

# 82- SUBMISSIONS FACING SHEET

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REGISTRANT'S NAME	Keika	Expre	ss (a.,	Ltd	· ·
*CURRENT ADDRESS	12-32, Osaka		hi-cho,	Kadona	<u>-sk</u> ,
**FORMER NAME				PROCI	
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NO. 1030 P. 30 82-34718

May 17, 2002

# Brief Statement of Annual Financial Results for the Fiscal Year ended March 2002 (Consolidated)

Name of the Listed Company:

Keika Express Co., Ltd.

Securities Exchange where Listed:

Osaka Securities Exchange, Co., Ltd.

Security Code Number:

9374

Location of Head Office:

d Office: Osaka-pref.

http://www.keikaexp.co.jp/

For Inquiries:

Yuzuru Yanaka, Operating Officer and Accounting Manager

Telephone: +81-06-6907-5770 (Pilot Number)

Date of the Meeting of the Board of Directors approving the Closing Account:

May 17, 2002

US GAAP:

Not applicable

# 1. Consolidated Earnings of Fiscal Year ended March 2002

(1) Consolidated Operating Result

	Net Sales	Operating Profit	Recurring Profit
	Millions of Yen %	Millions of Yen %	Millions of Yen %
Fiscal Year ended March 2002	32,208 ( 24.8)	2,245 ( 95.5)	2,346 ( 86.7)
Fiscal Year ended March 2001	25,809 ( 9.5)	1,148 (Δ11.6)	1,256 ( △7.2)

	Net Earnings	Net Earnings per Share	Net Earnings ~ per Share after adjustment of potential shares	Net Income Ratio of Share Capital	Recurring Profit Ratio of Gross Capital	Recurring Profit Ratio of Net Sales
	Millions of yen (%)	Yen	Yen	96	%	96
Fiscal Year ended March 2002	1,053 ( 54.8)	138.33	138.22	18.7	16.2	7.3
Fiscal Year ended March 2001	680 (A 0.0)	96.78	<b>-</b>	16.3	11.2	4.9

(Footnotes: translation omitted)

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#### (2) Consolidated Financial Condition

	Net Assets	Share Capital	Ratio of Share Capital	Share Capital per Share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal Year ended March 2002	17,249	6,110	35.4	794.93
Fiscal Year March 2001	11,718	5,130	43.8	676.87

(Footnotes: translation omitted)

# (3) Condition of Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Closing Balance of Cash and Cash Equivalent
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year ended March 2002 Fiscal Year	△1,561 488	Δ195 Δ551	2,659 ∆230	3,055 2,153
ended March 2001			<b>—25</b> V	

(4) Matters concerning the Range of Consolidation and Equity Method

Consolidated Subsidiaries: 2

Non-consolidated Subsidiaries on Equity Method: 0

Non-consolidated Subsidiaries Not on Equity Method:

0

(5) Changes in the Range of Consolidation and Equity Method

New Consolidated Subsidiaries:

1

Excluded Consolidated Subsidiaries:

0

New Non-consolidated Subsidiaries on Equity Method:

.....

Excluded Non-consolidated Subsidiaries on Equity Method: 0

### 2. Consolidated Earnings Forecast of Fiscal Year ended March 2003

	Net Sales	Recurring Profit	Net Earnings
	Millions of Yen	Millions of Yen	Millions of Yen
Interim Fiscal Year	16,678	691	480
Whole Fiscal Year	34,314	1,786	1,193

Reference:

Estimated Current Net Earnings per Share

(Consolidated)

155.26 Yen

(Footnotes: translation omitted)

(Attachment)

# 1. Corporate Group

The Keika Express Group consists of Keika Express Co., Ltd. and its three subsidiaries, MC Convenience Co., Ltd., Luck PLC., and Keika Express CS Corporation. The Group's activities include consigned freight transportation business and owner-operator development businesses.

MC Convenience Co., Ltd., and Keika Express CS Corporation are consolidated subsidiaries, while Luck PLC., is a non-consolidated subsidiary. Luck PLC. became a wholly owned subsidiary on March 18, 2002.

#### **Business Activities**

Transportation Section (consigned freight transportation business)

Activities in this segment include transportation of freight on behalf of customers, warehouse operations and delivery services, as well as various incidental services associated with transportation, such as installation, assembly, wiring, inspection and display of goods at delivery sites. Customers appreciate the ability of the Keika Group to provide services in areas that are generally difficult for major transportation firms, such as non-standard freight, high-frequency, small-lot freight, same-day freight, and transportation of fresh foodstuffs, as well as incidental services.

Consigned freight transportation services are provided mainly under long-term agreements with customers (shippers). The Keika Express Group helps shippers to outsource their physical distribution and related operations. Services contracted to Keika Express by shippers are actually performed by owner-operators who have signed basic outsourcing agreements with Keika Express. Part-timers and other workers who have not entered into basic outsourcing agreements are used for some incidental services.

Other revenues from transportation operations include commissions (contributions to the cost of freight accident countermeasures) on freight insurance obtained in connection with the Group's transportation services, and business development commissions (contributions to business development costs), which are received in consideration for referrals of customers for owner-operators. Freight insurance commissions and business development commissions are levied from owner-operators. Since July 2001, Keika Express has also started to levy sales guarantee contributions and business reporting and application expenses.

Keika Express CS Corporation owns its own trucks, which it uses mainly to provide transportation services for medium and large items, and incidental services. Since July 2001 it has also provided light freight transportation services in some regions.

# Sales Section (including owner-operator development)

The role of this business segment is to develop the owner-operators needed to assume freight transportation contracts. Revenues from this segment include sales of light trucks and accessories based on Keika Express specifications, credit guarantee commissions, and commissions from affiliated businesses, such as vehicle loan arrangement commissions and commissions received from finance companies for administrative services provided by Keika Express.

Keika Express maximizes earnings from its vehicle sales business in two ways. First, it reduces costs through bulk purchasing of vehicles, parts and other essentials. Second, it adds value to its vehicles by increasing load capacity and loading efficiency compared with vehicles available on the general market.

The demand for light truck freight transportation continues to grow. To keep pace with this growth in demand, Keika Express has expanded the scope of its owner-operator development activities to include existing companies as well as individuals.

In the past Keika Express restricted sales of vehicles built to its specifications solely to owner-operators. The aim of this policy was to differentiate Keika Express from its competitors. However, there is increasing external demand for Keika Express vehicles, and in July 2001 Keika Express commenced sales to users outside of its group.

The activities of Luck PLC. include the sale of used light trucks and accessories to Keika Express.

Segment	Item	Contents	Company Name
Transportation			Keika Express Co.,
Section	Income from	Outsources logistic	Ltd.
(Consigned	transportation	operations	
Freight	business		Keika Express CS
Transportation		Incidental income to the	(Consolidated
Business)	Other income	above	subsidiary)
		Sales of light motor trucks	Keika Express Co.,
	Income from	and their accessories to owner	Ltd.
	sales of products	operators	
Sales Section			MC Convenience
(Owner			Co., Ltd.
Operator			(Consolidated
Development	Other income	Incidental income to the	subsidiary)
Business)	from sales	above	
1			Luck PLC
	ļ.		(Non-consolidated
			subsidiary)

[System diagram - see Investor Guide]

# 2. Management Policy

### (1) Basic management policy

Keika Express Co., Ltd. describes itself as "a trucking firm without trucks." It accepts contracts from shippers and provides low-cost, small-lot transportation services and incidental services. These services are actually outsourced from owner-operators developed by Keika Express. This approach is known as "double-outsourcing."

The efforts of businesses to reduce costs are reflected in growing demand for physical distribution outsourcing. Consumer demand for home delivery services is also expanding. The basic management policy of Keika Express is to achieve shared prosperity with customers and owner-operators, and to earn the trust of shareholders through its role as a physical distribution partner capable of providing its customers with optimized physical distribution infrastructure, including support and consultation.

In recent years, Japan has experienced changes in its employment structure and a prolonged recession driven by a deflationary trend. The resulting restructuring in the business sector has had a major impact on both business activities and livelihoods.

These changes have also started to affect the physical distribution sector. Businesses are turning to strategic outsourcing so that they can focus their energies on their own core competencies, and most companies see the establishment of efficient physical

distribution systems as a key priority. Keika Express will continue to offer physical distribution support and consultation in various formats to meet the growing demand for business outsourcing. Its mission is to work in partnership with its customers to build new physical distribution service infrastructure that reflect current needs, and to provide consistently innovative physical distribution services.

# (2) Basic policy on profit appropriation

Reliable profit distribution to shareholders is one the most important management priorities for Keika Express. Dividends will continue to be decided on the basis of business results in each accounting period, taking into account the need to retain income for future business development.

# (3) Medium- and long-range management strategy

As "a trucking firm without trucks," Keika Express uses light trucks to provide low-cost, small-lot transportation services under a non-asset business structure. Through this activity, it has helped businesses to establish optimized physical distribution systems. The strength of the Keika Express Group is derived from its ability to provide low-cost transportation of non-standard items through services that are distinctly different from those offered by conventional physical distribution companies, and from a sales development approach based on proposal marketing of physical distribution solutions that are customized to match the needs of individual businesses. Keika Express plans to expand and enhance its sales development operations, and to make its customized, non-standard physical distribution services the core for the continuing expansion of its business activities.

This strategy for the medium- to long-term future was reflected in the establishment of the new Keika B2B EXPRESS service, a small-lot transportation service for the business-to-business (B2B) market. Initially this service will be offered in the 23 wards of Tokyo proper. As demand grows, the service area will be expanded to include the entire Tokyo Metropolitan Area, and eventually the Chubu and Kinki regions as well. Keika Express plans to attract demand for this type of service by moving into the larger market for small-lot mixed-load transportation services for businesses. It will diversify its operations to include not only its existing freight services, which are based on the exclusive use of vehicles for individual businesses, but also combined-load services for multiple businesses. Keika Express has already completed its nationwide network. In the future, it will use long-distance combined-load operators, including some acquired through M&A, in addition to its owner-operators. These networks will continue to be operated under a highly efficient model based on utilization rather than ownership. This

approach will allow Keika Express to develop low-cost, order-made services that are distinctly different from the services offered by conventional physical distribution contractors.

