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TRANSPORT WAREHOUSE INTERNATIO DISTRIBUTIO CONSULTING TRANSPORT WAREHOUSE INTERNATIO DISTRIBUTIO

Annual Report 2007

For the year ended March 31, 2007

SENKO Co., Ltd.

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

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, 2007, Senko boasted a national network in Japan of 267 offices, 2,489 vehicles, 17 owned and chartered ships, and 1,433,296 square meters of warehouse space. The Company engages in wide-ranging business operations, centered on trucking and extending to warehousing, marine transport, railway forwarding, in-factory work, and multimodal international transportation.

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

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

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

Contents

Cautionary Statement with Respect to Forward-Looking Statements

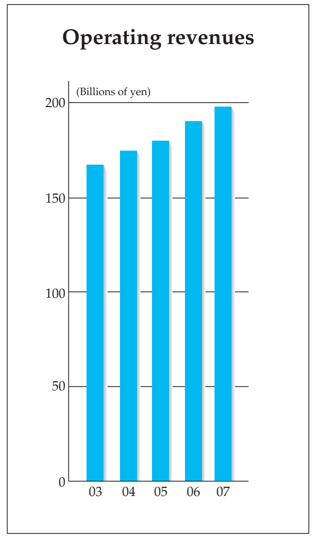
Plans and strategies concerning future business performance included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in the light of the information currently available to it, and thus involve a certain element of risk and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

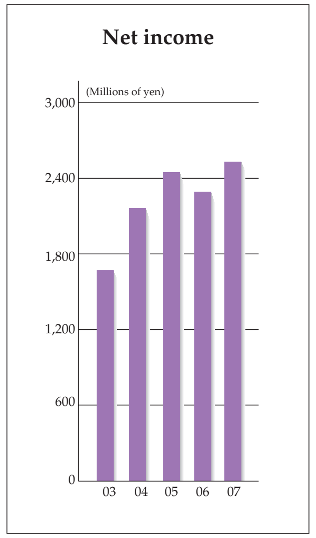
Consolidated Financial Highlights

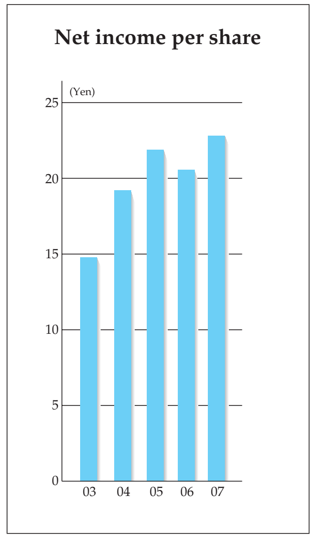
SENKO Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2007	2006	2007
For the year:			
Operating revenues	**¥198,189**	¥190,330	**$1,678,856**
Operating income	**5,491**	4,658	**46,514**
Net income	**2,536**	2,290	**21,482**
At year end:			
Total assets	**135,690**	127,353	**1,149,428**
Net assets	**47,954**	46,819	**406,218**
Per share data: (Yen and U.S. dollars)			
Net income	**¥22.80**	¥20.52	**$0.19**
Cash dividends	**8.00**	8.50	**0.07**
Net assets	**433.57**	419.04	**3.67**

Note : U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥118.05 to U.S.$1 on March 31, 2007.







Under a new medium-term business plan, Senko targeted becoming a "Logistics Information Company" while pursuing sales growth and improved profitability.

Business Environment
In the fiscal year ended March 31, 2007, Senko posted growth in revenue and profit. Consolidated operating revenues advanced 4.1%, to ¥198,189 million, while consolidated operating income rose 17.9%, to ¥5,491 million and consolidated net income increased 10.7%, to ¥2,536 million.

During the fiscal year under review, the Japanese economy mounted a mild recovery despite the high price of crude oil and rising interest rates. Strong corporate performances supported firm capital investment and an improvement in the labor environment.

In the transport and distribution industry, the uncertain business climate continued as the high price of crude oil drove up fuel costs and the domestic freight market softened.

Under these conditions, the Senko Group continued to press forward with the expansion of its logistics network during final year of its three-year medium-term business plan, which is founded on the value structure underpinning the Group's slogan "The Challenge of Creative Logistics". Among the new facilities opened during the fiscal year were the Senboku No. 2 PD Center in Izumiotsu, Osaka; the AEON Tohoku RDC, in Yamatocho, Kurogawa Gun, Miyagi Prefecture; the Urawa PD Center, the Company's largest center, in Saitama, Saitama Prefecture; and the Oguchi PD Center in Oguchicho, Tanbagun, Aichi Prefecture. Moreover, we actively continued to maintain and promote expansion of its support business for the supply chain management (SCM) systems of customers in the procurement logistics field. In addition, we aimed to promote lower operating expenses and to improve financial structure by endeavoring to increase productivity and reduce costs.

Consequently, operating revenues of the housing logistics business rose 5.6%, to ¥51.8 billion, generating 26.1% of total operating revenues, edging up 0.3 percentage points from the previous fiscal year. Operating revenues of the retail logistics business, which combines the wholesale and retail and medical treatment and pharmaceutical fields, increased 9.6% year on year, to ¥34.1 billion, accounting for 17.2% of total operating revenues, up 0.8 percentage points year on year.

Although the higher fuel costs due to the hike in crude oil prices had an impact, we were able to increase prices to compensate. In addition, efforts to improve the cost structure and the growth in earnings by the core business resulted in operating income and net income expanding.

Outline of Medium-Term Business Plan
The first year under review was the final year of our medium-term business plan, which commenced in April 2004. Looking at results, in comparison with our final targets under the plan of consolidated operating revenues of ¥200 billion and operating income of ¥6.0 billion, we fell below our goals, ending with consolidated operating revenues of ¥198.2 billion and operating income of ¥5.5 billion. The unexpected sharp rise in the price of crude oil was a major factor behind not reaching our objectives.

Nevertheless, over the three years, we did implement "aggressive management", making capital investments of more than ¥40 billion. As a result, we expanded sales by approximately ¥25.0 billion, and we have achieved a steady strengthening of our growth base.

Beginning in the fiscal year ending March 2008, we have created a new medium-term business plan, the final year of which is the fiscal year ending March 2010. Continuing on with the goal of becoming a "Logistics Information Company," which was one of the goals of the previous business plan, we will be fully committing ourselves to achieving the final year goals of consolidated operating revenues of ¥250 billion and operating income of ¥7.5 billion, recurring income of ¥7.0 billion, and net income of ¥3.5 billion.

Specifically, we will be concentrating on expanding revenues in its three core businesses (Housing, Petroleum-related products and plastics, and retail logistics-related products businesses) while developing and reinforcing high-priority businesses and new businesses. In addition, we will endeavor to expand the foundations for growth for the entire Group, including the use of business alliances and mergers and acquisitions.

During the three years of the plan, we intend to make capital investment on the same level as in the previous medium-term business plan, ¥40 billion. This figure combines expenditures for maintenance and renewal as well as strategic investments. In terms of our distribution center network, new construction and expansion during the medium-term business plan will increase the total warehouse capacity of our distribution centers to 2.0 million square meters from 1.5 million square meters.

Outlook
The current fiscal year is the first year of the new medium-term business plan. We will be implementing various measures in accordance with our strategies under the plan.

In the housing materials logistics business, we will be constructing a comprehensive housing materials distribution center that has added functions of producing and commercial distribution such as parts and materials processing and quantity survey. Based on the new facilities, we will propose distribution services for construction industry, such as joint distribution or shared distribution bases.

A Message from the President

Our goal in the petrochemical and plastics logistics business is to increase our comprehensive business contracts to provide customers with all domestic and international distribution services (3PL). At the same time, we will be developing the door-to-door bulk container business in Japan.

In the retail logistics business, our emphasis is on adjusting to changes due to the reorganization of the distribution systems of each retail company while adding new distribution centers and strengthening our controlled temperature distribution and settlement agency services. In addition, we will endeavor to expand our fashion apparel distribution business for both Japan and China for department stores and specialty shop chains.

In our overseas distribution business, are strengthening our distribution network to enable us to attract more petrochemical and apparel business. Specifically, we will add six new bases, including bases in Tianjin and Tsingtao in China, in Korea, Taiwan, India, and Vietnam. As a result, our international network will expand to 26 bases from 20 bases and our overseas warehousing capacity will increase to 28 thousand square meters from 9 thousand square meters.

Targeting improvement in profitability, we will continue to on cost reduction measures and thorough management of individual businesses based on the linkage of productivity with profitability. In addition, we are planning implement measures to improve efficiency of vehicle allocation and operations, refine our administration outsourcing and centralization, and to upgrade our accounting system.

Corporate Social Responsibility Activities

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

Among these efforts, we have made corporate governance its top priority management issue, and has given the board of directors an important role in this area. Meeting at least once a month, the board of directors is responsible for monitoring compliance with matters stipulated in the law, deciding important matters related to the management of the Company, and monitoring business execution.

