



TONAMI TRANSPORTATION CO., LTD.

ANNUAL REPORT 2002

TONAMI

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

TONAMI TRANSPORTATION CO., LTD.

Two years ended March 31, 2002

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
FOR THE YEAR:			
Service revenues	¥100,509	¥ 98,462	\$738,927
Operating income	1,695	1,942	14,574
Net income (loss)	(8,888)	578	4,338
PER SHARE (yen and U.S. dollars):			
Net income (loss)	¥ (91.05)	¥ 5.92	\$ 0.0444
Cash dividends	6.00	6.00	0.0450
AT YEAR-END:			
Total assets	¥109,261	¥109,767	\$823,767
Total shareholders' equity	44,635	44,592	334,649

Notes: 1 U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥133.25 = U.S.\$1, prevailing on 29th March, 2002, has been used for the translation into U.S. dollar amounts.

2 The computation of net income per share of common stock is based on the weighted average number of shares outstanding (which represents the number of issued shares less treasury stock.) during each financial year.

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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, 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 recessionary trend in the Japanese economy deepened during the fiscal year under review. Amid a continued slide in commodity prices under a deflationary trend, the impact of the bursting of the IT bubble, the terrorist attacks on the United States, and other events caused substantial dips in exports and in personal consumption. In addition, acceleration in the process of clearing bad debt off corporate balance sheets also placed downward pressure on the economy. Consequently, Japan faced perhaps the harshest economic conditions in recently history, struggling with a sharp deterioration in corporate performances, a decline in private sector capital investment, worsening labor conditions, and a stock market slump.



These difficult economic conditions were reflected in the transportation industry. As a result of the downturn, mainly in manufacturing-and construction-related freight, domestic freight tonnage declined for the second consecutive year.

To cope with these circumstances, the Company made organizational changes aimed at speeding up its response to change in the business environment. In June 2001, Tonami reduced its number of director from 20 to 15. At the same time, the Company reorganized its 15 business blocks into 12 business blocks and abolished the system of block managers also serving as branch managers. Through these measures, we sought to speed up the decision-making process and strengthen operating efficiency. Tonami made no significant capital expenditures during the fiscal year under review.

Tonami also took steps to strengthen its sales structure. We integrated the No. 1 and No. 2 sales divisions into a single Sales Division to improve efficiency. We also reformed the Logistics Promotion Headquarters into a System Distribution Division and centralized its operations in Tokyo to strengthen our system distribution sales structure.

In our sales activities, we worked to further improve the quality of our transport services. Concurrently, we targeted acquiring new customers based on strengthening our sales development, expanding sales of valued added transportation services, such as joint delivery systems and recycling of used or expired documents, and expanding our system distribution business, which proposes the most appropriate distribution system to customers.

These efforts could not overcome the effect of the weak economy on freight tonnage, however, and service revenues declined 2.0%, to ¥98.5 billion. Thanks to

efforts to improve productivity through effective use of our vehicle fleet, a reduction in outsourcing expenses, and lower operating costs due to greater administration efficiency, operating income rose 14.6%, to ¥1,942 million. Net income, at ¥578 million, was lower than expected because of the posting of a loss on evaluation of investments in securities. Nevertheless, net income was up substantially from the net loss that the Company recorded in the previous year mainly as a result of the adoption of a new accounting standard for retirement benefits.

Looking at divisional performance, in our transportation business, revenues from road haulage services decreased 2.8%, accounting for 84.9% of total revenues. Other transportation business services also declined. Revenues from removal services dropped 12.0%, revenues from rail forwarding fell 0.1%, and revenues from other services decreased 4.3%. In our warehousing business, however, revenues increased 5.8%, contributing 8.8% of total revenues.

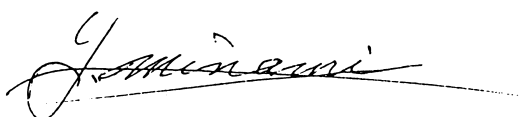
OUTLOOK

Although there are signs of recovery in the export market, we expect the recessionary trend to continue in Japan's economy. Progressive deflation, the bad debt problem, and other structural issues in the economy coupled with no signs of recovery in domestic demand have resulted in predictions of a second consecutive year of minus growth.

The transportation industry will also have a difficult year, facing a mountain of issues, such as more stringent environmental and safety regulations, rising fuel prices, and increased premiums for retirement benefit funds.

To guide us in our endeavors, we introduced a new three-year medium-term business plan in the current fiscal year that focuses on increasing cost competitiveness and earning power. We will take advantage of information technologies to offer transportation services that provide a high degree of customer satisfaction, target improved profitability by expanding our system distribution business, and raise productivity by increasing business efficiency and concentration of resources. In pursuing these goals, we look forward to the continued support of our shareholders.

August 2002

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

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 27th June, 2002)

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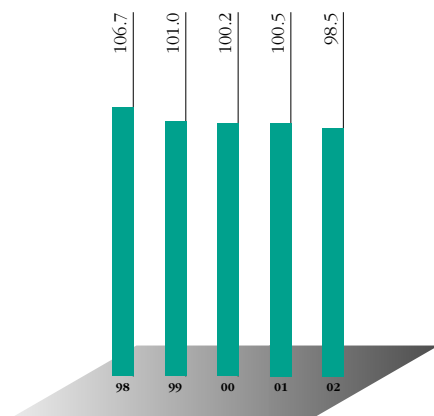
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Service Revenues

Billions of yen



ANALYSIS OF OPERATIONS

Despite the extremely difficult conditions posed by the faltering Japanese economy, sales declines for the year ended March 31, 2002 were held to 2.0%, as sales revenues edged down to ¥98.5 billion (\$739 million). During the fiscal year under review, the Company combated the poor business climate with 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, decreased 2.8%, to ¥83,579 million, accounting for 84.9% of total service revenues. Road haulage had slumped during the second half of the previous fiscal year, and this trend continued throughout the fiscal year under review. The Company worked hard to contain the decline in road haulage by introducing a variety of sales efforts and service improvements.

Revenues from Road Haulage

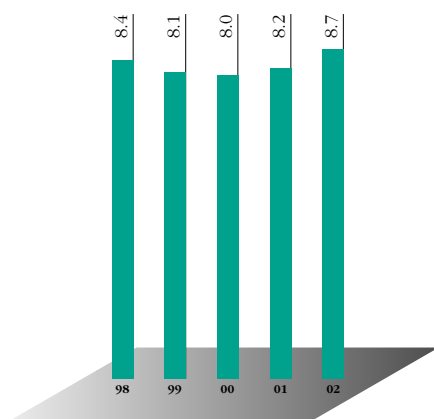
Billions of yen



Revenues from warehousing, Tonami's second largest operations, grew 5.8%, to ¥8,709 million, contributing 8.8% of total service revenues. Because of its sophisticated systems, the Company continues to be confident that demand will remain firm for its warehousing services. Revenues from removal services, which generated 1.7% of total services revenues, declined 12.0%, to ¥1,717 million. Revenues from rail forwarding services, which contributed 1.4% of total service revenues, edged down marginally, to ¥1,332 million, demonstrating that rail freight continues to provide an attractive option to trucking routes because of more reliable scheduling and highly competitive services. Revenues from other services rose 4.3%, to ¥3,122 million, accounting for 3.2% of total service revenues during the fiscal year in review.

