

**The Sumitomo Warehouse Co., Ltd.**  
**Consolidated Balance Sheets**  
**31 March 2006 and 2007**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 8,882	¥ 13,977	\$ 118,399
Short-term investments (Note 6)	669	907	7,683
Receivables			
Trade notes and accounts	14,628	18,256	154,646
Other	1,889	2,034	17,230
Allowance for doubtful receivables	( 188 )	( 115 )	( 974 )
	16,329	20,175	170,902
Real estate inventories (Note 3)	—	379	3,211
Deferred tax assets (Note 10)	837	1,012	8,573
Other	1,111	1,155	9,784
Total current assets	27,828	37,605	318,552
<b>Investments and other non-current assets:</b>			
Investment securities (Notes 4, 5 and 6)	101,892	111,015	940,407
Long-term loans receivable	215	400	3,388
Other (Notes 4, 5 and 6)	5,079	6,292	53,299
Allowance for doubtful receivables	( 272 )	( 228 )	( 1,931 )
	106,914	117,479	995,163
<b>Property and equipment (Note 6) :</b>			
Land	33,269	44,428	376,349
Buildings and structures	137,620	150,271	1,272,944
Machinery and equipment	21,033	24,137	204,464
Construction in progress	1,506	4,117	34,875
	193,428	222,953	1,888,632
Less accumulated depreciation	( 96,625 )	( 107,480 )	( 910,462 )
	96,803	115,473	978,170
<b>Intangibles:</b>			
Goodwill	—	3,071	26,014
Leasehold (Note 6)	2,751	3,476	29,445
Software	183	325	2,753
Other	764	1,502	12,724
	3,698	8,374	70,936
<b>Deferred tax assets (Note 10)</b>	16	226	1,914
	¥ 235,259	¥ 279,157	\$ 2,364,735

See accompanying notes.

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**31 March 2006 and 2007**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Bank loans (Note 6).....	¥ 14,577	¥ 28,315	\$ 239,856
Long-term debt due within one year (Note 6).....	1,149	3,693	31,283
Payables:			
Trade notes and accounts .....	9,204	10,319	87,412
Other.....	3,526	3,102	26,277
	12,730	13,421	113,689
Income taxes payable.....	2,052	2,436	20,635
Accrued employees' bonuses.....	1,376	1,529	12,952
Reserve for bonuses to directors .....	—	10	85
Other.....	1,238	1,881	15,935
Total current liabilities.....	33,122	51,285	434,435
<b>Long-term debt due after one year</b> (Note 6).....	5,972	23,660	200,424
<b>Deferred tax liabilities</b> (Note 10).....	36,017	36,948	312,986
<b>Employees' retirement benefits</b> (Note 8).....	3,628	3,688	31,241
<b>Directors' and corporate auditors' retirement benefits</b> ...	33	198	1,677
<b>Deposits on contracts</b> .....	14,571	14,137	119,754
<b>Other non-current liabilities</b> .....	875	869	7,361
<b>Contingent liabilities</b> (Note 12)			
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized — 395,872,000 shares			
Issued — 191,479,582 shares at 31 March 2006			
— 193,563,270 shares at 31 March 2007.....	20,785	21,270	180,178
Capital surplus.....	18,224	18,711	158,501
Retained earnings.....	55,614	58,862	498,619
Treasury stock, at cost			
— 321,698 shares at 31 March 2006			
— 1,667,091 shares at 31 March 2007.....	( 129 )	( 1,466 )	( 12,419 )
Total shareholders' equity.....	94,494	97,377	824,879
<b>Valuation and translation adjustments:</b>			
Unrealized gains on investment securities.....	45,648	47,009	398,213
Deferred gains and losses on hedges.....	—	6	51
Foreign currency translation adjustments .....	( 231 )	147	1,245
Total valuation and translation adjustments.....	45,417	47,162	399,509
<b>Subscription rights to shares</b> .....	—	32	271
<b>Minority interests in consolidated subsidiaries</b> .....	1,130	3,801	32,198
Total net assets.....	141,041	148,372	1,256,857
	¥ 235,259	¥ 279,157	\$ 2,364,735

See accompanying notes.

**The Sumitomo Warehouse Co., Ltd.**  
**Consolidated Statements of Income**  
**Years ended 31 March 2006 and 2007**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
<b>Net sales</b> .....	¥ 105,697	¥ 121,588	\$ 1,029,970
<b>Cost of sales</b> .....	93,988	107,493	910,572
<b>Selling, general and administrative expenses</b> .....	6,005	6,728	56,992
<b>Operating income</b> .....	5,704	7,367	62,406
<b>Other income (expenses):</b>			
Interest and dividend income.....	916	1,092	9,250
Interest expense..... (	154 )	( 437 )	( 3,702 )
Equity in earnings of affiliates.....	142	168	1,423
Gain on sale of investment securities.....	3,414	1,615	13,681
Gain on contribution of securities to retirement benefit trust (Note 8).....	143	—	—
Gain on sale of fixed assets.....	—	20	169
Loss on write-down of investment securities..... (	— )	( 147 )	( 1,245 )
Loss on liquidation of a subsidiary..... (	141 )	( — )	( — )
Cost of renovation of warehouses and rental properties..... (	776 )	( — )	( — )
Loss on disposal of fixed assets..... (	118 )	( 176 )	( 1,491 )
Impairment loss on fixed assets (Note 15)..... (	804 )	( — )	( — )
Bond conversion expense..... (	46 )	( 6 )	( 51 )
Fee for arrangement of syndicated loans..... (	400 )	( 126 )	( 1,067 )
Contributions..... (	3 )	( 10 )	( 85 )
Lawsuit expense..... (	— )	( 116 )	( 983 )
Other, net.....	177	110	933
<b>Income before income taxes and minority interests</b> .....	8,054	9,354	79,238
<b>Income taxes</b>			
Current.....	3,368	4,074	34,511
Deferred..... (	197 )	( 131 )	( 1,110 )
	3,171	3,943	33,401
<b>Minority interests</b> .....	103	201	1,703
<b>Net income</b> .....	¥ 4,780	¥ 5,210	\$ 44,134

