



# Annual Report 2008

For the year ended March 31, 2008

SENKO Co., Ltd.

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

SENKO Co., Ltd.

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Printed in Japan

## 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, 2008, Senko boasted a national network in Japan of 297 offices, 2,791 vehicles, 18 owned and chartered ships, and 1,521,930 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                             | 1  |
| A Message from the President                                  | 2  |
| Review of Operations  |    |
| Transport   | 6  |
| Retail Distribution and Processing                            | 7  |
| Others  | 7  |
| Review of Operations by Product Category                      | 8  |
| Corporate Social Responsibility                               | 10 |
| Board of Directors and Corporate Auditors, Executive Officers | 15 |
| Financial Review  | 16 |
| Financial Section   |    |
| Report of Independent Certified Public Accountants            | 19 |
| Consolidated Balance Sheets                                   | 20 |
| Consolidated Statements of Income                             | 22 |
| Consolidated Statements of Changes in Net Assets              | 23 |
| Consolidated Statements of Cash Flows                         | 24 |
| Notes to the Consolidated Financial Statements                | 25 |
| Consolidated Subsidiaries and Affiliated Companies            | 33 |
| Corporate Data  | 33 |

### Cautionary Statement with Respect to Forward-Looking Statements

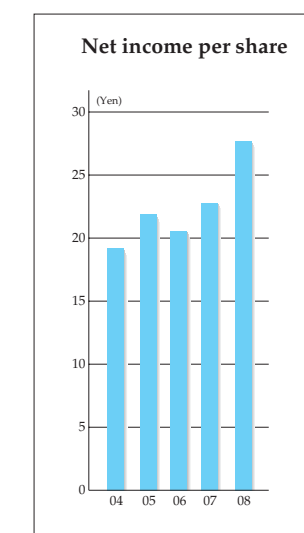
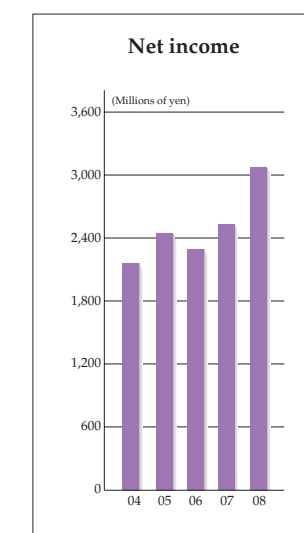
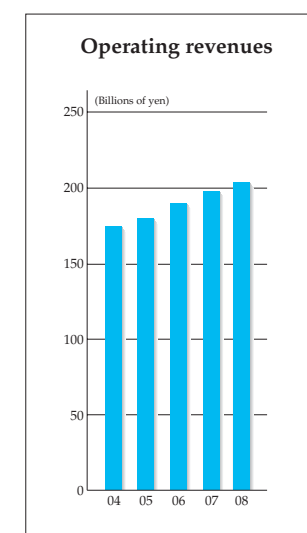
Plans and strategies concerning future business performance included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in the light of the information currently available to it, and thus involve a certain element of risk and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

## Consolidated Financial Highlights

SENKO Co., Ltd. and Consolidated Subsidiaries

| Years ended March 31                          | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2008            | 2007     | 2008                      |
| <b>For the year:</b>                          |                 |          |                           |
| Operating revenues                            | ¥204,294        | ¥198,189 | \$2,039,066               |
| Operating income                              | 6,057           | 5,491    | 60,455                    |
| Net income                                    | 3,061           | 2,536    | 30,552                    |
| <b>At year end:</b>                           |                 |          |                           |
| Total assets                                  | 144,065         | 135,690  | 1,437,918                 |
| Net assets                                    | 49,846          | 47,954   | 497,515                   |
| <b>Per share data: (Yen and U.S. dollars)</b> |                 |          |                           |
| Net income                                    | ¥27.70          | ¥22.80   | \$0.28                    |
| Cash dividends                                | 8.00            | 8.00     | 0.08                      |
| Net assets                                    | 454.03          | 433.57   | 4.53                      |

Note : U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥100.19 to U.S.\$1 on March 31, 2008.



## A Message from the President



**Despite spiking prices for crude oil and other intensifying competition and other factors, new medium-term business plan, posting**

### **Business Environment**

In the fiscal year ended March 31, 2008, Senko posted growth in revenues and profit. Consolidated operating revenues increased 3.1%, to ¥204,294 million, while consolidated operating income climbed 10.3%, to ¥6,057 million and consolidated net income jumped 20.7%, to ¥3,061 million.

During the fiscal year under review, Japan's economy continued its expansionary trend against the backdrop of solid corporate performances in the first half. Entering the second half, however, a

sense of stagnation deepened in reaction to the turmoil in financial markets originating with the subprime loan problem in the United States, the jump in oil and other raw material prices, and other factors.

In the transport and distribution industry, the business climate remained difficult because of the higher fuel costs caused by surging crude oil prices, intensifying competition, and other factors.

Under these conditions, the Senko Group kicked off its new three-year medium-term business plan, which aims to make Senko a "Logistics Information Company." The plan targets the expansion of business, particularly in the wholesale and retail chain store market, by marketing retail supply chain management (SCM) systems. Among the new facilities opened during the fiscal year were the Moriyama Warehouse, in Shiga Prefecture; Nobeoka PD Center, in Miyazaki Prefecture; the Atsugi Logistics Center, in Kanagawa Prefecture; and the Nishi-Kobe PD Center, in Nishi-ku, Kobe. In addition, the Group completed building the container ship *Senkoma Maru*.

Consequently, operating revenues of the retail logistics business, which combines the wholesale and retail and medical treatment and pharmaceutical fields, advanced 8.5% year on year, to ¥37.0 billion. The retail logistics business accounted for 18.1% of total operating revenues, up 0.9 percentage points from a year earlier. Operating revenues of the housing logistics business rose 5.0%, to ¥54.3 billion and contributed 26.6% of total operating revenues, increasing 0.5 percentage points from the previous fiscal year. In

**raw materials and a difficult business climate caused by Senko achieved a satisfactory performance in the first year of its growth in revenues and profits.**

addition, revenues of the petroleum and plastics business grew 3.0% year on year, to ¥38.0 billion.

Although expenses increased along with the higher fuel costs, the profit contributions realized from the benefits of capital investments in large scale facilities in past years and the impact of low-cost operations reforms, including price revisions, easily offset these higher costs. As a result, the Company posted increases in operating income and net income.

### **Outline of Medium-Term Business Plan**

The fiscal year under review was the first year of our new medium-term business plan, the final year of which is the fiscal year ending March 2010. Continuing on with the goal of becoming a "Logistics Information Company," we are fully committed to achieving the final year goals of a 5% operating income to total assets ratio, a 3% net sales to operating income ratio, consolidated operating revenues of ¥250 billion, operating income of ¥7.5 billion, and net income of ¥3.5 billion. The Company is also aiming to increase its equity ratio based on achieving these goals.

Among specific strategies to reach these objectives, the Company is concentrating on expanding revenues in its three core businesses (Housing, Petroleum-related products and plastics, and Retail logistics-related products businesses) while developing and reinforcing high-priority businesses (overseas distribution, trading, information, 3PL solutions businesses) and new businesses (medical treatment and pharmaceutical businesses, life related businesses, temporary staffing businesses, export related businesses). In addition, the Company will endeavor to expand the foundations for growth for the entire Group, including the use of business alliances and mergers and acquisitions.

During the three years of the plan, we intend to make capital investment on the same level as in the previous medium-term business plan—¥40 billion. This figure combines expenditures for maintenance and renewal as well as strategic investments. In terms of our distribution center network, new construction and expansion during the medium-

## A Message from the President

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term business plan will increase the total warehouse capacity of our distribution centers to 2.0 million square meters from 1.5 million square meters.

### Outlook and Strategies for FY2009/3

The outlook for the fiscal year ahead is for a slowdown in capital expenditures by the private sector, which have been robust in recent years. The decline comes in the face of the rising raw material costs because of the hikes in crude oil and other factors and the deepening turmoil in financial markets centered on the U.S. market.

Despite the continued uncertain business environment anticipated for the Company, we will strive to meet the expectations of our customers by providing services enabling them to achieve high-quality, low-cost operations. We plan to do this based on proposing high quality, highly efficient logistics systems and comprehensive distribution outsourcing services.

In the fiscal year ending March 2009, as the second year of our medium-term business plan, we will take further steps toward our goal of becoming a "Logistics Information Company" and aggressively work to increase revenues and profitability.

Specifically, we will endeavor to reform our customers' distribution systems by expanding use of system logistics (3PL) and to steadily improve the quality of their services through SCM structures. Through these efforts, we will target further growth in demand and seek to increase corporate value by continuing to concentrate on low cost operations based on raising productivity and by implementing business management that emphasizes return on assets.

Entering the fashion logistics business is a new strategy we are initiating in the current fiscal year. We estimate the size of the fashion logistics market to be ¥1.3 trillion. In addition, the percentage of household logistics systems is relative high in the fashion industry, and our sales division has indicated that there is a rising demand among fashion companies for sources of comprehensive logistics services.

Senko has abundant experience in this field, having started offering logistics services to domestic apparel companies in the 1970s. In addition, we are active in the international market, currently operating a comprehensive logistics system linking Japan with Dalian, in China. In terms of business functions as well, we have strengthened our transport and

our distribution processing through business alliances with delivery agencies and product inspection, pressing, and repair specialists.

Aiming for sales of ¥10 billion in the fiscal year ending March 2011, we will endeavor to develop this new business such that Senko is the first company that comes to people's mind when looking for fashion logistics services.

### To Our Shareholders

The Company regards distribution of profits to shareholders as a management priority. Our basic policy on profit distribution has been to continue to retain the internal reserves necessary to provide for future business development and strengthen business structure. At the same time, to further increase the return of profits to shareholders, in addition to maintaining stable dividends, we have linked dividends to performance.

For the fiscal year under review, in consideration of performance trends, we paid a dividend of ¥8.0 per share (interim and year-end dividends of ¥4.00 per share). We are planning to pay annual dividends of ¥8.0 per share in the current fiscal year as well.

In moving forward under our medium-term business plan, we look forward to the continued support of our shareholders.

August 2008



Yasuhisa Fukuda  
President and Representative Director

# Review of Operations

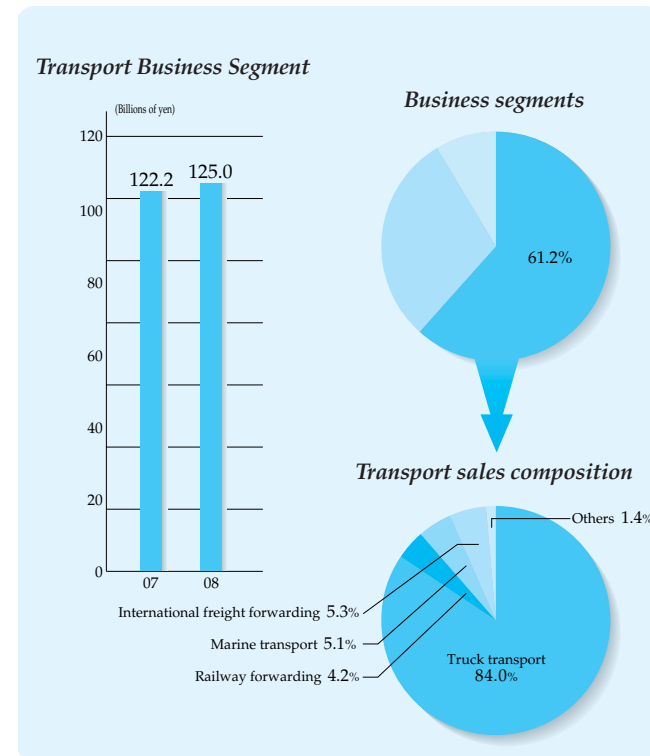
Beginning with the fiscal year under review, the Company's operations have been categorized into three business segments—transport, retail distribution and processing, and others—in consideration of business content and interrelated operations.

## 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. Our diverse transportation capabilities have won the Company high marks from manufacturers and other customers.



