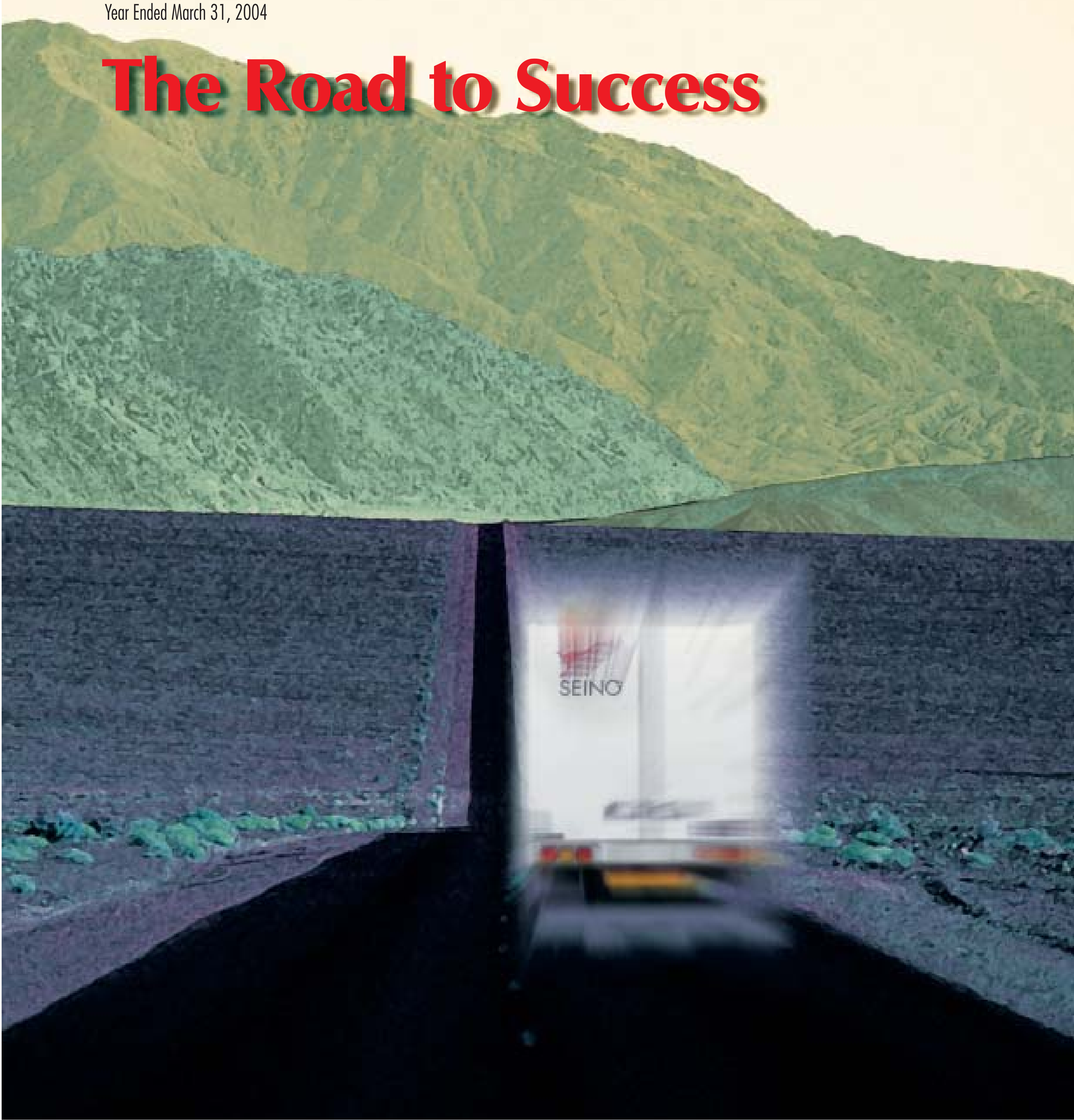
Seino Transportation Co., Ltd.
Annual Report 2004

Year Ended March 31, 2004

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 is headquartered in Ogaki, Gifu Prefecture in central Japan. Together with the expansion of the Japanese economy and the development Japan's extensive expressway network, Seino has achieved steady growth over the years to become one of Japan's leading trucking companies. Adhering to its "customer first" principle, Seino has worked to optimize its network. Today, as of March 31, 2004, Seino provides efficient transportation services throughout Japan via its 419 truck terminals, including 153 owned by the Company and 266 by subsidiaries, a fleet of 10,425 trucks and its network that averages 6,000 routes daily. Overseas, international forwarding operations have been transferred to the joint venture company Schenker-Seino Co., Ltd., and the Company's global network and leading-edge IT systems are being effectively utilized to expand this business. Seino has also spun off its customs clearance business and established Seino Customs Clearance Service Co., Ltd. Using the synergies between these two companies, Seino is enhancing its competitiveness.

To further provide customers with competitive and highly satisfying services as a leading company, Seino and its subsidiaries (the "Group") have designated Less-than-Truck Load (LTL) commercial cargo transportation for the domestic market as the Group's core business and will allocate management resources to this sector. Seino is also pursuing a strategy of alliances with other distribution companies to enhance the Group's existing strengths and to shore up its own business base. Through these measures, Seino is creating new models for distribution services within the evolving distribution market and will proceed down the "Road to Success" as it strives to attain its target of becoming 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 Subsidiaries

Financial Highlights

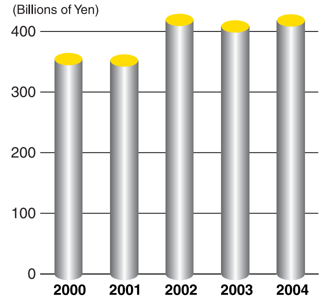
For the Years Ended March 31, 2004, 2003, 2002, 2001 and 2000

	Millions of Yen					Thousands of U.S. Dollars*
	2004	2003	2002	2001	2000	**2004**
For the year:						
Operating revenues	**¥ 417,705**	¥ 409,399	¥ 418,835	¥ 352,595	¥ 354,255	**$3,978,143**
Operating income	**12,665**	10,194	3,543	895	2,146	**120,619**
Income (loss) before income taxes and minority interests	**21,221**	21,841	25,036	(28,875)	6,286	**202,105**
Net income (loss)	**13,439**	13,622	16,475	(18,403)	3,043	**127,990**
	Yen					U.S. Dollars*
Net income (loss) per share:						
-Basic	**¥ 76.11**	¥ 77.47	¥ 98.73	¥ (122.00)	¥ 20.11	**$ 0.72**
-Diluted	**63.33**	63.41	77.52	(122.00)	16.63	**0.60**
	Millions of Yen					Thousands of U.S. Dollars*
At year-end:						
Cash and cash equivalents, and short-term investments	**¥ 89,020**	¥ 73,445	¥ 70,002	¥ 32,671	¥ 130,345	**$ 847,809**
Property and equipment, net of accumulated depreciation	**246,925**	242,864	236,051	166,898	172,323	**2,351,667**
Total assets	**494,743**	494,583	522,753	453,250	447,304	**4,711,838**
Long-term debt and other long-term liabilities	**73,870**	79,094	132,851	115,540	96,839	**703,523**
Net assets	**272,694**	238,825	227,104	201,912	220,092	**2,597,086**
	Yen					U.S. Dollars*
Net assets per share (Yen and U.S. dollars)	**¥1,383.88**	¥1,366.43	¥1,299.33	¥1,334.59	¥1,454.49	**$ 13.18**

**Note: U.S. dollar amounts are translated at ¥105 = US$1 solely for the convenience of readers.*

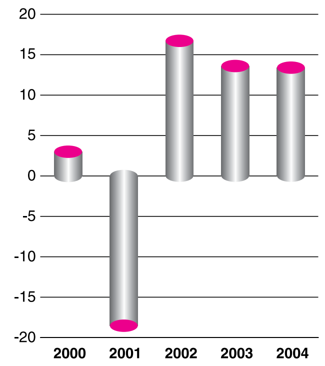
Operating revenues

(Billions of Yen)



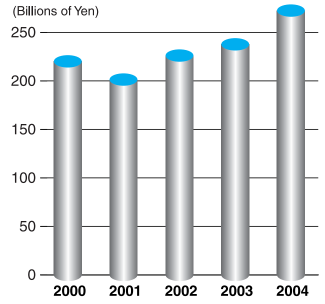
Net income (loss)

(Billions of Yen)



Net assets

(Billions of Yen)



To Our Shareholders, Customers and Friends

We are pleased to have this opportunity to report to shareholders, investors and other stakeholders on the consolidated business results of Seino Transportation Co., Ltd. for the fiscal year ended March 31, 2004.