	Yen		U.S. dollars (Note 1)
<b>Basic net income per share</b> .....	¥ 25.96	¥ 27.12	\$ 0.23
<b>Dilutive net income per share</b> .....	¥ 24.08	¥ 26.51	\$ 0.22
<b>Cash dividends applicable to the year</b> .....	¥ 10.00	¥ 10.00	\$ 0.08

See accompanying notes.

**The Sumitomo Warehouse Co., Ltd.**  
**Consolidated Statements of Changes in Net Assets**  
**Years ended 31 March 2006 and 2007**

Millions of yen

	Shareholders' equity					Valuation and translation adjustments			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments
<b>Balance at 31 March 2005</b>	¥ 17,177	¥ 14,617	¥ 52,413	¥ ( 102 )	¥ 84,105	¥ 22,816	¥ —	¥ ( 656 )	¥ 22,160
Conversion of convertible bonds	3,608	3,607			7,215				
Net income			4,780		4,780				
Increase resulting from newly consolidated subsidiaries			535		535				
Increase due to changes in affiliates accounted for by the equity method			66		66				
Cash dividends at ¥12.0 per share			( 2,140 )		( 2,140 )				
Bonuses to directors and corporate auditors			( 40 )		( 40 )				
Net increase in treasury stock				( 27 )	( 27 )				
Net changes in items other than shareholders' equity						22,832		425	23,257
Total changes in items during the period	3,608	3,607	3,201	( 27 )	10,389	22,832		425	23,257
<b>Balance at 31 March 2006</b>	¥ 20,785	¥ 18,224	¥ 55,614	¥ ( 129 )	¥ 94,494	¥ 45,648	¥ —	¥ ( 231 )	¥ 45,417

	Subscription rights to shares	Minority interest in consolidated subsidiaries	Total net assets
<b>Balance at 31 March 2005</b>	¥ —	¥ 587	¥ 106,852
Conversion of convertible bonds			7,215
Net income			4,780
Increase resulting from newly consolidated subsidiaries			535
Increase due to changes in affiliates accounted for by the equity method			66
Cash dividends at ¥12.0 per share			( 2,140 )
Bonuses to directors and corporate auditors			( 40 )
Net increase in treasury stock			( 27 )
Net changes in items other than shareholders' equity		543	23,800
Total changes in items during the period		543	34,189
<b>Balance at 31 March 2006</b>	¥ —	¥ 1,130	¥ 141,041

See accompanying notes.

**The Sumitomo Warehouse Co., Ltd.**  
**Consolidated Statements of Changes in Net Assets**  
**Years ended 31 March 2006 and 2007**

Millions of yen

	Shareholders' equity					Valuation and translation adjustments			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments
<b>Balance at 31 March 2006</b>	¥ 20,785	¥ 18,224	¥ 55,614	¥ ( 129 )	¥ 94,494	¥ 45,648	¥ —	¥ ( 231 )	¥ 45,417
Conversion of convertible bonds	485	485			970				
Net income			5,210		5,210				
Cash dividends at ¥10.0 per share			( 1,921 )		( 1,921 )				
Bonuses to directors and corporate auditors			( 41 )		( 41 )				
Net increase in treasury stock		2		( 1,337 )	( 1,335 )				
Net changes in items other than shareholders' equity						1,361	6	378	1,745
Total changes in items during the period	485	487	3,248	( 1,337 )	2,883	1,361	6	378	1,745
<b>Balance at 31 March 2007</b>	¥ 21,270	¥ 18,711	¥ 58,862	¥ ( 1,466 )	¥ 97,377	¥ 47,009	¥ 6	¥ 147	¥ 47,162

	Subscription rights to shares	Minority interest in consolidated subsidiaries	Total net assets
<b>Balance at 31 March 2006</b>	¥ —	¥ 1,130	¥ 141,041
Conversion of convertible bonds			970
Net income			5,210
Cash dividends at ¥10.0 per share			( 1,921 )
Bonuses to directors and corporate auditors			( 41 )
Net increase in treasury stock			( 1,335 )
Net changes in items other than shareholders' equity	32	2,671	4,448
Total changes in items during the period	32	2,671	7,331
<b>Balance at 31 March 2007</b>	¥ 32	¥ 3,801	¥ 148,372

See accompanying notes.