We have adopted the auditor system by which four auditors including two external auditors attend meetings of the board of directors, objectively monitor the directors' execution of their duties. In addition, the auditors receive reports on the Group's compliance, business operations, and risk management done by the internal audit department (staff of 7) and do their surveys as necessary.

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

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

To Our Shareholders

Senko regards distribution of to shareholders as a management priority. Until now, our basic policy on profit distribution has been to continue to pay stable dividends that reflect underlying business performance while also retaining the internal reserves necessary to provide for future business development and strengthen business structure. In future, to further increase the return of profits to shareholders, we plan to link dividends to performance as well as maintaining stable dividends.

For the fiscal year under review, to step up our distribution of profits, we plan to pay a dividend of ¥8.0 per share (interim and year-end dividends of ¥4.00 per share), up ¥0.5 per share from our customary annual dividend of ¥7.5 per share (interim and year-end dividends of ¥3.75 per share).

Heading into the first year of a new medium-term business plan, we look forward to the continued support of our shareholders.

Y. Fukuda

Yasuhisa Fukuda
President and Representative Director

June 2007

Corporate Social Responsibility

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

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

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

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

The single theme that runs throughout and supports Senko's business activities is "Sincerity."

Environmental Activities

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

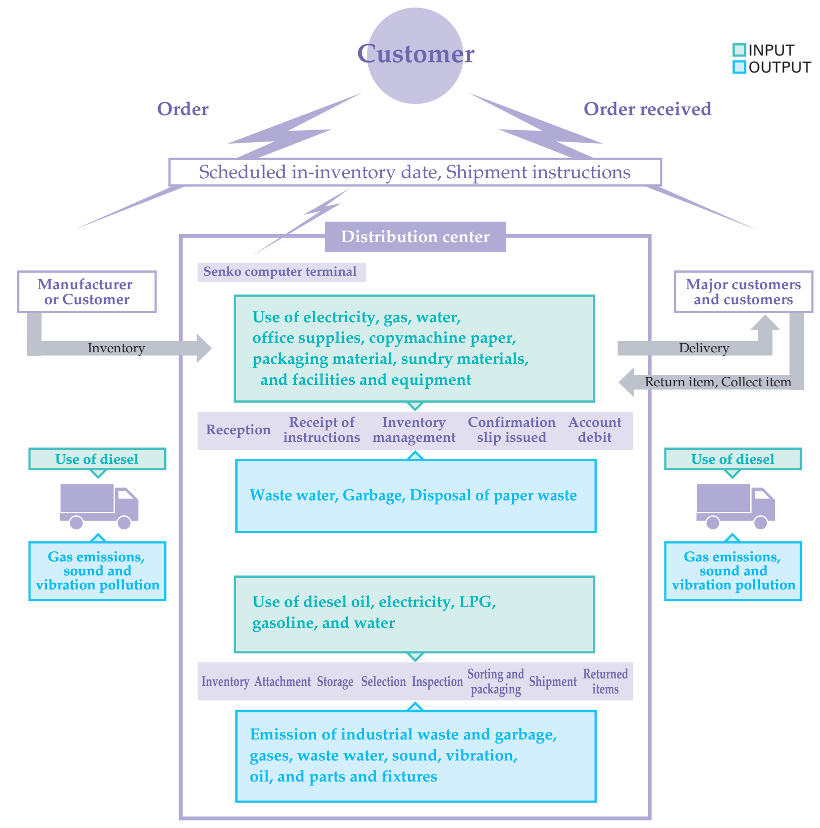
Environmental Activity Promotional Organization

We have established the Senko Environmental Management System (SEMS), which is in accordance with ISO 14001 standards, and is spreading its use throughout the Company.

The Company has also set up an organization directly under the control of the president to promote SEMS and environmental preservation activities. The nucleus of the organization is the Environmental Committee, which considers individual issues regarding the Group's activities to improve the environment. The matters decided by the Environmental Committee are passed on to the Clean Energy, Green Logistics, CSR Promotional, and Energy Conservation committees for the formulation of detailed measures for implementing environmental activities.

Activities

We endeavor to reduce the environmental burden caused by its operations in all of its business processes, including exhaust emissions from the vehicles used in transport or at our logistics bases, sound and vibration pollution, energy consumption at our distribution centers, and the production of waste as well as promoting recycling. We have divided its environmental measures into such categories as Preventing Global Warming, Greater Logistics Efficiency, Preventing Pollution, and Waste Measures. For each of these categories, we are implementing various activities to control the impact of its business on the environment, such as converting to Eco-Drive, Idle-Stop, Modal-Shift systems; reducing the pollution produced by its vehicles; preventing oil-spills by its ships, and recycling packaging and other materials.



INPUT

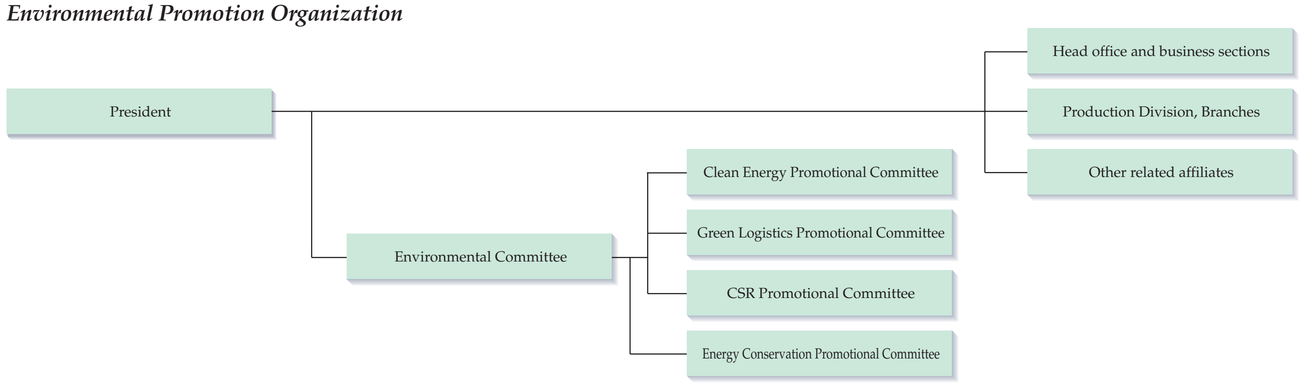
- Diesel oil 16,359 kL
- Heavy oil 9,098 kL
- Electricity 55,966,156 kWh

OUTPUT

- CO_2 emissions 99,237 t-CO_2 (Note)

Note:The CO2 emissions-related figures are according to the enforcement regulations of the Law Regarding the Promotion of Measures Against Global Warming, which was revised on March 29, 2006.

Environmental Promotion Organization



Review of Operations

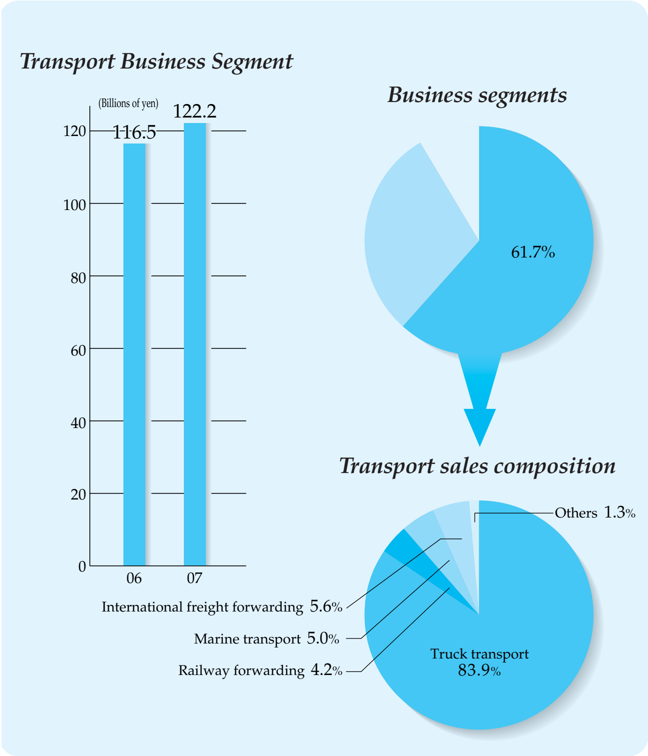
Beginning with the fiscal year under review, the Company's operations have been categorized into three business segments—transport, retail distribution and processing, and others—in consideration of business content and interrelated operations.

