



## **Annual Report 2014**

For the year ended March 31, 2014

SENKO Co., Ltd.

*Logistics of the Future Logistics of the Future Logist*

SENKO Co., Ltd.

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## Profile

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

As of March 31, 2014, the Senko Group had a nationwide network with 398 locations in Japan, an overseas network with facilities in 34 locations, 2,523,015 square meters of warehouse space, and a fleet of 19 owned and chartered ships. The Company has wide-ranging business activities centered on trucking. Including partner companies, Senko operates more than 10,000 trucks every day. Activities also encompass warehousing, marine transport, in-factory services, and multimodal international cargo transport.

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

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

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

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

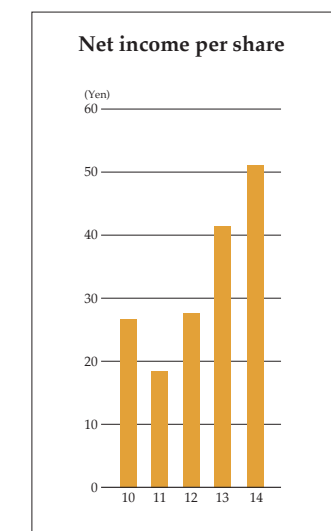
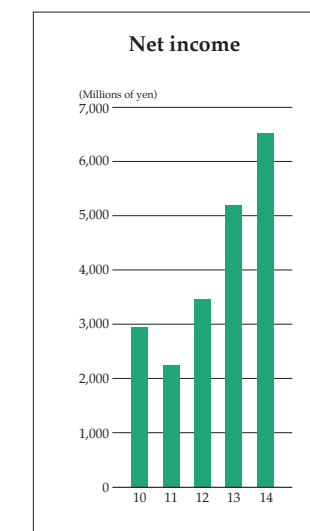
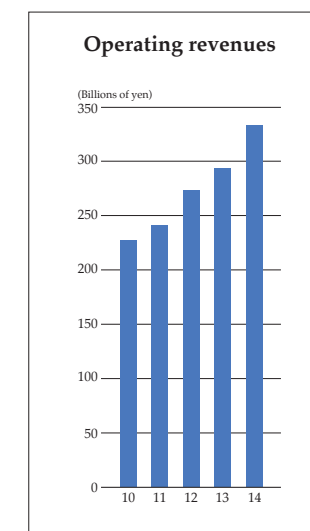
Plans and strategies concerning future business performance included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in the light of the information currently available to it, and thus involve a certain element of risk and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

## Consolidated Financial Highlights

SENKO Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	2014	2013	2014
	Millions of yen		Thousands of U.S. dollars
<b>For the year:</b>			
Operating revenues	¥333,884	¥293,534	\$3,244,112
Operating income	12,122	9,909	117,781
Net income	6,504	5,203	63,195
<b>At year end:</b>			
Total assets	243,594	208,095	2,366,828
Net assets	72,303	67,328	702,516
	Yen	U.S. dollars	
<b>Per share data:</b>			
Net income	¥50.83	¥41.45	\$0.49
Cash dividends	16.00	14.00	0.16
Net assets	528.25	521.48	5.13

Note: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥102.92 to U.S.\$1 on March 31, 2014.





### Solid Progress in the First Year of Our

#### Higher Sales and Earnings due to Aggressive Actions for Growth

In the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014), consumer spending and housing investments in Japan grew robustly against a backdrop of improved employment and income conditions as well as last-minute demand before the consumption tax hike. In addition, corporate earnings improved, supported by the expansion of domestic demand, mainly in consumer spending and public projects.

In the logistics industry, growth was seen in the cargo volume of consumer spending-related goods and construction-related materials, reflecting steady consumer spending and a spike in demand ahead of the

consumption tax hike. The cargo volume of manufacturing-related goods also increased due to a recovery in industrial production. The industry environment remained severe in terms of cost, with fuel prices kept at a high level due to the weaker yen and an increase in outsourcing cost due to a shortage of drivers and trucks.

In this environment, the Senko Group established a four-year medium-term business plan that began in the fiscal year under review and is based on the slogan "Moving Global." The plan has three goals: "go beyond logistics," "make the world go round," and "revolutionize business." The Group has been working to achieve growth in the distribution business and commerce and trade business as well as to foster an even greater degree of trust among its customers by building a structure for services with high quality and outstanding performance in relation to cost.

Consolidated operating revenues for the fiscal year ended March 31, 2014 increased 13.7% year on year to 333,884 million yen due to efforts to aggressively expand sales, last-minute demand before the consumption tax hike, and the merger of AST CORPORATION as a consolidated subsidiary. Earnings benefited from the growth in sales, cost-cutting measures, and activities to raise productivity, although fuel prices rose and outsourcing cost soared due to a shortage of drivers and trucks. The consolidation of special-purpose companies associated with a revision to an accounting standard also affected earnings. As a result, operating income rose 22.3% to 12,122 million yen, ordinary income increased 11.9% to 11,305 million yen, and net income advanced 25.0% to 6,504 million yen.

### Four-year Medium-term Business Plan

#### Annual Dividend per Share Increased to 16 Yen Because of Growth in Sales and Earnings

Our basic policy for the distribution of earnings is to return earnings to shareholders while securing the internal reserves necessary for future business activities and reinforcing our management structure. To distribute earnings, our policy is to pay a stable dividend as well as dividends that are linked to business results. In accordance with this policy, and because of our strong performance in the past fiscal year, we increased the interim and year-end dividends for the fiscal year ended March 31, 2014 by 1 yen each, resulting in a dividend per share of 16 yen applicable to this fiscal year.

#### Initiatives for Competitiveness and Other Goals to Reach the Targets of the Medium-term Business Plan

Although the Japanese economy is forecast to temporarily slow down from the high base of strong sales induced by last-minute demand before the consumption tax hike, we expect the economy to gradually recover, supported by government stimulation measures designed to mitigate the slowdown and a recovery in consumer spending. However, since the distribution industry has been facing a structural problem — a shortage of drivers and trucks — we are required to address a serious business challenge: securing transportation capacity and human resources.

In this environment, the Senko Group will tackle the following tasks during the second year of its four-year Medium-term Business Plan: enhancing its competitiveness, improving its profitability, and upgrading its operation system.

We ask for the continued support of our shareholders as we take numerous actions for achieving the goals of our business plan.

August 2014

A handwritten signature in black ink that reads "Y. Fukuda". The signature is written in a cursive, slightly slanted style.

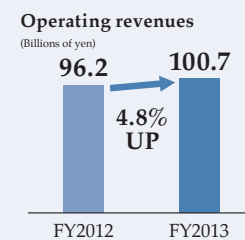
Yasuhisa Fukuda  
President and Representative Director

# Review of Operations

## Reporting Results of the Fiscal Year Under Review (FY2013) by Business Segment

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

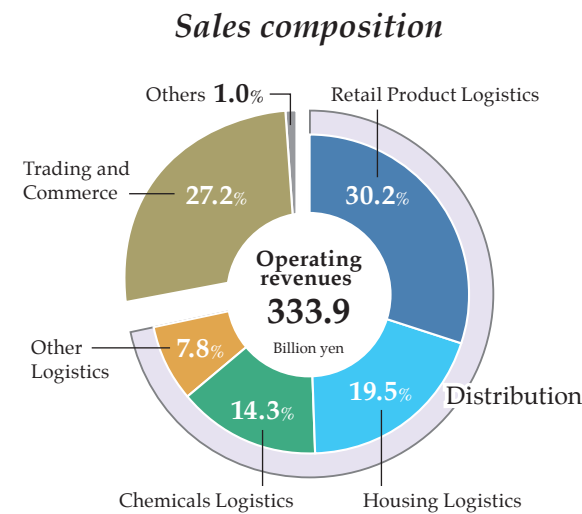
### Retail Product Logistics



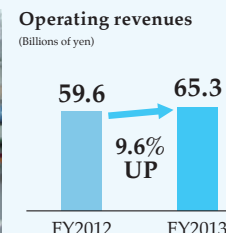
This category involves the provision of logistics services primarily for GMS, home improvement centers, department stores, and other retailers in food, electric appliances and machinery industries.

During the fiscal year, we opened the Tokyo Bay Fashion Arena (Ichikawa City, Chiba Prefecture), which specializes in distribution for the fashion sector in the Tokyo metropolitan area, and the Kita-Osaka PD Center (Ibaraki City, Osaka Prefecture), which focuses on distribution for the medical and pharmaceutical industries. To strengthen our base of operations in the Hokkaido and Chubu regions, we started operations at the Sapporo PD Center No. 2 Warehouse (Sapporo City, Hokkaido Prefecture) and the Komaki No. 2 PD Center (Komaki City, Aichi Prefecture).

Operating revenues increased 4.8% to 100.7 billion yen. Increases in the volume of cargo for general merchandise stores, discount stores, and apparel volume retailers contributed to growth in operating revenues. Our efforts to develop relationships with new customers in the electrical machinery and other machinery sectors also contributed to operating revenues.



### Housing Logistics

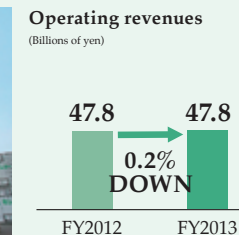


Major activities in this category include the transport of products from the factories of prefabricated housing manufacturers to construction sites and the transport of products for manufacturers of homebuilding materials.

We opened the Chubu Housing Distribution Center (Nagoya City, Aichi Prefecture), which functions as a hub for distributing housing materials in the Chubu region. In addition, we improved our distribution services by developing our own transportation management system using smartphones and GPS (a system for which we obtained a patent). Furthermore, we completed a nationwide network for the transport of heavy goods and developed new businesses, such as home-use rechargeable battery distribution and installation services.

Housing logistics cargo volume was higher along with the increase in housing starts in Japan. The result was a 9.6% increase in operating revenues to 65.3 billion yen.

### Chemicals Logistics



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

We expanded the Daimon Distribution Center (Moriyama City, Shiga Prefecture) by constructing two new warehouses, including one for dangerous goods. In partnership with a shipping firm, we constructed two asphalt tankers to serve routes between South Korea and Japan. In addition, we worked to expand our bulk transportation business (transportation of resin materials as liquids, powders, and particles), a sector where we have our own expertise, and received new contracts.

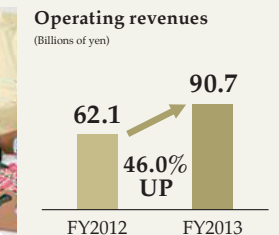
Although the Senko Group conducted aggressive sales promotion activities, a decrease in the cargo volume of current customers resulted in a 0.2% decrease in operating revenues to 47.8 billion yen.

### Other Logistics

This category includes all logistics services other than for retail products, housing and chemicals.

Operating revenues increased 5.3% year on year to 25.9 billion yen.

### Trading and Commerce



This category includes sales of petroleum products, trading sales and trading business. Operations include sales of logistics equipment and materials, and sales of fuel using petroleum cards. This segment also includes wholesale sales of commodities, wrapping materials, alcoholic beverages and paper products used for households, as well as trading business.

In the Trading and Commerce business segment, AST CORPORATION, one of Japan's largest wholesalers of household paper products, such as bathroom tissue and other tissue products, joined the Senko Group as a consolidated subsidiary in October 2013. We will combine Senko's logistics expertise with AST's skill in developing and selling products. Our goal is to create an integrated business that unifies trading activities and the physical flow of goods and extends from manufacturing to marketing. In addition, we developed the logistics industry's first invoice search system and have started marketing this system.

Operating revenues increased 46.0% to 90.7 billion yen. Activities that boosted sales in the petroleum marketing business were one reason for this growth. There was also a contribution to revenues from the acquisition of AST CORPORATION. In the Trading business, there was an increase in exports of electronic components to China.

### Others

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

Operating revenues increased 8.8% year on year to 3.4 billion yen.



