note 7) .....	444	19,308	181,894
Notes and accounts payable .....	9,780	9,471	89,222
Income taxes payable .....	843	1,234	11,625
Other current liabilities .....	7,460	7,368	69,411
Total current liabilities .....	31,579	51,113	481,517
<b>Long-term liabilities:</b>			
Long-term debt, less current portion (Note 7) .....	20,022	7,893	74,357
Deferred tax liabilities (Note 9) .....	—	3,540	33,349
Deferred tax liabilities from revaluation of land (Notes 9 and 12) .....	—	5,746	54,131
Employees' retirement benefits .....	4,720	4,738	44,635
Consolidation difference .....	4	—	—
Other long-term liabilities .....	138	159	1,498
Total long-term liabilities .....	24,884	22,075	207,960
Total liabilities .....	56,463	73,188	689,477
<b>Minority interests</b> .....	592	664	6,256
<b>Contingent liabilities</b> (Note 11)			
<b>Shareholders' equity</b> (Note 13):			
Common stock:			
Authorized: 300,000,000 shares in 1999			
299,200,000 shares in 2000			
Issued, par value ¥50 per share:			
98,410,118 shares in 1999			
97,610,118 shares in 2000 .....			
	14,183	14,183	133,613
Additional paid-in capital .....	14,687	14,687	138,361
Unrealized gain from revaluation of land (Note 12) .....	—	8,021	75,563
Retained earnings .....	22,627	19,541	184,089
Treasury stock, at cost .....	(6)	(0)	(0)
Total shareholders' equity .....	51,491	56,431	531,616
Total liabilities, minority interests, and shareholders' equity .....	¥108,546	¥130,284	\$1,227,358

**CONSOLIDATED STATEMENTS OF INCOME** TONAMI TRANSPORTATION CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES

For the two years ended 31st March, 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
<b>Operating revenues:</b>			
Operating revenues .....	¥116,829	¥117,794	\$1,109,694
	116,829	117,794	1,109,694
<b>Operating costs and selling, general and administrative expenses:</b>			
Operating cost (Note 14) .....	108,979	108,902	1,025,925
Selling, general and administrative expenses (Note 14) .....	5,906	6,480	61,046
	114,885	115,382	1,086,971
<b>Operating income</b> .....	1,944	2,412	22,723
<b>Other income and expenses:</b>			
Interest and dividend income .....	438	423	3,985
Gain (loss) on sells of property and equipment, net .....	(471)	19	179
Interest expenses .....	(338)	(375)	(3,534)
Others, net .....	(195)	418	3,938
	(566)	485	4,568
<b>Income before income taxes and minority interests</b> .....	1,378	2,897	27,291
<b>Income taxes</b> (Note 9):			
Current .....	1,222	2,005	18,888
Deferred .....	—	(451)	4,248
	1,222	1,554	14,640
<b>Minority interests</b> .....	32	67	631
<b>Net income</b> .....	¥ 124	¥ 1,276	\$ 12,021

	Yen	U.S. dollars (Note 1)	
<b>Net income per share of common stock</b> .....	¥ 1.26	¥13.04	\$0.1228

The accompanying Notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY** TONAMI TRANSPORTATION CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES

For the two years ended 31st March, 2000

	Millions of yen					
	Shares of common stock (thousands)	Common stock	Additional paid-in capital	Legal reserve	Unrealized gain from revaluation	Retained earnings
<b>Balance as at 31st March, 1998</b> .....	98,410	¥14,183	¥14,687	¥1,108		¥22,163
Beginning balance of legal reserve .....				(1,108)		1,108
Net income .....						124
Cash dividends paid (¥6.75 per share) .....						(664)
Bonuses to directors and statutory auditors .....						(82)
Decrease due to deduction of unconsolidated subsidiaries and affiliates to which equity method applied .....						(22)
<b>Balance as at 31st March, 1999</b> .....	98,410	14,183	14,687	0		22,627
Prior period adjustments for tax-effect accounting .....						(3,396)
Adjustments of retained earnings for newly consolidated subsidiary .....						(75)
Net income .....						1,276
Cash dividends paid (¥6.00 per share) .....						(589)
Unrealized gain from revaluation of land .....					¥ 8,020	
Bonuses to directors and statutory auditors .....						(80)
Retirement of treasury stock .....	(800)					(222)
<b>Balance as at 31st March, 2000</b> .....	<b>97,610</b>	<b>¥14,183</b>	<b>¥14,687</b>	<b>¥ 0</b>	<b>¥8,020</b>	<b>¥19,541</b>