**The Sumitomo Warehouse Co., Ltd.**  
**Consolidated Statements of Changes in Net Assets**  
**Years ended 31 March 2006 and 2007**

*Thousands of U.S. dollars (Note 1)*

	Shareholders' equity					Valuation and translation adjustments			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on investment securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments
<b>Balance at 31 March 2006</b>	\$ 176,069	\$ 154,375	\$ 471,105	\$ ( 1,093 )	\$ 800,456	\$ 386,684	\$ —	\$ ( 1,957 )	\$ 384,727
Conversion of convertible bonds	4,109	4,109			8,218				
Net income			44,134		44,134				
Cash dividends at ¥10.0 (U.S.\$0.09) per share			( 16,273 )		( 16,273 )				
Bonuses to directors and corporate auditors			( 347 )		( 347 )				
Net increase in treasury stock		17		( 11,326 )	( 11,309 )				
Net changes in items other than shareholders' equity						11,529	51	3,202	14,782
Total changes in items during the period	4,109	4,126	27,514	( 11,326 )	24,423	11,529	51	3,202	14,782
<b>Balance at 31 March 2007</b>	\$ 180,178	\$ 158,501	\$ 498,619	\$ ( 12,419 )	\$ 824,879	\$ 398,213	\$ 51	\$ 1,245	\$ 399,509

	Subscription rights to shares	Minority interest in consolidated subsidiaries	Total net assets
<b>Balance at 31 March 2006</b>	\$ —	\$ 9,572	\$ 1,194,755
Conversion of convertible bonds			8,218
Net income			44,134
Cash dividends at ¥10.0 (U.S.\$0.08) per share			( 16,273 )
Bonuses to directors and corporate auditors			( 347 )
Net increase in treasury stock			( 11,309 )
Net changes in items other than shareholders' equity	271	22,626	37,679
Total changes in items during the period	271	22,626	62,102
<b>Balance at 31 March 2007</b>	\$ 271	\$ 32,198	\$ 1,256,857

See accompanying notes.

**The Sumitomo Warehouse Co., Ltd.**  
**Consolidated Statements of Cash Flows**  
**Years ended 31 March 2006 and 2007**

	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2006	2007	2007	
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 8,054	¥ 9,354	\$ 79,238	
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	4,931	5,165	43,753	
Amortization of goodwill	—	150	1,271	
Impairment loss on fixed assets	804	—	—	
Equity in earnings of affiliates	(142)	(168)	(1,423)	
Interest and dividend income	(916)	(1,093)	(9,259)	
Interest expense	154	437	3,702	
Loss on write-down of investment securities	14	147	1,245	
Loss on disposal of property and equipment	118	174	1,474	
Gain on sale of property and equipment	(23)	(20)	(169)	
Gain on sale of investment securities	(3,414)	(1,615)	(13,681)	
Increase in notes and accounts receivable	(973)	(16)	(136)	
Increase (decrease) in notes and accounts payable	1,052	(852)	(7,217)	
Net decrease in allowance for doubtful receivables	(151)	(127)	(1,076)	
Decrease in employees' retirement benefits	(850)	(172)	(1,457)	
Increase (decrease) in directors' and corporate auditors' retirement benefits	(769)	57	483	
Decrease in deposits on contracts	(1,434)	(969)	(8,208)	
Fees for arrangement of syndicated loans	400	126	1,067	
Other, net	323	410	3,472	
Sub-total	7,178	10,988	93,079	
Interest and dividends received	956	1,131	9,581	
Interest paid	(145)	(329)	(2,787)	
Income taxes paid	(3,553)	(4,059)	(34,384)	
Net cash provided by operating activities	4,436	7,731	65,489	
<b>Cash flows from investing activities:</b>				
Acquisition of time deposits maturing after three months	(450)	(1,011)	(8,564)	
Proceeds from time deposits maturing after three months	375	1,086	9,199	
Acquisition of securities	(14,635)	(7,813)	(66,184)	
Proceeds from sale or redemption of securities	4,502	2,985	25,286	
Acquisition of property and equipment	(9,675)	(12,215)	(103,473)	
Proceeds from sale of property and equipment	50	326	2,762	
Acquisition of intangible fixed assets	(399)	(1,401)	(11,868)	
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	—	(6,405)	(54,257)	
Advance of loans receivable	(124)	(71)	(601)	
Collection of loans receivable	47	154	1,305	
Other, net	(565)	(73)	(619)	
Net cash used in investing activities	(20,874)	(24,438)	(207,014)	
<b>Cash flows from financing activities:</b>				
Dividends paid	(2,147)	(1,921)	(16,273)	
Proceeds from short-term debt	13,937	21,764	184,362	
Repayments of short-term debt	(4,947)	(11,204)	(94,909)	
Proceeds from long-term debt	90	17,161	145,371	
Repayments of long-term debt	(952)	(2,696)	(22,838)	
Proceeds from bond redemption funds	8,121	—	—	
Payment of fees for arrangement of syndicated loans	(400)	(126)	(1,067)	
Purchase of treasury stock	(52)	(1,336)	(11,317)	
Cash dividends paid to minority shareholders	—	(43)	(364)	
Net cash provided by financing activities	13,650	21,599	182,965	
Effect of exchange rate changes on cash and cash equivalents	191	203	1,720	
Net increase (decrease) in cash and cash equivalents	(2,597)	5,095	43,160	
Cash and cash equivalents of newly consolidated subsidiaries	789	—	—	
Cash and cash equivalents at beginning of period	10,690	8,882	75,239	
Cash and cash equivalents at end of period	¥ 8,882	¥ 13,977	\$ 118,399	

See accompanying notes.

