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TRANSPORT WAREHOUSE INTERNATIONAL DISTRIBUTION CONSULTING TRANSPORT WAREHOUSE INTERNATIONAL DISTRIBUTION

SENKO

# Annual Report 2005

For the year ended March 31, 2005

SENKO Co., Ltd.

*Logistics of the Future  Logistics of the Future*

# *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, 2005, Senko boasted a national network in Japan of 260 offices, 2,508 vehicles, 15 owned and chartered cargo ships, and 1,058,342 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.

# *Contents*



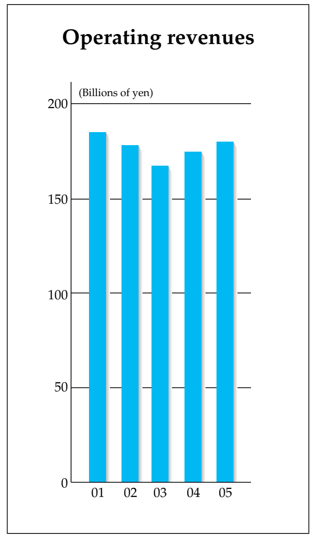


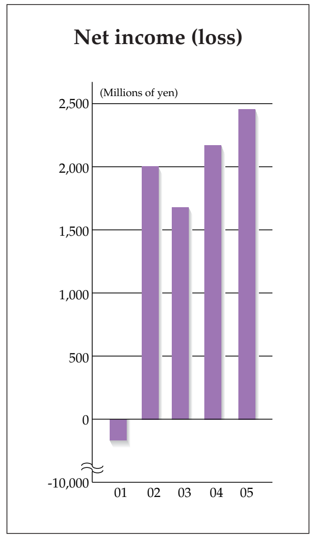
# *Consolidated Financial Highlights*

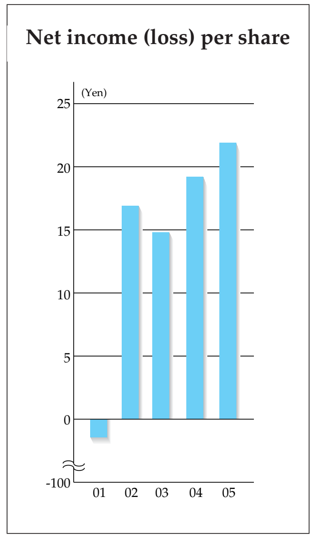
SENKO Co., Ltd. and Consolidated Subsidiaries

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| Years ended March 31 | **2005** | 2004 | **2005** |
| **For the year:** | | | |
| Operating revenues | **¥179,501** | ¥172,974 | **$1,671,487** |
| Operating income | **5,125** | 5,042 | **47,723** |
| Net income | **2,457** | 2,175 | **22,879** |
| **At year end:** | | | |
| Total assets | **126,041** | 124,717 | **1,173,675** |
| Shareholders' equity | **44,826** | 43,161 | **417,413** |
| **Per share data: (Yen and U.S. dollars)** | | | |
| Net income | **¥21.90** | ¥19.20 | **$0.20** |
| Cash dividends | **7.50** | 7.50 | **0.07** |
| Diluted net income | **—** | 18.02 | **—** |
| Shareholders' equity | **403.78** | 388.42 | **3.76** |

Note : U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥107.39 to U.S.$1 on March 31, 2005.



# A Message from the President

## Two Consecutive Years of Operating Revenue and Profit Growth, Medium-Term Business Plan Moving Forward

**Business Environment**
In the fiscal year ended March 31, 2005, Senko achieved operating revenue and profit growth for the second consecutive year. Consolidated operating revenues climbed 3.8%, to ¥179,501 million while consolidated operating income rose 1.7%, to ¥5,125 million. Consolidated net income increased 13.0%, to ¥2,457 million.

In the first half of the fiscal year under review, there were signs of a mild recovery in the Japanese economy supported by improvement in corporate performances and expanding capital investment. In the second half, however, soaring prices for crude oil and the impact of unusually large natural disasters prevented any rebound in personal consumption, creating even more clouds on the horizon of the economy.

In the transport and distribution industry, despite signs of growth in freight volume, the business climate remained severe. Customers continued their strong demands for distribution expenses cuts against the backdrop of the trend to lower prices in the market. Moreover, the industry faced difficult operating conditions due to the impact of the surge in oil prices on fuel expenses and other factors.

Under these circumstances, the Company kicked off 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 pursued the development of new business in the wholesale and retail logistics and housing construction materials procurement and supply logistics sectors. These efforts were based on the provision of efficient transportation and distribution systems to support the construction of customer supply chain management systems centered on the Company's Best Partner System, a new logistics system that takes full advantage of information technology. 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.

Reflecting these measures, operating revenues of the housing logistics business rose 6.9%, to ¥44.3 billion, accounting for 24.7% of total operating revenues, a gain of 0.8 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, advanced 10.0% year on year, to ¥28.4 billion, generating 15.8% of total operating revenues, up 0.9 percentage points year on year.

Looking at profitability, operating income and net income also posted growth during the fiscal year. This result was achieved regardless of the pressure on profit margins from customers' demands for price cuts, the introduction of pro forma standard taxation, and the rise in diesel oil costs. Contributing to profit growth were earnings growth by the housing logistic-related and retail logistics businesses and cost benefits from progress in cost restructuring.

**Outline of New Medium-Term Business Plan and Strategies for the Future**
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 (¥179.5 billion last year), of operating income to ¥6.5 billion (¥5.1 billion last year), and of net income to ¥3.0 billion (¥2.5 billion last year) in the fiscal year ending March 2007.

The current fiscal year is the second year of the medium-term business plan. With its eye on the goals of the final year of the plan, management will be going on the offensive in the fiscal year ending March 2006. Actively upgrading and expanding our logistics bases nationwide, we will build 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.

Specifically, in the current fiscal year, we plan to establish eleven distribution centers, including overseas distribution centers, with a total of 220,000 square meter of space. This expansion follows the construction last year of five distribution centers, including overseas distribution centers, with a total of 30,000 square meters of space. To avoid any deterioration in our financial position, we are pursuing this network expansion strategy by selecting a variety of financing methods, including securitization through special purpose companies, borrowing, and internal reserves.

In June 2005, The AEON North Hokkaido RDC Center began operations, supplying products to the outlets of the AEON Group throughout Hokkaido. In the same month, one of our largest distribution centers yet, the Sugito PD Center, also came onstream. Due to the scarcity of warehousing space, in metropolitan Tokyo especially, it is urgent that that Senko develops new distribution bases if we want to expand business further. To that end, we are scheduled to open 4 bases, including the Sugito PD Center, during the current fiscal year, adding a total of 110,000 square meters of distribution center space.

Among these new bases is included the expansion of the capacity of an interior materials supply center for a major prefabricated housing manufacturer in the Kanto and Kansai region. The center will use the additional capacity to improve its delivery organization that supplies materials on a just-in-time basis in accordance with progress in assembly as well as the quality of its transportation service.

We also plan to accelerate our business providing a supply services for housing materials manufacturers on a pick-up basis. We are currently running test trials with a targeted date in August for the start up of operations.

Senko is also proactively developing its overseas business. We are considering setting up a new base in the Dalian distribution region of the People's Republic of China in addition to our 2,600-square meter Dalian warehouse facilities that provides hanger storage and retail processing. We have established local subsidiaries in Shanghai in addition to Hong Kong. With a network of six subsidiaries and nine bases, we are accelerating our business development in China.

