



Annual Report 2006

For the year ended March 31, 2006

SENKO Co., Ltd.

Logistics of the Future *Logistics of the Future* *Logisti*

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, 2006, Senko boasted a national network in Japan of 251 offices, 2,477 vehicles, 17 owned and chartered ships, and 1,271,177 square meters of warehouse space. The Company engages in wide-ranging business operations, centered on trucking and extending to warehousing, marine transport, railway forwarding, in-factory work, and multimodal international transportation.

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 plans to take another major step forward in its transformation from an integrated distribution services company to a logistics information company through the even greater utilization of information technology to provide customers with high-quality, efficient logistics solutions.

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Cautionary Statement with Respect to Forward-Looking Statements

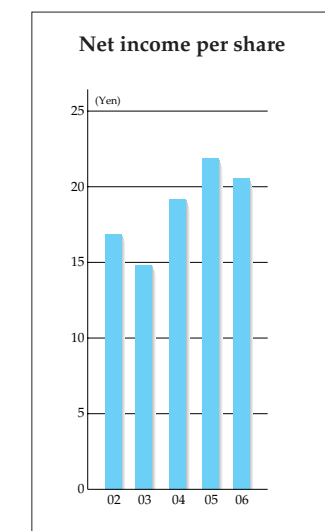
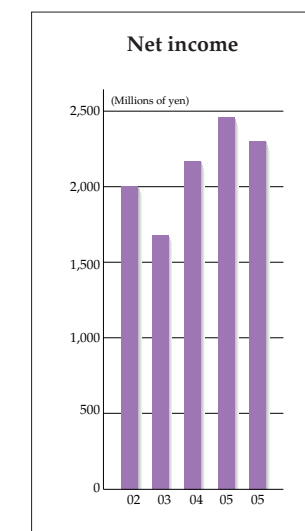
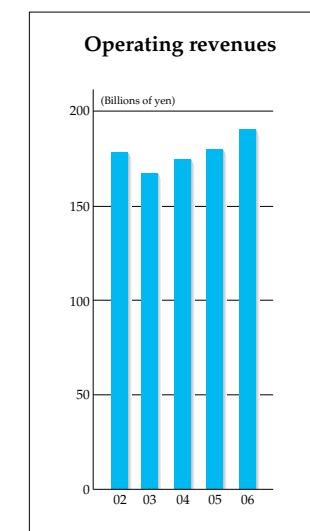
Plans and strategies concerning future business performance included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in the light of the information currently available to it, and thus involve a certain element of risk and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

Consolidated Financial Highlights

SENKO Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
For the year:			
Operating revenues	¥190,330	¥179,501	\$1,620,244
Operating income	4,658	5,125	39,653
Net income	2,290	2,457	19,494
At year end:			
Total assets	127,353	126,041	1,084,132
Shareholders' equity	46,816	44,826	398,536
Per share data: (Yen and U.S. dollars)			
Net income	¥ 20.52	¥ 21.90	\$ 0.17
Cash dividends	8.50	7.50	0.07
Shareholders' equity	419.04	403.78	3.57

Note : U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥117.47 to U.S.\$1 on March 31, 2006.





There was a headwind blowing in the Business Environment, but Sales Expansion and the Medium-Term Business Plan Progressed Favorably

Business Environment

In the fiscal year ended March 31, 2006, Senko attained growth in operating revenue, but profit declined. Consolidated operating revenues rose 6.0%, to ¥190,330 million, while consolidated operating income fell 9.1%, to ¥4,658 million and consolidated net income decreased 6.8%, to ¥2,290 million.

During the fiscal year under review, the Japanese economy mounted a mild recovery supported expanding private sector capital investment, improvement in the labor environment, and a continued upswing in the stock market. On the other hand, the high price of crude oil, the pending rise in interest rates due to the end to quantitative monetary easing, and other factors combined to prevent the uncertainty about the future movement of the economy from clearing up.

In the transport and distribution industry, there were signs of growth in freight volume during the fiscal year. Despite pressure on profits mounting due to the hike in crude oil prices, against the backdrop of heightened competition the Company could not raise its prices and the business climate continued.

Under these circumstances, the Company entered the second year of its new three-year medium-term business plan, which is based on the theme of "The Challenge of Creative Logistics." Under the plan, the Company proceeded to establish and expand its distribution bases, actively built up its support for construction of customer supply chain management (SCM) systems in the procurement logistics business, and pursued the development of new business in the retail logistics business. At the same time, the Company also worked to increase productivity while pursuing operating expense reductions and strengthening its financial position through improvements in capital efficiency.

Consequently, operating revenues of the housing logistics business climbed 10.7%, to ¥49.0 billion, generating 25.8% of total operating revenues, an increase of 1.1 percentage points from the previous fiscal year. Operating revenues of the retail logistics business, which combines the wholesale and retail and medical treatment and pharmaceutical fields, rose 9.7% year on year, to ¥31.1 billion, accounting for 16.4% of total operating revenues, up 0.6 percentage points year on year.

On the other hand, despite growth in operating revenues and benefits from cost structure reforms, requests from customers for more efficient services, the rising price of diesel oil, increased vehicle rental and operations costs, and start up costs of a major investment project had a large impact on profitability, with operating income and net income declining.

Environment, but Plan Progressed Favorably

Outline of Medium-Term Business Plan

Founded on the value structure underpinning our slogan "The Challenge of Creative Logistics," our new medium-term business plan commenced in April 2004.

The main thrust of the plan's strategy is to achieve originality and superiority in supporting the optimization of our customers' production and logistics activities. Senko is attaining this goal through the provision of logistics and information services offering "Greater Safety and Quality" and "More Efficient Costs."

The plan's strategy aims to achieve sales growth based on the development of supply chain management (SCM) business while nurturing growth fields that will become important sources of earnings in the future. Furthermore, we are progressing with strengthening of our financial and profitability structures while also reinforcing our corporate social responsibility (CSR) activities. Through these activities, we are striving to enhance the enterprise value of our entire corporate group.

Based on the implementation of the plan, Senko is targeting expansion of consolidated operating revenues to ¥200 billion (¥190.3 billion last year), of operating income to ¥6.5 billion (¥4.7 billion last year), and of net income to ¥3.0 billion (¥2.3 billion last year) in the fiscal year ending March 2007.

Future Strategies

The current fiscal year is the final year of the medium-term business plan. In terms of the quantitative goals set under the plan, I think we will achieve targeted operating revenues. However, our profitability goals will be difficult to attain unless there is a significant change in the operating environment.

Nevertheless, to make further progress with the "offensive management" that we are targeting under the plan, we will proceed with upgrading and expanding our logistics bases nationwide. We will also proceed with building a structure to better support the construction of our customers supply chain management systems. At the same time, we will seek to develop demand for our services through the expansion of our distribution systems. Among other efforts, we will work to increase enterprise value through low cost operations and fulfill our corporate social responsibilities by strengthening our environmental and safety measures.

In the fiscal year under review, we established eleven distribution centers with a total of 210,000 square meters of space. In the current fiscal year, we will add another eight distribution centers with a total of 220,000 square meters of space. The construction of these centers will be financed from internal funds of the Company using various investment methods, including a Special Purpose Company (SPC), lease agreements, and others.

As of July 31, 2006, three of the eight distribution centers, providing a total of 43,000 square meters of space, are already in operation. Among them is the Izumi North No. 2 PD Center, our largest center in the Kansai region, which will mainly handle imports and exports and retail-related cargo. As a point of

A Message from the President

interest, the new center has the Company's first on-site nursery to enable employees who wish to work and raise a family, to do so.

We are planning to bring major distribution centers onstream one after the other starting in the current fiscal year, including our largest center yet, the Urawa PD Center, and other large-scale centers such as the AEON Tohoku RDC. The Urawa PD Center will primarily be handling the work of a major discount store, a major apparel store, and a fixture and furniture manufacturer. The AEON Tohoku RDC was built to upgrade the logistics function of the AEON Group in the Tohoku region.

We are also taking active steps to develop new business. Specifically, in April 2006, we established Logistics Solution Division in Tokyo and Osaka to concentrate our administration for logistics consulting for greater efficiency and to enter the fee-based consulting business.

In May 2005, we formed business alliances with Don Quijote Co., Ltd., and Fidec Corporation to construct back office operations for Internet direct sales businesses. Through these alliances, we have begun a comprehensive logistics outsourcing service for Internet direct sales businesses.

Among other measures, we are planning to further expand our IT solution BPS, which is already installed at our major bases throughout Japan. To this end, we have introduced a supply chain event management (SCEM) system, which began operations in April 2006. The SCEM system can integrate the management and monitoring of the inventories, delivery, and orders of multiple bases, increasing business efficiency and reducing costs. In future, we plan to link up this system with IC tag data systems to develop a global logistic business between China and Japan.

