The Sumitomo Warehouse Co., Ltd.
Consolidated Balance Sheets (Unaudited)
30 September 2006 and 2007

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
ASSETS	2006	2007	*2007*
Current assets:			
Cash and cash equivalents (Note 4)	¥ 10,383	¥ 12,288	*$ 106,454*
Short-term investments (Note 5)	1,337	993	*8,603*
Receivables			
Trade notes and accounts	17,944	18,905	*163,779*
Other	2,350	2,607	*22,585*
Allowance for doubtful receivables	(163)	(106)	*(918)*
	20,131	21,406	*185,446*
Real estate inventories (Note 3)	392	321	*2,781*
Deferred tax assets	916	1,012	*8,767*
Other	1,855	1,794	*15,541*
Total current assets	35,014	37,814	*327,592*
Investments and other non-current assets:			
Investment securities (Notes 4 and 5)	97,221	103,895	*900,069*
Long-term loans receivable	420	347	*3,006*
Deferred tax assets	175	155	*1,343*
Other (Notes 4 and 5)	6,158	6,795	*58,867*
Allowance for doubtful receivables	(257)	(269)	*(2,330)*
	103,717	110,923	*960,955*
Property and equipment (Note 5) **:**			
Land	40,548	45,963	*398,189*
Buildings and structures	147,741	154,619	*1,339,504*
Machinery and equipment	23,626	24,845	*215,239*
Construction in progress	3,866	3,888	*33,683*
	215,781	229,315	*1,986,615*
Less accumulated depreciation	(105,327)	(110,165)	*(954,388)*
	110,454	119,150	*1,032,227*
Intangibles:			
Goodwill	2,535	2,910	*25,210*
Leasehold (Note 5)	2,867	3,514	*30,443*
Software	326	352	*3,049*
Other	1,113	1,861	*16,123*
	6,841	8,637	*74,825*
	¥ 256,026	¥ 276,524	*$ 2,395,599*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Balance Sheets (Unaudited)
30 September 2006 and 2007

LIABILITIES AND NET ASSETS	Millions of yen 2006	Millions of yen 2007	Thousands of U.S. dollars (Note 1) 2007
Current liabilities:			
Bank loans (Note 5)	¥ 16,509	¥ 28,338	*$ 245,499*
Long-term debt due within one year (Note 5)	3,140	3,009	*26,068*
Payables :			
Trade notes and accounts	10,066	10,744	*93,078*
Other	4,853	3,702	*32,071*
	14,919	14,446	*125,149*
Income taxes payable	1,838	2,022	*17,517*
Accrued employees' bonuses	1,594	1,581	*13,697*
Reserve for bonuses to directors	5	—	—
Other	1,783	1,991	*17,249*
Total current liabilities	39,788	51,387	*445,179*
Long-term debt due after one year (Note 5)	21,173	25,045	*216,971*
Deferred tax liabilities	33,402	33,855	*293,295*
Employees' retirement benefits	3,795	3,373	*29,221*
Directors' and corporate auditors' retirement benefits	131	69	*598*
Deposits on contracts	14,762	14,209	*123,096*
Other non-current liabilities	882	920	*7,970*
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity:			
Common stock			
Authorized — 395,872,000 shares			
Issued — 193,305,760 shares at 30 September 2006			
— 195,936,231 shares at 30 September 2007	21,210	21,823	*189,058*
Capital surplus	18,650	19,180	*166,161*
Retained earnings	56,867	60,594	*524,942*
Treasury stock, at cost			
— 339,670 shares at 30 September 2006			
— 1,484,245 shares at 30 September 2007	(145)	(1,304)	*(11,297)*
Total shareholders' equity	96,582	100,293	868,864
Valuation and translation adjustments:			
Unrealized gains on investment securities	42,137	42,508	*368,258*
Deferred gains and losses on hedges	—	20	*173*
Foreign currency translation adjustments	(193)	651	*5,640*
Total valuation and translation adjustments	41,944	43,179	374,071
Subscription rights to shares	—	32	*277*
Minority interests in consolidated subsidiaries	3,567	4,162	*36,057*
Total net assets	142,093	147,666	1,279,269
	¥ 256,026	¥ 276,524	*$ 2,395,599*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Income (Unaudited)
Six months ended 30 September 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Net sales	¥ 55,238	¥ 68,050	$ 589,535
Cost of sales	48,612	60,361	522,923
Selling, general and administrative expenses	3,330	3,566	30,893
Operating income	3,296	4,123	35,719
Other income (expenses):			
Interest and dividend income	597	718	6,220
Interest expense	(152)	(351)	(3,041)
Equity in earnings of affiliates	79	90	780
Gain on sale of investment securities	—	856	7,416
Loss on write-down of investment securities	(—)	(44)	(381)
Reversal of allowance for doubtful receivables	32	—	—
Provision of allowance for doubtful receivables	(—)	(45)	(390)
Loss on disposal of property and equipment	(11)	(39)	(338)
Fees for arrangement of syndicated loans	(106)	(—)	(—)
Cost of compensation for damage	(—)	(410)	(3,552)
Loss on dissolution of the welfare pension fund of consolidated subsidiaries	(—)	(206)	(1,785)
Other, net	24	85	736
Income before income taxes and minority interests	3,759	4,777	41,384
Income taxes			
Current	1,599	1,805	15,637
Deferred	(151)	76	658
	1,448	1,881	16,295
Minority interests	62	225	1,949
Net income	¥ 2,249	¥ 2,671	$ 23,140