# (4) Challenges

A key issue affecting the owner-operator development business relates to Japan's employment environment over the past few years. There has been sustained growth in the number of applicants wishing to become owner-operators, but the financial status of applicants has continued to deteriorate over the years. Keika Express has limited the number of new owner-operators accepted for development, but owner-operator recruitment remains an imperative because of the growth of its transportation business. One solution has been the establishment of a start-up support business for light-truck transportation operators based on the partial outsourcing of owner-operator development. In addition, Keika Express will also build efficient light-truck transportation capacity through the use of M&A and alliances to secure mixed-load freight operators. Keika Express aims to secure owner-operators while minimizing its exposure to new long-term receivables and other burdens. It will work under this structure to expand the use of double-outsourcing in its transportation operations.

# (5) Policies concerning the development of the management organization

The basic policy of the Board of Directors of Keika Express is to make prompt management decisions after careful discussion and verification of management issues, business opportunities, and related management strategies at its monthly meetings. Management checking functions include audits carried out by the audit committee and an audit corporation. In addition, auditors are invited to speak and offer opinions at board meetings as part of continuing efforts to ensure good corporate governance.

#### 3. Business Performance and Financial Position

#### (1) Business performance

# a. Performance in the current business year

The Japanese economy remained generally slow during the year ended March 2002. There was no sign of improvement in consumer spending, which continued to be affected by uncertainty about the employment and income environment. Business conditions also worsened, leading to major corporate bankruptcies and a stock market

slump. In addition, businesses responded to a continuing deflationary trend by reducing production and capital investment.

It was also a difficult year for the transportation sector. In addition to the ongoing deflationary trend, the global IT slump caused a downturn in the Japanese manufacturing sector. Declining business performance and the September 11 terrorist attacks in the United States had a major impact in the second half of the year. Companies across the entire industrial spectrum limited their transportation-related capital investment. Even in the home delivery business, which had been a driving force in the transportation sector, companies struggled to cope with a fall in the number of items handled.

The Keika Express Group continued to develop its business activities, especially its freight contracting operations, in this environment. In addition to the traditional demand for low-cost, non-standard freight services, Keika Express also responded to the growing need for incidental services relating to the transportation and delivery of medium and large freight items through proposal sales based on outsourced transportation services using light trucks, and through active coordination of services under business partnerships with physical distribution companies. This combination of approaches allowed Keika Express to attract large volumes of contract business.

Consolidated net sales in the year ended March 2002 amounted to \(\frac{\pmathbf{3}}{3},208\) million, an increase of 24.8% over the previous year's result. Consolidated results were affected by performance of Keika Express CS Corporation (formerly Footwork Delivery Service Corporation), which became a consolidated subsidiary in the current accounting period. Despite this, recurring profit increased by 86.7% year-on-year to \(\frac{\pmathbf{2}}{2},346\) million, while net profit was 54.8% higher and reached a new record of \(\frac{\pmathbf{1}}{1},053\) million.

Keika Express CS has been operating profitably since January 2002, and its ordinary loss has improved to \(\frac{4}{2}53\) million, compared with \(\frac{4}{3}02\) million in the first half.

#### Segment Information

#### Transportation Section

There is growing demand for low-cost, small-lot delivery services, and demand for physical distribution outsourcing is also expanding. Keika Express worked energetically to capture demand for its freight contracting business by developing alliances with Seino Transportation Co., Ltd. and other physical distribution companies and subcontractors, based on the use of light trucks.

Keika Express continued its efforts to attract new shippers. In addition to its traditional proposal sales approach, which focuses on the reduction of physical distribution costs, it also actively built alliances and expanded its sales force. Where low prices made services unprofitable, Keika Express negotiated phased increases with the shippers concerned, with the result that the non-consolidated ratio of gross profit to sales improved from 25.8% in the previous year to 27.6% in the current year. This improvement reflects customer recognition of the true value of the Keika Express business model. It also reflects changes in physical distribution needs over the past few years, including a trend toward high-frequency, small-lot transportation, and a gradual increase in the use of light trucks to reduce delivery costs.

At the consolidated level, the ratio of gross profit to sales fell to 24.0%, compared with 25.8% in the previous year. This is because the in-house physical distribution costs of Keika Express CS, such as labor costs, service costs, maintenance costs and depreciation, are included in the cost of sales. However, Keika Express CS moved into the black in January 2002, and sales in the transportation segment were excellent, with a 27.6% year-on-year increase to \(\frac{1}{2}2,432\) million.

#### Sales Section

The lack of improvement in the Japanese employment environment was reflected in further growth in the number of people wishing to become independent business operators through the Keika Express owner-operator development system. The most important priority for Keika Express is the improvement of quality in its transportation operations. During the year under review it worked to recruit quality owner-operators by tightening its screening procedures to ensure the suitability of applicants. Despite this tightening of the criteria, sales from the development business showed a healthy 18.8% increase over the previous year's result to \(\frac{49}{776}\) million. This reflects the contribution from vehicle sales to incorporated operators, which began in the period under review.

# b. Forecast for the Year to March 2003

Economic conditions are expected to remain difficult in the coming fiscal year. However, this situation will have a positive effect on Keika Express, which specializes in proposal of cost-cutting solutions based on the outsourcing of physical distribution.

Moreover, the focus of demand is shifting from consolidated transportation in medium or large trucks to delivery in light trucks that are suitable for low-cost, high-frequency

small-lot transportation. As in the previous year, Keika Express responded to this change by working to discover new shippers, and by expanding the scope of its group activities through business alliances, M&A and other approaches. The current business year was seen as a transitional period in which management policies focused increasingly on consolidated activities as a structure for the efficient networking of operations. Keika Express will continue to operate under a business style based on utilization rather than ownership. The core of that business style, and the source of the Keika Express Group's strength, is business development.

Expansion into new markets is also a focus. Keika Express is working to expand the scope of activities by using light trucks to establish a presence in the market for mixed-load small-lot transportation. It is also using M&A and other means to secure mixed-load carriers throughout Japan. Keika Express will increase its efforts to attract customers by achieving high standards of efficiency through the outsourcing of actual transportation operations.

Keika Express CS, which is now a consolidated subsidiary, has achieved positive monthly results since January 2002. Its goal now is to improve its performance over the whole year by working closely with the business development organization of Keika Express to expand its handling of medium and large non-standard goods, in addition to the development of its light-truck transportation business.

Results for the year to March 2003 are expected to show sales of \(\frac{\pmathbf{4}}{3}4,314\) million, an increase of 6.5% over the previous year's total, while ordinary profit is expected to be 23.9% lower at \(\frac{\pmathbf{4}}{1},786\) million. The predicted net income figure of \(\frac{\pmathbf{4}}{1},193\) million represents a year-on-year increase of 13.3%.

#### 4. Financial Position

# (1) Overview of Current Consolidated Accounting Period

(millions of yen)

Item	Current Term	(Previous Term	Year-on-Year Increase
	(April 1, 2001-March	(April 1, 2000-March	(Decrease)
	31, 2002)	31, 2001)	
Cash flows from operating	(1,561)	488	(2,050)
activities			
Cash flows from investment	(195)	(551)	355
activities			
Cash flows from financial	2,659	(230)	2,889
activities			
Increase (decrease) in cash and	902	(292)	1,194
cash equivalents			
Term-end balance of cash and	3,055	2,153	902
cash equivalents			

Cash and cash equivalents reached ¥3,055 million in the current consolidated accounting period, an increase of ¥902 million compared with the position in the previous consolidated accounting term.

# Cash flows from operating activities

# Cash flows from investment activities

Cash flows from investment activities were negative by \\$195 million, compared with a negative figure of \\$551 million in the previous accounting period. The change was mainly attributable to higher short-term lending.

# Cash flows from financial activities

Cash flows from financial activities were positive by \(\frac{4}{2}\),659 million, up from negative \(\frac{4}{2}\)30 million in the previous accounting period. This resulted primarily from increased short- and long-term borrowing.

# (2) Outlook for the Coming Year

In relation to cash flows from operating activities, Keika Express will continue its efforts to recruit high-quality owner-operators while minimizing its exposure to new long-term receivables and other burdens. Cash flows used in investment activities will be kept to the minimum required for business expansion. As far as cash flows from financial activities are concerned, management is determined to minimize the cost of funds through the effective use of the commitment line.

# CONSOLIDATED BALANCE SHEET

			(Un	it: Million	s of Yen)
	ASSETS	nsolidated	Pravious C	onsolidated	Compared
•		l Year	1	i Year	with the
Item		31,2002)		31, 2001 \	Previous
	Amount	Ratio	Amount	Ratio	Fiscal Year
		%		%	
Current Assets	11,50		7,785	66.4	3,71
Cash on hand and in bank	3,785		2,700		1,08
Notes receivable and accounts receivable	4,039		2,436		1,60
Installment account receivable	2,14	(	1,711		43
Inventories	107	1	40		6
Deferred tax assets	247	3	132	•	11.
Others	1,247	1	821	1	42
Allowance for doubtful receivable	A 68	1	Δ 57		Δ 1
Fixed Assets	5,747				. ,
(Tangible Fixed Assets)	949			1	
Buildings and structures	277		270	1	٠.,
Machinery and delivery equipment	163	1	1	1	16
Delivery equipment	40		128	•	△ 12
Land	426		416	ž	ł,
Others	82		73	2	1
(Intangible Fixed Assets)	418		99 99		
Intangible Fixed Assets	4,379		•	T .	31
(Investments and other assets)			-,-	25.2	· -, · ·
Long-term accounts receivable	1,956	ļ	1,694		26
Claims in bankruptcy Deferred tax assets	1,461	ĺ	541 649		92 22
	980	ľ	754		22
Deposits Others	356	•	273		8
Allowance for doubtful receivable	△ 1,254		4 966	'	Δ 28
Total of Assets	17,249			100.0	5,53
المراجع المراجع والمراجع المراجع والمراجع والم والمراجع والمراجع والمراجع والمراجع والمراجع والمراجع والمراجع و	ABILITIES		11,710	100.0	3,55
Lik		solidated	Previous C	onsolidated	Compared
•		i Year	l.	l Year	with the
Item	t "	31, 2002)		31, 2001)	Previous
	Amount	Ratio	Amount	Ratio	Fiscal Year
		%		%	
Current Liabilities	8,688	50.4	4,944	42.2	3,74
Notes payable and accounts payable	568	1	223		34
Short-term loans payable	2,455	ĺ	883		1,57
Corporate bonds payable (redemption less than		1			_
one year) Long-term loans payable (maturity less than one	96		-		9:
year)	1,035		706		30
Accounts payable to business consignors	1,035		1,415		32: 12:
Corporation tax, etc.payable	1,108		402		70
Reserves for remuneration	1,108	•	94		2
Deffered interest for installment	755		567		18
Other Current Liabilities	1,013		650		36
'ixed Liabilities	2,450		1,643	14.0	800
Bonds	2,430	14.2	1,043	14.0	20-
Long-term loans payable	1,787		1,279		508
Reserves for retirement grants	97		22		7:
Reserves for retirement grants for retiring	"				,
Directors and Corporate Auditors	256		230	ŀ	2.5
Others	104		111		Δ (
otal of Liabilities	11,138	64.6	6,587	56.2	4,55
	ITY INTER	EST			
linority Interest	-			-	
	EQUITY		, 42.47		
aid-in capital	1,262	7.3	1,182	10.1	79
dditional paid-in capital	1,188		1,108	9.5	80
urplus from consolidation	3,673	21.3	2,846	24.3	820
ariance of the estimate of other securities reasury Shares	13 به ۵ م	0.1 ه 0.0 م	۵ 6	Δ 0.1	. ه . ) م
			£ 130	42.6	
otal of Equity  Total of Liabilities, Minority Interest, and Equity	6,110 17,249	35.4 100.0	5,130 11,718	43.8 100.0	979 5,530
corner or salmorniales, connective different, shift fallity i	17.499	100.01	11./101	100.01	コ.コ.シ