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

### We are executing a new Medium-term Business Plan for the 100th anniversary of the Group's foundation

Senko is preparing to celebrate the 100th anniversary of its foundation in 2016.

The Medium-term Business Plan covers the four-year period from FY2013 to FY2016 and creates a growth strategy for the next hundred years in which Senko has set itself the goal of achieving its aim of becoming a "logistics information company trusted both in Japan and overseas."

In all its corporate activities, Senko strives to execute the practical measures it must adopt to become a company that is trusted by all its stakeholders.

#### Corporate Image Targeted

A Logistics Information Company that can be trusted upon both in Japan and overseas



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

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

#### Corporate Slogan

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

# Moving Global

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

#### Medium-term Management Policies

As the Group's Medium-term Management Policy, the Company is promoting its business based on the following five principles.

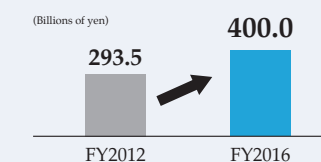
- 1 Aiming at the provision of comprehensive and integrated services, challenging the creation of products together with expanding the range of our businesses in distribution and in trade logistics operations.
- 2 Fostering a greater degree of trust among our customers, forming a high-quality and high-service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

#### Medium-term Business Plan Targets (FY2013 - FY2016)

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

##### Aiming at Operating revenues of 400 billion yen

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



##### Aiming at Operating income of 15 billion yen

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



##### Capital investment

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

#### Medium-term Business Policies

The present development of the Group's business operations is predominantly focused on achieving the following five policies.

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

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

## AST CORPORATION, a Household Paper Products Trading Company, Joins the Senko Group

In October 2013, Senko acquired 70% ownership of AST CORPORATION. It is one of the largest trading companies in Japan that specializes in household papers such as toilet and tissue papers.

AST CORPORATION is not just a wholesaler. It also has 44 distribution centers (a total of over 66,000 m<sup>2</sup>) across the country, and all the process including product development, procurement, distribution, and sales is solely handled by it. While aiming at achieving synergy effects in the Trading and Commerce business, we will also strengthen our distribution services by fully utilizing our new distribution resources in the Logistics business.

Name	AST CORPORATION
Established	January 2003
Sales	¥45.1 billion (fiscal year ended Feb. 2013)
Employees	169

## Operation of 6 Large-scale Distribution Centers in Japan

Senko is expanding its distribution centers in order to strengthen our Logistics business. In FY 2013, we began operation of 6 large-scale distribution centers in Hokkaido, the metropolitan area, Chubu, and Kansai.

In October 2013, we launched the “Tokyo Bay Fashion Arena,” a multi-functional fashion distribution center in the metropolitan area (Chiba Prefecture). It has a total floor area of 57,000 m<sup>2</sup> and is equipped with varieties of facilities that respond to the needs of our customers in the apparel industry. It also corresponds to our customers’ mail-order businesses.

In February 2014, we launched the “Kita Osaka PD Center” in Kansai (Osaka Prefecture). This center is equipped with temperature controlled facilities and security facilities in order to respond to the needs of our customers in the medical and pharmaceutical industry. The building also has earthquake resistant structures. As a distribution center that is resistant to disasters, we respond to our customers’ BCP needs.



## Entry to the Solar Power Generation Market

As one of the measures for reducing environmental burdens, we started a solar power generation business utilizing the rooftops of distribution centers in October 2013. The photovoltaic units in 7 regions around Japan, including Kanto, Chubu, Kansai, and Kyushu, output a total of 5,300 kW. All the generated electricity is sold to electric power companies. In the fiscal year ending March 2015, we plan to start selling electricity at distribution centers in Kanto, Chubu, Kansai, and Kyushu.



## Commencement of the Transportation of Automobile Parts in Thailand

In April 2013, “Senko Logistics (Thailand) Co., Ltd.,” which was established jointly by Toyota Tsusho Corporation and our company, started the business of transporting automobile parts in Thailand. In this business, automobile parts are transported among several parts factories and Japanese automobile plants around Bangkok 24 hours a day. For Senko, it is the first time to operate a business with our vehicles in Thailand.

In addition, we are currently constructing a distribution center at Laem Chabang Port in Thailand, and bought land for building a distribution center in Ayutthaya City. Senko aims to develop ASEAN distribution networks centered around Thailand.



## Operation of “KO-SENKO Distribution Center” at Busan Newport, South Korea

In February 2014, we started the operation of “KO-SENKO Distribution Center” at Busan Newport, South Korea. This center is operated by KO-SENKO Logistics Co., Ltd., which is a joint venture with a local company.

Busan Newport is an international hub handling the fifth largest amount of containers in the world. The port is designated as a free trade zone (FTZ), where traders are exempted from tariffs, etc. The distribution center offers distribution services that would reduce the distribution costs of clients, including import, export, and distributive processing.



## Two Asphalt Tankers for Routes between Japan and Korea

Senko’s Great Crane (photo at left) and Angel Blue (photo at right) asphalt tankers began operations in May 2013 and February 2014, respectively. Both vessels were constructed in collaboration with Itochu Enex Co., Ltd. The two tankers will transport asphalt made in South Korea to storage facilities in Japan.

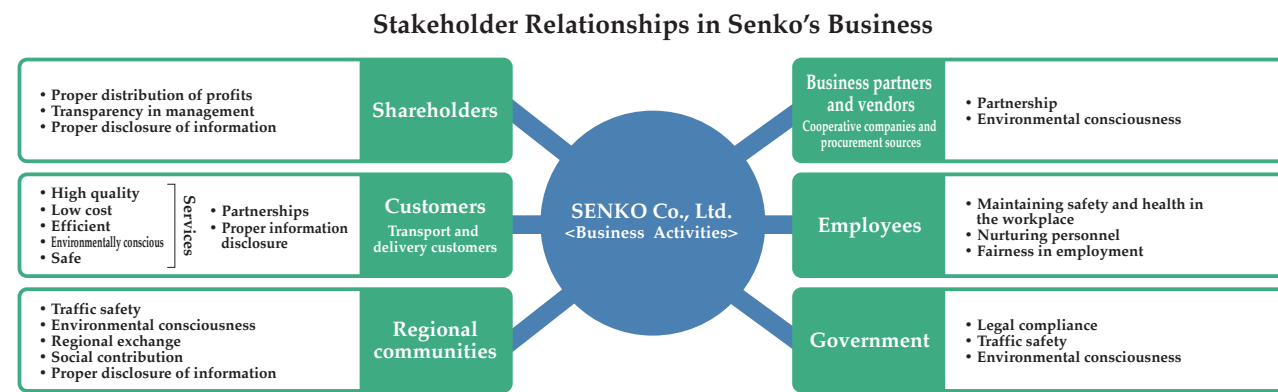




# Corporate Social Responsibility

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

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



## Reinforcing Our CSR Initiatives

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

**The Environment** We are aware of the critical importance of conducting environmentally responsible logistics operations with respect to protecting the environment. Dedicated to green logistics, we are taking actions to cut CO<sub>2</sub> emissions and conserve energy and have established numerical targets. To become a highly advanced environmental organization, we are implementing our Phase V Environmental Master Plan.

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

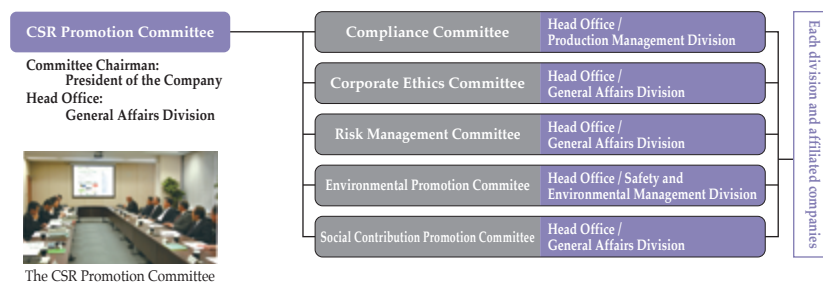
**Health** We are committed to maintaining a management framework that reduces risks involving health. We improve workplaces to prevent health problems, encourage individuals to use self-care and other measures to lead a healthy life, maintain a staff of nurses and industrial doctors, and take other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

## Deepening Our Commitment to Corporate Social Responsibility

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

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

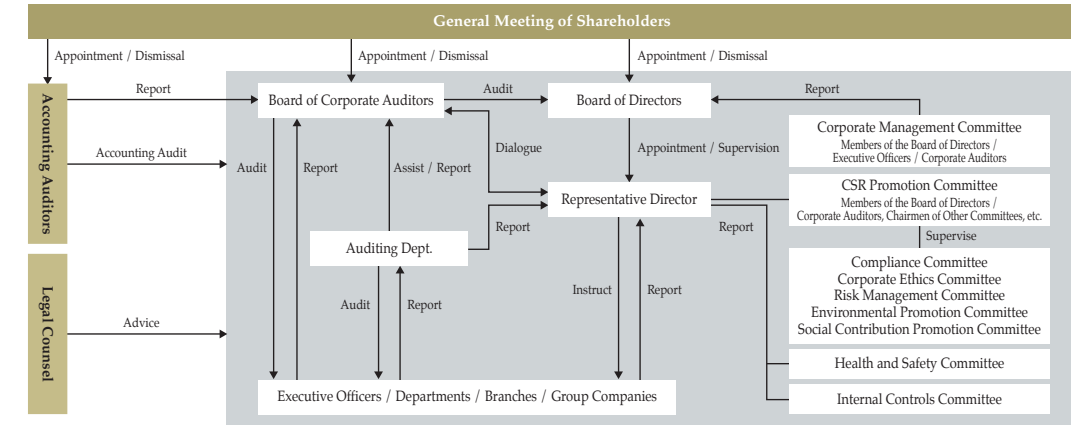
In addition to providing guidance to other committees, the CSR Promotion Committee deliberates on proposals submitted by the various other committees and draws up the Annual Action Plan and other plans.



## Corporate Governance and Compliance

### Corporate Governance Philosophy and Systems

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



### Implementing Responsibilities: Auditing and Monitoring

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

### Compliance-based Management

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

### Reinforcing Risk Management System

We have built a "risk management system" for various risks that may arise in the course of our business operations. In the event of an emergency, this system prioritizes human life, limits property damage (corporate losses), enables swift resumption of business, maintains social trust, and implements measures from a viewpoint that will support and contribute to the local society.

To execute proper compliance (legal adherence) and social responsibility, we further worked on building a database on hazardous materials and revised and disseminated our "Risk Manual" in FY2013. We are also operating a logistics information back-up center to prepare for major disasters.

### Initiative to Protect Personal Information

Protection of personal information is a corporate responsibility for distribution corporations because we often receive personal information of customers when receiving pickup and delivery service requests. The Senko Group implements a thorough information protection system by acquiring Privacy Mark certification and ISO 27001 and establishing the information security policy.

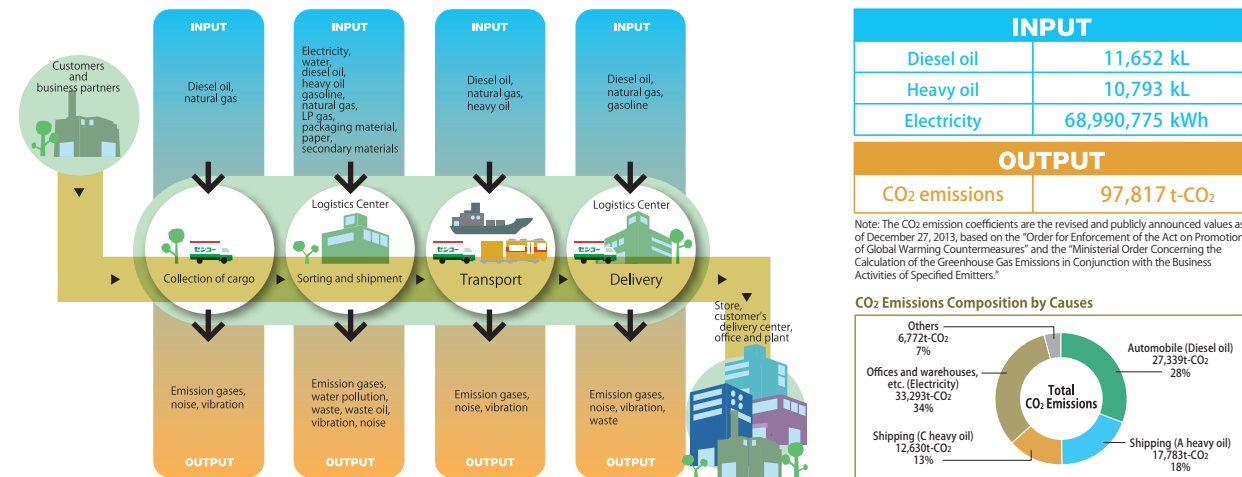
# Corporate Social Responsibility

## Measures to Reduce Our Environmental Impact

As an “advanced environmental organization,” the Senko Group has been executing activities based on the “Phase V Environmental Master Plan” from fiscal 2013 with the aim of reducing its impact on the environment. Numerical targets had been established for activities for combating global warming.

