The Sumitomo Warehouse Co., Ltd.
Consolidated Balance Sheets
31 March 2004 and 2005

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
ASSETS	2004	2005	*2005*
Current assets:			
Cash and cash equivalents	¥ 16,704	¥ 10,690	*$ 99,544*
Short-term investments (Note 5)	588	594	*5,531*
Marketable securities (Note 3)	13	—	*—*
Receivables			
Trade notes and accounts	12,846	13,205	*122,963*
Other	1,637	10,397	*96,815*
Allowance for doubtful receivables	(488)	(238)	*(2,216)*
	13,995	23,364	*217,562*
Deferred tax assets (Note 8)	546	593	*5,522*
Other	906	829	*7,720*
Total current assets	32,752	36,070	*335,879*
Investments and other non-current assets:			
Investment securities (Notes 3, 4 and 5)	52,187	51,231	*477,056*
Long-term loans receivable	401	388	*3,613*
Other (Notes 3, 4 and 5)	4,898	4,792	*44,622*
Allowance for doubtful receivables	(242)	(371)	*(3,455)*
	57,244	56,040	*521,836*
Property and equipment (Note 5) **:**			
Land	28,837	28,837	*268,526*
Buildings and structures	131,650	133,124	*1,239,631*
Machinery and equipment	19,766	20,067	*186,861*
Construction in progress	767	1,547	*14,405*
	181,020	183,575	*1,709,423*
Less accumulated depreciation	(88,182)	(91,813)	*(854,949)*
	92,838	91,762	*854,474*
Intangibles:			
Leasehold (Note 5)	3,264	3,286	*30,599*
Software	201	174	*1,620*
Other	159	166	*1,546*
	3,624	3,626	*33,765*
Deferred tax assets (Note 8)	14	7	*65*
	¥ 186,472	¥ 187,505	*$ 1,746,019*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Balance Sheets
31 March 2004 and 2005

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2005	*2005*
Current liabilities:			
Bank loans (Note 5)	¥ 5,761	¥ 5,494	*$ 51,159*
Long-term debt due within one year (Note 5)	15,620	951	*8,856*
Payables :			
Trade notes and accounts	7,579	7,970	*74,216*
Other	3,293	3,766	*35,068*
	10,872	11,736	*109,284*
Income taxes payable	1,183	2,037	*18,968*
Accrued employees' bonuses	1,399	1,400	*13,037*
Deferred tax liabilities (Note 8)	3	3	*28*
Other	1,246	1,714	*15,960*
Total current liabilities	36,084	23,335	*217,292*
Long-term debt due after one year (Note 5)	18,307	14,232	*132,526*
Deferred tax liabilities (Note 8)	21,170	20,203	*188,127*
Employees' retirement benefits (Note 7)	6,525	6,547	*60,965*
Directors' and corporate auditors' retirement benefits	886	802	*7,468*
Deposits on contracts	16,329	15,160	*141,168*
Other non-current liabilities	358	374	*3,483*
Contingent liabilities (Note 10)			
Minority interest in consolidated subsidiaries	535	587	*5,466*
Shareholders' equity:			
Common stock			
Authorized — 395,872,000 shares			
Issued — 138,611,208 shares at 31 March 2004			
— 175,996,765 shares at 31 March 2005	9,452	17,177	*159,950*
Capital surplus	6,323	14,617	*136,111*
Retained earnings	49,097	52,413	*488,062*
Unrealized gains on investment securities	23,876	22,816	*212,459*
Foreign currency translation adjustments	(640)	(656)	*(6,108)*
Treasury stock, at cost			
— 6,179,229 shares at 31 March 2004			
— 375,750 shares at 31 March 2005	(1,830)	(102)	*(950)*
Total shareholders' equity	86,278	106,265	*989,524*
	¥ 186,472	¥ 187,505	*$ 1,746,019*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Income
Years ended 31 March 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2005	2005
Net sales	¥ 93,690	¥ 98,992	$ 921,799
Cost of sales	81,736	86,564	806,071
Selling, general and administrative expenses	6,108	6,051	56,346
Operating income	5,846	6,377	59,382
Other income (expenses):			
Interest and dividend income	380	494	4,600
Interest expense	(456)	(232)	(2,160)
Equity in earnings of affiliates	146	166	1,546
Net gain on sale of investment securities	0	1,213	11,295
Reversal of allowance for doubtful receivables	—	193	1,797
Loss on disposal of property and equipment	(268)	(155)	(1,443)
Unrealized loss on deposits for golf club memberships	(25)	(180)	(1,676)
Loss on write-down of investment securities	(13)	(4)	(37)
Contributions (Note 11)	—	(303)	(2,822)
Bond conversion expenses	—	(150)	(1,397)
Business alliance expenses	—	(500)	(4,656)
Special retirement benefits	(12)	—	—
Gain on sale of property and equipment	4	4	37
Cost of renovation of warehouses and rental properties	(609)	(173)	(1,611)
Bond issue expenses	(83)	—	—
Other, net	201	90	838
Income before income taxes and minority interests	5,111	6,840	63,693
Income taxes			
Current	2,262	2,922	27,209
Deferred	(360)	(285)	(2,654)
	1,902	2,637	24,555
Minority interests	1	51	475
Net income	¥ 3,208	¥ 4,152	$ 38,663

