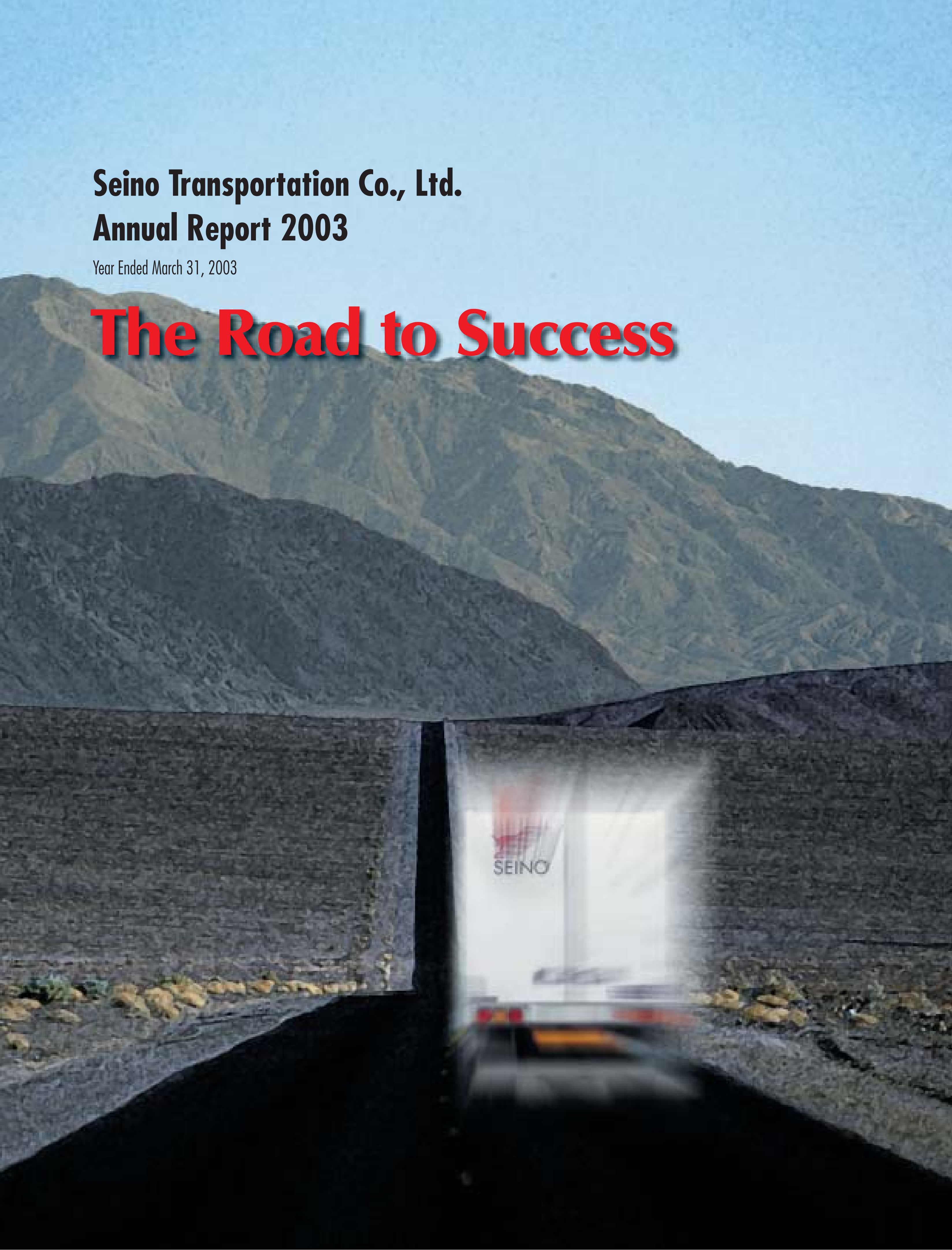
Seino Transportation Co., Ltd.
Annual Report 2003

Year Ended March 31, 2003

The Road to Success



Profile

Seino Transportation Co., Ltd. (the "Company") was founded as a trucking company in 1930 and incorporated under its current name in 1946. The Company's headquarters is located in Ogaki in central Japan. Capitalizing on a growing Japanese market and the extensive domestic expressway network, Seino has steadily developed into one of the nation's leading trucking companies.

While maintaining customer service as its top priority, the Company has worked hard to optimize its network. With a total of 418 truck terminals throughout Japan, 158 of which are owned by the Company and 260 by its subsidiaries, Seino is able to provide efficient transportation services nationwide. Overseas, international forwarding operations have been transferred to the joint venture company, Schenker-Seino Co. Ltd., and the Company's global network and cutting-edge IT system are being effectively utilized to expand the business. The Company has also spun off its customs brokerage business, thereby founding Seino Customs Clearance Service Co., Ltd. As a result, the synergies between these two companies are enhancing the Company's competitiveness.

To further provide customers with satisfying services as a leading company, the Seino Group (together with the Company, the "Seino Group") designated Less-than-Truck-Load (LTL) commercial cargo transportation for the domestic market as its groupwide core business, and will focus management resources accordingly. Seino is pursuing a strategy of alliances with other distribution companies in order to maximize the Group's existing strengths and shore up its business base. One step ahead of the changing distribution market, Seino is creating a new model for distribution services, and will continue to move down the "Road to Success" to become a highly profitable company.

Contents

Forward-Looking Statements:
In this annual report, statements other than historical facts are forward-looking statements that reflect the plans and expectations of the Company. These forward-looking statements involve risks, uncertainties and other factors that may cause the Company's actual results and achievements to differ materially from those anticipated in these statements.

Seino Transportation Co., Ltd. and Consolidated Subsidiaries

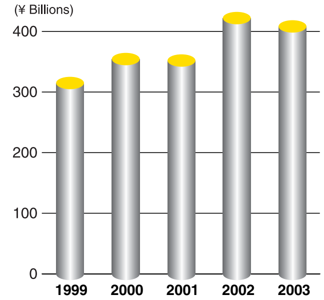
Financial Highlights

For the Years March 31, 2003, 2002, 2001, 2000 and 1999

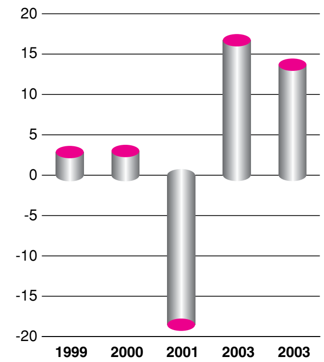
	Millions of Yen					Thousands of U.S. Dollars*
	2003	2002	2001	2000	1999	**2003**
For the year:						
Operating revenues	**¥ 409,399**	¥ 418,835	¥ 352,595	¥ 354,255	¥ 314,773	**$3,411,658**
Operating income	**10,194**	3,543	895	2,146	1,664	**84,950**
Income (loss) before income taxes and minority interests	**21,841**	25,036	(28,875)	6,286	7,385	**182,008**
Net income (loss)	**13,622**	16,475	(18,403)	3,043	2,991	**113,517**
	Yen					U.S. Dollars*
Net income (loss) per share:						
-Basic	**¥ 77.48**	¥ 99.73	¥ (122.00)	¥ 20.11	¥ 19.56	**$ 0.65**
-Diluted	**63.41**	77.52	(122.00)	16.63	16.10	**0.53**
	Millions of Yen					Thousands of U.S. Dollars*
At year-end:						
Cash and cash equivalents, and short-term investments	**¥ 73,445**	¥ 70,002	¥ 32,671	¥ 130,345	¥ 130,201	**$ 612,042**
Property and equipment, net of accumulated depreciation	**242,864**	236,051	166,898	172,323	187,135	**2,023,866**
Total assets	**494,583**	522,753	453,250	447,304	454,880	**4,121,525**
Long-term debt and other long-term liabilities	**79,094**	132,851	115,540	96,839	106,229	**659,116**
Net assets	**238,825**	227,104	201,912	220,092	220,792	**1,990,208**
	Yen					U.S. Dollars*
Net assets per share (Yen and U.S. dollars)	**¥ 1,366.44**	¥ 1,299.33	¥ 1,334.59	¥ 1,454.49	¥ 1,443.86	**$ 11.39**

**Note: U.S. dollar amounts are translated at ¥120 = US$1 solely for the convenience of readers.*

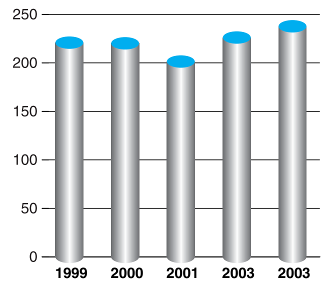
Operating revenues
(¥ Billions)



Net income (loss)
(¥ Billions)



Net assets
(¥ Billions)



A Message from the Management

To Our Shareholders, Customers and Friends

A realignment among top management has taken place, wherein following approval at the annual shareholders' general meeting on June 27, 2003 and at the Board of Directors' meeting held immediately thereafter, Yoshikazu Taguchi has been appointed Chairman and CEO and Yoshitaka Taguchi has assumed the post of President and COO.

Operating Environment

While signs of a recovery were evident during the fiscal year ended March 31, 2003, as reflected by a healthy upturn in exports to the U.S. and Asia giving a needed boost to production, these positive developments did not lead to a real recovery in demand in terms of consumer spending and capital investment. Moreover, with the ongoing deterioration in employment conditions and falling stock prices, the overall perception is that the protracted stagnant economy remains firmly entrenched.

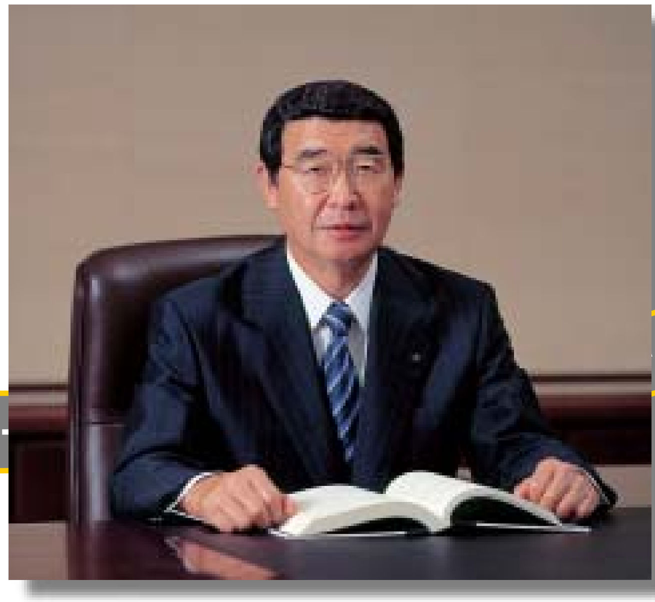
In the road freight transportation industry, the business environment continued to present various challenges. The total volume of domestic freight transportation continued to decline, while customers seeking to cut their distribution costs demanded lower transportation charges. At the same time, more stringent enforcement of measures directed toward environmental preservation and safety management in vehicle operations also resulted in cost increases. The combination of these factors led to a difficult business environment.

Business Results

In light of these conditions, Seino worked to regain profitability by reducing costs through groupwide streamlining of operations centered on the reform of transportation systems. This included the formulation of the Commercial Cargo No.1 Plan as a new three-year medium-term management plan pivotal to expanding our share of the highly profitable LTL commercial cargo consolidation market. Under the plan, we have been increasingly focusing our sales efforts on domestic LTL commercial cargo transportation. More specifically, we have worked to maintain our physical distribution channels by accepting freight under 100kg for transport within the same economic zone (transportation distance within a radius of 200km) and maintained earnings through appropriate freight rates. This involved adjusting freight rates and loads for long-distance freight (transportation distance of more than 700km). We have also promoted rapid and highly efficient transportation services by streamlining arterial transportation, which resulted in reduced operational costs, such as labor and vehicle costs.

