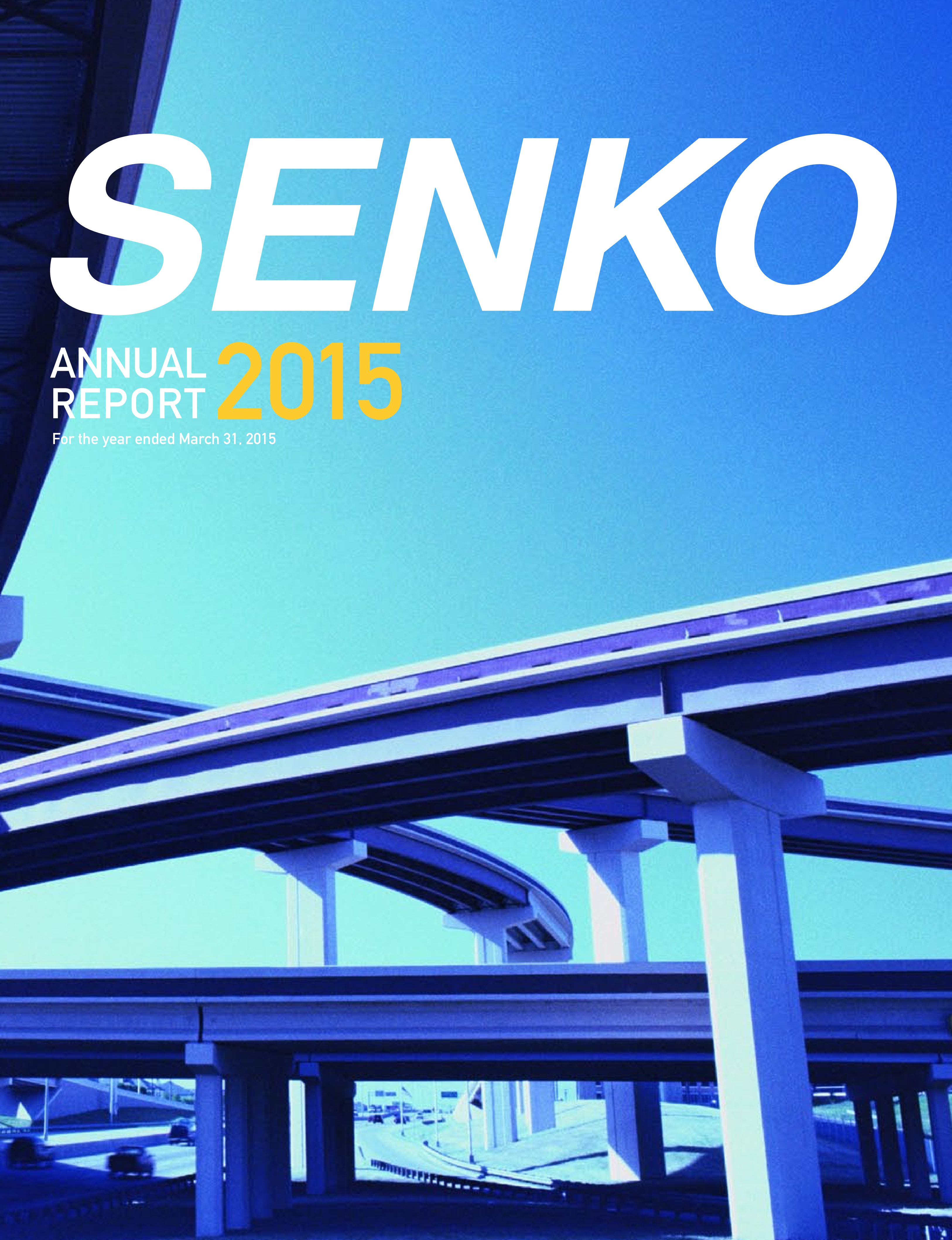
SENKO

ANNUAL REPORT 2015

For the year ended March 31, 2015



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, 2015, the Senko Group had a nationwide network with 451 locations in Japan, an overseas network with facilities in 34 locations, approximately 2,809,000 square meters of distribution center space, and a fleet of 18 owned and chartered ships. The Company engages in wide-ranging business activities centered on trucking. Including partner companies, Senko operates more than 10,000 trucks each day. Activities also encompass warehousing, marine transport, in-factory services, and multimodal international cargo transport.