Revenues from Warehousing

Billions of yen



Cost of services declined 2.2%, to ¥93,679 million (\$703 million). Selling, general and administration expenses fell 5.5%, to ¥2,841 million (\$21.3 million). Overall, operating income expanded 14.6%, to ¥1,942 million (\$14.6 million).

Other income and expenses improved substantially to a net expense of ¥613 million (\$4.6 million) compared with ¥16,610 million in the previous fiscal year. A sharp decline in others expenses from ¥16,408 million to ¥474 million (\$3.6 million) was mainly responsible for this improvement. Interest and dividend income decreased 25.1%, to ¥322 million (\$2.4 million) while interest expenses dropped 9.0%, to ¥364 million (\$2.7 million). Income before income taxes, therefore, amounted to ¥1,329 million (\$10.0 million) compared with a loss of ¥14,915 million a year earlier. Income taxes for the period increased 31.1%, to ¥1,422 million (\$10.7 million) while deferred income taxes dropped significantly

to ¥671 million (\$5.0 million). Consequently, the Company recorded net income of ¥578 million (\$4.3 million) compared with a loss of ¥8,888 million in the previous fiscal year. Net income per share was ¥5.92 (\$0.0444) compared with a loss per share of ¥91.05 in the previous year.

Net property and equipment declined slightly, to ¥60,023 million (\$450 million) because of disposal or sale of assets (?). Machinery and tools and vehicles increased 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 decreased 4.8%, to ¥14,308 million (\$107 million) primarily of a loss on devaluation of marketable securities. On the other hand, deferred tax assets increased 13.7%, to ¥4,132 million (\$31.0 million).

ANALYSIS OF FINANCIAL POSITION

Current assets increased 9.6%, to ¥35,436 million (\$266 million), principally as a result of an increase in cash, which rose 74.4%, to ¥6,618 million (\$49.7 million). Marketable securities edged up 11.0%, to ¥7,823 million (\$58.7 million). Among trade receivables, notes and accounts receivable declined 5.6%, to ¥17,900 million (\$134 million).

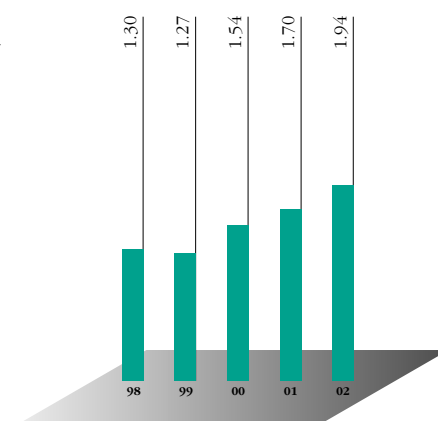
Current liabilities rose 2.2%, to ¥28,434 million (\$213 million). Accounts payable decreased 4.2%, to ¥7,489 million (\$56.2 million). Income tax payable soared 161.4%, to ¥873 million (\$6.6 million), mainly because of the Company's return to profitability. Other current liabilities increased 5.4%, to ¥5,571 million (\$41.8 million). The current ratio increased to 1.25 from 1.16 in the previous year. This improvement was mainly due to the relative increase in current assets, principally the large growth in cash.

Long-term liabilities edged down slightly, to ¥36,741 million (\$276 million), reflecting the declines in long-term debt, less current portion and deferred tax liabilities to ¥9,688 million (\$72.7 million) and ¥5,640 million (\$42.3 million), respectively. Employees' severance and retirement benefits rose 2.4%, to ¥21,365 million (\$160 million).

Shareholders' equity edged down 0.1%, to ¥44,592 million (\$335 million), because of a 1.1% decline in retained earnings, to ¥6,471 million (\$48.6 million) due to the payment of cash dividends. Unrealized gain from revaluation of land remained at ¥7,872 million (\$59.1 million). Reflecting the small decrease in

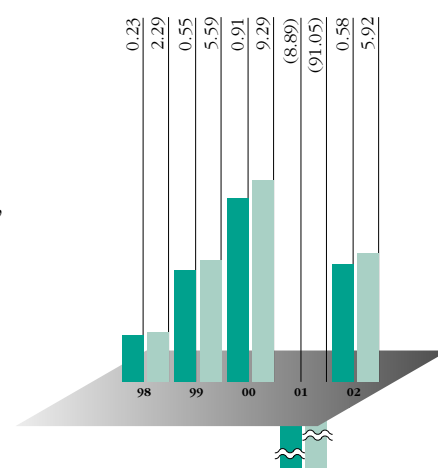
Operating Income

Billions of yen



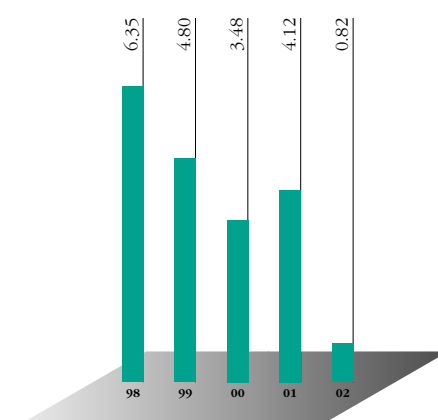
Net Income/Net Income per Share

Billions of yen/yen



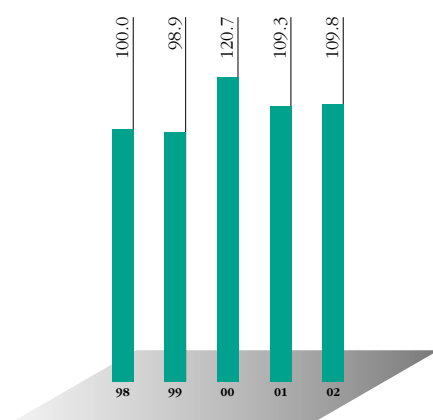
Capital Expenditures

Billions of yen



Total Assets

Billions of yen



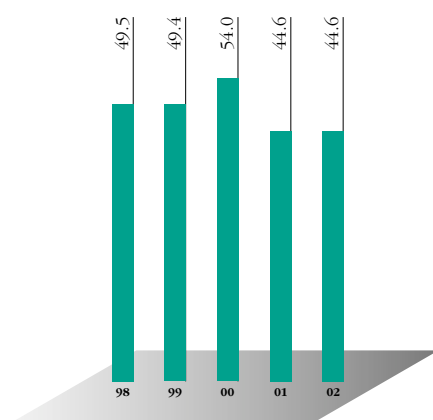
shareholders' equity, the equity ratio fell marginally to 40.6% compared with 40.9% in the previous fiscal year.

