



TONAMI TRANSPORTATION CO., LTD.
Annual Report 2004



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 transportation agency; removal; warehousing; marketing, distribution and information management; specialty item sales; and casualty insurance agency services.



Road haulage



Warehousing



Marketing, distribution and
information management

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NON - CONSOLIDATED FINANCIAL HIGHLIGHTS

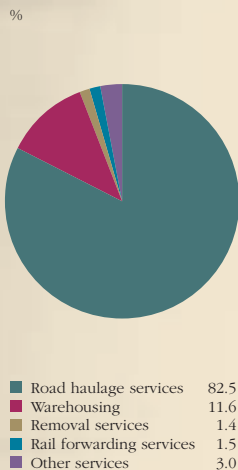
TONAMI TRANSPORTATION CO., LTD.

Tow years ended March 31, 2004

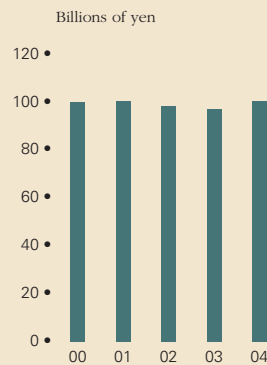
| | Millions of yen | | Thousands of |
|--|-----------------|-----------------|--------------------|
| | 2003 | 2004 | U.S. dollars |
| | | | 2004 |
| FOR THE YEAR: | | | |
| Service revenues | ¥ 97,246 | ¥100,679 | \$ 952,588 |
| Road haulage services | 82,124 | 83,080 | 786,072 |
| Warehousing | 9,193 | 11,710 | 110,796 |
| Removal services | 1,593 | 1,348 | 12,754 |
| Rail forwarding services | 1,394 | 1,502 | 14,211 |
| Other services | 2,939 | 3,038 | 28,744 |
| Operating income | 1,978 | 1,507 | 14,259 |
| Net income | 4,407 | 684 | 6,472 |
| | | | |
| PER SHARE (yen and U.S. dollars): | | | |
| Net income | ¥ 45.10 | ¥ 6.96 | \$ 0.0659 |
| Cash dividends | 6.00 | 8.00 | 0.0757 |
| | | | |
| AT YEAR-END: | | | |
| Total assets | ¥108,543 | ¥109,202 | \$1,033,229 |
| Total shareholders' equity | 47,551 | 47,477 | 449,210 |

- Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥105.69 = U.S.\$1, prevailing on 31st March, 2004, 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.

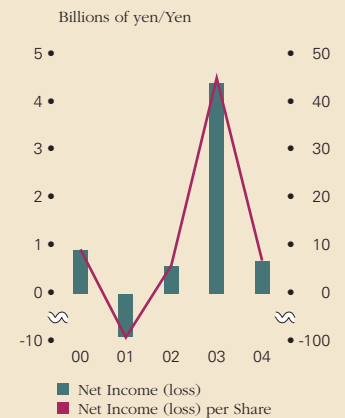
2004 Composition of Service Revenues



Service Revenues



Net Income (loss)/ Net Income (loss) per Share



PERFORMANCE

During the fiscal year under review, the Japanese economy mounted a mild recovery. A robust export market improved corporate performances, which in turn led to higher private sector capital investment. Coupled with progress in structural reforms and the clean up of the bad debt problem in the financial sector, increased capital investment gave the stock market a much needed boost. Nevertheless, deflation continued to exert downward pressure on the economy, and companies continued to reduce their work forces. With lingering anxiety over job security and still declining personal incomes, personal consumption failed to rebound. In addition, the export-led recovery was also dampened by appreciation of the yen, rising crude oil prices, and higher interest rates.



Yoshihiro Minami
President and Representative Director

Under these circumstances, Tonami worked on practical implementation of the various strategies laid out in the three-year medium-term business plan initiated in April 2002. Specifically, the Company redoubled its efforts to market business proposals, such as system distribution or joint delivery system, that meet the increasingly sophisticated needs of its customers in a bid to acquire new customers. To preserve sales levels, Tonami took steps to improve the quality of its information-system-based transportation services system and the precision of its work processes. These efforts were rewarded with the winning of large-scale orders, mainly for our system distribution business.

To reinforce Group management, Tonami converted to subsidiaries Keishin Warehousing Co., Ltd., a company that Tonami has been supporting financially, and its subsidiaries Keishin Air Service Co., Ltd., (Now Tonami Air Service Co., Ltd.) and Keishin System Research Co., Ltd. By strengthening the links between Group companies, the Company will seek to improve the functioning of the Group. Reflecting the overall upward movement in the market, service revenues rose 3.5%, to ¥100.7 billion.

The Company also strove to increase operating efficiency by raising productivity and cutting costs. However, because of changes in the discount rate—the basic rate used in the calculation of employee retirement benefit obligations—and the rate of return on the retirement benefit plan, employees' severance and retirement benefits expenses increased. This expense contributed to a 23.8% decrease in operating income, to ¥1.5 billion. Net income declined even further, falling 84.5%, to ¥684 million. However, the significant drop in net income was primary a reaction to

substantial extraordinary gains posted in the previous fiscal year.

In June 2003, Tonami celebrated its 60th anniversary. In commemoration, a special dividend of ¥2 per share was declared for the fiscal year under review. Combined with interim and year-end dividends of ¥3 per share respectively, total cash dividends for the fiscal year amounted to ¥8 per share.

Looking at divisional performance, our overall transportation business rose 1.0%. Our core transportation services, revenues from road haulage services, increased 1.2% and accounted for 82.5% of total revenues. Among other transportation services, revenues from removal services declined 15.4% while revenues from rail forwarding rose 7.7%. Our warehousing business continued to expand, with its revenues increasing 27.4% and contributing 11.6% of total revenues. Revenues from other services were up 3.3%.

In capital expenditures, we concentrated on development of our system distribution network and related facilities. We completed building the replacement facilities for the Kakogawa office in Hyogo Prefecture and the new facilities for the Sagami office in Kanagawa Prefecture, into which we have integrated the cramped facilities of the Hiratsuka and Atsugi offices.

STRATEGIES AND PERSPECTIVES

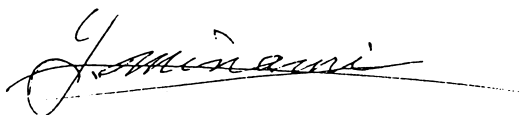
During the current fiscal year, we do not expect the mild improvement in the economy to turn into a full-blown recovery. Negative factors, such as deflation and stagnate personal consumption continue to weight heavily on the economy.

In the transportation industry, companies' continued shift of production overseas, constraint in public works investment, and a weak housing market suggest haulage volumes will be flat or decline in the year ahead.

We face a multitude of issues in the fiscal year ahead, including strengthening our corporate social responsibility system and learning to cope with higher fuel prices and declining pension plan assets. We also have entered the final year of our three-year medium-term business plan, in which we will focus on reaching its targets while also maintaining earnings levels and improving profitability. Working together as a Group, we will continue with business reform.

As we move ahead to meet the challenges of the future, we look forward to the continued support of our shareholders.

June 2004



Yoshihiro Minami
President and Representative Director

BOARD OF DIRECTORS AND STATUTORY AUDITORS

PRESIDENT AND REPRESENTATIVE DIRECTOR

Yoshihiro Minami

STANDING STATUTORY AUDITORS

Makoto Nagai

Nariyuki Aoki

EXECUTIVE VICE PRESIDENTS

Yohsuke Konishi

Katsusuke Watanuki

STATUTORY AUDITORS

Shinichiro Inujima

Toshio Yaeta

Yoji Ishiguro

SENIOR MANAGING DIRECTOR

Akiyoshi Kunisada

(As of 29th June, 2004)

MANAGING DIRECTORS

Tsutomu Chujoh

Noriaki Murata

Kohichi Kishida

Iwao Hamano

DIRECTORS

Shigeki Sakamoto

Takashi Suzuki

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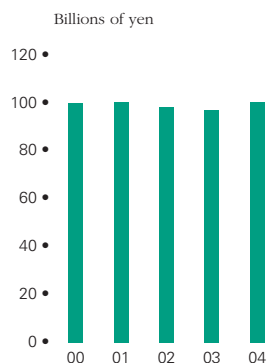
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MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL POSITION (NON-CONSOLIDATED)

Service Revenues

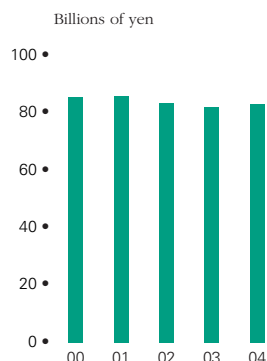


ANALYSIS OF OPERATIONS

Although the Japanese economy showed signs of a long-awaited recovery during the fiscal year under review, deflation still maintained its hold on the economy and personal consumption failed to break out of its long winter. These conditions tempered the positive impact of the export-driven economic rebound and the consequent increase in private sector capital investment. Reflecting these mixed business conditions, service revenues for the year ended March 31, 2004 advanced 3.5%, to ¥100.7 billion (\$953 million). During the fiscal year, the Company placed strong emphasis on concrete implementation of various measures of its medium-term business plan.

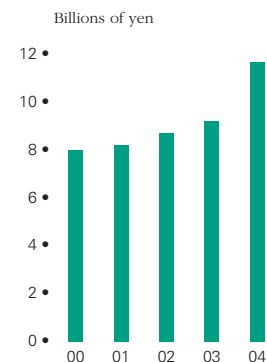
Looking at performance by division, our major operations, revenues from road haulage services, increased 1.2%, to ¥83,080 million, accounting for 82.5% of total service revenues. Business conditions were again difficult in the fiscal year under review, with total annual road haulage in Japan declining for the fourth year in a row, competition intensifying, and haulage prices remaining flat. In response to these conditions, the Company worked to improve the quality of its transport services, carried out aggressive sales activities, and gave top priority to maintaining road haulage volume.

