2006
Annual Report

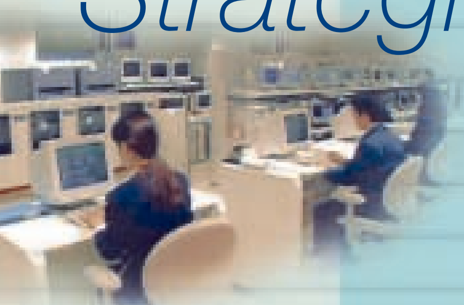
For the year ended March 31, 2006

TONAMI TRANSPORTATION CO., LTD.

Tonami Transportation is a leader in total logistics solutions that span all aspects from design and development of distribution channels to freight haulage and all related information management functions. Tonami has pioneered computerized distribution services in Japan, integrating physical transport with information management to provide advanced systematized distribution services

The Tonami Group offers a fully integrated distribution network in Japan and overseas, based on distribution centers in 117 locations around the country linked by an advanced information network. Tonami Group distribution services add value to industry and enhance the lifestyles of individuals.

Strategic Logistics Solutions



Contents

Forward-Looking Statements

This annual report includes forward-looking statements that represent Tonami's assumptions and expectations in light of currently available information. These statements reflect industry trends, clients' situations and other factors, and involve risks and uncertainties which may cause actual performance results to differ from those discussed in the forward-looking statements in accordance with changes in the business environment.

Consolidated Financial Highlights

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

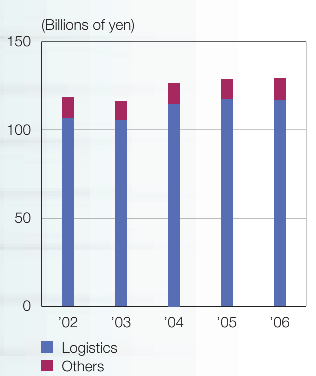
Two years ended March 31, 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
FOR THE YEAR:			
Operating revenues	¥129,098	¥129,068	$1,098,987
Logistics	117,151	117,816	997,284
Others	11,947	11,252	101,703
Operating income	2,057	2,983	17,511
Net income (loss)	(5,050)	2,173	(42,990)
PER SHARE (Yen and U.S. dollars):			
Net income (loss), basic	¥ (56.02)	¥ 22.94	$ (0.4769)
Net income (loss), diluted	—	21.36	—
Cash dividends	6.00	6.00	0.0511
AT YEAR-END:			
Total assets	¥121,577	¥127,909	$1,034,962
Total shareholders' equity	47,029	52,496	400,349

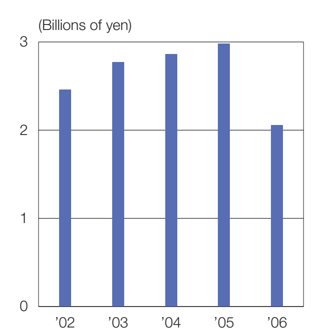
Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥117.47 = U.S.$1, prevailing on March 31, 2006, has been used for the translation into U.S. dollar amounts.

2. The computation of net income per share of common stock is based on the weighted average number of shares outstanding (which represents the number of issued shares less treasury stock.) during each financial year.

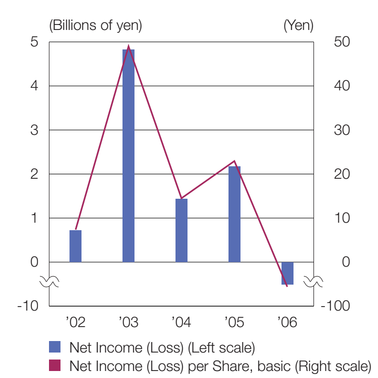
Operating Revenues by Business Segment



Operating Income



Net Income (Loss) and Net Income (Loss) per Share



Chairman, Yoshihiro Minami

President, Katsusuke Watanuki

Operating Environment and Business Results

During the fiscal year ended March 31, 2006, Japan's economy followed a recovery trajectory as capital investment rose and the employment situation improved, supported by resurgent corporate earnings, while personal consumption was brisk. Nevertheless, a sharp rise in the price of oil and other causes for concern contributed to an uncertain economic outlook.

In the distribution industry, the business environment remained adverse. The volume of domestic freight transport continues to decline, and erosion of unit freight charges persists owing to customer demands for greater efficiency in physical distribution and intensification of competition. At the same time, fuel costs and other costs are rising.

In these circumstances, during the year under review the Tonami Group launched the 17th medium-term business plan, a three-year plan with the slogan "Committed to Corporate Innovation." Specifically, we worked to expand highly profitable businesses by integrating systematized distribution (third-party logistics) — the provision of comprehensive physical distribution services that combine business processes including existing transport, storage, distribution processing, inventory management, delivery, and information processing — with proposal capabilities while strengthening sales power by deploying a distribution solutions business characterized by improved logistics.

In the fiscal year under review, the first year of the plan, although revenues from mainstay road haulage operations decreased in an adverse operating environment, we worked to cover the shortfall by strengthening related operations. As a result, operating revenues were ¥129,098 million, an increase of 0.02% year on year.

Internally, we implemented measures to increase operating efficiency through productivity enhancement and mounted a group-wide effort to cut fuel costs and other operating costs. Despite these efforts, operating income decreased 31.06% year on year to ¥2,057 million. Net income decreased substantially year on year to ¥5,050 million, principally owing to the booking of an extraordinary loss of ¥7,678 million in line with the application of the accounting standards for impairment of fixed assets.

We plan to pay total annual dividends of ¥6 yen per share, including the interim dividend of ¥3 per share.

Issues to be Addressed

Although the economic recovery trend in Japan is expected to continue, in the distribution industry a decrease in the volume of domestic freight transport for the seventh consecutive year is forecast. In these circumstances, the Tonami Transport Group has several issues to address, including devising responses to the increase in fuel costs due to a spike in crude oil prices, the strengthening of government environmental and safety regulations, and globalization and the implementation of information and communication technologies underpinning physical distribution. In this business environment, we launched the 17th medium-term business plan under the slogan "Aiming for a New Value-Added Corporate Group — Committed to Corporate Innovation."

The business plan sets forth the following six core objectives:

1) Develop the distribution solutions business;
2) Upgrade the quality of distribution services;
3) Strengthen international operations;
4) Increase revenues from road haulage operations;
5) Recruit, retain, and develop human resources; and
6) Build an internal control structure.

By engaging in focused efforts within the framework of these objectives, we will manage with the aim of expanding the Group's business by increasing competitive advantage and enhancing value to society through the creation of additional value in our distribution operations and the fulfillment of corporate social responsibility. Specific numerical targets for the final year of the plan (the year ending March 2008) are operating revenues of ¥142,000 million, operating income of ¥2,700 million, and an operating margin of 1.9%. We are committed to achieving these targets.

With regard to capital investment in the year under review, we opened the Nishi-yodogawa Distribution Center (Osaka) in July and a representative office in Shanghai in August. We will continue to actively engage in strategic expansion and enhancement of our transportation network and distribution facilities.

Outlook for the Year Ending March 2007

Although Japan's economy is forecast to continue to perform solidly in the fiscal year ending March 2007, it is necessary to pay close attention to persisting high crude oil prices, signs of rising interest rates, and destabilizing factors in the international situation, notably with regard to the economies of the United States and China. Also, as previously mentioned, the distribution industry faces a number of issues and the operating environment is likely to remain adverse. In these circumstances, we will work to secure operating revenues and increase profitability by redoubling our efforts to achieve the objectives set forth in the newly launched 17th medium-term business plan.

As a result of the above circumstances, we forecast full-year operating revenues of ¥130,000 million (100.7% of the previous year), operating income of ¥2,250 million (109.4%), and net income of ¥1,800 million for the fiscal year ending March 31, 2007.

We will strive to improve business performance to meet the expectations of our shareholders. In all our endeavors in the coming years, we request the continued support of our shareholders.

June 2006

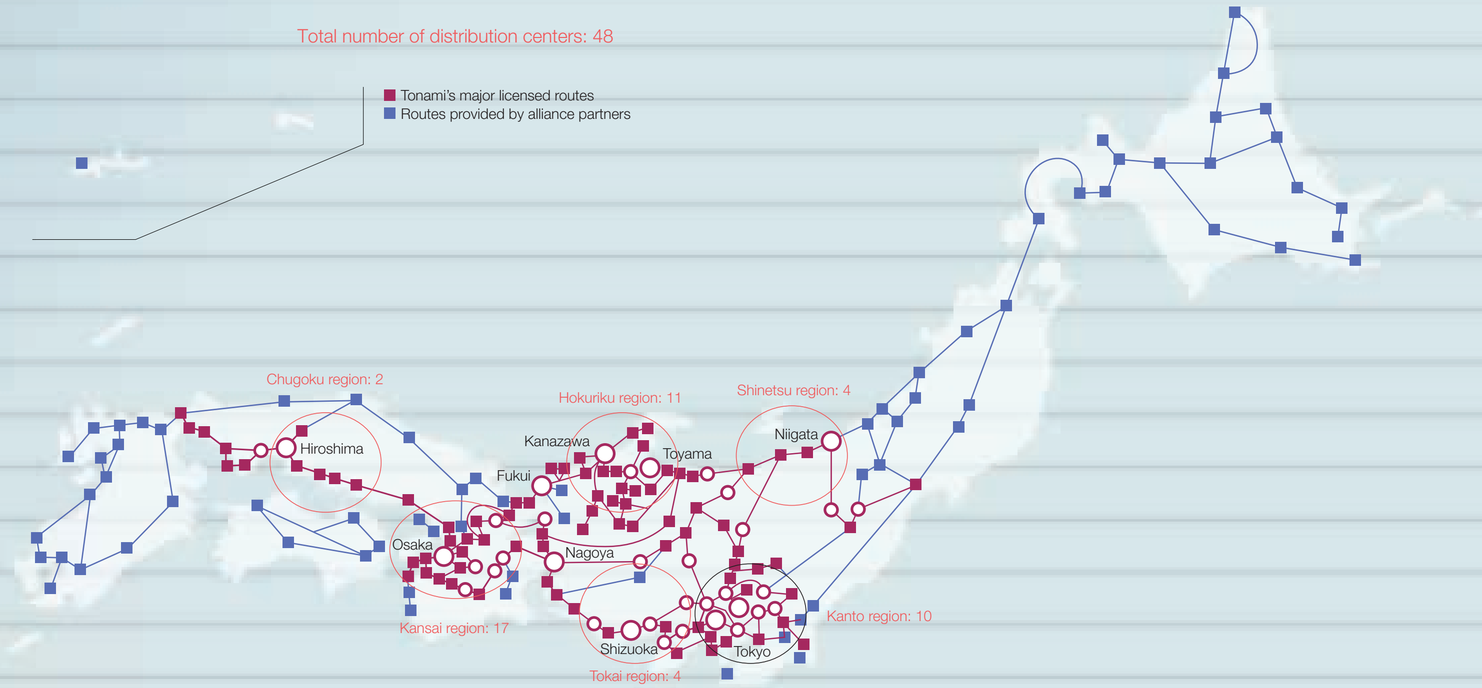
Y. Minami

Yoshiro Minami
Chairman and Representative Director

K. Watanuki

Katsusuke Watanuki
President and Representative Director

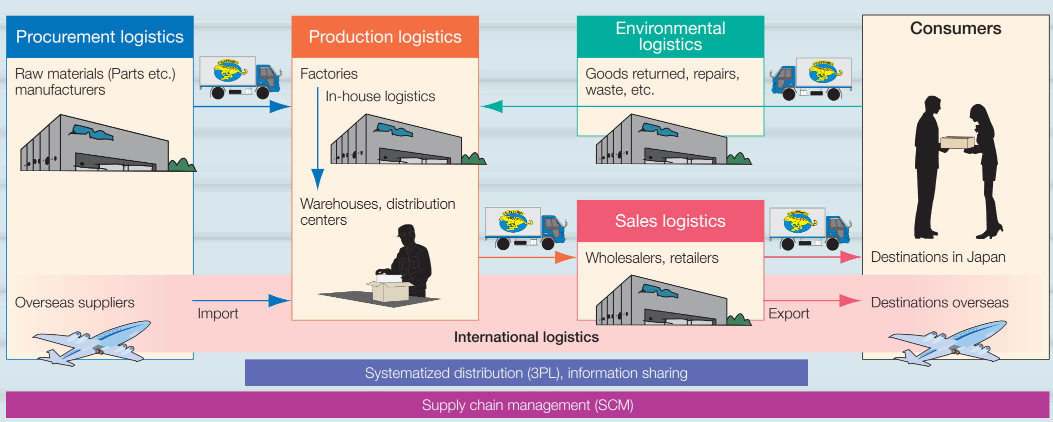
Tonami's Transport Network and Distribution Centers



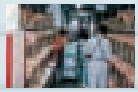
Tonami Logistics Solutions

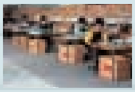
Physical distribution consulting functions

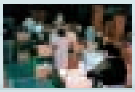
Physical distribution network functions

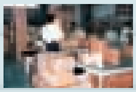


Information system development functions









Operational functions

At a meeting of the Board of Directors held on May 8, 2006, the Company passed a resolution concerning a basic policy for internal control systems in accordance with the Company Law, which went into effect on May 1, 2006. The Company, with the Internal Control Committee in a central role, is constructing sound internal control systems on the basis of the policy with the aim of increasing the corporate value of the Tonami Transportation Group.

