# 2008 Annual Report For the year ended March 31, 2008

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 111 locations around the country linked by an advanced information network.

Tonami Group distribution services add value to industry and enhance the lifestyles of individuals.

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# Strategic Logistics Solutions

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#### 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, 2008 and 2007

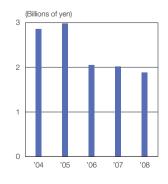
			Thousands of U.S. dollars	
	Millions		(Note 1)	
	2008	2007	2008	
FOR THE YEAR:				
Operating revenues	¥130,188	¥130,020	\$1,299,411	
Logistics	117,614	118,010	1,173,909	
Information processing	2,446	2,445	24,414	
Others	10,128	9,565	101,088	
Operating income	1,887	2,019	18,834	
Net income (loss)	(911)	1,889	(9,093)	
PER SHARE (Yen and U.S. dollars):				
Net income (loss), basic	¥ (10.03)	¥ 20.77	\$ (0.1001)	
Net income, diluted	_	19.34		
Cash dividends	6.00	6.00	0.0599	
AT YEAR-END:				
Total assets	¥112,511	¥119,341	\$1,122,977	
Total net assets	45,962	48,323	458,749	
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Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥100.19 = U.S.\$1, prevailing on March 31, 2008, has been used for the translation into U.S. dollar amounts.

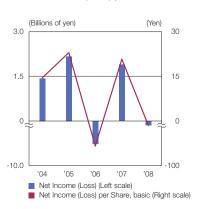
# Operating Revenues by Business Segment



#### Operating Income



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



<sup>2.</sup> 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.

#### To Our Shareholders and Investors



Chairman, Yoshihiro Minami



President, Katsusuke Watanuki

#### **Operating Environment and Business Results**

During the fiscal year ended March 31, 2008, the Japanese economy remained on a moderate recovery track supported by increasing capital investment and robust personal consumption. However, economic prospects became more uncertain in view of the turmoil in the world economy triggered by the subprime mortgage crisis in the United States and soaring prices of crude oil and other raw materials.

In the distribution industry, the business environment continued to be challenging. While the downward trend of domestic freight transport volumes persisted from the previous year, diesel oil prices hovered at a high level and competition among companies intensified.

In these circumstances, the Tonami Group moved forward in the final year of its 17th medium-term business plan. In keeping with the spirit of this three-year plan's slogan, "Committed to Corporate Innovation," in June 2007 we reconfigured the organizational structure: the 3PL Business Group was established to promote strategic business, the Corporate Planning Group was established to strengthen strategic planning, and a divisional system consisting eight divisions was introduced to reinforce business operations.

Specifically, we endeavored to strengthen and expand the highly profitable third-party logistics (3PL) business by integrating comprehensive physical distribution services that combine business processes, including existing transport, storage, distribution processing, inventory management, delivery, and information processing with consulting capabilities while strengthening sales power characterized by improved logistics. Also, we worked to reinforce group management in order to boost profitability.

Despite a decrease in revenues from the mainstay road haulage operations, consolidated operating revenues for the year under review edged up 0.1% or \$168 million from the previous year to \$130,188 million, as a result of the efforts to expand the 3PL business and other logistics-related businesses.

On the other hand, operating income decreased 6.5% or \$132 million from the previous year to \$1,887 million. Despite efforts to improve the efficiency of long-distance transport operations and reduce fixed costs, the Group could not fully offset the cost burden attributable to the record-high fuel prices and the impact of lower revenues from the road haulage operations.

The reporting of a loss on impairment of fixed assets as an extraordinary loss and reversal of deferred tax assets resulted in a net loss of ¥911 million.

Total annual dividends for the year ended March 2008 amount to ¥6 per share, including the interim dividend of ¥3 per share.

Regarding the results by business segment, operating revenues from logistics-related businesses were ¥117,614 million, a decrease of 0.3% or ¥396 million from the previous year, reflecting slug-

gish demand for freight transport related to construction and materials despite higher unit freight charges in the road haulage operations. While the road haulage operations experienced lackluster domestic freight transport volumes, handling of freight by the harbor transport operations was brisk. Also, the Group emphasized the 3PL business by offering logistics solutions and enhancing logistics quality.

Operating revenues from the information processing operations amounted to \$2,446 million, a slight increase of 0.1% or \$1 million from the previous year. Operating revenues from other businesses, which include automobile repair and merchandising, were \$10,128 million, an increase of 5.9% or \$563 million yen from the previous year.

#### **Outlook for the Year Ending March 2009**

The business environment is expected to remain challenging in view of the slackening tempo of economic activity in Japan in line with the slowdown of the U.S. economy, uncertainties regarding the already sky-high prices of crude oil and other raw materials, and intensifying competition.

In this tough business environment, the Group launched the 18th medium-term business plan in April 2008 covering the three years to March 2011. In order to enhance group management, the Group plans to shift to a holding company system. Eyeing possibilities of M&A and business partnerships, we intend to expand the 3PL business in order to develop into a highly profitable concern and thus enhance the Group's enterprise value. In these endeavors, we will adhere to our fundamental policy of providing our customers with high-quality services that are highly valued and inspire their trust in the Tonami Transportation Group.

For the fiscal year ending March 2009, on a consolidated basis we forecast operating revenues of \$133.6 billion (a 2.6% increase compared with the previous year), operating income of \$2.2 billion (a 16.6% increase), and net income of \$1,360 million.

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

June 2008

Yoshihiro Minami

Assunami

Chairman and Representative Director

Katsusuke Watanuki

President and Representative Director

L. Wotanuhi

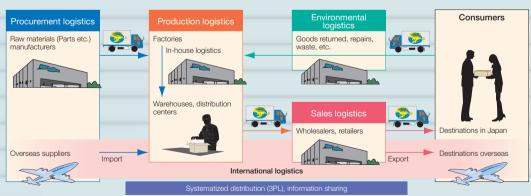
## **Tonami's Transport Network and Distribution Centers**



# **Tonami Logistics Solutions**

Physical distribution consulting functions

Physical distribution network functions



Supply chain management (SCM)

Information system development functions









Operational functions

#### **Corporate Governance**

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 corporate auditors.

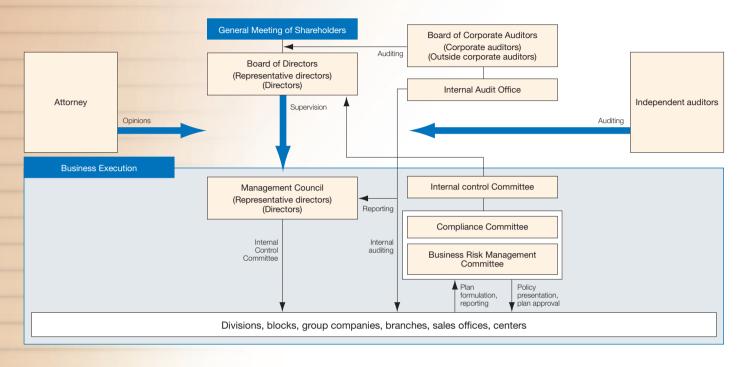
The Company employs a corporate auditor system as part of its internal control framework. The Board of Corporate Auditors consists of five corporate auditors (two standing corporate auditors and three outside corporate auditors). The corporate auditors audit the legality of the directors' actions by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

The corporate auditors, including the outside corporate auditors, audit the execution of business by the directors in accordance with the auditing policy and task assignments decided by the Board of Corporate 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 Corporate 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 corporate auditors.

#### 4) State of Internal Auditing and Auditing by Corporate Auditors

The Internal Audit Office (four personnel) of the Company is an internal auditing unit independent of the business units and its staff assists with the work of the corporate 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 Corporate Auditors. The Internal Audit Office conducts periodic and unscheduled internal audits of the Company's business, reports to the Management Council and corporate auditors, and requests improvements.

The Company's corporate auditors exchange information with the independent auditors, cooperate with the Internal Audit Office, conduct appropriate audits, and hold periodic meetings of the Board of Corporate 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 corporate 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 corporate auditor so that the corporate 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.

The Company will have no relationships with antisocial forces. The Company will take resolute action against any undue claims or actions by antisocial forces on the basis of cross-organizational cooperation in close collaboration with police and other external specialist organizations and will never provide any benefit to antisocial forces.

#### **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**

社会・日本報告 Example 1 Second 1 Interest of American

Annual social and environmental report

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

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

mental report and has acquired ISO 14001 certification.



This truck runs on natural gas

#### **Social Contributions**

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

Specific social contribution activities at Tonami include clean-up activities under an environmental beautification agreement with Takaoka City in Toyama Prefecture and the donation of

vehicles to social welfare facilities through the establishment of the Tonami Shozyukai foundation. Tonami transports relief supplies when a natural disaster occurs, and the Tonami badminton club offers badminton instruction classes as a local sports promotion activity.



Encouraging local people to take up badminton



A clean-up in progress

# Financial Section

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# **Consolidated Five-Year Summary**

TONAMI TRANSPORTATION CO., LTD AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

			Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2007	2008	2008
RESULTS OF OPERATIONS:						
Operating revenues	¥126,713	¥129,068	¥129,098	¥130,020	¥130,188	\$1,299,411
Operating cost	117,860	119,722	120,924	122,065	121,875	1,216,439
Selling, general and administrative expenses	5,994	6,363	6,117	5,936	6,426	64,138
Operating income	2,859	2,983	2,057	2,019	1,887	18,834
Net income (loss)	1,429	2,173	(5,050)	1,889	(911)	(9,093)
Depreciation expenses	2,610	2,689	2,508	2,650	2,594	25,891
PER SHARE (yen and U.S. dollars):						
Net income (loss)	¥ 14.50	¥ 22.94	¥ (56.02)	¥ 20.77	¥ (10.03)	\$ (0.1001)
Cash dividends	8.00	6.00	6.00	6.00	6.00	0.0599
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 43,596	¥ 42,447	¥ 40,682	¥ 40,425	¥ 36,017	\$ 359,487
Net property and equipment	71,502	71,790	64,450	62,758	62,194	620,761
Total assets	128,293	127,909	121,577	119,341	112,511	1,122,977
Total current liabilities	39,018	37,010	36,004	34,509	36,991	369,209
Long-term liabilities, excluding of current portion thereof	37,832	37,759	37,995	36,509	29,558	295,019
Total net assets	50,735	52,496	47,029	48,323	45,962	458,749
OTHER YEAR-END DATA:						
Number of employees	7,320	7,289	7,278	7,129	7,092	

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, 2008

#### Overview

During the fiscal year ended March 31, 2008, amid a continuing decline in domestic freight transport volumes, 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, the cost burden increased owing to record-high fuel prices. As a result, operating income decreased.

#### **Operating Revenues**

Operating revenues edged up 0.1% from the previous fiscal year to ¥130,188 million. Unit freight charges in the mainstay road haulage operations and the freight forwarding operations were higher than in the previous year and the Group worked to expand the 3PL business and other businesses to offset the negative impact of sluggish demand for freight transport related to construction and materials.

The road haulage operations and freight forwarding operations accounted for 67.5% of operating revenues, the warehousing operations 17.1%, the harbor transport operations 5.7%, the information processing business 1.9%, and other businesses 7.8%.

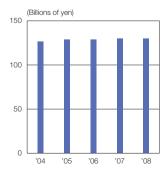
#### **Operating Cost**

Operating cost decreased ¥189 million from the previous year thanks to enhanced efficiency of long-distance transport and reduced fixed costs despite higher diesel oil costs due to a spike in crude oil prices and an increase in payments to freight companies. The ratio of operating cost to operating revenues decreased 0.3 percentage points from the previous year.