Senko's strength 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 won an excellent reputation from our customers for the provision of efficient transportation and distribution systems that support the construction of customer supply chain management systems. These systems operate taking 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.

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.

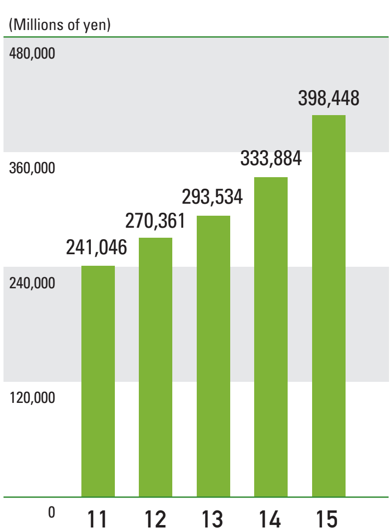
Consolidated Financial Highlights

SENKO Co., Ltd. and Consolidated Subsidiaries

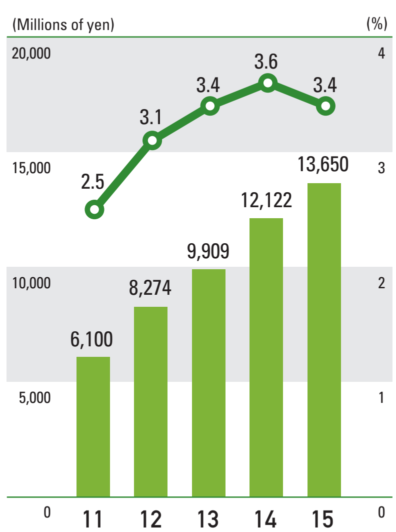
Years ended March 31	2015	2014	2013	2015
			Millions of yen	Thousands of U.S. dollars*1
For the year:				
Operating revenues	¥ 398,448	¥ 333,884	¥ 293,534	$ 3,315,703
Operating income	13,650	12,122	9,909	113,589
Net income	7,074	6,504	5,203	58,867
Capital expenditures	14,182	24,000	4,404	118,016
Depreciation	8,856	7,606	6,738	73,696
At year end:				
Total assets	285,310	243,570	208,095	2,374,220
Net assets	92,745	72,303	67,328	771,782
			Yen	U.S. dollars
Per share data:				
Net income	¥ 55.06	¥ 51.89	¥ 41.45	$ 0.46
Cash dividends	17.00	16.00	14.00	0.14
Net assets	581.46	539.52	521.48	4.84
Financial Ratios:				
Operating profit margin (%)	3.4	3.6	3.4	
Net profit margin (%)	1.8	2.0	1.8	
Equity ratio (%)	28.4	27.8	31.3	
Return on equity (ROE) (%)	9.5	9.8	8.2	
Interest coverage ratio*2 (times)	15.5	8.6	9.6	
Number of employees*3 (persons)	12,455	9,341	8,889	
Number of vehicles	4,530	3,352	3,240	
Distribution center space (thousand m²)	2,809	2,523	2,211	

*1: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥120.17 to U.S.$1 on March 31, 2015.
*2: Interest coverage ratio = Net cash provided by operating activities / interest cost.
*3: Excluding part-timers.

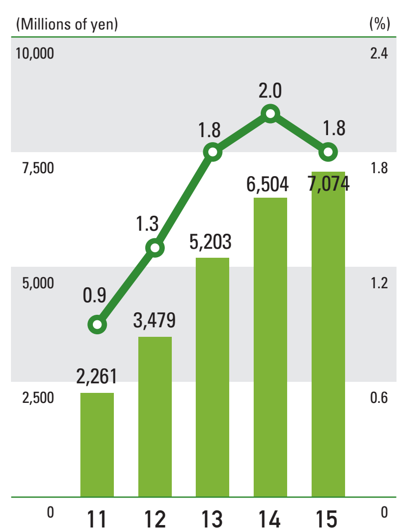
Operating revenues



Operating income (■) / Operating profit margin (-○-)



Net income (■) / Net profit margin (-○-)



The Second Year of the Four-Year Medium-Term Business Plan Saw the Further Expansion of Our Business, Paving the Way to Achieving Its Goals

Efforts to Aggressively Expand Sales and Promote M&A Led to Increased Revenue and Income

In fiscal 2014, the fiscal year ended March 31, 2015, the outlook of the Japanese economy remained uncertain amid a decline in consumer spending caused mainly by the consumption tax rate hike as well as a slowdown in overseas economies.