Operating Environment

In the Japanese economy during the fiscal year under review, capital investment and corporate earnings improved amid growth in exports along with an economic recovery in the United States and an expansion of the Chinese economy. Despite the strengthening of the yen against the U.S. dollar, the Japanese economy began a steady recovery from September 2003, as personal consumption also gained momentum. Moreover, the employment environment began showing signs of brightness that included an improvement in the ratio of job offers to applicants.

Difficult conditions persisted in Japan's road freight transportation industry owing to an ongoing decline in the total volume of domestic freight transportation, while customers continued to make strong demands for reductions in freight transportation charges to lower their distribution costs. This situation was further aggravated by rising costs resulting from the implementation of more stringent measures for safety management in truck operations and environmental protection.

Business Results

Amid this challenging environment, the Seino Group worked to restore profitability by reducing costs through groupwide measures to rationalize operations, focusing these efforts mainly on reforming its transportation systems. At the same time, Seino undertook marketing activities centered on its Commercial Cargo No. 1 Plan, a three-year medium-term plan launched in the fiscal year ended March 31, 2003 that is central to efforts to expand our share of the highly profitable LTL commercial cargo consolidation market. Specifically, during the fiscal year under review—the second year of the plan—we worked to obtain orders for transporting freight under 100kg within the same economic zone (transportation distance within a radius of 200km) and to secure revenues mainly by implementing feasible rates for long-distance freight transportation (distance of more than 700km). In addition, we newly expanded our "Kangaroo Super Express" service using the Shinkansen for same-day deliveries between Tokyo and Osaka and Tokyo and Nagoya, thereby enabling us to provide a "designated time" transportation service.

During the term, Seino also made notable strides in reducing costs. To this end, we proceeded with the rationalization of arterial transportation by promoting speedy and highly efficient transportation services, allowing us to reduce and restrain operational costs such as personnel and expressway toll expenses.

On a different front, on July 1, 2003, the Company spun off a portion of its moving business and established Seino Hikkoshi Co., Ltd. to undertake these operations. By spinning off individual businesses in this manner, we are increasing transparency in disclosure of divisional revenues and expenses as we further rationalize our operations and enhance our competitiveness.

Turning to our Merchandise Sales business, Seino recorded robust sales of trucks and automobiles during the fiscal year under review. These favorable results reflected the effects of stricter exhaust emission regulations and the emerging recovery of the domestic economy.

As a result of these developments, consolidated operating revenues rose 2.0% to ¥417,705 million (US$3,978 million), and operating income surged 24.2% to ¥12,665 million (US$121 million). However, net income declined 1.3% to ¥13,439 million (US$128 million).

Management Strategy and Specific Approaches

Since its founding, Seino has steadily built a solid position as one of Japan's leading trucking companies, with operations centered on the transportation of commercial cargo. Amid the rapidly evolving business environment in the distribution market, Seino aims to maintain its solid position while continuing to provide top-notch, reliable services that guarantee the highest levels of customer satisfaction. To achieve these objectives, Seino will position domestic LTL commercial cargo transportation services—which have the greatest market potential and the highest profitability for the Seino Group—as the core business for the entire Group and will thus concentrate the allocation of management resources to this sector.

As a specific measure, we are striving to raise our share of the LTL commercial cargo market through the implementation of our Commercial Cargo No. 1 Plan. Guided by this plan, we are seeking to strengthen our LTL commercial cargo collection and delivery capabilities and promote greater efficiency in arterial transportation to shorten transport times and raise precision, which we believe will enable us to secure new customers and expand our customer base for short-distance, medium-sized cargo.

In tandem with these efforts, Seino will promote strategic alliances with companies both in Japan and overseas and deploy leading-edge information systems to respond to needs in third-party logistics and supply chain management, with the aim of expanding bulk consignment orders for handling distribution for companies.

Seino will also work to further raise the transparency of earnings for each business segment and invigorate its organizational structure. Other objectives include raising management efficiency of Group companies, building a solid profit structure and undertaking management that emphasizes the interests of shareholders.

Through the aforementioned measures, for the coming fiscal term we forecast a 0.3% increase in consolidated operating revenues to ¥419,000 million and a 4.2% rise in net income to ¥14,000 million.

Corporate Governance

Seino's Board of Directors makes fast and accurate decisions regarding such important matters as business restructuring and strategic investments. At the same time, Seino is strengthening the oversight functions of the Board of Directors as it strives to raise management transparency. Seino is also taking important steps to strengthen its auditing functions. For example, in fiscal 2005 Seino will solicit two external auditors who will attend the Meeting of the Board of Directors, the Officers Liaison Committee and other important meetings. Seino's auditors will also make efforts to enhance Seino's compliance capabilities and strengthen the Company's bonds of trust with society to ensure directors execute their duties in compliance with relevant laws.

Maintaining Stable Dividends

In keeping with its basic business policy, Seino strives to enhance shareholders' equity and improve profitability from a long-term perspective, while maintaining stable dividends. Accordingly, Seino maintained regular annual cash dividends per share at ¥11.00 (US$0.10) for the fiscal year ended March 31, 2004. Through the implementation of the Commercial Cargo No. 1 Plan, we will strengthen the management structure of the entire Seino Group while striving to meet the expectations of our shareholders. In closing, we ask shareholders, customers and friends for your continuous and much-valued support.

July 2004

Yoshikazu Taguchi
Chairman and Chief Executive Officer

Y. Taguchi

Yoshitaka Taguchi
President and Chief Operating Officer

Y. T.

On a Growth Track Centered on LTL Commercial Cargo Transportation
— Toward the Completion of the Commercial Cargo No. 1 Plan —

The volume of freight transported increased during the second half of the fiscal year from September, mirroring the nascent recovery of the domestic economy. Nonetheless, the domestic freight transportation industry continues to face a harsh environment due to a host of factors that include mounting competition resulting from revisions to the Trucking Business Law and other laws, as well as increasing costs for implementing environment-protection measures. To achieve growth within this severe environment and build a solid and unshakeable position as a leader in Japan's freight transportation industry, the Seino Group is positioning domestic LTL commercial cargo transportation as its core business. Working toward the completion of the Commercial Cargo No. 1 Plan, our three-year management plan currently in its final year, Seino will combine all the strengths of the entire Group as it carries out proactive marketing activities.

Mounting Competition in the Freight Transportation Industry

The domestic freight transportation industry is witnessing an incessantly difficult operating environment. Despite growth in the volume of freight transportation fueled by a recovering domestic economy, unit price rates for freight transportation continued to drift lower. Further aggravating this situation, revisions to three laws affecting distribution (Trucking Business Law, Freight Forwarding Business Law and Law of Railway Business Enterprise) in April 2003 have led to the implementation of an *ex post facto* notification system, thus effectively liberalizing freight rates, as well as the abolition of operating zone regulations, which has paved the way for businesses to operate anywhere in the country. These developments have sparked cut-throat competition in the domestic market where the Seino Group operates, as transportation companies previously restricted to certain areas of business have begun expanding the scope of their operations to raise earnings, while non-distribution companies have launched forays into the freight transportation industry.

The Seino Group believes the key to future growth and development is to increase market share by allocating management resources to domestic LTL commercial cargo transportation services—which have the greatest market potential and the highest profitability for the Seino Group—while effectively deploying such strengths as its outstanding employees, nationwide network and high-quality transportation services.

Implementation of the Commercial Cargo No. 1 Plan

The current volume of freight transported by private cargo vehicles is estimated to be as much as 2.5 billion tons annually, with the majority of this cargo shipped within the same economic zone. The Seino Group's main focus will be on handling LTL commercial cargo for medium-sized shippers that ship an average of between 5 and 300 packages daily. To achieve this objective, the Seino Group has formulated and is implementing the following five specific measures under the Commercial Cargo No. 1 Plan as follows.

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's marketing activities target medium-sized cargo clients that have no physical distribution divisions and make numerous freight shipments within a 200km radius in the same economic zone. The market for shipments within a 200km radius offers large benefits for the Seino Group, namely enabling maximum operating performance for high profitability.

Achievement of Highly Efficient Transportation Service Operations

Seino is striving to raise efficiency through the adoption of the hub-and-spoke system. While fully utilizing its outstanding capabilities in multiple forwarding services, the Seino Group is reducing costs and raising profits by increasing the efficiency of its transport services through measures such as making optimal use of unused truck space, reducing shipping trips and making on-time deliveries.

Development of a Profitable Freight Rate Structure

To develop a profitable rate structure, we are reviewing our previously unprofitable freight transportation rates and raising the per-ton freight rate. Seino is placing particular attention on securing profits by increasing rates for both low-margin, long-distance freight as well as for large-lot freight.