Description of Management Organization and State of Development of Internal Control Systems

1) Basic Explanation of the Management Organization

The Board of Directors of the Company is the organization responsible for important matters concerning business policy and business strategy. In accordance with the Board of Directors Regulations, the Board of Directors convenes, in principle, once a month and convenes for extraordinary meetings as necessary so that the directors attain mutual understanding and engage in mutual supervision of the execution of business and employ the services of outside experts as necessary to prevent violations of the law or the Articles of Incorporation.The Management Council deliberates and decides matters related to business execution. Meetings of the Management Council are held, in principle, twice a month and attended by all directors and the standing statutory auditors.

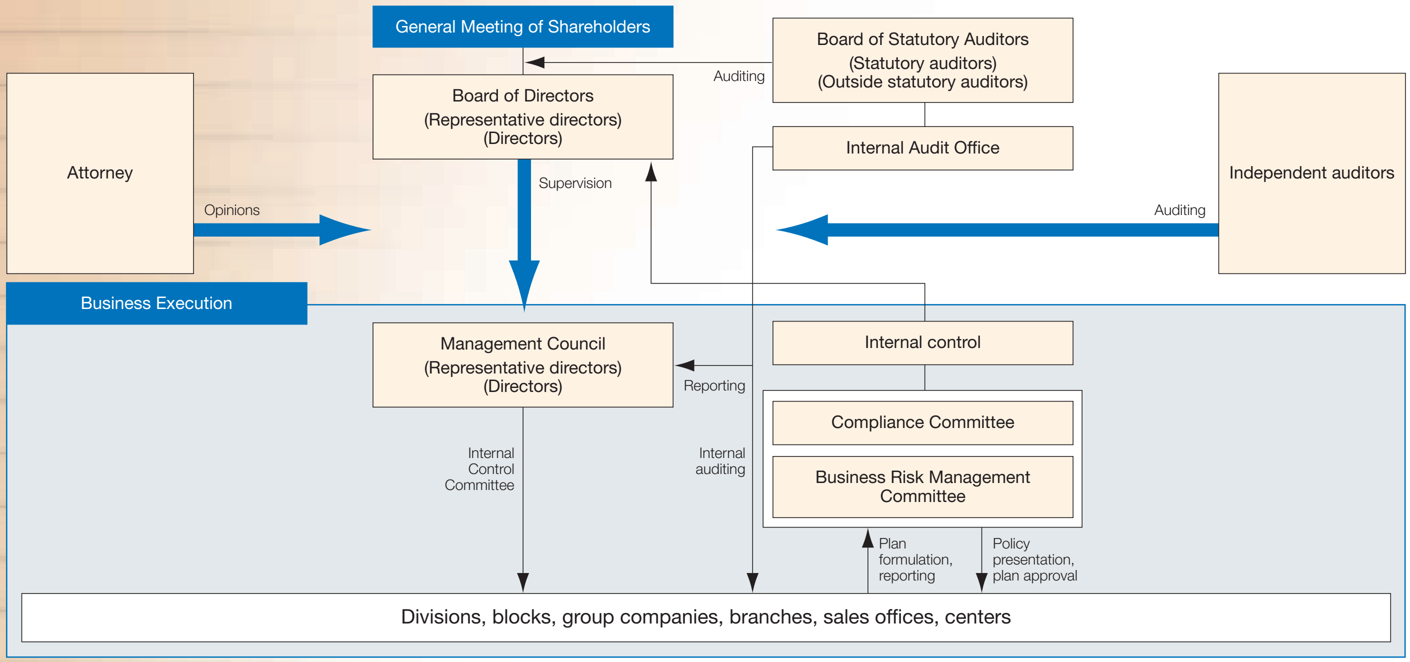
The Company employs a statutory auditor system as part of its internal control framework. The Board of Statutory Auditors consists of five statutory auditors (two standing statutory auditors and three outside statutory auditors). The statutory auditors audit the legality of the directors' actions by attending meetings of the Board of Directors and other important meetings, by offering their opinions, and by other means.

The statutory auditors, including the outside statutory auditors, audit the execution of business by the directors in accordance with the auditing policy and task assignments decided by the Board of Statutory Auditors. In the event that a director discovers a violation of the law or the Articles of Incorporation on the part of another director, the director is required to promptly report the violation to the Board of Statutory Auditors and the Board of Directors and a remedy will be sought. The Company's Internal Audit Office, an organization independent of the business units, is an internal auditing unit. The Company employs an executive officer system and separates responsibility of directors for business supervision from that of executive officers for the execution of business.

Furthermore, the Company is constructing internal control systems as an aspect of the development of an internal control structure. The Company has established the Internal Control Committee, which is chaired by the president, and its subordinate organizations: the Compliance Committee, a compliance control organization, and the Business Risk Management Committee, the cornerstone of the risk management structure.

With regard to subsidiary management, the Management Council Regulations specify matters for parent company approval and reporting and subsidiaries are managed in accordance with the Subsidiary Management Regulations.

2) The Relationship between the Management Organization and Internal Control



3) Description of Management Organization and State of Development of Internal Control Systems

In constructing its internal control systems, the Company has established a basic policy concerning business risk management for the Tonami Transportation Group and is working to appropriately respond to various types of risk that might have an effect on the operation of the business, to stabilize the fundamentals of the Group and, should a business risk materialize, to minimize the impact and as far as possible ensure that neither a business loss nor a social loss is incurred.

The Company recognizes the importance of legal compliance and has established the Compliance Committee to ensure compliance. The Company has appointed compliance promotion officers to inculcate corporate ethics and compliance among the officers and employees of Tonami Transportation Group companies based on the Tonami Transportation Group Employee Code of Conduct, and engages in education and holds briefings concerning compliance.

To promote the detection of potential violations in business activities and prevent their occurrence, the Company is establishing a compliance structure to ensure reporting on the state of compliance implementation, swift correction of any violations that occur and the devising of measures to prevent their recurrence.

The Company has adopted an executive officer system in order to separate management supervision and business execution and clearly define authority and responsibility. The executive officers attend meetings of the Management Council, an organization that deliberates on important matters related to business execution, strive to promptly execute business based on the basic policy decided by the Board of Directors, and as necessary obtain and refer to advice from certified public accountants, attorneys, and other specialists concerning compliance matters.

The Company has division managers, block managers, and directors of Group companies attend meetings of the Management Council and other important meetings as necessary, maintains a structure for rapidly responding to changes in the business environment, and strives to ensure management soundness.

The Internal Audit Office conducts internal audits to verify whether business is executed appropriately and efficiently and reports to the Management Council and the statutory auditors.

4) State of Internal Auditing and Auditing by Statutory Auditors

The Internal Audit Office of the Company is an internal auditing unit independent of the business units and its staff assists with the work of the statutory auditors. As a means of ensuring the Internal Audit Office's independence from the Board of Directors, Internal Audit Office staff changes are decided by the Board of Directors after being approved by the Board of Statutory Auditors. The Internal Audit Office conducts periodic and unscheduled internal audits of the Company's business, reports to the Management Council and statutory auditors, and requests improvements.

The Company's statutory auditors exchange information with the independent auditors, cooperate with the Internal Audit Office, conduct appropriate audits, and hold periodic meetings of the Board of Statutory Auditors.

State of Development of Risk Management Structure

In accordance with the Tonami Transportation Business Risk Management Regulations, the president serves as the Chief Risk Management Officer, risk management officers are appointed for each type of risk, and a risk management structure is established. In the event of unforeseen circumstances, in accordance with the Tonami Transportation Group Large-Scale Disaster Response Regulations and the Tonami Transportation Group Large-Scale Emergency Response Regulations, the Company will establish an Emergency Response Headquarters run by the president, mount a rapid and appropriate response in accordance with the regulations, and put in place a structure to prevent the spread of damage and minimize damage.

To ensure the propriety of business at Group companies, the Company has established the Tonami Transportation Group's Employee Code of Conduct, conduct guidelines that apply to all group companies. Group companies are establishing regulations on the basis of the code of conduct.

With regard to subsidiary management, matters requiring parent company approval and reporting are specified in the Management Council Regulations and subsidiaries are managed in accordance with the Subsidiary Management Regulations. In the event that a director discovers a violation of the law or another important matter related to compliance in a group company, the director is required to report the matter to a statutory auditor. In the event that a subsidiary finds that the business management or management instructions from the Company violate the law or notices another compliance-related problem, the subsidiary is required to report the matter to the Internal Audit Office or the Compliance Office. The Internal Audit Office or the Compliance Office promptly reports the matter to a statutory auditor so that the statutory auditor can express an opinion and request improvement measures.

The Company has established the Tonami Transportation Group Internal Reporting Regulations as a group-wide internal reporting system concerning violations of the law and other matters related to compliance.

Corporate Social Responsibility Activities

Basic Policy on Corporate Social Responsibility Activities

Grounded in the Company's corporate philosophy and management creed, the Tonami Transportation Group Employee Code of Conduct indicates proper conduct based on the spirit of compliance with the law and corporate ethics and stipulates that no business activity may be in violation of social norms or have an adverse effect on society or the natural environment.

Without development and growth in business activities, a company cannot earn reasonable profits and contribute to society. The Code of Conduct indicates in the form of conduct guidelines matters that each individual employee of the Tonami Transportation Group must observe for the Tonami Transportation Group to discharge its social responsibility as a good corporate citizen.

Principal CSR Initiatives and State of Implementation

Environmental Protection Activities

Annual social and environmental report

The Company has established the Environmental Division and is working to contribute to the creation of a recycling society by engaging in efficient, wide-area recycling activities; this takes the form of implementing activities centered on the theme "Society and the Environment," including promotion of the Eco-Lock System, which supports locally self-sufficient recycling, and the Ministry of the Environment's wide-area certification system. Furthermore, Tonami engages in an environmental solutions business involving the proposal of optimal recycling routes with the aim of achieving zero emissions.

Specific environmental protection activities include the following: 1) the introduction of environmentally friendly vehicles; 2) the practice of environmentally friendly driving; 3) the creation of eco-friendly distribution systems through greater efficiency in distribution; and 4) resource conservation and energy conservation efforts. In addition, Tonami issues an annual social and environmental report and has acquired ISO 14001 certification.

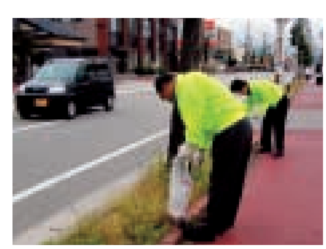
This truck runs on natural gas

Social Contributions

Tonami believes that it is vital for a company to increase corporate value by continuing, sustainable activities and fulfill its social responsibility to stakeholders and considers a sense of mission and responsible activities to be essential elements of corporate social contribution.

Specific social contribution activities at Tonami include clean-up activities under an environmental beautification agreement with Takaoka City in Toyama Prefecture and the donation of vehicles to social welfare facilities through the establishment of the Tonami Shozyukai foundation. Tonami transports relief supplies when a natural disaster occurs, and the Tonami badminton club offers badminton instruction classes as a local sports promotion activity.