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Legal reserve	Unrealized gain from revaluation	Retained earnings
<b>Balance as at 31st March, 1998</b> .....	\$133,613	\$138,361	\$10,438		\$208,789
Beginning balance of legal reserve .....			(10,438)		10,438
Net income .....					1,168
Cash dividends paid (\$0.0636 per share) .....					(6,255)
Bonuses to directors and statutory auditors .....					(772)
Decrease due to deduction of unconsolidated subsidiaries and affiliates to which equity method applied .....					(207)
<b>Balance as at 31st March, 1999</b> .....	133,613	138,361	0		213,161
Prior period adjustment for tax-effect accounting .....					(31,992)
Adjustments of retained earnings for newly consolidated subsidiary .....					(707)
Net income .....					12,021
Cash dividends paid (\$0.0565 per share) .....					(5,549)
Unrealized gain from revaluation of land .....				\$75,554	
Bonuses to directors and statutory auditors .....					(754)
Retirement of treasury stock .....					(2,091)
<b>Balance as at 31st March, 2000</b> .....	<b>\$133,613</b>	<b>\$138,361</b>	<b>\$ 0</b>	<b>\$75,554</b>	<b>\$184,089</b>

The accompanying Notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS** TONAMI TRANSPORTATION CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES

For the two years ended 31st March, 1999

	Millions of yen	
	1998	1999
<b>Cash flows from operating activities:</b>		
Net income .....	¥ 411	¥ 124
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expenses .....	4,996	4,470
Provision for allowance for doubtful accounts .....	71	(70)
Provision for retirement benefits, less payments .....	116	154
Loss on sales of property assets .....	226	471
Income applicable to minority interests .....	64	32
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(11)	(98)
Interest expenses offset with exchange differences in liabilities .....	(45)	—
Other .....	(29)	8
Changes in assets and liabilities, net of effects from the addition of consolidated subsidiaries:		
Decrease in trade receivable .....	444	1,948
(Increase) decrease in inventories .....	(15)	16
(Increase) decrease in other current assets .....	(1,046)	785
(Decrease) in accounts payable .....	(480)	(662)
Increase (decrease) in accrued income and other taxes .....	(1,201)	683
Increase (decrease) in other current liabilities .....	1,412	(1,512)
Net cash provided by operating activities .....	4,913	6,349
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment .....	(7,373)	(6,060)
Proceeds from sales of property and equipment .....	81	131
(Increase) decrease in investments and advances .....	(36)	614
Other .....	26	112
Net cash used in investing activities .....	(7,302)	(5,203)
<b>Cash flows from financing activities:</b>		
Dividends paid .....	(750)	(673)
Repayments of long-term debt .....	44	211
Repayments of short-term debt .....	277	321
Redemptions of notes with warrants .....	(7,249)	—
Redemptions of convertible bonds .....	(1,000)	(175)
Other .....	(90)	(106)
Net cash provided by financing activities .....	(8,768)	(422)
<b>Net increase (decrease) in cash and cash equivalents</b> .....	(11,157)	724
<b>Cash and cash equivalents at beginning of period</b> .....	28,924	17,767
<b>Cash and cash equivalents at end of period</b> .....	¥17,767	¥18,491

The accompanying Notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS** TONAMI TRANSPORTATION CO., LTD.  
AND CONSOLIDATED SUBSIDIARIES

