



Annual Report 2013

For the year ended March 31, 2013

SENKO Co., Ltd.

Logistics of the Future Logistics of the Future Logistics

SENKO Co., Ltd.

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Profile

Established in Osaka in July 1946, Senko Co., Ltd. is an integrated distribution services company. The Company has grown steadily over the years, listing on the First Section of the Osaka Securities Exchange in 1975 and on the First Section of the Tokyo Stock Exchange in 1990.

As of March 31, 2013, the Senko Group had a nationwide network with 340 locations in Japan, an overseas network with facilities in 31 locations, 2,211,000 square meters of warehouse space, and a fleet of 19 owned and chartered ships. The Company has wide-ranging business activities centered on trucking. Including partner companies, Senko operates more than 10,000 trucks every day. Activities also encompass warehousing, marine transport, in-factory services, and multimodal international cargo transport.

Senko's forte lies in supplying integrated distribution services, from distribution consulting to system design and operations, that closely match customer needs.

These efficient integrated distribution services have an excellent reputation in the market based on the provision of efficient transportation and distribution systems centered on the Best Partner System that support the construction of customer supply chain management systems. The Company's Best Partner System is a new logistics system that takes full advantage of information technology.

Senko will continue to leverage information technology to provide high-quality, efficient logistics solutions on a global scale. The goal is to become a logistics information company with capabilities that go well beyond the conventional activities of logistics companies.

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Cautionary Statement with Respect to Forward-Looking Statements

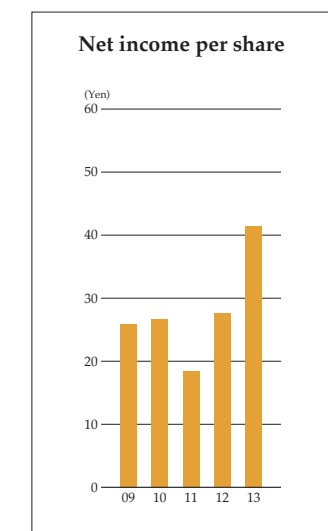
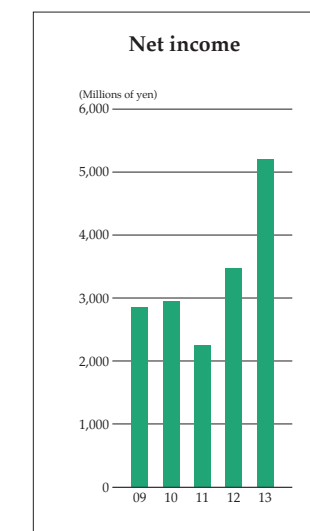
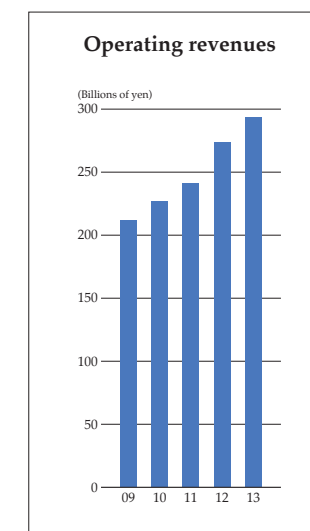
Plans and strategies concerning future business performance included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in the light of the information currently available to it, and thus involve a certain element of risk and uncertainty.

Consolidated Financial Highlights

SENKO Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	2013	2012	2013
	Millions of yen		Thousands of U.S. dollars
For the year:			
Operating revenues	¥ 293,534	¥ 270,361	\$ 3,121,042
Operating income	9,909	8,274	105,359
Net income	5,203	3,479	55,322
At year end:			
Total assets	208,095	202,847	2,212,600
Net assets	67,328	63,274	715,875
	Yen	U.S. dollars	
Per share data:			
Net income	¥ 41.45	¥ 27.65	\$ 0.44
Cash dividends	14.00	12.00	0.15
Net assets	521.48	488.25	5.54

Note : U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥ 94.05 to U.S.\$ 1 on March 31, 2013.





Starting New Four-year Medium-term Business Plan Focused on Next 100 Years

Overview of the Fiscal Year

Growth in both Revenues and Earnings Achieved through Positively Cultivating New Customers

Some slight degree of recovery in the Japanese economy was initially seen in areas including manufacturing activity and consumer expenditure in response investment in public works for the recovery-related demand from the earthquake and government measures such as the eco-car subsidy program. Subsequently the economic environment continued to be challenging because of the persistence of the strong yen and a decline in exports caused by the slowdown in overseas economies combined with the deterioration of the impact of government policies to stimulate consumer spending. The economy bottomed towards the end of the year, however, and a gently recovering

trend continued to become evident. Moreover, since the change of government in December, there has been a sustained tendency towards yen weakness and rising equity prices in response.

In the logistics industry too, an initial limited improvement in manufacturing activity and consumer spending resulted in a rising trend in cargo volumes but this was followed by further declines in both exports and consumer expenditure and so the operating environment remains difficult.

In this environment, the Senko Group is had been conducted aggressive activities in Japan and overseas because this is the final year of the three-year medium-term business plan based on the corporate slogan "Moving Global" that it started in April 2010.

In Japan, as the companies that ship cargo made moves to spread out the locations of manufacturing and inventory storage locations regionally as a hedge against the risk of natural disasters and strove to secure multiple sources for raw materials and supplies and concentrated regional warehousing facilities so as to improve logistical efficiency on a regional basis, the Senko Group took positive steps to satisfy these regional needs and to serve new customers won by aggressive marketing programs by establishing new logistical facilities in the Kanto, Chubu and Kansai regions.

Overseas, a joint venture company was established in Thailand to provide distribution services to the Toyota Tsusho Corporation, Ltd., and the automobile assembly plants of Japanese corporations. In Kazakhstan, the Company set up distribution operations to serve the convenience store business of Ministop Co. Thus, the Company aggressively expanded its business globally.

In September, as part of the drive to strengthen our commerce and trade business, we welcomed Obata Co., Ltd. into the group as a subsidiary. Obata Co., Ltd. conducts wholesale activities in health foods and beverages, daily-use items, cosmetics and other goods in the Hokkaido and Tohoku regions.

In the fiscal year ended March 2013, revenues increased 8.6% to 293,534 million yen as a result of aggressive sales activities to attract new customers, the contribution deriving from the investments made to establish large new facilities in Noda City in Chiba prefecture, Kitahiroshima City in Hokkaido, and Hyuga

City in Miyazaki Prefecture last year, and the acquisitions of Smile Corp. and Chugoku Piano Transport Co., Ltd. in the previous fiscal year.

Earnings benefited from growth in sales, the contribution from the newly acquired subsidiaries, cost-cutting measures and steps taken to increase productivity with the result that operating income increased 19.8% to 9,909 million yen, ordinary income increased 21.2% to 10,100 million yen, and net income increased 49.6% to 5,203 million yen.

Annual Dividend Set at 14 Yen per Share on the Basis of Results for Fiscal Year

Our fundamental policy for the distribution of earnings is to pay a dividend that is stable dividend while also reflecting results of operations in each fiscal year. The goal is to increase the earnings distributions to shareholders while maintaining sufficient retained earnings to support future growth and build a stronger base of operations.

In accordance with this policy, the year-end dividend for the fiscal year ended March 31, 2013 was initially set at 6.00 yen per share. But in view of the strong business performance in the current fiscal year, the year-end dividend was increased to 7.00 yen. Combined with the interim dividend of 7.00 yen, the total annual dividend was 14.00 yen.

Developing New Markets on the Basis of New Medium-term Business Plan

The prospects for the Japanese economy look set to continue to improve due to rising exports in response to recovery in overseas economies and yen weakness, the effects of government measures to stimulate the economy, anticipatory demand ahead of the rise in the consumption tax rate, and other factors.

In this environment, and based on its new four-year medium-term business plan starting from fiscal 2013 year, the Senko Group seeks to realize, in addition to its "Moving Global" corporate slogan, the following concepts: "go beyond logistics"; "make the world go round"; and "revolutionize business."

In specific terms, this means striving to reinforce earnings power, developing new businesses, strengthening its operations in Asia and in other regions, expanding its distribution centers operations, and developing and providing higher value-added services.

We ask for the continued support of our shareholders as we continue moving forward to achieve our goals.

August 2013



Yasuhisa Fukuda
President and Representative Director

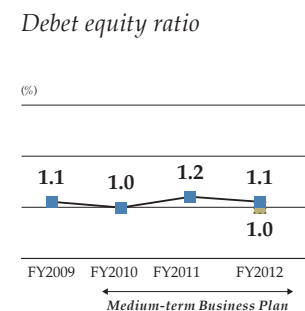
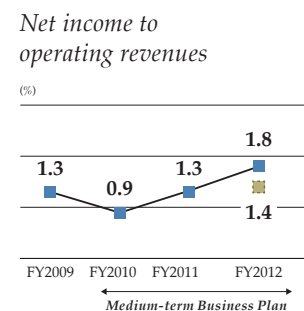
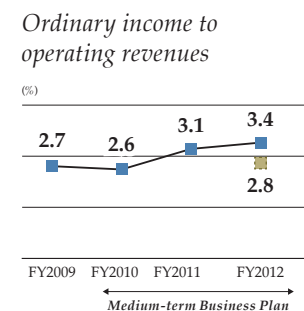
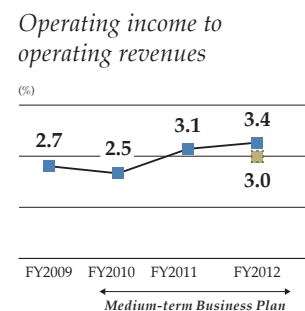
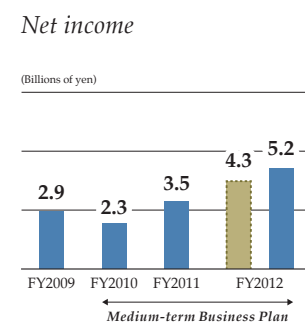
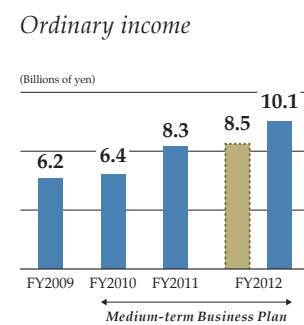
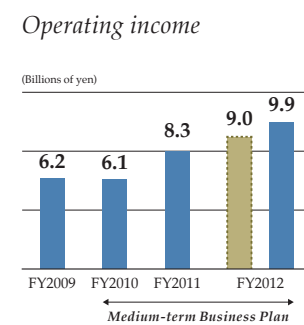
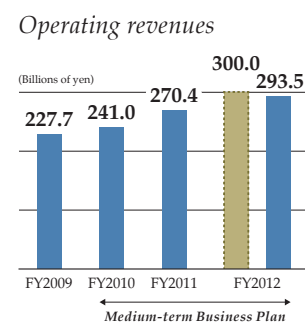
Results of Medium-term Business Plan (FY2010 - FY2012)

Reporting Results Medium-term Business Plan for FY2010 - FY2012

Moving Global

Go beyond logistics, make the world go round, and revolutionize business.

Results for Business Goals



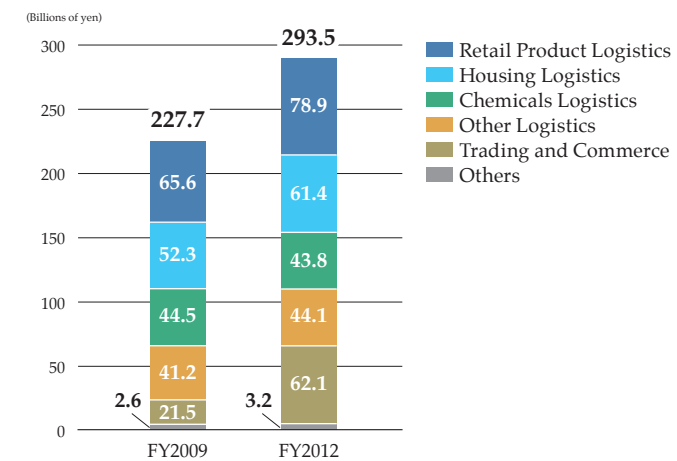
As a result of proactive market expansion, M&A and other activities, operating revenues increased 29% from 227.7 billion yen in the fiscal year ended March 2010 to 293.5 billion yen. Operating income increased 60% to 9.9 billion yen in response to the impact of growth in revenues and efforts to increase income by raising profitability and other initiatives. Ordinary income and net income rose by 63% and 79% over the same period to 10.1 billion yen and 5.2 billion yen respectively. Profit margins are also improving steadily.