ANALYSIS OF CASH FLOWS

Cash and cash equivalents at beginning of period were ¥9,842 million (\$73.9 million). Net cash provided by operating activities amounted to ¥5,549 million (\$41.6 million), up ¥60 million from the previous fiscal year. There was only a small increase in net cash provided by operating activities despite the net income posted in comparison with a loss in the previous fiscal year because the loss in prior year had been offset by a substantial increase in accrued employees' severance and retirement benefits. Among other significant items in cash flow from operating activities, depreciation and amortization was ¥2,532 million (\$19.0 million), down 23.4%.

Shareholders' Equity

Billions of yen

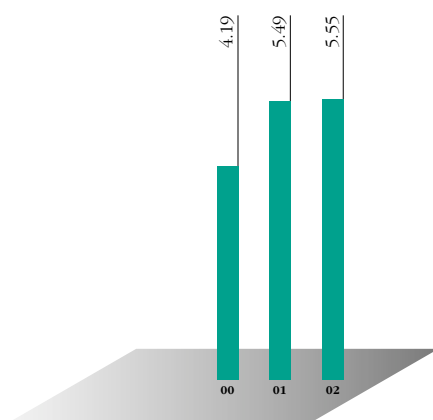


Net cash used in investing activities amounted to ¥490 million (\$3.7 million) compared with net cash provided in the previous fiscal year. The main contributor to this reversal was proceeds from sales of marketable securities, which decreased ¥8,178 million, to ¥803 million (\$6.0 million). Purchase of property and equipment fell ¥3,616 million, to ¥948 million (\$7.1 million).

Net cash used in financing activities amounted to ¥1,039 million (\$7.8 million) compared with ¥13,846 million a year earlier. The principal reason for this decline was the lack of the ¥18,823 million redemption in bonds recorded in the previous fiscal year. Among fund procurement, increase in short-term loans amounted to ¥80 million (\$0.6 million) and proceeds from long-term debt amounted to ¥533 million (\$4.0 million). Cash and cash equivalents at the end of the period, therefore, increased by ¥4,020 million (\$30.2 million) to ¥13,862 million (\$104 million), providing adequate liquidity for operations.

Net Cash Provided by Operating Activities

Billions of yen



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

Years ended 31st March

	Millions of yen					Thousands of U.S. dollars	
	1998	1999	2000	2001	2002	2002	
RESULTS OF OPERATIONS:							
Service revenues	¥106,736	¥100,962	¥100,291	¥100,509	¥ 98,462	\$738,927	
Cost of services	102,871	97,019	96,070	95,808	93,679	703,032	
Selling, general and administrative expenses	2,562	2,675	2,678	3,006	2,841	21,321	
Operating income	1,303	1,268	1,543	1,695	1,942	14,574	
Income (loss) before income taxes	922	1,486	2,061	(14,915)	1,329	9,974	
Net income (loss)	226	551	910	(8,888)	578	4,338	
Capital expenditures	6,350	4,794	3,483	4,117	823	6,176	
Depreciation expenses	4,064	3,687	3,458	3,305	2,532	19,002	
PER SHARE (yen and U.S. dollars):							
Net income (loss)	¥ 2.29	¥ 5.59	¥ 9.29	¥(91.05)	¥ 5.92	\$0.0444	
Cash dividends	7.50	6.75	6.00	6.00	6.00	0.0450	
YEAR-END FINANCIAL POSITION:							
Total current assets	¥ 41,589	¥ 40,617	¥ 48,404	¥ 32,346	¥ 35,436	\$265,936	
Net property and equipment	47,608	48,217	61,731	61,883	60,023	450,454	
Total assets	99,959	98,901	120,697	109,261	109,767	823,767	
Total current liabilities	27,136	26,210	45,971	27,824	28,434	213,388	
Long-term liabilities, excluding of current portion thereof	23,301	23,324	20,706	36,802	36,741	275,730	
Total shareholders' equity	49,522	49,367	54,020	44,635	44,592	334,649	
OTHER YEAR-END DATA:							
Number of share outstanding (thousand)	98,410	98,410	97,610	97,610	97,610		
Number of employees	6,195	5,952	5,757	5,636	5,548		

NON-CONSOLIDATED BALANCE SHEETS TONAMI TRANSPORTATION CO., LTD

As of 31st March, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
ASSETS			
Current assets:			
Cash	¥ 3,794	¥ 6,618	\$ 49,666
Marketable securities (Note 3)	7,050	7,823	58,709
Trade receivables:			
Notes and accounts (Notes 7 and 10)	18,971	17,900	134,334
Less: allowance for doubtful accounts	(45)	(46)	(345)
Inventories	152	142	1,066
Deferred tax assets (Note 6)	365	549	4,120
Other current assets	2,059	2,450	18,386
Total current assets	32,346	35,436	265,936
Property and equipment (Notes 4 and 5):			
Land	35,968	35,968	269,928
Buildings and structures	40,366	40,588	304,600
Machinery and tools	5,537	5,868	44,038
Vehicles	22,425	19,761	148,300
Construction in progress	0	1	8
Less: accumulated depreciation	(42,413)	(42,163)	(316,420)
Net property and equipment	61,883	60,023	450,454
Investments and other assets:			
Investments in securities (Note 5)	5,222	4,511	33,854
Investments in subsidiaries and affiliates	1,776	1,584	11,887
Loans to employees	28	27	203
Deferred tax assets (Note 6)	3,565	4,054	30,424
Others	4,441	4,132	31,009
Total investments and other assets	15,032	14,308	107,377
Total assets	¥109,261	¥109,767	\$823,767