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

The Senko Group’s goal is to cut the environmental impact associated with business activities to the absolute minimum. To achieve this goal, we determine the quantity of resources and energy used (the input) and the quantity of CO<sub>2</sub> and waste materials we produce (the output). By using this approach, we are monitoring and lowering the burden that our collective business operations place on the environment.



### Our Basic Principles

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

## Safety Initiatives

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

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

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



### Fundamental Stance

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

## Activities to Promote Good Health

### Healthy Activity Campaign

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

### Mental Health Management Training

To support the mental health of employees, the Senko Group has preventive programs, allows employees to talk with industrial doctors and has a support system to enable employees to return to their jobs. In fiscal 2013, mental health management training sessions led by mental health professionals were held at two locations for managers and supervisors.





# Financial Review

## Performance

Consolidated operating revenues for the fiscal year ended March 31, 2014 increased 13.7% year on year to 333,884 million yen due to efforts to aggressively expand sales, last-minute demand before the consumption tax hike, and the merger of AST CORPORATION as a consolidated subsidiary.

Earnings benefited from the growth in sales, cost-cutting measures, and activities to raise productivity, although fuel prices rose and outsourcing cost soared due to a shortage of drivers and trucks. The consolidation of special-purpose companies associated with a revision to an accounting standard also affected earnings. As a result, operating income rose 22.3% to 12,122 million yen, and net income advanced 25.0% to 6,504 million yen.

## Consolidated Sales by Segment

Business segment performance for the fiscal year ended March 2014 was as follows:

	For the fiscal year ended March 31, 2014		For the fiscal year ended March 31, 2013		Difference	Growth rate (%)
	Sales	Component ratio (%)	Sales	Component ratio (%)		
<b>Distribution</b>	239.7	71.8	228.3	77.7	11.5	5.0
Retail Product Logistics	100.7	30.2	96.2	32.7	4.6	4.8
Housing Logistics	65.3	19.5	59.6	20.3	5.7	9.6
Chemicals Logistics	47.8	14.3	47.8	16.3	(0.1)	(0.2)
Others	25.9	7.8	24.6	8.4	1.3	5.3
<b>Trading and Commerce</b>	90.7	27.2	62.1	21.2	28.6	46.0
Others	3.4	1.0	3.2	1.1	0.3	8.8
<b>Total</b>	333.9	100.0	293.5	100.0	40.4	13.7

## 1) Distribution Segment

In retail product logistics, an increase in the volume of cargo for general merchandise stores, discount stores, and apparel volume retailers contributed to growth in operating revenues. Our efforts to develop relationships with new customers in the electrical machinery and other machinery sectors also led to a rise in operating revenues. In the housing logistics business, the cargo volume was higher along with the increase in housing starts in Japan. In the chemicals logistics business, the Senko Group conducted aggressive sales promotion activities. This resulted in operating revenues of 239,738 million yen, a 5.0% increase year on year.

## 2) Trading and Commerce Segment

In the commerce business, progress was supported by activities that boosted sales in the petroleum marketing business and a contribution to revenues from the merger effect of AST CORPORATION and Obata Co., Ltd., a wholesaler of household products that joined the Senko Group in September 2012. In the Trading business, there was a rise in exports of electronic components to China. As a result, operating revenues increased 46.0% year on year to 90,704 million yen.

## 3) Others

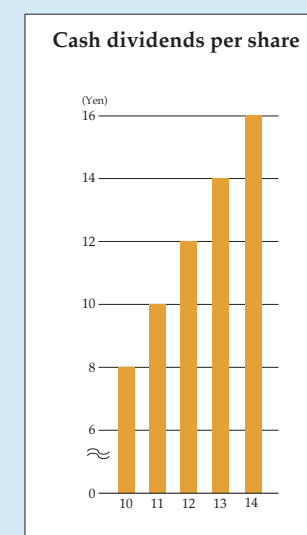
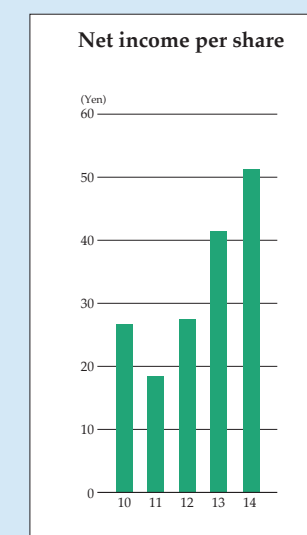
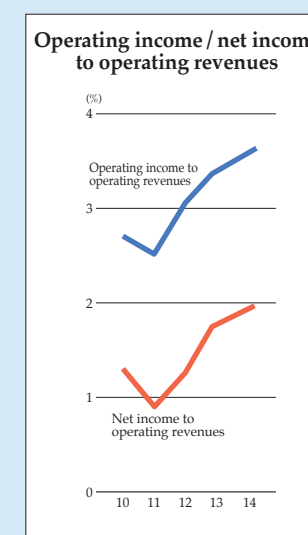
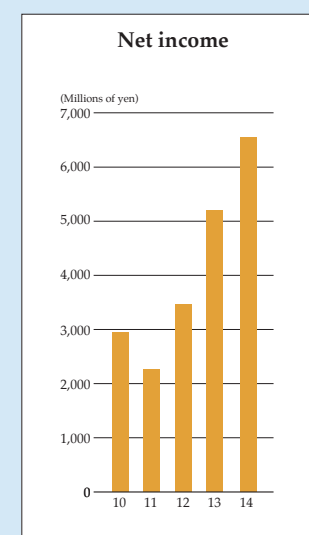
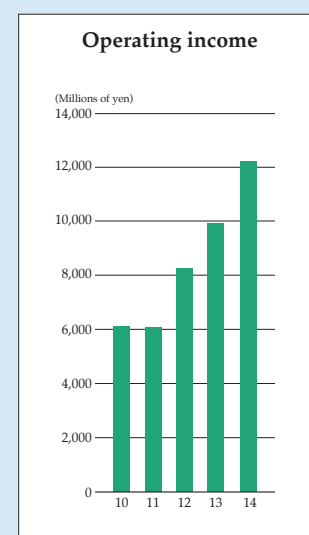
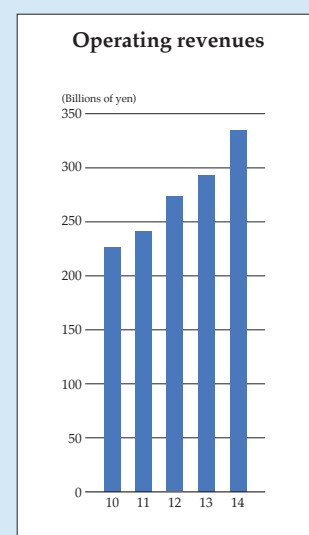
In this segment, operating revenues rose 8.8% year on year to 3,442 million yen, partly due to the launch of the solar electricity sales business.

## Financial Position

Total assets were 243,594 million yen at the end of the fiscal year under review, 35,499 million yen higher than at the end of the previous fiscal year. This was mainly because there were increases of 15,314 million yen in current assets and 32,853 million yen in property and equipment, at cost.

Current liabilities increased 15,529 million yen to 79,364 million yen at the end of the fiscal year. There were increases of 850 million yen in short-term loans and 8,060 million yen in current portion of long-term debt. Long-term debt, less current portion was 15,900 million yen higher than one year earlier.

Net assets were 72,303 million yen at the end of the fiscal year under review, 4,975 million yen higher than at the end of the previous fiscal year. This was mainly because there were increases of 4,596 million yen in retained earnings and 2,255 million yen in minority interests, while there was a decrease of 2,530 million yen in remeasurements of defined benefit plans. The equity ratio decreased 3.5 percentage points to 27.8%.



## Capital Expenditures and Depreciation

Capital expenditures in the fiscal year under review increased 19,596 million yen (445.0%) to 24,000 million yen compared with the previous fiscal year. The major reason for the increase is that a number of large-scale Company-owned distribution centers were opened and rental properties were purchased in the fiscal year under review, while most of the distribution centers opened in the previous fiscal year were rental properties so that the amount of capital expenditure was small.

Capital expenditures are planned to decrease 13,900 million yen (57.9%) to 10,100 million yen in the fiscal year ending March 2015. We will upgrade and expand distribution bases in Japan and overseas based on the new Medium-term Business Plan.

Depreciation increased 868 million yen (12.9%) to 7,606 million yen compared with the previous fiscal year and is expected to be 8,017 million yen in the fiscal year ending March 2015.

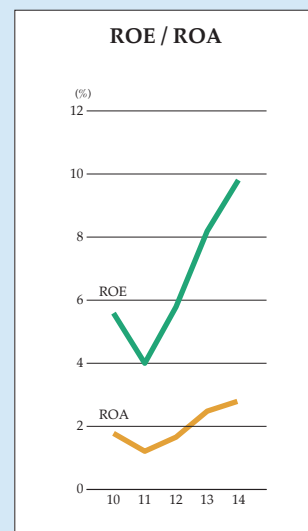
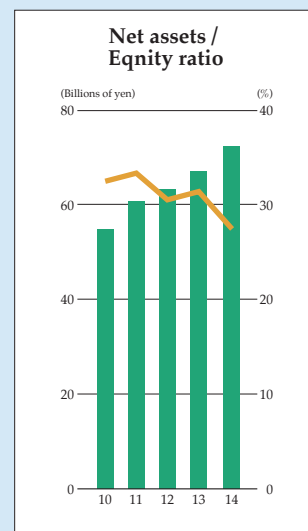
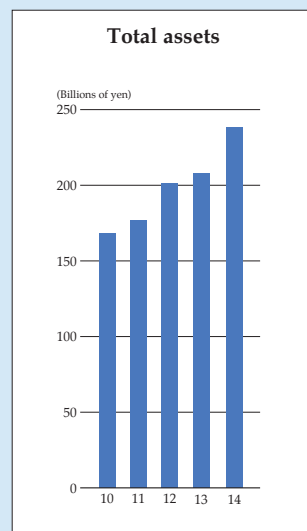
## Cash Flows

Cash and cash equivalents at the end of the term increased by 1,976 million yen year on year to 17,667 million yen. Net cash provided by operating activities was 10,689 million yen. This was mainly due to income before income taxes of 11,343 million yen, depreciation and amortization of 7,606

million yen, and increases in net defined benefit liability of 6,804 million yen and trade payables of 1,924 million yen, despite a decrease in accrued retirement benefits of 9,301 million yen, an increase in trade receivables of 2,662 million yen, interest expenses of 1,245 million yen, and income tax paid of 4,014 million yen.

Net cash used in investing activities was 24,956 million yen. This was mainly due to the purchases of fixed assets of 23,608 million yen.

Net cash provided by financing activities was 14,551 million yen. This was mainly due to proceeds from long-term debt of 20,520 million yen, and proceeds from issuance of convertible bonds with subscription rights to shares of 7,035 million yen, despite repayment of long-term debt of 9,549 million yen, repayments of finance lease obligations of 2,439 million yen, and dividends paid of 1,898 million yen.



## Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheet of SENKO CO., LTD. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SENKO CO., LTD. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### Convenience Translation

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

Osaka, Japan  
June 27, 2014

*Ohtemae Audit Co.*  
Ohtemae Audit Corporation

## Consolidated Balance Sheets

SENKO Co., Ltd. and Consolidated Subsidiaries

March 31, 2014 and 2013

### ASSETS

#### Current assets:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and cash equivalents	¥17,667	¥15,691	\$171,657
Trade accounts and notes receivable—			
Non-consolidated subsidiaries	56	38	544
Others	51,709	42,349	502,419
Less: allowance for doubtful accounts	(51)	(66)	(495)
Inventories	6,505	4,779	63,204
Deferred tax asset (Note 15)	2,398	2,030	23,300
Prepaid expenses and other current assets	5,893	4,042	57,258
<b>Total current assets</b>	<b>84,177</b>	<b>68,863</b>	<b>817,887</b>
Investments in and long-term loans receivable to non-consolidated subsidiaries	2,840	2,599	27,594
Investment securities (Notes 6 and 11)	4,904	4,784	47,649
Property and equipment, at cost (Notes 8 and 11)	212,139	171,593	2,061,203
Less: accumulated depreciation	(83,681)	(75,988)	(813,068)
Net property and equipment	128,458	95,605	1,248,135
Long-term deferred tax assets (Note 15)	4,235	3,436	41,148
Other assets	18,980	32,808	184,415
<b>Total assets</b>	<b>¥243,594</b>	<b>¥208,095</b>	<b>\$2,366,828</b>

See the accompanying notes to the consolidated financial statements.

### LIABILITIES AND NET ASSETS

#### Current liabilities:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans (Note 9)	¥7,490	¥6,640	\$72,775
Current portion of long-term debt (Note 9)	15,895	7,835	154,440
Lease obligations	1,986	2,147	19,297
Trade accounts and notes payable—			
Non-consolidated subsidiaries	109	52	1,059
Others	36,494	31,326	354,586
Accrued expenses	7,430	6,887	72,192
Accrued income taxes	2,767	2,540	26,885
Other current liabilities (Note 15)	7,193	6,408	69,889
<b>Total current liabilities</b>	<b>79,364</b>	<b>63,835</b>	<b>771,123</b>
<b>Long-term debt, less current portion (Note 9)</b>	<b>74,650</b>	<b>58,750</b>	<b>725,321</b>
Lease obligations	3,657	3,584	35,532
Accrued retirement benefits (Note 10)	—	9,269	—
Net defined benefit liabilities (Note 10)	6,804	—	66,110
Other long-term liabilities	6,816	5,329	66,226

#### Contingent liabilities (Note 12)

#### Net assets (Note 13):

Shareholders' equity			
Common stock:			
Authorized—294,999,000 shares	20,521	20,521	199,388
Issued—128,989,476 shares	18,897	18,782	183,609
Capital surplus	31,065	26,469	301,836
Retained earnings			
Less: Treasury stock, at cost—3,284,287 shares in 2014 and 4,077,506 shares in 2013	(1,093)	(1,353)	(10,620)
<b>Total Shareholders' equity</b>	<b>69,390</b>	<b>64,419</b>	<b>674,213</b>
Accumulated other comprehensive income:			
Net unrealized holdings gain on securities	739	674	7,180
Loss on deferred hedges	(9)	(5)	(87)
Translation adjustments	230	52	2,234
Remeasurements of defined benefit plans	(2,530)	—	(24,582)
<b>Total accumulated other comprehensive income:</b>	<b>(1,570)</b>	<b>721</b>	<b>(15,255)</b>
Stock acquisition rights (Note 14)	236	196	2,293
Minority interests	4,247	1,992	41,265
<b>Total net assets</b>	<b>72,303</b>	<b>67,328</b>	<b>702,516</b>
<b>Total liabilities and net assets</b>	<b>¥243,594</b>	<b>¥208,095</b>	<b>\$2,366,828</b>

See the accompanying notes to the consolidated financial statements.



## Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
<b>Operating revenues</b>	<b>¥333,884</b>	<b>¥293,534</b>	<b>¥270,361</b>	<b>\$3,244,112</b>
<b>Operating costs and expenses:</b>				
Operating costs of revenues	299,040	263,898	245,426	2,905,558
Selling, general and administrative expenses	22,722	19,727	16,661	220,773
	<b>321,762</b>	<b>283,625</b>	<b>262,087</b>	<b>3,126,331</b>
<b>Operating income</b>	<b>12,122</b>	<b>9,909</b>	<b>8,274</b>	<b>117,781</b>
<b>Other income (expenses):</b>				
Interest and dividend income	262	1,129	1,094	2,546
Interest expenses	(1,243)	(1,156)	(1,200)	(12,077)
Others, net	202	(264)	(384)	1,962
	<b>(779)</b>	<b>(291)</b>	<b>(490)</b>	<b>(7,569)</b>
<b>Income before income taxes and minority interests</b>	<b>11,343</b>	<b>9,618</b>	<b>7,784</b>	<b>110,212</b>
<b>Income taxes (Note 15):</b>				
Current	4,315	3,932	2,706	41,926
Deferred	335	397	1,525	3,255
	<b>4,650</b>	<b>4,329</b>	<b>4,231</b>	<b>45,181</b>
<b>Income before minority interests</b>	<b>6,693</b>	<b>5,289</b>	<b>3,553</b>	<b>65,031</b>
<b>Minority interests in gain of consolidated subsidiaries</b>	<b>(189)</b>	<b>(86)</b>	<b>(74)</b>	<b>(1,836)</b>
<b>Net income</b>	<b>¥6,504</b>	<b>¥5,203</b>	<b>¥3,479</b>	<b>\$63,195</b>
<b>Per share of common stock</b>	Yen			U.S. dollars
Net income	¥50.83	¥41.45	¥27.65	\$0.49
Diluted net income	44.37	37.46	25.07	0.43
Cash dividends applicable to the year	16.00	14.00	12.00	0.16

## Consolidated Statements of Comprehensive Income

SENKO Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
<b>Income before minority interests</b>	<b>¥6,693</b>	<b>¥5,289</b>	<b>¥3,553</b>	<b>\$65,031</b>
<b>Other comprehensive income (Note 4):</b>				
Net unrealized holdings gain on securities	70	563	181	680
Gain (loss) on deferred hedges	(4)	(167)	181	(39)
Translation adjustments	286	153	(17)	2,779
Share of other comprehensive income of an affiliate accounted for using equity method	—	(0)	(1)	—
<b>Total other comprehensive income</b>	<b>352</b>	<b>549</b>	<b>344</b>	<b>3,420</b>
<b>Comprehensive income</b>	<b>¥7,045</b>	<b>¥5,838</b>	<b>¥3,897</b>	<b>\$68,451</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	¥6,743	¥5,654	¥3,786	\$65,517
Minority interests	¥302	¥184	¥111	\$2,934

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, 2014, 2013 and 2012

	Thousands		Millions of Yen									Total net assets
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Gain (loss) on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Minority interests	
<b>Balance at March 31, 2011</b>	<b>128,989</b>	<b>¥20,521</b>	<b>¥18,782</b>	<b>¥20,807</b>	<b>¥(1,047)</b>	<b>¥3</b>	<b>¥(10)</b>	<b>¥(31)</b>	<b>—</b>	<b>¥108</b>	<b>¥1,472</b>	<b>¥60,605</b>
Net income	—	—	—	3,479	—	—	—	—	—	—	—	3,479
Cash dividends	—	—	—	(1,385)	—	—	—	—	—	—	—	(1,385)
Purchases of treasury stock	—	—	—	—	(2)	—	—	—	—	—	—	(2)
Other changes	—	—	—	—	—	154	167	(14)	—	41	229	577
<b>Balance at March 31, 2012</b>	<b>128,989</b>	<b>¥20,521</b>	<b>¥18,782</b>	<b>¥22,901</b>	<b>¥(1,049)</b>	<b>¥157</b>	<b>¥157</b>	<b>¥(45)</b>	<b>—</b>	<b>¥149</b>	<b>¥1,701</b>	<b>¥63,274</b>
Net income	—	—	—	5,203	—	—	—	—	—	—	—	5,203
Cash dividends	—	—	—	(1,635)	—	—	—	—	—	—	—	(1,635)
Purchases of treasury stock	—	—	—	—	(310)	—	—	—	—	—	—	(310)
Retirement of treasury stock	—	—	(0)	—	6	—	—	—	—	—	—	6
Other changes	—	—	—	—	—	517	(162)	97	—	47	291	790
<b>Balance at March 31, 2013</b>	<b>128,989</b>	<b>¥20,521</b>	<b>¥18,782</b>	<b>¥26,469</b>	<b>¥(1,353)</b>	<b>¥674</b>	<b>¥(5)</b>	<b>¥52</b>	<b>—</b>	<b>¥196</b>	<b>¥1,992</b>	<b>¥67,328</b>
Net income	—	—	—	6,504	—	—	—	—	—	—	—	6,504
Cash dividends	—	—	—	(1,902)	—	—	—	—	—	—	—	(1,902)
Purchases of treasury stock	—	—	—	—	(7)	—	—	—	—	—	—	(7)
Retirement of treasury stock	—	—	115	—	267	—	—	—	—	—	—	382
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	—	(6)	—	—	—	—	—	—	—	(6)
Other changes	—	—	—	—	—	65	(4)	178	(2,530)	40	2,255	4
<b>Balance at March 31, 2014</b>	<b>128,989</b>	<b>¥20,521</b>	<b>¥18,897</b>	<b>¥31,065</b>	<b>¥(1,093)</b>	<b>¥739</b>	<b>¥(9)</b>	<b>¥230</b>	<b>¥(2,530)</b>	<b>¥236</b>	<b>¥4,247</b>	<b>¥72,303</b>

