Annual Report 2000

For the year ended March 31, 2000

SENKO Co., Ltd.

Logistics of the Future

Profile

Established in July 1946, Senko Co., Ltd. is an integrated distribution services company. In addition to the parent company, a total of 39 subsidiaries and 7 affiliates operate under the umbrella of the Senko Group. One of the leading distribution services companies in Japan, Senko boasts a national network of more than 200 offices, 2,877 trucks, 7 cargo ships, and 673,931 square meters of warehouse space.

Listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange, the Company's operations cover a wide-range of businesses, centering on its nationwide trucking network but extending to warehousing, marine transport, railway forwarding, in-factory work, and door-to-door international transportation.

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

The Company plans to further expand services that improve the efficiency of the supply chain, including sourcing, production, and sales, by combining its systems with the latest information technology. Through these and other efforts, Senko will continue to develop as a logistics information company.

Contents

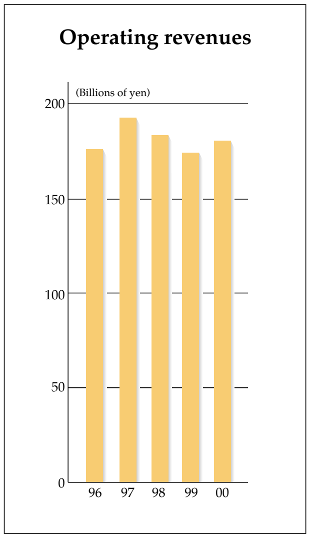
Consolidated Financial Highlights

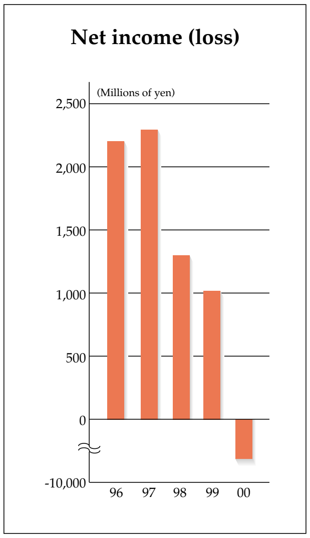
SENKO Co., Ltd. and Consolidated Subsidiaries

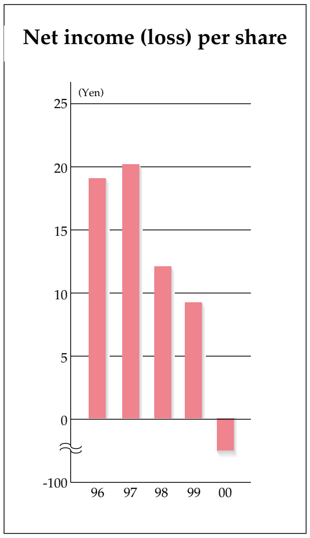
	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	1999	**2000**	**2000**
Operating revenues	¥173,872	**¥180,553**	**$1,700,923**
Operating income	4,601	**6,380**	**60,104**
Net income (loss)	1,075	**(6,144)**	**(57,880)**
Total assets	150,653	**151,459**	**1,426,840**
Shareholders' equity	52,091	**44,764**	**421,706**

	Yen		U.S. dollars
For the years ended March 31	1999	**2000**	**2000**
Per share of common stock:			
Net income (loss)	9.21	**(53.02)**	**(0.50)**
Cash dividends	7.50	**7.50**	**0.70**
Shareholders' equity	446.21	**392.05**	**3.69**

Note : U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥106.15 to U.S.$1 on March 31, 2000.







A Message from the President

Business Environment

During the fiscal year under review, Japan's economy showed signs of bottoming out, supported by the Japanese government's economic stimulus measures and a recovery in Asian economies. There continued to be little sign of a full-fledged economic recovery, however, with capital investment by the private sector stuck in the doldrums, personal consumption remaining weak, and labor conditions worsening.

In the distribution industry, there was a slight increase in demand for truck transport services, but the business climate remained difficult because freight commissions continued to move downward and customer demand for lower rates intensified.

Facing these conditions, the Senko Group placed its first priority on meeting the changing needs of its customers. Pursuing high-quality, high-value-added distribution services, we proceeded to develop new demand for distribution services and continued to steadily implement our Business Structure Reform Plan, which has been ongoing since the fiscal year ended March 1997.

Consequently, operating revenues advanced 3.8%, to ¥180,553 million. This increase can be attributed to growth in housing-related business due to a recovery in housing starts supported by the low interest rates that have persevered for the past two years and a beefing up of tax incentive measures to promote housing sales. We also gained revenues by developing the housing-related market. In addition, distribution services for home centers, drug stores, and other chain stores increased. Business expansion by our sales-related subsidiaries, dealing mainly in petroleum, also contributed to the growth in operating revenues.

Operating income surged 38.6%, to ¥6,380 million despite customer demand for price cuts thanks to the impact of our Business Structure Reform Plan. Over the past three years, we have improved profitability by increasing the efficiency of our organization and staff, reducing our interest burden, reforming unprofitable offices, and other measures.

Net income, however, dropped by ¥7,219 million from the previous fiscal year, to a net loss of ¥6,144 million because of extraordinary losses totaling ¥13,613 million, mainly related to a special loss on provision for accrued severance indemnities for the previous period. The special loss on accrued severance indemnities occurred as a result of a change in accounting standards for severance indemnities and was taken to strengthen our financial position and clear the way for profit growth in the future.

Perspectives

Our Business Structure Reform Plan, which we have been implementing for the past three years, beginning with the fiscal year ended March 1997, ended during the fiscal year under review, having achieved its goals.

In the future, we plan to proceed with achieving a balance between aggressive business expansion and low-cost operations for the overall Group. We are currently creating a new medium-term business plan to guide those efforts that will be implemented in the next fiscal year.

The new medium-term business plan will be based on our “transformation into a logistics information company.” A logistics information company is a company that aims to achieve efficiency throughout the entire supply chain to provide the greatest value to corporate customers and to consumers. Furthermore, it is a company that provides appropriate distribution solutions by collecting and analyzing information for the entire distribution process and integrating this information into a system that utilizes information technology.

First, we will expand the scope of our distribution services to the entire supply chain by offering raw material sourcing transportation, placing and receiving orders, and other business services that have previously been the preserve of the customer. In particular, we will be focusing on the chain store distribution business, which has been expanding substantially recently. To achieve maximum use of our nationwide network of offices, we intend to expand our services to handle distribution needs from the point of production to the store counter or even into consumers’ hands. We plan to expand our chain store business revenues from their current ¥13.7 billion to ¥20.0 billion by the end of March 2004.