	Yen		U.S. dollars (Note 1)
Basic net income per share	¥ 23.78	¥ 29.99	$ 0.28
Dilutive net income per share	¥ 19.14	¥ 21.11	$ 0.20

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Shareholders' Equity
Years ended 31 March 2004 and 2005

		Millions of yen					
	Shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Unrealized gains on investment securities	Foreign currency translation adjustments	Treasury stock
Balance at 31 March 2003	138,611	¥ 9,452	¥ 6,323	¥ 46,730	¥ 8,240	¥ (375)	¥ (1,230)
Net income				3,208			
Cash dividends at ¥6.0 per share				(801)			
Bonuses to directors and corporate auditors				(40)			
Loss on disposal of treasury stock				(0)			
Net increase in unrealized gains on investment securities, net of tax					15,636		
Foreign currency translation adjustments						(265)	
Net increase in treasury stock							(600)
Balance at 31 March 2004	138,611	9,452	6,323	49,097	23,876	(640)	(1,830)
Conversion of convertible bonds	37,386	7,725	7,694				
Gain on disposal of treasury stock			600				
Net income				4,152			
Cash dividends at ¥6.0 per share				(796)			
Bonuses to directors and corporate auditors				(40)			
Net decrease in unrealized gains on investment securities, net of tax					(1,060)		
Foreign currency translation adjustments						(16)	
Net decrease in treasury stock							1,728
Balance at 31 March 2005	175,997	¥ 17,177	¥ 14,617	¥ 52,413	¥ 22,816	¥ (656)	¥ (102)

	Thousands of U.S. dollars (Note 1)					
	Common stock	*Capital surplus*	*Retained earnings*	*Unrealized gains on investment securities*	*Foreign currency translation adjustments*	*Treasury stock*
Balance at 31 March 2004	*$ 88,016*	*$ 58,879*	*$ 457,184*	*$ 222,330*	*$ (5,960)*	*$ (17,041)*
Conversion of convertible bonds	*71,934*	*71,645*				
Gain on disposal of treasury stock		*5,587*				
Net income			*38,663*			
Cash dividends at ¥6.0 (U.S.$0.06) per share			*(7,412)*			
Bonuses to directors and corporate auditors			*(373)*			
Net decrease in unrealized gains on investment securities, net of tax				*(9,871)*		
Foreign currency translation adjustments					*(148)*	
Net decrease in treasury stock						*16,091*
Balance at 31 March 2005	*$ 159,950*	*$ 136,111*	*$ 488,062*	*$ 212,459*	*$ (6,108)*	*$ (950)*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Cash Flows
Years ended 31 March 2004 and 2005

