2007
Annual Report

For the year ended March 31, 2007

TONAMI

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 123 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

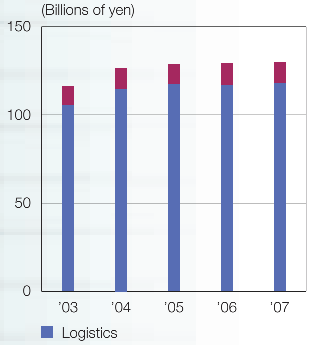
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
FOR THE YEAR:			
Operating revenues	¥130,020	¥129,098	$1,101,398
Logistics	118,010	117,151	999,662
Others	12,010	11,947	101,736
Operating income	2,019	2,057	17,103
Net income (loss)	1,889	(5,050)	16,002
PER SHARE (Yen and U.S. dollars):			
Net income (loss), basic	¥ 20.77	¥ (56.02)	$ 0.1759
Net income, diluted	19.34	—	0.1638
Cash dividends	6.00	6.00	0.0508
AT YEAR-END:			
Total assets	¥119,341	¥121,577	$1,010,936
Total net assets	48,323	47,029	409,343

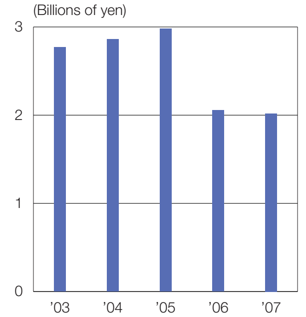
Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥118.05 = U.S.$1, prevailing on March 31, 2007, has been used for the translation into U.S. dollar amounts.

2. The computation of net income (loss) 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.

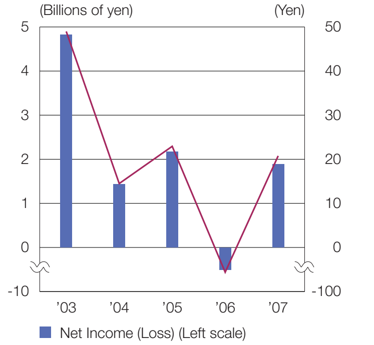
Operating Revenues by Business Segment



Operating Income



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



Chairman, Yoshihiro Minami

President, Katsusuke Watanuki

Operating Environment and Business Results

During the fiscal year ended March 31, 2007, the Japanese economy remained on a moderate recovery trajectory owing to an increase in capital investment fueled by buoyant corporate earnings, and improvement in the employment situation, despite uncertainties reflecting a sharp increase in crude oil prices and higher interest rates.

In the distribution industry, the business environment remained severe. Amid a continued decline in domestic freight volumes, customer demands for greater distribution efficiency and intensification of competition among companies as well as an increase in the number of new contenders in the industry resulted in a continuation of the downturn in unit freight charges, but the rate of decline is decreasing. Although crude oil prices were on a downward trend after peaking in the summer, there is a concern about a possible resumption of price increases.

In these circumstances, the Tonami Group moved ahead with the 17th medium-term business plan, a three-year plan launched in April 2005 with the slogan "Committed to Corporate Innovation." Specifically, we worked to expand highly profitable businesses by integrating our unique 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 consulting capabilities and strengthening sales power by deploying a distribution solutions business characterized by improved logistics.

As a result, operating revenues were ¥130,020 million, up 0.7% from the previous year. Information processing operations, which previously were included in road haulage operations and warehousing operations, are now treated as an independent business and included in the Other Businesses segment starting from the year under review.

Regarding profitability, we made a group-wide effort to increase operating efficiency through productivity enhancement as well as to cut operating costs through improved fuel efficiency and other means. Nevertheless, operating income decreased 1.8% year on year to ¥2,019 million. Net income was ¥1,889 million.

Total annual dividends for fiscal 2007 amount to ¥6 per share, including the interim dividend of ¥3 per share.

In the results by business segment, operating revenues from logistics-related businesses increased 0.7% from the previous year to ¥118,010 million. In road haulage operations, amid sluggish growth in the volume of domestic freight transport and continued erosion of unit freight charges, the Tonami Group strove to provide distribution services that deliver customer satisfaction by promoting a solutions business centered on systematized distribution (third-party logistics) and increasing logistics quality.

Operating revenues from other businesses, which include automobile repair and merchandising, edged up 0.5% to ¥12,010 million.

With regard to capital expenditures during the year under review, we commenced operations at the Minami-Osaka Branch and Minami-Osaka Distribution Center (in Sakai City, Osaka prefecture) in February 2007. We will continue to strategically expand and upgrade our transport network and distribution facilities.

Outlook for the Year Ending March 2008

Although the Japanese economy is expected to continue to perform solidly, it will be necessary to carefully watch protracted high crude oil prices, signs of rising interest rates, and destabilizing factors in the international situation, notably with regard to 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 challenging.

In this context, having completed the second year of the 17th medium-term business plan launched in April 2005, we are redoubling our efforts to achieve the plan's goals in its final year so as to secure operating revenues and to enhance the earning power.

For fiscal 2008, we forecast full-year operating revenues of ¥131.5 billion (101.1% of the previous year), operating income of ¥2.5 billion (123.8%), and net income of ¥2.1 billion (111.2%).

In the distribution industry, domestic freight volumes are expected to decline for the eighth consecutive year, although the Japanese economy is expected to remain on a recovery track. In these circumstances, the Tonami Group is addressing various issues, including the increase in fuel costs due to a spike in crude oil prices, the strengthening of governmental regulations regarding the environment and safety, globalization of logistics, and the wider implementation of information and communication technologies in physical distribution. By recalibrating our marketing strategies so that they are attuned to the changes in the market environment and strengthening competitiveness through cost reduction and enhanced logistics quality, we intend to improve our business performance.

Regarding administrative structures, as well as promoting design and operation of internal control, we are also enhancing corporate governance.

We will continue to strive to improve business performance so as to meet the expectations of our shareholders. We request your continued support for our endeavors.

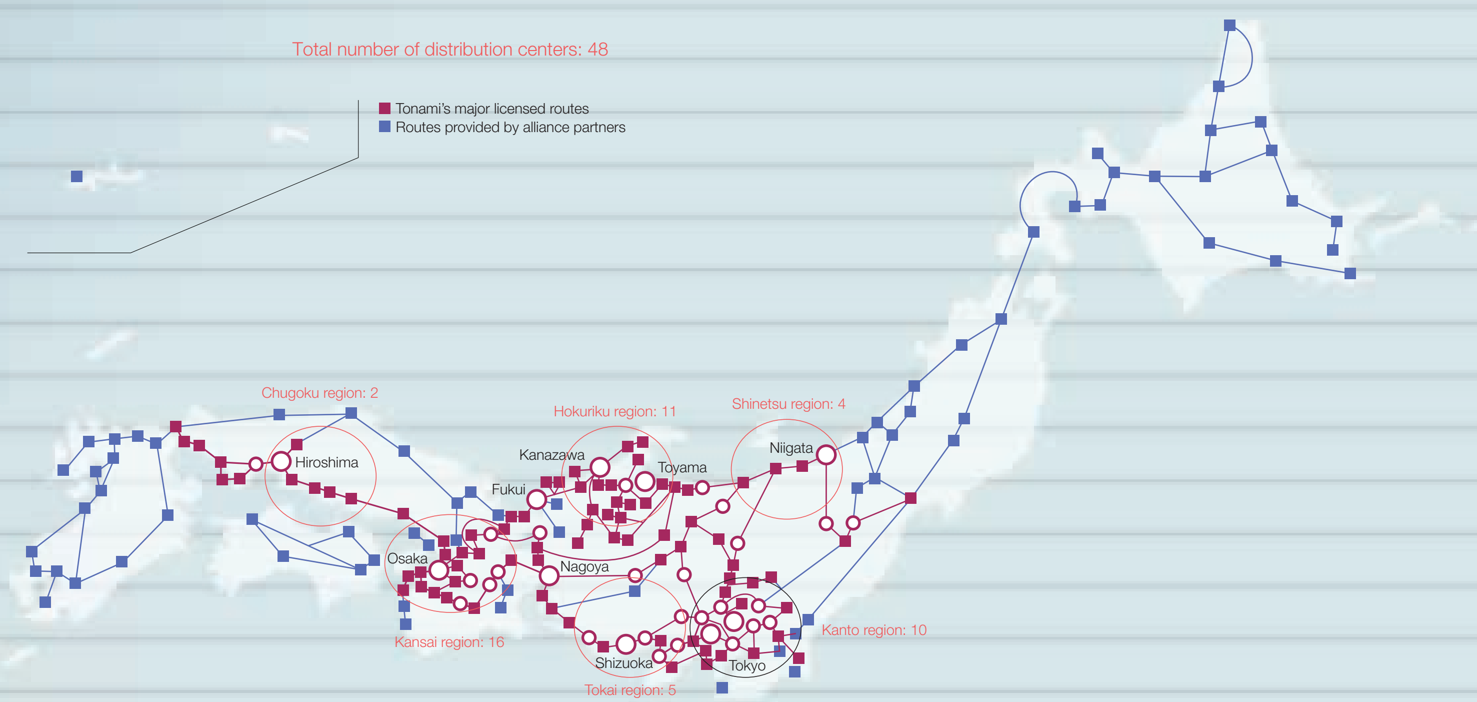
June 2007

Yoshihiro Minami
Chairman and Representative Director

K. Watanuki

Katsusuke Watanuki
President and Representative Director

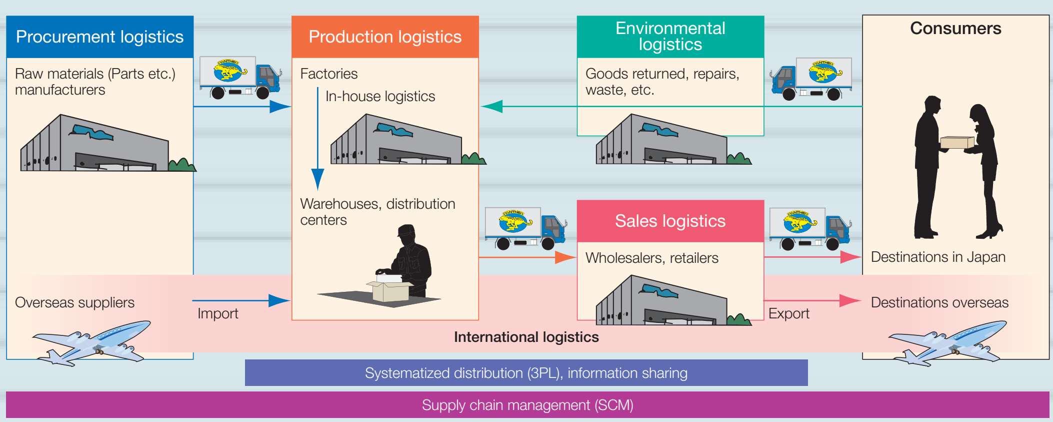
Tonami's Transport Network and Distribution Centers



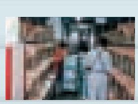
Tonami Logistics Solutions

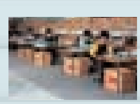
Physical distribution consulting functions

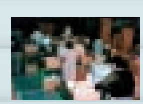
Physical distribution network functions

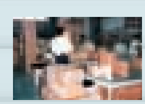


Information system development functions









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.