Second, we are entering promising new growth fields. These include providing distribution services for companies that combine a e-commerce business system with comprehensive distribution function, for nursing care products, for pharmaceuticals (using know-how acquired in providing services to our drug store business), and for reverse logistics (product recalls or returns). Developing these fields will require a logistics system that utilizes information technology. We already have developed our Best Partner System, which can receive or make orders over the Internet and uses Global Positioning System (GPS) technology to track our trucks by satellite. Since this new system allows us to comprehensively handle the needs of the entire supply chain, we believe it will be a powerful tool for expanding Group revenues.

Although we are still planning our medium-term business plan based on these strategies, we will be aiming for an operating income ratio of greater than 4% (3.5% at end of March 2000) when the period covered by the plan ends in March 2004.

To Our Shareholders

As a Company, we consider the distribution of profits to shareholders as one of our most important management issues. For that purpose, our basic dividend policy is to target stable dividend payments that reflect underlying corporate performance while also retaining sufficient internal capital reserves to provide for business development and strengthening our business structure.

During the fiscal year under review, we paid interim and year-end cash dividends of ¥3.75 per share for a full-year cash dividend of ¥7.50 per share.

In meeting the challenges of the current fiscal year, we look forward to the continued support of our shareholders.

June 2000

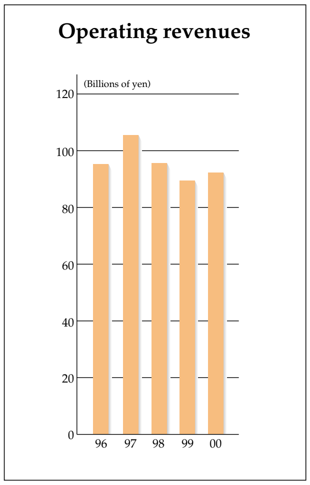
H. Koike

Hiroshi Koike
President and Representative Director

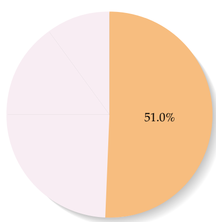
Truck Transport

Truck transport operating revenues climbed 3.4%, to ¥92,086 million, accounting for 51.0% of total operating revenues. This growth resulted from the transportation of a greater volume of prefabricated housing panel due to the recovery in housing starts and increased chain store-related business from home centers, drug stores, direct sales companies, and wholesalers.

The Senko Group's 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, manufactured products, construction materials, housing materials, agricultural products, and general commodities as well as providing moving services–handling almost anything to do with clothing, food, and housing. Moreover, our fleet comprises regular trucks, large-trucks, and trailers as well as specialty cargo trucks, such as tanker, loose powder carrying, and refrigerated trucks. Consequently, our ability to transport items and materials correctly is highly evaluated by manufacturers and other customers.



Share of revenues



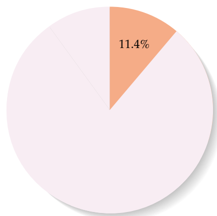
Warehousing

Warehousing operating revenues declined 3.1%, to ¥20,571 million, accounting for 11.4% of total operating revenues. The decrease in operating revenues can be attributed to declining demand, particular for storage of general commodities, and to the impact of a slow down in cargo movement.

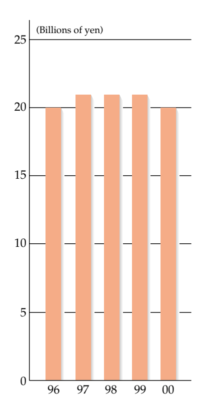
Our warehouses present a very different image from the warehouses of the past. They are integrated function distribution centers that combine a warehouse's distribution processing functions, such as storage, delivery, set assembly, and labeling with advanced information system services.

Currently, we have approximately 170 facilities at our major distribution points nationwide, with total storage space of 674,000 square meters. Based on these warehousing bases, we combine information services with distribution services that utilize a system that anticipates the needs of our diversified customers to offer a full range of distribution services that support our customers' production and sales operations.

Share of revenues



Operating revenues



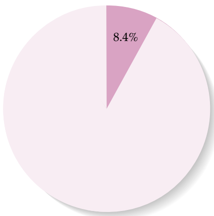
Review of Operations

In-Factory Work

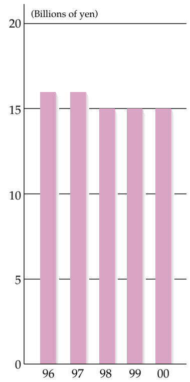
In-factory work operating revenues edged up 0.5%, to ¥15,084 million, accounting for 8.4% of total operating revenues. An increased volume of business related to the favorable conditions in the housing-related markets and new business orders related to the business expansion of existing customers contributed to growth in operating revenues.

In-factory work comprises such distribution and production processes as unloading raw materials at our customers' factories, warehouses, and other sites and wrapping, packaging, and loading products. Our professional distribution services support the management of the flow of materials and products within the factory.

Share of revenues



Operating revenues

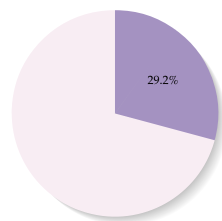


Others

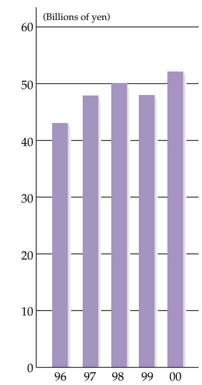
Others operating revenues increased 8.6%, to ¥52,812 million, generating 29.2% of net sales. This growth was mainly supported by an increase in distribution business related to the opening of several distribution centers for customers since the second half of the fiscal year ended March 1999 related to new wholesale and retail sales and by expanded petroleum-related sales because of new customers.

The others business category of the Senko Group includes railway forwarding on trunk routes; marine transport by container, mixed cargo scheduled and specialty ships; leasing of specialized warehouses for customers and warehouse space; door-to-door international freight forwarding; petroleum sales; merchandise sales; data processing; software development; general leasing; and vehicle maintenance.

Share of revenues



Operating revenues



Financial Review

Performance

Operating revenues for the fiscal year ended March 2000 rose 3.8%, to ¥180,553 million. This increase can be attributed to growth in the volume of housing-related cargo against the backdrop of a recovery in the housing market due to low interest rates over the past two years and the strengthening of tax incentives to promote housing sales. Other factors that contributed to the rise in operating revenues were the recapture of business from competitors, increased housing-related cargo due to our development of the market, more retail and wholesale distribution business, and increased revenue contribution by our sales-related subsidiaries, which deal mainly in petroleum.