In the area of facilities, we built and opened two new trucking terminals in Numazu, Shizuoka Prefecture and Tsurumi, Kanagawa Prefecture, both of which serve as complementary joint distribution processing facilities. This not only enhanced our handling capabilities, but through the accompanying sale of older premises and consolidation of smaller facilities, also helped to further streamline operations.

Through the merger of the Company's international forwarding division with German-based Stinnes AG in April 2002, and the resulting establishment of Schenker-Seino Co., Ltd., we have enhanced our international transportation business and strengthened our strategic business alliance with Schenker AG, a German subsidiary of Stinnes AG. In addition, in October 2002, we spun off our customs brokerage division, thus forming Seino Customs Clearance Service Co., Ltd. We are enhancing competitiveness by pursuing functional synergies between Seino and these two new companies, which are essential to our presence in the international transportation market.



As a result of the above-mentioned measures, while consolidated operating revenues fell by 2.3% to ¥409,399 million (US$3,412 million), operating income jumped 187.7% to ¥10,194 million (US$85 million) from the previous fiscal term. Net income, however, was down 17.3% to ¥13,622 million (US$114 million).

Management Strategy and Specific Actions

Commercial cargo services have been positioned as the core of the Seino Group's business since the Company's inception. This focus has made Seino into one of Japan's leading transportation companies. Conversely, the business environment affecting the distribution market is undergoing rapid changes, necessitating that we take action to maintain Seino's solid position and guarantee that we can continue to provide customers with excellent, reliable services. We have determined that LTL commercial cargo transportation services offer the greatest market potential and the highest profitability for the Seino Group. Accordingly, we have selected LTL commercial cargo transportation services as the core business for the entire Group and are concentrating management resources in this field.

In the fiscal year under review, we thus implemented the Commercial Cargo No.1 Plan. As previously mentioned, the goal of this medium-term management plan is to increase our share of the LTL commercial cargo market, wherein we will seek to shorten transport times and improve reliability by strengthening LTL cargo capabilities and promoting efficiencies in arterial transportation. This will in turn help us acquire new customers as we expand our customer base for short-distance, medium-sized cargo. Concurrently, we are pursuing strategic alliances in both Japan and overseas, and are preparing to use third-party logistics and supply chain management in tandem with our cutting-edge information system to expand bulk consignment orders. In terms of management, we will track earnings by business segment and reinforce our organizational structure. We will also strive to raise the management efficiency of Group companies, establish a sound profit structure and pursue maximum shareholder value.

Through above measures, we project a 0.1% increase in consolidated operating revenues to ¥410,000 million in the current fiscal year, but expect net income to fall 8.2% to ¥12,500 million.

Dividends

In line with its basic business policy, the Company strives to enhance shareholder equity and improve profitability over the long term, while also paying regular dividends. For the fiscal year under review, the Company paid an annual dividend of ¥11.00 (US$0.09) per share, the same as for the previous fiscal year.

I, and all members of the management team, greatly appreciate the support and encouragement we receive from the Company's shareholders, customers and friends as we continue our efforts to respond to stakeholder expectations by strengthening the entire Seino Group through the Commercial Cargo No.1 Plan.

July 2003

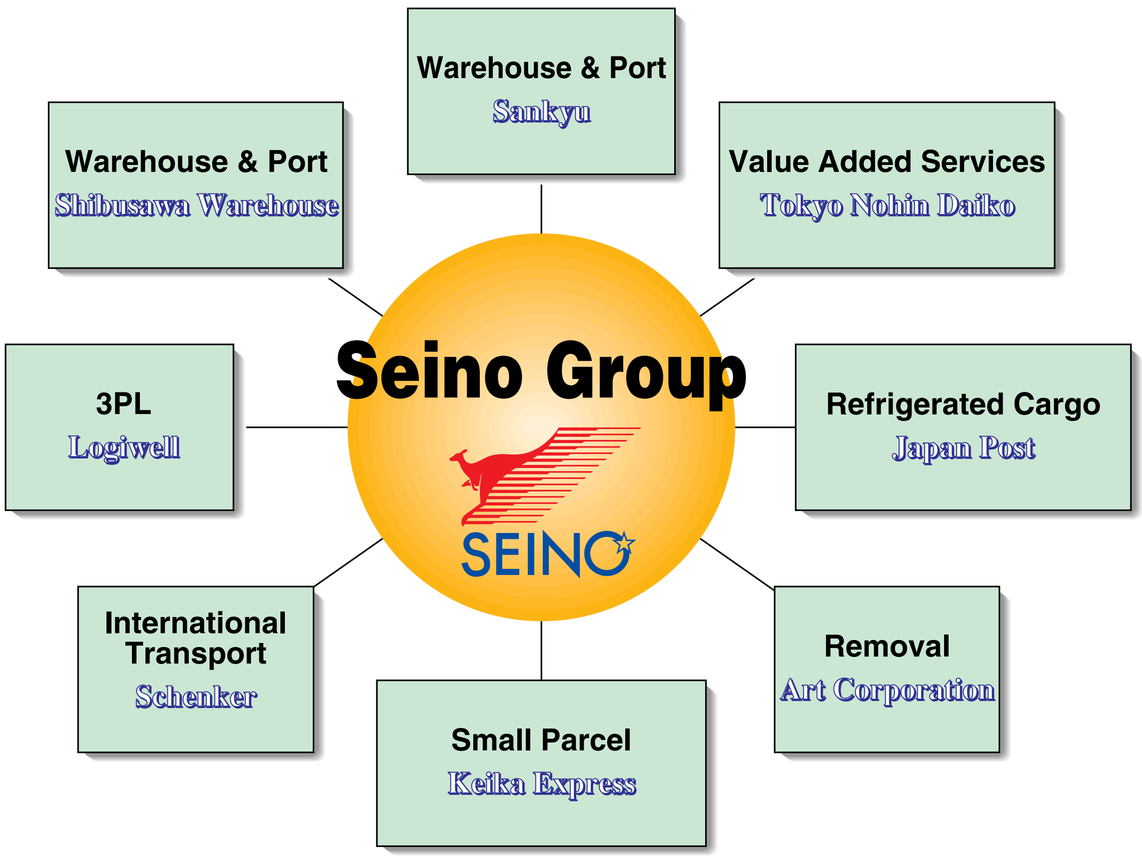
Y. Taguchi

Yoshikazu Taguchi
Chairman and Chief Executive Officer

Aiming to Be Recognized as the Leader in LTL Commercial Cargo Transportation

— Further Development of the Commercial Cargo No.1 Plan —

Strategic Business Alliance Partners



Lower freight transportation volumes in today's changing distribution structure, easing of regulations in line with the amendment of three laws affecting distribution, increases in the cost of environmental measures and a surge in fuel charges have made the transportation industry an even more competitive environment. To counter such circumstances, the Seino Group has designated LTL commercial cargo distribution for the domestic market as its core business on a Groupwide basis. The Group is targeting growth despite today's difficult environment, and is continuing to work to ensure that it maintains its reputation as a leader in the transportation industry. At present, the collective efforts of the Group are focused on executing the Commercial Cargo No.1 Plan, a new three-year medium-term management plan implemented from the fiscal year ended March 31, 2003.

Fierce Competition in the Transportation Industry

The operational environment facing the transportation industry is becoming increasingly severe. The transfer of production to China, decreases in freight transportation volumes related to ongoing streamlining of distribution structures and declines in unit rates for freight have continued unabated. Moreover, three laws affecting distribution (Trucking Business Law, Freight Forwarding Business Law, and Law of Railway Business Enterprise) were amended in April 2003. The resulting implementation of an *ex post facto* notification system, which has effectively liberalized freight rates, and the abolition of operating zone regulations, now enabling businesses to operate anywhere in the country, have prompted transportation companies to expand the reach of their businesses in pursuit of higher earnings. Moreover, with the likelihood that this will lead to non-distribution companies such as general trading companies entering the industry, competition within the market in which the Seino Group operates has intensified.

Amid such changes and challenges, the Seino Group is concentrating its management resources on LTL commercial cargo transportation in the domestic market, where market potential and profitability are high. By making the most of the Group's strengths, namely outstanding employees, a nationwide network and high transportation quality, Seino is striving to increase market share. Despite the severe market environment, the current volume of freight carried by private cargo vehicles is estimated to be as much as 2.5 million tons annually (the majority of which is cargo shipped within the same economic zone). Seino will therefore concentrate its efforts on increasing its share of this intra-regional LTL commercial cargo business.

Implementation of the Commercial Cargo No. 1 Plan

The following five strategic measures are fundamental to the Commercial Cargo No. 1 Plan:

1) Acquisition of short-distance, medium-sized cargo clients
2) Achievement of highly efficient transportation service operations
3) Development of a profitable freight rate structure
4) Execution of structural reorganization
5) Pursuit of strategic alliances

Acquisition of Short-Distance, Medium-Sized Cargo Clients

Seino aims to expand its operations by targeting medium-sized cargo clients that ship freight within a 200km radius in the same economic zone. More specifically, given that this is a highly profitable, active sector in which performance can be maximized by operating within a 200km radius, it offers huge advantages for the Group.

Achievement of Highly Efficient Transportation Service Operations

Seino is pursuing efficiencies through its recently introduced hub-and-spoke system. The inefficient shipping of freight from customer sites directly to destinations has been abandoned, and a new system has been adopted that sends all freight (spokes) to forward relay stations (hubs) located in key regions, and then efficiently ships the freight to the various branches (satellites). While fully capitalizing on its forte in multiple forwarding services, the Seino Group is cutting costs and, in turn, expanding profits by raising the

efficiency of its transport services through the optimal use of unused truck space, reduced shipping trips and on-time delivery.

Development of a Profitable Freight Rate Structure

This effort has entailed an overhaul of previously unprofitable transport operations and an increase in the freight rate per ton. In particular, Seino has undertaken efforts to increase rates for both low-margin, long-distance freight, as well as large-lot freight, thereby achieving higher profitability.

Execution of Structural Reorganization

The previous regionally organized structure of Seino Group companies has been reorganized into a function-driven organization. The domestic network has been restructured and expanded by the functions of route, collection and delivery, chartered trucks and international freight. By pursuing business efficiencies Groupwide, Seino has established a structure that provides uniformly high-quality transportation services nationwide. The new structure also makes it possible to centralize transport management information, which translates into a huge advantage over the competition.

Pursuit of Strategic Alliances

Seino is separating its various operations into independent and specialized businesses and subsequently forming strategic alliances between these companies and other leading companies in the distribution-related sector. In this way, we are building a "distribution platform" that complements the Group's strengths by bolstering functions in need of reinforcement. The aim is to establish a "one stop service" system that can address customers' every transport service need as well as generate growth in bulk consignment orders.

Results of the First Year and Reforms for the Second Year of the Commercial Cargo No. 1 Plan

In the first year of the Commercial Cargo No. 1 Plan, Seino worked hard to establish the foundation needed to execute the plan. The Group enhanced its functional strength by building and opening new truck terminals at Numazu and Tsurumi and also consolidated some branches. These measures have resulted in the establishment of an efficient transport operations structure. Further progress was made toward building a "distribution platform" by spinning off the international forwarding business and customs brokerage business, respectively, into a joint venture and a specialized subsidiary. In August 2002, Seino gave advance notification to the Ministry of Land, Infrastructure and Transport of a 6% change in freight rates, which was subsequently approved. By November 2002, all 125 of Seino's major centers obtained ISO 9001 certification, along with a total of 45 sites belonging to three other Group companies. With the success of these measures, the Commercial Cargo No. 1 Plan is on track. As a result, structural improvements in profitability were noticeable in the settlement of

accounts at the end of the fiscal year ended March 31, 2003.