In terms of our initial medium-term plan targets, we have succeeded, despite a minor shortfall in operating revenues against target, in greatly exceeding our goals for operating income, ordinary income and net income.

Moreover, we have proactively engaged in setting up new facilities to expand our operations and in undertaking M&A but have also prioritized the maintenance of a sound financial base in raising the necessary funds for these initiatives.

Results by Business Category

Sales by business category



Retail Product Logistics

Increased revenues by 12% (against FY2009) through expansion of GMS (general merchandising stores/supermarkets) and fashion/apparel logistics.

Housing Logistics

Raised revenues by 17% (against FY2009) by expanding residential construction logistics and newly undertaking contracted distribution of sashes and other homebuilding materials.

Chemicals Logistics

Despite aggressive marketing, revenues declined 2% (against FY2009) due to the effect of low production volumes caused by the impact of the Great East Japan Earthquake and of the strong yen.

Other Logistics

Increased revenues by 7% (against FY2009) due to the consolidation of the Chugoku Piano Transport Co., Ltd. and expansion of machinery and food sector logistics.

Trading and Commerce

Greatly increased revenues by 189% (against FY2009) as a result of the inclusion of Smile Corp. and Obata Co., Ltd. into the Group as subsidiaries and expansion of the trading business.

Expanding Business Operations at Logistics Centers

We have expanded our logistic centers right across Japan, including our largest facility, the Noda No.1 PD (Physical Distribution) Center. Furthermore, we have also proactively engaged in developing our overseas capacity at our Kentucky Distribution Center (U.S.A.), and increased total warehousing space by approximately 200,000m². We are currently in the process of constructing and opening some 12 logistics centers with a total of 280,000m² of capacity.



Noda No.1 PD Center (Chiba Prefecture)

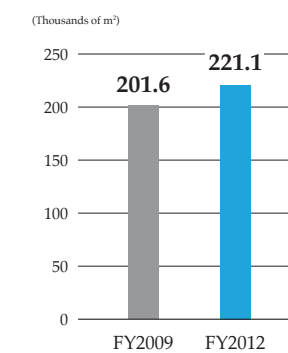


Kentucky Distribution Center (U.S.A.)



Kanazawa PD Center (Ishikawa Prefecture)

Warehousing area



Maishima PD Center (Osaka Prefecture)



Dalian Tri-Enterprise Logistics Warehouse (China)

Outline of New Medium-term Business Plan (FY2013 - FY2016)

We have created a new medium-term business plan for the 100th anniversary of the Group's foundation

Senko is preparing to celebrate the 100th anniversary of its foundation in 2016. The medium-term business plan covers the four-year period from FY2013 to FY2016 and creates a growth strategy for the next hundred years in which Senko has set itself the goal of achieving its aim of becoming a "logistics information company trusted both in Japan and overseas". In all its corporate activities, Senko strives to execute the practical measures it must adopt to become a company that is trusted by all its stakeholders.

Corporate Image Targeted

A Logistics Information Company that can be Trusted upon both in Japan and Overseas



- Customers and partners in Japan and overseas (collaborative companies, business partners)
- Shareholders and investors in Japan and overseas
- Society
- Employees (full-time, part-time and casual workers) and their families

* A logistics information company means: A company that has a good command of information, including logistics and trade distribution, and provides the appropriate distribution and logistical services on a global scale.

Corporate Slogan

Our corporate slogan is "Moving Global" and this has been continued from the previous medium-term business plan because it clearly and simply expresses the direction in which Senko should be heading through the concepts of "go beyond logistics", "make the world go round", and "revolutionize business" and is shared by each and every one of the Group's employees in meeting the challenges that lie ahead as we celebrate our 100th anniversary.

Moving Global

Go beyond logistics, make the world go round, and revolutionize business.

Medium-term Management Policies

As the Group's medium-term management policy, the Company will continue to promote its business based on the following five principles.

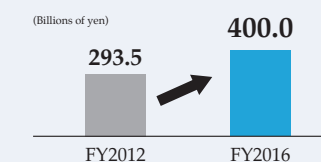
- 1 Aiming at the provision of comprehensive and integrated services, challenging the creation of products together with expanding the range of our businesses in distribution and in trade logistics operations.
- 2 Fostering a greater degree of trust among our customers, forming a high-quality and high-service structure.
- 3 Reinforcing our staff training and employment activities to foster and retain group human resources (including global human resources, and in-house entrepreneurs within the group).
- 4 Placing emphasis on compliance, and aiming to become a company that is in the vanguard of environmental, safety, and health issues.
- 5 Promoting financial policies that are based upon prioritizing the maintenance of financial soundness.

Medium-term Business Plan Targets (FY2013 - FY2016)

We have set the following quantitative targets for our Medium-Term Business Plan and are making every effort to ensure that we achieve them.

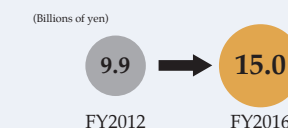
Aiming at Operating revenues of 400 billion yen

Senko is aiming to grow its sales by expanding the scope of its logistics center and trading and commerce businesses, boosting its international logistics operations, taking on the challenge of creating products, and engaging in the promotion of business partnerships and M&A activities.



Aiming at Operating income of 15 billion yen

Senko is aiming to achieve operating income of 15 billion yen and an operating profit margin of 3.8%.



Capital investment

The core aim of our capital investment program lies in establishing new facilities to expand our operations, and in business partnerships and M&A activities.

Medium-term Business Policies

The future development of the Group's business operations will be predominantly focused on achieving the following five policies.

- 1 Expanding the operational scope of our "physical distribution business".
- 2 Expanding the operational scope of our "commerce and trading business".
- 3 Developing an "international distribution business" that prioritizes earnings".
- 4 Taking on the challenge of "making things".
- 5 Promoting "business partnerships and M&A".

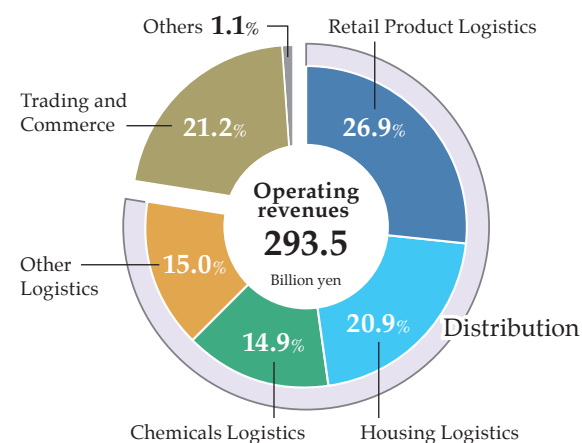
Please see our web site for more details. <http://www.senko.co.jp/en/ir/vision/plan/>

Review of Operations

Reporting Results of Current Term (FY2012) by Business Segments.

Senko has three business segments: Distribution, Trading and Commerce, and Others. The Distribution segment is further divided into the following four categories based on the types of cargo and characteristics of logistics services provided: Retail Product Logistics, Housing Logistics, Chemicals Logistics and Other Logistics.

Sales composition



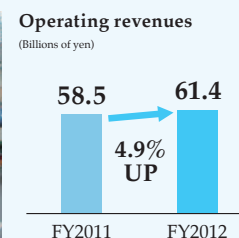
Retail Product Logistics



This category involves the provision of logistics services primarily for GMS, home improvement centers, department stores, apparel chain stores, e-commerce companies and other retailers.

Operating revenues increased 5.3% mainly because of growth in the volume of cargo for GMS, the result of the completion of a large distribution center in the prior fiscal year, and the receipt of orders for new services for apparel logistics.

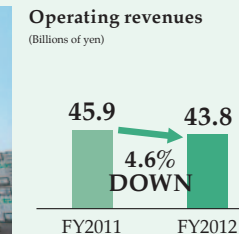
Housing Logistics



Major activities in this category include the transport of products from the factories of prefabricated housing manufacturers to construction sites and the transport of products for manufacturers of homebuilding materials.

Operating revenues increased 4.9%. Aggressive sales activities resulted in growth of revenues from manufacturers of homebuilding materials and there was an increase in the volume of cargo for prefabricated housing manufacturers.

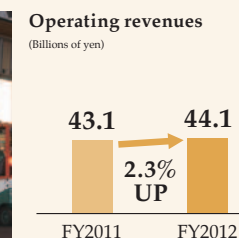
Chemicals Logistics



This category includes the transport of resins used to make plastics and other products, molded plastic products and processed products as well as lubricants for machinery and other applications.

Although there were new customers because of aggressive measures to increase sales, operating revenues decreased 4.6% as exports and production activity declined due to the weak economy and other reasons.

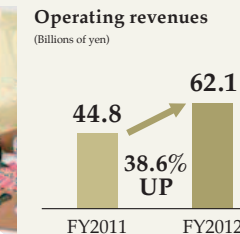
Other Logistics



This category includes all logistics services other than for retail products, housing and chemicals. Currently, the major activities in this category are logistics services for food, electrical and other machinery, and goods handled by trading companies and a moving service.

Operating revenues increased 2.3%. The main reasons were the acquisition of Chugoku Piano Transport Co., Ltd. and sales activities to capture new business involving the transport of food products and electrical and other machinery.

Trading and Commerce



This segment includes sales of petroleum products, trading sales and international trade. Operations include sales of products involving logistics, such as sales of cargo distribution and loading equipment, and sales of fuel using petroleum cards. This segment also includes wholesale sales of household products, cargo wrapping materials, alcoholic beverages and other products. In the trading business, we handle imports and exports of raw materials and products for customers and perform overseas transactions and other activities.

Operating revenues increased 38.6% due to the addition of Smile Corp. to the group in the previous fiscal year and higher revenues in the trading sales business and petroleum products sales business.

Others

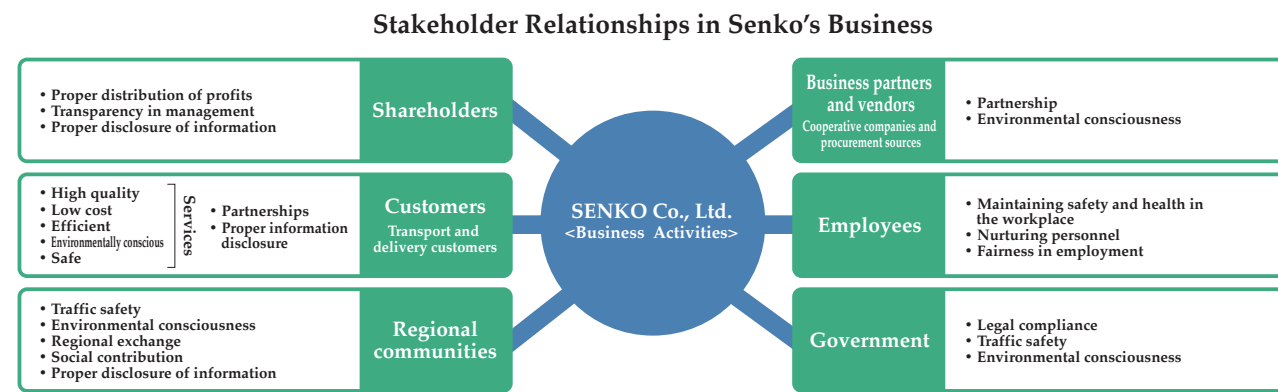
This segment consists of activities other than the operations of the Distribution and Trading and Commerce business segments. Operations include outsourced data processing services, motor vehicle maintenance, insurance agency services and other activities.

Operating revenues increased 3.6% to 32 billion yen.

Corporate Social Responsibility

The transport industry to which Senko's core business belongs has a highly public mission. It is essential to its continued viability as a company that Senko contribute to society through the practice of its core business and fulfill its public responsibilities.

In the medium-term business plan that began in fiscal 2013, one of the goals is "placing emphasis on compliance, and aiming to become a company that is in the vanguard of environmental, safety, and health issues." in order to be recognized as "a Logistics Information Company that can be trusted upon both in Japan and overseas." We conduct CSR activities as one way to achieve this goal.



Reinforcing our CSR Initiatives

The Senko Group views regulatory compliance, environmental responsibility, and safety-consciousness as the core elements of managing our business in a socially responsible way in order to create a corporate culture that allows us to gain the trust of all of our stakeholders. A high level of awareness among all of our employees will allow us to contribute to society through our business activities.