**The Sumitomo Warehouse Co., Ltd.**  
**Notes to Consolidated Financial Statements**  
**31 March 2006 and 2007**

**1. Basis of Presenting Consolidated Financial Statements**

- (a) The accompanying consolidated financial statements of the Sumitomo Warehouse Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions and the inclusion of consolidated statements of changes in net assets from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the previous consolidated financial statements to conform to the presentation for the current year.

- (b) The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 31 March 2007, which was ¥118.05 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

**2. Significant Accounting Policies**

- (a) Consolidation

The consolidated financial statements include the accounts of the Company and 28 and 36 significant subsidiaries for the years ended 31 March 2006 and 2007, respectively. All significant intercompany transactions and accounts have been eliminated. The fiscal year-end of all the consolidated foreign subsidiaries and one consolidated domestic subsidiary is 31 December and 28 February, respectively. Significant transactions arising from the use of different fiscal year-end are reflected in the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of each subsidiary, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

Goodwill and negative goodwill are amortized using the straight-line method over periods between 5 and 10 years. If the amount is small, it is fully recognized as incurred.

The equity method is applied to 4 affiliates for the year-end 31 March 2006 and 3 affiliates for the year-end 31 March 2007, respectively. Other unconsolidated subsidiaries and affiliates are not accounted for by the equity method because they are immaterial.

- (b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates and resulting gains and losses are recognized in the statements of income.

The financial statements of consolidated foreign subsidiaries and affiliates are translated into Japanese yen at the year-end rates, except for shareholders’ equity accounts, which are translated at historical rates.



(c) Allowance for doubtful receivables

The Company and its consolidated subsidiaries (the “Companies”) provide for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables.

(d) Securities

The Companies classify securities as 1) securities held for trading purposes (hereafter, “trading securities”), 2) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), 3) equity securities issued by subsidiaries and affiliates or 4) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”). The Companies have no trading securities. Held-to maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gain or loss on the sale of such securities is computed using moving average cost. Other securities with no available fair market value are stated at moving average cost.

If the market value of held-to-maturity debt securities and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Derivative financial instruments and hedging

1) Derivatives

Derivatives are revaluated by the market value method.

2) Hedge accounting

The Companies adopt the deferred hedge accounting method. However, when foreign exchange forward contracts meet certain conditions, accounts receivable and accounts payable covered by these contracts are translated by using the contract rates. In addition, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

3) Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign exchange forward contracts	Accounts receivable and accounts payable in foreign currencies
Interest rate swap contracts	Bank loans
Crude oil average swap	Fuel

4) Hedging policy

The Companies utilize financial instruments to hedge risks of fluctuations in currency exchange rates, interest and fuel prices in accordance with internal policies and procedures.

5) Method for assessing hedge effectiveness

The Companies evaluate the effectiveness of their hedging activities by comparing the cumulative changes in fair value or the cumulative changes in cash flows on hedging instruments and the related hedged items. However, when a foreign exchange forward contract and an interest rate swap contract meet certain criteria for applying exceptional methods, an assessment of hedge effectiveness is not performed.

(f) Inventories

Real estate for sale and real estate for sale in progress are stated at specific cost. Supplies are stated at moving average cost.

(g) Property and equipment

Property and equipment are carried at cost. The Company and its domestic subsidiaries provide for depreciation of property and equipment mainly by the declining balance method over the estimated useful life of the asset. However, depreciation for buildings, except building fixtures, acquired after 31 March 1998 is computed by the straight-line method.

Consolidated foreign subsidiaries compute depreciation on the straight-line method over the estimated useful life of the asset.

(h) Finance leases

Finance leases of the Company and certain consolidated subsidiaries which do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese GAAP. Under Japanese accounting policies for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain information is disclosed in the notes to the lessee's financial statements.

(i) Software costs

The Companies depreciate software using the straight-line method over the estimated useful life of 5 years.

(j) Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(k) Bonuses

The Company and its consolidated domestic subsidiaries follow the general Japanese practice of paying bonuses to employees mainly in June and December. Accrued bonus liabilities at the balance sheet date are calculated based upon managements' estimates of annual amounts thereof.

Certain subsidiaries provide for bonuses to directors based upon estimates of amounts incurred for the current year.

(l) Retirement benefits

1) Employees

The Company and its consolidated domestic subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. Certain consolidated foreign subsidiaries have unfunded lump-sum benefit plans.

The liabilities and expenses for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated domestic subsidiaries provide for the liability for employees' retirement benefits at the balance sheet date based on the estimated amount of projected benefit obligation and fair value of the plan assets at that date. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years commencing with the following period.

2) Directors and corporate auditors

Certain subsidiaries accrue the liability for directors' and corporate auditors' retirement benefits equal to the amount that would be required if they retired their positions at the balance sheet date.

On 29 June 2005, the Company terminated its retirement benefits plan for directors and corporate auditors. The balance of the benefits granted prior to the termination date is included in other non-current liabilities.

(m) Net income per share

The computation of basic net income per share of common stock shown in the consolidated statements of income is based on the weighted average number of shares outstanding during the period and net income available to common shareholders. The computation of dilutive net income per share of common stock is based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the conversion of outstanding dilutive bonds at the beginning of the period. The related interest expense, net of income taxes, has been eliminated for the purposes of this calculation.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term investments which have original maturities of three months or less, are easily convertible into cash and present insignificant risk of change in value.