In order to stay on course and make further progress with the plan during the current fiscal year, Seino will refine the LTL commercial cargo business by undertaking reforms in three areas: reforms aimed at improving the business skills of those in management positions, organizational reforms and reforms that provide incentives for sales drivers.

Reforms aimed at improving the business skills of those in management positions entail formulating and implementing a series of management steps—goal setting, forecasting, action plans, endorsement, validation and improvement—with the aim of developing sales skills for proposing customer-oriented, value-added solutions.

Organizational reforms will be implemented to create a speedy, lean organization in which managers can demonstrate their leadership, providing clear instruction and a division of roles for employees. Seino is aiming for an organization based on separate commercial zones, each with its own market strategy, in order that the Company can provide customers in each zone with customized solutions. For instance, in the highly lucrative Tokyo market, the number of sales staff engaged in acquiring new accounts will be significantly increased, while the collection and delivery systems in Tokyo's 23 wards will be strengthened in order to increase Seino's share of the highly profitable LTL commercial cargo market.

Reforms that provide incentives for sales drivers involve the establishment of a straightforward incentive scheme with clear evaluation criteria. This will create an environment that encourages sales drivers to demonstrate their individual strengths.

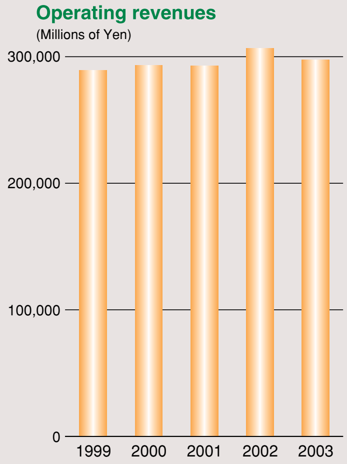
All of these reforms will complement Seino's existing strengths: excellent employees, a nationwide network and high quality transportation services. Applied as a whole, these reforms specifically target a 2% increase in the Company's share of the highly profitable market sector of LTL commercial cargo under 100kg delivered within a 200km radius in a single economic zone.

Other initiatives include expanding sales of strategic products such as the "Super 10" service (express delivery before ten in the morning) and the "Kangaroo Super Express" service (same-day delivery between Tokyo and Osaka using the Shinkansen). Using the Internet, Seino will also further develop its "Kangaroo Magic II" service, which provides solid support for the shipping businesses of customers, to contribute to an increase in overall business.

By devising measures for exhaustive reductions in costs, such as reducing vehicle idling, use of eco-tires and cutting printing costs for vouchers and slips, Seino is working to offset cost pressures such as the increase in the unit price of fuel.

Ultimately, a transportation service is created by people. Rather than conspicuous large-scale reforms, the main thrust of measures adopted in the second year of the plan will be to draw out the strengths and skills of the Seino Group's workforce. This, in turn, will enhance the quality of services. While this type of reform may not be visible at first glance, consistent implementation will unquestionably strengthen Seino's management structure. This is the first step toward achieving sustained growth. By working deliberately from the ground up, we aim to build a rock-solid brand recognized by all, or in other words, *"If it's the best in commercial cargo, it must be Seino."*

Review of Operations



Transportation Services

In the transportation industry, the decline in total transportation volumes will apparently continue. At the same time, the increasing sophistication of customer needs has made it difficult to avoid a high-cost, low-profit structure.

Amid the ongoing challenges of this management environment, the Seino Group has set a key policy of concentration and specialization of management resources on LTL commercial cargo consolidation services. Toward this end, the Group is proceeding with its Commercial Cargo No. 1 Plan, a new three-year medium-term management plan for retaining its predominance in distribution services. In the fiscal year under review, which was the first year of the plan, concerted efforts have been made to standardize and improve the quality of transportation as well as to acquire and increase volumes of highly profitable freight. Operating revenues in the transportation services segment fell 2.8% to ¥297,514 million (US$2,479 million), due in part to the spin-off of the international forwarding business and the cessation of business by some Seino subsidiaries.

The success of cost reduction measures produced a recovery from the operating loss recorded in the previous fiscal year, resulting in operating income of ¥5,693 million (US$47 million).

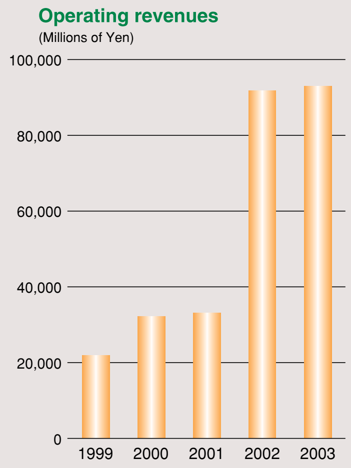
A look at results by business segment shows that the LTL commercial cargo transportation business recorded a 2.5% increase in freight volume, owing to the investment of resources in strengthening sales capabilities, the establishment of a solid infrastructure and further improvements to the quality of transportation.

In the small parcel transportation business, freight volume increased 1.3% as a result of aggressive efforts made to increase Seino's share of the small parcel market for corporate mail marketing campaigns and mail order activities.*

In the removal business, operating revenues declined 4.4% to ¥3,186 million (US$27 million). This occurred despite an increase in orders and was caused by intensification in competition with other companies in the industry, which led to declining unit prices. Another factor was the increase in low unit price moving services for businessmen being transferred without their families.*

In air and sea freight forwarding, the Company aggressively promoted marketing activities through its coalition with allied companies, and pursued proactive sales strategies in Japan in a bid to create further demand for freight. However, the effects of a decline in international air and sea freight forwarding revenues with the spin-off of businesses and other factors were considerable, resulting in a 50.3% decline in operating revenues to ¥10,940 million (US$91 million).*

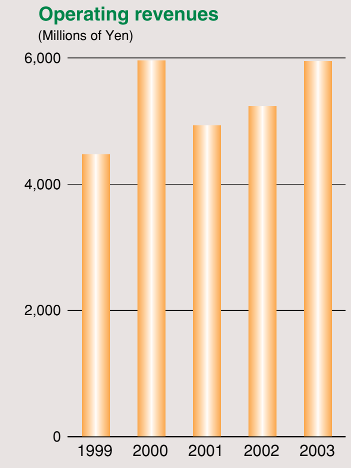
*As consolidated figures are not available, parent company figures are shown throughout.



Merchandise Sales

Operating revenues in this segment rose 0.7% to ¥93,322 million (US$778 million), and operating income was up 1.5% to ¥2,846 million (US$24 million).

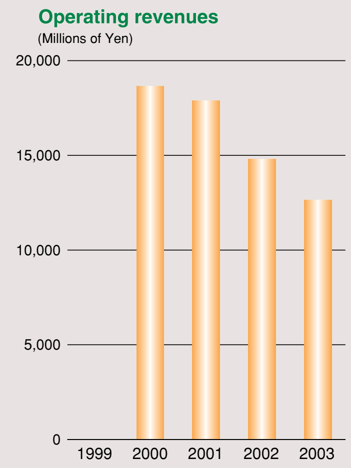
In automobile sales, stable earnings from the three Toyota dealerships and demand arising from Gifu Hino Motor's replacement of trucks with vehicles that meet gas emission regulations resulted in a ¥168 million (US$1 million) increase in earnings. Furthermore, aggressive marketing activities by Seino Trading Co., Ltd., targeting increased sales of products shipped directly from their place of origin using the Seino Group's transportation network, resulted in a ¥486 million increase in operating revenues to ¥14,813 million (US$123 million).



Information Services

Operating revenues in this segment increased 13.7% to ¥5,938 million (US$49 million). However, there was an operating loss of ¥150 million (US$1 million).

Amid restraint and a succession of postponements in capital investment by companies, the Seino Group's own network and distribution streamlining expertise saw sales for systems development and improvements increase by ¥437 million (US$4 million), which was partly due to an increase in outsourcing contracts, valued at approximately ¥600 million (US$5 million). However, sales of computer-related equipment declined to ¥303 million (US$3 million).



Others

This segment includes leasing operations conducted by Asahi Leasing Co., Ltd., equipment installation subcontracting operations conducted by Seino Engineering Co., Ltd. and travel agency operations conducted by Asahi Travel Service Co., Ltd., as well as a number of other businesses in the fields of real estate, advertising, taxi services, insurance, security services and medical-waste disposal. In the fiscal year under review, by providing high value-added services, the Group promoted operational activities aimed at creating new demand and securing reasonable returns on the services provided.

Amid advancing deflation and an uncertain economic climate with no signs of a recovery in capital investment, operating revenues in this segment declined 15.5% to ¥12,625 million (US$105 million), despite an unfailing commitment to provide services to ensure the highest level of customer satisfaction. There were signs of the effectiveness of cost reductions, however, as operating income increased 24.6% to ¥2,108 million (US$18 million).

Financial Review

Operating Results

Consolidated operating revenues for the year ended March 31, 2003 declined 2.3% to ¥409,399 million (US$3,412 million).

Operating costs of revenues fell 3.6% to ¥368,866 million (US$3,074 million), owing to success in cost reduction measures. The ratio of operating costs of revenues to operating revenues edged down 1.3 percentage points to 90.1%.

Selling, general and administrative expenses declined 6.9% to ¥30,339 million (US$253 million), while operating income jumped 187.7% to ¥10,194 million (US$85 million).

Other income decreased to ¥11,647 million (US$97 million) chiefly due to a decrease in reversal of employee retirement benefit liability to ¥1,542 million (US$13 million).

Consequently, income before income taxes and minority interests declined 12.8% to ¥21,841 million (US$182 million), and net income fell 17.3% to ¥13,622 million (US$114 million).

Net income to operating revenues was 3.3%; net income per share fell ¥21.25 to ¥77.48 (US$0.65); and the return on equity ratio was 5.8%. Cash dividends per share were ¥11.00 (US$0.09).

Financial Position

Total assets declined 5.4% to ¥494,583 million (US$4,122 million).

Total current assets edged down 0.3% to ¥166,861 million (US$1,391 million). Net property and equipment rose 2.9% to ¥242,864 million (US$2,024 million). Investments and other assets fell 28.9% to ¥84,858 million (US$707 million) on account of a decrease in investment securities.

Despite a decline in short-term borrowings, total current liabilities rose 10.0% to ¥142,085 million (US$1,184 million) as a result of an increase in the current portion of long-term debt. In contrast, long-term debt fell drastically by 71.9% to ¥19,033 million (US$159 million).

Total shareholders' equity climbed 5.2% to ¥238,825 million (US$1,990 million), while the shareholders' equity ratio increased 4.9 percentage points to 48.3%.

Cash Flows

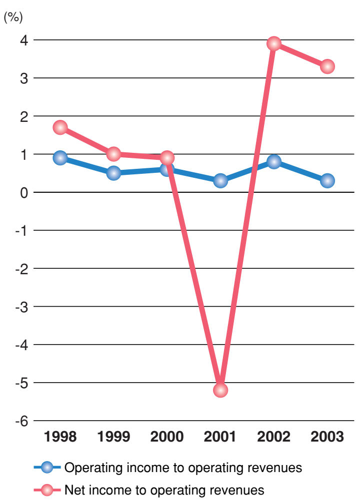
On the back of higher operating income, net cash provided by operating activities rose ¥9,457 million to ¥25,592 million (US$213 million).

Net cash provided by investing activities dropped ¥16,406 million to ¥19,751 million (US$165 million), due to a decrease in property and long-term investments as well as short-term investments.

Net cash used in financing activities rose ¥10,680 million to ¥40,963 million (US$341 million) from the impact of such factors as a net increase in short-term borrowings.