The Environment We are aware of the critical importance of conducting environmentally responsible logistics operations with respect to protecting the environment. Dedicated to green logistics, we are taking actions to cut CO₂ emissions and conserve energy and have established numerical targets. To become a highly advanced environmental organization, we are implementing our Phase V Environmental Master Plan.

Safety To promote safety and achieve accident-free workplaces, we have established targets for reducing vehicle accidents and workplace accidents. We use a PDCA cycle for safety management in order to assess every source of risk in our operations.

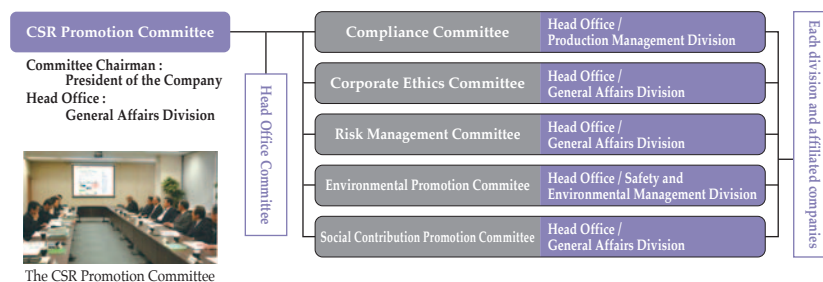
Health We are committed to maintaining a management framework that reduces risks involving health. We improve workplaces to prevent health problems, encourage individuals to use self-care and other measures to lead a healthy life, maintain a staff of nurses and industrial doctors, and take other actions to provide health-related support for employees.

Deepening our Commitment to Corporate Social Responsibility

The CSR Promotion Committee oversees committees for compliance, corporate ethics, risk management, environmental protection, and social contribution promotion.

We are dedicated to upgrading our CSR activities by clearly defining the domains of our social responsibility.

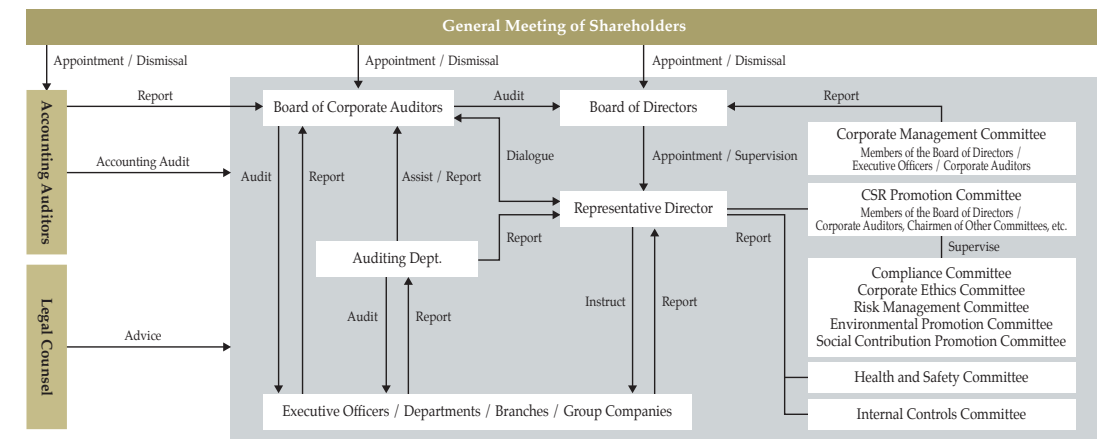
In addition to providing guidance to other committees, the CSR Promotion Committee deliberates on proposals submitted by the various other committees and draws up the Annual Action Plan and other plans.



Corporate Governance and Compliance

Corporate Governance Philosophy and Systems

The Senko Group, as a business involved in logistics work of a highly public nature, makes every effort to ensure that its corporate activities are thoroughly compliant with laws, based on awareness that proper corporate governance is the foundation of our existence as a business and is regarded as a high priority managerial issue.



Implementing Responsibilities; Auditing and Monitoring

- ① The board of directors meets at least once a month to decide upon important matters pertaining to the management of the company, in addition to legally required items; it is also positioned as an organization for the monitoring of business operations.
- ② The Senko Group's CSR management framework is consists of the CSR Promotion Committee, Workplace Health and Safety Committee, and Internal Controls Committee.
- ③ The auditors attend the board of directors and observe the performance of directors from an objective perspective, work with the Auditing Department and accounting auditors to ensure thorough compliance at both Senko and its subsidiaries, and perform strict audits.
- ④ Senko has a contract with accounting auditors in accordance with laws and regulations and receives guidance concerning accounting matters as required.
- ⑤ The Auditing Department checks the status of measures concerning risk and monitors business operations. To ensure the suitability of systems for performing business operations and make improvements, this department performs audits of Senko and its subsidiaries. Audit results are reported to the representative director and corporate auditors.

Compliance-based Management

The Senko Group has established the Senko Standards of Business Conduct that prescribe all items that executives and employees must observe regarding every aspect of their job activities based on a thorough understanding of the group's social obligations. Committees have been established to ensure that everyone fully understands these standards and to implement and upgrade these standards. In addition, there is a Business Ethics Hotline.

Building a Crisis Management Framework

We are compiling a Crisis Response Manual from the standpoint of prioritizing human life, minimizing property damage (economic losses), quickly resuming business operations, maintaining public confidence, and assisting the local community in the event of an emergency. We are also formulating and using Risk Management Rules that take a systematic approach to risk and clarify departmental responsibilities.

Protecting Personal Information

Senko receives personal information about customers in the course of receiving shipment and delivery requests, and therefore it is our duty to ensure that we have a rigorous information protection system in place, starting with implementing an information security policy.

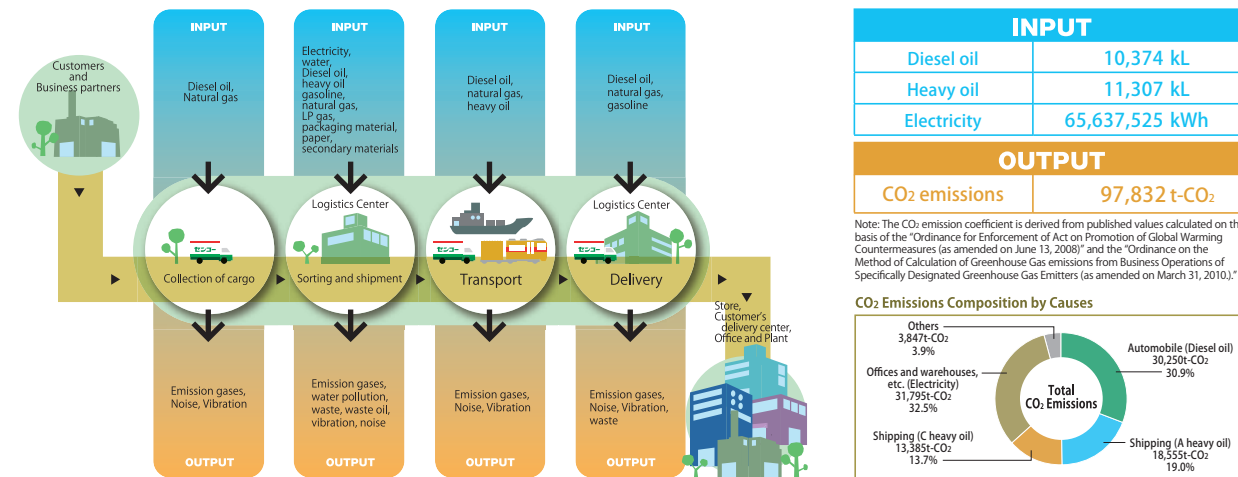
Corporate Social Responsibility

Measures to Reduce our Environmental Impact

As an “advanced environmental organization,” the Senko Group launched the Eco Innovation 2012 campaign in fiscal 2010 with the aim of reducing its impact on the environment. Numerical targets had been established for activities for combating global warming.

All of our business activities incorporate aggressive and voluntary programs to conserve energy and resources and protect the environment in other ways. We are determined to play a part in preserving and consistently improving the environment.

The Senko Group’s goal is to cut the environmental impact associated with business activities to the absolute minimum. To achieve this goal, we determine the quantity of resources and energy used (the input) and the quantity of CO₂ and waste materials we produce (the output). By using this approach, we are monitoring and lowering the burden that our collective business operations place on the environment.



Our Basic Principles

- 1 We will obey legal and regulatory requirements, ordinances, and agreements concerning environmental matters, and we will endeavor to prevent environmental pollution and to protect the environment.
- 2 We will examine and assess the environmental impact of our business activities, and continuously strive to mitigate the factors that place a burden on the environment. We will implement new technologies and equipment and reduce the environmental burden.
- 3 We will tirelessly exercise our creativity so that we can offer sophisticated logistics systems that help the environment.
- 4 In order to adhere to these principles, we will establish a program for advancing environmental initiatives, rules to protect the environment, and environmental objectives.
- 5 In order to ensure that these principles are understood by all of our employees, along with conducting environmental training and educational activities, we will disclose these principles externally and provide relevant information.

Safety Initiatives

The Senko Group conducts safety programs based on the themes of “respect for individuals” and “giving safety priority above all else.” The goal is to eliminate serious accidents.

We have programs to ensure that every employee understands that safety in our business operations is at the core of how we do business and that everyone must work on improving safety.

In addition, senior executives and all employees at the Senko Group work as a unified team to maintain and enhance workplace safety.



Fundamental Stance

- 1 The Senko Group has a strong commitment to the social mission of the logistics business. We will ensure that all employees have a proper understanding of the critical importance of safety in our business operations and will take actions aimed at further improving safety.
- 2 Senior executives will provide strong leadership for improving safety by ensuring the safety for all business operations based on unified activities by everyone from the president to employees at business sites.
- 3 The Senko Group will make all employees well aware that a healthy mind and body is the most important element of safety and that they must manage their health properly.

Activities to Promote Good Health

Healthy Activity Campaign

The Senko Group started the Healthy Activity Campaign in fiscal 2011 to help employees stay healthy. This campaign, in which employees compete to see who exercises the most, provides for physical activity that matches each individual’s life style and condition. The goal is to help prevent lifestyle diseases. Numerous events are held so that all workplaces can enjoy taking part in this campaign. In addition, the Senko Group encourages employees to quit smoking as the part of the campaign.



Mental Health Management Training

To support the mental health of employees, the Senko Group has preventive programs, allows employees to talk with industrial doctors and has a support system to enable employees to return to their jobs. In fiscal 2012, mental health management training sessions led by mental health professionals were held at two locations for managers and supervisors.

Financial Review

Performance

In the fiscal year ended March 2013, revenues increased 8.6% to 293,534 million yen as a result of aggressive sales activities to attract new customers, the contribution deriving from the investments made to establish large new facilities in Noda City in Chiba prefecture, Kitahiroshima City in Hokkaido, and Hyuga City in Miyazaki Prefecture, and the acquisitions of Smile Corp. and Chugoku Piano Transport Co., Ltd. in the previous fiscal year.

Earnings benefited from growth in sales, the contribution from the newly acquired subsidiaries, cost-cutting measures and steps taken to increase productivity with the result that operating income increased 19.8% to 9,909 million yen and net income increased 49.6% to 5,203 million yen.

Consolidated sales by segment

Business segment performance for the fiscal ended March 2013 was as follows:

	(Billions of yen)					
	For the fiscal ended March 31, 2013		For the fiscal ended March 31, 2012		Difference	Growth rate (%)
	Sales	Component ratio (%)	Sales	Component ratio (%)		
Distribution	228.2	77.7	222.5	82.3	5.7	2.6
Retail Product Logistics	78.9	26.9	75.0	27.7	3.9	5.3
Housing Logistics	61.4	20.9	58.5	21.6	2.9	4.9
Chemicals Logistics	43.8	14.9	45.9	17.0	(2.1)	(4.6)
Others	44.1	15.0	43.1	16.0	1.0	2.3
Trading and Commerce	62.1	21.2	44.8	16.6	17.3	38.6
Others	3.2	1.1	3.1	1.1	0.1	3.6
Total	293.5	100.0	270.4	100.0	23.1	8.6

1) Distribution segment

There was an increase in cargo volume for general merchandise stores (GMS) in the distribution logistics business because of the start of operations at large logistics facilities in the previous fiscal year. In the housing distribution business, there was an increase in cargo volume for housing materials. Chugoku Piano Transport Co., Ltd., which became a subsidiary in the previous fiscal year, also contributed to the performance in the period. As a result, segment operating revenues increased 2.6% to 228,251 million yen.

2) Trading and Commerce Segment

Operating revenues increased 38.6% to 62,119 million yen due to the addition of Smile Corp. to the group in the previous fiscal year and higher revenues in the trade business and petroleum product marketing business.