	Yen		U.S. dollars (Note 1)
Basic net income per share	¥ 11.75	¥ 13.74	$ 0.12
Dilutive net income per share	¥ 11.43	¥ 13.67	$ 0.12

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Changes in Net Assets (Unaudited)
Six months ended 30 September 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	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance at 31 March 2006	¥ 20,785	¥ 18,224	¥ 55,614	¥ (129)	¥ 94,494	¥ 45,648	¥ (231)	¥ 45,417
Conversion of convertible bonds	425	425			850			
Net income			2,249		2,249			
Cash dividends at ¥5.0 per share			(956)		(956)			
Bonuses to directors and corporate auditors			(40)		(40)			
Net increase in treasury stock		1		(16)	(15)			
Net changes in items other than shareholders' equity						(3,511)	38	(3,473)
Total changes in items during the period	425	426	1,253	(16)	2,088	(3,511)	38	(3,473)
Balance at 30 September 2006	¥ 21,210	¥ 18,650	¥ 56,867	¥ (145)	¥ 96,582	¥ 42,137	¥ (193)	¥ 41,944

	Minority interests in consolidated subsidiaries	Total net assets
Balance at 31 March 2006	¥ 1,130	¥ 141,041
Conversion of convertible bonds		850
Net income		2,249
Cash dividends at ¥5.0 per share		(956)
Bonuses to directors and corporate auditors		(40)
Net increase in treasury stock		(15)
Net changes in items other than shareholders' equity	2,437	(1,036)
Total changes in items during the period	2,437	1,052
Balance at 30 September 2006	¥ 3,567	¥ 142,093

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Changes in Net Assets (Unaudited)
Six months ended 30 September 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
Balance at 31 March 2007	¥ 21,270	¥ 18,711	¥ 58,862	¥ (1,466)	¥ 97,377	¥ 47,009	¥ 6	¥ 147	¥ 47,162
Conversion of convertible bonds	553	553			1,106				
Net income			2,671		2,671				
Employee welfare fund			(1)		(1)				
Increase resulting from a newly consolidated subsidiary			22		22				
Cash dividends at ¥5.0 per share			(960)		(960)				
Net increase in treasury stock		(84)		162	78				
Net changes in items other than shareholders' equity						(4,501)	14	504	(3,983)
Total changes in items during the period	553	469	1,732	162	2,916	(4,501)	14	504	(3,983)
Balance at 30 September 2007	¥ 21,823	¥ 19,180	¥ 60,594	¥ (1,304)	¥ 100,293	¥ 42,508	¥ 20	¥ 651	¥ 43,179

	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at 31 March 2007	¥ 32	¥ 3,801	¥ 148,372
Conversion of convertible bonds			1,106
Net income			2,671
Employee welfare fund			(1)
Increase resulting from a newly consolidated subsidiary			22
Cash dividends at ¥5.0 per share			(960)
Net increase in treasury stock			78
Net changes in items other than shareholders' equity		361	(3,622)
Total changes in items during the period		361	(706)
Balance at 30 September 2007	¥ 32	¥ 4,162	¥ 147,666