Execution of Structural Reorganization

With the aim of rebuilding and upgrading its domestic network, Seino is revamping its original regional-based Group organization into a structure organized according to such functions as route, collection and delivery, chartered trucks, moving and international freight. By raising efficiency of Groupwide business operations, Seino will establish a structure that provides uniform high-quality transportation services nationwide and enables centralized management of transportation information, thereby giving us a tremendous advantage over our competitors.

Pursuit of Strategic Alliances

Seino is spinning off its individual business segments into independent specialized companies that will form strategic alliances with other leading distribution-related companies. By adopting this approach, we intend to establish a "distribution platform" that covers functions we lack or that need to be reinforced. This will allow us to establish a "one-stop service" system that can meet all transportation service needs of our customers and generate an increase in bulk consignment orders.

Achievements in the Second Year and Reforms for the Final Year of the Commercial Cargo No. 1 Plan

In the fiscal year under review, Seino strived to enhance and refine its LTL commercial cargo business by undertaking 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 focused on implementing thorough management activities and increasing transparency of a series of management processes, namely, goal setting, forecasting, action plans, endorsement, validation and business improvement. These measures will allow us to offer customers high-level, proposal-based solutions.

Organizational reforms were aimed at building a streamlined and speedy organization through a clear-cut division of roles to enable on-site leadership and support. Seino is now firmly positioned to respond to the needs of customers through its regional-oriented marketing.

Reforms that provide incentives for sales drivers were focused on use of clear evaluation criteria to create an environment that allows sales drivers to easily demonstrate their individual strengths.

During the term, we also established a structure for our transportation operations and proceeded with the establishment of a solid operational foundation by strengthening the functions of our truck terminals and consolidating branches. In addition, Seino also spun off its moving business to further rationalize and enhance the balance between revenues and expenditures of these operations.

As illustrated by these achievements, we achieved steady progress during the second year of implementation of the Commercial Cargo No. 1 Plan and improved our profitability. At the same time, to sustain our momentum and realize further advances under this plan, Seino will take an aggressive approach to marketing during the coming fiscal year. To this end, the Seino Group will focus on handling domestic LTL commercial cargo, a field in which we are firmly positioned to take advantage of the Group's superior capabilities.

Presently, customer needs in LTL commercial cargo delivery are diversifying in parallel with the ongoing diversification and segmentation of business activities. Viewing this trend as an opportunity for new business, Seino will upgrade its lineup of products within its mainstay LTL commercial cargo transportation business, adhering to the words "if it's the best in commercial cargo, it must be Seino." Seino is striving to distinguish itself from competitors by offering highly focused services through the provision of a well-diversified range of products. Prime examples of such services include same-day delivery using the Shinkansen and the next-morning express delivery at a time designated by the customer. Among our lineup of "Kangaroo" delivery services, we offer guaranteed next-morning delivery at a price of just ¥150 above our regular B2B delivery rates. Such services have earned extensive acclaim from customers.

Undeniably, the establishment of a profitable

rate structure is indispensable for the Seino Group to carry out sound and healthy business operations. Accordingly, we will appropriately adjust our rate structure for our low-profit, long-distance freight transportation over 600km. The development of a profitable rate structure will allow us to secure profits in a similar manner as in our business for transporting freight within a 200km radius in the same economic zone as well as in medium-distance freight transportation.

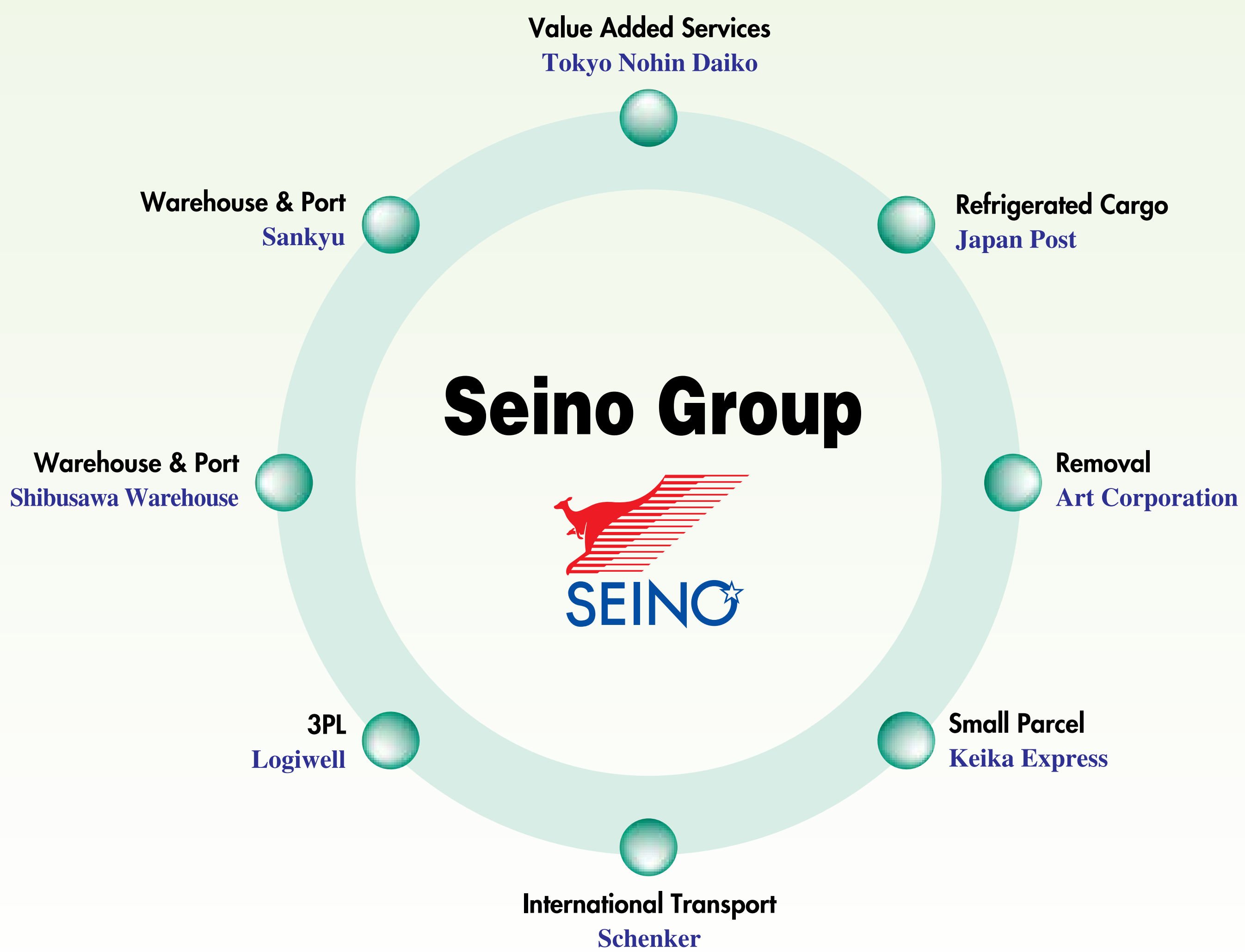
Our strategy for expanding profits also focuses on providing integrated services for small- and medium-sized companies with no internal physical distribution facilities such as storage warehouses. These integrated services will encompass not only storage and distribution processing but also collection and shipping, receiving orders, inventory control, picking, processing shipments and deliveries.

Recognizing that Tokyo functions as the center of the Japanese economy, we plan to increase such so-called "direct production" staff as marketing personnel and collection and delivery drivers in the Tokyo region. By doing so, we can concentrate our marketing activities in Tokyo and strengthen our collection and delivery capabilities to respond to an increase in freight movements. We have already established new truck depots in four Tokyo locations where there is a high concentration of companies. This allows us to concentrate on collecting and delivering freight by stationing vehicles within each marketing area. This, in turn, will enable us to effectively use loading space on our trucks and to offer highly focused services that permit customers to designate pick-up and delivery times.

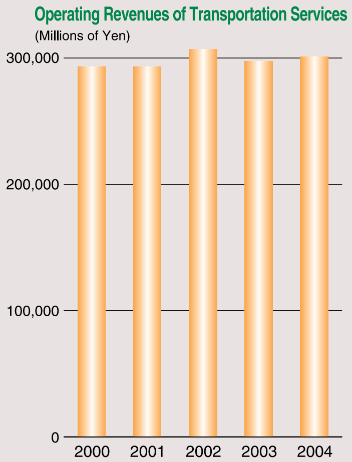
We will also undertake other measures to raise the efficiency of our business operations. To provide customers throughout Japan with uniform high-quality services, we plan to open call centers at 14 branches (call centers already opened at 52 branches) and obtain ISO 9001 certification for Seino Group companies. To elevate efficiency levels of arterial routes, we will use and promote our own independently developed unit loads. To ensure that we make maximum use of available volumetric capacity on arterial routes, we designed unit loads slightly larger than the cargo containers used to the present. By using unit loads, which have less unused space compared with conventional cargo containers, we are improving load efficiency rates on our trucks while raising work efficiency during loading and unloading of truck cargo. As of the end of March 2004, we had competed unitization for 260 delivery routes and plan to expand this to 800 delivery routes by the end of March 2005.