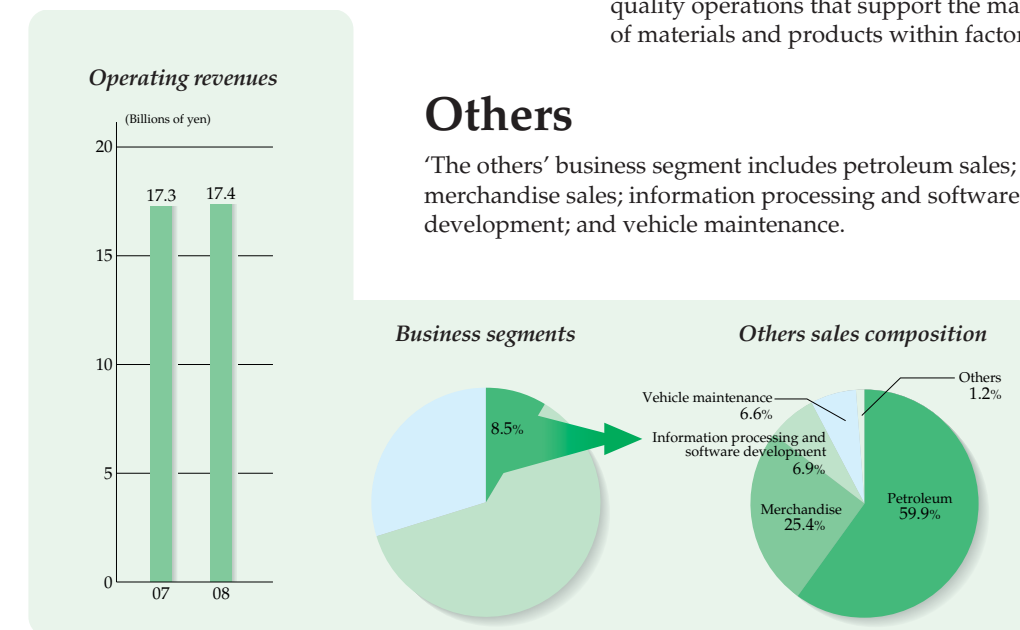
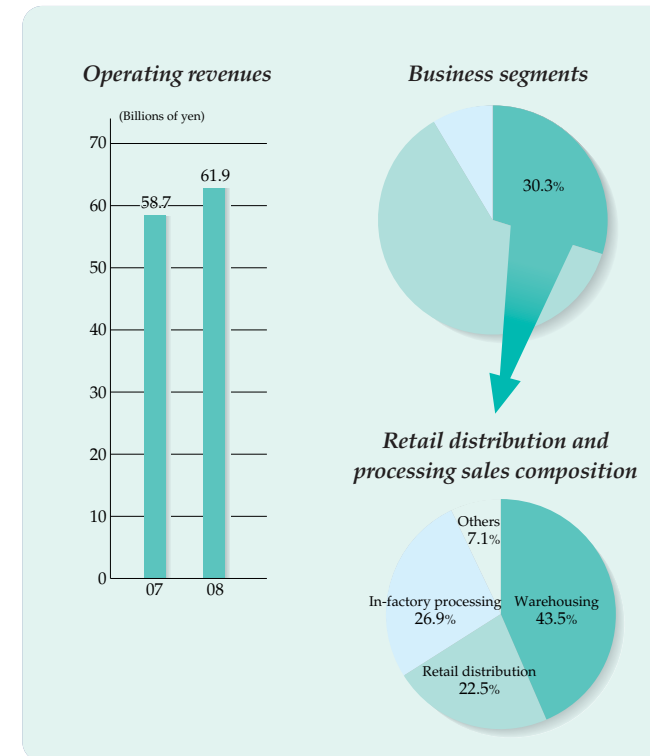
## Retail Distribution and Processing

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

Our 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, IC tag-based distribution and inventory management, and other distribution services provided by advanced warehousing management systems.

Our facilities provide a total storage space of approximately 1,520,000 square meters. With these warehousing bases as the core of our operations, we develop and install logistics information systems designed in anticipation of diverse customer needs. These capabilities allow us to offer a full range of logistics services that assist our customers' production and sales operations.

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

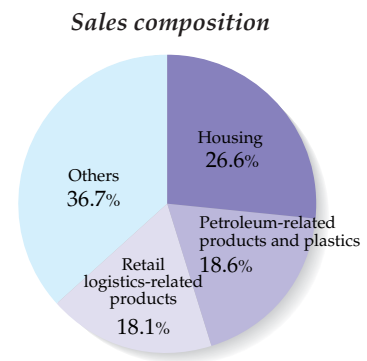


## Others

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

# Review of Operations by Product Category

In addition to business segments, we disclose 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 our efforts to enable shareholders to gain a better understanding of our business.



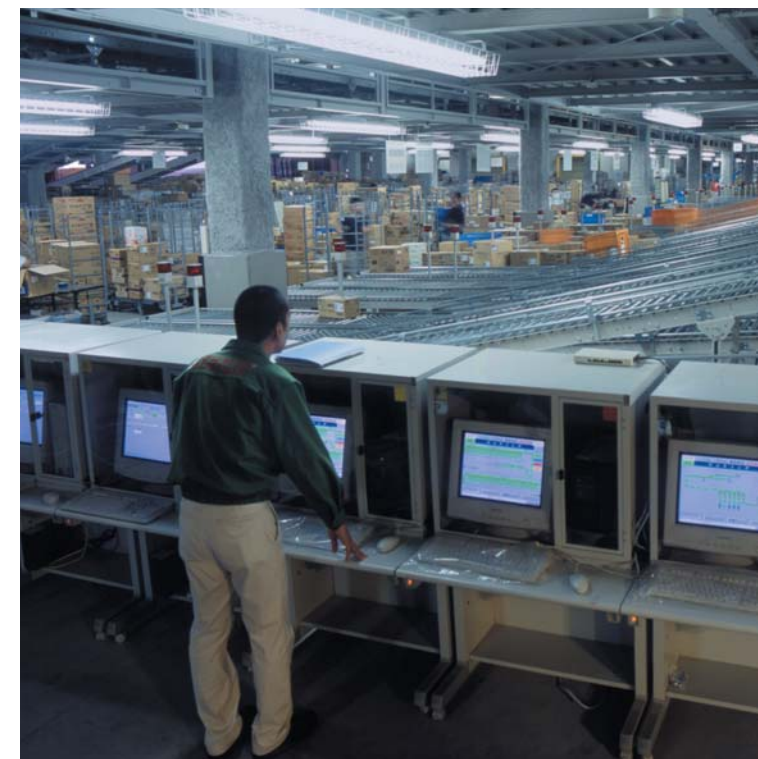
## Housing

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



## Petroleum-Related Products and Plastics

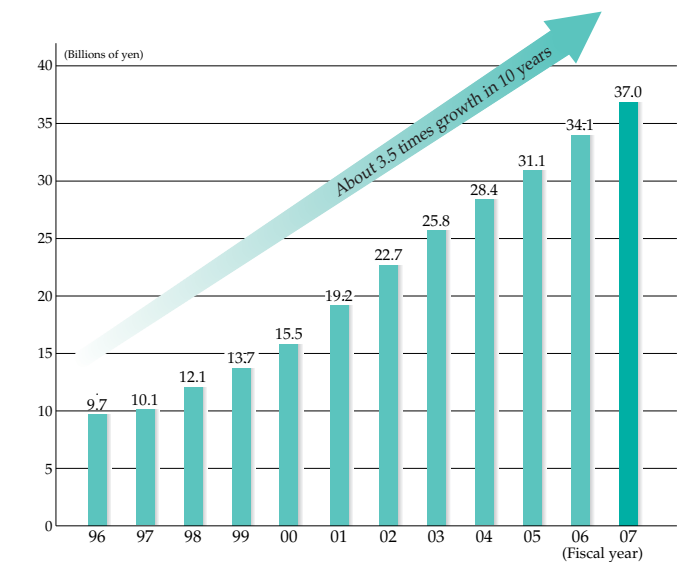
Leveraging its nationwide business development capabilities and its diversified transport system, we provide a full-range of services, from raw material procurement and accepting orders to delivery to end customers. We can also accommodate customers moving into overseas markets and develop SCM systems. These capabilities have earned Senko the top share of the general-purpose plastics transport market in Japan. We are 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 our growth strategy. We are 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, we also aim to be on of the top third-party logistics (3PL) companies in the domestic market. Some of our efforts in this area include developing a nursing care product logistics service and creating new logistics models for hospitals.

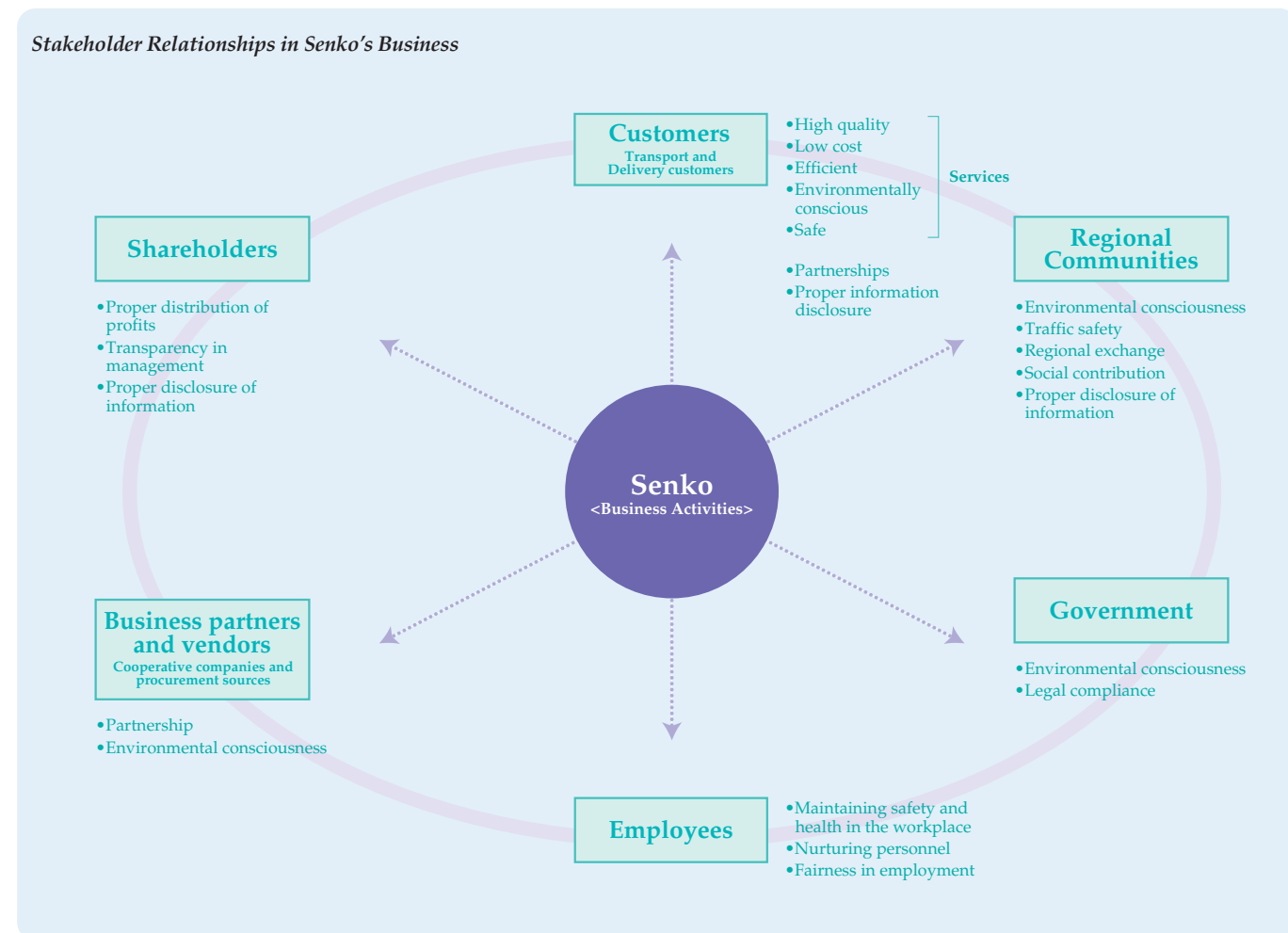
Change in sales volume of retail logistics-related products



# Corporate Social Responsibility

The transport industry to which Senko's core business belongs has a highly public mission. At Senko, we take that responsibility seriously and have established a business organization that complies with laws and regulations and is transparent.

We are pursuing a structure that will ensure a high reputation for our corporate group among our stakeholders. 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 customer satisfaction, safe and quality services, and environmental preservation practices.