Senko is also proactively developing its overseas business. Since the second half of the fiscal year under review, we have had a logistics business agreement with HANKYU EXPRESS INTERNATIONAL CO., LTD., to utilize our separate strengths in joint sales activities in Japan and overseas. We also set up several new local subsidiaries during the fiscal year, including one in Shanghai for a medical equipment manufacturer, one in Thailand to provide combined transport services mainly for chemical and electronics products, and one in Georgia, U.S.A., to serve Japanese automotive-related companies in the United States. As a result, we now have an international network of 9 subsidiaries and 16 bases, further spreading the scope of our business activities.

Corporate Social Responsibility Activities

We are pursuing a structure that will ensure a high reputation for our corporate group among our customers and in society for social responsibility (CSR). We are working toward that goal by bolstering the internal guidance and promotional organizations within the Group through thorough implementation of corporate governance and compliance, improved safety and quality, and environmental preservation practices. Among these efforts, Senko has made corporate governance its top priority management issue, and has

given the board of directors an important role in this area. Meeting at least once a month, the board of directors is responsible for monitoring compliance with matters stipulated in the law, deciding important matters related to the management of the Company, and monitoring business execution. The Company has adopted the auditor system by which four auditors including two external auditors attend meetings of the board of directors, objectively monitor the directors' execution of their duties, and cooperate with the internal audit department and the independent certified public accountant to conduct rigorous audits of the Company and its subsidiaries.

On June 29, 2004, Senko reinforced the function of the board of directors by introducing a corporate officer system. The purpose of the new system is to separate the business decision and monitoring roles of the board from the business execution role of managers. In addition to clarifying the roles and responsibilities of these two functions, the new system also aims to provide an opportunity to achieve placement of the right person in the right job for a diverse range of the Company's personnel.

Among other CSR activities, we have introduced an ISO 14001 environmental management system, and are promoting environmental preservation activities throughout the Company. Commencing with the fiscal year ended March 2006, we are issuing an annual environmental report.

To Our Shareholders

The Company regards distribution of to shareholders as a management priority. Our basic policy on profit distribution is to continue to pay stable dividends that reflect underlying business performance while also retaining the internal reserves necessary to provide for future business development and strengthen business structure. We are committed to improving earnings and continuing to provide stable dividends to our shareholders. In commemoration of Senko's 60th anniversary in July 2006, we added a commemorative dividend of ¥1.0 per share to the year-end dividend of ¥3.75 per share. Combining the interim dividend of ¥3.75 per share and the year-end dividend of ¥4.75 per share, total annual dividends amounted to ¥8.50 per share.

As we face the challenges of the final year of our medium-term business plan, we look forward to the continued support of our shareholders.

June 2006



Yasuhisa Fukuda
President and Representative Director

Corporate Social Responsibility

Senko aims to contribute to and be trusted by society as well as all human beings through the creation and provision of top class services based on its advanced logistics and information technology.

Under the medium-term business plan that commenced in March 2005, Senko is emphasizing the strengthening of its CSR activities by focusing the environment, quality, and safety as one of its medium-term business strategies.

The Company strongly recognizes its responsibility of preserving the environment of the Earth in the activities of its logistics business. For its social mission as a logistics company, Senko is providing logistics services that contribute to environmental preservation, such as reverse-logistics and modal-shift services, based on its development of supply chain management systems.

Furthermore, the Company positions quality and safety as the foundations of its logistics services, and works to improve quality and safety in its businesses.

Environmental Activities

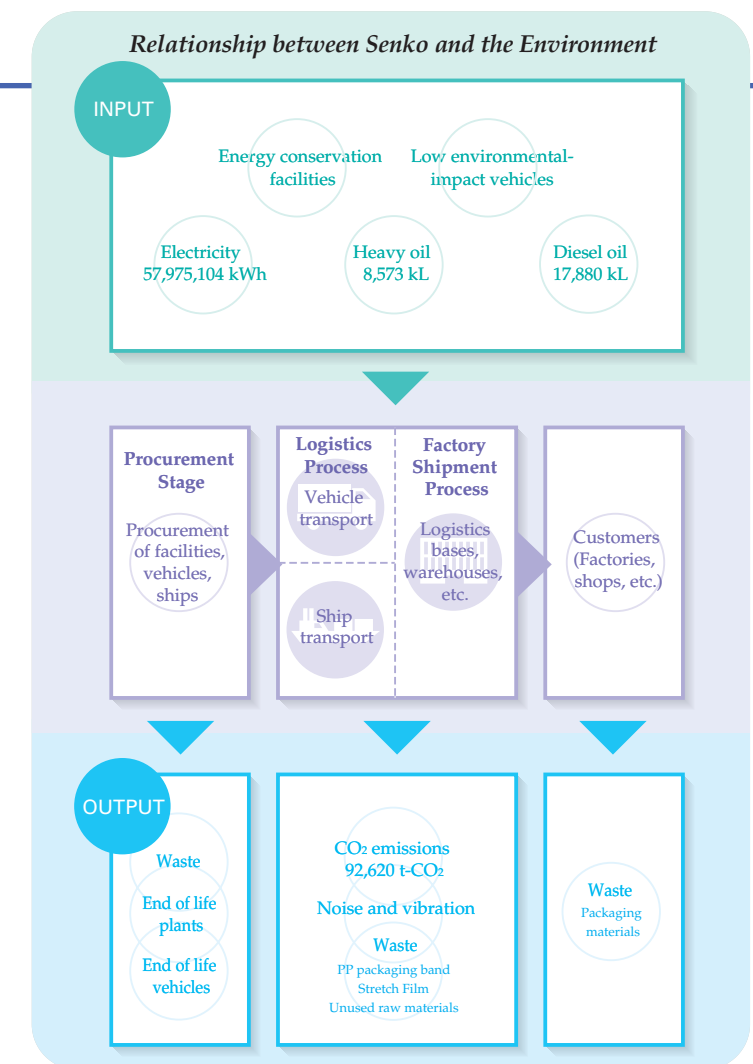
Measures

1. Through our environmental activities, we endeavor to reduce the impact of our business on the environment.
2. Aiming to spread environmental management throughout the Company, we continue to improve our environmental preservation activities.
3. We make public environmental information on our business activities.
4. We proactively propose services to customers that reduce environmental impact.

Promotional Organization

In December 2005, we established the Senko Environmental Management System (SEMS), which is in accordance with ISO 14001 standards.

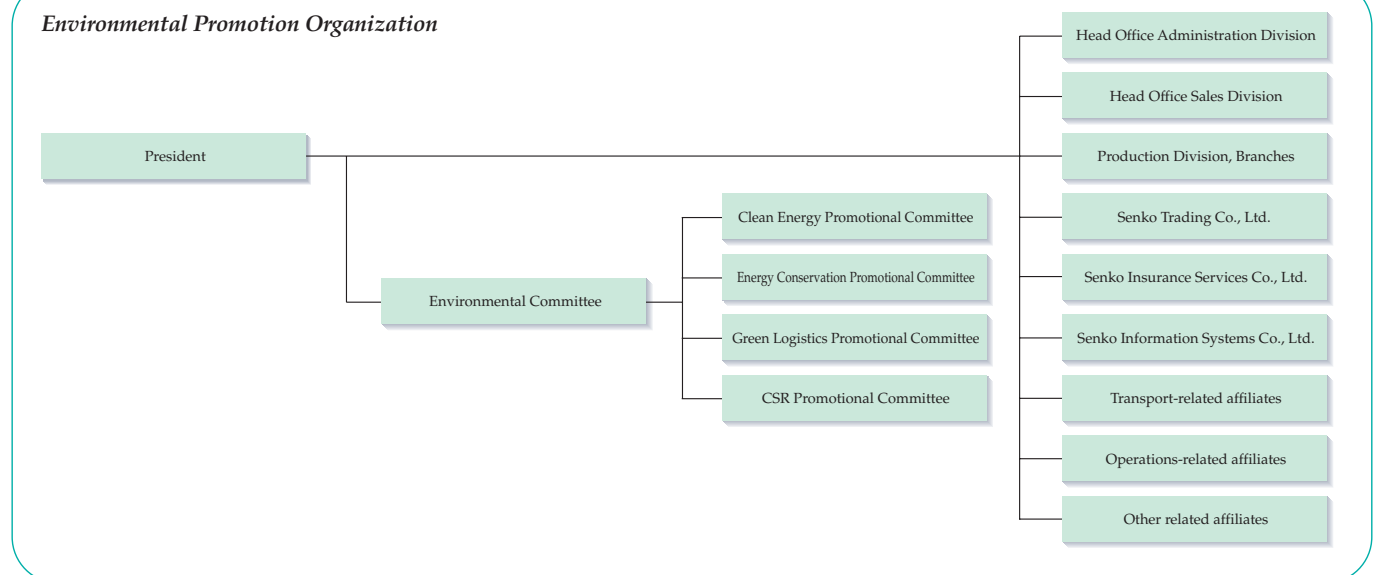
The Company has also established an organization of environmental committees to promote SEMS and environmental preservation activities. Underneath the control of the President, we have formed the Clean Energy, Energy Conservation, Green Logistics, and CSR promotional committees.