3) Others

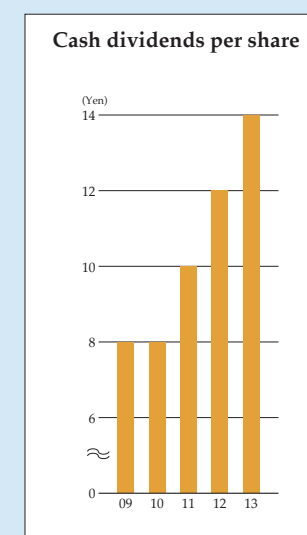
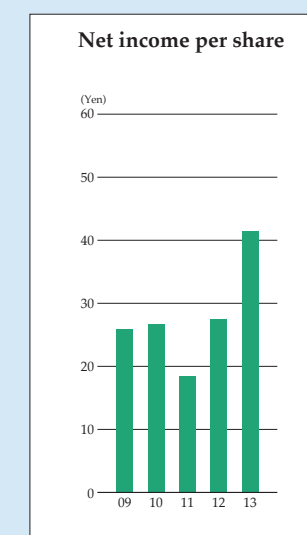
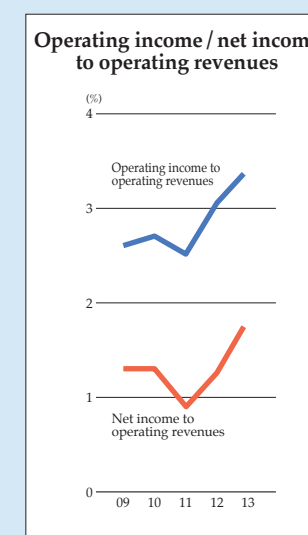
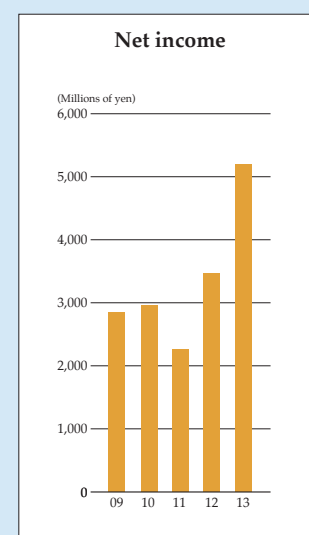
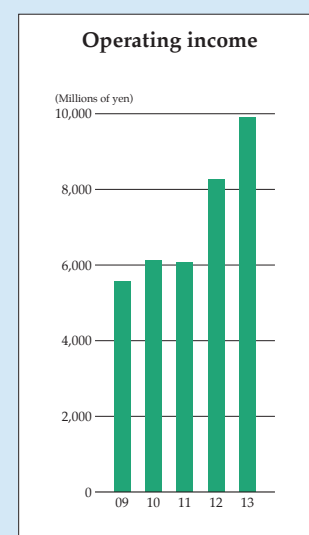
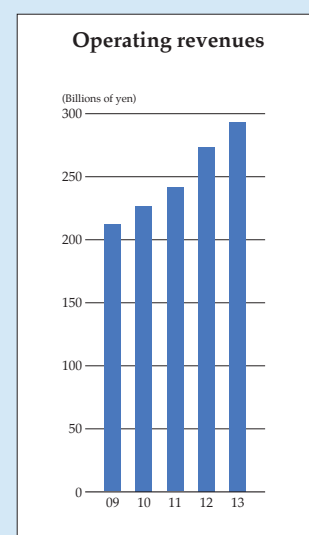
Operating revenues increased 3.6% to 3,164 million yen.

Financial Position

Total assets at the end of the fiscal year were 208,095 million yen, 5,248 million yen than one year earlier. There were increases of 2,337 million yen in cash and cash equivalents and 1,699 million yen in trade accounts and notes receivable.

Current liabilities decreased 4,249 million yen to 63,835 million yen at the end of the fiscal year. There were decreases of 2,625 in short-term loans and 1,736 million yen in current portion of long-term debt. Long-term debt, less current portion was 6,327 million yen higher than one year earlier.

Net assets increased 4,054 million yen to 67,328 million yen. This was mainly the result of increases of 3,568 million yen in retained earnings and 517 million yen in net unrealized holdings gain on securities. The equity ratio increased by 1.0 percentage points to 31.3%.



Capital Expenditures and Depreciation

Capital expenditures decreased 10,563 million yen (70.6%) to 4,404 million yen in the fiscal year that ended in March 2013. This decrease was mainly since expenditures were limited to preparations for the construction of a new distribution center scheduled to open after the next fiscal year and also because the distribution center we opened this year is a leased facility.

Capital expenditures are expected to increase 6,890 million yen (156.4%) to 11,294 million in the fiscal year ending March 2014. We will continue to expand our network of distribution bases and other facilities in Japan and overseas in accordance with the new three-year medium-term business plan.

Depreciation increased 578 million yen (9.4%) to 6,737 million yen in the fiscal year that ended in March 2013 and is expected to be 7,020 million yen in the fiscal year ending in March 2014.

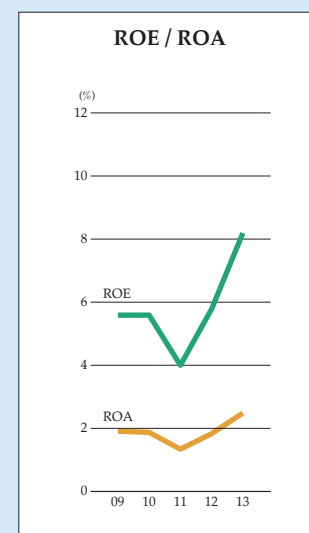
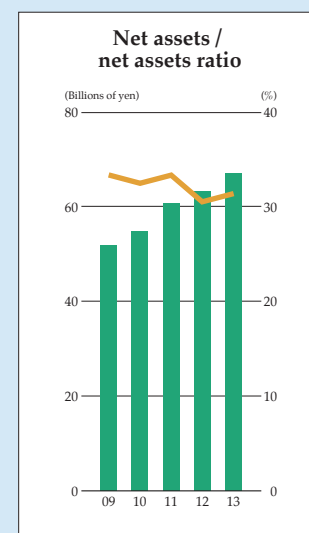
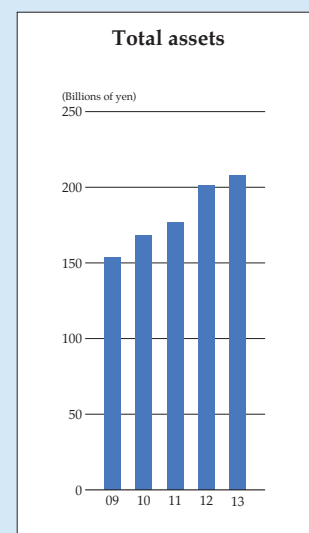
Cash flows

Cash and cash equivalents at the end of the fiscal year increased 2,337 million yen to 15,691 million yen.

Net cash provided by operating activities was 11,037 million yen. Income before income taxes was 9,618 million yen, depreciation and amortization was 6,738 million yen, trade receivables down by 1,560 million yen and income taxes paid of 3,773 million yen.

Net cash used in investing activities was 6,236 million yen. Major uses of cash were 6,014 million yen for purchases of fixed assets.

Net cash used in financing activities was 2,551 million yen. Proceeds from long-term debt were 8,870 million yen and proceeds from the issuance of convertible bond were 5,000 million yen. Uses of cash were 2,626 million yen for short-term loans, 4,378 million yen for repayment of long-term debt, 2,282 million yen for repayments of finance lease obligations, 4,900 million yen for repayments for redemption of convertible bond and 1,635 million yen for dividends paid.



Report of Independent Auditors

To the Board of Directors of SENKO CO., Ltd.

We have audited the accompanying consolidated balance sheet of SENKO CO., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SENKO CO., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S.dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Osaka, Japan
June 27, 2013

Ohtemae Audit Co.
Ohtemae Audit Corporation

Consolidated Balance Sheets

SENKO Co., Ltd. and Consolidated Subsidiaries

March 31, 2013 and 2012

ASSETS

Current assets:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and cash equivalents	¥ 15,691	¥ 13,354	\$ 166,837
Trade accounts and notes receivable—			
Non-consolidated subsidiaries	38	12	404
Others	42,349	40,676	450,281
Less : allowance for doubtful accounts	(66)	(53)	(701)
Inventories	4,779	4,431	50,813
Deferred tax asset (Note 14)	2,030	2,052	21,584
Prepaid expenses and other current assets	4,042	3,783	42,977
Total current assets	68,863	64,255	732,195
Investments in and long-term loans receivable to non-consolidated subsidiaries and an affiliate	2,599	2,606	27,634
Investment securities (Notes 5 and 10)	4,784	4,052	50,867
Property and equipment, at cost (Notes 7 and 10)	171,593	167,840	1,824,487
Less : accumulated depreciation	(75,988)	(71,700)	(807,953)
Net property and equipment	95,605	96,140	1,016,534
Long-term deferred tax assets (Note 14)	3,436	4,000	36,534
Other assets	32,808	31,794	348,836

Total assets ¥ 208,095 ¥ 202,847 \$ 2,212,600

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS

Current liabilities:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term loans (Note 8)	¥ 6,640	¥ 9,265	\$ 70,601
Current portion of long-term debt (Note 8)	7,835	9,571	83,307
Lease obligations	2,147	2,067	22,828
Trade accounts and notes payable—			
Non-consolidated subsidiaries	52	55	553
Others	31,326	32,243	333,078
Accrued expenses	6,887	6,895	73,227
Accrued income taxes	2,540	2,281	27,007
Other current liabilities (Note 14)	6,408	5,707	68,134
Total current liabilities	63,835	68,084	678,735
Long-term debt, less current portion (Note 8)	58,750	52,423	624,668
Lease obligations	3,584	4,075	38,107
Accrued retirement benefits (Note 9)	9,269	9,468	98,554
Other long-term liabilities	5,329	5,523	56,661

Contingent liabilities (Note 11)

Net assets (Note 12):

Shareholders' equity			
Common stock:			
Authorized—294,999,000 shares			
Issued—128,989,476 shares	20,521	20,521	218,192
Capital surplus	18,782	18,782	199,702
Retained earnings	26,469	22,901	281,435
Less : Treasury stock, at cost—4,077,506 shares in 2013 and 3,183,467 shares in 2012	(1,353)	(1,049)	(14,385)
Total Shareholders' equity	64,419	61,155	684,944
Accumulated other comprehensive income :			
Net unrealized holdings gain on securities	674	157	7,166
Gain (loss) on deferred hedges	(5)	157	(53)
Translation adjustments	52	(45)	553
Total accumulated other comprehensive income :	721	269	7,666
Stock acquisition rights (Note 13)	196	149	2,084
Minority interests	1,992	1,701	21,181
Total net assets	67,328	63,274	715,875
Total liabilities and net assets	¥ 208,095	¥ 202,847	\$ 2,212,600

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Operating revenues	¥ 293,534	¥ 270,361	¥ 241,046	\$ 3,121,042
Operating costs and expenses:				
Operating costs of revenues	263,898	245,426	220,569	2,805,933
Selling, general and administrative expenses	19,727	16,661	14,377	209,750
	283,625	262,087	234,946	3,015,683
Operating income	9,909	8,274	6,100	105,359
Other income (expenses):				
Interest and dividend income	1,129	1,094	1,085	12,004
Interest expenses	(1,156)	(1,200)	(1,187)	(12,291)
Others, net	(264)	(384)	(1,710)	(2,807)
	(291)	(490)	(1,812)	(3,094)
Income before income taxes and minority interests	9,618	7,784	4,288	102,265
Income taxes (Note 14):				
Current	3,932	2,706	2,708	41,808
Deferred	397	1,525	(561)	4,221
	4,329	4,231	2,147	46,029
Income before minority interests	5,289	3,553	2,141	56,236
Minority interests in loss (gain) of consolidated subsidiaries	(86)	(74)	120	(914)
Net income	¥ 5,203	¥ 3,479	¥ 2,261	\$ 55,322
		Yen		U.S. dollars
Per share of common stock				
Net income	¥ 41.45	¥ 27.65	¥ 18.44	\$ 0.44
Diluted net income	37.46	25.07	16.72	0.40
Cash dividends applicable to the year	14.00	12.00	10.00	0.15