# CONSOLIDATED PROFIT AND LOSS STATEMENT

(Othe Miniots of Year)					
Item	This Consolidated Fiscal Year April 1, 2001 March 31, 2002		Previous Co Fiscal April 1, March 3	Compared with the Previous Fiscal Year	
	Amount	Ratio	Amount	Ratio	
		%		%	
Net Sales	32,208	100.0	25,809	100.0	,
Sales Cost	20,006	62.1	15,616	60.5	
Gross Profit on Sales	12,202	37.9	10,192	39.5	2,009
Selling Expenses and					
Administrative Expenses	9,957	30.9	9,044	35.0	
Operation Profit	2,245	7.0	1,148	4.5	
Non-Operating Income	207	0.6	191	0.7	1
Commission Earned	69		91	ļ	△ 21
Compensation for Damage	91		48		42
Others	46		51		△ 4
Non-Operating Expenses	106	0.3	83	0.3	23
Interest Payable	26		31		. △4
Others	80		51		28
Recurring Profit	2,346	7.3	1,256	4.9	1,089
Special Profit	1	0.0	0	0.0	0
Gain on sale of fixed assets	1	ļ	0		0
Special Loss	52	0.2	30	0.1	22
Loss from sale of fixed assets	_		0		0
Loss on retirement of fixed assets Appraisal loss from	7		9		۵ 1
investment securities Costs for intruduction of accounting	45		-		45
standard for retirement benefits	_		20		△ 20
Net Barnings before tax, etc.	2,295	7.1	1,227	4.8	1,067
Corporate tax, Resident					
tax and Enterprise tax	1,527	4.7	<i>7</i> 85	3.0	742
Corporate tax, etc. of					
previous periods	53	0.2	-		53
Adjustment for Corporation tax, etc.	△ 339	1.1 م	▲ 237	Δ 0.8	△ 101
Net Earnings	1,053	3.3	680	2.6	372

# STATEMENT OF CONSOLIDATED SURPLUS

	This Consolidated Fiscal	Previous Consolidated
·	Year	Fiscal Year
Item	April 1, 2001	April 1, 2000
	March 31, 2002	L March 31, 2001 J
	Anount	Anount
Initial Balance of	·	
Gonsolidated Surplus	2,846	2,316
Decrease in Consolidated	2,5 75	2,210
Surplus	226	150
Dividends	208	131
Bonus paid to Directors	18	18
Net Earnings	1,053	680
Closing Balance of		
Consolidated Surplus	3,673	2,846

# STATEMENT OF CONSOLIDATED SURPLUS

l t em	This Consolidated Fiscal Year April 1, 2001 March 31, 2002	Previous Consolidated Fiscal Year April 1, 2000 March 31, 2001
	Anount	Anount
Initial Balance of Consolidated Surplus	2,846	2,316
Decrease in Consolidated Surplus	226	150
Dividends	208	131
Bonus paid to Directors	18	. 18
Net Earnings Closing Balance of	1,053	680
Consolidated Surplus	3,673	2,846

# STATEMENT OF CONSOLIDATED CASH FLOW

Team Parent J. 2001  Amount April 1, 2000  April 1, 2000  Amount April 1, 2000  Amount April 1, 2000  April 1, 2000  Amount April 1, 2000  Amount April 1, 2000  Amount April 1, 2000  April 1, 2000  Amount April 1, 2000  April 1, 2000  Amount April 1, 2000  April 1, 2000  April 1, 2000  Amount April 1, 2000  April 1,		<del>~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~</del>	· · · · · · · · · · · · · · · · · · ·
Dash Flow from Operating Activities  Net Earnings before text, etc. Depreciation expenses Increase in reserves for credit losses Increase in reserves for borus payment Increase or decrease in employees retirement benefit Increase in reserves for retirement grains for retiring Directors and Corporate Auditors Increase in reserves for retirement grains for retiring Directors and Corporate Auditors Increase in trade receivable Increase or decrease in install ment credit Increase or decrease in install ment credit Increase or decrease in install ment credit Increase or decrease in inventory assets Increase or decrease in inventory assets Increase or decrease in inventory assets Increase or decrease in inventory asset in Increase or decrease in other assets or debt Increase or force and inventory asset in Increase or decrease in other assets or debt Increase or force and inventory asset in Increase or decrease in other assets or debt Increase or force and inventory asset in Increase or force and inventory asset in Increase or decrease in other assets or debt Increase or force and inventory asset in Increase or decrease in other assets  Africant inventory  Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and inventory Increase or force and increase Increase or force and increase Increase or force		This Consolidated Fiscal	Previous Consolidated
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Receipts from issuing company bonds  Receipts from reacquired share  Cash Row from Financing Activities  Contaction belance of cash and cash equivalent  Increase or decrease in cash and cash equivalent  equivalent  2,153  2,445  Closing Balance of Cash and Cash			
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Closing Belance of Cash and Cash		2 157	2 446
		4,135	2,445
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	Edn: As Levic	3,055	Z,153

(Footnotes)

[translation omitted other than segment information]

Segment Information

# (1) Business Segments

Current Fiscal Year (from April 1, 2001 to March 31, 2002)

The principal business operations of the Keika Express Group are freight transportation contracting and owner-operator development. Separate segment information for these activities was not previously shown in the accounts because they were seen as a single, indivisible business segment, consisting of the sale of light trucks built to Keika Express specifications to owner-operators to support the establishment of their businesses (owner-operator development), and the contracting of owner-operators to provide transportation services contracted to Keika Express by customers.

In the current term, Keika Express has started to sell its light trucks to non-group users as well as to owner-operators. It has also turned Keika Express CS, which owns trucks and is involved primarily in provision of medium and large freight transportation services and related incidental services, into a consolidated subsidiary. These changes have partially reduced the linkage between freight transportation contracting and owner-operator development, and segment information will therefore be shown separately, starting with the current term.

(Millions of ven)

	Transportation	Owner-Operat or	Total	Eliminations/ Corporate	Consolidated
		Development		•	
I. Sales and Operating Income					
Sales					
(1) Sales to customers	22,432	9,776	32,208	•	32,208
(2) Intersegment sales and transfers		117	¥117	(¥117)	•
Total	22,432	9,893	32,325	(117)	32,208
Operating expenses	21,621	7,110	28,732	1,231	29,963
Operating income	810	2,782	3,593	(1,348)	2,245
II. Total Assets, Depreciation and Capital Expenditures					
Total assets	4,336	8,286	12,623	4,625	17,249
Depreciation	84	27	112	27	140
Capital expenditures	132	39	172	8	180

# 2. Names of Main Goods and Products in Each Segment

Segment	Product		Details			
Transportation	Freight	transportation	Contracting	of	light-truck	freight
section	revenues		transportation	and i	ncidental serv	ice

(Consigned freight transportation)		
	Other operating revenues	Freight insurance commissions, business development commissions, etc., pertaining to the above activities
Sales section (Owner-operator development)	Sales of goods	Revenues from sales of light-truck vehicles and accessories based on Keika Express specifications to owner-operators
	Other operating revenues	Affiliation charges, etc., pertaining to the above activities

- 3. Operating expenses include eliminations and corporate items that cannot be apportioned. These amount to \(\frac{1}{4}\)1,315 million and relate mainly to the parent company's administrative operations.
- 4. Assets include corporate assets amounting to ¥4,619 million, including eliminations and corporate items. These items relate mainly to the parent company's surplus investment funds (cash), long-term investment funds (investment securities), and administration-related assets, etc.

# 5. Sales Condition

						,
	This Interim Conso	hidated	Previous Int	erim		
Segment	April 1, 2001 March 31, 2002		April 1, 2000 March 31, 2001		Compared with the Previous Fiscal Year	
	Amount of sales	Ratio	Amount of Sales	Ratio	Increased Amount	Ratio
Transportation business (Freight consignment)	22,432	69.6	17,577	68.1	4,854	27.6
Development business (Business consigners, etc.)	9,776	30.4	8,232	31.9	1,544	18.8
Total	32,208	100.0	25,809	100.0	6,398	24.8

May 17, 2002

# Brief Statement of Financial Statement for the Fiscal Year ended March 2002 (Non-consolidated)

Name of the Listed Company:

Keika Express Co., Ltd.

Securities Exchange where Listed:

Osaka Securities Exchange, Co., Ltd.

Security Code Number:

9374

URL: http://www.keikaexp.co.jp/

ice: Osaka-pref.