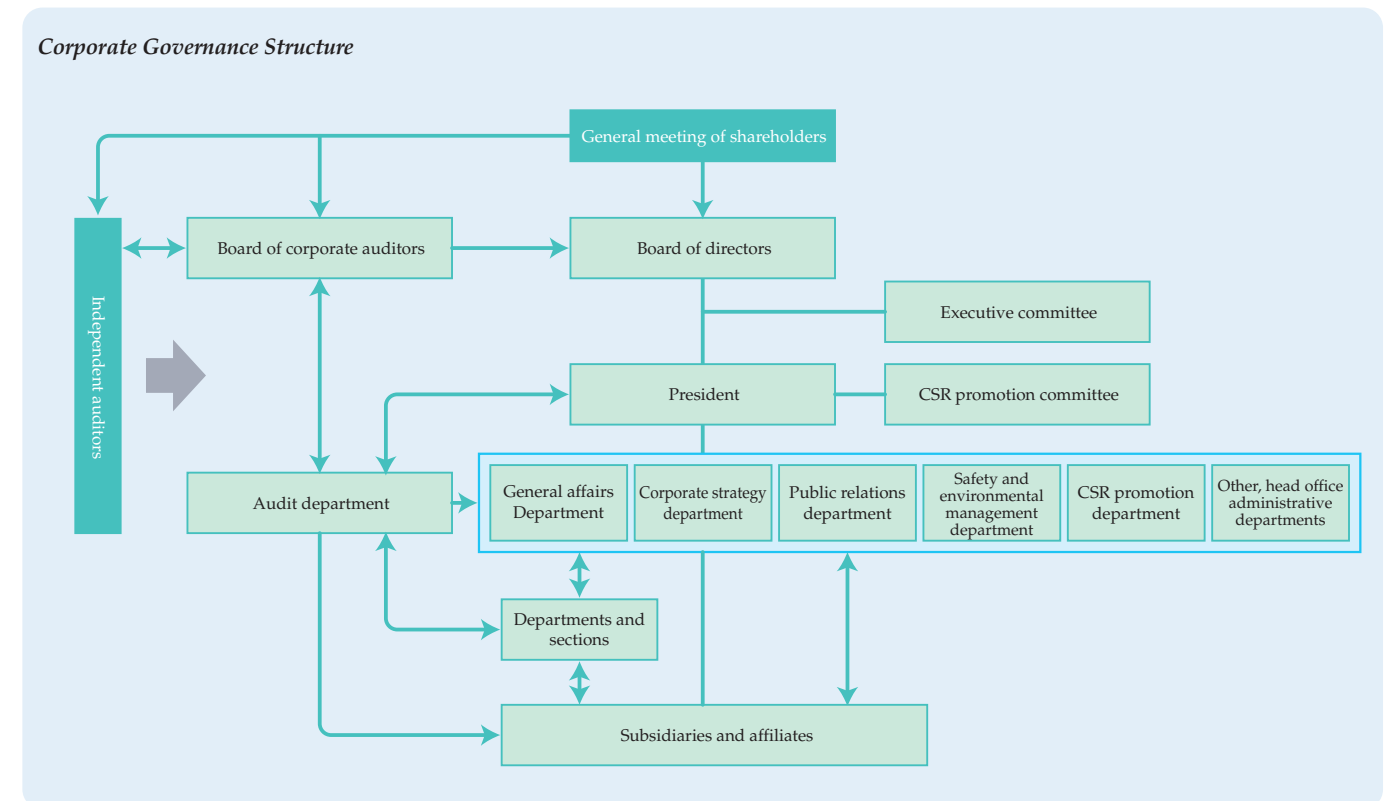
## Corporate Governance

Senko has made corporate governance its top priority management issue.

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 and objectively monitor the directors' execution of their duties. In addition, the auditors liaise with the Audit Department, which is the Company's internal audit section, and the independent certified public accounting firm, working to ensure thorough compliance by the Company and its subsidiaries and to conduct strict audits.

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 strengthening these separate functions and clarifying their responsibilities, the Company has sought to achieve greater transparency in business management through the establishment of an Executive Committee. Corporate officers also participate in the committee, which verifies the status of business execution in the Company's operations.



# Corporate Social Responsibility

## Compliance

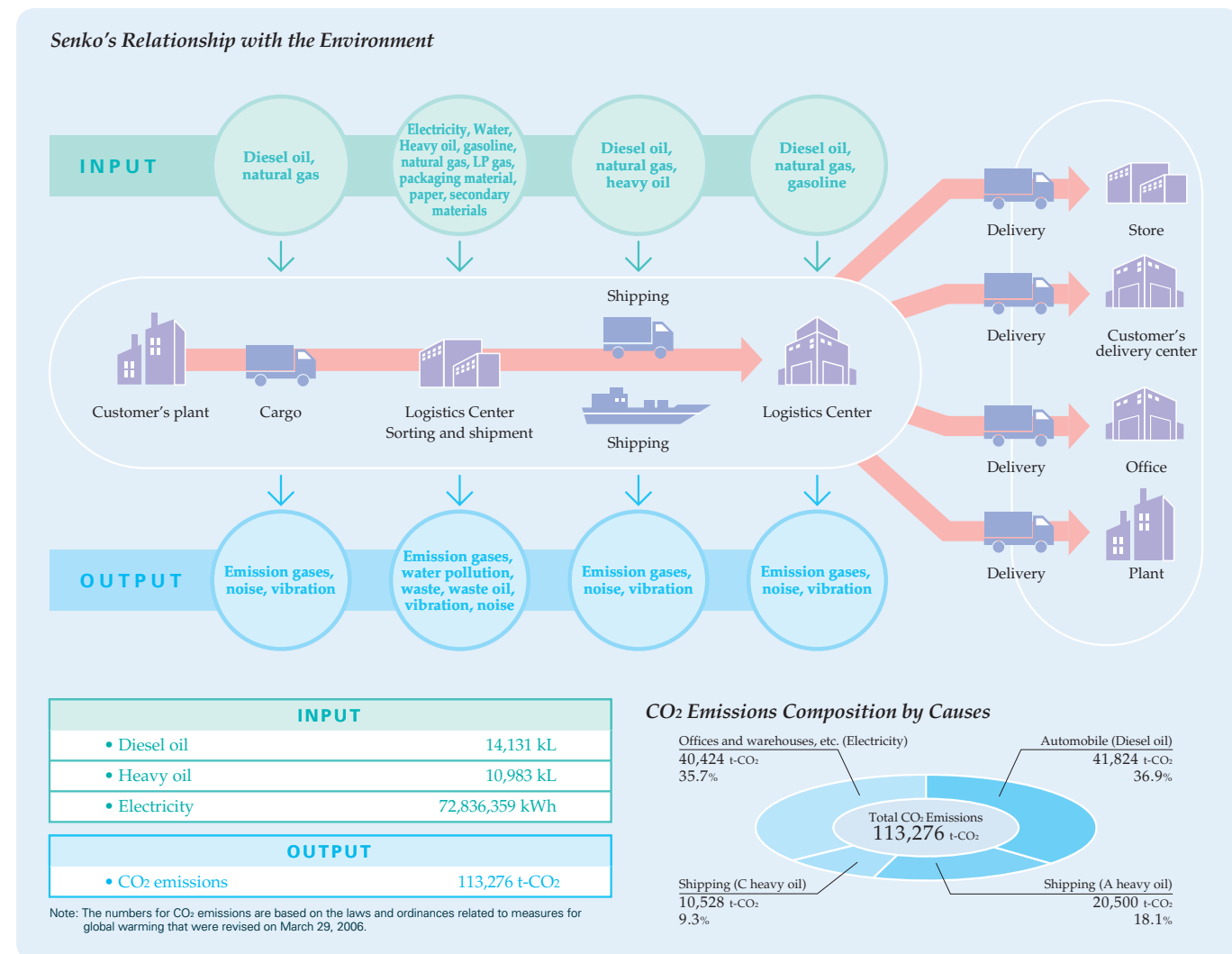
By complying with the laws and carrying out business activities on an ethical basis, companies fulfill their social obligations and gain the trust of all stakeholders. As such, compliance represents a most basic corporate policy. Senko aims to carry out sincere and fair business activities and is pursuing stronger compliance systems.

## Environmental Activities

Recognizing the major role the logistics industry has to play in protecting the environment, Senko offers modal shift and other logistics services that contribute to environmental preservation as part of its social mission as a logistics company. Moreover, the Company pursues environmental preservation activities throughout its operations based on its ISO 14001 environmental management system.

## Details

- Through our environmental activities, we endeavor to reduce the impact of our business on the environment.
  - Install digital tachographs on vehicles: installed on 1,400 vehicles
  - Thorough practice of eco-driving by vehicle operators
  - Use of low-pollution vehicles and transport equipment and introduce energy conservation equipment and facilities
- Aiming to spread environmental management activities (SEMS, ISO 14001 standards) throughout the Company, we continue to improve our environmental preservation.
- We make public environmental information on our business activities (environmental report).
- We proactively propose services to customers that reduce environmental impact (see pictures).
  - Actively propose modal shift and other more energy efficient "green" logistics systems

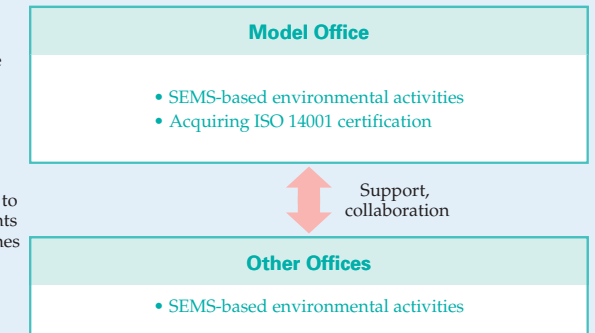


## Senko Environmental Management System

### Overall

| Senko Environmental Management System (SEM) |   |
|---|---|
| PLAN  | <ul style="list-style-type: none"> <li>• Environmental policies and initiatives</li> <li>• Formulation of a plan</li> </ul>           |
| DO  | <ul style="list-style-type: none"> <li>• Initiate and carry out environmental activities</li> </ul>                                   |
| CHECK                                       | <ul style="list-style-type: none"> <li>• Regular inspections, improvements, etc.</li> <li>• Environmental management audit</li> </ul> |
| ACTION                                      | <ul style="list-style-type: none"> <li>• Revision of environmental management system</li> </ul>                                       |

### Departments and Branches





# Corporate Social Responsibility

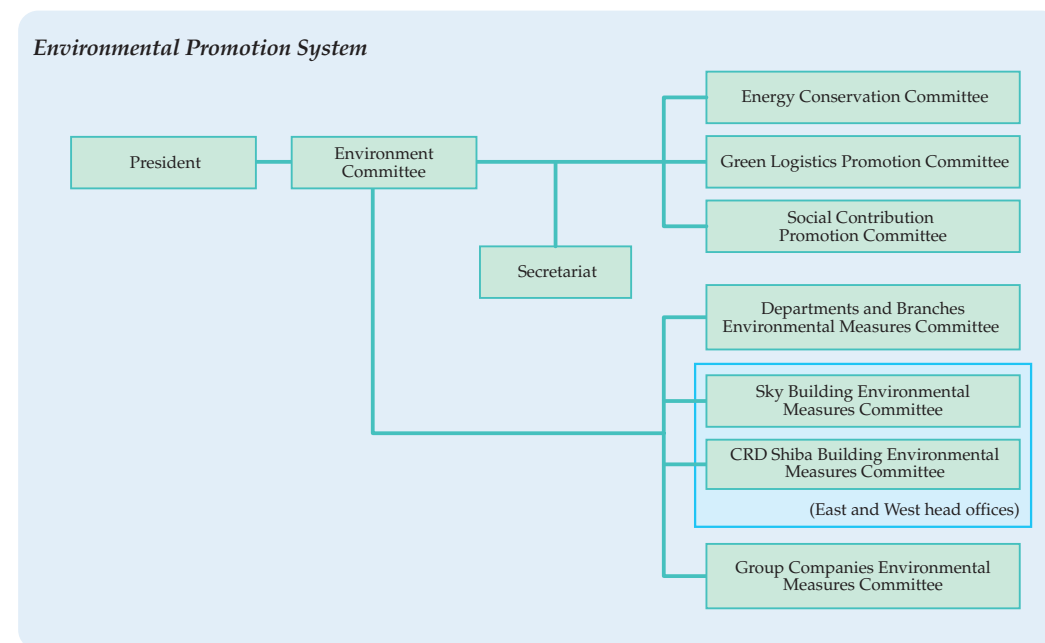
# Board of Directors and Corporate Auditors, Executive Officers (As of July 31, 2008)



Integrated shipping of plastic products by sea and land using a bulk container distribution system



Container ship Senkoma Maru (Completed December 2007)



## Improving Safely, Health, and Quality

Guided by the spirit of “respecting people” and “safety before everything else,” Senko pursues activities to ensure safety and health on the job. Aiming to have “strong jobsites” that undertake reforms on their own and that in turn become “excellent job sites” that create new value, we focus on nurturing the personnel that will form the core of our workforce.

## Activities as a Corporate Citizen

Encouraging each of its employees to act on its behalf as a “good corporate citizen,” Senko contributes to local communities and society through its business and voluntary activities. Through these activities the Company seeks to make local communities that form the base for people’s lives prosperous and comfortable places to live.



President and Representative Director  
**Yasuhisa Fukuda**



Executive Vice President and Representative Director  
**Kenichi Shibukawa**

|   |   |
|---|---|
| <b>President and Representative Director</b>                | Yasuhisa Fukuda                                     |
| <b>Executive Vice President and Representative Director</b> | Kenichi Shibukawa                                   |
| <b>Directors and Managing Senior Executive Officers</b>     | Takeyo Teduka<br>Hisao Takahashi                    |
| <b>Directors and Managing Executive Officers</b>            | Kengo Tanaka<br>Mitsuru Muramoto<br>Sadayuki Wada   |
| <b>Directors and Executive Officers</b>                     | Yutaka Toyama<br>Masahito Kanno<br>Yasushi Morimoto |

|                                     |  |
|-------------------------------------|--|
| <b>Full-time Corporate Auditors</b> | Kunihiro Sanada<br>Masakazu Tsuji<br>Kazuo Saga  |
| <b>Corporate Auditor</b>            | Hiroshi Itawaki  |
| <b>Senior Executive Officers</b>    | Katsuhiko Miyagawa<br>Masuo Tanaka   |
| <b>Executive Officers</b>           | Kazuhiro Yamanaka<br>Yoshihiro Kawase<br>Takao Morita<br>Kazuaki Oike<br>Yoshio Shigeno<br>Hirofumi Teramachi<br>Koujiro Matsuda<br>Takashi Yamamoto |

# Financial Review

## Performance

Consolidated operating revenues for the fiscal year ended March 2008 climbed 3.1%, to ¥204,294 million. These results can be attributed to the Company's core principal products category, retail logistics businesses, housing, and petroleum-related products and plastics, contributing increased revenues to overall operating revenues. The retail logistics business combines the wholesale and retail and medical treatment and pharmaceutical fields.

