



**TONAMI TRANSPORTATION CO., LTD.**

**ANNUAL REPORT 2001**

**TONAMI**

# NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

TONAMI TRANSPORTATION CO., LTD

Two years ended March 31, 2001

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
FOR THE YEAR:			
Service revenues .....	¥100,291	<b>¥100,509</b>	<b>\$ 811,210</b>
Operating income .....	1,543	<b>1,695</b>	<b>13,680</b>
Net income (loss) .....	910	<b>(8,888)</b>	<b>(71,734)</b>
PER SHARE (yen and U.S. dollars):			
Net income (loss) .....	¥ 9.29	<b>¥(91.05)</b>	<b>\$(0.7349)</b>
Cash dividends .....	6.00	<b>6.00</b>	<b>0.0484</b>
AT YEAR-END:			
Total assets .....	¥120,697	<b>¥109,261</b>	<b>\$881,848</b>
Total shareholders' equity .....	54,020	<b>44,635</b>	<b>36,250</b>

Notes: 1 U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥123.90 = U.S.\$1, prevailing on 31st March, 2001, 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.

## CONTENTS

- 1 PROFILE
- 2 A MESSAGE FROM THE PRESIDENT
- 4 BOARD OF DIRECTORS AND STATUTORY AUDITORS
- 5 FINANCIAL SECTION
- 35 CORPORATE DATA

# 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, and has recently completed an upgrade of its information network, including adding mobile connections to all of its vehicles. 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 agency services.

## PERFORMANCE

The fortunes of the Japanese economy rose and fell during the fiscal year under review. During the first half, major Japanese manufacturing companies began to show signs of performance recovery, supported by strong private sector capital investment and booming exports. Personal consumption, however, remained in the doldrums. In the second half, signs of the slowdown in the U.S. economy began to steadily emerge, reversing production and export growth trends and pushing Japan's economy back into a recessionary trend.



In the transportation industry, domestic freight tonnage began to expand in the first half as the economy steadily picked up steam. Entering 2001, however, freight tonnage slowed rapidly, reflecting the downturn. In addition, competition intensified, producing a difficult business climate.

In dealing with these circumstances, the Company sought growth in its operating income through aggressive sales activities and joint delivery systems and through efforts to expand sales of new transportation services, such as recycling of used on expired confidential documents. In addition, Tonami actively worked to further improve its transportation system and to develop its system distribution operations, which propose outsourcing services to companies. Thanks to these efforts, service revenues increased 0.2% despite the difficult business climate, to ¥100.5 billion. Despite a host of increasing expenses, such as rising fuel and vehicle costs, the Company combined improvement in vehicle load capacity use with cost cuts and greater operating efficiency to post a 9.9% increase in operating income. Although a net loss was recorded in the fiscal year under review, it was primarily due to the booking of extraordinary expenses related to the adoption of a new accounting standard for retirement benefits.

Looking at divisional performance, in our transportation business, revenues from road haulage services increased 0.5%, accounting for 85.6% of total revenues. In our warehousing business, revenues rose 2.1%, contributing 8.2% of total revenues. All other business recorded year-on-year declines. Revenues from removal services fell 2.8%, revenues from rail forwarding fell 4.4%, and revenues from other services decreased 7.2%.

During the fiscal year under review, we concentrated our capital investment on our national network and the total upgrade of our information systems. We completed the construction of new facilities for the relocation of the computer center in Toyama Prefecture in June 2000. Other construction completed included the Hokuriku joint delivery center in Ishikawa Prefecture in October 2000 and the new Niigata distribution center in Niigata Prefecture in February 2001. In addition, we finished installing mobile terminals in all of our vehicles and new computer terminals in all of our offices. Utilizing this upgraded information system, employees are working together to improve customer service and the productivity of our vehicles. Total capital investment during the fiscal year was ¥4,117 million.

## OUTLOOK

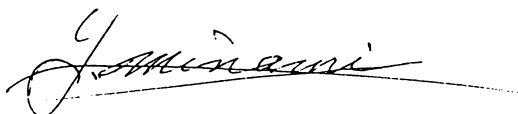
The economic downturn, falling commodity prices caused by a deflationary environment, and continued stagnation in personal consumption suggest that Japan's economy will continue to struggle for the time being.

The transportation industry will also face difficulties, with minus growth forecast in domestic freight haulage and competition intensifying within the industry.

To cope with these circumstances, we will target growth in service revenues by further escalating our sales efforts, increasing the sales of new transportation services, expanding our system distribution operations, and cooperating with subsidiaries. By combining these efforts to provide integrated distribution services, we intend to targeted profitability growth. We will also work toward this goal by using our new information system to improve the quality of our services and raise efficiency throughout the Company.

In the current fiscal year ahead, we will again commit ourselves to improving performance. In pursuing that challenge, we look forward to the continued support of our shareholders.

September 2001

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**

Yohsuke Konishi

Katsusuke Watanuki

## **MANAGING DIRECTORS**

Hiroki Matsumoto

Kunihiko Shibata

Akiyoshi Kunisada

Kohichi Shimazaki

## **DIRECTORS**

Takeshi Yamagishi

Akira Fune

Tsutomu Chujoh

Noriaki Murata

Iwao Hamano

Kohichi Kishida

Shigeki Sakamoto

Takashi Suzuki

## **STANDING STATUTORY AUDITORS**

Yoshitetsu Sasaki

Hisao Saito

Makoto Nagai

## **STATUTORY AUDITOR**

Tsutomu Uchii

(As of 28th June, 2001)

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**6** MANAGEMENT DISCUSSION AND ANALYSIS  
OF OPERATIONS AND FINANCIAL POSITION

---

**9** NON-CONSOLIDATED FIVE-YEAR SUMMARY

---

**10** NON-CONSOLIDATED BALANCE SHEETS

---

**12** NON-CONSOLIDATED STATEMENTS OF  
INCOME

---

**13** NON-CONSOLIDATED STATEMENTS OF  
SHAREHOLDERS' EQUITY

---

**14** NON-CONSOLIDATED STATEMENTS OF  
CASH FLOWS

---

**15** NOTES TO THE NON-CONSOLIDATED  
FINANCIAL STATEMENTS

---

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

---

**21** CONSOLIDATED FIVE-YEAR SUMMARY

---

**22** CONSOLIDATED BALANCE SHEETS

---

**24** CONSOLIDATED STATEMENTS OF INCOME

---

**25** CONSOLIDATED STATEMENTS OF  
SHAREHOLDERS' EQUITY

---

**26** CONSOLIDATED STATEMENTS OF  
CASH FLOWS

---

**27** NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

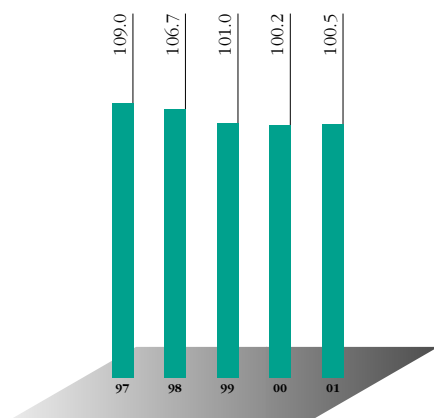
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**33** REPORT OF THE INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS ON THE  
CONSOLIDATED FINANCIAL STATEMENTS

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**Service Revenues**

Billions of yen



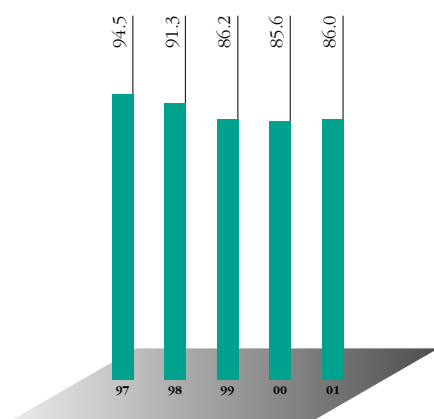
**ANALYSIS OF OPERATIONS**

Despite an up and down year for the Japanese economy, services revenues for the year ended March 31, 2001 increased 0.2%, to ¥100.5 billion (\$881 million), as the Company combined 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, increased 0.5%, to ¥85,998 million, accounting for 85.6% of total service revenues. Although road haulage was expanding along with the recovery in the economy in the first half, growth ground to a halt in the second half because of the economic downturn. Nevertheless, strong marketing efforts helped operations post a slight year-on-year increase amid heightened competition in the market.