Location of Head Office:

Yuzuru Yanaka, Operating Officer and Accounting Manager

For Inquiries:

Telephone: +81-06-6907-5770 (Pilot Number)

Date of the Meeting of the Board of Directors approving the Closing Account:

May 17, 2002

Interim Dividends:

Applicable

Unit Share System:

Applicable (1 unit = 100 Shares)

## 1. Consolidated Earnings of Fiscal Year ended March 2002

# (1) Operating Result

	Net Sales	Operating Profit Recurring		
	Millions of Yen %	Millions of Yen %	Millions of Yen %	
Fiscal Year ended March 2002 Fiscal Year ended March 2001	30,024 ( 17.8) 25,486 ( 9.5)	2,913 ( 151.1) 1,159 (Δ12.8)	2,989 ( 144.5) 1,222 ( $\Delta$ 11.5)	

	Net Earnings	Net Earnings per Share	Net Earnings ~ per Share after adjustment of potential shares	Net Income Ratio of Share Capital	Recurring Profit Ratio of Gross Capital	Recurring Profit Ratio of Net Sales
	Millions of yen (96)	Yen	Yen	%	%	%
Fiscal Year ended March 2002	1,586 ( 137.4)	208.39	208.21	26.2	25.3	10.0
Fiscal Year ended March 2001	668 (A 5.7)	95.07	_	15.4	13.6	4.8

(Footnotes: translation omitted)

# (2) Condition of Dividends

	Annual Dividends per Share			Aggregate Amount of Dividends per annum	Dividends payment	Ratio of Dividends to Shareholders'	
		Interim	Year-end	· ·		Equity	
	Yen	Yen	Yen	Millions of Yen	%	%	
Fiscal Year ended March 2002	35.00	12.50	22.50	267	16.9	3.9	
Fiscal Year ended March 2001	25.00	10.00	15.00	179	26.9	3.4	

(Footnotes: translation omitted)

# (3) Financial Condition

	Net Assets	Share Capital	Ratio of Share Capital	Share Capital per Share
	Millions of Yen	Millions of Yen	96	Yen
Fiscal Year ended March 2002	14,096	6,804	48.3	885.30
Fiscal Year ended March 2001	9,538	5,291	55.5	698.12

(Footnotes: translation omitted)

# 2. Earnings Forecast of Fiscal Year ended March 2003

	Net Sales	Recurring	Net Earnings			
		Profit		Interim	Year-end	
	Millions of Yen	Millions of Yen	Millions of Yen	Yen	Yen	Yen
Interim Fiscal Year	15,263	379	184	12.50	-	
Whole Fiscal Year	31,635	1,163	602	_	12.50	25.00

Reference: Estimated Current Net Earnings per Share

78.38 Yen

(Footnotes: translation omitted)

# Balance Sheet

ASSETS							
i t em		This Fiscal Year (March 31, 2002)		Previous Fiscal Year (March 31, 2001)			
	Amount	Ratio	Anount	Patio	Fiscal Year		
Current Assets	9,189	% 65.2	5,981	% 62.7	3,208		
Cash on hand and in bank	3,211		2,472		738		
Not es recei vabl e	5		3		1		
Accounts receivable	3,934		2,620		1,313		
Product s	59		39		18		
Inventories	48		0		48		
Deferred tax assets	113		50		63		
Others	1,863		839		1,024		
Allowance for doubtful receivable	д 45		Δ 45		Δ 0		
Fixed Assets	4,906	34.8	ľ	37.3			
(Tangi bl e Fl xed Assets)	867	6.2	885	9.3	۵ 17		
Buildings	261		266		۵.5		
Land	416		416		-		
Q hers	189		202		д 12		
(Intangible Fixed Assets)	103	0.7	89	0.9	13		
Intangible Fixed Assets	103		89		13		
(Investments and other assets)	3,935	· 27.9	2,581	27.1	1,353		
Long-termaccounts receivable	1,860		1,577		283		
Claims in bankruptcy	1,128		372		756		
Deferred tax assets	453		414		38		
Deposits	887		744		143		
Others	595		294		300		
Allowance for doubtful							
recei vabl e	△ 990		△ 821		д 168		
Total of Assets	14,096	100.0	9,538	100.0	4,558		

	LIABIL	ITIES		· · · · · · · · · · · · · · · · · · ·	
Item	This Fis (March 3	cal Year 1, 2002)	Previous Fiscal Year (March 31, 2001)		Compared with the Previous
	Amount	Ratio	Amount	Ratio	Fiscal Year
Current Liabilities	6,452	% 45.7	3,768	% 39.5	2,683
Accounts payable Short-term loans payable Corporate bonds payable	262 2,150		222 755		40 1,394
(redemption less than one year)  Long-term loans payable	96		-		96
(maturity less than one year)	225		217		7
Accounts payable to business consignors Corporation tax, etc.	1,571		1,415		156
payable Reserves for remuneration	1,008		390 91		617 11 361
Others Fixed Liabilities Bonds	1,036 839 204	6.0	675 477	5.0	361 361 204
Long-term loans payable	40		-		40
Convertible Bonds	325		225		99
Reserves for retirement grants Reserves for retirement grants for retiring	15		22		△ 7
Directors and Corporate Auditors	255		230		24
Total of Liabilities	7,291	51.7	4,246	44.5	3,045
	EQUI				
Paid-in capital Additional paid-in capital Earned surplus reserve	1,262 1,188 48	9.0 8.5 0.3	1,108	12,4 11.6 0.4	79 80 13
Other surplus 1. Voluntary reserve	4,319 2,500	30.6	2,972 2,000	31.2	1,346 500
Unappropriated retained earnings	1,819		972		846
Variance of the estimate of other securities Treasury Shares	Δ 13 Δ 0	Δ 0.1 Δ 0.0	Δ 6	0.1 م	△ 7 △ 0
Total of Equity	6,804	48.3	5,291	55.5	1,512
Total of Liabilities, and Equity	14,096	100.0		100.0	4,558
are Equity	17,090	100.0	2,230	100.0	ەدر-

# Profit and Loss Statement

ltem	This Consolidated Fiscal Year April 1, 2001 March 31, 2002		Previous Co. Fiscal April 1, March 31	Compared with the Previous Fiscal Year	
	Amount	Ratio	Amount	Ratio	riscar i car
		%		%	
Net Sales	30,024				4,537
Sales Cost	17,414	58.0		60.6	1,960
Gross Profit on Sales	12,609	42.0	10,032	39.4	2,577
Seiling Expenses and					
Administrative Expenses	9,696		8,872	34.8	823
Operation Profit	2,913	9.7	1,159	4.6	1,753
Non-Operating Income	198	0.7	161	0.6	36
Interest receivable and Dividends	8		4		4
Commission Earned	69		91		Δ 21
Compensation for Damage	91		48		42
Others	28		17	0.4	10
Non-Operating Expenses	121	0,4	98 30	0.4	22 A 9
Interest Payable	21 16		30		∆ 9 16
Expenses for issue of bonds  Cancel charge payable	20		16		10
Expenses for Imitial public offering			13		10 م
Others	59		38	4.0	21
Recurring profit	2,989	10.0	1	4.8	1,766
Special Profit	1	0.0	0	0.0	0
Gain on sale of fixed assets	1		0		0
Special Loss	46	0.2	30	0.1	16
Loss from sale of fixed assets	-		0		Δ 0
Loss on retirement of fixed assets Appraisal loss from	6		9		Δ2
investment securities	40		-		40
Costs for intruduction of accounting			20		△ 20
standard for retirement benefits	2,944	0.0		4.77	
Net Earnings before tax, etc.	2,944	9.8	1,193	4.7	1,750
Corporate tax, Resident tax and Enterprise tax	1,401	4.7	735	2.9	666
· ·	1,401	4.7	133	4.9	000
Corporate tax, etc. of previous periods	52	0.1			52
<u> </u>		1	210	~	
Adjustment for Corporate tax, etc.	∆ 96			Δ 0.8	114
Net Earnings	1,586	5.3	668	2.6	918
Earned surplus carried forward to					
this Interim Fiscal Year	326		. 376		Δ 50
Interim Dividends	94		65		28
Earned surplus reserved with					
regard to Interim Dividends	-		6		<u> </u>
Unappropriated retained earnings	1,819	<u> </u>	972		846

# Statement of Appropriation of Profit (Plan)

ltem	[	This Fiscel Year April 1, 2001 March 31, 2002	]	[	Previous Fiscal Year April 1, 2000 March 31, 2001	<u>์</u>	Compared with the Previous Fiscal Year
Unappropriated retained earnings of this Fiscal Year II Amount of appropriation			1,819			972	846
of profit 1 Earned Reserve 2 Dividend			172			<b>13</b> 113	1.2
					hary dividends per Share 1 scriel dividends per Share		
3 Bonus paid to directors	ŀ		27			18	9
(Bonus paid to auditors) 4 Contingent reserve			(0) 1,000			(0) 500	0) 500
III Earned surplus carried			IXAA			JUAN	`````````
forward to the next Fiscal Year			618			326	291

# #12 AND #13

# **BRIEF STATEMENT**

OF

# INTERIM FINANCIAL RESULTS

November 15, 2001

# Brief Statement of Interim Financial Results for the Fiscal Year ended March 2002 (Consolidated)

Name of the Listed Company:

Keika Express Co., Ltd.

Securities Exchange where Listed:

Osaka Securities Exchange

Security Code Number:

Location of Head Office:

Osaka-pref.

For Inquiries:

Yuzuru Taninaka, Accounting Manager

Telephone: +81-06-6907-5770 (Pilot Number)

Date of the Meeting of the Board of Directors approving the Closing Account:

November 15, 2001

US GAAP:

Not applicable

# 1. Earnings of Interim Fiscal Year ended September 2001

# (1) Operating Result

	Net sales	wit pre interi	upared th the vious m fiscal ear)	Operating profit	(Compar with the previou interim fiscal yes	e S	Recurring profit	(Com with prev inte fiscal	ious rim
	Millions	of yer	1 %	Million	s of yen	%	Million	s of yen	%
Interim fiscal year ended September 2001	14,8	348 (	18.9)		306 (∆54.	3)	:	3 <b>60 (</b> Δ	50.9)
Interim fiscal year ended September 2000	12,4	189 (	11.0)		671 ( Δ2.	2)	,	733 (	9.4)
Fiscal year ended March 2001			25,809		1,	148			1,256

	Interim net earnings	Compared with the previous interim fiscal year)	Interim net earnings per share	Interim net earnings  ~ per share after adjustment of potential shares
	Millions of ye	en %	Yen	Yen
Interim fiscal year ended September 2001	Δ73	( - )	△9.71	_
Interim fiscal year ended September 2000	405	( 29.9)	61.61	
Fiscal year ended March 2001	68	0 -	96.78	

(Footnotes: translation omitted)

# (2) Financial Condition

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	96	Yen
Interim fiscal year ended September 2001	14,196	4,922	34.7	649.36
Interim fiscal year ended September 2000	10,302	3,515	34.1	534.22
Fiscal year ended March 2001	11,718	5,130	43.8	676.87

(Footnotes: translation omitted)

# (3) Condition of Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Closing balance of cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim fiscal year ended September 2001	Δ2,435	324	1,931	1,974
Interim fiscal year ended September 2000	540	Δ166	Δ697	2,122
Fiscal year ended March 2001	488	Δ551	Δ230	2,153