Transport

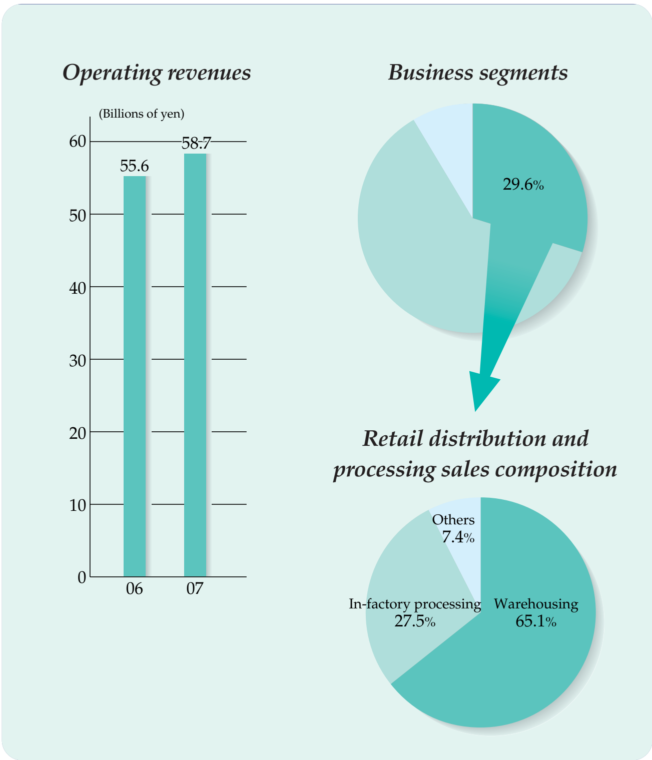
In addition to truck transport operations, this business segment includes railway forwarding on trunk routes; marine transport by container ship, mixed cargo steamer, and specialty ship; and intermodal international freight forwarding.

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

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



Retail Distribution and Processing



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

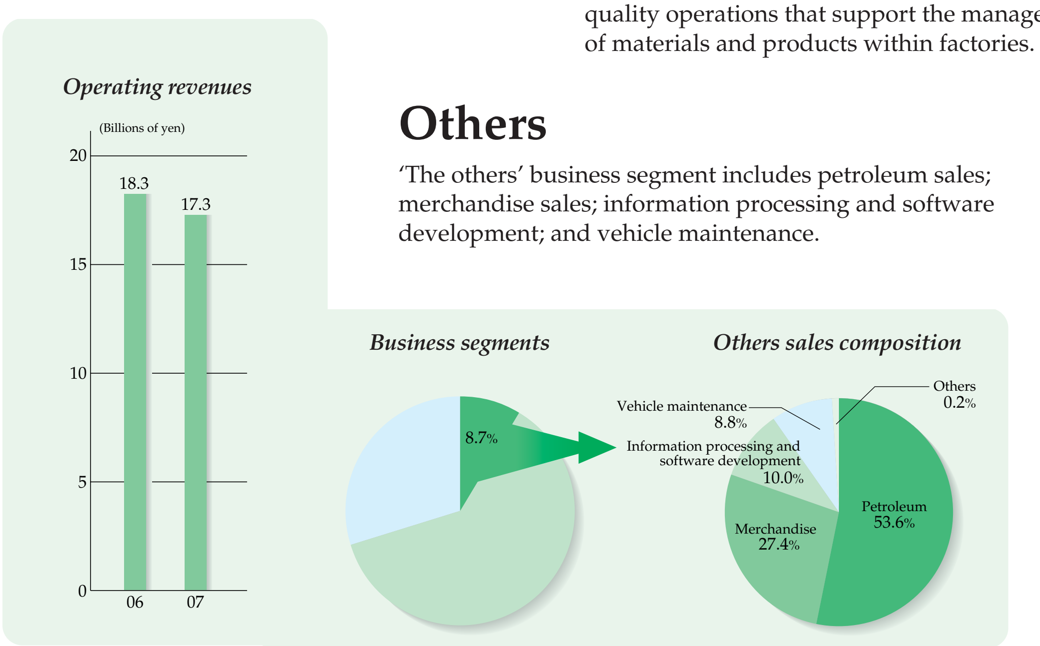
Our warehouses present a very different image from the warehouses of the past. These multifunctional distribution centers offer services that combine the delivery to and from the warehouse, storage (temperature controlled), set assembly, and labeling processes as well as warehousing, printing expiration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

Our facilities provide a total storage space of approximately 1,500,000 square meters. With these warehousing bases as the core of our operations, we develop and install logistics information systems designed in anticipation of diverse customer needs. These capabilities allow us to offer a full range of logistics services that assist our customers' production and sales operations.

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

Others

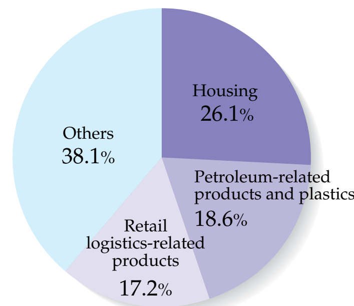
'The others' business segment includes petroleum sales; merchandise sales; information processing and software development; and vehicle maintenance.



Review of Operations by Product Category

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

Sales composition

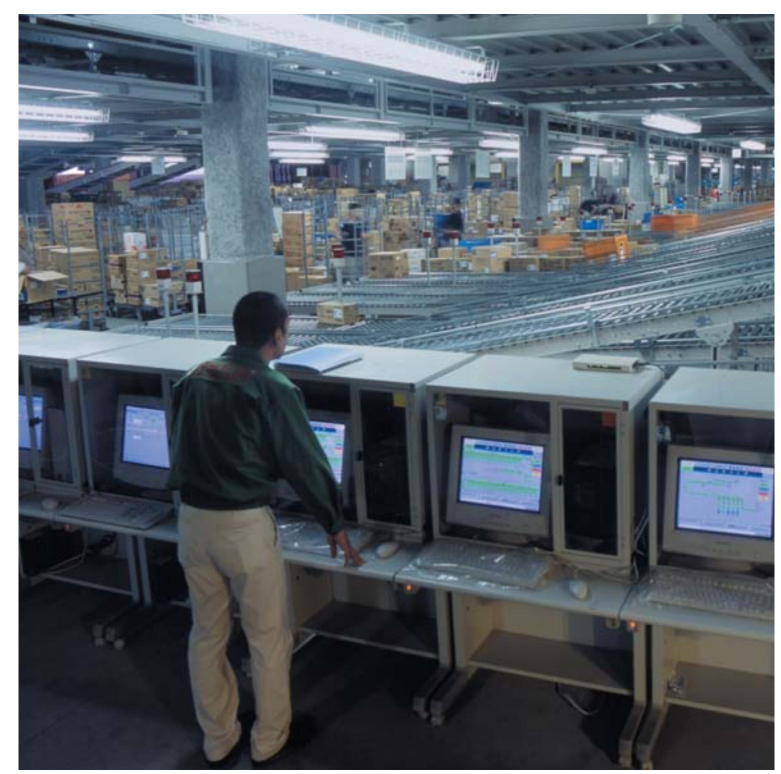


Housing

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

Petroleum-Related Products and Plastics

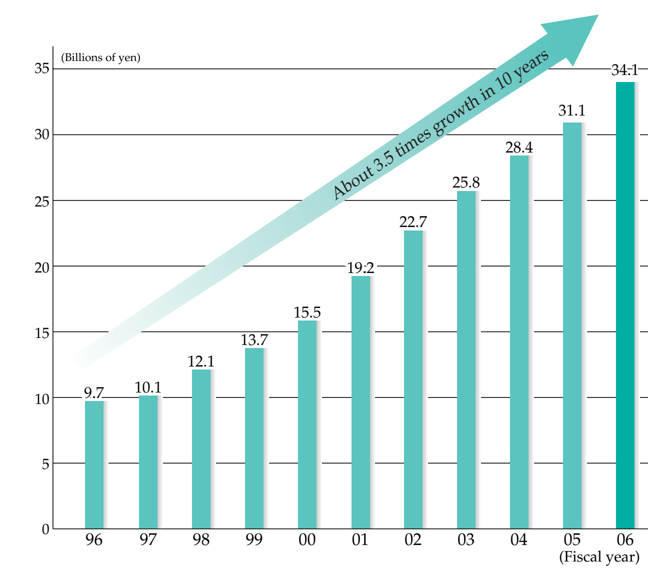
Leveraging its nationwide business development capabilities and its diversified transport system, we provide a full-range of services, from raw material procurement and accepting orders to delivery to end customers. We can also accommodate customers moving into overseas markets and develop SCM systems.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



Retail Logistics-Related Products

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

Change in sales volume of retail logistics-related products



Financial Review

Performance
Consolidated operating revenues for the fiscal year ended March 2007 advanced 4.1%, to ¥198,189 million. These results can be attributed to revenues growth in transport segment and retail distribution segment, mainly in accordance with the business expansion of housing material distribution and the effect of newly opened distribution centers.

In terms of profits, consolidated operating income increased 17.9%, to ¥5,491 million. Due to the hike in crude oil prices, fuel expenses, the major cost of the transport segment, increased. In addition, startup costs related to large-scale capital investment for new facilities at our bases expanded. However, the earnings growth of the core transport segment was able to absorb these additional costs, resulting in an increase in profits. Consequently, the operating income ratio improved 0.3 percentage points, to 2.8%.

Income before income taxes and minority interests climbed 11.7% year on year, to ¥4,818 million, reflecting the higher operating income and a substantial decline in impairment losses and fixed asset evaluation losses.

Moreover, despite an increase in deferred income taxes, consolidated net income rose 10.7%, to ¥2,536 million. The ratio of net income to operating revenues improved 0.1 percentage points, to 1.3%.