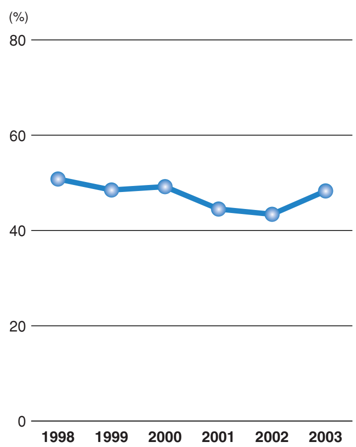
Cash and cash equivalents at end of year increased ¥4,324 million to ¥54,542 million (US$455 million).

Operating income to operating revenues
Net income to operating revenues



Net income to total assets
Return on equity ratio

Shareholders' equity ratio

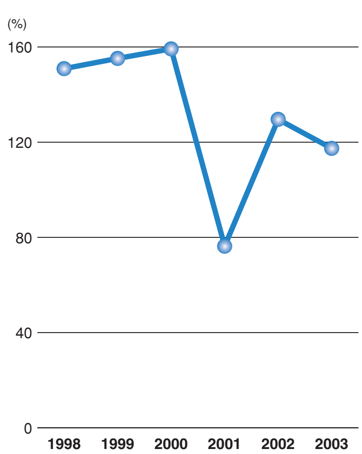


Six-year Summary

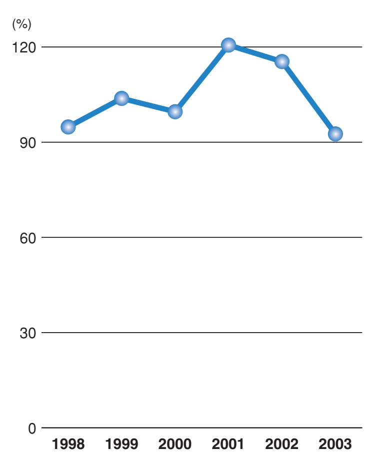
For the Years Ended March 31, 2003, 2002, 2001, 2000, 1999 and 1998

	Millions of Yen					
	2003	2002	2001	2000	1999	1998
For the year:						
Operating revenues:	¥ 409,399	¥ 418,835	¥ 352,595	¥ 354,255	¥ 314,773	¥ 319,500
Transportation	297,514	306,003	292,969	293,319	289,376	295,805
Merchandise sales	93,322	92,667	36,796	36,326	20,934	18,933
Information services	5,938	5,224	4,920	5,952	4,463	4,762
Others	12,625	14,941	17,910	18,658	—	—
Operating costs of revenues	368,866	382,637	334,034	336,311	303,199	306,692
Selling, general and administrative expenses	30,339	32,655	17,666	15,798	9,910	9,792
Operating income	10,194	3,543	895	2,146	1,664	3,016
Net income (loss)	13,622	16,475	(18,403)	3,043	2,991	5,381
At year-end:						
Current assets	166,861	167,395	97,645	194,804	190,931	177,833
Total assets	494,583	522,753	453,250	447,304	454,880	431,885
Current liabilities	142,085	129,117	127,986	122,397	122,998	117,845
Short-term borrowings	14,590	44,601	60,013	57,644	62,244	59,796
Long-term debt, including current maturities	61,839	70,853	79,487	82,467	94,867	75,817
Shareholders' equity	238,825	227,104	201,912	220,092	220,792	219,188
	Yen					
Per share data:						
Net income (loss):						
-Basic	¥ 77.48	¥ 98.73	¥ (122.00)	¥ 20.11	¥ 19.56	¥ 35.18
-Diluted	63.41	77.52	(122.00)	16.63	16.10	28.43
Cash dividends	11.00	11.00	11.00	11.00	11.00	11.00
	Thousands					
Number of shares issued	176,820	176,820	152,919	152,919	152,919	152,919
	Percent					
Ratios:						
Operating income to operating revenues	2.5	0.8	0.3	0.6	0.5	0.9
Net income to operating revenues	3.3	3.9	(5.2)	0.9	1.0	1.7
Net income to total assets	2.8	3.2	(4.1)	0.7	0.7	1.2
Return on equity ratio	5.8	7.7	(8.7)	1.4	1.4	2.5
Shareholders' equity ratio	48.3	43.4	44.5	49.2	48.5	50.8
Current ratio	117.4	129.6	76.3	159.2	155.2	150.9
Debt equity ratio	92.6	115.4	120.6	99.6	103.8	94.8
Payout ratio	14.2	10.1	(9.1)	55.3	56.2	31.3

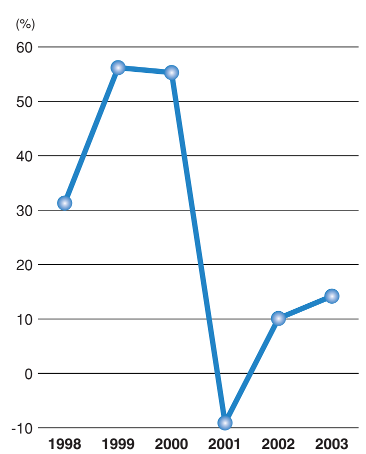
Current ratio



Debt equity ratio



Payout ratio



Seino Transportation Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Assets			
Current assets:			
Cash and cash equivalents	**¥ 54,542**	¥ 50,218	**$ 454,517**
Short-term investments (Notes 3 and 5)	**18,903**	19,784	**157,525**
Trade receivables	**74,794**	79,348	**623,283**
Inventories	**5,655**	6,927	**47,125**
Deferred tax assets (Note 11)	**6,258**	5,517	**52,150**
Other current assets	**8,371**	7,414	**69,758**
Allowance for doubtful accounts	**(1,662)**	(1,813)	**(13,850)**
Total current assets	**166,861**	167,395	**1,390,508**
Property and equipment, at cost			
(Notes 4 and 5):	**408,145**	400,378	**3,401,208**
Less, accumulated depreciation	**(165,281)**	(164,327)	**(1,377,342)**
Net property and equipment	**242,864**	236,051	**2,023,866**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**62,714**	92,181	**522,617**
Investments in and long-term loans to affiliates (Note 3)	**6,093**	5,520	**50,775**
Deferred tax assets (Note 11)	**8,057**	6,869	**67,142**
Deferred tax assets arising on revaluation (Note 4)	**120**	90	**1,000**
Other assets	**7,874**	14,647	**65,617**
	84,858	119,307	**707,151**
	¥ 494,583	¥ 522,753	**$ 4,121,525**
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term borrowings (Note 5)	**¥ 14,590**	¥ 44,601	**$ 121,583**
Current portion of long-term debt (Note 5)	**42,806**	3,114	**356,717**
Trade payables	**51,686**	53,901	**430,717**
Accrued expenses	**12,162**	11,409	**101,350**
Income taxes payable	**5,984**	2,793	**49,867**
Employees' savings deposits	**3,809**	3,941	**31,742**
Other current liabilities	**11,048**	9,358	**92,066**
Total current liabilities	**142,085**	129,117	**1,184,042**
Long-term debt (Note 5)	**19,033**	67,739	**158,608**
Employee retirement benefit liability (Note 6)	**36,972**	35,263	**308,100**
Deferred tax liabilities (Note 11)	**2,167**	2,076	**18,058**
Consolidating adjustment account (negative goodwill) (Note 2 (a-ii))	**19,902**	26,592	**165,850**
Other long-term liabilities	**1,020**	1,181	**8,500**
Commitments and contingent liabilities (Notes 7 and 8)			
Minority interests in subsidiaries	**34,579**	33,681	**288,159**
Shareholders' equity (Note 10):			
Common stock, no par value – Authorized: 400,000,000 shares; Issued: 176,820,926 shares in 2003 and 2002	**32,471**	32,471	**270,592**
Capital surplus	**54,876**	54,875	**457,300**
Retained earnings	**151,797**	140,169	**1,264,975**
Land revaluation decrement (Note 4)	**(413)**	(425)	**(3,442)**
Net unrealized gains on available-for-sale securities	**1,642**	1,479	**13,683**
Foreign currency translation adjustment	**(745)**	(654)	**(6,208)**
Less, treasury stock, at cost – 2,103,326 shares in 2003 and 2,867,468 shares in 2002	**(803)**	(811)	**(6,692)**
Total shareholders' equity	**238,825**	227,104	**1,990,208**
	¥ 494,583	¥ 522,753	**$ 4,121,525**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

For the Years Ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Operating revenues (Note 12)	**¥ 409,399**	¥ 418,835	¥ 352,595	**$ 3,411,658**
Operating costs and expenses (Notes 6 and 12)**:**				
Operating costs of revenues	**368,866**	382,637	334,034	**3,073,883**
Selling, general and administrative expenses	**30,339**	32,655	17,666	**252,825**
	399,205	415,292	351,700	**3,326,708**
Operating income	**10,194**	3,543	895	**84,950**
Other income (expenses):				
Interest and dividend income	**2,805**	4,250	4,021	**23,375**
Interest expenses	**(803)**	(1,257)	(1,137)	**(6,692)**
Gain (loss) on sale or disposal of property and equipment	**619**	(2,664)	313	**5,158**
Equity in net income (loss) of affiliates	**444**	(224)	(874)	**3,700**
Reversal of employee retirement benefit liability (Note 6)	**1,542**	18,895	—	**12,850**
Loss on settlement of qualified retirement benefit pension plan	**(863)**	—	—	**(7,192)**
Transitional provision of adoption of new accounting standard for retirement benefits	**—**	—	(30,976)	**—**
Amortization of consolidating adjustment account (negative goodwill)	**6,896**	6,435	—	**57,467**
Loss on write-down of investment securities	**(288)**	(3,792)	—	**(2,400)**
Gain (loss) on sale of investment securities	**4**	(605)	1,492	**33**
Loss on investments in and loans to affiliates	**(4)**	—	(1,495)	**(33)**
Miscellaneous, net	**1,295**	455	(1,114)	**10,792**
	11,647	21,493	(29,770)	**97,058**
Income (loss) before income taxes and minority interests	**21,841**	25,036	(28,875)	**182,008**
Income tax expenses (benefits) (Note 11)	**6,846**	7,794	(10,652)	**57,050**
Less, minority interests in net income of subsidiaries	**1,373**	767	180	**11,441**
Net income (loss)	**¥ 13,622**	¥ 16,475	¥ (18,403)	**$ 113,517**
	Yen			U.S. Dollars
Per share:				
Net income (loss):				
-Basic	**¥ 77.48**	¥ 98.73	¥ (122.00)	**$ 0.65**
-Diluted	**63.41**	77.52	(122.00)	**0.53**
Cash dividends	**11.00**	11.00	11.00	**0.09**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