	Thousands of U.S. dollars										
	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Loss on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Minority interests	Total net assets
<b>Balance at March 31, 2013</b>	<b>\$199,388</b>	<b>\$182,491</b>	<b>\$257,180</b>	<b>\$(13,146)</b>	<b>\$6,549</b>	<b>\$(48)</b>	<b>\$505</b>	<b>—</b>	<b>\$1,904</b>	<b>\$19,355</b>	<b>\$654,178</b>
Net income	—	—	63,195	—	—	—	—	—	—	—	63,195
Cash dividends	—	—	(18,481)	—	—	—	—	—	—	—	(18,481)
Purchases of treasury stock	—	—	—	(68)	—	—	—	—	—	—	(68)
Retirement of treasury stock	—	1,118	—	2,594	—	—	—	—	—	—	3,712
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	(58)	—	—	—	—	—	—	—	(58)
Other changes	—	—	—	—	631	(39)	1,729	(24,582)	389	21,910	38
<b>Balance at March 31, 2014</b>	<b>\$199,388</b>	<b>\$183,609</b>	<b>\$301,836</b>	<b>\$(10,620)</b>	<b>\$7,180</b>	<b>\$(87)</b>	<b>\$2,234</b>	<b>\$(24,582)</b>	<b>\$2,293</b>	<b>\$41,265</b>	<b>\$702,516</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, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S.dollars
	2014	2013	2012	2014
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥11,343	¥9,618	¥7,784	\$110,212
Adjustments for:				
Depreciation and amortization	7,606	6,738	6,160	73,902
Loss on disposals of property and equipment	212	201	190	2,060
Loss (gain) on sales of property and equipment	(187)	(26)	303	(1,817)
Loss on revaluation of investment securities	—	77	—	—
Gain on sales of investment securities	(550)	—	—	(5,344)
Decrease in accrued retirement benefits	(9,301)	(199)	(470)	(90,371)
Increase in net defined benefit liabilities	6,804	—	—	66,110
Increase (decrease) in accrued bonuses to employees	84	(7)	193	816
Decrease in provision for loss on disaster	—	(44)	(793)	—
Interest and dividends income	(262)	(1,129)	(1,094)	(2,546)
Interest expenses	1,243	1,156	1,200	12,077
Increase in trade receivables	(2,662)	(1,560)	(4,484)	(25,865)
Increase in inventories	(295)	(338)	(802)	(2,866)
Increase in trade payables	1,924	526	3,969	18,694
Other	(185)	729	488	(1,798)
<b>Subtotal</b>	<b>15,774</b>	<b>15,742</b>	<b>12,644</b>	<b>153,264</b>
Interest and dividends income received	174	216	254	1,691
Interest expenses paid	(1,245)	(1,148)	(1,187)	(12,097)
Income tax paid	(4,014)	(3,773)	(2,369)	(39,001)
<b>Net cash provided by operating activities</b>	<b>10,689</b>	<b>11,037</b>	<b>9,342</b>	<b>103,857</b>
<b>Cash flows from investing activities:</b>				
Payments for purchases of fixed assets	(23,608)	(6,014)	(11,949)	(229,382)
Proceeds from sales of fixed assets	564	191	1,362	5,480
Payments for purchases of investment securities	(43)	(42)	(1,396)	(418)
Proceeds from sales of investment securities	1,026	111	53	9,969
Payments for purchases of non-consolidated subsidiaries	(160)	(254)	(22)	(1,555)
Proceeds from sales of subsidiaries	12	25	22	117
Payments for purchase of shares of newly consolidated subsidiaries	(2,365)	—	(4,600)	(22,979)
Proceeds from purchase of shares of newly consolidated subsidiary	—	24	—	—
Other	(382)	(277)	63	(3,712)
<b>Net cash used in investing activities</b>	<b>(24,956)</b>	<b>(6,236)</b>	<b>(16,467)</b>	<b>(242,480)</b>
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term loans, net	850	(2,626)	152	8,259
Proceeds from long-term debt	20,520	8,870	12,650	199,378
Repayment of long-term debt	(9,549)	(4,378)	(8,203)	(92,781)
Proceeds from issuance of bond	—	—	5,000	—
Proceeds from issuance of convertible bond	7,035	5,000	—	68,354
Payments for redemption of bond	(20)	—	—	(194)
Payments for redemption of convertible bond	—	(4,900)	—	—
Repayments of finance lease obligations	(2,439)	(2,282)	(1,912)	(23,698)
Purchases of treasury stock	(7)	(310)	(2)	(68)
Sales of treasury stock	360	0	—	3,498
Dividends paid	(1,898)	(1,635)	(1,384)	(18,441)
Other	(301)	(290)	(207)	(2,925)
<b>Net cash provided by (used in) financing activities</b>	<b>14,551</b>	<b>(2,551)</b>	<b>6,094</b>	<b>141,382</b>
Effect of exchange rate changes on cash and cash equivalents	100	54	(9)	972
Net increase (decrease) in cash and cash equivalents	384	2,304	(1,040)	3,731
Cash and cash equivalents at beginning of year	15,691	13,354	14,394	152,458
	1,592	33	—	15,468
Net increase in cash and cash equivalents of newly consolidated subsidiaries	1,592	33	—	15,468
Cash and cash equivalents at end of year	¥17,667	¥15,691	¥13,354	\$171,657

See the accompanying notes to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

SENKO Co., Ltd. and Consolidated Subsidiaries

### 1. Basis of Presenting Consolidated Financial Statements:

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

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

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

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

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the exchange rate prevailing at March 31, 2014, which was ¥102.92 to US\$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### 2. Summary of Significant Accounting Policies:

#### (a) Principles of Consolidation

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

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

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

#### (b) Cash and Cash Equivalents

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

#### (c) Investment Securities

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

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

Non-marketable other securities are stated at cost.

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

The Companies classified all securities as other securities.

#### (d) Allowance for Doubtful Accounts

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

#### (e) Inventories

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

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

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

The principal estimated useful lives are as follows:

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

#### (g) Leased Assets

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

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

#### (h) Retirement Benefits

The Company and certain consolidated subsidiaries have retirement benefit plans for their employees that consist of funded and unfunded defined benefit pension plans and a defined contribution pension plan. The Company terminated a part of the retirement lump-sum plan and transferred to a defined contribution pension plan on July 1, 2013.

Under the defined benefit pension plans (all of which are funded benefit plans), lump-sum benefits or pensions are paid based on salary and the length of service. The Company has set up a retirement benefit trust scheme for certain defined benefit pension plans.

Under the retirement lump-sum plans (though the plans are basically unfunded, some were turned into funded plans after the setting up of a retirement benefit trust scheme), lump-sum benefits are paid based on salary and length of service.

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

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

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

#### (i) Income Taxes

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

#### (j) Goodwill

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

#### (k) Derivatives and hedge accounting

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

#### (l) Per Share Information

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

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

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

#### (m) Translation of Foreign Currencies

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

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

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

#### (Additional Information)

(Accounting Treatment of ESOP Trusts)

In accordance with the resolution at the Board of Directors meeting held on April 25, 2013, the Company introduced an incentive plan for Company employees in the form of Employee Stock Ownership Plan (ESOP) Trusts (hereinafter, "ESOP Trusts"). The ESOP Trusts plan is designed to further improve the welfare program for employees who support the growth of the Company and to improve the Company's corporate value in the medium and long term by enhancing employee awareness of the Company's business performance and stock value and providing incentives to contribute to increasing the Company's earnings in a way that brings about a rise in the Company's stock price.

Under the ESOP Trusts plan, the ESOP Trusts, which are set up to deliver the Company's own stock to the Senko Group Employee's Stockholding (hereinafter, the "Employee's Stock Holding"), will make a lump purchase of the Company's own stock, which the Employee's Stockholding is expected to acquire over a period of four years and six months, and transfer a certain quantity to the Employee's Stockholding on a fixed day each month.

The Company accounts for the purchase and disposal of the Company's stock by the ESOP Trusts as its own, since the Company guarantees the liabilities of the ESOP Trusts.

As of March 31, 2014, the ESOP Trusts own 2,680,000 shares of the Company's stock.

### 3. Changes in Accounting Policies:

#### (a) Application of accounting standard for consolidated financial statements

Starting with the first quarter of the fiscal year ending March 31, 2014, the Company is applying the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, March 25, 2011), Guidance on Disclosure about Certain Special Purpose Entities (ASBJ Guidance No. 15, March 25, 2011), Guidance on Determining a Subsidiary and an Affiliate (ASBJ Guidance No. 22, March 25, 2011), and Practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations (ASBJ Practical Issues Task Force No. 20, March 25, 2011). As a result, SK Urawa and five other companies have become consolidated subsidiaries.

For the application of the above accounting standards and other items to the six newly consolidated subsidiaries, in accordance with the transitional handling prescribed in Section 44-4 (3) of the Accounting Standard for Consolidated Financial Statements, at the beginning of the first fiscal year of applying this standard the assets and liabilities of the six newly consolidated subsidiaries were valued at the suitable book value for inclusion in the consolidated balance sheet.

The consolidation of these six companies did not have a material effect on retained earnings at the beginning of the fiscal year under review.

#### (b) Application of the Accounting Standards for Retirement Benefits

Effective from the current consolidated fiscal year, the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012; hereinafter, the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter, "Retirement Benefits Guidance") have been applied (excluding, however, the rules provided in paragraph 35 of the Retirement Benefits Accounting Standard and in paragraph 67 of the Retirement Benefits Guidance). Accordingly, the Companies switched to the method of posting the amount gained by deducting pension assets from retirement benefit obligations as net defined benefit liabilities and posted unrecognized actuarial differences as net defined benefit liabilities.

In accordance with transitional accounting as provided in paragraph 37 of the Accounting Standard for Retirement Benefits, the effects of the change have been reflected in re-measurements of defined benefit plans for total other comprehensive income as of the end of the fiscal year ended March 31, 2014.

Consequently, net defined benefit liabilities of ¥6,804 million (\$66,110 thousand) were posted as of the end of the fiscal year ended March 31, 2014. In addition, total other comprehensive income decreased ¥2,530 million (\$24,582 thousand).

Net assets per share decreased ¥19.71 (\$0.19).

### 4. Comprehensive Income:

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2014, 2013 and 2012, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Net unrealized holdings gain on securities:				
Amount recognized in the period under review	¥646	¥795	¥282	\$6,277
Amount of recycling	(541)	77	(6)	(5,257)
Before income tax effect adjustments	105	872	276	1,020
Amount of income tax effect	(35)	(309)	(95)	(340)
Net unrealized holdings gain on securities	70	563	181	680
Gain (loss) on deferred hedges:				
Amount recognized in the period under review	(6)	(184)	277	(58)
Amount of recycling	—	(85)	12	—
Before income tax effect adjustments	(6)	(269)	289	(58)
Amount of income tax effect	2	102	(108)	19
Gain (loss) on deferred hedges	(4)	(167)	181	(39)
Translation adjustments:				
Amount recognized in the period under review	286	153	(17)	2,779
Share of other comprehensive income of an affiliate:				
Amount recognized in the period under review	—	(0)	(1)	—
Total other comprehensive income	¥352	¥549	¥344	\$3,420



## 5. Financial Instruments:

### (a) Status of financial instruments

#### (1) Policy on financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated subsidiaries also manage derivatives based on authority-related regulations, as does the Company.

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

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

### (b) Market value of financial instruments

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

	Millions of yen		
	Book value	Market value	Difference
<b>2014</b>			
(1) Cash and cash equivalents	¥17,767	¥17,767	—
(2) Trade accounts and notes receivable	51,765	51,765	—
(3) Investment securities	4,403	4,403	—
(4) Long-term loans receivable (including current portion)	4,241		
Less allowance for doubtful accounts (*1)	(239)		
	4,002	4,515	513
<b>Total assets</b>	<b>¥77,937</b>	<b>¥78,450</b>	<b>¥513</b>
(1) Trade accounts and notes payable	¥36,603	¥36,603	—
(2) Short-term loans	7,490	7,490	—
(3) Bond	12,060	12,076	16
(4) Convertible bond	12,031	11,596	(435)
(5) Long-term debt (including current portion)	66,454	67,089	635
(6) Lease obligations (including current portion)	5,643	5,466	(177)
<b>Total liabilities</b>	<b>¥140,281</b>	<b>¥140,320</b>	<b>¥39</b>
Derivatives (*2)	¥(9)	¥(9)	—
	Millions of yen		
	Book value	Market value	Difference
<b>2013</b>			
(1) Cash and cash equivalents	¥15,691	¥15,691	—
(2) Trade accounts and notes receivable	42,387	42,387	—
(3) Investment securities	4,294	4,294	—
(4) Long-term loans receivable (including current portion)	4,180		
Less allowance for doubtful accounts (*1)	(147)		
	4,033	4,500	467
<b>Total assets</b>	<b>¥66,405</b>	<b>¥66,872</b>	<b>¥467</b>
(1) Trade accounts and notes payable	¥31,378	¥31,378	—
(2) Short-term loans	6,640	6,640	—
(3) Bond	12,000	12,053	53
(4) Convertible bond	5,000	4,805	(195)
(5) Long-term debt (including current portion)	49,585	50,079	494
(6) Lease obligations (including current portion)	5,731	5,670	(61)
<b>Total liabilities</b>	<b>¥110,334</b>	<b>¥110,625</b>	<b>¥291</b>
Derivatives (*2)	¥(5)	¥(5)	—
	Thousands of U.S. dollars		
	Book value	Market value	Difference
<b>2014</b>			
(1) Cash and cash equivalents	\$172,629	\$172,629	—
(2) Trade accounts and notes receivable	502,963	502,963	—
(3) Investment securities	42,781	42,781	—
(4) Long-term loans receivable (including current portion)	41,207		
Less allowance for doubtful accounts (*1)	(2,322)		
	38,885	43,870	4,985
<b>Total assets</b>	<b>\$757,258</b>	<b>\$762,243</b>	<b>\$4,985</b>
(1) Trade accounts and notes payable	\$355,645	\$355,645	—
(2) Short-term loans	72,775	72,775	—
(3) Bond	117,178	117,334	156
(4) Convertible bond	116,897	112,670	(4,227)
(5) Long-term debt (including current portion)	645,686	651,856	6,170
(6) Lease obligations (including current portion)	54,829	53,109	(1,720)
<b>Total liabilities</b>	<b>\$1,363,010</b>	<b>\$1,363,389</b>	<b>\$379</b>
Derivatives (*2)	\$(87)	\$(87)	—

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

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

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

Assets

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

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

(3) Investment securities

The market values of shares are based on stock exchange prices and the market values of bond are based on stock exchange prices and the prices offered by correspondent financial institutions. With regard to details of the investment securities by purpose, please see "Note 6."