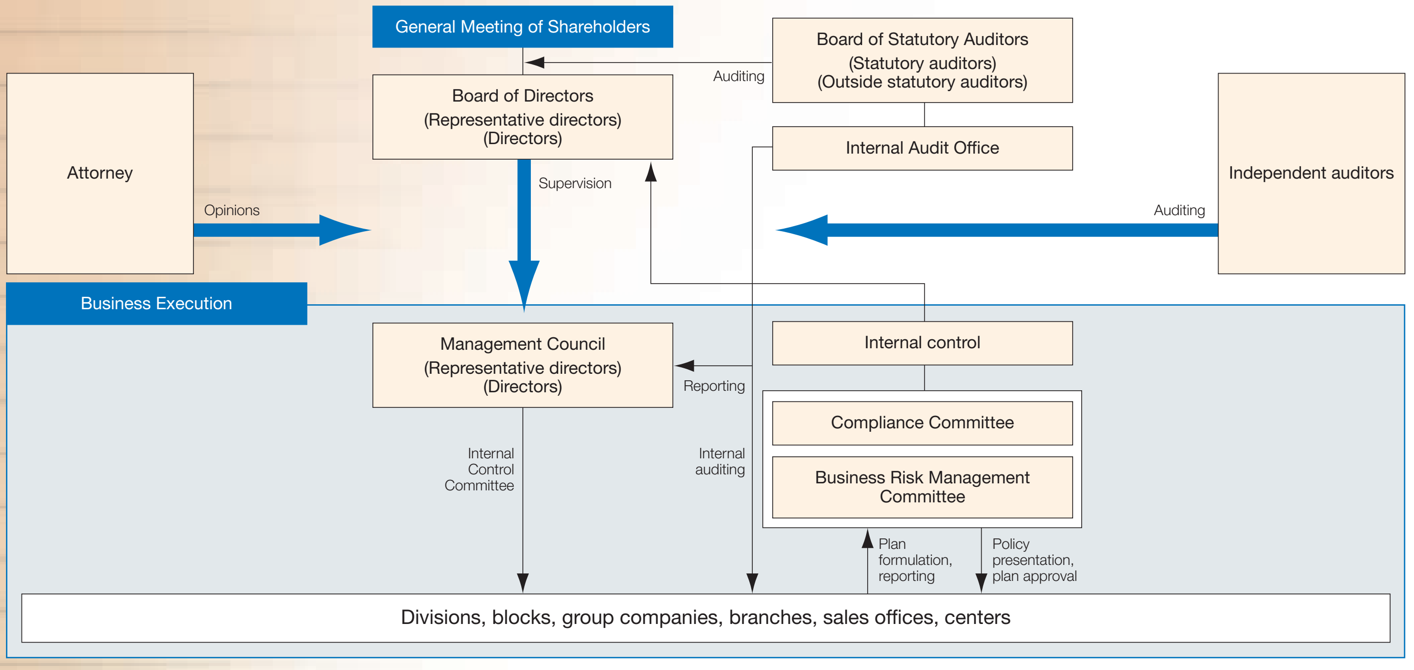
The Company employs a statutory auditor system as part of its internal control framework. The Board of Statutory Auditors consists of five statutory auditors (two standing statutory auditors and three outside statutory auditors). The statutory auditors audit the legality of the directors' actions by 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.

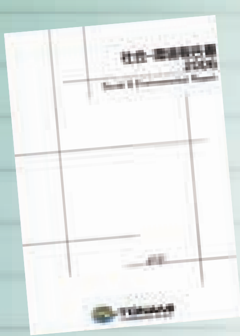
Without development and growth in business activities, a company cannot earn reasonable profits and contribute to society. The Code of Conduct indicates in the form of conduct guidelines matters that each individual employee of the Tonami Transportation Group must observe for the Tonami Transportation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

Principal CSR Initiatives and State of Implementation

Environmental Protection Activities

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.



Annual social and environmental report

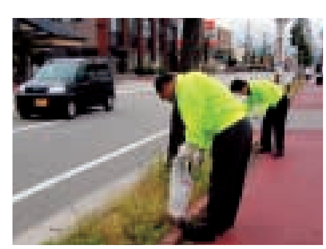
This truck runs on natural gas

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
	2003	2004	2005	2006	2007	2007
RESULTS OF OPERATIONS:						
Operating revenues	¥116,331	¥126,713	¥129,068	¥129,098	¥130,020	$1,101,398
Operating cost	107,928	117,860	119,722	120,924	122,065	1,034,011
Selling, general and administrative expenses	5,630	5,994	6,363	6,117	5,936	50,284
Operating income	2,773	2,859	2,983	2,057	2,019	17,103
Net income (loss)	4,819	1,429	2,173	(5,050)	1,889	16,002
Depreciation expenses	2,775	2,610	2,689	2,508	2,650	22,448
PER SHARE (yen and U.S. dollars):						
Net income (loss)	¥ 48.99	¥ 14.50	¥ 22.94	¥ (56.02)	¥ 20.77	$ 0.1759
Cash dividends	6.00	8.00	6.00	6.00	6.00	0.0508
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 43,692	¥ 43,596	¥ 42,447	¥ 40,682	¥ 40,425	$ 342,440
Net property and equipment	63,258	71,502	71,790	64,450	62,758	531,622
Total assets	119,243	128,293	127,909	121,577	119,341	1,010,936
Total current liabilities	41,298	39,018	37,010	36,004	34,509	292,326
Long-term liabilities, excluding of current portion thereof	26,799	37,832	37,759	37,995	36,509	309,267
Total net assets	50,508	50,735	52,496	47,029	48,323	409,343
OTHER YEAR-END DATA:						
Number of employees	6,943	7,320	7,289	7,278	7,129	

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, 2007

Overview

During the fiscal year ended March 31, 2007, amid a continuing decline in the volume of domestic freight transport, erosion of unit freight charges persisted owing to customer demands for greater efficiency in physical distribution and the intensification of competition. At the same time, fuel costs and other costs continued to rise. In these circumstances, the Tonami Transportation Group strove to cut costs and adjust freight charges. As a result, ordinary income increased somewhat.

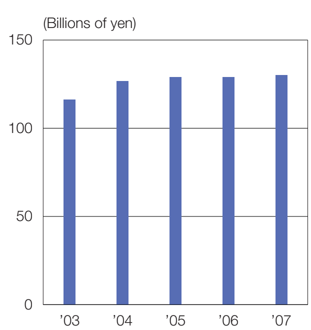
Operating Revenues

Operating revenues edged up 0.7% from the previous fiscal year to ¥130,020 million. The Company compensated for lower revenues due to a slump in the volume of freight in the mainstay road haulage operations and freight forwarding operations by means of higher revenues from the warehousing operations and other businesses. The road haulage operations and freight forwarding operations accounted for 68.2% of operating revenues, the warehousing operations 17.2%, the harbor transport operations 5.4%, and other businesses 9.2%.

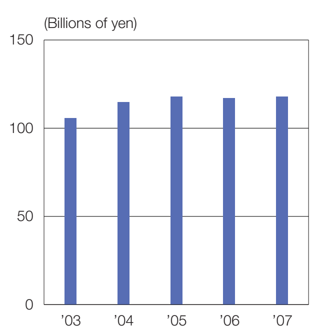
Operating Cost

Operating cost increased ¥1,141 million from the previous year. Higher diesel oil costs due to a spike in crude oil prices, and an increase in facilities charges and payments to freight companies in line with the opening of new distribution centers could not be fully absorbed by a reduction in expressway tolls and efforts to cut fuel costs through more efficient use of fuel. Effective from the fiscal year under review, the information processing operations is separate from the logistics-related businesses and is included in other businesses and expenses that were previously treated as selling, general and administrative expenses are transferred to operating cost.

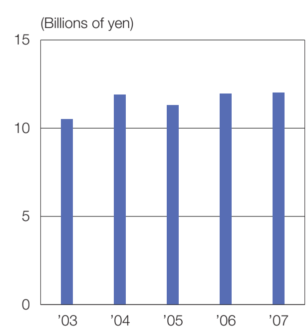
Operating Revenues



Sales of Logistics-Related Businesses



Sales of Other Businesses



Eliminating this effect, operating cost would have increased ¥560 million compared with the previous year, and the ratio of operating cost to operating revenues would have increased only 0.5 percentage points from the previous year.

Selling, General and Administrative Expenses
Selling, general and administrative expenses decreased ¥181 million year on year due to the transfer of expenses that were previously treated as selling, general and administrative expenses to operating cost as a result of the change in presentation of the information processing operations, which is separated from logistics-related businesses and included in other businesses effective from the year under review.

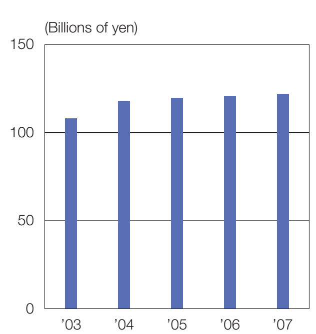
Operating Income
Operating income decreased ¥38 million year on year to ¥2,019 million. The rate of increase in the aggregate amount of operating cost and selling, general and administrative expenses was 0.8% and the rate of increase in operating revenues was 0.7%, resulting in a decrease of 1.8 percentage points in the ratio of operating income to operating revenues to 1.6%.

Net Income
Net income amounted to ¥1,889 million, a large improvement from the net loss recorded for the previous year. The principal reason for this improvement was that whereas an extraordinary loss of ¥7,678 million was recorded for the previous year in line with the application of the accounting standards for impairment of fixed assets, no such loss was recorded for the year under review.