Consolidated Statements of Comprehensive Income

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Income before minority interests	¥ 5,289	¥ 3,553	¥ 2,141	\$ 56,236
Other comprehensive income (Note 3):				
Net unrealized holdings gain (loss) on securities	563	181	(41)	5,986
Gain (loss) on deferred hedges	(167)	181	19	(1,776)
Translation adjustments	153	(17)	(30)	1,627
Share of other comprehensive income of an affiliate accounted for using equity method	(0)	(1)	(6)	(0)
Total other comprehensive income	549	344	(58)	5,837
Comprehensive income	¥ 5,838	¥ 3,897	¥ 2,083	\$ 62,073
Total comprehensive income attributable to:				
Owners of the parent	¥ 5,654	¥ 3,786	¥ 2,205	\$ 60,117
Minority interests	¥ 184	¥ 111	¥ (122)	\$ 1,956

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Thousands	Millions of Yen									Total net assets
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain (loss) on securities	Gain (loss) on deferred hedges	Translation adjustments	Stock acquisition rights	Minority interests	
Balance at March 31, 2010	111,989	¥ 18,346	¥ 16,607	¥ 19,605	¥ (772)	¥ 50	¥ (23)	¥ (4)	¥ 80	¥ 1,234	¥ 55,123
Net income	—	—	—	2,261	—	—	—	—	—	—	2,261
Issuance of common stock	17,000	2,175	2,175	—	—	—	—	—	—	—	4,350
Cash dividends	—	—	—	(1,073)	—	—	—	—	—	—	(1,073)
Purchases of treasury stock	—	—	—	—	(276)	—	—	—	—	—	(276)
Retirement of treasury stock	—	—	(0)	—	1	—	—	—	—	—	1
Adjustment of retained earnings for a newly consolidated subsidiary	—	—	0	14	—	—	—	—	—	—	14
Other changes	—	—	—	—	—	(47)	13	(27)	28	238	205
Balance at March 31, 2011	128,989	¥ 20,521	¥ 18,782	¥ 20,807	¥ (1,047)	¥ 3	¥ (10)	¥ (31)	¥ 108	¥ 1,472	¥ 60,605
Net income	—	—	—	3,479	—	—	—	—	—	—	3,479
Cash dividends	—	—	—	(1,385)	—	—	—	—	—	—	(1,385)
Purchases of treasury stock	—	—	—	—	(2)	—	—	—	—	—	(2)
Other changes	—	—	—	—	—	154	167	(14)	41	229	577
Balance at March 31, 2012	128,989	¥ 20,521	¥ 18,782	¥ 22,901	¥ (1,049)	¥ 157	¥ 157	¥ (45)	¥ 149	¥ 1,701	¥ 63,274
Net income	—	—	—	5,203	—	—	—	—	—	—	5,203
Cash dividends	—	—	—	(1,635)	—	—	—	—	—	—	(1,635)
Purchases of treasury stock	—	—	—	—	(310)	—	—	—	—	—	(310)
Retirement of treasury stock	—	—	(0)	—	6	—	—	—	—	—	6
Other changes	—	—	—	—	—	517	(162)	97	47	291	790
Balance at March 31, 2013	128,989	¥ 20,521	¥ 18,782	¥ 26,469	¥ (1,353)	¥ 674	¥ (5)	¥ 52	¥ 196	¥ 1,992	¥ 67,328

	Thousands of U.S. dollars									
	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Gain (loss) on deferred hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2012	\$ 218,192	\$ 199,702	\$ 243,497	\$ (11,153)	\$ 1,669	\$ 1,669	\$ (478)	\$ 1,584	\$ 18,087	\$ 672,769
Net income	—	—	55,322	—	—	—	—	—	—	55,322
Cash dividends	—	—	(17,384)	—	—	—	—	—	—	(17,384)
Purchases of treasury stock	—	—	—	(3,296)	—	—	—	—	—	(3,296)
Retirement of treasury stock	—	—	(0)	64	—	—	—	—	—	64
Other changes	—	—	—	—	5,497	(1,722)	1,031	500	3,094	8,400
Balance at March 31, 2013	\$ 218,192	\$ 199,702	\$ 281,435	\$ (14,385)	\$ 7,166	\$ (53)	\$ 553	\$ 2,084	\$ 21,181	\$ 715,875

Consolidated Statements of Cash Flows

SENKO Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S.dollars
	2013	2012	2011	2013
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 9,618	¥ 7,784	¥ 4,288	\$ 102,265
Adjustments for:				
Depreciation and amortization	6,738	6,160	5,590	71,643
Impairment loss	—	—	451	—
Loss on disposals of property and equipment	201	190	181	2,137
Loss (gain) on sales of property and equipment	(26)	303	—	(276)
Loss on revaluation of investment securities	77	—	—	818
Loss on disaster	—	—	977	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	130	—
Decrease in accrued retirement benefits	(199)	(470)	(183)	(2,116)
Increase (decrease) in accrued bonuses to employees	(7)	193	(531)	(74)
Decrease in provision for loss on disaster	(44)	(793)	—	(468)
Interest and dividends income	(1,129)	(1,094)	(1,085)	(12,004)
Interest expenses	1,156	1,200	1,187	12,291
Increase in trade receivables	(1,560)	(4,484)	(729)	(16,587)
Decrease (increase) in inventories	(338)	(802)	560	(3,594)
Increase in trade payables	526	3,969	775	5,593
Other	729	488	(401)	7,751
Subtotal	15,742	12,644	11,210	167,379
Interest and dividends income received	216	254	275	2,296
Interest expenses paid	(1,148)	(1,187)	(1,194)	(12,206)
Income tax paid	(3,773)	(2,369)	(2,882)	(40,117)
Net cash provided by operating activities	11,037	9,342	7,409	117,352
Cash flows from investing activities:				
Payments for purchases of fixed assets	(6,014)	(11,949)	(9,646)	(63,945)
Proceeds from sales of fixed assets	191	1,362	661	2,031
Payments for purchases of investment securities	(42)	(1,396)	(29)	(446)
Proceeds from sales of investment securities	111	53	76	1,180
Payments of long-term loans receivable to non-consolidated subsidiaries	(297)	(119)	(1,565)	(3,158)
Payments for purchases of non-consolidated subsidiaries	(254)	(22)	(573)	(2,701)
Proceeds from sales of subsidiaries	25	22	—	266
Payments for purchase of shares of newly consolidated subsidiaries	—	(4,600)	—	—
Proceeds from purchase of shares of newly consolidated subsidiary	24	—	—	255
Other	20	182	(314)	213
Net cash used in investing activities	(6,236)	(16,467)	(11,390)	(66,305)
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net	(2,626)	152	(450)	(27,921)
Proceeds from long-term debt	8,870	12,650	9,100	94,312
Repayment of long-term debt	(4,378)	(8,203)	(6,490)	(46,550)
Proceeds from issuance of bond	—	5,000	—	—
Proceeds from issuance of convertible bond	5,000	—	—	53,163
Payments for redemption of convertible bond	(4,900)	—	—	(52,100)
Repayments of finance lease obligations	(2,282)	(1,912)	(1,544)	(24,264)
Proceeds from issuance of common stock	—	—	4,350	—
Purchases of treasury stock	(310)	(2)	(276)	(3,296)
Sales of treasury stock	0	—	1	0
Dividends paid	(1,635)	(1,384)	(1,072)	(17,384)
Other	(290)	(207)	(214)	(3,083)
Net cash provided by (used in) financing activities	(2,551)	6,094	3,405	(27,123)
Effect of exchange rate changes on cash and cash equivalents	54	(9)	(31)	574
Net increase (decrease) in cash and cash equivalents	2,304	(1,040)	(607)	24,498
Cash and cash equivalents at beginning of year	13,354	14,394	14,505	141,988
Net increase in cash and cash equivalents of newly consolidated subsidiaries	33	—	496	351
Cash and cash equivalents at end of year	¥ 15,691	¥ 13,354	¥ 14,394	\$ 166,837

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

SENKO Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements:

SENKO Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japan Companies Act and the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in several respects as to the accounting and disclosure requirements of International Accounting Standards.

The Company's foreign subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the "Companies") which were filed with the Director of Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the exchange rate prevailing at March 31, 2013, which was ¥94.05 to US\$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions are eliminated.

Non-consolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidation with the Companies.

The investments in other insignificant unconsolidated subsidiaries and affiliates are stated at cost.

(b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities of three months or less.

(c) Investment Securities

Investment securities are classified and accounted for, depending on management's intent.

Marketable other securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets.

Non-marketable other securities are stated at cost.

The cost of other securities sold is determined by the moving-average method.

The Companies classified all securities as other securities.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience or an evaluation of potential losses in the receivables outstanding.

(e) Inventories

Purchased goods are stated principally at cost determined by the periodic average method (with book values written down on the balance sheets based on decreased profitability of assets). Finished goods, real estate for sale and work in process are stated principally at cost determined by the specific method (with book values written down on the balance sheets based on decreased profitability of assets). Raw materials are stated at cost determined by the last purchase cost method (with book values written down on the balance sheets based on decreased profitability of assets). Supplies are principally stated at cost determined by the moving-average method (with book values written down on the balance sheets based on decreased profitability of assets).

(f) Property and Equipment and Depreciation (Except for Leased Assets)

Property and equipment are stated at cost. Depreciation is computed on the straight-line method for the buildings (including fixtures attached to the buildings), structures and vehicles, and on the declining-balance method for the others, on the estimated useful lives of assets.

The principal estimated useful lives are as follows:

Buildings and structures	3 to 60 years
Machinery and equipment	3 to 17 years

(g) Leased Assets

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees are accounted for in a similar way to purchases and depreciation for lease assets is computed under the straight-line method with zero residual value over the lease term.

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees, which commenced in fiscal years beginning prior to April 1, 2008, are accounted for in a similar way to operating leases.

(h) Accrued Retirement Benefits

The Company and certain domestic consolidated subsidiaries have retirement benefit plans for their employees. Such benefits are provided through the unfunded lump-sum severance indemnity plan and the funded noncontributory pension plan.

The amount of retirement benefits are determined on the basis of length of service, basic salary and certain other factors at the time of termination of employment.

Allowance for retirement benefits has been provided for employees' retirement benefits, based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the balance sheet date.

Actuarial gains and losses are amortized by the straight-line method over a period of 13 years, which is within the estimated average remaining years of service of the Companies' employees. The amortization of such gains and losses is recognized effective the year subsequent to the year in which they are incurred. Prior service costs are amortized in the fiscal year in which they are incurred.

Certain consolidated subsidiaries also have a severance indemnity plan for directors and corporate auditors, whose accrued severance indemnities are stated at 100% of the amount which is computed according to internal rules.

(i) Income Taxes

Deferred income taxes are recognized by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are determined based on difference of between financial reporting and the tax basis of the assets and liabilities, and are measured using the enacted tax rate and laws that will be in effect when the differences are expected to reverse.

(j) Goodwill

Goodwill amortized over a period of 5 years by the straight-line method. If the economic useful life can be estimated, the useful life is used as the amortization period.

(k) Derivatives and hedge accounting

The Company and a consolidated subsidiary state derivative financial instruments at market value and recognize changes in the market value as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and a consolidated subsidiary defer recognition of gain or loss resulting from changes in the market value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, when forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(l) Per Share Information

Basic net income per share is computed on the basis of the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share is computed on the basis of the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds and exercise of stock acquisition rights.

Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.

(m) Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. Revenue and expenses are translated at the rate of exchange prevailing when transactions are made.

Foreign currency financial statements amounts of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate for prevailing at the respective balance sheet dates of those subsidiaries for assets and liabilities, and at the historical exchange rate for net assets. All income and expense amounts are translated at the average rate of exchange during the fiscal year of those subsidiaries.

The resulting translation adjustments are included in net assets as translation adjustments.

3. Comprehensive Income:

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of
	2013	2012	U.S. dollars
Net unrealized holdings gain on securities:			2013
Amount recognized in the period under review	¥ 795	¥ 282	\$ 8,453
Amount of recycling	77	(6)	819
Before income tax effect adjustments	872	276	9,272
Amount of income tax effect	(309)	(95)	(3,286)
Net unrealized holdings gain on securities	563	181	5,986
Gain (loss) on deferred hedges:			
Amount recognized in the period under review	(184)	277	(1,956)
Amount of recycling	(85)	12	(904)
Before income tax effect adjustments	(269)	289	(2,860)
Amount of income tax effect	102	(108)	1,084
Gain (loss) on deferred hedges	(167)	181	(1,776)
Translation adjustments:			
Amount recognized in the period under review	153	(17)	1,627
Share of other comprehensive income of an affiliate:			
Amount recognized in the period under review	(0)	(1)	(0)
Total other comprehensive income	¥ 549	¥ 344	\$ 5,837

4. Financial Instruments:

(a) Status of financial instruments

(1) Policy on financial instruments

The Company and certain of its subsidiaries raise the funds required for capital investment plans for further growth from bank loans and the issuance of bond. The Companies manage any temporary surplus funds using highly stable financial assets. The Companies use derivatives in order to hedge against currency risks associated with merchandise imports as well as interest rate fluctuations risks in loans payable, and do not engage in speculative transactions.