Operating income grew 38.6%, to ¥6,380 million. Despite a decline in contract prices and customer demand for more cost efficient distribution services, the Company was able to achieve substantial growth in operating income by decreasing its fixed expenses. Among other efforts, the Company reduced the overall number of employees by improving business and organizational efficiency, cutting labor expenses by revising employment conditions, and reducing warehouse rental expenses by discontinuing rental of unprofitable storage space. Consequently, the operating income ratio rose 0.9%, to 3.5%. Management views this significant improvement in profitability as the result of the steady progress made over the past three years under the Company's Business Structure Reform Plan.

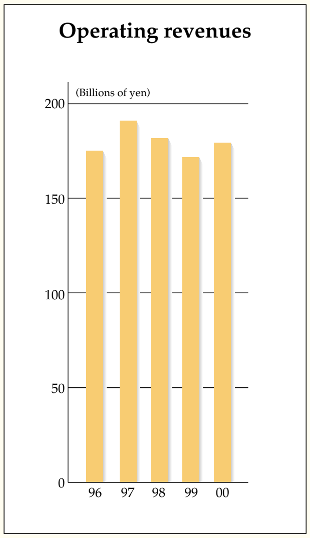
Income before income taxes, however, dropped by ¥13,195 million to ¥10,195 million, principally as a result of a special charge of ¥13,613 million for provision for accrued severance indemnities for prior years. Based on a change in the accounting method for severance indemnities, we booked an special loss to cover the shortfall in our accrued severance indemnities reserves under the new system to achieve a more sound financial position and clear the way for improved profitability in the next fiscal year and onward. In addition, we recorded a ¥4,400 million obligatory loss on evaluation of a certain portion of our investment securities.

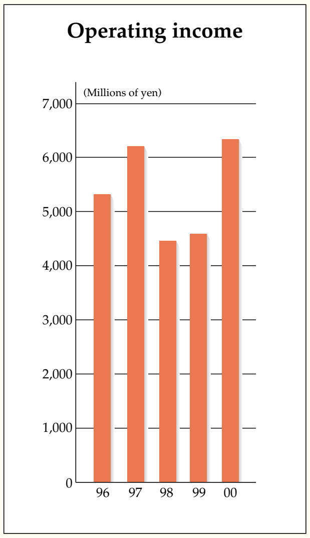
Consequently, despite favorable taxes adjustments resulting from the application of the tax effect accounting, the Company recorded net loss of ¥6,144 million.

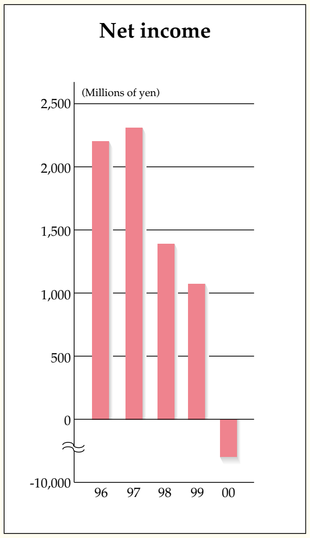
Performance by Business Category

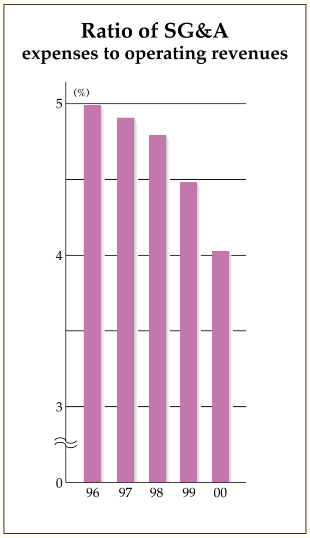
Truck transport operating revenues climbed 3.4%, to ¥92,860 million, generating 51.0% of total operating revenues. A 5.5% increase in prefabricated housing panel and other housing-related cargo and a greater volume of cargo handled for chain stores, such as home centers, drug stores, direct sales companies, and wholesalers, contributed to the growth in operating revenues.

In our warehousing business, which accounted for 11.4% of









total operating revenues, operating revenues declined 3.1%, to ¥20,571 million. This decrease resulted from worsening cargo movement because of a drop in demand for general commodity cargo, reduced storage of cargo because of a distribution rationalization trend among customers, and lower fees.

Accounting for 8.4% of total operating revenues, in-factory work's operating revenues edged up 0.5%, to ¥15,084 million thanks to an increased volume of housing-related business as well as new business.

Others operating revenues advanced 8.6%, to ¥52,812 million, mainly because of a greater contribution to operating revenues from petroleum-related and other merchandise sales. The others segment comprises railway forwarding, marine transport, leasing of specialized warehouses for customers and warehouse space, door-to-door international freight forwarding, petroleum-related sales, merchandise sales, and others.

Performance by Products Handled

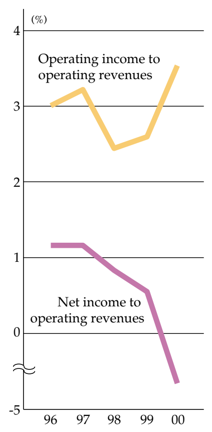
The three core products types handled by the

Consolidated Operating Revenues by Products Handled

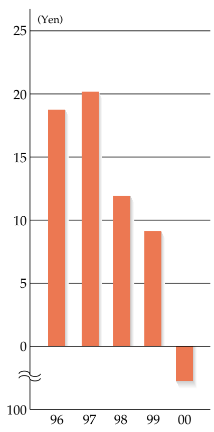
(Units: billions of yen, %)

	Year ended March 1999		Year ended March 2000			
	Revenues	Composition	Revenues	Composition	Change	% Change
Housing	39.6	22.8	41.8	23.2	2.1	5.5
Petroleum-related products, and plastics	34.4	19.8	34.4	19.1	0.0	–
Wholesale and retail	12.0	6.9	13.6	7.6	1.6	13.6
Chemicals and fertilizers	6.0	3.5	6.0	3.3	0.0	-0.1
Foods	4.2	2.4	4.2	2.3	0.0	0.5
Electronics products and machinery	3.7	2.1	2.9	1.6	-0.8	-21.7
Textile goods	3.1	1.8	3.1	1.7	0.0	-2.6
Others	70.5	40.6	74.3	41.2	3.8	5.3
Total	173.8	100.0	180.5	100.0	6.7	3.8