(4) Long-term loans receivable

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

Liabilities

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

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

(3) Bond, (4) Convertible bond

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

(5) Long-term debt

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

(6) Lease obligations

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

Derivatives

See "Note 7."

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted shares	¥1,373	¥1,256	\$13,340

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

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

	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
2014				
Cash and cash equivalents	¥17,767	—	—	—
Trade accounts and notes receivable	51,765	—	—	—
Investment securities	—	—	—	—
Other securities with maturity period				
(1) Government bond, local government bond	—	10	—	—
(2) Bond	—	—	—	—
(3) Other	—	—	—	—
Long-term loans receivable	467	1,693	1,378	703
Total	¥69,999	¥1,703	¥1,378	¥703

2013

Cash and cash equivalents  
Trade accounts and notes receivable  
Investment securities  
Other securities with maturity period  
(1) Government bond, local government bond  
(2) Bond  
(3) Other  
Long-term loans receivable  
Total

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

2014

Cash and cash equivalents  
Trade accounts and notes receivable  
Investment securities  
Other securities with maturity period  
(1) Government bond, local government bond  
(2) Bond  
(3) Other  
Long-term loans receivable  
Total

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
2014				
Cash and cash equivalents	\$172,629	—	—	—
Trade accounts and notes receivable	502,693	—	—	—
Investment securities	—	—	—	—
Other securities with maturity period				
(1) Government bond, local government bond	—	97	—	—
(2) Bond	—	—	—	—
(3) Other	—	—	—	—
Long-term loans receivable	4,538	16,450	13,389	6,830
Total	\$680,130	\$16,547	\$13,389	\$6,830

## 6. Investment Securities:

The carrying amounts of investment securities at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Marketable securities	¥4,403	¥4,294	\$42,781
Non-marketable securities	501	490	4,868
	<u>¥4,904</u>	<u>¥4,784</u>	<u>\$47,649</u>

The following is a summary of marketable securities included in investment securities, at March 31, 2014 and 2013.

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
<b>2014</b>				
Equity security	¥2,924	¥1,377	¥(59)	¥4,242
Bond and Others	153	8	—	161
	<u>¥3,077</u>	<u>¥1,385</u>	<u>¥(59)</u>	<u>¥4,403</u>
	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
<b>2013</b>				
Equity security	¥2,933	¥1,228	¥(26)	¥4,135
Bond and Others	153	6	—	159
	<u>¥3,086</u>	<u>¥1,234</u>	<u>¥(26)</u>	<u>¥4,294</u>
	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
<b>2014</b>				
Equity security	\$28,410	\$13,379	\$(573)	\$41,216
Bond and Others	1,487	78	—	1,565
	<u>\$29,897</u>	<u>\$13,457</u>	<u>\$(573)</u>	<u>\$42,781</u>

The proceeds from sales of , and gross realized gain and loss on, other securities for the years at March 31, 2014 and 2013 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Proceeds from sales	¥1,024	¥114	\$9,949
Gross realized gain	550	12	5,344
Gross realized loss	—	—	—

## 7. Derivatives:

1. Derivative transactions to which hedge accounting is not applied  
Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency transactions

Hedge accounting method	Type of contracts	Item hedged	Millions of yen		
			Contract amounts	Over 1 year out of contract amounts	Market value
			2014		
	Forward exchange contracts				
	Sell				
	U.S. dollars	Trade accounts receivable	¥2	—	¥0
	Buy				
Designated transactions for forward exchange contracts	U.S. dollars	Trade accounts payable	¥3,209	—	¥(5)
	Euros	Trade accounts payable	507	—	1
	Danish kroner	Trade accounts payable	38	—	0
	Pounds sterling	Trade accounts payable	2	—	0
	Chinese yen	Trade accounts payable	0	—	(0)
	Total		<u>¥3,758</u>	<u>—</u>	<u>¥(4)</u>

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

Hedge accounting method	Type of contracts	Item hedged	Thousands of U.S. dollars		
			Contract amounts	Over 1 year out of contract amounts	Market value
			2014		
	Forward exchange contracts				
	Sell				
	U.S. dollars	Trade accounts receivable	\$19	—	\$0
	Buy				
Designated transactions for forward exchange contracts	U.S. dollars	Trade accounts payable	\$31,180	—	\$(49)
	Euros	Trade accounts payable	4,926	—	10
	Danish kroner	Trade accounts payable	369	—	0
	Pounds sterling	Trade accounts payable	19	—	0
	Chinese yen	Trade accounts payable	0	—	(0)
	Total		<u>\$36,513</u>	<u>—</u>	<u>\$(39)</u>

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



## (2) Interest rate swaps

Hedge accounting method	Type of contracts	Item hedged	Millions of yen		Market value
			Contract amounts	Over 1 year out of contract amounts	
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts	Long-term debt	¥40,715	¥35,257	— (*)
	Floating rate receivable/ Fixed rate payable				

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

Hedge accounting method	Type of contracts	Item hedged	Thousands of U.S. dollars		Market value
			Contract amounts	Over 1 year out of contract amounts	
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts	Long-term debt	\$395,599	\$342,567	— (*)
	Floating rate receivable/ Fixed rate payable				

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

## 8. Property and Equipment:

At March 31, 2014 and 2013, property and equipment at cost consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥56,093	¥40,098	\$545,016
Buildings and structures	118,145	95,602	1,147,930
Machinery and equipment, vehicle and vessels	22,382	21,460	217,470
Tools, furniture and fixtures	5,364	4,894	52,118
Construction in Progress	1,646	1,804	15,993
Lease assets	8,509	7,735	82,676
	<u>¥212,139</u>	<u>¥171,593</u>	<u>\$2,061,203</u>

## 9. Short-term Loans and Long-term Debt:

At March 31, 2014 and 2013, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
0.61% to 1.47% unsecured loans from banks	<u>¥7,490</u>	<u>¥6,640</u>	<u>\$72,775</u>

At March 31, 2014 and 2013, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
1.31% bond due 2014	¥7,000	¥7,000	\$68,014
0.60% bond due 2015	20	—	195
0.60% bond due 2016	40	—	389
0.80% bond due 2016	5,000	5,000	48,581
Convertible bond due 2017	5,000	5,000	48,581
Convertible bond due 2018	7,031	—	68,315
0.20% to 4.50% loans from banks and insurance companies: Unsecured	<u>66,454</u>	<u>49,585</u>	<u>645,686</u>
	<u>90,545</u>	<u>66,585</u>	<u>879,761</u>
	<u>(15,895)</u>	<u>(7,835)</u>	<u>(154,440)</u>
	<u>¥74,650</u>	<u>¥58,750</u>	<u>\$725,321</u>
Less current portion			

On July 20, 2012, the Company issued ¥5,000 million (\$48,581 thousand) of zero coupon convertible bond with stock acquisition rights due in 2017. The stock acquisition rights are exercisable during the period from July 6, 2017 at a conversion price of ¥394 (\$3.83) per share.

On October 15, 2013, the Company issued ¥7,000 million (\$68,014 thousand) of zero coupon convertible bond with stock acquisition rights due in 2018. The stock acquisition rights are exercisable during the period from October 1, 2018 at a conversion price of ¥626 (\$6.08) per share.

The annual maturities of long-term debt at March 31, 2014 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥15,895	\$154,440
2016	7,296	70,890
2017	15,015	145,890
2018	21,424	208,162
2019	14,465	140,546
There after	16,450	159,833

At March 31, 2014, the Company has committed line and overdraft contracts with sixteen banks aggregating ¥29,800 million (\$289,545 thousand). Of the total credit limit, ¥5,980 million (\$58,103 thousand) was used as the above short-term and long-term borrowing, and the rest ¥23,820 million (\$231,442 thousand) was unused.

## 10. Retirement Benefits:

Previous consolidated fiscal year (April 1, 2012 to March 31, 2013 and April 1, 2011 to March 31, 2012)

	Millions of yen	
	2013	2012
(1) Items concerning retirement benefits obligation		
Benefits obligation at the end of the year	¥(27,087)	
Fair value of plan assets at the end of the year	14,552	
Unfunded retirement benefits obligation	(12,535)	
Unrecognized actuarial differences	6,118	
Net retirement benefits obligation	(6,417)	
Prepaid pension cost	2,852	
Accrued retirement benefits	<u>¥(9,269)</u>	

\* Certain consolidated subsidiaries use the simplified method to calculate retirement benefits obligation.

(2) Items concerning retirement benefits costs

	Millions of yen	
	2013	2012
Service cost (*1)	¥1,132	¥1,068
Interest cost	543	563
Expected return on plan assets	(356)	(347)
Amortization:		
Recognized actuarial differences	598	581
Others (*2)	183	126
Net periodic benefits cost	<u>¥2,100</u>	<u>¥1,991</u>

\*1. Retirement benefits costs of consolidated subsidiaries using the simplified method are included in "Service cost."

\*2. "Others" refers to premiums paid to the defined contribution pension plan and the Small and Medium Enterprises Retirement Allowance Mutual Aid System.

\*3. In addition to the abovementioned retirement benefits costs, the Company recorded special retirement expenses of ¥53 million (\$515 thousand) in the fiscal year ended March 31, 2013.

(3) Items concerning the basis for calculating retirement benefits obligation

	2013	2012
Method of attributing the estimated retirement benefits to the period of service	Straight-line basis	Straight-line basis
Discount rate	1.00%	1.00%
Expected rate of return on plan assets	3.00%	3.00%
Amortization period of actuarial differences	13years	13years

Current consolidated fiscal year (April 1, 2013 to March 31, 2014)

(1) Defined benefit plan

a. Table for adjusting benefits obligation at the beginning and end of the year

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Benefits obligation at the beginning of the year	¥27,087	\$263,185
Service cost	1,066	10,358
Interest cost	238	2,312
Accrued actuarial differences	(286)	(2,779)
Retirement benefits paid	(1,707)	(16,586)
Reversal due to the transfer to the defined contribution plan	(3,542)	(34,415)
Others	32	311
Benefits obligation at the end of the year	¥22,888	\$222,386

b. Table for adjusting fair value of plan assets at the beginning and end of the year

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Fair value of plan assets at the beginning of the year	¥14,552	\$141,391
Expected return on plan assets	436	4,236
Accrued actuarial differences	850	8,259
Contribution by employers	1,046	10,163
Retirement benefits paid	(800)	(7,773)
Fair value of plan assets at the end of the year	¥16,084	\$156,276

c. Table for adjusting benefits obligation, fair value of plan assets at the end of the year, and net defined benefit liabilities and net defined benefit assets on the consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Benefits obligation under the funded benefit plan	¥21,297	\$206,927
Fair value of plan assets	(16,084)	(156,276)
	5,213	50,651
Benefits obligation under the unfunded benefit plan	1,591	15,459
Net amounts of assets and liabilities on the consolidated balance sheets	¥6,804	\$66,110
	¥6,804	\$66,110
Net defined benefit liabilities	¥6,804	\$66,110
Net amounts of assets and liabilities on the consolidated balance sheets	¥6,804	\$66,110

d. Breakdown of retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥1,066	\$10,358
Interest cost	238	2,312
Expected return on plan assets	(436)	(4,236)
Amortization:		
Recognized actuarial differences	1,054	10,241
Retirement benefit costs for the defined benefit plan	¥1,922	\$18,675
Gain associated with transfer to the defined contribution plan (*)	¥(239)	\$(2,322)

\* Gain posted as extraordinary income

e. Re-measurements of defined benefit plans

The breakdown of items posted as re-measurement of defined benefit plans (before tax effect deduction) is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial differences	¥(3,928)	\$(38,166)
Total	¥(3,928)	\$(38,166)

f. Items concerning plan assets

(i) Main items of plan assets

	2014
Bonds	29%
Stocks	60
Others	11
Total	100%

(ii) Method of setting the expected rate of long-term return on plan assets

The Company has taken into account a forecasted allocation of plan assets and the present and expected long-term return on various assets that consist of the plan assets to determine the expected rate of long-term return on plan assets.

g. Items concerning the essential basis for actuarial calculation

The essential basis for actuarial calculation at the end of the fiscal year ended March 31, 2014 (weighted average)

Discount rate 1.0%  
Expected rate of return on plan assets 3.0%

(2) Defined contribution plan

The Company and its consolidated subsidiaries are required to contribute ¥428 million (\$4,159 thousand) to the defined contribution plan.