Performance by Business Segment
By business segment, transport operating revenues for the fiscal year under review increased ¥5,688 million, or 4.9%, to ¥122,204 million, generating 61.7% of total operating revenues. Sales growth can be attributed to a substantial increase in housing materials distribution center business, additional revenues related to the opening of a new distribution center, and increased distribution of goods for a major discount store chain.

The operating revenues of the retail distribution and processing business segment amounted to ¥58,680 million, rising ¥3,128 million, or 5.6% and accounting for 29.6% of total operating revenues. The sales benefits from the new AEON Hokkaido RDC and AEON Tohoku RDC centers and aggressive efforts to win new distribution business from wholesaler and retailer were behind the successful performance.

Operating revenues from the others business segment decreased ¥957 million, or 5.2%, to ¥17,305 million, contributing 8.7% of total operating revenues. Performance was affected by a decline in the number of large-scale projects handled by the segment's trading company.

Performance by Principal Products Category
We have three core product categories: housing-related, petroleum-related and plastics, and retail logistics-related (wholesale and retail and medical treatment and pharmaceuticals logistics fields). For the fiscal year ended March 2007, these three core product categories accounted for 61.9% of total operating revenues.

Accounting for 26.1% of operating revenue, housing-related products can be separated into distribution services from the factories and housing materials distribution services. During the fiscal year, factory distribution services revenues grew 1.5%. In housing materials distribution services, there was favorable growth in the interior housing materials distribution center business from major housing manufacturers and expansion in our pick-up style procurement material collecting and distribution services with the cooperation of other major housing manufacturers. As a result, operating revenues from housing-related products increased ¥2,740 million, or 5.6%, year on year to ¥51,750 million.

The petroleum-related and plastics product category, which generates 18.6% of total operating revenues, aimed at expanding its bulk container comprehensive distribution system business during the fiscal year. This system uses containers that can hold 16 metric tons of plastic resin or other materials. After filling the container at the factory, we deliver the container using its rail, trucking, and marine distribution network, unloads the container, and returns the empty container to the customer. Based on large lots, this door-to-door system provides cost reducing for transport, contamination-prevention, and operating efficiency advantages. As a result of these measures, operating revenues rose ¥730 million, or 2.0%, to ¥36,880 million.

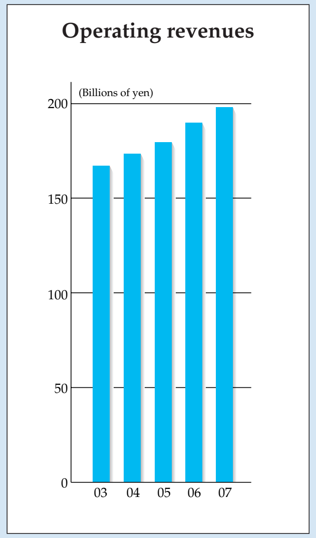
The retail logistics-related product category, which contributed 17.2% of total operating revenues, saw business expansion in the retail logistics field, which has recently been recording high growth. Contributing to the increase in business were the opening of the AEON Hokkaido RDC and AEON Tohoku RDC centers and a higher volume of business from a major discount store chain. Consequently, operating revenues from retail logistics-related products advanced ¥2,990 million, or 9.6%, to ¥34,130 million.

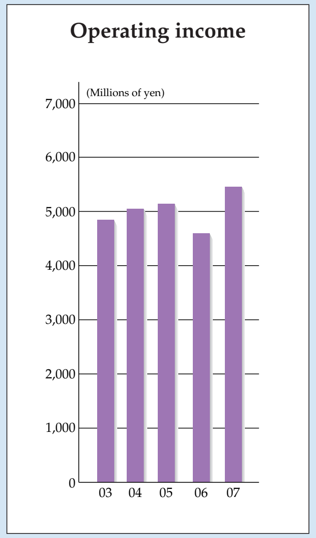
Financial Position
Total assets at March 31, 2007 increased from a year earlier,

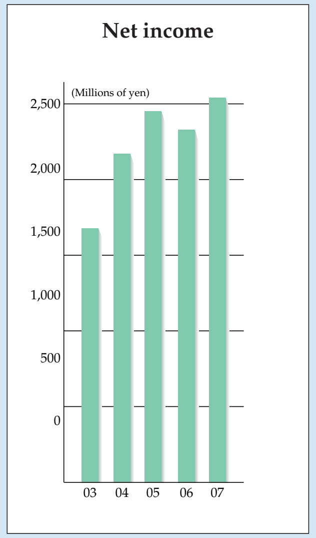
Consolidated Operating Revenues by Products Handled

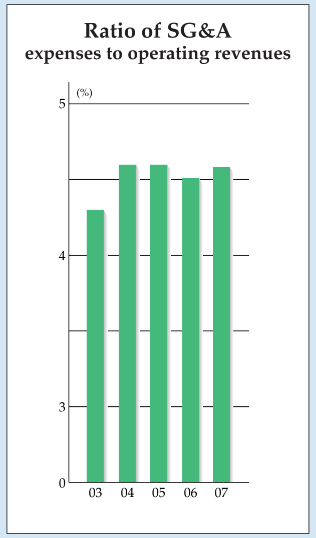
(Units: billions of yen, %)

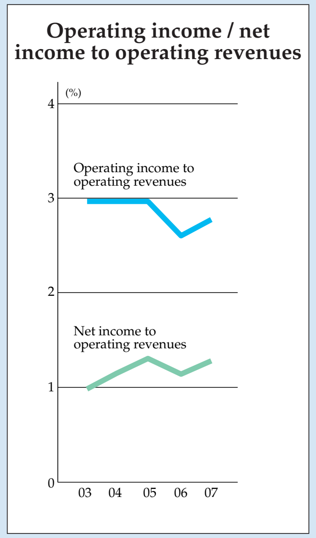
	Year ended March 2007		Year ended March 2006			
	Revenues	Composition	Revenues	Composition	Change	% Change
Housing	51.8	26.1	49.0	25.8	2.8	5.6
Petroleum-related products, and plastics	36.9	18.6	36.2	19.0	0.7	2.0
Retail logistics-related products	34.1	17.2	31.1	16.4	3.0	9.6
International freight forwarding and modal shifts	18.0	9.1	16.6	8.7	1.4	8.3
Chemicals and fertilizers	3.6	1.8	4.0	2.1	(0.4)	(9.0)
Foods	3.8	1.9	4.0	2.1	(0.2)	(5.7)
Electronics products and machinery	4.2	2.1	3.5	1.8	0.7	19.8
Others	45.8	23.2	45.9	24.1	(0.1)	(0.2)
Total	198.2	100.0	190.3	100.0	7.9	4.1

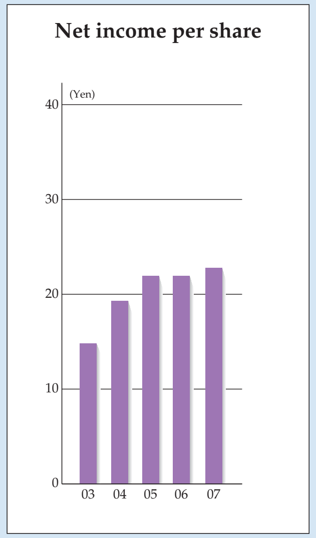


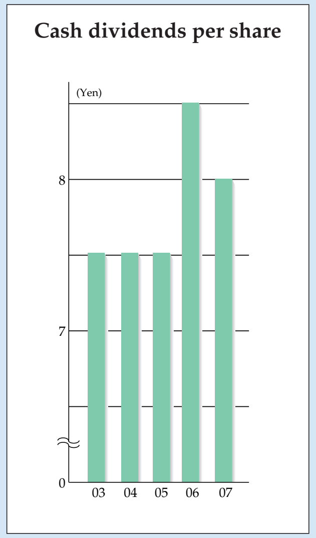


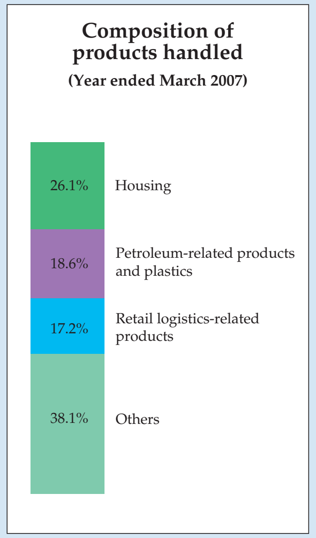












rising ¥8,337 million, to ¥135,690 million. Current assets declined ¥1,618 million, to ¥40,981 million, primarily because of major capital investment that reduced cash and cash equivalents.

Total fixed assets expanded ¥9,955 million year on year, to ¥94,709 million.

Net property and equipment increased ¥5,560 million, to ¥70,954 million. The growth can be mainly attributed to increases in facilities and equipment due to active outfitting of distribution bases.

Investments and other assets climbed ¥4,395 million, to ¥23,755 million. The increase primarily resulted growth in special purpose company (SPC) loans and other assets at the end of the fiscal year related to the construction of distribution centers.