Encouraging local people to take up badminton



A clean-up in progress

Financial Section

Consolidated Five-Year Summary

TONAMI TRANSPORTATION CO., LTD
AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2002	2003	2004	2005	2006	2006
RESULTS OF OPERATIONS:						
Operating revenues	¥118,515	¥116,331	¥126,713	¥129,068	¥129,098	$1,098,987
Operating cost	110,302	107,928	117,860	119,722	120,924	1,029,403
Selling, general and administrative expenses	5,755	5,630	5,994	6,363	6,117	52,073
Operating income	2,458	2,773	2,859	2,983	2,057	17,511
Net income (loss)	720	4,819	1,429	2,173	(5,050)	(42,990)
Depreciation expenses	3,303	2,775	2,610	2,689	2,508	21,350
PER SHARE (yen and U.S. dollars):						
Net income (loss)	¥ 7.38	¥ 48.99	¥ 14.50	¥ 22.94	¥ (56.02)	$ (0.4769)
Cash dividends	6.00	6.00	8.00	6.00	6.00	0.0511
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 40,245	¥ 43,692	¥ 43,596	¥ 42,447	¥ 40,682	$ 346,318
Net property and equipment	65,330	63,258	71,502	71,790	64,450	548,651
Total assets	120,759	119,243	128,293	127,909	121,577	1,034,962
Total current liabilities	34,184	41,298	39,018	37,010	36,004	306,495
Long-term liabilities, excluding of current portion thereof	38,802	26,799	37,832	37,759	37,995	323,444
Total shareholders' equity	47,170	50,508	50,735	52,496	47,029	400,349
OTHER YEAR-END DATA:						
Number of employees	6,952	6,943	7,320	7,289	7,278	

Forward-looking statements in the text below represent the best judgment of the Tonami Transportation Group (the Company and its consolidated subsidiaries) as of the end of the fiscal year under review.

Significant Accounting Policies and Estimates

The consolidated financial statements of the Tonami Transportation Group have been prepared in accordance with corporate accounting standards generally recognized as fair and appropriate in Japan. Estimates used in the preparation of the consolidated financial statements that may affect the reported amounts of assets and liabilities on the closing date and the reported revenues and expenses for the reporting period are principally deferred tax assets, the allowance for doubtful accounts, the reserve for retirement allowance, and income taxes. These estimates are subject to continuous, reasonable assessment.

Estimates, judgments, and assessments are made on the basis of factors that are deemed reasonable in light of past performance and conditions. However, since estimates invariably involve uncertainties, actual results may differ from the estimates.

Analysis of Consolidated Operating Results for the Year Ended March 31, 2006

Overview

The Tonami Transportation Group's business results for the fiscal year ended March 31, 2006, were unfavorable with respect to profits. Amid a continuing decline in the volume of domestic freight transport, erosion of unit freight charges persists owing to customer demands for greater efficiency in physical distribution and intensification of competition. At the same time, fuel costs and other costs are increasing. Despite efforts to cut costs and adjust freight charges, profitability was adversely affected.

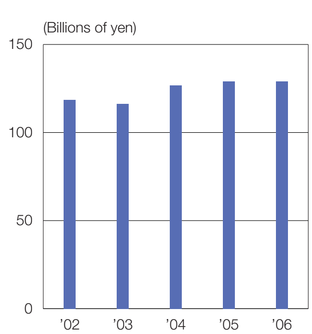
Operating Revenues

Operating revenues increased ¥30 million yen from the previous fiscal year to ¥129,098 million. The Company compensated for lower revenues due to a slump in the volume of freight in the mainstay road haulage operation and freight forwarding operation by means of higher revenues from the warehousing operation and other businesses. The contribution to sales was 68.7% for the road haulage operation and freight forwarding operation, 18.7% for the warehousing operation, 3.3% from the harbor transport operation, and 9.3% from other businesses.

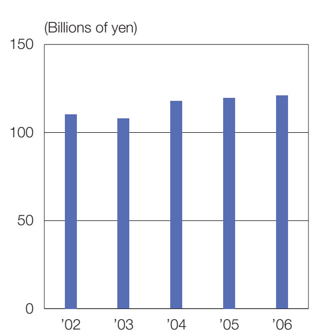
Operating Cost

Operating cost increased ¥1,203 million year on year to ¥120,924 million. Higher diesel oil costs due to a spike in crude oil prices, the mounting cost of vehicle replacement as an environmental measure, and an increase in facilities charges and payments to freight companies in line with the opening of new distribution centers could not be absorbed by a reduction in expressway tolls and efforts to cut fuel costs through fuel efficiency. As a result, the ratio of operating cost to operating revenues increased 0.9 percentage points from the previous fiscal year.

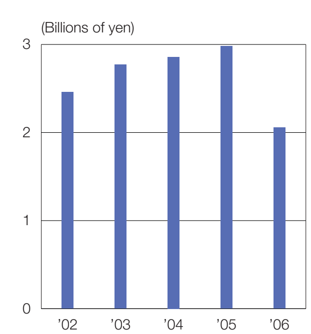
Operating Revenues



Operating Cost



Operating Income



Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased ¥246 million year on year to ¥6,117 million, principally due to a reduction in employment costs and IT-related costs.

Operating Income

Operating income decreased ¥926 million year on year to ¥2,057 million. The rate of increase in operating cost exceeded the rate of increase in operating revenues, resulting in a decrease of 0.7 percentage points in the operating income margin to 1.6%.

Net Income

Net income decreased sharply from the previous year to ¥5,050 million. The principal reason for the decrease was the booking of an extraordinary loss of ¥7,678 million in line with the application of the accounting standards for impairment of fixed assets.

Business Segment Review

Note: Operating revenues include internal operating revenues or transfers between segments.

Logistics-Related Businesses

In road haulage operations, amid sluggishness in the volume of domestic freight transport and continued erosion of unit freight charges, the Tonami Transportation Group strove to provide distribution services that deliver customer satisfaction by promoting a solutions business centered on systematized distribution (third-party logistics) and increasing transportation quality. Nevertheless, operating revenues from logistics-related businesses decreased ¥534 million or 0.5% year on year to ¥117,302 million.

As a result of efforts to increase operating efficiency by means of higher productivity and a group-wide effort to cut fuel costs and other costs, operating costs and selling, general and administrative expenses totaled ¥115,881 million, an increase of ¥857 million or 0.7% year on year. Operating income decreased ¥1,391 million or 49.5% to ¥1,421 million.

Other Businesses

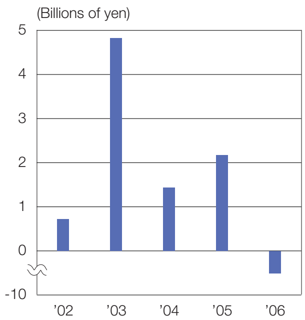
Operating revenues from other businesses increased ¥1,529 million or 8.5% year on year to ¥19,583 million owing to such factors as sales of regular merchandise in the merchandising business and commissioned sales and purchases business and changes in the handling of limited-sale merchandise.

Operating income increased ¥434 million or 144.2% to ¥735 million.

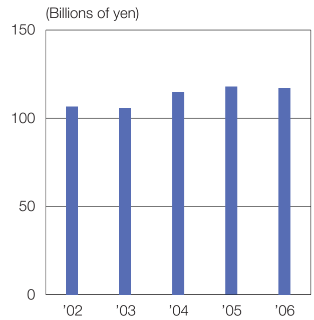
Factors with a Significant Effect on Operating Results

The business environment in which the Tonami Transportation Group operates entails the risk of difficulty in absorbing cost increases due to such factors as further increases in the price of crude oil and interest rate increases that exceed expectations. There is also risk of difficulty in absorbing cost increases due to the further strengthening of environmental regulations, such as regulations on diesel engine vehicle emissions. In addition, the ability to recoup investment may be impeded due to factors such as worsening business conditions at customers or the suspension of business transactions with customers. Should any of these serious problems occur, there is risk of loss of customer confidence and public trust which could have an adverse impact on the Tonami Transportation Group's business activities and business results.

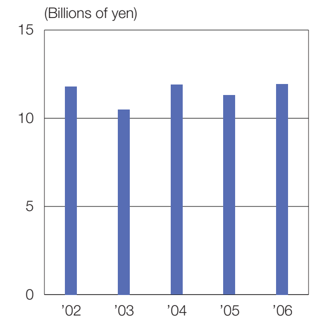
Net Income (Loss)



Sales of Logistics-Related Businesses



Sales of Other Businesses



Strategic Position and Outlook

Amid forecasts of a decrease in the volume of domestic freight transport for the seventh consecutive year and expected continuation of erosion of unit freight charges owing to customer demands for greater efficiency in physical distribution and intensification of competition, the possibility of further increases in fuel costs and other costs is a concern. For these reasons, management forecasts continuation of the challenging business environment.

In this environment, the Tonami Transportation Group will strive to secure operating revenues and increase earning power by promoting its solutions business centered on systematized distribution (third-party logistics) and increasing transportation quality to provide distribution services that deliver customer satisfaction while redoubling efforts to achieve the objectives set forth in the newly launched 17th medium-term business plan.

Analysis of Sources of Capital and Liquidity

Cash Flows

Consolidated cash and cash equivalents (hereinafter "cash") totaled ¥14,034 million as of March 31, 2006. This represents a net decrease in cash of ¥2,006 million from the previous fiscal year-end. Cash used in investing activities in connection with facilities investment and cash used in financing activities for dividend payments offset positive cash flows from operating activities.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥1,454 million (a decrease in net cash of ¥2,014 million year on year). Principal factors were a net loss before income taxes of ¥5,464 million and an impairment loss of ¥7,678 million on fixed assets that does not affect cash flow.

Cash flows from investing activities

Net cash used in investing activities totaled ¥2,750 million (an increase in net cash of ¥1,312 million year on year). The principal factor was payments of ¥2,954 million for the purchase of property and equipment.

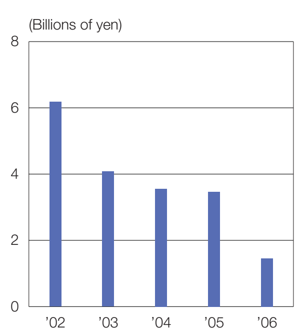
Cash flows from financing activities

Net cash used in financing activities totaled ¥710 million (a decrease in net cash of ¥1,544 million year on year). The principal factor was payments of ¥546 million for dividends paid.

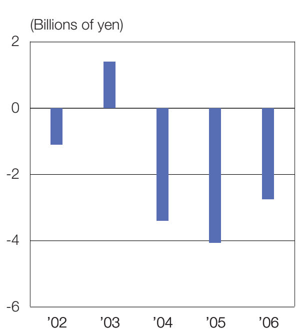
Management's Assessment of Issues and Future Policies

The operating environment for road haulage operations entails many problems, including increasingly intense competition among companies, a sharp increase in fuel costs, and higher costs associated with the strengthening of environmental and transportation safety measures. Nevertheless, the Tonami Transportation Group will work to improve business performance through an increase in transportation quality and greater operating efficiency and strive to expand highly profitable businesses by integrating systematized distribution (third-party logistics) — the provision of comprehensive physical distribution services that combine business processes including existing transport, storage, distribution processing, inventory management, delivery, and information processing — with proposal capabilities while strengthening sales power by deploying a distribution solutions business characterized by improved logistics.

