

**2004**

**SEMI-ANNUAL REPORT**

For the six months ended September 30, 2003

**FUJI LOGISTICS CO., LTD.**

# BOARD OF DIRECTORS AND AUDITORS

(as of Sept. 30, 2003)

Yasuhiro Nakao  
President and Representative Director

Michio Kobayashi  
Senior Managing Director

Katsuyoshi Hirai  
Managing Director

Masanori Iike  
Director

Shinichi Yamamoto  
Director

Kazuki Ito  
Director

Tadashi Sato  
Director

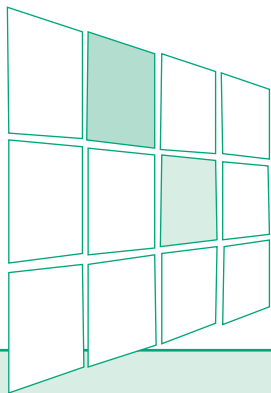
Tadahiko Chizawa  
Standing Auditor

Keiji Sato  
Auditor

Junichi Matsumoto  
Auditor

## CORPORATE DATA

(as of Sept. 30, 2003)



### FUJI LOGISTICS CO., LTD.

Head office: 3-9-11, Mita, Minato-ku, Tokyo 108-0073, Japan

Web site: <http://www.fujibuturyu.co.jp/en/>

Established: February 15, 1975

Paid-in capital: ¥ 2,979,675,000

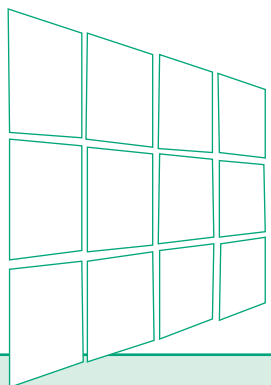
Number of employees: Consolidated: 810

Non-consolidated: 439

Business description: Comprehensive logistics business

- Logistics operations (transportation, packing, warehousing and other businesses)
- Logistics management (third party logistics management, plant export management)
- Logistics system design (system development, facility design, packing design and information system design)
- Delivery and installation operations (installation of machinery and tools, and electric work)
- Logistics streamlining consulting
- Selling of packing materials and packing products
- Selling of system equipment for logistics streamlining
- Real-estate leasing
- Gathering and transporting industrial waste

## GROUP



### Primary offices

Head Office (Tokyo), Sapporo Sales Office, Tohoku Sales Office, Kita Kanto Branch, Tokyo Branch, Keihin Branch, Moving Techno Center, Omori Sales Office, Omiya Sales Office, Minami Kanto Branch, Matsumoto Branch, Chubu Branch, Mie Branch, Suzuka Branch, Kansai Branch, Kobe Branch and Kyushu Branch

### Subsidiaries

#### (Japan)

TOKYO JUKI TRANSPORT CO., LTD.

3-12-2, Minamino, Tama-shi,

Tokyo 206-0032, Japan

Tel +81-42-337-0162 Fax +81-42-337-7803

FUJI LOGISTICS INTERNATIONAL CO., LTD.

Yamashitacho K Bldg.

224-1, Yamashitacho, Naka-ku,

Yokohama 231-0023, Japan

Tel +81-45-211-0175 Fax +81-45-211-0160

FUJI LOGISTICS OPERATIONS CO., LTD.

3-9-11, Mita, Minato-ku,

Tokyo 108-0073, Japan

Tel +81-3-5476-8677 Fax +81-3-3454-8410

FUJI LOGISTICS SUPPORT CO., LTD.

3-9-11, Mita, Minato-ku,

Tokyo 108-0073, Japan

Tel +81-3-5476-8661 Fax +81-3-3454-0590

#### (Overseas)

FUJI LOGISTICS (DALIAN F.T.Z.) CO., LTD.

No.B-416 Taihua Building, Dalian Free Trade Zone

116600 Liaoning, P.R.China

Tel +86-411-732-7980 Fax +86-411-732-7961

FUJI LOGISTICS (SHANGHAI) CO., LTD.

Suit D, 17F./East Building, New Hua Lian Mansion No.755,

Huai Road Middle, 20020 Shanghai, P.R.China

Tel +86-21-6466-2602 Fax +86-21-6466-7212

FUJI LOGISTICS (SHENZHEN) CO., LTD.