(4) Matters concerning the Range of Consolidation and Equity Method

Consolidated Subsidiaries: 2

2

Non-consolidated Subsidiaries on Equity Method: 0

Non-consolidated Subsidiaries Not on Equity Method:

(5) Changes in the Range of Consolidation and Equity Method

**New Consolidated Subsidiaries:** 

1

Excluded Consolidated Subsidiaries: 0

New Non-consolidated Subsidiaries on Equity Method: 0

Excluded Non-consolidated Subsidiaries on Equity Method:

0

0

**2**Change in GAAP

Not applicable

# 2. Earnings Forecast of Fiscal Year ended March 2002

	Net sales	Recurring profit	Current net earnings
	Millions of yen	Millions of yen	Millions of yen
Whole fiscal year	32,501	2,453	1,020

Reference:

Estimated Current Net Earnings per Share

(Consolidated)

134.66 Yen

Estimated Current Net Earnings per Share

(Non-consolidated)

215.93 Yen

(Footnotes: translation omitted)

Reference: Non-consolidated Earnings of Interim Fiscal Year September 2001

Net sales	(Compa the pre inter fiscal y	rim	Operating profit	the pr	ared with evious rim year)	Recurring profit	(Compa the pre inter fiscal y	im
Million	ns of yen	%	Millio	ns of yen	96	Millio	ns of yen	%
13,	609 (	12.4)	78	5 (	63.9)	82	7 (	64.1)

(Compared with Interim net the previous earnings interim fiscal year)		Interim net earnings per share	Total assets	Shareholders' equity	
Million	s of yen	96	Yen	Millions of yen	Millions of yen
356	(	30.3)	47.02	10,966	5,513

# (Attachment)

# 1. Corporate Group

The Keika Express Group (Keika Express Co., Ltd. and its associated companies) consists of Keika Express Co., Ltd. and its three subsidiaries, MC Convenience Co., Ltd., Luck PLC, and Keika Express CS Corporation. The Group's activities include freight transportation contracting and owner-operator development businesses. MC Convenience Co., Ltd. and Keika Express CS Corporation are consolidated subsidiaries, while Luck PLC, is a non-consolidated subsidiary.

Keika Express CS Corporation became a consolidated subsidiary of Keika Express Co., Ltd. on April 16, 2001, through the acceptance of a third-party allocation of 240,000 Footwork Delivery Service Corporation shares. Keika Express invested ¥240 million in the shares, and its shareholding after the allocation was 75.0%. The trading name was changed on May 1, 2001.

#### **Business Activities**

# • Transportation Section (consigned freight transportation business)

Activities in this segment include transportation of freight on behalf of customers, warehouse operations and delivery services, as well as various incidental services associated with transportation, such as installation, assembly, wiring, inspection and display of goods at delivery sites. Customers appreciate the ability of the Keika Group to provide services in areas that are generally difficult for major transportation firms, such as non-standard freight, high-frequency, small-lot freight, same-day freight, and transportation of fresh foodstuffs, as well as incidental services.

Freight transportation contracting services are provided mainly under long-term agreements with customers (shippers). The Keika Express Group helps shippers to outsource their physical distribution and related operations. Services contracted to Keika Express by shippers are actually performed by owner-operators who have signed basic outsourcing agreements with Keika Express. Part-timers and other workers who have not entered into basic outsourcing agreements are used for some incidental services.

Other revenues from transportation operations include commissions (contributions to the cost of freight accident countermeasures) on freight insurance obtained in connection with the Group's transportation services, and business development commissions (contributions to business development costs), which are received in consideration of the discovery of customers for owner-operators. Freight insurance commissions and business development commissions are levied from owner-operators. Since July 2001, Keika Express has also started to levy sales guarantee contributions and business reporting and application expenses.

Keika Express CS Corporation, which became a subsidiary in April 2001, owns its own freight vehicles, which it uses mainly to provide transportation services for medium and large items, and incidental services. Since July 2001 it has also provided light freight transportation services in some regions.

# Sales Section (including owner-operator development business)

The role of this business segment is to develop the owner-operators needed to perform freight transportation contracts. Revenues from this segment include sales of light freight vehicles and accessories based on Keika Express specifications, credit guarantee commissions, and commissions from affiliated businesses, such as vehicle loan arrangement commissions and commissions received from finance companies for administrative services provided by Keika Express.

Keika Express maximizes earnings from its vehicle sales business in two ways. First, it reduces costs through bulk purchasing of vehicles, parts and other requirements. Second, it adds value to its vehicles by increasing load capacity and loading efficiency compared with vehicles available on the general market.

The demand for light truck freight transportation continues to grow. To keep pace with this growth in demand, Keika Express has expanded the scope of its owner-operator development activities to include existing companies as well as individuals.

In the past Keika Express had a policy of limiting sales of vehicles based on its specifications to owner-operators. The aim of this policy was to differentiate Keika Express from its competitors. However, there is increasing external demand for Keika Express vehicles, and in July 2001 Keika Express commenced sales to users outside of its group.

The activities of Luck PLC include the sale of used light freight vehicles and accessories to Keika Express.

Segment	Item	Contents	Company Name
Transportation section	Income from transportation business	Outsources logistic operations	Keika Express Co., Ltd.
(Consigned freight transportation business)	Other income	Incidental income to the above	Keika Express CS Corporation (Consolidated subsidiary)
	Income from sales of products	Sales of light motor trucks and their accessories to owner-operators	Keika Express Co., Ltd.
Sales section (Owner- operator development business)	Other income from sales	Incidental income to the above	MC Convenience Co., Ltd. (Consolidated subsidiary)
			Luck Co., Ltd. (Non-consolidated subsidiary)

[System diagram - see Investor Guide]

# 2. Management Policy

# (1) Basic management policy

Keika Express Co., Ltd. describes itself as "a trucking firm without trucks." It accepts contracts from shippers and provides low-cost, small-lot transportation services and incidental services. These services are actually outsourced from owner-operators developed by Keika Express. This approach is known as "double-outsourcing."

The efforts of businesses to reduce costs are reflected in growing demand for physical distribution outsourcing. Consumer demand for home delivery services is also expanding. The basic management policy of Keika Express is to achieve shared prosperity with customers and owner-operators, and to earn the trust of shareholders through its role as a physical distribution partner capable of providing its customers with optimized physical distribution infrastructure, including support and consultation.

In recent years Japan has experienced changes in its employment structure and a prolonged recession driven by a deflationary trend. The resulting restructuring in the business sector has had a major impact on both business activities and livelihoods.

These changes have also started to affect the physical distribution sector. Businesses are turning to strategic outsourcing so that they can focus their energies on their own core competencies, and most companies see the establishment of efficient physical

distribution system as a key priority. Keika Express will continue to offer physical distribution support and consultation in various formats to meet the growing demand for business outsourcing. Its mission is to work in partnership with its customers to build new physical distribution service infrastructure that reflect current needs, and to provide consistently innovative physical distribution services.

## (2) Basic policy on profit appropriation

Reliable profit distribution to shareholders is one the most important management priorities for Keika Express. Dividends will continue to be decided on the basis of business results in each accounting period, taking into account the need to retain income for future business development.

## (3) Challenges

A key issue affecting the owner-operator development business relates to Japan's employment environment over the past few years. There has been a sustained growth trend in the number of applicants wishing to become owner-operators, but the financial status of applicants has continued to deteriorate over the years. Keika Express has limited the number of new owner-operators accepted for development, but owner-operator recruitment remains an imperative because of the growth of its transportation business. One solution has been the establishment of a start-up support business for light vehicle transportation operators based on the partial outsourcing of owner-operator development. Partial outsourcing of development operations is expected to lead to cost savings. Keika Express aims to secure owner-operators while minimizing its exposure to new long-term receivables and other burdens. It will work under this structure to expand the use of double-outsourcing in its transportation operations.

## 3. Business Performance

Overview of the Current Interim Period

# (1) General Performance

Economic conditions remained difficult in the current interim period because of factors that included a prolonged slump in consumer spending, a harsh employment and income environment, falling share prices, and a deceleration of the U.S. economy.

In the transportation sector, there was a sharp increase in the number of businesses indicating that conditions had deteriorated compared with the previous year. This

reflects stagnant consumer spending, as well as fallout from the IT slump. There was also a nationwide trend toward lower freight charges. Conditions remained difficult in Japan's deflationary environment.

The Keika Express Group continued to develop its business activities, especially its freight contracting operations, in this environment. In addition to the traditional demand for low-cost, non-standard freight services, it also continued the dynamic development of other approaches, including proposal sales based on outsourced transportation services using light freight vehicles, and the formation business partnerships. Keika Express also responded to growing demand for incidental service contracting that does not involve transportation or delivery of medium and large freight items. As a result, it was able to attract large volumes of contract business.

Net sales in the first half of the current interim period amounted to \(\frac{\pmathbf{4}}{14,848}\) million, an increase of 18.9% compared with the first half of the previous year. However, operating profit declined by 50.9% to \(\frac{\pmathbf{3}}{360}\) million, and there was an interim net loss of \(\frac{\pmathbf{7}}{73}\) million, compared with an interim net profit of \(\frac{\pmathbf{4}}{405}\) million in the previous year. This reflects the impact of Keika Express CS Corporation (formerly Footwork Delivery Service Corporation), on performance.

# (2) Cash Flow Position

Cash and cash equivalents amounted to ¥1,974 million at the end of the current interim period, a decline of ¥179 million compared with the position at the end of previous accounting term.

### Cash flows from operating activities

Cash flows from operating activities in the current interim period were negative by \(\frac{2}{2}\),435 million, compared with a positive result of \(\frac{2}{2}\)540 million in the previous accounting period. This was mainly the result of a reduction in operating profit resulting from the performance of Keika Express CS Corporation.

#### Cash flows from investment activities

Cash flows from investment activities in the current interim period were positive by ¥324 million. As noted above, this resulted from the acquisition of Keika Express CS Corporation.

### Cash flows from financial activities

Cash flows from financial activities in the current interim period were positive by ¥1,931 million, up from negative ¥697 million in the previous interim period. This resulted primarily from increased short- and long-term borrowing.

# (3) Segment Information

# • Transportation Section

In the current interim period, Keika Express negotiated phased increases with shippers in cases where low prices made services unprofitable. As a result, the non-consolidated ratio of gross profit to transportation sales improved from 25.6% in the previous interim period to 28.3%. This improvement reflects customer recognition of the true value of the Keika Express business model. It also reflects changes in physical distribution needs over the past few years, including a trend toward high-frequency, small-lot transportation, and a gradual increase in the use of light freight vehicles to reduce delivery costs.