Major components of capital investment during the fiscal year were investments for the construction of the AEON Tohoku RDC, the Rinko PD Center, and the Hamamatsu PD Center. In addition, we made loans for the construction of the Senboku No. 2 PD Center, the Urawa PD Center, and the Nishi-Kobe PD Center (Temporary name).

At March 31, 2007, current liabilities totaled ¥45,138 million, increasing ¥2,102 million from the previous fiscal year. The significant growth in current liabilities could be attributed to an increase in trade accounts and notes payable due to the rise in operating revenues and to an increase in short-term loans.

Long-term liabilities advanced ¥5,100 million, to ¥42,598 million. A ¥4,961 million increase in long-term debt because of the aggressive capital investment was the cause of the jump in long-term liabilities.

As a result, interest-bearing debt at fiscal year-end expanded ¥5,473 million, to ¥45,368 million. The ratio of interest-bearing debt to total assets increased 2.1 percentage points, to 33.4%.

Net assets at fiscal year-end amounted to ¥47,954 million, improving ¥1,135 million from a year earlier. The rise in shareholders' equity came mainly from an increase in retained earnings as a result of growth in net income.

Although the equity ratio decreased 1.5 percentage points, to 35.3%, there was positive growth in net assets.

Cash Flows

For the year ended March 31, 2007, net cash provided by operating activities increased ¥654 million, or 12.2%, to ¥6,001 million. This increase can mainly be attributed to an increase in income before income taxes and minority interests and a decrease in sales receivables.

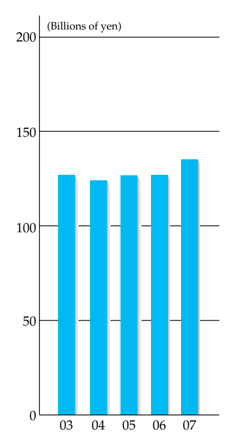
Net cash used in investing activities jumped ¥5,772 million, or 99.0%, to ¥11,600 million from the previous fiscal year. Payments for purchases of fixed assets were primarily responsible for this increase.

Consequently, free cash flow at fiscal year-end was minus ¥5,599 million, down ¥5,118 million, from the previous fiscal year.

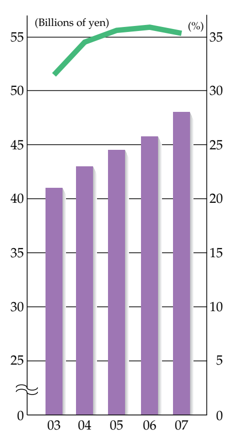
Net cash provided by financing activities increased ¥2,918 million, or 272.5%, to ¥3,989 million. This increase resulted primarily from an increase in borrowings due to capital expenditures.

As a result, cash and cash equivalents at end of year totaled ¥10,590 million, declining ¥1,525 million, or 12.6% from the prior fiscal year.

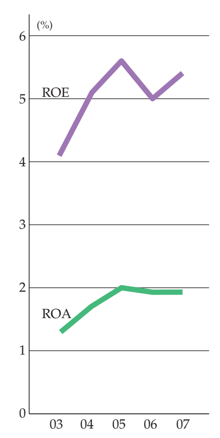
Total assets



Net assets / net assets ratio



ROE / ROA



Report of Independent Certified Public Accountants

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

We have audited the accompanying consolidated balance sheets of SENKO CO., Ltd. and its consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31,2007, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SENKO CO., Ltd. and its consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of three years in the period ended March 31,2007 in conformity with accounting principles generally accepted in Japan.

Supplemental information
As described in Note 3, with effect from the year ended March 31,2007, the Company changed its depreciation method of fixtures attached to the buildings, structures and vehicles from the declining-balance method to the straight-line method.

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

Osaka, Japan
June 28, 2007

Ohtemae Audit Co.
Ohtemae Audit Corporation

Consolidated Balance Sheets

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

ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S.dollars 2007
Current assets:			
Cash and cash equivalents	**¥10,590**	¥12,115	**$89,708**
Trade accounts and notes receivable-			
Non-consolidated subsidiaries and affiliates	**167**	179	**1,415**
Others	**26,107**	26,420	**221,152**
Less allowance for doubtful accounts	**(20)**	(16)	**(169)**
Inventories	**585**	771	**4,956**
Deferred tax asset (Note 12)	**1,548**	1,447	**13,113**
Prepaid expenses and other current assets	**2,004**	1,683	**16,975**
Total current assets	**40,981**	42,599	**347,150**
Investments in and long-term loans to non-consolidated subsidiaries and affiliates	**879**	891	**7,446**
Investment securities (Notes 4 and 8)	**1,670**	1,898	**14,147**
Property and equipment, at cost (Notes 5 and 8)	**125,129**	118,694	**1,059,966**
Less accumulated depreciation	**(54,175)**	(53,300)	**(458,916)**
Net property and equipment	**70,954**	65,394	**601,050**
Long-term deferred tax assets (Note 12)	**5,480**	5,994	**46,421**
Other assets	**15,726**	10,577	**133,214**
Total assets	**¥135,690**	¥127,353	**$1,149,428**

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S.dollars 2007
Current liabilities:			
Short-term loans (Note 6)	**¥11,950**	¥9,950	**$101,228**
Current portion of long-term debt (Note 6)	**4,260**	5,748	**36,086**
Trade accounts and notes payable—			
Non-consolidated subsidiaries and affiliates	**34**	30	**288**
Others	**18,362**	17,384	**155,544**
Accrued expenses	**5,118**	5,040	**43,355**
Accrued income taxes	**1,192**	1,060	**10,097**
Other current liabilities	**4,222**	3,824	**35,765**
Total current liabilities	**45,138**	43,036	**382,363**
Long-term debt, less current portion (Note 6)	**29,158**	24,197	**246,997**
Accrued Retirement Benefits (Note 7)	**9,670**	9,997	**81,914**
Other long-term liabilities	**3,770**	3,304	**31,936**
Contingent liabilities (Note 9)			
Net assets (Note 11):			
Common stock:			
Authorized—294,999,000 shares			
Issued—111,746,167 shares	**18,296**	18,296	**154,985**
Capital surplus	**16,559**	16,559	**140,271**
Retained earnings	**13,201**	11,609	**111,825**
Less treasury stock, at cost-1,151,067shares			
in 2007 and 86,526 shares in 2006	**(419)**	(33)	**(3,549)**
Net unrealized holdings gain on securities	**291**	385	**2,465**
Loss on deferred hedges	**(2)**	—	**(16)**
Translation adjustments	**25**	—	**212**
Minority interests	**3**	3	**25**
Total net assets	**47,954**	46,819	**406,218**
Total liabilities and net assets	**¥135,690**	¥127,353	**$1,149,428**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S.dollars
	2007	2006	2005	**2007**
Operating revenues	**¥198,189**	¥190,330	¥179,501	**$1,678,856**
Operating costs and expenses:				
Operating costs of revenues	**183,621**	177,038	166,194	**1,555,451**
Selling, general and administrative expenses	**9,077**	8,634	8,182	**76,891**
	192,698	185,672	174,376	**1,632,342**
Operating income	**5,491**	4,658	5,125	**46,514**
Other income (expenses):				
Interest and dividend income	**439**	232	157	**3,719**
Interest expenses	**(630)**	(497)	(467)	**(5,337)**
Impairment loss	**(177)**	(2,122)	—	**(1,499)**
Amortization of prior service costs	**—**	3,804	—	**—**
Loss on revaluation of property	**—**	(1,537)	—	**—**
Others, net	**(305)**	(225)	(262)	**(2,584)**
	(673)	(345)	(572)	**(5,701)**
Income before income taxes and minority interests	**4,818**	4,313	4,553	**40,813**
Income taxes (Note12):				
Current	**1,805**	1,324	2,102	**15,290**
Deferred	**477**	699	(6)	**4,041**
	2,282	2,023	2,096	**19,331**
Minority interests in gain of a consolidated subsidiary	**(0)**	(0)	—	**(0)**
Net income	**¥2,536**	¥2,290	¥2,457	**$21,482**

Per share of common stock	Yen			U.S.dollars
Net income	**¥22.80**	¥20.52	¥21.90	**$0.19**
Cash dividends applicable to the year	**8.00**	8.50	7.50	**0.07**