For the Years Ended March 31, 2003, 2002 and 2001

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation decrement	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
		Millions of Yen						
Balance at March 31, 2000	152,919,216	¥ 31,276	¥ 43,321	¥ 145,571	¥ —	¥ —	¥ —	¥ (76)
Net loss for the year	—	—	—	(18,403)	—	—	—	—
Cash dividends	—	—	—	(1,682)	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(50)	—	—	—	—
Net unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	—	3,385	—	—
Translation adjustment	—	—	—	—	—	—	(731)	—
Purchases of 1,195,000 shares of treasury stock under the stock option plan	—	—	—	—	—	—	—	(698)
Fractional shares acquired, net	—	—	—	—	—	—	—	(1)
Balance at March 31, 2001	152,919,216	31,276	43,321	125,436	—	3,385	(731)	(775)
Net income for the year	—	—	—	16,475	—	—	—	—
Stocks issued under exchange offerings (Note 2 (a-ii))	23,901,710	1,195	11,554	—	—	—	—	—
Cash dividends	—	—	—	(1,669)	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	(50)	—	—	—	—
Increase in retained earnings through consolidation of additional subsidiaries	—	—	—	45	—	—	—	—
Adjustments for elimination of intercompany profits on consolidation of additional subsidiaries	—	—	—	(68)	—	—	—	—
Revaluation decrement on land	—	—	—	—	(425)	—	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	—	(1,906)	—	—
Translation adjustment	—	—	—	—	—	—	77	—
Fractional shares acquired, net	—	—	—	—	—	—	—	(36)
Balance at March 31, 2002	176,820,926	32,471	54,875	140,169	(425)	1,479	(654)	(811)
Net income for the year	—	—	—	**13,622**	—	—	—	—
Treasury stock issued upon exercise of stock option	—	—	**1**	—	—	—	—	**43**
Cash dividends	—	—	—	**(1,932)**	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	**(62)**	—	—	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	—	**124**	—	—
Translation adjustment	—	—	—	—	—	—	**(91)**	—
Adjustment for applicable income taxes	—	—	—	—	**12**	**39**	—	—
Fractional shares acquired and other	—	—	—	—	—	—	—	**(35)**
Balance at March 31, 2003	**176,820,926**	**¥ 32,471**	**¥ 54,876**	**¥ 151,797**	**¥ (413)**	**¥ 1,642**	**¥ (745)**	**¥ (803)**
		Thousands of U.S. Dollars						
Balance at March 31, 2002		$ 270,592	$ 457,292	$1,168,075	$ (3,542)	$ 12,325	$ (5,450)	$ (6,758)
Net income for the year		—	—	**113,517**	—	—	—	—
Treasury stock issued upon exercise of stock option		—	**8**	—	—	—	—	**358**
Cash dividends		—	—	**(16,100)**	—	—	—	—
Bonuses to directors and statutory auditors		—	—	**(517)**	—	—	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes		—	—	—	—	**1,033**	—	—
Translation adjustment		—	—	—	—	—	**(758)**	—
Adjustment for applicable income taxes		—	—	—	**100**	**325**	—	—
Fractional shares acquired and other		—	—	—	—	—	—	**(292)**
Balance at March 31, 2003		**$ 270,592**	**$ 457,300**	**$1,264,975**	**$ (3,442)**	**$ 13,683**	**$ (6,208)**	**$ (6,692)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	**¥ 21,841**	¥ 25,036	¥ (28,875)	**$ 182,008**
Adjustments for:				
Depreciation	**11,287**	12,365	10,349	**94,058**
Amortization of consolidating adjustment account	**(6,896)**	(6,435)	50	**(57,467)**
Net provision (reversal) for employee retirement benefit liability	**1,710**	(20,345)	33,734	**14,250**
(Gain) loss on sale or disposal of property and equipment	**(619)**	2,664	(313)	**(5,158)**
Equity in net (income) loss of affiliates	**(444)**	224	874	**(3,700)**
Loss on write-down of investment securities	**288**	3,792	—	**2,400**
(Gain) loss on sale of investment securities	**(4)**	605	(1,492)	**(33)**
Loss on investments in and loans to affiliates	**4**	—	1,495	**33**
Decrease in trade receivables	**5,339**	6,573	4,488	**44,492**
Decrease in trade payables and accrued expenses	**(2,762)**	(4,529)	(4,277)	**(23,016)**
Other, net	**(818)**	(1,027)	(1,182)	**(6,817)**
Subtotal	**28,926**	18,923	14,851	**241,050**
Interest and dividends received	**2,978**	4,557	3,940	**24,817**
Interest paid	**(844)**	(1,221)	(1,119)	**(7,033)**
Income taxes paid	**(5,468)**	(6,124)	(3,630)	**(45,567)**
Net cash provided by operating activities	**25,592**	16,135	14,042	**213,267**
Cash flows from investing activities:				
Increase in property and equipment	**(18,744)**	(15,728)	(11,659)	**(156,200)**
Increase in long-term investments and loans	**(4,964)**	(24,243)	(53,155)	**(41,367)**
Decrease in property and long-term investments	**31,151**	56,043	26,493	**259,592**
Decrease in short-term investments	**12,308**	20,085	24,030	**102,567**
Net cash provided by (used in) investing activities	**19,751**	36,157	(14,291)	**164,592**
Cash flows from financing activities:				
Increase in long-term debt	**569**	8,435	1,355	**4,742**
Repayment of long-term debt	**(9,556)**	(17,908)	(4,363)	**(79,633)**
Net (decrease) increase in short-term borrowings	**(29,927)**	(18,928)	2,311	**(249,392)**
Cash dividends paid	**(2,030)**	(1,844)	(1,696)	**(16,917)**
Other	**(19)**	(38)	(698)	**(158)**
Net cash used in financing activities	**(40,963)**	(30,283)	(3,091)	**(341,358)**
Effect of exchange rate changes on cash and cash equivalents	**(56)**	34	33	**(467)**
Net increase (decrease) in cash and cash equivalents	**4,324**	22,043	(3,307)	**36,034**
Cash and cash equivalents at beginning of year	**50,218**	13,044	16,342	**418,483**
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	**—**	15,131	9	**—**
Cash and cash equivalents at end of year	**¥ 54,542**	¥ 50,218	¥ 13,044	**$ 454,517**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

(a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of Seino Transportation Co., Ltd. (the "Company") and its subsidiaries (together with the Company, the "Seino Group") have been prepared in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan. Certain items presented in the original consolidated financial statements in Japanese submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

(b) U.S. dollar amounts

The Company maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese Yen into U.S. dollars at a rate of ¥120 to $1, the approximate rate of exchange at March 31, 2003. The inclusion of such dollar amounts is solely for the convenience of the readers and is not intended to imply that Yen and the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at ¥120 to $1 or at any other rate.

(c) Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentations.

2. Summary of Significant Accounting Policies

(a-i) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investment in significant affiliates is accounted for by the equity method. Investment in affiliates not accounted for by the equity method is stated at cost. Differences between the acquisition cost of investments in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition are deferred and amortized over five years. All intercompany transactions and accounts have been eliminated.

Under the accounting standard for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise, and that is a majority (more than 50%) owned enterprise or 40% to 50% owned enterprise that meets certain criteria. In addition, an affiliated company is defined as an enterprise in which the investor has a significant influence, and that is an enterprise, other than a subsidiary, with 20% or more of voting stock as well as 15% to 19% owned enterprise that meets certain criteria. For the years ended March 31, 2003, 2002 and 2001, the number of the companies with not exceeding 50% voting interest classified as subsidiaries based on the self-judgment of the Company in accordance with the accounting standard was sixteen, eighteen, and thirteen, respectively.

The number of subsidiaries and affiliates for the three years ended March 31, 2003 was as follows:

	2003	2002	2001
Subsidiaries:			
Domestic	**39**	39	25
Overseas	**8**	9	11
Affiliates, accounted for by the equity method	**6**	6	12
Affiliates, stated at cost	**14**	14	21

The Company's overseas subsidiaries close their books at December 31 every year, three months earlier than the Company and other domestic subsidiaries. The Company consolidated such subsidiaries' financial statements as of their year-end. Significant transactions for the period between subsidiaries' year-end and the Company's year-end are adjusted on consolidation.

Overseas subsidiaries adopt accounting principles generally accepted in their respective countries, and no adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation as allowed under accounting principles and practices generally accepted in Japan.

(a-ii) Change in consolidation scope

On May 29, 2001, the Company entered into the stock-for-stock exchange agreements with its three public affiliates accounted for by the equity method in order to make the Company's respective equity share in the three affiliates increase to 100%. This transaction was expected to fully utilize the advantages and strengths of management resources and maximize the integration of the Seino Group. The agreements were subsequently approved by the shareholders at the annual general meeting held on June 28, 2001.

In accordance with this agreement, on August 10, 2001 (stock-for-stock exchange date), the Company issued 23,901,710 shares of the Company's common stock at the exchange rates of a certain number of shares of the Company's common stock (see below) for one share of common stock of the three affiliates to their respective shareholders. As a result of this transaction, the common stock account of the Company increased by ¥1,195 million and the capital surplus account increased by the aggregate amounts of the net assets of the respective companies as of stock-for-stock exchange date except for the equity interest in which the Company owned before the stock-for-stock exchange, net of the increased common stock amount, which were adjusted on consolidation based on the fair value of net assets acquired at the time of acquisitions.

The details of information of stock-for-stock exchange transactions for the three public companies were as follows:

	Original shares held by the Company	Exchange rate of the number of shares of the Company for one share of affiliates	Number of shares of the Company's common stock issued
		(shares)	(shares)
NOHI SEINO TRANSPORTATION CO., LTD. ("NOHI")	26.2%	2.02	8,928,696
TOKAI SEINO TRANSPORTATION CO., LTD. ("TOKAI")	30.8%	0.81	2,184,849
KANTO SEINO TRANSPORTATION CO., LTD. ("KANTO")	35.6%	3.40	12,788,165

The unaudited financial information of the three companies above for the three years ended March 31, 2003 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
Operating revenues:				
NOHI	¥ **23,699**	¥ 23,123	¥ 23,504	$ **197,492**
TOKAI	**10,861**	10,868	11,492	**90,508**
KANTO	**27,075**	25,994	26,404	**225,625**
Net income:				
NOHI	¥ **751**	¥ 441	¥ 359	$ **6,258**
TOKAI	**102**	(201)	(627)	**850**
KANTO	**571**	26	(399)	**4,758**

In addition, in June 2001, the Company acquired additional shares of the common stock of two public affiliates accounted for by the equity method by takeover bid for an aggregate amount of ¥1,130 million in order to strengthen the integration of the Seino Group, which resulted in an increase in equity share of the two affiliates held by the Company to 40% each after this transaction.

The Company consolidated the five companies above as subsidiaries from the year ended March 31, 2002 as though the exchanges or acquisitions were made as of the beginning of the period. Therefore, such subsidiaries' operations for the year ended March 31, 2001 were included as equity income in the accompanying consolidated statements of operations. The excess of the Company's equity in the fair value of the net assets acquired of such new subsidiaries over the cost of the additional investments was recorded as consolidating adjustment account (negative goodwill).

(b) Cash and cash equivalents

The Seino Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(c) Investments and marketable securities

The Seino Group classifies certain investments in debt and equity securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Held-to-maturity securities are stated at amortized cost. Marketable securities with market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on disposition of available-for-sale securities are computed based on the moving-average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving-average method. Adjustments in carrying values of individual securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

(d) Accounting for derivatives

Derivatives are valued at fair value, if hedging accounting is not appropriate or where there is no hedging designation, and the gains or losses on derivatives are recognized in the current earnings. According to the special treatment as permitted by the accounting standard for financial instruments, the hedging interest rate swap is accounted for on an accrual basis, and recorded net of interest income generated from investments, hedged items, if certain conditions are met.

(e) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

(f) Inventories

Inventories for supplies are principally stated at moving-average cost, and inventories for vehicles and work-in-process are principally stated at cost determined by the specific identification method.

(g) Property and equipment, and depreciation

Property and equipment, including significant renewals and additions, are stated at cost. Property and equipment of the Company and its certain subsidiaries have been depreciated by the straight-line method for buildings and vehicles, and by the declining-balance method for other property.

Property and equipment of the other subsidiaries have been principally depreciated by the declining-balance method, except for the buildings acquired on and after April 1, 1998 and the property held for leases. The buildings acquired on and after April 1, 1998 by domestic subsidiaries have been depreciated by the straight-line method.

Expenditure on maintenance and repairs is charged to operating income as incurred. Upon the disposal of property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded as income or expenses.

(h) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic subsidiaries as lessee is not capitalized and the relating rental and lease expenses are charged to income as incurred.