Determined to attain the highest levels of compliance and help preserve the Earth's environment, we are also aggressively introducing hybrid vehicles equipped with environment-friendly high-performance DPR cleaners. At the end of March 2004, we had introduced 51 hybrid vehicles and plan to introduce 5,500 of these vehicles in the future.

Strategic Business Alliance Partners



Review of Operations



Transportation Services

Despite signs of recovery in the domestic economy, difficult conditions persisted in the transportation industry amid a conspicuous downtrend in total freight transportation volume and increasingly sophisticated customer needs, which inevitably leads to difficulty in avoiding a high-cost, low-profit structure.

Within this continued harsh operating environment, Seino has been implementing the Commercial Cargo No. 1 Plan with the goal of maintaining its predominance in distribution services. In carrying out this plan, Seino is implementing a policy of concentration and specialization of management resources on LTL commercial cargo services. During the fiscal year under review, the Seino Group aimed to standardize and raise the quality of its transportation services and worked in unison to secure as well as increase volumes of highly profitable freight. During the fiscal year, Seino secured a 1.9% increase in the volume of freight handled from the previous year, reflecting a pick-up in freight handled from September 2003. As a result, operating revenues in the Transportation Services segment edged up 1.1% to ¥300,645 million (US$2,863 million). Operating income jumped 36.0% to ¥7,739 million (US$74 million), owing to continued efforts to secure highly profitable LTL commercial cargo business and the contribution of efforts aimed at curbing costs.

By business sector, the LTL commercial cargo transportation business posted a 1.5% increase in operating revenues to ¥178,880 million (US$1,704 million)*, thanks to a curbing of transportation costs resulting from the rationalization of routes as well as an increase in transportation efficiency via a hub-and-spoke system using two or three vehicles per staff and by introducing unit loads.

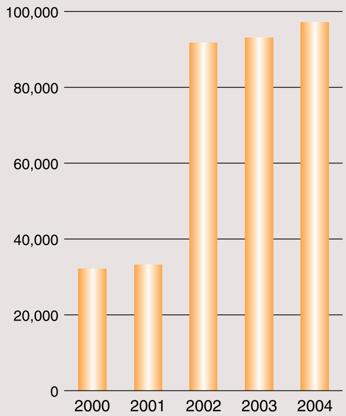
In the small parcel transportation business mainly entailing home delivery service, operating revenues declined 1.9% to ¥49,165 million (US$468 million)*, due to intensifying competition with other companies in the industry in such market sectors as corporate sales promotions targeting individual and mail-order items.

In the moving business, operating revenues rose 1.6% to ¥3,236 million (US$31 million)*, thanks largely to the securing of business throughout Japan for relocating companies that have merged, as well as for the relocating of central government offices.

In air and sea freight forwarding, Seino worked to bolster its nationwide airfreight transportation network infrastructure that is centered on various airports, and carried out proactive marketing activities under a cooperative structure with allied companies, with efforts focused on developing the LTL commercial cargo business. Nevertheless, the effects of a decrease in international air and sea freight forwarding revenues due to the spin-off of businesses resulted in a 39.3% decline in operating revenues to ¥6,635 million (US$63 million)*.

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

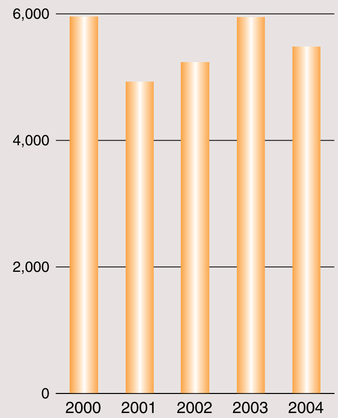
Operating Revenues of Merchandise Sales
(Millions of Yen)



Merchandise Sales

Operating revenues in this segment increased 4.1% to ¥97,155 million (US$925 million) and operating income rose 8.4% to ¥3,086 million (US$29 million). The increases were due to favorable sales of trucks, which have remained strong since the second half of the previous year owing to firm replacement demand for trucks that meet exhaust emission regulations. These increases also resulted from efforts to secure stable earnings for the entire year from three Toyota dealerships in Gifu Prefecture. Also contributing to results were aggressive marketing activities undertaken by Seino Trading Co., Ltd., which worked to expand sales of products shipped directly from their place of origin using the Seino Group's extensive transportation network.

Operating Revenues of Information Services
(Millions of Yen)

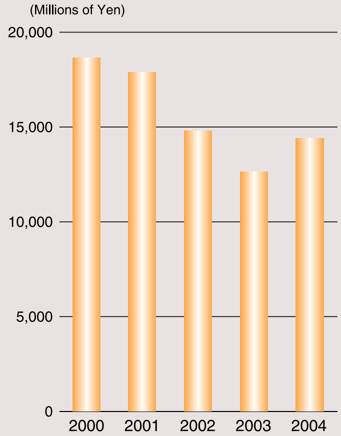


Information Services

Operating revenues in this segment declined 7.7% to ¥5,483 million (US$52 million), and an operating loss of ¥102 million (US$1 million) was recorded.

In this segment, amid successive streamlining and postponements of capital investments by companies, we focused on aggressive marketing outside the Seino Group by making use of our own network and know-how in logistics rationalization. However, sales of systems operations services, sales for the development and improvement of systems and sales of computer-related equipment declined due to difficult market conditions that included falling prices and requests for reductions in delivery times.

Operating Revenues of Others
(Millions of Yen)



Others

This segment includes leasing operations carried out by Asahi Leasing Co., Ltd., equipment installation subcontracting operations undertaken by Seino Engineering Co., Ltd. and travel agency operations undertaken by Asahi Travel Service Co., Ltd. The segment also includes a number of other businesses in the fields of real estate, advertising, taxi services, insurance, security services and medical waste disposal. During the fiscal year under review, the Group carried out business activities aimed at creating new demand and securing appropriate earnings by providing value-added services.

During the fiscal year, operating revenues in this segment increased 14.2% to ¥14,422 million (US$137 million) as a result of Groupwide efforts to provide highly satisfying services along with the recovery in capital investment and a pick-up in consumer spending. Nevertheless, operating income declined 1.2% to ¥2,083 million (US$20 million), owing to declines in revenue of Seino Engineering Co., Ltd. and lower revenue in the rental and lease business of Asahi Leasing.

Financial Review

Operating Results

Consolidated operating revenues for the year ended March 31, 2004 increased 2.0% to ¥417,705 million (US$3,978 million). Along with the rise in operating revenues, operating costs of revenues rose 1.8% to ¥375,403 million (US$3,575 million). The ratio of operating costs of revenues to operating revenues was 89.9%, virtually the same as in the previous fiscal year.

Selling, general and administrative expenses declined 2.3% to ¥29,637 million (US$282 million). Operating income was up 24.2% to ¥12,665 million (US$121 million).

Other income decreased ¥3,091 million to ¥8,556 million (US$81 million). Although Seino posted a ¥411 million gain on the sale of investment securities the Company also recorded a ¥1,882 million rise in loss on disposal of property and equipment to result in the recording of a loss on sale or disposal of property and equipment of ¥1,263 million.

As a result, income before income taxes and minority interests declined 2.8% to ¥21,221 million (US$202 million), and net income was down 1.3% to ¥13,439 million (US$128 million).

Net income to operating revenues was 3.2%, net income per share fell ¥1.36 to ¥76.11 (US$0.72), and the return on equity ratio was 5.3%. Annual cash dividends per share were maintained at ¥11.00 (US$0.10).

Financial Position

Total assets at the end of the fiscal year amounted to ¥494,743 million (US$4,712 million), virtually the same level (a ¥161 million increase) as at the end of the previous fiscal year.

Total current assets rose 10.2% to ¥183,933 million (US$1,752 million). Net property and equipment increased 1.7% to ¥246,925 million (US$2,352 million). Investments and other assets were down 24.7% to ¥63,885 million (US$608 million) owing to a decline in investment securities.

Turning to liabilities, despite a rise in short-term borrowings, total current liabilities declined 20.7% to ¥112,668 million (US$1,073 million) as a result of a decline in the current portion of long-term debt.