### 3. Real Estate Inventories

Real estate inventories at 31 March 2007 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Real estate for sale	¥ 379	\$ 3,211

### 4. Securities

The following tables summarize the acquisition costs, book values and fair value of securities with available fair values as of 31 March 2006 :

Held-to-maturity debt securities:

Securities with available fair values not exceeding book values

	Millions of yen
Book value	¥ 791
Fair value	762
Difference	¥ ( 29)

These debt securities are pledged as deposits on contracts for the lease of land.

Available-for-sale securities:

Securities with book values exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 21,520	¥ 98,773	¥ 77,253
Other	2	3	1
Total	¥ 21,522	¥ 98,776	¥ 77,254

Securities with book values not exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 92	¥ 84	¥ ( 8)
Other	2	2	( - )
Total	¥ 94	¥ 86	¥ ( 8)

The following table summarizes the book values of securities with no available fair values as of 31 March 2006:

	Millions of yen
Available-for-sale securities	
Non-listed equity securities	¥ 2,116
Equity securities issued by subsidiaries and affiliates	913
Total	¥ 3,029

Held-to-maturity debt securities at 31 March 2006 mature as follows:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Government bonds	¥ -	¥ 15	¥ 774

Total sales of available-for-sale securities in the year ended 31 March 2006 amounted to ¥3,802 million, and the related gains and losses amounted to ¥3,414 million and ¥6 million, respectively.

The following tables summarize the acquisition costs, book values and fair value of securities with available fair values as of 31 March 2007:

Held-to-maturity debt securities:

Securities with available fair values not exceeding book values

	Millions of yen	Thousands of U.S. dollars
Book value	¥ 791	\$ 6,701
Fair value	778	6,591
Difference	¥ ( 13)	\$ ( 110)

These debt securities are pledged as deposits on contracts for the lease of land.

Available-for-sale securities:

Securities with book values exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 28,597	¥ 108,297	¥ 79,700
Other	1	1	-
Total	¥ 28,598	¥ 108,298	¥ 79,700

  

	Thousands of U. S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	\$ 242,245	\$ 917,383	\$ 675,138
Other	8	8	-
Total	\$ 242,253	\$ 917,391	\$ 675,138

Securities with book values not exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 801	¥ 725	¥ ( 76)
Other	2	2	-
Total	¥ 803	¥ 727	¥ ( 76)

  

	Thousands of U. S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	\$ 6,785	\$ 6,141	\$ ( 644)
Other	17	17	-
Total	\$ 6,802	\$ 6,158	\$ ( 644)

The following table summarizes the book values of securities with no available fair values as of 31 March 2007:

	Millions of yen	Thousands of U.S. dollars
Available-for-sale securities		
Non-listed equity securities	¥ 1,026	\$ 8,691
Other	60	508
Equity securities issued by subsidiaries and affiliates	963	8,158
Total	¥ 2,049	\$ 17,357

Held-to-maturity debt securities at 31 March 2007 mature as follows:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years but within ten years
Government bonds•••••	¥ -	¥ 22	¥ 767

  

	Thousands of U. S. dollars		
	Within one year	Over one year but within five years	Over five years but within ten years
Government bonds•••••	\$ -	\$ 186	\$ 6,497

Total sales of available-for-sale securities in the year ended 31 March 2007 amounted to ¥2,987 million (*US\$25,303 thousand*) and the related gains amounted to ¥1,615 million (*US\$13,681 thousand*).

## 5. Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the balance sheet at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Investment securities and investment in capital•••••	¥ 916	¥ 1,171	\$ 9,920

## 6. Bank Loans and Long-term Debt

Short-term bank loans at 31 March 2006 and 2007 bore interest ranging from 0.26% to 3.75% and from 0.64% to 4.00%, respectively.

Long-term debt at 31 March 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Secured			
Loans principally from banks at 0.55% - 6.60%, maturing through 2019•••••	¥ 2,304	¥ 5,829	\$ 49,377
Unsecured			
Zero coupon convertible bonds, due 2009, convertible into shares of the Company's common stock at a price of ¥466 ( <i>US\$3.95</i> ) per share•••••	2,620	1,649	13,969
Loans principally from banks at 0.48% - 3.23% , maturing through 2014•••••	2,197	19,875	168,361
	7,121	27,353	231,707
Less amounts due within one year•••••	(1,149)	(3,693)	(31,283)
	¥ 5,972	23,660	\$ 200,424

The aggregate annual maturities of long-term debt at 31 March 2007 were as follows:

<u>Year ending 31 March</u>	Millions of yen	Thousands of U. S. dollars
2008•••••	¥ 3,693	\$31,283
2009•••••	3,610	30,580
2010•••••	2,107	17,848
2011•••••	1,027	8,700
2012•••••	366	3,101
2013 and thereafter•••••	16,550	140,195
	¥27,353	\$ 231,707

At 31 March 2007, assets pledged as collateral for short-term bank loans of ¥6,723 million (*US\$56,950 thousand*) and secured long-term debt of ¥5,829 million (*US\$49,377 thousand*) were as follows:

	Millions of yen	Thousands of U. S. dollars
Deposits placed with banks with maturities of over three months (short-term investments)•••••	¥225	\$1,906
Investment securities•••••	9,039	76,569
Property and equipment, net of accumulated depreciation•••••	4,156	35,206
Leasehold and other•••••	368	3,117
	¥13,788	\$116,798