The leased property of a certain subsidiary engaged in the leasing operations as lessor was recorded at cost as property held for leases, which was included in property and equipment in the accompanying consolidated balance sheets, and was depreciated over the lease contract terms by the straight-line method to the amount equal to the estimated disposal value at the lease termination date.

(i) Employee retirement benefits

Employees who terminate their service with the Seino Group are entitled to retirement benefits generally determined by the reference of current basic rates of pay, length of service and conditions under which the termination occurs.

Effective April 1, 2000, the Seino Group adopted "Opinion Concerning Establishment of Accounting Standard for Retirement Benefits" established by the Business Accounting Deliberation Council of Japan and related practical guideline issued by the Japanese Institute of Certified Public Accountants. In accordance with the new accounting standard, the Seino Group has recognized the retirement benefits including pension cost and related liability based on the accrual amount calculated from actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the respective fiscal year-ends. A transitional provision of adoption of this new accounting standard in the aggregate amount of ¥30,976 million was charged to income as other expenses in the year ended March 31, 2001. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized on a straight-line basis principally over ten years within remaining service lives of employees from the next year in which they arise. Unrecognized prior service cost is amortized using the straight-line method over ten years from the year in which it occurs.

(j) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforward. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(k) Revenue recognition for freight charges

The Seino Group recognizes freight charges as revenue when freight is received for shipment. In relation to its revenue recognition, the Seino Group records freight charges from customers and paid to interline carriers as operating revenues and operating costs and expenses, respectively.

(l) Appropriation of retained earnings

Cash dividends and bonuses to directors and statutory auditors are recorded in the fiscal year during which a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(m) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese Yen at the exchange rates at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

In respect of the financial statement items of overseas subsidiaries, all asset, liability, income and expense accounts are translated into Yen by applying the exchange rates in effect at the fiscal year-end. Translation differences, after allocating to minority interests portions attributable to minority interests, are reported as foreign currency translation adjustment in a separate component of shareholders' equity on the accompanying consolidated balance sheets.

(n) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible bonds were converted at the time of issue unless having anti-dilutive effects and as if warrants were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method. The Seino Group adopted the new accounting standard for earnings per share from the current fiscal year. Prior-period per share data has been restated to conform to the current computation.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared as applicable to the respective years.

3. Investments

At March 31, 2003 and 2002, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Marketable securities:			
Bonds	**¥ 11,571**	¥ 9,678	**$ 96,425**
Total marketable securities	**11,571**	9,678	**96,425**
Other nonmarketable securities	**—**	1,400	**—**
Time deposits with an original maturity of more than three months	**7,332**	8,706	**61,100**
	¥ 18,903	¥ 19,784	**$ 157,525**

At March 31, 2003 and 2002, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Marketable securities:			
Equity securities	**¥ 10,112**	¥ 10,376	**$ 84,267**
Bonds	**33,971**	43,574	**283,092**
Other	**254**	1,122	**2,116**
Total marketable securities	**44,337**	55,072	**369,475**
Other nonmarketable securities	**18,377**	37,109	**153,142**
	¥ 62,714	¥ 92,181	**$ 522,617**

At March 31, 2003 and 2002, fair value of marketable securities classified as held-to-maturity and related net unrealized gains were as follows:

	Carrying value	Fair value	Net unrealized gains
	Millions of Yen		
Bonds included in investment securities			
At March 31, 2003	**¥ 4,392**	**¥ 4,887**	**¥ 495**
At March 31, 2002	5,471	6,042	571
	Thousands of U.S. Dollars		
Bonds included in investment securities			
At March 31, 2003	**$ 36,600**	**$ 40,725**	**$ 4,125**

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized. At March 31, 2003 and 2002, gross unrealized gains and losses for marketable securities classified as available-for-sale are summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of Yen			
At March 31, 2003:				
Equity securities	**¥ 6,951**	**¥ 3,463**	**¥ (302)**	**¥ 10,112**
Bonds	**41,075**	**769**	**(695)**	**41,149**
Other	**279**	**0**	**(25)**	**254**
	¥ 48,305	**¥ 4,232**	**¥ (1,022)**	**¥ 51,515**
At March 31, 2002:				
Equity securities	¥ 5,415	¥ 5,008	¥ (47)	¥ 10,376
Bonds	49,546	410	(2,092)	47,864
Other	1,203	8	(89)	1,122
	¥ 56,164	¥ 5,426	¥ (2,228)	¥ 59,362
	Thousands of U.S. Dollars			
At March 31, 2003:				
Equity securities	**$ 57,925**	**$ 28,858**	**$ (2,516)**	**$ 84,267**
Bonds	**342,292**	**6,408**	**(5,792)**	**342,908**
Other	**2,325**	**0**	**(209)**	**2,116**
	$402,542	**$ 35,266**	**$ (8,517)**	**$429,291**

During the years ended March 31, 2003 and 2002, the Seino Group recorded a loss on write-down on marketable investment securities due to a permanent diminution in value in the amount of ¥261 million ($2,175 thousand) and ¥652 million, respectively.

During the years ended March 31, 2003 and 2002, the Seino Group sold available-for-sale securities and recorded a gain of ¥7 million ($58 thousand) and ¥211 million, and a loss of ¥1 million ($8 thousand) and ¥900 million on the accompanying consolidated statements of operations, respectively.

Expected maturities of held-to-maturity and available-for-sale securities at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 11,809	$ 98,408
Due after one year through five years	39,000	325,000
Due after five years through ten years	11,882	99,017
Due after ten years	100	833
	¥ 62,791	$ 523,258

At March 31, 2003 and 2002, investments in and long-term loans to affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Investments, accounted for by the equity method for significant affiliates and at cost for others	**¥ 3,909**	¥ 2,835	**$ 32,575**
Interest bearing long-term loans	**2,184**	2,685	**18,200**
	¥ 6,093	¥ 5,520	**$ 50,775**

4. Property and Equipment

At March 31, 2003 and 2002, property and equipment consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Property held for own use, at cost:			
Land	**¥134,275**	¥133,180	**$1,118,958**
Buildings and structures	**177,189**	172,602	**1,476,575**
Vehicles	**72,104**	72,161	**600,867**
Machinery and equipment	**20,994**	20,682	**174,950**
Construction in progress	**2,923**	1,107	**24,358**
	407,485	399,732	**3,395,708**
Less, accumulated depreciation	**(164,843)**	(163,893)	**(1,373,692)**
Subtotal	**242,642**	235,839	**2,022,016**
Property held for leases, at cost:			
Vehicles, equipment and other	**660**	646	**5,500**
Less, accumulated depreciation	**(438)**	(434)	**(3,650)**
	222	212	**1,850**
Total property and equipment	**¥242,864**	¥236,051	**$2,023,866**

One of the consolidated subsidiaries elected to carry out a one-time revaluation to restate the cost of land used for the business operations at values rationally reassessed effective on March 31, 2002, reflecting appropriate adjustments for land shape and other factors, based on the appraisal values issued by the Japanese National Tax Agency in accordance with the Law Concerning Revaluation of Land ("Law"). According to the Law, the amount equivalent to the tax effect on the excess of the original book values over sound reassessed values is recorded in the assets as deferred tax assets arising on revaluation account, and the rest of such excess, net of the tax effect and minority interests portion, is recorded in the shareholders' equity as land revaluation decrement account in the accompanying consolidated balance sheets. Carrying amounts of such land after and before revaluation at March 31, 2002 were ¥6,100 million and ¥6,576 million, respectively. At March 31, 2003, the differences of the carrying values of land used for the business operations after revaluation over the current market value of such land at the fiscal year-end amounted to ¥465 million ($3,875 thousand).

5. Short-term Borrowings and Long-term Debt

At March 31, 2003 and 2002, short-term borrowings consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured bank overdrafts with interest rates ranging from 0.203% to 10.75% per annum at March 31, 2003	**¥ 6,409**	¥ 8,026	**$ 53,408**
Short-term bank borrowings principally represented by notes with interest rates ranging from 0.55% to 5.5% per annum at March 31, 2003:			
Secured	**401**	390	**3,342**
Unsecured	**7,780**	36,185	**64,833**
	¥ 14,590	¥ 44,601	**$ 121,583**

At March 31, 2003, the Company and certain subsidiaries had unsecured overdraft agreements with 33 banks. Under such agreements, the Company and such subsidiaries were entitled to withdraw up to ¥43,693 million ($364,108 thousand). The Company and such subsidiaries are not obligated to pay commitment fees on the unused portions of such overdraft facilities.

At March 31, 2003 and 2002, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
1.0% convertible bonds, due March 2004	**¥ 22,452**	¥ 27,239	**$ 187,100**
0.125% convertible bonds, due March 2004	**20,000**	20,000	**166,667**
1.1% convertible bonds, due March 2006	**9,017**	9,562	**75,141**
Loans from banks, partly secured, due through 2017 repayable on an installment basis with interest rates ranging from 0.224% to 8.3% per annum at March 31, 2003	**9,925**	13,739	**82,708**
Loans from government agencies, principally mortgage, repayable on an installment basis with interest rates ranging from 0.7% to 3.4% per annum at March 31, 2003	**445**	313	**3,709**
	61,839	70,853	**515,325**
Less, current portion	**(42,806)**	(3,114)	**(356,717)**
	¥ 19,033	¥ 67,739	**$ 158,608**

At March 31, 2003 and 2002, the following assets were pledged as collateral for certain short-term borrowings and long-term debt:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Land	**¥ 653**	¥ 1,066	**$ 5,442**
Buildings and structures	**1,316**	1,249	**10,967**
Vehicles	**—**	3	**—**
Marketable securities included in investment securities	**—**	501	**—**
Time deposits included in short-term investments	**40**	214	**333**

The following is a summary of the conversion price and the terms of optional redemption of the convertible bonds as at March 31, 2003:

	Conversion price	Redemption at the option of the Company
1.0% convertible bonds, due 2004	¥1,755.60	At 103% to 100% of principal after April 1, 2000, decreasing 1% annually
0.125% convertible bonds, due 2004	¥ 917.00	—
1.1% convertible bonds, due 2006	¥1,755.60	At 104% to 100% of principal after April 1, 2001, decreasing 1% annually

The Company reserves the right to redeem the outstanding convertible bonds, in whole or in part, at its call option, at the percentages of the principal amount listed in the table above. At March 31, 2003, the number of shares of common stock necessary for conversion of convertible bonds outstanding was approximately 40 million.

The aggregate annual maturities of long-term debt as at March 31, 2003 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 42,806	$ 356,717
2005	450	3,750
2006	10,430	86,917
2007	7,237	60,308
2008	206	1,716
Thereafter	710	5,917

6. Employee Retirement Benefits

The Seino Group has defined benefit pension plans, which substantially cover all employees.

On March 15, 2002, the Company received an approval from the Minister of Health, Labor and Welfare for the liquidation of the welfare pension funds organized by the Company pursuant to the enforcement of the Defined Benefit Enterprise Pension Plan Law. Therefore, the Seino Group recorded a gain of ¥18,895 million due to the extinguishment of retirement benefit obligation of the welfare pension funds for the year ended March 31, 2002. In addition, on April 23, 2002, the Minister of Health, Labor and Welfare approved another liquidation of the group welfare pension funds organized by some of the domestic subsidiaries and affiliates pursuant to the enforcement of the Defined Benefit Enterprise Pension Plan Law. As a result, the Seino Group recorded a gain of ¥1,542 million ($12,850 thousand) due to the extinguishment of retirement benefit obligation of such welfare pension funds for the year ended March 31, 2003.

During the year ended March 31, 2003, the Company and some of the domestic subsidiaries settled the qualified retirement benefit pension plan, and the Seino Group recorded a loss of ¥863 million ($7,192 thousand) in relation to this transaction.