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 5)	¥ 13,440	¥ 13,520	\$101,463
Current portion of long-term debt (Note 5)	533	578	4,338
Accounts payable (Note 7)	7,819	7,489	56,203
Deposits from employees	413	403	3,024
Income taxes payable	334	873	6,551
Other current liabilities	5,285	5,571	41,809
Total current liabilities	27,824	28,434	213,388
Long-term liabilities:			
Long-term debt, less current portion thereof (Note 5)	10,267	9,688	72,705
Deferred tax liabilities from revaluation of land (Note 11)	5,640	5,640	42,327
Employees' severance and retirement benefits	20,858	21,365	160,338
Other long-term liabilities	37	48	360
Total long-term liabilities	36,802	36,741	275,730
Total liabilities	64,626	65,175	489,118
Contingent liabilities (Note 9)			
Shareholders' equity (Note 12):			
Common stock:			
Authorised: 299,200,000 shares in 2001			
299,200,000 shares in 2002			
Issued, par value ¥50 per share:			
97,610,118 shares in 2001			
97,610,118 shares in 2002	14,183	14,183	106,439
Additional paid-in capital	14,687	14,687	110,221
Legal reserve	1,228	1,261	9,463
Unrealized gain from revaluation of land (Note 11)	7,872	7,872	59,077
Retained earnings	6,542	6,471	48,563
Unrealized gain from securities	123	120	901
Treasury stock, at cost (Note 3)	—	(2)	(15)
Total shareholders' equity	44,635	44,592	334,649
Total liabilities and shareholders' equity	¥109,261	¥109,767	\$823,767

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

For the two years ended 31st March, 2002

	Millions of yen		Thousands of
	2001	2002	U.S. dollars (Note 1)
Service revenues (Note 7)	¥100,509	¥98,462	\$738,927
Operating costs and expenses:			
Cost of services (Notes 7 and 13)	95,808	93,679	703,032
Selling, general and administrative expenses (Note 13)	3,006	2,841	21,321
	98,814	96,520	724,353
Operating income	1,695	1,942	14,574
Other income and expenses:			
Interest and dividend income (Note 7)	430	322	2,417
Gain on disposal of property and equipment, net	(232)	(97)	(728)
Interest expenses	(400)	(364)	(2,732)
Others	(16,408)	(474)	(3,557)
	(16,610)	(613)	(4,600)
Income (loss) before income taxes	(120,378)	1,329	9,974
Income taxes (Note 6):			
Current	1,085	1,422	10,672
Deferred	(7,112)	(671)	(5,036)
	(6,027)	751	5,636
Net income (loss)	¥ (8,888)	¥ 578	\$ 4,338

	Yen	U.S. dollars (Note 1)	
Net income (loss) per share of common stock	¥ (91.05)	¥ 5.92	\$0.0444

The accompanying Notes are an integral part of these statements.

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

For the two years ended 31st March, 2002

	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	Treasury stock
Balance as at 31st March, 2000	97,610	¥14,183	¥14,687	¥1,166	¥8,020	¥15,964		
Net income						(8,888)		
Cash dividends applicable to the year (¥6.00 per share)						(585)		
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)		
Balance as at 31st March, 2001	97,610	14,183	14,687	1,228	7,872	6,541	123	
Net income						578		
Cash dividends applicable to the year (¥6.00 per share)						(586)		
Transfer to legal reserve				33		(33)		
Unrealized gain from revaluation of land								
Unrealized gain from securities							(3)	
Treasury stock								¥(2)
Bonuses to directors and statutory auditors						(30)		
Balance as at 31st March, 2002	97,610	¥14,183	¥14,687	¥1,261	¥7,872	¥ 6,471	¥120	¥(2)

	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	Treasury stock	
Balance as at 31st March, 2000	\$106,439	\$110,221	\$8,750	\$60,188	\$119,805			
Net income					(66,702)			
Cash dividends applicable to the year (\$0.0450 per share)					(4,390)			
Transfer to legal reserve			465		(465)			
Unrealized gain from revaluation of land				(1,111)	1,111			
Unrealized gain from securities						\$923		
Bonuses to directors and statutory auditors					(263)			
Balance as at 31st March, 2001	106,439	110,221	9,215	59,077	49,096	923		
Net income					4,338			
Cash dividends applicable to the year (\$0.0450 per share)					(4,398)			
Transfer to legal reserve			248		(248)			
Unrealized gain from revaluation of land								
Unrealized gain from securities						(22)		
Treasury stock								\$(15)
Bonuses to directors and statutory auditors					(225)			
Balance as at 31st March, 2002	\$106,439	\$110,221	\$9,463	\$59,077	\$ 48,563	\$901	\$(15)	

The accompanying Notes are an integral part of these statements.

For the two years ended 31st March, 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Cash flows from operating activities:			
Net income (loss) before income taxes	¥(14,915)	¥ 1,329	\$ 9,974
Depreciation and amortization	3,305	2,532	19,002
Loss on disposal of property and equipment	232	97	728
(Gain) loss on sales of marketable securities	(30)	0	0
Gain on sales of investments in securities	(25)	(138)	(1,036)
Loss on devaluation of investments in securities	421	747	5,606
Loss on devaluation of golf club memberships	183	99	743
Increase in allowance for doubtful accounts	202	247	1,854
Decrease in employees' retirement benefits	(4,533)	—	—
Increase in accrued employees' severance and retirement benefits	20,858	507	3,805
(Decrease) increase in accrued bonuses to employees	(238)	23	173
Interest and dividend income	(430)	(322)	(2,417)
Interest expenses	398	361	2,709
Decrease in trade receivables	509	1,071	8,038
(Increase) decrease in inventories	(6)	9	68
Decrease in accounts payable	(203)	(332)	(2,492)
(Decrease) increase in accrued consumption taxes	(70)	108	810
Other, net	1,556	129	968
Subtotal	7,214	6,467	48,533
Interest and dividends received	430	322	2,417
Interest paid	(398)	(361)	(2,709)
Income taxes paid	(1,757)	(879)	(6,597)
Net cash provided by operating activities	5,489	5,549	41,644
Cash flows from investing activities:			
Purchase of time deposits	(178)	(198)	(1,486)
Proceeds from redemption of time deposits	360	316	2,371
Purchase of marketable securities	(2,609)	(200)	(1,501)
Proceeds from sales of marketable securities	8,981	803	6,026
Purchase of property and equipment	(4,564)	(948)	(7,114)
Proceeds from sales of property and equipment	587	60	450
Purchase of investments in securities	(643)	(776)	(5,824)
Proceeds from sales of investments in securities	307	766	5,749
Investments in loans receivable	(668)	(1,443)	(10,829)
Proceeds from collection of loans receivable	738	1,283	9,629
Other, net	278	(153)	(1,148)
Net cash provided by (used in) investing activities	2,589	(490)	(3,677)
Cash flows from financing activities:			
Increase in short-term loans	1,760	80	601
Proceeds from long-term debt	4,250	533	4,000
Repayments of long-term debt	(450)	(1,066)	(8,000)
Redemption of bonds	(18,823)	—	—
Dividends paid	(586)	(586)	(4,398)
Other, net	3	—	—
Net cash used in financing activities	(13,846)	(1,039)	(7,797)
Effect of exchange rate change on cash and cash equivalents	—	—	—
Net (decrease) increase in cash and cash equivalents	(5,767)	4,020	30,170
Cash and cash equivalents at beginning of year	15,609	9,842	73,860
Cash and cash equivalents at end of year	¥ 9,842	¥13,862	\$104,030

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 ¥133.25 = U.S.\$1, prevailing on 29th March, 2002, 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.