**Revenues from Road Haulage**

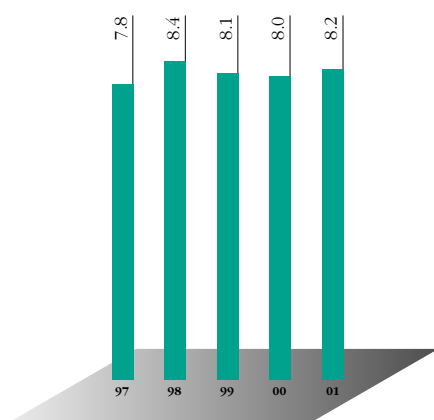
Billions of yen



Revenues from warehousing, Tonami's second largest operations, grew 2.1%, to ¥8,230 million, contributing 8.2% 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 1.9% of total services revenues, declined 2.8%, to ¥1,952 million. Revenues from rail forwarding services, which contributed 1.3% of total service revenues, lost 4.4%, to ¥1,333 million. Although revenues declined in the fiscal year under review, rail freight still provides an attractive option to trucking routes because of more reliable scheduling and highly competitive services. Revenues from other services sunk 7.2%, to ¥2,992 million, accounting for 3.0% of total service revenues during the fiscal year in review.

**Revenues from Warehousing**

Billions of yen



Cost of services edged down slightly to ¥95,808 million (\$773 million). Selling, general and administration expenses rose 1.2%, to ¥3,006 million (\$24.3 million). Overall, operating income expanded 9.9%, to ¥1,695 million (\$13.7 million).

Other income and expenses fell substantially to a net expense of ¥16,610 million (\$134 million), primarily due to the appropriation of shortfall of required reserve for employee retirement benefits based on the Revised Accounting Standards of ¥16,038 million (\$129 million) compared with income of ¥402 million in the previous fiscal year. Interest and dividend income increased 9.7%, to ¥430 million (\$3.5 million) while interest expenses rose 30.74%, to ¥400 million (\$3.2 million). Loss before income taxes, therefore, amounted to ¥14,915 million (\$120 million). Income taxes for the period decreased slightly to ¥1,085 million (\$8.8 million) while deferred income taxes rose significantly to ¥7,112



million (\$57.4 million). Consequently, the Company recorded a loss of ¥8,888 million (\$71.7 million) compared with net income of ¥910 million in the previous fiscal year. Loss per share was ¥91.05 (\$0.7349) compared with net income per share of ¥9.29 in the previous year.

Net property and equipment rose slightly, to ¥61,883 million (\$499 million) because of increases in land and buildings and structures. Machinery and tools and vehicles declined somewhat, and construction in progress was minimal. Tonami continued to maintain its policy of limiting capital investment to essential areas, such as the maintenance of its haulage and warehousing network.

Investments and other assets jumped 42.3%, to ¥15,032 million (\$121 million) principally because of the reclassification of securities from current assets to investments in securities due to the implementation of new accounting standards for financial instruments and the addition of ¥3,565 million (\$28.8 million) in deferred tax assets.

## ANALYSIS OF FINANCIAL POSITION

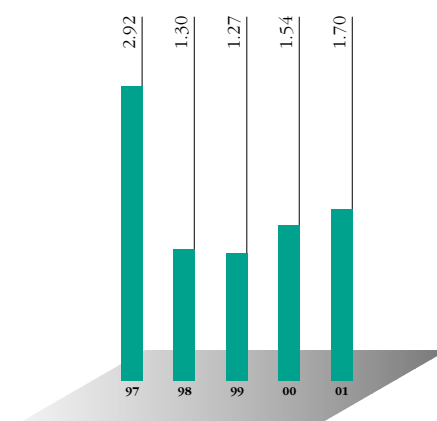
Current assets decreased 33.3%, to ¥32,346 million (\$261 million), mainly due to the reclassification of some marketable securities to investments and other assets under the new accounting standards adopted for financial instruments. Cash fell 11.3%, to ¥3,794 million (\$30.6 million) while marketable securities dropped 62.8%, to ¥7,050 million (\$56.9 million) mainly because of the redemption of bonds amounting to ¥18,823 million (\$152 million). Among trade receivables, notes and accounts receivable declined 2.6%, to ¥18,971 million (\$153 million).

Current liabilities also dropped, falling 39.5%, to ¥27,824 million (\$225 million). The considerable decline resulted from absence of ¥18,823 million in the current portion of bonds that was redeemed during the fiscal year under review. Accounts payable decreased 2.6%, to ¥7,819 million (\$63.1 million). Income tax payable fell 66.8%, to ¥334 million (\$2.7 million). Other current liabilities declined 12.1%, to ¥5,285 million (\$42.7 million). The current ratio increased to 1.16 from 1.05 in the previous year. This improvement also was mainly due to the absence of the current portion of bonds.

Long-term liabilities jumped 43.7%, to ¥36,802 million (\$297 million). This increase can be attributed to the increase of a ¥16,325 million (\$132 million) to ¥20,858 million (\$168 million) of retirement benefit reserve in accordance with

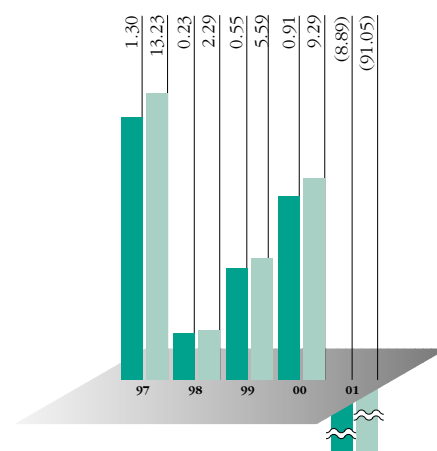
### Operating Income

Billions of yen



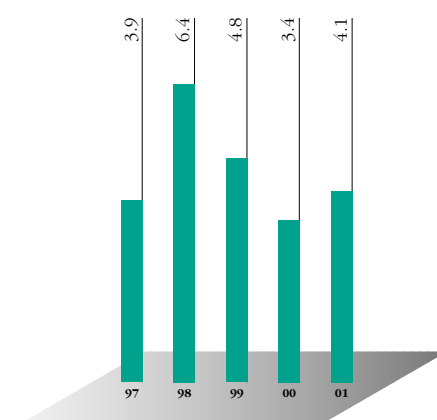
### Net Income/Net Income per Share

Billions of yen/yen



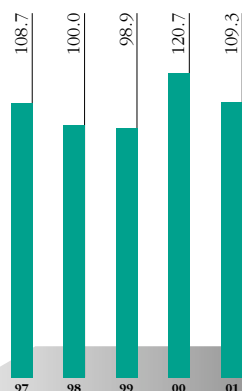
### Capital Expenditures

Billions of yen



### Total Assets

Billions of yen



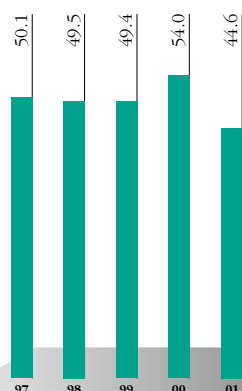
new accounting standards. Long-term debt, less current portion was unchanged from the prior year, at ¥7,000 million (\$56.5 million). Deferred tax liabilities were down 36.9%, to ¥3,267 million (\$264 million). Deferred tax liabilities from revaluation of land declined slightly to ¥5,640 million (\$45.5 million).

Shareholders' equity dropped 17.4%, to ¥44,635 million (\$360 million), principally because of a 59.0% decline in retained earnings, to ¥6,542 million (\$52.8 million) due to the loss incurred during the fiscal year. In addition, unrealized gain from revaluation of land edged down 1.8%, to ¥7,872 million (\$6.5 million). Reflecting the decrease in shareholders' equity, the equity ratio fell to 40.9% compared with 44.8% in the previous fiscal year.

### ANALYSIS OF CASH FLOWS

### Shareholders' Equity

Billions of yen



Cash and cash equivalents at beginning of period were ¥15,609 million (\$126 million). Net cash provided by operating activities amounted to ¥5,489 million (\$44.3 million), up ¥1,298 million from the previous fiscal year. Although the Company recorded a loss of ¥14,915 before income taxes, this decrease was more than offset by the net increase in retirement benefit reserves. Among other significant items in cash flow from operating activities, depreciation and amortization was ¥3,305 million (\$26.7 million), down 4.4%.