For the year ended 31st March, 2000

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	2000
<b>Cash flows from operating activities:</b>		
Net income before income taxes and minority interests .....	¥ 2,897	¥27,292
Depreciation and amortization .....	4,217	39,727
Gain on disposal of property and equipment .....	3	28
Gain on sales of marketable securities .....	(103)	(970)
Loss on devaluation of marketable securities .....	94	886
Amortization of foreign exchange translation adjustments .....	17	160
Equity in earnings of associated companies .....	(117)	(1,102)
Decrease in allowance for doubtful accounts .....	(58)	(546)
Increase in employees' retirement benefits .....	17	160
Decrease in accrued bonuses to employees .....	(92)	(867)
Interest and dividend income .....	(305)	(2,873)
Interest expenses .....	375	3,533
Decrease in trade receivables .....	696	6,557
Increase in inventories .....	(100)	(942)
Increase in accounts payable .....	(438)	(4,126)
Increase in accrued consumption taxes .....	164	1,545
Other, net .....	962	9,063
Subtotal .....	8,229	77,522
Interest and dividends received .....	305	2,873
Interest paid .....	(375)	(3,533)
Income taxes paid .....	(1,615)	(15,214)
Net cash provided by operating activities .....	6,543	61,639
<b>Cash flows from investing activities:</b>		
Purchase of time deposits .....	(524)	(4,936)
Proceeds from redemption of time deposits .....	115	1,083
Purchase of marketable securities .....	(4,275)	(40,273)
Proceeds from sales of marketable securities .....	2,418	22,779
Purchase of property and equipment .....	(5,818)	(54,809)
Proceeds from sales of property and equipment .....	1,991	18,757
Purchase of investments in securities .....	(76)	(716)
Proceeds from sales of investments in securities .....	120	1,130
Purchases of securities resulting in a change in numbers of consolidated subsidiaries .....	(190)	(1,790)
Loan made .....	(2,096)	(19,746)
Proceeds from collection of loans .....	2,243	21,130
Other, net .....	(894)	(8,422)
Net cash used in investing activities .....	(6,986)	(65,813)
<b>Cash flows from financing activities:</b>		
Increase in short-term loans .....	482	4,541
Proceeds from long-term debt .....	403	3,797
Repayment of long-term debt .....	(809)	(7,621)
Proceeds from issuance of bonds .....	6,955	65,520
Repurchase of treasury stocks .....	(221)	(2,082)
Dividends paid .....	(579)	(5,455)
Dividends paid to minority interests .....	(8)	(75)
Net cash provided by financing activities .....	6,221	58,606
<b>Effect of exchange rate change on cash and cash equivalents</b> .....	—	—
<b>Net increase in cash and cash equivalents</b> .....	5,778	54,432
<b>Cash and cash equivalents at beginning of year</b> .....	11,201	105,520
<b>Cash and cash equivalents at end of year</b> .....	¥16,980	¥159,962

The accompanying Notes are an integral part of these statements.

## **1. Basis of presenting financial statements**

The accompanying consolidated financial statements have been prepared from accounting records maintained by Tonami Transportation Co., Ltd. (the "Company") and its consolidated subsidiaries in conformity with the Securities and Exchange Law of Japan and accounting principles generally accepted in Japan. However, in order to facilitate understanding for readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes.

U.S. dollar amounts presented in the financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥106.15 = U.S.\$1, prevailing on 31st March, 2000, has been used for the translation into U.S. dollar amounts in the financial statements.

## **2. Summary of significant accounting policies**

### **(a) Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its 24 significant majority-owned subsidiaries for the year ended March 31, 2000 (23 for 1999).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Eight of the investments in unconsolidated subsidiaries or affiliates (eight for 1999) are accounted for by the equity method.

### **(b) Marketable securities and investments in securities**

Marketable securities and investments in securities are stated at cost determined by the moving average method.

### **(c) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at an amount based on the actual write-off rate stipulated by Japanese tax law plus the estimated amount of probable bad debts.

### **(d) Property and equipment and depreciation**

Property and equipment are stated at cost. However, under Japanese tax law, capital gains arisen from disposals and other similar transactions are deducted from the cost of the property and equipment acquired in substitution.

Depreciation of property and equipment is computed by the declining balance method at rates based on estimated useful lives, except for buildings and structures. The buildings and structures are depreciated by the straight-line method.

### **(e) Leases**

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessee are accounted for by the method similar to that applicable to ordinary operating leases.