Revenues from Road Haulage



Revenues from warehousing, Tonami's second largest operations, rose 27.4%, to ¥11,710 million, contributing 11.6% of total service revenues. Demand remains firm for warehousing services, and the Company believes that it will continue to have an advantage in this market because of its advanced systems. Revenues from removal services, which generated 1.4% of total services revenues, declined 15.4%, to ¥1,348 million. Revenues from rail forwarding services, which contributed 1.5% of total service revenues, increasing 7.7%, to ¥1,502 million. Revenues from these services have moved steadily upward over the past few years, reflecting the market's favorable assessment of rail freight as an attractive option to trucking routes because of more reliable scheduling and highly competitive services. Revenues from other services rose 3.3%, to ¥3,038 million, accounting for 3.0% of total service revenues during the fiscal year in review.

Revenues from Warehousing



Cost of services rose 4.2%, to ¥96,372 million (\$912 million). Selling, general and administration expenses edged up slightly, to ¥2,800 million (\$26.5 million). Overall, operating income decreased 23.8%, to ¥1,507 million (\$14.3 million).

Other income and expenses fell substantially to a net income of ¥1,769 million (\$16.7 million). This drop was in reaction to the ¥2,793 million gain on disposal of property and equipment, net and ¥3,502 million in others income recorded in the previous fiscal year. Interest and dividend income decreased 5.6%, to ¥272 million (\$2.6 million), while interest expenses declined 19.7%, to ¥265 million (\$2.5 million). Income before income taxes, therefore, amounted to ¥1,769 million (\$16.7 million) compared with ¥8,231 million a year earlier. Income taxes for the period dropped substantially to ¥1,085 million (\$10.3 million), consisting of ¥1,745 million (\$16.5 million) in current income taxes and a deferred income tax reversal of ¥660 million (\$6.2 million). Consequently, the Company posted net income of ¥684 million (\$6.5 million) compared with ¥4,407 million in the previous fiscal year. Net income per share was ¥6.96 (\$0.0659) compared with ¥45.10 per share in the previous year.

Net property and equipment increased 7.5%, to ¥62,260 million (\$589 million). Land rose 4.3%, buildings and structures advanced 10.2%, machinery and tools increased 7.9%, vehicles dropped 15.1%, and construction in progress was ¥889 million compared with no construction in progress in the previous year. Tonami continued to maintain its policy of limiting capital investment to essential areas, such as the maintenance of its haulage and warehousing network.

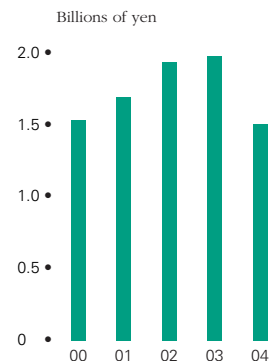
Investments and other assets increased 14.4%, to ¥13,059 million (\$124 million) primarily due to a 35.2% increase in investments in securities, to ¥5,552 million (\$52.5 million) and a 67.1% rise in investments in subsidiaries and affiliates, to ¥2,725 million (\$25.8 million).

ANALYSIS OF FINANCIAL POSITION

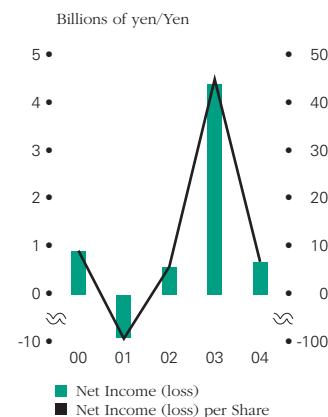
Current assets contracted 13.5%, to ¥33,883 million (\$321 million), principally as a result of a decrease in cash, which fell 27.1%, to ¥11,488 million (\$109 million). Marketable securities declined 23.2%, to ¥1,046 million (\$9.9 million). Among trade receivables, notes and accounts receivable rose 3.4%, to ¥19,011 million (\$180 million).

Current liabilities decreased 15.8%, to ¥30,109 million (\$285 million), primarily due to the maturity of the ¥7,000 million recorded in the current portion of bonds in the previous year. Accounts payable increased 10.2%, to ¥9,213 million (\$87.2 million). Income tax payable dropped 38.7%, to ¥645 million (\$6.1 million). Other current liabilities increased 19.0%, to ¥6,006 million (\$56.8 million). The current ratio improved to 1.13 from 1.10 in the previous year, mainly due to the relative increase in current assets.

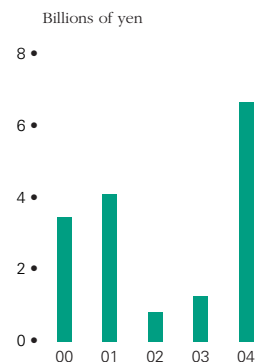
Operating Income



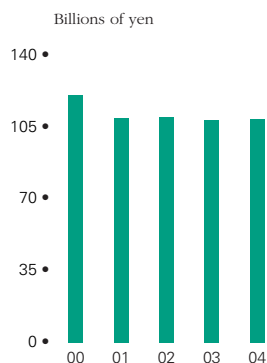
Net Income (loss)/ Net Income (loss) per Share



Capital Expenditures



Total Assets

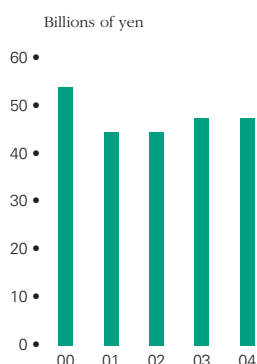


Long-term liabilities rose 25.4%, to ¥31,616 million (\$299 million), reflecting an increase in long-term debt, less current portion to ¥8,599 million (\$81.4 million) due to two unsecured bond issues for a total of ¥7,000 million (\$66.2 million). In addition, employees' severance and retirement benefits expanded 2.2%, to ¥18,374 million (\$174 million).

Shareholders' equity declined slightly, to ¥47,477 million (\$449 million), mainly because of an increase the revaluation reserve for land. The equity ratio edged down to 43.5% compared with 43.8% in the previous fiscal year, primarily due to the expansion in total assets.

ANALYSIS OF CASH FLOWS

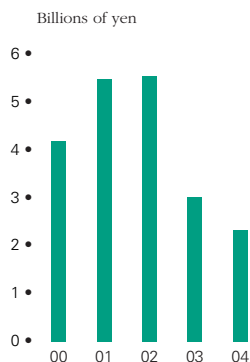
Shareholders' Equity



Cash and cash equivalents at beginning of period were ¥16,739 million (\$158 million). Net cash provided by operating activities amounted to ¥2,334 million (\$22.1 million), compared with net cash provided by operating activities of ¥3,011 million in the previous fiscal year. Among other significant items in cash flow from operating activities, depreciation and amortization was ¥1,796 million (\$17.0 million), down 12.4%.

Net cash used in investing activities amounted to ¥4,359 million (\$41.2 million) compared with net cash provided by of ¥2,109 million in the previous fiscal year. The main contributor to this reversal was purchase of property and equipment, which expanded ¥4,708 million, to ¥5,857 million (\$55.4 million). Proceeds from sales of property and equipment decreased ¥2,623 million, to ¥1,465 million (\$13.9 million).

Net Cash Provided by Operating Activities



Net cash used in financing activities amounted to ¥2,237 million (\$21.2 million) compared with ¥2,242 million a year earlier. Among fund procurement, decrease in short-term loans amounted to ¥105 million (\$1.0 million), proceeds from long-term debt amounted to ¥100 million (\$0.9 million), and proceeds from issuance of bonds were ¥6,914 million (\$65.4 million). Redemption of bonds amounted to ¥7,000 million (\$66.2 million). Cash and cash equivalents at the end of the period, therefore, decreased by ¥4,262 million (\$40.3 million) to ¥12,477 million (\$118 million), providing 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 | |
|--|-----------------|-----------|----------|----------|-----------------|---------------------------|--|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 | |
| RESULTS OF OPERATIONS: | | | | | | | |
| Service revenues | ¥100,291 | ¥100,509 | ¥ 98,462 | ¥ 97,246 | ¥100,679 | \$ 952,588 | |
| Cost of services | 96,070 | 95,808 | 93,679 | 92,510 | 96,372 | 911,836 | |
| Selling, general and administrative expenses | 2,678 | 3,006 | 2,841 | 2,758 | 2,800 | 26,493 | |
| Operating income | 1,543 | 1,695 | 1,942 | 1,978 | 1,507 | 14,259 | |
| Income (loss) before income taxes | 2,061 | (14,915) | 1,329 | 8,231 | 1,769 | 16,738 | |
| Net income (loss) | 910 | (8,888) | 578 | 4,407 | 684 | 6,472 | |
| Capital expenditures | 3,483 | 4,117 | 823 | 1,261 | 6,684 | 63,242 | |
| Depreciation expenses | 3,458 | 3,305 | 2,532 | 2,051 | 1,796 | 16,993 | |
| PER SHARE (yen and U.S. dollars): | | | | | | | |
| Net income (loss) | ¥ 9.29 | (¥ 91.05) | ¥ 5.92 | ¥ 45.10 | ¥ 6.96 | \$0.0659 | |
| Cash dividends | 6.00 | 6.00 | 6.00 | 6.00 | 8.00 | 0.0757 | |
| YEAR-END FINANCIAL POSITION: | | | | | | | |
| Total current assets | ¥ 48,404 | ¥ 32,346 | ¥ 35,436 | ¥ 39,183 | ¥ 33,883 | \$ 320,589 | |
| Net property and equipment | 61,731 | 61,883 | 60,023 | 57,942 | 62,260 | 589,081 | |
| Total assets | 120,697 | 109,261 | 109,767 | 108,543 | 109,202 | 1,033,229 | |
| Total current liabilities | 45,971 | 27,824 | 28,434 | 35,778 | 30,109 | 284,880 | |
| Long-term liabilities, excluding of current portion thereof | 20,706 | 36,802 | 36,741 | 25,214 | 31,616 | 299,139 | |
| Total shareholders' equity | 54,020 | 44,635 | 44,592 | 47,551 | 47,477 | 449,210 | |
| OTHER YEAR-END DATA: | | | | | | | |
| Number of share outstanding (thousand) | 97,610 | 97,610 | 97,610 | 97,610 | 97,610 | | |
| Number of employees | 5,757 | 5,636 | 5,548 | 5,462 | 5,462 | | |

