

The Sumitomo Warehouse Co., Ltd.
Consolidated Balance Sheets (Unaudited)
30 September 2004 and 2005

ASSETS	Millions of yen		<i>Thousands of U.S.dollars (Note 1)</i>
	2004	2005	2005
Current assets:			
Cash and cash equivalents	¥ 16,891	¥ 12,221	\$ 107,969
Short-term investments (Note 4)	591	598	5,283
Marketable securities (Note 3)	13	-	-
Receivables			
Trade notes and accounts	13,502	13,917	122,953
Other	1,835	1,721	15,204
Allowance for doubtful receivables	(309)	(184)	(1,626)
	15,028	15,454	136,531
Deferred tax assets	515	559	4,939
Other	1,410	1,616	14,277
Total current assets	34,448	30,448	268,999
Investments and other non-current assets:			
Investment securities (Notes 3 and 4)	47,420	68,981	609,427
Long-term loans receivable	404	227	2,005
Other (Notes 3 and 4)	4,899	4,737	41,850
Allowance for doubtful receivables	(245)	(368)	(3,251)
	52,478	73,577	650,031
Property and equipment (Note 4) :			
Land	28,837	28,136	248,573
Buildings and structures	132,911	135,005	1,192,729
Machinery and equipment	19,847	20,652	182,455
Construction in progress	1,210	2,782	24,578
	182,805	186,575	1,648,335
Less accumulated depreciation	(90,499)	(94,339)	(833,457)
	92,306	92,236	814,878
Intangibles:			
Leasehold (Note 4)	3,267	3,287	29,039
Software	180	183	1,617
Other	162	453	4,002
	3,609	3,923	34,658
Deferred tax assets	22	5	44
	¥ 182,863	¥ 200,189	\$ 1,768,610

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Balance Sheets (Unaudited)
30 September 2004 and 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		<i>Thousands of U.S.dollars (Note 1)</i>
	2004	2005	2005
Current liabilities:			
Bank loans (Note 4).....	¥ 5,577	¥ 5,368	\$ 47,425
Long-term debt due within one year (Note 4).....	15,602	1,017	8,985
Payables :			
Trade notes and accounts	7,826	7,802	68,928
Other.....	3,543	2,976	26,292
	11,369	10,778	95,220
Income taxes payable.....	1,588	2,669	23,580
Accrued employees' bonuses.....	1,428	1,415	12,501
Deferred tax liabilities.....	3	3	27
Other.....	1,451	1,270	11,220
Total current liabilities.....	37,018	22,520	198,958
Long-term debt due after one year (Note 4).....	17,871	10,802	95,432
Deferred tax liabilities.....	19,019	24,898	219,966
Employees' retirement benefits.....	6,488	6,423	56,745
Directors' and corporate auditors' retirement benefits.....	739	27	239
Deposits on contracts.....	15,688	15,213	134,402
Other non-current liabilities.....	414	941	8,313
Minority interest in consolidated subsidiaries.....	556	995	8,791
Contingent liabilities (Note 7)			
Shareholders' equity:			
Common stock			
Authorized — 395,872,000 shares			
Issued — 138,613,701 shares at 30 September 2004			
— 182,119,078 shares at 30 September 2005	9,453	18,604	164,361
Capital surplus.....	6,324	16,043	141,735
Retained earnings.....	50,820	54,652	482,834
Unrealized gains on investment securities.....	20,963	29,703	262,417
Foreign currency translation adjustments	(652)	(537)	(4,744)
Treasury stock, at cost			
— 6,195,173 shares at 30 September 2004			
— 283,393 shares at 30 September 2005	(1,838)	(95)	(839)
Total shareholders' equity.....	85,070	118,370	1,045,764
	¥ 182,863	¥ 200,189	\$ 1,768,610

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Income (Unaudited)
Six months ended 30 September 2004 and 2005