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, 2007, 2006 and 2005

	Thousands	Millions of Yen								
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holding gain on securities	Loss on deferred hedges	Translation adjustment	Minority interests	Total net assets
Balance at April 1, 2004	111,746	¥18,296	¥16,387	¥8,577	¥(181)	¥82	¥ —	¥ —	¥ —	¥43,161
Net income	—	—	—	2,457	—	—	—	—	—	2,457
Cash dividends	—	—	—	(832)	—	—	—	—	—	(832)
Bonuses to directors and statutory auditors	—	—	—	(43)	—	—	—	—	—	(43)
Unrealized holding gain on securities	—	—	—	—	—	76	—	—	—	76
Treasury stock	—	—	121	—	(114)	—	—	—	—	7
Balance at March 31, 2005	111,746	¥18,296	¥16,508	¥10,159	¥(295)	¥158	¥ —	¥ —	¥ —	¥44,826
Net income	—	—	—	2,290	—	—	—	—	—	2,290
Cash dividends	—	—	—	(825)	—	—	—	—	—	(825)
Bonuses to directors and statutory auditors	—	—	—	(29)	—	—	—	—	—	(29)
Adjustment of retained earnings for a newly consolidated subsidiary	—	—	—	14	—	—	—	—	—	14
Unrealized holding gain on securities	—	—	—	—	—	227	—	—	—	227
Treasury stock	—	—	51	—	262	—	—	—	—	313
Balance at March 31, 2006	111,746	¥18,296	¥16,559	¥11,609	¥(33)	¥385	¥ —	¥ —	¥ —	¥46,816
Reclassified balance as of March 31, 2006	—	—	—	—	—	—	—	—	3	3
Net income	—	—	—	2,536	—	—	—	—	—	2,536
Cash dividends	—	—	—	(975)	—	—	—	—	—	(975)
Bonuses to directors and statutory auditors	—	—	—	(26)	—	—	—	—	—	(26)
Purchases of treasury stock	—	—	—	—	(387)	—	—	—	—	(387)
Retirement of treasury stock	—	—	(0)	—	1	—	—	—	—	1
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	—	51	—	—	—	—	—	51
Adjustment of retained earnings for a newly share subsidiary	—	—	—	6	—	—	—	—	—	6
Other changes	—	—	—	—	—	(94)	(2)	25	0	(71)
Balance at March 31, 2007	¥111,746	¥18,296	¥16,559	¥13,201	¥(419)	¥291	¥(2)	¥25	¥3	¥47,954

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holding gain on securities	Loss on deferred hedges	Valuation and translation adjustment	Minority interests	Total net assets
Balance at March 31, 2006	$154,985	$140,271	$98,340	$(280)	$3,261	$ —	$ —	$ —	$396,577
Reclassified balance as of March 31, 2006	—	—	—	—	—	—	—	25	25
Net income	—	—	21,482	—	—	—	—	—	21,482
Cash dividends	—	—	(8,259)	—	—	—	—	—	(8,259)
Bonuses to directors and statutory auditors	—	—	(220)	—	—	—	—	—	(220)
Purchases of treasury stock	—	—	—	(3,278)	—	—	—	—	(3,278)
Retirement of treasury stock	—	(0)	—	9	—	—	—	—	9
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	432	—	—	—	—	—	432
Adjustment of retained earnings for a newly share subsidiary	—	—	50	—	—	—	—	—	50
Other changes	—	—	—	—	(796)	(16)	212	0	(600)
Balance at March 31, 2007	$154,985	$140,271	$111,825	$(3,549)	$2,465	$(16)	$212	$25	$406,218

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SENKO Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S.dollars
	2007	2006	2005	**2007**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥4,818**	¥4,313	¥4,553	**$40,813**
Adjustments for:				
Depreciation and amortization	**2,693**	2,860	2,854	**22,812**
Loss on disposals of property and equipment	**296**	320	128	**2,507**
Impairment losses	**177**	2,122	—	**1,499**
Loss on revaluation of property	**—**	1,537	—	**—**
Decrease in allowance for employee retirement	**(327)**	(4,420)	(311)	**(2,770)**
Increase (decrease) in accrued bonuses to employees	**(0)**	158	(69)	**(0)**
Interest and dividends income	**(439)**	(232)	(157)	**(3,719)**
Interest expense	**630**	497	467	**5,337**
Decrease (increase) in trade receivables	**264**	(623)	(109)	**2,236**
Decrease (increase) in inventories	**186**	(139)	33	**1,576**
Increase in trade payables	**921**	1,219	1,367	**7,802**
Other	**(874)**	(278)	(325)	**(7,403)**
Sub total	**8,345**	7,334	8,431	**70,690**
Interest and dividend income received	**155**	168	159	**1,313**
Interest expenses paid	**(631)**	(500)	(463)	**(5,345)**
Income tax paid	**(1,868)**	(1,655)	(2,518)	**(15,824)**
Net cash provided by operating activities	**6,001**	5,347	5,609	**50,834**
Cash flows from investing activities:				
Payments for purchases of fixed assets	**(7,874)**	(4,793)	(3,397)	**(66,701)**
Proceeds from sales of fixed assets	**167**	211	136	**1,415**
Payments for purchases of investment securities	**(39)**	(239)	(415)	**(330)**
Proceeds from sales of investment securities	**55**	178	142	**466**
Proceeds from sales of subsidiary	**—**	—	100	**—**
Payments for purchases of non-consolidated subsidiaries	**(44)**	(45)	(50)	**(373)**
Other	**(3,865)**	(1,140)	(1,028)	**(32,740)**
Net cash used in investing activities	**(11,600)**	(5,828)	(4,512)	**(98,263)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net	**2,000**	200	(590)	**16,942**
Proceeds from long-term debt	**9,400**	8,450	2,950	**79,627**
Repayment of long-term debt	**(5,927)**	(6,978)	(2,447)	**(50,208)**
Purchases of treasury stock	**(387)**	(675)	(624)	**(3,278)**
Sales of treasury stock	**1**	988	631	**8**
Dividends paid	**(973)**	(825)	(833)	**(8,242)**
Other	**(125)**	(89)	(64)	**(1,059)**
Net cash provided (used in) by financing activities	**3,989**	1,071	(977)	**33,790**
Effect of exchange rate changes on cash and cash equivalents	**9**	3	1	**77**
Net increase (decrease) in cash and cash equivalents	**(1,601)**	593	121	**(13,562)**
Cash and cash equivalents at beginning of year	**12,115**	11,521	11,400	**102,626**
Net increase in cash and cash equivalents of newly consolidated subsidiaries	**76**	1	—	**644**
Cash and cash equivalents at end of year	**¥10,590**	¥12,115	¥11,521	**$89,708**

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

SENKO Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements:

SENKO Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and Securities Exchange Law and in conformity with accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

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

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

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

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Through March 31, 2006, the Company voluntarily prepared the statement of shareholders' equity for the convenience of readers outside Japan.

Reclassification

Certain amounts in the consolidated balance sheet as of March 31, 2006 have been reclassified to conform to the 2007 presentation.

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, 2007, which was ¥118.05 to US$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S.dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies:

(a) Principles of consolidation

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

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

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

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

(b) Cash equivalents

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

(c) Investment Securities

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

Non-marketable other securities are stated at cost.

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

The Companies classified all securities as other securities.

(d) Allowance for Doubtful Accounts

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

(e) Inventories

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

(f) Property and Equipment and Depreciation

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

The principal estimated useful lives are as follows:

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

(g) Accrued Retirement Benefits

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

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

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

Actuarial gains and losses are amortized by the straight-line method over a period of 14 years, which is within the estimated average remaining years of service of the Companies' employees. The amortization of such gains and losses is recognized effective the year subsequent to the year in which they are incurred. Prior service costs are amortized in the fiscal year in which they are incurred.

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

(h) Income Taxes

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

(i) Appropriation of Retained Earnings

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

(j) Leases

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

(k) Per Share information

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

Diluted net income per share is not disclosed because there was no dilutive potential common shares that were outstanding during each of the three years in the period ended March 31, 2007.

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

(l) Translation of Foreign Currencies

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

3. Change of accounting policies

(Property and equipment)

With effect from the year ended March 31, 2007, the Company changed its depreciation method of fixtures attached to the buildings, structures and vehicles from the declining-balance method to the straight-line method. The change of depreciation method of vehicles was made for the purpose of improving the matching of revenue and costs by leveling out depreciation expenses over the useful lives of the vehicles following the end to widespread replacement of vehicles to meet new emissions control standards. The use of these existing vehicles is expected to remain stable in the future owing to improvement of their performance and durability.

Also, the change of depreciation method of fixtures attached to the building and structures was made for the purpose of adapting the same depreciation method that was applied to the building, since they were used with building, inseparably.

As a result of these changes, depreciation expense for the year ended March 31, 2007 decreased by ¥543million ($4,600thousand) and operating income and income before income taxes and minority interests increased by ¥543million ($4,600thousand) as compared with the previous method.

(Bonuses to directors)

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted “Accounting Standard for Directors’ Bonuses” (Accounting Standards Board of Japan (“ASBJ”) Statement No.4 issued on November 29, 2005).

As a result of the adoption of this accounting standard, income before income taxes and minority interests decreased by 40million ($339thousand) for the year ended March 31, 2007 from the amount which would have been recorded under the method applied in the previous year.

4. Investment Securities:

The carrying amounts of investment securities at March 31, 2007 and 2006, consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Marketable securities	**¥ 1,203**	¥ 1,364	**$ 10,191**
Non-marketable securities	**467**	534	**3,956**
	¥ 1,670	¥ 1,898	**$ 14,147**

The following is a summary of marketable securities included in investment securities, at March 31, 2007 and 2006.