As of 31st March, 2003 and 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|------------------|--|
| | 2003 | 2004 | 2004 |
| ASSETS | | | |
| Current assets: | | | |
| Cash | ¥ 15,750 | ¥ 11,488 | \$ 108,695 |
| Marketable securities | 1,362 | 1,046 | 9,897 |
| Trade receivables: | | | |
| Notes and accounts (Note 6) | 18,394 | 19,011 | 179,875 |
| Less: allowance for doubtful accounts | (51) | (47) | (444) |
| Inventories | 140 | 149 | 1,410 |
| Deferred tax assets (Note 5) | 507 | 579 | 5,478 |
| Other current assets | 3,081 | 1,657 | 15,678 |
| Total current assets | 39,183 | 33,883 | 320,589 |
| | | | |
| Property and equipment (Notes 3 and 4): | | | |
| Land | 35,140 | 36,660 | 346,864 |
| Buildings and structures | 40,633 | 43,463 | 411,231 |
| Machinery and tools | 6,091 | 6,505 | 61,548 |
| Vehicles | 17,730 | 15,957 | 150,979 |
| Construction in progress | — | 889 | 8,411 |
| Less: accumulated depreciation | (41,652) | (41,214) | (389,952) |
| Net property and equipment | 57,942 | 62,260 | 589,081 |
| | | | |
| Investments and other assets: | | | |
| Investments in securities | 4,108 | 5,552 | 52,531 |
| Investments in subsidiaries and affiliates | 1,631 | 2,725 | 25,783 |
| Loans to employees | 21 | 17 | 161 |
| Deferred tax assets (Note 5) | 1,710 | 1,234 | 11,675 |
| Others | 3,948 | 3,531 | 33,409 |
| Total investments and other assets | 11,418 | 13,059 | 123,559 |
| Total assets | ¥108,543 | ¥ 109,202 | \$ 1,033,229 |

The accompanying Notes are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|--|
| | 2003 | 2004 | 2004 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term bank loans (Note 4) | ¥ 13,360 | ¥ 13,255 | \$ 125,414 |
| Current portion of long-term debt (Note 4) | 578 | 612 | 5,790 |
| Current portion of bonds | 7,000 | — | — |
| Trade accounts payable (Note 6) | 8,358 | 9,213 | 87,170 |
| Deposits from employees | 383 | 378 | 3,576 |
| Income taxes payable | 1,053 | 645 | 6,103 |
| Other current liabilities | 5,046 | 6,006 | 56,827 |
| Total current liabilities | 35,778 | 30,109 | 284,880 |
| Long-term liabilities: | | | |
| Long-term debt, less current portion thereof (Note 4) | 2,110 | 8,599 | 81,360 |
| Deferred tax liabilities from revaluation reserve for land (Note 9) | 5,088 | 4,596 | 43,486 |
| Employees' severance and retirement benefits | 17,975 | 18,374 | 173,848 |
| Other long-term liabilities | 41 | 47 | 445 |
| Total long-term liabilities | 25,214 | 31,616 | 299,139 |
| Total liabilities | 60,992 | 61,725 | 584,019 |
| Contingent liabilities (Note 8) | | | |
| Shareholders' equity (Note 10): | | | |
| Common stock: | | | |
| Authorized: 299,200,000 shares in 2003 | | | |
| 299,200,000 shares in 2004 | | | |
| Issued: 97,610,118 shares in 2003 | | | |
| 97,610,118 shares in 2004 | 14,183 | 14,183 | 134,194 |
| Capital surplus | 14,687 | 14,687 | 138,963 |
| Retained earnings | 12,065 | 12,695 | 120,116 |
| Revaluation reserve for land (Note 9) | 7,494 | 6,769 | 64,046 |
| Unrealized gain on securities | 42 | 882 | 8,345 |
| Treasury stock, at cost : 3,307,754 shares in 2003 and | | | |
| 6,032,839 shares in 2004 | (920) | (1,739) | (16,454) |
| Total shareholders' equity | 47,551 | 47,477 | 449,210 |
| Total liabilities and shareholders' equity | ¥108,543 | ¥109,202 | \$1,033,229 |

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

For the two years ended 31st March, 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|--|
| | 2003 | 2004 | 2004 |
| Service revenues (Note 6) | ¥97,246 | ¥100,679 | \$952,588 |
| Operating costs and expenses: | | | |
| Cost of services (Notes 6 and 11) | 92,510 | 96,372 | 911,836 |
| Selling, general and administrative expenses (Note 11) | 2,758 | 2,800 | 26,493 |
| | 95,268 | 99,172 | 938,329 |
| Operating income | 1,978 | 1,507 | 14,259 |
| Other income and expenses: | | | |
| Interest and dividend income (Note 6) | 288 | 272 | 2,574 |
| Gain on disposal of property and equipment, net | 2,793 | 1 | 9 |
| Interest expenses | (330) | (276) | (2,611) |
| Others | 3,502 | 265 | 2,507 |
| | 6,253 | 262 | 2,479 |
| Income before income taxes | 8,231 | 1,769 | 16,738 |
| Income taxes (Note 5): | | | |
| Current | 1,768 | 1,745 | 16,511 |
| Deferred | 2,056 | (660) | (6,245) |
| | 3,824 | 1,085 | 10,266 |
| Net income | ¥ 4,407 | ¥ 684 | \$ 6,472 |

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, 2004

| | Millions of yen | | | | | | |
|--|---|-----------------|--------------------|----------------------|------------------------------------|-------------------------------------|-------------------|
| | Shares of common stock (thousands) | Common stock | Capital surplus | Retained earnings | Revaluation reserve for land | Unrealized gain on securities | Treasury stock |
| Balance as at 31st March, 2002 | 97,610 | ¥ 14,183 | ¥ 14,687 | ¥ 7,732 | ¥ 7,872 | ¥ 120 | (¥ 2) |
| Net income | | | | 4,407 | | | |
| Cash dividends applicable to the year (¥6.00 per share) | | | | (586) | | | |
| Revaluation reserve for land | | | | 542 | (378) | | |
| Unrealized gain on securities | | | | | | (78) | |
| Treasury stock | | | | | | | (918) |
| Bonuses to directors and statutory auditors | | | | (30) | | | |
| Balance as at 31st March, 2003 | 97,610 | 14,183 | 14,687 | 12,065 | 7,494 | 42 | (920) |
| Net income | | | | 684 | | | |
| Cash dividends applicable to the year (¥8.00 per share) | | | | (749) | | | |
| Revaluation reserve for land | | | | 725 | (725) | | |
| Unrealized gain on securities | | | | | | 840 | |
| Treasury stock | | | | | | | (819) |
| Bonuses to directors and statutory auditors | | | | (30) | | | |
| Balance as at 31st March, 2004 | 97,610 | ¥14,183 | ¥14,687 | ¥12,695 | ¥6,769 | ¥882 | (¥ 1,739) |

| | Thousands of U.S. dollars (Note 1) | | | | | | |
|---|------------------------------------|--------------------|----------------------|------------------------------------|-------------------------------------|-------------------|--|
| | Common stock | Capital surplus | Retained earnings | Revaluation reserve for land | Unrealized gain on securities | Treasury stock | |
| Balance as at 31st March, 2002 | \$ 134,194 | \$ 138,963 | \$ 73,157 | \$ 74,482 | \$ 1,135 | (\$ 19) | |
| Net income | | | 41,698 | | | | |
| Cash dividends applicable to the year (\$0.0568 per share) | | | (5,544) | | | | |
| Revaluation reserve for land | | | 5,128 | (3,576) | | | |
| Unrealized gain on securities | | | | | (738) | | |
| Treasury stock | | | | | | (8,686) | |
| Bonuses to directors and statutory auditors | | | (284) | | | | |
| Balance as at 31st March, 2003 | 134,194 | 138,963 | 114,155 | 70,906 | 397 | (8,705) | |
| Net income | | | 6,472 | | | | |
| Cash dividends applicable to the year (\$0.0757 per share) | | | (7,087) | | | | |
| Revaluation reserve for land | | | 6,860 | (6,860) | | | |
| Unrealized gain on securities | | | | | 7,948 | | |
| Treasury stock | | | | | | (7,749) | |
| Bonuses to directors and statutory auditors | | | (284) | | | | |
| Balance as at 31st March, 2004 | \$134,194 | \$138,963 | \$120,116 | \$64,046 | \$8,345 | (\$16,454) | |

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, 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------|--|
| | 2003 | 2004 | 2004 |
| Cash flows from operating activities: | | | |
| Net income before income taxes | ¥ 8,231 | ¥ 1,769 | \$ 16,738 |
| Depreciation and amortization | 2,051 | 1,796 | 16,993 |
| Gain on disposal of property and equipment | (2,793) | (1) | (9) |
| Gain on sales of marketable securities | (0) | — | — |
| Gain on release from substitutional portion of government's welfare pension fund insurance scheme ... | (3,491) | — | — |
| Gain (loss) on sales of investments in securities | 39 | (181) | (1,713) |
| Loss on devaluation of investments in securities | 323 | 6 | 57 |
| Loss on devaluation of golf club memberships | 111 | 48 | 454 |
| (Decrease) increase in allowance for doubtful accounts | (104) | 40 | 378 |
| Increase in reserve for retirement allowance | 101 | 399 | 3,775 |
| Bond issue expenses | — | 86 | 814 |
| Decrease in accrued bonuses to employees | (169) | (52) | (492) |
| Interest and dividend income | (288) | (271) | (2,564) |
| Interest expenses | 327 | 274 | 2,592 |
| Increase in trade receivables | (494) | (618) | (5,847) |
| Decrease (increase) in inventories | 2 | (9) | (85) |
| Increase in accounts payable | 872 | 856 | 8,099 |
| Decrease in accrued consumption taxes | (156) | (92) | (870) |
| Other, net | 75 | 388 | 3,671 |
| Subtotal | 4,637 | 4,438 | 41,991 |
| Interest and dividends received | 288 | 271 | 2,564 |
| Interest paid | (327) | (274) | (2,593) |
| Income taxes paid | (1,587) | (2,101) | (19,879) |
| Net cash provided by operating activities | 3,011 | 2,334 | 22,083 |
| Cash flows from investing activities: | | | |
| Purchase of time deposits | (10) | (20) | (189) |
| Proceeds from redemption of time deposits | 80 | 20 | 189 |
| Purchase of marketable securities | (202) | (31) | (293) |
| Proceeds from sales of marketable securities | 501 | 308 | 2,914 |
| Purchase of property and equipment | (1,149) | (5,857) | (55,417) |
| Proceeds from sales of property and equipment | 4,088 | 1,465 | 13,861 |
| Purchase of investments in securities | (612) | (1,335) | (12,631) |
| Proceeds from sales of investments in securities | 306 | 291 | 2,753 |
| Liquidation of subsidiaries | (19) | — | — |
| Investments in loans receivable | (585) | (477) | (4,513) |
| Proceeds from collection of loans receivable | 700 | 628 | 5,942 |
| Other, net | (989) | 649 | 6,141 |
| Net cash provided by (used in) investing activities | 2,109 | (4,359) | (41,243) |
| Cash flows from financing activities: | | | |
| Decrease in short-term loans | (160) | (105) | (994) |
| Proceeds from long-term debt | 148 | 100 | 946 |
| Repayments of long-term debt | (726) | (578) | (5,469) |
| Purchase of treasury stock | (918) | (819) | (7,749) |
| Dividends paid | (586) | (749) | (7,087) |
| Proceeds from issuance of bonds | — | 6,914 | 65,418 |
| Redemption of bonds | — | (7,000) | (66,231) |
| Net cash used in financing activities | (2,242) | (2,237) | (21,166) |
| Effect of exchange rate change on cash and cash equivalents | — | — | — |
| Net increase in cash and cash equivalents | 2,878 | (4,262) | (40,325) |
| Cash and cash equivalents at beginning of year | 13,862 | 16,739 | 158,378 |
| Cash and cash equivalents at end of year | ¥16,740 | ¥12,477 | \$118,053 |