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Changes in Net Assets (Unaudited)
Six months ended 30 September 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
Balance at 31 March 2007	$ 184,267	$ 162,098	$ 509,937	$ (12,700)	$ 843,602	$ 407,251	$ 52	$ 1,274	$ 408,577
Conversion of convertible bonds	4,791	4,791			9,582				
Net income			23,140		23,140				
Employee welfare fund			(9)		(9)				
Increase resulting from a newly consolidated subsidiary			191		191				
Cash dividends at ¥5.0 (U.S.$0.04) per share			(8,317)		(8,317)				
Net increase in treasury stock		(728)		1,403	675				
Net changes in items other than shareholders' equity						(38,993)	121	4,366	(34,506)
Total changes in items during the period	4,791	4,063	15,005	1,403	25,262	(38,993)	121	4,366	(34,506)
Balance at 30 September 2007	$ 189,058	$ 166,161	$ 524,942	$ (11,297)	$ 868,864	$ 368,258	$ 173	$ 5,640	$ 374,071

	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at 31 March 2007	$ 277	$ 32,929	$ 1,285,385
Conversion of convertible bonds			9,582
Net income			23,140
Employee welfare fund			(9)
Increase resulting from newly consolidated subsidiaries			191
Cash dividends at ¥5.0 (U.S.$0.04) per share			(8,317)
Net increase in treasury stock			675
Net changes in items other than shareholders' equity		3,128	(31,378)
Total changes in items during the period		3,128	(6,116)
Balance at 30 September 2007	$ 277	$ 36,057	$ 1,279,269

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Cash Flows (Unaudited)
Six months ended 30 September 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	*2007*
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,759	¥ 4,777	*$ 41,384*
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,371	2,771	*24,006*
Amortization of goodwill	—	162	*1,403*
Equity in earnings of affiliates	(79)	(90)	*(780)*
Interest and dividend income	(597)	(718)	*(6,220)*
Interest expense	152	351	*3,041*
Gain on sale of investment securities	11	(856)	*(7,416)*
Loss on write-down of investment securities	—	44	*381*
Loss on disposal of property and equipment	—	15	*130*
Increase in notes and accounts receivable	(62)	(462)	*(4,002)*
Decrease in notes and accounts payable	(1,015)	(199)	*(1,724)*
Net increase (decrease) in allowance for doubtful receivables	(49)	34	*295*
Decrease in employees' retirement benefits	(65)	(315)	*(2,729)*
Decrease in directors' and corporate auditors' retirement benefits	(11)	(129)	*(1,118)*
Increase in deposits payable	5	430	*3,725*
Fees for arrangement of syndicated loans	106	—	—
Other, net	(611)	(418)	*(3,620)*
Sub-total	3,915	5,397	*46,756*
Interest and dividends received	599	724	*6,272*
Interest paid	(81)	(338)	*(2,928)*
Income taxes paid	(1,926)	(2,173)	*(18,826)*
Net cash provided by operating activities	2,507	3,610	*31,274*
Cash flows from investing activities:			
Acquisition of securities	(720)	(678)	*(5,874)*
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	(5,475)	—	—
Proceeds from sale or redemption of securities	—	766	*6,636*
Acquisition of intangible fixed assets	(343)	(460)	*(3,985)*
Acquisition of property and equipment	(3,119)	(5,682)	*(49,225)*
Proceeds from sale of property and equipment	17	49	*424*
Advance of loans receivable	(29)	(33)	*(286)*
Collection of loans receivable	25	32	*277*
Other, net	(359)	(624)	*(5,404)*
Net cash used in investing activities	(10,003)	(6,630)	*(57,437)*
Cash flows from financing activities:			
Proceeds from short-term debt	7,898	2,077	*17,994*
Repayments of short-term debt	(9,106)	(2,073)	*(17,959)*
Proceeds from long-term debt	12,100	3,600	*31,188*
Repayments of long-term debt	(810)	(1,701)	*(14,736)*
Payment of fee for arrangement of syndicated loans	(106)	—	—
Purchase of treasury stock	(15)	(16)	*(139)*
Dividends paid	(956)	(960)	*(8,317)*
Cash dividends paid to minority shareholders	(18)	(59)	*(511)*
Net cash provided by financing activities	8,987	868	*7,520*
Effect of exchange rate changes on cash and cash equivalents	10	297	*2,573*
Net increase (decrease) in cash and cash equivalents	1,501	(1,855)	*(16,070)*
Cash and cash equivalents of a newly consolidated subsidiary	—	166	*1,438*
Cash and cash equivalents at beginning of period	8,882	13,977	*121,086*
Cash and cash equivalents at end of period	¥ 10,383	¥ 12,288	*$ 106,454*