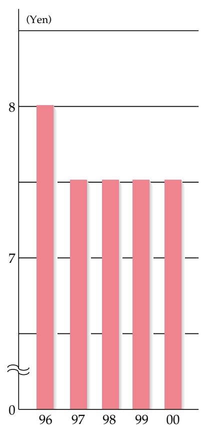
Operating income / net income to operating revenues



Net income per share

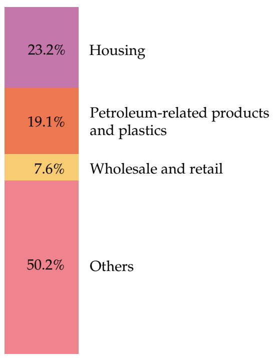


Cash dividends per share



Composition of products handled

(Year ended March 2000)



Company are housing-related, petroleum-related and plastic, and wholesale and retail-related products. They account for approximately half of our operating revenues. Among these three core product types, operating revenues from housing-related products increased 5.5%, to ¥41,850 million and accounted for 23.2% of total operating revenues. Petroleum-related and plastic operating revenues were ¥34,420 million, approximately the same as in the previous fiscal year, and contributed 19.1% of total operating revenues. Operating revenues from wholesale and retail-related products gained 13.6%, to ¥13,690 million, accounting for 7.6% of total operating revenues.

The major causes of the increase in housing-related operating revenues was a recovery in housing starts against a background of low interest rates and a strengthening of the tax incentive system to promote housing purchases and our effort to develop the market. The principal reason for the substantial growth in chain store-related operating revenues, which rose a substantial 13.6%, was the acquisition of new home center and drug store chain customers. We expect our chain-store-related business to continue to grow.

Financial Position

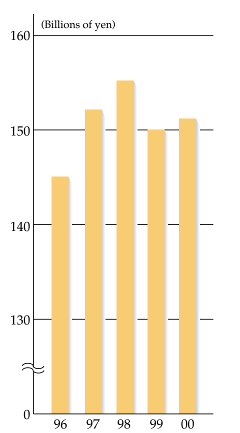
Total assets at the end of the fiscal year under review were approximately the same as in the previous fiscal year, at ¥151,459 million. Current assets decreased by ¥676 million, mainly because of evaluation losses on marketable securities related to the application of lower of cost or market valuation and to a change in the disclosure methods for other current assets. Fixed assets declined ¥2,967 million because the Company curtailed capital investment. Total capital investment decreased by ¥2,172 million, to ¥5,655 million. Accumulated depreciation increased to ¥7,771 million. Investments and other assets rose substantially because of the booking of deferred tax assets related to the application of tax effect accounting.

Among liabilities, long-term liabilities expanded significantly because, based on the introduction of a new accounting method for severance indemnities, the Company recorded its remaining obligations to accrued severance indemnities in prior years under other long-term liabilities.

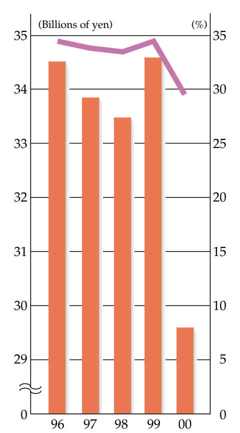
To strengthen our financial position, we worked to reduce our interest-bearing debt during the fiscal year under review. At the end of March 2000, interest-bearing debt amounted to ¥66,460 million, down more than ¥9,400 million compared with two years ago.

Shareholders' equity fell more than ¥7,300 million because of the cancellation of treasury shares and the loss recorded for the fiscal year.

Total assets



Total shareholders' equity / ratio



ROE / ROA

Report of Independent Certified Public Accountants

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

We have examined the accompanying consolidated balance sheets of SENKO Co.,Ltd. and its consolidated subsidiaries at March 31, 1999 and 2000 and the related consolidated statements of income and shareholders' equity for the years then ended, and the related consolidated cash flows for the year ended March 31, 2000, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in Japanese yen, present fairly the consolidated financial position of SENKO Co.,Ltd. and its consolidated subsidiaries at March 31, 1999 and 2000, the results of their operations for the years then ended, and their cash flows for the year ended March 31, 2000, in conformity with accounting principles practices generally accepted in Japan applied on a consistent basis, except for the change effective April 1, 1999, with which we concur, in the method of accounting for Marketable securities and Accrued severance indemnities and pension cost described in Note 3.

As explained in Note 2(i) to the consolidated financial statements, since April 1, 1999, the new Financial Accounting Standard on Accounting for Effects of Income Taxes has been adopted by the Company and its domestic subsidiaries.

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 basis described in Note 1.

Ohtemae Audit Co.

Ohtemae Audit Corporation
Osaka, Japan
June 29, 2000

Consolidated Balance Sheets

SENKO Co., Ltd. March 31, 1999 and 2000

ASSETS

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Current assets:			
Cash and cash equivalents	¥ 17,998	¥ 17,882	$ 168,460
Marketable securities (Note 4)	2,215	638	6,010
Trade accounts and notes receivable -			
Non-consolidated subsidiaries and affiliates	135	101	951
Others	23,883	23,741	223,655
Less allowance for doubtful accounts	(29)	(42)	(396)
Inventories	3,698	4,126	38,870
Short-term loans to non-consolidated subsidiaries and affiliates	428	508	4,786
Prepaid expenses and other current assets	1,742	2,440	22,987
Total current assets	50,070	49,394	465,323
Investments in and long-term loans to non-consolidated subsidiaries and affiliates	952	909	8,563
Investment securities (Notes 4 and 7)	9,438	9,240	87,047
Property and equipment,at cost (Notes 5 and 7)	139,657	140,000	1,318,888
Less accumulated depreciation	(60,022)	(63,332)	(596,627)
Net property and equipment	79,635	76,668	722,261
Deferred tax assets-non-current	—	5,651	53,236
Other assets	10,419	9,522	89,703
Translation adjustments of foreign currency financial statements	139	75	707
Total assets	¥150,653	¥151,459	$1,426,840