The accompanying Notes are an integral part of these statements.

1. Basis of presenting financial statements

The accompanying non-consolidated financial statements of Tonami Transportation Co., Ltd. (the “Company”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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 ¥105.69 = U.S.\$1, prevailing on 31st March, 2004, 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, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of stockholders’ equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(c) Inventories

Inventories are stated at cost, cost being determined principally by the last purchase price method.

(d) 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.

(e) Property and equipment and intangible assets

Property and equipment are stated at cost. However, under Japanese tax law, capital gains resulting 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, which 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 assuming that the assets have no salvage value.

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

(f) 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.

(g) 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 assumes a 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.

Past service costs are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees average remaining service lives) commencing with the year as occurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees’ average remaining service lives) commencing with the next year as occurred.

The Company has two types of defined benefit plans,

a lump-sum payment plan and an additional benefit type of pension plan. The Company plans to revise its pension plans and shift them to a money-market-rates linkage type from 1st June, 2004.

The Company has established contributory defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan, i.e., welfare pension fund plan (WFPF). The WFPF consists of the governmental welfare pension program (the substitutional portion) and an additional non-contributory pension plan portion.

On 13th August, 2002, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the WFPF. In accordance with paragraph 47-2 of the "Practical Guidelines on Retirement Benefits Accounting (Interim Report)," Report No. 13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants, the Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its WFPF as of the date of approval of the exemption, assuming that the transfer to the Japanese Government of the substitutional portion of the benefit obligation and related portion of the pension plan assets had been completed as of that date. As a result, the Company recognized a gain of ¥3,491 million for the year ended 31st March, 2003. At 31st March, 2003, the pension plan assets to be transferred were calculated at ¥20,672 million.

(b) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(i) Income taxes

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

The Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

(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. Property and equipment

As stated above, capital gains resulting from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amounts deducted from the cost of property and equipment was ¥269 million (\$2,545 thousand) as at 31st March, 2003 and 2004, respectively.

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

(a) Short-term bank loans

Short-term bank loans as at 31st March, 2003 and 2004 were as follows:—

| | Thousands of | | |
|-----------------|-----------------|--------------|----------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Secured | ¥ 3,474 | ¥ 3,080 | \$29,142 |
| Unsecured | 9,886 | 10,175 | 96,272 |

Interest rates range from 0.588% to 1.375%.

(b) Long-term debt

Long-term debt as at 31st March, 2003 and 2004 was as follows:—

| | Thousands of | | |
|--|-----------------|--------------|----------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| 2.05% ¥7 billion unsecured | | | |
| straight bonds due 2003 | ¥7,000 | ¥ — | \$ — |
| 0.89% ¥6.4 billion unsecured | | | |
| straight bonds due 2008 | — | 6,400 | 60,554 |
| 0.52% ¥0.6 billion unsecured | | | |
| straight bonds due 2008 | — | 600 | 5,677 |
| 1.700%-2.100% loans from financial institutions due 2005 to 2009 | | | |
| Secured | 1,689 | 1,511 | 14,297 |
| Unsecured | 1,000 | 700 | 6,623 |
| Total | 9,689 | 9,211 | 87,151 |
| Less amount due within one year ... | 7,578 | 612 | 5,790 |
| | ¥2,111 | ¥8,599 | \$81,361 |

The maturity date of the ¥6.4 billion 0.89% unsecured straight bonds, issued in June 2003 is 30th June, 2008.

The maturity date of the ¥0.6 billion 0.52% unsecured straight bonds, issued in June 2003 is 30th June, 2008.

The annual maturities of long-term debt outstanding as at 31st March, 2004 were as follows:—

| Year ending 31st March, | Thousands of | |
|---------------------------|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| 2005 | ¥ 612 | ¥ 5,790 |
| 2006 | 412 | 3,898 |
| 2007 | 210 | 1,987 |
| 2008 | 178 | 1,684 |
| 2009 and thereafter | 7,799 | 73,792 |

(c) Pledged assets

As at 31st March, 2004, Property and equipment having a net value of ¥18,065 million (\$170,924 thousand) was pledged as collateral for short-term bank loans and long-term debt (including current portion of long-term debt).

5. Income taxes

As described in Note 2(i), the Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

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

| | Thousands of | | |
|---|-----------------|---------|--------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Deferred tax assets: | | | |
| Excess bonuses accrued | ¥ 332 | ¥ 414 | \$ 3,917 |
| Excess employees' severance and retirement benefits accrued | 6,448 | 6,951 | 65,768 |
| Other | 411 | 422 | 3,993 |
| Gross deferred tax assets .. | 7,191 | 7,787 | 73,678 |
| Valuation allowance | (194) | (228) | (2,157) |
| Total deferred tax assets ... | 6,997 | 7,559 | 71,521 |
| Deferred tax liabilities: | | | |
| Unrealized gain on securities | (28) | (599) | (5,668) |
| Reserve under Special Taxation Measures Law | (4,753) | (5,147) | (48,699) |
| Total deferred tax liabilities.... | (4,781) | (5,746) | (54,367) |
| Net deferred tax assets | ¥2,216 | ¥1,813 | \$17,154 |

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes, which, in aggregate, resulted in a statutory tax rate of 41.7% for the years ended 31st March, 2003 and 2004, 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, 2003 and 2004 are as follows:—

| | 2003 | 2004 |
|---|-------|-------|
| Statutory tax rate | 41.7% | 41.7% |
| Increase (decrease) in tax resulting from: | | |
| Nondeductible expenses including entertainment, etc. | 0.4 | 2.6 |
| Nontaxable income including dividends received deduction, etc. | (0.4) | (2.4) |
| Per capita portion of inhabitant taxes | 2.3 | 10.8 |
| Other | 2.4 | 8.7 |
| Effective tax rate | 46.4% | 61.4% |

On 31st March, 2003, a revised local tax law was enacted and became effective for fiscal years commencing on 1st April, 2004 or later. According to the revised local tax law, income tax law rates for enterprise taxes will be reduced resulting from introducing the assessment by estimation on the basis of paid-in capital and value added.

The effect of this tax rate change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥39 million at 31st March, 2003 and to increase income taxes – deferred by ¥164 million for the year ended 31st March, 2003.

6. Accounts and transactions with subsidiaries and affiliates

As at 31st March, 2004, the Company had 28 subsidiaries and 7 affiliates.

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

| | Thousands of | | |
|----------------------------------|-----------------|--------------|--------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Notes and accounts receivable .. | ¥ 306 | ¥ 210 | \$ 1,987 |
| Loans receivable | 1,148 | 1,032 | 9,764 |
| Trade accounts payable | 1,418 | 1,739 | 16,454 |
| Thousands of | | | |
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Service revenues | ¥2,334 | ¥2,357 | \$22,301 |
| Cost of services | 7,665 | 9,073 | 85,845 |
| Interest income | 22 | 17 | 161 |

7. Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of 31st March, 2003 and 2004, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:—

| | Thousands of | | |
|---------------------------|-----------------|--------------|-----------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Acquisition costs: | | | |
| Machinery and tools | ¥ 3,081 | ¥ 2,861 | \$ 27,070 |
| Other assets | 7,777 | 9,725 | 92,014 |
| | ¥10,858 | ¥12,586 | \$119,084 |
| Accumulated depreciation: | | | |
| Machinery and tools | ¥1,585 | ¥ 1,853 | \$ 17,532 |
| Other assets | 2,183 | 3,675 | 34,772 |
| | ¥3,768 | ¥ 5,528 | \$ 52,304 |
| Net book value: | | | |
| Machinery and tools | ¥1,496 | ¥ 1,008 | \$ 9,537 |
| Other assets | 5,595 | 6,050 | 57,243 |
| | ¥7,091 | ¥ 7,058 | \$ 66,780 |

| | Thousands of | | |
|----------------------------|-----------------|--------------|----------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Depreciation expense | ¥1,722 | ¥2,083 | \$19,709 |
| Interest expense | 152 | 146 | 1,381 |

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,859 million and ¥2,230 million (\$21,099 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended 31st March, 2003 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March, 2004 for finance leases accounted for as operating leases are summarized as follows:—

| Year ending 31st March, | Thousands of | |
|---------------------------|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| 2005 | ¥2,179 | \$20,617 |
| 2006 and thereafter | 4,934 | 46,684 |
| Total | ¥7,113 | \$67,301 |

8. Contingent liabilities

As at 31st March, 2004, the Company was contingently liable as follows:—

| | Thousands of | |
|-------------------------------|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| Guarantees of welfare pension | | |
| housing loans sublet | | |
| to employees | ¥ 6 | \$ 57 |
| Others | 1,952 | 18,469 |

9. Revaluation reserve for 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, 2000 and reported a revaluation reserve for 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, after making reasonable adjustments.

| | Thousands of | |
|--|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| Difference between the fair market value | | |
| of revaluated land at 31st March, 2003 | | |
| and the revaluated book value | ¥7,784 | \$73,649 |

10. Shareholders' equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥1,261 million and ¥1,261 million (\$11,931 thousand) at 31st March, 2003 and 2004, respectively.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

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.