Activities

Areas in which the Company is directly involved with environmental issues include exhaust emissions from the vehicles used in transport or at our logistics bases, sound and vibration pollution, energy conservation, and the production of waste. Senko has divided its environmental measures into such categories as Preventing Global Warming, Greater Logistics Efficiency, Preventing Pollution, Consideration for the Environment, and Waste Measures. Based on these categories, the Company is implementing various activities to control the impact of its business on the environment, such as converting to Eco-Drive, Idle-Stop, Modal-Shift systems; reducing the pollution produced by its vehicles; preventing oil-spills by its ships, and recycling packaging and other materials.

Environmental Promotion Organization



Review of Operations

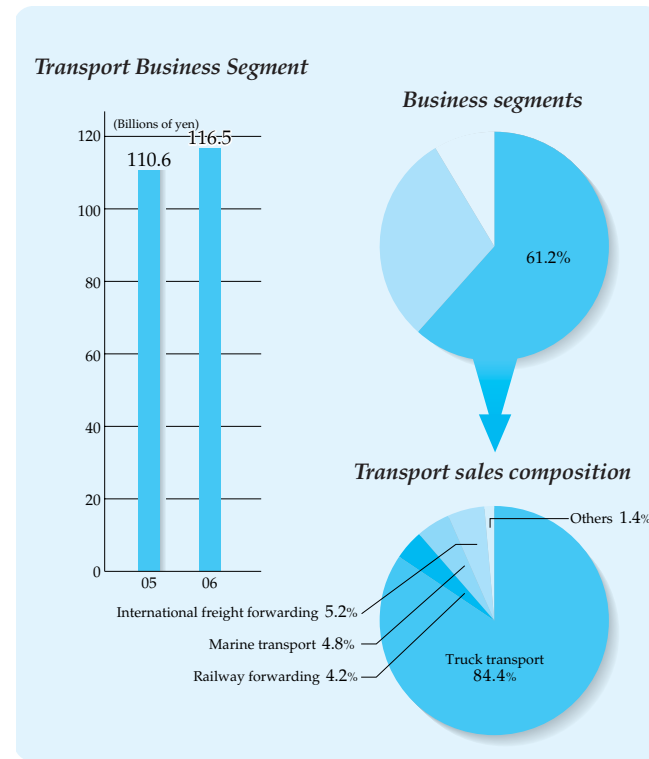
Beginning with the fiscal year under review, the Company's operations have been categorized into three business segments—transport, retail distribution and processing, and others—in consideration of business content and interrelated operations.

Transport

In addition to truck transport operations, this business segment includes railway forwarding on trunk routes; marine transport by container ship, mixed cargo steamer, and specialty ship; and intermodal international freight forwarding.

The core truck transport operations have developed an extensive nationwide network, providing our customers with transportation and delivery services that match their products and distribution structure, including exclusive, combination, route, and joint transport services.

We transport industrial raw materials, machine products, construction materials, housing materials, agricultural products, and consumer items and provide moving services. In short, we handle almost any freight related to food, shelter, and clothing. We operate a diversified fleet comprised of medium-duty trucks, heavy-duty trucks, and tractor-trailers as well as specialty transport trucks, such as tankers, specialty loose powder carrying, and refrigerated trucks. Senko's diverse transportation capabilities have won the Company high marks from manufacturers and other customers.



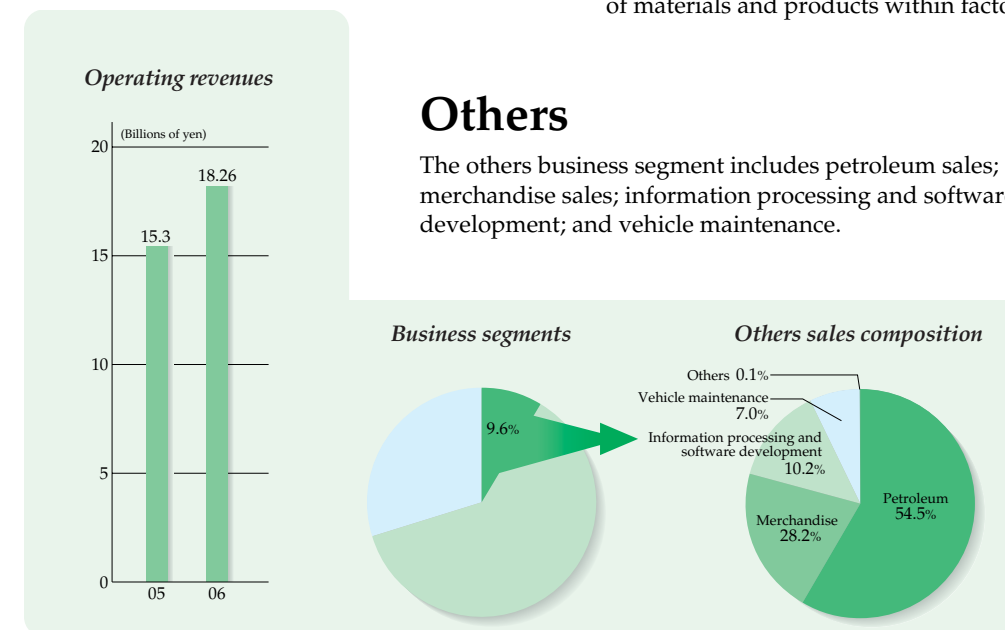
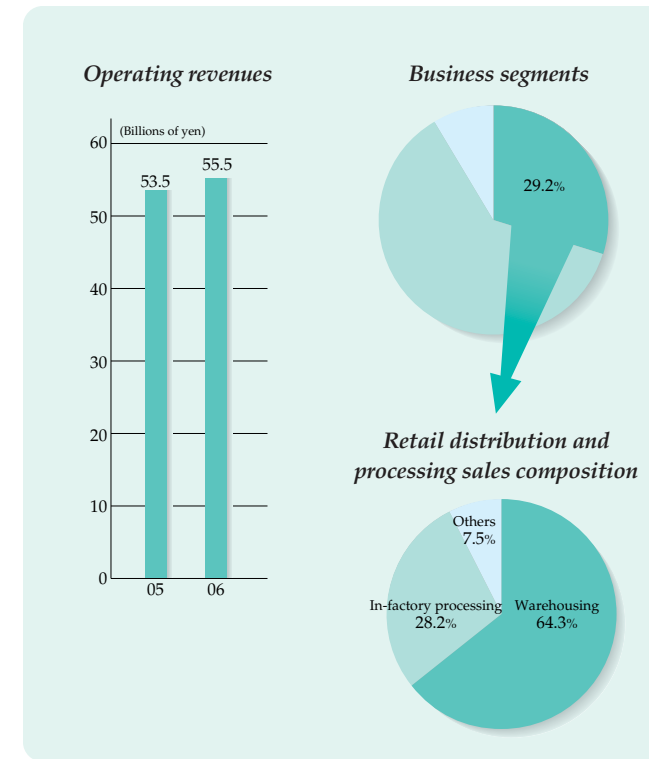
Retail Distribution and Processing

This business segment comprises warehousing and in-factory work operations.

Senko warehouses present a very different image from the warehouses of the past. These multifunctional distribution centers offer services that combine the delivery to and from the warehouse, storage (temperature controlled), set assembly, and labeling processes as well as warehousing, printing expiration dates, logistics history management, adding IC tags, and other distribution services provided by advanced warehousing management systems.

The Company's facilities provide a total storage space of approximately 1,270,000 square meters. With these warehousing bases as the core of our operations, we develop and install logistics information systems designed in anticipation of diverse customer needs. These capabilities allow us to offer a full range of logistics services that assist our customers' production and sales operations.

In-factory work comprises distribution and production processes spanning everything from loading and unloading raw materials at our customers' factories and warehouses to wrapping, packaging, and loading finished products. These professional distribution services give high priority to safe, quality operations that support the management of the flow of materials and products within factories.

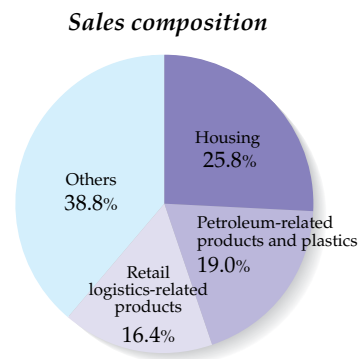


Others

The others business segment includes petroleum sales; merchandise sales; information processing and software development; and vehicle maintenance.