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Current liabilities:			
Short-term loans (Note 6)	¥2,786	¥2,755	$25,954
Current portion of long-term debt (Note 6)	13,021	8,310	78,285
Trade accounts and notes payable —			
Non-consolidated subsidiaries and affiliates	339	364	3,429
Others	15,965	16,386	154,366
Accrued expenses	2,871	2,915	27,461
Accrued income taxes	1,092	832	7,838
Other current liabilities	5,941	5,911	55,685
Total current liabilities	42,015	37,473	353,018
Long-term debt, less current portion (Note 6)	50,977	50,788	478,455
Accrued severance indemnities	4,438	10,640	100,236
Other long-term liabilities	1,078	7,721	72,737
Total liabilities	98,508	106,622	1,004,446
Minority Interests	54	73	688
Shareholders' equity (Note 9):			
Common stock, ¥50 per value			
Authorised - 300,000,000 shares			
Issued - 116,747,167 shares at March 31, 1999 and 114,180,167 shares at March 31, 2000	18,296	18,296	172,360
Additional paid-in capital	17,664	17,001	160,161
Retained earnings	16,133	9,467	89,185
	52,093	44,764	421,706
Less: treasury stock	(2)	(0)	(0)
Total shareholders' equity	52,091	44,764	421,706
Total liabilities and shareholders' equity	¥150,653	¥151,459	$1,426,840

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Co., Ltd. Years Ended March 31, 1999 and 2000

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Operating revenues:			
Truck transport	¥89,024	¥92,086	$ 867,508
Others	84,848	88,467	833,415
Total operating revenues	173,872	180,553	1,700,923
Operating costs and expenses:			
Truck transport	82,772	84,940	800,188
Others	78,716	81,898	771,531
Selling, general and administrative expenses	7,783	7,335	69,100
Total operating costs and expenses	169,271	174,173	1,640,819
Operating income	4,601	6,380	60,104
Other income (expenses):			
Interest and dividend income	551	369	3,476
Interest expenses	(1,335)	(1,190)	(11,211)
Others; net	(817)	(15,754)	(148,412)
	(1,601)	(16,575)	(156,147)
Income (loss) before income taxes and minority interests	3,000	(10,195)	(96,043)
Income taxes:			
Current	1,926	1,717	16,175
Deferred	—	(5,795)	(54,593)
	1,926	(4,078)	(38,418)
Income before minority interests	1,074	(6,117)	(57,625)
Minority interests	1	(27)	(255)
Net income (loss)	¥1,075	¥(6,144)	$(57,880)

	Yen		U.S.dollars
Net income (loss) per share	¥9.21	¥(53.02)	$(0.50)

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

SENKO Co., Ltd. Years Ended March 31, 1999 and 2000

	Thousands	Millions of yen			
	Number of shares of common stock issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1998	116,747	¥18,296	¥17,664	¥15,980	¥(0)
Net income	—	—	—	1,075	—
Cash dividends	—	—	—	(875)	—
Bonuses to directors and statutory auditors	—	—	—	(47)	—
Increase of treasury stock	—	—	—	—	(2)
Balance at March 31, 1999	116,747	18,296	17,664	16,133	(2)
Prior years' tax effect	—	—	—	404	—
Net income	—	—	—	(6,144)	—
Cash dividends	—	—	—	(901)	—
Bonuses to directors and statutory auditors	—	—	—	(25)	—
Decrease of treasury stock	—	—	—	—	2
Retirement of treasury stock	(2,567)	—	(663)	—	—
Balance at March 31, 2000	**114,180**	**¥18,296**	**¥17,001**	**¥ 9,467**	**¥(0)**

	Thousands of U.S.dollars (Note 3)			
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1999	$172,360	$166,407	$151,983	$(19)
Prior years' tax effect	—	—	3,806	—
Net income	—	—	(57,880)	—
Cash dividends	—	—	(8,488)	—
Bonuses to directors and statutory auditors	—	—	(236)	—
Decrease of treasury stock	—	—	—	19
Retirement of treasury stock	—	(6,246)	—	—
Balance at March 31, 2000	**$172,360**	**$160,161**	**$ 89,185**	**$ (0)**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SENKO Co., Ltd. Year Ended March 31, 2000

	Millions of yen	Thousands of U.S.dollars
	2000	**2000**
Cash flows from operating activities:		
Loss before income tax and minority interest	¥(10,195)	$(96,043)
Adjustments for:		
Depreciation and amortization	7,771	73,208
Provision for accrued severance indemnities	6,202	58,427
Interest and dividends income	(369)	(3,476)
Interest expense	1,190	11,210
Equity in loss of affiliated companies	283	2,666
Write-down of marketable securities	1,221	11,503
Increase in inventories	(428)	(4,032)
Increase in trade payable	529	4,983
Increase in long term accrued expense	7,113	67,009
Other	1,517	14,291
Sub total	14,834	139,746
Interest and dividend income received	374	3,523
Interest expenses paid	(1,176)	(11,079)
Income tax paid	(1,976)	(18,615)
Net cash provided by operating activities	12,056	113,575
Cash flows from investing activities:		
Payments for purchases of marketable securities	(92)	(867)
Proceeds from sales of marketable securities	141	1,328
Payments for purchases of fixed assets	(5,496)	(51,776)
Proceeds from sales of fixed assets	114	1,074
Proceeds from sales of investment securities	91	857
Payments for long-term loans receivable	(388)	(3,655)
Other	(110)	(1,036)
Net cash used in investing activities	(5,740)	(54,075)
Cash flows from financing activities:		
Proceeds from long-term debt	8,231	77,541
Payments of long-term debt	(13,132)	(123,712)
Purchases of treasury stock retired	(662)	(6,236)
Dividends paid	(901)	(8,488)
Other	(29)	(273)
Net cash provided by financing activities	(6,493)	(61,168)
Effect of exchange rate changes on cash and cash equivalents	61	575
Net decrease in cash and cash equivalents	(116)	(1,093)
Cash and cash equivalents at beginning of year	17,998	169,553
Cash and cash equivalents at end of year	17,882	168,460

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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 Company’s overseas subsidiary maintains its accounts and records in conformity with generally accepted accounting principles and practices prevailing in the country of its 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 Minister of Finance (“MOF”) 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, 2000, which was ¥106.15 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-consolidation of subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidated 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 amortised over a five-year period on a straight-line method.

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

(b) Consolidated Statement of Cash Flows

In 2000, the Companies adopted the Accounting Standards for Consolidated Statement of Cash Flows, etc. which was issued by the Business Accounting Deliberation Council.

For the purposes of cash flow statements, 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) Marketable and Investment Securities

Listed marketable securities in current assets are stated at the lower of cost or market value, cost being determined by moving average method. Other securities are stated at cost determined by the moving average method. However, appropriate write-downs are recorded for investment securities with values considered to have been permanently or substantially impaired.

(d) Allowance for Doubtful Accounts

The allowance for doubtful receivables is provided in amounts sufficient to cover possible losses on collection. It is determined by adding the uncollectable amounts individually estimated for doubtful receivables to a amount based on the actual rate of uncollected receivables of the Companies in the prior years permitted by the Corporation Tax Law.