The ranges of useful lives of principal property and equipment are as follows:

Buildings and structures 2-50 years

Machinery and vehicles 2-15 years

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 sheets, based on the estimated amounts of projected benefit obligation and plan assets at the balance sheet dates.

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 as occurred).

(g) Stock issue expenses

Stock issue expenses are charged to income as incurred.

(b) 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 (which represents the number of issued shares less treasury stock.) during each financial year.

(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

Treasury stock

Effective as at 31st March, 2002, the Company reclassified treasury stock into the bottom line of shareholders' equity section in accordance with the revised regulations on financial statements. The treasury stock was previously included in current assets and amounting to ¥0 million.

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 ¥271 million (\$2,034 thousand) and ¥269 million (\$2,019 thousand) as at 31st March, 2001 and 2002, respectively.

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

(a) Short-term bank loans

Short-term bank loans as at 31st March, 2001 and 2002 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Secured	¥3,474	¥ 3,474	\$26,071
Unsecured	9,966	10,046	75,392

Interest rates range from 0.706% to 1.500%.

(b) Long-term debt

Long-term debt as at 31st March, 2001 and 2002 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
2.05% ¥7 billion unsecured			
straight bonds due 2003	¥ 7,000	¥ 7,000	\$52,533
1.700%-2.100% loans from financial institutions due 2003 to 2007			
Secured	2,000	1,867	14,011
Unsecured	1,800	1,400	10,507
Total	10,800	10,267	77,051
Less amount due within one year ...	533	578	4,338
	¥10,267	¥ 9,689	\$72,713

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, 2002 were as follows:—

Year ending 31st March,	Millions of yen	Thousands of U.S. dollars
2003	¥ 578	\$ 4,338
2004	7,578	56,871
2005	578	4,338
2006	378	2,837
2007 and thereafter	1,155	8,668

(c) Pledged assets

As at 31st March, 2002, Property and equipment having a net value of ¥21,983 million (\$164,976 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 ¥209 million (\$1,568 thousand) was pledged as collateral for short-term bank loans.

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
	2001	2002	U.S. dollars
			2002
Deferred tax assets:			
Excess bonuses accrued	¥ 215	¥ 327	\$ 2,454
Excess employees' severance and retirement benefits accrued	7,290	7,682	57,651
Other	244	363	2,724
Gross deferred tax assets ..	7,750	8,372	62,829
Valuation allowance	—	—	—
Total deferred tax assets ...	7,750	8,372	62,829
Deferred tax liabilities:			
Unrealized gain from securities	(88)	(86)	(645)
Reserve under Special Taxation Measures Law	(3,733)	(3,683)	(27,640)
Total deferred tax liabilities	(3,821)	(3,769)	(28,285)
Net deferred tax assets	¥3,929	¥4,603	\$34,544

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, 2001 and 2002, 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, 2001 and 2002 are as follows:—

	2001	2002
Statutory tax rate	41.7%	41.7%
Increase (decrease) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	(0.3)	3.2
Nontaxable income including dividends received deduction, etc.	0.3	(3.2)
Per capita portion of inhabitant taxes	(0.0)	14.6
Other	(1.3)	0.2
Effective tax rate	40.4%	56.5%

7. Accounts and transactions with subsidiaries and affiliates

As at 31st March, 2002, the Company had 25 subsidiaries and 9 affiliates.

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

	Millions of yen		Thousands of
	2001	2002	U.S. dollars
			2002
Notes and accounts receivable ..	¥ 422	¥ 327	\$ 2,454
Loans receivable	904	1,123	8,428
Accounts payable	1,829	1,544	11,587
	Millions of yen		Thousands of
	2001	2002	U.S. dollars
Service revenues	¥2,273	¥2,109	\$15,827
Cost of services	7,563	7,038	52,818
Interest income	29	25	188

8. Finance leases

The amount of lease payment under finance lease for the year ended 31st March, 2001 and 2002 were ¥554 million (\$4,158 thousand) and ¥1,339 million (\$10,049 thousand), respectively.

The amount of future lease payments of finance leases as at 31st March, 2001 and 2002 were as follows:—

	Millions of yen		Thousands of
	2001	2002	U.S. dollars
Due within one year	¥ 968	¥1,594	\$11,963
Due after one year	3,318	4,621	34,679
	¥4,286	¥6,215	\$46,642

9. Contingent liabilities

As at 31st March, 2002, the Company was contingently liable as follows:—

	Millions of yen	Thousands of
		U.S. dollars
Guarantees for employees'		
housing loans	¥ 16	\$ 120
Others	1,339	10,049

10. Trade notes maturing on bank holiday at the end of year

As financial institutions in Japan were closed on 31st March, 2002, trade notes maturing on 31st March, 2002 were accounted for as if they were settled at that date.

The amount of trade notes maturing as at 31st March, 2002 was as follows:—

	Millions of yen	Thousands of
		U.S. dollars
Trade notes receivable	¥471	\$3,535

11. Revaluation of land

In accordance with the Law concerning Revaluation of Land enacted on 31st March, 1998, the Company has revaluated its owned land used for business operations as at 31st March, 2002 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, 2002		
and the revaluated book value	¥4,417	\$33,148

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, 2002 is as follows:—

	Millions of yen		Thousands of
	2001	2002	U.S. dollars
Depreciation expenses	¥3,305	¥2,532	\$19,002
Lease and rental	3,195	3,290	24,690

14. Subsequent event

The annual shareholders' meeting of the Company, which was held on 27th June, 2002, duly approved the following appropriations of retained earnings existing as at 31st March, 2002:—

	Millions of yen	Thousands of U.S. dollars
Dividends (¥3.00 per share)	¥293	\$2,199
Bonuses to directors and statutory auditors	30	225

**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, 2001 and 2002 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, 2001 and 2002 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 3 to the non-consolidated financial statements, Tonami Transportation Co., Ltd. has reclassified "treasury stock" into the bottom line of shareholders' equity section from asset section in accordance with the revised regulations on financial statements.

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 as at 1st July, 2001, Century Ota Showa & Co. changed its name to Shin Nihon & Co.

Shin Nihon & Co.

Shin Nihon & Co.