Review of Operations by Product Category

In addition to business segments, Senko discloses sales on a product category basis determined based on groupings of the special cargo and distribution characteristics of customers. This information is provided as part of the Company's efforts to enable shareholders to gain a better understanding of Senko's business.



Housing

For a core group of three major prefabricated housing manufacturers, Senko provides just-in-time delivery services covering raw material procurement to delivery at the installment location. In addition, the Company develops SCM systems to comply with zero emissions at the installment site and other requirements. Through this process, Senko is also responding to the trend toward joint distribution system within the prefabricated housing industry.



Petroleum-Related Products and Plastics

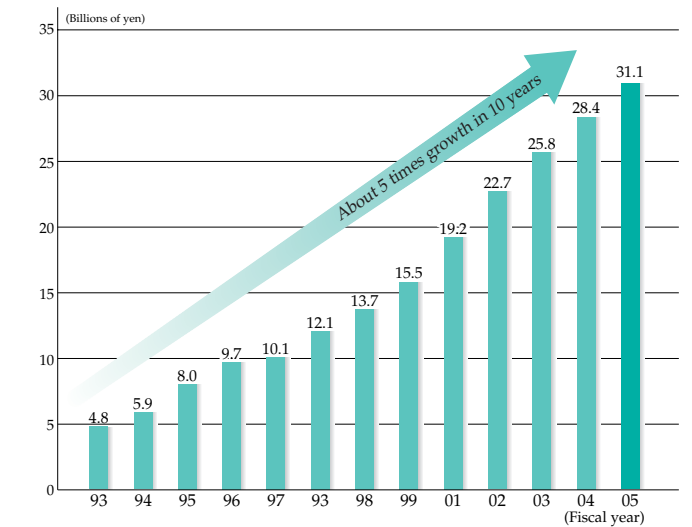
Leveraging its nationwide business development capabilities and its diversified transport system, Senko provides a full-range of services, from raw material procurement and accepting orders to delivery to end customers. The Company can also accommodate customers moving into overseas markets and develop SCM systems. These capabilities have earned Senko the top share of the general-purpose plastics transport market in Japan. The Company is also aiming to capture the top share of the domestic lubricant oil market.



Retail Logistics-Related Products

This product category is the main pillar of Senko's growth strategy. The Company is acquiring new customers among chain stores, adapting to customers' expansion to other locations and regions, and pursuing outsourcing contracts with apparel companies. Furthermore, in the medical and pharmaceutical fields, Senko also aims to be on of the top third-party logistics (3PL) companies in the domestic market. Some of the Company's efforts in this area include developing a nursing care product logistics service and creating new logistics models for hospitals.

Change in sales volume of retail logistics-related products



Financial Review

Performance

Consolidated operating revenues for the fiscal year ended March 2006 rose 6.0%, to ¥190,330 million. Although requests from customers for more efficient services had an impact on revenues during the fiscal year, the Company's core transport segment contributed increased revenues to overall operating revenues.

Looking at profits, consolidated operating income decreased 9.1%, to ¥4,658 million. Despite earning benefits realized from housing related cargo and further benefits from costs structure reform, such as SG & A expenses ratio improved 0.1 percentage points, to 4.5%, requests from customers for more efficient services, the rising cost of fuel, start up costs for major investments, vehicle rental, operating costs, and snow damages offset benefits, resulting in the operating income ratio remaining declining 0.4 percentage points, to 2.5%.

In other income and expenses, a gain on the reduction in prior obligations on accrued severance indemnities was mostly offset by impairment losses and a loss on valuation of fixed assets. Therefore, income before income taxes and minority interests was chiefly affected by the fall in operating income, declining 5.3% year on year, to ¥4,313 million. Moreover, although there was a decrease in the income taxes due to the lower income before income taxes and minority interests, deferred income taxes increased. Consolidated net income, therefore, declined 6.8%, to ¥2,290 million, and the ratio of net income to operating revenues improved 0.2 percentage points, to 1.2%.

Performance by Business Segment

By business segment, transport operating revenues for the fiscal year under review rose ¥5,906 million, or 5.3%, to ¥116,516 million, generating 61.2% of

total operating revenues. During the fiscal year, the Company expanded its housing materials joint distribution center business, worked to develop procurement cargo, and expanded and deepened its distribution of goods for general merchandise stores and other chain stores and retailers.

The operating revenues of the retail distribution and processing business segment amounted to ¥55,552 million, climbing ¥2,008 million, or 3.8% and accounting for 29.2% of total operating revenues. Contributing to the growth in operating revenues were the opening of the AEON Hokkaido RDC and the Sugito PD Center and the active acquisition of cargo business wholesale and retail stores.

Operating revenues from the others business segment increased ¥2,915 million, or 19.0%, to ¥18,262 million, contributing 9.6% of total operating revenues. Revenues increased due to the increase in sales prices in the petroleum business during the fiscal year and revenues from expansion of the construction maintenance business.

Performance by Principal Products Category

The Company has three core product categories: housing-related, petroleum-related and plastics, and retail logistics-related (wholesale and retail and medical treatment and pharmaceuticals logistics fields). For the fiscal year ended March 2006, these three core product categories accounted for 61.2% of total operating revenues.

Accounting for 25.8% of operating revenue, housing-related products can be separated into distribution services from the factories and supply procurement services. During the fiscal year, factory distribution services revenues exceeded forecast growth of 0.5%, rising 2.7%. Because the interior housing materials distribution center network for major

housing manufacturers was increased to 6 centers as of October 2004 and 2 of 6 centers expanded in September and October 2005, the Company achieved favorable growth in pick-up style procurement material collecting and distribution services with the cooperation of other major housing manufacturers. As a result, supply procurement services sales soared 43.0%. Overall, operating revenues from housing-related products increased ¥4,730 million, or 10.7%, year on year to ¥49,010 million.

The petroleum-related and plastics product category, which generates 19.0% of total operating revenues, experienced growth in business volume from film manufacturers during the fiscal year. Operating revenues, therefore, increased ¥560 million, or 1.6%, to ¥36,150 million.

The retail logistics-related product category, which contributed 16.4% of total operating revenues, saw business expansion in the retail logistics field, which has recently been recording high growth. Contributing to the increase in business were the opening of the AEON Hokkaido RDC in July 2005, a higher volume of business from a major discount store chain, and new business from an apparel wholesaler. Consequently, operating revenues from retail logistics-related products rose ¥2,760 million, or 9.7%, to ¥31,140 million.

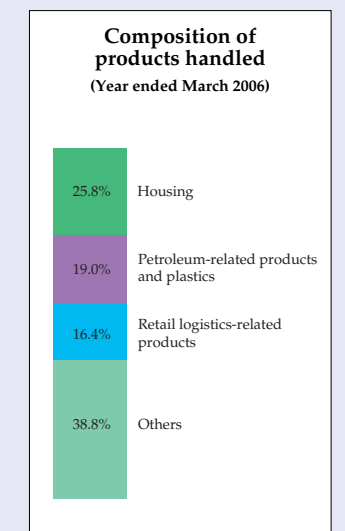
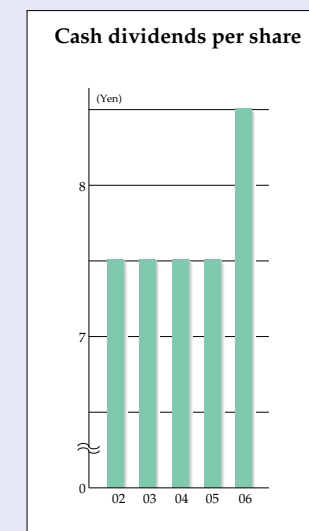
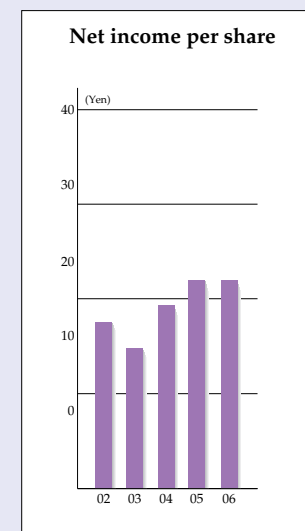
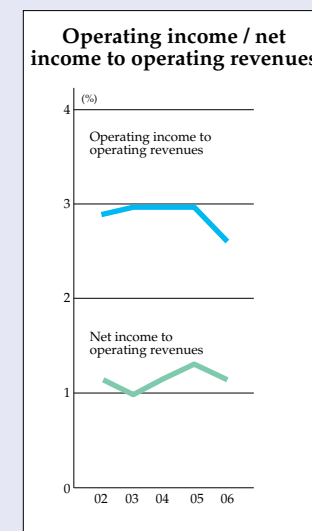
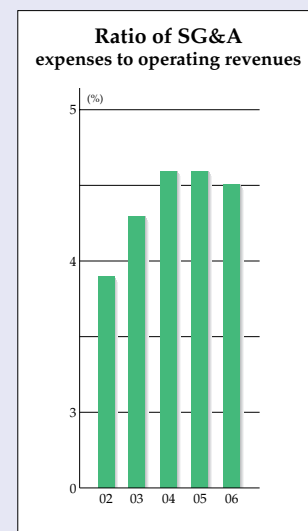
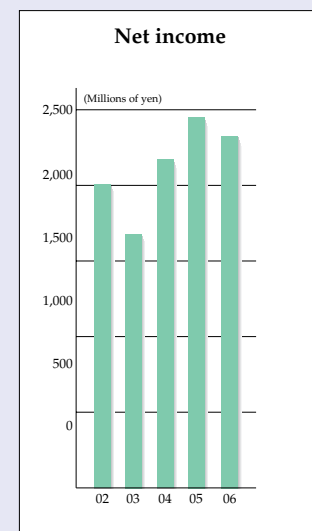
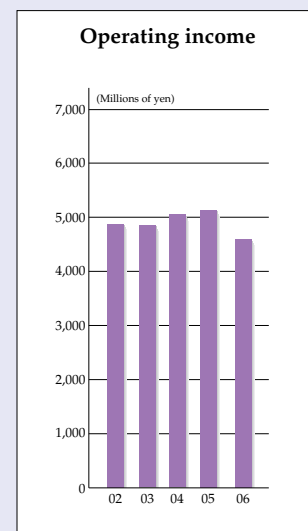
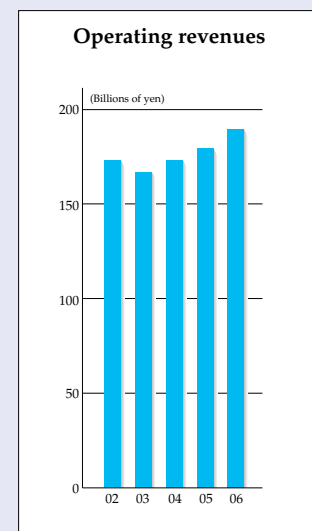
Financial Position