(e) Inventories

Purchased goods are stated at cost which is determined by the first-in first-out method and Supplies are stated at moving-average cost. Real estate for sale is stated at cost which is determined by the specific cost method.

(f) Property and Equipment and Depreciation

Depreciation of property and equipment is principally computed on the declining-balance method, based on the estimated useful lives of assets prescribed by Japanese tax law.

(g) Bond issue expenses

Bond issue expenses are deferred and amortised on the straight-line method over 3 years .

(h) Accrued Severance Indemnities and Pension Plan

Employees’ retirement benefits, covering employees of the Company and certain consolidated subsidiaries, are provided through unfunded lump-sum benefit plans and funded noncontributory pensions plans.

Under the plans, eligible employees are entitled, under most circumstances, to severance payments based on compensation at the time of severance and years of service.

The liability for accrued severance indemnities under the lump-sum benefit plan is provided at 100% of the amount that would be required if all eligible employees voluntarily retired at the balance sheet date.

In addition, the Company and certain consolidated subsidiaries have a contributory funded pension plan for most employees.

The Company and certain consolidated subsidiaries also have a severance indeminity plan for directors and statutory auditors, whose accrued severance indemnities are stated at 100% of the amount which is computed according to internal rules.

(i) Income Taxes

The Companies recorded income taxes payable based upon taxable income determined for each group company in accordance with applicable tax laws. The Campany and its domestic subsidiaries did not recognize deferred income taxes arising from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at March 31, 1999.

Effective April 1, 1999, the Group adopted the Financial Accounting Standard on Accounting for Effects of Income Taxes which was issued by the Financial Accounting Deliberation Council.

This standard requires that income taxes be accounted for under the asset and liability method.

The effect of the initial application of this policy for the year ended March 31, 2000 was to decrease net loss by ¥5,795 million ($54,593 thousand). The cumulative effect up to the beginning of the current year of ¥404 million ($3,806 thousand) has been reported as a prior years' tax effect from initial application of accounting for income taxes in the consolidated statement of shareholders' equity. As a result of the above, total assets and retained earnings at March 31, 2000 increased by ¥6,199 million ($58,399 thousand).

(j) Revenue

The Companies recognises freight charges as revenue when freight is shipped out. Other service revenues are recognised at completion of provision of the relevant services.

Sales of purchased goods are recognised when they are shipped to customers.

(k) Appropriation of Retained Earnings

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

(l) Net Income Per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the relevant year.

(m) Translation of Foreign Currencies

Current monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date. Long-term monetary assets and liabilities denominated in foreign currencies are translated at the historical exchange rate. However foreign currency receivables and payables covered by forward exchange contracts are translated at the contracted rates. Revenues and expenses are translated at the rates of exchange prevailing when transactions are recorded.

Assets and liabilities of foreign subsidiary are translated into Japanese yen at the exchange rates in effect on the respective balance sheet dates. Revenue and expenses are also translated at the exchange rates in effect on the respective balance sheet dates. Translation adjustments resulting from translating foreign currency financial statements are not included in the determination of net income and are reported in consolidated balance sheets.

(n) Consumption Tax

The consumption tax is not included in the amount of "Operating revenues" and "Operating costs and expenses."

3. Accounting change

(a) Marketable securities

Prior to April 1, 1999, listed marketable securities in current assets were stated at the moving average cost. Effective April 1, 1999, the Company changed the method of valuation of such listed marketable securities from the moving average cost to the lower of moving average cost or market value. The effect of this change was to increase loss before income taxes and minority interests for the year ended March 31, 2000, by ¥1,221 million ($11,503 thousand).

(b) Accrued severance indemnities and pension cost

Prior to April 1, 1999, the Company and certain consolidated subsidiaries provided for employees' retirement benefits at 40% of the amount which would be required to be paid if all eligible employees left the employment of the Company voluntarily at the balance sheet date. Effective April 1, 1999, the Company and certain consolidated subsidiaries changed their accounting for employees' retirement benefits to provide for the full amount which would be required. The effect of this change was to increase loss before income taxes and minority interests by ¥6,148million ($57,918 thousand).

Also, effective April 1, 1999, regarding funding policy to the outside financial institutions for the contributory and the non-contributory funded pension plans, the Company changed the accounting method for prior service pension costs from a cash basis to an accrual basis. The effect of this change was to increase loss before income taxes and minority interests by ¥7,084 million ($66,736 thousand).

4. Marketable Securities and Investment Securities:

At March 31, 1999 and 2000, marketable securities consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Marketable equity securities	¥2,209	**¥635**	**$5,982**
Bonds and other	6	**3**	**28**
	¥2,215	**¥638**	**$6,010**
Market value of marketable equity securities	¥1,623	**¥843**	**$7,942**

At March 31, 1999 and 2000, investment securities consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Marketable equity securities	¥8,375	**¥8,144**	**$76,722**
Other equity securities	453	**455**	**4,286**
Bonds and other	610	**641**	**6,039**
	¥9,438	**¥9,240**	**$87,047**
Market value of marketable equity securities	¥8,916	**¥7,834**	**$73,801**

5. Property and Equipment:

At March 31, 1999 and 2000, property and equipment at cost consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Land	¥31,858	**¥31,883**	**$300,358**
Buildings and structures	60,404	**61,511**	**579,472**
Machinery and equipment Vehicles and vessels	25,218	**25,050**	**235,987**
Tools, furniture and fixtures	22,011	**21,463**	**202,195**
Construction in Progress	166	**93**	**876**
	¥139,657	**¥140,000**	**$1,318,888**

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

At March 31, 1999 and 2000, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
1.375% to 3.125% unsecured notes payable to banks	¥2,786	**¥2,755**	**$25,954**

At March 31, 1999 and 2000, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
2.30% mortgage convertible bonds due 2002	¥ 45	**¥ 45**	**$ 424**
0.45% convertible bonds due 2003	13,837	**13,837**	**130,353**
3.25% bonds due 2004	10,000	**10,000**	**94,206**
2.025% bonds due 2002	10,000	**10,000**	**94,206**
1.2% to 6.0% loans from banks:			
Secured	9,400	**7,400**	**69,713**
Unsecured	20,716	**17,816**	**167,838**
	63,998	**59,098**	**556,740**
Less current portion	(13,021)	**(8,310)**	**(78,285)**
	¥50,977	**¥50,788**	**$478,455**

In August 1987, the Company issued ¥5,000 million principal amount of 2.3 per cent. mortgage convertible bonds due 2002. At April 1, 1999, holders of the bonds were entitled to convert such bonds into 82 thousand shares of common stock of the Company. The bonds are convertible at any time before September 27, 2002 at a conversion price of ¥545.90 per share.