### **(f) Employees' retirement benefits**

The Company's employees are entitled to a lump-sum payment upon retirement or severance of employment. The balances of the liability are the maximum allowable amounts under Japanese tax law or 40% of the amounts which would be required if all employees voluntarily terminated their employment at those dates.

The Company also has a non-contributory pension fund, into which on 1st April, 1991, the liquidated contributory pension fund was transferred. The annual provisions for pension benefits include current period costs and amortisation of past service costs.

### **(g) Stock issue expenses**

Stock issue expenses are charged to income as incurred.

### **(h) Remeasurement of assets and liabilities of consolidated subsidiaries**

Assets and liabilities of the consolidated subsidiaries are remeasured using the full fair value method.

### **(i) Amortization of consolidation difference**

Differences between acquisition cost and the underlying net equity at the time of acquisition are amortized on a straight-line basis over the period of five or 20 years. When their amounts are, however, not significant, the differences are charged or credited to income at the dates of acquisition.

### **(j) Income taxes**

Effective from the year ended 31st March, 2000, in accordance with the Revised Accounting Principles for Consolidated Financial Statements (the "Revised Accounting Principles"), the Company adopted tax-effect accounting.

Income taxes consist of corporation, enterprise, and inhabitants taxes.

### **(k) Net income per share of common stock**

The computation of net income per share of common stock has been based on the weighted average number of shares outstanding during each financial year, retroactively adjusted to take account of a free share distribution.

### **(1) Statements of cash flows**

Cash and cash equivalents include cash on hand, deposits placed with banks on demand, and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

### **3. Supplementary information**

#### **(a) Accounting for software for internal use**

In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs, etc.," the Company accounts for software for internal use in the same manner in 2000 as in the prior years.

Software costs are amortized by the straight-line method over their estimated useful lives (five years).

#### **(b) Remeasurement of assets and liabilities of consolidated subsidiaries**

Prior to the year ended 31st March, 2000, in the elimination of investments in subsidiaries, the portion of assets and liabilities of consolidated subsidiaries attributable to minority shareholders was not evaluated. Effective from the year ended 31st March, 2000, in accordance with an administrative notice issued by the Ministry of Finance in 1998, the Company adopts the full fair value method thereby all the assets and liabilities of consolidated subsidiaries including the portion attributable to minority shareholders are remeasured to fair value as of the acquisition of control.

As a result of this remeasurement, total assets and minority interests (net of deferred tax) increased by ¥100 million (\$942 thousand) and ¥58 million (\$546 thousand), respectively.

### **4. Reclassification**

Effective from the year ended 31 March, 2000, the Company is required to prepare consolidated statements of cash flows in accordance with the Revised Accounting Principles. The consolidated statements of cash flows for the year ended 31st March, 1999, which were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not customarily prepared in Japan and not required to be filed with the Ministry of Finance prior to the year ended 31st March, 2000, are not restated, resulting in an inconformity to the 2000 presentation under the Revised Accounting Principles.

The consolidated statements of cash flows for the year ended 31st March, 2000 include interest paid and income taxes paid under operating activities section, which were previously presented as a supplementary cash flow information in the notes to the consolidated financial statements.

### **5. Marketable securities and investments in securities**

The cost and market value of marketable equity securities and other securities included in marketable securities and investments in securities as at 31st March, 2000 are summarised as follows:—

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Marketable securities:		
Cost .....	¥ 1,959	¥18,455
Market value .....	2,124	20,009
Investments in securities:		
Cost .....	2,439	22,977
Market value.....	3,350	31,559

Effective from the year ended March 31, 2000, in accordance with the Revised Accounting Principles, the Company has presented the market information of marketable securities and investments in securities in the notes to the consolidated financial statements.

### **6. Property and equipment**

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥47,153 million (\$444,211 thousand) and ¥48,409 million (\$456,043 thousand) on 31st March, 1999 and 2000, respectively.

Capital gains arisen from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amount deducted in the cost of property and equipment was ¥266 million (\$2,506 thousand) and ¥275 million (\$2,591 thousand) on 31st March, 1999 and 2000, respectively.