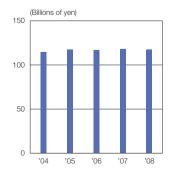
#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased ¥490 million year on year as a result of increased expenses reflecting an increase in the number of consolidated subsidiaries during the fiscal year under review.

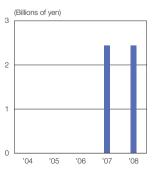




Sales of Logistics



Sales of Information Processing



#### **Operating Income**

Operating income decreased \$132 million year on year to \$1,887 million. The rate of increase in the aggregate amount of operating cost and selling, general and administrative expenses was 0.2% and the rate of increase in operating revenues was 0.1%, resulting in a decrease of 0.2 percentage points in the ratio of operating income to operating revenues to 1.4%.

#### **Net Loss**

Net loss amounted to ¥911 million, a large decline from the net income recorded for the previous year. The principal reason for this decline was the recording of a loss on impairment of fixed assets amounting to ¥971 million as an extraordinary loss and reversal of deferred tax assets.

#### 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.

Should any serious problems occur, such as a vehicle accident, there is a risk of loss of customer confidence and public trust that could have an adverse impact on the Tonami Transportation Group's business activities and business results.

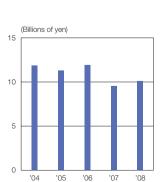
In the event that the retention, development and recruitment of human resources indispensable for business expansion do not progress as envisaged in the growth strategy, strategic tie-ups including acquisition and capital partnerships do not develop as planned, or that social risks materialize with respect to the Group's overseas business expansion, there may be an adverse impact on the Group's business activities and business results.

In the event that impairment becomes necessary in accordance with the impairment accounting applicable to fixed assets for business use or there is a great change in the estimates for future taxable income, reversal of deferred tax assets will be required, and, as a result, there may be an adverse impact on the Group's business results and financial position.

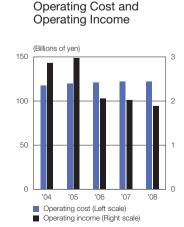
#### Strategic Position and Outlook

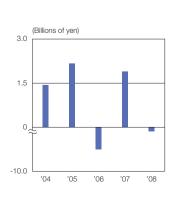
The business environment is expected to remain challenging in view of the slackening tempo of economic activity in Japan in line with the slowdown of the U.S. economy, uncertainties regarding the already sky-high prices of crude oil and other raw materials, and intensifying competition.

In this tough business environment, the Group launched the 18th medium-term business plan in April 2008 covering the three years to March 2011. In order to enhance group management, the Group plans to shift to a holding company system on October 1, 2008. Eyeing possibilities of M&A and business partnerships, we intend to expand the 3PL business in order to develop into a highly profitable concern and thus enhance the Group's enterprise value. In these endeavors, we will adhere to our fundamental policy of providing our cus-



Sales of Others





Net Income (Loss)

tomers with high-quality services that are highly valued and inspire their trust in the Tonami Transportation Group.

#### Analysis of Sources of Capital and Liquidity

Cash and cash equivalents at March 31, 2008 stood at ¥11,638 million (a decrease of ¥2,745 million year on year).

#### Cash flows from operating activities

Net cash provided by operating activities totaled \$3,909 million (an increase in net cash of \$2,375 million year on year). Principal factors were net income before income taxes and minority interests of \$1,006 million, depreciation and amortization of \$2,594 million, impairment losses of \$971 million, and a \$776 million decrease in accounts payable, as well as a \$1,259 million decrease in employees' severance and retirement benefits.

#### Cash flows from investing activities

Net cash used in investing activities totaled \$1,530 million (a decrease in net cash of \$15 million year on year). The principal factor was payments of \$2,231 million for the purchase of property and equipment, while proceeds from sales of property and equipment amounted to \$567 million.

#### Cash flows from financing activities

Net cash used in financing activities totaled \$5,124 million (a decrease in net cash of \$5,454 million year on year). The principal factors were a \$4,480 million net decrease in short-term loans and dividends paid amounting to \$545 million.

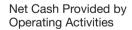
#### Management's Assessment of Issues and Future Policies

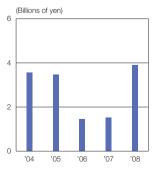
The business environment for road haulage operations entails many issues, including intensifying competition among companies, rising fuel costs, and higher costs associated with the strengthening of environmental and transportation safety measures.

Consolidation in the distribution industry is expected to accelerate through ongoing M&A, globalization and tie-ups. There is an urgent need to strengthen the foundation of operations by precisely responding to changes in the business environment.

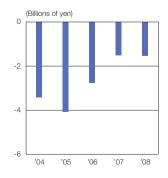
By shifting to the holding company system, the Group intends to strengthen corporate governance through separation of supervision and execution. At the same time, responsibilities and authority of operating companies will be clarified so as to accelerate strategic decision-making. The aim is to achieve speedy management and flexible execution of efficient operations.

Also, the Group intends to streamline common functions by promoting restructuring of operating companies within the Group, enhance operating efficiency through the optimum allocation of resources, and expand business in each field by pursuing the business strategy with the aim of boosting competitiveness of the Group as a whole and maximizing the Group's enterprise value.

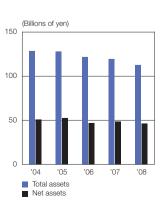




Net Cash Used in Investing Activities



Total Assets and Net Assets



# **Consolidated Balance Sheets**

TONAMI TRANSPORTATION CO., LTD. AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2008 and 2007

			Thousands of U.S. dollars	
ASSETS	Millions	of yen	(Note 1)	
	2008	2007	2008	
Current assets:				
Cash and time deposits	¥ 11,686	¥ 13,606	\$ 116,638	
Marketable securities (Note 4)	20	999	200	
Trade receivables:				
Notes and accounts (Note 15)	21,169	22,698	211,288	
Less: allowance for doubtful accounts	(51)	(42)	(509)	
Inventories	542	512	5,410	
Deferred tax assets (Note 11)	544	606	5,430	
Other current assets	2,107	2,046	21,030	
Total current assets	36,017	40,425	359,487	

Property and equipment (Notes 5 and 6):			
Land	37,291	37,790	372,203
Buildings and structures	21,008	21,368	209,682
Machinery and vehicles	2,684	2,957	26,789
Construction in progress	592	_	5,909
Other	619	643	6,178
Total property and equipment	62,194	62,758	620,761

Investments and other assets:			
Investments in securities (Note 4)	7,594	9,114	75,796
Deferred tax assets (Note 11)	917	1,568	9,153
Goodwill	476	82	4,751
Other	5,313	5,394	53,029
Total investments and other assets	14,300	16,158	142,729
Total assets	¥112,511	¥119,341	\$1,122,977

LIABILITIES AND N	Millions	of yen 2007	Thousands of U.S. dollars (Note 1) 2008	
Current liabilities:		2000	2001	
Short-term bank	k loans (Note 6)	¥ 9,508	¥ 15,764	\$ 94,900
	of long-term debt (Note 6)	1,213	727	12,107
-	of bonds (Note 6)	7,000		69,867
	accounts payable	12,188	10,816	121,649
Income taxes pa	* *	599	385	5,979
Other current li	<u> </u>	6,483	6,817	64,707
Total curren	t liabilities	36,991	34,509	369,209
Long-term liabiliti	es:			
Long-term debt	, less current portion thereof (Note 6)	6,141	12,016	61,293
Deferred tax liab	pilities from revaluation reserve for land (Note 16)	5,455	5,605	54,447
Employees' seve	erance and retirement benefits (Note 10)	16,542	17,766	165,106
Retirement bene	efits for directors and corporate auditors (Note 3)	214		2,136
Negative goodw	ill	7	175	70
Other long-term	ı liabilities	1,199	947	11,967
Total lon	g-term liabilities	29,558	36,509	295,019
Total liah	pilities	66,549	71,018	664,228
Net assets				
Shareholders' equi	ty (Note 17):			
Common stock:				
Authorized:	299,200,000 shares in 2008			
	299,200,000 shares in 2007			
Issued:	97,610,118 shares in 2008			
	97,610,118 shares in 2007	14,183	14,183	141,561
Capital surplus		12,229	12,502	122,058
Retained earnin	gs	14,148	15,163	141,212
Treasury stock,	at cost: 6,765,163 shares in 2008			
	6,701,913 shares in 2007	(2,001)	(1,981)	(19,972)
Total sha	areholders' equity	38,559	39,867	384,859
Valuation and tran	slation adjustments:			
Unrealized gain	on securities	1,020	1,919	10,181
Revaluation rese	erve for land (Note 16)	5,787	5,956	57,760
Total val	uation and translation adjustments	6,807	7,875	67,941
Minority interests:				
Minority interes	ts	596	581	5,949
Total net	assets	45,962	48,323	458,749
Total liah	pilities and net assets	¥112,511	¥119,341	\$1,122,977

# **Consolidated Statements of Operations**

TONAMI TRANSPORTATION CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2008 and 2007

	M.H.	Thousands of U.S. dollars	
	Millions 2008	2007	(Note 1) 2008
Operating revenues:			
Operating revenues	¥130,188	¥130,020	\$1,299,411
	130,188	130,020	1,299,411
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 18)	121,875	122,065	1,216,439
Selling, general and administrative expenses (Note 18)	6,426	5,936	64,138
	128,301	128,001	1,280,577
Operating income	1,887	2,019	18,834
Other income and expenses:			
Interest and dividend income	326	283	3,254
Equity in earnings of unconsolidated subsidiaries and affiliates	42	117	419
(Loss) income on sale of property and equipment, net	(104)	431	(1,038)
Interest expenses	(278)	(215)	(2,775)
Impairment losses (Note 8)	(971)		(9,691)
Other, net	104	451	1,038
	(881)	1,067	(8,793)
Income before income taxes and minority interests	1,006	3,086	10,041
Income taxes (Note 11):			
Current	676	576	6,747
Deferred	1,216	579	12,137
	1,892	1,155	18,884
Minority interests	25	42	250
Net (loss) income	¥ (911)	¥ 1,889	\$ (9,093)

# Consolidated Statements of Changes in Net Assets

Shares of

TONAMI TRANSPORTATION CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2008 and 2007