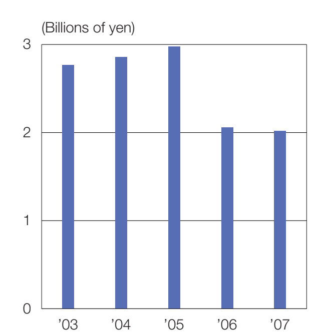
Factors with a Significant Effect on Operating Results
The business environment in which the Tonami Transportation Group operates entails the risk of difficulty in absorbing cost increases due to such factors as further increases in the price of crude oil and interest rate increases that exceed expectations. 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 because of factors such as deteriorating business conditions experienced by customers or the suspension of business transactions with customers.

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

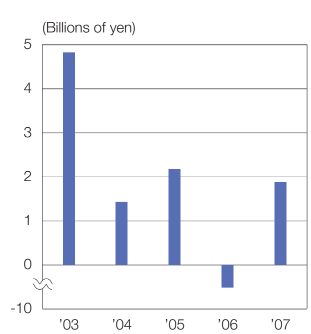
Operating Cost



Operating Income



Net Income (Loss)



In this environment, the Tonami Transportation Group is striving to secure operating revenues and increase earning power. For this purpose, we are promoting the offering of solutions centering on third-party logistics (3PL) and enhancing transportation quality to provide distribution services that deliver customer satisfaction. At the same time, we are stepping up our efforts to achieve the objectives of the 17th medium-term business plan, which was launched in April 2005 covering a three-year period, in its final year.

Analysis of Sources of Capital and Liquidity

Cash flows from operating activities

Net cash provided by operating activities totaled ¥1,534 million (an increase in net cash of ¥80 million year on year). Principal factors were net income before income taxes and minority interests of ¥3,086 million, a ¥950 million decrease in employees' severance and retirement benefits, and a ¥975 million decrease in accounts payable.

Cash flows from investing activities

Net cash used in investing activities totaled ¥1,515 million (an increase in net cash of ¥1,235 million year on year). The principal factor was payments of ¥2,027 million for the purchase of property and equipment, while proceeds from sales of property and equipment amounted to ¥1,285 million.

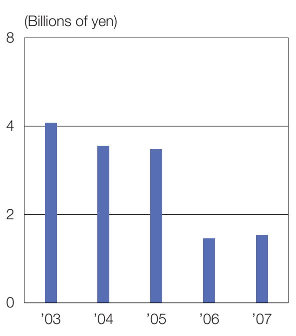
Cash flows from financing activities

Net cash provided by financing activities totaled ¥330 million (an increase in net cash of ¥1,040 million year on year). The principal factor was proceeds from long-term debt amounting to ¥1,742 million, while repayment of long-term debt and dividends paid amounted to ¥668 million and ¥546 million, respectively.

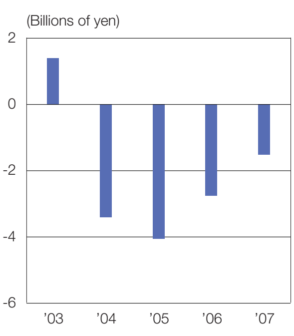
Management's Assessment of Issues and Future Policies

The operating environment for road haulage operations entails many problems, including intensifying competition among companies, rising 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. Also, we will strive to expand highly profitable businesses by integrating third-party logistics (3PL) — 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.

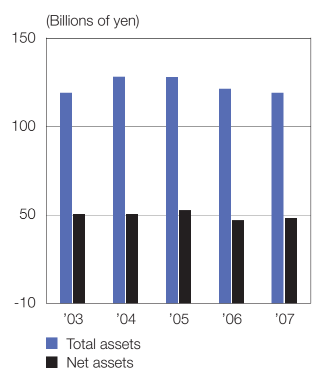
Net Cash Provided by Operating Activities



Net Cash (Used in) Provided by Investing Activities



Total Assets and Net Assets



Consolidated Balance Sheets

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current assets:			
Cash and time deposits	¥ 13,606	¥ 13,244	$ 115,256
Marketable securities (Note 5)	999	1,000	8,463
Trade receivables:			
Notes and accounts (Note 14)	22,698	23,179	192,275
Less: allowance for doubtful accounts	(42)	(44)	(356)
Inventories	512	503	4,337
Deferred tax assets (Note 10)	606	626	5,133
Other current assets	2,046	2,174	17,332
Total current assets	40,425	40,682	342,440
Property and equipment (Notes 6 and 7):			
Land	37,790	38,285	320,119
Buildings and structures	21,368	22,429	181,007
Machinery and vehicles	2,957	3,020	25,049
Construction in progress	—	29	—
Other	643	687	5,447
Total property and equipment	62,758	64,450	531,622
Investments and other assets:			
Investments in securities (Note 5)	9,114	9,948	77,204
Deferred tax assets (Note 10)	1,568	1,909	13,283
Goodwill	82	—	695
Other	5,394	4,588	45,692
Total investments and other assets	16,158	16,445	136,874
Total assets	¥119,341	¥121,577	$1,010,936

The accompanying Notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current liabilities:			
Short-term bank loans (Note 7)	¥ 15,764	¥ 15,940	$ 133,537
Current portion of long-term debt (Note 7)	727	416	6,159
Trade notes and accounts payable	10,816	11,791	91,622
Income taxes payable	385	62	3,261
Other current liabilities	6,817	7,795	57,747
Total current liabilities	34,509	36,004	292,326
Long-term liabilities:			
Long-term debt, less current portion thereof (Note 7)	12,016	11,253	101,787
Deferred tax liabilities from revaluation reserve for land (Note 15)	5,605	5,800	47,480
Employees' severance and retirement benefits (Note 9)	17,766	18,716	150,496
Consolidation difference	—	236	—
Negative goodwill	175	—	1,482
Other long-term liabilities	947	1,990	8,022
Total long-term liabilities	36,509	37,995	309,267
Total liabilities	71,018	73,999	601,593
Net assets			
Shareholders' equity (Note 16):			
Common stock:			
Authorized: 299,200,000 shares in 2007			
299,200,000 shares in 2006			
Issued: 97,610,118 shares in 2007			
97,610,118 shares in 2006	14,183	14,183	120,144
Capital surplus	12,502	14,687	105,904
Retained earnings	15,163	11,393	128,446
Treasury stock, at cost: 6,701,913 shares in 2007			
6,649,249 shares in 2006	(1,981)	(1,964)	(16,781)
Total shareholders' equity	39,867	38,299	337,713
Valuation and translation adjustments:			
Unrealized gain on securities	1,919	2,485	16,256
Revaluation reserve for land (Note 15)	5,956	6,245	50,453
Total valuation and translation adjustments	7,875	8,730	66,709
Minority interests:			
Minority interests	581	549	4,921
Total net assets	48,323	47,578	409,343
Total liabilities and net assets	¥119,341	¥121,577	$1,010,936

Consolidated Statements of Operations

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Operating revenues:			
Operating revenues	¥130,020	¥129,098	$1,101,398
	130,020	129,098	1,101,398
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 17)	122,065	120,924	1,034,011
Selling, general and administrative expenses (Note 17)	5,936	6,117	50,284
	128,001	127,041	1,084,295
Operating income	2,019	2,057	17,103
Other income and expenses:			
Interest and dividend income	283	237	2,397
Equity in earnings of unconsolidated subsidiaries and affiliates	117	167	991
Income (loss) on sale of property and equipment, net	431	(125)	3,651
Interest expenses	(215)	(252)	(1,821)
Impairment losses	—	(7,678)	—
Other, net	451	130	3,820
	1,067	(7,521)	9,038
Income (loss) before income taxes and minority interests	3,086	(5,464)	26,141
Income taxes (Note 10):			
Current	576	640	4,879
Refund	—	70	—
Deferred	579	(1,076)	4,905
	1,155	(366)	9,784
Minority interests	42	(48)	355
Net (loss) income	¥ 1,889	¥ (5,050)	$ 16,002

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2007 and 2006

	Millions of yen										
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Revaluation reserve for land	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as at March 31, 2005	97,610	¥14,183	¥14,687	¥17,479	¥(1,950)	¥44,399	¥1,329	¥6,768	¥8,097	¥644	¥53,140
Net loss				(5,050)		(5,050)			—		(5,050)
Cash dividends applicable to the year (¥6.00 per share)				(546)		(546)			—		(546)
Revaluation reserve for land				(406)		(406)		(523)	(523)		(929)
Unrealized gain on securities						—	1,156		1,156		1,156
Treasury stock					(14)	(14)			—		(14)
Bonuses to directors and statutory auditors				(84)		(84)			—		(84)
Net changes in items other than shareholders' equity						—			—	(95)	(95)
Balance as at March 31, 2006	**97,610**	**¥14,183**	**¥14,687**	**¥11,393**	**¥(1,964)**	**¥38,299**	**¥2,485**	**¥6,245**	**¥8,730**	**¥549**	**¥47,578**
Net income				1,889		1,889			—		1,889
Cash dividends applicable to the year (¥6.00 per share)			(546)			(546)			—		(546)
Transfer to retained earnings			(1,639)			(1,639)			—		(1,639)
Transfer from capital surplus				1,639		1,639			—		1,639
Revaluation reserve for land				289		289			—		289
Unrealized loss on securities						—			—		—
Treasury stock					(17)	(17)			—		(17)
Bonuses to directors and statutory auditors				(47)		(47)			—		(47)
Net changes in items other than shareholders' equity						—	(566)	(289)	(855)	32	(823)
Balance as at March 31, 2007	**97,610**	**¥14,183**	**¥12,502**	**¥15,163**	**¥(1,981)**	**¥39,867**	**¥1,919**	**¥5,956**	**¥7,875**	**¥581**	**¥48,323**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Revaluation reserve for land	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as at March 31, 2005	$120,144	$124,413	$148,064	$(16,518)	$376,103	$ 11,258	$57,332	$68,590	$5,455	$450,148
Net loss			(42,778)		(42,778)			—		(42,778)
Cash dividends applicable to the year ($0.0508 per share)			(4,625)		(4,625)			—		(4,625)
Revaluation reserve for land			(3,439)		(3,439)		(4,431)	(4,431)		(7,870)
Unrealized gain on securities					—	9,793		9,793		9,793
Treasury stock				(119)	(119)			—		(119)
Bonuses to directors and statutory auditors			(712)		(712)			—		(712)
Net changes in items other than shareholders' equity					—			—	(805)	(805)
Balance as at March 31, 2006	**$120,144**	**$124,413**	**$ 96,510**	**$(16,637)**	**$324,430**	**$21,050**	**$52,901**	**$73,952**	**$4,650**	**$403,032**
Net income			16,002		16,002			—		16,002
Cash dividends applicable to the year ($0.0508 per share)		(4,625)			(4,625)			—		(4,625)
Transfer to retained earnings		(13,884)			(13,884)			—		(13,884)
Transfer from capital surplus			13,884		13,884			—		13,884
Revaluation reserve for land			2,448		2,448			—		2,448
Unrealized loss on securities					—			—		—
Treasury stock				(144)	(144)			—		(144)
Bonuses to directors and statutory auditors			(398)		(398)			—		(398)
Net changes in items other than shareholders' equity					—	(4,794)	(2,448)	(7,243)	271	(6,972)
Balance as at March 31, 2007	**$120,144**	**$105,904**	**$128,446**	**$(16,781)**	**$337,713**	**$16,256**	**$50,453**	**$66,709**	**$4,921**	**$409,343**