Among new businesses, in October 2004, we established S-TAFF Co., Ltd., a temporary staffing service specializing in distribution services. The subsidiary plans to enter the metropolitan Tokyo market during the current fiscal year.

**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.

**To Our Shareholders**
The Company regards distribution 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 these endeavors, we look forward to the continued support of our shareholders.

June 2005

Y. Fukuda
Yasuhisa Fukuda
President and Representative Director

# 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.

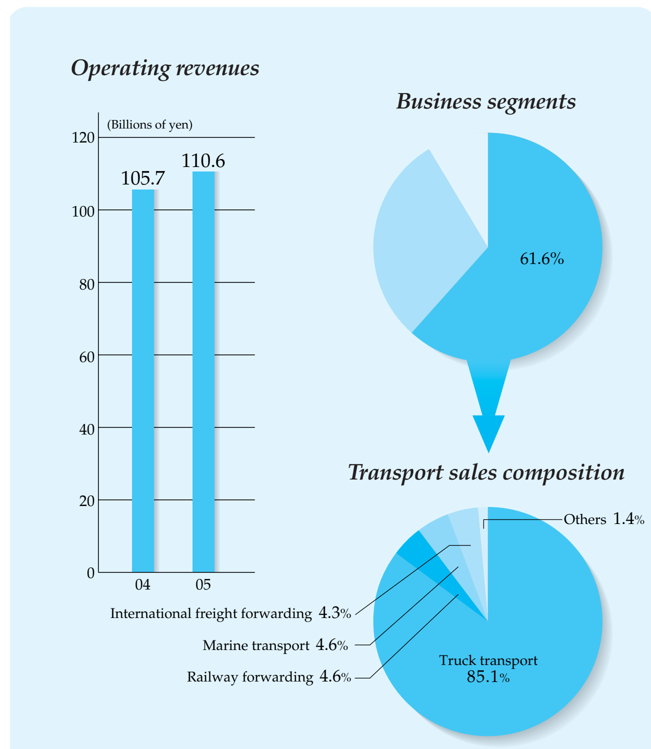
## Transport

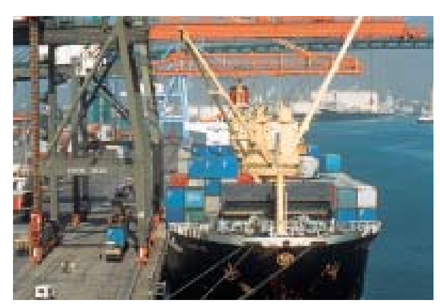
In addition to truck transport operations, this business segment includes railway forwarding on trunk routes; marine transport by container ship, mixed cargo steamer, and specialty ship; and intermodal international freight forwarding.

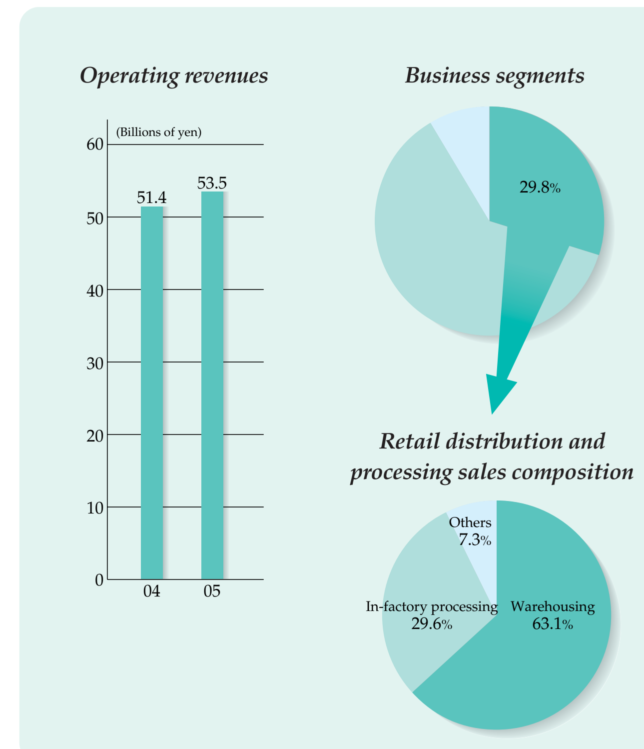
The core truck transport operations have developed an extensive nationwide network, providing our customers with transportation and delivery services that match their products and distribution structure, including exclusive, combination, route, and joint transport services.

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.





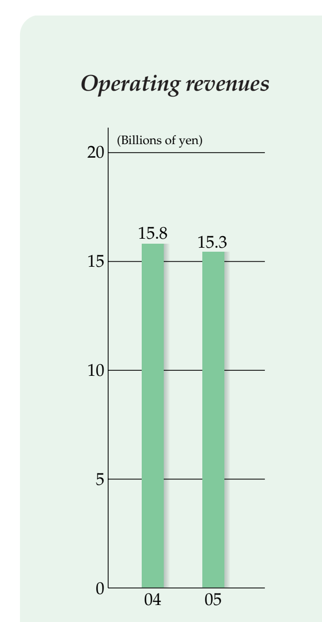

## Retail Distribution and Processing

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.

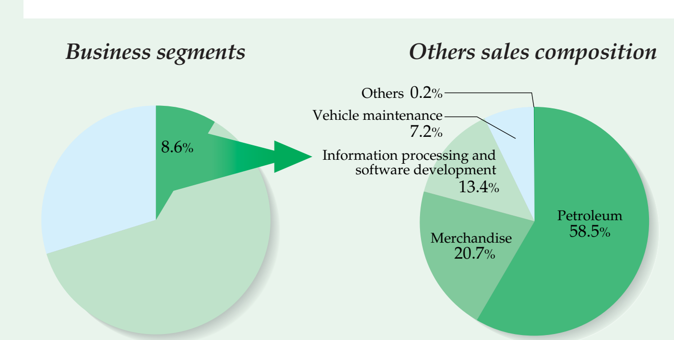
The Company's facilities provide a total storage space of approximately 1,060,000 square meters. With these warehousing bases as the core of our operations, we develop and install logistics information systems designed in anticipation of diverse customer needs. These capabilities allow us to offer a 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.

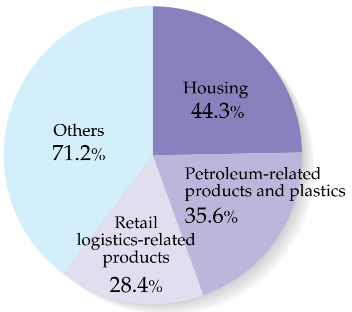


## *Review of Operations*

### *Product Categories Information*

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.