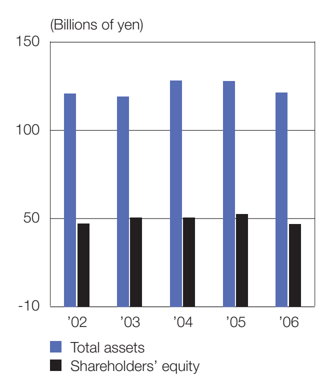
Net Cash Provided by Operating Activities



Net Cash (Used in) Provided by Investing Activities



Total Assets and Shareholders' Equity



Consolidated Balance Sheets

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2006 and 2005

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Current assets:			
Cash and time deposits	¥ 13,244	¥ 15,279	$ 112,744
Marketable securities (Note 3)	1,000	1,065	8,513
Trade receivables:			
Notes and accounts (Note 11)	23,179	22,721	197,318
Less: allowance for doubtful accounts	(44)	(73)	(375)
Inventories	503	568	4,282
Deferred tax assets (Note 8)	626	795	5,329
Other current assets	2,174	2,092	18,507
Total current assets	40,682	42,447	346,318
Property and equipment (Notes 4, 5 and 6):			
Land	38,285	42,165	325,913
Buildings and structures	22,429	25,820	190,934
Machinery and vehicles	3,020	3,038	25,709
Construction in progress	29	51	247
Other	687	716	5,848
Total property and equipment	64,450	71,790	548,651
Investments and other assets:			
Investments in securities (Notes 3 and 5)	9,948	7,837	84,685
Deferred tax assets (Note 8)	1,909	1,179	16,251
Other	4,588	4,656	39,057
Total investments and other assets	16,445	13,672	139,993
Total assets	¥121,577	¥127,909	$1,034,962

The accompanying Notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Current liabilities:			
Short-term bank loans (Note 5)	¥ 15,940	¥ 15,964	$ 135,694
Current portion of long-term debt (Note 5)	416	653	3,541
Trade notes and accounts payable	11,791	11,313	100,375
Income taxes payable	62	684	528
Other current liabilities	7,795	8,396	66,357
Total current liabilities	36,004	37,010	306,495
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	11,253	11,134	95,795
Deferred tax liabilities from revaluation reserve for land (Note 12)	5,800	4,595	49,374
Employees' severance and retirement benefits (Note 7)	18,716	19,377	159,326
Consolidation difference	236	402	2,009
Other long-term liabilities	1,990	2,251	16,940
Total long-term liabilities	37,995	37,759	323,444
Total liabilities	73,999	74,769	629,939
Minority interests	549	644	4,674
Contingent liabilities (Note 11)			
Shareholders' equity (Note 13):			
Common stock:			
Authorized: 299,200,000 shares in 2006			
299,200,000 shares in 2005			
Issued: 97,610,118 shares in 2006			
97,610,118 shares in 2005	14,183	14,183	120,737
Capital surplus	14,687	14,687	125,028
Retained earnings	11,393	17,479	96,986
Revaluation reserve for land (Note 12)	6,245	6,768	53,163
Unrealized gain on securities	2,485	1,329	21,154
Treasury stock, at cost: 6,631,669 shares in 2006			
6,592,631 shares in 2005	(1,964)	(1,950)	(16,719)
Total shareholders' equity	47,029	52,496	400,349
Total liabilities, minority interests, and shareholders' equity	¥121,577	¥127,909	$1,034,962

Consolidated Statements of Operations

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the two years ended March 31, 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Operating revenues:			
Operating revenues	¥129,098	¥129,068	$1,098,987
	129,098	129,068	1,098,987
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 14)	120,924	119,722	1,029,403
Selling, general and administrative expenses (Note 14)	6,117	6,363	52,073
	127,041	126,085	1,081,476
Operating income	2,057	2,983	17,511
Other income and expenses:			
Interest and dividend income	237	228	2,017
Equity in earnings of unconsolidated subsidiaries and affiliates	167	148	1,422
Loss on sale of property and equipment, net	(125)	(132)	(1,064)
Interest expenses	(252)	(279)	(2,145)
Impairment losses (Note 6)	(7,678)	—	(65,361)
Other, net	130	661	1,106
	(7,521)	626	(64,025)
Income (loss) before income taxes and minority interests	(5,464)	3,609	(46,514)
Income taxes (Note 8):			
Current	640	1,464	5,448
Refund	70	—	596
Deferred	(1,076)	(101)	(9,160)
	(366)	1,363	(3,116)
Minority interests	(48)	73	(408)
Net (loss) income	¥ (5,050)	¥ 2,173	$ (42,990)

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the two years ended March 31, 2006

	Millions of yen						
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land	Unrealized gain on securities	Treasury stock
Balance as at March 31, 2004	97,610	¥14,183	¥14,687	¥15,934	¥6,769	¥ 901	¥(1,739)
Net income				2,173			
Cash dividends applicable to the year (¥6.00 per share)				(548)			
Revaluation reserve for land				1	(1)		
Unrealized gain on securities						428	
Treasury stock							(211)
Bonuses to directors and statutory auditors				(81)			
Balance as at March 31, 2005	**97,610**	**¥14,183**	**¥14,687**	**¥17,479**	**¥6,768**	**¥1,329**	**¥(1,950)**
Net loss				(5,050)			
Cash dividends applicable to the year (¥6.00 per share)				(546)			
Revaluation reserve for land				(406)	(523)		
Unrealized gain on securities						1,156	
Treasury stock							(14)
Bonuses to directors and statutory auditors				(84)			
Balance as at March 31, 2006	**97,610**	**¥14,183**	**¥14,687**	**¥11,393**	**¥6,245**	**¥2,485**	**¥(1,964)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land	Unrealized gain on securities	Treasury stock
Balance as at March 31, 2004	$120,737	$125,028	$135,643	$57,623	$ 7,670	$ (14,804)
Net income			18,498			
Cash dividends applicable to the year ($0.0511 per share)			(4,665)			
Revaluation reserve for land			9	(9)		
Unrealized gain on securities					3,644	
Treasury stock						(1,796)
Bonuses to directors and statutory auditors			(690)			
Balance as at March 31, 2005	**$120,737**	**$125,028**	**$148,795**	**$57,614**	**$11,314**	**$(16,600)**
Net loss			(42,990)			
Cash dividends applicable to the year ($0.0511 per share)			(4,648)			
Revaluation reserve for land			(3,456)	(4,451)		
Unrealized gain on securities					9,840	
Treasury stock						(119)
Bonuses to directors and statutory auditors			(715)			
Balance as at March 31, 2006	**$120,737**	**$125,028**	**$ 96,986**	**$53,163**	**$21,154**	**$(16,719)**

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Cash Flows

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the two years ended March 31, 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities:			
Net (loss) income before income taxes and minority interests	¥ (5,464)	¥ 3,609	$ (46,514)
Depreciation and amortization	2,508	2,689	21,350
Impairment losses (Note 6)	7,678	—	65,361
Loss on disposal of property and equipment	125	126	1,064
Loss (gain) on sales of investments in securities	7	(6)	60
Loss on devaluation of investments in securities	7	15	60
Loss on devaluation of golf club memberships	13	7	111
Bond issue expenses	—	31	—
Amortization of consolidation difference	(154)	(159)	(1,311)
Equity in earnings of unconsolidated subsidiaries and affiliates	(167)	(148)	(1,422)
Decrease in allowance for doubtful accounts	(135)	(169)	(1,149)
Decrease in employees' severance and retirement benefits	(661)	(733)	(5,627)
(Decrease) increase in accrued bonuses to employees	(276)	4	(2,350)
Interest and dividend income	(237)	(228)	(2,018)
Interest expenses	252	279	2,145
(Increase) decrease in trade receivables	(406)	1,574	(3,456)
Decrease in inventories	44	8	375
Increase (decrease) in accounts payable	478	(1,201)	4,069
Decrease in accrued consumption taxes	(68)	(30)	(579)
Other, net	(740)	(413)	(6,299)
Subtotal	2,804	5,255	23,870
Interest and dividends received	237	228	2,018
Interest paid	(252)	(279)	(2,145)
Income taxes paid	(1,335)	(1,736)	(11,365)
Net cash provided by operating activities	1,454	3,468	12,378
Cash flows from investing activities:			
Purchase of time deposits	(211)	(169)	(1,796)
Proceeds from redemption of time deposits	241	165	2,052
Purchase of marketable securities	(0)	(0)	(0)
Proceeds from sales of marketable securities	65	21	553
Purchase of property and equipment	(2,954)	(3,921)	(25,147)
Proceeds from sales of property and equipment	102	141	868
Purchase of investments in securities	(81)	(539)	(690)
Proceeds from sales of investments in securities	11	86	94
Proceeds from acquisition of subsidiaries resulting in changes in scope of consolidation	50	—	426
Investments in loans receivable	(4)	(66)	(34)
Proceeds from collection of loans receivable	34	100	289
Other, net	(3)	120	(26)
Net cash used in investing activities	(2,750)	(4,062)	(23,410)
Cash flows from financing activities:			
Net decrease in short-term loans	(77)	(99)	(655)
Proceeds from long-term debt	606	180	5,159
Repayment of long-term debt	(671)	(947)	(5,712)
Proceeds from issuance of bonds	—	2,469	—
Purchase of treasury stock	(14)	(211)	(119)
Dividends paid	(546)	(548)	(4,648)
Dividends paid to minority interests	(8)	(10)	(68)
Net cash provided by (used in) financing activities	(710)	834	(6,044)
Net increase (decrease) in cash and cash equivalents	(2,006)	240	(17,077)
Cash and cash equivalents at beginning of year	16,040	15,800	136,546
Cash and cash equivalents at end of year	¥14,034	¥16,040	$119,469

The accompanying Notes are an integral part of these statements.

1 Basis of presenting financial statements

The accompanying consolidated financial statements of Tonami Transportation Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are complied from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

U.S. dollar amounts presented in the financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥117.47 = U.S.$1, prevailing on March 31, 2006, has been used for the translation into U.S. dollar amounts in the financial statements.

2 Summary of significant accounting policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 28 significant majority-owned subsidiaries for the year ended March 31, 2006 (28 for 2005).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Eight of the investments in unconsolidated subsidiaries or affiliates (8 for 2005) are accounted for by the equity method.

Differences between the acquisition cost and the underlying net equity of subsidiaries at the time of acquisition are amortized on the straight-line basis over the period of five or 20 years.

When their amounts are, however, not significant, the differences are fully charged or credited to income at the dates of acquisition.

(b) Marketable securities and investments in securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of stockholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(c) Inventories

Inventories are stated at cost, cost being determined principally by the last purchase price method. The specific identification cost method is used for certain inventories.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying the rate of actual losses on collection experienced in the past with respect to general trade receivables and by individually reviewing their collectibility with respect to certain doubtful receivables.

(e) Property and equipment and intangible assets

Property and equipment are stated at cost. However, under Japanese tax law, capital gains arisen from disposals and other similar transactions are deducted from the cost of the property and equipment acquired in substitution.

Depreciation of property and equipment is computed by the declining balance method, except for buildings and structures. The buildings and structures are depreciated by the straight-line method.

The ranges of useful lives of principal property and equipment are as follows:

Buildings and structures . 2-50 years
Machinery and vehicles . 2-15 years

Amortization of intangible assets is principally computed using the straight-line method on the presumption of having no salvage value.

(f) Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessee are accounted for by the method similar to that applicable to ordinary operating leases.

(g) Employees' severance and retirement benefits

Employees of the Company and its consolidated subsidiaries are entitled to a lump-sum payment upon retirement or severance of employment. In order to provide for the employees' severance and retirement benefits, the Company and its consolidated subsidiaries assume a liability for severance and retirement benefits, which is included in the liability section of the consolidated balance sheet, based on the estimated amounts of projected benefit obligation and plan assets at the balance sheet dates.

Past service costs are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees average remaining service lives) commencing with the year as occurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees' average remaining service lives) commencing with the next year as occurred.

Effective the fiscal year ended March 31, 2006, the Group has adopted "Partial Revisions to the Accounting Standards for Retirement Benefits" (Business Accounting Standard No. 3 issued by the Accounting Standards Board of Japan on March 16, 2005) "and the "Implementation Guidance for Partial Revisions to the Accounting Standards for Retirement Benefits" ("Financial Accounting Standard Implementation Guidance No. 7" issued by the Accounting Standards Board of Japan on March 16, 2005).

This change had no impact on the Group's income statement.

(h) Income taxes

Income taxes consist of corporation, enterprise, and inhabitant taxes.

The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

(i) Statements of cash flows

Cash and cash equivalents include cash on hand, deposits placed with banks on demand, and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

(j) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the current exchange rates at the balance sheet date, and any gain or loss on translation is credited or charged to income.

3 Fair value of securities

No trading securities or held-to-maturity securities were held at March 31, 2006 or 2005. Securities classified as other securities are included in "marketable securities" and "investments in securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2006 are summarized as follows:—

	Millions of yen		
	2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥2,577	¥6,763	¥4,186
Bonds:			
Corporate bonds	20	21	1
Other	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	8	7	(1)
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Other	100	97	(3)
Total	¥2,705	¥6,888	¥4,183

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2005 are summarized as follows:—

	Millions of yen		
	2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥2,476	¥4,718	¥2,242
Bonds:			
Corporate bonds	85	85	0
Other	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	72	67	(5)
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Other	110	109	(1)
Total	¥2,743	¥4,979	¥2,236

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2006 are summarized as follows:—

	Thousands of U.S. dollars		
	2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	$21,938	$57,572	$35,634
Bonds:			
Corporate bonds	170	179	9
Other	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	68	59	(9)
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Other	851	826	(25)
Total	$23,027	$58,636	$35,609

Non-marketable securities classified as other securities at March 31, 2006 and 2005 amounted to ¥4,059 million ($34,554 thousand) and ¥3,923 million ($33,396 thousand), respectively.

Proceeds from sales of securities classified as other securities amounted to ¥8 million ($68 thousand) and ¥21 million ($179 thousand) for the years ended March 31, 2006 and 2005, respectively.