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Notes to Consolidated Interim Financial Statements (Unaudited)
30 September 2006 and 2007

1. Basis of Presenting Consolidated Interim Financial Statements

(a) The accompanying consolidated interim 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 Financial Instruments 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 interim 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 interim 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 Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated interim financial statements, but not required for fair presentation, is not presented in the accompanying consolidated interim financial statements.

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

(b) The translation of the Japanese yen amounts into U.S. dollars amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 30 September 2007, which was ¥115.43 to U.S. $1.00. The 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 33 and 37 significant subsidiaries for the six months ended 30 September 2006 and 2007, respectively. All significant intercompany transactions and accounts have been eliminated. The fiscal six-month end of all the consolidated foreign subsidiaries and one consolidated domestic subsidiary is 30 June and 31 August, respectively. Significant transactions arising from the use of different fiscal six-month ends 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.

The equity method is applied to 4 affiliates for the six months ended 30 September 2006 and 5 affiliates for the six months ended 30 September 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 rate at the end of each six-month period, 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 rate at the end of each six-month period, 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 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 the 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.

(e) Derivative financial instruments and hedging

1) Derivatives

Derivatives are revaluated by the market value method.

2) Hedge accounting

The Companies use 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 prices

4) Hedging policy

The Companies utilize financial instruments to hedge risks of fluctuation in currency exchange rates, interest rates 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 flow on hedging instruments and the related hedged items. However, when a foreign exchange forward contract and an interest rate swap contact 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 consolidated 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.

Starting from this period, pursuant to an amendment to the Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries have depreciated tangible fixed assets acquired on or after 1 April 2007 in accordance with the method stipulated in the amended Japanese Corporation Tax Law. As a result, for the six months ended 30 September 2007, operating income and income before income taxes and minority interests were each 16 million yen less than they would have been using the previous method. For the impact on segment information, please refer to "Segment Information."

Pursuant to an amendment to the Japanese Corporate Tax Law, after having fully depreciated tangible fixed assets acquired on or before 31 March 2007 up to 5% of the acquisition cost, based on the prior Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price using a straight-line method over 5 years and expensed the amounts as "Depreciation and amortization." The straight-line depreciation starts from the next year, when the book value of tangible assets acquired on or before 31 March 2007 reaches 5% of the acquisition cost. As a result, for the six months ended 30 September 2007, operating income and income before income taxes and minority interests were each 92 million yen less than they would have been using the previous method. For the impact on segment information, please refer to "Segment Information."

(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.

At 30 September 2006, certain subsidiaries provide for bonuses to directors based upon estimates of amounts incurred for the current six-month period.

(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 the fair value of 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.

(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 all 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 30 September 2006 and 2007 consisted of the following:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Real estate for sale	¥ 391	¥ 321	*$ 2,781*
Real estate for sale in progress	1	—	—
Total	¥ 392	¥ 321	*$ 2,781*

4. Securities

The following tables summarize the acquisition costs, book values and fair value of securities with available fair values as of 30 September 2006:

Held-to-maturity debt securities:

	Millions of yen
Book value	¥ 791
Fair value	776
Difference	¥ (15)

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

Available-for-sale securities:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 22,337	¥ 93,692	¥ 71,355
Other	2	2	—
Total	¥ 22,339	¥ 93,694	¥ 71,355

The following table summarizes the book values of securities with no available fair values as of 30 September 2006:

	Millions of yen
Available-for-sale securities:	
Non-listed equity securities	¥ 2,329
Equity securities issued by subsidiaries and affiliates	1,197
Total	¥ 3,526

The following tables summarize the acquisition costs, book values and fair value of securities with available fair values as of 30 September 2007:

Held-to-maturity debt securities:

	Millions of yen	*Thousands of U.S. dollars*
Book value	¥ 791	*$ 6,853*
Fair value	781	*6,766*
Difference	¥ (10)	*$ (87)*

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

Available-for-sale securities:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 29,750	¥ 101,728	¥ 71,978
Other	2	2	—
Total	¥ 29,752	¥ 101,730	¥ 71,978

	Thousands of U. S. dollars		
	Acquisition cost	*Book value*	*Difference*
Equity securities	*$ 257,732*	*$ 881,296*	*$ 623,564*
Other	*17*	*17*	—
Total	*$ 257,749*	*$ 881,313*	*$ 623,564*

The following table summarizes the book values of securities with no available fair values as of 30 September 2007:

	Millions of yen	*Thousands of U.S. dollars*
Available-for-sale securities:		
Non-listed equity securities	¥ 993	*$ 8,602*
Other	60	*520*
Equity securities issued by subsidiaries and affiliates	1,171	*10,145*
Total	¥ 2,224	*$ 19,267*

5. Bank Loans and Long-term Debt

Short-term bank loans at 30 September 2006 and 2007 bore interest ranging from 0.32% to 3.98% and from 0.86% to 3.06%, respectively.

Long-term debt at 30 September 2006 and 2007 consisted of the following:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Secured			
Loans principally from banks 0.55% — 4.20% maturing through 2019	¥ 6,074	¥ 5,520	*$47,822*
Unsecured			
Zero Coupon convertible bonds due 2009, convertible into shares of the Company' common stock at a price of ¥466 (*US$4.04*) per share	1,769	450	*3,898*
Loans principally from banks 0.51% — 3.48% maturing through 2014	16,470	22,084	*191,319*
	24,313	28,054	*243,039*
Less amounts due within one year	(3,140)	(3,009)	*(26,068)*
	¥ 21,173	¥ 25,045	*$216,971*

The aggregate annual maturities of long-term debt at 30 September 2007 were as follows:

30 September	Millions of yen	*Thousands of U. S. dollars*
2008	¥ 3,009	*$ 26,068*
2009	2,752	*23,841*
2010	1,529	*13,246*
2011	862	*7,468*
2012	434	*3,760*
2013 and thereafter	19,468	*168,656*
	¥ 28,054	*$ 243,039*

At 30 September 2007, assets pledged as collateral for short-term bank loans of ¥6,895 million (*US$59,733 thousand*) and secured long-term debt of ¥5,520 million (*US$47,822 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)	¥ 255	*$ 2,209*
Investment securities	3,160	*27,376*
Property and equipment, net of accumulated depreciation	10,917	*94,577*
Leasehold and other	369	*3,197*
	¥ 14,701	*$ 127,359*

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 30 September 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Total commitment lines of credit	¥ 20,000	¥ 25,000	*$216,581*
Outstanding borrowings	8,000	22,000	*190,591*
Net outstanding credit	¥ 12,000	¥ 3,000	*$ 25,990*

6. Leases

(a) Finance leases as lessee

At 30 September 2006 and 2007, non-capitalized finance leases for machinery and equipment were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Original lease obligations	¥ 2,400	¥ 2,700	*$ 23,391*
Lease payments	(1,258)	(1,178)	*(10,206)*
Remaining lease obligations	¥ 1,142	¥ 1,522	*$ 13,185*

Total lease payments under non-capitalized finance lease arrangements were ¥197 million and ¥305 million (*US$2,642 thousand*) for the six months ended 30 September 2006 and 2007, respectively.