***Sales composition***




### 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.

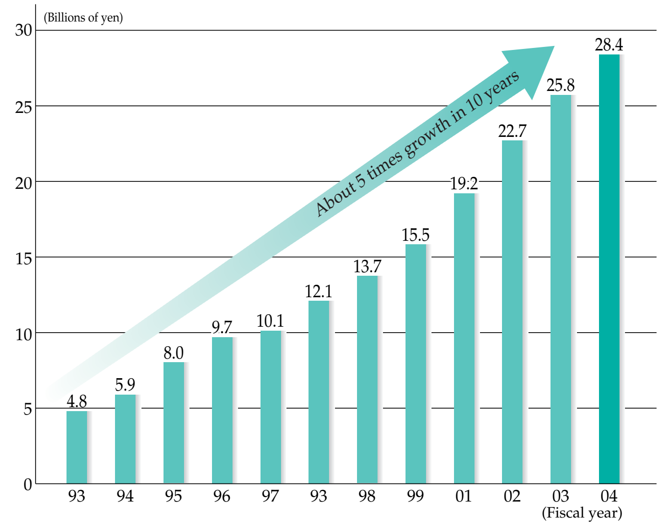
### Petroleum-Related Products and Plastics

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 2005 climbed 3.8%, to ¥179,501 million. Sales of the transport and retail distribution and processing business segments expanded 4.6% and 4.1%, respectfully.

Sales growth in retail logistics and housing-related services combined with cost structure reforms to support a 2.3% increase in gross margin, to ¥13,307 million, while operating income edged forward 1.7%, to ¥5,125 million. Along with the growth in sales, however, selling, general and administrative expenses increased 2.7% year on year, resulting in the operating income ratio remaining unchanged, at 2.9%.

Income before income tax and minority interests expanded 7.6% year on year, to ¥4,553 million, despite the fact that there were other expenses of loss on cancellation of lease. Moreover, although there was an increase in the income taxes on the growth in income before income taxes and minority interests, deferred income taxes also increased. Consolidated net income, therefore, rose 13.0%, to ¥2,457 million, and the ratio of net income to operating revenues improved 0.2 percentage points, to 1.4%.

**Performance by Business Segment**
By business segment, transport operating revenues for the fiscal year under review rose ¥4,895 million, or 4.6%, to ¥110,610 million, generating 61.6% of total operating revenues. Sales of housing logistics services, the core business of the Company, climbed 6.9% due to the increase in the distribution volume from factories and the development of the procurement side of the business. In addition, there was a substantial increase in shipping volume in the retail logistics-related sector, which combines wholesale and retail and medical treatment and pharmaceutical logistics.

The operating revenues of the retail distribution and processing business segment amounted to ¥53,544 million, advancing ¥2,125 million, or 4.1% and accounting for 29.8% of total operating revenues. Contributing to the growth in operating revenues were active acquisition of cargo business wholesale and retail stores and expansion of revenues from storage of electrical and general machinery and from in-factory work.

Operating revenues from the others business segment decreased ¥493 million, or 3.2%, to ¥15,347 million, contributing 8.6% of total operating revenues. During the fiscal year, the replacement of vehicles due to the stricter emissions regulations progressed, resulting in a decline in demand for vehicle inspections. The impact of this trend was to reduce revenues from vehicle maintenance. Furthermore, revenues from the merchandise business decreased due to a contraction in the size of the installment sales market. These reductions produced an overall decline in business segment sales.

**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 2005, these three core product categories accounted for 60.3% of total operating revenues.

Accounting for 24.7% 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 were firm, with sales expanding 2.3%. Because the interior housing materials distribution center network was increased to nine centers nationwide, supply procurement services sales jumped 30.8%. As a result, operating revenues from housing-related products increased ¥2,880 million, or 6.9%, year on year to ¥44,280 million.

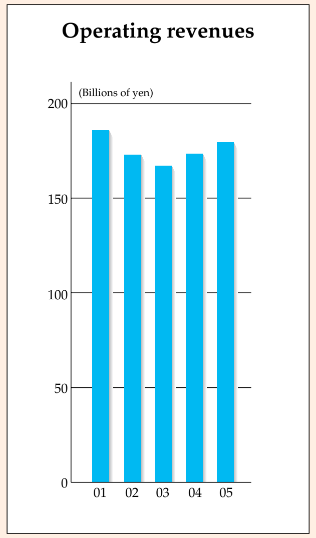
Generating 19.8% of total operating revenues, the petroleum-related and plastics product category saw its lubricating oil business, which the Company has been steadily expanding, grow more than 7% during the fiscal year. This contribution supported a ¥120 million, or 0.3% increase in operating revenues, to ¥35,590 million.

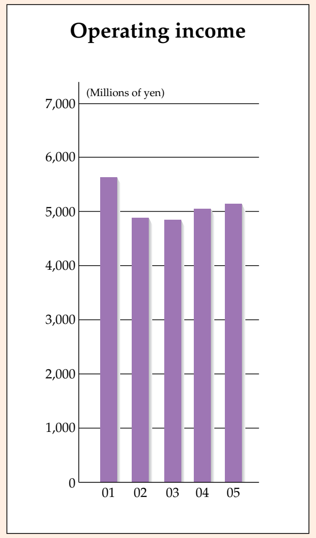
The retail logistics-related product category, which contributed 15.8% of total operating revenues and has recently been recording high growth, posted sales growth in various fields during the fiscal year. Shipping volume increased in the discount and specially store field as well as in the direct sales field. Four new companies became customers from the drug store market. In addition, shipping volume rose in the medical and pharmaceutical field and a new order was received for a nursing care product maintenance center. Consequently, operating revenues from retail logistics-related products climbed ¥2,570 million, or 10.0%, to ¥28,390 million.

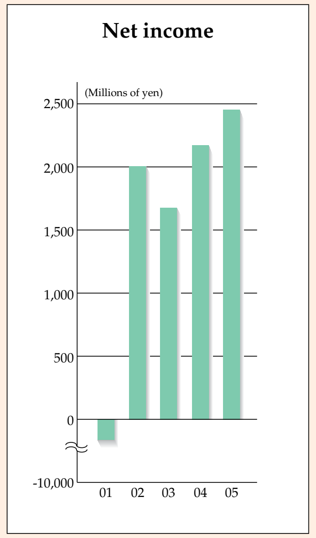
### Consolidated Operating Revenues by Products Handled

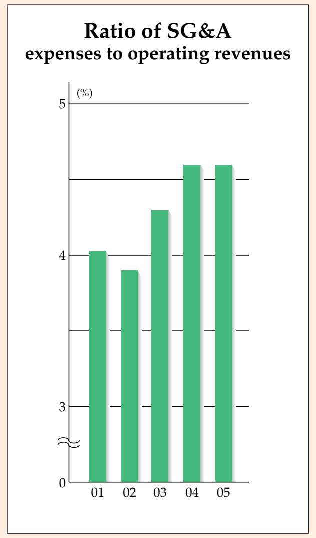
(Units: billions of yen, %)