Total assets at March 31, 2006 expanded compared with the previous fiscal year, rising ¥1,312 million, to ¥127,353 million. Current assets climbed ¥1,538 million, to ¥42,599 million. The

Consolidated Operating Revenues by Products Handled

(Units: billions of yen, %)

	Year ended March 2006		Year ended March 2005		Change	% Change
	Revenues	Composition	Revenues	Composition		
Housing	49.0	25.8	44.3	24.7	4.7	10.7
Petroleum-related products, and plastics	36.2	19.0	35.6	19.8	0.6	1.6
Retail logistics-related products	31.1	16.4	28.4	15.8	2.8	9.7
International freight forwarding and modal shifts	16.6	8.7	14.9	8.3	1.7	11.4
Chemicals and fertilizers	4.0	2.1	4.0	2.3	(0.1)	(2.1)
Foods	4.0	2.1	4.1	2.3	(0.1)	(2.5)
Electronics products and machinery	3.5	1.8	3.8	2.1	(0.2)	(6.4)
Others	45.9	24.1	44.4	24.7	1.5	3.4
Total	190.3	100.0	179.5	100.0	10.8	6.0



growth in assets could be mainly attributed to an increase in cash and cash equivalents and trade accounts and notes receivable due to the rise in operating revenues.

Total fixed assets contracted ¥226 million year on year, to ¥84,754 million.

Net property and equipment decreased ¥1,084 million, to ¥65,394 million. The decline can be mainly attributed to impairment losses and a loss on evaluation of fixed assets.

Investments and other assets rose ¥843 million, to ¥18,458 million. The increase primarily resulted from increases in investment securities and investments in associated companies and other assets.

Major components of capital investment during the fiscal year were investments for the expansion of the Ibaraki PD Center and for the construction of the Rinku Center, the Fukuoka No. 2 PD Center, the automated warehouse for the AEON Hokkaido RDC, and the purchase of land for the AEON Tohoku RDC.

At March 31, 2006, current liabilities totaled ¥43,036 million, increasing ¥314 million from the previous fiscal year. Current liabilities were almost the same as in the previous fiscal year despite an increase in trade accounts and notes payable due to the rise in operating revenues because of the decrease in short-term loans.

Although long-term debt expanded, long-term liabilities decreased ¥995 million, to ¥37,498 million because of the large decline in accrued severance indemnities.

As a result, interest-bearing debt at fiscal year-end rose ¥1,672 million, to ¥39,894 million. The ratio of interest-bearing debt to total assets increased 1.0 percentage points, to 31.3%.

Shareholders' equity at fiscal year-end amounted to ¥46,816 million, advancing ¥1,990 million from a year earlier. The rise in shareholders' equity came mainly from an increase in retained earnings as a result of growth in net income. The equity ratio, therefore, improved 1.2 percentage points, to 36.8%.

Cash Flows

For the year ended March 31, 2006, net cash provided by operating activities decreased ¥262 million, or 4.7%, to ¥5,347 million. This decline can mainly be attributed to an increase in sales receivables and in purchase payables.

Net cash used in investing activities advanced ¥1,316 million, or 29.2%, to ¥5,828 million from the previous fiscal year. Payments for purchases of fixed assets were primarily responsible for this increase.

Consequently, free cash flow at fiscal year-end was minus ¥480 million, down ¥1,577 million, from the previous fiscal year.

Net cash provided by financing activities increased ¥2,048 million from net cash used in the previous fiscal year, to ¥1,071 million. This increase resulted primarily from an increase in interest-bearing debt due to capital expenditures and to the sale of treasury stock.

As a result, cash and cash equivalents at end of year totaled ¥12,115 million, climbing ¥594 million, or 5.2% from the prior fiscal year.

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

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

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

In our opinion, the 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

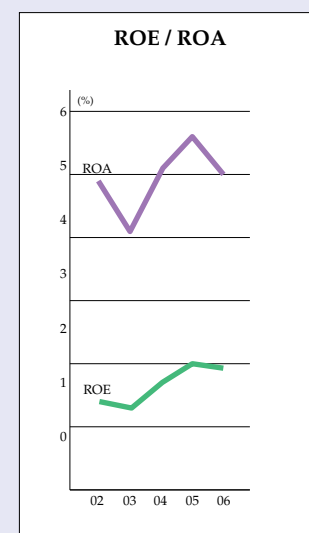
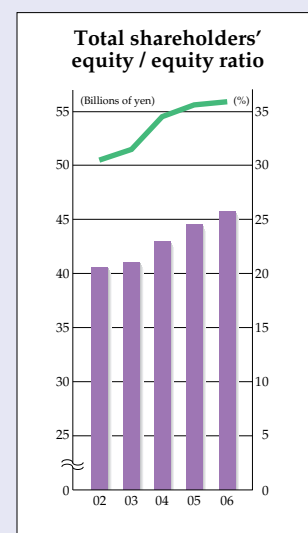
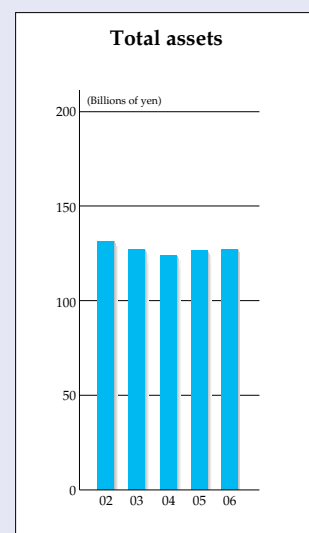
Supplemental Information

As described in Note 3, effective April 1, 2005, the Company and its consolidated subsidiaries adopted a new accounting standard for impairment of fixed assets.

The United States dollar amounts shown in the accompanying consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 1.