At 30 September 2006 and 2007, lease obligations under non-capitalized finance leases, including finance charges, were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Due within one year	¥ 445	¥ 517	*$ 4,479*
Due after one year	697	1,005	*8,706*
Total	¥ 1,142	¥ 1,522	*$13,185*

(b) Operating leases as lessee

At 30 September 2006 and 2007, lease obligations under operating leases were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Due within one year	¥ 52	¥ 59	*$ 511*
Due after one year	132	100	*866*
Total	¥ 184	¥ 159	*$ 1,377*

(c) Operating leases as lessor

At 30 September 2006 and 2007, lease receipts under operating leases were as follows:

	Millions of yen		*Thousands of U. S. dollars*
	2006	2007	*2007*
Due within one year	¥ 776	¥ 905	*$ 7,840*
Due after one year	3,907	3,443	*29,828*
Total	¥ 4,683	¥ 4,348	*$37,668*

7. 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 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 the 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 of Japan.

8. Contingent Liabilities

At 30 September 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	¥ 3,806	¥ 3,353	*$ 29,048*
Trade notes receivable discounted	25	57	*494*
Trade notes receivable endorsed	655	482	*4,176*

9. Derivatives

For the six months ended 30 September 2006, certain consolidated subsidiaries utilized derivative financial instruments as follows:

		Millions of yen		
Type of product	Type of trading	Contract amount	Estimated fair value	Valuation gain
Commodity	Crude oil average swap	¥ 3	¥ 22	¥ 22

The estimated fair value amount was determined using the price which the corresponding financial institution presented.

Transactions for derivative financial instruments to which hedge accounting is applied are excluded.

10. 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			
Six months ended 30 September 2006	Logistics	Real estate	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 50,639	¥ 4,599	¥ —	¥ 55,238
Inter-segment transfers	1	175	(176)	—
Total sales	50,640	4,774	(176)	55,238
Operating cost	48,303	2,161	1,478	51,942
Operating income	¥ 2,337	¥ 2,613	¥ (1,654)	¥ 3,296

	Millions of yen			
Six months ended 30 September 2007	Logistics	Real estate	Corporate & Elimination	Consolidated
Sales to outside customers	¥ 63,086	¥ 4,964	¥ —	¥ 68,050
Inter-segment transfers	1	194	(195)	—
Total sales	63,087	5,158	(195)	68,050
Operating cost	59,897	2,314	1,716	63,927
Operating income	¥ 3,190	¥ 2,844	¥ (1,911)	¥ 4,123

Six months ended 30 September 2007	*Logistics*	*Real estate*	*Corporate & Elimination*	*Consolidated*
	Thousands of U. S. dollars			
Sales to outside customers	*$ 546,530*	*$ 43,005*	*$ —*	*$ 589,535*
Inter-segment transfers	*9*	*1,680*	*(1,689)*	*—*
Total sales	*546,539*	*44,685*	*(1,689)*	*589,535*
Operating cost	*518,903*	*20,047*	*14,866*	*553,816*
Operating income	*$ 27,636*	*$ 24,638*	*$ (16,555)*	*$ 35,719*

Corporate costs and expenses of ¥1,654 million and ¥1,911 million (*US$16,555 thousand*) for the six months ended 30 September 2006 and 2007, respectively, consisted mainly of expenses of administrative departments of the Company and some of its consolidated subsidiaries.

As noted in "Significant Accounting Policies (g) Property and equipment," starting from this period, tangible fixed assets acquired on or after 1 April 2007 have been depreciated in accordance with the method stipulated in the amended Japanese Corporation Tax Law. With this change, for the six months ended 30 September 2007, operating income for "Logistics," "Real estate" and "Corporate & Elimination" was ¥14 million (*US$121 thousand*), ¥2 million (*US$17 thousand*) and ¥0 million (*US$0 thousand*) less respectively, than the amounts that would have been recorded without the amendment.

Pursuant to an amendment to the Japanese Corporate Tax Law, after having fully depreciated tangible fixed assets acquired on or before 31 March 2007 up to 5% of the acquisition cost, based on the prior Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight-line method over 5 years and expensed the amounts as "Depreciation and amortization." The straight-line depreciation starts from the next year, when the book value of tangible assets acquired on or before 31 March 2007 reaches 5% of the acquisition cost. With this change, for the six months ended 30 September 2007, operating income of "Logistics," "Real estate" and "Corporate & Elimination" was ¥68 million (*US$589 thousand*) , ¥21 million (*US$182 thousand*) and ¥3 million (*US$26 thousand*) less respectively, than the amounts that would have been recorded without the amendment.