(2) Details of financial instruments, their risks and management systems

Trade accounts and notes receivable, which are operating receivables, are exposed to the credit risk of the customer and the Companies operate systems to manage both payment deadlines and balances for each customer and grasp the credit status of each customer.

Investment securities are mainly the shares of companies with which the Companies have a business relationship and the shares related to capital alliances, and these are exposed to the risk of fluctuations in market prices.

Trade accounts and notes payable, which are operating liabilities, have payment dates of within 1 year.

Trade accounts payable in foreign currencies are exposed to risks of foreign exchange fluctuations. To hedge such fluctuation risks, a consolidated subsidiary has entered into foreign exchange forward contracts.

Short-term loans are fund procurement related mainly to operating transactions. Long-term debt are fund procurement related mainly to capital investment.

Loans with variable interest rate are exposed to the risk of fluctuations in payable interest rates, but the Company conduct interest rate swap transactions in order to hedge the risk of fluctuations in payable interest rates for some long-term debt among variable interest rate loans.

In addition, operating liabilities and loans payable are exposed to liquidity risk, but the Companies implement integrated fund management through the concentration of funds in the Company, which carries out fund settlement, fund procurement, monitoring of balances and fund management for the Companies.

Regarding derivatives, the Companies use foreign exchange forward contracts to hedge against foreign exchange rates fluctuation risks, and interest rate swap transactions aimed at hedging against the risk of future interest rate fluctuations, and also reduce the cost of fund procurement by converting variable interest rate liabilities into fixed interest rate liabilities.

Primary risks pertaining to derivative transactions include market risk and credit risk. Market risk is the risk that the value of an investment position will decrease due to changes in market factors, and a derivative transaction is exposed to foreign exchange and interest rate fluctuation risks. The Companies' derivatives effectively offset the risks of assets and liabilities on the balance sheets, and there were no important transaction risks. Credit risk is the risk that, in the case of default of the other party, the relevant party would become incapable of benefiting from the effect that would have obtained in the future if the transaction had continued. The Companies' derivative transaction partners are limited to financial institutions with high credit ratings and the Companies do not foresee the occurrence of losses due to debt default on the part of transaction partners.

The Company manages derivatives based on authority-related regulations in the Business Management Division. The execution of transactions requires the permission of the director responsible for the management of derivatives and the details of transactions are reported to the general manager of the Business Management Division and the director after their execution.

A consolidated subsidiary also manage derivatives based on authority-related regulations, as does the Company.

(3) Supplementary explanation of the estimated market values of financial instruments

The market value of financial instruments includes prices based on market prices and reasonably estimated prices if there are no market prices. Because estimations of the prices incorporate fluctuating factors, application of different assumptions can in some cases change the prices.

(b) Market value of financial instruments

The values on the consolidated balance sheets, market values and the differences between them are as follows. Financial instruments for which apprehension of the market value is recognized to be extremely difficult are not included.

	Millions of yen		
	Book value	Market value	Difference
2013			
(1) Cash and cash equivalents	¥ 15,691	¥ 15,691	—
(2) Trade accounts and notes receivable	42,387	42,387	—
(3) Investment securities	4,294	4,294	—
(4) Long-term loans receivable (including current portion)	4,180		
Less allowance for doubtful accounts (*1)	(147)		
	4,033	4,500	467
Total assets	¥ 66,405	¥ 66,872	¥ 467
(1) Trade accounts and notes payable	¥ 31,378	¥ 31,378	—
(2) Short-term loans	6,640	6,640	—
(3) Bond	12,000	12,053	53
(4) Convertible bond	5,000	4,805	(195)
(5) Long-term debt (including current portion)	49,585	50,079	494
(6) Lease obligations (including current portion)	5,731	5,670	(61)
Total liabilities	¥ 110,334	¥ 110,625	¥ 291
Derivatives (*2)	(¥ 5)	(¥ 5)	—

	Millions of yen		
	Book value	Market value	Difference
2012			
(1) Cash and cash equivalents	¥ 13,354	¥ 13,354	—
(2) Trade accounts and notes receivable	40,688	40,688	—
(3) Investment securities	3,047	3,047	—
(4) Long-term loans receivable (including current portion)	4,252		
Less allowance for doubtful accounts (*1)	(78)		
	4,174	4,512	338
Total assets	¥ 61,263	¥ 61,601	¥ 338
(1) Trade accounts and notes payable	¥ 32,298	¥ 32,298	—
(2) Short-term loans	9,265	9,265	—
(3) Bond	12,000	11,921	(79)
(4) Convertible bond	4,900	4,849	(51)
(5) Long-term debt (including current portion)	45,094	45,131	37
(6) Lease obligations (including current portion)	6,142	5,931	(211)
Total liabilities	¥ 109,699	¥ 109,395	(¥ 304)
Derivatives (*2)	¥ 157	¥ 157	—

	Thousands of U.S. dollars		
	Book value	Market value	Difference
2013			
(1) Cash and cash equivalents	\$ 166,837	\$ 166,837	—
(2) Trade accounts and notes receivable	450,685	450,685	—
(3) Investment securities	45,657	45,657	—
(4) Long-term loans receivable (including current portion)	44,444		
Less allowance for doubtful accounts (*1)	(1,563)		
	42,881	47,847	4,966
Total assets	\$ 706,060	\$ 711,026	\$ 4,966
(1) Trade accounts and notes payable	\$ 333,631	\$ 333,631	—
(2) Short-term loans	70,601	70,601	—
(3) Bond	127,592	128,155	563
(4) Convertible bond	53,163	51,090	(2,073)
(5) Long-term debt (including current portion)	527,220	532,472	5,252
(6) Lease obligations (including current portion)	60,935	60,287	(648)
Total liabilities	\$ 1,173,142	\$ 1,176,236	\$ 3,094
Derivatives (*2)	(\$ 53)	(\$ 53)	—

*1. Allowance for doubtful accounts recognized in long-term loans receivable is offset.

*2. "Derivatives" shows net receivables and liabilities generated by derivative transactions, with net liabilities shown in parentheses.

Calculation of the market value of financial instruments and items relating to investment securities and derivatives

Assets

(1) Cash and cash equivalents, (2) Trade accounts and notes receivable

Because these are settled in a short period of time and market values are roughly equivalent to book values, market value are calculated based on book values.

(3) Investment securities

The market values of shares are based on stock exchange prices and the market values of bond are based on stock exchange prices and the prices offered by correspondent financial institutions. With regard to details of the investment securities by purpose, please see "Note 5"

(4) Long-term loans receivable

The market values of long-term loans receivable are calculated based on the current value discounting future cash flow by a rate adding credit risk to appropriate indices such as the yield on government bond.

Liabilities

(1) Trade accounts and notes payable, (2) Short-term loans

Because these are settled in a short period of time and market values are roughly equivalent to book values, market values are calculated based on the book values.

(3) Bond, (4) Convertible bond

The market values of bond issued by the Company are calculated based on the current value discounting the total value of principal and interest by a rate adding the remaining period of the bond in question and credit risk.

(5) Long-term debt

The market values of long-term debt are calculated based on the current value discounting the total value of principal and interest by a rate envisioned if a new loan of the same value was taken out. Long-term debt based on variable interest rates are subject to special processing using interest rate swaps, and are calculated based on the current value discounting the total value of principal and interest processed as a unit with the relevant interest rate swaps by a rate estimated rationally and applied if a loan of the same value was taken out.

(6) Lease obligations

The market values of lease obligations are calculated based on the current value discounting the total value of principal and interest by a rate envisioned if a new loan of the same value was taken out.

Derivatives

See "Note 6"

Financial instruments for which it is extremely difficulty to determine market value

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted shares	¥ 1,256	¥ 1,703	\$ 13,355
Investments in limited partnerships for investment	—	4	—

The financial instruments listed above are not included in "(3) Investment securities," as there is no market price and determination of their market value is extremely difficult.

(c)Planned redemption amounts after the balance sheets date for monetary assets and investment securities with maturity dates

	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
2013				
Cash and cash equivalents	¥ 15,691	—	—	—
Trade accounts and notes receivable	42,387	—	—	—
Investment securities	—	—	—	—
Other securities with maturity period				
(1) Government bond, local government bond	—	10	—	—
(2) Bond	—	—	—	—
(3) Other	—	—	—	—
Long-term loans receivable	347	1,610	1,377	846
Total	¥ 58,425	¥ 1,620	¥ 1,377	¥ 846

	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
2012				
Cash and cash equivalents	¥ 13,354	—	—	—
Trade accounts and notes receivable	40,688	—	—	—
Investment securities	—	—	—	—
Other securities with maturity period				
(1) Government bond, local government bond	—	10	—	—
(2) Bond	—	—	—	—
(3) Other	—	—	—	—
Long-term loans receivable	276	1,507	1,548	921
Total	¥ 54,318	¥ 1,517	¥ 1,548	¥ 921

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
2013				
Cash and cash equivalents	\$ 166,837	—	—	—
Trade accounts and notes receivable	450,685	—	—	—
Investment securities	—	—	—	—
Other securities with maturity period				
(1) Government bond, local government bond	—	106	—	—
(2) Bond	—	—	—	—
(3) Other	—	—	—	—
Long-term loans receivable	3,689	17,119	14,641	8,995
Total	\$ 621,211	\$ 17,225	\$ 14,641	\$ 8,995

5. Investment Securities:

The carrying amounts of investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Marketable securities	¥ 4,294	¥ 3,047
Non-marketable securities	490	1,005	5,210
	¥ 4,784	¥ 4,052	\$ 50,867

The following is a summary of marketable securities included in investment securities, at March 31, 2013 and 2012.

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
2013				
Equity security	¥ 2,933	¥ 1,228	¥ (26)	¥ 4,135
Bond and Others	153	6	—	159
	¥ 3,086	¥ 1,234	¥ (26)	¥ 4,294

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
2012				
Equity security	¥ 2,456	¥ 443	¥ (102)	¥ 2,797
Bond and Others	258	0	(8)	250
	¥ 2,714	¥ 443	¥ (110)	¥ 3,047

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
2013				
Equity security	\$ 31,185	\$ 13,057	\$ (276)	\$ 43,966
Bond and Others	1,627	64	—	1,691
	\$ 32,812	\$ 13,121	\$ (276)	\$ 45,657

The proceeds from sales of , and gross realized gain and loss on , other securities for the years at March 31, 2013 and 2012 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Proceeds from sales	¥ 114	¥ 42	\$ 1,212
Gross realized gain	12	18	128
Gross realized loss	—	—	—

6. Derivatives:

1. Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency transactions

Hedge accounting method	Type of contracts	Item hedged	Millions of yen		
			2013		
			Contract amounts	Over 1 year out of contract amounts	Market value
		Forward exchange contracts			
		Buy			
Designated transactions for forward exchange contracts		U.S. dollars	¥ 1,551	—	¥ 3
		Euros	273	—	(3)
		Danish kroner	37	—	(0)
		Total	¥ 1,861	—	¥ 0

Hedge accounting method	Type of contracts	Item hedged	Millions of yen		
			2012		
			Contract amounts	Over 1 year out of contract amounts	Market value
		Forward exchange contracts			
		Buy			
Designated transactions for forward exchange contracts		U.S. dollars	¥ 3,736	—	¥ 125
		Euros	279	—	6
		Danish kroner	38	—	2
		Pounds sterling	1	—	(0)
		Total	¥ 4,054	—	¥ 133

Hedge accounting method	Type of contracts	Item hedged	Thousands of U.S. dollars		
			2013		
			Contract amounts	Over 1 year out of contract amounts	Market value
		Forward exchange contracts			
		Buy			
Designated transactions for forward exchange contracts		U.S. dollars	\$ 16,491	—	\$ 32
		Euros	2,903	—	(32)
		Danish kroner	393	—	(0)
		Total	\$ 19,787	—	\$ 0

Market value is measured based on prices and other criteria presented by our correspondent financial institutions.