		Millions of yen			*Thousands of U.S. dollars (Note 1)*
		2004		2005	*2005*
Cash flows from operating activities:					
Income before income taxes and minority interests	¥	5,111	¥	6,840	*$ 63,693*
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities					
Depreciation and amortization		5,066		5,144	*47,900*
Equity in earnings of affiliates		(146)		(166)	*(1,546)*
Interest and dividend income		(380)		(494)	*(4,600)*
Interest expense		456		232	*2,160*
Net gain on sale of investment securities		(0)		(1,213)	*(11,295)*
Loss on write-down of investment securities		13		4	*37*
Gain on sale of property and equipment		(4)		(4)	*(37)*
Loss on disposal of property and equipment		33		24	*223*
Increase in notes and accounts receivable		(445)		(380)	*(3,538)*
Increase in notes and accounts payable		476		408	*3,799*
Net (decrease) increase of allowance for doubtful receivables		112		(274)	*(2,551)*
Increase (decrease) in employees' retirement benefits		(148)		22	*205*
(Decrease) increase in directors' and corporate auditors' retirement benefits		111		(84)	*(782)*
Other, net		(2,466)		219	*2,039*
Sub-total		7,789		10,278	*95,707*
Interest and dividends received		404		529	*4,926*
Interest paid		(458)		(233)	*(2,170)*
Income taxes paid		(2,924)		(2,191)	*(20,402)*
Net cash provided by operating activities		4,811		8,383	*78,061*
Cash flows from investing activities:					
Acquisition of securities		(1,045)		(913)	*(8,502)*
Proceeds from sale or redemption of securities		20		832	*7,747*
Acquisition of property and equipment		(9,811)		(4,111)	*(38,281)*
Proceeds from sale of property and equipment		256		5	*47*
Advance of loans receivable		(29)		(44)	*(410)*
Collection of loans receivable		57		50	*466*
Time deposits, maturing after three months and other, net		232		(16)	*(149)*
Net cash used in investing activities		(10,320)		(4,197)	*(39,082)*
Cash flows from financing activities:					
Dividends paid		(804)		(798)	*(7,431)*
Proceeds from short-term debt		3,977		3,413	*31,781*
Repayments of short-term debt		(5,284)		(4,668)	*(43,468)*
Proceeds from long-term debt		15,199		60	*559*
Payment to bond redemption funds		—		(8,121)	*(75,622)*
Repayments of long-term debt		(5,885)		(24)	*(223)*
Capital contributions from minority shareholders		120		—	—
Purchase of treasury stock		(600)		(52)	*(484)*
Net cash provided by (used in) financing activities		6,723		(10,190)	*(94,888)*
Effect of exchange rate changes on cash and cash equivalents		(71)		(10)	*(92)*
Net (decrease) increase in cash and cash equivalents		1,143		(6,014)	*(56,001)*
Cash and cash equivalents at beginning of period		15,561		16,704	*155,545*
Cash and cash equivalents at end of period	¥	16,704	¥	10,690	*$ 99,544*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Notes to Consolidated Financial Statements
31 March 2004 and 2005

1. Basis of Presenting Consolidated Financial Statements

(a) The accompanying consolidated financial statements 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 as to 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 shareholders' equity) 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.

(b) The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 31 March 2005, which was ¥107.39 to U.S. $1. 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 23 significant subsidiaries for the years ended 31 March 2004 and 2005. All significant intercompany transactions and accounts have been eliminated. The fiscal year-end of all the consolidated foreign subsidiaries is 31 December and is different from the Company's. Significant transactions between 31 December and 31 March are reflected in the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. Excess of cost over equity in net assets acquired is amortized within five years.

The equity method is applied to two subsidiaries and four affiliates. 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 that shareholders' equity accounts 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 based on the analysis 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, and 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 shareholders’ equity. Realized gains or losses on sales of such securities are 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, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Property and equipment

Property and equipment are carried at cost. The Company and its domestic subsidiaries provide depreciation on a declining balance method over estimated useful lives in accordance with Japanese tax laws. However, depreciation for buildings, except building fixtures, acquired after 31 March 1998 is stated on the straight-line method.

Consolidated foreign subsidiaries compute depreciation on the straight-line method over estimated useful lives.

In the year ended 31 March 2005, the Company did not adopt early the new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on 9 August 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on 31 October 2003). The new accounting standard is required to be adopted by the period beginning on 1 April 2005, but the standard does not prohibit earlier adoption.

The Company will record impairment losses on fixed assets of approximately ¥800 million from application of the new standard on a consolidated basis in the first quarter of the year ending 31 March 2006.