Net cash provided by investing activities amounted to ¥2,589 million (\$20.9 million) compared with net cash used in the previous fiscal year. Contributors to this reversal included proceeds from sales of marketable securities, which increased ¥7,615 million, to ¥8,981 million (\$72.5 million), and purchase of marketable securities, which declined ¥2,061 million, to ¥2,609 million (\$21.1 million). Purchase of property and equipment increased ¥1,468 million, to ¥4,564 million (\$36.8 million).

### Net Cash Provided by Operating Activities

Billions of yen



Net cash used in financing activities amounted to ¥13,846 million (\$112 million). Cash flows from financing activities reversed from the net cash provided position in the previous fiscal year because of the ¥18,823 million (\$152 million) redemption in bonds. Among fund procurement, increase in short-term loans amounted to ¥1,760 million (\$14.2 million) and proceeds from long-term loans amounted to ¥4,250 million (\$34.3 million). Cash and cash equivalents at the end of the period, therefore, decreased by ¥5,767 million (\$46.5 million) to ¥9,842 million (\$79.4 million), but still provided adequate liquidity for operations.

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

Years ended 31st March

	Millions of yen				Thousands of U.S. dollars	
	1997	1998	1999	2000	2001	2001
<b>RESULTS OF OPERATIONS:</b>						
Service revenues .....	¥109,009	¥106,736	¥100,962	¥100,291	<b>¥100,509</b>	<b>\$811,210</b>
Cost of services .....	103,380	102,871	97,019	96,070	<b>95,808</b>	<b>773,269</b>
Selling, general and administrative expenses .....	2,706	2,562	2,675	2,678	<b>3,006</b>	<b>24,261</b>
Operating income .....	2,923	1,303	1,268	1,543	<b>1,695</b>	<b>13,680</b>
Income (loss) before income taxes .....	3,346	922	1,486	2,061	<b>(14,915)</b>	<b>(120,378)</b>
Net income (loss) .....	1,302	226	551	910	<b>(8,888)</b>	<b>(71,734)</b>
Capital expenditures .....	3,907	6,350	4,794	3,483	<b>4,117</b>	<b>33,228</b>
Depreciation expenses .....	4,122	4,064	3,687	3,458	<b>3,305</b>	<b>26,675</b>
<b>PER SHARE (yen and U.S. dollars):</b>						
Net income (loss) .....	¥13.23	¥ 2.29	¥ 5.59	¥ 9.29	<b>¥(91.05)</b>	<b>\$(0.7349)</b>
Cash dividends .....	8.00	7.50	6.75	6.00	<b>6.00</b>	<b>0.0484</b>
<b>YEAR-END FINANCIAL POSITION:</b>						
Total current assets .....	¥52,283	¥41,589	¥40,617	¥48,404	<b>¥32,346</b>	<b>\$261,065</b>
Net property and equipment .....	45,602	47,608	48,217	61,731	<b>61,883</b>	<b>499,459</b>
Total assets .....	108,698	99,959	98,901	120,697	<b>109,261</b>	<b>881,848</b>
Total current liabilities .....	34,484	27,136	26,210	45,971	<b>27,824</b>	<b>224,568</b>
Long-term liabilities, excluding of current portion thereof .....	24,130	23,301	23,324	20,706	<b>36,802</b>	<b>297,030</b>
Total shareholders' equity .....	50,084	49,522	49,367	54,020	<b>44,635</b>	<b>360,250</b>
<b>OTHER YEAR-END DATA:</b>						
Number of share outstanding (thousand) .....	98,410	98,410	98,410	97,610	<b>97,610</b>	
Number of employees .....	6,360	6,195	5,952	5,757	<b>5,636</b>	

As of 31st March, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash .....	¥ 4,277	¥ 3,794	\$ 30,621
Marketable securities (Note 3) .....	18,946	7,050	56,901
Trade receivables:			
Notes and accounts (Notes 7 and 10) .....	19,480	18,971	153,115
Less: allowance for doubtful accounts .....	(44)	(45)	(363)
Inventories .....	146	152	1,227
Deferred tax assets (Note 6) .....	409	365	2,946
Other current assets .....	5,190	2,059	16,618
Total current assets .....	48,404	32,346	261,065
<b>Property and equipment</b> (Notes 4 and 5):			
Land .....	35,392	35,968	290,298
Buildings and structures .....	38,570	40,366	325,795
Machinery and tools .....	5,902	5,537	44,689
Vehicles .....	23,619	22,425	180,993
Construction in progress .....	217	0	0
Less: accumulated depreciation .....	(41,969)	(42,413)	(342,316)
Net property and equipment .....	61,731	61,883	499,459
<b>Investments and other assets:</b>			
Investments in securities (Notes 3 and 5) .....	3,571	5,222	42,147
Investments in subsidiaries and affiliates .....	1,589	1,776	14,334
Loans to employees .....	34	28	226
Deferred tax assets (Note 6) .....	—	3,565	28,773
Others .....	5,368	4,441	35,844
Total investments and other assets .....	10,562	15,032	121,324
Total assets .....	¥120,697	¥109,261	\$ 881,848

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 5) .....	¥ 11,680	¥ 13,440	\$ 108,475
Current portion of long-term debt .....	—	533	4,302
Current portion of bonds .....	18,823	—	—
Accounts payable (Note 7) .....	8,025	7,819	63,107
Deposits from employees .....	424	413	3,333
Income taxes payable .....	1,006	334	2,696
Other current liabilities .....	6,013	5,285	42,655
Total current liabilities .....	45,971	27,824	224,568
<b>Long-term liabilities:</b>			
Long-term debt, less current portion thereof (Note 5) .....	7,000	10,267	82,865
Deferred tax liabilities (Note 6) .....	3,398	—	—
Deferred tax liabilities from revaluation of land (Note 11) .....	5,746	5,640	45,521
Employees' retirement benefits .....	4,533	—	—
Employees' severance and retirement benefits (Note 3) .....	—	20,858	168,345
Other long-term liabilities .....	29	37	299
Total long-term liabilities .....	20,706	36,802	297,030
Total liabilities .....	66,677	64,626	521,598
<b>Contingent liabilities</b> (Note 9)			
<b>Shareholders' equity</b> (Note 12):			
Common stock:			
Authorised: 299,200,000 shares in 2000			
299,200,000 shares in 2001			
Issued, par value ¥50 per share:			
97,610,118 shares in 2000			
97,610,118 shares in 2001 .....	14,183	14,183	114,471
Additional paid-in capital .....	14,687	14,687	118,539
Legal reserve .....	1,166	1,228	9,911
Unrealized gain from revaluation of land (Note 11) .....	8,020	7,872	63,535
Retained earnings .....	15,964	6,542	52,801
Unrealized gain from securities .....	—	123	993
Total shareholders' equity .....	54,020	44,635	360,250
Total liabilities and shareholders' equity .....	¥120,697	¥109,261	\$ 881,848



**NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY** TONAMI TRANSPORTATION CO., LTD.

For the two years ended 31st March, 2001

	Millions of yen						
	Shares of common stock (thousands)	Common stock	Additional paid-in capital	Legal reserve	Unrealized gain from revaluation	Retained earnings	Unrealized gain from securities
<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 applicable to the year (¥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>	
Net income						(8,888)	
Cash dividends applicable to the year (¥6.00 per share)						(586)	
Transfer to legal reserve				62		(62)	
Unrealized gain from revaluation of land					(148)	148	
Unrealized gain from securities							¥123
Bonuses to directors and statutory auditors						(35)	
<b>Balance as at 31st March, 2001</b>	<b>97,610</b>	<b>¥14,183</b>	<b>¥14,687</b>	<b>¥1,228</b>	<b>¥7,872</b>	<b>¥6,541</b>	<b>¥123</b>