No.5, Taohua Road, Futian Free Trade Zone,

518038 Shenzhen, Guangdong, P.R.China

Tel +86-755-8358-0416 Fax +86-755-8358-0414

FUJI LOGISTICS (H.K.) CO., LTD.

14/F., Ever Gain Centre,

No.28 On Muk Street, Shatin,

N.T., Hong Kong

Tel +852-2636-1611 Fax +852-2636-1767

FUJI LOGISTICS (MALAYSIA) SDN. BHD.

53-4-E, MBF Tower (Podium Block)

Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

Tel +60-4-226-2443 Fax +60-4-226-6524

FUJI LOGISTICS EUROPE B.V.

Warmonderweg 12-B, 2171 AH Sassenheim,

The Netherlands

Tel +31-25-2240-160 Fax +31-25-2240-179

※) FUJI LOGISTICS (SHENZHEN) Co., LTD. is 100% subsidiary of FUJI LOGISTICS (H.K.) Co., LTD.

## A MESSAGE FROM THE PRESIDENT



**T**he Japanese economy during this interim period saw signs of recovery in exports, capital investment and stock prices; however, the business environment continues to be severe with an unchanging deflationary trend, harsh employment environment leading to a slump in personal consumption and other difficult economic conditions.

Excluding some sectors, the logistics industry is expected to face a reduction in total transport volumes compared to the previous year.

Within these tough circumstances, Fuji Logistics announced a three-year medium-term business plan beginning in May 2003 that runs from fiscal 2003 (year ending in March 2004) to fiscal 2005 (ending in March 2006) and the implementation of the plan has already begun.

Our vision lies in "Comprehensively realizing the logistics innovation of our customers" as "Being the Front runners of logistics services with heart." Based on this corporate philosophy, we have worked to deliver logistics services that satisfy our customers in the present tough conditions. We proactively pursued the expansion of our business capacity as we continuously strive to become a company with significant presence and importance in the logistics industry.

Specifically, we worked to expand our third-party logistics business via new orders and sales activities by our overseas subsidiaries. Furthermore, we worked to provide broader and higher quality logistics services by adding a call center function for maintenance parts to our existing 24 hour 7 day logistics services. These have been implemented to increase the orders received. However, year-on-year results were slightly reduced due to the review and termination of unprofitable transactions, demands for price reductions from customers and other severe circumstances.

As a result, service revenues decreased 380 million yen year-on-year to 16,554 million yen (decrease of 2.2% year-on-year; all comparisons hereafter are the same, unless indicated otherwise).

Service revenues related to the Fuji Electric Group increased 35 million yen to 8,895 million yen (increase of 0.4%, 53.7% of total service revenues). Primarily, those related to domestic logistics sales performed poorly, while there was an increase in revenues related to vending machines and an increase in orders received by our overseas subsidiaries, resulting in a slight increase in the total account.

As for customers other than the Fuji Electric Group, service revenues decreased 415 million yen to 7,658 million yen (decrease of 5.1%, 46.3% of total). In addition to an increase in orders received from a major information systems equipment manufacturer, we received new orders for third-party logistics work related to wholesalers of artificial flowers, dry flowers, interiors and sundries. Furthermore, there was an increase in third-party logistics orders from industrial sewing machine manufacturers by our overseas subsidiary (located in Holland) along with an increase in orders for 24 hour 7 day services. However, year-on-year results were slightly reduced due to the review and termination of unprofitable transactions, demands for price reductions from customers and other severe circumstances.

Operating income increased 131 million yen to 334 million yen (increase of 64.0%) due to the termination of unprofitable transactions and overall decrease in operating costs. Specifically, we pursued reductions in warehouse rents and leasehold charges resulting from a review of logistics center locations.

Ordinary income increased 100 million yen to 343 million yen (increase of 41.4%).

Interim net income increased 51 million yen and reached 154 million yen (increase of 49.6%).

### <Domestic Logistics>

(Transportation, packing and warehousing businesses in Japan) Although third-party logistics work increased through new orders, the review of unprofitable transactions, termination of such deals and price reduction demands from customers were very severe. As a result, service revenues reached 14,200 million yen (decrease of 1.9%).