	Shares of common					Total	Unrealized	Revaluation	lotal valuation and		
	stock	Common	Capital	Retained	Treasury	shareholders'	gain on	reserve	translation	Minority	Total
	(thousands)	stock	surplus	earnings	stock '	equity	securities	for land	adjustments	interests	net assets
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
Cash dividends applicable to											
the year (¥6.00 per share)			(546)			(546)					(546)
Transfer to retained earnings			(1,639)			(1,639)					(1,639)
Bonuses to directors and											
statutory auditors				(47)		(47)			_		(47)
Net income				1,889		1,889					1,889
Transfer from capital surplus				1,639		1,639			_		1,639
Revaluation reserve for land				289		289					289
Treasury stock					(17)	(17)			_		(17)
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
Cash dividends applicable to											
the year (¥6.00 per share)			(273)	(273)		(546)			_		(546)
Transfer to retained earnings						_			_		_
Bonuses to directors and											
statutory auditors						_			_		_
Net loss				(911)		(911)			_		(911)
Transfer from capital surplus						_			_		
Revaluation reserve for land				169		169			_		169
Treasury stock					(15)	(15)			_		(15)
Portion of treasury stock of newly consolidated											
subsidiaries assumed by the Company					(5)	(5)			_		(5)
Net changes in items other than											
shareholders' equity						_	(899)	(169)	(1,068)	15	(1,053)
Balance as at March 31, 2008	97,610	¥14,183	¥12,229	¥14,148	¥(2,001)	¥38,559	¥1,020	¥5,787	¥6,807	¥596	¥45,962
					Thous	ands of U.S	dollars (N	nte 1)			
					111003	ands of O.S	. donais (iv	J(C 1)	Total		
						Total	Unrealized	Revaluation	valuation and		
		Common	Capital	Retained		shareholders'	gain on	reserve	translation	Minority	Total
		stock	surplus	earnings		equity	securities	for land	adjustments		net assets
D 1 . M 1 21 2006					stock		¢24.002			interests	
Balance as at March 31, 2006				\$113,714		\$382,264	\$24,803	\$62,332	\$87,135		\$474,879
Cash dividends applicable to			\$146,591	\$113,714		\$382,264	\$24,803				\$474,879
Cash dividends applicable to the year (\$0.0599 per share)			\$146,591 (5,450)	\$113,714		\$382,264 (5,450)	\$24,803				\$474,879 (5,450)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings			\$146,591	\$113,714		\$382,264	\$24,803				\$474,879
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and			\$146,591 (5,450)	\$113,714		\$382,264 (5,450) (16,358)	\$24,803		\$87,135		\$474,879 (5,450) (16,358)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors			\$146,591 (5,450)	\$113,714		\$382,264 (5,450) (16,358) (469)	\$24,803		\$87,135		\$474,879 (5,450) (16,358) (469)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income			\$146,591 (5,450)	\$113,714 (469) 18,854		\$382,264 (5,450) (16,358) (469) 18,854	\$24,803		\$87,135		\$474,879 (5,450) (16,358) (469) 18,854
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus			\$146,591 (5,450)	(469) 18,854 16,358		(5,450) (16,358) (469) 18,854 16,358	\$24,803		\$87,135		\$474,879 (5,450) (16,358) (469) 18,854 16,358
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land			\$146,591 (5,450)	\$113,714 (469) 18,854	\$(19,602)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885	\$24,803		\$87,135		(5,450) (16,358) (469) 18,854 16,358 2,885
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock			\$146,591 (5,450)	(469) 18,854 16,358		\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885	\$24,803		\$87,135		\$474,879 (5,450) (16,358) (469) 18,854 16,358
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than			\$146,591 (5,450)	(469) 18,854 16,358	\$(19,602)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885		\$62,332	\$87,135	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity		\$141,561	\$146,591 (5,450) (16,358)	(469) 18,854 16,358 2,885	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170)	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity Balance as at March 31, 2007		\$141,561	\$146,591 (5,450) (16,358)	(469) 18,854 16,358	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170)		\$62,332	\$87,135	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share)		\$141,561	\$146,591 (5,450) (16,358)	(469) 18,854 16,358 2,885 \$151,342	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170)	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) —	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) —
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914	(5,649)	\$62,332	\$87,135 — — — — — — — — — — — — — — — — — — (8,534)	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093)	(5,649)	\$62,332	\$87,135 ————————————————————————————————————	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170) \$(19,772)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — 1,688	(5,649)	\$62,332	\$87,135 ————————————————————————————————————	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093) — 1,688
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land Treasury stock		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — 1,688	(5,649)	\$62,332	\$87,135 ————————————————————————————————————	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land Treasury stock Portion of treasury stock of newly consolidated		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170) \$(19,772)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — 1,688 (150)	(5,649)	\$62,332	\$87,135 ————————————————————————————————————	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093) — 1,688
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land Treasury stock Portion of treasury stock of newly consolidated subsidiaries assumed by the Company		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170) \$(19,772)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — 1,688 (150)	(5,649)	\$62,332	\$87,135 ————————————————————————————————————	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093) — 1,688
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land Treasury stock Portion of treasury stock of newly consolidated subsidiaries assumed by the Company Net changes in items other than		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170) \$(19,772)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — 1,688 (150)	(5,649)	(2,885) \$59,447	\$87,135 ————————————————————————————————————	\$5,480	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093) — 1,688 (150) (50)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land Treasury stock Portion of treasury stock of newly consolidated subsidiaries assumed by the Company Net changes in items other than shareholders' equity		\$141,561	\$146,591 (5,450) (16,358) \$124,783	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170) \$(19,772)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — (9,093) — 1,688 (150) (50)	(5,649) \$19,154	\$62,332	\$87,135 ————————————————————————————————————	\$5,480 319 \$5,799	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093) — 1,688 (150) (50) (10,510)
Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net income Transfer from capital surplus Revaluation reserve for land Treasury stock Net changes in items other than shareholders' equity  Balance as at March 31, 2007 Cash dividends applicable to the year (\$0.0599 per share) Transfer to retained earnings Bonuses to directors and statutory auditors Net loss Transfer from capital surplus Revaluation reserve for land Treasury stock Portion of treasury stock of newly consolidated subsidiaries assumed by the Company Net changes in items other than		\$141,561	\$146,591 (5,450) (16,358) \$124,783 (2,725)	(469) 18,854 16,358 2,885 \$151,342 (2,725)	(170) \$(19,772) (150)	\$382,264 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) — \$397,914 (5,450) — (9,093) — (9,093) — 1,688 (150) (50)	(5,649) \$19,154	(2,885) \$59,447	\$87,135 ————————————————————————————————————	\$5,480 319 \$5,799	\$474,879 (5,450) (16,358) (469) 18,854 16,358 2,885 (170) (8,215) \$482,314 (5,450) — (9,093) — 1,688 (150) (50)

Millions of yen

Total

# **Consolidated Statements of Cash Flows**

TONAMI TRANSPORTATION CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2008 and 2007

	Millions o	of yen	Thousands of U.S. dollars (Note 1) 2008	
Cash flows from operating activities:				
Net income before income taxes and minority interests	¥ 1,006	¥ 3,086	\$ 10,041	
Depreciation and amortization	2,594	2,650	25,891	
Impairment losses	971		9,691	
Loss (gain) on disposal of property and equipment	104	(431)	1,038	
Gain on sales of investments in securities	(0)	(19)	(0)	
Loss on devaluation of investments in securities	7		70	
Loss on devaluation of golf club memberships	0	_	0	
Amortization of goodwill	(119)	(142)	(1,188)	
Equity in earnings of unconsolidated subsidiaries and affiliates	(42)	(117)	(419	
(Decrease) increase in allowance for doubtful accounts	(101)	59	(1,008	
Decrease in employees' severance and retirement benefits	(1,259)	(950)	(12,566)	
Increase in directors' and corporate auditors' retirement benefits	197		1,966	
(Decrease) increase in accrued bonuses to employees	(117)	105	(1,168)	
Interest and dividend income	(326)	(283)	(3,254)	
Interest expenses	278	215	2,775	
Decrease in trade receivables	131	406	1,308	
Increase in inventories	(16)	(9)	(160	
Increase (decrease) in accounts payable	776	(975)	7,745	
(Decrease) increase in accrued consumption taxes	(43)	22	(429)	
Other, net	237	(1,930)	2,366	
Subtotal	4,278	1,687	42,699	
Interest and dividends received	326	283	3,254	
Interest paid	(204)	(215)	(2,036	
Income taxes paid	(491)	(221)	(4,901	
Net cash provided by operating activities	3,909	1,534	39,016	
Cash flows from investing activities:				
Purchase of time deposits	(34)	(212)	(339)	
Proceeds from redemption of time deposits	258	199	2,575	
Purchase of property and equipment	(2,231)	(2,027)	(22,268	
Proceeds from sales of property and equipment	567	1,285	5,659	
Purchase of investments in securities	(121)	(126)	(1,208	
Proceeds from sales of investments in securities	0	69	0	
Payments for acquisition of subsidiaries resulting in changes in scope of consolidation	(52)	<u> </u>	(519	
Investments in loans receivable	(7)	(5)	(70	
Proceeds from collection of loans receivable	27	28	270	
Other, net	63	(726)	629	
Net cash used in investing activities	(1,530)	(1,515)	(15,271	
Cash flows from financing activities:				
Net decrease in short-term loans	(4,480)	(176)	(44,715	
Proceeds from long-term debt	987	1,742	9,851	
Repayment of long-term debt	(1,063)	(668)	(10,610	
Purchase of treasury stock	(15)	(17)	(150	
Dividends paid	(545)	(546)	(5,439	
Dividends paid to minority interests	(8)	(5)	(80	
Net cash (used in) provided by financing activities	(5,124)	330	(51,143	
Net (decrease) increase in cash and cash equivalents	(2,745)	349	(27,398	
Cash and cash equivalents at beginning of year	14,383	14,034	143,557	
	¥11,638	¥14,383	\$116,159	

#### Notes to the Consolidated Financial Statements

TONAMI TRANSPORTATION CO., LTD. AND CONSOLIDATED SUBSIDIARIES

#### 1 Basis of presenting financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Tonami Transportation Co., Ltd. (the "Company") and consolidated subsidiaries in accordance with accounting principles generally accepted in Japan, which differ in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside 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 \$100.19 = U.S.\$1, prevailing on March 31, 2008, 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 31 significant majority-owned subsidiaries for the year ended March 31, 2008 (28 for 2007).

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

Seven of the investments in unconsolidated subsidiaries or affiliates (8 for 2007) 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 those amounts are not significant, however, 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 net assets, net of taxes.

Non-marketable securities classified as other securities are carried at cost determined by the moving-average method

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. Said 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 over the useful life of the assets as determined by law, 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 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

Full-time 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 period not exceeding the employees average remaining service lives) commencing with the year incurred.

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

#### (i) Retirement benefits for directors and corporate auditors

Some consolidated subsidiaries provide necessary payments to directors and corporate auditors at the end of the fiscal year determined according to internal company rules to a reserve for retirement benefits for directors and corporate auditors.

#### (j) 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.

#### (k) 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.

#### (I) 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.

#### (m)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.

#### 3 Accounting changes

#### (a) 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, previously reported consolidated financial statements have been restated to conform to the revised rules for presentation of financial statements.

#### (b) 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 for the year ended March 31, 2007 increased ¥441 million (US\$4,402 thousand), and gross operating income and selling, general, and administrative expenses for the year ended March 31, 2007 decreased by the same amount. The change, therefore, has had no effect on operating income, income before taxes and minority interests, or net income for the year ended March 31, 2007.

#### (c) Retirement benefits for directors and corporate auditors

Certain consolidated subsidiaries previously expensed retirement benefit payments to directors and corporate auditors as incurred. Commencing with the fiscal year ended March 2008, however, the Company has adopted the accounting method given by "Treatment of reserves under the Special Taxation Measures and Special laws and auditing treatment of reserves and reserve for retirement benefits, etc. for directors and corporate auditors (Japan Institute of Certified Public Accountants, Report No. 42 of the Auditing and Assurance Practice Committee, March 13, 2007). Under the new accounting method, the consolidated subsidiaries have accrued expected retirement benefit payments to directors and corporate auditors as a reserve for retirement benefits.

As a result of this change, as compared to the previous accounting treatment, operating income decreased ¥30 million (US\$299 thousand), and income before income taxes and minority interests increased 205 million (US\$2,046 thousand). For the effect on business segments, see the Segment Information section.

#### 4 Fair value of securities

No trading securities or held-to-maturity securities were held at March 31, 2008 or 2007. 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, 2008 are summarized as follows:—

		Millions of yen			
		2008			
	Acquisition costs	Carrying value	Unrealized gain (loss)		
Unrealized gain:					
Stocks	¥2,138	¥3,949	¥1,811		
Bonds:					
Corporate bonds	_	_			
Other	_	_			
Other	_	_			
Unrealized loss:					
Stocks	589	454	(135)		
Bonds:					
Corporate bonds	20	20			
Other (Note)	100	36	(64)		
Other	100	99	(1)		
Total	¥2,947	¥4,558	¥1,611		

#### (Note)

For the fiscal year ending March 2008, the Company assessed the fair market value of its compound financial instruments and charged an unrealized loss of ¥42 million (US\$419 thousand) to income. In addition, the Company recorded the primary acquisition cost in the "Acquisition costs" column.