11. Supplementary income information

Supplementary income information for the two years ended 31st March, 2004 is as follows:—

| | Thousands of | | |
|-----------------------------|-----------------|--------------|----------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Depreciation expenses | ¥2,051 | ¥1,796 | \$16,993 |
| Lease and rental | 3,282 | 3,313 | 31,346 |

12. Amounts Per Share

Basic net income per share has been computed based on the net income available for distribution to stockholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share has not been presented for the years ended 31st March, 2003 and 2004 since the Company had not potentially dilutive shares of common stock to be issued 31st March, 2003 and 2004.

| | Yen | | U.S. dollars |
|---|--------|-------|--------------|
| | 2003 | 2004 | 2004 |
| Net income per share of common stock | ¥45.10 | ¥6.96 | \$0.0659 |

The following table sets forth the computation of net income per share of common stock for the years ended 31st March, 2003 and 2004:—

| | Thousands of | | |
|---|-----------------|--------------|------------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Net income available to shareholders of common stock: | | | |
| Net income | ¥4,407 | ¥684 | \$6,472 |
| Less: appropriation of bonuses to directors and statutory auditors ... | 30 | 35 | 331 |
| | ¥4,377 | ¥649 | \$6,141 |
| Weighted-average number of shares of common stock outstanding | 97,044,248 | 93,143,900 | 93,143,900 |

Net assets per share have been computed based on the net assets available for distribution to stockholders of common stock and the number of shares of common stock outstanding at each balance sheet date.

| | Yen | | U.S. dollars |
|----------------------------|---------|---------|--------------|
| | 2003 | 2004 | 2004 |
| Net assets per share | ¥503.92 | ¥518.06 | \$4.902 |

13. Subsequent event

The annual shareholders' meeting of the Company, which was held on 29th June, 2004, duly approved the following appropriations of retained earnings existing as at 31st March, 2004:—

| | Thousands of | |
|--|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| Dividends (¥3.00 per share) | ¥275 | \$2,602 |
| Bonuses to directors and statutory auditors | 35 | 331 |

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Tonami Transportation Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Tonami Transportation Co., Ltd. as of 31st March, 2003 and 2004, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tonami Transportation Co., Ltd. at 31st March, 2003 and 2004, and the non-consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended 31st March, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Shin Nihon & Co.

Shin Nihon & Co.

29th June, 2004

CONSOLIDATED FIVE-YEAR SUMMARY

 TONAMI TRANSPORTATION CO., LTD
 AND CONSOLIDATED SUBSIDIARIES

Years ended 31st March

| | Millions of yen | | | | | Thousands of U.S. dollars |
|--|-----------------|-----------|----------|----------|-----------------|------------------------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 |
| RESULTS OF OPERATIONS: | | | | | | |
| Operating revenues | ¥117,794 | ¥118,166 | ¥118,515 | ¥116,331 | ¥126,713 | \$1,198,912 |
| Operating cost | 108,902 | 109,672 | 110,302 | 107,928 | 117,860 | 1,115,148 |
| Selling, general and administrative expenses | 6,480 | 6,090 | 5,755 | 5,630 | 5,994 | 56,713 |
| Operating income | 2,412 | 2,404 | 2,458 | 2,773 | 2,859 | 27,051 |
| Net income (loss) | 1,276 | (8,786) | 720 | 4,819 | 1,429 | 13,521 |
| Depreciation expenses | 4,216 | 4,092 | 3,303 | 2,775 | 2,610 | 24,695 |
| PER SHARE (yen and U.S. dollars): | | | | | | |
| Net income (loss) | ¥13.04 | (¥ 90.02) | ¥ 7.38 | ¥48.99 | ¥14.50 | \$0.1372 |
| YEAR-END FINANCIAL POSITION: | | | | | | |
| Total current assets | ¥ 52,002 | ¥ 37,583 | ¥ 40,245 | ¥ 43,692 | ¥ 43,596 | \$ 412,489 |
| Net property and equipment | 66,990 | 67,160 | 65,330 | 63,258 | 71,502 | 676,526 |
| Total assets | 130,284 | 120,696 | 120,759 | 119,243 | 128,293 | 1,213,861 |
| Total current liabilities | 51,113 | 34,113 | 34,184 | 41,298 | 39,018 | 369,174 |
| Long-term liabilities, excluding of current portion thereof | 22,075 | 38,876 | 38,802 | 26,799 | 37,832 | 357,953 |
| Total shareholders' equity | 56,431 | 47,113 | 47,170 | 50,508 | 50,735 | 480,036 |
| OTHER YEAR-END DATA: | | | | | | |
| Number of employees | 7,142 | 7,075 | 6,952 | 6,943 | 7,320 | |

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

As of 31st March, 2003 and 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|--|
| | 2003 | 2004 | 2004 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and time deposits | ¥ 17,023 | ¥ 15,035 | \$142,255 |
| Marketable securities (Note 3) | 1,362 | 1,046 | 9,897 |
| Trade receivables: | | | |
| Notes and accounts (Note 9) | 21,239 | 24,199 | 228,962 |
| Less: allowance for doubtful accounts | (84) | (109) | (1,031) |
| Inventories | 636 | 576 | 5,450 |
| Deferred tax assets (Note 7) | 608 | 711 | 6,727 |
| Other current assets | 2,908 | 2,138 | 20,229 |
| Total current assets | 43,692 | 43,596 | 412,489 |
| | | | |
| Property and equipment (Notes 4 and 5): | | | |
| Land | 36,837 | 41,256 | 390,349 |
| Buildings and structures | 22,179 | 25,068 | 237,184 |
| Machinery and vehicles | 3,623 | 3,431 | 32,463 |
| Construction in progress | — | 1,002 | 9,481 |
| Other | 619 | 745 | 7,049 |
| Total property and equipment | 63,258 | 71,502 | 676,526 |
| | | | |
| Investments and other assets: | | | |
| Investments in securities (Notes 3 and 5) | 5,412 | 6,765 | 64,008 |
| Deferred tax assets (Note 7) | 1,928 | 1,456 | 13,776 |
| Foreign currency translation adjustments | 10 | — | — |
| Others | 4,943 | 4,974 | 47,062 |
| Total investments and other assets | 12,293 | 13,195 | 124,846 |
| Total assets | ¥119,243 | ¥128,293 | \$1,213,861 |

The accompanying Notes are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|--|
| | 2003 | 2004 | 2004 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term bank loans (Note 5) | ¥ 15,435 | ¥ 16,063 | \$ 151,982 |
| Current portion of long-term debt (Note 5) | 903 | 911 | 8,619 |
| Current portion of bonds | 7,000 | — | — |
| Trade notes and accounts payable | 10,347 | 12,514 | 118,403 |
| Income taxes payable | 1,230 | 907 | 8,582 |
| Other current liabilities | 6,383 | 8,623 | 81,588 |
| Total current liabilities | 41,298 | 39,018 | 369,174 |
| Long-term liabilities: | | | |
| Long-term debt, less current portion (Note 5) | 2,606 | 9,196 | 87,009 |
| Deferred tax liabilities from revaluation reserve for land (Note 10) | 5,089 | 4,596 | 43,486 |
| Employees' severance and retirement benefits (Note 6) | 18,964 | 20,110 | 190,273 |
| Consolidation difference | — | 648 | 6,131 |
| Other long-term liabilities | 140 | 3,282 | 31,054 |
| Total long-term liabilities | 26,799 | 37,832 | 357,953 |
| Total liabilities | 68,097 | 76,850 | 727,127 |
| Minority interests | 638 | 708 | 6,698 |
| Contingent liabilities (Note 9) | | | |
| Shareholders' equity (Note 11): | | | |
| Common stock: | | | |
| Authorised: 299,200,000 shares in 2003 | | | |
| 299,200,000 shares in 2004 | | | |
| Issued: 97,610,118 shares in 2003 | | | |
| 97,610,118 shares in 2004 | 14,183 | 14,183 | 134,194 |
| Capital surplus | 14,687 | 14,687 | 138,963 |
| Retained earnings | 15,018 | 15,934 | 150,762 |
| Revaluation reserve for land (Note 10) | 7,494 | 6,769 | 64,046 |
| Unrealized gain on securities | 46 | 901 | 8,525 |
| Treasury stock, at cost : 3,307,754 shares in 2003 and | | | |
| 6,032,839 shares in 2004 | (920) | (1,739) | (16,454) |
| Total shareholders' equity | 50,508 | 50,735 | 480,036 |
| Total liabilities, minority interests, and shareholders' equity | ¥119,243 | ¥128,293 | \$1,213,861 |

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

For the two years ended 31st March, 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|--|
| | 2003 | 2004 | 2004 |
| Operating revenues: | | | |
| Operating revenues | ¥116,331 | ¥126,713 | \$1,198,912 |
| | 116,331 | 126,713 | 1,198,912 |
| Operating costs and selling, general and administrative expenses: | | | |
| Operating cost (Note 12) | 107,928 | 117,860 | 1,115,148 |
| Selling, general and administrative expenses (Note 12) | 5,630 | 5,994 | 56,713 |
| | 113,558 | 123,854 | 1,171,861 |
| Operating income | 2,773 | 2,859 | 27,051 |
| Other income and expenses: | | | |
| Interest and dividend income | 368 | 239 | 2,261 |
| Loss on sells of property and equipment, net | 2,765 | (19) | (180) |
| Interest expenses | (380) | (331) | (3,132) |
| Others, net | 3,534 | 185 | 1,751 |
| | 6,287 | 74 | 700 |
| Income before income taxes and minority interests | 9,060 | 2,933 | 27,751 |
| Income taxes (Note 7): | | | |
| Current | 2,073 | 2,122 | 20,078 |
| Deferred | 2,121 | (699) | (6,614) |
| | 4,194 | 1,423 | 13,464 |
| Minority interests | 47 | 81 | 766 |
| Net income | ¥ 4,819 | ¥ 1,429 | \$ 13,521 |