Looking at profits, consolidated operating income rose 10.3%, to ¥6,057 million. Because of the hike in crude oil prices, fuel expenses, the major cost of the transport segment, expanded. However, since the additional profits from capital investments made in prior years and the reform of low profitability business exceeded these higher costs, the Company was able to post growth in profits. Consequently, the operating income ratio improved 0.2 percentage points, to 3.0%.

Income before income taxes and minority interests jumped 20.2% year on year, to ¥5,791 million, reflecting a decline in other losses.

Moreover, despite an increase in current income taxes, consolidated net income grew 20.7%, to ¥3,061 million. The ratio of net income to operating revenues improved 0.2 percentage points, to 1.5%.

## Performance by Business Segment

By business segment, transport operating revenues for the fiscal year under review increased ¥2,750 million, or 2.3%, to ¥124,954 million, generating 61.2% of total operating revenues. Despite a decline in freight volume in the housing-related logistics business, the business segment recorded sales

growth because of additional revenues related to the opening of a new distribution center in the previous fiscal year as well as from the modal shift business.

The operating revenues of the retail distribution and processing business segment amounted to ¥61,913 million, rising ¥3,233 million, or 5.5% and accounting for 30.3% of total operating revenues. The sales benefits from the opening of large-scale facilities, such as the AEON Tohoku RDC and the Senboku No. 2 PD and Urawa PD centers opened in the previous fiscal year and the Moriyama Warehouse in the fiscal year under review contributed to the growth in operating revenues

Operating revenues from the others business segment edged forward ¥122 million, or 0.7%, to ¥17,427 million, contributing 8.5% of total operating revenues. Although the revenues of oil sales operations increased due to the rise in sales price, overall revenues declined because the slow growth in trading operations.

## Performance by Principal Products Category

The Company has three core product categories: housing-related, petroleum-related and plastics, and retail logistics-related. For the fiscal year ended March 2008, these three core product categories accounted for 63.3% of total operating revenues.

Accounting for 26.6% of operating revenue, housing-related products can be separated into distribution services from the factories and housing materials distribution services. During the fiscal year, factory distribution services revenues declined from the second quarter and were down overall for the year. However, the Company recorded

revenue growth in housing materials distribution services due to the conversion of A Line Amano Co., Ltd., the main customers of which are construction materials manufacturers, to a subsidiary. As a result, operating revenues from housing-related products increased ¥2,580 million, or 5.0%, year on year to ¥54,330 million.

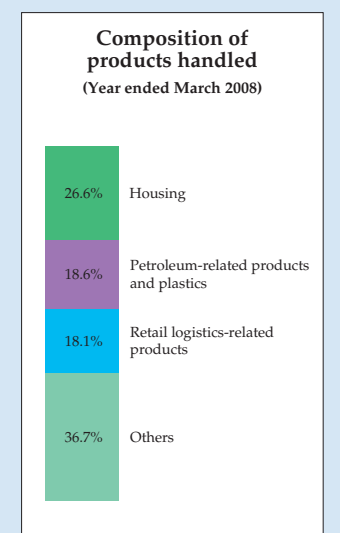
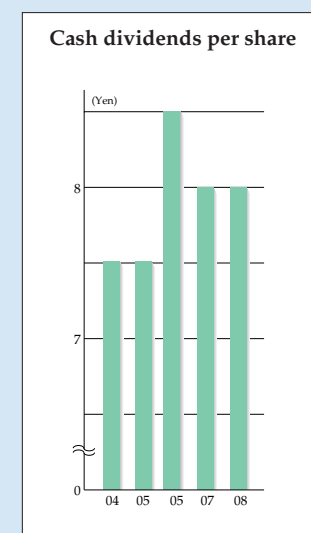
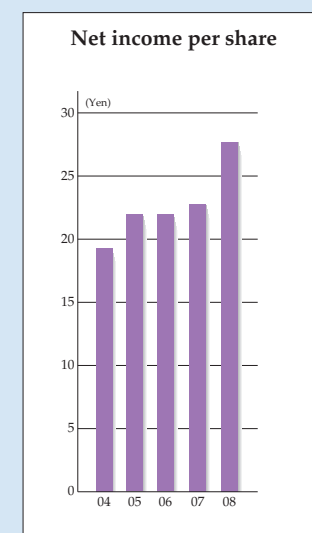
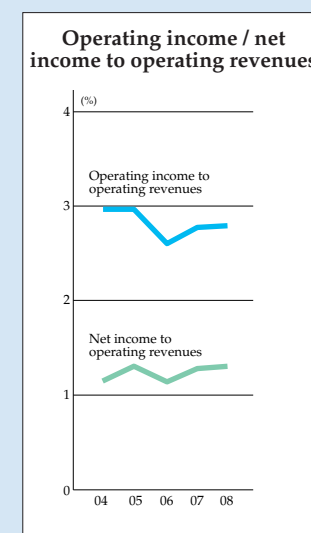
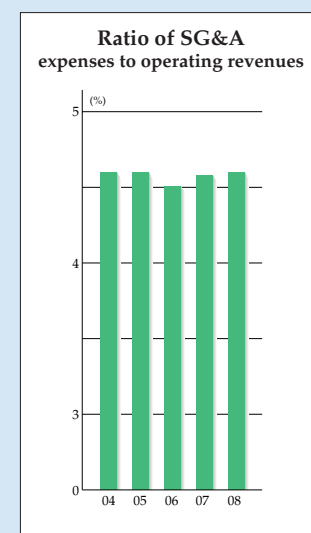
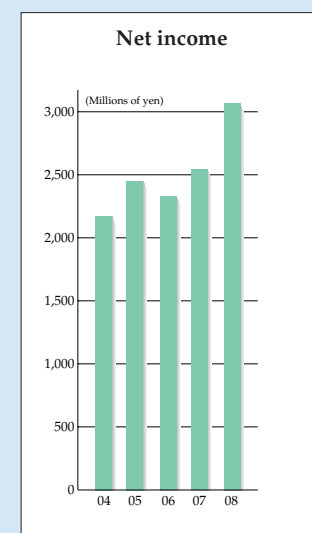
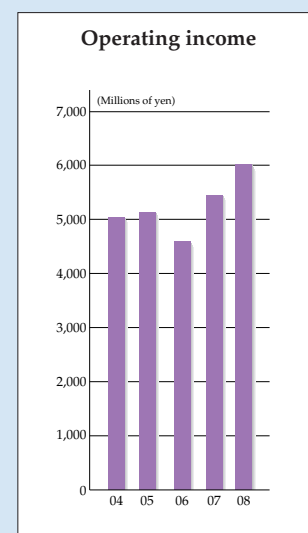
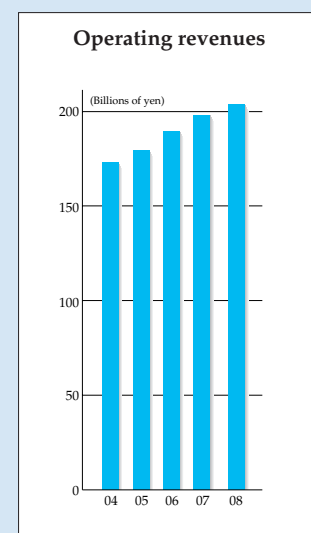
The petroleum-related and plastics product category, which generates 18.6% of total operating revenues, targeted expansion of its bulk container comprehensive distribution system business during the fiscal year. This system uses containers that can hold 16 metric tons of plastic resin or other materials. After filling the container at the factory, Senko delivers the container using its rail, trucking, and marine distribution network, unloads the container, and returns the empty container to the customer. Based on large lots, this door-to-door system provides cost, contamination-prevention, and operating efficiency advantages. Besides these measures, with the opening of the Moriyama Warehouse, the freight volume business for Asahi Kasei Corporation increased. As a result, petroleum-related and plastics product operating revenues advanced ¥1,110 million, or 3.0%, to ¥37,990 million.

The retail logistics-related product category, which contributed 18.1% of total operating revenues, experienced continued business expansion in the retail logistics field, which has been achieving high growth recently. Contributing factors to the increase in business during the fiscal year were a higher volume of business from general merchandise store

## Consolidated Operating Revenues by Products Handled

(Units: billions of yen, %)

|  | Year ended March 2008 |             | Year ended March 2007 |             | Change | % Change |
|--|-----------------------|-------------|-----------------------|-------------|--------|----------|
|  | Revenues              | Composition | Revenues              | Composition |        |          |
| <b>Housing</b>   | 54.3                  | 26.6        | 51.8                  | 26.1        | 2.5    | 4.8      |
| <b>Petroleum-related products, and plastics</b>          | 38.0                  | 18.6        | 36.9                  | 18.6        | 1.1    | 3.0      |
| <b>Retail logistics-related products</b>                 | 37.0                  | 18.1        | 34.1                  | 17.2        | 2.9    | 8.5      |
| <b>International freight forwarding and modal shifts</b> | 18.2                  | 8.9         | 18.0                  | 9.1         | 0.2    | 1.1      |
| <b>Chemicals and fertilizers</b>                         | 4.9                   | 2.4         | 3.6                   | 1.8         | 1.3    | 36.1     |
| <b>Foods</b>   | 3.8                   | 1.9         | 3.8                   | 1.9         | 0.0    | 0.0      |
| <b>Electronics products and machinery</b>                | 3.6                   | 1.8         | 4.2                   | 2.1         | △0.6   | △14.3    |
| <b>Others</b>  | 44.5                  | 21.7        | 45.8                  | 23.2        | △1.3   | △2.8     |
| <b>Total</b>   | 204.3                 | 100.0       | 198.2                 | 100.0       | 6.1    | 3.1      |



(GMS) field, including the revenue benefits from the operation of the AEON Tohoku RDC center, which was opened in August 2006. Business volume from major discount store and specialty store chains also rose. In addition, the business volume of medical equipment increased. Consequently, operating revenues from retail logistics-related products grew ¥2,890 million, or 8.5%, to ¥37,020 million.

**Financial Position**

Total assets at March 31, 2008 increased year on year, climbing ¥8,375 million, or 6.2%, to ¥144,065 million. The growth in total assets can be attributed to active capital investment and mergers & acquisitions (M&A) activities. The major capital investments during the fiscal year under review were in the construction of the Moriyama Warehouse, the Nobeoka PD Center, and the Nishi-Kobe PD Center as well as the opening of the Atsugi Logistics Center and the building of the container ship Senkoma Maru. The increase in M&A investments came from the investment made in Tokyo Nohin Daiko Co., Ltd., in line with a business and capital alliance agreement and the investment involved in the acquisition of the business of A Line Amano Co., Ltd.

Net assets at fiscal year-end amounted to ¥49,846 million, resulting in an equity ratio of 34.6%. Although the equity ratio declined 0.7% from a year earlier because of the expansion in total assets due to active capital investment, the amount of net assets is steadily improving.

Interest-bearing debt at fiscal year-end rose ¥4,541 million, or 10.0%, to ¥49,908 million. As a result, the ratio of interest-bearing debt to total assets increased 1.2 percentage points, to 34.6%.

**Cash Flows**

For the year ended March 31, 2008, net cash provided by operating activities increased ¥297 million, or 4.9%, to ¥6,298 million. This increase can mainly be attributed to income before income taxes and minority interests, depreciation and amortization, and an increase in trade payables exceeding income tax paid and the increases in sales receivables and inventories.

Net cash used in investing activities fell ¥3,720 million, or 32.1%, to ¥7,880 million from the previous fiscal year. Major expenses components were payments for purchases of fixed assets of ¥6,291 million, payments for purchases of businesses of ¥907 million, and payments for purchases of stocks based on a business alliance of ¥900 million.

Consequently, free cash flow at fiscal year-end was a negative ¥1,582 million, up ¥4,015 million, from the previous fiscal year.

Net cash provided by financing activities decreased ¥806 million, or 20.2%, to ¥3,183 million. To increase the consistency of the nature of the Company's assets and its capital financing methods, Senko converted a portion of its short-term borrowings into long-term debt during the fiscal year. In addition, to fund its capital expenditures, the Company raised ¥4,984 million through the issue of convertible bonds with new share subscription rights.