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

	Millions of yen			
2006	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 704	¥ 655	¥ (6)	¥ 1,353
Bonds and Others	11	0	(0)	11
	¥ 715	¥ 655	¥ (6)	¥ 1,364

	Thousands of U.S.dollars			
2007	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	**$ 5,997**	**$ 4,168**	**$ (59)**	**$ 10,106**
Bonds and Others	**85**	**0**	**(0)**	**85**
	$ 6,082	**$ 4,168**	**$ (59)**	**$ 10,191**

Proceeds from sales of other securities were ¥35million (US$ 296 thousand) and ¥178million for the years ended March 31, 2007 and 2006, respectively. The gross realized gains and losses on those sales were ¥2million (US$ 17 thousand) and ¥12 million (US$ 102 thousand), respectively, for the year ended March 31, 2007. The gross realized gains and losses on those sales were ¥44million and ¥3million for the ended March 31, 2006.

5. Property and Equipment:

At March31, 2007 and 2006, property and equipment at cost consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Land	**¥ 33,098**	¥ 32,976	**$ 280,372**
Buildings and structures	**72,282**	67,111	**612,300**
Machinery and equipment, vehicle and vessels	**15,864**	15,172	**134,384**
Tools, furniture and fixtures	**3,577**	3,261	**30,301**
Construction in Progress	**308**	174	**2,609**
	¥ 125,129	¥ 118,694	**$ 1,059,966**

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

At March 31, 2007 and 2006, short-term loans consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
0.70% to 1.28% unsecured loans from banks	**¥ 11,950**	¥ 9,950	**$ 101,228**

At March 31, 2007 and 2006, long-term debt consisted of the following:—

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
0.92% bonds due 2009	**¥ 7,000**	¥ 7,000	**$ 59,297**
0.74% to 2.37% loans from banks and insurance companies:			
Unsecured	**26,418**	22,945	**223,786**
	33,418	29,945	283,083
Less current portion	**(4,260)**	(5,748)	**(36,086)**
	¥ 29,158	¥ 24,197	**$ 246,997**

The annual maturities of long-term debt at March 31, 2007 for the next five years are as follows:—

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2008	¥ 4,260	$ 36,086
2009	4,948	41,914
2010	7,838	66,396
2011	5,883	49,835
2012	5,908	50,047
There after	4,581	38,805

At March 31,2007, the Company has committed line and overdraft contracts with twelve banks aggregating ¥22,600 million ($191,444thousand). Of the total credit limit, ¥8,250 million ($69,885thousand) was used as the above short-term and long-term borrowing, and the rest ¥14,350 million ($121,559thousand) was unused.

7. Accrued Retirement Benefit:

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its certain subsidiaries at March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Benefit obligation at the end of year	**¥ (24,733)**	¥ (25,155)	**$ (209,513)**
Fair value of plan assets at the end of the year	**17,801**	18,474	**150,792**
Unfunded retirement benefit obligation	**(6,932)**	(6,681)	**(58,721)**
Unrecognized actuarial loss	**(1,747)**	(3,316)	**(14,799)**
Net retirement benefit obligation	**(8,679)**	(9,997)	**(73,520)**
Prepaid pension cost	**991**	—	**8,394**
Accrued retirement benefit	**¥ (9,670)**	¥ (9,997)	**$ (81,914)**

Retirement benefit costs of the Company and its certain subsidiaries included the following components for the year ended March 31, 2007, 2006 and 2005.

	Millions of yen			Thousands of U.S.dollars
	2007	2006	2005	**2007**
Service cost	**¥1,355**	¥ 1,184	¥ 1,378	**$ 11,478**
Interest cost	**612**	627	717	**5,184**
Expected return on plan assets	**(543)**	(361)	—	**(4,600)**
Amortization:				
Recognized actuarial loss	**(136)**	277	263	**(1,152)**
Prior service costs	**—**	(3,804)	—	**—**
Net periodic benefit cost	**¥(1,288)**	¥ (2,077)	¥ 2,358	**$ (10,910)**
	¥(1,288)	¥ (2,077)	¥ 2,358	**$ (10,910)**

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Method of attributing benefit to periods of service	**Straight-line basis**	Straight-line basis	Straight-line basis
Discount rate	**2.5%**	2.5%	2.5%
Expected rate of return on fund assets	**3.0%**	3.0%	0.0%
Amortization period of prior service costs	**1 year**	1 year	1 year
Amortization period of actuarial losses	**14 years**	14 years	14 years

8. Pledged Assets:

The following assets were pledged as collateral as at March 31, 2007 and 2006—

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Land	**¥ 2,393**	¥ 2,393	**$ 20,271**
Buildings	**1,024**	1,013	**8,674**
Vehicles	**4**	6	**34**
Investment securities	**10**	10	**85**
	¥ 3,431	¥ 3,422	**$ 29,064**

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

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Long-term debt, including current portion	**¥ 20**	¥ 40	**$ 169**

9. Contingent Liabilities:

At March 31, 2007 and 2006, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Guarantees of installment obligation and lease obligation for the third parties	**¥ 5**	¥ 74	**$ 42**
Trade notes discounted	**15**	9	**127**
Buyback obligations associated with securitization of receivables	**373**	469	**3,160**
	¥ 393	¥ 552	**$ 3,329**

10. Lease:

At March 31, 2007 and 2006, financing lease transactions whose ownership are not to be transferred were as follows:

	Millions of yen				Thousands of U.S.dollars
	2007				2007
	Purchase cost	Accumulated depreciation	Accumulated impairment loss	Book value	Book value
Machinery and equipment	**¥ 12,593**	**¥ 4,860**	**¥ 317**	**¥ 7,416**	**$ 62,821**
Tools, furniture and fixtures	**14,493**	**6,060**	**213**	**8,220**	**69,632**
	¥ 27,086	**¥ 10,920**	**¥ 530**	**¥ 15,636**	**$ 132,453**

	Millions of yen			
	2006			
	Purchase cost	Accumulated depreciation	Accumulated impairment loss	Book value
Machinery and equipment	¥ 11,518	¥ 4,957	¥ 317	¥ 6,244
Tools, furniture and fixtures	14,587	6,640	207	7,740
	¥ 26,105	¥ 11,597	¥ 524	¥ 13,984

At March 31, 2007 and 2006, obligations under finance leases were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Due within one year	**¥ 4,740**	¥ 4,608	**$ 40,152**
Due after one year	**12,214**	10,366	**103,465**
	¥ 16,954	¥ 14,974	**$ 143,617**

At March 31, 2007 and 2006, obligations under non-cancelable operating leases were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Due within one year	**¥ 1,554**	¥ 371	**$ 13,164**
Due after one year	**14,489**	5,242	**122,736**
	¥ 16,043	¥ 5,613	**$ 135,900**

11. Net assets:

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

The retained earnings account in the accompanying consolidated financial statements at March 31, 2007, included the Company’s legal reserve of ¥1,506 million ($12,757thousand).

12. Income Taxes:

The Company and its subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a normal effective statutory tax rates of approximately 40.6% for the years ended March31, 2007 and 2006.

(1) Significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2007	2006	**2007**
Deferred tax assets:			
Accrued severance indemnities to employees	**¥ 5,127**	¥ 5,698	**$ 43,431**
Accrued bonuses to employees	**1,085**	1,084	**9,191**
Impairment losses	**853**	822	**7,226**
Loss on revaluation of land	**351**	351	**2,973**
Social insurance premium	**169**	162	**1,432**
Loss carry forward	**128**	—	**1,084**
Accrued enterprise tax	**123**	104	**1,042**
Loss on revaluation of golf club membership	**—**	106	**—**
Other	**596**	471	**5,049**
Gross deferred tax assets	**8,432**	8,798	**71,428**
Less: Valuation allowance	**(193)**	(80)	**(1,635)**
Total deferred tax assets	**8,239**	8,718	**69,793**
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	**(987)**	(989)	**(8,361)**
Net unrealized holding gains on available-for-sale securities	**(199)**	(264)	**(1,686)**
Other	**(185)**	(187)	**(1,567)**
Gross deferred tax liabilities	**(1,371)**	(1,440)	**(11,614)**
Net deferred tax assets	**¥ 6,868**	¥ 7,278	**$ 58,179**

(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, 2007 and 2006 were as follows:

	2007	2006
Statutory tax rate	**40.6%**	40.6%
Adjustment:		
Non-deductible expenses	**2.2**	2.3
Inhabitants' per capita taxes	**3.2**	3.6
Non-taxable dividend income	**(1.2)**	(1.4)
Other	**2.5**	1.8
Income tax rate as a percentage of income before income taxes and minority interests	**47.3%**	46.9%