At the consolidated level, the ratio of gross profit to sales fell to 23.1%, compared with 25.5% in the previous year. This is because the in-house physical distribution costs of Keika Express CS, such as labor costs, service costs, maintenance costs and depreciation, are included in the cost of sales. However, Keika Express improved its ability to offer services based on business proposals with other companies, in addition to its own proposal sales capabilities. It also stepped up its efforts to discover new shippers. As a result, sales in the transportation segment showed buoyant growth to ¥11,070 million, an increase 33.7% compared with previous interim period. Operating profit amounted to ¥382 million.

#### Sales Section

The lack of improvement in the Japanese employment environment was reflected in further growth in the number of people wishing to become independent business operators through the Keika Express owner-operator development system. The most important priority for Keika Express is the improvement of quality in its transportation operations. During the current interim period it worked to recruit quality owner-operators by tightening its screening procedures to ensure the suitability of applicants. Sales from the development business declined by 10.2% compared with the previous interim period to \(\frac{1}{2}\)3,777 million because of factors relating to new sales of vehicle bodies. Operating profit amounted to \(\frac{1}{2}\)726 million.

Outlook for the Whole of the Current Year

Economic conditions are expected to remain difficult in the second half of the current accounting period. However, this situation will have a positive effect on Keika Express, which specializes in proposal of cost-cutting solutions based on the outsourcing of physical distribution. Moreover, the focus of demand is shifting from consolidated transportation in medium or large trucks to delivery in light freight vehicles that are suitable for low-cost, high-frequency small-lot transportation. As in the first half, Keika Express will continue its efforts to discover new shippers while expanding the scope of its group activities through business alliances, M&A and other approaches.

In the first half, various restructuring measures, including the termination of unprofitable business transactions and the reduction of labor costs, were applied to the consolidated subsidiary Keika Express CS. These measures are expected to yield improvements in the second half and beyond. Keika Express CS will also establish a new light vehicle freight service as part of efforts to improve its business performance.

Over the whole of the current business year, sales are expected to reach \(\frac{2}{32}\),501 million, or 125.9% of the previous year's total. The forecasts for recurring profit and net profit are \(\frac{2}{2}\),453 million (195.2% of the previous year's total) and \(\frac{1}{2}\),020 million (150.0% of the previous year's total) respectively.

INTERIM CONSOLIDATED BALANCE SHEET

	······································	ssets	· · · · · · · · · · · · · · · · · · ·			
	This is		Previous		Previous co	msolidated
Thomas	consolidated	l fiscal year	consolidated	fiscal year	fiscal	year
Item	(September	30, 2001)	(September	30, 2000)	(March 3	1, 2001)
	Amount	Ratio	Amount	Ratio	1	Ratio
	Allegant		Allibuit		Amount	
		% 64.1	< 0.50	%		%
Current assets	9,099	04.1	6,859	<b>66</b> .6	.,	66.4
Cash on hand and in bank	2,580		2,585	. !	2,700	
Notes receivable and accounts	3,331	·	2,361		2,436	
Installment account receivable Inventories	2,164 40		1,305		1,711	
Deferred tax assets	146		15 113		132	
Others	902		529		821	
Allowance for doubtful receivable	Δ 66		Δ 50		4 57	
Fixed sissets	5,096	35.9	3,443	33.4		33.6
(Tangible fixed assets)	999	7.0	911	8.8	886	7.6
Buildings and structures	285	,.0	274	6.5	270	7.0
Machinery and delivery equipment	198		2/7		2,0	,
	1,30		120		128	
Delivery equipment  Land	426		139 416		128 416	ĺ
Others	88		410 81		71	
(Intengible fixed assets)	457	3.2	90	0.9	99	0.8
	457	3.4	90	0.9	99	0.8
Intangible fixed assets (Investments and other assets)	3,638	25.7	2,440	23.7	2,947	25.2
Long-term accountsreceivable	2,199	.23.7	1,402	23.1	1,694	يديد
Claims in bankruptcy	694		443		541	
Deferred tax assets	696		557		649	
Deposits	824		712		754	
Others	238		219		273	
Allowance for doubtful receivable	A 1,015		A 894		∆ 966	
Total of assets	14,196	100.0	10,302	100.0	11,718	100.0
2000 07 000000		bîlitles	10,002			
Liablines						
	This ir		Previous		Previous co	
Therry	consolidated	i fiscal fear	consolidated	fiscal year	Previous co	
Item		i fiscal fear		fiscal year		year
Item	consolidated (September	i fiscal fear 30, 2001)	consolidated (September	fiscal year 30, 2000)	fiscal (March 3	year 1, 2001)
Item	consolidated	fiscal fear 30, 2001) Ratio	consolidated	fiscal year 30, 2000) Ratio	fiscal	year 1, 2001) Ratio
	oonsolidated (September Amount	fiscal fear 30, 2001) Ratio	consolidated (September Amount	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount	year 1, 2001) Ratio
Current Habilities	consolidated (September Amount	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944	year 1, 2001) Ratio
Current Habilities Notes payable and Accounts payable	consolidated (September Amount 7,078 447	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223	year 1, 2001) Ratio
Current Habilities Notes payable and Accounts payable Short-term loans payable	consolidated (September Amount	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944	year 1, 2001) Ratio
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less	consolidated (September Amount 7,078 447	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223	year 1, 2001) Ratio
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (mainrity less than one year)	consolidates (September Amount 7,078 447 2,326	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148 1,521 790	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223 883 706	year 1, 2001) Ratio
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business	Amount 7,078 447 2,326	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148 1,521	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223 883	year 1, 2001) Ratio
Current liabilities  Notes payable and Accounts payable  Short-term loans payable  Long-term loans payable (maturity less than one year)  Accounts payable to business  Corporate tax, etc.payable	omsolidated (September Amount 7,078 447 2,326 892 1,348	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148 1,521 790 1,253	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223 883 706 1,415	year 1, 2001) Ratio
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business	omsolidata: (September Amount 7,078 447 2,326 892 1,348 374	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148 1,521 790 1,253 438	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94	year 1, 2001) Ratio
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration	omsolidata: (September Amount 7,078 447 2,326 892 1,348 374 111	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223 883 705 1,415 402	year 1, 2001) Ratio
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remnueration Deferred interest for installment	omsolidate: (September Amount 7,078 447 2,326 892 1,348, 374 111 744	i fiscal fear r 30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480	fiscal year 30, 2000) Ratio	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others	omsolidate: (September Amount 7,078 447 2,326 892 1,348 374 111 744 832	fiscal fear 30, 2001) Ratio	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567	year 1, 2001) Ratio
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable	omsolidata: (September Amount 7,078 447 2,326 892 1,348 374 111 744 832 2,195	i fiscal fear r 30, 2001) Ratio % 49.9	Consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (mainrity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities	7,078 447 2,326 892 1,348 374 111 744 832 2,195	i fiscal fear r 30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279	year 1, 2001) Ratio % 42.2
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants	7,078 447 2,326 892 1,348 374 111 744 832 2,195	i fiscal fear r 30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants	0msolidate: (September 7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696	i fiscal fear r 30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Wixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate	0msolidates (September Amount 7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122	i fiscal fear r 30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable (materity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others	omsolidata: (September 7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133	i fiscal fear -30, 2001)  Ratio  % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434 9	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable (materity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others	omsolidate: (September 7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor	fiscal fear r30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434 9	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111	year 1, 2001) Ratio % 42.2
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities	omsolidate: (September 7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor	i fiscal fear -30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434 9	fiscal year 30, 2000) Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111	year 1, 2001) Ratio % 42.2
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed Habilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities Minority interest	omsolidate: (September 7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor	fiscal fear r30, 2001) Ratio % 49.9	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434 9	fiscal year 30, 2000)  Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111	year 1, 2001) Ratio % 42.2
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities Minority interest	omsolidates: (September Amount  7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor	i fiscal fear r 30, 2001) Ratio % 49.9 15.4 655.3 ty interest	consolidated (September Arnount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434 9 218 - 6,787	fiscal year 30, 2000)  Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111 6,587	year 1, 2001)  Ratio % 42.2
Current liabilities Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities  Minority interest Paid-in capital Additional paid-in capital Surplus from consolidation	omsolidates: (September Amount  7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor R	i fiscal fear -30, 2001) Ratio % 49.9  15.4  65.3  ity interest - guity 8.3	consolidated (September Amount 5,123 148 1,521 790 1,253 438 95 395 480 1,663 1,434 9 218 6,787	fiscal year 30, 2000)  Ratio % 49.8	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111 6,587	year 1, 2001)  Ratio  % 42.2  14.0
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remnueration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants retiring directors and Corporate Others Total of liabilities  Minority interest  Paid-in capital Additional paid-in capital Surplus from consolidation Difference resulting from evaluation of	omsolidates: (September Arnount  7,078 447 2,326 892 1,348, 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor E 1,182 1,108 2,640	65.3  ity interest  guity  8.3  7.8  18.6	consolidated (September Amount 5,123 148 1,521 790 1,253 439 95 395 480 1,663 1,434 9 218 	fiscal year 30, 2000)  Ratio % 49.8  16.1  65.9  - 5.3 3.2, 25.6	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111 6,587	year 1, 2001)  Ratio % 42.2  14.0  156.2  10.1 9.5 24.3
Current liabilities  Notes payable and Accounts payable Short-term loans payable (materity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities  Minority interest  Paid-in capital Additional paid-in capital Surplus from consolidation Difference resulting from evaluation of securities, etc.	omsolidates: (September Amount  7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Milater 1,108 2,640	1 fiscal fear -30, 2001)  Ratio  % 49.9  15.4  65.3  ity interest  - guity  8.3  7.8  18.6  - a 0.0	consolidated (September Arnount 5,123 148 1,521 790 1,253 438 95 480 1,663 1,434 9 218 - 6,787	fiscal year 30, 2000)  Ratio % 49.8  16.1  65.9	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111 6,587	year 1, 2001)  Ratio % 42.2  14.0  156.2  10.1 9.5 24.3 4.0.1
Current liabilities  Notes payable and Accounts payable Short-term loans payable Long-term loans payable (maturity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities  Minority interest Peid-in capital Additional paid-in capital Surplus from consolidation Difference resulting from evaluation of securities, etc. Total of equity	omsolidates: (September Arnount  7,078 447 2,326 892 1,348, 374 111 744 832 2,195 1,696 122 243 133 9,273 Minor E 1,182 1,108 2,640	65.3  ity interest  guity  8.3  7.8  18.6	consolidated (September Amount 5,123 148 1,521 790 1,253 439 95 395 480 1,663 1,434 9 218 	fiscal year 30, 2000)  Ratio % 49.8  16.1  65.9  - 5.3 3.2, 25.6	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111 6,587	year 1, 2001)  Ratio % 42.2  14.0  156.2  10.1 9.5 24.3
Current liabilities  Notes payable and Accounts payable Short-term loans payable (materity less than one year) Accounts payable to business Corporate tax, etc.payable Reserves for remuneration Deferred interest for installment Others Fixed liabilities Long-term loans payable Reserves for retirement grants Reserves for retirement grants for retiring directors and Corporate Others Total of liabilities  Minority interest  Paid-in capital Additional paid-in capital Surplus from consolidation Difference resulting from evaluation of securities, etc.	omsolidates: (September Amount  7,078 447 2,326 892 1,348 374 111 744 832 2,195 1,696 122 243 133 9,273 Milater 1,108 2,640	1 fiscal fear -30, 2001)  Ratio  % 49.9  15.4  65.3  ity interest  - guity  8.3  7.8  18.6  - a 0.0	consolidated (September Arnount 5,123 148 1,521 790 1,253 438 95 480 1,663 1,434 9 218 - 6,787	fiscal year 30, 2000)  Ratio % 49.8  16.1  65.9	fiscal (March 3 Amount 4,944 223 883 706 1,415 402 94 567 650 1,643 1,279 22 230 111 6,587	year 1, 2001)  Ratio % 42.2  14.0  56.2  10.1 9.5 24.3 4 0.1