As a result, cash and cash equivalents at end of year totaled ¥12,318 million, increasing ¥1,728 million, or 16.3% 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, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

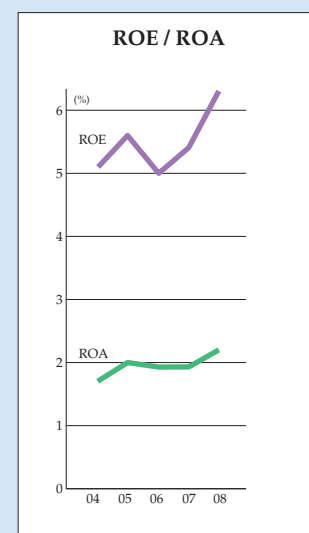
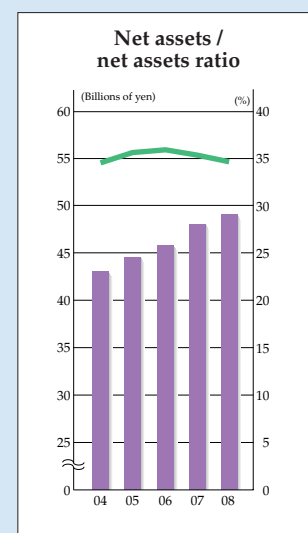
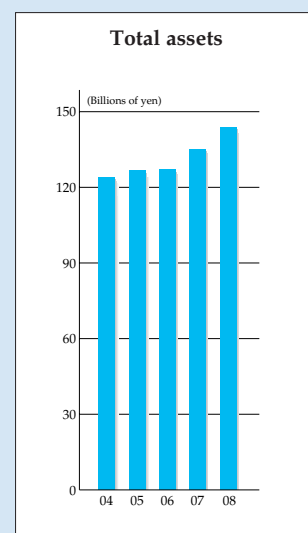
We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SENKO CO., Ltd. and its consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in Japan.

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.

Osaka, Japan  
June 27, 2008

*Ohtemae Audit Co.*  
Ohtemae Audit Corporation



## Consolidated Balance Sheets

SENKO Co., Ltd. and Consolidated Subsidiaries

March 31, 2008 and 2007

### ASSETS

#### Current assets:

|  | Millions of yen |               | Thousands of<br>U.S.dollars |
|--|-----------------|---------------|-----------------------------|
|  | 2008            | 2007          | 2008                        |
| Cash and cash equivalents                    | ¥ 12,318        | ¥ 10,590      | \$ 122,946                  |
| Trade accounts and notes receivable-         |                 |               |                             |
| Non-consolidated subsidiaries and affiliates | 34              | 167           | 339                         |
| Others                                       | 26,980          | 26,107        | 269,288                     |
| Less allowance for doubtful accounts         | (19)            | (20)          | (190)                       |
| Inventories                                  | 1,222           | 585           | 12,197                      |
| Deferred tax asset (Note 14)                 | 1,670           | 1,548         | 16,668                      |
| Prepaid expenses and other current assets    | 1,943           | 2,004         | 19,395                      |
| <b>Total current assets</b>                  | <b>44,148</b>   | <b>40,981</b> | <b>440,643</b>              |

|  |       |       |        |
|--|-------|-------|--------|
| Investments in and long-term loans to non-consolidated subsidiaries and affiliates | 1,552 | 879   | 15,491 |
| Investment securities (Notes 5 and 9)  | 1,524 | 1,670 | 15,211 |

|   |          |          |           |
|---|----------|----------|-----------|
| Property and equipment, at cost (Notes 6 and 9) | 129,109  | 125,129  | 1,288,641 |
| Less accumulated depreciation                   | (55,831) | (54,175) | (557,251) |
| Net property and equipment                      | 73,278   | 70,954   | 731,390   |

|   |        |        |         |
|---|--------|--------|---------|
| Long-term deferred tax assets (Note 14) | 5,147  | 5,480  | 51,372  |
| Other assets                            | 18,416 | 15,726 | 183,811 |

|                     |                  |                  |                     |
|---------------------|------------------|------------------|---------------------|
| <b>Total assets</b> | <b>¥ 144,065</b> | <b>¥ 135,690</b> | <b>\$ 1,437,918</b> |
|---------------------|------------------|------------------|---------------------|

### LIABILITIES AND NET ASSETS

#### Current liabilities:

|  | Millions of yen |               | Thousands of<br>U.S.dollars |
|--|-----------------|---------------|-----------------------------|
|  | 2008            | 2007          | 2008                        |
| Short-term loans (Note 7)                            | ¥ 7,750         | ¥ 11,950      | \$ 77,353                   |
| Current portion of long-term debt (Note 7)           | 4,948           | 4,260         | 49,386                      |
| Trade accounts and notes payable—                    |                 |               |                             |
| Non-consolidated subsidiaries and affiliates         | 54              | 34            | 539                         |
| Others   | 19,942          | 18,362        | 199,042                     |
| Accrued expenses                                     | 5,140           | 5,118         | 51,303                      |
| Accrued income taxes                                 | 1,566           | 1,192         | 15,630                      |
| Other current liabilities                            | 4,797           | 4,222         | 47,879                      |
| <b>Total current liabilities</b>                     | <b>44,197</b>   | <b>45,138</b> | <b>441,132</b>              |
| <b>Long-term debt, less current portion (Note 7)</b> | <b>37,210</b>   | <b>29,158</b> | <b>371,394</b>              |
| <b>Accrued Retirement Benefits (Note 8)</b>          | <b>9,335</b>    | <b>9,670</b>  | <b>93,173</b>               |
| <b>Other long-term liabilities</b>                   | <b>3,477</b>    | <b>3,770</b>  | <b>34,704</b>               |

#### Contingent liabilities (Note 10)

#### Net assets (Note 12):

|   |                  |                  |                     |
|---|------------------|------------------|---------------------|
| Common stock:   |                  |                  |                     |
| Authorized—294,999,000 shares   |                  |                  |                     |
| Issued—111,746,167 shares   | 18,296           | 18,296           | 182,613             |
| Capital surplus   | 16,554           | 16,559           | 165,226             |
| Retained earnings   | 15,554           | 13,201           | 155,245             |
| Less treasury stock, at cost—2,024,789 shares in<br>2008 and 1,151,067 shares in 2007 | (717)            | (419)            | (7,156)             |
| Net unrealized holdings gain on securities  | 98               | 291              | 978                 |
| Loss on deferred hedges   | —                | (2)              | —                   |
| Translation adjustments   | 32               | 25               | 319                 |
| Stock acquisition rights  | 26               | —                | 260                 |
| Minority interests  | 3                | 3                | 30                  |
| <b>Total net assets</b>   | <b>49,846</b>    | <b>47,954</b>    | <b>497,515</b>      |
| <b>Total liabilities and net assets</b>   | <b>¥ 144,065</b> | <b>¥ 135,690</b> | <b>\$ 1,437,918</b> |

See the accompanying notes to the consolidated financial statements.

See the accompanying notes to the consolidated financial statements.

## Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2008, 2007 and 2006

|  | Millions of yen  |                  |                  | Thousands of<br>U.S.dollars |
|--|------------------|------------------|------------------|-----------------------------|
|  | 2008             | 2007             | 2006             | 2008                        |
| <b>Operating revenues</b>                                      | <b>¥ 204,294</b> | <b>¥ 198,189</b> | <b>¥ 190,330</b> | <b>\$ 2,039,066</b>         |
| <b>Operating costs and expenses:</b>                           |                  |                  |                  |                             |
| Operating costs of revenues                                    | 188,300          | 183,621          | 177,038          | 1,879,429                   |
| Selling, general and administrative expenses                   | 9,937            | 9,077            | 8,634            | 99,182                      |
|  | <b>198,237</b>   | <b>192,698</b>   | <b>185,672</b>   | <b>1,978,611</b>            |
| <b>Operating income</b>  | <b>6,057</b>     | <b>5,491</b>     | <b>4,658</b>     | <b>60,455</b>               |
| <b>Other income (expenses):</b>                                |                  |                  |                  |                             |
| Interest and dividend income                                   | 739              | 439              | 232              | 7,376                       |
| Interest expenses  | (779)            | (630)            | (497)            | (7,775)                     |
| Impairment loss  | —                | (177)            | (2,122)          | —                           |
| Amortization of prior service costs                            | —                | —                | 3,804            | —                           |
| Loss on revaluation of property                                | —                | —                | (1,537)          | —                           |
| Others, net  | (226)            | (305)            | (225)            | (2,256)                     |
|  | <b>(266)</b>     | <b>(673)</b>     | <b>(345)</b>     | <b>(2,655)</b>              |
| <b>Income before income taxes and minority interests</b>       | <b>5,791</b>     | <b>4,818</b>     | <b>4,313</b>     | <b>57,800</b>               |
| <b>Income taxes (Note 14):</b>                                 |                  |                  |                  |                             |
| Current  | 2,364            | 1,805            | 1,324            | 23,595                      |
| Deferred   | 365              | 477              | 699              | 3,643                       |
|  | <b>2,729</b>     | <b>2,282</b>     | <b>2,023</b>     | <b>27,238</b>               |
| <b>Minority interests in gain of a consolidated subsidiary</b> | <b>(1)</b>       | <b>(0)</b>       | <b>(0)</b>       | <b>(10)</b>                 |
| <b>Net income</b>  | <b>¥ 3,061</b>   | <b>¥ 2,536</b>   | <b>¥ 2,290</b>   | <b>\$ 30,552</b>            |

### Per share of common stock

|                                       | Yen     |         | U.S.dollars |
|---------------------------------------|---------|---------|-------------|
|                                       | 2008    | 2007    | 2008        |
| Net income                            | ¥ 27.70 | ¥ 22.80 | ¥ 20.52     |
| Diluted net income                    | 25.82   | —       | —           |
| Cash dividends applicable to the year | 8.00    | 8.00    | 8.50        |

See the accompanying notes to the consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

SENKO Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2008, 2007 and 2006

|   | Thousands                               | Millions of Yen |                 |                   |                          |   |                         |                        |                          |                    |                  |
|---|---|-----------------|-----------------|-------------------|--------------------------|---|-------------------------|------------------------|--------------------------|--------------------|------------------|
|   | Number of Shares of Common stock issued | Common stock    | Capital surplus | Retained earnings | Treasury stock (at cost) | Net unrealized holding gain on securities | Loss on deferred hedges | Translation adjustment | Stock acquisition rights | Minority interests | Total net assets |
| <b>Balance at April 1, 2005</b>                                       | 111,746                                 | ¥ 18,296        | ¥ 16,508        | ¥ 10,159          | ¥ (295)                  | ¥ 158                                     | ¥ —                     | ¥ —                    | ¥ —                      | ¥ —                | ¥ 44,826         |
| Net income  | —                                       | —               | —               | 2,290             | —                        | —   | —                       | —                      | —                        | —                  | 2,290            |
| Cash dividends  | —                                       | —               | —               | (825)             | —                        | —   | —                       | —                      | —                        | —                  | (825)            |
| Bonuses to directors and statutory auditors                           | —                                       | —               | —               | (29)              | —                        | —   | —                       | —                      | —                        | —                  | (29)             |
| Adjustment of retained earnings for a newly consolidated subsidiary   | —                                       | —               | —               | 14                | —                        | —   | —                       | —                      | —                        | —                  | 14               |
| Unrealized holding gain on securities                                 | —                                       | —               | —               | —                 | —                        | 227                                       | —                       | —                      | —                        | —                  | 227              |
| Treasury stock  | —                                       | —               | 51              | —                 | 262                      | —   | —                       | —                      | —                        | —                  | 313              |
| <b>Balance at March 31, 2006</b>                                      | 111,746                                 | ¥ 18,296        | ¥ 16,559        | ¥ 11,609          | ¥ (33)                   | ¥ 385                                     | ¥ —                     | ¥ —                    | ¥ —                      | ¥ —                | ¥ 46,816         |
| Reclassified balance as of March 31, 2006                             | —                                       | —               | —               | —                 | —                        | —   | —                       | —                      | —                        | 3                  | 3                |
| Net income  | —                                       | —               | —               | 2,536             | —                        | —   | —                       | —                      | —                        | —                  | 2,536            |
| Cash dividends  | —                                       | —               | —               | (975)             | —                        | —   | —                       | —                      | —                        | —                  | (975)            |
| Bonuses to directors and statutory auditors                           | —                                       | —               | —               | (26)              | —                        | —   | —                       | —                      | —                        | —                  | (26)             |
| Purchases of treasury stock   | —                                       | —               | —               | —                 | (387)                    | —   | —                       | —                      | —                        | —                  | (387)            |
| Retirement of treasury stock  | —                                       | —               | (0)             | —                 | 1                        | —   | —                       | —                      | —                        | —                  | 1                |
| Adjustment of retained earnings for a newly consolidated subsidiary   | —                                       | —               | —               | 51                | —                        | —   | —                       | —                      | —                        | —                  | 51               |
| Adjustment of retained earnings for a newly share subsidiary          | —                                       | —               | —               | 6                 | —                        | —   | —                       | —                      | —                        | —                  | 6                |
| Other changes   | —                                       | —               | —               | —                 | —                        | (94)                                      | (2)                     | 25                     | —                        | 0                  | (71)             |
| <b>Balance at March 31, 2007</b>                                      | 111,746                                 | ¥ 18,296        | ¥ 16,559        | ¥ 13,201          | ¥ (419)                  | ¥ 291                                     | ¥ (2)                   | ¥ 25                   | ¥ —                      | ¥ 3                | ¥ 47,954         |
| Net income  | —                                       | —               | —               | 3,061             | —                        | —   | —                       | —                      | —                        | —                  | 3,061            |
| Cash dividends  | —                                       | —               | —               | (885)             | —                        | —   | —                       | —                      | —                        | —                  | (885)            |
| Purchases of treasury stock   | —                                       | —               | —               | —                 | (306)                    | —   | —                       | —                      | —                        | —                  | (306)            |
| Retirement of treasury stock  | —                                       | —               | (5)             | —                 | 8                        | —   | —                       | —                      | —                        | —                  | 3                |
| Adjustment of retained earnings for a newly consolidated subsidiaries | —                                       | —               | —               | 177               | —                        | —   | —                       | —                      | —                        | —                  | 177              |
| Other changes   | —                                       | —               | —               | —                 | —                        | (193)                                     | 2                       | 7                      | 26                       | 0                  | (158)            |
| <b>Balance at March 31, 2008</b>                                      | <b>111,746</b>                          | <b>¥ 18,296</b> | <b>¥ 16,554</b> | <b>¥ 15,554</b>   | <b>¥ (717)</b>           | <b>¥ 98</b>                               | <b>¥ —</b>              | <b>¥ 32</b>            | <b>¥ 26</b>              | <b>¥ 3</b>         | <b>¥ 49,846</b>  |