Ohtemae Audit Co.
Ohtemae Audit Corporation

Osaka, Japan
June 29, 2006



Consolidated Balance Sheets

SENKO Co., Ltd. and Consolidated Subsidiaries

March 31, 2006 and 2005

ASSETS

Current assets:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Cash and cash equivalents	¥12,115	¥11,521	\$103,133
Trade accounts and notes receivable-			
Non-consolidated subsidiaries and affiliates	179	162	1,524
Others	26,420	26,031	224,908
Less allowance for doubtful accounts	(16)	(102)	(136)
Inventories	771	632	6,563
Deferred tax asset (Note 12)	1,447	1,350	12,318
Short-term loans to non-consolidated subsidiaries and affiliates	—	7	—
Prepaid expenses and other current assets	1,683	1,460	14,327
Total current assets	42,599	41,061	362,637

Investments in and long-term loans to non-consolidated subsidiaries and affiliates	891	599	7,585
Investment securities (Notes 4 and 8)	1,898	1,416	16,157
Property and equipment, at cost (Notes 5 and 8)	118,694	120,380	1,010,420
Less accumulated depreciation	(53,300)	(53,902)	(453,733)
Net property and equipment	65,394	66,478	556,687
Deferred tax assets (Note 12)	5,994	6,931	51,026
Other assets	10,577	9,556	90,040

Total assets	¥127,353	¥126,041	\$1,084,132
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Short-term loans (Note 6)	¥9,950	¥9,750	\$84,702
Current portion of long-term debt (Note 6)	5,748	6,953	48,932
Trade accounts and notes payable—			
Non-consolidated subsidiaries and affiliates	30	5	254
Others	17,384	16,696	147,987
Accrued expenses	5,040	2,504	42,905
Accrued income taxes	1,060	1,387	9,024
Other current liabilities	3,824	5,427	32,553
Total current liabilities	43,036	42,722	366,357

Long-term debt, less current portion (Note 6)	24,197	21,519	205,985
Accrued severance indemnities (Note 7)	9,997	14,417	85,102
Other long-term liabilities	3,304	2,557	28,126
Total liabilities	80,534	81,215	685,570

Minority interests

Contingent liabilities (Note 9)

Shareholders' equity (Note 11):

Common stock:			
Authorized—294,999,000 shares	18,296	18,296	155,750
Issued—111,746,167 shares			
Capital surplus	16,559	16,508	140,964
Retained earnings	11,609	10,159	98,825
Unrealized holding gain on securities	385	158	3,278
Less treasury stock, at cost			
(86,526 shares in 2006 and 804,414 shares in 2005)	(33)	(295)	(281)
Total shareholders' equity	46,816	44,826	398,536
Total liabilities and shareholders' equity	¥127,353	¥126,041	\$1,084,132

See the accompanying notes to the consolidated financial statements.

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Operating revenues	¥190,330	¥179,501	\$1,620,244
Operating costs and expenses:			
Operating costs of revenues	177,038	166,194	1,507,091
Selling, general and administrative expenses	8,634	8,182	73,500
	185,672	174,376	1,580,591
Operating income	4,658	5,125	39,653
Other income (expenses):			
Interest and dividend income	232	157	1,975
Interest expenses	(497)	(467)	(4,231)
Impairment loss	(2,122)	—	(18,064)
Amortization of prior service costs	3,804	—	32,383
Loss on revaluation of property	(1,537)	—	(13,084)
Others, net	(225)	(262)	(1,916)
	(345)	(572)	(2,937)
Income before income taxes and minority interests	4,313	4,553	36,716
Income taxes (Note12):			
Current	1,324	2,102	11,272
Deferred	699	(6)	5,950
	2,023	2,096	17,222
Minority interests in gain of a consolidated subsidiary	(0)	—	(0)
Net income	¥2,290	¥2,457	\$19,494

Per share of common stock

	Yen	U.S.dollars
Net income	¥20.52	¥21.90
Cash dividends applicable to the year	8.50	7.50
		0.07

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Thousands	Millions of yen				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities	Treasury stock
Balance at April 1, 2004	111,746	¥18,296	¥16,387	¥8,577	¥82	¥(181)
Net income	—	—	—	2,457	—	—
Cash dividends	—	—	—	(832)	—	—
Bonuses to directors and statutory auditors	—	—	—	(43)	—	—
Unrealized holding gain on securities	—	—	—	—	76	—
Treasury stock	—	—	121	—	—	(114)
Balance at March 31, 2005	111,746	¥18,296	¥16,508	¥10,159	¥158	¥(295)
Net income	—	—	—	2,290	—	—
Cash dividends	—	—	—	(825)	—	—
Bonuses to directors and statutory auditors	—	—	—	(29)	—	—
Adjustment of retained earnings	—	—	—	—	—	—
for a newly consolidated subsidiary	—	—	—	14	—	—
Unrealized holding gain on securities	—	—	—	—	227	—
Treasury stock	—	—	51	—	—	262
Balance at March 31, 2006	111,746	¥18,296	¥16,559	¥11,609	¥385	¥(33)

	Thousands of U.S. dollars				
	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities	Treasury stock
Balance at March 31, 2005	\$155,750	\$140,529	\$86,482	\$1,345	\$(2,511)
Net income	—	—	19,494	—	—
Cash dividends	—	—	(7,023)	—	—
Bonuses to directors and statutory auditors	—	—	(247)	—	—
Adjustment of retained earnings for a newly consolidated subsidiary	—	—	119	—	—
Unrealized holding gain on securities	—	—	—	1,933	—
Treasury stock	—	435	—	—	2,230
Balance at March 31, 2006	\$155,750	\$140,964	\$98,825	\$3,278	\$(281)

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SENKO Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2006 and 2005

Cash flows from operating activities:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Income before income taxes and minority interests	¥4,313	¥4,553	\$36,716
Adjustments for:			
Depreciation and amortization	2,860	2,854	24,347
Impairment losses	2,122	—	18,064
Loss on revaluation of property	1,537	—	13,084
Loss on disposals of property and equipment	320	128	2,724
Loss on sale of property and equipment	—	24	—
Decrease in allowance for employee retirement	(4,420)	(311)	(37,627)
Increase (decrease) in accrued bonuses to employees	158	(69)	1,345
Interest and dividends income	(232)	(157)	(1,975)
Interest expense	497	467	4,231
Increase in trade receivables	(623)	(109)	(5,303)
Decrease (increase) in inventories	(139)	33	(1,183)
Increase in trade payables	1,219	1,367	10,377
Other	(278)	(349)	(2,367)
Sub total	7,334	8,431	62,433
Interest and dividend income received	168	159	1,430
Interest expenses paid	(500)	(463)	(4,256)
Income tax paid	(1,655)	(2,518)	(14,089)
Net cash provided by operating activities	5,347	5,609	45,518
Cash flows from investing activities:			
Payments for purchases of fixed assets	(4,793)	(3,397)	(40,802)
Proceeds from sales of fixed assets	211	136	1,796
Payments for purchases of investment securities	(239)	(415)	(2,035)
Proceeds from sales of investment securities	178	142	1,515
Proceeds from sales of subsidiary	—	100	—
Payments for purchases of non-consolidated subsidiaries	(45)	(50)	(383)
Other	(1,140)	(1,028)	(9,705)
Net cash used in investing activities	(5,828)	(4,512)	(49,614)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	200	(590)	1,703
Proceeds from long-term debt	8,450	2,950	71,933
Repayment of long-term debt	(6,978)	(2,447)	(59,402)
Purchases of treasury stock	(675)	(624)	(5,746)
Sales of treasury stock	988	631	8,411
Dividends paid	(825)	(833)	(7,023)
Other	(89)	(64)	(758)
Net cash provided (used in) by financing activities	1,071	(977)	9,118
Effect of exchange rate changes on cash and cash equivalents	3	1	26
Net increase in cash and cash equivalents	593	121	5,048
Cash and cash equivalents at beginning of year	11,521	11,400	98,076
Net increase in cash and cash equivalents of newly consolidated subsidiaries	1	—	9
Cash and cash equivalents at end of year	¥12,115	¥11,521	\$103,133

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 Commercial Code of Japan (the "Code") and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accompanying consolidated financial statements are prepared based on 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 Securities and Exchange Law.

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 the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the exchange rate prevailing at March 31, 2006, which was ¥117.47 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.

Adjustment for consolidated account, at the time of acquisition, between the cost and underlying net equity of investments in consolidated subsidiaries are amortized over a five-year period on straight-line method.

The Company has adopted the equity method of accounting for investments in a significant affiliate. The investments in other insignificant unconsolidated subsidiaries and affiliate are stated at cost.

(b) 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, which unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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 at cost determined by the first-in first-out method. Supplies are stated at cost determined by the moving-average cost method. Real estate for sale and work in process are stated at cost determined by the specific cost method.

(f) Property and Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is principally computed at rates based on the estimated useful lives of assets using the declining-balance method except for buildings for which the straight-line method is applied.

The principal estimated useful lives are as follows:

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

(g) Accrued Severance Indemnities and Pension Plan

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 14 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.

The Company and 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.

(h) 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.

(i) Appropriation of Retained Earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the financial year in which a proposed appropriation of retained earnings is approved by shareholders.

(j) Leases

In Japan finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

(k) Per Share information

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share for the year ended March 31, 2006 is not disclosed because there was no dilution.

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

(l) 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.

3. Change of accounting policies

Effective April 1, 2005 the Company and its consolidated subsidiaries adopted the new Japanese accounting standard for impairment of fixed assets. The new standard requires that the book value of fixed assets should be devalued to the recoverable amount. The effect of this adoption was to decrease income before income taxes and minority interests by ¥2,028 million (\$17,264 thousand).