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2004	2005	2005
Net sales	¥ 49,338	¥ 51,035	\$ 450,879
Cost of sales	43,242	45,186	399,205
Selling, general and administrative expenses	3,034	3,106	27,440
Operating income	3,062	2,743	24,234
Other income (expenses):			
Interest and dividend income.....	380	566	5,000
Interest expense.....	(155)	(73)	(645)
Equity in earnings of affiliates.....	62	61	539
Net gain on sale of investment securities.....	-	3,395	29,994
Reversal of allowance for doubtful receivables.....	177	58	513
Loss on disposal of property and equipment.....	(56)	(97)	(857)
Fee for arrangement of syndicated loans.....	-	(400)	(3,534)
Impairment losses on fixed assets.....	-	(804)	(7,103)
Loss on liquidation of a subsidiary.....	-	(141)	(1,246)
Other, net.....	14	89	786
Income before income taxes and minority interests	3,484	5,397	47,681
Income taxes			
Current.....	1,419	2,483	21,937
Deferred.....	(126)	(38)	(336)
	1,293	2,445	21,601
Minority interests	30	41	362
Net income	¥ 2,161	¥ 2,911	\$ 25,718
		Yen	U.S.dollars (Note 1)
Basic net income per share	¥ 16.32	¥ 16.45	\$ 0.15
Dilutive net income per share	¥ 11.20	¥ 14.79	\$ 0.13

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Shareholders' Equity (Unaudited)
Six months ended 30 September 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 2004	138,611	¥ 9,452	¥ 6,323	¥ 49,097	¥ 23,876	¥ (640)	¥ (1,838)
Conversion of convertible bonds.....	3	1	1				
Net income.....				2,161			
Cash dividends at ¥3.0 per share.....				(398)			
Bonuses to directors and corporate auditors.....				(40)			
Net decrease in unrealized gains on investment securities, net of tax.....					(2,913)		
Foreign currency translation adjustments..						(12)	
Net increase in treasury stock.....							(8)
Balance at 30 September 2004	138,614	¥ 9,453	¥ 6,324	¥ 50,820	¥ 20,963	¥ (652)	¥ (1,838)
Balance at 31 March 2005	175,997	¥ 17,177	¥ 14,617	¥ 52,413	¥ 22,816	¥ (656)	¥ (102)
Conversion of convertible bonds.....	6,122	1,427	1,426				
Net income.....				2,911			
Increase resulting from newly consolidated subsidiaries.....				532			
Increase due to changes in affiliates accounted for by the equity method.....				66			
Cash dividends at ¥5.0 per share.....				(1,230)			
Bonuses to directors and corporate auditors.....				(40)			
Net increase in unrealized gains on investment securities, net of tax.....					6,887		
Foreign currency translation adjustments..						119	
Net decrease in treasury stock.....							7
Balance at 30 September 2005	182,119	¥ 18,604	¥ 16,043	¥ 54,652	¥ 29,703	¥ (537)	¥ (95)

	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 2005	\$ 151,754	\$ 129,137	\$ 463,053	\$ 201,573	\$ (5,796)	\$ (901)
Conversion of convertible bonds.....	12,607	12,598				
Net income.....			25,718			
Increase resulting from newly consolidated subsidiaries.....			4,700			
Increase due to changes in affiliates accounted for by the equity method.....			583			
Cash dividends at ¥5.0 (U.S.\$0.04) per share.....			(10,867)			
Bonuses to directors and corporate auditors.....			(353)			
Net increase in unrealized gains on investment securities, net of tax.....				60,844		
Foreign currency translation adjustments.....					1,052	
Net decrease in treasury stock.....						62
Balance at 30 September 2005	\$ 164,361	\$ 141,735	\$ 482,834	\$ 262,417	\$ (4,744)	\$ (839)

See accompanying notes.