In April 1996, the Company issued ¥15,000 million principal amount of 0.45 per cent. convertible bonds due 2003. At April 1, 1999, holders of the bonds were entitled to convert such bonds into 21,520 thousand shares of common stock of the Company. The bonds are convertible at any time before September 29, 2003 at a conversion price of ¥697 per share.

The annual maturities of long-term debt at March 31, 2000 for the next five years are as follows: –

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2001	¥ 8,310	$ 78,285
2002	6,666	62,798
2003	19,109	180,019
2004	14,743	138,888
2005	10,270	96,750

7. Pledged Assets:

The following assets were pledged as collateral as at March 31, 1999 and 2000:

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Land	¥5,667	**¥5,514**	**$51,945**
Buildings	3,438	**3,186**	**30,014**
Vehicles	10	**6**	**57**
Investment securities	10	**10**	**94**
Lease receivables	12,793	**9,842**	**92,718**
	¥21,918	**¥18,558**	**$174,828**

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

	Millions of yen		Thousands of U.S.dollars
	1999	**2000**	**2000**
Lease debt	¥4,250	**¥3,969**	**$37,390**
Long-term debt, including current portion	¥5,745	**¥4,026**	**$37,927**

8. Commitments and Contingent Liabilities:

At March 31, 2000, the Companies were contingently liable for trade notes discounted with banks and for guarantees of loans to non-consolidated subsidiaries and affiliates in the amounts of ¥4,607 million ($43,401 thousand) and ¥76 million ($716 thousand), respectively.

The Companies have entered into various rental and lease agreements for office spaces, housing for employees and warehouses which are generally cancellable upon a few months' notice and also non-cancellable lease agreements for computer equipment, telecopiers, pallets, forklifts, trucks, flexible bags and other equipment. Such rent and lease charges for the year ended March 31, 2000 amounted to ¥12,431 million ($117,108 thousand).

The aggregate annual lease expenses for the non-cancellable lease agreements for the next five years are as follows: –

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2001	¥1,741	$16,401
2002	1,233	11,616
2003	868	8,177
2004	755	7,113
2005	203	1,912

9. Shareholders' Equity:

The Code provides that an amount equal to at least 10% of appropriations paid in cash be transferred to the legal reserve until such reserve equals 25% of stated capital. This reserve amounted to ¥1,284 million and 1,377 million ($12,972 thousand) at March 31, 1999 and 2000, respectively. This reserve, included in retained earnings, is not available for distribution as dividends but may be used to reduce a deficit or be transferred to stated capital.

10. Subsequent Events:

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 29, 2000

	Millions of yen	Thousands of U.S.dollars
Cash dividends	¥428	$4,032
Transfer to legal reserve	43	405

11. Segment information

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 1999 and 2000 is summarized as follows:

	Millions of yen						
	1999						
	Truck transport	Ware-housing	In-factory works	Other	Total	Elimination or Corporate	Consolidated
a. Operating revenues and operating income:							
Customers	¥89,024	¥21,225	¥15,012	¥48,611	¥173,872	¥ —	¥173,872
Intersegment	1,738	62	1,718	8,562	12,080	(12,080)	—
Total operating revenues	90,762	21,287	16,730	57,173	185,952	(12,080)	173,872
Operating costs and expenses	88,074	20,575	16,097	56,738	181,484	(12,213)	169,271
Operating income	¥ 2,688	¥ 712	¥ 633	¥ 435	¥ 4,468	¥ 133	¥ 4,601
b. Asset, depreciation and capital expenditures:							
Assets	¥31,242	¥38,891	¥7,614	¥45,066	¥122,813	¥27,840	¥150,653
Depreciation	1,818	2,146	239	3,631	7,834	76	7,910
Capital expenditures	1,744	2,991	247	3,931	8,913	186	9,099

	Millions of yen						
	2000						
	Truck transport	Ware-housing	In-factory works	Other	Total	Elimination or Corporate	Consolidated
a. Operating revenues and operating income:							
Customers	¥92,086	¥20,571	¥15,084	¥52,812	¥180,553	¥ —	¥180,553
Intersegment	2,277	120	2,669	8,461	13,527	(13,527)	—
Total operating revenues	94,363	20,691	17,753	61,273	194,080	(13,527)	180,553
Operating costs and expenses	90,600	20,115	16,692	60,355	187,762	(13,589)	174,173
Operating income	¥ 3,763	¥ 576	¥ 1,061	¥ 918	¥ 6,318	¥ 62	¥ 6,380
b. Asset, depreciation and capital expenditures:							
Assets	¥33,532	¥38,083	¥7,765	¥44,969	¥124,349	¥27,110	¥151,459
Depreciation	1,233	1,689	217	4,551	7,690	81	7,771
Capital expenditures	1,040	1,233	113	3,171	5,557	152	5,709

	Thousands of U.S. dollars						
	2000						
	Truck transport	Ware-housing	In-factory works	Other	Total	Elimination or Corporate	Consolidated
a. Operating revenues and operating income:							
Customers	$867,508	$193,792	$142,101	$497,522	$1,700,923	$ —	$1,700,923
Intersegment	21,451	1,130	25,144	79,708	127,433	(127,433)	—
Total operating revenues	888,959	194,922	167,245	577,230	1,828,356	(127,433)	1,700,923
Operating costs and expenses	853,509	189,496	157,249	568,582	1,768,836	(128,017)	1,640,819
Operating income	$ 35,450	$ 5,426	$ 9,996	$ 8,648	$ 59,520	$ 584	$ 60,104
b. Asset, depreciation and capital expenditures:							
Assets	$315,893	$358,766	$ 73,151	$423,636	$1,171,446	$ 255,393	$1,426,839
Depreciation	11,616	15,912	2,044	42,873	72,445	763	73,208
Capital expenditures	9,797	11,616	1,065	29,873	52,351	1,432	53,783