The Company has concluded commitment line agreements with seven financial institutions in order to ensure the availability of funds for operations in a stable and efficient manner. The commitment lines of credit at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Total commitment lines of credit•••••	¥ 20,000	¥ 20,000	\$ 169,420
Outstanding borrowings•••••	9,000	20,000	169,420
Net outstanding credit•••••	¥ 11,000	¥ -	\$ -

## 7. Leases

### (a) Finance leases as lessee

Non-capitalized finance leases for machinery and equipment, at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Original lease obligations•••••	¥ 1,995	¥ 2,616	\$ 22,160
Lease payments•••••	( 1,002)	( 1,269)	( 10,750)
Remaining lease obligations•••••	¥ 993	¥1,347	\$ 11,410

Total lease payments under non-capitalized finance leases arrangements were ¥350 million and ¥502 million (*US\$4,252 thousand*) for the years ended 31 March 2006 and 2007, respectively.

Lease obligations under non-capitalized finance leases, including finance charges, at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Due within one year•••••	¥ 369	¥ 482	\$ 4,083
Due after one year•••••	624	865	7,327
Total•••••	¥ 993	¥1,347	\$ 11,410

### (b) Operating leases as lessee

Lease obligations under operating leases, at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Due within one year•••••	¥ 28	¥ 56	\$ 474
Due after one year•••••	76	120	1,017
Total•••••	¥ 104	¥ 176	\$1,491

(c) Operating leases as lessor

Lease receipts under operating leases, at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Due within one year	¥ 770	¥ 1,042	\$ 8,827
Due after one year	4,295	3,816	32,325
Total	¥ 5,065	¥ 4,858	\$ 41,152

## 8. Employees' Retirement Benefits

The liabilities for employees' retirement benefits included in the liability section of the consolidated balance sheets as of 31 March 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Projected retirement benefit obligation	¥ (11,736)	¥ (11,910)	\$ (100,889)
Plan assets	7,986	8,637	73,163
Unfunded retirement benefit obligation	( 3,750)	( 3,273)	( 27,726)
Less unrecognized actuarial differences	122	( 415)	( 3,515)
Liability for retirement benefits	¥ ( 3,628)	¥ ( 3,688)	\$ ( 31,241)

Included in the consolidated statements of income for the years ended 31 March 2006 and 2007 were retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Service costs – benefits earned during the year	¥ 652	¥ 621	\$ 5,260
Interest cost on projected benefit obligation	247	253	2,143
Expected return on plan assets	( 78)	( 90)	( 762)
Amortization of actuarial differences	158	81	686
Retirement benefit expenses	¥ 979	¥ 865	\$ 7,327

The assumptions and bases used for the calculation of retirement benefit obligations for the years ended 31 March 2006 and 2007 were as follows:

	2006	2007
Discount rate	2.5%	2.0% - 2.5%
Expected return rate for plan assets	2.0%	2.0%
Amortization period for actuarial differences	10 years	3 years - 10 years

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

In the year ended 31 March 2006, the Company contributed securities to the employee retirement benefit trust.

## 9. Stock Option Plans

- (a) Expenses for stock option plans for the year ended 31 March 2007 were recorded in selling general and administrative expenses in the amount of ¥32 million (US\$271 thousand)

- (b) The following tables summarize the details, scale and movement of stock options as of 31 March 2007

- 1) The following table summarizes the details of stock options as of 31 March 2007:

Company name	The Sumitomo Warehouse Co., Ltd.
Date of the annual shareholders' meeting	13 February 2007
Position and number of grantee	Directors : 7
Number and class of stock	125,000 share of Common stock
Date of issue	1 March 2007
Condition of settlement of rights	-
Period grantee provide of service in return for stock options	-
Period subscription rights are to be exercised	From 14 February 2009 to 13 February 2017

- 2) The following tables summarize the scale and movement of stock options as of 31 March 2007:

### Non-exercisable stock options

Stock options outstanding at 1 April 2006	-
Stock options granted	125,000
Forfeitures	-
Conversion to exercisable stock options	125,000
Stock options outstanding at 31 March 2007	-

### Exercisable stock options

Stock options outstanding at 1 April 2006	-
Stock options exercised	125,000
Forfeitures	-
Already exercisable	-
Stock options outstanding at 31 March 2007	125,000

The following tables summarize price information of stock options as of 31 March 2007:

Paid-in value	¥986
Average market price of stock at time of exercise	-
Fair market value on grant date	¥262

- (c) Estimation of fair value of stock options granted for the year ended 31 March 2007

The method: Black-Scholes formula

Volatility of stock price (*1)	30.688%
Expected life of the stock option (*2)	6 years
Forecasted dividends per share (*3)	¥10.00
Risk-free interest rate (*4)	1.326%

(\*1) Calculated on the price of stock from 1 March 2001 to 1 March 2007.

(\*2) Assumed that the stock options are exercised at the halfway point of the exercise period because there is sufficient data to estimate otherwise.

(\*3) Based on the dividends for the year ended 31 March 2007.

(\*4) The interest on government bonds corresponding to the expected life of the stock option.