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Cash Flows

TONAMI TRANSPORTATION CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Cash flows from operating activities:			
Net income (loss) before income taxes and minority interests	¥ 3,086	¥ (5,464)	$ 26,141
Depreciation and amortization	2,650	2,508	22,448
Impairment losses	—	7,678	—
(Gain) loss on disposal of property and equipment	(431)	125	(3,651)
(Gain) loss on sales of investments in securities	(19)	7	(161)
Loss on devaluation of investments in securities	—	7	—
Loss on devaluation of golf club memberships	—	13	—
Amortization of consolidation difference	—	(154)	—
Amortization of goodwill	(142)	—	(1,203)
Equity in earnings of unconsolidated subsidiaries and affiliates	(117)	(167)	(991)
Increase (decrease) in allowance for doubtful accounts	59	(135)	500
Decrease in employees' severance and retirement benefits	(950)	(661)	(8,047)
Increase (decrease) in accrued bonuses to employees	105	(276)	890
Interest and dividend income	(283)	(237)	(2,397)
Interest expenses	215	252	1,821
Decrease (increase) in trade receivables	406	(406)	3,439
(Increase) decrease in inventories	(9)	44	(76)
(Decrease) increase in accounts payable	(975)	478	(8,259)
Increase (decrease) in accrued consumption taxes	22	(68)	186
Other, net	(1,930)	(740)	(16,349)
Subtotal	1,687	2,804	14,291
Interest and dividends received	283	237	2,397
Interest paid	(215)	(252)	(1,821)
Income taxes paid	(221)	(1,335)	(1,872)
Net cash provided by operating activities	1,534	1,454	12,995
Cash flows from investing activities:			
Purchase of time deposits	(212)	(211)	(1,796)
Proceeds from redemption of time deposits	199	241	1,686
Purchase of marketable securities	—	(0)	—
Proceeds from sales of marketable securities	—	65	—
Purchase of property and equipment	(2,027)	(2,954)	(17,171)
Proceeds from sales of property and equipment	1,285	102	10,885
Purchase of investments in securities	(126)	(81)	(1,067)
Proceeds from sales of investments in securities	69	11	584
Proceeds from acquisition of subsidiaries resulting in changes in scope of consolidation	—	50	—
Investments in loans receivable	(5)	(4)	(42)
Proceeds from collection of loans receivable	28	34	237
Other, net	(726)	(3)	(6,150)
Net cash used in investing activities	(1,515)	(2,750)	(12,834)
Cash flows from financing activities:			
Net decrease in short-term loans	(176)	(77)	(1,491)
Proceeds from long-term debt	1,742	606	14,756
Repayment of long-term debt	(668)	(671)	(5,659)
Purchase of treasury stock	(17)	(14)	(144)
Dividends paid	(546)	(546)	(4,625)
Dividends paid to minority interests	(5)	(8)	(42)
Net cash provided by (used in) financing activities	330	(710)	2,795
Net increase (decrease) in cash and cash equivalents	349	(2,006)	2,956
Cash and cash equivalents at beginning of year	14,034	16,040	118,882
Cash and cash equivalents at end of year	¥14,383	¥14,034	$121,838

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 ¥118.05 = U.S.$1, prevailing on March 31, 2007, 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, 2007 (28 for 2006).

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

Eight of the investments in unconsolidated subsidiaries or affiliates (8 for 2006) 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) Derivatives

Derivative financial instruments are stated at fair value.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Net income per share

Basic income per share is computed using the weighted-average number of shares of common stock outstanding, which represents the number of issued shares less treasury stock, during each year.

In computing diluted net income per share, the weighted-average number of shares is 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.

3 Accounting Changes

(a) Accounting Standards for impairment of fixed assets

Effective April 1, 2005, the Group adopted a new accounting standard for the impairment of fixed assets. The Group bases its grouping for assessing such impairment losses on its business segments. However, the Group determines whether an asset is impaired on an individual asset basis when the asset is deemed idle or if it is scheduled to be disposed of.

The effect of this adoption was to decrease income before income taxes and minority interests by ¥7,678 million for the year ended March 31, 2006. During the year ended March 31, 2007, the Group has not recorded loss on impairment of fixed assets.

(b) Accounting Standard for Presentation of Net Assets in the Balance Sheet, etc.

Effective the year ended March 31, 2007, the Group adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Group is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and the consolidated statements of shareholders' equity for the years ended March 31, 2006, have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

(c) Change of Accounting Category for Selling, General, and Administrative Expenses and Cost of Sales

In view of the increased importance of the Company's information processing operations, beginning with the fiscal year ended March 31, 2007, the Company has changed the information processing operations to a divisional structure, as is the case with its other business operations.

Previously, expenses incurred in the conduct of information processing operations were recorded as selling, general, and administrative expenses. Beginning with the fiscal year ended March 31, 2007, in order to more appropriately present gross operating income the Company has included information processing business expenses in operating cost so that they directly correspond to operating revenues.

As a result of this change, as compared to the previous accounting treatment, operating cost increased ¥441 million (US$3,736 thousand), and gross operating income decreased by the same amount.

As selling, general, and administrative expenses decreased by the same amount, the change has had no effect on operating income, income before taxes and minority interests, or net income.

(d) Reclassifications and change in the account title

Certain reclassifications and change in the account title of the consolidated financial statements for the year ended March 31, 2006 have been made to conform them to the presentation for the year ended March 31, 2007.

4 Notes due at the end of the fiscal year

Notes due at the end of the fiscal year are treated as if they were settled on the due date. Since the last day of the fiscal year, March 31, 2007, was a holiday for financial institutions, the following notes due at the end of the fiscal year were treated as if they were settled on the due date.

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥539	$4,566
Notes payable	382	3,236

5 Fair value of securities

No trading securities or held-to-maturity securities were held at March 31, 2007 or 2006. 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, 2007 are summarized as follows:—

	Millions of yen		
	2007		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥2,522	¥5,768	¥3,246
Bonds:			
Corporate bonds	20	21	1
Other	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	76	61	(15)
Bonds:			
Corporate bonds	—	—	—
Other	100	78	(22)
Other	100	99	(1)
Total	¥2,818	¥6,027	¥3,209

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, 2007 are summarized as follows:—

	Thousands of U.S. dollars		
	2007		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	$21,364	$48,861	$27,497
Bonds:			
Corporate bonds	169	177	8
Other	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	644	517	(127)
Bonds:			
Corporate bonds	—	—	—
Other	847	661	(186)
Other	847	839	(8)
Total	$23,871	$51,055	$27,184

Non-marketable securities classified as other securities at March 31, 2007 and 2006 amounted to ¥4,088 million ($34,629 thousand) and ¥4,059 million ($34,384 thousand), respectively.

Proceeds from sales of securities classified as other securities amounted to ¥69 million ($584 thousand) and ¥8 million ($68 thousand) for the years ended March 31, 2007 and 2006, respectively.

The aggregate gain realized on those sales totaled ¥19 million ($161 thousand) and ¥8 million ($68 thousand) for the years ended March 31, 2007 and 2006, respectively.

The redemption schedule at March 31, 2007 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	—	100	—	—
Total	¥—	¥120	¥—	¥—

	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	$—	$ 169	$—	$—
Other	—	847	—	—
Total	$—	$1,016	$—	$—

6 Property and equipment

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥47,820 ($405,083 thousand) million and ¥48,540 million ($411,182 thousand) on March 31, 2007 and 2006, 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 ¥197 million ($1,669 thousand) and ¥269 million ($2,279 thousand) on March 31, 2007 and 2006, respectively.

7 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2007 and 2006 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Secured	¥ 2,875	¥ 3,660	$ 24,354
Unsecured	12,889	12,280	109,183

Interest rates range from 0.600% to 2.625%.

(b) Long-term debt

Long-term debt as at March 31, 2007 and 2006 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
0.89% ¥6.4 billion unsecured straight bonds due 2008	¥ 6,400	¥ 6,400	$ 54,214
0.52% ¥0.6 billion unsecured straight bonds due 2008	600	600	5,083
0.00% ¥2.5 billion unsecured convertible bond type-bonds with stock acquisition rights due 2009	2,500	2,500	21,177
0.650%-3.650% loans from financial institutions due 2008 to 2012 and thereafter			
Secured	1,070	1,293	9,064
Unsecured	2,173	876	18,407
Total	12,743	11,669	107,946
Less: amount due within one year	727	416	6,159
	¥12,016	¥11,253	$101,787

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, 2007 are as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 679	$ 5,752
2009	7,640	64,718
2010	3,024	25,616
2011	218	1,847
2012 and thereafter	455	3,854

(c) Pledged assets

Property and equipment having a net value of ¥14,345 million ($121,516 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2007.

8 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	$58,153
Tonami Transportation	Warehouse facilities	Noda, Chiba prefecture	Leased facilities	756	6,404
Kawai Transportation and 3 other companies	Facilities for lease and idle asset	Moriyama, Shiga prefecture, and 3 other sites	Land and buildings	57	483
Total				¥7,678	$65,040

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$65,040 thousand) was recorded as an extraordinary loss.

The breakdown of the impairment losses is as follows: ¥3,922 million (US$33,223 thousand) concerning land, ¥3,000 million (US$25,413 thousand) concerning buildings and ¥756 million (US$6,404 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.

No impairment loss was recognized for the fiscal year ended March 31, 2007.