# INTERIM CONSOLIDATED PROFIT AND LOSS STATEMENT

	<del>,</del>		,		(Unit: Milli	0113 01 10
	This interim c		Previous consolidate		Previous co	
	fiscal	•	yea		fiscal	-
Item	April 1,		April 1, 2000		April 1, 2000	
	September	30, 2001 J	Septermber 30, 2000		March 31, 2001	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%	1 2210 0220	%	7	%
Net sales	14,848		12,489	100.0	25,809	100.0
Sales cost	9,666	65.1	7,438	59.6	15,616	60.5
Gross profit on sales	5,181	34.9	5,051	40.4	10,192	39.5
Selling expenses and					i	
administrative	{					
expenses	4,874	32.8	4,380	35.0		35.0
Operation profit	306	2.1	671	5.4	, ,	4.5
Non-operating income	95	0.6	114	0.9	i :	0.7
Commission earned	36		50		91	
Compensation for						•
damage	35		27		48	
Others	23		35		51	
Non-operating expenses	42	0.3	51	0.4	83	0.3
Interest payable	11		17		31	
Expenses for issue						
of new shares	-		. 7		8	
Preparation expenses						
for initial public			_			
offering			3		13	
Others	30	2.4	23		29	
Recurring profit	360	2.4	733	5.9	1,256	4.9
Special profit	0	0.0	0	0.0	0	0.0
Gain on sale of fixed						
assets	0		0		0	
Special loss	63	0.4	16	0.1	30	0.1
Loss from sale of			,		ا	
fixed assets	-		0		O	
Loss on retirement of	اً		ا _		اء	
fixed assets Appraisal loss from	2		5		9	
investment					[	
securities	60				<u> </u>	
Costs for introduction of	50			1	]	
· accounting standard for						
retirement benefits	-		10		20	
Interim net earnings		ا ـ ـ ـ ـ ـ				
before tax, etc.	297	2.0	718	5.8	1,227	4.8
Corporate tax, resident		ا ا		ا ـ ۸		
tax and enterprise tax  Corporate tax, etc.	373	2.5	441	3.5	785	3.0
of previous periods Adjustment for	57	0.4	-	-	-	•
corporate tax, etc.	a 59	△ 0.4	△ 129	1.0 م	△ 237	△ 0.8
Interim net earnings	Δ 73	Δ 0.5	405	3.3	680	2.6

# STATEMENT OF INTERIM CONSOLIDATED SURPLUS

Item	This interim consolidated fiscal year April 1, 2001 September 30, 2001	fiscal year consolidated fiscal year April 1, 2001	
	Amount	Amount	Amount
Initial balance of			
consolidated			
surplus	2,846	2,316	2,316
Decrease in consolidted			
surplus	132	84	150
Dividend	113	65	131
Bonus paid to			
directors	18	18	18
Interim net earnings Interim closing balance	Δ 73	405	680
of consolidated surplus	2,640	2,637	2,846

# STATEMENT OF INTERIM CONSOLIDATED CASH FLOW

	<del> </del>	<del>,</del>	TVICTIONS OF TONY
	This interim consolidated	Previous interim	Previous consolidated
Item	fiscal year	consolidated fiscal year	fiscal year
letu	April 1, 2001	April 1, 2000	April 1, 2000
	September 30, 2001	September 30, 2000	March 30, 2001
	Amount	Amount	Amount
Cash flow from operating activities			
Interim net earnings before tax, etc.	297	718	1,227
Depreciation expenses	65	58	126
Increase in reserves for credit losses	52	393	472
Increase or decrease in reserves for bonus payment	<u> </u>	5	4
Increase or decrease in employees retirement benefit	A 12	9	22
Increase or decrease in reserves for			
retirement grants for retiring directors and			
corporate auditors	12	11	23
Interest earned and dividend earned	0 ۵	0 م	
Interest payment	11	17	31
Increase in trade receivable	۱,243 م	△ 792	Δ 1,328
Increase or decrease in installment credit	۵ 465 مم	792	364
Increase or decrease in inventory assets	22	A 2	∆ 28
Increase or decrease in purchase amount payable	△ 336	▲ 17	219
Increase or decrease in unpaid consumption tax, etc.	۵ و	13	17
Increase or decrease in other assets or debt	A 432	A 376	14
Others	80	<u> </u>	10 م
Sub-total	△ 1,956	817	1,154
Amount receivable for interest rate and dividend	0	0	2
Amount paid for interest rate	<b>▲ 19</b>	a 14	△ 26
Amount paid for corporate tax, etc.	A 459	<u> </u>	A 642
Cash flow from operating activities	Δ 2,435	540	488
Cash flow from investing activities			
Expenditure for fixed-term deposits	△ 229	△ 204	<b>△</b> 408
Receipts from fixed-term deposits	180	180	300
Expenditure for acquisition of investment securities	•	△ 69	Δ 121
Receipts from sale of investment securities	3	-	-
Expenditure for acquisition of tangible property	∆ 125	△ 72	д 113
Receipts from sale of tangible property	2	9	11
Receipts from acquisition of shares of			
subsidiaries newly consolidated	51 <i>5</i>	-	
Others	۵۱ م	<u> </u>	A 219
Cash flow from investing activities	324	A 166	∆ 551
Cash flow from financing activities		1	
Net balance of short-term borrowing	1,442	△ 208	д 846
Receipts from long-term debt	1,000	٦	150
Expenditure for payment of long-term borrowing	△ 397	A 422	△ 811
Paid amount for dividends	<u>م</u> 113	<b>△ 6</b> 5	۵ 131 م
Receipts from issuing stocks	•		1,410
Cash flow from financing activities	1,931	д 697	△ 230
Commutation balance of cash and cash equivalent			-
Decrease in cash or cash equivalent	д 179	Δ 323	Δ 292
Imitial balance of cash and cash equivalent	2,153	2,445	2,445
Interim closing balance of cash and	,	,	, -
cash equivalent	1,974	2,122	2,153
BANKA ALAYAN	الداروة	2,122	2,133

(Footnotes)

[translation omitted other than segment information]

### **Segment Information**

### (1) Business Segments

Current Interim Accounting Period (from April 1 to September 30, 2001)

The principal business operations of the Keika Express Group are freight transportation contracting and owner-operator development. Separate segment information for these activities was not previously shown in the accounts because they were seen as a single, indivisible business segment, consisting of the sale of light freight vehicles based on Keika Express specifications to owner-operators to support the establishment of their businesses (owner-operator development), and the contracting of owner-operators to provide transportation services contracted to Keika Express by customers.

In the current interim accounting period, Keika Express has started to sell truck bodies based on its own specifications to non-group users as well as to owner-operators. It has also turned Keika Express CS, which owns freight vehicles and is involved primarily in provision of medium and large freight transportation services and related incidental services, into a consolidated subsidiary. These changes have partially reduced the linkage between freight transportation contracting and owner-operator development, and segment information will therefore be shown separately, starting in the current term.

#### (Millions of yen)

	Trans-portatio n	Owner-Operat or Development	Total	Eliminations/ Corporate	Consolidated
I. Sales and Operating Profit					
Sales					
(1) Sales to customers	11,070	3,777	14,848	•	14,848
(2) Intersegment sales and transfers		117	117	(117)	•
Total	11,070	3,894	14,965	(117)	14,848
Operating expenses			9,707		
Cost of sales	8,533	1,173	4,148	(40)	9,666
Selling and administrative expenses	2,154	1,993		725	4,874
Total	10,688	3,167	13,855	685	14,541
Operating profit	382	726	1,109	(802)	306

### 2. Names of Main Goods and Products in Each Segment

0	The sales and	TN-4-21-		Common Norma
Segment	Product	Details	t t	Company Name
0.0				

Transportation Section (Consigned freight transportation business)	Freight transportation revenues	Contracting of light vehicle freight transportation and incidental service	Keika Express Co., Ltd.  Keika Express  Corporation
	Other operating revenues	Freight insurance commissions, business development commissions, etc., pertaining to the above activities	
Sales Section (Owner-operator development business)	Sales of goods	specifications to owner-operators	MC Convenience Co., Ltd. (Consolidated
	Other operating revenues	Affiliation charges, etc., pertaining to the above activities	

3. Operating expenses include eliminations and corporate items that cannot be apportioned. These amount to ¥727 million and relate mainly to the parent company's administrative operations.

### 5. Sales Condition

This interim consolidated fiscal year		Previous int consolidated fis		Previous consolidated fiscal year		
Segment	n	April 1, 2001 to September 30, 2001		April 1, 2000 to September 30, 2000		2001
	Amount of sales	Ratio	Amount of sales	Ratio	Amount of sales	Ratio
Transportation section (Consigned freight transportation business)	11,070	74.6	8,282	66.3	17,577	68.1
Sales section	11,070	74.0	0,202	00.3	1/5//	00.1
(Owner-operator						
development business)	3,777	25.4	4,206	33.7	8,232	31.9
Total	14,848	100.0	12,489	100.0	25,809	100.0

November 15, 2001

# Brief Statement of Financial Results for the Interim Fiscal Year ended March 2002 (Non-consolidated)

Name of the Listed Company:

Keika Express Co., Ltd.