## 10. Deferred Income Taxes

Significant components of the Companies' deferred tax assets and liabilities at 31 March 2006 and 2007 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2006	2007	2007
Deferred tax assets:			
Employees' retirement benefits	¥ 2,581	¥ 2,500	\$ 21,177
Accrued employees' bonuses	559	620	5,252
Directors' and corporate auditors' retirement benefits	335	394	3,338
Impairment loss on fixed assets	327	364	3,083
Enterprise taxes	169	199	1,686
Accrued real estate acquisition tax	78	81	686
Allowance for doubtful receivables	4	111	940
Other	417	551	4,668
Total deferred tax assets	4,470	4,820	40,830
Less valuation allowance	( 886)	( 1,027)	( 8,700)
Net deferred tax assets	3,584	3,793	32,130
Deferred tax liabilities:			
Unrealized gains on investment securities	(31,443)	(32,378)	(274,274)
Deferred gains on properties for tax purposes	( 6,851)	( 6,720)	( 56,925)
Reserve for special depreciation	( 156)	( 106)	( 898)
Other	( 298)	( 299)	( 2,532)
Total deferred tax liabilities	(38,748)	(39,503)	(334,629)
Net deferred tax liabilities	¥ (35,164)	¥ (35,710)	\$( 302,499)

Classifications of "Deferred tax liabilities, net" on the consolidated balance sheet as of 31 March 2006 and 2007 were as follows:

Balance sheet item		Millions of yen		Thousands of U. S. dollars
		2006	2007	2007
Current assets	Deferred tax assets	¥ 837	¥ 1,012	\$ 8,573
Non-current assets	Deferred tax assets	16	226	1,914
Non-current liabilities	Deferred tax liabilities	(36,017)	(36,948)	(312,986)
		¥ (35,164)	¥ (35,710)	\$( 302,499)

The differences between the aggregate statutory income tax rates and the effective income tax rates for the year ended 31 March 2006 and 2007 were immaterial.

## 11. Net Assets

Under the Company Law of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Company Law of Japan provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On the condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Company Law.

Effective from the year ended 31 March 2007, the Companies adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on 9 December 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on 9 December 2005).

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

The consolidated balance sheet as of 31 March 2006 has been restated to conform to the 2007 presentation. There were no effects on total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of 31 March 2006. The amount corresponding to conventional "total shareholder equity" in the balance sheet for the year ended 31 March 2007 was ¥144,533 million (US\$1,224,337 thousand).

Effective from the year ended 31 March 2007, the Companies adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on 27 December 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on 27 December 2005).

Accordingly, the Company prepared the statements of changes in net assets for the year ended 31 March 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP. Also, in lieu of the consolidated statement of shareholders' equity for the year ended 31 March 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007.

## 12. Contingent Liabilities

At 31 March 2006 and 2007, the Companies were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Guarantees of indebtedness	¥ 3,956	¥ 3,510	\$ 29,733
Trade notes receivable discounted	-	54	457
Trade notes receivable endorsed	531	665	5,633

## 13. Supplemental Cash Flow Information

Supplemental cash flow information for the year ended 31 March 2006 and 2007 was as follows:

Non-cash financing activities:

Conversion of convertible bonds:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Increase in common stock by conversion of convertible bonds	¥ 3,608	¥ 485	\$ 4,109
Increase in capital surplus by conversion of convertible bonds	3,607	485	4,109
Total	¥ 7,215	¥ 970	\$ 8,218

Assets and liabilities of the newly consolidated subsidiaries by acquisition of shares at the inception of their consolidation, related acquisition cost and net expenditure for acquisition of shares:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Current assets	¥ -	¥ 5,889	\$ 49,885
Non-current assets	-	14,323	121,330
Goodwill	-	3,215	27,234
Current liabilities	-	(8,007)	(67,827)
Non-current liabilities	-	(5,121)	(43,380)
Minority interests in consolidated subsidiaries	-	(2,499)	(21,169)
Acquisition cost of shares or investments accounted for by the equity method at beginning of year	-	(96)	(813)
Acquisition cost of shares for the year	-	7,704	65,260
Cash and cash equivalents	-	(1,299)	(11,003)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ -	¥ 6,405	\$ 54,257

Increases due to consolidation of subsidiaries previously unconsolidated:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Current assets	¥ 1,263	¥ -	\$ -
Non-current assets	450	-	-
Total	¥ 1,713	¥ -	\$ -
Current liabilities	¥ 233	¥ -	\$ -
Non-current liabilities	10	-	-
Total	¥ 243	¥ -	\$ -

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Contribution of securities to the employee retirement benefit trust	¥ 2,212	¥ -	\$ -

## 14. Segment Information

### (a) Information by operational segment

Segment	Main operations			
Logistics	Warehousing (stock operations, bonded cargo handling) Harbor transportation, Customs clearance International multimodal transportation, Air cargo agent Land transportation			
Real Estate	Office space and land leasing			

  

Millions of yen				
Year ended 31 March 2006	Logistics	Real Estate	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 96,813	¥ 8,884	¥ -	¥ 105,697
Inter segment transfers	1	268	( 269)	-
Total sales	96,814	9,152	( 269)	105,697
Operating cost	92,643	4,308	3,042	99,993
Operating income	¥ 4,171	¥ 4,844	¥ (3,311)	¥ 5,704
Assets	¥ 91,440	¥ 36,209	¥ 107,610	¥ 235,259
Depreciation	¥ 2,829	¥ 1,954	¥ 148	¥ 4,931
Impairment loss on fixed assets	¥ 804	¥ -	¥ -	¥ 804
Capital expenditures	¥ 5,243	¥ 4,626	¥ 530	¥ 10,399