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Legal reserve	Unrealized gain from revaluation	Retained earnings	Unrealized gain from securities
<b>Balance as at 31st March, 1999</b>	\$114,471	\$118,539	\$8,894	—	\$156,538	
Net income					7,345	
Prior period adjustment for tax-effect accounting					(27,692)	
Retirement of treasury stock					(1,792)	
Cash dividends applicable to the year (\$0.0484 per share)					(4,746)	
Transfer to legal reserve			517		(517)	
Unrealized gain from revaluation of land				\$64,730		
Bonuses to directors and statutory auditors					(291)	
<b>Balance as at 31st March, 2000</b>	<b>114,471</b>	<b>118,539</b>	<b>9,411</b>	<b>64,730</b>	<b>128,846</b>	
Net income					(71,735)	
Cash dividends applicable to the year (\$0.0484 per share)					(4,730)	
Transfer to legal reserve			500		(500)	
Unrealized gain from revaluation of land				(1,195)	1,195	
Unrealized gain from securities						\$993
Bonuses to directors and statutory auditors					(282)	
<b>Balance as at 31st March, 2001</b>	<b>\$114,471</b>	<b>\$118,539</b>	<b>\$9,911</b>	<b>\$63,535</b>	<b>\$52,793</b>	<b>\$993</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, 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>Cash flows from operating activities:</b>			
Net income (loss) before income taxes .....	¥ 2,061	¥(14,915)	\$(120,379)
Depreciation and amortization .....	3,458	3,305	26,675
(Gain) loss on disposal of property and equipment .....	(36)	232	1,872
Gain on sales of marketable securities .....	(97)	(30)	(242)
Loss on devaluation of marketable securities .....	93	—	—
Gain on sales of investments in securities .....	—	(25)	(202)
Loss on devaluation of investments in securities .....	—	421	3,398
Loss on devaluation of golf club memberships .....	—	183	1,477
(Decrease) increase in allowance for doubtful accounts .....	(11)	202	1,630
Increase (decrease) in employees' retirement benefits .....	58	(4,533)	(36,586)
Increase in accrued employees' severance and retirement benefits .....	—	20,858	168,345
Decrease in accrued bonuses to employees .....	(58)	(238)	(1,921)
Interest and dividend income .....	(392)	(430)	(3,471)
Interest expenses .....	306	398	3,212
Decrease in trade receivables .....	404	509	4,108
Increase in inventories .....	(42)	(6)	(48)
Increase (decrease) in accounts payable .....	233	(203)	(1,638)
Increase (decrease) in accrued consumption taxes .....	163	(70)	(565)
Other, net .....	(753)	1,556	12,559
Subtotal .....	5,387	7,214	58,224
Interest and dividends received .....	392	430	3,471
Interest paid .....	(306)	(398)	(3,212)
Income taxes paid .....	(1,282)	(1,757)	(14,181)
Net cash provided by operating activities .....	4,191	5,489	44,302
<b>Cash flows from investing activities:</b>			
Purchase of time deposits .....	(380)	(178)	(1,437)
Proceeds from redemption of time deposits .....	—	360	2,905
Purchase of marketable securities .....	(4,670)	(2,609)	(21,057)
Proceeds from sales of marketable securities .....	1,366	8,981	72,486
Purchase of property and equipment .....	(3,096)	(4,564)	(36,836)
Proceeds from sales of property and equipment .....	2,408	587	4,738
Purchase of investments in securities .....	(287)	(643)	(5,190)
Proceeds from sales of investments in securities .....	101	307	2,478
Loan made .....	(2,035)	(668)	(5,391)
Proceeds from collection of loans .....	1,892	738	5,956
Other, net .....	(18)	278	2,244
Net cash (used in) provided by investing activities .....	(4,717)	2,589	20,896
<b>Cash flows from financing activities:</b>			
Increase in short-term loans .....	330	1,760	14,205
Proceeds from long-term debt .....	—	4,250	34,302
Repayments of long-term debt .....	—	(450)	(3,632)
Proceeds from issuance of bonds .....	6,955	—	—
Redemption of bonds .....	—	(18,823)	(151,921)
Repurchase of treasury stocks .....	(222)	—	—
Dividends paid .....	(588)	(586)	(4,730)
Other, net .....	—	3	24
Net cash provided by (used in) financing activities .....	6,466	(13,846)	(111,752)
<b>Effect of exchange rate change on cash and cash equivalents</b> .....	—	—	—
<b>Net increase (decrease) in cash and cash equivalents</b> .....	5,939	(5,767)	(46,546)
<b>Cash and cash equivalents at beginning of year</b> .....	9,669	15,609	125,981
<b>Cash and cash equivalents at end of year</b> .....	¥ 15,609	¥ 9,842	\$ 79,435

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 ¥123.90 = U.S.\$1, prevailing on 31st March, 2001, 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

Securities for which market value is readily determinable are stated at market value as of the end of the year with unrealized gains and losses, not reflected in earnings but directly reported as a separate component of shareholders' equity. The cost of such securities sold is determined by the moving-average method.

Securities for which market value is not readily determinable are stated at moving average cost.

### (c) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying the rate of actual losses on collection experienced in the past with respect to general trade receivables and by individually reviewing their collectibility with respect to certain doubtful receivables.

### (d) Property and equipment and intangible assets

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, except for buildings and structures. The buildings and structures are depreciated by the straight-line method.

Amortization of intangible assets is principally computed using the straight-line method on the presumption of having no salvage value.

Cost of software for internal use is amortized by the straight-line method over the estimated useful years (five years).

### (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 by the method similar to that applicable to ordinary operating leases.

### (f) Employees' severance and retirement benefits

The Company's employees are entitled to a lump-sum payment upon retirement or severance of employment. In order to provide for the employees' severance and retirement benefits, the Company provided the liability for severance and retirement benefits, which is included in the liability section of the non-consolidated balance sheet as of March 31, 2001, based on the estimated amounts of projected benefit obligation and plan assets at that time.

Net transition obligation resulting from the adoption of new accounting standards for employees' severance and retirement benefits amounting to ¥16,038 million (\$129,443 thousand) were fully charged to income and stated as extraordinary losses.

Actuarial gains and losses are recognized in expenses using the straight-line method over 12 years (a certain period not exceeding the employees' average remaining service lives commencing with the next year).

### (g) Stock issue expenses

Stock issue expenses are charged to income as incurred.

### (h) Income taxes

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

The Company recognizes tax effects of temporary differences between the financial statement basis and the income tax basis of assets and liabilities.

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

The computation of net income per share of common stock

is 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 standard for employees' severance and retirements benefits**

Effect 1st April, 2000, the Company adopted the new accounting standard for employees' severance and retirement benefits, "Opinion on Setting Accounting Standard for Employees' Severance and Retirement Benefits," issued by the Business Accounting Deliberation Council on 16th June, 1998.

As a result of the adoption of the new accounting standard, severance and retirement benefit expenses increased by ¥295 million (\$2,381 thousand), operating income and income before income taxes decreased by the same amount, respectively, compared with what would have been recorded under the previous accounting standard.

The liability for severance and retirement benefits and the amortization of prior service costs recorded as of 1st April, 2000 were included in the severance and retirement benefit expenses for the year ended 31st March, 2001.

**(b) Financial instruments**

Effective 1st April, 2000, the Company adopted the new accounting standard for financial instruments, "Opinion on Setting Accounting Standard for Financial Instruments," issued by the Business Accounting Deliberation Council on 22nd January, 1999. The effect on the non-consolidated income statements from adopting the new accounting standard is immaterial.

Based on the examination of the intent of holding each securities upon application of the new accounting standard at 1st April, 2000, held-to-maturity securities and available-for-sale securities with maturity of one year or less and short-term highly liquidated available-for-sale securities like deposits are included in current assets, and other securities are included in investment in securities. As a result, at 1st April, 2000 marketable securities included in current assets decreased by ¥1,720 million (\$13,882

thousand) and investments in securities increased by the same amount.

**(c) Foreign currency translation**

Effective 1st April, 2000, the Company adopted the revised accounting standard for foreign currency translation, "Opinion concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on 22nd October, 1999. The effect on the non-consolidated income statements from adopting the revised accounting standard is nothing.

**4. 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 ¥275 million (\$2,220 thousand) and ¥271 million (\$2,187 thousand) as at 31st March, 2000 and 2001, respectively.

**5. Short-term bank loans and long-term debt**

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

Short-term bank loans as at 31st March, 2000 and 2001 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Secured .....	¥3,294	<b>¥3,474</b>	<b>\$28,039</b>
Unsecured .....	8,386	<b>9,966</b>	<b>80,436</b>

Interest rates range from 0.706% to 1.500%.