|   | Thousands of U.S. dollars |                   |                   |                          |   |                         |                         |                          |                    |                   |
|---|---------------------------|-------------------|-------------------|--------------------------|---|-------------------------|-------------------------|--------------------------|--------------------|-------------------|
|   | Common stock              | Capital surplus   | Retained earnings | Treasury stock (at cost) | Net unrealized holding gain on securities | Loss on deferred hedges | Translation adjustments | Stock acquisition rights | Minority interests | Total net assets  |
| <b>Balance at March 31, 2007</b>                                      | \$ 182,613                | \$ 165,276        | \$ 131,760        | \$ (4,182)               | \$ 2,904                                  | \$ (20)                 | \$ 250                  | \$ —                     | \$ 30              | \$ 478,631        |
| Net income  | —                         | —                 | 30,552            | —                        | —   | —                       | —                       | —                        | —                  | 30,552            |
| Cash dividends  | —                         | —                 | (8,833)           | —                        | —   | —                       | —                       | —                        | —                  | (8,833)           |
| Purchases of treasury stock   | —                         | —                 | —                 | (3,054)                  | —   | —                       | —                       | —                        | —                  | (3,054)           |
| Retirement of treasury stock  | —                         | —                 | (50)              | 80                       | —   | —                       | —                       | —                        | —                  | 30                |
| Adjustment of retained earnings for a newly consolidated subsidiaries | —                         | —                 | 1,766             | —                        | —   | —                       | —                       | —                        | —                  | 1,766             |
| Other changes   | —                         | —                 | —                 | —                        | (1,926)                                   | 20                      | 69                      | 260                      | 0                  | (1,577)           |
| <b>Balance at March 31, 2008</b>                                      | <b>\$ 182,613</b>         | <b>\$ 165,226</b> | <b>\$ 155,245</b> | <b>\$ (7,156)</b>        | <b>\$ 978</b>                             | <b>\$ —</b>             | <b>\$ 319</b>           | <b>\$ 260</b>            | <b>\$ 30</b>       | <b>\$ 497,515</b> |

See the accompanying notes to the consolidated financial statements.

## Consolidated Statements of Cash Flows

SENKO Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2008, 2007 and 2006

|  | Millions of yen |                 |                | Thousands of<br>U.S.dollars |
|--|-----------------|-----------------|----------------|-----------------------------|
|  | 2008            | 2007            | 2006           | 2008                        |
| <b>Cash flows from operating activities:</b>                                 |                 |                 |                |                             |
| Income before income taxes and minority interests                            | ¥ 5,791         | ¥ 4,818         | ¥ 4,313        | \$ 57,800                   |
| Adjustments for:   |                 |                 |                |                             |
| Depreciation and amortization  | 3,340           | 2,693           | 2,860          | 33,337                      |
| Loss on disposals of property and equipment                                  | 96              | 296             | 320            | 958                         |
| Impairment losses  | —               | 177             | 2,122          | —                           |
| Loss on revaluation of property  | —               | —               | 1,537          | —                           |
| Decrease in allowance for employee retirement                                | (349)           | (327)           | (4,420)        | (3,483)                     |
| Increase (decrease) in accrued bonuses to employees                          | 31              | (0)             | 158            | 309                         |
| Interest and dividends income  | (739)           | (439)           | (232)          | (7,376)                     |
| Interest expense   | 779             | 630             | 497            | 7,775                       |
| Decrease (increase) in trade receivables                                     | (573)           | 264             | (623)          | (5,719)                     |
| Decrease (increase) in inventories   | (635)           | 186             | (139)          | (6,338)                     |
| Increase in trade payables   | 1,847           | 921             | 1,219          | 18,435                      |
| Other  | (526)           | (874)           | (278)          | (5,250)                     |
| <b>Sub total</b>   | <b>9,062</b>    | <b>8,345</b>    | <b>7,334</b>   | <b>90,448</b>               |
| Interest and dividend income received  | 208             | 155             | 168            | 2,076                       |
| Interest expenses paid   | (778)           | (631)           | (500)          | (7,765)                     |
| Income tax paid  | (2,194)         | (1,868)         | (1,655)        | (21,898)                    |
| <b>Net cash provided by operating activities</b>                             | <b>6,298</b>    | <b>6,001</b>    | <b>5,347</b>   | <b>62,861</b>               |
| <b>Cash flows from investing activities:</b>                                 |                 |                 |                |                             |
| Payments for purchases of fixed assets                                       | (6,291)         | (7,874)         | (4,793)        | (62,791)                    |
| Proceeds from sales of fixed assets  | 291             | 167             | 211            | 2,904                       |
| Payments for purchases of investment securities                              | (78)            | (39)            | (239)          | (779)                       |
| Proceeds from sales of investment securities                                 | 6               | 55              | 178            | 60                          |
| Payments for purchases of non-consolidated subsidiaries                      | (900)           | (44)            | (45)           | (8,983)                     |
| Other  | (908)           | (3,865)         | (1,140)        | (9,062)                     |
| <b>Net cash used in investing activities</b>                                 | <b>(7,880)</b>  | <b>(11,600)</b> | <b>(5,828)</b> | <b>(78,651)</b>             |
| <b>Cash flows from financing activities:</b>                                 |                 |                 |                |                             |
| Increase (decrease) in short-term loans, net                                 | (4,200)         | 2,000           | 200            | (41,920)                    |
| Proceeds from long-term debt   | 8,000           | 9,400           | 8,450          | 79,848                      |
| Repayment of long-term debt  | (4,260)         | (5,927)         | (6,978)        | (42,519)                    |
| Proceeds from issuance of convertible bond                                   | 4,984           | —               | —              | 49,745                      |
| Purchases of treasury stock  | (306)           | (387)           | (675)          | (3,054)                     |
| Sales of treasury stock  | 3               | 1               | 988            | 30                          |
| Dividends paid   | (886)           | (973)           | (825)          | (8,843)                     |
| Other  | (152)           | (125)           | (89)           | (1,517)                     |
| <b>Net cash provided by financing activities</b>                             | <b>3,183</b>    | <b>3,989</b>    | <b>1,071</b>   | <b>31,770</b>               |
| Effect of exchange rate changes on cash and cash equivalents                 | (5)             | 9               | 3              | (50)                        |
| Net increase (decrease) in cash and cash equivalents                         | 1,596           | (1,601)         | 593            | 15,930                      |
| Cash and cash equivalents at beginning of year                               | 10,590          | 12,115          | 11,521         | 105,699                     |
| Net increase in cash and cash equivalents of newly consolidated subsidiaries | 132             | 76              | 1              | 1,317                       |
| Cash and cash equivalents at end of year                                     | ¥ 12,318        | ¥ 10,590        | ¥ 12,115       | \$ 122,946                  |

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 Corporation Law of Japan (the "Law") and the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in several aspects to the accounting and disclosure requirements of International Accounting Standards.

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

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

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

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the exchange rate prevailing at March 31, 2008, which was ¥100.19 to US\$ 1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S.dollars at this or any other rate of exchange.

### 2. Summary of Significant Accounting Policies:

#### (a) Principles of Consolidation

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

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

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

#### (b) Cash and Cash Equivalents

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

#### (c) Investment Securities

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

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

Non-marketable other securities are stated at cost.

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

The Companies classified all securities as other securities.

#### (d) Allowance for Doubtful Accounts

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

#### (e) Inventories

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

#### (f) Property and Equipment and Depreciation

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

The principal estimated useful lives are as follows:

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

#### (g) Accrued Retirement Benefits

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

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

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

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

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

At the Annual meeting of Shareholders of the Company held on June 28, 2007, the retirement benefit plan for directors, corporate auditors of the Company was abolished. In connection with the abolishment of the retirement benefits plan, the company has reversed accrued retirement benefits for these officers and recognized the outstanding balance of 128 million (\$1,278 thousand) at March 31, 2008 as a liability, which was included in other liabilities in the accompanying consolidated balance sheet as of March 31, 2008.

**(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) Leases**

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

**(j) Goodwill**

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

**(k) Per Share Information**

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

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

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

**(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.

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

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

**3. Change of Accounting Policies****(a) Property and Equipment**

With effect from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed its depreciation method of tangible fixed assets (except for vehicle and vessels) acquired on or after April 1, 2007 in accordance with the amendment of Japanese Corporate Tax Law. As a result, operating income, Income before income taxes and minority interests decreased by ¥38 million (\$379 thousand) respectively.

**(b) Accounting Standards for Business Combinations and Divestitures**

Effective the year ended March 31, 2008, the Company has adopted a new accounting standard for the presentation of business combinations (Business Accounting Council, October 31, 2003). The adoption will not have an effect on the company's consolidated financial position and result of operations.

**(c) Accounting Standards for Stock Options**

Effective from the year ended March 31, 2008, the company applied Accounting Standard for Share-Based payment (Accounting Standards Board of Japan, statement No.8, December 27, 2005) and Implementation Guidance on Accounting Standard for Share-Based Payment (Accounting Standards Boards of Japan, Guidance No.11, final revision on May 31, 2006). As a result, for the year ended March 31, 2008, operating income, income before income taxes and minority interests decreased by ¥26 million (\$260 thousand) respectively.

**4. Supplementary Information**

Pursuant to an amendment to the Japanese Corporate Tax Law, effective from the year ended March 31, 2008, the company and its domestic consolidated subsidiaries depreciate the difference between the original residual value of 5% of acquisition cost of assets (except for vehicle and vessels) acquired before April 1, 2007 and the new residual value of 1Yen (memorandum value) by the straight-line method over 5 years commencing from the fiscal year following the year in which the asset becomes fully depreciated to the original residual value. Depreciated amounts are included in depreciation expenses. As a result, operating income, income before income taxes and minority interests decreased by ¥82million (\$818 thousand) respectively.

**5. Investment Securities**

The carrying amounts of investment securities at March 31, 2008 and 2007, consisted of the following:—

|                           | Millions of yen |         | Thousands of U.S.dollars |
|---------------------------|-----------------|---------|--------------------------|
|                           | 2008            | 2007    | 2008                     |
| Marketable securities     | ¥ 1,020         | ¥ 1,203 | \$ 10,181                |
| Non-marketable securities | 504             | 467     | 5,030                    |
|                           | ¥ 1,524         | ¥ 1,670 | \$ 15,221                |

The following is a summary of marketable securities included in investment securities, at March 31, 2008 and 2007.

|                  | Millions of yen  |                        |                         | Book value (Market value) |
|------------------|------------------|------------------------|-------------------------|---------------------------|
|                  | Acquisition cost | Gross unrealized gains | Gross unrealized losses |                           |
| 2008             |                  |                        |                         |                           |
| Equity security  | ¥ 843            | ¥ 206                  | ¥ (39)                  | ¥ 1,010                   |
| Bonds and Others | 10               | 0                      | —                       | 10                        |
|                  | ¥ 853            | ¥ 206                  | ¥ (39)                  | ¥ 1,020                   |

|                  | Millions of yen  |                        |                         | Book value (Market value) |
|------------------|------------------|------------------------|-------------------------|---------------------------|
|                  | Acquisition cost | Gross unrealized gains | Gross unrealized losses |                           |
| 2007             |                  |                        |                         |                           |
| Equity security  | ¥ 708            | ¥ 492                  | ¥ (7)                   | ¥ 1,193                   |
| Bonds and Others | 10               | 0                      | —                       | 10                        |
|                  | ¥ 718            | ¥ 492                  | ¥ (7)                   | ¥ 1,203                   |

|                  | Thousands of U.S.dollars |                        |                         | Book value (Market value) |
|------------------|--------------------------|------------------------|-------------------------|---------------------------|
|                  | Acquisition cost         | Gross unrealized gains | Gross unrealized losses |                           |
| 2008             |                          |                        |                         |                           |
| Equity security  | \$ 8,414                 | \$ 2,056               | \$ (389)                | \$ 10,081                 |
| Bonds and Others | 100                      | 0                      | —                       | 100                       |
|                  | \$ 8,514                 | \$ 2,056               | \$ (389)                | \$ 10,181                 |