Long-term debt declined 5.2% to ¥18,050 million (US$172 million). Total shareholders' equity rose 14.2% to ¥272,694 million (US$2,597 million), reflecting the entire conversion of ¥20,000 million in convertible bonds to stock. The shareholders' equity ratio increased 6.8 percentage points to 55.1%.

Cash Flows

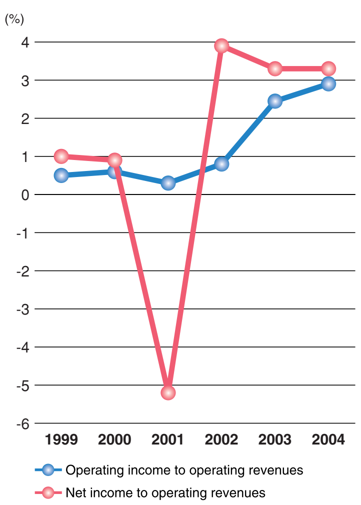
Net cash provided by operating activities declined ¥9,058 million to ¥16,534 million (US$157 million), reflecting increases in trade receivables and income taxes paid.

Net cash provided by investing activities dropped ¥16,862 million to ¥2,889 million (US$28 million), due to a decrease in proceeds from the sale of investment securities and an increase in property and equipment.

Net cash used in financing activities declined ¥32,318 million to ¥8,645 million (US$82 million) due to a ¥16,586 net increase in short-term borrowings.

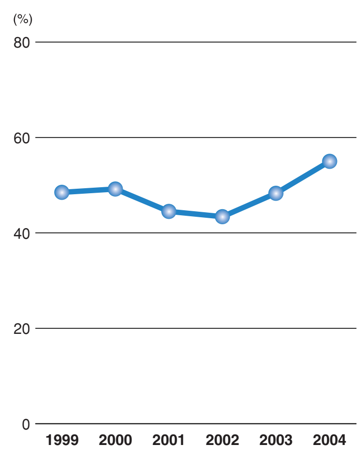
As a result of the previous activities, cash and cash equivalents at end of year increased ¥10,778 million to ¥65,320 million (US$622 million).

Operating income to operating revenues
Net income to operating revenues



Net income to total assets
Return on equity ratio

Shareholders' equity ratio

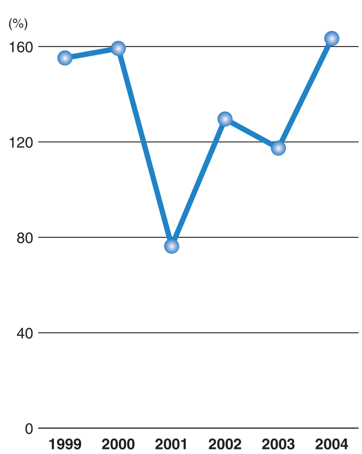


Six-year Summary

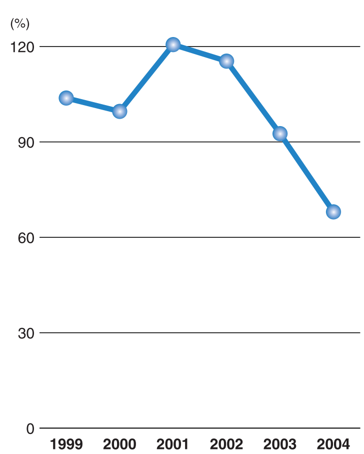
For the Years Ended March 31, 2004, 2003, 2002, 2001, 2000 and 1999

	Millions of Yen					
	2004	2003	2002	2001	2000	1999
For the year:						
Operating revenues:	¥ 417,705	¥ 409,399	¥ 418,835	¥ 352,595	¥ 354,255	¥ 314,773
Transportation services	300,645	297,514	306,003	292,969	293,319	289,376
Merchandise sales	97,155	93,322	92,667	36,796	36,326	20,934
Information services	5,483	5,938	5,224	4,920	5,952	4,463
Others	14,422	12,625	14,941	17,910	18,658	—
Operating costs of revenues	375,403	368,866	382,637	334,034	336,311	303,199
Selling, general and administrative expenses	29,637	30,339	32,655	17,666	15,798	9,910
Operating income	12,665	10,194	3,543	895	2,146	1,664
Net income (loss)	13,439	13,622	16,475	(18,403)	3,043	2,991
At year-end:						
Current assets	183,933	166,861	167,395	97,645	194,804	190,931
Total assets	494,743	494,583	522,753	453,250	447,304	454,880
Current liabilities	112,668	142,085	129,117	127,986	122,397	122,998
Short-term borrowings	31,170	14,590	44,601	60,013	57,644	62,244
Long-term debt, including current maturities	18,341	61,839	70,853	79,487	82,467	94,867
Shareholders' equity	272,694	238,825	227,104	201,912	220,092	220,792
	Yen					
Per share data:						
Net income (loss):						
-Basic	¥ 76.11	¥ 77.47	¥ 98.73	¥ (122.00)	¥ 20.11	¥ 19.56
-Diluted	63.33	63.41	77.52	(122.00)	16.63	16.10
Cash dividends	11.00	11.00	11.00	11.00	11.00	11.00
	Thousands					
Number of shares issued	198,631	176,820	176,820	152,919	152,919	152,919
	Percent					
Ratios:						
Operating income to operating revenues	3.0	2.5	0.8	0.3	0.6	0.5
Net income to operating revenues	3.2	3.3	3.9	(5.2)	0.9	1.0
Net income to total assets	2.7	2.8	3.2	(4.1)	0.7	0.7
Return on equity ratio	5.0	5.8	7.7	(8.7)	1.4	1.4
Shareholders' equity ratio	55.1	48.3	43.4	44.5	49.2	48.5
Current ratio	163.3	117.4	129.6	76.3	159.2	155.2
Debt equity ratio	68.4	92.6	115.4	120.6	99.6	103.8
Payout ratio	14.2	14.2	10.1	(9.1)	55.3	56.2

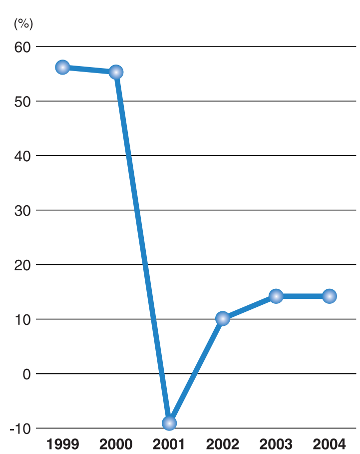
Current ratio



Debt equity ratio



Payout ratio



Consolidated Balance Sheets

For the Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Assets			
Current assets:			
Cash and cash equivalents	**¥ 65,320**	¥ 54,542	**$ 622,095**
Short-term investments (Notes 3 and 5)	**23,700**	18,903	**225,714**
Trade receivables	**80,401**	74,794	**765,724**
Inventories	**6,997**	5,655	**66,638**
Deferred tax assets (Note 11)	**5,218**	6,258	**49,695**
Other current assets	**3,770**	8,371	**35,905**
Allowance for doubtful accounts	**(1,473)**	(1,662)	**(14,028)**
Total current assets	**183,933**	166,861	**1,751,743**
Property and equipment, at cost			
(Notes 4 and 5):	**412,397**	408,145	**3,927,591**
Less, accumulated depreciation	**(165,472)**	(165,281)	**(1,575,924)**
Net property and equipment	**246,925**	242,864	**2,351,667**
Investments and other assets:			
Investment securities (Note 3)	**40,329**	62,714	**384,086**
Investments in and long-term loans to affiliates (Note 3)	**8,021**	6,093	**76,390**
Deferred tax assets (Note 11)	**7,945**	8,057	**75,667**
Deferred tax assets arising on revaluation (Note 4)	**120**	120	**1,143**
Other assets	**7,470**	7,874	**71,142**
	63,885	84,858	**608,428**
	¥ 494,743	¥ 494,583	**$ 4,711,838**
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term borrowings (Note 5)	**¥ 31,170**	¥ 14,590	**$ 296,857**
Current portion of long-term debt (Note 5)	**291**	42,806	**2,771**
Trade payables	**51,375**	51,686	**489,286**
Accrued expenses	**13,555**	12,162	**129,095**
Income taxes payable	**3,942**	5,984	**37,543**
Employees' savings deposits	**3,871**	3,809	**36,867**
Other current liabilities	**8,464**	11,048	**80,610**
Total current liabilities	**112,668**	142,085	**1,073,029**
Long-term debt (Note 5)	**18,050**	19,033	**171,905**
Employee retirement benefit liability (Note 6)	**39,007**	36,972	**371,495**
Deferred tax liabilities (Note 11)	**2,398**	2,167	**22,838**
Consolidating adjustment account (negative goodwill) (Note 2 (a-ii))	**13,051**	19,902	**124,295**
Other long-term liabilities	**1,364**	1,020	**12,990**
Commitments and contingent liabilities (Notes 7 and 8)			
Minority interests in subsidiaries	**35,511**	34,579	**338,200**
Shareholders' equity (Note 10)**:**			
Common stock, no par value – Authorized: 400,000,000 shares; Issued: 198,631,167 shares in 2004 and 176,820,926 shares in 2003	**42,482**	32,471	**404,590**
Capital surplus	**64,874**	54,876	**617,848**
Retained earnings	**163,242**	151,797	**1,554,686**
Land revaluation decrement (Note 4)	**(413)**	(413)	**(3,933)**
Net unrealized gains on available-for-sale securities	**3,742**	1,642	**35,638**
Foreign currency translation adjustment	**(676)**	(745)	**(6,438)**
Less, treasury stock, at cost – 1,656,113 shares in 2004 and 2,103,326 shares in 2003	**(557)**	(803)	**(5,305)**
Total shareholders' equity	**272,694**	238,825	**2,597,086**
	¥ 494,743	¥ 494,583	**$ 4,711,838**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