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	<u> </u>	_			
Unrealized loss:					
Stocks	76	61	(15)		
Bonds:					
Corporate bonds	_	_			
Other (Note)	100	78	(22)		
Other	100	99	(1)		
Total	¥2,818	¥6,027	¥3,209		

#### (Note)

Composite financial instruments. The difference of ¥22 million (US\$220 thousand) was charged as a loss in the fiscal year ended March 2007.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2008 are summarized as follows:—

	Thou	Thousands of U.S. dollars		
		2008		
	Acquisition costs	Carrying value	Unrealized gain (loss)	
Unrealized gain:				
Stocks	\$21,339	\$39,415	\$18,076	
Bonds:				
Corporate bonds	_	_	_	
Other	<u> </u>	_		
Other	_	_		
Unrealized loss:				
Stocks	5,879	4,532	(1,347)	
Bonds:				
Corporate bonds	200	200		
Other	998	359	(639)	
Other	998	988	(10)	
Total	\$29,414	\$45,494	\$16,080	
·				

Non-marketable securities classified as other securities at March 31, 2008 and 2007 amounted to \$3,053 million (\$30,472 thousand) and \$4,088 million (\$40,802 thousand), respectively.

Proceeds from sales of securities classified as other securities amounted to ¥0 million (\$0 thousand) and ¥69 million (\$609 thousand) for the years ended March 31, 2008 and 2007, respectively.

The aggregate gain realized on those sales totaled ¥0 million (\$0 thousand) and ¥19 million (\$190 thousand) for the years ended March 31, 2008 and 2007, respectively.

The redemption schedule at March 31, 2008 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	¥19	¥ —	¥ —	¥ —	
Other	_	136	_		
Total	¥19	¥136	¥ —	¥ —	
		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	\$190	\$ —	\$ —	\$ <b>—</b>	
Other	_	1,357	_		
Total	\$190	\$1 357	\$ —	<u> </u>	

#### 5 Property and equipment

Depreciable property is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥49,154 (\$490,608 thousand) million and ¥47,820 million (\$477,293 thousand) on March 31, 2008 and 2007, 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 \$195\$ million (\$1,946\$ thousand) and \$197\$ million (\$1,966\$ thousand) on March 31, 2008 and 2007, respectively.

#### 6 Short-term bank loans and long-term debt

#### (a) Short-term bank loans

Short-term bank loans as at March 31, 2008 and 2007 were as follows:—

	Millions	Millions of yen	
	2008	2007	2008
Secured	¥ 2,720	¥ 2,875	\$ 27,149
Unsecured	6,788	12,889	67,751

Interest rates range from 1.100% to 2.550%.

#### (b) Long-term debt

Long-term debt as at March 31, 2008 and 2007 was as follows:—

	Millions of yen		Thousands of
			U.S. dollars
	2008	2007	2008
0.89% ¥6.4 billion unsecured straight bonds due 2008	¥ 6,400	¥ 6,400	\$ 63,879
0.52% ¥0.6 billion unsecured straight bonds due 2008	600	600	5,988
0.00% ¥2.5 billion unsecured convertible bond type-bonds			
with stock acquisition rights due 2009	2,500	2,500	24,952
1.000%-3.550% loans from financial institutions due 2009 to 2013			
and thereafter			
Secured	1,635	1,070	16,319
Unsecured	3,219	2,173	32,129
Total	14,354	12,743	143,267
Less: amount due within one year	8,213	727	81,974
	¥ 6,141	¥12,016	\$ 61,293

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, 2008 are as follows:—

Mi	llions of	Thousands of
Year ending March 31,	yen	U.S. dollars
	¥3,639	\$36,321
2010	966	9,641
2011	543	5,420
2012	300	2,994
2013 and thereafter	693	6,917

#### (c) Pledged assets

Property and equipment having a net value of ¥14,518 million (\$144,905 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2008.

#### 7 Overdraft facility and credit line commitment agreements

The Company has entered into overdraft facility and credit line commitment agreements with ten banks for the purpose of efficient procurement of working capital.

Outstanding balance of unused credit concerning overdraft facility and credit line commitment agreements at March 31, 2008, was as follows:

	Millions of	Thousands of
	yen	U.S. dollars
Maximum credit line of overdraft facility and commitment agreement	¥3,000	\$29,943
Used credit	_	
Total	¥3,000	\$29,943

#### 8 Impairment losses

During the fiscal year ended March 31, 2008, the Group recorded impairment losses concerning the following asset groupings.

				Impairment losses	Impairment losses
				(millions of	(thousands of
	Usage	Туре	Location	yen)	U.S. dollars)
Tonami Transportation	Haulage and	Land and	5 sites, including	¥971	\$9,691
	warehouse facilities	buildings	Nishikasugai Ward,		
			Aichi prefecture		

The Company is a comprehensive logistics enterprise 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 to be short owing to sharp increase fuel costs reflecting high oil prices and increase in cost of payment to sub contractors. Thus, the carrying values of the asset groupings were reduced by the unrecoverable values and an impairment loss amounting to ¥971 million (US\$9,691 thousand) was recorded as an extraordinary loss.

The breakdown of the impairment losses is as follows:

¥548 million (US\$5,469 thousand) concerning land and ¥423 million (US\$4,222 thousand) concerning buildings.

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.

#### 9 Retirement benefits for directors and statutory auditors

At the annual general meeting of shareholders held on June 28, 2007, it was decided to abolish the Company's system for retirement benefits for directors and corporate auditors.

#### 10 Employees' severance and retirement benefits

Discount rates

Expected rates of return on plan assets

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 and certain consolidated subsidiaries have defined benefit plans, including a lump-sum payment plan and a contributory welfare pension plan and an approved retirement annuity 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.

Thousands of

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

	Million	Millions of yen	
	2008	2007	2008
Projected benefit obligation	¥(20,401)	¥(21,815)	\$(203,623)
Plan assets	3,175	3,568	31,690
Net unrecognized amount	684	481	6,827
Prepaid pension and severance costs	_	_	
Accrued pension and severance costs	¥(16,542)	¥(17,766)	\$(165,106)
The net unrecognized amounts were as follows:—			
	Million	ns of yen	Thousands of U.S. dollars
	2008	2007	2008
Unrecognized benefit obligation:			
Adjustment for actuarial assumptions	¥ 3,688	¥ 3,894	\$ 36,810
Past service cost	(3,004)	(3,413)	(29,983)
Net unrecognized amounts	¥ 684	¥ 481	\$ 6,827
	1 1: .1 1 ,	1	

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	
	2008	2007	2008	
Service cost	¥ 852	¥ 919	\$ 8,504	
Interest cost on projected benefit obligation	519	524	5,180	
Expected return on plan assets	(39)	(74)	(389)	
Amortization of adjustment for actuarial assumptions	577	563	5,759	
Amortization of past service cost	(410)	(410)	(4,092)	
Net periodic pension and severance costs	¥1,499	¥1,522	\$14,962	
The assumptions used were as follows:—				
	2008	2007		

2.5%

2.5%

2.5%

2.5%

#### 11 Income taxes

As described in Note 2(j), 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:—

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Millions of yen		Thousands of
		U.S. dollars
2008	2007	2008
¥ 307	¥ 365	\$ 3,064
6,512	6,937	64,996
1,393	1,111	13,904
264	282	2,635
4,084	3,685	40,763
12,560	12,380	125,362
(4,856)	(3,362)	(48,468)
7,704	9,018	76,894
(654)	(1,307)	(6,528)
(5,589)	(5,537)	(55,784)
(6,243)	(6,844)	(62,312)
¥ 1,461	¥ 2,174	\$ 14,582
	2008 ¥ 307 6,512 1,393 264 4,084 12,560 (4,856) 7,704 (654) (5,589) (6,243)	2008     2007       ¥ 307     ¥ 365       6,512     6,937       1,393     1,111       264     282       4,084     3,685       12,560     12,380       (4,856)     (3,362)       7,704     9,018       (654)     (1,307)       (5,589)     (5,537)       (6,243)     (6,844)

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, 2008 and 2007 were as follows:—

	2008	2007
Statutory tax rate	41.53%	41.52%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	3.58	1.20
Nontaxable income including dividends received deduction, etc.	(10.39)	(2.91)
Per capita portion of inhabitant taxes	21.26	6.35
Equity in earnings of affiliates	(1.73)	(1.57)
Change in valuation allowance related to deferred tax assets	136.54	_
Other	(2.68)	(7.15)
Effective tax rate	188.11%	37.44%

#### 12 Derivative transactions

The Group utilizes composite financial instruments with embedded derivatives for the purpose of utilizing excess funds, 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.

#### 13 Cash flow statements

(a) 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, 2008 and 2007 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and time deposits	¥11,686	¥13,606	\$116,638
Time deposits with maturities exceeding three months	(48)	(222)	(479)
Cash equivalents included in marketable securities	_	999	
Bonds with maturities exceeding three months	_	_	_
Cash and cash equivalents	¥11,638	¥14,383	\$116,159

(b) Major assets and liabilities of newly acquired consolidated companies

The Company newly consolidated Anan Transportation Co., Ltd., and Nationwide Shirobo JSE Courier Co., Ltd. based on the acquisition of their shares in the fiscal year under review. The assets and liabilities of the two companies acquired and the acquisition cost of the shares and acquisition expenses (net) were as follows.

	Millions	of ven	Thousands of U.S. dollars
	2008	2007	2008
Current assets	¥ 992	¥ —	\$ 9,901
Property, plant and equipment	1,599	_	15,960
Goodwill	441		4,402
Current liabilities	(868)		(8,664)
Long-term liabilities	(1,746)	_	(17,427)
Acquisition cost of shares	418	_	4,172
Cash and cash equivalents acquired	(366)	_	(3,653)
Disbursements for acquisition of shares of newly consolidated subsidiaries	¥ 52	¥ —	\$ 519

#### 14 Finance leases

(a) Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessee

The following are the acquisition costs, accumulated depreciation, accumulated impairment losses and
net book value of leased property as of March 31, 2008 and 2007 for finance leases accounted for as operating leases:—

	Millions	Millions of yen	
	2008	2007	2008
Acquisition costs:			
Machinery and tools	¥15,759	¥16,321	\$157,291
Other assets	5,866	5,906	58,549
	¥21,625	¥22,227	\$215,840
Accumulated depreciation:			
Machinery and tools	¥ 8,643	¥ 9,618	\$ 86,266
Other assets	1,269	1,056	12,666
	¥ 9,912	¥10,674	\$ 98,932
Accumulated impairment losses:	,		
Machinery and tools	¥ —	¥ —	<u> </u>
Other assets	756	756	7,546
	¥ 756	¥ 756	\$ 7,546
Net book value:	,		
Machinery and tools	¥ 7,116	¥ 6,703	\$ 71,025
Other assets	3,841	4,094	38,337
	¥10,957	¥10,797	\$109,362
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Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2008 and 2007 are as follows:—

	Millions	of yen	Thousands of U.S. dollars
	2008	2007	2008
Depreciation expense	¥2,567	¥2,601	\$25,621
Interest expense	315	258	3,144

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,934 million (\$29,284 thousands) and ¥2,939 million (\$29,334 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, 2008 and 2007, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million (\$7,546 thousand) were 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, 2008 and 2007, reversal of impairment losses on leased assets amounting to ¥42 million

#### (\$419 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, 2008 and 2007 for finance leases accounted for as operating leases are summarized as follows:—

	Million	s of yen	U.S. dollars
	2008	2007	2008
Due within one year	¥ 2,525	¥ 2,531	\$ 25,202
Due over one year	9,074	8,832	90,568
Total	¥11,599	¥11,363	\$115,770
Impairment losses on leased assets	¥ 630	¥ 672	\$ 6,288

#### (b) Operating leases

	Million	s of yen	Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥ 274	¥ 273	\$ 2,735
Due over one year	4,121	4,395	41,132
Total	¥ 4,395	¥ 4,668	\$43,867

#### 15 Contingent liabilities

As at March 31, 2008, the Company was contingently liable as follows:—

	Millions of	Thousands of
	yen	U.S. dollars
Notes endorsed	¥ 93	\$ 928
Others	745	7,436

#### 16 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 net assets 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	Thousands of
	yen	U.S. dollars
Difference between the fair market value of revalued land at March 31, 2008		
and the revalued book value	¥9,230	\$92,125

#### 17 Net assets

The Company Law provides that an amount equal to at least 10% of the aggregate amount to be distributed as cash dividends or cash appropriations must be transferred to the legal reserve until the additional paid-in capital, which is part of the capital surplus account, and the legal reserve, which is part of retained earnings, equals 25% of the common stock account. Transfers from the legal reserve to common stock, additional paid-in capital, and other reserves may be made by resolution of the shareholders. Under the Company Law, distributions of reserves to shareholders may be made at any time by resolution of the shareholders. The Company's Articles of Incorporation also provide that the Board of Directors may make distributions to shareholders based on a resolution of the Board of Directors, provided that such distributions are limited to once per fiscal year.