The aggregate gain realized on those sales totaled ¥8 million ($68 thousand) and ¥16 million ($136 thousand) for the years ended March 31, 2006 and 2005, respectively.

The redemption schedule at March 31, 2006 for bonds with maturity dates is summarized as follows:—

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	¥—	¥20	¥ —	¥—
Other	—	50	50	—
Total	¥—	¥70	¥50	¥—

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	$—	$170	$ —	$—
Other	—	426	426	—
Total	$—	$596	$426	$—

4 Property and equipment

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥51,533 ($438,691 thousand) million and ¥49,174 million ($418,609 thousand) on March 31, 2006 and 2005, respectively.

Capital gains resulting from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amounts deducted from the cost of property and equipment was ¥269 million ($2,290 thousand) on March 31, 2006 and 2005, respectively.

5 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2006 and 2005 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Secured	¥ 3,660	¥ 3,681	$ 31,157
Unsecured	12,280	12,283	104,537

Interest rates range from 0.55% to 2.5%.

(b) Long-term debt

Long-term debt as at March 31, 2006 and 2005 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
0.89% ¥6.4 billion unsecured straight bonds due 2008	¥ 6,400	¥ 6,400	$54,482
0.52% ¥0.6 billion unsecured straight bonds due 2008	600	600	5,108
0.00% ¥2.5 billion unsecured convertible bond type-bonds with stock acquisition rights due 2009	2,500	—	21,282
0.55%_3.00% loans from financial institutions due 2007 to 2011 and thereafter Secured	1,293	1,513	11,007
Unsecured	876	774	7,457
Total	11,669	11,787	99,336
Less: amount due within one year	416	653	3,541
	¥11,253	¥11,134	$95,795

The maturity date of the ¥6.4 billion 0.89% unsecured straight bonds, issued in June 2003 is June 30, 2008.

The maturity date of the ¥0.6 billion 0.52% unsecured straight bonds, issued in June 2003 is June 30, 2008.

The maturity date of the ¥2.5 billion 0.00% unsecured convertible bond type- bonds, issued in July 2004 is September 30, 2009.

The annual maturities of long-term debt outstanding as at March 31, 2006 are as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 331	$ 2,818
2008	282	2,401
2009	7,254	61,752
2010	2,679	22,806
2011 and thereafter	707	6,018

(c) Pledged assets

Property and equipment having a net value of ¥18,098 million ($154,065 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2006.

6 Impairment Losses

(a) Accounting standards for impairment of fixed assets

Effective the year ended March 31, 2006, the Group has adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets will be grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

As a result of the adoption of this new accounting standard, a loss on impairment of land in the amount of ¥7,678 million was recognized and loss before income taxes and minority interests increased by the same amount for the year ended March 31, 2006 as compared with the corresponding amount under the previous method.

Accumulated impairment losses have been directly deducted from the value of each relevant asset in accordance with the revised regulations concerning consolidated financial statements.

(b) Impairment losses

During the fiscal year ended March 31, 2006, the Group recorded impairment losses concerning the following asset groupings.

	Usage	Location	Type	Impairment losses (millions of yen)	Impairment losses (thousands of U.S. dollars)
Tonami Transportation	Haulage and warehouse facilities	Koto Ward, Tokyo and 37 other sites	Land and buildings	¥6,865	$58,440
Tonami Transportation	Warehouse facilities	Noda, Chiba prefecture	Leased facilities	756	6,436
Kawai Transportation and 3 other companies	Facilities for lease and idle asset	Moriyama, Shiga prefecture, and 3 other sites	Land and buildings	57	485
Total				¥7,678	$65,361

The Company is a comprehensive logistics enterprise and has six operations including the road haulage operation. Organizations belonging to operations implement management accounting.

Business facilities in various locations are bases for providing the Company's comprehensive distribution solution services to customers. In many cases, organizations of operations are located at these business facilities and deal with their customers.

Organizations of operations have complementary relationships. Business facilities constitute the unit for generating cash flows. The aggregate assets of organizations located at each business facility constitute an asset grouping.

At consolidated subsidiaries, decision-making on investment is done by each business unit. Accordingly, the aggregate assets of organizations belonging to a business unit constitute an asset grouping.

Regarding the asset groupings for which impairment losses were recorded, future cash flow losses were projected partly due to a large decline in land prices. Thus, the carrying values of the asset groupings were reduced by the unrecoverable values and an impairment loss amounting to ¥7,678 million (US$65,361 thousand) was recorded as an extraordinary loss.

The breakdown of the impairment losses is as follows: ¥3,922 million (US$33,387 thousand) concerning land, ¥3,000 million (US$25,538 thousand) concerning buildings and ¥756 million (¥US$6,436 thousand) concerning leased facilities.

In regard to asset groupings, recoverable value of land and buildings is measured based on the net sales value. Net sales value is assessed based mainly on appraisal value provided by real-estate appraisers. Immaterial assets are assessed based on carrying value. Recoverable value of leased facilities is measured based on the use value and the present value is calculated based on a 3.6% discount of future cash flows.

7 Employees' severance and retirement benefits

Employees who terminate their service with the Company and consolidated subsidiaries are, in most cases, entitled to pension annuity payments or to a lump-sum severance payment determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company has two types of defined benefit plans, a lump-sum payment plan and an additional benefit type of pension plan. The Company revised its pension plans and shifted them to a cash balance plan (money-market-interest-rate linked type) on June 1, 2004.

The Company and certain significant domestic consolidated subsidiaries have established contributory defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan, i.e., welfare pension fund plan (WPFP). The WPFP consists of the governmental welfare pension program (the substitutional portion) and an additional non-contributory pension plan portion.

The projected benefit obligation and the funded status of the plans summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Projected benefit obligation	¥(22,165)	¥(22,830)	$(188,687)
Plan assets	3,003	2,264	25,564
Net unrecognized amount	446	1,189	3,797
Prepaid pension and severance costs	—	—	—
Accrued pension and severance costs	¥(18,716)	¥ 19,377	$(159,326)

The net unrecognized amounts were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Unrecognized benefit obligation at transition:			
Adjustment for actuarial assumptions	¥ 4,269	¥ 5,422	$ 36,341
Past service cost	(3,823)	(4,233)	(32,544)
Net unrecognized amounts	¥ 446	¥ 1,189	$ 3,797

The components of net periodic pension and severance costs excluding the employees' contributory portion were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service cost	¥ 888	¥ 971	$ 7,559
Interest cost on projected benefit obligation	549	564	4,674
Expected return on plan assets	(98)	(67)	(834)
Amortization of unrecognized severance benefit obligation at transition	—	—	—
Amortization of adjustment for actuarial assumptions	611	472	5,201
Amortization of past service cost	(410)	(332)	(3,490)
Net periodic pension and severance costs	¥1,540	¥1,608	$13,110

The assumptions used were as follows:—

	2006	2005
Discount rates	2.5%	2.5%
Expected rates of return on plan assets	2.5%	2.5%

8 Income taxes

As described in Note 2(h), the Company and its consolidated subsidiaries recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

Significant components of deferred tax assets and liabilities are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Excess bonuses accrued	¥ 314	¥ 498	$ 2,673
Excess employees' severance and retirement benefits accrued	7,013	7,225	59,700
Excess loss on impairment of tangible fixed assets (except for leased assets)	1,147	—	9,764
Accumulated loss on impairment of leased assets	292	—	2,486
Other	3,962	795	33,728
Gross deferred tax assets	12,728	8,518	108,351
Valuation allowance	(3,245)	(544)	(27,624)
Total deferred tax assets	9,483	7,974	80,727
Deferred tax liabilities:			
Unrealized gain on securities	(1,693)	(904)	(14,412)
Reserve under Special Taxation Measures Law	(5,255)	(5,095)	(44,735)
Total deferred tax liabilities	(6,948)	(5,999)	(59,147)
Net deferred tax assets	¥ 2,535	¥ 1,974	$ 21,580

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes.

Significant differences between the statutory tax rate and the Company's effective tax rate after applying the deferred tax accounting for the years ended March 31, 2006 and 2005 were as follows:—

	2006	2005
Statutory tax rate	—	41.6%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	—	1.5
Nontaxable income including dividends received deduction, etc.	—	(1.4)
Per capita portion of inhabitant taxes	—	5.8
Equity in earnings of affiliates	—	(1.8)
Other	—	(7.9)
Effective tax rate	—	37.8%

No item is listed in the column "2006" in the above table, because the Company recorded a loss before income taxes and minority interests in the year ended March 31, 2006.

9 Cash flow statements

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as at March 31, 2006 and 2005 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and time deposits	¥13,244	¥15,279	$112,744
Time deposits with maturities exceeding three months	(210)	(239)	(1,788)
Cash equivalents included in marketable securities	1,000	1,065	8,513
Bonds with maturities exceeding three months	—	(65)	—
Cash and cash equivalents	¥14,034	¥16,040	$119,469

10 Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased property as of March 31, 2006 and 2005, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Acquisition costs:	¥17,352	¥15,821	$147,714
Machinery and tools	1,403	1,403	11,944
Other assets	¥18,755	¥17,224	$159,658
Accumulated depreciation:	¥10,692	¥ 8,547	$ 91,019
Machinery and tools	270	239	2,298
Other assets	¥10,962	¥ 8,786	$ 93,317
Accumulated impairment losses:	¥ —	¥ —	$ —
Machinery and tools	756	—	6,436
Other assets	¥ 756	¥ —	$ 6,436
Net book value:	¥ 6,660	¥ 7,275	$ 56,695
Machinery and tools	377	1,164	3,210
Other assets	¥ 7,037	¥ 8,439	$ 59,905

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2006 and 2005 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Depreciation expense	¥2,761	¥2,796	$23,504
Interest expense	191	211	1,626

Lease payments relating to finance leases accounted for as operating leases amounted to ¥3,072 million ($26,151 thousands) and ¥3,038 million ($25,862 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2006 and 2005, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million ($6,436 thousand) was recorded. Since these leased assets are off-balance-sheet, the equivalent amount is included in "Other long-term liabilities". Impairment losses on leased assets is realized over the lease term. In the fiscal year ended March 31, 2006 reversal of impairment losses on leased assets amounting to ¥42 million ($358 thousand) was recorded.

Future minimum lease payments (including the interest portion thereon) and the balance of impairment losses on leased assets as at March 31, 2006 and 2005 for finance leases accounted for as operating leases are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within one year	¥2,535	¥2,774	$21,580
Due over one year	5,199	5,793	44,258
Total	¥7,734	¥8,567	$65,838
Impairment losses on leased assets	¥ 714	¥ —	$ 6,078

11 Contingent liabilities

As at March 31, 2006, the Company were contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes discounted with banks	¥ 319	$2,716
Guarantees of welfare pension housing loans sublet to employees	2	17
Notes endorsed	76	647
Others	¥1,038	8,836

12 Revaluation reserve for land

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the Company has revaluated its owned land used for business operations on March 31, 2000 and reported a revaluation reserve for land in shareholders' equity section.

The revaluated book value of land was determined based on the value of land registered on the cadastres or their supplementary records, which are provided by the Local Tax Law under the Law Concerning Revaluation of Land, after making reasonable adjustments.

	Millions of yen	Thousands of U.S. dollars
Difference between the fair market value of revalued land at March 31, 2006 and the revalued book value	¥7,525	$64,059

(additional information)

Deferred taxes concerning land revaluation

Previously, regarding handling of deferred taxes concerning land revaluation, revaluation gains were offset by revaluation losses and deferred tax liabilities for net revaluation gains were recorded. On February 17, 2004, "Auditing Treatment of Application of Tax Effect Accounting to Differences in Valuation of Other Securities" (The Japanese Institute of Certified Public Accountants Auditing Committee Report No. 70) was revised and renamed as "Auditing Treatment of Application of Tax Effect Accounting to Differences in Valuation of Other Securities and Losses on Impairment of Fixed Assets," which has clarified the necessity of individually determining the recoverability of deferred tax assets concerning land revaluation losses. As a result of the necessary treatment, the amount of land revaluation differences at March 31, 2006, is ¥929 million (US$7,908 thousand) lower than the amount based on the previous method, and the amount of deferred tax liabilities concerning revaluation is increased by the same amount. This has no impact on net loss.