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, 2004

| | Millions of yen | | | | | | |
|--|---|-----------------|--------------------|----------------------|------------------------------------|-------------------------------------|-------------------|
| | Shares of common stock (thousands) | Common stock | Capital surplus | Retained earnings | Revaluation reserve for land | Unrealized gain on securities | Treasury stock |
| Balance as at 31st March, 2002 | 97,610 | ¥ 14,183 | ¥ 14,687 | ¥ 10,307 | ¥ 7,872 | ¥ 123 | (¥ 2) |
| Net income | | | | 4,819 | | | |
| Cash dividends applicable to the year (¥6.00 per share) | | | | (586) | | | |
| Revaluation reserve for land | | | | 542 | (378) | | |
| Unrealized gain on securities | | | | | | (77) | |
| Treasury stock | | | | | | | (918) |
| Bonuses to directors and statutory auditors | | | | (64) | | | |
| Balance as at 31st March, 2003 | 97,610 | 14,183 | 14,687 | 15,018 | 7,494 | 46 | (920) |
| Net income | | | | 1,429 | | | |
| Cash dividends applicable to the year (¥8.00 per share) | | | | (749) | | | |
| Revaluation reserve for land | | | | 725 | (725) | | |
| Unrealized gain on securities | | | | | | 855 | |
| Treasury stock | | | | | | | (819) |
| Decrease resulting from inclusion of consolidated subsidiaries | | | | (421) | | | |
| Bonuses to directors and statutory auditors | | | | (68) | | | |
| Balance as at 31st March, 2004 | 97,610 | ¥14,183 | ¥14,687 | ¥15,934 | ¥6,769 | ¥ 901 | (¥ 1,739) |

| | Thousands of U.S. dollars (Note 1) | | | | | | |
|---|------------------------------------|--------------------|----------------------|------------------------------------|-------------------------------------|-------------------|--|
| | Common stock | Capital surplus | Retained earnings | Revaluation reserve for land | Unrealized gain on securities | Treasury stock | |
| Balance as at 31st March, 2002 | \$ 134,194 | \$ 138,963 | \$ 97,521 | \$ 74,482 | \$ 1,164 | (\$ 19) | |
| Net income | | | 45,596 | | | | |
| Cash dividends applicable to the year (\$0.0568 per share) | | | (5,544) | | | | |
| Revaluation reserve for land | | | 5,128 | (3,576) | | | |
| Unrealized gain on securities | | | | | (729) | | |
| Treasury stock | | | | | | (8,686) | |
| Bonuses to directors and statutory auditors | | | (606) | | | | |
| Balance as at 31st March, 2003 | 134,194 | 138,963 | 142,095 | 70,906 | 435 | (8,705) | |
| Net income | | | 13,521 | | | | |
| Cash dividends applicable to the year (\$0.0757 per share) | | | (7,087) | | | | |
| Revaluation reserve for land | | | 6,860 | (6,860) | | | |
| Unrealized gain on securities | | | | | 8,090 | | |
| Treasury stock | | | | | | (7,749) | |
| Decrease resulting from inclusion of consolidated subsidiaries | | | (3,983) | | | | |
| Bonuses to directors and statutory auditors | | | (644) | | | | |
| Balance as at 31st March, 2004 | \$134,194 | \$138,963 | \$150,762 | \$64,046 | \$8,525 | (\$16,454) | |

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, 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|---------|--|
| | 2003 | 2004 | 2004 |
| Cash flows from operating activities: | | | |
| Net income before income taxes and minority interests | ¥ 9,060 | ¥ 2,933 | \$ 27,751 |
| Depreciation and amortization | 2,775 | 2,610 | 24,695 |
| Gain on disposal of property and equipment | (2,765) | (30) | (284) |
| Gain on sales of marketable securities | (0) | — | — |
| Gain on release from substitutional portion of government's welfare pension fund insurance scheme | (3,626) | — | — |
| Loss (gain) on sales of investments in securities | 32 | (64) | (606) |
| Loss on devaluation of investments in securities | 338 | 8 | 76 |
| Loss on devaluation of golf club memberships | 129 | 54 | 511 |
| Bond issue expenses | — | 86 | 814 |
| Amortization of consolidation difference | (7) | (90) | (852) |
| Equity in earnings of associated companies | (167) | (65) | (615) |
| Increase in allowance for doubtful accounts | 81 | 60 | 568 |
| Increase in employees' severance and retirement benefits | 94 | 375 | 3,548 |
| Decrease in accrued bonuses to employees | (186) | (56) | (530) |
| Interest and dividend income | (201) | (174) | (1,646) |
| Interest expenses | 380 | 331 | 3,132 |
| Increase in trade receivables | (219) | (1,576) | (14,912) |
| Increase (decrease) in inventories | (33) | 157 | 1,486 |
| Increase in accounts payable | 812 | 1,505 | 14,240 |
| Decrease in accrued consumption taxes | (143) | (60) | (568) |
| Other, net | (228) | 124 | 1,173 |
| Subtotal | 6,126 | 6,128 | 57,981 |
| Interest and dividends received | 201 | 174 | 1,646 |
| Interest paid | (380) | (331) | (3,132) |
| Income taxes paid | (1,864) | (2,407) | (22,774) |
| Net cash provided by operating activities | 4,083 | 3,564 | 33,721 |
| Cash flows from investing activities: | | | |
| Purchase of time deposits | (111) | (155) | (1,467) |
| Proceeds from redemption of time deposits | 295 | 131 | 1,240 |
| Purchase of marketable securities | (202) | (31) | (293) |
| Proceeds from sales of marketable securities | 501 | 308 | 2,914 |
| Purchase of property and equipment | (2,080) | (7,809) | (73,886) |
| Proceeds from sales of property and equipment | 4,118 | 1,583 | 14,978 |
| Purchase of investments in securities | (764) | (21) | (199) |
| Proceeds from sales of investments in securities | 322 | 246 | 2,328 |
| Liquidation of subsidiaries | (19) | — | — |
| Proceeds from acquisition of subsidiaries resulting in changes in scope of consolidation ... | — | 1,413 | 13,369 |
| Investments in loans receivable | (445) | (339) | (3,207) |
| Proceeds from collection of loans receivable | 636 | 471 | 4,456 |
| Other, net | (848) | 801 | 7,579 |
| Net provided by (used in) investing activities | 1,403 | (3,402) | (32,188) |
| Cash flows from financing activities: | | | |
| Net (decrease) increase in short-term loans | (534) | 32 | 303 |
| Proceeds from long-term debt | 379 | 328 | 3,103 |
| Repayment of long-term debt | (1,120) | (939) | (8,884) |
| Proceeds from issuance of bonds | — | 6,914 | 65,418 |
| Redemption of bonds | — | (7,000) | (66,232) |
| Proceeds from issuance of stock | — | 6 | 57 |
| Purchase of treasury stock | (918) | (819) | (7,749) |
| Dividends paid | (586) | (749) | (7,087) |
| Dividends paid to minority interests | (7) | (8) | (76) |
| Net cash used in financing activities | (2,786) | (2,235) | (21,147) |
| Effect of exchange rate change on cash and cash equivalents | — | — | — |
| Net increase in cash and cash equivalents | 2,700 | (2,073) | (19,614) |
| Cash and cash equivalents at beginning of year | 15,173 | 17,873 | 169,108 |
| Cash and cash equivalents at end of year | ¥17,873 | ¥15,800 | \$149,494 |

The accompanying Notes are an integral part of these statements.

1. Basis of presenting financial statements

The accompanying consolidated financial statements of Tonami Transportation Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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 ¥105.69 = U.S.\$1, prevailing on 31st March, 2004, 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 28 significant majority-owned subsidiaries for the year ended 31st March, 2004 (24 for 2003).

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

Seven of the investments in unconsolidated subsidiaries or affiliates (8 for 2003) are accounted for by the equity method.

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.

(b) Marketable securities and investments in securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of stockholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(c) Inventories

Inventories are stated at cost, cost being determined principally by the last purchase price method.

(d) 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.

(e) 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).

(f) 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.

(g) 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 assume a 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.

Past service costs are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees average remaining service lives) commencing with the year as occurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees' average remaining service lives) commencing with the next year as occurred.

(b) Stock issue expenses

Stock issue expenses are charged to income as incurred.

(i) 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 carrying amounts of assets and liabilities for tax and financial reporting.

(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.

(k) Foreign currency translation

Foreign currency receivables and payables are translated into yen at the applicable year-end exchange rates and any gain or loss on translation is included in current earnings.

3. Fair Value of Securities

No trading securities or held-to-maturity securities were held at 31st March, 2003 or 2004. Securities classified as other securities are included in "marketable securities" and "investments in securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at 31st March, 2003 and 2004 are summarized as follows:—

| | Millions of yen | | |
|-----------------------|-------------------|----------------|-----------------------|
| | 2003 | | |
| | Acquisition costs | Carrying value | Unrealized gain(loss) |
| Unrealized gain: | | | |
| Stocks | ¥ 671 | ¥1,108 | ¥437 |
| Bonds | | | |
| Corporate bonds | 276 | 279 | 3 |
| Other | 203 | 203 | 0 |
| Other | 10 | 10 | 0 |
| Unrealized loss: | | | |
| Stocks | ¥1,749 | ¥1,392 | (¥357) |
| Bonds | | | |
| Corporate bonds | 54 | 53 | (0) |
| Other | — | — | — |
| Other | 30 | 25 | (5) |
| Total | ¥2,993 | ¥3,071 | ¥ 79 |

| | Millions of yen | | |
|-----------------------|-------------------|----------------|-----------------------|
| | 2004 | | |
| | Acquisition costs | Carrying value | Unrealized gain(loss) |
| Unrealized gain: | | | |
| Stocks | ¥1,772 | ¥3,332 | ¥1,560 |
| Bonds | | | |
| Corporate bonds | 106 | 107 | 1 |
| Other | — | — | — |
| Other | — | — | — |
| Unrealized loss: | | | |
| Stocks | ¥ 654 | ¥ 609 | (¥ 45) |
| Bonds | | | |
| Corporate bonds | 25 | 25 | (0) |
| Other | — | — | — |
| Other | 60 | 58 | (2) |
| Total | ¥2,617 | ¥4,131 | ¥1,514 |

| | Thousands of U.S. dollars | | |
|-----------------------|---------------------------|----------------|-----------------------|
| | 2004 | | |
| | Acquisition costs | Carrying value | Unrealized gain(loss) |
| Unrealized gain: | | | |
| Stocks | \$16,766 | \$31,526 | \$14,760 |
| Bonds | | | |
| Corporate bonds | 1,003 | 1,012 | 9 |
| Other | — | — | — |
| Other | — | — | — |
| Unrealized loss: | | | |
| Stocks | \$ 6,188 | \$ 5,762 | (\$ 426) |
| Bonds | | | |
| Corporate bonds | 237 | 237 | (0) |
| Other | — | — | — |
| Other | 568 | 549 | (19) |
| Total | \$24,761 | \$39,086 | \$14,325 |

Non-marketable securities classified as other securities at 31st March, 2003 and 2004 amounted to ¥3,703 million and ¥3,680 million (\$34,819 thousand), respectively.