(2) Interest rate swaps

Hedge accounting method	Type of contracts	Item hedged	Millions of yen		
			Contract amounts	Over 1 year out of contract amounts	Market value
2013					
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	¥ 36,223	¥ 29,665	— (*)
2012					
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contract Floating rate receivable/ Fixed rate payable	Long-term debt	¥ 32,031	¥ 29,723	— (*)

Hedge accounting method	Type of contracts	Item hedged	Thousands of U.S. dollars		
			Contract amounts	Over 1 year out of contract amounts	Market value
2013					
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	\$ 385,146	\$ 315,417	— (*)

* Items treated under exceptional accounting method for interest-rate swap transactions are recorded together with long-term debt included in items hedged. Therefore, the market value of such items is included in the market value of the relevant long-term debt.

7. Property and Equipment:

At March 31, 2013 and 2012, property and equipment at cost consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥ 40,098	¥ 39,838	\$ 426,348
Buildings and structures	95,602	95,267	1,016,502
Machinery and equipment, vehicle and vessels	21,460	20,869	228,177
Tools, furniture and fixtures	4,894	4,778	52,036
Construction in Progress	1,804	230	19,181
Lease assets	7,735	6,858	82,243
	<u>¥ 171,593</u>	<u>¥ 167,840</u>	<u>\$ 1,824,487</u>

8. Short-term Loans and Long-term Debt:

At March 31, 2013 and 2012, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
0.61% to 1.47% unsecured loans from banks	<u>¥ 6,640</u>	<u>¥ 9,265</u>	<u>\$ 70,601</u>

At March 31, 2013 and 2012, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
1.31% bond due 2014	¥ 7,000	¥ 7,000	\$ 74,429
0.80% bond due 2016	5,000	¥ 5,000	53,163
Convertible bond due 2013	—	4,900	—
Convertible bond due 2017	5,000	—	53,163
0.35% to 2.34% loans from banks and insurance companies: Unsecured	<u>49,585</u>	<u>45,094</u>	<u>527,220</u>
	<u>66,585</u>	<u>61,994</u>	<u>707,975</u>
Less current portion	<u>(7,835)</u>	<u>(9,571)</u>	<u>(83,307)</u>
	<u>¥ 58,750</u>	<u>¥ 52,423</u>	<u>\$ 624,668</u>

On July 20, 2012, the Company issued ¥ 5,000 million (\$ 53,163 thousand) of zero coupon convertible bond with stock acquisition rights due in 2017. The stock acquisition rights are exercisable during the period from July 6, 2017 at a conversion price of ¥ 394 (\$ 4.19) per share.

The annual maturities of long-term debt at March 31, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 7,835	\$ 83,307
2015	13,736	146,050
2016	5,775	61,404
2017	13,608	144,689
2018	20,397	216,874
There after	5,234	55,651

At March 31, 2013, the Company has committed line and overdraft contracts with seventeen banks aggregating ¥ 27,600 million (\$ 293,460 thousand).

Of the total credit limit, ¥ 5,130 million (\$ 54,545 thousand) was used as the above short-term and long-term borrowing, and the rest ¥ 22,470 million (\$ 238,915 thousand) was unused.

9. Accrued Retirement Benefits:

The following table sets forth the changes in benefits obligation, plan assets and funded status of the Company and its certain subsidiaries at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Benefits obligation at the end of the year	¥ (27,087)	¥ (22,912)	\$ (288,006)
Fair value of plan assets at the end of the year	14,552	11,853	154,726
Unfunded retirement benefits obligation	(12,535)	(11,059)	(133,280)
Unrecognized actuarial differences	6,118	4,295	65,050
Net retirement benefits obligation	(6,417)	(6,764)	(68,230)
Prepaid pension cost	2,852	2,704	30,324
Accrued retirement benefits	<u>¥ (9,269)</u>	<u>¥ (9,468)</u>	<u>\$ (98,554)</u>

Retirement benefits costs of the Company and its certain subsidiaries included the following components for the year ended March 31, 2013, 2012 and 2011.

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Service cost	¥ 1,132	¥ 1,068	¥ 1,206	\$ 12,036
Interest cost	543	563	566	5,774
Expected return on plan assets	(356)	(347)	(349)	(3,785)
Amortization:				
Recognized actuarial differences	598	581	525	6,358
Others	183	126	—	1,946
Net periodic benefits cost	<u>¥ 2,100</u>	<u>¥ 1,991</u>	<u>¥ 1,948</u>	<u>\$ 22,329</u>

Assumption used in the accounting for the defined benefits plans for the year ended March 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Method of attributing benefits to periods of service	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	1.00%	2.50%	2.50%
Expected rate of return on fund assets	3.00%	3.00%	3.00%
Amortization period of prior service costs	1year	1year	1year
Amortization period of actuarial differences	13years	13years	13years

10. Pledged Assets:

The following assets were pledged as collateral as at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥ 2,225	¥ 2,225	\$ 23,658
Buildings	387	424	4,115
Vehicles	0	2	0
Investment securities	10	10	106
	¥ 2,622	¥ 2,661	\$ 27,879

Obligations which were secured on the above assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Long-term debt, including current portion	¥ 100	¥ 100	\$ 1,063

11. Contingent Liabilities:

At March 31, 2013 and 2012, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Guarantees of some obligations	¥ 330	¥ 176	\$ 3,509
Buyback obligations associated with securitization of receivables	474	385	5,040
Recourse obligation associated with securitization of guarantee deposits	139	140	1,478
Trade notes endorsed	64	47	680
	¥ 1,007	¥ 748	\$ 10,707

12. Net Assets:

The Japan Companies Act provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until such reserve and additional paid-in capital equals 25% of the common stock account. The Japan Companies Act also stipulates that, on condition that the sum of the additional paid-in capital and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The retained earnings account in the accompanying consolidated financial statements at March 31, 2013, included the Company's legal reserve of ¥ 1,506 million (\$ 16,013 thousand).

13. Stock Option Plans:

The stock option plans of the Company approved by the shareholders in accordance with the Japan Companies Act at March 31, 2013 were as follows:

(1) Description of stock options

stock option	Grantees	Number of shares with warrants granted	Date of grant	Option price per warrant	Shares with warrants granted	Exercise period
2007 Stock options (1st)	10 directors 3 auditors	61,000 shares	July 20, 2007	¥ 1	Common stock	July 21, 2007 - June 30, 2027
2007 Stock options (2nd)	9 operating officers	18,000 shares	July 20, 2007	¥ 1	Common stock	July 21, 2007 - June 30, 2027
2008 Stock options (4th)	10 directors 3 auditors	71,000 shares	July 1, 2008	¥ 1	Common stock	July 2, 2008 - June 30, 2028
2008 Stock options (5th)	10 operating officers	22,000 shares	July 1, 2008	¥ 1	Common stock	July 2, 2008 - June 30, 2028
2009 Stock options (6th)	11 directors 4 auditors	74,000 shares	July 1, 2009	¥ 1	Common stock	July 2, 2009 - June 30, 2029
2009 Stock options (7th)	12 operating officers	27,000 shares	July 1, 2009	¥ 1	Common stock	July 2, 2009 - June 30, 2029
2010 Stock options (8th)	11 directors 4 auditors	90,000 shares	July 1, 2010	¥ 1	Common stock	July 2, 2010 - June 30, 2030
2010 Stock options (9th)	13 operating officers 13 assistant directors	42,000 shares	July 1, 2010	¥ 1	Common stock	July 2, 2010 - June 30, 2040
2011 Stock options (10th)	12 directors 4 auditors	102,000 shares	July 1, 2011	¥ 1	Common stock	July 2, 2011 - June 30, 2031
2011 Stock options (11th)	15 operating officers 20 assistant directors	96,000 shares	July 1, 2011	¥ 1	Common stock	July 2, 2011 - June 30, 2041
2012 Stock options (12th)	12 directors 4 auditors	107,000 shares	July 2, 2012	¥ 1	Common stock	July 3, 2012 - June 30, 2032
2012 Stock options (13th)	16 operating officers 22 assistant directors	92,000 shares	July 2, 2012	¥ 1	Common stock	July 3, 2012 - June 30, 2042

(2) Changes in the number of stock options

The following describes changes in the number of stock options that existed during the year ended March 31, 2013. The number of stock options is translated into the number of shares.

	Share subscription rights which are not yet vested (shares):				Share subscription rights which have already been vested (shares):					
	At March 31, 2012	Granted	Forfeited	Vested	At March 31, 2013	At March 31, 2012	Vested	Exercised	Forfeited	At March 31, 2013
2007 Stock options (1st)	55,000	—	—	5,000	50,000	—	5,000	5,000	—	—
2007 Stock options (2nd)	12,000	—	—	2,000	10,000	—	2,000	2,000	—	—
2008 Stock options (4th)	63,000	—	—	5,000	58,000	—	5,000	5,000	—	—
2008 Stock options (5th)	17,000	—	—	2,000	15,000	—	2,000	2,000	—	—
2009 Stock options (6th)	74,000	—	—	—	74,000	—	—	—	—	—
2009 Stock options (7th)	27,000	—	—	2,000	25,000	—	2,000	2,000	—	—
2010 Stock options (8th)	90,000	—	—	—	90,000	—	—	—	—	—
2010 Stock options (9th)	42,000	—	—	1,000	41,000	—	1,000	1,000	—	—
2011 Stock options (10th)	102,000	—	—	—	102,000	—	—	—	—	—
2011 Stock options (11th)	96,000	—	—	3,000	93,000	—	3,000	3,000	—	—
2012 Stock options (12th)	—	107,000	—	—	107,000	—	—	—	—	—
2012 Stock options (13th)	—	92,000	—	—	92,000	—	—	—	—	—

14. Income Taxes:

The Company and its subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a normal effective statutory tax rates of approximately 38.0 % for the years ended March31, 2013 and 40.6% for the years ended March 31, 2012.

(1) Significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued retirement benefits	¥ 3,930	¥ 3,977	\$ 41,786
Accrued bonuses to employees	1,452	1,504	15,439
Loss carry forward	900	962	9,569
Impairment losses	329	339	3,498
Loss on revaluation of land	307	307	3,264
Provision for loss on disaster	—	17	—
Accrued enterprise tax	224	187	2,382
Social insurance premium	202	204	2,148
Asset retirement obligations	115	113	1,223
Loss on revaluation of golf club membership	101	98	1,074
Other	850	808	9,038
Gross deferred tax assets	8,410	8,516	89,421
Less: valuation allowance	(1,421)	(1,117)	(15,109)
Total deferred tax assets	6,989	7,399	74,312
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(854)	(856)	(9,080)
Asset retirement obligations	(44)	(49)	(468)
Net unrealized holdings gain on other securities	(426)	(113)	(4,530)
Other	(490)	(562)	(5,210)
Gross deferred tax liabilities	(1,814)	(1,580)	(19,288)
Net deferred tax assets	¥ 5,175	¥ 5,819	\$ 55,024

(2) Reconciliation of the statutory effective income tax rate and the income tax rate as a percentage of income before income taxes and minority interests at March 31, 2013 and 2012 were as follows:

	2013	2012
Statutory tax rate	38.0%	40.6%
Adjustment:		
Non-deductible expenses	1.5	1.8
Inhabitants' per capita taxes	2.3	2.8
Non-taxable dividends income	(0.2)	(0.2)
Net change in valuation allowance	3.4	0.0
Adjustments of deferred tax assets due to the change in statutory effective tax rate	—	8.9
Other	0.0	0.4
Income tax rate as a percentage of income before income taxes and minority interests	45.0%	54.3%

15. Asset Retirement Obligations:

(a) Outline of the relevant asset retirement obligations

Of property lease contracts for the Company's distribution centers, asset retirement obligations are recognized where restoration is required in the fixed-term leasehold contracts, and in the property lease contracts of some consolidated subsidiaries.

(b) Calculation method for the relevant asset retirement obligations

In calculating the amount of asset retirement obligations recorded under liabilities, an estimated period of use of 10 to 20 years and a discount rate of 0.7% to 2.5% were assumed.

(c) Increase in the total amount of asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of the term	¥ 316	¥ 293	\$ 3,360
Increase due to acquisition of a consolidated subsidiary	—	15	—
Reconciliation associated with the passage of time	8	8	85
Balance at the end of the term	¥ 324	¥ 316	\$ 3,445

16. Segment Information:

1. Summary of reportable segment

The reportable segments of the Companies are components for which separate financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies divide business operations into three segments: Distribution, Trading & Commerce, and Others.

Distribution mainly includes truck transport, railway forwarding, marine transport, global logistics service, integrated retail logistics (distribution centers) etc.