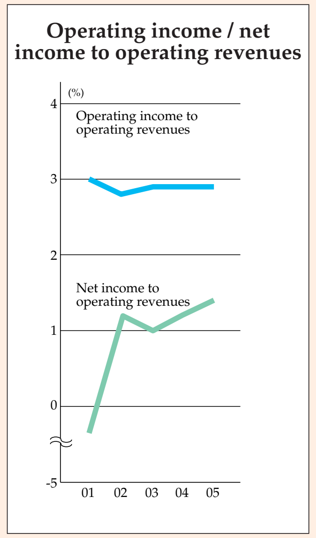
| | Year ended March 2005 | | Year ended March 2004 | | | |
|---|---|---|---|---|---|---|
| | Revenues | Composition | Revenues | Composition | Change | % Change |
| **Housing** | 44.3 | 24.7 | 41.4 | 23.9 | 2.9 | 6.9 |
| **Petroleum-related products, and plastics** | 35.6 | 19.8 | 35.5 | 20.5 | 0.1 | 0.3 |
| **Retail logistics-related products** | 28.4 | 15.8 | 25.8 | 14.9 | 2.6 | 10.0 |
| **International freight forwarding and modal shifts** | 14.9 | 8.3 | 14.8 | 8.5 | 0.1 | 1.1 |
| **Chemicals and fertilizers** | 4.0 | 2.3 | 4.3 | 2.5 | △0.3 | △5.4 |
| **Foods** | 4.1 | 2.3 | 4.0 | 2.3 | 0.1 | 3.8 |
| **Electronics products and machinery** | 3.8 | 2.1 | 3.2 | 1.9 | 0.6 | 16.6 |
| **Others** | 44.4 | 24.7 | 44.0 | 25.5 | 0.4 | 0.8 |
| **Total** | 179.5 | 100.0 | 173.0 | 100.0 | 6.5 | 3.8 |

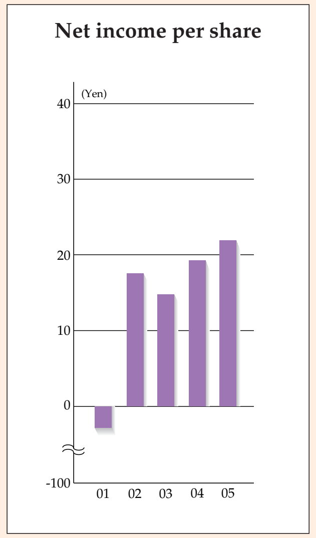


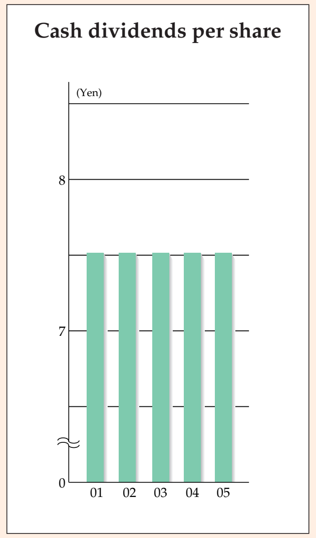



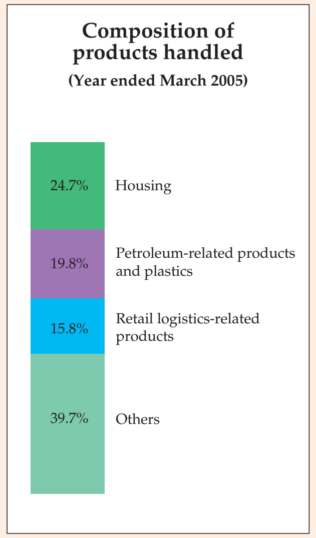



**Financial Position**

Total assets at March 31, 2005 expanded compared with the previous fiscal year, rising ¥1,324 million, to ¥126,041 million. Current assets were almost the same as in the previous fiscal year, rising a slight ¥69 million, to ¥41,061 million.

Total fixed assets expanded ¥1,255 million year on year, to ¥84,980 million.

Net property and equipment decreased ¥335 million, to ¥66,478 million. The decline can be mainly attributed to a reduction in buildings and structures.

Investments and other assets advanced ¥1,582 million, to ¥17,615 million. The increase primarily resulted from investment in a special purpose company (SPC).

Major components of capital investment during the fiscal year were investments in cargo ships, the Suzuka Logistics Center, the No. 2 warehouse at the Oita Medical Distribution Center, and an SPC for construction of the AEON Hokkaido RDC Center. Total capital expenditures during the period under review amounted to ¥4.4 billion. This entire amount was funded from operating cash flow.

At March 31, 2005, current liabilities totaled ¥42,722 million, increasing ¥4,233 million from the previous fiscal year. The increase can be principally attributed to long-term debt included in the current portion of long-term debt in preparation for redemption.

Long-term liabilities decreased ¥4,574 million, to ¥38,493 million, primarily because of a reduction in long-term debt. Consequently, interest-bearing debt at fiscal year-end edged down ¥84 million, to ¥38,242 million. The ratio of interest-bearing debt to total assets improved 0.4 percentage points, to 30.3%.

Shareholders' equity at fiscal year-end amounted to ¥44,826 million, climbing ¥1,665 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 1.0 percentage points, to 35.6%.

**Cash Flows**

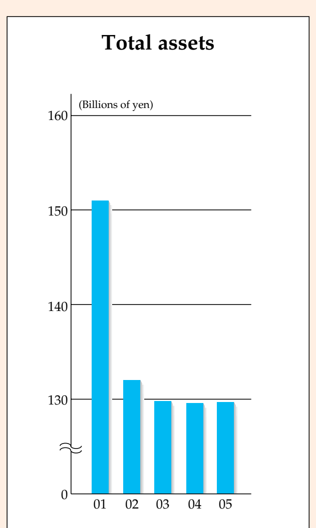
Net cash provided by operating activities for the year ended March 31, 2005, decreased ¥571 million, or 9.1%, to ¥5,609 million. This decline can mainly be attributed to an increase in income tax paid.

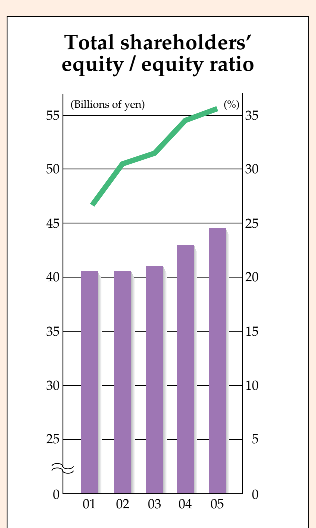
Net cash used in investing activities grew ¥2,192 million, or 94.5%, to ¥4,512 million from the previous fiscal year. Payments for purchases of fixed assets and other (investments) were primarily responsible for this increase.

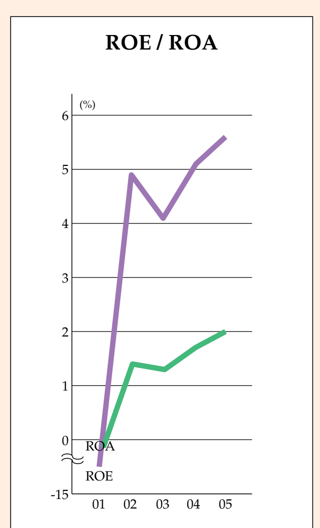
Consequently, free cash flow at fiscal year-end totaled ¥1,097 million, down ¥2,763 million, or 71.6%, from the previous fiscal year.

Net cash used in financing activities fell ¥5,506 million, or 84.9%, to ¥977 million. This decrease resulted primarily from a decline in the repayment of interest-bearing debt.

As a result, cash and cash equivalents at end of year totaled ¥11,521 million, edging up ¥121 million, or 1.1% from the prior fiscal year.






# *Report of Independent Certified Public Accountants*

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, 2005 and 2004, 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, procedures and practices generally accepted and applied 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Supplemental Information
As described in Note 12, effective April 1, 2004, SENKO CO., Ltd. has changed its method of presentation of business segments.