**(b) Long-term debt**

Long-term debt as at 31st March, 2000 and 2001 was as follows:—

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
0.9% ¥10 billion convertible bonds due 2001 .....	¥ 8,823	—	—
0.0% ¥10 billion convertible bonds due 2000 .....	10,000	—	—
2.05% ¥7 billion unsecured straight bonds due 2003 .....	7,000	¥ 7,000	\$56,497
1.700%-2.100% loans from financial institutions due 2001 to 2006			
Secured .....	—	2,000	16,142
Unsecured .....	—	1,800	14,528
Total .....	25,823	10,800	87,167
Less amount due within one year ...	18,823	533	4,302
	¥ 7,000	¥10,267	\$82,865

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, 2001 were as follows:—

Year ending 31st March,	Millions of yen	Thousands of
		U.S. dollars
2002 .....	¥ 533	\$ 4,302
2003 .....	578	4,665
2004 .....	7,578	61,162
2005 .....	578	4,665
2006 and thereafter .....	1,533	12,373

**(c) Pledged assets**

Property and equipment having a net value of ¥21,990 million (\$177,482 thousand) was pledged as collateral for short-term bank loans and long-term debt (including current portion of long-term debt), and investment in securities of ¥348 million (\$2,809 thousand) was pledged as collateral for short-term bank loans as at 31st March, 2001.

**6. Income taxes**

As described in Note 2(h), the Company recognizes tax effects of temporary differences between the financial statement basis and the income tax basis of assets and liabilities.

Significant components of deferred tax assets and liabilities are as follows:—

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
Deferred tax assets:			
Excess bonuses accrued .....	¥ 184	¥ 215	\$ 1,735
Accrued enterprise taxes .....	76	—	—
Excess employees' severance and retirement benefits accrued .....	331	7,290	58,838
Other .....	155	244	1,969
Gross deferred tax assets ..	747	7,750	62,550
Valuation allowance .....	—	—	—
Total deferred tax assets ...	747	7,750	62,550
Deferred tax liabilities:			
Unrealized gain from securities .....	—	(88)	(710)
Reserve under Special Taxation Measures Law .....	(3,736)	(3,733)	(30,129)
Total deferred tax liabilities....	(3,736)	(3,821)	(30,839)
Net deferred tax (liabilities) assets....	¥(2,988)	¥3,929	\$31,711

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes, which, in aggregate, resulted in a statutory tax rate of 42% for the years ended 31st March, 2000 and 2001, respectively.

Significant differences between the statutory tax rate and the Company's effective tax rate after applying the deferred tax accounting for the years ended 31st March, 2000 and 2001 are as follows:—

	2000	2001
Statutory tax rate .....	41.7%	41.7%
Increase (decrease) in tax resulting from:		
Nondeductible expenses including		
entertainment, etc. ....	6.1	(0.3)
Nontaxable income including dividends		
received deduction, etc. ....	(4.3)	0.3
Per capita portion of inhabitant taxes .....	9.7	(0.0)
Other .....	2.6	(1.3)
Effective tax rate .....	55.9%	40.4%

## 7. Accounts and transactions with subsidiaries and affiliates

As at 31st March, 2001, the Company had 25 subsidiaries and 10 affiliates.

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

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
Notes and accounts receivable ..	¥ 502	¥ 422	\$ 3,406
Loans receivable .....	1,154	904	7,296
Accounts payable .....	2,341	1,829	14,762

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
Service revenues .....	¥2,127	¥2,273	\$18,345
Cost of services .....	7,293	7,563	61,041
Interest income .....	34	29	234

## 8. Finance leases

The amount of lease payment under finance lease for the year ended 31st March, 2000 and 2001 were ¥237 million (\$1,913 thousand) and ¥554 million (\$4,471 thousand), respectively.

The amount of future lease payments of finance leases as at 31st March, 2000 and 2001 were as follows:—

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
Due within one year .....	¥ 244	¥ 968	\$ 7,813
Due after one year .....	620	3,318	26,780
	¥ 864	¥4,286	\$34,592

## 9. Contingent liabilities

As at 31st March, 2001, the Company was contingently liable as follows:—

	Millions of yen		Thousands of
			U.S. dollars
Guarantees for employees'			
housing loans .....	¥ 28		\$ 226
Others .....	1,150		9,282

## 10. Trade Notes Maturing on Bank Holiday as at 31st March, 2001

As financial institutions in Japan were closed on 31st March, 2001, trade notes maturing on 31st March, 2001 were accounted for as if they were settled at that date.

The amount of trade notes maturing as at 31st March, 2001 was as follows:—

	Millions of yen		Thousands of
			U.S. dollars
Trade notes receivable .....	¥538		\$4,342

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

The revaluated book value of land was determined based on the value of land registered on the cadastres or 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
Difference between the fair market value of revaluated land at 31st March, 2001 and the revaluated book value .....	¥2,593		\$20,928

## 12. Shareholders' equity

Year-end dividends shall be approved at a meeting of shareholders held after the end of each financial year and interim dividends may be declared by the Board of Directors held 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.

### 13. Supplementary income information

Supplementary income information for the two years ended 31st March, 2001 is as follows:—

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
Depreciation expenses .....	¥3,458	<b>¥3,305</b>	<b>\$26,675</b>
Lease and rental .....	3,218	<b>3,195</b>	<b>25,787</b>

### 14. Subsequent event

The annual shareholders' meeting of the Company, which was held on 28th June, 2001, duly approved the following appropriations of retained earnings existing as at 31st March, 2001:—

	Millions of yen	Thousands of
		U.S. dollars
Transfer to legal reserve .....	¥ 33	\$ 266
Dividends (¥3.00 per share) .....	293	2,365
Bonuses to directors and statutory auditors .....	30	242

**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, 2000 and 2001 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, 2000 and 2001 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 (f) and 3 to the non-consolidated financial statements, in the year ended 31st March, 2001, Tonami Transportation Co., Ltd. adopted new accounting standards for employee's severance and retirement benefits, financial instruments, and foreign currency translation in the preparation of its non-consolidated financial statements for the year ended 31st March, 2001.

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.

*Century Ota Showa & Co.*

Century Ota Showa & Co.

Toyama Prefecture, Japan  
28th June, 2001

**CONSOLIDATED FIVE-YEAR SUMMARY**

 TONAMI TRANSPORTATION CO., LTD  
 AND CONSOLIDATED SUBSIDIARIES

Years ended 31st March

	Millions of yen					Thousands of U.S. dollars	
	1997	1998	1999	2000	2001	2001	
<b>RESULTS OF OPERATIONS:</b>							
Operating revenues .....	¥125,299	¥125,164	¥116,829	¥117,794	<b>¥118,166</b>	<b>\$ 953,721</b>	
Operating cost .....	115,308	117,180	108,979	108,902	<b>109,672</b>	<b>885,165</b>	
Selling, general and administrative expenses .....	6,317	5,950	5,906	6,480	<b>6,090</b>	<b>49,153</b>	
Operating income .....	3,220	2,034	1,944	2,412	<b>2,404</b>	<b>19,403</b>	
Net income (loss) .....	1,457	411	124	1,276	<b>(8,786)</b>	<b>(70,912)</b>	
Depreciation expenses .....	5,007	4,996	4,470	4,216	<b>4,092</b>	<b>33,027</b>	
<b>PER SHARE (yen and U.S. dollars):</b>							
Net income (loss) .....	¥14.81	¥ 4.18	¥ 1.26	¥13.04	<b>¥(90.02)</b>	<b>\$(0.7266)</b>	
<b>YEAR-END FINANCIAL POSITION:</b>							
Total current assets .....	¥56,623	¥46,458	¥44,610	¥52,002	<b>¥37,583</b>	<b>\$303,333</b>	
Net property and equipment .....	49,824	52,545	53,431	66,990	<b>67,160</b>	<b>542,050</b>	
Total assets .....	117,883	110,144	108,546	130,284	<b>120,696</b>	<b>974,140</b>	
Total current liabilities .....	39,683	32,855	31,579	51,113	<b>34,113</b>	<b>275,327</b>	
Long-term liabilities, excluding of current portion thereof .....	25,180	24,578	24,884	22,075	<b>38,876</b>	<b>313,769</b>	
Total shareholders' equity .....	52,533	52,139	51,491	56,431	<b>47,113</b>	<b>380,250</b>	
<b>OTHER YEAR-END DATA:</b>							
Number of employees .....	—	—	—	7,142	<b>7,075</b>		