9 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
	2007	2006	2007
Projected benefit obligation	¥(21,815)	¥(22,165)	$(184,795)
Plan assets	3,568	3,003	30,224
Net unrecognized amount	481	446	4,075
Prepaid pension and severance costs	—	—	—
Accrued pension and severance costs	¥(17,766)	¥(18,716)	$(150,496)

The net unrecognized amounts were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Unrecognized benefit obligation at transition:			
Adjustment for actuarial assumptions	¥ 3,894	¥ 4,269	$ 32,986
Past service cost	(3,413)	(3,823)	(28,911)
Net unrecognized amounts	¥ 481	¥ 446	$ 4,075

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
	2007	2006	2007
Service cost	¥ 919	¥ 888	$ 7,785
Interest cost on projected benefit obligation	524	549	4,439
Expected return on plan assets	(74)	(98)	(627)
Amortization of adjustment for actuarial assumptions	563	611	4,769
Amortization of past service cost	(410)	(410)	(3,473)
Net periodic pension and severance costs	¥1,522	¥1,540	$12,893

The assumptions used were as follows:—

	2007	2006
Discount rates	2.5%	2.5%
Expected rates of return on plan assets	2.5%	2.5%

10 Income taxes

As described in Note 2(i), 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
	2007	2006	2007
Deferred tax assets:			
Excess bonuses accrued	¥ 365	¥ 314	$ 3,092
Excess employees' severance and retirement benefits accrued	6,937	7,013	58,763
Excess loss on impairment of tangible fixed assets (except for leased assets)	1,111	1,147	9,411
Accumulated loss on impairment of leased assets	282	292	2,389
Other	3,685	3,962	31,216
Gross deferred tax assets	12,380	12,728	104,871
Valuation allowance	(3,362)	(3,245)	(28,480)
Total deferred tax assets	9,018	9,483	76,391
Deferred tax liabilities:			
Unrealized gain on securities	(1,307)	(1,693)	(11,071)
Reserve under Special Taxation Measures Law	(5,537)	(5,255)	(46,904)
Total deferred tax liabilities	(6,844)	(6,948)	(57,975)
Net deferred tax assets	¥ 2,174	¥ 2,535	$ 18,416

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, 2007 and 2006 were as follows:—

	2007	2006
Statutory tax rate	41.52%	—
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	1.20	—
Nontaxable income including dividends received deduction, etc.	(2.91)	—
Per capita portion of inhabitant taxes	6.35	—
Equity in earnings of affiliates	(1.57)	—
Other	(7.15)	—
Effective tax rate	37.44%	—

No item was 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.

11 Derivative Transactions

The Group utilizes financial instruments with embedded derivatives for the purpose of utilizing excess fund, but does not enter into such transactions for highly speculative purpose.

The Group is exposed to equity market price risk and credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material because the Group enters into transactions only with financial institutions with high credit ratings.

The Group enters into these transactions within pre-determined limit and "Ringi" pre-approval process is required for execution.

The finance department is responsible for execution and controls.

12 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, 2007 and 2006 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥13,606	¥13,244	$115,256
Time deposits with maturities exceeding three months	(222)	(210)	(1,881)
Cash equivalents included in marketable securities	999	1,000	8,463
Bonds with maturities exceeding three months	—	—	—
Cash and cash equivalents	¥14,383	¥14,034	$121,838

13 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, 2007 and 2006, 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
	2007	2006	2007
Acquisition costs:			
Machinery and tools	¥16,321	¥17,352	$138,255
Other assets	5,906	1,403	50,030
	¥22,227	¥18,755	$188,285
Accumulated depreciation:			
Machinery and tools	¥ 9,618	¥10,692	$ 81,474
Other assets	1,056	270	8,945
	¥10,674	¥10,962	$ 90,419
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Other assets	756	756	6,404
	¥ 756	¥ 756	$ 6,404
Net book value:			
Machinery and tools	¥ 6,703	¥ 6,660	$ 56,781
Other assets	4,094	377	34,680
	¥10,797	¥ 7,037	$ 91,461

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2007 and 2006 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Depreciation expense	¥2,601	¥2,761	$22,033
Interest expense	258	191	2,186

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,939 million ($24,896 thousands) and ¥3,072 million ($26,023 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, 2007 and 2006, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million ($6,404 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, 2007 and 2006, reversal of impairment losses on leased assets amounting to ¥42 million ($356 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, 2007 and 2006 for finance leases accounted for as operating leases are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 2,531	¥2,535	$21,440
Due over one year	8,832	5,199	74,816
Total	¥11,363	¥7,734	$96,256
Impairment losses on leased assets	¥ 672	¥ 714	$ 5,693

14 Contingent liabilities

As at March 31, 2007, the Company was contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes discounted with banks	¥195	$1,652
Guarantees of welfare pension housing loans sublet to employees	1	8
Notes endorsed	76	644
Others	962	8,149

15 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 revalued land at March 31, 2007 and the revalued book value	¥10,005	$84,752

16 Net assets

The new Company Law of Japan (the "Law"), which superseded most of the provision of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

(a) Information concerning changes in net assets

Treasury stock

Class of shares	At March 31, 2006	Increase	Decrease	At March 31, 2007
Common stock (shares)	6,649,249	52,664	—	6,701,913

Reason for the change:

The increase attributable to the purchase of shares amounting to less than one unit: 52,664 shares

Stock acquisition rights

			Number of shares to be issued or transferred upon exercise of stock acquisition rights				
Company name		Class of shares to be issued or transferred upon exercise of stock acquisition rights	At March 31, 2006	Increase	Decrease	At March 31, 2007	Balance at March 31, 2007 (millions of yen)
Tonami Transportation Co., Ltd.	Stock acquisition rights granted in 2004	Common stock	6,738,544	1,274,276	—	8,012,820	—

The number of shares to be issued or transferred upon exercise of stock acquisition rights is the number of exercisable stock acquisition rights.

Reason for the change in the number of shares to be issued or transferred upon exercise of stock acquisition rights:

The increase in the number of stock acquisition rights granted in 2004 was attributable to the change in the exercise price.

Stock acquisition rights granted in 2004 pertain to yen-denominated convertible bond type-bonds with stock acquisition rights.

(b) Stock options

(1) Details of the stock options

Company name	Tonami Transportation Co., Ltd.
Date of resolution	June 29, 2005
Category and number of individuals to whom stock options were granted*2	Directors of the Company: 12 Statutory auditors of the Company: 5 Executive officers of the Company: 11 Chairmen and presidents of consolidated subsidiaries who were deemed eligible by the directors of the Company: 22
Class of shares and number of stock options granted (shares)*1 and 2	Common stock: 1,340,000
Grant date	August 9, 2005
Conditions for vesting	Not defined
Eligible service period	Not defined
Exercisable period	From July 1, 2007, to June 30, 2010

Notes:.

1. The number is converted to the number of shares for presentation.
2. Individuals to whom stock options were granted and the number of stock options granted are those at the time of resolution.

(2) Scale of stock options and changes

1) Number of stock options

Company name	Tonami Transportation Co., Ltd.
Date of resolution	June 29, 2005
Prior to vesting	
At beginning (shares)	—
Granted (shares)	—
Expired (shares)	—
Vested (shares)	—
Unvested (shares)	—
After vesting	
At beginning (shares)	1,340,000
Vested (shares)	—
Exercised (shares)	—
Expired (shares)	120,000
Unexercised (shares)	1,220,000

2) Unit price

Company name	Tonami Transportation Co., Ltd.
Date of resolution	June 29, 2005
Exercise price (yen)	393
Average stock price upon exercise (yen)	—
Fair value on the grant date (yen)	—

17 Supplementary income information

Supplementary income information for the years ended March 31, 2007 and 2006 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Depreciation expenses	¥2,650	¥2,508	$22,448
Lease and rental	6,149	5,987	52,088

18 Amounts per share

Amounts per share of common stock for the years ended March 31, 2007 and 2006 were as follows:—

	Yen		U.S. dollars
	2007	2006	2007
Net (loss) income per share:			
Basic	¥ 20.77	¥(56.02)	$0.1759
Diluted	19.34	—	0.1638
Cash dividends	6.00	6.00	0.0508
Net assets per share:	¥525.17	¥516.51	$4.4487

Although dilutive securities were outstanding, diluted net income per share for the year ended March 31, 2006 was not disclosed because of the net loss in this year.

Cash dividends per share represent the cash dividends paid during the respective years together with the interim cash dividends paid.

Basis for the calculation of net assets per share for the years ended March 31, 2007 and 2006 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Total net assets as reported on the consolidated balance sheets	¥48,323	¥—	$409,343
Deduction:			
Adjusted net assets allocated in common stock	47,742	—	404,422
Minority interests	581	—	4,921
	Shares		
Number of shares of common stock issued	97,610,118	—	
Number of shares of common stock in treasury	6,701,913	—	
Number of shares of common stock outstanding at the end of year on which net assets per share is calculated	90,908,205	—	

Basis for the calculation of basic and diluted net (loss) income per share for the years ended March 31, 2007 and 2006 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Net (loss) income available to shareholders of common stock:			
Net (loss) income	¥1,889	¥(5,050)	$16,002
Net (loss) income not available to shareholders of common stock:	—	46	—
(of which appropriation of bonuses to directors and statutory auditors)	(—)	(46)	(—)
Net (loss) income available to shareholders of common stock:	1,889	(5,097)	16,002
Weighted-average number of shares of common stock outstanding	90,939,740	90,981,585	
Diluted net income available to shareholders of common stock:			
Adjustments to net income:	—	—	—
(of which commission for bonds)	(—)	(—)	(—)
Incremental number of shares of common stock	6,738,544	—	
(of which stock acquisition rights)	(6,738,544)	(—)	
Common stock equivalents not included in calculation of diluted net income per share due to their non-dilutive effect	(Stock option) Stock options approved at the annual shareholders' meeting of the Company held on June 29, 2005 (The number of stock acquisition rights was 1,220.)	(Convertible bond-type bonds with stock acquisition rights) Yen-denominated convertible bond-type bond with stock acquisition rights due Sep 30, 2009 (face amount: ¥2,500 million (US$ 21,177 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.)	