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, 2005

# Consolidated Balance Sheets

*SENKO Co., Ltd. and Consolidated Subsidiaries*
*March 31, 2005 and 2004*

| ASSETS | Millions of yen 2005 | Millions of yen 2004 | Thousands of U.S.dollars 2005 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents | **¥11,521** | ¥11,400 | **$107,282** |
| Trade accounts and notes receivable— | | | |
| Non-consolidated subsidiaries and affiliates | **162** | 180 | **1,509** |
| Others | **26,031** | 25,728 | **242,397** |
| Less allowance for doubtful accounts | **(102)** | (81) | **(950)** |
| Inventories | **632** | 664 | **5,885** |
| Deferred tax asset (Note 11) | **1,350** | 1,397 | **12,571** |
| Short-term loans to non-consolidated subsidiaries and affiliates | **7** | 123 | **65** |
| Prepaid expenses and other current assets | **1,460** | 1,581 | **13,595** |
| **Total current assets** | **41,061** | 40,992 | **382,354** |
| Investments in and long-term loans to non-consolidated subsidiaries and affiliates | **599** | 554 | **5,578** |
| Investment securities (Notes 3 and 7 ) | **1,416** | 904 | **13,186** |
| Property and equipment, at cost (Note 4) | **120,380** | 119,729 | **1,120,961** |
| Less accumulated depreciation | **(53,902)** | (52,916) | **(501,928)** |
| Net property and equipment | **66,478** | 66,813 | **619,033** |
| Deferred tax assets-non-current (Note 11) | **6,931** | 6,928 | **64,540** |
| Other assets | **9,556** | 8,526 | **88,984** |
| **Total assets** | **¥126,041** | ¥124,717 | **$1,173,675** |

See the accompanying notes to the consolidated financial statements.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of yen 2005 | Millions of yen 2004 | Thousands of U.S.dollars 2005 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term loans (Note 5) | **¥9,750** | ¥10,340 | **$90,791** |
| Current portion of long-term debt (Note 5) | **6,953** | 2,287 | **64,745** |
| Trade accounts and notes payable— | | | |
| Non-consolidated subsidiaries and affiliates | **5** | 158 | **46** |
| Others | **16,696** | 15,419 | **155,471** |
| Accrued expenses | **2,504** | 2,572 | **23,317** |
| Accrued income taxes | **1,387** | 1,635 | **12,916** |
| Other current liabilities | **5,427** | 6,078 | **50,535** |
| **Total current liabilities** | **42,722** | 38,489 | **397,821** |
| Long-term debt, less current portion (Note 5) | **21,519** | 25,682 | **200,382** |
| Accrued severance indemnities (Note 6) | **14,417** | 14,728 | **134,249** |
| Other long-term liabilities | **2,557** | 2,657 | **23,810** |
| **Total liabilities** | **81,215** | 81,556 | **756,262** |
| **Contingent liabilities (Note 8)** | | | |
| **Shareholders' equity (Note 10):** | | | |
| Common stock: | | | |
| Authorized—294,999,000 shares | | | |
| Issued—111,746,167 shares | **18,296** | 18,296 | **170,370** |
| Capital surplus | **16,508** | 16,387 | **153,720** |
| Retained earnings | **10,159** | 8,577 | **94,599** |
| Unrealized holding gain on securities | **158** | 82 | **1,471** |
| Less treasury stock, at cost | | | |
| (804,414 shares in 2005 and 737,628 shares in 2004) | **(295)** | (181) | **(2,747)** |
| **Total shareholders' equity** | **44,826** | 43,161 | **417,413** |
| **Total liabilities and shareholders' equity** | **¥126,041** | ¥124,717 | **$1,173,675** |

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Income

*SENKO Co., Ltd. and Consolidated Subsidiaries*
*Years ended March 31, 2005 and 2004*

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| **Operating revenues** | **¥179,501** | ¥172,974 | **$1,671,487** |
| **Operating costs and expenses:** | | | |
| Operating costs of revenues | **166,194** | 159,963 | **1,547,574** |
| Selling, general and administrative expenses | **8,182** | 7,969 | **76,190** |
| | **174,376** | 167,932 | **1,623,764** |
| **Operating income** | **5,125** | 5,042 | **47,723** |
| **Other income (expenses):** | | | |
| Interest and dividend income | **157** | 145 | **1,463** |
| Interest expenses | **(467)** | (469) | **(4,349)** |
| Others, net | **(262)** | (485) | **(2,439)** |
| | **(572)** | (809) | **(5,326)** |
| **Income before income taxes** | **4,553** | 4,233 | **42,397** |
| **Income taxes (Note11):** | | | |
| Current | **2,102** | 1,798 | **19,574** |
| Deferred | **(6)** | 260 | **(56)** |
| | **2,096** | 2,058 | **19,518** |
| **Net income** | **¥2,457** | ¥2,175 | **$22,879** |

| **Per share of common stock** | Yen | | U.S.dollars |
|---|---|---|---|
| Net income | **¥21.90** | ¥19.20 | **$ 0.20** |
| Diluted net income | **—** | 18.02 | **—** |
| Cash dividends applicable to the year | **7.50** | 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, 2005 and 2004*

| | Thousands | Millions of yen | | | | |
|---|---|---|---|---|---|---|
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Unrealized holding gain (loss) on securities | Treasury stock |
| **Balance at April 1, 2003** | 111,746 | 18,296 | 16,387 | 7,267 | (1) | (172) |
| Net income | — | — | — | 2,175 | — | — |
| Cash dividends | — | — | — | (833) | — | — |
| Bonuses to directors and statutory auditors | — | — | — | (32) | — | — |
| Unrealized holding gain on securities | — | — | — | — | 83 | — |
| Treasury stock | — | — | (0) | — | — | (9) |
| **Balance at March 31, 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)** |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Unrealized holding gain (loss) on securities | Treasury stock |
| **Balance at March 31, 2004** | $170,370 | $152,593 | $79,868 | $764 | $(1,685) |
| Net income | — | — | 22,878 | — | — |
| Cash dividends | — | — | (7,747) | — | — |
| Bonuses to directors and statutory auditors | — | — | (400) | — | — |
| Unrealized holding gain on securities | — | — | — | 707 | — |
| Treasury stock | — | 1,127 | — | — | (1,062) |
| **Balance at March 31, 2005** | **$170,370** | **$153,720** | **$94,599** | **$1,471** | **$(2,747)** |

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

*SENKO Co., Ltd. and Consolidated Subsidiaries*
*Year ended March 31, 2005 and 2004*