(b) Information by geographic segment

Six months ended 30 September 2006	Japan	Others	Corporate & Elimination	Consolidated
	Millions of yen			
Sales to outside customers	¥ 50,126	¥ 5,112	¥ —	¥ 55,238
Inter-segment transfers	402	2,263	(2,665)	—
Total sales	50,528	7,375	(2,665)	55,238
Operating cost	45,831	7,122	(1,011)	51,942
Operating income	¥ 4,697	¥ 253	¥ (1,654)	¥ 3,296

Six months ended 30 September 2007	Japan	Others	Corporate & Elimination	Consolidated
	Millions of yen			
Sales to outside customers	¥ 61,284	¥ 6,766	¥ —	¥ 68,050
Inter-segment transfers	390	2,409	(2,799)	—
Total sales	61,674	9,175	(2,799)	68,050
Operating cost	56,064	8,751	(888)	63,927
Operating income	¥ 5,610	¥ 424	¥ (1,911)	¥ 4,123

Six months ended 30 September 2007	*Japan*	*Others*	*Corporate & Elimination*	*Consolidated*
	Thousands of U. S. dollars			
Sales to outside customers	*$ 530,919*	*$ 58,616*	*$ —*	*$ 589,535*
Inter-segment transfers	*3,379*	*20,869*	*(24,248)*	*—*
Total sales	*534,298*	*79,485*	*(24,248)*	*589,535*
Operating cost	*485,697*	*75,812*	*(7,693)*	*553,816*
Operating income	*$ 48,601*	*$ 3,673*	*$ (16,555)*	*$ 35,719*

"Others" consists of Asia, Europe and North America.

Corporate costs and expenses of ¥1,654 million and ¥1,911 million (*US$16,555 thousand*) for the six months ended 30 September 2006 and 2007, respectively, consisted mainly of expenses of administrative departments of the Company and some of its consolidated subsidiaries.

As noted in "Significant Accounting Policies (g) Property and equipment," starting from this period, tangible fixed assets acquired on or after 1 April 2007 have been depreciated in accordance with the method stipulated in the amended Japanese Corporation Tax Law. With this change, for the six months ended 30 September 2007, operating income for "Japan" and "Corporate & Elimination" was ¥16 million (*US$139 thousand*) and ¥0 million (*US$0 thousand*) less respectively, than the amounts that would have been recorded without the amendment.

Pursuant to an amendment to the Japanese Corporate Tax Law, after having fully depreciated tangible fixed assets acquired on or before 31 March 2007 up to 5% of the acquisition cost, based on the prior Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight-line method over 5 years and expensed the amounts as "Depreciation and amortization." The straight-line depreciation starts from the next year, when the book value of tangible assets acquired on or before 31 March 2007 reaches 5% of the acquisition cost. With this change, for the six months ended 30 September 2007, operating income of "Japan" and "Corporate & Elimination" was ¥90 million (*US$780 thousand*) and ¥3 million (*US$26 thousand*) less respectively, than the amounts that would have been recorded without the amendment.

(c) Overseas sales

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

11. Subsequent Events

(a) Appropriation

At the Board of Directors' meeting of the Company held on 13 November 2007, the appropriation of retained earnings at 30 September 2007 was duly approved as follows:

	Millions of yen	*Thousands of U. S. dollars*
Cash dividends of ¥5.0 (*U S $0.04*) per share	¥ 972	*$ 8,421*

(b) Purchases of treasury stock

The Board of Directors of the Company, at its meeting held on 29 November 2007, resolved matters concerning purchases of its treasury stock in accordance with Article 156 of the Company Law of Japan, as applied pursuant to Article 165, Paragraph 3 of the Law.

1) Reason for the purchase of treasury stock

To facilitate the execution of flexible capital policies to cope with changes in the business environment.

2) Details of the purchases

Type of shares to be acquired	Common stock of the Company
Total number of shares to be acquired	3,200,000 shares (Ratio to the total number of shares issued (treasury stock excluded): 1.65%)
Total value of shares to be acquired	2,000,000,000 yen (maximum)
Acquisition period	18 December 2007 to 24 March 2008