Proceeds from sales of securities classified as other securities amounted to ¥98 million and ¥418 million (\$3,955 thousand) for the years ended 31st March, 2003 and 2004, respectively.

The aggregate gain realized on those sales totaled ¥1 million and ¥64 million (\$606 thousand) for the years ended 31st March, 2003 and 2004, respectively. The aggregate loss realized on those sales totaled ¥33 million and ¥0 million (\$0 thousand) for the years ended 31st March, 2003 and 2004, respectively.

The redemption schedule at 31st March, 2004 for bonds with maturity dates is summarized as follows:—

| | Millions of yen | | | |
|-----------------------|-------------------------|---------------------------------------|--|---------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Corporate bonds | ¥46 | ¥ 85 | ¥ — | ¥ — |
| Other | — | 50 | — | 10 |
| Total | ¥46 | ¥135 | ¥ — | ¥ 10 |

| | Thousands of U.S. dollars | | | |
|-----------------------|---------------------------|---------------------------------------|--|---------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Corporate bonds | \$435 | \$ 804 | \$ — | \$ — |
| Other | — | 473 | — | 95 |
| Total | \$435 | \$1,277 | \$ — | \$ 95 |

4. Property and equipment

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥490,094 million and ¥48,838 million (\$462,087 thousand) on 31st March, 2003 and 2004, respectively.

Capital gains resulting from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amounts deducted from the cost of property and equipment was ¥269 million (\$2,545 thousand) on 31st March, 2003 and 2004, respectively.

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

(a) Short-term bank loans

Short-term bank loans as at 31st March, 2003 and 2004 were as follows:—

| | Thousands of | | |
|-----------------|-----------------|---------|--------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Secured | ¥ 4,283 | ¥ 3,981 | \$ 37,667 |
| Unsecured | 11,152 | 12,082 | 114,315 |

Interest rates range from 0.6% to 4.0%.

(b) Long-term debt

Long-term debt as at 31st March, 2003 and 2004 was as follows:—

| | Thousands of | | |
|---|-----------------|---------|--------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| 2.05% ¥7 billion unsecured straight bonds due 2003..... | ¥ 7,000 | ¥ — | \$ — |
| 0.89% ¥6.4 billion unsecured straight bonds due 2008 | — | 6,400 | 60,554 |
| 0.52% ¥0.6 billion unsecured straight bonds due 2008 | — | 600 | 5,677 |
| 0.7%–3.6% loans from financial institutions due 2005 to 2009 and thereafter | | | |
| Secured | 2,049 | 1,773 | 16,776 |
| Unsecured..... | 1,460 | 1,334 | 12,622 |
| Total | 10,509 | 10,107 | 95,629 |
| Less: amount due within one year | 7,903 | 911 | 8,620 |
| | ¥ 2,606 | ¥ 9,196 | \$87,009 |

The maturity date of the ¥6.4 billion 0.89% unsecured straight bonds, issued in June 2003 is 30th June, 2008. The maturity date of the ¥0.6 billion 0.52% unsecured straight bonds, issued in June 2003 is 30th June, 2008.

The annual maturities of long-term debt outstanding as at 31st March, 2004 were as follows:—

| Year ending 31st March, | Thousands of | |
|---------------------------|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| 2005 | ¥ 911 | \$ 8,620 |
| 2006 | 624 | 5,904 |
| 2007 | 358 | 3,387 |
| 2008 | 262 | 2,479 |
| 2009 and thereafter | 7,952 | 75,239 |

(c) Pledged assets

Property and equipment having a net value of ¥19,093 million (\$180,651 thousand) was pledged as collateral for short-term bank loans and long-term debt, and investment in securities of ¥12 million (\$114 thousand) was pledged as collateral for short-term bank loans as at 31st March, 2004.

6. Employees' severance and retirement benefits

An employee whose employment is terminated is entitled, in most cases, to pension annuity payments or to a lump-sum severance payment determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company has two types of defined benefit plans, a lump-sum payment plan and an additional benefit type of pension plan. The Company plans to revise its pension plans and shift them to a money-market-rates linkage type from 1st June, 2004.

The Company and certain significant domestic consolidated subsidiaries have established contributory

defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan, i.e., welfare pension fund plan (WFPF). The WFPF consists of the governmental welfare pension program (the substitutional portion) and an additional non-contributory pension plan portion.

The projected benefit obligation and the funded status of the plans summarized as follows:—

| | Thousands of | | |
|---|-----------------|------------------|--------------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Projected benefit obligation | (¥27,105) | (¥28,347) | (\$268,208) |
| Plan assets | 696 | 3,022 | 28,593 |
| Accrued pension and severance costs | 18,964 | 20,110 | 190,273 |
| Prepaid pension and severance costs | — | — | — |
| Net unrecognized amount | 7,445 | 5,215 | 49,342 |

The net unrecognized amounts were as follows:—

| | Thousands of | | |
|---|-----------------|---------------|-----------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Unrecognized benefit obligation at transition | | | |
| Adjustment for actuarial assumptions | ¥6,805 | ¥4,633 | \$43,835 |
| Past service cost | 640 | 582 | 5,507 |
| Net unrecognized amounts | 7,445 | 5,215 | 49,342 |

The substitutional portions of the WFPF benefits have been included in the amounts shown in the above table.

On 13th August, 2002 the Company and certain domestic subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the WFPF. In accordance with paragraph 47-2 of the “Practical Guidelines on Retirement Benefits Accounting (interim Report),” Report No.13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants, the Company and subsidiaries accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its WFPF as of the date of approval of the exemption, assuming that the transfer to the Japanese Government of the substitutional portion of the benefit obligation and related portion of the pension plan assets had been completed as of that date. As a result the Company and subsidiaries recognized a gain of ¥3,625 million for the year ended 31st March, 2003. At 31st March, 2003, the pension plan assets to be transferred were calculated at ¥21,294 million.

The components of net periodic pension and severance costs excluding the employees’ contributory portion were as follows:—

For the year ended 31st March,

| | Thousands of | | |
|---|-----------------|---------------|-----------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Service cost | ¥1,098 | ¥1,077 | \$10,190 |
| Interest cost on projected benefit obligation | 1,141 | 662 | 6,264 |
| Expected return on plan assets .. | (391) | (11) | (104) |
| Amortization of unrecognized severance benefit obligation at transition | — | — | — |
| Amortization of adjustment for actuarial assumptions | 250 | 621 | 5,876 |
| Amortization of past service cost | 0 | 58 | 549 |
| Net periodic pension and severance costs | ¥2,099 | ¥2,408 | \$22,784 |

The assumptions used were as follows:—

| | 2003 | 2004 |
|---|------|------|
| Discount rates | 2.5 | 2.5 |
| Expected rates of return on plan assets | 4.0 | 2.5 |

7. Income taxes

As described in Note 2(i), the Company and its consolidated subsidiaries recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

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

| | Thousands of | | |
|---|-----------------|----------------|-----------------|
| | Millions of yen | | U.S. dollars |
| | 2003 | 2004 | 2004 |
| Deferred tax assets: | | | |
| Excess bonuses accrued | ¥ 394 | ¥ 510 | \$ 4,825 |
| Excess employees’ severance and retirement benefits accrued ... | 6,800 | 7,305 | 69,117 |
| Other | 384 | 465 | 4,400 |
| Gross deferred tax assets | 7,578 | 8,280 | 78,342 |
| Valuation allowance | (216) | (316) | (2,990) |
| Total deferred tax assets | 7,362 | 7,964 | 75,352 |
| Deferred tax liabilities: | | | |
| Unrealized gain on securities | (31) | (612) | (5,790) |
| Reserve under Special Taxation Measures Law | (4,796) | (5,185) | (49,059) |
| Total deferred tax liabilities .. | (4,827) | (5,797) | (54,849) |
| Net deferred tax assets | ¥2,535 | ¥2,167 | \$20,503 |

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes, which, in aggregate, resulted in a statutory tax rate of 41.6% for the years ended 31st March, 2003 and 2004, 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, 2003 and 2004 are as follows:—

| | 2003 | 2004 |
|---|-------|-------|
| Statutory tax rate..... | 41.6% | 41.6% |
| Increase (reduction) in tax resulting from: | | |
| Nondeductible expenses including | | |
| entertainment, etc..... | 0.6 | 1.6 |
| Nontaxable income including dividends | | |
| received deduction, etc..... | (0.4) | (1.5) |
| Per capita portion of inhabitant taxes..... | 2.2 | 6.8 |
| Equity in earnings of affiliates..... | (0.8) | (0.9) |
| Other..... | 3.1 | 0.9 |
| Effective tax rate..... | 46.3% | 48.5% |

On 31st March, 2003, a revised local tax law was enacted and become effective for fiscal years commencing on 1st April, 2004 or later. According to the revised local tax law, income tax law rates for enterprise taxes will be reduced resulting from introducing the assessment by estimation on the basis of paid-in capital and value added.