(f) 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.

(g) Software costs

The Company and its consolidated domestic subsidiaries depreciate software using the straight-line method over the estimated useful life of five years.

(h) Income taxes

The Companies recognize tax effects of loss carry forwards and 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.

(i) Bonuses

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

Bonuses to directors and corporate auditors, which are subject to approval at the shareholders' meeting, are accounted for as an appropriation of retained earnings.

(j) Retirement benefits

ⓘ 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.

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 the liability for employees' retirement benefits at the balance sheet date based on the estimated amount of projected benefit obligation and the 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 lives commencing with the following period.

ⓘⓘ Directors and corporate auditors:

The Company and certain subsidiaries accrue the liability for directors' and corporate auditors' retirement benefits equal to the amount of their retirement payment required if they retired their positions at the balance sheet dates.

(k) Net income per share

The computations 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.

(l) Cash and cash equivalents

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

3. Securities

The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of 31 March 2004:

Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen
Book value	¥ 84
Fair value	86
Difference	¥ 2

Securities with available fair values not exceeding book values:

	Millions of yen
Book value	¥ 787
Fair value	764
Difference	¥ (23)

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

Available-for-sale securities:

Securities with book values exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 8,732	¥ 49,101	¥ 40,369
Bonds	9	13	4
Other	0	0	0
Total	¥ 8,741	¥ 49,114	¥ 40,373

Securities with book values not exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 90	¥ 76	¥ (14)
Other	4	3	(1)
Total	¥ 94	¥ 79	¥ (15)

The following table summarizes book values of securities with no available fair values as of 31 March 2004:

Available-for-sale securities:	Millions of yen
Non-listed equity securities	¥ 2,033
Equity securities issued by subsidiaries and affiliates	973
Total	¥ 3,006

Available-for-sale securities with maturities and held-to-maturity debt securities at 31 March 2004 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	¥ 49	¥ 45	¥ 774
Bonds	13	—	—
Total	¥ 62	¥ 45	¥ 774

Total sales of available-for-sale securities in the year ended 31 March 2004 amounted to ¥2 million and the related gains amounted to ¥0 million.

The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of 31 March 2005:

Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen	*Thousands of U.S. dollars*
Book value	¥ 41	*$ 382*
Fair value	42	*391*
Difference	¥ 1	*$ 9*

Securities with available fair values not exceeding book values:

	Millions of yen	*Thousands of U.S. dollars*
Book value	¥ 780	*$ 7,263*
Fair value	778	*7,244*
Difference	¥ (2)	*$ (19)*

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

Available-for-sale securities:

Securities with book values exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 9,303	¥ 47,905	¥ 38,602
Other	1	1	0
Total	¥ 9,304	¥ 47,906	¥ 38,602

	Thousands of U. S. dollars		
	Acquisition cost	*Book value*	*Difference*
Equity securities	*$ 86,628*	*$ 446,084*	*$ 359,456*
Other	*9*	*9*	*0*
Total	*$ 86,637*	*$ 446,093*	*$ 359,456*

Securities with book values not exceeding acquisition cost:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 140	¥ 124	¥ (16)
Other	4	3	(1)
Total	¥ 144	¥ 127	¥ (17)

	Thousands of U. S. dollars		
	Acquisition cost	*Book value*	*Difference*
Equity securities	*$ 1,304*	*$ 1,155*	*$ (149)*
Other	*37*	*28*	*(9)*
Total	*$ 1,341*	*$ 1,183*	*$ (158)*

The following table summarizes book values of securities with no available fair values as of 31 March 2005:

Available-for-sale securities:	Millions of yen	*Thousands of U.S. dollars*
Non-listed equity securities	¥ 2,028	*$ 18,884*
Equity securities issued by subsidiaries and affiliates	1,170	*10,895*
Total	¥ 3,198	*$ 29,779*

Held-to-maturity debt securities at 31 March 2005 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	¥ 45	¥ —	¥ 774

	Thousands of U. S. dollars		
	Within one year	*Over one year but within five years*	*Over five years but within ten years*
Government bonds	*$ 419*	*$ —*	*$ 7,207*

Total sales of available-for-sale securities in the year ended 31 March 2005 amounted to ¥1,439 million (US$ 13,400 thousand) and the related gains amounted to ¥1,213 million (US$ 11,295 thousand).

4. Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the balance sheet at 31 March 2004 and 2005 were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Investment securities and investment in capital	¥ 976	¥ 1,173	*$ 10,923*

5. Bank Loans and Long-term Debt

Bank loans at 31 March 2004 and 2005 bore interest ranging from 0.46% to 2.20%.

Long-term debt at 31 March 2004 and 2005 consisted of the following:

	Millions of yen		*Thousands of U. S. dollars*
Secured	2004	2005	*2005*
Loans principally from banks 0.90%- 6.60% maturing through 2019	¥ 2,977	¥ 2,600	*$ 24,211*
Unsecured			
1.0% convertible bonds due 2005, convertible into shares of the Company's common stock at a price of ¥401 per share	14,658	—	—
Zero Coupon convertible bonds due 2009, convertible into shares of the Company' common stock at a price of ¥466 (*US$4.34*) per share	13,000	9,835	*91,582*
Loans principally from banks 0.53%- 2.13% maturing through 2010	3,292	2,748	*25,589*
	33,927	15,183	*141,382*
Less amounts due within one year	(15,620)	(951)	*(8,856)*
	¥ 18,307	¥ 14,232	*$132,526*

The aggregate annual maturities of long-term debt at 31 March 2005, were as follows:

Year ending 31 March	Millions of yen	*Thousands of U. S. dollars*
2006	¥ 951	*$ 8,856*
2007	1,115	*10,383*
2008	968	*9,014*
2009	10,679	*99,441*
2010	565	*5,261*
2011 and thereafter	905	*8,427*
	¥ 15,183	*$ 141,382*

At 31 March 2005, assets pledged as collateral for short-term bank loans of ¥3,918 million (*US$36,484 thousand*) and secured long-term debt 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	*$ 2,095*
Investments securities	5,411	*50,386*
Property and equipment, net of accumulated depreciation	4,220	*39,296*
Leasehold and other	368	*3,427*
	¥ 10,224	*$ 95,204*

6. Leases

(a) Finance leases as lessee

At 31 March 2004 and 2005, non-capitalized finance leases for machinery and equipment were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Original lease obligations	¥ 1,859	¥ 1,705	*$ 15,877*
Lease payments	(969)	(898)	*(8,362)*
Remaining lease obligations	¥ 890	¥ 807	*$ 7,515*

Total lease payments under non-capitalized finance leases arrangements were ¥372 million and ¥359 million (*US$3,343 thousand*) for the years ended 31 March 2004 and 2005, respectively.

Lease obligations under non-capitalized finance leases, including finance charges, at 31 March 2004 and 2005, were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Due within one year	¥ 328	¥ 307	*$ 2,859*
Due after one year	562	500	*4,656*
Total	¥ 890	¥ 807	*$ 7,515*

(b) Finance leases as lessor

At 31 March 2004 and 2005, buildings and structures leased by a consolidated subsidiary under finance leases were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Acquisition cost	¥ 6	¥ 6	*$ 56*
Less accumulated depreciation	(4)	(4)	*(37)*
Total	¥ 2	¥ 2	*$ 19*

(c) Operating leases as lessor

Lease receipts under operating leases, at 31 March 2004 and 2005, were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Due within one year	—	¥ 543	*$ 5,056*
Due after one year	—	4,494	*41,848*
Total	—	¥ 5,037	*$ 46,904*

7. Employees' Retirement Benefits

The liabilities for employees' retirement benefits included in the liability section of the consolidated balance sheet as of 31 March 2004 and 2005 consisted of the following:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Projected retirement benefit obligation	¥(11,956)	¥(11,771)	*$ (109,610)*
Plan assets	4,060	4,179	*38,914*
Unfunded retirement benefit obligation	(7,896)	(7,592)	*(70,696)*
Less unrecognized actuarial differences	1,371	1,045	*9,731*
Liability for retirement benefits	¥(6,525)	¥(6,547)	*$ (60,965)*