  

Millions of yen				
Year ended 31 March 2007	Logistics	Real Estate	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 112,249	¥ 9,339	¥ -	¥ 121,588
Inter segment transfers	2	379	( 381)	-
Total sales	112,251	9,718	( 381)	121,588
Operating cost	106,655	4,550	3,016	114,221
Operating income	¥ 5,596	¥ 5,168	¥ (3,397)	¥ 7,367
Assets	¥ 126,040	¥ 37,323	¥ 115,794	¥ 279,157
Depreciation	¥ 2,954	¥ 2,062	¥ 149	¥ 5,165
Capital expenditures	¥ 10,638	¥ 1,693	¥ 671	¥ 13,002

  

Thousands of U. S. dollars				
Year ended 31 March 2007	Logistics	Real Estate	Corporate & Elimination	Consolidated
Sales to outside customers	\$ 950,860	\$ 79,110	\$ -	\$ 1,029,970
Inter segment transfers	17	3,211	( 3,228)	-
Total sales	950,877	82,321	( 3,228)	1,029,970
Operating cost	903,473	38,543	25,548	967,564
Operating income	\$ 47,404	\$ 43,778	\$ (28,776)	\$ 62,406
Assets	\$ 1,067,683	\$ 316,163	\$ 980,889	\$ 2,364,735
Depreciation	\$ 25,024	\$ 17,467	\$ 1,262	\$ 43,753
Capital expenditures	\$ 90,114	\$ 14,342	\$ 5,684	\$ 110,140

Corporate costs and expenses of ¥3,311 million and ¥ 3,397 million (US\$ 28,776 thousand) for years ended 31 March 2006 and 2007, respectively, mainly consisted of expenses of administrative departments of the Company.

Corporate assets of ¥108,267 million and ¥122,720 million (US\$ 1,039,560 thousand) at 31 March 2006 and 2007, respectively, mainly consisted of cash and cash equivalents, investment securities and assets of the administrative departments of the Company.

(b) Information by geographic segment

<u>Year ended 31 March 2006</u>	Millions of yen			
	Japan	Others	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 95,986	¥ 9,711	¥ -	¥ 105,697
Inter segment transfers	677	3,990	(4,667)	-
Total sales	96,663	13,701	(4,667)	105,697
Operating cost	88,257	13,092	(1,356)	99,993
Operating income	¥ 8,406	¥ 609	¥ (3,311)	¥ 5,704
Assets	¥ 118,332	¥ 9,839	¥ 107,088	¥ 235,259

<u>Year ended 31 March 2007</u>	Millions of yen			
	Japan	Others	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 110,511	¥ 11,077	¥ -	¥ 121,588
Inter segment transfers	761	4,759	(5,520)	-
Total sales	111,272	15,836	(5,520)	121,588
Operating cost	101,143	15,201	(2,123)	114,221
Operating income	¥ 10,129	¥ 635	¥ (3,397)	¥ 7,367
Assets	¥ 149,253	¥ 14,265	¥ 115,639	¥ 279,157

<u>Year ended 31 March 2007</u>	Thousands of U. S. dollars			
	Japan	Others	Corporate & Elimination	Consolidated
Sales to outside customers	\$ 936,137	\$ 93,833	\$ -	\$ 1,029,970
Inter segment transfers	6,447	40,313	(46,760)	-
Total sales	942,584	134,146	(46,760)	1,029,970
Operating cost	856,781	128,767	(17,984)	967,564
Operating income	\$ 85,803	\$ 5,379	\$ (28,776)	\$ 62,406
Assets	\$ 1,264,320	\$ 120,839	\$ 979,576	\$ 2,364,735

“Others” consists of Asia, Europe and North America.

Corporate costs and expenses of ¥3,311 million and ¥3,397 million (*US\$ 28,776 thousand*) for year ended 31 March 2006 and 2007, respectively, mainly consisted of expenses of administrative departments of the Company.

Corporate assets of ¥108,267 million and ¥122,720 million (*US\$ 1,039,560 thousand*) at 31 March 2006 and 2007, respectively, mainly consisted of cash and cash equivalents, investment securities and assets of the administrative departments of the Company.

(c) Overseas sales

The Companies’ overseas sales, which represent sales to customers outside Japan were immaterial. Accordingly, overseas sales were not disclosed.

**15. Impairment loss on fixed assets**

The Company and its consolidated domestic subsidiaries grouped their business assets based on business management unit and their assets for leasing based by each asset. The Company recognized impairment loss on a part of the business assets due to the recent decline in land prices and the deterioration of profitability and wrote them down to recoverable amounts. Impairment loss on land of ¥ 804 million was recognized in the period ended 31 March 2006. The recoverable amounts of these business assets were their net realized values, principally calculated based on appraisal values by real estate appraisers. The amount of recognized impairment loss was deducted directly from the acquisition costs of land.

## 16. Subsequent Events

At the ordinary shareholders' meeting of the Company held on 28 June 2007, the appropriation of retained earnings at 31 March 2007 was duly approved as follows:

	Millions of yen	<i>Thousands of U. S. dollars</i>
Cash dividends of ¥ 5.0 (U. S. \$0.04) per share .....	¥ 960	\$ 8,132