### **7. Short-term bank loans and long-term debt**

#### **(a) Short-term bank loans**

Short-term bank loans as at 31st March, 1999 and 2000 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Secured .....	¥3,982	¥4,121	\$38,822
Unsecured .....	9,119	9,611	90,542

Interest rates range from 0.95% to 2.2%.

### (b) Long-term debt

Long-term debt as at 31st March, 1999 and 2000 was as follows:—

	Millions of yen		Thousands of
	1999	2000	U.S. dollars
0.9% ¥10 billion convertible			
bonds due 2001 .....	¥ 8,823	<b>¥ 8,823</b>	<b>\$83,118</b>
0.0% ¥10 billion convertible			
bonds due 2000 .....	10,000	<b>10,000</b>	<b>94,206</b>
2.05%¥7 billion unsecured			
straight bonds due 2003.....	—	<b>7,000</b>	<b>65,944</b>
0.6%–6.1% yen secured			
loans from financial			
institutions due 1998 to 2005			
Secured .....	584	<b>530</b>	<b>4,993</b>
Unsecured.....	1,055	<b>848</b>	<b>7,989</b>
Total .....	20,462	<b>27,201</b>	<b>256,250</b>
Less: amount due within			
one year .....	439	<b>19,308</b>	<b>181,893</b>
	¥20,023	<b>¥ 7,893</b>	<b>\$74,357</b>

The ¥10 billion 0.9% convertible bonds, issued in February 1994 are convertible into common stock of the Company at the conversion rate of ¥841 per share during the period to 29th March, 2001.

The ¥10 billion 0.0% convertible bonds, issued in October 1996 are convertible into common stock of the Company at the conversion rate of ¥550 per share during the period to 11st October, 2000.

The maturity date of the ¥7 billion 2.05% unsecured straight bonds, issued in September 1999 is 16th September, 2003.

The annual maturities of long-term debt outstanding as at 31st March, 2000 were as follows:—

Year ending 31st March,	Thousands of	
	Millions of yen	U.S. dollars
2001 .....	¥19,308	\$181,893
2002 .....	325	3,062
2003 .....	202	1,903
2004 .....	7,113	67,009
2005 and thereafter .....	251	2,365

### (c) Pledged assets

Property and equipment having a net value of ¥23,398 million (\$220,423 thousand) was pledged as collateral for long-term bank loans and for other purposes, and investment in securities of ¥340 million (\$3,203 thousand) was pledged as collateral for short-term bank loans as at 31st March, 2000.

### 8. Pension plans

The Company's pension plan assets referred to in Note 2(f) as at 31st, March 2000 are ¥26,795 million (\$252,426 thousand).

### 9. Income taxes

As described in Note 2(j), effective from the year ended 31st March, 2000, the Company has adopted tax-effect accounting in accordance with the Revised Accounting Principles. The effect of this adoption of the new accounting principles was to provide for deferred tax assets (current assets) of ¥474 million (\$4,465 thousand) and deferred tax liabilities (long-term liabilities) of ¥3,540 million (\$33,349 thousand) and to increase net income by ¥451 million (\$4,249 thousand), and unappropriated retained earnings by ¥2,928 million (\$27,584 thousand).

Significant components of deferred tax assets and liabilities for the year ended March 31, 2000 were as follows:

	Millions of yen	Thousands of
		U.S. dollars
Deferred tax assets:		
Excess bonuses accrued .....	¥ 224	\$ 2,110
Accrued enterprise taxes .....	95	895
Excess employees' retirement		
benefits accrued .....	343	3,231
Other .....	60	565
Gross deferred tax assets ....	724	6,821
Valuation allowance .....	20	188
Total deferred tax assets .....	704	6,632
Deferred tax liabilities:		
Reserve under Special Taxation		
Measures Law .....	(3,769)	(35,506)
Net deferred tax liabilities .....	¥(3,065)	\$(28,874)



Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes, which, in aggregate, resulted in statutory rates of 33% for 1999 and 42% for 2000. The statutory tax rate differs from the effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2000 for the following reasons:

Statutory tax rate .....	41.6%
Increase (reduction) in tax resulting from:	
Nondeductible expenses including	
entertainment, etc.....	3.1
Nontaxable income including dividends	
received deduction, etc.....	(1.6)
Per capita portion of inhabitant taxes .....	7.2
Equity in earnings of affiliates.....	(1.7)
Other .....	5.1
Effective tax rate.....	53.7%

## 10. Finance leases

Lease payment under finance lease for the year ended March 31, 1999 and 2000 were ¥198 million (\$1,865 thousand) and ¥316 million (\$2,977 thousand), respectively. Future lease payments of finance leases as at March 31, 2000 were as follows:—

	Millions of yen	Thousands of U.S. dollars
Due within one year .....	¥ 327	\$ 3,081
Due after one year .....	797	7,508
	¥ 1,125	\$10,598

## 11. Contingent liabilities

As at 31st March, 2000, the Company were contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes discounted with banks .....	¥ 415	\$ 3,910
Guarantees of employees'		
housing loans .....	42	396
Notes endorsed .....	40	377
Others .....	1,603	15,101

## 12. Revaluation of land

In accordance with the Law concerning Revaluation of Land enacted on 31st March, 1998, the Company has revaluated its own land used for business operations on

31st March, 2000 and reported unrealized gain from revaluation of land in shareholders' equity section.

The revaluated book value of land has been determined based on the value of land registered on the cadastres and their supplementary records, which are provided by the Local Tax Law under the Law Concerning Revaluation of Land, with making reasonable adjustments.

	Millions of yen	Thousands of U.S. dollars
Book value of land before revaluation .....	¥21,624	\$203,712
Book value of land after revaluation .....	35,391	333,406

## 13. Shareholders' equity

Year-end dividends shall be approved by a meeting of the shareholders after the end of each financial year and interim dividends may be declared by the Board of Directors after the end of each first six month period, respectively.

In accordance with the Commercial Code, year-end dividends and the related appropriation of retained earnings are not reflected in the financial statements at the end of the financial year, but are recorded at the time they are approved.

## 14. Supplementary income information

Supplementary income information for the two years ended 31st March, 2000 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Depreciation expenses .....	¥4,470	¥4,216	\$39,717
Lease and rental .....	4,484	4,280	40,320

## 15. Subsequent event

The annual shareholders' meeting of the Company, which was held on 29th June, 2000, duly approved the following appropriations of retained earnings existing as at 31st March, 2000:—

	Millions of yen	Thousands of U.S. dollars
Transfer to legal reserve .....	¥ 33	\$ 311
Dividends (¥3.00 per share) .....	293	2,760
Bonuses to directors and		
statutory auditors .....	35	330

## 16. Segment Information

The Company's business segments consist of logistics related services classified as Logistics and non-logistics services classified as Others.

A summary of segment information by industry segment for the two years ended 31st March 2000 is as follows:—

	For the year ended 31st March, 1999				
	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net sales:					
Outside customers .....	¥ 107,450	¥ 9,379	¥ 116,829	¥ —	¥ 116,829
Inter segment sales .....	9	4,895	4,904	(4,904)	—
Total .....	107,459	14,274	121,733	(4,904)	116,829
Costs and expenses .....	106,369	13,314	119,683	(4,798)	114,885
Operating income .....	¥ 1,090	¥ 960	¥ 2,050	¥ (106)	¥ 1,944
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	¥ 80,060	¥ 7,840	¥ 87,900	¥ 20,593	¥ 108,493
Depreciation: .....	¥ 4,343	¥ 128	¥ 4,471	¥ 1	¥ 4,470
Capital expenditures: .....	¥ 8,369	¥ 1,399	¥ 9,768	¥ 747	¥ 9,021