The effect of this tax rate change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥39 million at 31st March, 2003 and to increase income taxes – deferred by ¥164 million for the year ended 31st March, 2003.

8. Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of 31st March, 2003 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:—

| | Millions of yen | | Thousands of |
|---------------------------|-----------------|---------|--------------|
| | 2003 | 2004 | U.S. dollars |
| Acquisition costs: | | | 2004 |
| Machinery and tools..... | ¥11,812 | ¥14,387 | \$136,125 |
| Other assets..... | 169 | 115 | 1,088 |
| | ¥11,981 | ¥14,502 | \$137,213 |
| Accumulated depreciation: | | | |
| Machinery and tools..... | ¥ 4,096 | ¥ 6,200 | \$ 58,662 |
| Other assets..... | 133 | 69 | 653 |
| | ¥ 4,229 | ¥ 6,269 | \$ 59,315 |
| Net book value: | | | |
| Machinery and tools..... | ¥ 7,716 | ¥ 8,187 | \$ 77,463 |
| Other assets..... | 36 | 46 | 435 |
| | ¥ 7,752 | ¥ 8,233 | \$ 77,898 |

| | Millions of yen | | Thousands of |
|---------------------------|-----------------|--------|--------------|
| | | | U.S. dollars |
| Depreciation expense..... | ¥1,898 | ¥2,392 | \$22,632 |
| Interest expense..... | 167 | 180 | 1,703 |

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,048 million and ¥2,568 million (\$24,297 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended 31st March, 2003 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March, 2004 for finance leases accounted for as operating leases are summarized as follows:—

| Year ending 31st March, | Thousands of | |
|--------------------------|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| 2005..... | ¥2,510 | \$23,749 |
| 2006 and thereafter..... | 5,789 | 54,773 |
| Total..... | ¥8,299 | \$78,522 |

9. Contingent liabilities

As at 31st March, 2004, the Company were contingently liable as follows:—

| | Thousands of | |
|----------------------------------|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| Notes discounted with banks..... | ¥ 117 | \$ 1,675 |
| Guarantees of welfare pension | | |
| housing loans sublet | | |
| to employees..... | 6 | 57 |
| Notes endorsed..... | 69 | 653 |
| Others..... | 1,300 | 12,300 |

10. Revaluation reserve for 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, 2000 and reported a revaluation reserve for 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, after making reasonable adjustments.

| | Thousands of | |
|--|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| Difference between the fair market value | | |
| of revalued land at 31st March, 2003 | | |
| and the revalued book value..... | ¥7,784 | \$73,649 |

11. Shareholders' equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥1,261 million and ¥1,261 million (\$11,931 thousand) at 31st March, 2004 and 2003, respectively.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

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, 2003 and 2004 is as follows:—

| | Thousands of | | |
|-----------------------------|-----------------|--------------|----------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Depreciation expenses | ¥2,775 | ¥2,610 | \$24,695 |
| Lease and rental | 4,866 | 5,301 | 50,156 |

13. Amounts Per Share

Basic net income per share has been computed based on the net income allocable to or available for distribution to stockholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share has not been presented for the years ended 31st March, 2003 and 2004 since neither the Company nor any of the consolidated subsidiaries had potentially dilutive shares of common stock to be issued 31st March, 2003 and 2004.

| | Yen | | U.S. dollars |
|--|--------|--------|--------------|
| | 2003 | 2004 | 2004 |
| Net income per share of common stock | ¥48.99 | ¥14.50 | \$0.1371 |

The following table sets forth the computation of net income per share of common stock for the years ended 31st March, 2003 and 2004:—

| | Thousands of | | |
|--|-----------------|--------------|------------|
| | Millions of yen | U.S. dollars | |
| | 2003 | 2004 | 2004 |
| Net income available to shareholders of common stock: | | | |
| Net income | ¥4,819 | ¥1,429 | \$13,521 |
| Less: appropriation of bonuses to directors and statutory auditors | 66 | 79 | 748 |
| | ¥4,753 | ¥1,350 | \$12,773 |
| Weighted-average number of shares of common stock outstanding | 97,026,668 | 93,126,320 | 93,126,320 |

Net assets per share have been computed based on the net assets available for distribution to stockholders of common stock and the number of shares of common stock outstanding at each balance sheet date.

| | Yen | | U.S. dollars |
|----------------------------|---------|---------|--------------|
| | 2003 | 2004 | 2004 |
| Net assets per share | ¥535.00 | ¥553.26 | \$5.235 |

14. Subsequent event

The annual shareholders' meeting of the Company, which was held on 29th June, 2004, duly approved the following appropriations of retained earnings existing as at 31st March, 2004:—

| | Thousands of | |
|---|-----------------|--------------|
| | Millions of yen | U.S. dollars |
| Dividends (¥3.00 per share) | ¥275 | \$2,602 |
| Bonuses to directors and statutory auditors | 35 | 331 |

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 2004 is as follows:—

| | For the year ended 31st March, 2003 | | | | |
|--|-------------------------------------|---------|----------|---------------------------------|--------------|
| | Millions of yen | | | | |
| | Logistics | Others | Total | Eliminations (Notes 1 and 2) | Consolidated |
| Net Sales: | | | | | |
| Outside customers | ¥105,785 | ¥10,546 | ¥116,331 | ¥ — | ¥116,331 |
| Inter segment sales | 13 | 4,900 | 4,913 | (4,913) | — |
| Total | 105,798 | 15,446 | 121,244 | (4,913) | 116,331 |
| Costs and expenses | 103,711 | 14,621 | 118,332 | (4,774) | 113,558 |
| Operating income | ¥ 2,087 | ¥ 825 | ¥ 2,912 | ¥ (139) | ¥ 2,773 |
| Assets, depreciation and capital expenditures: | | | | | |
| Identifiable assets: | ¥ 87,653 | ¥ 9,532 | ¥ 97,185 | ¥ 22,058 | ¥119,243 |
| Depreciation: | ¥ 2,603 | ¥ 184 | ¥ 2,787 | ¥ 12 | ¥ 2,775 |
| Capital expenditures: | ¥ 1,983 | ¥ 77 | ¥ 2,060 | ¥ 10 | ¥ 2,070 |

| | For the year ended 31st March, 2004 | | | | |
|--|-------------------------------------|----------------|-----------------|---------------------------------|-----------------|
| | Millions of yen | | | | |
| | Logistics | Others | Total | Eliminations (Notes 1 and 2) | Consolidated |
| Net Sales: | | | | | |
| Outside customers | ¥114,796 | ¥11,917 | ¥126,713 | ¥ — | ¥126,713 |
| Inter segment sales | 49 | 5,576 | 5,625 | (5,625) | — |
| Total | 114,845 | 17,493 | 132,338 | (5,625) | 126,713 |
| Costs and expenses | 112,727 | 16,607 | 129,334 | (5,480) | 123,854 |
| Operating income | ¥ 2,118 | ¥ 886 | ¥ 3,004 | ¥ (145) | ¥ 2,859 |
| Assets, depreciation and capital expenditures: | | | | | |
| Identifiable assets: | ¥ 99,694 | ¥ 9,164 | ¥108,858 | ¥ 19,435 | ¥128,293 |
| Depreciation: | ¥ 2,438 | ¥ 180 | ¥ 2,618 | ¥ 8 | ¥ 2,610 |
| Capital expenditures: | ¥ 7,674 | ¥ 182 | ¥ 7,856 | ¥ 0 | ¥ 7,856 |

| | For the year ended 31st March, 2004 | | | | |
|---|-------------------------------------|------------------|--------------------|---------------------------------|--------------------|
| | Thousands of U.S. dollars | | | | |
| | Logistics | Others | Total | Eliminations (Notes 1 and 2) | Consolidated |
| Net Sales: | | | | | |
| Outside customers | \$1,086,158 | \$112,754 | \$1,198,912 | \$ — | \$1,198,912 |
| Inter segment sales | 464 | 52,758 | 53,222 | (53,222) | — |
| Total | 1,086,622 | 165,512 | 1,252,134 | (53,222) | 1,198,912 |
| Costs and expenses | 1,066,582 | 157,129 | 1,223,711 | (51,850) | 1,171,861 |
| Operating income | \$ 20,040 | \$ 8,383 | \$ 28,423 | \$ (1,372) | \$ 27,051 |
| Assets, depreciation and capital expenditures: | | | | | |
| Identifiable assets: | \$943,268 | \$ 86,706 | \$1,029,974 | \$183,887 | \$1,213,861 |
| Depreciation: | \$ 23,068 | \$ 1,703 | \$ 24,771 | \$ 76 | \$ 24,695 |
| Capital expenditures: | \$ 72,609 | \$ 1,722 | \$ 74,331 | \$ 0 | \$ 74,331 |

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 ¥188 million and ¥200 million (\$1,892 thousand) for the years ended 31st March, 2003 and 2004, respectively.

Note 2. Corporate assets included in the column “Eliminations” mainly consist of surplus working funds (cash and marketable securities), long-term investment funds (investments in securities), and other assets which belong to the administrative department, amounting to ¥28,287 million and ¥27,598 million (\$261,122 thousand) for the years ended 31st March, 2003 and 2004, 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 none of the Company's consolidated subsidiaries are domiciled outside Japan, and the Company and its consolidated subsidiaries had no overseas sales for the years ended 31st March, 2003 and 2004.

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Tonami Transportation Co., Ltd.

We have audited the accompanying consolidated balance sheets of Tonami Transportation Co., Ltd. and consolidated subsidiaries as of 31st March, 2003 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tonami Transportation Co., Ltd. and consolidated subsidiaries at 31st March, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Shin Nihon & Co.

Shin Nihon & Co

29th June, 2004

CORPORATE DATA

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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

8,427

Employees

5,462

Terminals

85

Warehouses

43

Motor Vehicles

5,580

(As of 31st March, 2004)

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

Keishin Warehousing Co., Ltd.
Warehousing

Nihon Unyu Co., Ltd.
Ocean-freight forwarder

Tonami Air Service Co., Ltd.
Customs clearance service

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

Keishin System Research Co., Ltd.
Development and sale of software

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

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

Tonami Business Service Co., Ltd.
Financial service

TONAMI TRANSPORTATION CO., LTD.

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