13. Segment information

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

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

	Millions of yen					
	2006					
	Transport	Retail Distribution and Processing	Others	Total	Elimination or Corporate	Consolidated
a. Operating revenues and operating income:						
Customers	¥116,516	¥55,552	¥18,262	¥190,330	¥ —	¥190,330
Intersegment	3,041	3,590	10,023	16,654	(16,654)	—
Total operating revenues	119,557	59,142	28,285	206,984	(16,654)	190,330
Operating costs and expenses	117,131	57,307	27,847	202,285	(16,613)	185,672
Operating income	¥2,426	¥1,835	¥438	¥4,699	¥(41)	¥4,658
b. Assets, depreciation and capital expenditures;						
Assets	¥41,192	¥68,509	¥6,866	¥116,567	¥10,786	¥127,353
Depreciation	996	1,705	103	2,804	56	2,860
Impairment losses	—	2,116	—	2,116	6	2,122
Capital expenditures	1,137	3,935	146	5,218	280	5,498

	Thousands of U.S. dollars					
	2007					
	Transport	Retail Distribution and Processing	Others	Total	Elimination or Corporate	Consolidated
a. Operating revenues and operating income:						
Customers	**$1,035,188**	**$497,078**	**$146,590**	**$1,678,856**	**$ —**	**$1,678,856**
Intersegment	**25,938**	**31,046**	**93,825**	**150,809**	**(150,809)**	**—**
Total operating revenues	**1,061,126**	**528,124**	**240,415**	**1,829,665**	**(150,809)**	**1,678,856**
Operating costs and expenses	**1,033,596**	**513,426**	**235,875**	**1,782,897**	**(150,555)**	**1,632,342**
Operating income	**$27,530**	**$14,698**	**$4,540**	**$46,768**	**$(254)**	**$46,514**
b. Assets, depreciation, Impairment losses and capital expenditures;						
Assets	**$386,379**	**$636,662**	**$55,705**	**$1,078,746**	**$70,682**	**$1,149,428**
Depreciation	**7,336**	**14,493**	**627**	**22,456**	**356**	**22,812**
Impairment losses	**—**	**1,499**	**—**	**1,499**	**—**	**1,499**
Capital expenditures	**16,849**	**55,273**	**440**	**72,562**	**2,202**	**74,764**

14. Subsequent Event

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 28, 2007

	Millions of yen	Thousands of U.S.dollars
Cash dividends	**¥ 442**	**$3,744**
Bonuses to directors and statutory auditors	26	221

Board of Directors and Corporate Auditors, Executive Officers *(As of June 29, 2007)*

President and Representative Director
Yasuhisa Fukuda

Executive Vice President and Representative Director
Kenichi Shibukawa

President and Representative Director
Yasuhisa Fukuda

Executive Vice President and Representative Director
Kenichi Shibukawa

Directors and Managing Executive Officers
Takeyo Teduka, Mitsuru Muramoto
Kengo Tanaka, Hisao Takahashi
Sadayuki Wada

Directors and Executive Officers
Yutaka Toyama, Masahito Kanno
Yasushi Morimoto

Full-time Corporate Auditors
Kunihiro Sanada, Masakazu Tsuji
Kazuo Saga

Corporate Auditor
Hiroshi Itawaki

Senior Executive Officers
Katsuhiko Miyagawa
Masuo Tanaka

Executive Officers
Toshinori Mine, Koujirou Matsuda
Kazuhiro Yamanaka, Yoshihiro Kawase
Takao Morita, Kazuaki Oike
Yoshio Shigeno

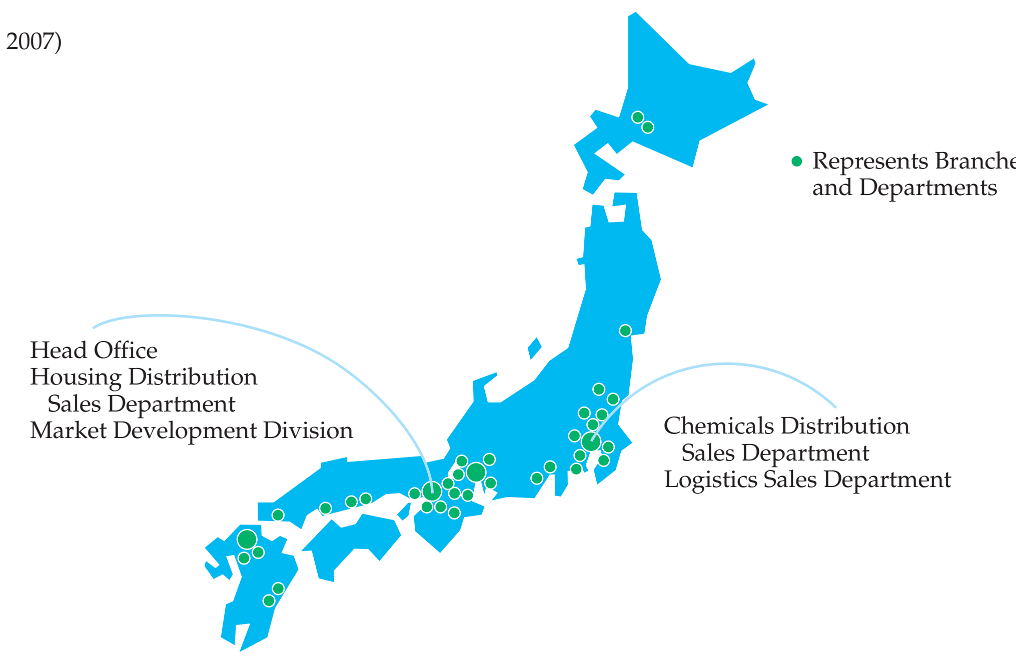
Consolidated Subsidiaries and Affiliated Companies *(As of March 31, 2007)*

Company Name	Paid-in Capital	Equity Ownership	Location	Main Business
SENKO TRADING Co., Ltd.	¥300 million	100.0%	Tokyo	Sales of petroleum-related products and distribution and information processing equipment
SENKO INFORMATION SYSTEM Co., Ltd.	¥60 million	100.0%	Osaka	Information processing
SENKO MOVING PLAZA Co., Ltd.	¥60 million	100.0%	Tokyo	Trucking, in-factory work, moving services
SAPPORO SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Sapporo	Trucking
TOHOKU SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Miyagi	Trucking, in-factory work
KANTO SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Saitama	Trucking, in-factory work
SAITAMA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Saitama	Trucking, in-factory work, vehicle maintenance
TOKYO SENKO TRANSPORT Co., Ltd.	¥30million	100.0%	Tokyo	Trucking, in-factorywork
KANAGAWA SENKO TRANSPORT Co., Ltd.	¥10million	100.0%	Kanagawa	Trucking, in-factorywork
CHIBA SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Chiba	Trucking, in-factory work, vehicle maintenance
FUJI SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Shizuoka	Trucking, in-factory work
TOKAI SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Aichi	Trucking, in-factory work
TOYOHASHI SENKO TRANSPORT Co., Ltd.	¥30million	100.0%	Aichi	Trucking, in-factory work, moving services
HOKURIKU SENKO TRANSPORT Co., Ltd.	¥20 million	95.0%	Fukui	Trucking, in-factory work
SHIGA SENKO TRANSPORT Co., Ltd.	¥30 million	100.0%	Shiga	Trucking, in-factory work, vehicle maintenance
OSAKA SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Osaka	Trucking, in-factory work, vehicle maintenance
CHUSHIKOKU LOGISTICS Co., Ltd.	¥80 million	100.0%	Okayama	Trucking, in-factory work, warehousing
SHIKOKU REEFER TRANSPORT AND WAREHOUSING Co., Ltd.	¥50 million	100.0%	Kagawa	Trucking, warehousing
SANKYO FREIGHT Co., Ltd.	¥10 million	100.0%	Hiroshima	Trucking, in-factory work
SANYO SENKO TRANSPORT Co., Ltd.	¥20 million	100.0%	Yamaguchi	Trucking, in-factory work
FUKUOKA SENKO TRANSPORT Co., Ltd.	¥50 million	100.0%	Fukuoka	Trucking
MINAMI KYUSHU SENKO Co., Ltd.	¥25 million	100.0%	Kumamoto	Trucking, in-factory work
MIYAZAKI SENKO TRANSPORT Co., Ltd.	¥90 million	100.0%	Miyazaki	Trucking, in-factory work, vehicle maintenance
Guangzhou Senko Logistics Co., Ltd.	US$200thousand	100.0%	Guangzhou (China)	Freight forwarding, trucking
SENKO International Logistics Pte. Ltd.	S$860thousand	100.0%	Singapore	Freight forwarding, trucking
ASICS PHYSICAL DISTRIBUTION CORPORATION	¥300 million	20.0%	Hyogo	Product control, vehicle shipment agency
DFTZ Best International Trade & Logistics Co., Ltd.	US$1,800thousand	33%	Dalian (China)	Freight forwarding, trucking, warehousing

Corporate Data *(As of June 30, 2007)*

Date of Establishment:	July 1946
Paid-in Capital:	¥18,295,643,751
Authorized Shares:	294,999,000
Outstanding Shares:	111,746,167
Number of Shareholders:	8,430
Stock Listing:	Tokyo Stock Exchange Osaka Securities Exchange
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi, 1-chome Chiyoda-ku, Tokyo 100-8212, Japan

Network:
(As of July 1, 2007)



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

Departments: International Business, Marine Transport, Railway Forwarding, Air Cargo & KYN, Logistics Solution