Toyama Prefecture, Japan
27th June, 2002

CONSOLIDATED FIVE-YEAR SUMMARY

 TONAMI TRANSPORTATION CO., LTD
 AND CONSOLIDATED SUBSIDIARIES

Years ended 31st March

	Millions of yen					Thousands of U.S. dollars	
	1998	1999	2000	2001	2002	2002	
RESULTS OF OPERATIONS:							
Operating revenues	¥125,164	¥116,829	¥117,794	¥118,166	¥118,515	\$889,418	
Operating cost	117,180	108,979	108,902	109,672	110,302	827,782	
Selling, general and administrative expenses	5,950	5,906	6,480	6,090	5,755	43,189	
Operating income	2,034	1,944	2,412	2,404	2,458	18,447	
Net income (loss)	411	124	1,276	(8,786)	720	5,403	
Depreciation expenses	4,996	4,470	4,216	4,092	3,303	24,788	
PER SHARE (yen and U.S. dollars):							
Net income (loss)	¥ 4.18	¥ 1.26	¥13.04	¥(90.02)	¥ 7.38	\$0.0554	
YEAR-END FINANCIAL POSITION:							
Total current assets	¥ 46,458	¥ 44,610	¥ 52,002	¥ 37,583	¥ 40,245	\$302,026	
Net property and equipment	52,545	53,431	66,990	67,160	65,330	490,282	
Total assets	110,144	108,546	130,284	120,696	120,759	906,259	
Total current liabilities	32,855	31,579	51,113	34,113	34,184	256,540	
Long-term liabilities, excluding of current portion thereof	24,578	24,884	22,075	38,876	38,802	291,197	
Total shareholders' equity	52,139	51,491	56,431	47,113	47,170	353,997	
OTHER YEAR-END DATA:							
Number of employees	—	—	7,142	7,075	6,952		

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

As of 31st March, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
ASSETS			
Current assets:			
Cash and time deposits	¥ 5,348	¥ 8,183	\$ 61,411
Marketable securities (Notes 3 and 4)	7,052	7,823	58,709
Trade receivables:			
Notes and accounts (Note 9)	22,369	21,022	157,763
Less: allowance for doubtful accounts	(78)	(76)	(570)
Inventories	573	602	4,518
Deferred tax assets (Note 6)	611	800	6,004
Other current assets	1,708	1,891	14,191
Total current assets	37,583	40,245	302,026
Property and equipment (Notes 4 and 5):			
Land	37,644	37,644	282,507
Buildings and structures	23,591	22,719	170,499
Machinery and vehicles	5,309	4,350	32,645
Construction in progress	0	1	8
Other	616	616	4,623
Total property and equipment	67,160	65,330	490,282
Investments and other assets:			
Investments in securities (Notes 3, 4, and 5)	6,262	5,639	42,319
Deferred tax assets (Note 6)	3,657	4,187	31,422
Foreign currency translation adjustments (Note 2)	311	4	30
Others	5,723	5,354	40,180
Total investments and other assets	15,953	15,184	113,951
Total assets	¥120,696	¥120,759	\$906,259

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 5)	¥ 15,640	¥ 15,809	\$118,642
Current portion of long-term debt (Note 5)	979	781	5,861
Notes and accounts payable (Note 9)	10,319	9,535	71,557
Income taxes payable	485	1,021	7,662
Other current liabilities	6,690	7,038	52,818
Total current liabilities	34,113	34,184	256,540
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	11,112	10,495	78,762
Deferred tax liabilities from revaluation of land (Note 10)	5,640	5,640	42,326
Employees' severance and retirement benefits	21,969	22,496	168,826
Other long-term liabilities	155	171	1,283
Total long-term liabilities	38,876	38,802	291,197
Total liabilities	72,989	72,986	547,737
Minority interests	594	603	4,525
Contingent liabilities (Note 8)			
Shareholders' equity (Note 11):			
Common stock:			
Authorized: 299,200,000 shares in 2001			
299,200,000 shares in 2002			
Issued, par value ¥50 per share:			
97,610,118 shares in 2001			
97,610,118 shares in 2002			
	14,183	14,183	106,439
Additional paid-in capital	14,687	14,687	110,222
Unrealized gain from revaluation of land (Note 10)	7,872	7,872	59,077
Retained earnings	10,238	10,307	77,351
Unrealized gain from securities	133	123	923
Treasury stock, at cost	(0)	(2)	(15)
Total shareholders' equity	47,113	47,170	353,997
Total liabilities, minority interests, and shareholders' equity	¥120,696	¥120,759	\$906,259

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

For the two years ended 31st March, 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Operating revenues:			
Operating revenues	¥118,166	¥118,515	\$889,418
	118,166	118,515	889,418
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 12)	109,672	110,302	827,782
Selling, general and administrative expenses (Note 12)	6,090	5,755	43,189
	115,762	116,057	870,971
Operating income	2,404	2,458	18,447
Other income and expenses:			
Interest and dividend income	423	363	2,724
Loss on sells of property and equipment, net	(227)	(107)	(803)
Interest expenses	(467)	(424)	(3,182)
Others, net	(17,094)	(531)	(3,985)
	(17,365)	(699)	(5,246)
Income (loss) before income taxes and minority interests	(14,961)	1,759	13,201
Income taxes (Note 6):			
Current	1,409	1,726	12,953
Deferred	(7,526)	(708)	(5,313)
	(6,117)	1,018	7,640
Minority interests	(58)	21	158
Net income (loss)	¥ (8,786)	¥ 720	\$ 5,403
	Yen		U.S. dollars (Note 1)
Net income (loss) per share of common stock	¥(90.02)	¥7.38	\$0.0554

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, 2002

	Millions of yen						
	Shares of common stock (thousands)	Common stock	Additional paid-in capital	Unrealized gain from revaluation	Retained earnings	Unrealized gain from securities	Treasury stock
Balance as at 31st March, 2000	97,610	¥14,183	¥14,687	¥8,020	¥19,541		
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)		
Balance as at 31st March, 2001	97,610	14,183	14,687	7,872	10,238	133	
Net income					720		
Cash dividends applicable to the year (¥6.00 per share)					(586)		
Unrealized gain from revaluation of land							
Unrealized gain from securities						(10)	
Treasury stock							¥(2)
Bonuses to directors and statutory auditors					(65)		
Balance as at 31st March, 2002	97,610	¥14,183	¥14,687	¥7,872	¥10,307	¥123	¥(2)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Additional paid-in capital	Unrealized gain from revaluation	Retained earnings	Unrealized gain from securities	Treasury stock	
Balance as at 31st March, 2000	\$106,439	\$110,222	\$60,188	\$146,649			
Net income				(65,936)			
Cash dividends applicable to the year (\$0.0450 per share)				(4,398)			
Unrealized gain from revaluation of land			(1,111)	1,111			
Unrealized gain from securities					\$998		
Bonuses to directors and statutory auditors				(585)			
Decrease due to the increase of affiliates accounted for by the equity method				(8)			
Balance as at 31st March, 2001	106,439	110,222	59,077	76,833	998		
Net income				5,403			
Cash dividends applicable to the year (\$0.0450 per share)				(4,398)			
Unrealized gain from revaluation of land							
Unrealized gain from securities					(75)		
Treasury stock						\$(15)	
Bonuses to directors and statutory auditors				(488)			
Balance as at 31st March, 2002	\$106,439	\$110,222	\$59,077	\$ 77,351	\$ 923	\$(15)	