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| **Cash flows from operating activities:** | | | |
| Income before income taxes | **¥4,553** | ¥4,233 | **$42,397** |
| Adjustments for: | | | |
| Depreciation and amortization | **2,854** | 3,071 | **26,576** |
| Loss on disposals of property and equipment | **128** | 72 | **1,192** |
| Loss on sale of property and equipment | **24** | 215 | **223** |
| Decrease in allowance for employee retirement | **(311)** | (2,248) | **(2,896)** |
| Increase (decrease) in accrued bonuses to employees | **(69)** | 235 | **(643)** |
| Interest and dividends income | **(157)** | (145) | **(1,462)** |
| Interest expense | **467** | 469 | **4,349** |
| Increase in trade receivables | **(109)** | (1,472) | **(1,015)** |
| Decrease (increase) in inventories | **33** | (44) | **307** |
| Increase in trade payables | **1,367** | 2,237 | **12,730** |
| Other | **(349)** | 286 | **(3,250)** |
| **Sub total** | **8,431** | 6,909 | **78,508** |
| Interest and dividend income received | **159** | 150 | **1,481** |
| Interest expenses paid | **(463)** | (499) | **(4,311)** |
| Income tax paid | **(2,518)** | (380) | **(23,447)** |
| **Net cash provided by operating activities** | **5,609** | 6,180 | **52,231** |
| **Cash flows from investing activities:** | | | |
| Payments for purchases of fixed assets | **(3,397)** | (3,006) | **(31,632)** |
| Proceeds from sales of fixed assets | **136** | 665 | **1,266** |
| Payments for purchases of investment securities | **(415)** | (195) | **(3,864)** |
| Proceeds from sales of investment securities | **142** | 191 | **1,322** |
| Proceeds from sales of subsidiary | **100** | 100 | **931** |
| Payments for purchases of non-consolidated subsidiaries | **(50)** | — | **(466)** |
| Other | **(1,028)** | (75) | **(9,573)** |
| **Net cash used in investing activities** | **(4,512)** | (2,320) | **(42,016)** |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in short-term loans, net | **(590)** | 40 | **(5,494)** |
| Proceeds from long-term debt | **2,950** | 8,323 | **27,470** |
| Repayment of long-term debt | **(2,447)** | (20,896) | **(22,786)** |
| Proceeds from issuance of bonds | **—** | 6,954 | **—** |
| Purchases of treasury stock | **(624)** | (9) | **(5,811)** |
| Sales of treasury stock | **631** | — | **5,876** |
| Dividends paid | **(833)** | (833) | **(7,757)** |
| Other | **(64)** | (62) | **(595)** |
| **Net cash provided by financing activities** | **(977)** | (6,483) | **(9,097)** |
| Effect of exchange rate changes on cash and cash equivalents | **1** | (3) | **9** |
| Net increase (decrease) in cash and cash equivalents | **121** | (2,626) | **1,127** |
| Cash and cash equivalents at beginning of year | **11,400** | 14,026 | **106,155** |
| Cash and cash equivalents at end of year | **¥11,521** | ¥11,400 | **$107,282** |

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, 2005, which was ¥ 107.39 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 affiliates. 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.

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 is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year assuming full conversion of the convertible bonds.

Diluted net income per share for the year ended March 31, 2005 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. Investment Securities:**

The carrying amounts of investment securities at March 31, 2005 and 2004, consisted of the following:—

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Marketable securities | **¥ 873** | ¥454 | **$ 8,129** |
| Non-marketable securities | **543** | 450 | **5,057** |
| | **¥ 1,416** | ¥ 904 | **$ 13,186** |

The following is a summary of marketable securities included in investment securities, at March 31, 2005 and 2004.

| | Millions of yen | | | |
|---|---|---|---|---|
| **2005** | Acquisition cost | Gross unrealized gains | Gross unrealized losses | Book value (Market value) |
| Equity security | **¥ 594** | **¥ 271** | **¥ (3)** | **¥ 862** |
| Bonds and Others | **11** | **0** | **(0)** | **11** |
| | **¥ 605** | **¥ 271** | **¥ (3)** | **¥ 873** |

| | Millions of yen | | | |
|---|---|---|---|---|
| 2004 | Acquisition cost | Gross unrealized gains | Gross unrealized losses | Book value (Market value) |
| Equity security | ¥ 304 | ¥ 140 | ¥ (1) | ¥ 443 |
| Bonds and Others | 11 | — | (0) | 11 |
| | ¥315 | ¥140 | ¥(1) | ¥454 |

| | Thousands of U.S.dollars | | | |
|---|---|---|---|---|
| **2005** | Acquisition cost | Gross unrealized gains | Gross unrealized losses | Book value (Market value) |
| Equity security | **$ 5,531** | **$ 2,524** | **$ (28)** | **$ 8,027** |
| Bonds and Others | **102** | **0** | **(0)** | **102** |
| | **$ 5,633** | **$ 2,524** | **$ (28)** | **$ 8,129** |

Proceeds from sales of other securities were ¥142 million (US$ 1,322 thousand) and ¥181 million for the years ended March 31, 2005 and 2004, respectively. The gross realized gains and losses on those sales were ¥19 million (US$177 thousand) and ¥1 million (US$9 thousand), respectively, for the year ended March 31,2005. The gross realized gains and losses on those sales were ¥31 million and ¥29 million for the ended March 31,2004.

**4. Property and Equipment:**

At March31, 2005 and 2004, property and equipment at cost consisted of the following:—

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Land | **¥ 33,799** | ¥ 33,841 | **$ 314,731** |
| Buildings and structures | **67,327** | 66,475 | **626,939** |
| Machinery and equipment, vehicle and vessels | **15,902** | 15,995 | **148,077** |
| Tools, furniture and fixtures | **3,289** | 3,274 | **30,627** |
| Construction in Progress | **63** | 144 | **587** |
| | **¥ 120,380** | ¥ 119,729 | **$ 1,120,961** |



**5. Short-term Loans and Long-term Debt:**

At March 31, 2005 and 2004, short-term loans consisted of the following:—

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| 0.7433% to 0.8425% unsecured loans from banks | **¥ 9,750** | ¥ 10,340 | **$ 90,791** |

At March 31, 2005 and 2004, long-term debt consisted of the following:—

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| 0.92% bonds due 2009 | **¥7,000** | **¥7,000** | **$65,183** |
| 0.24% to 1.49% loans from banks and insurance companies: | | | |
| Unsecured | **21,472** | **20,969** | **199,944** |
| | 28,472 | 27,969 | 265,127 |
| Less current portion | **(6,953)** | **(2,287)** | **(64,745)** |
| | **¥21,519** | **¥25,682** | **$200,382** |

The annual maturities of long-term debt at March 31, 2005 for the next five years are as follows:—

| Year ending March 31 | Millions of yen | Thousands of U.S.dollars |
|---|---|---|
| 2006 | ¥ 6,953 | $ 64,745 |
| 2007 | 5,698 | 53,059 |
| 2008 | 3,852 | 35,869 |
| 2009 | 4,539 | 42,267 |
| 2010 | 7,430 | 69,187 |

At March 31, 2005, the Company has committed line and overdraft contracts with thirteen banks aggregating ¥25,650 million ($238,849 thousand). Of the total credit limit, ¥7,550 million ($70,304 thousand) was used as the above short-term and long-term borrowing, and the rest ¥18,100 million ($168,545 thousand) was unused.

**6. 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, 2005 and 2004.

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Benefit obligation at the end of year | **¥(29,494)** | ¥(29,268) | **$(274,644)** |
| Fair value of plan assets at the end of the year | **12,343** | 11,721 | **114,936** |
| Funded status: | | | |
| Benefit obligation in excess of plan assets | **(17,151)** | (17,547) | **(159,708)** |
| Unrecognized actuarial loss | **2,734** | 2,819 | **25,459** |
| Accrued severance indemnities recognized in the consolidation balance sheets | **¥(14,417)** | ¥(14,728) | **$(134,249)** |

Severance and pension costs of the Company and its certain subsidiaries included the following components for the year ended March 31, 2005 and 2004.