### <Other Businesses>

(Export and import handling in Japan, overseas local logistics, sales of logistics systems, equipment and packing materials, and the leasing of office buildings.) Although we expanded third-party logistics work for industrial sewing machine manufacturers at our European subsidiary (in Holland), our transport volume slumped dramatically in correlation with a drop in import volumes by the plant procurement division of Fuji Electric Co., Ltd. As a result, service revenues totaled 2,353 million yen (decrease of 4.5%).

### Cash Flows

Cash and cash equivalents as of the end of this interim period decreased by 496 million yen compared to the end of the preceding consolidated fiscal year and totaled 2,533 million yen.

### <Cash Flows from Operating Activities>

Net cash flows increased 73 million yen due to operating activities. The present consolidated interim period saw a major increase in operating income (increase of 64.0%) resulting from an improved gross profit rate created by various efforts including improved streamlining. However, the amount of increase was small in part due to payment requirement changes by major clients.

### <Cash Flows from Investing Activities>

Net cash flows decreased 757 million yen as a result of investing activities. This was primarily due to a major investment to acquire land for a logistics center. On the other hand, an improvement in cash flows was sought through sale of guarantee deposits and assets (land and investment securities).

### <Cash Flows from Financing Activities>

Net cash flows increased 186 million yen as a result of financing activities. This was primarily due to an increase in short-term borrowings.

*Yasuhiro Nakao*

Yasuhiro Nakao  
President and Representative Director

# CONSOLIDATED BALANCE SHEETS

As of September 30, 2003 and 2002	Thousands of yen		Thousands of U.S. dollars	Thousands of yen
	2002	2003	2003	As of March 31 2003
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents .....	¥ 2,044,456	¥ 2,532,576	\$ 22,816	¥ 3,028,150
Trade receivables .....	9,167,607	9,338,524	84,131	9,282,932
Allowance for doubtful accounts .....	(9,718)	(9,342)	(84)	(9,865)
Deferred income taxes .....	175,725	308,658	2,781	426,339
Prepaid expenses and other current assets .....	587,492	550,621	4,960	726,300
<b>TOTAL CURRENT ASSETS .....</b>	<b>11,965,562</b>	<b>12,721,037</b>	<b>114,604</b>	<b>13,453,856</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land .....	3,039,255	3,592,730	32,367	2,512,994
Buildings and structures .....	9,587,087	9,152,332	82,453	9,095,104
Machinery and equipment .....	2,214,986	1,928,695	17,376	1,934,367
Other .....	1,415,321	1,425,994	12,847	1,341,230
	16,256,649	16,099,751	145,043	14,883,695
Less accumulated depreciation .....	(8,448,517)	(8,197,587)	(73,852)	(7,994,948)
<b>PROPERTY, PLANT AND EQUIPMENT, NET .....</b>	<b>7,808,132</b>	<b>7,902,164</b>	<b>71,191</b>	<b>6,888,748</b>
<b>INTANGIBLE ASSETS .....</b>	<b>598,433</b>	<b>628,722</b>	<b>5,664</b>	<b>589,206</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities .....	193,323	116,947	1,054	124,414
Deferred income taxes .....	1,918,481	1,255,295	11,309	1,255,082
Deposits and guarantees .....	1,160,883	853,607	7,690	1,145,644
Other investments and other assets .....	159,733	82,688	744	140,683
Allowance for doubtful accounts .....	(3,000)	(14,000)	(126)	(4,500)
<b>TOTAL INVESTMENTS AND OTHER ASSETS .....</b>	<b>3,429,420</b>	<b>2,294,537</b>	<b>20,671</b>	<b>2,661,323</b>
	¥ 23,801,547	¥ 23,546,460	\$ 212,130	¥ 23,593,133