4. Investment Securities:

The carrying amounts of investment securities at March 31, 2006 and 2005, consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Marketable securities	¥ 1,364	¥ 873	\$ 11,611
Non-marketable securities	534	543	4,546
	¥ 1,898	¥ 1,416	\$ 16,157

The following is a summary of marketable securities included in investment securities, at March 31, 2006 and 2005.

	Millions of yen			Book value (Market value)
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
2006				
Equity security	¥ 704	¥ 655	¥ (6)	¥ 1,353
Bonds and Others	11	0	(0)	11
	¥ 715	¥ 655	¥ (6)	¥ 1,364
	Millions of yen			Book value (Market value)
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
2005				
Equity security	¥ 594	¥ 271	¥ (3)	¥ 862
Bonds and Others	11	—	(0)	11
	¥ 605	¥ 271	¥ (3)	¥ 873

	Thousands of U.S.dollars			Book value (Market value)
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
2006				
Equity security	\$ 5,993	\$ 5,576	\$ (51)	\$ 11,518
Bonds and Others	93	0	(0)	93
	\$ 6,086	\$ 5,576	\$ (51)	\$ 11,611

Proceeds from sales of other securities were ¥178million (US\$1,515 thousand) and ¥142million for the years ended March 31, 2006 and 2005, respectively. The gross realized gains and losses on those sales were ¥44million (US\$375 thousand) and ¥3 million (US\$26 thousand), respectively, for the year ended March 31,2006. The gross realized gains and losses on those sales were ¥19million and ¥1million for the ended March 31,2005.

5. Property and Equipment:

At March31, 2006 and 2005, property and equipment at cost consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Land	¥ 32,976	¥ 33,799	\$ 280,718
Buildings and structures	67,111	67,327	571,303
Machinery and equipment, vehicle and vessels	15,172	15,902	129,156
Tools, furniture and fixtures	3,261	3,289	27,761
Construction in Progress	174	63	1,482
	¥ 118,694	¥ 120,380	\$ 1,010,420

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

At March 31, 2006 and 2005, short-term loans consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
0.05% to 0.73% unsecured loans from banks	¥ 9,950	¥ 9,750	\$ 84,702

At March 31, 2006 and 2005, long-term debt consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
0.92% bonds due 2009	¥ 7,000	¥ 7,000	\$ 59,590
0.62% to 2.12% loans from banks and insurance companies:			
Unsecured	22,945	21,472	195,327
	29,945	28,472	254,917
Less current portion	(5,748)	(6,953)	(48,932)
	¥ 24,197	¥ 21,519	\$ 205,985

The annual maturities of long-term debt at March 31, 2006 for the next five years are as follows:—

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2007	¥ 5,748	\$ 48,932
2008	3,902	33,217
2009	4,590	39,074
2010	7,480	63,676
2011	5,525	47,033
There after	2,700	22,985

At March 31,2006, the Company has committed line and overdraft contracts with twelve banks aggregating ¥25,350 million (\$215,800thousand). Of the total credit limit, ¥7,750 million (\$65,974thousand) was used as the above short-term and long-term borrowing, and the rest¥17,600 million (\$149,825thousand) was unused.

7. Accrued Severance indemnities:

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its certain subsidiaries at March 31, 2006 and 2005.

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Benefit obligation at the end of year	¥ (25,155)	¥ (29,494)	\$ (214,140)
Fair value of plan assets at the end of the year	18,474	12,343	157,266
Funded status:			
Benefit obligation in excess of plan assets	(6,681)	(17,151)	(56,874)
Unrecognized actuarial loss	(3,316)	2,734	(28,228)
Accrued severance indemnities recognized in the consolidation balance sheets	¥ (9,997)	¥ (14,417)	\$ (85,102)

Severance and pension costs of the Company and its certain subsidiaries included the following components for the year ended March 31, 2006 and 2005.

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Service cost	¥ 1,184	¥ 1,378	\$ 10,079
Interest cost	627	717	5,338
Expected return on plan assets	(361)	—	(3,073)
Amortization:			
Recognized actuarial loss	277	263	2,358
Prior service costs	(3,804)	—	(32,383)
Net periodic benefit cost	¥ (2,077)	¥ 2,358	\$ (17,681)
	¥ (2,077)	¥ 2,358	\$ (17,681)

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2006 and 2005 is as follows:

	2006	2005
Method of attributing benefit to periods of service	Straight-line basis	Straight-line basis
Discount rate	2.5%	2.5%
Expected rate of return on fund assets	3.0%	0.0%
Amortization period of prior service costs	1 year	1 year
Amortization period of actuarial losses	14 year	14 years

8. Pledged Assets:

The following assets were pledged as collateral as at March 31, 2006 and 2005—

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Land	¥ 2,393	¥ 2,548	\$ 20,371
Buildings	1,013	1,130	8,623
Vehicles	6	1	51
Investment securities	10	10	85
	¥ 3,422	¥ 3,689	\$ 29,130

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

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Long-term debt, including current portion	¥ 40	¥ 60	\$ 341

9. Contingent Liabilities:

At March 31, 2006 and 2005, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Guarantees of installment obligation and lease obligation for the third parties	¥ 74	¥ 605	\$ 630
Trade notes discounted	9	21	77
Buyback obligations associated with securitization of receivables	469	509	3,993
	¥ 552	¥ 1,135	\$ 4,700

10. Lease:

At March 31, 2006 and 2005, financing lease transactions whose ownership are not to be transferred were as follows:

	Millions of yen				Thousands of U.S.dollars
	2006				2006
	Purchase cost	Accumulated depreciation	Accumulated impairment loss	Book value	Book value
Machinery and equipment	¥ 11,518	¥ 4,957	¥ 317	¥ 6,244	\$ 53,154
Tools, furniture and fixtures	14,587	6,640	207	7,740	65,889
	¥ 26,105	¥ 11,597	¥ 524	¥ 13,984	\$ 119,043

	Millions of yen		
	2005		
	Purchase Cost	Accumulated amortization	Book value
Machinery and equipment	¥ 9,861	¥ 4,434	¥ 5,426
Tools, furniture and fixtures	14,482	7,057	7,426
	¥ 24,343	¥ 11,491	¥ 12,852

At March 31, 2006 and 2005, obligations under finance leases were as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Due within one year	¥ 4,608	¥ 4,552	\$ 39,227
Due after one year	10,366	8,883	88,244
	¥ 14,974	¥ 13,435	\$ 127,471

At March 31, 2006 and 2005, obligations under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Due within one year	¥ 371	¥ —	\$ 3,158
Due after one year	5,242	—	44,624
	¥ 5,613	¥ —	\$ 47,782

11. Shareholders' equity:

The Code 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 Code 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, 2006, included the Company's legal reserve of ¥1,506 million (\$12,820 thousand).

12. Income Taxes:

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2006 and 2005.

(1) Significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Deferred tax assets:			
Accrued severance indemnities to employees	¥ 5,698	¥ 7,126	\$ 48,506
Accrued bonuses to employees	1,084	1,014	9,228
Impairment losses	822	—	6,998
Loss on revaluation of land	351	351	2,988
Accrued severance indemnities to directors and corporate auditors	—	113	—
Loss on revaluation of golf club membership	106	157	902
Accrued enterprise tax	104	139	885
Social insurance premium	162	154	1,379
Other	471	416	4,010
Gross deferred tax assets	8,798	9,470	74,896
Less: Valuation allowance	(80)	(30)	(681)
Total deferred tax assets	8,718	9,440	74,215
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(989)	(991)	(8,419)
Net unrealized holding gains on available-for-sale securities	(264)	(109)	(2,247)
Other	(187)	(217)	(1,592)
Gross deferred tax liabilities	(1,440)	(1,317)	(12,258)
Net deferred tax assets	¥ 7,278	¥ 8,123	\$ 61,957

(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, 2006 and 2005 were as follows:

	2006	2005
Statutory tax rate	40.6%	40.6%
Adjustment:		
Non-deductible expenses	2.3	2.1
Inhabitants' per capita taxes	3.6	3.3
Non-taxable dividend income	(1.4)	(0.7)
Other	1.8	0.7
Income tax rate as a percentage of income before income taxes and minority interests	46.9%	46.0%

13. Segment information

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005 is summarized as follows:

	Millions of yen					Consolidated
	Transport	Retail Distribution and Processing	Others	Total	Elimination or Corporate	
a. Operating revenues and operating income:						
Customers	¥116,516	¥55,552	¥18,262	¥190,330	¥ —	¥190,330
Intersegment	3,041	3,590	10,023	16,654	(16,654)	—
Total operating revenues	119,557	59,142	28,285	206,984	(16,654)	190,330
Operating costs and expenses	117,131	57,307	27,847	202,285	(16,613)	185,672
Operating income	¥2,426	¥1,835	¥438	¥4,699	¥(41)	¥4,658
b. Assets, depreciation impairment losses and capital expenditures;						
Assets	¥41,192	¥68,099	¥6,866	¥116,567	¥10,786	¥127,353
Depreciation	996	1,679	103	2,804	56	2,860
Impairment losses	—	2,116	—	2,116	6	2,122
Capital expenditures	1,185	1,514	146	5,218	280	5,498