13 Shareholders' equity

In accordance with the former Commercial Code of Japan (the "Code"), the Company provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and capital surplus account equals 25% of the common stock account. In 2006, the Company transferred ¥8,742 million (US$74,419 thousand) from capital reserve to other capital surplus and reversed legal reserve amounting to ¥1,261 million (US$ 10,735 thousand) in accordance with Paragraph 2, Article 289 of the former Code. Accordingly, no legal reserve is included in retained earnings.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

Year-end dividends shall be approved at a ordinary shareholders' meeting held after the end of each financial year and interim dividends may be declared by the Board of Directors held after the end of each first six month period, respectively.

In accordance with the former Commercial Code, year-end dividends and the related appropriation of retained earnings are not reflected in the financial statements at the end of the financial year, but are recorded at the time they are approved.

14 Supplementary income information

Supplementary income information for the year ended March 31, 2006 and 2005 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Depreciation expenses	¥2,508	¥2,689	$21,350
Lease and rental	5,987	6,083	50,966

15 Amounts per share

Basic (loss) income per share has been computed using the weighted-average number of shares of common stock outstanding during each year.

In computing diluted net income per share, the weighted-average number of shares has been increased by the number of shares that would have been outstanding assuming the conversion of all convertible bond type-bonds with stock acquisition rights at the beginning of each year. Net income has been adjusted for interest expenses on such bonds, net of applicable income taxes.

Although potentially dilutive securities exist, diluted per share data at March 31, 2006 is not provided because the per share data is a negative figure for fiscal 2006.

Net assets per share has been computed using the number of shares of common stock outstanding at each balance sheet date.

Amounts per share of common stock for the years ended March 31, 2006 and 2005 were as follows:—

	Yen		U.S. dollars
	2006	2005	2006
Net (loss) income per share:			
Basic	¥(56.02)	¥ 22.94	$(0.4769)
Diluted	—	21.36	—
Net assets per share:	¥ 516.51	¥575.96	$ 4.3970

Basis for the calculation of basic and diluted net (loss) income per share for the years ended March 31, 2006 and 2005 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Basic net (loss) income available to shareholders of common stock:			
Net (loss) income	¥(5,050)	¥2,173	$(42,990)
Net (loss) income not available to shareholders of common stock:	46	84	392
(of which appropriation of bonuses to directors and statutory auditors)	(46)	(84)	(392)
Net (loss) income available to shareholders of common stock:	(5,097)	2,089	(43,390)
Weighted-average number of shares of common stock outstanding	90,981,585	91,078,245	
Diluted net income available to shareholders of common stock:			
Adjustments to net income:	—	0	—
(of which commission for bonds)	(—)	(0)	(—)
Incremental number of shares of common stock	—	6,738,544	
(of which stock acquisition rights)	(—)	(6,738,544)	
Common stock equivalents not included in calculation of diluted net income per share due to their non-dilutive effect	(Convertible bond-type bonds with stock acquisition rights) Yen-denominated convertible bond-type bond with stock acquisition rights due Sep 30, 2009 (face amount: ¥2,500 million (US$ 21,282 thousand)) (Stock option) Stock options approved at the annual shareholders' meeting of the Company held on June 29, 2005 (The number of stock acquisition rights was 1,340.)	—	—

16 Subsequent event

The annual shareholders' meeting of the Company, which was held on June 29, 2006, duly approved the payment of dividends as followed:—

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 per share)	¥273	$2,324

17 Segment Information

The Company's business segments consist of logistics related services classified as Logistics and non-logistics services classified as Others.

A summary of segment information by industry segment for the two years ended March 31, 2006 is as follows:—

For the year ended March 31, 2006	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	¥117,151	¥11,947	¥129,098	¥ —	¥129,098
Inter segment sales	151	7,636	7,787	(7,787)	—
Total	117,302	19,583	136,885	(7,787)	129,098
Costs and expenses	115,881	18,848	134,729	(7,688)	127,041
Operating income	¥ 1,421	¥ 735	¥ 2,156	¥ (99)	¥ 2,057
Assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	¥ 92,206	¥25,340	¥117,546	¥ 4,031	¥121,577
Depreciation	¥ 2,314	¥ 205	¥ 2,519	¥ (11)	¥ 2,508
Impairment losses	¥ 7,586	¥ 92	¥ 7,678	¥ —	¥ 7,678
Capital expenditures	¥ 1,842	¥ 913	¥ 2,755	¥ 3	¥ 2,758

For the year ended March 31, 2005	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	¥117,816	¥11,252	¥129,068	¥ —	¥129,068
Inter segment sales	20	6,802	6,822	(6,822)	—
Total	117,836	18,054	135,890	(6,822)	129,068
Costs and expenses	115,024	17,753	132,777	(6,692)	126,085
Operating income	¥ 2,812	¥ 301	¥ 3,113	¥ (130)	¥ 2,983
Assets, depreciation and capital expenditures:					
Identifiable assets	¥ 99,088	¥23,237	¥122,325	¥ 5,584	¥127,909
Depreciation	¥ 2,504	¥ 194	¥ 2,698	¥ (9)	¥ 2,689
Capital expenditures	¥ 2,966	¥ 328	¥ 3,294	¥ (4)	¥ 3,290

For the year ended March 31, 2006	Thousands of U.S. dollars				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	$997,284	$101,703	$1,098,987	$ —	$1,098,987
Inter segment sales	1,286	65,004	66,290	(66,290)	—
Total	998,570	166,707	1,165,277	(66,290)	1,098,987
Costs and expenses	986,473	160,450	1,146,923	(65,447)	1,081,476
Operating income	$ 12,097	$ 6,257	$ 18,354	$ (843)	$ 17,511
Assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	$784,932	$215,715	$1,000,647	$ 34,315	$1,034,962
Depreciation	$ 19,699	$ 1,745	$ 21,444	$ (94)	$ 21,350
Impairment losses	$ 64,578	$ 783	$ 65,361	$ —	$ 65,361
Capital expenditures	$ 15,681	$ 7,772	$ 23,453	$ 25	$ 23,478

Note 1. Operating cost and expenses included in the column "Eliminations" mainly consist of those charged by the general affairs and finance divisions of the Company, amounting to ¥174 million ($1,481 thousand) and ¥197 million ($1,677 thousand) for the years ended March 31, 2006 and 2005, respectively.

Note 2. Corporate assets included in the column "Eliminations" mainly consist of surplus working funds (cash and marketable securities), long-term investment funds (investments in securities), and other assets which belong to the administrative department, amounting to ¥29,914 million ($254,652 thousand) and ¥30,220 million ($257,257 thousand) for the years ended March, 2006 and 2005, respectively.

The two business segments mainly consist of the following services:

Logistics . . . Road haulage, freight forwarding, warehousing, and harbor transport and customs services

Others . . . Vehicle maintenance, casualty insurance, leasing, merchandising and commissioned sales and purchases, travel services, mail order services, travel inn, and other businesses

Neither geographical segment information nor overseas sales have been presented because none of the Company's consolidated subsidiaries are domiciled outside Japan, and the Company and its consolidated subsidiaries had no overseas sales for the years ended March 31, 2006 and 2005.

Independent Auditors' Report

The Board of Directors
Tonami Transportation Co., Ltd.

We have audited the accompanying consolidated balance sheets of Tonami Transportation Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tonami Transportation Co., Ltd. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 6 to the consolidated financial statements, the Company and its consolidated subsidiaries, effective the year ended March 31, 2006, adopted the new accounting standards for Impairment of Fixed Assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

June 29, 2006

Non-Consolidated Balance Sheets

TONAMI TRANSPORTATION CO., LTD

As of March 31, 2006 and 2005

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Current assets:			
Cash	¥ 9,623	¥ 11,436	$ 81,919
Marketable securities	1,000	1,065	8,513
Trade receivables:			
Notes and accounts (Note 7)	18,719	18,412	159,351
Less: allowance for doubtful accounts	(26)	(23)	(221)
Inventories	141	144	1,200
Deferred tax assets (Note 6)	526	668	4,478
Other current assets	9,130	7,929	77,722
Total current assets	39,113	39,631	332,962
Property and equipment (Notes 3, 4 and 5):			
Land	33,731	37,599	287,146
Buildings and structures	45,354	45,110	386,090
Machinery and tools	6,612	6,513	56,287
Vehicles	13,193	14,833	112,309
Less: accumulated depreciation	(43,769)	(41,360)	(372,597)
Net property and equipment	55,121	62,695	469,235
Investments and other assets:			
Investments in securities	8,344	6,407	71,031
Investments in subsidiaries and affiliates	3,181	3,041	27,079
Loans to employees	7	11	59
Deferred tax assets (Note 6)	1,842	1,025	15,681
Others	3,268	3,298	27,820
Total investments and other assets	16,642	13,782	141,670
Total assets	¥110,876	¥116,108	$943,867

The accompanying Notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Current liabilities:			
Trade notes payable	¥ 517	¥ 476	$ 4,401
Short-term bank loans (Note 4)	13,255	13,255	112,837
Current portion of long-term debt (Note 4)	210	412	1,788
Trade accounts payable (Note 7)	15,395	14,329	131,055
Deposits from employees	405	391	3,447
Income taxes payable	—	507	—
Other current liabilities	5,144	5,624	43,790
Total current liabilities	34,926	34,994	297,318
Long-term liabilities:			
Long-term debt, less current portion thereof (Note 4)	10,477	10,687	89,189
Deferred tax liabilities from revaluation reserve for land (Note 10)	5,800	4,595	49,374
Employees' severance and retirement benefits	17,342	17,805	147,629
Other long-term liabilities	773	55	6,581
Total long-term liabilities	34,392	33,142	292,773
Total liabilities	69,318	68,136	590,091
Contingent liabilities (Note 9)			
Shareholders' equity (Note 11):			
Common stock:			
Authorized: 299,200,000 shares in 2006			
299,200,000 shares in 2005			
Issued: 97,610,118 shares in 2006			
97,610,118 shares in 2005	14,183	14,183	120,737
Capital surplus	14,687	14,687	125,028
Retained earnings	5,963	12,975	50,762
Revaluation reserve for land (Note 10)	6,245	6,768	53,163
Unrealized gain on securities	2,444	1,309	20,805
Treasury stock, at cost 6,631,669 shares in 2006			
6,592,631 shares in 2005	(1,964)	(1,950)	(16,719)
Total shareholders' equity	41,558	47,972	353,776
Total liabilities and shareholders' equity	¥110,876	¥116,108	$943,867

Non-Consolidated Statements of Operations

TONAMI TRANSPORTATION CO., LTD.

For the two years ended March 31, 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Operating revenues (Note 7)	¥98,978	¥99,504	$842,581
Operating costs and expenses:			
Operating cost (Notes 7 and 12)	95,660	95,308	814,336
Selling, general and administrative expenses (Note 12)	2,608	2,819	22,201
	98,268	98,127	836,537
Operating income	710	1,377	6,044
Other income and expenses:			
Interest and dividend income (Note 7)	347	327	2,954
Loss on disposal of property and equipment, net	(88)	(125)	(749)
Interest expenses	(213)	(223)	(1,813)
Impairment losses (Note 5)	(7,621)	—	(64,876)
Others	69	457	587
	(7,506)	436	(63,897)
Income before income taxes	(6,796)	1,813	(57,853)
Income taxes (Note 6):			
Current	330	1,122	2,809
Refund	70	—	596
Deferred	(1,170)	(171)	(9,960)
	(770)	951	(6,555)
Net (loss) income	¥ (6,026)	¥ 862	$ (51,298)

The accompanying Notes are an integral part of these statements.

Non-Consolidated Statements of Shareholders' Equity

TONAMI TRANSPORTATION CO., LTD.