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Service cost | **¥ 1,378** | ¥ 1,447 | **$ 12,832** |
| Interest cost | **717** | 716 | **6,677** |
| Amortization: | | | |
| Recognized actuarial loss | **263** | 550 | **2,449** |
| Net periodic benefit cost | **¥ 2,358** | ¥ 2,713 | **$ 21,958** |
| Gain on return of substituted portion of employee pension fund | **—** | (284) | **—** |
| | **¥ 2,358** | ¥ 2,429 | **$ 21,958** |

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2005 and 2004 is as follows:

| | 2005 | 2004 |
|---|---|---|
| Method of attributing benefit to periods of service | **Straight-line basis** | Straight-line basis |
| Discount rate | **2.5%** | 2.5% |
| Long-term rate of return on fund assets | **0.0%** | 0.0% |
| Amortization period of prior service cost | **1 year** | 1 year |
| Amortization period of actuarial losses | **14 year** | 14 years |

**7. Pledged Assets:**

The following assets were pledged as collateral as at March 31, 2005 and 2004—

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Land | **¥ 2,548** | ¥ 2,548 | **$ 23,727** |
| Buildings | **1,130** | 1,198 | **10,522** |
| Vehicles | **1** | 1 | **9** |
| Investment securities | **10** | 10 | **93** |
| | **¥ 3,689** | ¥ 3,757 | **$ 34,351** |

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

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Long-term debt, including current portion | **¥ 60** | ¥ 80 | **$ 559** |

**8. Contingent Liabilities:**

At March 31, 2005 and 2004, contingent liabilities were as follows:

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Guarantees of installment obligation and lease obligation for others | **¥ 605** | ¥ 1,378 | **$ 5,634** |
| Notes discounted | **21** | 19 | **196** |
| Buyback obligations associated with securitization of receivables | **509** | 507 | **4,740** |
| | **¥ 1,135** | ¥ 1,904 | **$ 10,570** |

**9. Lease:**

At March 31, 2005 and 2004, financing lease transactions whose ownership are not to be transferred were as follows:

| | Millions of yen | | | Thousands of U.S.dollars |
|---|---|---|---|---|
| | **2005** | | | **2005** |
| | Purchase cost | Accumulated depreciation | Book value | Book value |
| Machinery and equipment | **¥ 9,861** | **¥ 4,434** | **¥ 5,426** | **$ 50,526** |
| Tools, furniture and fixtures | **14,482** | **7,057** | **7,426** | **69,150** |
| | **¥ 24,343** | **¥ 11,491** | **¥ 12,852** | **$ 119,676** |

| | Millions of yen | | |
|---|---|---|---|
| | 2004 | | |
| | Purchase Cost | Accumulated amortization | Book value |
| Machinery and equipment | ¥ 11,191 | ¥ 5,410 | ¥ 5,781 |
| Tools, furniture and fixtures | 14,125 | 6,626 | 7,499 |
| | ¥ 25,316 | ¥ 12,036 | ¥ 13,280 |

At March 31, 2005 and 2004, lease obligations were as follows:

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Due within one year | **¥ 4,552** | **¥ 4,217** | **$ 42,388** |
| Due after one year | **8,883** | **9,634** | **82,717** |
| | **¥ 13,435** | **¥ 13,851** | **$ 125,105** |



**10. 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, to the extent 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, 2005, included the Company's legal reserve of ¥1,506 million ($14,024thousand).

**11. 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 March31, 2005 and 2004.

(1) Significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

| | Millions of yen | | Thousands of U.S.dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Deferred tax assets: | | | |
| Accrued severance indemnities to employees | **¥ 7,126** | ¥ 6,993 | **$ 66,356** |
| Accrued bonuses to employees | **1,014** | 1,029 | **9,442** |
| Revaluation of land | **351** | 346 | **3,268** |
| Accrued severance indemnities to directors and corporate auditors | **113** | 181 | **1,052** |
| Loss on revaluation of golf club membership | **157** | 155 | **1,462** |
| Accrued enterprise tax | **139** | 132 | **1,294** |
| Social insurance premium | **154** | — | **1,434** |
| Other | **416** | 584 | **3,875** |
| Gross deferred tax assets | **9,470** | 9,420 | **88,183** |
| Less: Valuation allowance | **(30)** | — | **(279)** |
| Total deferred tax assets | **9,440** | 9,420 | **87,904** |
| Deferred tax liabilities: | | | |
| Reserve for reduction in costs of fixed assets | **(991)** | (994) | **(9,228)** |
| Net unrealized holding gains on available-for-sale securities | **(109)** | — | **(1,015)** |
| Other | **(217)** | (256) | **(2,021)** |
| Gross deferred tax liabilities | **(1,317)** | (1,250) | **(12,264)** |
| Net deferred tax assets | **¥ 8,123** | ¥ 8,170 | **$ 75,640** |

(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, 2005 and 2004 were as follows:

| | **2005** | 2004 |
|---|---|---|
| Statutory tax rate | **40.6%** | 40.6% |
| Adjustment: | | |
| Non-deductible expenses | **2.1** | 2.5 |
| Inhabitants' per capita taxes | **3.3** | 3.6 |
| Non-taxable dividend income | **(0.7)** | (0.8) |
| Other | **0.7** | 2.7 |
| Income tax rate as a percentage of income before income taxes and minority interests | **46.0%** | 48.6% |

## 12. Segment information

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is summarized as follows:

Millions of yen

| 2005 | Transport | Retail Distribution and Processing | Others | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|
| 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** |

Millions of yen

| 2004 | Transport | Retail Distribution and Processing | Others | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|
| a. Operating revenues and operating income: | | | | | | |
| Customers | ¥105,715 | ¥51,419 | ¥15,840 | ¥172,974 | ¥ — | ¥172,974 |
| Intersegment | 2,643 | 4,512 | 6,084 | 13,239 | (13,239) | — |
| Total operating revenues | 108,358 | 55,931 | 21,924 | 186,213 | (13,239) | 172,974 |
| Operating costs and expenses | 105,706 | 53,837 | 21,610 | 181,153 | (13,221) | 167,932 |
| Operating income | 2,652 | 2,094 | 314 | 5,060 | (18) | 5,042 |
| b. Assets, depreciation and capital expenditures; | | | | | | |
| Assets | ¥39,360 | ¥67,483 | ¥6,054 | ¥112,897 | ¥11,820 | ¥124,717 |
| Depreciation | 1,033 | 1,899 | 79 | 3,011 | 60 | 3,071 |
| Capital expenditures | 1,179 | 2,051 | 195 | 3,425 | 31 | 3,456 |

Thousands of U.S. dollars

| 2005 | Transport | Retail Distribution and Processing | Others | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|
| a. Operating revenues and operating income: | | | | | | |
| Customers | **$1,029,984** | **$498,594** | **$142,909** | **$1,671,487** | **$—** | **$1,671,487** |
| Intersegment | **26,520** | **31,204** | **72,679** | **130,403** | **(130,403)** | **—** |
| Total operating revenues | **1,056,504** | **529,798** | **215,588** | **1,801,890** | **(130,403)** | **1,671,487** |
| Operating costs and expenses | **1,032,321** | **509,219** | **212,217** | **1,753,757** | **(129,993)** | **1,623,764** |
| Operating income | **$24,183** | **$20,579** | **$3,371** | **$48,133** | **$(410)** | **$47,723** |
| b. Assets, depreciation and capital expenditures; | | | | | | |
| Assets | **$374,690** | **$634,128** | **$50,573** | **$1,059,391** | **$114,284** | **$1,173,675** |
| Depreciation | **9,740** | **15,635** | **661** | **26,036** | **540** | **26,576** |
| Capital expenditures | **11,035** | **14,098** | **670** | **25,803** | **28** | **25,831** |

Effective April 1,2004 the Company changed its method of business segment classification from “Truck Transport,” “Warehousing” and “In-factory Works” to “Transport,” “Retail Distribution and Processing” and “Others” .