	Millions of yen					Consolidated
	Transport	Retail Distribution and Processing	Others	Total	Elimination or Corporate	
a. Operating revenues and operating income:						
Customers	¥110,610	¥53,544	¥15,347	¥179,501	¥ —	¥179,501
Intersegment	2,848	3,351	7,805	14,004	(14,004)	—
Total operating revenues	113,458	56,895	23,152	193,505	(14,004)	179,501
Operating costs and expenses	110,861	54,685	22,790	188,336	(13,960)	174,376
Operating income	2,597	2,210	362	5,169	(44)	5,125
b. Assets, depreciation and capital expenditures;						
Assets	¥40,238	¥68,099	¥5,431	¥113,768	¥12,273	¥126,041
Depreciation	1,046	1,679	71	2,796	58	2,854
Capital expenditures	1,185	1,514	72	2,771	3	2,774

	Thousands of U.S. dollars					Consolidated
	Transport	Retail Distribution and Processing	Others	Total	Elimination or Corporate	
a. Operating revenues and operating income:						
Customers	\$991,879	\$472,904	\$155,461	\$1,620,244	\$ —	\$1,620,244
Intersegment	25,887	30,561	85,324	141,772	(141,772)	—
Total operating revenues	1,017,766	503,465	240,785	1,762,016	(141,772)	1,620,244
Operating costs and expenses	997,114	487,844	237,056	1,722,014	(141,423)	1,580,591
Operating income	\$20,652	\$15,621	\$3,729	\$40,002	\$(349)	\$39,653
b. Assets, depreciation and capital expenditures;						
Assets	\$350,660	\$583,204	\$58,449	\$992,313	\$91,819	\$1,084,132
Depreciation	8,479	14,514	877	23,870	477	24,347
Impairment losses	—	18,013	—	18,013	51	18,064
Capital expenditures	9,679	33,498	1,243	44,420	2,384	46,804

14. Subsequent Event

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 29, 2006

	Millions of yen	Thousands of U.S.dollars
Cash dividends	¥ 530	\$4,512
Bonuses to directors and statutory auditors	26	221

Board of Directors and Corporate Auditors, Executive Officers (As of June 29, 2006)



Chairman and Representative Director
Hiroshi Susumago



President and Representative Director
Yasuhisa Fukuda

Chairman and Representative Director Hiroshi Susumago

President and Representative Director Yasuhisa Fukuda

Directors, Managing Executive Officers

Tadao Ito Takeyo Teduka
Kengo Tanaka

Directors, Executive Officers

Tetsuo Hatano Sadayuki Wada
Yutaka Toyama

Full-time Corporate Auditors

Kunihiro Sanada Kazuo Saga
Yutaka Kakuyama

Corporate Auditor

Hiroshi Itawaki

Senior Executive Officers

Mitsuru Muramoto Katsuhiko Miyagawa
Hisao Takahashi

Executive Officers

Toshinori Mine Yasushi Morimoto
Shuji Wada Kazuhiro Yamanaka
Shigeo Kimura Takao Morita
Masuo Tanaka

Corporate Data (As of June 30, 2006)

Date of Establishment: July 1946

Paid-in Capital: ¥18,295,643,751

Authorized Shares: 294,999,000

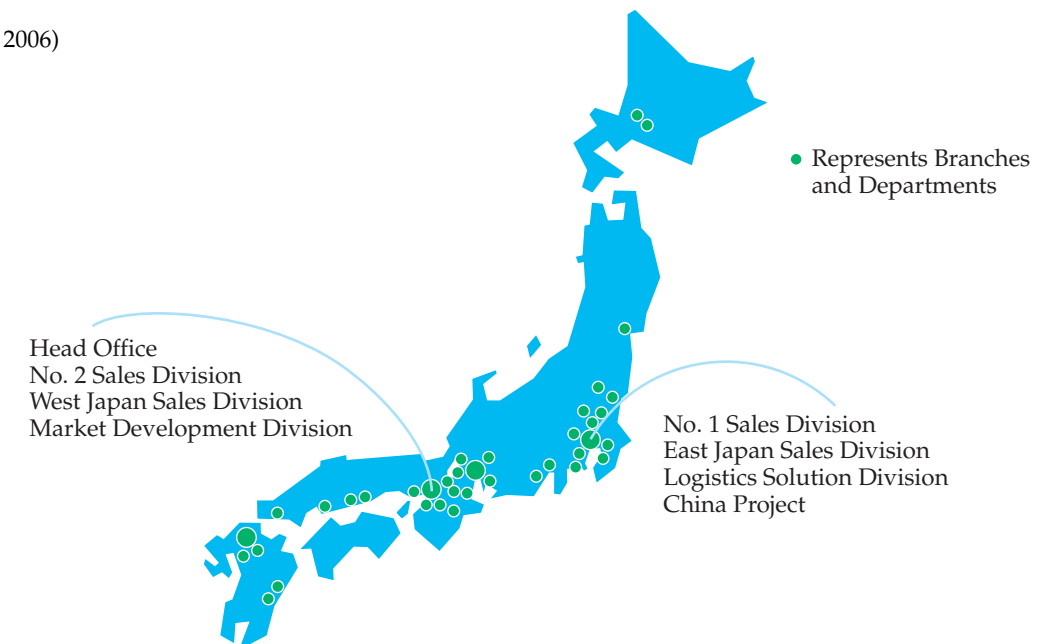
Outstanding Shares: 111,746,167

Number of Shareholders: 8,984

Stock Listing: Tokyo Stock Exchange
Osaka Securities Exchange

Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi, 1-chome Chiyoda-ku, Tokyo 100-8212, Japan

Network:
(As of July 1, 2006)



Branches: Sapporo, Sapporo Minami, Sendai, Ibaraki, Kita Kanto, Saitama, Omiya, Saitama Minami, Kashiwa, Tokyo, Kanagawa, Kanto Jyutaku, Chiba, Shizuoka Higashi, Shizuoka Nishi, Nagoya, Nagoya Higashi, Mie, Keiji, Keiji Higashi, Keiji Minami, Osaka, Hanshin, Minami Osaka, Nara, Okayama, Kurashiki, Hiroshima, Yamaguchi, Fukuoka, Kita Kyushu, Minami Kyushu, Nobeoka

Departments: International Distribution, Marine Transport, Railway Forwarding

Consolidated Subsidiaries and Affiliated Companies (As of March 31, 2006)

Company Name	Paid-in Capital	Equity Ownership	Location	Main Business
SENKO TRADING Co., Ltd.	¥300 million	100.0%	Tokyo	Sales of petroleum-related products and distribution and information processing equipment
SENKO INFORMATION SYSTEM Co., Ltd.	¥60 million	100.0%	Osaka	Information processing
SENKO MOVING PLAZA Co., Ltd.	¥60 million	100.0%	Tokyo	Trucking, in-factory work, moving services
SAPPORO SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Sapporo	Trucking
TOHOKU SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Miyagi	Trucking, in-factory work
KANTO SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Saitama	Trucking, in-factory work
SAITAMA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Saitama	Trucking, in-factory work, vehicle maintenance
CHIBA SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Chiba	Trucking, in-factory work, vehicle maintenance
FUJI SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Shizuoka	Trucking, in-factory work
TOKAI SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Aichi	Trucking, in-factory work
HOKURIKU SENKO TRANSPORT Co., Ltd.	¥20 million	95.0%	Fukui	Trucking, in-factory work
SHIGA SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Shiga	Trucking, in-factory work, vehicle maintenance
OSAKA SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Osaka	Trucking, in-factory work, vehicle maintenance
CHUSHIKOKU LOGISTICS Co., Ltd.	¥80 million	100.0%	Okayama	Trucking, in-factory work, warehousing
SANKYO FREIGHT Co., Ltd.	¥10 million	100.0%	Hiroshima	Trucking, in-factory work
SHIKOKU REEFER TRANSPORT AND WAREHOUSING Co., Ltd.	¥50 million	100.0%	Kagawa	Trucking, warehousing
SANYO SENKO TRANSPORT Co., Ltd.	¥20 million	100.0%	Yamaguchi	Trucking, in-factory work
FUKUOKA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Fukuoka	Trucking
MINAMI KYUSHU SENKO Co., Ltd.	¥25 million	100.0%	Kumamoto	Trucking, in-factory work
MIYAZAKI SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Miyazaki	Trucking, in-factory work, vehicle maintenance
ASICS PHYSICAL DISTRIBUTION CORPORATION	¥300 million	20.0%	Hyogo	Product control, vehicle shipment agency