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

As of 31st March, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 5,916	¥ 5,348	\$43,164
Marketable securities (Notes 3 and 4) .....	18,971	7,052	56,917
Trade receivables:			
Notes and accounts (Note 10) .....	21,692	22,369	180,541
Less: allowance for doubtful accounts .....	(82)	(78)	(630)
Inventories .....	524	573	4,625
Deferred tax assets (Note 7) .....	473	611	4,931
Other current assets .....	4,505	1,708	13,785
Total current assets .....	52,002	37,583	303,333
<b>Property and equipment (Notes 5 and 6):</b>			
Land .....	37,011	37,644	303,826
Buildings and structures .....	22,657	23,591	190,403
Machinery and vehicles .....	6,541	5,309	42,849
Construction in progress .....	217	0	0
Other .....	563	616	4,972
Total property and equipment .....	66,990	67,160	542,050
<b>Investments and other assets:</b>			
Investments in securities, at cost (Notes 3, 4, and 6) .....	4,367	6,262	50,541
Deferred tax assets (Note 7) .....	—	3,657	29,516
Foreign currency translation adjustments (Note 2) .....	305	311	2,510
Others .....	6,619	5,723	46,190
Total investments and other assets .....	11,291	15,953	128,757
Total assets .....	¥130,284	¥120,696	\$974,140

The accompanying Notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 6) .....	¥ 13,732	¥ 15,640	\$126,231
Current portion of long-term debt (Note 6) .....	19,308	979	7,902
Notes and accounts payable (Note 10) .....	9,471	10,319	83,285
Income taxes payable .....	1,234	485	3,914
Other current liabilities .....	7,368	6,690	53,995
Total current liabilities .....	51,113	34,113	275,327
<b>Long-term liabilities:</b>			
Long-term debt, less current portion (Note 6) .....	7,893	11,112	89,685
Deferred tax liabilities (Note 7) .....	3,540	—	—
Deferred tax liabilities from revaluation of land (Note 11) .....	5,746	5,640	45,521
Employees' retirement benefits .....	4,738	—	—
Employees' severance and retirement benefits (Note 3) .....	—	21,969	177,312
Consolidation difference .....	—	—	—
Other long-term liabilities .....	159	155	1,251
Total long-term liabilities .....	22,075	38,876	313,769
Total liabilities .....	73,188	72,989	589,096
<b>Minority interests</b> .....	664	594	4,794
<b>Contingent liabilities</b> (Note 9)			
<b>Shareholders' equity</b> (Note 12):			
Common stock:			
Authorised: 299,200,000 shares in 2000			
299,200,000 shares in 2001			
Issued, par value ¥50 per share:			
97,610,118 shares in 2000			
97,610,118 shares in 2001 .....	14,183	14,183	114,471
Additional paid-in capital .....	14,687	14,687	118,539
Unrealized gain from revaluation of land (Note 11) .....	8,021	7,872	63,535
Retained earnings .....	19,541	10,238	82,631
Unrealized gain from securities .....	—	133	1,073
Treasury stock, at cost .....	(0)	(0)	(0)
Total shareholders' equity .....	56,431	47,113	380,250
Total liabilities, minority interests, and shareholders' equity .....	¥130,284	¥120,696	\$974,140

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

For the two years ended 31st March, 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>Operating revenues:</b>			
Operating revenues .....	¥117,794	¥118,166	\$ 953,721
	117,794	118,166	953,721
<b>Operating costs and selling, general and administrative expenses:</b>			
Operating cost (Note 13) .....	108,902	109,672	885,165
Selling, general and administrative expenses (Note 13) .....	6,480	6,090	49,153
	115,382	115,762	934,318
<b>Operating income</b> .....	2,412	2,404	19,403
<b>Other income and expenses:</b>			
Interest and dividend income .....	423	423	3,414
Gain (loss) on sells of property and equipment, net .....	19	(227)	(1,832)
Interest expenses .....	(375)	(467)	(3,769)
Others, net .....	418	(17,094)	(137,966)
	485	(17,365)	(140,153)
<b>Income (loss) before income taxes and minority interests</b> .....	2,897	(14,961)	(120,750)
<b>Income taxes</b> (Note 7):			
Current .....	2,005	1,409	11,372
Deferred .....	(451)	(7,526)	(60,742)
	1,554	(6,117)	(49,370)
<b>Minority interests</b> .....	67	(58)	(468)
<b>Net income (loss)</b> .....	¥ 1,276	¥ (8,786)	\$ (70,912)
	Yen		U.S. dollars (Note 1)
<b>Net income (loss) per share of common stock</b> .....	¥13.04	¥(90.02)	\$(0.7266)

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, 2001

	Millions of yen					
	Shares of common stock (thousands)	Common stock	Additional paid-in capital	Unrealized gain from revaluation	Retained earnings	Unrealized gain from securities
<b>Balance as at 31st March, 1999</b>	98,410	¥14,183	¥14,687		¥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>8,020</b>	<b>19,541</b>	
Net income					(8,786)	
Cash dividends applicable to the year (¥6.00 per share)					(586)	
Unrealized gain from revaluation of land				148	148	
Unrealized gain from securities						¥133
Bonuses to directors and statutory auditors					(78)	
Decrease due to the increase of affiliates accounted for by the equity method					(1)	
<b>Balance as at 31st March, 2001</b>	<b>97,610</b>	<b>¥14,183</b>	<b>¥14,687</b>	<b>¥7,872</b>	<b>¥10,238</b>	<b>¥133</b>

	Thousands of U.S. dollars (Note 1)					
		Common stock	Additional paid-in capital	Unrealized gain from revaluation	Retained earnings	Unrealized gain from securities
<b>Balance as at 31st March, 1999</b>		\$114,471	\$118,539		\$182,623	
Prior period adjustment for tax-effect accounting					(27,409)	
Adjustments of retained earnings for newly consolidated subsidiary					(605)	
Net income					10,299	
Cash dividends paid (\$0.0484 per share)					(4,754)	
Unrealized gain from revaluation of land				\$64,730	0	
Bonuses to directors and statutory auditors					(646)	
Retirement of treasury stock					(1,792)	
<b>Balance as at 31st March, 2000</b>		<b>114,471</b>	<b>118,539</b>	<b>64,730</b>	<b>157,716</b>	
Net income					(70,912)	
Cash dividends applicable to the year (\$0.0484 per share)					(4,730)	
Unrealized gain from revaluation of land				1,195	1,195	
Unrealized gain from securities						\$1,073
Bonuses to directors and statutory auditors					(630)	
Decrease due to the increase of affiliates accounted for by the equity method					(8)	
<b>Balance as at 31st March, 2001</b>		<b>\$114,471</b>	<b>\$118,539</b>	<b>\$63,535</b>	<b>\$82,631</b>	<b>\$1,073</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, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
<b>Cash flows from operating activities:</b>			
Net income (loss) before income taxes and minority interests	¥ 2,897	¥(14,961)	\$(120,751)
Depreciation and amortization	4,217	4,081	32,938
Loss on disposal of property and equipment	3	227	1,832
Gain on sales of marketable securities	(103)	(40)	(323)
Loss on devaluation of marketable securities	94	—	—
Gain on sales of investments in securities	—	(23)	(186)
Loss on devaluation of investments in securities	—	428	3,454
Loss on devaluation of golf club memberships	—	235	1,897
Amortization of foreign exchange translation adjustments	17	20	161
Equity in earnings of associated companies	(117)	(87)	(702)
(Decrease) increase in allowance for doubtful accounts	(58)	239	1,929
Increase (decrease) in employees' retirement benefits	17	(4,738)	(38,240)
Increase in employees' severance and retirement benefits	—	21,969	177,312
Decrease in accrued bonuses to employees	(92)	(278)	(2,244)
Interest and dividend income	(305)	(337)	(2,720)
Interest expenses	375	467	3,769
Decrease (increase) in trade receivables	696	(640)	(5,165)
Increase in inventories	(100)	(46)	(371)
(Decrease) increase in accounts payable	(438)	810	6,538
Increase (decrease) in accrued consumption taxes	164	(69)	(557)
Other, net	962	1,319	10,646
Subtotal	8,229	8,576	69,217
Interest and dividends received	305	337	2,720
Interest paid	(375)	(467)	(3,769)
Income taxes paid	(1,615)	(2,158)	(17,417)
Net cash provided by operating activities	6,543	6,288	50,751
<b>Cash flows from investing activities:</b>			
Purchase of time deposits	(524)	(356)	(2,873)
Proceeds from redemption of time deposits	115	619	4,996
Purchase of marketable securities	(4,275)	(2,188)	(17,659)
Proceeds from sales of marketable securities	2,418	9,000	72,639
Purchase of property and equipment	(5,818)	(5,298)	(42,760)
Proceeds from sales of property and equipment	1,991	627	5,060
Purchase of investments in securities	(76)	(599)	(4,835)
Proceeds from sales of investments in securities	120	321	2,591
Payment for purchase of investments in a newly consolidated subsidiary	(190)	—	—
Proceeds from purchase of investments in a newly consolidated subsidiary	—	15	121
Net increase in loans receivable	(2,096)	(751)	(6,061)
Proceeds from collection of loans receivable	2,243	798	6,441
Other, net	(894)	(601)	(4,851)
Net (used in) provided by investing activities	(6,986)	1,587	12,809
<b>Cash flows from financing activities:</b>			
Net increase in short-term loans	482	2,158	17,417
Proceeds from long-term debt	403	4,746	38,305
Repayment of long-term debt	(809)	(1,165)	(9,403)
Proceeds from issuance of bonds	6,955	—	—
Redemption of bonds	—	(18,823)	(151,921)
Repurchase of treasury stocks	(221)	—	—
Dividends paid	(579)	(578)	(4,665)
Dividends paid to minority interests	(8)	(8)	(64)
Net cash provided by (used in) financing activities	6,221	(13,670)	(110,331)
<b>Effect of exchange rate change on cash and cash equivalents</b>	—	—	—
<b>Net increase (decrease) in cash and cash equivalents</b>	5,778	(5,794)	(46,764)
<b>Cash and cash equivalents at beginning of year</b>	11,201	16,980	137,046
<b>Cash and cash equivalents at end of year</b>	¥16,980	¥ 11,186	\$ 90,282