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, 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Cash flows from operating activities:			
Net income (loss) before income taxes and minority interests	¥(14,961)	¥ 1,759	\$ 13,201
Depreciation and amortization	4,081	3,303	24,788
Loss on disposal of property and equipment	227	106	795
(Gain) loss on sales of marketable securities	(40)	2	15
Gain on sales of investments in securities	(23)	(134)	(1,005)
Loss on devaluation of investments in securities	428	557	4,180
Loss on devaluation of golf club memberships	235	123	923
Amortization of foreign exchange translation adjustments	20	307	2,304
Equity in earnings of associated companies	(87)	(134)	(1,006)
Increase in allowance for doubtful accounts	239	132	991
Decrease in employees' retirement benefits	(4,738)	—	—
Increase in employees' severance and retirement benefits	21,969	527	3,955
(Decrease) increase in accrued bonuses to employees	(278)	0	0
Interest and dividend income	(337)	(228)	(1,711)
Interest expenses	467	422	3,167
(Increase) decrease in trade receivables	(640)	1,347	10,109
Increase in inventories	(46)	(30)	(225)
Increase (decrease) in accounts payable	810	(784)	5,884
(Decrease) increase in accrued consumption taxes	(69)	93	698
Other, net	1,319	197	1,478
Subtotal	8,576	7,565	56,773
Interest and dividends received	337	228	1,711
Interest paid	(467)	(422)	(3,167)
Income taxes paid	(2,158)	(1,191)	(8,938)
Net cash provided by operating activities	6,288	6,180	46,379
Cash flows from investing activities:			
Purchase of time deposits	(356)	(494)	(3,707)
Proceeds from redemption of time deposits	619	569	4,270
Purchase of marketable securities	(2,188)	(200)	(1,501)
Proceeds from sales of marketable securities	9,000	803	6,026
Purchase of property and equipment	(5,298)	(1,649)	(12,375)
Proceeds from sales of property and equipment	627	84	630
Purchase of investments in securities	(599)	(756)	(5,674)
Proceeds from sales of investments in securities	321	778	5,839
Proceeds from purchase of investments in a newly consolidated subsidiary	15	—	—
Investments in loans receivable	(751)	(651)	(4,886)
Proceeds from collection of loans receivable	798	590	4,428
Other, net	(601)	(171)	(1,283)
Net provided by (used in) investing activities	1,587	(1,097)	(8,233)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	2,158	(118)	(886)
Proceeds from long-term debt	4,746	742	5,569
Repayment of long-term debt	(1,165)	(1,135)	(8,518)
Redemption of bonds	(18,823)	—	—
Dividends paid	(578)	(578)	(4,338)
Dividends paid to minority interests	(8)	(8)	(60)
Net cash used in financing activities	(13,670)	(1,097)	(8,233)
Effect of exchange rate change on cash and cash equivalents	—	—	—
Net (decrease) increase in cash and cash equivalents	(5,794)	3,986	29,913
Cash and cash equivalents at beginning of year	16,980	11,187	83,956
Cash and cash equivalents at end of year	¥ 11,186	¥15,173	\$ 113,869

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 ¥133.25 = U.S.\$1, prevailing on 29th March, 2002, 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, 2002 (25 for 2001).

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

Nine of the investments in unconsolidated subsidiaries or affiliates (10 for 2001) 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.

The ranges of useful lives of principal property and equipment are as follows:

Buildings and structures 2-50 years

Machinery and vehicles 2-15 years

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, based on the estimated amounts of projected benefit obligation and plan assets at the balance sheet dates.

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 as occurred).

(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 the acquisition cost and the underlying net equity of 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 (which represents the number of issued shares less treasury stock.) during each financial year.

(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.

(m) Foreign currency translation

The Company and its consolidated subsidiaries adopted the revised accounting standards for foreign currency translation.

3. Marketable securities and investments in securities

Acquisition cost and book value of securities with available market values as at 31st March, 2001 are summarised as follows:—

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Securities with book values exceeding acquisition costs:		
Acquisition cost	¥2,226	\$16,705
Book value	2,860	21,463
Securities with book values not exceeding acquisition costs:		
Acquisition cost	¥1,419	\$10,649
Book value	1,013	7,602

Acquisition costs and book values of securities with available market values as of 31st March, 2002 are summarized as follows:—

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Securities with book values exceeding acquisition costs:		
Acquisition cost	¥1,606	\$12,053
Book value	2,103	15,782
Securities with book values not exceeding acquisition costs:		
Acquisition cost	¥2,043	\$15,332
Book value	1,757	13,186

4. Property and equipment

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥49,417 million (\$370,859 thousand) and ¥49,513 million (\$371,580 thousand) on 31st March, 2001 and 2002, 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 ¥271 million (\$2,034 thousand) and ¥269 million (\$2,019 thousand) on 31st March, 2001 and 2002, respectively.

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

(a) Short-term bank loans

Short-term bank loans as at 31st March, 2001 and 2002 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Secured	¥ 4,495	¥ 4,662	\$34,987
Unsecured	11,145	11,148	83,662

Interest rates range from 0.7% to 3.2%.

(b) Long-term debt

Long-term debt as at 31st March, 2001 and 2002 was as follows:—

	Millions of yen		Thousands of
	2001	2002	U.S. dollars
2.05%¥7 billion unsecured			
straight bonds due 2003.....	¥ 7,000	¥ 7,000	\$52,533
0.6%–6.1% loans from financial			
institutions due 2002 to 2007			
and thereafter			
Secured	2,646	2,348	17,621
Unsecured.....	2,445	1,928	14,469
Total	12,091	11,276	84,623
Less: amount due within			
one year	979	781	5,861
	¥11,112	¥10,495	\$78,762

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, 2002 were as follows:—

Year ending 31st March,	Millions of yen	Thousands of
		U.S. dollars
2003	¥ 781	\$ 5,861
2004	7,830	58,762
2005	766	5,749
2006	470	3,527
2007 and thereafter	1,272	9,546

(c) Pledged assets

Property and equipment having a net value of ¥23,159 million (\$173,801 thousand) was pledged as collateral for short-term bank loans and long-term debt, and investment in securities of ¥220 million (\$1,651 thousand) was pledged as collateral for short-term bank loans as at 31st March, 2002.