	Thousands of yen	Thousands of U.S. dollars	Thousands of yen
	2002	2003	As of March 31 2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings .....	¥ 1,810,000	¥ 1,740,000	\$ 15,676 ¥ 1,279,500
Current portion of long-term debt .....	141,375	238,000	2,144 238,000
Trade payables .....	5,430,816	5,479,429	49,364 5,720,141
Accrued income taxes .....	47,867	59,913	540 149,106
Accrued expenses .....	524,932	536,268	4,831 582,115
Other current liabilities .....	713,702	782,908	7,053 775,209
<b>TOTAL CURRENT LIABILITIES .....</b>	<b>8,668,692</b>	<b>8,836,518</b>	<b>79,608 8,744,071</b>
<b>LONG-TERM DEBT .....</b>	<b>349,500</b>	<b>989,500</b>	<b>8,914 1,162,500</b>
<b>RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS .....</b>	<b>4,550,303</b>	<b>2,992,199</b>	<b>26,957 3,011,463</b>
<b>RESERVE FOR OFFICERS' RETIREMENT BENEFITS .....</b>	<b>89,580</b>	<b>132,275</b>	<b>1,192 111,380</b>
<b>DEFERRED INCOME TAXES .....</b>	<b>63,009</b>	<b>61,055</b>	<b>550 63,234</b>
<b>OTHER LONG-TERM LIABILITIES .....</b>	<b>69,998</b>	<b>43,489</b>	<b>391 57,520</b>
<b>TOTAL LIABILITIES .....</b>	<b>13,791,082</b>	<b>13,055,036</b>	<b>117,612 13,150,168</b>
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES .....</b>	<b>92,822</b>	<b>93,757</b>	<b>845 94,513</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock, without par value:			
Authorized - 60,000,000 shares			
Issued - 24,970,000 shares in 2003 and 2002 .....	2,979,675	2,979,675	26,844 2,979,675
Capital surplus .....	2,595,155	2,595,155	23,380 2,595,155
Retained earnings .....	4,389,748	4,906,194	44,200 4,874,748
Unrealized loss on other securities, net of taxes .....	(9,789)	1,979	18 (6,528)
Foreign currency translation adjustment .....	(2,534)	12,791	115 2,583
	9,952,255	10,495,794	94,557 10,445,633
Less shares of treasury stock held by the Company .....	(34,612)	(98,129)	(884) (97,181)
<b>TOTAL SHAREHOLDERS' EQUITY .....</b>	<b>9,917,643</b>	<b>10,397,665</b>	<b>93,673 10,348,452</b>
	¥ 23,801,547	¥ 23,546,460	\$ 212,130 ¥ 23,593,133

# CONSOLIDATED STATEMENTS OF OPERATIONS

Six months ended September 30, 2003 and 2002	Thousands of yen		Thousands of U.S. dollars	Thousands of yen
	2002	2003	2003	Year ended March 31 2003
<b>SERVICE REVENUES</b> .....	¥ 16,934,271	¥ 16,553,695	\$ 149,132	¥ 34,087,692
<b>COST OF SERVICES</b> .....	15,827,854	15,267,642	137,546	31,686,953
<b>GROSS PROFIT</b> .....	1,106,417	1,286,053	11,586	2,400,739
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> .....	902,517	951,580	8,573	1,854,837
<b>OPERATING INCOME</b> .....	203,900	334,473	3,013	545,902
<b>NON-OPERATING INCOME (EXPENSES):</b>				
Interest and dividend income .....	4,212	3,597	32	6,888
Interest expense .....	(11,485)	(12,116)	(109)	(21,857)
Other, net .....	45,766	16,734	151	40,465
<b>NON-OPERATING INCOME (LOSS), net</b> .....	38,493	8,215	74	25,496
<b>ORDINARY INCOME</b> .....	242,393	342,688	3,087	571,398
<b>EXTRAORDINARY INCOME (LOSS):</b>				
Gain on sales of investment securities .....	7,018	20,058	181	7,172
Loss on sales of investment securities .....	(5,118)	—	—	(31,135)
Gain on sales of fixed assets .....	—	33,224	299	—
Loss on disposal of fixed assets .....	—	—	—	(622,837)
Loss on devaluation of investment securities .....	(6,967)	(10,966)	(99)	(37,591)
Additional severance payments for early retirement .....	—	—	—	(18,817)
Gain on return of the substitutional portion of the governmental pension plan .....	—	—	—	1,496,607
Other .....	(2,655)	(66,118)	(595)	(52,660)
<b>Extraordinary income (loss), net</b> .....	(7,722)	(23,803)	(214)	740,739
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b> .....	234,671	318,886	2,873	1,312,137
<b>INCOME TAXES</b> .....	(130,208)	(162,580)	(1,465)	(646,624)
<b>INCOME BEFORE MINORITY INTERESTS</b> .....	104,463	156,306	1,408	665,513
<b>MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES</b> .....				
	(1,352)	(2,054)	(18)	(3,020)
<b>NET INCOME</b> .....	¥ 103,111	¥ 154,252	\$ 1,390	¥ 662,493
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b> .....	4,410,822	4,874,747	43,917	4,410,822
<b>DIVIDENDS</b> .....	(99,185)	(97,805)	(882)	(173,568)
<b>BONUSES TO DIRECTORS</b> .....	(25,000)	(25,000)	(225)	(25,000)
<b>RETAINED EARNINGS, END OF PERIOD</b> .....	4,389,748	4,906,194	44,200	4,874,747