19 Subsequent event

The annual shareholders' meeting of the Company, which was held on June 28, 2007, duly approved the payment of dividends as followed:—

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 per share)	¥273	$2,313

20 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 years ended March 31, 2007 and 2006 was as follows:—

For the year ended March 31, 2007	Millions of yen				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	¥118,010	¥12,010	¥130,020	¥ —	¥130,020
Inter segment sales	18	7,692	7,710	(7,710)	—
Total	118,028	19,702	137,730	(7,710)	130,020
Costs and expenses	117,126	18,519	135,645	(7,644)	128,001
Operating income	¥ 902	¥ 1,183	¥ 2,085	¥ (66)	¥ 2,019
Assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	¥ 91,415	¥25,859	¥117,274	¥ 2,067	¥119,341
Depreciation	¥ 2,344	¥ 317	¥ 2,661	¥ 11	¥ 2,650
Impairment losses	¥ —	¥ —	¥ —	¥ —	¥ —
Capital expenditures	¥ 1,551	¥ 197	¥ 1,748	¥ 3	¥ 1,751

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, 2007

	Thousands of U.S. dollars				
	Logistics	Others	Total	Eliminations (Notes 1 and 2)	Consolidated
Net Sales:					
Outside customers	$999,662	$101,736	$1,101,398	$ —	$1,101,398
Inter segment sales	152	65,159	65,311	(65,311)	—
Total	999,814	166,895	1,166,709	(65,311)	1,101,398
Costs and expenses	992,173	156,874	1,149,047	(64,752)	1,084,295
Operating income	$ 7,641	$ 10,021	$ 17,662	$ (559)	$ 17,103

Assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	$774,375	$219,051	$ 993,426	$ 17,510	$1,010,936
Depreciation	$ 19,856	$ 2,685	$ 22,541	$ 93	$ 22,448
Impairment losses	$ —	$ —	$ —	$ —	$ —
Capital expenditures	$ 13,138	$ 1,669	$ 14,807	$ 25	$ 14,832

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 ¥129 million ($1,093 thousand) and ¥174 million ($1,474 thousand) for the years ended March 31, 2007 and 2006, 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 ¥27,813 million ($235,604 thousand) and ¥29,914 million ($253,401 thousand) for the years ended March, 2007 and 2006, respectively.

Note 3. In view of the increased importance of the Company's information processing operations, the Company has changed the information processing operations to a divisional structure, as is the case with its other business operations. In order to classify its businesses in more appropriate business segments that reflect the actual state of the business, beginning with the fiscal year ended March 31, 2007, the Company has transferred information processing operations from the Logistics segment to the Other segment.

As a result of this change, as compared to the previous accounting treatment, for the fiscal year ended March 31, 2007, operating revenues from logistics-related businesses decreased ¥832 million (US$7,048 thousand), operating revenues from other businesses increased ¥770 million (US$6,523 thousand), and eliminations increased ¥62 million (US$525 thousand). Operating cost and expenses of logistics-related businesses decreased ¥498 million (US$4,219 thousand), operating cost and expenses of other businesses increased ¥436 million (US$3,693 thousand), and eliminations increased ¥62 million (US$525 thousand). Operating income from logistics-related businesses decreased ¥334 million (US$2,829 thousand), and operating income from other businesses increased ¥334 million (US$2,829 thousand).

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, 2007 and 2006.

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, 2007 and 2006, and the related consolidated statements of operations, changes in net assets 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, 2007 and 2006, 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 8 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, 2007 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 28, 2007

Non-Consolidated Balance Sheets

TONAMI TRANSPORTATION CO., LTD

As of March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current assets:			
Cash	¥ 9,621	¥ 9,623	$ 81,499
Marketable securities	999	1,000	8,463
Trade receivables:			
Notes and accounts (Note 9)	18,991	18,719	160,873
Less: allowance for doubtful accounts	(26)	(26)	(220)
Inventories	136	141	1,152
Deferred tax assets (Note 8)	502	526	4,252
Other current assets	8,910	9,130	75,476
Total current assets	39,133	39,113	331,495
Property and equipment (Notes 5 and 6):			
Land	33,212	33,731	281,338
Buildings and structures	45,203	45,354	382,914
Machinery and tools	6,320	6,612	53,537
Vehicles	11,890	13,193	100,720
Less: accumulated depreciation	(43,042)	(43,769)	(364,608)
Net property and equipment	53,583	55,121	453,901
Investments and other assets:			
Investments in securities	7,442	8,344	63,041
Investments in subsidiaries and affiliates	3,182	3,181	26,955
Loans to employees	5	7	42
Deferred tax assets (Note 8)	1,501	1,842	12,715
Others	4,037	3,268	34,197
Total investments and other assets	16,167	16,642	136,950
Total assets	¥108,883	¥110,876	$922,346

The accompanying Notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current liabilities:			
Trade notes payable	¥ 505	¥ 517	$ 4,278
Short-term bank loans (Note 6)	11,530	13,255	97,671
Current portion of long-term debt (Note 6)	552	210	4,676
Trade accounts payable (Note 9)	15,399	15,395	130,445
Deposits from employees	381	405	3,227
Income taxes payable	143	—	1,211
Other current liabilities	4,919	5,144	41,669
Total current liabilities	33,429	34,926	283,177
Long-term liabilities:			
Long-term debt, less current portion thereof (Note 6)	11,469	10,477	97,154
Deferred tax liabilities from revaluation reserve for land (Note 12)	5,605	5,800	47,480
Employees' severance and retirement benefits	16,384	17,342	138,788
Other long-term liabilities	730	773	6,184
Total long-term liabilities	34,188	34,392	289,606
Total liabilities	67,617	69,318	572,783
Net assets			
Shareholders' equity (Note 13):			
Common stock:			
Authorized: 299,200,000 shares in 2007			
299,200,000 shares in 2006			
Issued: 97,610,118 shares in 2007			
97,610,118 shares in 2006	14,183	14,183	120,144
Capital surplus:			
Capital reserve	3,546	3,546	30,038
Other capital surplus	8,956	11,141	75,866
Total capital surplus	12,502	14,687	105,904
Retained earnings:			
Other retained earnings:			
Reserve for deferred gain on fixed assets	7,722	7,449	65,413
Reserve for retirement benefits	270	270	2,287
Retained earnings carried forward	735	(1,756)	6,226
Total retained earnings	8,727	5,963	73,926
Treasury stock, at cost: 6,684,333 shares in 2007			
6,631,669 shares in 2006	(1,981)	(1,964)	(16,781)
Total shareholders' equity	33,431	32,869	283,193
Valuation and translation adjustments:			
Unrealized gain on securities	1,879	2,444	15,917
Revaluation reserve for land (Note 12)	5,956	6,245	50,453
Total valuation and translation adjustments	7,835	8,689	66,370
Total net assets	41,266	41,558	349,563
Total liabilities and net assets	¥108,883	¥110,876	$922,346

Non-Consolidated Statements of Operations

TONAMI TRANSPORTATION CO., LTD.

For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Operating revenues (Note 9)	¥99,082	¥98,978	$839,322
Operating costs and expenses:			
Operating cost (Notes 9 and 14)	96,452	95,660	817,043
Selling, general and administrative expenses (Notes 9 and 14)	2,040	2,608	17,281
	98,492	98,268	834,324
Operating income	590	710	4,998
Other income and expenses:			
Interest and dividend income (Note 9)	466	347	3,948
Income (loss) on disposal of property and equipment, net	435	(88)	3,685
Interest expenses	(171)	(213)	(1,449)
Impairment losses	—	(7,621)	—
Other, net	315	69	2,668
	1,045	(7,506)	8,852
Income (loss) before income taxes	1,635	(6,796)	13,850
Income taxes (Note 8):			
Current	246	330	2,084
Refund	—	70	—
Deferred	553	(1,170)	4,684
	799	(770)	6,768
Net (loss) income	¥ 836	¥ (6,026)	$ 7,082

The accompanying Notes are an integral part of these statements.

Non-Consolidated Statements of Changes in Net Assets

TONAMI TRANSPORTATION CO., LTD.

For the years ended March 31, 2007 and 2006

	Millions of yen							
			Capital surplus			Retained earnings		
	Shares of common stock (thousands)	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings	Total retained earnings
Balance as at March 31, 2005	97,610	¥14,183	¥12,287	¥ 2,400	¥14,687	¥1,261	¥11,714	¥12,975
Cash dividends applicable to the year (¥6.00 per share)							(546)	(546)
Transfer to retained earnings						(1,261)	1,261	—
Net loss							(6,026)	(6,026)
Transfer from other capital surplus			(8,741)	8,741	—			
Reversal of reserve for deferred gain on fixed assets								—
Transfer to reserve for deferred gain on fixed assets								—
Reversal of reserve for various purposes								—
Reversal of revaluation reserve for land							(406)	(406)
Purchase of treasury stock								
Net changes in items other than shareholders' equity							(34)	(34)
Balance as at March 31, 2006	**97,610**	**¥14,183**	**¥ 3,546**	**¥11,141**	**¥14,687**	**¥ —**	**¥ 5,963**	**¥ 5,963**
Cash dividends applicable to the year (¥6.00 per share)				(546)	(546)			
Transfer to retained earnings				(1,639)	(1,639)			
Net income							836	836
Transfer from other capital surplus							1,639	1,639
Reversal of reserve for deferred gain on fixed assets								—
Transfer to reserve for deferred gain on fixed assets								—
Reversal of reserve for various purposes								—
Reversal of revaluation reserve for land							289	289
Purchase of treasury stock								
Net changes in items other than shareholders' equity								
Balance as at March 31, 2007	**97,610**	**¥14,183**	**¥ 3,546**	**¥ 8,956**	**¥12,502**	**¥ —**	**¥ 8,727**	**¥ 8,727**

	Millions of yen					
			Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
Balance as at March 31, 2005	¥(1,950)	¥39,895	¥1,309	¥6,768	¥8,077	¥47,972
Cash dividends applicable to the year (¥6.00 per share)		(546)				(546)
Transfer to retained earnings		—				—
Net loss		(6,026)				(6,026)
Transfer from other capital surplus		—				—
Reversal of reserve for deferred gain on fixed assets		—				—
Transfer to reserve for deferred gain on fixed assets		—				—
Reversal of reserve for various purposes		—				—
Reversal of revaluation reserve for land		(406)		(523)	(523)	(929)
Purchase of treasury stock	(14)	(14)				(14)
Net changes in items other than shareholders' equity		(34)	1,135		1,135	1,101
Balance as at March 31, 2006	**¥(1,964)**	**¥32,869**	**¥2,444**	**¥6,245**	**¥8,689**	**¥41,558**
Cash dividends applicable to the year (¥6.00 per share)		(546)				(546)
Transfer to retained earnings		(1,639)				(1,639)
Net income		836				836
Transfer from other capital surplus		1,639				1,639
Reversal of reserve for deferred gain on fixed assets		—				—
Transfer to reserve for deferred gain on fixed assets		—				—
Reversal of reserve for various purposes		—				—
Reversal of revaluation reserve for land		289				289
Purchase of treasury stock	(17)	(17)				(17)
Net changes in items other than shareholders' equity		—	(565)	(289)	(854)	(854)
Balance as at March 31, 2007	**¥(1,981)**	**¥33,431**	**¥1,879**	**¥5,956**	**¥7,835**	**¥41,266**