For the Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Operating revenues (Note 12)	**¥ 417,705**	¥ 409,399	¥ 418,835	**$ 3,978,143**
Operating costs and expenses (Notes 6 and 12)**:**				
Operating costs of revenues	**375,403**	368,866	382,637	**3,575,267**
Selling, general and administrative expenses	**29,637**	30,339	32,655	**282,257**
	405,040	399,205	415,292	**3,857,524**
Operating income	**12,665**	10,194	3,543	**120,619**
Other income (expenses):				
Interest and dividend income	**2,285**	2,805	4,250	**21,762**
Interest expenses	**(648)**	(803)	(1,257)	**(6,171)**
(Loss) gain on sale or disposal of property and equipment	**(1,263)**	619	(2,664)	**(12,029)**
Equity in net income (loss) of affiliates	**453**	444	(224)	**4,314**
Reversal of employee retirement benefit liability (Note 6)	**—**	1,542	18,895	**—**
Loss on settlement of qualified retirement benefit pension plan	**—**	(863)	—	**—**
Amortization of consolidating adjustment account (negative goodwill)	**6,897**	6,896	6,435	**65,686**
Loss on write-down of investment securities	**(21)**	(288)	(3,792)	**(200)**
Gain (loss) on sale of investment securities	**415**	4	(605)	**3,952**
Loss on investments in and loans to affiliates	**(74)**	(4)	—	**(705)**
Loss on cancellation of lease contracts	**(256)**	(14)	(180)	**(2,438)**
Miscellaneous, net	**768**	1,309	635	**7,315**
	8,556	11,647	21,493	**81,486**
Income before income taxes and minority interests	**21,221**	21,841	25,036	**202,105**
Income tax expenses (Note 11)	**6,819**	6,846	7,794	**64,943**
Less, minority interests in net income of subsidiaries	**963**	1,373	767	**9,172**
Net income	**¥ 13,439**	¥ 13,622	¥ 16,475	**$ 127,990**

	Yen			U.S. Dollars
Per share:				
Net income:				
-Basic	**¥ 76.11**	¥ 77.47	¥ 98.73	**$ 0.72**
-Diluted	**63.33**	63.41	77.52	**0.60**
Cash dividends	**11.00**	11.00	11.00	**0.10**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

For the Years Ended March 31, 2004, 2003 and 2002

	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, 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)
Net income for the year	—	—	—	**13,439**	—	—	—	—
Conversion of convertible bonds	**21,810,241**	**10,011**	**9,989**	—	—	—	—	—
Treasury stock issued upon exercise of stock option	—	—	**9**	—	—	—	—	**297**
Cash dividends	—	—	—	**(1,914)**	—	—	—	—
Bonuses to directors and statutory auditors	—	—	—	**(80)**	—	—	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	—	**2,100**	—	—
Translation adjustment	—	—	—	—	—	—	**69**	—
Fractional shares acquired, net	—	—	—	—	—	—	—	**(51)**
Balance at March 31, 2004	**198,631,167**	**¥ 42,482**	**¥ 64,874**	**¥ 163,242**	**¥ (413)**	**¥ 3,742**	**¥ (676)**	**¥ (557)**

	Common stock	Capital surplus	Retained earnings	Land revaluation decrement	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
		Thousands of U.S. Dollars					
Balance at March 31, 2003	$ 309,248	$ 522,629	$1,445,686	$ (3,933)	$ 15,638	$ (7,095)	$ (7,648)
Net income for the year	—	—	**127,990**	—	—	—	—
Conversion of convertible bonds	**95,342**	**95,133**	—	—	—	—	—
Treasury stock issued upon exercise of stock option	—	**86**	—	—	—	—	**2,829**
Cash dividends	—	—	**(18,228)**	—	—	—	—
Bonuses to directors and statutory auditors	—	—	**(762)**	—	—	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	**20,000**	—	—
Translation adjustment	—	—	—	—	—	**657**	—
Fractional shares acquired, net	—	—	—	—	—	—	**(486)**
Balance at March 31, 2004	**$ 404,590**	**$ 617,848**	**$1,554,686**	**$ (3,933)**	**$ 35,638**	**$ (6,438)**	**$ (5,305)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 21,221**	¥ 21,841	¥ 25,036	**$ 202,105**
Adjustments for:				
Depreciation	**12,941**	11,287	12,365	**123,248**
Amortization of consolidating adjustment account	**(6,897)**	(6,896)	(6,435)	**(65,686)**
Net provision (reversal) for employee retirement benefit liability	**2,035**	1,710	(20,345)	**19,381**
Loss (gain) on sale or disposal of property and equipment	**1,263**	(619)	2,664	**12,029**
Equity in net (income) loss of affiliates	**(453)**	(444)	224	**(4,314)**
Loss on write-down of investment securities	**21**	288	3,792	**200**
(Gain) loss on sale of investment securities	**(415)**	(4)	605	**(3,952)**
Loss on investments in and loans to affiliates	**74**	4	—	**705**
(Increase) decrease in trade receivables	**(6,318)**	5,340	6,573	**(60,172)**
(Increase) decrease in inventories	**(1,474)**	1,436	(297)	**(14,039)**
Increase (decrease) in trade payables and accrued expenses	**2,734**	(2,762)	(4,529)	**26,038**
Other, net	**(987)**	(2,255)	(730)	**(9,400)**
Sub-total	**23,745**	28,926	18,923	**226,143**
Interest and dividend received	**2,439**	2,978	4,557	**23,229**
Interest paid	**(645)**	(844)	(1,221)	**(6,143)**
Income taxes paid	**(9,005)**	(5,468)	(6,124)	**(85,762)**
Net cash provided by operating activities	**16,534**	25,592	16,135	**157,467**
Cash flows from investing activities:				
Increase in property and equipment	**(21,351)**	(18,744)	(15,728)	**(203,343)**
Increase in long-term investments and loans	**(6,232)**	(4,964)	(24,243)	**(59,353)**
Decrease in property and long-term investments	**21,372**	31,151	56,043	**203,543**
Decrease in short-term investments	**9,100**	12,308	20,085	**86,667**
Net cash provided by investing activities	**2,889**	19,751	36,157	**27,514**
Cash flows from financing activities:				
Increase in long-term debt	**410**	569	8,435	**3,905**
Repayment of long-term debt	**(23,881)**	(9,556)	(17,908)	**(227,438)**
Net increase (decrease) in short-term borrowings	**16,586**	(29,927)	(18,928)	**157,962**
Cash dividends paid	**(2,014)**	(2,030)	(1,844)	**(19,181)**
Other	**254**	(19)	(38)	**2,419**
Net cash used in financing activities	**(8,645)**	(40,963)	(30,283)	**(82,333)**
Effect of exchange rate changes on cash and cash equivalents	**—**	(56)	34	**—**
Net increase in cash and cash equivalents	**10,778**	4,324	22,043	**102,648**
Cash and cash equivalents at beginning of year	**54,542**	50,218	13,044	**519,447**
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	**—**	—	15,131	**—**
Cash and cash equivalents at end of year	**¥ 65,320**	¥ 54,542	¥ 50,218	**$ 622,095**

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, the Securities and Exchange Law of Japan, and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau of 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 ¥105 to $1, the approximate rate of exchange at March 31, 2004. 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 ¥105 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, 2004, 2003 and 2002, 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, sixteen, and eighteen, respectively.