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thousands of yen		Thousands of U.S. dollars	Thousands of yen
	2002	2003	2003	Year ended March 31 2003
Six months ended September 30, 2003 and 2002				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Income before income taxes and minority interests .....	¥ 234,671	¥ 318,886	\$ 2,873	¥ 1,312,137
Depreciation and amortization .....	369,647	351,799	3,169	720,572
Decrease in reserve for employees' retirement benefits.....	(118,459)	(19,263)	(174)	(1,657,299)
Interest and dividend income .....	(4,212)	(3,596)	(32)	(6,888)
Interest expense .....	11,485	8,618	78	21,857
Changes in operating assets and liabilities:				
Trade receivables .....	37,879	(56,321)	(507)	(75,051)
Trade payables .....	(617,159)	(275,107)	(2,478)	(326,053)
Other, net .....	142,769	(104,367)	(941)	(1,044,981)
Cash generated from operations.....	56,621	220,649	1,988	1,034,256
Interest and dividends received .....	4,636	3,551	32	6,983
Interest paid .....	(11,725)	(8,883)	(80)	(22,141)
Income taxes paid.....	(29,996)	(142,140)	(1,281)	(34,735)
Net cash provided by operating activities .....	19,536	73,177	659	984,363
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Acquisition of securities .....	(61,130)	—	—	(80,391)
Proceeds from sales of securities.....	60,381	58,914	531	86,594
Acquisition of property, plant and equipment .....	(86,719)	(1,228,717)	(11,070)	(200,226)
Acquisition of intangible fixed assets .....	(132,449)	(117,618)	(1,060)	(259,806)
Proceeds from sales of property, plant and equipment .....	931	278,789	2,512	28,738
Proceeds from sales of deposits.....	—	260,002	2,342	—
Other, net .....	—	(7,924)	(71)	—
Net cash used in investing activities .....	(218,986)	(756,554)	(6,816)	(425,091)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Increase (Decrease) in short-term borrowings .....	285,000	460,500	4,149	(245,500)
Proceeds from long-term borrowings .....	—	—	—	117,000
Repayment of long-term debt .....	(76,449)	(173,000)	(1,559)	(283,824)
Dividends paid to shareholders .....	(99,328)	(97,986)	(883)	(173,871)
Proceeds from bonds issuance .....	—	—	—	1,000,000
Other, net .....	(387)	(3,573)	(32)	(81,459)
Net cash provided by financing activities.....	108,836	185,941	1,675	332,346
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....</b>				
<b>EQUIVALENTS.....</b>	(13,198)	1,862	17	(11,736)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	(103,812)	(495,574)	(4,465)	879,882
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR .....</b>	2,148,268	3,028,150	27,281	2,148,268
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	¥ 2,044,456	¥ 2,532,576	\$ 22,816	¥ 3,028,150

**Note:1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of FUJI LOGISTICS CO., LTD. and subsidiaries have been prepared in accordance with the provisions of Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan.

2 Yen amounts have been translated into U.S. dollars, solely for convenience, at the exchange rate of ¥111 = U.S.\$1.00, the approximate exchange rate prevailing at September 30, 2003.

## **FUJI LOGISTICS CO., LTD.**

3-9-11, Mita, Minato-ku, Tokyo 108-0073, Japan

TEL : +81-3-3454-8411 FAX : +81-3-3454-0590

URL : <http://www.fujibuturyu.co.jp/en/>

E-mail : [info@fujibuturyu.co.jp](mailto:info@fujibuturyu.co.jp)



Printed on recycled paper

Printed in Japan