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 ¥123.90 = U.S.\$1, prevailing on 31st March, 2001, 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 25 significant majority-owned subsidiaries for the year ended March 31, 2001 (24 for 2000).

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

10 of the investments in unconsolidated subsidiaries or affiliates (eight for 2000) are accounted for by the equity method.

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

Securities for which market value is readily determinable are stated at market value as of the end of the year with unrealized gains and losses, not reflected in earnings but directly reported as a separate component of shareholders' equity. The cost of such securities sold is determined by the moving-average method.

Securities for which market value is not readily determinable are stated at moving average cost.

### (c) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying the rate of actual losses on collection experienced in the past with respect to general trade receivables and by individually reviewing their collectibility with respect to certain doubtful receivables.

### (d) Property and equipment and intangible assets

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, except for buildings and structures. The buildings and structures are depreciated by the straight-line method.

Amortization of intangible assets is principally computed using the straight-line method on the presumption of having no salvage value.

Cost of software for internal use is amortized by the straight-line method over the estimated useful years (five years).

### (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' severance and retirement benefits

The Company's employees are entitled to a lump-sum payment upon retirement or severance of employment. In order to provide for the employees' severance and retirement benefits, the Company and its consolidated subsidiaries provided the liability for severance and retirement benefits, which is included in the liability section of the consolidated balance sheet as of March 31, 2001, based on the estimated amounts of projected benefit obligation and plan assets at that time.

Net transition obligation resulting from the adoption of new accounting standards for employees' severance and retirement benefits amounting to ¥16,916 million (\$136,529 thousand) were fully charged to income and stated as extraordinary losses.

Actuarial gains and losses are recognized in expenses using the straight-line method over 12 years (a certain period not exceeding the employees' average remaining service lives commencing with the next year).

### (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 of the subsidiaries at the time of acquisition are amortized on the straight-line basis over the period of five or 20 years.

When their amounts are, however, not significant, the differences are fully charged or credited to income at the dates of acquisition.

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

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

The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the financial statement basis and the income tax basis of assets and liabilities.

### **(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.

### **(l) 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 standard for employees' severance and retirements benefits**

Effect 1st April, 2000, the Company and its consolidated subsidiaries adopted the new accounting standard for employees' severance and retirement benefits, "Opinion on Setting Accounting Standard for Employees' Severance and Retirement Benefits," issued by the Business Accounting Deliberation Council on 16th June, 1998.

As a result of the adoption of the new accounting standard, severance and retirement benefit expenses increased by ¥312 million (\$2,518 thousand), operating income and income before income taxes and minority interests decreased by the same amount, respectively, compared with what would have been recorded under the previous accounting standard.

The liability for severance and retirement benefits and the amortization of prior service costs recorded as of 1st April, 2000 were included in the severance and retirement benefit expenses for the year ended 31st March, 2001.

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

Effective 1st April, 2000, the Company and its consolidated subsidiaries adopted the new accounting standard for financial instruments, "Opinion on Setting Accounting Standard for Financial Instruments," issued by the Business Accounting Deliberation Council on 22nd January, 1999. The effect on the consolidated income statements from adopting the new accounting standard is immaterial.

Based on the examination of the intent of holding each securities upon application of the new accounting standard 1st April, 2000, held-to-maturity securities and

available-for-sale securities with maturity of one year or less and short-term highly liquidated available-for-sale securities like deposits are included in current assets, and other securities are included in investment in securities. As a result, at 1st April, 2000 marketable securities included in current assets decreased by ¥1,734 million (\$13,995 thousand) and investments in securities increased by the same amount.

### **(c) Foreign currency translation**

Effective 1st April, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on 22nd October, 1999. The effect on the consolidated income statements from adopting the revised accounting standard is nothing.

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

Acquisition cost and available market value of the equity and debt 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	\$15,811
Market value .....	2,124	17,143
Investments in securities:		
Cost .....	¥2,439	\$19,685
Market value .....	3,350	27,038

Acquisition costs and book values of held-to-maturity and available-for-sale securities with available market values as of 31st March, 2001 are summarized as follows:—

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Securities with book values exceeding acquisition costs:		
Acquisition cost .....	¥2,226	\$17,966
Book value .....	2,860	23,083
Securities with book values not exceeding acquisition costs:		
Acquisition cost .....	¥1,419	\$11,453
Book value .....	1,013	8,176

## **5. Property and equipment**

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated

depreciation were ¥48,409 million (\$390,710 thousand) and ¥49,417 million (\$398,846 thousand) on 31st March, 2000 and 2001, 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 ¥275 million (\$2,220 thousand) and ¥271 million (\$2,187 thousand) on 31st March, 2000 and 2001, respectively.

## 6. 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
	2000	2001	U.S. dollars
Secured .....	¥ 4,121	¥ 4,495	\$36,279
Unsecured .....	9,611	11,145	89,952

Interest rates range from 0.71% to 3.0%.

### (b) Long-term debt

Long-term debt as at 31st March, 2000 and 2001 was as follows:—

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
0.9% ¥10 billion convertible bonds due 2001 .....	¥ 8,823	¥ —	\$ —
0.0% ¥10 billion convertible bonds due 2000 .....	10,000	—	—
2.05% ¥7 billion unsecured straight bonds due 2003 .....	7,000	7,000	56,497
0.8%–6.1% loans from financial institutions due 2001 to 2006 and thereafter			
Secured .....	530	2,646	21,356
Unsecured .....	848	2,445	19,734
Total .....	27,201	12,091	97,587
Less: amount due within one year .....	19,308	979	7,902
	¥ 7,893	¥11,112	\$89,685

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, 2001 were as follows:—

Year ending 31st March,	Millions of yen	Thousands of
		U.S. dollars
2002 .....	¥ 979	\$ 7,902
2003 .....	887	7,159
2004 .....	7,807	63,010
2005 .....	707	5,706
2006 and thereafter .....	1,711	13,810

### (c) Pledged assets

Property and equipment having a net value of ¥23,276 million (\$187,861 thousand) was pledged as collateral for short-term bank loans and long-term debt, and investment in securities of ¥368 million (\$2,970 thousand) was pledged as collateral for short-term bank loans as at 31st March, 2001.