Securities Exchange where Listed:

Osaka Securities Exchange

Security Code Number:

9374

Location of Head Office:

Osaka-pref.

For Inquiries:

Yuzuru Taninaka, Accounting Manager

Telephone: +81-06-6907-5770 (Pilot Number)

Date of the Meeting of the Board of Directors approving the Closing Account:

November 15, 2001

Interim Dividends:

Applicable/ Declared

Date of Payment of Interim Dividends:

December 10, 2001

### 1. Earnings of Interim Fiscal Year ended September 2001

### (1) Operating Result

	(Compared With the Net previous sales interim fiscal year)	Operating profit (Compared with the previous interim fiscal fear)	(Compared with the Recurring profit interim fiscal year)
	Millions of yen %	Millions of yen %	Millions of yen %
Interim fiscal year ended September 2001 Interim fiscal year ended	13,609 ( 12.4) 12,109 ( 9.3)	786 ( 63.9) 479 (△26.7)	827 ( 64.1) 504 (Δ26.9)
September 2000			
Fiscal year ended March 2001	25,486	1,159	1,222

	Interim net tearnings	compared with the previous interim fiscal year)	Interim net earnings per share
	Millions of yer	ı %	Yen
Interim fiscal year ended September 2001	356	( 30.3)	47.02
Interim fiscal year ended September 2000	273	(Δ21.8)	41.56
Fiscal year ended March 2001	668		95.07

(Footnotes: translation omitted)

## (2) Condition of Dividends

	Interim dividends per share	Annual dividends per share
	Yen	Yen
Interim fiscal year ended	12.50	
September 2001 Interim fiscal year ended September 2000	10.00	
Fiscal year ended March 2001		25.00

(Footnotes: translation omitted)

# (3) Financial Condition

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim fiscal year ended	10,966	5,513	50.3	727.34
September 2001 Interim fiscal year ended September 2000	8,246	3,556	43.1	540.48
Fiscal year ended March 2001	9,538	5,291	55.5	698.12

(Footnotes: translation omitted)

## 2. Earnings Forecast of Fiscal Year ended March 2002

	Net sales	Recurring profit	Net earnings	Annual dividends per share		
	Millions of yen	Millions of yen	Millions of yen	Year-end Yen	Yen	
Whole fiscal year	29,861	3,100	1,636	12.50	25.00	

Reference: Estimated Current Net Earnings per Share 215.93 Yen

# Interim Balance Sheet

Assets								
Assets								
Item	This interim fiscal year (September 30, 2001)		Previous interim fiscal year (September 30, 2000)		Previous fiscal year (March 31, 2001)			
	Amount	Ratio	Amount	Ratio	Amount	Ratio		
Current assets Cash on hand and in bank	6,614 2,285	% 60.3	5,092 2,192	% 61.8	5,981 2,472	% 62.7		
Notes receivable	5		6		3			
Accounts receivable	3,284		2,354		2,620			
Inventories	40		15		40			
Deferred tax assets	49		54		50			
Others Allowance for doubtful	992		511		839			
receivable	∆ 41		<b>∆</b> 41		۵ 45			
Fixed assets	4,351	39.7	3,153	38.2		1		
(Tangible fixed assets)	909	8.3	908	11.0		9.3		
Buildings	268		271		266			
Land	416		416		416			
Others	224		221		202			
(Intangible fixed assets) Intangible fixed assets (Investments and other	104 104	1.0	81 81	1.0	89 89	0.9		
assets) Long-term accounts	3,337	30.4	2,163	26.2	2,581	27.1		
receivable	2,099		1,296		1,577			
Claims in bankruptcy	453		308		372			
Deferred tax assets	391		392		414			
Deposits	722		702		744			
Others	490		242		294			
Allowance for doubtful								
receivable	A 819		△ 778		△ 821			
Total of assets	10,966	100.0	8,246	100.0	9,538	100.0		

	Li	abilities	······································	<del> </del>		· · · · · · · · · · · · · · · · · · ·	
Item	This inter	This interim fiscal year (September 30, 2001)		Previous interim fiscal year (September 30, 2000)		Previous fiscal year (March 31, 2001)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	
Current liabilities	4,540	% 41.4	4,182	% 50.7	3,768	% 39.5	
Accounts payable	160		147		222		
Short-term loans payable Long-term loans payable (maturity less than	1,583		1,371		755		
one year) Accounts payable to	253		331		217	i	
business consignors Corporate tax, etc.	1,365		1,253		1,415		
payable Reserves for remuneration	335 94		415 92		390 91	'	
Others	747		570		675		
Fixed liabilities	912	8.3		6.2	477	5.0	
Long-term loans payable	433		279		225		
Convertible bonds	200		-		-		
Reserves for retirement							
grants	36		9		22		
Reserves for retirement grants for retiring directors and							
Corporate Audiors	242		218		230		
Total of liabilities	5,453	49.7	4,690	56.9	4,246	44.5	
		Equity					
Paid-in capital	1,182	10.8		6.6	1,182	12.4	
Additional paid-in capital	1,108	10.1	336	4.1	1,108	11.6	
Earned surplus reserve	48	0.4		0.3	35	0.4	
Other surplus	3,183	29.1	2,649	32.1	2,972	31.2	
1. Voluntary reserve	2,500		2,000		2,000		
2. Unappropriated retained							
earnings Difference resulting from evaluation of	683		649		972		
securities, etc.	و م	0.1 ک	Δ2	△ 0.0	Δ 6	0.1 م	
Total of equity	5,513	50.3	3,556	43.1	5,291	55.5	
Total of liabilities,							
minority interest, and							
equity	10,966	100.0	8,246	100.0	9,538	100.0	

# Interim Profit and Loss Statement

hem		This interim fiscal		Previous interim			
Net sales   13,609   100.00   12,109   100.00   25,486   100   100.00   12,109   100.00   25,486   100   100.00   12,109   100.00   25,486   100   100.00   15,433   60   60   60   10,032   30   60   60   60   60   60   60   60		year April 1, 2001		fiscal year April 1, 2000		Previous fiscal year April 1, 2000 March 31, 2001	
Net sales	Item						
Net sales   13,609   100.0   12,109   100.0   25,485   106   106   100.0   1		Amount	Ratio	Amount	Ratio	Amount	Ratio
Sales cost							%
Gross profit on sales Selting expenses and administrative expenses						,	100.0
Selling expenses and administrative expenses							60.6
administrative expenses		3,462	40.1	4,792	39.0	10,032	39.4
Expenses		[				, ,	
Non-operating income		4,675	34.3	4,312	35.6	8,872	34.8
Non-operating income   88   0.6   88   0.7   161   0   0			5.8		4.0		4.6
Constriction earned   2		88	0.6	88	0.7	161	0.6
Constriction earned   36	Interest and dividend	1					.
Compensation for damage 35 27 48 48 Others 13 66 177 Non-operating expenses 47 0.3 63 0.5 98 0 Interest payable 9 17 30 17 30 Expenses for insue of company bonds 10 - Cancel charge payable 7 12 16 Preparation expenses for initial public offering 3 3 33 13 30 Expenses for initial public offering 4 30 38 Recurring profit 827 6.1 504 4.2 1,222 48 Spealal profit 0 0.0 0 0.0 0 0 0 0 0 0 0 0 0 0 0 0 0	earned	2		2		4	
Compare	Commission carned	36		50		91	'
Non-operating expenses	•				•	}	
Non-operating expenses	_			1			
Interest payable Expenses for issue of company bonds 10							
Expenses for issue of company bonds 10 Cancel charge payable Preparation expenses for initial public offering Others 19 Recurring profit 827 6.1 504 4.2 1,222 4 Special profit 0 0.0 0 0 0 0 0 0 Special loss 57 0.4 16 0.2 30 0 0 Special loss 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			0.3		0.5		0.4
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Cancel charge payable Preparation expenses for initial public offering Others  Recurring profit  Special profit  Gain on sale of fixed assets  O Special loss  Special los	•	10				_	
Preparation expenses for initial public offering Others Recurring profit Recurring profit Special profit Gain on sale of fixed assets 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	• •	1 1					
for initial public offering		7		12		10	
Others 19 30 38 38 38 38 38 38 38 38 38 38 38 38 38							
Others Recurring profit				3		13	
Special profit	Others	19		30			
Gain on sale of fixed assets 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Recurring profit	827	6.1	504	4.2	1,222	4.8
Special loss   Spec	Special profit	0	0.0	0	0.0	0	0.0
Special less  Loss from sale of fixed assets  Loss on retirement of fixed assets  Appraisal loss from irrestment of fixed assets  Appraisal loss from irrestment securities  Securities  Costs for infroduction of accounting standard for retirement benefits  Interim net earnings  before tax  770  5.7  488  4.0  1,193  4  Corporate tax, resident tax and enterprise tax  335  Corporate tax, etc.  of previous periods  Adjustment for  corporate tax, etc.  26  0.2  A 194  A 1.6  A 210  A 0  Interim net earnings  Sof Earned surplus carried forward to this interim dividends  Earned surplus reserved with regard to interim dividends  - 6	Gain on sale of fixed	1					
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Loss on retirement of fixed assets Appraisal loss from investment securities Costs for introduction of accounting standard for retirement benefits Interim net earnings before tax 770 5.7 488 4.0 1,193 4 Corporate tax, resident tax and enterprise tax 335 2.5 409 3.3 735 2 Corporate tax, etc. of previous periods Adjustment for corporate tax, etc. 26 0.2 Interim net earnings Earned surplus carried forward to this interim fiscal year 326 Interim dividends Earned surplus reserved with regard to interim dividends interim dividends  - 6  - 6  - 7  - 7  - 7  - 7  - 7  -							
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tax and enterprise tax 335 2.5 409 3.3 735 2 Corporate tax, etc. of previous periods 52 0.4 -	before tax	770	5.7	488	4.0	1,193	4.7
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Interim dividends - 65  Earned surplus reserved with regard to interim dividends - 6		276		276		276	ļ
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with regard to intering dividends - 6		1		-		65	
interine dividends - 6		1		ľ			
			,	1			1
Unantropristed retained	interim dividends Unappropriated retained					6	ĺ
earnings 683 649 972		683	Į	640	i	0771	ł