	For the year ended 31st March, 2000				
	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers .....	<b>¥107,859</b>	<b>¥ 9,935</b>	<b>¥117,794</b>	<b>¥ —</b>	<b>¥117,794</b>
Inter segment sales .....	<b>10</b>	<b>4,914</b>	<b>4,924</b>	<b>(4,924)</b>	<b>—</b>
Total .....	<b>107,869</b>	<b>14,849</b>	<b>122,718</b>	<b>(4,924)</b>	<b>117,794</b>
Costs and expenses .....	<b>106,583</b>	<b>13,463</b>	<b>120,046</b>	<b>(4,664)</b>	<b>115,382</b>
Operating income .....	<b>¥ 1,286</b>	<b>¥ 1,386</b>	<b>¥ 2,672</b>	<b>¥ (260)</b>	<b>¥ 2,412</b>
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	<b>¥ 93,625</b>	<b>¥ 7,775</b>	<b>¥101,400</b>	<b>¥ 28,883</b>	<b>¥130,283</b>
Depreciation: .....	<b>¥ 4,077</b>	<b>¥ 140</b>	<b>¥ 4,217</b>	<b>¥ 13</b>	<b>¥ 4,204</b>
Capital expenditures: .....	<b>¥ 4,983</b>	<b>¥ 188</b>	<b>¥ 5,171</b>	<b>¥ 12</b>	<b>¥ 5,159</b>

	For the year ended 31st March, 1999				
	Thousands of U.S. dollars				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers .....	\$1,012,247	\$ 88,356	\$1,100,603	\$ —	\$1,100,603
Inter segment sales .....	85	46,114	46,199	(46,199)	—
Total .....	1,012,332	134,470	1,146,802	(46,199)	1,100,603
Costs and expenses .....	1,002,063	125,426	1,127,489	(45,200)	1,082,289
Operating income .....	\$ 10,269	\$ 9,044	\$ 19,313	\$ (999)	\$ 18,314
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	\$754,216	\$ 73,858	\$ 828,074	\$193,999	\$1,022,073
Depreciation: .....	\$ 40,914	\$ 1,206	\$ 42,120	\$ 10	\$ 42,110
Capital expenditures: .....	\$ 78,841	\$ 13,180	\$ 92,021	\$ 7,037	\$ 84,984

	For the year ended 31st March, 2000				
	Thousands of U.S. dollars				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers .....	<b>\$1,016,100</b>	<b>\$ 93,594</b>	<b>\$ 1,109,694</b>	<b>\$ —</b>	<b>\$1,109,694</b>
Inter segment sales .....	<b>94</b>	<b>46,293</b>	<b>46,387</b>	<b>(46,387)</b>	<b>—</b>
Total .....	<b>1,016,194</b>	<b>139,887</b>	<b>1,156,081</b>	<b>(46,387)</b>	<b>1,109,694</b>
Costs and expenses .....	<b>1,004,079</b>	<b>126,830</b>	<b>1,130,909</b>	<b>(43,938)</b>	<b>1,086,971</b>
Operating income .....	<b>\$ 12,115</b>	<b>\$ 13,057</b>	<b>\$ 25,172</b>	<b>\$ (2,449)</b>	<b>\$ 22,723</b>
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	<b>\$ 882,007</b>	<b>\$ 73,245</b>	<b>\$ 955,252</b>	<b>\$272,096</b>	<b>\$1,227,348</b>
Depreciation: .....	<b>\$ 38,408</b>	<b>\$ 1,319</b>	<b>\$ 39,727</b>	<b>\$ 123</b>	<b>\$ 39,604</b>
Capital expenditures: .....	<b>\$ 46,943</b>	<b>\$ 1,771</b>	<b>\$ 48,714</b>	<b>\$ 113</b>	<b>\$ 48,601</b>

Note 1. Operating cost and expenses included in the column “Eliminations” mainly consist of those charged by the general affairs and finance divisions of the Company, amounting to ¥241 million (\$2,270 thousand) and ¥202 million (\$1,903 thousand) for the years ended March 31, 1999 and 2000, respectively.

Note 2. Corporate assets included in the column “Eliminations” mainly consist of surplus working fund (cash and marketable securities), long-term investment fund (investments in securities), and other assets which belong to the administrative department, amounting to ¥23,041 million (\$217,061) and ¥31,368 million (\$295,506 thousand) for the years ended March 31, 1999 and 2000, respectively.

The two business segments mainly consist of the following services:

Logistics ..... Road haulage, freight forwarding, warehousing, and harbor transport and customs services

Others ..... Vehicle maintenance, casualty insurance, leasing, merchandising and commissioned sales and purchases, travel services, mail order services, travel inn

Neither geographical segment information nor overseas sales have been presented as any of the Company’s consolidated subsidiaries are not located outside Japan and the Company and its consolidated subsidiaries have not overseas sales for the years ended March 31, 1999 and 2000.

**REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON THE CONSOLIDATED FINANCIAL STATEMENTS  
OF THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES**

To the Board of Directors of  
Tonami Transportation Co., Ltd.

We have examined the consolidated balance sheets of Tonami Transportation Co., Ltd. and its consolidated subsidiaries as at 31st March, 1999 and 2000 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended.

Our examinations were made in accordance with **auditing standards generally accepted in Japan** and, accordingly, included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Tonami Transportation Co., Ltd. and its consolidated subsidiaries as at 31st March, 1999 and 2000 and the results of their operations and cash flows for the years then ended, in conformity with **accounting principles generally accepted in Japan** applied on a consistent basis.

As described in Notes 2 (g) and 3 to the consolidated financial statements, Tonami Transportation Co., Ltd. has adopted the revised accounting principles for consolidated financial statements as well as new accounting standards for research and development and tax-effect accounting in the preparation of its consolidated financial statements for the year ended 31st March, 2000.

The United States dollar amounts shown in the accompanying consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into dollars on the basis described in Note 1.

Effective 1st April, 2000, Century Audit Corporation merged with Ota Showa & Co. and changed its name to Century Ota Showa & Co.

*Century Ota Showa & Co.*

Century Ota Showa & Co.

Toyama Prefecture, Japan  
29th June, 2000

## CORPORATE DATA

### Head Office

2-12, Showa-machi 3-chome, Takaoka,  
Toyama Prefecture 933-0946, Japan  
Phone: (0766) 21-1073  
Fax: (0766) 21-3640

### Tokyo Office

3-8, Higashinohonbashi 3-cyome, Chuo-ku,  
Tokyo 103-0004, Japan  
Phone: (03) 3664-5401  
Fax: (03) 3664-5405

### Date of Establishment

June 1943

### Common Stock

¥14,183 million

### Issued and Outstanding Shares

97,610,118 shares

### Shareholders

10,102

### Employees

5,757

### Terminals

90

### Warehouses

43

### Motor Vehicles

5,549

(As of 31st March, 2000)

### Consolidated Subsidiaries

Kanto Tonami Transportation Co., Ltd.  
*Road haulage*

Gosei Tonami Transportation Co., Ltd.  
*Road haulage*

Osaka Tonami Transportation Co., Ltd.  
*Road haulage*

Shonan Tonami Transportation Co., Ltd.  
*Road haulage*

Ibaraki Tonami Transportation Co., Ltd.  
*Road haulage*

Fukui Tonami Transportation Co., Ltd.  
*Road haulage*

Ishikawa Tonami Transportation Co., Ltd.  
*Road haulage*

Kanagawa Tonami Transportation Co., Ltd.  
*Road haulage*

Kansai Tonami Transportation Co., Ltd.  
*Road haulage*

Zento Transportation Co., Ltd.  
*Road haulage*

Takefu Transportation Co., Ltd.  
*Road haulage*

Kawai Transportation Co., Ltd.  
*Road haulage*

Chukyo Tonami Transportation Co., Ltd.  
*Road haulage*

ATS Co., Ltd.  
*Road haulage*

Nagoya Logistics Co., Ltd.  
*Warehousing*

Nihon Unyu Co., Ltd.  
*Harbor transport*

Kokusai Kyodo Logistics Co., Ltd.  
*Warehousing*

Tonami Trading Co., Ltd.  
*Trading Company*

Toyo Gomu Hokuriku Hanbai Co., Ltd.  
*Sale of tires*

Shogawa Kanko Co., Ltd.  
*Travel inns*

Toyama Jizake Hanbai Co., Ltd.  
*Sale of liquor*

Tonami Automobile Technology Research Institute Co., Ltd.  
*Automobile technology R&D*

Toyo Tire Toyama shop Co., Ltd.  
*Sale of tires*

Toyo Shinso Co., Ltd.  
*Sale of bed-clothes*

# TONAMI TRANSPORTATION CO., LTD.

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