11. Pledged Assets:

The following assets were pledged as collateral as at March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥2,225	¥2,225	\$21,619
Buildings	350	387	3,401
Vehicles	0	0	0
Investment securities	10	10	97
	¥2,585	¥2,622	\$25,117

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Long-term debt, including current portion	¥100	¥100	\$972

12. Contingent Liabilities:

At March 31, 2014 and 2013, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Guarantees of some obligations	¥352	¥330	\$3,420
Buyback obligations associated with securitization of receivables	440	474	4,275
Recourse obligation associated with securitization of guarantee deposits	139	139	1,351
Trade notes endorsed	54	64	525
	¥985	¥1,007	\$9,571

13. Net Assets:

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

The retained earnings account in the accompanying consolidated financial statements at March 31, 2014, included the Company's legal reserve of ¥1,506 million (\$14,633 thousand).

#### 14. Stock Option Plans:

The stock option plans of the Company approved by the shareholders in accordance with the Japan Companies Act at March 31, 2014 were as follows:

##### (1) Description of stock options

Stock option	Grantees	Number of shares with warrants granted	Date of grant	Option price per warrant	Shares with warrants granted	Exercise period
2007 Stock options (1st)	10 directors 3 auditors	61,000 shares	July 20, 2007	¥ 1	Common stock	July 21, 2007 - June 30, 2027
2007 Stock options (2nd)	9 operating officers	18,000 shares	July 20, 2007	¥ 1	Common stock	July 21, 2007 - June 30, 2027
2008 Stock options (4th)	10 directors 3 auditors	71,000 shares	July 1, 2008	¥ 1	Common stock	July 2, 2008 - June 30, 2028
2008 Stock options (5th)	10 operating officers	22,000 shares	July 1, 2008	¥ 1	Common stock	July 2, 2008 - June 30, 2028
2009 Stock options (6th)	11 directors 4 auditors	74,000 shares	July 1, 2009	¥ 1	Common stock	July 2, 2009 - June 30, 2029
2009 Stock options (7th)	12 operating officers	27,000 shares	July 1, 2009	¥ 1	Common stock	July 2, 2009 - June 30, 2029
2010 Stock options (8th)	11 directors 4 auditors	90,000 shares	July 1, 2010	¥ 1	Common stock	July 2, 2010 - June 30, 2030
2010 Stock options (9th)	13 operating officers 13 assistant directors	42,000 shares	July 1, 2010	¥ 1	Common stock	July 2, 2010 - June 30, 2040
2011 Stock options (10th)	12 directors 4 auditors	102,000 shares	July 1, 2011	¥ 1	Common stock	July 2, 2011 - June 30, 2031
2011 Stock options (11th)	15 operating officers 20 assistant directors	96,000 shares	July 1, 2011	¥ 1	Common stock	July 2, 2011 - June 30, 2041
2012 Stock options (12th)	12 directors 4 auditors	107,000 shares	July 2, 2012	¥ 1	Common stock	July 3, 2012 - June 30, 2032
2012 Stock options (13th)	16 operating officers 22 assistant directors	92,000 shares	July 2, 2012	¥ 1	Common stock	July 3, 2012 - June 30, 2042
2013 Stock options(15th)	12 directors 4 auditors	71,000 shares	July 1, 2013	¥ 1	Common stock	July 3, 2013 - June 30, 2033
2013 Stock options(16th)	18 operating officers 26 assistant directors	82,000 shares	July 1, 2013	¥ 1	Common stock	July 3, 2013 - June 30, 2043

##### (2) Changes in the number of stock options

The following describes changes in the number of stock options that existed during the year ended March 31, 2014. The number of stock options is translated into the number of shares.

	Share subscription rights which are not yet vested (shares):				Share subscription rights which have already been vested (shares):					
	At March 31, 2013	Granted	Forfeited	Vested	At March 31, 2014	At March 31, 2013	Vested	Exercised	Forfeited	At March 31, 2014
2007 Stock options (1st)	50,000	—	—	8,000	42,000	—	8,000	8,000	—	—
2007 Stock options (2nd)	10,000	—	—	—	10,000	—	—	—	—	—
2008 Stock options (4th)	58,000	—	—	9,000	49,000	—	9,000	9,000	—	—
2008 Stock options (5th)	15,000	—	—	—	15,000	—	—	—	—	—
2009 Stock options (6th)	74,000	—	—	14,000	60,000	—	14,000	14,000	—	—
2009 Stock options (7th)	25,000	—	—	—	25,000	—	—	—	—	—
2010 Stock options (8th)	90,000	—	—	19,000	71,000	—	19,000	19,000	—	—
2010 Stock options (9th)	41,000	—	—	—	41,000	—	—	—	—	—
2011 Stock options (10th)	102,000	—	—	14,000	88,000	—	14,000	14,000	—	—
2011 Stock options (11th)	93,000	—	—	—	93,000	—	—	—	—	—
2012 Stock options (12th)	107,000	—	—	15,000	92,000	—	15,000	15,000	—	—
2012 Stock options (13th)	92,000	—	—	—	92,000	—	—	—	—	—
2013 Stock options (15th)	—	71,000	—	—	71,000	—	—	—	—	—
2013 Stock options (16th)	—	82,000	—	—	82,000	—	—	—	—	—

#### 15. Income Taxes:

The Company and its subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a normal effective statutory tax rates of approximately 38.0 % for the years ended March 31, 2014 and 2013.

##### (1) Significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued retirement benefits	¥—	¥3,930	\$—
Accrued bonuses to employees	1,451	1,452	14,098
Net defined benefit liabilities	4,812	—	46,755
Loss carry forward	766	900	7,442
Impairment losses	311	329	3,022
Loss on revaluation of land	311	307	3,022
Accrued enterprise tax	216	224	2,099
Social insurance premium	205	202	1,992
Asset retirement obligations	127	115	1,234
Loss on revaluation of golf club membership	88	101	855
Other	1,200	850	11,659
Gross deferred tax assets	9,487	8,410	92,178
Less: valuation allowance	(1,393)	(1,421)	(13,534)
Total deferred tax assets	8,094	6,989	78,644
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(852)	(854)	(8,278)
Asset retirement obligations	(47)	(44)	(457)
Net unrealized holdings gain on other securities	(480)	(426)	(4,664)
Other	(405)	(490)	(3,935)
Gross deferred tax liabilities	(1,784)	(1,814)	(17,334)
Net deferred tax assets	¥6,310	¥5,175	\$61,310

##### (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, 2014 and 2013 were as follows:

	2014	2013
Statutory tax rate	38.0%	38.0%
Adjustment:		
Non-deductible expenses	1.5	1.5
Inhabitants' per capita taxes	1.9	2.3
Non-taxable dividends income	(0.3)	(0.2)
Net change in valuation allowance	—	3.4
Adjustments of deferred tax assets due to the change in statutory effective tax rates	1.3	—
Special deduction of income taxes	(1.4)	(0.3)
Other	0.0	0.3
Income tax rate as a percentage of income before income taxes and minority interests	41.0%	45.0%

##### (3) Adjustments of deferred tax assets and liabilities due to the change in statutory effective tax rates

Following the promulgation of the Act for Partial Amendment of the Income Tax Act (Act No. 10 of 2014) on March 31, 2014, the special income tax for reconstruction will not be imposed as of the consolidated fiscal period starting on April 1, 2014. Consequently, the statutory effective tax rate used to calculate deferred tax assets and liabilities for this consolidated fiscal period has been changed from the previous consolidated fiscal period's rate of 38.0% to 35.6% for a temporary difference that is expected to be settled in the consolidated fiscal period starting on April 1, 2014.

Accordingly, deferred tax assets (after deducting deferred tax liabilities) decreased ¥152 million (\$1,477 thousand), while deferred income taxes increased ¥152 million (\$1,477 thousand).



## 16. Business Combination Related:

### (1) Outline of the business combination

#### a. Name of the acquired company and its business

Name of the acquired company

AST CORPORATION

Businesses

Wholesaler of household paper products and items for daily use, etc

#### b. Main reasons for the business combination

As a logistics information company, the Company has sought to make its entire supply chain more efficient and optimized to respond to the diversification and increasing sophistication of customer needs. In addition to offering logistics services, the Company recently entered the commerce and trade businesses, a commercial distribution field, to develop a business that integrates the flow of trading activities with the physical flow of goods. The Company also operates a logistics business for mass merchandisers and retailers, such as major supermarkets, home improvement centers, drugstores, department stores, and specialty store chains, and has received high ratings from its customers for its expertise in logistics.

As one of Japan's largest wholesalers of household paper products, AST CORPORATION ("AST") engages in every phase of its business from product development, marketing, and wholesaling to distribution, mainly for household and commercial-use paper goods, using its nationwide distribution network. AST aims to further develop its capacity to sell products and to establish a system to efficiently offer logistics services including overseas procurement. In particular, as a fables manufacturer, AST's advantage is its ability to manufacture products and deliver them directly to mass merchandisers and retailers, including jointly developing new products with its business partners.

The Company and AST agreed to form a capital alliance as both firms judged that it would pave the way to development of a business model that integrates the flow of trading activities with the physical flow of goods from manufacturing to marketing (including product planning, procurement, and delivery to end-users in Japan and overseas) by combining the Company's expertise in logistics services for mass merchandisers and retailers with AST's ability to sell products to the retail industry. This would enable both firms to cultivate new customers and expand their businesses.

#### c. Date of business combination

October 31, 2013

#### d. Legal form of the business combination

Stock acquisition

#### e. Name of the controlling entity after the business combination

The name remains unchanged.

#### f. Percentage share of voting rights acquired by the Company

70%

#### g. Main reason for the decision to acquire the company

As the payment of the consideration was designated in cash, it was decided that the Company would be the acquirer, paying the relevant consideration in cash.

### (2) Period of the acquired company's financial results included in the consolidated statements of income

From November 1, 2013 to March 31, 2014

### (3) Acquisition cost of the acquired company and breakdown

		Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	Cash	¥4,756	\$46,211
Expenses directly required for acquisition	Advisory fees, other	10	97
Acquisition cost		¥4,766	\$46,308

### (4) Amount of negative goodwill arising, reason for negative goodwill, and method and period of amortization

#### a. Amount of negative goodwill arising

¥13 million (\$126 thousand)

#### b. Reason for negative goodwill

As the fair value of net assets exceeds the acquisition cost of the stock, the Company recorded the difference as gain on bargain purchase.

#### c. Method and period of amortization

Negative goodwill is amortized at once when it is incurred.