The proceeds from sales of, and gross realized gain and loss on, other securities for the years at March 31, 2008 and 2007 are summarized as follows.

|                     | Millions of yen |      | Thousands of U.S.dollars |
|---------------------|-----------------|------|--------------------------|
|                     | 2008            | 2007 | 2008                     |
| Proceed from sales  | ¥ —             | ¥ 35 | \$ —                     |
| Gross realized gain | —               | 2    | —                        |
| Gross realized loss | —               | 44   | —                        |
|                     | ¥ —             | ¥ 81 | \$ —                     |

**6. Property and Equipment:**

At March 31, 2008 and 2007, property and equipment at cost consisted of the following:—

|  | Millions of yen |           | Thousands of U.S.dollars |
|--|-----------------|-----------|--------------------------|
|  | 2008            | 2007      | 2008                     |
| Land   | ¥ 33,214        | ¥ 33,098  | \$ 331,509               |
| Buildings and structures                     | 74,794          | 72,282    | 746,522                  |
| Machinery and equipment, vehicle and vessels | 17,035          | 15,864    | 170,027                  |
| Tools, furniture and fixtures                | 3,801           | 3,577     | 37,938                   |
| Construction in Progress                     | 265             | 308       | 2,645                    |
|  | ¥ 129,109       | ¥ 125,129 | \$ 1,288,641             |

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

At March 31, 2008 and 2007, short-term loans consisted of the following:—

|   | Millions of yen |          | Thousands of U.S.dollars |
|---|-----------------|----------|--------------------------|
|   | 2008            | 2007     | 2008                     |
| 0.50% to 1.47% unsecured loans from banks | ¥ 7,750         | ¥ 11,950 | \$ 77,353                |

At March 31, 2008 and 2007, long-term debt consisted of the following:—

|  | Millions of yen |          | Thousands of U.S.dollars |
|--|-----------------|----------|--------------------------|
|  | 2008            | 2007     | 2008                     |
| 0.92% bonds due 2009                                     | ¥ 7,000         | ¥7,000   | \$ 69,867                |
| Convertible bond due 2012                                | 5,000           | —        | 49,905                   |
| 0.74% to 2.51% loans from banks and insurance companies: |                 |          |                          |
| Unsecured  | 30,158          | 26,418   | 301,008                  |
|  | 42,158          | 33,418   | 420,780                  |
| Less current portion                                     | (4,948)         | (4,260)  | (49,386)                 |
|  | ¥ 37,210        | ¥ 29,158 | \$ 371,394               |

The annual maturities of long-term debt at March 31, 2008 for the next five years are as follows:—

| Year ending March 31 | Millions of yen | Thousands of U.S.dollars |
|----------------------|-----------------|--------------------------|
| 2009                 | ¥ 4,948         | \$ 49,386                |
| 2010                 | 7,838           | 78,231                   |
| 2011                 | 5,883           | 58,718                   |
| 2012                 | 5,908           | 58,968                   |
| 2013                 | 9,258           | 92,405                   |
| There after          | 8,323           | 83,072                   |

At March 31, 2008, the Company has committed line and overdraft contracts with twelve banks aggregating ¥22,600 million (\$225,571 thousand). Of the total credit limit, ¥6,950 million (\$69,368 thousand) was used as the above short-term and long-term borrowing, and the rest ¥15,650 million (\$156,203 thousand) was unused.

#### 8. Accrued Retirement Benefit:

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, 2008 and 2007.

|  | Millions of yen |            | Thousands of U.S.dollars |
|--|-----------------|------------|--------------------------|
|  | 2008            | 2007       | 2008                     |
| Benefit obligation at the end of year            | ¥ (24,208)      | ¥ (24,733) | \$ (241,621)             |
| Fair value of plan assets at the end of the year | 13,800          | 17,801     | 137,738                  |
| Unfunded retirement benefit obligation           | (10,408)        | (6,932)    | (103,883)                |
| Unrecognized actuarial loss                      | 2,730           | (1,747)    | 27,248                   |
| Net retirement benefit obligation                | (7,678)         | (8,679)    | (76,635)                 |
| Prepaid pension cost                             | 1,657           | 991        | 16,538                   |
| Accrued retirement benefit                       | ¥ (9,335)       | ¥ (9,670)  | \$ (93,173)              |

Retirement benefit costs of the Company and its certain subsidiaries included the following components for the year ended March 31, 2008, 2007 and 2006.

|                                | Millions of yen |         |           | Thousands of U.S.dollars |
|--------------------------------|-----------------|---------|-----------|--------------------------|
|                                | 2008            | 2007    | 2006      | 2008                     |
| Service cost                   | ¥ 1,141         | ¥ 1,355 | ¥ 1,184   | \$ 11,388                |
| Interest cost                  | 600             | 612     | 627       | 5,989                    |
| Expected return on plan assets | (523)           | (543)   | (361)     | (5,220)                  |
| Amortization:                  |                 |         |           |                          |
| Recognized actuarial loss      | (21)            | (136)   | 277       | (210)                    |
| Prior service costs            | —               | —       | (3,804)   | —                        |
| Net periodic benefit cost      | ¥ 1,197         | ¥ 1,288 | ¥ (2,077) | \$ 11,947                |
|                                | ¥ 1,197         | ¥ 1,288 | ¥ (2,077) | \$ 11,947                |

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2008, 2007 and 2006 is as follows:

|   | 2008                       | 2007                | 2006                |
|---|----------------------------|---------------------|---------------------|
| Method of attributing benefit to periods of service | <b>Straight-line basis</b> | Straight-line basis | Straight-line basis |
| Discount rate                                       | 2.5%                       | 2.5%                | 2.5%                |
| Expected rate of return on fund assets              | 3.0%                       | 3.0%                | 3.0%                |
| Amortization period of prior service costs          | 1 year                     | 1 year              | 1 year              |
| Amortization period of actuarial losses             | 13 years                   | 14 years            | 14 years            |

#### 9. Pledged Assets:

The following assets were pledged as collateral as at March 31, 2008 and 2007—

|                       | Millions of yen |         | Thousands of U.S.dollars |
|-----------------------|-----------------|---------|--------------------------|
|                       | 2008            | 2007    | 2008                     |
| Land                  | ¥ 2,393         | ¥ 2,393 | \$ 23,884                |
| Buildings             | 964             | 1,024   | 9,622                    |
| Vehicles              | 3               | 4       | 30                       |
| Investment securities | 10              | 10      | 100                      |
|                       | ¥ 3,370         | ¥ 3,431 | \$ 33,636                |

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

|   | Millions of yen |      | Thousands of U.S.dollars |
|---|-----------------|------|--------------------------|
|   | 2008            | 2007 | 2008                     |
| Long-term debt, including current portion | ¥ 100           | ¥ 20 | \$ 998                   |

#### 10. Contingent Liabilities:

At March 31, 2008 and 2007, contingent liabilities were as follows:

|   | Millions of yen |       | Thousands of U.S.dollars |
|---|-----------------|-------|--------------------------|
|   | 2008            | 2007  | 2008                     |
| Guarantees of installment obligation and lease obligation for the third parties | ¥ 0             | ¥ 5   | \$ 0                     |
| Trade notes discounted  | —               | 15    | —                        |
| Buyback obligations associated with securitization of receivables               | 302             | 373   | 3,014                    |
|   | ¥ 302           | ¥ 393 | \$ 3,014                 |

#### 11. Lease:

At March 31, 2008 and 2007, financing lease transactions whose ownership are not to be transferred were as follows:

|                               | Millions of yen |                          |                             |            | Thousands of U.S.dollars |
|-------------------------------|-----------------|--------------------------|-----------------------------|------------|--------------------------|
|                               | 2008            |                          |                             |            | 2008                     |
|                               | Purchase cost   | Accumulated depreciation | Accumulated impairment loss | Book value | Book value               |
| Machinery and equipment       | ¥ 13,461        | ¥ 5,087                  | ¥ —                         | ¥ 8,374    | \$ 83,581                |
| Tools, furniture and fixtures | 14,486          | 6,385                    | 185                         | 7,916      | 79,010                   |
|                               | ¥ 27,947        | ¥ 11,472                 | ¥ 185                       | ¥ 16,290   | \$ 162,591               |

|                               | Millions of yen |                          |                             |            | Thousands of U.S.dollars |
|-------------------------------|-----------------|--------------------------|-----------------------------|------------|--------------------------|
|                               | 2007            |                          |                             |            | 2008                     |
|                               | Purchase cost   | Accumulated depreciation | Accumulated impairment loss | Book value | Book value               |
| Machinery and equipment       | ¥ 12,593        | ¥ 4,860                  | ¥ 317                       | ¥ 7,416    | \$ 74,416                |
| Tools, furniture and fixtures | 14,493          | 6,060                    | 213                         | 8,220      | 82,220                   |
|                               | ¥ 27,086        | ¥ 10,920                 | ¥ 530                       | ¥ 15,636   | \$ 156,366               |

At March 31, 2008 and 2007, obligations under finance leases were as follows:

|                     | Millions of yen |          | Thousands of U.S.dollars |
|---------------------|-----------------|----------|--------------------------|
|                     | 2008            | 2007     | 2008                     |
| Due within one year | ¥ 4,809         | ¥ 4,740  | \$ 47,999                |
| Due after one year  | 12,959          | 12,214   | 129,344                  |
|                     | ¥ 17,768        | ¥ 16,954 | \$ 177,343               |

At March 31, 2008 and 2007, obligations under non-cancelable operating leases were as follows:

|                     | Millions of yen |          | Thousands of U.S.dollars |
|---------------------|-----------------|----------|--------------------------|
|                     | 2008            | 2007     | 2008                     |
| Due within one year | ¥ 1,554         | ¥ 1,554  | \$ 15,511                |
| Due after one year  | 12,935          | 14,489   | 129,105                  |
|                     | ¥ 14,489        | ¥ 16,043 | \$ 144,616               |



## 12. Net Assets:

The Corporation Law of Japan(the "Law") 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 Law also stipulates that, on condition that the sum of the additional paid-in capital and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The retained earnings account in the accompanying consolidated financial statements at March 31, 2008, included the Company's legal reserve of ¥ 1,506 million (\$ 15,031 thousand).

## 13. Stock Option Plans:

The stock option plans of the Company approved by the shareholders in accordance with the "Law" at March 31, 2008 were as follows:

| Date of approval by shareholders       | June 28, 2007                 | June 28, 2007                 |
|--|-------------------------------|-------------------------------|
| Grantees                               | 10 directors<br>3 auditors    | 9 operating officers          |
| Shares with warrants granted           | Common stock                  | Common stock                  |
| Number of shares with warrants granted | 61,000 shares                 | 18,000 shares                 |
| Option price per warrant               | ¥ 1                           | ¥ 1                           |
| Exercise period                        | July 21, 2007 - June 30, 2027 | July 21, 2007 - June 30, 2027 |

## 14. Income Taxes:

The Company and its subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2008 and 2007.

(1) Significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

|   | Millions of yen |         | Thousands of U.S.dollars |
|---|-----------------|---------|--------------------------|
|   | 2008            | 2007    | 2008                     |
| Deferred tax assets:  |                 |         |                          |
| Accrued severance indemnities to employees                    | ¥ 4,721         | ¥ 5,127 | \$ 47,120                |
| Accrued bonuses to employees                                  | 1,105           | 1,085   | 11,029                   |
| Impairment losses   | 698             | 853     | 6,967                    |
| Loss on revaluation of land                                   | 351             | 351     | 3,503                    |
| Social insurance premium                                      | 175             | 169     | 1,747                    |
| Loss carry forward  | 189             | 128     | 1,886                    |
| Accrued enterprise tax  | 144             | 123     | 1,437                    |
| Other   | 807             | 596     | 8,055                    |
| Gross deferred tax assets                                     | 8,190           | 8,432   | 81,744                   |
| Less: valuation allowance                                     | (295)           | (193)   | (2,944)                  |
| Total deferred tax assets                                     | 7,895           | 8,239   | 78,800                   |
| Deferred tax liabilities:                                     |                 |         |                          |
| Reserve for reduction in costs of fixed assets                | (985)           | (987)   | (9,831)                  |
| Net unrealized holding gains on available-for-sale securities | (69)            | (199)   | (689)                    |
| Other   | (185)           | (185)   | (1,846)                  |
| Gross deferred tax liabilities                                | (1,239)         | (1,371) | (12,366)                 |
| Net deferred tax assets                                       | ¥ 6,656         | ¥ 6,868 | \$ 66,434                |

(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, 2008 and 2007 were as follows:

|  | 2008  | 2007  |
|--|-------|-------|
| Statutory tax rate   | 40.6% | 40.6% |
| Adjustment:  |       |       |
| Non-deductible expenses  | 1.8   | 2.2   |
| Inhabitants' per capita taxes  | 2.9   | 3.2   |
| Non-taxable dividend income  | (0.8) | (1.2) |
| Other  | 2.6   | 2.5   |
| Income tax rate as a percentage of income before income taxes and minority interests | 47.1% | 47.3% |

## 15. Business Combination Related:

Previous consolidated fiscal year (from April 1, 2005 to March 31, 2006)

Not available

Current consolidated fiscal year (from April 1, 2006 to March 31, 2007)

### (The application of purchase method)

(1) Name of company subject to business combination and type of business acquired from the company, reasons, date, and legal form of the business combination, and name of company resulting from the business combination

#### a. Name of company subject to business combination and type of business acquired from the company

Name of company subject to business combination

A Line Amano Co., Ltd.