This change was made in order to present the business situation of the Companies more appropriately, according to an increase in general distribution services.

The following is the segment information for the year ended March 31, 2004 based on the previous business segmentation.

Millions of yen

| 2004 | Truck Transport | Ware-housing | In-factory works | Other | Total | Elimination Or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| a. Operating revenues and operating income: | | | | | | | |
| Customers | ¥89,402 | ¥21,581 | ¥15,396 | ¥46,595 | ¥172,974 | ¥ — | ¥172,974 |
| Intersegment | 3,847 | 112 | 5,517 | 5,681 | 15,157 | (15,157) | — |
| Total operating revenues | 93,249 | 21,693 | 20,913 | 52,276 | 188,131 | (15,157) | 172,974 |
| Operating costs and expenses | 90,717 | 20,770 | 19,961 | 51,630 | 183,078 | (15,146) | 167,932 |
| Operating income | ¥2,532 | ¥923 | ¥952 | ¥646 | ¥5,053 | ¥(11) | ¥5,042 |
| b. Assets, depreciation and capital expenditures; | | | | | | | |
| Assets | ¥29,528 | ¥40,175 | ¥8,942 | ¥34,364 | ¥113,008 | ¥11,708 | ¥124,717 |
| Depreciation | 760 | 1,186 | 131 | 934 | 3,011 | 60 | 3,071 |
| Capital expenditures | 1,051 | 668 | 85 | 1,622 | 3,426 | 31 | 3,457 |

## 13. Subsequent Event

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 29, 2005

| | Millions of yen | Thousands of U.S.dollars |
|---|---|---|
| Cash dividends | **¥ 416** | **$3,874** |
| Bonuses to directors and statutory auditors | **29** | **270** |

## Board of Directors and Corporate Auditors, Executive Officers *(As of June 29, 2005)*

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 Tezuka
Kengo Tanaka

**Directors, Executive Officers**
Tetsuo Hatano
Toshiaki Matsuyama
Sadayuki Yada
Yutaka Toyama

**Full-time Corporate Auditors**
Kunihiro Sanada
Kazuo Saga
Yutaka Kakuyama

**Corporate Auditor**
Hiroshi Itawaki

**Executive Officers**
Michiyoshi Tsuge
Toshinori Mine
Mitsuru Muramoto
Katsuhiko Miyagawa
Hisao Takahashi
Yasushi Morimoto
Shuji Yada
Kazuhiro Yamanaka
Shigeo Kimura

## Consolidated Subsidiaries and Affiliated Companies *(As of April 1, 2005)*

| 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 |
| 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 |
| 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 |
| SANYO SENKO TRANSPORT Co., Ltd. | ¥20 million | 100.0% | Yamaguchi | Trucking, in-factory work |
| SHIKOKU REEFER TRANSPORT AND WAREHOUSING Co., Ltd. | ¥50 million | 100.0% | Kagawa | Trucking, warehousing |
| FUKUOKA SENKO TRANSPORT Co., Ltd. | ¥50 million | 100.0% | Fukuoka | Trucking |
| KUMAMOTO SENKO TRANSPORT 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 |
| SAITAMA SENKO APOLLO Co., Ltd. | ¥50 million | 100.0% | Saitama | Trucking, in-factory work, vehicle maintenance |
| ASICS PHYSICAL DISTRIBUTION CORPORATION | ¥300 million | 20.0% | Hyogo | Product control, vehicle shipment agency |



## Corporate Data *(As of March 31, 2005)*

Date of Establishment: July 1946

Paid-in Capital: ¥18,295,643,751

Authorized Shares: 294,999,000

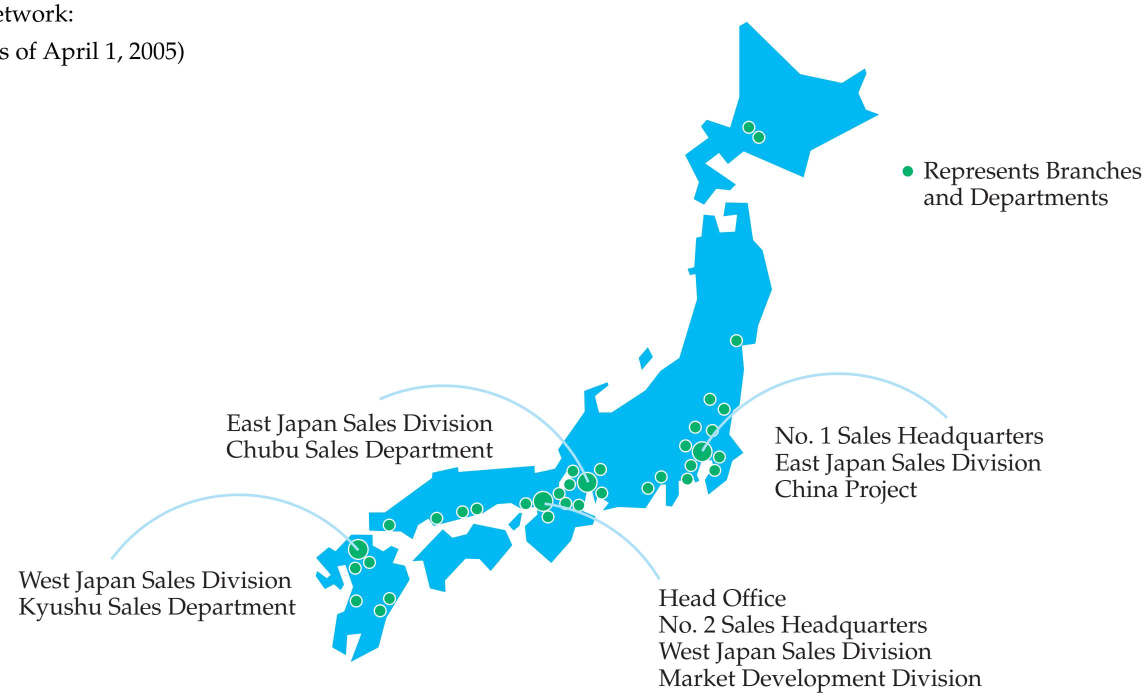
Outstanding Shares: 111,746,167

Number of Shareholders: 7,590

Stock Listing: Tokyo Stock Exchange
Osaka Securities Exchange

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

Network:
(As of April 1, 2005)




Branches: Sapporo, Sapporo South, Sendai, Ibaraki, Kita Kanto, Saitama, Omiya, Kashiwa, Tokyo, Kanagawa, Kanto Jyutaku Shizai Center, Chiba, Shizuoka East, Shizuoka West, Nagoya, Nagoya East, Mie, Keiji, Keiji East, Nara, Keiji South, Osaka, Hanshin, Okayama, Kurashiki, Hiroshima, Yamaguchi, Fukuoka, Kita Kyushu, Minami Kyushu, Nobeoka, Minamata

Departments: International Distribution, Marine Transport, Railway Forwarding