### (5) Amount of assets and liabilities acquired on the day of the business combination, and breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,097	\$107,822
Non-current assets	1,692	16,440
Total assets	¥12,789	\$124,262
Current liabilities	¥5,216	\$50,680
Long-term liabilities	746	7,248
Total liabilities	¥5,962	\$57,928

### (6) Estimated amount and the calculation method of the impact on the consolidated statements of income for the year ended March 31, 2014, assuming that the business combination has been completed on the first day of the fiscal year under review.

	Millions of yen	Thousands of U.S. dollars
Operating revenues	¥49,738	\$483,269
Operating income	330	3,206
Ordinary income	409	3,974
Income before income taxes	336	3,265
Net income	73	709
	yen	U.S. dollars
Net income per share	¥0.57	\$0.00

#### (Calculation method for estimated amount of impact)

Operating revenues and information on profit and loss computed on the assumption that the business combination was completed on April 1, 2013 are defined as the estimated amount.

The relevant estimated amount is unaudited.

## 17. Asset Retirement Obligations:

Asset retirement obligations recorded in the consolidated balance sheets

### a. Outline of the relevant asset retirement obligations

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

### b. Calculation method for the relevant asset retirement obligations

In calculating the amount of asset retirement obligations recorded under liabilities, an estimated period of use of 10 to 31 years and a discount rate of 0.7% to 2.5% were assumed.

### c. Increase in the total amount of asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at the beginning of the term	¥324	¥316	\$3,148
Increase due to acquisition of a consolidated subsidiary	42	—	408
Reconciliation associated with the passage of time	8	8	78
Others	66	—	641
Balance at the end of the term	¥440	¥324	\$4,275

## 18. Segment Information:

### 1. Summary of reportable segment

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

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

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

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

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

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

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

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

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

	Millions of yen					
	2014					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥239,738	¥90,704	¥3,442	¥333,884	—	¥333,884
Intersegment	950	11,925	3,436	16,311	(16,311)	—
Total operating revenues	240,688	102,629	6,878	350,195	(16,311)	333,884
Segment income (loss)	9,922	1,938	548	12,408	(286)	12,122
Segment assets	192,553	38,249	5,496	236,298	7,296	243,594
Other items						
Depreciation	6,431	231	222	6,884	722	7,606
Increase in tangible and intangible fixed assets	19,039	268	1,163	20,470	7,480	27,950

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

	Thousands of U.S. dollars					
	2014					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	\$2,329,363	\$881,306	\$33,443	\$3,244,112	—	\$3,244,112
Intersegment	9,230	115,867	33,385	158,482	(158,482)	—
Total operating revenues	2,338,593	997,173	66,828	3,402,594	(158,482)	3,244,112
Segment income (loss)	96,405	18,830	5,325	120,560	(2,779)	117,781
Segment assets	1,870,900	371,638	53,400	2,295,938	70,890	2,366,828
Other items						
Depreciation	62,485	2,245	2,157	66,887	7,015	73,902
Increase in tangible and intangible fixed assets	184,988	2,604	11,300	198,892	72,678	271,570

### (1) Products and Services Information

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

### (2) Geographic Segment Information

#### a. Sales

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

#### b. Property, plant and equipment

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

### (3) Information by Major Clients

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

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

No significant items to be reported.

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

	Millions of yen				
	2014				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥94	¥183	—	—	¥277
Balance at the end of period	675	2,503	—	—	3,178

## Stock Information (As of March 31, 2014)

Stock Listing	Tokyo
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Share	128,989,476
Number of Shareholders	6,804
Administrator of Shareholder's Register	Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Division 3-6-3, Fushimi Machi, Chuo-ku, Osaka 541-8502, Japan
Independent Auditors	Otemae Audit Corporation

### Largest Shareholders

	Number of Shares	Percentage Held
Japan Trustee Services Bank, Ltd. (Trust Account)	14,201,000	11.01%
Asahi Kasei Corporation	11,676,726	9.05%
The Master Trust Bank of Japan, Ltd.	7,578,000	5.87%
Senko Group Employee's Stockholding	6,957,743	5.39%
Sekisui Chemical Co., Ltd.	6,785,900	5.26%
Mitsubishi UFJ Trust and Banking Corporation	4,252,000	3.30%
Isuzu Motors Limited	4,039,689	3.13%
Trust & Custody Services Bank, Ltd.	3,879,000	3.01%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,439,170	2.67%
Aioi Nissay Dowa Insurance Co., Ltd.	3,169,655	2.46%

### Classification by Type of Shareholder

	Number of Shareholders	Number of Shares	Percentage Held
Domestic financial institutions	45	47,272,329	36.65%
Securities firms	33	1,768,611	1.37%
Other domestic corporations	234	39,672,568	30.76%
Foreign financial institutions and individuals	146	13,285,053	10.30%
Individuals and others	6,346	26,990,915	20.92%
Total	6,804	128,989,476	100.00%

Millions of yen

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

Thousands of U.S. dollars

	2014				Consolidated
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	
Amortization of goodwill	\$913	\$1,778	—	—	\$2,691
Balance at the end of period	6,558	24,320	—	—	30,878

(Information on negative goodwill by business segment)

No significant items to be reported.

### 19. Subsequent Event

#### (1) Payment of Dividends

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 27, 2014

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,027	\$9,979



## Board of Directors and Corporate Auditors, Executive Officers (As of June 27, 2014)



President and Representative Director  
**Yasuhisa Fukuda**

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



Executive Vice President and Representative Director  
**Masami Fujimori**

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

## Corporate Data (As of March 31, 2014)

Date of Establishment:	July 1946
Paid-in Capital:	¥20,521,133,751
Head Office	1-30, Oyodonaka 1-chome, Kita-ku, Osaka
Fiscal Year End	March 31
Number of Domestic Offices	398
Number of Overseas Offices	34
Number of Vehicles	3,352
Number of Vessels	11
Total Warehouse Space	2,523,015 square meters
Number of Employees	9,341

## Domestic and Global Network (As of April 1, 2014)



**Sales Division:** Housing Distribution Sales Division, Chemicals Distribution Sales Division, Logistics Sales Division, Fashion Logistics Sales Division

**Branches:** Sapporo, Sapporo Minami, Tohoku, Sendai Kita, Kanto, Kashiwa, Ibaraki, Saitama, Saitama Kita, Saitama Minami, Tokyo, Higashi Tokyo, Kanagawa, Atsugi, Chiba, Shizuoka, Nagoya, Komaki, Mie, Hokuriku, Keiji, Keiji Higashi, Osaka, Kita Osaka, Hanshin, Minami Osaka, Okayama, Hiroshima, Kyushu, Kita Kyushu, Minami Kyushu, Nobeoka

**Departments:** International Business, Trading, Marine Transport, Railway Forwarding

**Worldwide Locations:** China / Dalian, Shenyang, Qingdao, Shanghai, Suzhou, Changshu, Nantong, Hong Kong, Guangzhou, Zhang Jia Gang  
 Australia / Ingleburn  
 Singapore  
 Thailand / Bangkok, Chonburi, Rayong  
 Unites States / Chicago, Atlanta, Los Angeles, Kentucky  
 Kazakhstan / Almaty

## Subsidiaries (As of March 31, 2014)

Company Name	Main Business
● Senko Trading Co., Ltd.	Trading and Commerce, Others
● AST CORPORATION	Trading and Commerce
● Smile Corp.	Trading and Commerce
● Marufuji Co., Ltd.	Trading and Commerce
● Logi Solution Co., Ltd.	Distribution, Others
● Senko Information System Co., Ltd.	Others
● Senko Moving Plaza Co., Ltd.	Distribution
● Senko A Line Amano Co., Ltd.	Distribution
● Tokyo Nohin Daiko Co., Ltd.	Distribution
● Inui Transport Co., Ltd.	Distribution
● Sapporo Senko Transport Co., Ltd.	Distribution
● Tohoku Senko Transport Co., Ltd.	Distribution
● Kanto Senko Transport Co., Ltd.	Distribution
● Saitama Senko Transport Co., Ltd.	Distribution, Others
● Senko Housing Logistics Co., Ltd.	Distribution
● Chiba Senko Transport Co., Ltd.	Distribution, Others
● Senko Fashion Logistics Co., Ltd.	Distribution
● Kashiwa Senko Transport Co., Ltd.	Distribution
● Noda Senko Logi Service Co., Ltd.	Distribution
● Kanagawa Senko Transport Co., Ltd.	Distribution
● Atsugi Senko Transport Co., Ltd.	Distribution
● Hokuriku Senko Transport Co., Ltd.	Distribution
● Fuji Senko Transport Co., Ltd.	Distribution, Others
● Daito Senko Apollo Co., Ltd.	Distribution
● Tokai Senko Transport Co., Ltd.	Distribution
● Toyohashi Senko Transport Co., Ltd.	Distribution
● Mie Senko Logistics Co., Ltd.	Distribution
● Shiga Senko Transport Co., Ltd.	Distribution, Others
● Osaka Senko Transport Co., Ltd.	Distribution
● Tokyo Nohin Daiko West Japan Co., Ltd.	Distribution
● Minami Osaka Senko Transport Co., Ltd.	Distribution, Others
● Hanshin Senko Transport Co., Ltd.	Distribution
● Esaka Logistics Service Co., Ltd.	Distribution
● Hanshin Transport Co., Ltd.	Distribution
● Nara Senko Logistics Co., Ltd.	Distribution
● Okayama Senko Transport Co., Ltd.	Distribution
● Chugoku Piano Transport Co., Ltd.	Distribution
● Sankyō Freight Co., Ltd.	Distribution
● Sanyo Senko Transport Co., Ltd.	Distribution
● Chushikoku Logistics Co., Ltd.	Distribution
● Shikoku Reefer Transport and Warehousing Co., Ltd.	Others
● Fukuoka Senko Transport Co., Ltd.	Distribution
● Minami Kyushu Senko Co., Ltd.	Distribution
● Miyazaki Senko Transport Co., Ltd.	Distribution, Others
● Miyazaki Senko Apollo Co., Ltd.	Distribution
● Senko Plantec Co., Ltd.	Distribution
● Senko Insurance Services Co., Ltd.	Others
● Senko Foods Co., Ltd.	Others
● Crefeel Koto Co., Ltd.	Others
● S-TAFF Co., Ltd.	Others
● Senko Business Support Co., Ltd.	Others
● Logi Factoring Co., Ltd.	Others
● Senko Medical Logistics Co., Ltd.	Distribution
● Senko School Farm Tottori Co., Ltd.	Others
● Fuji Label Co., Ltd.	Trading and Commerce
● Takano Machinery Works Co., Ltd.	Trading and Commerce
● Obata Co., Ltd.	Trading and Commerce
● Delivery Ace Co., Ltd.	Distribution
● PrettyPorters Co., Ltd.	Distribution
● Senko Logistics (U.S.A.) Inc.	Others
● Senko (U.S.A.) Inc.	Distribution
● SK MARINE S.A.	Distribution
● Shenyang Senko Logistics Co., Ltd.	Distribution
● DFTZ Best International Trading & Logistics Co., Ltd.	Distribution
● Dalian Tri-Enterprise Logistics Co., Ltd.	Distribution
● Qingdao Xuexing International Logistics Co., Ltd.	Distribution
● Qingdao Senko Logistics Co., Ltd.	Distribution
● Senko Logistics (Shanghai) Co., Ltd.	Distribution
● Shanghai Senko International Freight Co., Ltd.	Distribution
● Shanghai Smile Corp.	Trading and Commerce
● Guangzhou Senko Logistics Co., Ltd.	Distribution
● Senko International Logistics (Hong Kong) Ltd.	Distribution
● HONG KONG SMILE CORP LIMITED	Trading and Commerce
● Senko (Thailand) Co., Ltd.	Distribution
● Senko International Logistics Pte. Ltd.	Distribution
● Senko Logistics Australia Pty Ltd.	Distribution
● Senko-Lancaster Silk Road Logistics LLP	Distribution
● Japan Select LLP	Trading and Commerce
● KOREA SMILE CORP.	Trading and Commerce

● : Consolidated subsidiaries