#### (a) Information concerning changes in net assets

Treasury stock

Class of shares	At March 31, 2007	Increase	Decrease	At March 31, 2008
Common stock (shares)	6,701,913	63,250	_	6,765,163

Reason for the change:

Portion of treasury stock of newly consolidated subsidiaries assumed by Company: 21,424 shares
The increase attributable to the purchase of shares amounting to less than one unit: 41,826 shares

			Number of shares to be i	ssued or transferred u	pon exercise of stoc	k acquisition rights	
Company name		Class of shares to be issued or transferred upon exercise of stock acquisition rights	At March 31, 2007	Increase	Decrease	At March 31, 2008	Balance at March 31, 2008 (millions of yen)
Tonami	Stock acquisition	Common					
Transportation	rights granted	stock					
Co., Ltd.	in 2004		8,012,820	_	_	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.

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 Corporate 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
9	
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)	<del>_</del>
Granted (shares)	<del>_</del>
Expired (shares)	_
Vested (shares)	<u> </u>
Unvested (shares)	<del>_</del>
After vesting	
At beginning (shares)	1,220,000
Vested (shares)	_
Exercised (shares)	_
Expired (shares)	90,000
Unexercised (shares)	1,130,000

#### 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)	_

#### 18 Supplementary income information

Supplementary income information for the years ended March 31, 2008 and 2007 is as follows:—

	Millions	of yen	U.S. dollars
	2008	2007	2008
Depreciation expenses	¥2,594	¥2,650	\$25,891
Lease and rental	6,312	6,149	63,000

#### 19 Amounts per share

Amounts per share of common stock for the years ended March 31, 2008 and 2007 were as follows:—

	Y	U.S. dollars	
	2008	2007	2008
Net (loss) income per share:			
Basic	¥ (10.03)	¥ 20.77	\$(0.1001)
Diluted	_	19.34	
Cash dividends	6.00	6.00	0.0599
Net assets per share:	¥499.38	¥525.17	\$ 4.9843

Although dilutive securities were outstanding, diluted net income per share for the year ended March 31, 2008 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, 2008 and 2007 were as follows:—

	Millio	Thousands of U.S. dollars	
	2008	2007	2008
Total net assets as reported on the consolidated balance sheets	¥45,962	¥48,323	\$458,749
Deduction:			
Adjusted net assets allocated in common stock	45,366	47,742	452,800
Minority interests	596	581	5,949
	S	hares	
Number of shares of common stock issued	97,610,118	97,610,118	
Number of shares of common stock in treasury	6,765,163	6,701,913	
Number of shares of common stock outstanding at the end of			
year on which net assets per share is calculated	90,844,955	90,908,205	

Basis for the calculation of basic and diluted net (loss) income per share for the years ended March 31, 2008 and 2007 was as follows:—

and 2007 was as follows:—			
	Million	ns of yen	Thousands of U.S. dollars
	2008	2007	2008
Net (loss) income available to shareholders of common stock:			
Net (loss) income	¥(911)	¥1,889	(\$9,093)
Net (loss) income not available to shareholders of common stock	_		
(of which appropriation of bonuses to directors			
and corporate auditors)	(—)	(—)	(—)
Net (loss) income available to shareholders of common stock	(911)	1,889	(9,093)
Weighted-average number of shares of common stock outstanding (shares)	90,881,929	90,939,740	
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 1,130.) (Convertible bond-type bonds with stock acquisition rights) Yen-denominated convertible bond-type bond with stock acquisition rights due Sep 30, 2009 (Gace amount: ¥2,500 million (US\$ 24,953 thousand))	(Stock option) Stock options approve annual shareholders' r of the Company held 29, 2005 (The number of stock tion rights was 1,220.)	neeting on June acquisi-

#### 20 Subsequent event

#### (a) Bond issue

Based on a resolution past in a board of directors meeting on May 7, 2008, the Company issued a domestic unsecured straight bond. Details are as follows.

Name: Tonami Transportation No. 4 Secured Bond

(Special condition attached exclusive to the order of the Company's bonds)

Issue amount: ¥30 million (US\$299 thousand)

Issue price: Par value
Interest rate: 2.11% per annum
Settlement date: June 5, 2008
Redemption amount: Par value
Maturity date: June 5, 2013
Allocation of funds: Redemption of bonds

#### (b) Cash dividends

For the year ended March 31, 2008

The annual shareholders' meeting of the Company, which was held on June 27, 2008, duly approved the payment of dividends as followed:—

	Millions of	Thousands of
	yen	U.S. dollars
Cash dividends (¥3.00 per share)	¥273	\$2,725

#### 21 Segment information

The Company's business segments consist of logistics related services classified as Logistics, information processing operations classified as Information processing, and other services classified as Others.

A summary of segment information by industry segment for the years ended March 31, 2008 and 2007 was as follows:—

Information

Millions of yen

Eliminations

	I	Logistics	proce	essing	Ot	hers		Total	(Notes	1 and 2)	Con	solidated
Net Sales:												
Outside customers	¥ 1	17,614	¥	2,446	¥1	0,128	¥1	30,188	¥	_	¥]	130,188
Inter segment sales		54		262		7,550		7,866	(	(7,866)		_
Total	1	17,668		2,708	1	7,678	1	38,054	(	(7,866)	]	130,188
Costs and expenses	1	16,831		2,284	10	6,929	1	36,044	(	(7,743)	]	128,301
Operating income	¥	837	¥	424	¥	749	¥	2,010	¥	(123)	¥	1,887
Assets, depreciation, impairmen	t losses	and capi	al expe	enditure	s:							
Identifiable assets	¥	89,297	¥	1,252	¥2	0,827	¥1	11,376	¥	1,135	¥]	12,511
Depreciation	¥	2,307	¥	163	¥	134	¥	2,604	¥	10	¥	2,594
Impairment losses	¥	955	¥		¥	16	¥	971	¥	_	¥	971
Capital expenditures	¥	2,054	¥	77	¥	72	¥	2,203	¥	8	¥	2,211
E 1 1111 1 21 222W						Millio	r					
For the year ended March 31, 2007			Lo	gistics	0	thers	ns oi y	Total		nations 1 and 2)	Con	solidated
For the year ended March 31, 2007  Net Sales:			Lo	gistics	0		ns oi y				Con	solidated
				egistics 8,010						1 and 2)		
Net Sales:					¥1	thers		Total	(Notes	1 and 2)		
Net Sales: Outside customers			¥11	8,010	¥1	thers 2,010	¥]	Total	(Notes	1 and 2)	¥	130,020
Net Sales: Outside customers Inter segment sales			¥11	8,010 18	¥1	2,010 7,692	¥]	Total 130,020 7,710	(Notes	1 and 2)  — (7,710)	¥	130,020
Net Sales: Outside customers Inter segment sales Total			¥11	8,010 18 8,028	¥1	2,010 7,692 9,702	¥]	Total 130,020 7,710 137,730	(Notes	1 and 2)  — (7,710) (7,710) (7,644)	¥	130,020 — 130,020
Net Sales: Outside customers Inter segment sales Total Costs and expenses	t losses	and capi	¥11 11 11 ¥	8,010 18 8,028 7,126 902	¥1 1 1 ¥	2,010 7,692 9,702 8,519	¥]	Total 130,020 7,710 137,730 135,645	(Notes	1 and 2)  — (7,710) (7,710) (7,644)	¥	130,020 — 130,020 128,001
Net Sales:  Outside customers  Inter segment sales  Total  Costs and expenses  Operating income	t losses	and capi	¥11 11 11 ¥	8,010 18 8,028 7,126 902	¥1 1 1 ¥	2,010 7,692 9,702 8,519	¥]	Total 130,020 7,710 137,730 135,645	(Notes	1 and 2)  — (7,710) (7,710) (7,644)	¥	130,020 — 130,020 128,001
Net Sales:  Outside customers  Inter segment sales  Total  Costs and expenses Operating income  Assets, depreciation, impairment	t losses	and capi	¥111 11 11 ¥ tal expe	8,010 18 8,028 7,126 902	¥1 1 1 ¥	2,010 7,692 9,702 8,519 1,183	¥]	Total 130,020 7,710 137,730 135,645 2,085	(Notes	1 and 2)  (7,710) (7,710) (7,644) (66)	¥	130,020 — 130,020 128,001 2,019
Net Sales:  Outside customers  Inter segment sales  Total  Costs and expenses Operating income  Assets, depreciation, impairmen Identifiable assets	t losses	and capi	¥111 11 11 ¥ tal expe	8,010 18 8,028 7,126 902 enditure 1,415	¥1  1  1  ¥  s:  ¥2	2,010 7,692 9,702 8,519 1,183	¥]  []  []  []  []  []  []  []  []  []	Total 130,020 7,710 137,730 135,645 2,085	(Notes  ¥	1 and 2)  (7,710) (7,710) (7,644) (66)  2,067 11	¥	130,020 — 130,020 128,001 2,019 119,341
Net Sales:  Outside customers  Inter segment sales  Total  Costs and expenses Operating income  Assets, depreciation, impairmen Identifiable assets Depreciation	t losses	and capi	¥11 11 11 ¥ cal expe ¥ 9 ¥ ¥	8,010 18 8,028 7,126 902 enditure 1,415	¥1  1 1 ¥  s: ¥2 ¥	2,010 7,692 9,702 8,519 1,183	¥]  ¥  ¥  ¥  ¥  ¥	Total 130,020 7,710 137,730 135,645 2,085	Y  Y  Y  Y  Y  Y	1 and 2)  — (7,710) (7,710) (7,644) (66)  2,067  11 —	¥ ¥ ¥	130,020 — 130,020 128,001 2,019 119,341

Depreciation

Impairment losses

Capital expenditures

1.338

159 \$

719 \$

9,691

21,988

\$

\$

100

80

\$

\$

\$

\$

25.891

9,691

22,068

		Information			Eliminations	
	Logistics	processing	Others	Total	(Notes 1 and 2)	Consolidated
Net Sales:						
Outside customers	\$1,173,909	\$24,414	\$101,088	\$1,299,411	\$ —	\$1,299,411
Inter segment sales	539	2,615	75,357	78,511	(78,511)	_
Total	1,174,448	27,029	176,445	1,377,922	(78,511)	1,299,411
Costs and expenses	1,166,094	22,797	168,969	1,357,860	(77,283)	1,280,577
Operating income	\$ 8,354	\$ 4,232	\$ 7,476	\$ 20,062	\$ (1,228)	\$ 18,834
Assets, depreciation, impair	ment losses and capit	al expenditure	es:			
Identifiable assets	\$ 891,277	\$12,496	\$207,875	\$1,111,648	\$ 11,329	\$1,122,977

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 ¥182 million (\$1,817 thousand) and ¥129 million (\$1,288 thousand) for the years ended March 31, 2008 and 2007, respective-

768

\$ 1.627

\$

\$

- 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 ¥24,816 million (\$247,689 thousand) and ¥27,813 million (\$277,603 thousand) for the years ended March, 2008 and 2007, respectively.
- Note 3. Change in accounting method

Retirement benefits for directors and corporate auditors

23.026

9,532

20,501

\$

\$

As indicated in the previous section on "Accounting Changes," some consolidated subsidiaries has accrued expected retirement benefit payments to directors and corporate auditors at the end of the fiscal year as a reserve for retirement benefits, commencing with the fiscal year ended March 31, 2008. The effect of this change on business segments is immaterial.