For the two years ended March 31, 2006

		Millions of yen					
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land	Unrealized gain on securities	Treasury stock
Balance as at March 31, 2004	97,610	¥14,183	¥14,687	¥12,695	¥6,769	¥ 882	¥(1,739)
Net income				862			
Cash dividends applicable to the year (¥6.00 per share)				(548)			
Revaluation reserve for land				1	(1)		
Unrealized gain on securities						427	
Treasury stock							(211)
Bonuses to directors and statutory auditors				(35)			
Balance as at March 31, 2005	**97,610**	**¥14,183**	**¥14,687**	**¥12,975**	**¥6,768**	**¥1,309**	**¥(1,950)**
Net loss				(6,026)			
Cash dividends applicable to the year (¥6.00 per share)				(546)			
Revaluation reserve for land				(406)	(523)		
Unrealized gain on securities						1,135	
Treasury stock							(14)
Bonuses to directors and statutory auditors				(34)			
Balance as at March 31, 2006	**97,610**	**¥14,183**	**¥14,687**	**¥ 5,963**	**¥6,245**	**¥2,444**	**¥(1,964)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land	Unrealized gain on securities	Treasury stock
Balance as at March 31, 2004	$120,737	$125,028	$108,070	$57,623	$ 7,508	$ (14,804)
Net income			7,338			
Cash dividends applicable to the year ($0.0511 per share)			(4,665)			
Revaluation reserve for land			9	(9)		
Unrealized gain on securities					3,635	
Treasury stock						(1,796)
Bonuses to directors and statutory auditors			(298)			
Balance as at March 31, 2005	**$120,737**	**$125,028**	**$110,454**	**$57,614**	**$11,143**	**$(16,600)**
Net loss			(51,298)			
Cash dividends applicable to the year ($0.0511 per share)			(4,648)			
Revaluation reserve for land			(3,456)	(4,451)		
Unrealized gain on securities					9,662	
Treasury stock						(119)
Bonuses to directors and statutory auditors			(290)			
Balance as at March 31, 2006	**$120,737**	**$125,028**	**$ 50,762**	**$53,163**	**$20,805**	**$(16,719)**

The accompanying Notes are an integral part of these statements.

Non-Consolidated Statements of Cash Flows

TONAMI TRANSPORTATION CO., LTD.

For the two years ended March 31, 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities:			
Net (loss) income before income taxes	¥ (6,796)	¥ 1,813	$ (57,853)
Depreciation and amortization	1,697	1,860	14,446
Impairment losses	7,621	—	64,876
Loss on disposal of property and equipment	88	125	749
Loss on sales of investments in securities	(36)	(16)	(306)
Loss on devaluation of investments in securities	58	15	494
Loss on devaluation of golf club memberships	8	8	68
Decrease in allowance for doubtful accounts	(67)	(122)	(570)
Bond issue expenses	—	31	—
Decrease in employees' severance and retirement benefits	(464)	(569)	(3,950)
Decrease in accrued bonuses to employees	(300)	(21)	(2,554)
Interest and dividend income	(347)	(327)	(2,954)
Interest expenses	213	223	1,813
(Increase) decrease in trade receivables	(271)	733	(2,307)
Decrease in inventories	3	4	25
Increase in accounts payable	1,111	5,590	9,458
(Decrease) increase in accrued consumption taxes	(56)	6	(477)
Other, net	(100)	359	(851)
Subtotal	2,362	9,712	20,107
Interest and dividends received	347	327	2,954
Interest paid	(213)	(223)	(1,813)
Income taxes paid	(1,047)	(1,309)	(8,913)
Net cash provided by operating activities	1,449	8,507	12,335
Cash flows from investing activities:			
Proceeds from redemption of time deposits	—	10	—
Purchase of marketable securities	(0)	(0)	(0)
Proceeds from sales of marketable securities	65	21	553
Purchase of property and equipment	(1,362)	(3,174)	(11,594)
Proceeds from sales of property and equipment	37	(1)	315
Purchase of investments in securities	(244)	(583)	(2,077)
Proceeds from sales of investments in securities	54	85	460
Investments in loans receivable	(21,499)	(20,100)	(183,017)
Proceeds from collection of loans receivable	20,616	14,012	175,500
Other, net	35	84	298
Net cash used in investing activities	(2,298)	(9,646)	(19,562)
Cash flows from financing activities:			
Increase in short-term loans	8	—	68
Repayments of long-term debt	(412)	(612)	(3,507)
Purchase of treasury stock	(14)	(211)	(119)
Dividends paid	(546)	(548)	(4,648)
Proceeds from issuance of bonds	—	2,469	—
Net cash (used in) provided by investing activities	(964)	1,098	8,206
Net decrease in cash and cash equivalents	(1,813)	(41)	(15,434)
Cash and cash equivalents at beginning of year	12,436	12,477	105,866
Cash and cash equivalents at end of year	¥ 10,623	¥ 12,436	$ 90,432

The accompanying Notes are an integral part of these statements.

1 Basis of presenting financial statements

The accompanying non-consolidated financial statements of Tonami Transportation Co., Ltd. (the "Company") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are complied from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

U.S. dollar amounts presented in the financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥117.47 = U.S.$1, prevailing on March 31, 2006, has been used for the translation into U.S. dollar amounts in the financial statements.

2 Summary of significant accounting policies

(a) Non-consolidation

The accompanying non-consolidated financial statements include only the accounts of the Company.

Investments in subsidiaries and affiliates are stated at cost.

(b) Marketable securities and investments in securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of stockholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(c) Inventories

Inventories are stated at cost, cost being determined principally by the last purchase price method.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Such amount is computed by applying the rate of actual losses on collection experienced in the past with respect to general trade receivables and by individually reviewing their collectibility with respect to certain doubtful receivables.

(e) Property and equipment and intangible assets

Property and equipment are stated at cost. However, under Japanese tax law, capital gains resulting from disposals and other similar transactions are deducted from the cost of the property and equipment acquired in substitution.

Depreciation of property and equipment is computed by the declining-balance method, except for buildings and structures, which are depreciated by the straight-line method.

The ranges of useful lives of principal property and equipment are as follows:

Buildings and structures . 2-50 years
Machinery and vehicles . 2-15 years

Amortization of intangible assets is principally computed using the straight-line method assuming that the assets have no salvage value.

(f) Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for by the method similar to that applicable to ordinary operating leases.

(g) Employees' severance and retirement benefits

The Company's employees are entitled to a lump-sum payment upon retirement or severance of employment. In order to provide for the employees' severance and retirement benefits, the Company assumes a liability for severance and retirement benefits, which is included in the liability section of the non-consolidated balance sheets, based on the estimated amounts of projected benefit obligation and plan assets at the balance sheet dates.

Past service costs are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees average remaining service lives) commencing with the year as occurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over 11 years (a certain period not exceeding the employees' average remaining service lives) commencing with the next year as occurred.

The Company has two types of defined benefit plans, a lump-sum payment plan and an additional benefit type of pension plan. The Company revised its pension plans and shifted them to a money-market-rates linkage type from June 1, 2004.

The Company has established contributory defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan.

Effective the fiscal year ended March 31, 2006, the Company has adopted "Partial Revisions to the Accounting Standards for Retirement Benefits" (Business Accounting Standard No. 3 issued by the Accounting Standards Board of Japan on March 16, 2005) "and the "Implementation Guidance for Partial Revisions to the Accounting Standards for Retirement Benefits" ("Financial Accounting Standard Implementation Guidance No. 7" issued by the Accounting Standards Board of Japan on March 16, 2005).

The adoption had no material effect on the Company's results of operations.

(h) Income taxes

Income taxes consist of corporation, enterprise, and inhabitant taxes.

The Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

(i) Statements of cash flows

Cash and cash equivalents include cash on hand, deposits placed with banks on demand, and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

3 Property and equipment

As stated above, capital gains resulting from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amounts deducted from the cost of property and equipment was ¥269 million ($2,290 thousand) as at March 31, 2006 and 2005.

4 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2006 and 2005 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Secured	¥ 3,080	¥ 3,080	$26,219
Unsecured	10,175	10,175	86,618

Interest rates range from 0.600% to 1.375%.

(b) Long-term debt

Long-term debt as at March 31, 2006 and 2005 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
0.89% ¥6.4 billion unsecured straight bonds due 2008	¥ 6,400	¥ 6,400	$54,482
0.52% ¥0.6 billion unsecured straight bonds due 2008	600	600	5,108
0.00% ¥2.5 billion unsecured convertible bond type-bonds with stock acquisition rights due 2009	2,500	2,500	21,282
0.850%-2.100% loans from financial institutions due 2006 to 2010 and thereafter			
Secured	1,155	1,333	9,832
Unsecured	32	266	273
Total	10,687	11,099	90,977
Less:amount due within one year	210	412	1,788
	¥10,477	¥10,687	$89,189

The maturity date of the ¥6.4 billion 0.89% unsecured straight bonds, issued in June 2003 is June 30, 2008.

The maturity date of the ¥0.6 billion 0.52% unsecured straight bonds, issued in June 2003 is June 30, 2008.

The maturity date of the ¥2.5 billion 0.00% unsecured convertible bond type- bonds, issued in July 2004 is September 30, 2009.

The annual maturities of long-term debt outstanding as at March 31, 2006 were as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 178	$ 1,515
2008	178	1,515
2009	7,178	61,105
2010	2,614	22,253
2011 and thereafter	329	2,801

(c) Pledged assets

As at March 31, 2006, Property and equipment having a net value of ¥13,722 million ($116,813 thousand) was pledged as collateral for short-term bank loans and long-term debt (including current portion of long-term debt).

5 Impairment Losses

(a) Accounting standards for impairment of fixed assets

Effective the year ended March 31, 2006, the Company has adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets will be grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

As a result of the adoption of this new accounting standard, a loss on impairment of land in the amount of ¥7,621 million was recognized and loss before income taxes and minority interests increased by the same amount for the year ended March 31, 2006 as compared with the corresponding amount under the previous method.

Accumulated impairment losses have been directly deducted from the value of each relevant asset in accordance with the revised regulations concerning financial statements.

(b) Impairment losses

During the fiscal year ended March 31, 2006, the Company recorded impairment losses concerning the following asset groupings.

Usage	Location	Type	Impairment losses (millions of yen)	Impairment losses (thousands of U.S. dollars)
Haulage and warehouse facilities	Koto Ward, Tokyo and 37 other sites	Land and buildings	¥6,865	$58,440
Warehouse facilities	Noda, Chiba prefecture	Leased facilities	756	6,436
			¥7,621	$64,876

The Company is a comprehensive logistics enterprise and has six operations including the road haulage operation. Organizations belonging to operations implement management accounting.

Business facilities in various locations are bases for providing the Company's comprehensive distribution solution services to customers. In many cases, organizations of operations are located at these business facilities and deal with their customers.

Organizations of operations have complementary relationships. Business facilities constitute the unit for generating cash flows. The aggregate assets of organizations located at each business facility constitute an asset grouping.

Regarding the asset groupings for which impairment losses were recorded, future cash flow losses were projected partly due to a large decline in land prices. Thus, the carrying values of the asset groupings were reduced by the unrecoverable values and an impairment loss amounting to ¥7,621 million (US$64,876 thousand) was recorded as an extraordinary loss.

The breakdown of the impairment losses is as follows: ¥3,872 million (US$32,961 thousand) concerning land, ¥2,993 million (US$25,479 thousand) concerning buildings and ¥756 million (¥US$6,436 thousand) concerning leased facilities.

In regard to asset groupings, recoverable value of land and buildings is measured based on the net sales value. Net sales value is assessed based mainly on appraisal value provided by real-estate appraisers. Immaterial assets are assessed based on carrying value. Recoverable value of leased facilities is measured based on the use value and the present value is calculated based on a 3.6% discount of future cash flows.

6 Income taxes

As described in Note 2(h), the Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

Significant components of deferred tax assets and liabilities are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Excess bonuses accrued	¥ 239	¥ 405	$ 2,035
Excess employees' severance and retirement benefits accrued	7,013	6,928	59,700
Excess loss on impairment of tangible fixed assets (except for leased assets)	1,145	—	9,747
Accumulated loss on impairment of leased assets	289	—	2,460
Other	2,352	505	20,022
Gross deferred tax assets	11,038	7,838	93,964
Valuation allowance	(2,032)	(199)	(17,298)
Total deferred tax assets	9,006	7,640	76,666
Deferred tax liabilities:			
Unrealized gain on securities	(1,659)	(889)	(14,123)
Reserve under Special Taxation Measures Law	(4,979)	(5,058)	(42,385)
Total deferred tax liabilities	(6,638)	(5,947)	(56,508)
Net deferred tax assets	¥ 2,368	¥ 1,693	$ 20,158

Income taxes applicable to the Company consist of corporation, enterprise, and inhabitant taxes.

Significant differences between the statutory tax rate and the Company's effective tax rate after applying the deferred tax accounting for the years ended March 31, 2006 and 2005 are as follows:—

	2006	2005
Statutory tax rate	—	40.4%
Increase (decrease) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	—	2.0
Nontaxable income including dividends received deduction, etc.	—	(2.8)
Per capita portion of inhabitant taxes	—	11.0
Other	—	1.9
Effective tax rate	—	52.5%

No item was listed in the column "2006" on the above table, because the Company recorded a loss before income taxes in the year ended March 31, 2006.

7 Accounts and transactions with subsidiaries and affiliates

As at March 31, 2006, the Company had 28 subsidiaries and 8 affiliates.