Type of business acquired from the company

Transportation of building materials etc

#### b. Reasons for the business combination

A Line Amano Co., Ltd. has strong capabilities in housing logistics services and a principal customer base of major housing and building material manufacturers. The Company is integrating the business to establish a housing logistics business as a new growth business of the Senko Group by leveraging its customer base, human resources, and transportation capabilities to the maximum.

#### c. Date of the business combination

July 31, 2007

#### d. Legal form of the business combination and name of company resulting from the business combination

Legal form of the business combination

Acceptance of business transfer

Name of company resulting from the business combination

Senko A Line Amano Co., Ltd.

(consolidated subsidiary of the Company)

### (2) Period of performance of acquired business reported in the consolidated financial statements

From August 1, 2007 to March 31, 2008

### (3) Cost of acquired business

Cost of acquired business ¥1,365 million (\$13,624 thousand)

### (4) The amount of goodwill recorded, reasons for recording goodwill, and depreciation method and period of goodwill

Amount of goodwill recorded ¥ 900 million (\$8,983 thousand)

Reasons for recording goodwill As the mark-to-market net asset value at the time of the business combination was lower than the acquisition cost, the difference between the two values was recognized as goodwill.

Depreciation method and period To be depreciated over a 20-year period using the straight-line method

### (5) The amount and breakdown of assets received on the date of the business combination

|                     | Millions of yen | Thousands of U.S.dollars |
|---------------------|-----------------|--------------------------|
|                     | Structures      | ¥ 11                     |
| Vehicles and others | 196             | 1,956                    |
|                     | ¥ 207           | \$ 2,066                 |

## 16. Segment Information

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 is summarized as follows:

|   | Millions of yen |                                    |          |           |                          | Consolidated |
|---|-----------------|------------------------------------|----------|-----------|--------------------------|--------------|
|   | 2008            |                                    |          |           | Elimination or Corporate |              |
|   | Transport       | Retail Distribution and Processing | Others   | Total     |                          |              |
| a. Operating revenues and operating income:       |                 |                                    |          |           |                          |              |
| Customers   | ¥ 124,954       | ¥ 61,913                           | ¥ 17,427 | ¥ 204,294 | ¥ —                      | ¥ 204,294    |
| Intersegment                                      | 3,250           | 3,666                              | 14,256   | 21,172    | (21,172)                 | —            |
| Total operating revenues                          | 128,204         | 65,579                             | 31,683   | 225,466   | (21,172)                 | 204,294      |
| Operating costs and expenses                      | 125,161         | 63,077                             | 31,005   | 219,243   | (21,006)                 | 198,237      |
| Operating income                                  | ¥ 3,043         | ¥ 2,502                            | ¥ 678    | ¥ 6,223   | ¥ (166)                  | ¥ 6,057      |
| b. Assets, depreciation and capital expenditures; |                 |                                    |          |           |                          |              |
| Assets  | ¥ 49,263        | ¥ 77,309                           | ¥ 7,945  | ¥ 134,517 | ¥ 9,548                  | ¥ 144,065    |
| Depreciation                                      | 1,210           | 1,958                              | 111      | 3,279     | 61                       | 3,340        |
| Capital expenditures                              | 2,409           | 3,338                              | 303      | 6,050     | 419                      | 6,469        |

|  | Millions of yen |                                    |          |           |                          | Consolidated |
|--|-----------------|------------------------------------|----------|-----------|--------------------------|--------------|
|  | 2007            |                                    |          |           | Elimination or Corporate |              |
|  | Transport       | Retail Distribution and Processing | Others   | Total     |                          |              |
| a. Operating revenues and operating income:                          |                 |                                    |          |           |                          |              |
| Customers  | ¥ 122,204       | ¥ 58,680                           | ¥ 17,305 | ¥ 198,189 | ¥ —                      | ¥ 198,189    |
| Intersegment   | 3,062           | 3,665                              | 11,076   | 17,803    | (17,803)                 | —            |
| Total operating revenues   | 125,266         | 62,345                             | 28,381   | 215,992   | (17,803)                 | 198,189      |
| Operating costs and expenses   | 122,016         | 60,610                             | 27,845   | 210,471   | (17,773)                 | 192,698      |
| Operating income   | ¥ 3,250         | ¥ 1,735                            | ¥ 536    | ¥ 5,521   | ¥ (30)                   | ¥ 5,491      |
| b. Assets, depreciation, Impairment losses and capital expenditures; |                 |                                    |          |           |                          |              |
| Assets   | ¥ 45,612        | ¥ 75,158                           | ¥ 6,576  | ¥ 127,346 | ¥ 8,344                  | ¥ 135,690    |
| Depreciation   | 866             | 1,711                              | 74       | 2,651     | 42                       | 2,693        |
| Impairment losses  | —               | 177                                | —        | 177       | —                        | 177          |
| Capital expenditures   | 1,989           | 6,525                              | 52       | 8,566     | 260                      | 8,826        |

|   | Thousands of U.S. dollars |                                    |            |              |                          | Consolidated |
|---|---------------------------|------------------------------------|------------|--------------|--------------------------|--------------|
|   | 2008                      |                                    |            |              | Elimination or Corporate |              |
|   | Transport                 | Retail Distribution and Processing | Others     | Total        |                          |              |
| a. Operating revenues and operating income:       |                           |                                    |            |              |                          |              |
| Customers   | \$ 1,247,170              | \$ 617,956                         | \$ 173,940 | \$ 2,039,066 | \$ —                     | \$ 2,039,066 |
| Intersegment                                      | 32,438                    | 36,590                             | 142,290    | 211,318      | (211,318)                | —            |
| Total operating revenues                          | 1,279,608                 | 654,546                            | 316,230    | 2,250,384    | (211,318)                | 2,039,066    |
| Operating costs and expenses                      | 1,249,236                 | 629,574                            | 309,463    | 2,188,273    | (209,662)                | 1,978,611    |
| Operating income                                  | \$ 30,372                 | \$ 24,972                          | \$ 6,767   | \$ 62,111    | \$ (1,656)               | \$ 60,455    |
| b. Assets, depreciation and capital expenditures; |                           |                                    |            |              |                          |              |
| Assets  | \$ 491,696                | \$ 771,624                         | \$ 79,299  | \$ 1,342,619 | \$ 95,299                | \$ 1,437,918 |
| Depreciation                                      | 12,077                    | 19,543                             | 1,108      | 32,728       | 609                      | 33,337       |
| Capital expenditures                              | 24,044                    | 33,317                             | 3,024      | 60,385       | 4,182                    | 64,567       |

## 17. Subsequent Event

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 27, 2008

|                | Millions of yen | Thousands of U.S.dollars |
|----------------|-----------------|--------------------------|
| Cash dividends | ¥ 439           | \$ 4,382                 |

## Consolidated Subsidiaries and Affiliated Companies (As of July 31, 2008)

| Company Name  | Paid-in Capital    | Equity Ownership | Location         | Main Business  |
|---|--------------------|------------------|------------------|--|
| Senko Trading Co., Ltd.                             | ¥300 million       | 100.0%           | Tokyo            | Sales of petroleum-related products, information equipment and food  |
| Senko Insurance Services Co., Ltd.                  | ¥30 million        | 100.0%           | Tokyo            | Non-life insurance agent business, Insurance agent business based on Automobile Security Act., Life insurance soliciting service |
| Senko Information System Co., Ltd.                  | ¥60 million        | 100.0%           | Osaka            | Development and sales of software, Consulting, Information processing  |
| Senko Moving Plaza Co., Ltd.                        | ¥60 million        | 100.0%           | Tokyo            | Trucking, Moving services  |
| Senko A Line Amano Co., Ltd.                        | ¥300 million       | 100.0%           | Tokyo            | Trucking, Warehousing, In-factory work   |
| Sapporo Senko Transport Co., Ltd.                   | ¥30 million        | 100.0%           | Sapporo          | Trucking, In-factory work, Moving services   |
| Tohoku Senko Transport Co., Ltd.                    | ¥30 million        | 100.0%           | Miyagi           | Trucking, In-factory work  |
| Kanto Senko Transport Co., Ltd.                     | ¥90 million        | 100.0%           | Ibaraki          | Trucking, Warehousing, In-factory work, Vehicle maintenance, Moving services   |
| Kashiwa Senko Transport Co., Ltd.                   | ¥30 million        | 100.0%           | Chiba            | Trucking, In-factory work, Moving services   |
| Saitama Senko Transport Co., Ltd.                   | ¥50 million        | 100.0%           | Saitama          | Trucking, In-factory work, Vehicle maintenance   |
| Senko Fashion Logistics Co., Ltd.                   | ¥30 million        | 100.0%           | Tokyo            | Trucking, In-factory work  |
| Kanagawa Senko Transport Co., Ltd.                  | ¥10 million        | 100.0%           | Kanagawa         | Trucking, In-factory work, Moving services   |
| Chiba Senko Transport Co., Ltd.                     | ¥30 million        | 100.0%           | Chiba            | Trucking, In-factory work, Moving services, 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  |
| Toyohashi Senko Transport Co., Ltd.                 | ¥40 million        | 100.0%           | Aichi            | Trucking, In-factory work, Moving services   |
| Hokuriku Senko Transport Co., Ltd.                  | ¥20 million        | 95.0%            | Fukui            | Trucking, In-factory work  |
| Shiga Senko Transport Co., Ltd.                     | ¥30 million        | 100.0%           | Shiga            | Trucking, In-factory work  |
| Osaka Senko Transport Co., Ltd.                     | ¥90 million        | 100.0%           | Osaka            | Trucking, In-factory work, Moving services, Vehicle maintenance  |
| Hanshin Senko Transport Co., Ltd.                   | ¥90 million        | 100.0%           | Hyogo            | Trucking, In-factory work, Moving services   |
| Chushikoku Logistics Co., Ltd.                      | ¥80 million        | 100.0%           | Okayama          | Trucking, Warehousing, In-factory work   |
| Shikoku Reefer Transport and Warehousing Co., Ltd.  | ¥50 million        | 100.0%           | Kagawa           | Trucking, Warehousing  |
| Sankyo Freight Co., Ltd.                            | ¥10 million        | 100.0%           | Hiroshima        | Trucking   |
| Sanyo Senko Transport Co., Ltd.                     | ¥20 million        | 100.0%           | Yamaguchi        | Trucking   |
| Fukuoka Senko Transport Co., Ltd.                   | ¥50 million        | 100.0%           | Fukuoka          | Trucking, Moving services  |
| Minami Kyushu Senko Co., Ltd.                       | ¥25 million        | 100.0%           | Kumamoto         | Trucking, In-factory work  |
| Miyazaki Senko Transport Co., Ltd.                  | ¥90 million        | 100.0%           | Miyazaki         | Trucking, In-factory work, Vehicle maintenance   |
| Daito Senko Apollo Co., Ltd.                        | ¥10 million        | 100.0%           | Shizuoka         | In-factory work, Moving services   |
| Miyazaki Senko Apollo Co., Ltd.                     | ¥15 million        | 100.0%           | Miyazaki         | Trucking   |
| Senko Foods Co., Ltd.                               | ¥90 million        | 100.0%           | Osaka            | Restaurant operation, Food sales   |
| Guangzhou Senko Logistics Co.,Ltd                   | US\$200 thousand   | 100.0%           | Guangzhou(China) | Freight forwarding, In-factory work, Warehousing   |
| Senko International Logistics Pte, Ltd.             | S\$860 thousand    | 100.0%           | Singapore        | Freight forwarding, Warehousing, Custom brokers  |
| Asics Physical Distribution Corporation             | ¥300 million       | 20.0%            | Hyogo            | Trucking, Warehousing  |
| Tokyo Nohin Daiko Co.,Ltd.                          | ¥525 million       | 20.0%            | Tokyo            | Trucking, Delivery agent, Warehousing  |
| DFTZ Best International Trade & Logistics Co., Ltd. | US\$1,800 thousand | 33.0%            | Dalian(China)    | Freight forwarding, Trucking, Warehousing  |

## Corporate Data (As of July 31, 2008)

Date of Establishment: July 1946  
 Paid-in Capital: ¥18,295,643,751  
 Authorized Shares: 294,999,000  
 Outstanding Shares: 111,746,167  
 Number of Shareholders: 8,130  
 Stock Listing: Tokyo Stock Exchange  
 Osaka Securities Exchange  
 Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi, 1-chome Chiyoda-ku, Tokyo 100-8212, Japan

Network: (As of July 31, 2008)

Head Office  
 Housing Distribution  
 Sales Department  
 Market Development Division

Chemicals Distribution  
 Sales Department  
 Logistics Sales Department

• Represents Branches and Departments

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

Departments: Kansai Operation Center, Kyushu Operation Center, International Business, Railway Forwarding, Air Cargo & KYN (Local Transport Network)