The accompanying Notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)						
		Capital surplus			Retained earnings		
	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings	Total retained earnings
Balance as at March 31, 2005	$120,144	$104,083	$20,330	$124,413	$10,682	$99,229	$109,911
Cash dividends applicable to the year ($0.0508 per share)				—		(4,625)	(4,625)
Transfer to retained earnings				—	(10,682)	10,682	—
Net loss				—		(51,047)	(51,047)
Transfer from other capital surplus		(74,045)	74,045	—			—
Reversal of reserve for deferred gain on fixed assets				—			—
Transfer to reserve for deferred gain on fixed assets				—			—
Reversal of reserve for various purposes				—			—
Reversal of revaluation reserve for land				—		(3,439)	(3,439)
Purchase of treasury stock				—			—
Net changes in items other than shareholders' equity				—		(288)	(288)
Balance as at March 31, 2006	**$120,144**	**$ 30,038**	**$94,375**	**$124,413**	**$ —**	**$50,512**	**$ 50,512**
Cash dividends applicable to the year ($0.0508 per share)			(4,625)	(4,625)			—
Transfer to retained earnings			(13,884)	(13,884)			—
Net income				—		7,082	7,082
Transfer from other capital surplus				—		13,884	13,884
Reversal of reserve for deferred gain on fixed assets				—			—
Transfer to reserve for deferred gain on fixed assets				—			—
Reversal of reserve for various purposes				—			—
Reversal of revaluation reserve for land				—		2,448	2,448
Purchase of treasury stock				—			—
Net changes in items other than shareholders' equity				—			—
Balance as at March 31, 2007	**$120,144**	**$ 30,038**	**$75,866**	**$105,904**	**$ —**	**$73,926**	**$ 73,926**

	Thousands of U.S. dollars (Note 1)					
			Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
Balance as at March 31, 2005	$(16,518)	$337,950	$11,088	$57,332	$68,420	$406,370
Cash dividends applicable to the year ($0.0508 per share)		(4,625)			—	(4,625)
Transfer to retained earnings		—			—	—
Net loss		(51,047)			—	(51,047)
Transfer from other capital surplus		—			—	—
Reversal of reserve for deferred gain on fixed assets		—			—	—
Transfer to reserve for deferred gain on fixed assets		—			—	—
Reversal of reserve for various purposes		—			—	—
Reversal of revaluation reserve for land		(3,439)		(4,431)	(4,431)	(7,870)
Purchase of treasury stock	(118)	(118)			—	(118)
Net changes in items other than shareholders' equity		(288)	9,615		9,615	9,327
Balance as at March 31, 2006	**$(16,636)**	**$278,433**	**$20,703**	**$52,901**	**$73,604**	**$352,037**
Cash dividends applicable to the year ($0.0508 per share)		(4,625)			—	(4,625)
Transfer to retained earnings		(13,884)			—	(13,884)
Net income		7,082			—	7,082
Transfer from other capital surplus		13,884			—	13,884
Reversal of reserve for deferred gain on fixed assets		—			—	—
Transfer to reserve for deferred gain on fixed assets		—			—	—
Reversal of reserve for various purposes		—			—	—
Reversal of revaluation reserve for land		2,448			—	2,448
Purchase of treasury stock	(145)	(145)			—	(145)
Net changes in items other than shareholders' equity		—	(4,786)	(2,448)	(7,234)	(7,234)
Balance as at March 31, 2007	**$(16,781)**	**$283,193**	**$15,917**	**$50,453**	**$66,370**	**$349,563**

The accompanying Notes are an integral part of these statements.

Non-Consolidated Statements of Cash Flows

TONAMI TRANSPORTATION CO., LTD.

For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Cash flows from operating activities:			
Net income (loss) before income taxes	¥ 1,635	¥ (6,796)	$ 13,850
Depreciation and amortization	1,816	1,697	15,383
Impairment losses	—	7,621	—
(Gain) loss on disposal of property and equipment	(435)	88	(3,685)
Loss on sales of investments in securities	(0)	(36)	(0)
Loss on devaluation of investments in securities	50	58	424
Loss on devaluation of golf club memberships	—	8	—
Increase (decrease) in allowance for doubtful accounts	36	(67)	305
Decrease in employees' severance and retirement benefits	(958)	(464)	(8,115)
Increase (decrease) in accrued bonuses to employees	98	(300)	830
Interest and dividend income	(466)	(347)	(3,948)
Interest expenses	167	213	1,415
Increase in trade receivables	(311)	(271)	(2,634)
Decrease in inventories	5	3	42
(Decrease) increase in accounts payable	(7)	1,111	(59)
Increase (decrease) in accrued consumption taxes	4	(56)	34
Other, net	(923)	(100)	(7,819)
Subtotal	711	2,362	6,023
Interest and dividends received	466	347	3,948
Interest paid	(167)	(213)	(1,415)
Income taxes paid	91	(1,047)	771
Net cash provided by operating activities	1,101	1,449	9,327
Cash flows from investing activities:			
Purchase of marketable securities	—	(0)	—
Proceeds from sales of marketable securities	—	65	—
Purchase of property and equipment	(1,220)	(1,362)	(10,335)
Proceeds from sales of property and equipment	1,159	37	9,818
Purchase of investments in securities	(169)	(244)	(1,432)
Proceeds from sales of investments in securities	99	54	839
Investments in loans receivable	(23,164)	(21,499)	(196,222)
Proceeds from collection of loans receivable	23,151	20,616	196,112
Other, net	(7)	35	(59)
Net cash used in investing activities	(151)	(2,298)	(1,279)
Cash flows from financing activities:			
Decrease (increase) in short-term loans	(1,725)	8	(14,613)
Proceeds from long-term loans	1,800	—	15,248
Repayments of long-term debt	(465)	(412)	(3,939)
Purchase of treasury stock	(17)	(14)	(144)
Dividends paid	(546)	(546)	(4,625)
Net cash used in financing activities	(953)	(964)	(8,073)
Net decrease in cash and cash equivalents	(3)	(1,813)	(25)
Cash and cash equivalents at beginning of year	10,623	12,436	89,987
Cash and cash equivalents at end of year	¥ 10,620	¥ 10,623	$ 89,962

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. Furthermore, accounting principles generally accepted in Japan permit companies which disclose certain information in the consolidated financial statements and the notes thereto to omit such information from their non-consolidated financial statements and the notes thereto. Accordingly, the Company has omitted the statements of cash flows, the note for related party transactions, the note for accrued pension and severance costs and certain other information from the accompanying non-consolidated financial statements and the notes thereto. Refer to the consolidated financial statements and the notes thereto for this information.

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 ¥118.05 = U.S.$1, prevailing on March 31, 2007, 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) Derivatives

Derivative financial instruments are stated at fair value.

(d) Inventories

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

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Net income per share

Basic income per share is computed using the weighted-average number of shares of common stock outstanding, which represents the number of issued shares less treasury stock, during each year.

In computing diluted net income per share, the weighted-average number of shares is 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.

3 Accounting Changes

(a) Accounting Standards for impairment of fixed assets

Effective April 1, 2005, the Company adopted a new accounting standard for the impairment of fixed assets. The Company bases its grouping for assessing such impairment losses on its business segments. However, the Group determines whether an asset is impaired on an individual asset basis when the asset is deemed idle or if it is scheduled to be disposed of.

The effect of this adoption was to decrease income before income taxes and minority interests by ¥7,621 million for the year ended March 31, 2006. During the year ended March 31, 2007, the Company has not recorded loss on impairment of fixed assets.

(b) Accounting Standard for Presentation of Net Assets in the Balance Sheet, etc.

Effective the year ended March 31, 2007, the Company adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and the consolidated statements of shareholders' equity for the years ended March 31, 2006, have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

(c) Change of Accounting Category for Selling, General, and Administrative Expenses and Cost of Sales

In view of the increased importance of the Company's information processing operations, beginning with the fiscal year ended March 31, 2007, the Company has changed the information processing operations to a divisional structure, as is the case with its other business operations.

Previously, expenses incurred in the conduct of information processing operations were recorded as selling, general, and administrative expenses. Beginning with the fiscal year ended March 31, 2007, in order to more appropriately present gross operating income the Company has included information processing business expenses in operating cost so that they directly correspond to operating revenues.

As a result of this change, as compared to the previous accounting treatment, operating cost increased ¥526 million (US$4,456 thousand) , and gross operating income decreased by the same amount.

As selling, general, and administrative expenses decreased by the same amount, the change has had no effect on operating income, income before taxes and minority interests, or net income.

4 Notes due at the end of the fiscal year

Notes due at the end of the fiscal year are treated as if they were settled on the due date. Since the last day of the fiscal year, March 31, 2007, was a holiday for financial institutions, the following notes due at the end of the fiscal year were treated as if they were settled on the due date.

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥420	$3,558
Notes payable	153	1,296

5 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 ¥197 million ($1,669 thousand) and ¥269 million ($2,279 thousand) as at March 31, 2007 and 2006, respectively.

6 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2007 and 2006 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Secured	¥2,720	¥ 3,080	$23,041
Unsecured	8,810	10,175	74,630

Interest rates range from 0.630% to 1.207%.

(b) Long-term debt

Long-term debt as at March 31, 2007 and 2006 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
0.89% ¥6.4 billion unsecured straight bonds due 2008	¥ 6,400	¥ 6,400	$54,214
0.52% ¥0.6 billion unsecured straight bonds due 2008	600	600	5,083
0.00% ¥2.5 billion unsecured convertible bond type-bonds with stock acquisition rights due 2009	2,500	2,500	21,177
0.850%-2.100% loans from financial institutions due 2008 to 2012 and thereafter			
Secured	976	1,155	8,268
Unsecured	1,545	32	13,088
Total	12,021	10,687	101,830
Less:amount due within one year	552	210	4,676
	¥11,469	¥10,477	$97,154

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, 2007 were as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 552	$ 4,676
2009	7,550	63,956
2010	2,954	25,023
2011	159	1,347
2012 and thereafter	254	2,152

(c) Pledged assets

As at March 31, 2007, Property and equipment having a net value of ¥13,647 million ($115,604 thousand) was pledged as collateral for short-term bank loans and long-term debt (including current portion of long-term debt).