Receivables from, payables to, and transactions with these subsidiaries and affiliates are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Notes and accounts receivable	¥ 251	¥ 246	$ 2,137
Loans receivable	7,907	7,007	67,311
Trade accounts payable	11,042	9,815	93,998

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Operating revenues	¥ 2,448	¥2,480	$20,839
Operating cost	10,200	9,487	86,831
Interest income	145	102	1,234

8 Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased property as of March 31, 2006 and 2005, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Acquisition costs:			
Machinery and tools	¥14,966	¥13,654	$127,403
Other assets	1,319	1,319	11,228
	¥16,285	¥14,973	$138,631
Accumulated depreciation:			
Machinery and tools	¥ 9,441	¥ 7,565	$ 80,370
Other assets	209	188	1,779
	¥ 9,650	¥ 7,753	$ 82,149
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Other assets	756	—	6,436
	¥ 756	¥ —	$ 6,436
Net book value:			
Machinery and tools	¥ 5,525	¥ 6,089	$ 47,033
Other assets	354	1,131	3,014
	¥ 5,879	¥ 7,720	$ 50,047

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2006 and 2005 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Depreciation expense	¥2,352	¥2,409	$20,022
Interest expense	156	173	1,328

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,625 million ($22,346 thousand) and ¥2,616 million($22,270 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2006 and 2005, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million ($6,436 thousand) was recorded. Since these leased assets are off-balance-sheet, the equivalent amount is included in "Other long-term liabilities". Impairment losses on leased assets is realized over the lease term. In the fiscal year ended March 31, 2006 reversal of impairment losses on leased assets amounting to ¥42 million ($358 thousand) was recorded.

Future minimum lease payments (including the interest portion thereon) and the balance of impairment losses on leased assets at March 31, 2006 and 2005 for finance leases accounted for as operating leases are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within one year	¥2,143	¥2,379	$18,243
Due over one year	4,422	4,953	37,644
Total	¥6,565	¥7,332	$55,887
Impairment losses on leased assets	¥ 714	¥ —	$ 6,078

9 Contingent liabilities

As at March 31, 2006, the Company was contingently liable as follows::—

	Millions of yen	Thousands of U.S. dollars
Guarantees of welfare pension housing loans sublet to employees	¥ 2	$ 17
Others	1,437	12,233

10 Revaluation reserve for land

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the Company has revaluated its owned land used for business operations as at March 31, 2000 and reported a revaluation reserve for land in shareholders' equity section.

The revaluated book value of land was determined based on the value of land registered on the cadastres or their supplementary records, which are provided by the Local Tax Law under the Law Concerning Revaluation of Land, after making reasonable adjustments.

	Millions of yen	Thousands of U.S. dollars
Difference between the fair market value of revaluated land at March 31, 2006 and the revaluated book value	¥7,525	$64,059

(additional information)

Deferred taxes concerning land revaluation

Previously, regarding handling of deferred taxes concerning land revaluation, revaluation gains were offset by revaluation losses and deferred tax liabilities for net revaluation gains were recorded. On February 17, 2004, "Auditing Treatment of Application of Tax Effect Accounting to Differences in Valuation of Other Securities" (The Japanese Institute of Certified Public Accountants Auditing Committee Report No. 70) was revised and renamed as "Auditing Treatment of Application of Tax Effect Accounting to Differences in Valuation of Other Securities and Losses on Impairment of Fixed Assets," which has clarified the necessity of individually determining the recoverability of deferred tax assets concerning land revaluation losses. As a result of the necessary treatment, the amount of land revaluation differences at March 31, 2006, is ¥929 million (US$7,908 thousand) lower than the amount based on the previous method, and the amount of deferred tax liabilities concerning revaluation is increased by the same amount. This has no impact on net loss.

11 Shareholders' equity

In accordance with the former Commercial Code of Japan (the "Code"), the Company provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and capital surplus account equals 25% of the common stock account. In 2006, the Company transferred ¥8,742 million (US$74,419 thousand) from capital reserve to other capital surplus and reversed legal reserve amounting to ¥1,261 million (US$10,735 thousand) in accordance with Paragraph 2, Article 289 of the former Code. Accordingly, no legal reserve is included in retained earnings.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

Year-end dividends shall be approved at a ordinary shareholders' meeting held after the end of each financial year and interim dividends may be declared by the Board of Directors held after the end of each first six month period, respectively.

In accordance with the former Commercial Code, year-end dividends and the related appropriation of retained earnings are not reflected in the financial statements at the end of the financial year, but are recorded at the time they are approved.

12 Supplementary income information

Supplementary income information for the two years ended March 31, 2006 and 2005 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Depreciation expenses	¥1,697	¥1,860	$14,446
Lease and rental	3,899	3,543	33,191

13 Amounts per share

Basic (loss) income per share has been computed using the weighted-average number of shares of common stock outstanding during each year.

In computing diluted net income per share, the weighted-average number of shares has been increased by the number of shares that would have been outstanding assuming the conversion of all convertible bond type-bonds with stock acquisition rights at the beginning of each year. Net income has been adjusted for interest expenses on such bonds, net of applicable income taxes.

Although potentially dilutive securities exist, diluted per share data at March 31, 2006 is not provided because the per share data is a negative figure for fiscal 2006.

Net assets per share has been computed using the number of shares of common stock outstanding at each balance sheet date.

Amounts per share of common stock for the years ended March 31, 2006 and 2005 were as follows:—

	Yen		U.S. dollars
	2006	2005	2006
Net (loss) income per share:			
Basic	¥ (66.22)	¥ 9.09	$(0.5637)
Diluted	—	8.47	—
Net assets per share	¥456.79	¥526.70	$ 3.8886

Basis for the calculation of basic and diluted net (loss) income per share for the years ended March 31, 2006 and 2005 was as follows:—

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Net (loss) income available to shareholders of common stock:			
Net (loss) income	¥ (6,026)	¥ 862	$(51,298)
Net (loss) income not available to shareholders of common stock :	—	34	—
(of which appropriation of bonuses to directors and statutory auditors)	(—)	(34)	(—)
Net (loss) income available to shareholders of common stock :	(6,026)	828	(51,298)
Weighted-average number of shares of common stock outstanding	90,999,165	91,095,825	
Diluted net income available to shareholders of common stock			
Adjustments to net income:	—	0	—
(of which commission for bonds)	(—)	(0)	(—)
Incremental number of shares of common stock	—	6,738,544	
(of which stock acquisition rights)	(—)	(6,738,544)	
Common stock equivalents not included calculation of diluted net income per share due to their anti-dilutive effect	(Convertible bond-type bonds with stock acquisition rights) Yen-denominated convertible bond-type bond with stock acquisition rights due Sep 30, 2009 (face amount: ¥2,500 million (US$ 21,282 thousand)) (Stock option) Stock options approved at the annual shareholders' meeting of the Company held on June 29, 2005 (The number of stock acquisition rights was 1,340.)	—	—

14 Subsequent event

The annual shareholders' meeting of the Company, which was held on June 29, 2006, duly approved the payment of dividends as follows:—

	Millions of yen	Thousands of U.S. dollars
Dividends (¥3.00 per share)	¥273	$2,324

Independent Auditors' Report

The Board of Directors
Tonami Transportation Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Tonami Transportation Co., Ltd. as of March 31, 2006 and 2005, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tonami Transportation Co., Ltd. at March 31, 2006 and 2005, and the non-consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 5 to the non-consolidated financial statements, the Company, effective the year ended March 31, 2006, adopted the new accounting standards for Impairment of Fixed Assets.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

June 29, 2006

Non-Consolidated Five-Year Summary

TONAMI TRANSPORTATION CO., LTD

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2002	2003	2004	2005	2006	2006
RESULTS OF OPERATIONS:						
Operating revenues	¥ 98,462	¥ 97,246	¥100,679	¥ 99,504	¥ 98,978	$842,581
Operating cost	93,679	92,510	96,372	95,308	95,660	814,336
Selling, general and administrative expenses	2,841	2,758	2,800	2,819	2,608	22,201
Operating income	1,942	1,978	1,507	1,377	710	6,044
Income (loss) before income taxes	1,329	8,231	1,769	1,813	(6,796)	(57,853)
Net income (loss)	578	4,407	684	862	(6,026)	(51,298)
Capital expenditures	823	1,261	6,684	3,289	1,117	9,509
Depreciation expenses	2,532	2,051	1,796	1,860	1,697	14,446
PER SHARE (yen and U.S. dollars):						
Net income (loss)	¥ 5.92	¥ 45.10	¥ 6.96	¥ 9.09	¥ (66.22)	$ (0.5637)
Cash dividends	6.00	6.00	8.00	6.00	6.00	0.0511
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 35,436	¥ 39,183	¥ 33,883	¥ 39,631	¥ 39,113	$332,962
Net property and equipment	60,023	57,942	62,260	62,695	55,121	469,235
Total assets	109,767	108,543	109,202	116,108	110,876	943,867
Total current liabilities	28,434	35,778	30,109	34,993	34,926	297,318
Long-term liabilities, excluding of current portion thereof	36,741	25,214	31,616	33,142	34,392	292,773
Total shareholders' equity	44,592	47,551	47,477	47,972	41,558	353,776
OTHER YEAR-END DATA:						
Number of share outstanding (thousand)	97,610	97,610	97,610	97,610	97,610	
Number of employees	5,548	5,462	5,462	5,429	5,298	

Consolidated Subsidiaries

Location (Prefecture)	Company Name	Business Line
Tokyo	Tonami Business Service Co., Ltd.	Financial service
	Tonami Air Service Co., Ltd.	Customs clearance service
Ibaraki	Ibaraki Tonami Transportation Co., Ltd.	Road haulage
Kanagawa	Shonan Tonami Transportation Co., Ltd.	Road haulage
	Kanagawa Tonami Transportation Co., Ltd.	Road haulage
	Tonami Global Logistics Co., Ltd.	Harbor transport service
Saitama	Kanto Tonami Transportation Co., Ltd.	Road haulage
	Saitama Tonami Transportation Co., Ltd.	Road haulage
Niigata	Niigata Tonami Transportation Co., Ltd.	Road haulage
Toyama	Gosei Tonami Transportation Co., Ltd.	Road haulage
	Zento Transportation Co., Ltd.	Road haulage
	ATS Co., Ltd.	Road haulage
	Tonami Trading Co., Ltd.	Trading Company
	Toyo Gomu Hokuriku Hanbai Co., Ltd.	Sale of tires
	Toyama Jizake Hanbai Co., Ltd.	Sale of liquor
	Toyo Tire Toyama shop Co., Ltd.	Sale of tires
	Tonami Staff Support Co., Ltd.	Detached service
	Shogawa Kanko Co., Ltd.	Travel inns
	Tonami Automobile Technology Research Institute Co., Ltd.	Automobile technology R&D
Ishikawa	Ishikawa Tonami Transportation Co., Ltd.	Road haulage
Fukui	Fukui Tonami Transportation Co., Ltd.	Road haulage
	Takefu Transportation Co., Ltd.	Road haulage
Aichi	Chukyo Tonami Transportation Co., Ltd.	Road haulage
Shiga	Kawai Transportation Co., Ltd.	Road haulage
Kyoto	Keishin Warehousing Co., Ltd.	Warehousing
	Keishin System Research Co., Ltd.	Development and sale of software
Osaka	Osaka Tonami Transportation Co., Ltd.	Road haulage
	Kansai Tonami Transportation Co., Ltd.	Road haulage

Board of Directors and Statutory Auditors

Chairman and Representative Director
Yoshihiro Minami

President and Representative Director
Katsusuke Watanuki

Senior Managing Director
Akiyoshi Kunisada

Managing Directors
Kohichi Kishida
Shigeki Sakamoto

Director and Adviser
Yohsuke Konishi

Directors
Noriaki Murata
Kiyomi Asamizu
Yasuo Terabayashi
Yoshinobu Watanabe
Toshiyuki Koroku
Shigeyuki Okada

Standing Statutory Auditors
Makoto Nagai
Nariyuki Aoki

Statutory Auditors
Shinichiro Inushima
Toshio Yaeda
Yohji Ishiguro

(As of June 29, 2006)

Corporate Data

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Date of Established June 1943

Common Stock ¥14,183 million

Issued and Outstanding Shares 97,610,118 shares

Shareholders 8,162

Employees 5,298

Terminals 84

Warehouses 48

Motor Vehicles 5,542

(As of March 31, 2006)

TONAMI

TONAMI TRANSPORTATION CO., LTD.

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