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

	2004	2003	2002
Subsidiaries:			
Domestic	**39**	39	39
Overseas	**7**	8	9
Affiliates, accounted for by the equity method	**6**	6	6
Affiliates, stated at cost	**13**	14	14

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 (shares)	Number of shares of the Company's common stock issued (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

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. 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.

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 or stock options 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 fiscal year ended March 31, 2003. 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 income represent dividends declared as applicable to the respective years.

(o) Adoption of new accounting standards

On August 9, 2002, the Business Accounting Council of Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset's net selling price and value in use. The Company has not determined the timing of adoption and cannot estimate the financial impact of this new accounting standard at the date of adoption at present. However, the management of the Company believes that any such impact would be a charge to earnings.

3. Investments

At March 31, 2004 and 2003, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Marketable securities:			
Bonds	¥ 13,853	¥ 11,571	$ 131,933
Total marketable securities	13,853	11,571	131,933
Time deposits with an original maturity of more than three months	9,847	7,332	93,781
	¥ 23,700	¥ 18,903	$ 225,714

At March 31, 2004 and 2003, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Marketable securities:			
Equity securities	¥ 13,561	¥ 10,112	$ 129,152
Bonds	10,259	33,971	97,705
Other	193	254	1,838
Total marketable securities	24,013	44,337	228,695
Other nonmarketable securities	16,316	18,377	155,391
	¥ 40,329	¥ 62,714	$ 384,086

At March 31, 2004 and 2003, 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, 2004	¥ 4,493	¥ 4,959	¥ 466
At March 31, 2003	4,392	4,887	495
	Thousands of U.S. Dollars		
Bonds included in investment securities			
At March 31, 2004	$ 42,790	$ 47,228	$ 4,438

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, 2004 and 2003, 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, 2004:				
Equity securities	¥ 6,938	¥ 6,658	¥ (35)	¥ 13,561
Bonds	19,258	433	(72)	19,619
Other	158	41	(6)	193
	¥ 26,354	¥ 7,132	¥ (113)	¥ 33,373
At March 31, 2003:				
Equity securities	¥ 6,951	¥ 3,463	¥ (302)	¥ 10,112
Bonds	41,075	769	(695)	41,149
Other	279	—	(25)	254
	¥ 48,305	¥ 4,232	¥ (1,022)	¥ 51,515
	Thousands of U.S. Dollars			
At March 31, 2004:				
Equity securities	$ 66,076	$ 63,409	$ (333)	$ 129,152
Bonds	183,410	4,124	(686)	186,848
Other	1,504	391	(57)	1,838
	$ 250,990	$ 67,924	$ (1,076)	$ 317,838

During the year ended March 31, 2003 and 2002, the Seino Group recorded a loss on write-down of marketable investment securities due to a permanent diminution in value in the amount of ¥261 million and ¥652 million, respectively. During the year ended March 31, 2004, the Seino Group recorded no loss on write-down of marketable investment securities.

During the years ended March 31, 2004, 2003 and 2002, the Seino Group sold available-for-sale securities and recorded a gain of ¥585 million ($5,571 thousand), ¥7 million and ¥221 million, and a loss of ¥170 million ($1,619 thousand), ¥1 million and ¥900 million on the accompanying consolidated statements of income, respectively.

Expected maturities of held-to-maturity and available-for-sale securities at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 14,233	$ 135,552
Due after one year through five years	17,520	166,857
Due after five years through ten years	7,032	66,972
	¥ 38,785	$ 369,381

At March 31, 2004 and 2003, investments in and long-term loans to affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Investments, accounted for by the equity method for significant affiliates and at cost for others	¥ 4,029	¥ 3,909	$ 38,371
Interest bearing long-term loans	3,992	2,184	38,019
	¥ 8,021	¥ 6,093	$ 76,390

4. Property and Equipment

At March 31, 2004 and 2003, property and equipment consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Property held for own use, at cost:			
Land	¥137,288	¥134,275	$1,307,505
Buildings and structures	179,437	177,189	1,708,924
Vehicles	72,644	72,104	691,848
Machinery and equipment	21,034	20,994	200,323
Construction in progress	1,309	2,923	12,467
	411,712	407,485	3,921,067
Less, accumulated depreciation	(165,040)	(164,843)	(1,571,810)
Subtotal	246,672	242,642	2,349,257
Property held for leases, at cost:			
Vehicles, equipment and other	685	660	6,524
Less, accumulated depreciation	(432)	(438)	(4,114)
	253	222	2,410
Total property and equipment	¥246,925	¥242,864	$2,351,667

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, 2004 and 2003, the differences between 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 ¥858 million ($8,171 thousand) and ¥465 million, respectively.

5. Short-term Borrowings and Long-term Debt

At March 31, 2004 and 2003, short-term borrowings consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Unsecured bank overdrafts with interest rates ranging from 0.5% to 10.75% per annum at March 31, 2004	**¥ 679**	¥ 6,409	**$ 6,467**
Short-term bank borrowings principally represented by notes with interest rates ranging from 0.224% to 5.6% per annum at March 31, 2004:			
Secured	**616**	401	**5,866**
Unsecured	**29,875**	7,780	**284,524**
	¥ 31,170	¥ 14,590	**$ 296,857**

At March 31, 2004, the Company and certain subsidiaries had unsecured overdraft agreements with 11 banks. Under such agreements, the Company and such subsidiaries were entitled to withdraw up to ¥8,582 million ($81,733 thousand). The Company and such subsidiaries are not obligated to pay commitment fees on the unused portions of such overdraft facilities.

At March 31, 2004 and 2003, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
1.0% convertible bonds, due March 2004	**¥ —**	¥ 22,452	**$ —**
0.125% convertible bonds, due March 2004	**—**	20,000	**—**
1.1% convertible bonds, due March 2006	**9,017**	9,017	**85,876**
Loans from banks, partly secured, due through 2017 repayable on an installment basis with interest rates ranging from 0.59% to 8.3% per annum at March 31, 2004	**9,003**	9,925	**85,743**
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, 2004	**321**	445	**3,057**
	18,341	61,839	**174,676**
Less, current portion	**(291)**	(42,806)	**(2,771)**
	¥ 18,050	¥ 19,033	**$ 171,905**

At March 31, 2004 and 2003, the following assets were pledged as collateral for certain short-term borrowings and long-term debt:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Land	**¥ 888**	¥ 653	**$ 8,457**
Buildings and structures	**1,064**	1,316	**10,133**
Time deposits included in short-term investments	**147**	40	**1,400**

The following is a summary of the conversion price and the terms of optional redemption of the convertible bonds as at March 31, 2004:

	Conversion price	Redemption at the option of the Company
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, 2004, the number of shares of common stock necessary for conversion of convertible bonds outstanding was approximately 5 million.

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

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 291	$ 2,771
2006	10,086	96,057
2007	7,436	70,819
2008	146	1,391
2009	92	876
Thereafter	290	2,762

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 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 in relation to this transaction.

The following table reconciles the benefit liability as at March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Reconciliation of benefit liability:			
Projected benefit obligation	**¥ 45,584**	¥ 44,077	**$ 434,133**
Less, fair value of pension plan assets at end of year	**(1,322)**	(1,208)	**(12,590)**
	44,262	42,869	**421,543**
Less, unrecognized actuarial differences (loss)	**(4,627)**	(5,188)	**(44,067)**
Less, unrecognized prior service cost	**(611)**	(675)	**(5,819)**
Other	**(17)**	(34)	**(162)**
Net amounts of employee retirement benefit liability recorded on the consolidated balance sheets	**¥ 39,007**	¥ 36,972	**$ 371,495**

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 ¥5,127 million ($48,829 thousand) and ¥4,327 million at March 31, 2004 and 2003, respectively.

The Component of net periodic retirement benefit expense for the three years ended March, 2004 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Net periodic retirement benefit expenses:				
Service cost	**¥ 2,766**	¥ 2,373	¥ 5,100	**$ 26,343**
Interest cost	**866**	1,105	4,776	**8,247**
Expected return on pension plan assets	**(23)**	(158)	(2,470)	**(219)**
Amortization of actuarial differences	**618**	530	1,221	**5,886**
Amortization of prior service cost	**65**	(53)	—	**619**
Other	**17**	17	17	**162**
Sub-total	**4,309**	3,814	8,644	**41,038**
Reversal of employee retirement benefit liability	**—**	(1,542)	—	**—**
Loss on settlement of qualified retirement benefit pension plan	**—**	863	—	**—**
Total retirement benefit expense	**¥ 4,309**	¥ 3,135	¥ 8,644	**$ 41,038**

Major assumptions used in calculation of the above information for the three years ended March 31, 2004 were as follows:

	2004	2003	2002
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%	2.5%
Expected rate of return on pension plan assets	2.0%	2.5%	principally 3.5%
Amortization of prior service cost	10 years	10 years	—
Amortization of actuarial differences	principally 10 years	principally 10 years	principally 10 years

7. Contingent Liabilities

At March 31, 2004 and 2003, 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 ¥4,009 million ($38,181 thousand) and ¥4,579 million, respectively.