The Sumitomo Warehouse Co., Ltd.
Consolidated Statements of Cash Flows (Unaudited)
Six months ended 30 September 2004 and 2005

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

	Millions of yen		2005
	2004	2005	
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,484	¥ 5,397	\$ 47,681
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	2,582	2,413	21,318
Impairment loss of fixed assets	—	804	7,103
Equity in earnings of affiliates	(62)	(61)	(539)
Interest and dividend income	(380)	(566)	(5,000)
Interest expense	155	73	645
Loss on disposal of property and equipment	14	97	857
Net gain on sale of investment securities	—	(3,395)	(29,994)
Increase in notes and accounts receivable	(670)	(388)	(3,428)
Increase (decrease) in notes and accounts payable	253	(240)	(2,120)
Net decrease of allowance for doubtful receivables	(176)	(58)	(512)
Decrease in employees' retirement benefits	(37)	(124)	(1,096)
Decrease in directors' and corporate auditors' retirement benefits	(146)	(775)	(6,847)
Decrease in deposits on contracts	(260)	(1,039)	(9,179)
Fee for arrangement of syndicated loans	—	400	3,534
Other, net	(552)	(644)	(5,690)
Sub-total	4,205	1,894	16,733
Interest and dividends received	386	569	5,027
Interest paid	(155)	(70)	(619)
Income taxes paid	(1,015)	(1,976)	(17,457)
Net cash provided by operating activities	3,421	417	3,684
Cash flows from investing activities:			
Acquisition of securities	(96)	(6,639)	(58,654)
Proceeds from sale or redemption of securities	—	4,464	39,438
Acquisition of property and equipment	(2,126)	(2,917)	(25,771)
Proceeds from sale of property and equipment	5	10	88
Advance of loans receivable	(33)	(33)	(291)
Collection of loans receivable	27	25	221
Time deposits, maturing after three months and other, net	41	(421)	(3,719)
Net cash used in investing activities	(2,182)	(5,511)	(48,688)
Cash flows from financing activities:			
Dividends paid	(400)	(1,237)	(10,929)
Proceeds from short-term debt	1,808	2,329	20,576
Repayments of short-term debt	(2,509)	(3,017)	(26,654)
Proceeds from long-term debt	60	—	—
Proceeds from bond redemption funds	—	8,121	71,747
Payment of fee for arrangement of syndicated loans	—	(400)	(3,534)
Purchase of treasury stock	(7)	(17)	(150)
Net cash provided (used in) by financing activities	(1,048)	5,779	51,056
Effect of exchange rate changes on cash and cash equivalents	(4)	78	689
Net increase in cash and cash equivalents	187	763	6,741
Cash and cash equivalents of newly consolidated subsidiaries	—	768	6,785
Cash and cash equivalents at beginning of period	16,704	10,690	94,443
Cash and cash equivalents at end of period	¥ 16,891	¥ 12,221	\$ 107,969

See accompanying notes.

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

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 is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at 30 September 2005, which was ¥113.19 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 and 27 significant subsidiaries for the six months ended 30 September 2004 and 2005, respectively. All significant intercompany transactions and accounts have been eliminated. The fiscal six months end of all the consolidated foreign subsidiaries is 30 June and is different from the Company's. Significant transactions between 30 June and 30 September 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 for the six months ended 30 September 2004 and four affiliates for the six months ended 30 September 2005. 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 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.

(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 six months ended 30 September 2005, the Company adopted 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).

(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 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

i 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 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.

ii Directors and corporate auditors:

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.

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

(k) Net income per share

The computations of basic net income per share of common stock shown in the consolidated statements of income are 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 30 September 2004:

Held-to-maturity debt securities:

	Millions of yen	
Book value	¥	870
Fair value		856
Difference	¥	(14)

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

Available-for-sale securities:

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 8,852	¥ 44,293	¥ 35,441
Bonds	9	13	4
Other	4	4	(0)
Total	¥ 8,865	¥ 44,310	¥ 35,445

The following table summarizes book values of securities with no available fair values as of 30 September 2004:

	Millions of yen	
Available-for-sale securities:		
Non-listed equity securities	¥	2,048
Equity securities issued by subsidiaries and affiliates		1,075
Total	¥	3,123

The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of 30 September 2005:

Held-to-maturity debt securities:

	Millions of yen	Thousands of U.S. dollars
Book value	¥ 811	\$ 7,165
Fair value	801	7,077
Difference	¥ (10)	\$ (88)