The following table reconciles the benefit liability as at March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Reconciliation of benefit liability:			
Projected benefit obligation	**¥ 44,077**	¥ 65,856	**$ 367,308**
Less, fair value of pension plan assets at end of year	**(1,208)**	(18,870)	**(10,066)**
	42,869	46,986	**357,242**
Less, unrecognized actuarial differences (loss)	**(5,188)**	(11,672)	**(43,233)**
Less, unrecognized prior service cost	**(675)**	—	**(5,625)**
Other	**(34)**	(51)	**(284)**
Net amounts of employee retirement benefit liability recorded on the consolidated balance sheets	**¥ 36,972**	¥ 35,263	**$ 308,100**

Notes: 1. Projected benefit obligation of subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

2. The above table excluded the amounts for the assets not separately allocatable to some of the domestic subsidiaries in certain pension funds organized by others together with the subsidiaries or effectively restricted so that they cannot be used by the employees for other purpose, which amounted to ¥4,327 million ($36,058 thousand) at March 31, 2003.

The Component of net periodic retirement benefit expense for the three years ended March, 2003 was as follows:

	Millions of Yen 2003	2002	2001	Thousands of U.S. Dollars 2003
Net periodic retirement benefit expenses:				
Service cost	¥ **2,373**	¥ 5,100	¥ 4,195	$ **19,775**
Interest cost	**1,105**	4,776	4,135	**9,208**
Expected return on pension plan assets	**(158)**	(2,470)	(2,506)	**(1,317)**
Amortization of prior service cost	**(53)**	—	—	**(442)**
Amortization of actuarial differences	**530**	1,221	—	**4,417**
Initial transitional provision	**17**	17	30,976	**142**
Subtotal	**3,814**	8,644	36,800	**31,783**
Reversal of employee retirement benefit liability	**(1,542)**	—	—	**(12,850)**
Loss on settlement of qualified retirement benefit pension plan	**863**	—	—	**7,192**
Total retirement benefit expense	¥ **3,135**	¥ 8,644	¥ 36,800	$ **26,125**

Major assumptions used in calculation of the above information for the three ended March 31, 2003 were as follows:

	2003	2002	2001
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method	Straight-line method
Discount rate	2.0%	2.5%	3.5%
Expected rate of return on pension plan assets	2.5%	principally 3.5%	3.5%
Amortization of prior service cost	10 years	—	—
Amortization of actuarial differences	principally 10 years	principally 10 years	principally 10 years

7. Contingent Liabilities

At March 31, 2003 and 2002, the Seino Group was contingently liable for trade notes endorsed to affiliates and the third parties, for trade notes discounted with banks in the normal course of business, and for guarantees, including substantial guarantees, principally of indebtedness of affiliates and the third parties in the aggregate amounts of ¥4,579 million ($38,158 thousand) and ¥5,865 million, respectively. During the year ended March 31, 2002, the Seino Group sold trade notes receivable of ¥956 million to a certain financial institution. In relation to this transaction, the Seino Group was obligated under the terms of the recourse provision to repurchase receivables sold up to ¥260 million at March 31, 2002. At March 31, 2003, the Seino Group had no obligation in relation to this transaction due to the change of contract terms.

8. Lease Commitments

The Seino Group has entered into various rental and lease agreements for land and buildings to be used for truck terminals and warehouses which are generally cancelable with a few months' advance notice and also non-cancelable lease agreements for computer equipment and radio facilities with three-to-seven year contract terms as lessee. The aggregate minimum future lease payments for such non-cancelable lease agreements, including the imputed interest portion, as at March 31, 2003 and 2002 were as follows:

	Millions of Yen 2003	2002	Thousands of U.S. Dollars 2003
Due within one year	¥ **1,818**	¥ 1,966	$ **15,150**
Due after one year	**2,752**	2,904	**22,933**
	¥ **4,570**	¥ 4,870	$ **38,083**

A certain consolidated subsidiary engaged in the leasing operations entered into various lease agreements principally for vehicles with the third parties as lessor, which were categorized as financing leases. At March 31, 2003 and 2002, the aggregate future minimum lease commitments to be received for such non-cancelable lease agreements, excluding the imputed interest, were as follows:

	Millions of Yen 2003	2002	Thousands of U.S. Dollars 2003
Due within one year	¥ **154**	¥ 157	$ **1,283**
Due after one year	**227**	214	**1,892**
	¥ **381**	¥ 371	$ **3,175**

In addition to above, a certain consolidated subsidiary engaged in the leasing operations leases the property as lessee and also leases the same property to affiliates and the third parties as lessor. At March 31, 2003 and 2002, the future minimum commitments under such agreements, including the imputed interest portion, were as follows:

	Minimum rentals to be paid (Millions of Yen)	Minimum rentals to be received (Millions of Yen)	Minimum rentals to be paid (Thousands of U.S. Dollars)	Minimum rentals to be received (Thousands of U.S. Dollars)
At March 31, 2003:				
Due within one year	¥ **2,761**	¥ **2,956**	$ **23,009**	$ **24,634**
Due after one year	**4,012**	**4,270**	**33,433**	**35,583**
	¥ **6,773**	¥ **7,226**	$ **56,442**	$ **60,217**
At March 31, 2002:				
Due within one year	¥ 3,608	¥ 3,844		
Due after one year	5,618	6,018		
	¥ 9,226	¥ 9,862		

9. Derivative Instruments

The Seino Group is a party to derivative instruments such as interest rate swap or currency swap contracts in the normal course of business to reduce its own exposure to fluctuations in interest rates or foreign currency exchange rates on investments of the Seino Group for the hedge purposes. The Seino Group is exposed to credit loss in the event of nonperformance by the other parties. However, the Seino Group does not expect nonperformance by the counterparties. All derivative instruments are accounted for by the certain hedge accounting methods as at March 31, 2003 and 2002.

10. Shareholders' Equity

(a) The authorized number of shares of common stock, without par value, is 400 million at March 31, 2003, unless there may be a reduction due to a cancellation of treasury stock acquired.

Pursuant to the Commercial Code of Japan and the resolution by shareholders at the annual general meeting on June 27, 2003, the Company can purchase the treasury stock of the Company up to 8,800,000 shares in maximum consideration for ¥7,600 million (¥63,333 thousand) for the period though the date of its next annual shareholder's general meeting.

(b) Capital surplus consisted of additional paid-in capital of ¥54,875 million ($457,292 thousand) and other capital surplus of ¥1 million ($8 thousand) at March 31, 2003. At March 31, 2003 and 2002, retained earnings included legal reserve of the Company in the amount of ¥4,262 million ($35,517 thousand), respectively. The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash payments as an appropriation of retained earnings shall be appropriated as a legal reserve until a total amount of additional paid-in capital and such legal reserve equals 25% of common stock. Such legal reserve is not available for distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company.

Under the terms of the 1.0% and 1.1% convertible bonds, as long as any of the relevant bonds remains outstanding, the Company may not pay any cash dividends if, upon giving effect thereto, the aggregate amount of all cash dividends paid after March 31, 1995, less income before special credits or charges (as defined in the Ministry of Finance Ordinance) net of income taxes since such a date, would exceed ¥15 billion ($125 million).

Under the Commercial Code of Japan, the carrying values of treasury stock purchased for stock option plan and net unrealized gains on available-for-sale securities are not available for the distribution as dividends.

(c) On June 29, 2000, shareholders approved to implement the stock option plan in accordance with the Commercial Code of Japan. The stock option was granted to 15 members of the Board of Directors and 575 executive employees as of June 29, 2000, and each stock option is exercisable from July 1, 2002 to June 30, 2005. Up to 1,195,000 shares of common stock of the Company would be issuable for exercise of this option at the exercise price of ¥600 per share, which is subject to adjustment in certain circumstances including stock splits.

Although shareholders also approved to implement another stock option plan using the new share subscription right method in accordance with the Commercial Code of Japan on June 27, 2002, no new share subscription rights were issued as the Board of Directors of the Company resolved to cancel this stock option plan on June 6, 2003.

(d) The shareholders of the Company approved the followings appropriations of retained earnings at the annual general meeting of shareholders on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 1,932	$ 16,100
Bonuses to directors and statutory auditors	10	83

11. Income Taxes

Income tax expenses (benefits) for the three years ended March 31, 2003 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Income tax expenses (benefits):				
Current	**¥ 8,636**	¥ 5,686	¥ 4,532	**$ 71,967**
Deferred	**(1,790)**	2,108	(15,184)	**(14,917)**
	¥ 6,846	¥ 7,794	¥ (10,652)	**$ 57,050**

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Employee retirement benefit liability	**¥ 12,678**	¥ 13,955	**$ 105,650**
Enterprise tax accruals	**524**	260	**4,367**
Accrued bonuses	**3,226**	—	**26,883**
Intercompany capital gain	**1,091**	1,103	**9,092**
Loss on assets transferred	**4,098**	5,040	**34,150**
Unrealized losses on available-for-sale securities	**397**	1,002	**3,308**
Other	**2,937**	2,886	**24,475**
	24,951	24,246	**207,925**
Less, valuation allowance	**(596)**	(1,734)	**(4,966)**
	24,355	22,512	**202,959**
Deferred tax liabilities:			
Deferred capital gain	**5,817**	5,793	**48,475**
Unrealized gains on available-for-sale securities	**1,711**	2,330	**14,258**
Consolidating valuation adjustment	**4,619**	4,004	**38,492**
Other	**60**	75	**500**
	12,207	12,202	**101,725**
Net deferred tax assets	**¥ 12,148**	¥ 10,310	**$ 101,234**

At March 31, 2003 and 2002, deferred tax assets and liabilities were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Current	**¥ 6,258**	¥ 5,517	**$ 52,150**
Non-current	**8,057**	6,869	**67,142**
Deferred tax liabilities:			
Non-current	**2,167**	2,076	**18,058**

In assessing the realizability of deferred tax assets, management of the Seino Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2003 and 2002, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believes that the amount of the deferred tax assets is expected not to be realizable.

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective income tax rate on pretax income reflected in the accompanying consolidated statements of operations for the years ended March 31, 2003 and 2002 was as follows:

	Percentage of pretax income	
	2003	2002
Japanese statutory effective tax rate	41.7%	41.7%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.6	0.6
Tax exempt income	(0.5)	(0.4)
Adjustment due to a change in tax rates	1.8	—
Local minimum taxes-per capita levy	2.4	2.0
Amortization of consolidating adjustment account	(13.2)	(10.7)
Equity in net (income) loss of affiliates	(0.8)	0.4
Other	(0.7)	(2.5)
Actual effective income tax rate	31.3%	31.1%

For the year ended March 31, 2001, such reconciliation is not presented because the Seino Group recorded net loss.

With the implementation of the 'Revision of the Local Tax Law' on March 31, 2003, the Japanese statutory effective tax rate used in the calculation of deferred tax assets or liabilities effective from the fiscal year beginning on April 1, 2004 has been changed from 41.7% to 40.4%. As a result, deferred income tax expenses increased by ¥392 million ($3,267 thousand) for the year ended March 31, 2003.