Included in the consolidated statements of income for the years ended 31 March 2004 and 2005 are retirement benefit expenses comprised of the following:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Service costs – benefits earned during the year	¥ 542	¥ 632	*$ 5,885*
Interest cost on projected benefit obligation	248	250	*2,328*
Expected return on plan assets	(67)	(75)	*(698)*
Amortization of actuarial differences	195	173	*1,611*
Retirement benefit expenses	¥ 918	¥ 980	*$ 9,126*

The assumptions and bases used for the calculation of retirement benefit obligations for the years ended 31 March 2004 and 2005 were as follows:

	2004	2005
Discount rate	2.5%	2.5%
Expected return rate for plan assets	2.0%	2.0%
Amortization period for actuarial differences	10 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.

8. Deferred Income Taxes

Significant components of the Companies' deferred tax assets and liabilities at 31 March 2004 and 2005 were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2004	2005	*2005*
Deferred tax assets:			
Employees' retirement benefits	¥ 2,309	¥ 2,465	*$ 22,954*
Accrued employees' bonuses	580	569	*5,299*
Directors' and corporate auditors' retirement benefits	471	453	*4,218*
Enterprise taxes	99	164	*1,527*
Accrued real estate acquisition tax	69	70	*652*
Allowance of doubtful receivables	29	14	*130*
Other	660	507	*4,721*
Total deferred tax assets	4,217	4,242	*39,501*
Less valuation allowance	(639)	(645)	*(6,006)*
Net deferred tax assets	3,578	3,597	*33,495*
Deferred tax liabilities:			
Unrealized gain on investment securities	(16,425)	(15,707)	*(146,261)*
Special reserves	(7,258)	(7,050)	*(65,649)*
Reserve for special depreciation	(258)	(213)	*(1,983)*
Other	(250)	(233)	*(2,170)*
Total deferred tax liabilities	(24,191)	(23,203)	*(216,063)*
Net deferred tax liabilities	¥ (20,613)	¥ (19,606)	*$(182,568)*

Classification of "Deferred tax liabilities, net" on the consolidated balance sheet as of 31 March 2004 and 2005 were as follows:

Balance sheet item		Millions of yen 2004	Millions of yen 2005	*Thousands of U. S. dollars 2005*
Current assets	Deferred tax assets	¥ 546	¥ 593	*$ 5,522*
Non-current assets	Deferred tax assets	14	7	*65*
Current liabilities	Deferred tax liabilities	(3)	(3)	*(28)*
Non-current liabilities	Deferred tax liabilities	(21,170)	(20,203)	*(188,127)*
		¥ (20,613)	¥ (19,606)	*$(182,568)*

The significant differences between the aggregate statutory income tax rates and the effective income tax rates for the years ended 31 March 2004 and 2005 were follows:

	2004	2005
Statutory income tax rate	42.1%	40.7%
Non-deductible expenses	1.0%	1.3%
Net loss of consolidated subsidiaries	0.8%	0.5%
Utilization of previously unrecognized tax loss carry forward of a consolidated subsidiary	(2.7%)	(1.4%)
Non-taxable dividend income	(1.3%)	(1.3%)
Decrease in valuation allowance	(1.2%)	(0.1%)
Other	(1.5%)	(1.1%)
Effective income tax rate	37.2%	38.6%

9. Shareholders' Equity

Under the Commercial Code 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 Commercial Code 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 condition that the total amount of legal reserve and additional paid-in capital remains being 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 Commercial Code.

10. Contingent Liabilities

At 31 March 2004 and 2005, the Companies were contingently liable as follows:

	Millions of yen 2004	Millions of yen 2005	*Thousands of U. S. dollars 2005*
As endorser of notes endorsed	¥ 632	¥ 526	*$ 4,898*
As guarantor of indebtedness	4,729	4,344	*40,451*

11. Contributions

The contributions were for the promotion of construction of a pedestrian bridge paid to a local government.