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

Available-for-sale securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 15,597	¥ 65,885	¥ 50,288
Other	4	4	0
Total	¥ 15,601	¥ 65,889	¥ 50,288

	Thousands of U. S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	\$ 137,795	\$ 582,075	\$ 444,280
Other	35	35	0
Total	\$ 137,830	\$ 582,110	\$ 444,280

The following table summarizes book values of securities with no available fair values as of 30 September 2005:

	Millions of yen	Thousands of U.S. dollars
Available-for-sale securities:		
Non-listed equity securities	¥ 2,134	\$ 18,853
Equity securities issued by subsidiaries and affiliates	958	8,464
Total	¥ 3,092	\$ 27,317

4. Bank Loans and Long-term Debt

Short-term bank loans at 30 September 2004 and 2005 bore interest ranging from 0.46% to 2.20% and from 0.47% to 3.74%, respectively.

Long-term debt at 30 September 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U. S. dollars
	2004	2005	2005
Secured			
Loans principally from banks 0.89%- 6.60% maturing though 2019	¥ 2,770	¥ 2,373	\$ 20,965
Unsecured			
1.0% convertible bonds due 2005, convertible into shares of the Company's common stock at a price of ¥401 (US\$3.54) per share	14,657	-	-
Zero Coupon convertible bonds due 2009, convertible into shares of the Company' common stock at a price of ¥466 (US\$4.12) per share	13,000	6,982	61,684
Loans principally from banks 0.53%-2.13% maturing though 2010	3,046	2,464	21,768
	33,473	11,819	104,417
Less amounts due within one year	(15,602)	(1,017)	(8,985)
	¥ 17,871	¥ 10,802	\$ 95,432

The aggregate annual maturities of long-term debt at 30 September 2005, were as follows:

30 September	Millions of yen	Thousands of U. S. dollars
2006	¥ 1,017	\$ 8,985
2007	1,033	9,126
2008	796	7,032
2009	7,786	68,787
2010	461	4,073
2011 and thereafter	726	6,414
	¥ 11,819	\$ 104,417

At 30 September 2005, assets pledged as collateral for short-term bank loans of ¥4,038 million (US\$35,675 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)	¥ 231	\$ 2,041
Investments securities	7,648	67,568
Property and equipment, net of accumulated depreciation	4,123	36,425
Leasehold and other	368	3,251
	¥ 12,370	\$ 109,285

5. Leases

(a) Finance leases as lessee

At 30 September 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	¥ 1,856	¥ 1,595	\$ 14,091
Lease payments	(993)	(888)	(7,845)
Remaining lease obligations	¥ 863	¥ 707	\$ 6,246

Total lease payments under non-capitalized finance lease arrangements were ¥185 million and ¥171 million (*US\$1,511 thousand*) for the six months ended 30 September 2004 and 2005, respectively.

Lease obligations under non-capitalized finance leases, including finance charges, at 30 September 2004 and 2005, were as follows:

	Millions of yen		Thousands of U. S. dollars
	2004	2005	2005
Due within one year	¥ 329	¥ 289	\$ 2,553
Due after one year	534	418	3,693
Total	¥ 863	¥ 707	\$ 6,246

(b) Finance leases as lessor

At 30 September 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	\$ 53
Less accumulated depreciation	(4)	(6)	(53)
Total	¥ 2	¥ -	\$ -

(c) Operating leases as lessee

At 30 September 2004 and 2005, lease costs under operating leases were as follows:

	Millions of yen		Thousands of U. S. dollars
	2004	2005	2005
Due within one year	-	¥ 1	\$ 9
Due after one year	-	3	26
Total	-	¥ 4	\$ 35

(d) Operating leases as lessor

At 30 September 2004 and 2005, lease receipts under operating leases were as follows:

	Millions of yen		Thousands of U. S. dollars
	2004	2005	2005
Due within one year	¥ 544	¥ 544	\$ 4,806
Due after one year	4,765	4,222	37,300
Total	¥ 5,309	¥ 4,766	\$ 42,106

6. 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.