12. Segment Information

The Seino Group operates in four business segments: transportation services, merchandise sales, information services, and leasing and other services. Information by industry segment for the three years ended March 31, 2003 was summarized as follows:

	Transportation services	Merchandise sales	Information services	Others	Total	Elimination	Consolidated
				Millions of Yen			
For the year 2003:							
Operating revenues:							
Outside customers	**¥ 297,514**	**¥ 93,322**	**¥ 5,938**	**¥ 12,625**	**¥ 409,399**	**¥ —**	**¥ 409,399**
Inter-segment sales	**1,905**	**28,514**	**5,171**	**13,818**	**49,408**	**(49,408)**	**—**
Total operating revenues	**299,419**	**121,836**	**11,109**	**26,443**	**458,807**	**(49,408)**	**409,399**
Operating costs and expenses	**293,726**	**118,990**	**11,259**	**24,335**	**448,310**	**(49,105)**	**399,205**
Operating income (loss)	**¥ 5,693**	**¥ 2,846**	**¥ (150)**	**¥ 2,108**	**¥ 10,497**	**¥ (303)**	**¥ 10,194**
Identifiable assets	**¥ 331,613**	**¥ 91,184**	**¥ 4,954**	**¥ 25,471**	**¥ 453,222**	**¥ 41,361**	**¥ 494,583**
Depreciation	**9,740**	**1,294**	**293**	**140**	**11,467**	**(180)**	**11,287**
Capital expenditures	**17,301**	**2,562**	**76**	**51**	**19,990**	**(391)**	**19,599**
For the year 2002:							
Operating revenues:							
Outside customers	¥ 306,003	¥ 92,667	¥ 5,224	¥ 14,941	¥ 418,835	¥ —	¥ 418,835
Inter-segment sales	1,593	24,259	5,619	12,442	43,913	(43,913)	—
Total operating revenues	307,596	116,926	10,843	27,383	462,748	(43,913)	418,835
Operating costs and expenses	308,460	114,123	11,029	25,691	459,303	(44,011)	415,292
Operating income (loss)	¥ (864)	¥ 2,803	¥ (186)	¥ 1,692	¥ 3,445	¥ 98	¥ 3,543
Identifiable assets	¥ 328,598	¥ 88,237	¥ 6,362	¥ 26,953	¥ 450,150	¥ 72,603	¥ 522,753
Depreciation	10,642	1,270	290	334	12,536	(171)	12,365
Capital expenditures	12,940	2,101	162	190	15,393	(225)	15,168
For the year 2001:							
Operating revenues:							
Outside customers	¥ 292,969	¥ 36,796	¥ 4,920	¥ 17,910	¥ 352,595	¥ —	¥ 352,595
Inter-segment sales	1,485	20,684	5,317	8,067	35,553	(35,553)	—
Total operating revenues	294,454	57,480	10,237	25,977	388,148	(35,553)	352,595
Operating costs and expenses	294,874	56,932	10,366	25,053	387,225	(35,525)	351,700
Operating income (loss)	¥ (420)	¥ 548	¥ (129)	¥ 924	¥ 923	¥ (28)	¥ 895
Identifiable assets	¥ 252,831	¥ 22,866	¥ 6,241	¥ 22,588	¥ 304,526	¥ 148,724	¥ 453,250
Depreciation	9,291	245	258	618	10,412	(63)	10,349
Capital expenditures	8,056	385	304	53	8,798	(113)	8,685

	Transportation services	Merchandise sales	Information services	Others	Total	Elimination	Consolidated
For the year 2003:							
Operating revenues:							
Outside customers	**$ 2,479,283**	**$ 777,683**	**$ 49,483**	**$ 105,209**	**$ 3,411,658**	**$ —**	**$ 3,411,658**
Inter-segment sales	**15,875**	**237,617**	**43,092**	**115,150**	**411,734**	**(411,734)**	**—**
Total operating revenues	**2,495,158**	**1,015,300**	**92,575**	**220,359**	**3,823,392**	**(411,734)**	**3,411,658**
Operating costs and expenses	**2,447,717**	**991,583**	**93,825**	**202,792**	**3,735,917**	**(409,209)**	**3,326,708**
Operating income (loss)	**$ 47,441**	**$ 23,717**	**$ (1,250)**	**$ 17,567**	**$ 87,475**	**$ (2,525)**	**$ 84,950**
Identifiable assets	**$ 2,763,442**	**$ 759,867**	**$ 41,283**	**$ 212,258**	**$ 3,776,850**	**$ 344,675**	**$ 4,121,525**
Depreciation	**81,167**	**10,783**	**2,442**	**1,166**	**95,558**	**(1,500)**	**94,058**
Capital expenditures	**144,175**	**21,350**	**633**	**425**	**166,583**	**(3,258)**	**163,325**

Geographic segment information is not shown as operating revenues and total assets of overseas subsidiaries were not material in the three years ended March 31, 2003. Information for overseas sales is not disclosed as such sales were not material.

Notes: Identifiable assets in the elimination column represent unallocated general corporate items which were not assigned to a particular industry segment such as cash, short-term and long-term investment securities, net of inter-segment balances.

Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors and Shareholders of
Seino Transportation Co., Ltd.

We have audited the accompanying consolidated balance sheets of Seino Transportation Co., Ltd. and its subsidiaries (the "Seino Group") as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2003, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Seino Group as of March 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2003 in conformity with accounting principles and practices generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Nagoya, Japan
June 27, 2003

Notice to Readers:

The accompanying consolidated financial statements are not intended to present the consolidated financial positions and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Japan.

Board of Directors

(As of June 27, 2003)

Chairman and Chief Executive Officer
Yoshikazu Taguchi

President and Chief Operating Officer
Yoshitaka Taguchi

Senior Managing Directors
Atsuo Suzuki
Takao Taguchi

Managing Directors
Kunitoshi Yamanaka
Yoshitaka Nasuno
Masashi Otsuka
Takayoshi Mito

Directors
Hideyuki Abe
Kunihiko Oka
Hidemi Maruta
Toshitaka Morita
Shizutoshi Otsuka
Masayoshi Ichiyanagi
Hisao Sakashita

Statutory Auditors
Yoshio Matsuoka
Mitsuo Shimizu
Yutaka Tanabe

Yoshikazu Taguchi
Chairman and Chief Executive Officer

Yoshitaka Taguchi
President and Chief Operating Officer

Corporate Data

(As of June 27, 2003)

Company Name:	Seino Transportation Co., Ltd.
Head Office:	1, Taguchi-cho, Ogaki, Gifu 503-8501, Japan Tel: 81-584-81-1111 Fax: 81-584-75-3366
Date of Establishment:	November 1, 1946
Paid-in Capital:	¥32,471 million
Number of Shares Issued:	176,820,926
Stock Listings:	The First Section of Tokyo Stock Exchange (code 9076) The First Section of Nagoya Stock Exchange (code 9076)
Transfer Agent:	The Mitsubishi Trust and Banking Corporation
Independent Auditors:	ChuoAoyama Audit Corporation (A member firm of PricewaterhouseCoopers)

Seino Group

☆Consolidated subsidiaries
★Subsidiaries and affiliates accounted for by the equity method

(As of March 31, 2003)

Transportation Group

★Hokkaido Seino Transportation Co., Ltd.
General cargo haulage

☆Iwate Seino Transportation Co., Ltd.
General cargo haulage

☆Miyagi Seino Transportation Co., Ltd.
General cargo haulage

Fukushima Seino Transportation Co., Ltd.
General cargo haulage

☆Kanto Seino Transportation Co., Ltd.
General cargo haulage

★Saitama Seino Transportation Co., Ltd.
General cargo haulage

★Tokyo Seino Transportation Co., Ltd.
General cargo haulage

☆Kanagawa Seino Transportation Co., Ltd.
General cargo haulage

Enshu Seino Transportation Co., Ltd.
General cargo haulage

Mikawa Seino Transportation Co., Ltd.
General cargo haulage

☆Tokai Seino Transportation Co., Ltd.
General cargo haulage

☆Nohi Seino Transportation Co., Ltd.
General cargo haulage

Tango Seino Transportation, Inc.
General cargo haulage

☆Seino Tsu-un Transportation Co., Ltd.
Transportation and general cargo haulage

☆Seino Express Co., Ltd.
General cargo haulage

☆Mie Seino Transportation Co., Ltd.
General cargo haulage

★Hinomaru Seino Transportation Co., Ltd.
General cargo haulage

★Shikoku Seino Transportation Co., Ltd.
General cargo haulage

★Showa Seino Transportation Co., Ltd.
General cargo haulage

Takuma Seino Transportation Co., Ltd.
General cargo haulage

☆Okinawa Seino Transportation Co., Ltd.
General cargo haulage

☆Seino Logix Co., Ltd.
Intermodal transportation operator and agency

☆Seino America, Inc.
International air and sea cargo forwarder and customs broker in the United States

☆Seino Europe GmbH
International air and sea cargo forwarder in Germany

☆Göritz Intransco International Speditionsgesellschaft m.b.H.
International air cargo forwarder and customs broker in Germany

☆United-Seino Transportation (Malaysia) Sdn. Bhd.
General cargo haulage in Malaysia

☆Nantong Seino Transportation Co., Ltd.
General cargo haulage in China

☆Seino Transportation (Thailand) Co., Ltd.
International air and sea cargo forwarder in Thailand

☆Seino Merchants Singapore Pte Ltd.
International air and sea cargo forwarder in Singapore

Schenker-Seino Logistic Co., Ltd.
Third Party Logistics (3PL) provider

Seino Hokkaido Express Co., Ltd.
General cargo haulage

☆Seino Tokyo Express, Inc.
General cargo haulage

Seino Kanagawa Express Co., Ltd.
General cargo haulage and automotive freight handling

☆Seino Nagoya Express, Inc.
General cargo haulage

☆Seino Osaka Express, Inc.
General cargo haulage

☆Seino Hokuriku Express, Inc.
General cargo haulage

☆Seino ST Services, Inc.
General cargo haulage and security services

Seino Logistic Hokkaido, Inc.
General cargo haulage

Asahi Bangkok Co., Ltd.
Management in Thailand

☆Seino Customs Clearance Service Co., Ltd.
Customs Broker

Schenker-Seino Co., Ltd.
International sea and air cargo forwarder

Information and Sales Group

☆Seino Enterprise, Ltd.
Group management and general consultation

☆Seino Sangyo Co., Ltd.
Merchandising of automobile components and transportation-related services

☆Gifu Hino Motor Co., Ltd.
Automobile sales agency
[Second section of the Nagoya Stock Exchange]

☆Toyota Corolla Gifu Co., Ltd.
Automobile sales agency
[Second section of the Nagoya Stock Exchange]

☆Netz Toyota Gifu Co., Ltd.
Automobile sales agency

☆Toyota Vista Gifu Co., Ltd.
Automobile sales agency

☆Seino Trading Co., Ltd.
General trading house

☆Seino Information Service Co., Ltd.
Advanced information services and information processing

☆Japan Logistics Development Co., Ltd.
Information and materials distribution systems consulting

☆Asahi Leasing Co., Ltd.
Rental and lease of equipment and machines

☆Asahi Travel Service Co., Ltd.
Travel agency

☆Seino Engineering Co., Ltd.
Construction, drafting, and electrical and air conditioning installation

☆Seino Family Co., Ltd.
Insurance agency services

☆Toyota Home Gifu Co., Ltd.
Housing sales

☆Asahi Agency Co., Ltd.
Comprehensive advertising agency

☆Asahi Create Co., Ltd.
Comprehensive printer

☆Asahi Enterprise Co., Ltd.
Automobile sales and export

☆Seino Do Brasil Armazens Gerais Ltda.
Storage and maintenance in Brazil

☆Seino Security Service Co., Ltd.
Security services

☆Jms Gifu Corporation
Merchandising of automobile components

☆Medical Support Co., Ltd.
Disposal of medical facility wastes

☆Suito Taxi Co., Ltd.
General passenger transportation

☆Seino Finance Co., Ltd.
Financial business

NTT Anzen Hokan Center Co., Ltd.
Warehouse management

Tokyo Nohin Daiko Co., Ltd.
Value-added distribution services to the apparel industry

Logiwell Co., Ltd.
Total logistics service provider

SEINO
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