Note 4. Previously, the Company's operations were classified into two segments, namely, Logistics and Others. However, in order to ensure that segments reflect the actual situation of the Company's operations, effective for the year ended March 31, 2008, the information processing operations, which were previously included in the Others segment, are classified as a separate segment in view of the information processing operations' increased importance, and, as a result, the Company's operations are classified into three segment.

A summary of segment information by business segment according to the previous segment classification is as follows:

For the year ended March 31, 2008		Millions of yen									
								nations			
	1	_ogistics	0	thers		Total	(Notes	1 and 2)	Cons	solidated	
Net sales:											
Outside customers	¥	117,614	¥ 1	2,574	¥ ]	130,188	¥	_	¥ I	130,188	
Inter segment sales		54		7,756		7,810	(	7,810)			
Total		117,668	2	0,330		137,998	(	7,810)		130,188	
Costs and expenses		116,831	1	9,155	]	135,986	(	7,685)	]	128,301	
Operating income	¥	837	¥	1,175	¥	2,012	¥	(125)	¥	1,887	
Assets, depreciation, impairment los	sses and o	apital exp	penditi	ıres:							
Identifiable assets	¥	89,297	¥2	2,079	¥ ]	111,376	¥	1,135	¥	112,511	
Depreciation	¥	2,307	¥	297	¥	2,604	¥	10	¥	2,594	
Impairment losses	¥	955	¥	16	¥	971	¥	_	¥	971	
Capital expenditures	¥	2,054	¥	149	¥	2,203	¥	8	¥	2,211	

Thousar	. J	CIIC	J - 11	
i nonsar	าตร ด	I U.S.	dollars	

								inations		
		Logistics	1	Others		Total	(Notes	1 and 2)	Co	nsolidated
Net sales:										
Outside customers	\$ ]	1,173,909	\$1	25,502	\$1	,299,411	\$	_	\$1	,299,411
Inter segment sales		539		77,413		77,952	(	77,952)		_
Total	]	1,174,448	2	02,915	1	,377,363	(	77,952)	1	,299,411
Costs and expenses	]	1,166,094	1	91,187	1	,357,281	(	76,704)	1	,280,577
Operating income	\$	8,354	\$	11,728	\$	20,082	\$	(1,248)	\$	18,834
Assets, depreciation, impairment losse	s and	l capital exp	endi	tures:						
Identifiable assets	\$	891,277	\$2	20,371	\$1	,111,648	\$	11,329	\$1	,122,977
Depreciation	\$	23,026	\$	2,965	\$	25,991	\$	100	\$	25,891
Impairment losses	\$	9,532	\$	159	\$	9,691	\$	_	\$	9,691
Capital expenditures	\$	20,501	\$	1,487	\$	21,988	\$	80	\$	22,068

The three business segments mainly consist of the following services:

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

Information processing ... Information processing

Others ... Vehicle maintenance, casualty insurance, merchandising and commissioned sales and purchases, leasing, 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, 2008 and 2007.

#### 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, 2008 and 2007, 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, 2008 and 2007, 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 the note 20 to the consolidated financial statements, the Company issued a domestic unsecured straight bond.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

Ernet & Young Shin rihon

June 27, 2008

# Non-Consolidated Balance Sheets

TONAMI TRANSPORTATION CO., LTD

ASSETS	Millions	of yen	Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and time deposits	¥ 9,353	¥ 9,621	\$ 93,353
Marketable securities	20	999	199
Trade receivables:			
Notes and accounts (Note 10)	18,090	18,991	180,557
Less: allowance for doubtful accounts	(36)	(26)	(359)
Inventories	168	136	1,677
Deferred tax assets (Note 9)	450	502	4,491
Other current assets	8,272	8,910	82,563
Total current assets	36,317	39,133	362,481

Property and equipment (Notes 4 and 5):			
Land	32,258	33,212	321,968
Buildings and structures	41,549	42,210	414,702
Machinery and tools	6,377	6,320	63,649
Vehicles	9,905	11,890	98,862
Construction in progress	564	_	5,630
Less: accumulated depreciation	(39,030)	(40,049)	(389,560)
Net property and equipment	51,623	53,583	515,251

Investments and other assets:			
Investments in securities	5,945	7,442	59,337
Investments in subsidiaries and affiliates	3,585	3,182	35,782
Loans to employees	4	5	40
Deferred tax assets (Note 9)	975	1,501	9,732
Others	3,812	4,037	38,048
Total investments and other assets	14,321	16,167	142,939
Total assets	¥102,261	¥108,883	\$1,020,671

LIABILITIES AND NET ASSETS	Millions	of yen	Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current liabilities:			
Trade notes payable	¥ 615	¥ 505	\$ 6,139
Short-term bank loans (Note 5)	8,170	11,530	81,545
Current portion of long-term debt (Note 5)	552	552	5,510
Current portion of bonds (Note 5)	7,000		69,867
Trade accounts payable (Note 10)	15,389	15,399	153,598
Deposits from employees	361	381	3,603
Income taxes payable	464	143	4,631
Other current liabilities	5,694	4,919	56,832
Total current liabilities	38,245	33,429	381,725
Long-term liabilities:			
Long-term debt, less current portion thereof (Note 5)	3,918	11,469	39,106
Deferred tax liabilities from revaluation reserve for land (Note 13)	5,455	5,605	54,446
Employees' severance and retirement benefits	15,463	16,384	154,337
Other long-term liabilities	941	730	9,392
Total long-term liabilities	25,777	34,188	257,281
Total liabilities	64,022	67,617	639,006
Net assets			
Shareholders' equity (Note 14):			
Common stock:			
Authorized: 299,200,000 shares in 2008			
299,200,000 shares in 2007			
Issued: 97,610,118 shares in 2008			
97,610,118 shares in 2007	14,183	14,183	141,561
Capital surplus:	11,103		
Capital reserve	3,546	3,546	35,393
Other capital surplus	8,683	8,956	86,665
Total capital surplus	12,229	12,502	122,058
Retained earnings:			
Other retained earnings:			
Reserve for deferred gain on fixed assets	7,598	7,722	75,836
Reserve for retirement benefits		270	
Retained earnings carried forward	(565)	735	(5,639)
Total retained earnings	7,033	8,727	70,197
Treasury stock, at cost: 6,726,159 shares in 2008	1,033		
6,684,333 shares in 2007	(1,994)	(1,981)	(19,902)
Total shareholders' equity	31,451	33,431	313,914
Valuation and translation adjustments:	31,131		<u></u>
Unrealized gain on securities	1,001	1,879	9,991
Revaluation reserve for land (Note 13)	5,787	5,956	57,760
Total valuation and translation adjustments	6,788	7,835	67,751
Total net assets	38,239	41,266	381,665
Total liabilities and net assets	¥102,261	¥108,883	\$1,020,671
iotai navinties and net assets	T104,401	т 100,003	Ψ1,020,071

## **Non-Consolidated Statements of Operations**

TONAMI TRANSPORTATION CO., LTD.

For the years ended March 31, 2008 and 2007

Millions	Thousands of U.S. dollars (Note 1)	
2008	2007	2008
¥97,691	¥99,082	\$975,057
94,755	96,452	945,753
2,334	2,040	23,296
97,089	98,492	969,049
602	590	6,008
534	466	5,330
(118)	435	(1,178)
(221)	(171)	(2,206)
(971)	_	(9,691)
65	315	649
(711)	1,045	(7,096)
(109)	1,635	(1,088)
413	246	4,122
1,068	553	10,660
1,481	799	14,782
¥ (1,590)	¥ 836	\$ (15,870)
	2008 ¥97,691 94,755 2,334 97,089 602 534 (118) (221) (971) 65 (711) (109) 413 1,068 1,481	\$97,691 \$\text{\text{\congrue}} 99,082\$  \text{\text{\congrue}} 94,755 \text{\congrue} 96,452  \text{\congrue} 2,334 \text{\congrue} 2,040  \text{\congrue} 97,089 \text{\congrue} 98,492  \text{\congrue} 602 \text{\congrue} 590  \text{\congrue} 534 \text{\congrue} 466  \text{\congrue} (118) \text{\congrue} 435  \text{\congrue} (221) \text{\congrue} (171)  \text{\congrue} 65 \text{\congrue} 315  \text{\congrue} (711) \text{\congrue} 1,045  \text{\congrue} (109) \text{\congrue} 1,635  \text{\congrue} 413 \text{\congrue} 246  \text{\congrue} 1,068 \text{\congrue} 553  \text{\congrue} 1,481 \text{\congrue} 799

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, 2008 and 2007

					Millions of yen			
	c1			Capital surplus	5	F	Retained earnin	gs
	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, 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
Cash dividends applicable to the year (¥6.00 per share)	'			(273)	(273)		(273)	(273)
Transfer to retained earnings					_			_
Net loss					_		(1,590)	(1,590)
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							169	169
Purchase of treasury stock			,	,			107	
Net changes in items other than shareholders' equity					_			_
Balance as at March 31, 2008	97,610	¥14,183	¥ 3,546	¥ 8,683	¥12,229	¥ —	¥ 7,033	¥ 7.033

	Millions of yen					
			Valuation a	nd translation	adjustments	
		Total	Unrealized		Total valuation	
	Treasury	shareholders'	gain on	reserve	and translation	Total
P.1	stock	equity	securities	for land	adjustments	net assets
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
Cash dividends applicable to the year (¥6.00 per share)		(546)				(546)
Transfer to retained earnings		_				
Net loss		(1,590)				(1,590)
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		169				169
Purchase of treasury stock	(13)	(13)				(13)
Net changes in items other than shareholders' equity		_	(878)	(169)	(1,047)	(1,047)
Balance as at March 31, 2008	¥(1,994)	¥31,451	¥1,001	¥5,787	¥6,788	¥38,239
The accommonating Natas are an integral most of these statements				·		

The accompanying Notes are an integral part of these statements.