6. 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
	2001	2002	U.S. dollars
Deferred tax assets:			
Excess bonuses accrued	¥ 260	¥ 385	\$ 2,889
Excess employees' severance and			
retirement benefits accrued ...	7,684	8,090	60,713
Other	190	323	2,424
Gross deferred tax assets	8,135	8,798	66,026
Valuation allowance	—	—	—
Total deferred tax assets	8,135	8,798	66,026
Deferred tax liabilities:			
Unrealized gain from securities	(94)	(88)	(660)
Reserve under Special Taxation			
Measures Law	(3,772)	(3,722)	(27,933)
Total deferred tax liabilities .	(3,867)	(3,810)	(28,593)
Net deferred tax assets	¥4,267	¥4,988	\$37,433

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, 2001 and 2002, 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, 2001 and 2002 are as follows:—

	2001	2002
Statutory tax rate.....	41.6%	41.6%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including		
entertainment, etc.	(0.5)	4.0
Nontaxable income including dividends		
received deduction, etc.	0.3	(2.5)
Per capita portion of inhabitant taxes.....	(1.4)	11.5
Equity in earnings of affiliates	0.2	(3.2)
Other	0.7	6.5
Effective tax rate	40.9%	57.9%

7. Finance leases

The amount of lease payment under finance lease for the year ended March 31, 2001 and 2002 were ¥656 million (\$4,923 thousand) and ¥1,429 million (\$10,724 thousand), respectively. Future lease payments of finance leases as at March 31, 2001 and 2002 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Due within one year	¥1,074	¥1,679	\$12,601
Due after one year	3,524	4,740	35,572
	¥4,598	¥6,419	\$48,173

8. Contingent liabilities

As at 31st March, 2002, the Company were contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes discounted with banks	¥ 319	\$ 2,394
Guarantees for employees'		
housing loans	16	120
Notes endorsed	80	600
Others	1,592	11,947

9. Trade notes maturing on bank holiday at the end of year

As financial institutions in Japan were closed on 31st March, 2002, trade notes maturing on 31st March, 2002 were accounted for as if they were settled at that date.

The amount of trade notes maturing as at 31st March, 2002 was as follows:—

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable	¥526	\$3,947
Trade notes payable	47	353

10. Revaluation of land

In accordance with the Law concerning Revaluation of Land enacted on 31st March, 1998, the Company has revaluated its owned land used for business operations on 31st March, 2002 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, 2002 and the revalued book value	¥4,417	\$33,148

11. 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.

12. Supplementary income information

Supplementary income information for the year ended 31st March, 2001 and 2002 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Depreciation expenses	¥4,092	¥3,303	\$24,788
Lease and rental	4,763	4,882	36,638

13. Subsequent event

The annual shareholders' meeting of the Company, which was held on 27th June, 2002, duly approved the following appropriations of retained earnings existing as at 31st March, 2002:—

	Millions of yen	Thousands of U.S. dollars
Dividends (¥3.00 per share)	¥293	\$2,199
Bonuses to directors and statutory auditors	30	225

14. 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 2002 is as follows:—

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

	For the year ended 31st March, 2002				
	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	¥106,679	¥11,836	¥118,515	¥ —	¥118,515
Inter segment sales	16	4,140	4,156	(4,156)	—
Total	106,695	15,976	122,671	(4,156)	118,515
Costs and expenses	105,270	14,803	120,073	(4,016)	116,057
Operating income	¥ 1,425	¥ 1,173	¥ 2,598	¥ (140)	¥ 2,458
Assets, depreciation and capital expenditures:					
Identifiable assets:	¥ 90,704	¥ 8,104	¥ 98,808	¥ 21,951	¥120,759
Depreciation:	¥ 3,135	¥ 179	¥ 3,314	¥ 11	¥ 3,303
Capital expenditures:	¥ 1,397	¥ 279	¥ 1,676	¥ 9	¥ 1,667

	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	\$818,311	\$68,488	\$886,799	\$ —	\$886,799
Inter segment sales	83	30,724	30,807	(30,807)	—
Total	818,394	99,212	917,606	(30,807)	886,799
Costs and expenses	808,503	89,771	898,274	(29,516)	868,758
Operating income	\$ 9,891	\$ 9,441	\$ 19,332	\$ (1,291)	\$ 18,041
Assets, depreciation and capital expenditures:					
Identifiable assets:	\$721,561	\$67,227	\$788,788	\$116,991	\$905,779
Depreciation:	\$ 29,629	\$ 1,081	\$ 30,709	\$ 83	\$ 30,627
Capital expenditures:	\$ 35,655	\$ 1,103	\$ 36,758	\$ 128	\$ 36,630

	For the year ended 31st March, 2002				
	Thousands of U.S. dollars				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	\$800,593	\$ 88,825	\$889,418	\$ —	\$889,418
Inter segment sales	120	31,070	31,190	(31,190)	—
Total	800,713	119,895	920,608	(31,190)	889,418
Costs and expenses	790,019	111,092	901,111	(30,140)	870,971
Operating income	\$ 10,694	\$ 8,803	\$ 19,497	\$ (1,050)	\$ 18,447
Assets, depreciation and capital expenditures:					
Identifiable assets:	\$680,705	\$60,818	\$741,523	\$164,736	\$906,259
Depreciation:	\$ 23,527	\$ 1,344	\$ 24,871	\$ 83	\$ 24,788
Capital expenditures:	\$ 10,484	\$ 2,094	\$ 12,578	\$ 68	\$ 12,510

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 ¥204 million (\$1,531 thousand) and ¥190 million (\$1,426 thousand) for the years ended March 31, 2001 and 2002, 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 ¥22,981 million (\$172,465 thousand) and ¥28,181 million (\$211,490 thousand) for the years ended March 31, 2001 and 2002, 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 because 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, 2001 and 2002.

**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, 2001 and 2002 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, 2001 and 2002 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.

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 as at 1st July, 2001, Century Ota Showa & Co. changed its name to Shin Nihon & Co.

Shin Nihon & Co.

Shin Nihon & Co.

Toyama Prefecture, Japan
27th June, 2002

CORPORATE DATA

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Date of Establishment

June 1943

Common Stock

¥14,183 million

Issued and Outstanding Shares

97,610,118 shares

Shareholders

9,426

Employees

5,548

Terminals

89

Warehouses

42

Motor Vehicles

5,580

(As of 31st March, 2002)

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

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