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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 1,553**	¥ 1,818	**$ 14,791**
Due after one year	**2,370**	2,752	**22,571**
	¥ 3,923	¥ 4,570	**$ 37,362**

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, 2004 and 2003, 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		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 167**	¥ 154	**$ 1,590**
Due after one year	**253**	227	**2,410**
	¥ 420	¥ 381	**$ 4,000**

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, 2004 and 2003, the future minimum commitments under such agreements, including the imputed interest portion, were as follows:

	Minimum rentals		Minimum rentals	
	to be paid	to be received	to be paid	to be received
	Millions of Yen		Thousands of U.S. Dollars	
At March 31, 2004:				
Due within one year	**¥ 1,808**	**¥ 1,926**	**$ 17,219**	**$ 18,343**
Due after one year	**2,025**	**2,153**	**19,286**	**20,505**
	¥ 3,833	**¥ 4,079**	**$ 36,505**	**$ 38,848**
At March 31, 2003:				
Due within one year	¥ 2,761	¥ 2,956		
Due after one year	4,012	4,270		
	¥ 6,773	¥ 7,226		

9. Derivative Instruments

The Seino Group is a party to derivative instruments such as interest rate swap in the normal course of business to reduce its own exposure to fluctuations in interest rates 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, 2004 and 2003.

10. Shareholders' Equity

(a) The authorized number of shares of common stock, without par value, is 400 million at March 31, 2004, unless there may be a reduction due to a cancellation of treasury stock acquired.

Pursuant to the Commercial Code of Japan and the Company's amended articles of incorporation approved by shareholders at the annual general meeting on June 25, 2004, the Company can purchase the treasury stock subject to the resolution of the Board of Directors from that date.

(b) Capital surplus principally consisted of additional paid-in capital. At March 31, 2004 and 2003, retained earnings included legal reserve of the Company in the amount of ¥4,262 million ($40,590 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 1.1% 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 ($143 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 25, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 2,177	$ 20,733
Bonuses to directors and statutory auditors	29	276

11. Income Taxes

Income tax expenses for the three years ended March 31, 2004 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	**2004**
Income tax expenses:				
Current	**¥ 6,964**	¥ 8,636	¥ 5,686	**$ 66,324**
Deferred	**(145)**	(1,790)	2,108	**(1,381)**
	¥ 6,819	¥ 6,846	¥ 7,794	**$ 64,943**

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Employee retirement benefit liability	**¥ 14,436**	¥ 12,678	**$ 137,486**
Enterprise tax accruals	**344**	524	**3,276**
Accrued bonuses	**3,889**	3,226	**37,038**
Intercompany capital gain	**1,081**	1,091	**10,295**
Loss on assets transferred	**1,582**	4,098	**15,067**
Unrealized losses on available-for-sale securities	**41**	397	**391**
Other	**3,380**	2,937	**32,190**
	24,753	24,951	**235,743**
Less, valuation allowance	**(726)**	(596)	**(6,914)**
	24,027	24,355	**228,829**
Deferred tax liabilities:			
Deferred capital gain	**5,766**	5,817	**54,914**
Unrealized gains on available-for-sale securities	**2,877**	1,711	**27,400**
Consolidating valuation adjustment	**4,619**	4,619	**43,991**
Other	**—**	60	**—**
	13,262	12,207	**126,305**
Net deferred tax assets	**¥ 10,765**	¥ 12,148	**$ 102,524**

At March 31, 2004 and 2003, deferred tax assets and liabilities were recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Current	**¥ 5,218**	¥ 6,258	**$ 49,695**
Non-current	**7,945**	8,057	**75,667**
Deferred tax liabilities:			
Non-current	**2,398**	2,167	**22,838**

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, 2004 and 2003, 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 income for the years ended March 31, 2004 and 2003 was as follows:

	Percentage of pretax income		
	2004	2003	2002
Japanese statutory effective tax rate	**41.7%**	41.7%	41.7%
Increase (decrease) due to:			
Permanently nondeductible expenses	**0.6**	0.6	0.6
Tax exempt income	**(0.1)**	(0.5)	(0.4)
Adjustment due to a change in tax rates	**—**	1.8	—
Local minimum taxes-per capita levy	**2.5**	2.4	2.0
Amortization of consolidating adjustment account	**(13.6)**	(13.2)	(10.7)
Equity in net (income) loss of affiliates	**(0.9)**	(0.8)	0.4
Other	**1.9**	(0.7)	(2.5)
Actual effective income tax rate	**32.1%**	31.3%	31.1%

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 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, 2004 was summarized as follows:

	Transportation services	Merchandise sales	Information services	Others	Total	Elimination	Consolidated
				Millions of Yen			
For the year 2004:							
Operating revenues:							
Outside customers	**¥ 300,645**	**¥ 97,155**	**¥ 5,483**	**¥ 14,422**	**¥ 417,705**	**¥ —**	**¥ 417,705**
Inter-segment sales	**1,747**	**29,109**	**4,971**	**11,499**	**47,326**	**(47,326)**	**—**
Total operating revenues	**302,392**	**126,264**	**10,454**	**25,921**	**465,031**	**(47,326)**	**417,705**
Operating costs and expenses	**294,653**	**123,178**	**10,556**	**23,838**	**452,225**	**(47,185)**	**405,040**
Operating income (loss)	**¥ 7,739**	**¥ 3,086**	**¥ (102)**	**¥ 2,083**	**¥ 12,806**	**¥ (141)**	**¥ 12,665**
Identifiable assets	**¥ 352,938**	**¥ 91,672**	**¥ 5,710**	**¥ 14,191**	**¥ 464,511**	**¥ 30,232**	**¥ 494,743**
Depreciation	**11,248**	**1,472**	**302**	**118**	**13,140**	**(199)**	**12,941**
Capital expenditures	**15,549**	**3,164**	**320**	**491**	**19,524**	**(612)**	**18,912**
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
				Thousands of U.S. Dollars			
For the year 2004:							
Operating revenues:							
Outside customers	**$ 2,863,286**	**$ 925,286**	**$ 52,219**	**$ 137,352**	**$ 3,978,143**	**$ —**	**$ 3,978,143**
Inter-segment sales	**16,638**	**277,228**	**47,343**	**109,515**	**450,724**	**(450,724)**	**—**
Total operating revenues	**2,879,924**	**1,202,514**	**99,562**	**246,867**	**4,428,867**	**(450,724)**	**3,978,143**
Operating costs and expenses	**2,806,219**	**1,173,124**	**100,533**	**227,029**	**4,306,905**	**(449,381)**	**3,857,524**
Operating income (loss)	**$ 73,705**	**$ 29,390**	**$ (971)**	**$ 19,838**	**$ 121,962**	**$ (1,343)**	**$ 120,619**
Identifiable assets	**$ 3,361,314**	**$ 873,067**	**$ 54,381**	**$ 135,152**	**$ 4,423,914**	**$ 287,924**	**$ 4,711,838**
Depreciation	**107,124**	**14,019**	**2,876**	**1,124**	**125,143**	**(1,895)**	**123,248**
Capital expenditures	**148,086**	**30,133**	**3,048**	**4,676**	**185,943**	**(5,829)**	**180,114**

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, 2004. 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

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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, 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, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004 in conformity with accounting principles 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.

Chuo-Aoyama Pricewaterhouse Coopers

ChuoAoyama PricewaterhouseCoopers
Nagoya, Japan
June 25, 2004

Board of Directors

(As of July 11, 2004)

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

Standing Statutory Auditors
Yoshio Matsuoka
Yoshinori Takigawa

Outside Statutory Auditors
Fumio Kato
Eiji Kasamatsu

Corporate Data

(As of June 25, 2004)

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:	¥42,482 million
Number of Shares Issued:	198,631,167
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 PricewaterhouseCoopers Nagoya, Japan June 25, 2004

Seino Group

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

(As of March 31, 2004)

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 Europe GmbH
International air and sea cargo forwarder in Germany

☆Seino Hikkoshi Co., Ltd.
Moving service

☆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 Logistics 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

Logiwell Co., Ltd.
Total logistics service provider

Information and Sales Group

☆Seino Enterprise Co., 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

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

SEINO
Seino Transportation Co.,Ltd.
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Printed in Japan