Other Total Common Capital capital Legal r stock reserve surplus surplus reserve e	ned earning Other retained	S Total
Common Capital capital capital Legal r stock reserve surplus surplus reserve e	retained	Total
	earnings	retained earnings
Balance as at March 31, 2006 \$141,561 \$35,393 \$111,198 \$146,591 \$— \$	59,517	\$59,517
Cash dividends applicable to the year		
(\$0.0599 per share) (5,450) (5,450)		_
Transfer to retained earnings (16,358) (16,358)		_
Net income —	8,344	8,344
	16,358	16,358
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 —	2,885	2,885
Purchase of treasury stock —		
Net changes in items other than shareholders' equity —		
Balance as at March 31, 2007 \$141,561 \$35,393 \$ 89,390 \$124,783 \$— \$	87,104	\$87,104
Cash dividends applicable to the year (\$0.0599 per share) (2,725)	(2,725)	(2,725)
Transfer to retained earnings —	(2,123)	(2,123)
	15.870)	(15,870)
Transfer from other capital surplus —	13,010)	
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 —	1,688	1,688
Purchase of treasury stock —	,	
Net changes in items other than shareholders' equity —		
	70,197	\$70,197

		nds of U.S. dollars (Note 1)
		luation and translation adjustments
	Treasury shareholders' g	realized Revaluation Total valuation ain on reserve and translation Total curities for land adjustments net assets
Balance as at March 31, 2006	\$(19,602) \$328,067 \$2	4,393 \$62,332 \$86,725 \$414,792
Cash dividends applicable to the year (\$0.0599 per share)	(5,450)	— (5,450)
Transfer to retained earnings	(16,358)	— (16,358)
Net income	8,344	— 8,344
Transfer from other capital surplus	16,358	<b>—</b> 16,358
Reversal of reserve for deferred gain on fixed assets		
Transfer to reserve for deferred gain on fixed assets		
Reversal of reserve for various purposes	<del></del>	<u> </u>
Reversal of revaluation reserve for land	2,885	<b>—</b> 2,885
Purchase of treasury stock	(170) (170)	— (170)
Net changes in items other than shareholders' equity	— (	(5,639) (2,885) (8,524) (8,524)
Balance as at March 31, 2007	\$(19,772) \$333,676 \$1	8,754 \$59,447 \$78,201 \$411,877
Cash dividends applicable to the year (\$0.0599 per share)	(5,450)	— (5,450)
Transfer to retained earnings	<u> </u>	
Net loss	(15,870)	— (15,870)
Transfer from other capital surplus	<del></del>	<u> </u>
Reversal of reserve for deferred gain on fixed assets	<del></del>	
Transfer to reserve for deferred gain on fixed assets	<del></del>	<u> </u>
Reversal of reserve for various purposes	<del></del>	<u> </u>
Reversal of revaluation reserve for land	1,688	<b>—</b> 1,688
Purchase of treasury stock	(130) (130)	— (130)
Net changes in items other than shareholders' equity		(8,763) (1,687) (10,450) (10,450)
Balance as at March 31, 2008	\$(19,902)\$313,914 \$	9,991 \$57,760 \$67,751 \$381,665

The accompanying Notes are an integral part of these statements.

## Notes to the Non-Consolidated Financial Statements

TONAMI TRANSPORTATION CO., LTD.

## 1 Basis of presenting financial statements

The accompanying non-consolidated financial statements have been prepared based on the accounts maintained by Tonami Transportation Co., Ltd. (the "Company") in accordance with accounting principles generally accepted in Japan, which differ in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside 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 notes for employees' severance and retirement benefits 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 \$100.19 = U.S.\$1, prevailing on March 31, 2008, 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. Said 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 over the useful life of the assets as determined by law, 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 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

Full-time employees of the Company 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 period not exceeding the employees average remaining service lives) commencing with the year incurred.

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

The Company has defined benefit plans, including a lump-sum payment plan and a contributory welfare 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.

#### (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.

#### (i) 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.

## 3 Accounting changes

#### (a) 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, previously reported non-consolidated financial statements have been restated to conform to the revised rules for presentation of financial statements.

**(b)** 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\$5,250 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 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 ¥195 million (\$1,946 thousand) and ¥197 million (\$1,966 thousand) as at March 31, 2008 and 2007, respectively.

## 5 Short-term bank loans and long-term debt

#### (a) Short-term bank loans

Short-term bank loans as at March 31, 2008 and 2007 were as follows:—

	Millions	Millions of yen		
	2008	2007	2008	
Secured	¥2,720	¥2,720	\$27,148	
Unsecured	5,450	8,810	54,397	

Interest rates range from 1.270% to 1.479%.

## (b) Long-term debt

Long-term debt as at March 31, 2008 and 2007 was as follows:—

			Thousands of
	Millions of yen		U.S. dollars
	20	007	2008
0.89% ¥6.4 billion unsecured straight bonds due 2008 ¥ 6,4	00 ¥ 6	5,400	\$63,879
0.52% ¥0.6 billion unsecured straight bonds due 2008	00	600	5,988
0.00% ¥2.5 billion unsecured convertible bond type-			
bonds with stock acquisition rights due 2009 2,5	00 2	2,500	24,953
1.570%-2.100% loans from financial institutions due 2009 to 2013 and thereafter			
Secured 7	99	976	7,975
Unsecured 1,1	71 1	,545	11,688
Total 11,4	70 12	2,021	114,483
Less: amount due within one year 7,5	52	552	75,377
¥ 3,9	18 ¥11	,469	\$39,106

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, 2008 were as follows:—

	MIIIIONS OI	Thousands of
Year ending March 31,	yen	U.S. dollars
2009	¥3,050	\$30,442
2010	454	4,531
2011	159	1,587
2012	74	739
2013 and thereafter	181	1,807

## (c) Pledged assets

As at March 31, 2008, Property and equipment having a net value of ¥12,943 million (\$129,185 thousand) was pledged as collateral for short-term bank loans and long-term debt (including current portion of long-term debt).

## 6 Overdraft facility and credit line commitment agreements

The Company has entered into overdraft facility and credit line commitment agreements with ten banks for the purpose of efficient procurement of working capital.

Outstanding balance of unused credit concerning overdraft facility and credit line commitment agreements at March 31, 2008, was as follows:

	Millions of	Thousands of
	yen	U.S. dollars
Maximum credit line of overdraft facility and commitment agreement	¥3,000	\$29,943
Used credit	_	
Total	¥3,000	\$29,943

## 7 Impairment losses

During the fiscal year ended March 31, 2008, the Company recorded impairment losses concerning the following asset groupings.

			Impairment losses	Impairment losses
			(millions of	(thousands of
Usage	Туре	Location	yen)	U.S. dollars)
Haulage and	Land and buildings	5 sites, including Nishikasugai	¥971	\$9,691
warehouse facilities		Ward, Aichi prefecture		

The Company is a comprehensive logistics enterprise 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 to be short owing to sharp increase fuel costs reflecting high oil prices and increase in cost of payment to sub contractors. Thus, the carrying values of the asset groupings were reduced by the unrecoverable values and an impairment loss amounting to ¥971 million (US\$9,691 thousand) was recorded as an extraordinary loss.

The breakdown of the impairment losses is as follows:

¥548 million (US\$5,469 thousand) concerning land and ¥423 million (US\$4,222 thousand) concerning buildings.

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.

## 8 Retirement benefits for directors and statutory auditors

At the annual general meeting of shareholders held on June 28, 2007, it was decided to abolish the Company's system for retirement benefits for directors and corporate auditors.

#### 9 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:—

			Thousands of
	Million	s of yen	U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Excess bonuses accrued	¥ 227	¥ 279	\$ 2,266
Excess employees' severance and retirement benefits accrued	6,253	6,625	62,412
Excess loss on impairment of tangible fixed assets (except for leased assets)	1,356	1,082	13,534
Accumulated loss on impairment of leased assets	255	272	2,545
Other	2,570	2,299	25,651
Gross deferred tax assets	10,661	10,557	106,408
Valuation allowance	(3,389)	(2,030)	(33,826)
Total deferred tax assets	7,272	8,527	72,582
Deferred tax liabilities:			
Unrealized gain on securities	(688)	(1,281)	(6,867)
Reserve under Special Taxation Measures Law	(5,159)	(5,243)	(51,492)
Total deferred tax liabilities	(5,847)	(6,524)	(58,359)
Net deferred tax assets	¥ 1,425	¥ 2,003	\$ 14,223

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, 2008 and 2007 are as follows:—

	2008	2007
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 "2008" on the above table, because the Company recorded a loss before income taxes in the year ended March 31, 2008.

## 10 Accounts and transactions with subsidiaries and affiliates

As at March 31, 2008, the Company had 31 subsidiaries and 7 affiliates.

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

			i nousands oi
	Millions of yen		U.S. dollars
	2008	2007	2008
Notes and accounts receivable	¥ 163	¥ 205	\$ 1,627
Loans receivable	7,248	7,936	72,343
Trade accounts payable	10,895	10,921	108,743
			Thousands of
	Millions of yen		
	2008	2007	2008
Operating revenues	¥ 1,979	¥ 2,305	\$ 19,752
Operating cost	11,137	10,595	111,159
Interest income	210	178	2,096

## 11 Finance leases

# (a) Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessee

The following are the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of leased property as of March 31, 2008 and 2007 for finance leases accounted for as operating leases:—

			Thousands of
	Millior	is of yen	U.S. dollars
	2008	2007	2008
Acquisition costs:			
Machinery and tools	¥12,983	¥13,843	\$129,584
Other assets	5,834	5,834	58,229
	¥18,817	¥19,677	\$187,813
Accumulated depreciation:			
Machinery and tools	¥ 7,124	¥ 8,219	\$ 71,105
Other assets	1,241	995	12,386
	¥ 8,365	¥ 9,214	\$ 83,491
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	* —
Other assets	756	756	7,546
	¥ 756	¥ 756	\$ 7,546
Net book value:			
Machinery and tools	¥ 5,859	¥ 5,624	\$ 58,479
Other assets	3,837	4,083	38,297
	¥ 9,696	¥ 9,707	\$ 96,776
·			

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2008 and 2007 are as follows:—

	Millions of yen		Thousands of U.S. dollars	
	2008	2007	2008	
Depreciation expense	¥2,141	¥2,192	\$21,369	
Interest expense	271	222	2,705	

Lease payments relating to finance leases accounted for as operating leases amounted to \$2,466 million (\$24,613 thousand) and \$2,492 million(\$24,873 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, 2008 and 2007, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million (\$7,546 thousand) were 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, 2008 and 2007, reversal of impairment losses on leased assets amounting to ¥42 million (\$419 thousand) was recorded.

Future minimum lease payments (including the interest portion thereon) and the balance of impairment losses on leased assets at March 31, 2008 and 2007 for finance leases accounted for as operating leases are summarized as follows:—

	Million	Millions of yen		
	2008	2007	2008	
Due within one year	¥ 2,096	¥ 2,150	\$ 20,920	
Due over one year	8,256	8,119	82,404	
Total	¥10,352	¥10,269	\$103,324	
Impairment losses on leased assets	¥ 630	¥ 672	\$ 6.288	

## (b) Operating leases

	Million	Millions of yen	
	2008	2007	2008
Due within one year	¥ 274	¥ 273	\$ 2,735
Due over one year	4,121	4,395	41,132
Total	¥4,395	¥4,668	\$43,867

Thousands of

Thousands of

## 12 Contingent liabilities

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

	Millions of	Thousands of
	yen	U.S. dollars
Others	¥568	\$5,669

#### 13 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 net assets 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	Thousands of
	yen	U.S. dollars
Difference between the fair market value of revaluated land		
at March 31, 2008 and the revaluated book value	¥9,230	\$92,125

#### 14 Net assets

The Company Law provides that an amount equal to at least 10% of the aggregate amount to be distributed as cash dividends or cash appropriations must be transferred to the legal reserve until the additional paid-in capital, which is part of the capital surplus account, and the legal reserve, which is part of retained earnings, equals 25% of the common stock account. Transfers from the legal reserve to common stock, additional paid-in capital, and other reserves may be made by resolution of the shareholders. Under the Company Law, distributions of reserves to shareholders may be made at any time by resolution of the shareholders. The Company's Articles of Incorporation also provide that the Board of Directors may make distributions to shareholders based on a resolution of the Board of Directors, provided that such distributions are limited to once per fiscal year.