7 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	$58,153
Warehouse facilities	Noda, Chiba prefecture	Leased facilities	756	6,404
			¥7,621	$64,557

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$64,557 thousand) was recorded as an extraordinary loss.

The breakdown of the impairment losses is as follows: ¥3,872 million (US$32,800 thousand) concerning land, ¥2,993 million (US$25,354 thousand) concerning buildings and ¥756 million (US$6,404 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.

No impairment loss was recognized for the fiscal year ended March 31, 2007.

8 Income taxes

As described in Note 2(i), 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
	2007	2006	2007
Deferred tax assets:			
Excess bonuses accrued	¥ 279	¥ 239	$ 2,363
Excess employees' severance and retirement benefits accrued	6,625	7,013	56,120
Excess loss on impairment of tangible fixed assets (except for leased assets)	1,082	1,145	9,166
Accumulated loss on impairment of leased assets	272	289	2,304
Other	2,299	2,352	19,475
Gross deferred tax assets	10,557	11,038	89,428
Valuation allowance	(2,030)	(2,032)	(17,196)
Total deferred tax assets	8,527	9,006	72,232
Deferred tax liabilities:			
Unrealized gain on securities	(1,281)	(1,659)	(10,852)
Reserve under Special Taxation Measures Law	(5,243)	(4,979)	(44,413)
Total deferred tax liabilities	(6,524)	(6,638)	(55,265)
Net deferred tax assets	¥ 2,003	¥ 2,368	$ 16,967

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, 2007 and 2006 are as follows:—

	2007	2006
Statutory tax rate	40.44%	—
Increase (decrease) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	1.89	—
Nontaxable income including dividends received deduction, etc.	(5.34)	—
Per capita portion of inhabitant taxes	11.74	—
Other	0.16	—
Effective tax rate	48.89%	—

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.

9 Accounts and transactions with subsidiaries and affiliates

As at March 31, 2007, 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
	2007	2006	2007
Notes and accounts receivable	¥ 205	¥ 251	$ 1,737
Loans receivable	7,936	7,907	67,226
Trade accounts payable	10,921	11,042	92,512

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Operating revenues	¥ 2,305	¥ 2,448	$19,526
Operating cost	10,595	10,200	89,750
Interest income	178	145	1,508

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, 2007 and 2006, 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
	2007	2006	2007
Acquisition costs:			
Machinery and tools	¥13,843	¥14,966	$117,264
Other assets	5,834	1,319	49,420
	¥19,677	¥16,285	$166,684
Accumulated depreciation:			
Machinery and tools	¥ 8,219	¥ 9,441	$ 69,623
Other assets	995	209	8,429
	¥ 9,214	¥ 9,650	$ 78,052
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Other assets	756	756	6,404
	¥ 756	¥ 756	$ 6,404
Net book value:			
Machinery and tools	¥ 5,624	¥ 5,525	$ 47,641
Other assets	4,083	354	34,587
	¥ 9,707	¥ 5,879	$ 82,228

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2007 and 2006 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Depreciation expense	¥2,192	¥2,352	$18,568
Interest expense	222	156	1,881

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,492 million ($21,110 thousand) and ¥2,625 million($22,236 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, 2007 and 2006, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million ($6,404 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, 2007 reversal of impairment losses on leased assets amounting to ¥42 million ($356 thousand) was recorded.

Future minimum lease payments (including the interest portion thereon) and the balance of impairment losses on leased assets at March 31, 2007 and 2006 for finance leases accounted for as operating leases are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 2,150	¥2,143	$18,213
Due over one year	8,119	4,422	68,776
Total	¥10,269	¥6,565	$86,989
Impairment losses on leased assets	¥ 672	¥ 714	$ 5,693

11 Contingent liabilities

As at March 31, 2007, the Company was contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Guarantees of welfare pension housing loans sublet to employees	¥ 1	$ 8
Others	1,119	9,479

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 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, 2007 and the revaluated book value	¥10,005	$84,752

13 Net assets

The new Company Law of Japan (the "Law"), which superseded most of the provision of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

(a) Information concerning changes in net assets

Treasury stock

Class of shares	At March 31, 2006	Increase	Decrease	At March 31, 2007
Common stock (shares)	6,631,669	52,664	—	6,684,333

Reason for the change:

The increase attributable to the purchase of shares amounting to less than one unit: 52,664 shares

14 Supplementary income information

Supplementary income information for the years ended March 31, 2007 and 2006 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Depreciation expenses	¥1,816	¥1,697	$15,383
Lease and rental	3,997	3,899	33,859

15 Amounts per share

Amounts per share of common stock for the years ended March 31, 2007 and 2006 were as follows:—

	Yen		U.S. dollars
	2007	2006	2007
Net (loss) income per share:			
Basic	¥ 9.19	¥ (66.22)	$0.0778
Diluted	8.55	—	0.0724
Cash dividends	6.00	6.00	0.0508
Net assets per share	¥453.84	¥456.79	$3.8445

Although dilutive securities were outstanding, diluted net income per share for the year ended March 31, 2006 was not disclosed because of the net loss in this year.

Cash dividends per share represent the cash dividends paid during the respective years together with the interim cash dividends paid.

Basis for the calculation of net assets per share for the years ended March 31, 2007 and 2006 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Total net assets as reported on the non-consolidated balance sheets	¥41,266	¥ —	$349,564
Net assets allocated in common stock	41,266	—	349,564
	Shares		
Number of shares of common stock issued	97,610,118	—	
Number of shares of common stock in treasury	6,684,333	—	
Number of shares of common stock outstanding at the end of year on which net assets per share is calculated	90,925,785	—	

Basis for the calculation of basic and diluted net (loss) income per share for the years ended March 31, 2007 and 2006 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Net (loss) income available to shareholders of common stock:			
Net (loss) income	¥ 836	¥ (6,026)	$7,082
Net (loss) income not available to shareholders of common stock :	—	—	—
(of which appropriation of bonuses to directors and statutory auditors)	(—)	(—)	(—)
Net (loss) income available to shareholders of common stock :	836	(6,026)	7,082
Weighted-average number of shares of common stock outstanding	90,957,320	90,999,165	
Diluted net income available to shareholders of common stock			
Adjustments to net income:	—	—	—
(of which commission for bonds)	(—)	(—)	(—)
Incremental number of shares of common stock	6,738,544	—	
(of which stock acquisition rights)	(6,738,544)	(—)	
Common stock equivalents not included in calculation of diluted net income per share due to their anti-dilutive effect	(Stock option) Stock options approved at the annual shareholders' meeting of the Company held on June 29, 2005 (The number of stock acquisition rights was 1,220.)	(Convertible bond-type bonds with stock acquisition rights) Yen-denominated convertible bond-type bond with stock acquisition rights due Sep 30, 2009 (face amount: ¥2,500 million (US$ 21,177 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 28, 2007, duly approved the payment of dividends as follows:—

	Millions of yen	Thousands of U.S. dollars
Dividends (¥3.00 per share)	¥273	$2,313

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, 2007 and 2006, and the related non-consolidated statements of operations, changes in net assets, 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, 2007 and 2006, 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 7 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, 2007 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 28, 2007

Non-Consolidated Five-Year Summary

TONAMI TRANSPORTATION CO., LTD

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2003	2004	2005	2006	2007	2007
RESULTS OF OPERATIONS:						
Operating revenues	¥ 97,246	¥100,679	¥ 99,504	¥ 98,978	¥ 99,082	$839,322
Operating cost	92,510	96,372	95,308	95,660	96,452	817,043
Selling, general and administrative expenses	2,758	2,800	2,819	2,608	2,040	17,281
Operating income	1,978	1,507	1,377	710	590	4,998
Income (loss) before income taxes	8,231	1,769	1,813	(6,796)	1,635	13,850
Net income (loss)	4,407	684	862	(6,026)	836	7,082
Capital expenditures	1,261	6,684	3,289	1,117	1,049	8,886
Depreciation expenses	2,051	1,796	1,860	1,697	1,816	15,383
PER SHARE (yen and U.S. dollars):						
Net income (loss)	¥ 45.10	¥ 6.96	¥ 9.09	¥ (66.22)	¥ 9.19	$ 0.0778
Cash dividends	6.00	8.00	6.00	6.00	6.00	0.0508
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 39,183	¥ 33,883	¥ 39,631	¥ 39,113	¥ 39,133	$331,495
Net property and equipment	57,942	62,260	62,695	55,121	53,583	453,901
Total assets	108,543	109,202	116,108	110,876	108,883	922,346
Total current liabilities	35,778	30,109	34,993	34,926	33,429	283,177
Long-term liabilities, excluding of current portion thereof	25,214	31,616	33,142	34,392	34,188	289,606
Total net assets	47,551	47,477	47,972	41,558	41,266	349,563
OTHER YEAR-END DATA:						
Number of share outstanding (thousand)	97,610	97,610	97,610	97,610	97,610	
Number of employees	5,462	5,462	5,429	5,298	5,139	

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 Directors
Akiyoshi Kunisada
Kohichi Kishida

Managing Director
Shigeki Sakamoto

Director and Adviser
Yohsuke Konishi

Directors
Yasuo Terabayashi
Yoshinobu Watanabe
Toshiyuki Koroku
Shigeyuki Okada
Yoshimi Nagahara
Kazuo Takata
Shinichi Izumi

Standing Statutory Auditors
Makoto Nagai
Nariyuki Aoki

Statutory Auditors
Shinichiro Inushima
Toshio Yaeda
Yohji Ishiguro

(As of June 28, 2007)

Corporate Data

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Tokyo 103-0004, Japan
Phone: (03) 3664-5401
Fax: (03) 3664-5405

Date of Established	June 1943
Common Stock	¥14,183 million
Issued and Outstanding Shares	97,610,118 shares
Shareholders	7,945
Employees	5,139
Terminals	81
Warehouses	48
Motor Vehicles	5,534

(As of March 31, 2007)

TONAMI

TONAMI TRANSPORTATION CO., LTD.

URL:http://www.tonami.co.jp/

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