Trading & Commerce mainly includes the sale of petroleum products and the trading business.

Others mainly includes data processing outsourcing services, automobile maintenance and insurance agency services.

2. Calculation of sales, profit (loss), assets and liabilities, etc. of each reportable segment

The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies."

Profit (loss) of reportable segments is based on operating income or loss.

3. Sales, profit (loss), assets, etc. of each reportable segment

	Millions of yen					
	2013			Total	Adjustments and eliminations	Consolidated
Distribution	Trading & Commerce	Others				
Operating revenues:						
Customers	¥ 228,251	¥ 62,119	¥ 3,164	¥ 293,534	—	¥ 293,534
Intersegment	766	10,488	3,148	14,402	(14,402)	—
Total operating revenues	229,017	72,607	6,312	307,936	(14,402)	293,534
Segment income (loss)	7,688	1,943	508	10,139	(230)	9,909
Segment assets	173,354	24,612	4,171	202,137	5,958	208,095
Other items						
Depreciation	5,682	197	172	6,051	687	6,738
Increase in tangible and intangible fixed assets	2,419	303	157	2,879	2,004	4,883

	Millions of yen					
	2012					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 222,495	¥ 44,811	¥ 3,055	¥ 270,361	—	¥ 270,361
Intersegment	704	10,536	3,450	14,690	(14,690)	—
Total operating revenues	223,199	55,347	6,505	285,051	(14,690)	270,361
Segment income (loss)	6,604	1,276	691	8,571	(297)	8,274
Segment assets	171,328	15,299	10,084	196,711	6,136	202,847
Other items						
Depreciation	5,253	124	172	5,549	611	6,160
Increase in tangible and intangible fixed assets	16,799	138	116	17,053	669	17,722

	Thousands of U.S. dollars					
	2013					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	\$ 2,426,911	\$ 660,489	\$ 33,642	\$ 3,121,042	—	\$ 3,121,042
Intersegment	8,145	111,515	33,471	153,131	(153,131)	—
Total operating revenues	2,435,056	772,004	67,113	3,274,173	(153,131)	3,121,042
Segment income (loss)	81,744	20,659	5,401	107,804	(2,445)	105,359
Segment assets	1,843,211	261,691	44,349	2,149,251	63,349	2,212,600
Other items						
Depreciation	60,415	2,095	1,829	64,339	7,304	71,643
Increase in tangible and intangible fixed assets	25,720	3,222	1,669	30,611	21,308	51,919

(1) Products and Services Information

Information for specific products and services is not shown because the same information is in the segment information.

(2) Geographic Segment Information

a. Sales

Sales information by geographic segment is not shown because sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

b. Property, plant and equipment

Property, plant and equipment information by geographic segment is not shown because property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

(3) Information by Major Clients

Information by major clients is not shown because sales to major clients accounted for less than 10% of operating revenue on the consolidated statements of income.

(Information on impairment losses in fixed assets by business segment)

No significant items to be reported.

(Information on amortization of goodwill and amortization balance by business segment)

	Millions of yen				
	2013				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 94	¥ 192	—	—	¥ 286
Balance at the end of period	772	2,681	—	—	3,453

	Millions of yen				
	2012				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 85	¥ 120	—	—	¥ 205
Balance at the end of period	864	2,866	—	—	3,730

	Thousands of U.S. dollars				
	2013				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ 999	\$ 2,041	—	—	\$ 3,040
Balance at the end of period	8,208	28,506	—	—	36,714

(Information on negative goodwill by business segment)

No significant items to be reported.

17. Subsequent Event:

(1) Payment of Dividends

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 27, 2013.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 874	\$ 9,293

Stock Information (As of March 31, 2013)

Stock Listings	Tokyo, Osaka
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Share	128,989,476
Number of Shareholders	6,891
Administrator of Shareholder's Register	Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Division 3-6-3, Fushimi Machi, Chuo-ku, Osaka 541-8502, Japan
Independent Auditors	Otemae Audit Corporation

Largest Shareholders

	Number of Shares	Percentage Held
Japan Trustee Services Bank, Ltd. (Trust Account)	15,516,000	12.03%
Asahi Kasei Corporation	11,676,726	9.05%
Senko Group Employee's Stockholding	7,590,743	5.88%
Sekisui Chemical Co., Ltd.	6,785,900	5.26%
The Master Trust Bank of Japan, Ltd.	5,697,000	4.42%
Mitsubishi UFJ Trust and Banking Corporation	4,252,000	3.30%
Isuzu Motors Limited	4,139,689	3.21%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,439,170	2.67%
Aioi Nissay Dowa Insurance Co., Ltd.	3,169,655	2.46%
Trust & Custody Services Bank, Ltd.	2,641,000	2.05%

Classification by Type of Shareholder

	Number of Shareholders	Number of Shares	Percentage Held
Domestic financial institutions	45	45,539,329	35.30%
Securities firms	29	904,490	0.70%
Other domestic corporations	246	39,850,380	30.89%
Foreign financial institutions and individuals	139	11,451,996	8.88%
Individuals and others	6,402	31,243,281	24.22%
Total	6,891	128,989,476	100.00%

Board of Directors and Corporate Auditors, Executive Officers (As of June 27, 2013)



President and Representative Director
Yasuhisa Fukuda

President and Representative Director	Yasuhisa Fukuda
Executive Vice President and Representative Director	Masami Fujimori
Executive Vice President and Director	Takeyo Teduka
Director and Senior Managing Executive Officer	Kengo Tanaka
Directors and Managing Executive Officers	Kazuhiro Yamanaka Yoshihiro Kawase Kazuaki Oike Junji Miyatsu Hiroshi Yoneji
Director and Executive Officer	Yoshiki Kanaga
Outside Directors	Hiroko Ameno Fumitaka Ojima



Executive Vice President and Representative Director
Masami Fujimori

Full-time Corporate Auditors	Yutaka Toyama Takashi Sawada Takanobu Ishioka Keiichiro Yoshimoto
Senior Managing Executive Officer	Kazumasa Murakami
Managing Executive Officer	Tomoyuki Osako
Executive Officers	Takashi Yamamoto Kenichi Shiraki Akira Taniguchi Masami Tada Noburoh Sasaki Yoshihito Koresawa Yukio Murozaki Kazuharu Tsurudome Akira Ito Kiyoshi Rurigaki Kanji Kawasaki Tatsuhiro Maeda Takeo Ikebe Kunihiko Goto Seiji Kono Noboru Ogoshi

Corporate Data (As of March 31, 2013)

Date of Establishment:	July 1946
Paid-in Capital:	¥ 20,521,133,751
Head Office	1-30, Oyodonaka 1-chome, Kita-ku, Osaka
Fiscal Year End	March 31
Number of Domestic Offices	340
Number of Overseas Offices	31
Number of Vehicles	3,240
Number of Vessels	19
Total Warehouse Space	2,211,000 square meters
Number of Employees	8,889

Domestic and Global Network (As of April 1, 2013)



Sales Division: Housing Distribution Sales Division, Chemicals Distribution Sales Division, Logistics Sales Division, Department Store Logistics Sales Department
Branches: Sapporo, Sapporo Minami, Sendai, Sendai Kita, Kanto, Ibaraki, Kashiwa, Saitama, Saitama Kita, Saitama Minami, Tokyo, Higashi Tokyo, Kanagawa, Atsugi, Chiba, Shizuoka, Nagoya, Komaki, Mie, Hokuriku, Keiji., Keiji Higashi, Osaka, Hanshin, Minami Osaka, Okayama, Hiroshima, Kyushu, Kita Kyushu, Minami Kyushu, Nobeoka
Departments: International Business, Trading, Kazakhstan Business, Marine Transport, Railway Forwarding
Worldwide Locations: China / Dalian, Shenyang, Qingdao, Shanghai, Suzhou, Changshu, Nantong, Hong Kong, Guangzhou, Zhang Jia Gang
 Australia / Ingleburn
 Singapore
 Thailand / Bangkok
 Unites States / Chicago, Atlanta, Los Angeles, Kentucky
 Kazakhstan / Almaty

Subsidiaries (As of March 31, 2013)

Company Name	Main Business
● Senko Trading Co., Ltd.	Trading and Commerce, Others
● Smile Corp.	Trading and Commerce
● Marufuji Co., Ltd.	Trading and Commerce
● Senko Insurance Services Co., Ltd.	Others
● Senko Information System Co., Ltd.	Others
● Logi Solution Co., Ltd.	Others
● Senko Moving Plaza Co., Ltd.	Distribution
● Senko A Line Amano Co., Ltd.	Distribution
● Tokyo Nohin Daiko Co., Ltd.	Distribution
● Inui Transport Co., Ltd.	Distribution
● Chugoku Piano Transport Co., Ltd.	Distribution
● Sapporo Senko Transport Co., Ltd.	Distribution
● Tohoku Senko Transport Co., Ltd.	Distribution
● Kanto Senko Transport Co., Ltd.	Distribution
● Saitama Senko Transport Co., Ltd.	Distribution, Others
● Senko Housing Logistics Co., Ltd.	Distribution
● Chiba Senko Transport Co., Ltd.	Distribution, Others
● Senko Fashion Logistics Co., Ltd.	Distribution
● Kashiwa Senko Transport Co., Ltd.	Distribution
● Noda Senko Logi Service Co., Ltd.	Distribution
● Kanagawa Senko Transport Co., Ltd.	Distribution
● Hokuriku Senko Transport Co., Ltd.	Distribution
● Fuji Senko Transport Co., Ltd.	Distribution, Others
● Daito Senko Apollo Co., Ltd.	Distribution
● Tokai Senko Transport Co., Ltd.	Distribution
● Toyohashi Senko Transport Co., Ltd.	Distribution
● Mie Senko Logistics Co., Ltd.	Distribution
● Shiga Senko Transport Co., Ltd.	Distribution, Others
● Osaka Senko Transport Co., Ltd.	Distribution
● Tokyo Nohin Daiko West Japan Co., Ltd.	Distribution
● Minami Osaka Senko Transport Co., Ltd.	Distribution, Others
● Hanshin Senko Transport Co., Ltd.	Distribution
● Esaka Logistics Service Co., Ltd.	Distribution
● Hanshin Transport Co., Ltd.	Distribution
● Nara Senko Logistics Co., Ltd.	Distribution
● Okayama Senko Transport Co., Ltd.	Distribution

Company Name	Main Business
● Sankyo Freight Co., Ltd.	Distribution
● Sanyo Senko Transport Co., Ltd.	Distribution
● Chushikoku Logistics Co., Ltd.	Distribution
● Shikoku Reefer Transport and Warehousing Co., Ltd.	Others
● Fukuoka Senko Transport Co., Ltd.	Distribution
● Minami Kyushu Senko Co., Ltd.	Distribution
● Miyazaki Senko Transport Co., Ltd.	Distribution, Others
● Miyazaki Senko Apollo Co., Ltd.	Distribution
● Senko Foods Co., Ltd.	Others
● Crefeel Koto Co., Ltd.	Others
● S-TAFF Co., Ltd.	Others
● Senko Business Support Co., Ltd.	Others
● Logi Factoring Co., Ltd.	Others
● Senko Medical Logistics Co., Ltd.	Distribution
● Senko School Farm Tottori Co., Ltd.	Others
● Fuji Label Co., Ltd.	Trading and Commerce
● Takano Machinery Works Co., Ltd.	Trading and Commerce
● Obata Co., Ltd.	Trading and Commerce
● Senko Logistics (U.S.A.) Inc.	Others
● Senko (U.S.A.) Inc.	Distribution
● DFTZ Best International Trading & Logistics Co., Ltd.	Distribution
● Dalian Tri-Enterprise Logistics Co., Ltd.	Distribution
● Senko Logistics (Shanghai) Co., Ltd.	Distribution
● Shanghai Senko International Freight Co., Ltd.	Distribution
● Shanghai Smile Corp.	Trading and Commerce
● Guangzhou Senko Logistics Co., Ltd.	Distribution
● Senko International Logistics (Hong Kong) Ltd.	Distribution
● Qingdao Xuexing International Logistics Co., Ltd.	Distribution
● Shenyang Senko Logistics Co., Ltd.	Distribution
● HONG KONG SMILE CORP LIMITED	Trading and Commerce
● Senko (Thailand) Co., Ltd.	Distribution
● Senko International Logistics Pte. Ltd.	Distribution
● Senko Logistics Australia Pty Ltd.	Distribution
● Senko-Lancaster Silk Road Logistics LLP	Distribution
● Japan Select LLP	Trading and Commerce

● : Consolidated subsidiaries