#### (a) Information concerning changes in net assets

Treasury stock

Class of shares	At March 31, 2007	Increase	Decrease	At March 31, 2008
Common stock (shares)	6,684,333	41,826	_	6,726,159

Reason for the change:

The increase attributable to the purchase of shares amounting to less than one unit: 41,826 shares

## 15 Supplementary income information

Supplementary income information for the years ended March 31, 2008 and 2007 is as follows:—

	Millions	Millions of yen	
	2008	2007	2008
Depreciation expenses	¥1,755	¥1,816	\$17,517
Lease and rental	4,091	3,997	40,832

## 16 Amounts per share

Amounts per share of common stock for the years ended March 31, 2008 and 2007 were as follows:—

	Yen			U.S. dollars
	2008		2007	2008
Net (loss) income per share:				
Basic	¥ (17.49)	¥	9.19	\$(0.1746)
Diluted	_		8.55	
Cash dividends	6.00		6.00	0.0599
Net assets per share	¥420.75	¥ 4	53.84	\$4.1995

Although dilutive securities were outstanding, diluted net income per share for the year ended March 31, 2008 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, 2008 and 2007 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total net assets as reported on the non-consolidated balance sheets	¥38,239	¥41,266	\$381,665
Net assets allocated in common stock	38,239	41,266	381,665
	S		
Number of shares of common stock issued	97,610,118	97,610,118	
Number of shares of common stock in treasury	6,726,159	6,684,333	
Number of shares of common stock outstanding			
at the end of year on which net assets per share is calculated	90,883,959	90,925,785	

Basis for the calculation of basic and diluted net (loss) income per share for the years ended March 31, 2008 and 2007 was as follows:—

		Millio	ons of yen	Thousands of U.S. dollars
		2008	2007	2008
Net (loss) income available to shareholders of common stock:				
Net (loss) income		¥(1,590)	¥ 836	\$(15,870)
Net (loss) income not available to shareholders of common stock		_		
(of which appropriation of bonuses to directors and corporate aud	itors)	(—)	(—)	(—)
Net (loss) income available to shareholders of common stock		(1,590)	836	(15,870)
Weighted-average number of shares of common stock outstanding (sh	ares)	90,904,860	90,957,320	
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 option)		meeting I on June k acquisi-	

## 17 Subsequent event

## (a) Conversion to a holding company through a corporate split

In a meeting of the Company's Board of Directors on April 10, 2008, the decision was taken to convert the Company to a holding company using a corporate split method. Through the corporate split, the Company will become a holding company and change its name to Tonami Holdings Co., Ltd., effective October 1, 2008. The Company plans to remain a listed company.

The Company has obtained approval for the corporate split and the change in company name in a regular general meeting of shareholders held on June 27, 2008.

#### (1) Purpose of corporate split

The Company expects pace of reorganization of the logistics industry through M&A, internationalization, and business tieups to accelerate. To respond accurately to the changes in its business environment, the Company believes strengthening its business base is an urgent task.

By converting to a holding company system, the Company will be able to separate its oversight and business execution functions, strengthening its corporate governance system. It will also be able to clarify the responsibility and authority of each operating company enabling rapid strategic decision-making. Through these changes the Company is aiming to achieve speedy management and systematic business execution in an efficient manner.

Overall, the Company will be targeting maximization of corporate worth by reinforcing the competitiveness of the Group and by pursuing a growth strategy. The Company intends to achieve these goals through such measures as increasing the efficiency of sharing functions by pursuing the smooth reorganization of each operating company in the Group and by further increasing management efficiency through optimal allocation of business resources and expanding its businesses in each business field.

## (2) Corporate split schedule

April 10, 2008	Corporate split decision by Board of Directors	(Company)
April 10, 2008	Absorption merger vehicle company established	(Absorption merger vehicle company)
April 10, 2008	Absorption merger agreement concluded	(Both companies)
June 27, 2008	Approval of corporate split and absorption merger by	(Both companies)
	general meeting of shareholders	
October 1, 2008	Corporate split date (Effective Date)	(Planned by both companies)

#### (3) Corporate split method

The corporate split method used will be the physical corporate split method whereby the Company will spin off its operations to its wholly owned subsidiary Tonami Transportation Absorption Merger Vehicle Co., Ltd.

The Company has used this corporate split method because it enables business activities to start smoothly from the Effective Date of the corporate split. The absorption merger vehicle company will obtain the various approvals required for operations and make necessary preparations beforehand.

## (4) Allocation of shares

The Tonami Transportation Absorption Merger Vehicle Co., Ltd., will issue 9,990 common shares, which are scheduled to be allocated 100% to the Company.

(5) Obligations succeeded to by Tonami Transportation Absorption Merger Vehicle Co., Ltd. As stipulated by the corporate split agreement concluded between the Company and Tonami Transportation Absorption Merger Vehicle Co., Ltd., on April 10, 2008, Tonami Transportation Absorption Merger Vehicle Co., Ltd., will assume all rights and obligations for the Company's logistics business (road haulage, freight forwarding, warehousing, and harbor transport and customs services) and others business (vehicle maintenance, merchandising, casualty insurance, commissioned sales and purchases, and other businesses). For said businesses, Tonami Transportation Absorption Merger Vehicle will assume the assets, liabilities and employment contracts, basic business agreements, real estate lease agreements, business commission agreements, lease agreements, and all other contractual agreements and all the rights and obligations of all contractual agreements and all legally transferable rights and obligations, such as licenses, permits, approvals, official filings, and registrations, etc.

#### (6) Outline of successor company

Company name: Tonami Transportation Absorption Merger Vehicle Co., Ltd. (See note)

Major business: Logistics business and others business

Establishment: April 10, 2008

Head office: 2-12, Showa-machi 3-chome, Takaoka, Toyama Prefecture

Title and name of representative: Katsusuke Watanuki

Paid in capital: ¥10 million (\$100 thousand)

Number of shares issued: 10 shares

Net assets: ¥10 million (\$100 thousand)
Total assets: ¥10 million (\$100 thousand)

Fiscal year-end: March 31 Employees: 0

Note: The subsidiary plans to change its name to Tonami Transportation Co., Ltd., on October 1, 2008. The Company plans to change its name to Tonami Holdings Co., Ltd., on the same date.

#### (7) Details of businesses to be spun off

The Company plans to transfer its logistics business (road haulage, freight forwarding, warehousing, and harbor transport and customs services) and others business (vehicle maintenance, merchandising, casualty insurance, commissioned sales and purchases, and other businesses) that it has been operating up until the Effective Date to its spin off division (Tonami Transportation Absorption Merger Vehicle Co., Ltd.)

## (8) Business results of spin off division

Tonami Transportation Absorption Merger Vehicle Co., Ltd.		Millions of	Thousands of
		yen	U.S. dollars
Operating revenues	¥	97,691	\$975,057
Operating income		602	6,008

Note: following the transfer of the Company's logistics related business and others business to Tonami Transportation Absorption Merger Vehicle Co., Ltd., the business results of the spin off division (Tonami Transportation Absorption Merger Vehicle Co., Ltd.) will be the business results of the Company for the fiscal year ended March 2008.

## (b) Bond issue

Based on a resolution past in a board of directors meeting on May 7, 2008, the Company issued a domestic unsecured straight bond. Details are as follows.

Name: Tonami Transportation No. 4 Secured Bond

(Special condition attached exclusive to the order of the Company's bonds)

Issue amount: ¥30 million (US\$299 thousand)

Issue price: Par value
Interest rate: 2.11% per annum
Settlement date: June 5, 2008
Redemption amount: Par value
Maturity date: June 5, 2013
Allocation of funds: Redemption of bonds

#### (c) Cash dividends

The annual shareholders' meeting of the Company, which was held on June 28, 2008, duly approved the payment of dividends as follows:—

Millions o	f Thousands of
yen	U.S. dollars
Cash dividends (¥3.00 per share) ¥27	\$2,725

## 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, 2008 and 2007, and the related non-consolidated statements of operations, and changes in net assets 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, 2008 and 2007, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

## Supplemental Information

As described in the note 17 to the non-consolidated financial statements, (a) the Company issued a domestic unsecured straight bond and (b) conversion to a holding company through a corporate split are decided and resolved.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2008 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 Shin nihon

June 27, 2008

## Non-Consolidated Five-Year Summary

TONAMI TRANSPORTATION CO., LTD

Years ended March 31

			Millions of yen			Thousands of U.S. dollars
RESULTS OF OPERATIONS:	2004	2005	2006	2007	2008	2008
Operating revenues	¥100,679	¥ 99,504	¥ 98,978	¥ 99,082	¥ 97,691	\$975,057
Operating cost	96,372	95,308	95,660	96,452	94,755	945,753
Selling, general and administrative expenses	2,800	2,819	2,608	2,040	2,334	23,296
Operating income	1,507	1,377	710	590	602	6,008
Income (loss) before income taxes	1,769	1,813	(6,796)	1,635	(109)	(1,088)
Net income (loss)	684	862	(6,026)	836	(1,590)	(15,870)
Capital expenditures	6,684	3,289	1,117	1,049	1,372	13,694
Depreciation expenses	1,796	1,860	1,697	1,816	1,755	17,517
PER SHARE (yen and U.S. dollars):						
Net income (loss)	¥ 6.96	¥ 9.09	¥ (66.22)	¥ 9.19	¥ (17.49)	\$ (0.1746)
Cash dividends	8.00	6.00	6.00	6.00	6.00	0.0599
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 33,883	¥ 39,631	¥ 39,113	¥ 39,133	¥ 36,317	\$362,481
Net property and equipment	62,260	62,695	55,121	53,583	51,263	515,251
Total assets	109,202	116,108	110,876	108,883	102,261	1,020,671
Total current liabilities	30,109	34,993	34,926	33,429	38,245	381,725
Long-term liabilities, excluding of current portion thereof	31,616	33,142	34,392	34,188	25,777	257,281
Total net assets	47,477	47,972	41,558	41,266	38,239	381,665
OTHER YEAR-END DATA:						
Number of share outstanding (thousand)	97,610	97,610	97,610	97,610	97,610	
Number of employees	5,462	5,429	5,298	5,139	5,075	

## **Consolidated Subsidiaries**

Location (Prefecture)	Company Name	Business Line
Tokyo	Tonami Business Service Co., Ltd.	Financial service
	Tonami Air Service Co., Ltd.	Customs clearance service
Ibaragi	Ibaragi 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
Nagano	Anan Transportation Co., Ltd.	Road haulage
	Nationwide Shirobo JSE Courier 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 Masayuki Ishimaru Yoshimi Nagahara Kazuo Takata Shinichi Izumi

## **Standing Corporate Auditors**

Mitsuo Matsuda Masafumi Takebe

## **Corporate Auditors**

Shinichiro Inushima Toshio Yaeda Yohji Ishiguro

(As of June 27, 2008)

## **Corporate Data**

## **Head Office**

2-12, Showa-machi 3-chome, Takaoka, Toyama Prefecture 933-8566, Japan Phone: (0766) 21-1073

Fax: (0766) 21-3640

## **Tokyo Office**

3-8, Higashinihonbashi 3-chome, Chuo-ku,

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** 7,598

**Employees** 5,075

**Terminals** 81

Warehouses 48

**Motor Vehicles** 5,496

(As of March 31, 2008)



# TONAMI

TONAMI TRANSPORTATION CO., LTD.

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