12. Supplemental cash flow information

Supplemental cash flow information for the year ended 31 March 2005 was as follows:

Non-cash financing activities:

Conversion of convertible bonds	Millions of yen	*Thousands of U.S. dollars*
Increase in common stock by conversion of convertible bonds	¥ 7,725	*$ 71,934*
Increase in capital surplus by conversion of convertible bonds	7,694	*71,645*
Treasury stock used for conversion of convertible bonds	1,780	*16,576*
Gain on disposal of the above treasury stocks	600	*5,587*
Total	¥ 17,799	*$ 165,742*

13. Segment Information

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 leasing, warehouse and logistics facilities leasing

	Millions of yen			
Year ended 31 March 2004	Logistics	Real estate	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 79,979	¥ 13,711	¥ —	¥ 93,690
Inter-segment transfers	36	414	(450)	—
Total sales	80,015	14,125	(450)	93,690
Operating cost	78,253	6,923	2,668	87,844
Operating income	¥ 1,762	¥ 7,202	¥ (3,118)	¥ 5,846
Assets	¥ 67,560	¥ 50,183	¥ 68,729	¥ 186,472
Depreciation	2,367	2,482	217	5,066
Capital expenditures	1,317	8,299	166	9,782

	Millions of yen			
Year ended 31 March 2005	Logistics	Real estate	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 85,469	¥ 13,523	¥ —	¥ 98,992
Inter-segment transfers	35	411	(446)	—
Total sales	85,504	13,934	(446)	98,992
Operating cost	82,644	7,117	2,854	92,615
Operating income	¥ 2,860	¥ 6,817	¥ (3,300)	¥ 6,377
Assets	¥ 69,150	¥ 48,686	¥ 69,669	¥ 187,505
Depreciation	2,278	2,698	168	5,144
Capital expenditures	1,583	2,413	112	4,108

Year ended 31 March 2005	Thousands of U. S. dollars			
	Logistics	Real estate	Corporate & Elimination	Consolidated
Sales to outside customers	$ 795,875	$ 125,924	$ —	$ 921,799
Inter-segment transfers	326	3,827	(4,153)	—
Total sales	796,201	129,751	(4,153)	921,799
Operating cost	769,569	66,272	26,576	862,417
Operating income	$ 26,632	$ 63,479	$ (30,729)	$ 59,382
Assets	$ 643,915	$ 453,357	$ 648,747	$ 1,746,019
Depreciation	21,213	25,123	1,564	47,900
Capital expenditures	14,741	22,469	1,043	38,253

Corporate costs and expenses of ¥3,118 million and ¥ 3,300 million (*US$ 30,729 thousand*) for years ended 31 March 2004 and 2005, respectively, mainly consisted of expenses of administrative departments of the Company.

Corporate assets of ¥69,335 million and ¥70,111 million (*US$ 652,863 thousand*) at 31 March 2004 and 2005, respectively, mainly consisted of cash and cash equivalents, investment securities and assets of the administrative departments of the Company.

Sales and assets of the consolidated foreign subsidiaries were immaterial. Accordingly, information by geographic segment is not disclosed.

Overseas sales, which represent sales to customers outside Japan, of the Companies were immaterial. Accordingly, overseas sales are not disclosed.

14. Subsequent Event

(a) Appropriation

At the ordinary shareholders' meeting of the Company held on 29 June 2005, the appropriation of retained earnings at 31 March 2005 was duly approved as follows:

	Millions of yen	*Thousands of U. S. dollars*
Cash dividends at ¥ 7.0 (*U. S. $0.07*) per share	¥ 1,230	*$ 11,454*
Bonuses to directors and corporate auditors	40	*372*

(b) Business Alliance

The Company resolved to form a business alliance agreement with Daiwa House Industry Co., Ltd. ("Daiwa House"), which includes a capital alliance between the companies, at the meeting of the Company's board of directors held on 12 May 2005, and entered into the agreement on that day.

ⓘ The business alliance

The Company aims to operate efficiently, to further enhance its profitability and to get competitive strength in areas concerning logistics business and logistics facilities, in areas concerning the real estate business and in areas concerning business overseas, including China.

ⓘⓘ The capital alliance

The Company and Daiwa House will form a capital alliance in order to strengthen the business alliance, as follows:

・The Company will acquire approximately 5,000,000 shares of the issued shares of Daiwa House by 31 March 2006; and

・Daiwa House will acquire approximately 10,000,000 shares of the issued shares of the Company by 31 March 2006.