Consolidated Subsidiaries and Affiliated Companies

Company Name	Paid-in Capital	Equity Ownership	Location	Main Business
SENKO TRADING Co., Ltd.	¥300 million	100.0%	Tokyo	Sales of petroluem-related products and distribution and information processing equipment
SENKO LEASING Co., Ltd.	¥350 million	100.0%	Tokyo	General leasing
SENKO INFORMATION SYSTEM Co., Ltd.	¥60 million	100.0%	Osaka	Information processing
TOKYO SENKO AUTO MAINTENANCE Co., Ltd.	¥40 million	80.0%	Saitama	Vehicle maintenance
KANSAI SENKO AUTO MAINTENANCE Co., Ltd.	¥40 million	93.8%	Osaka	Vehicle maintenance
SENKO MOVING PLAZA Co., Ltd.	¥50 million	100.0%	Tokyo	Trucking, moving services
SAPPORO SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Sapporo	Trucking
TOHOKU SENKO TRANSPORT Co., Ltd.	¥30 million	73.4%	Miyagi	Trucking, in-factory work
GUNMA SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Gunma	Trucking
OMIYA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Saitama	Trucking, in-factory work
TOKYO SENKO TRANSPORT Co., Ltd.	¥40 million	100.0%	Chiba	Trucking, in-factory work
CHIBA SENKO TRANSPORT Co., Ltd.	¥30 million	73.4%	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%	Aich	Trucking, in-factory work
SHIGA SENKO TRANSPORT Co., Ltd.	¥30 million	82.0%	Shiga	Trucking, in-factory work, vehicle maintenance
NARA SENKO TRANSPORT Co., Ltd.	¥35 million	100.0%	Nara	Trucking, in-factory work
OSAKA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Osaka	Trucking, in-factory work
OKAYAMA SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Okayama	Trucking, in-factory work
SANYO SENKO TRANSPORT Co., Ltd.	¥20 million	61.0%	Yamaguchi	Trucking, in-factory work
FUKUOKA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Fukuoka	Trucking
KUMAMOTO SENKO TRANSPORT Co., Ltd.	¥25 million	86.0%	Kumamoto	Trucking, in-factory work
MIYAZAKI SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Miyazaki	Trucking, in-factory work, vehicle maintenance
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
SENKO LOGISTICS COMPANY, INC.	US$2 million	100.0%	USA	International freight forwarding
OSAKA KAIUN Co., Ltd.	¥20 million	30.0%	Osaka	Domestic air freight
ASICS PHYSICAL DISTRIBUTION CORPORATION	¥300 million	20.0%	Hyogo	Product control, vehicle shipment agency

Board of Directors and Corporate Auditors *(As of June 29, 2000)*

Chairman and Representative Director
Eiji Baba

President and Representative Director
Hiroshi Koike

Vice-president and Representative Director
Akio Tanaka

Chairman and Representative Director

Eiji Baba

President and Representative Director

Hiroshi Koike

Vice-president and Representative Director

Akio Tanaka

Managing Directors

Fujio Shudo
Yasuhisa Fukuda
Isao Kagi
Yasuyuki Kiyomiya

Directors

Kiyonori Inayama
Yoshio Ikeda
Sadayuki Wada
Michiyoshi Tsuge
Tadao Ito
Kazuo Saga
Kazuo Goto

Full-time Corporate Auditors

Masahiro Hayashi
Saburo Takahashi
Hideo Asano

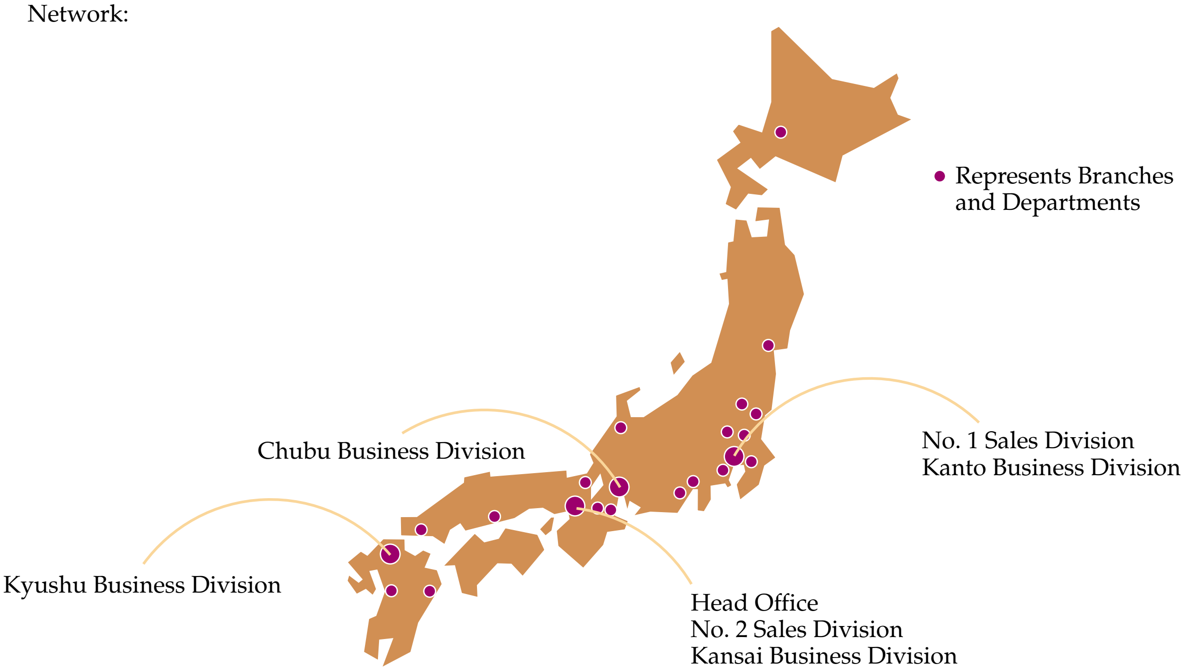
Corporate Auditor

Hideyuki Tonomura

Corporate Data *(As of March 31, 2000)*

Date of Establishment:	July 1946
Paid-in Capital:	¥18,295,643,751
Authorized Shares:	300,000,000
Outstanding Shares:	114,180,167
Number of Shareholders:	8,694
Stock Listing:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	The Mitsubishi Trust and Banking Corporation 11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 171-8508, Japan

Network:



Branches:	Sapporo, Sendai, Ibaraki, Kita Kanto, Saitama, Kashiwa, Tokyo, Kanagawa, Chiba, Shizuoka East, Shizuoka West, Nagoya, Mie, Hokuriku, Keiji, Nara, Osaka, Okayama, Yamaguchi, Fukuoka, Kumamoto, Nobeoka
Departments:	International Distribution, Marine Transport, Moving Operations

SENKO Co., Ltd.
Umeda Sky Bldg., Tower West, 1-30, Oyodonaka 1-chome, Kita-ku, Osaka 531-6115, Japan
Tel: 06-6440-5155   Fax: 06-6440-5175
URL http: //www.senko.co.jp/

Printed in Japan