7. Contingent Liabilities

At 30 September 2004 and 2005, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U. S. dollars
	2004	2005	2005
As endorser of notes endorsed	¥ 548	¥ 514	\$ 4,541
As guarantor of indebtedness	4,587	4,191	37,026

8. 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 and land leasing			

	Millions of yen			
	Logistics	Real estate	Corporate & Elimination	Consolidated
<u>Six months ended 30 September 2004</u>				
Sales to outside customers	¥ 42,588	¥ 6,750	¥ -	¥ 49,338
Inter-segment transfers	18	186	(204)	-
Total sales	42,606	6,936	(204)	49,338
Operating cost	41,188	3,611	1,477	46,276
Operating income	¥ 1,418	¥ 3,325	¥ (1,681)	¥ 3,062

	Millions of yen			
	Logistics	Real estate	Corporate & Elimination	Consolidated
<u>Six months ended 30 September 2005</u>				
Sales to outside customers	¥ 46,666	¥ 4,369	¥ -	¥ 51,035
Inter-segment transfers	-	87	(87)	-
Total sales	46,666	4,456	(87)	51,035
Operating cost	44,584	2,072	1,636	48,292
Operating income	¥ 2,082	¥ 2,384	¥ (1,723)	¥ 2,743

<u>Six months ended 30 September 2005</u>	<i>Thousands of U. S. dollars</i>			
	<i>Logistics</i>	<i>Real estate</i>	<i>Corporate & Elimination</i>	<i>Consolidated</i>
<i>Sales to outside customers</i>	\$ 412,280	\$ 38,599	\$ -	\$ 450,879
<i>Inter-segment transfers</i>	-	768	(768)	-
<i>Total sales</i>	412,280	39,367	(768)	450,879
<i>Operating cost</i>	393,886	18,305	14,454	426,645
<i>Operating income</i>	\$ 18,394	\$ 21,062	\$ (15,222)	\$ 24,234

Corporate costs and expenses of ¥1,681 million and ¥ 1,723 million (*US\$ 15,222 thousand*) for six months ended 30 September 2004 and 2005, respectively, mainly consisted of expenses of administrative departments of the Company.

Effective April 1, 2005, the Companies shifted the warehouse and logistics facilities leasing operation from the Real Estate segment to the Logistics segment.

The Companies changed the classifications in the information by operational segment in accordance with that in the business management and the Mid-term Business Plan to achieve a better presentation of operations.

If the segment information for the six months ended 30 September 2004 was prepared using the new segmentation, such information would be as follows:

<u>Six months ended 30 September 2004</u>	<i>Millions of yen</i>			
	<i>Logistics</i>	<i>Real estate</i>	<i>Corporate & Elimination</i>	<i>Consolidated</i>
<i>Sales to outside customers</i>	¥ 44,282	¥ 5,056	¥ -	¥ 49,338
<i>Inter-segment transfers</i>	0	71	(71)	-
<i>Total sales</i>	44,282	5,127	(71)	49,338
<i>Operating cost</i>	42,536	2,130	1,610	46,276
<i>Operating income</i>	¥ 1,746	¥ 2,997	¥ (1,681)	¥ 3,062

Sales 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.

9. Impairment loss on fixed assets

The Company and its consolidated domestic subsidiaries grouped their business assets based on the business management units and assets for leasing based on each asset. The Company recognized impairment losses on a part of business assets due to the recent decline in land prices or deterioration of profitability and wrote them down to the recoverable amounts.

Impairment losses of ¥ 804 million (*US\$ 7,103 thousand*) were recognized in the period ended 30 September 2005 consisting of losses on land.

The recoverable amounts of these business assets were their net realized values principally calculated based on estimated values by real estate appraisers.

The amount of recognized impairment losses was deducted directly from the acquisition costs of land.

10. Subsequent Event

At the Board of Directors' meeting of the Company held on 18 November 2005, the appropriation of retained earnings at 30 September 2005 was duly approved as follows:

	<i>Millions of yen</i>	<i>Thousands of U. S. dollars</i>
	Cash dividends at ¥ 5.0 (<i>U. S. \$0.04</i>) per share.....	¥ 909