## 7. Income taxes

As described in Note 2(j), the Company and its consolidated subsidiaries recognizes tax effects of temporary differences between the financial statement basis and the income tax basis of assets and liabilities.

Significant components of deferred tax assets and liabilities are as follows:—

	Millions of yen		Thousands of
	2000	2001	U.S. dollars
Deferred tax assets:			
Excess bonuses accrued .....	¥ 224	¥ 260	\$ 2,098
Accrued enterprise taxes .....	95	—	—
Excess employees' severance and retirement benefits accrued ...	343	7,684	62,018
Other .....	60	190	1,533
Gross deferred tax assets ....	724	8,135	65,658
Valuation allowance .....	(20)	—	—
Total deferred tax assets .....	704	8,135	65,658
Deferred tax liabilities:			
Unrealized gain from securities	—	(94)	(759)
Reserve under Special Taxation			
Measures Law .....	(3,769)	(3,772)	(30,444)
Total deferred tax liabilities .	(3,769)	(3,867)	(31,211)
Net deferred tax (liabilities) assets .	¥(3,065)	¥ 4,267	\$ 34,439

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes, which, in aggregate, resulted in a statutory tax rate of 42% for the years ended 31st March, 2000 and 2001, respectively.

Significant differences between the statutory tax rate and the Company's effective tax rate after applying the

deferred tax accounting for the years ended 31st March, 2000 and 2001 are as follows:—

	2000	2001
Statutory tax rate .....	41.6%	41.6%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including		
entertainment, etc. ....	3.1	(0.5)
Nontaxable income including dividends		
received deduction, etc. ....	(1.6)	0.3
Per capita portion of inhabitant taxes .....	7.2	(1.4)
Equity in earnings of affiliates .....	(1.7)	0.2
Other .....	5.1	0.7
Effective tax rate .....	53.7%	40.9%

## 8. Finance leases

The amount of lease payment under finance lease for the year ended March 31, 2000 and 2001 were ¥316 million (\$2,550 thousand) and ¥656 million (\$5,295 thousand), respectively. Future lease payments of finance leases as at March 31, 2001 were as follows:—

	Millions of yen	Thousands of U.S. dollars
Due within one year .....	¥ 1,074	\$ 8,668
Due after one year .....	3,524	28,442
	¥ 4,598	\$ 37,111

## 9. Contingent liabilities

As at 31st March, 2001, the Company were contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes discounted with banks .....	¥ 354	\$ 2,857
Guarantees for employees'		
housing loans .....	28	226
Notes endorsed .....	32	258
Others .....	1,927	15,553

## 10. Trade Notes Maturing on Bank Holiday as at 31st March, 2001

As financial institutions in Japan were closed on 31st March, 2001, trade notes maturing on 31st March, 2001 were accounted for as if they were settled at that date.

The amount of trade notes maturing as at 31st March, 2001 was as follows:—

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable .....	¥538	\$4,342
Trade notes payable .....	65	525

## 11. 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 was determined based on the value of land registered on the cadastres or 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
Difference between the fair market value		
of revalued land at 31st March, 2001		
and the revalued book value .....	¥2,593	\$20,928

## 12. Shareholders' equity

Year-end dividends shall be approved at a meeting of shareholders held after the end of each financial year and interim dividends may be declared by the Board of Directors held 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.

## 13. Supplementary income information

Supplementary income information for the two years ended 31st March, 2001 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Depreciation expenses .....	¥4,216	¥4,092	\$33,027
Lease and rental .....	4,280	4,763	38,442

## 14. Subsequent event

The annual shareholders' meeting of the Company, which was held on 28th June, 2001, duly approved the following appropriations of retained earnings existing as at 31st March, 2001:—

	Millions of yen	Thousands of U.S. dollars
Transfer to legal reserve .....	¥ 33	\$ 266
Dividends (¥3.00 per share) .....	293	2,365
Bonuses to directors and		
statutory auditors .....	30	242



## 15. 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 2001 is as follows:—

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

	For the year ended 31st March, 2001				
	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers .....	<b>¥109,040</b>	<b>¥ 9,126</b>	<b>¥118,166</b>	<b>¥ —</b>	<b>¥118,166</b>
Inter segment sales .....	<b>11</b>	<b>4,094</b>	<b>4,105</b>	<b>(4,105)</b>	<b>—</b>
Total .....	<b>109,051</b>	<b>13,220</b>	<b>122,271</b>	<b>(4,105)</b>	<b>118,166</b>
Costs and expenses .....	<b>107,733</b>	<b>11,962</b>	<b>119,695</b>	<b>(3,933)</b>	<b>115,762</b>
Operating income .....	<b>¥ 1,318</b>	<b>¥ 1,258</b>	<b>¥ 2,576</b>	<b>¥ (172)</b>	<b>¥ 2,404</b>
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	<b>¥ 96,148</b>	<b>¥ 8,958</b>	<b>¥105,106</b>	<b>¥ 15,589</b>	<b>¥120,695</b>
Depreciation: .....	<b>¥ 3,948</b>	<b>¥ 144</b>	<b>¥ 4,092</b>	<b>¥ 11</b>	<b>¥ 4,081</b>
Capital expenditures: .....	<b>¥ 4,751</b>	<b>¥ 147</b>	<b>¥ 4,898</b>	<b>¥ 17</b>	<b>¥ 4,881</b>

	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 .....	\$ 870,532	\$ 80,186	\$ 950,718	\$ —	\$ 950,718
Inter segment sales .....	81	39,661	39,742	(39,742)	—
Total .....	80,613	119,847	990,460	(39,742)	950,718
Costs and expenses .....	860,234	108,660	968,894	(37,643)	931,251
Operating income .....	\$ 10,379	\$ 11,187	\$ 21,566	\$ (2,098)	\$ 19,467
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	\$ 755,650	\$ 62,752	\$ 818,402	\$ 233,115	\$1,051,517
Depreciation: .....	\$ 32,906	\$ 1,130	\$ 34,036	\$ 105	\$ 33,931
Capital expenditures: .....	\$ 40,218	\$ 1,517	\$ 41,735	\$ 97	\$ 41,638

	For the year ended 31st March, 2001				
	Thousands of U.S. dollars				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers .....	\$ 880,065	\$ 73,656	\$ 953,721	\$ —	\$ 953,721
Inter segment sales .....	89	33,043	33,132	(33,132)	—
Total .....	880,154	106,699	986,852	(33,132)	953,721
Costs and expenses .....	889,516	96,546	966,061	(31,744)	934,318
Operating income .....	\$ 10,638	\$ 10,153	\$ 20,791	\$ (1,388)	\$ 19,403
Assets, depreciation and capital expenditures:					
Identifiable assets: .....	\$ 776,013	\$ 72,300	\$ 848,313	\$ 125,819	\$ 974,132
Depreciation: .....	\$ 31,865	\$ 1,162	\$ 33,027	\$ 89	\$ 32,938
Capital expenditures: .....	\$ 38,345	\$ 1,187	\$ 39,532	\$ 137	\$ 39,395

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 ¥202 million (\$1,630 thousand) and ¥204 million (\$1,646 thousand) for the years ended March 31, 2000 and 2001, 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 ¥31,368 million (\$253,172 thousand) and ¥22,918 million (\$185,480 thousand) for the years ended March 31, 2000 and 2001, 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, and other businesses

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, 2000 and 2001.

**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, 2000 and 2001 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, 2000 and 2001 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 (f) and 3 to the consolidated financial statements, Tonami Transportation Co., Ltd. adopted the new accounting standards for employees' severance and retirement benefits, financial instruments, and foreign currency translation in the preparation of its consolidated financial statements for the year ended 31st March, 2001.

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.

*Century Ota Showa & Co.*

Century Ota Showa & Co.

Toyama Prefecture, Japan  
28th June, 2001

## CORPORATE DATA

### Head Office

2-12, Showa-machi 3-chome, Takaoka,  
Toyama Prefecture 933-8566, 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

10,134

### Employees

5,636

### Terminals

88

### Warehouses

43

### Motor Vehicles

5,589

(As of 31st March, 2001)

### 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*

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

ATS Co., Ltd.  
*Road haulage*

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

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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Phone: 0766-21-1073 Fax: 0766-21-3640