In the logistics industry, cargo volumes declined in consumer spending-related goods and construction-related materials. Moreover, the industry environment remained severe due to a heavy cost burden as a result of rising outsourcing costs caused by a shortage of trucks and drivers.

In this environment, the Senko Group established a four-year medium-term business plan that began in the fiscal year ended March 31, 2014 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.

In the fiscal year ended March 31, 2015, the Company started operation of large-scale distribution centers in the Kanto, Chubu and Kansai regions to expand its distribution business. The Company also made the following companies into subsidiaries: In June 2014 Sankyo Butsuryu Niyaku Co., Ltd. and Sankyo Logistics Co., Ltd., both of which engage in the distribution of agricultural products in Hokkaido, and in October 2014 Runtec Corporation, a company operating the low-temperature logistics business (in cold and freezer storage) nationwide.

In South Korea we established an integrated distribution system between Japan and South Korea, while in North America we started transportation operations within Mexico as well as between Mexico and the United States. In Thailand, we also advanced construction of a distribution center that handles import/export cargo.

Consolidated operating revenues for the fiscal year ended March 31, 2015 increased 19.3% year on year to ¥398,448 million due to efforts to aggressively expand sales and the consolidation of AST CORPORATION, Runtec Corporation, and other companies through M&A.

Consolidated operating income grew to ¥13,650 million, up 12.6%, while consolidated ordinary income rose to ¥13,234 million, up 17.1%. This reflected positive factors, such as a rise in operating revenues, a price revision, M&A, and a drop in fuel costs, which compensated for cost increases, including the hike in outsourcing costs, as well as the negative effects from the depreciation of the yen in the commerce and trade business. Net income increased to ¥7,074 million, up 8.8%.

Our Objective for the Next Fiscal Year: To Further Improve Profitability in Accordance with the Four-Year Medium-Term Business Plan

The Japanese economy is expected to see a mild recovery, supported by a recovery in consumer spending, a rise in capital expenditure, and other favorable factors. In the logistics industry, however, the business environment is

A Message from the President

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expected to remain severe, with outsourcing costs growing sharply due to a shortage of human resources and trucks.

In this environment, the Senko Group will continue to focus on improving its profitability, enhancing its competitiveness, and upgrading its operating system in accordance with the Four-Year Medium-Term Business Plan.

Annual Dividend Increases in View of Financial Results for the Fiscal Year Ended March 31, 2015

While securing internal reserves necessary for future business development and management structure reinforcement, the basic policy is to return profits to shareholders by implementing stable dividends and dividends that are linked to business results.

In accordance with this policy, the Company raised the annual dividend payout for the fiscal year ended March 31, 2015 by ¥1 to ¥17 per share, in view of operating results for the full year.

We ask for the continued support of our stockholders as we face new challenges in the fiscal year ending March 31, 2016.

August 2015

Y. Fukuda

Yasuhisa Fukuda
President and Representative Director

g Global

Outline of the Medium-Term Business Plan

April 2013 to March 2017

We are executing a 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 April 2013 to March 2017 and creates a growth strategy for the next 100 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

Note: A logistics information company refers to a company with a good command of information, including logistics and trade distribution, that 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." The slogan is shared by each and every one of the Group's employees as they work to meet 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 part of 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.

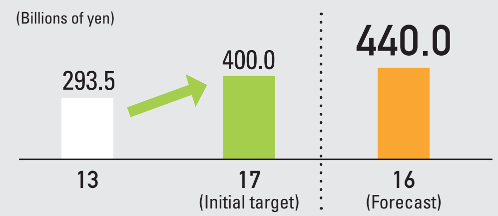
Medium-Term Business Plan Targets

(FY2013-FY2016)

We have set the following quantitative targets for our Medium-Term Business Plan and expect to achieve the targets by as early as FY2015.

Aiming at operating revenues of ¥400 billion

Senko aims to increase sales by expanding the scope of its logistics center & trading and commerce businesses, boosting its international logistics operations, taking on the challenge of creating products, and promoting business partnerships and M&A activities.



Aiming at operating income of ¥15 billion

Senko seeks to achieve operating income of ¥15 billion 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.

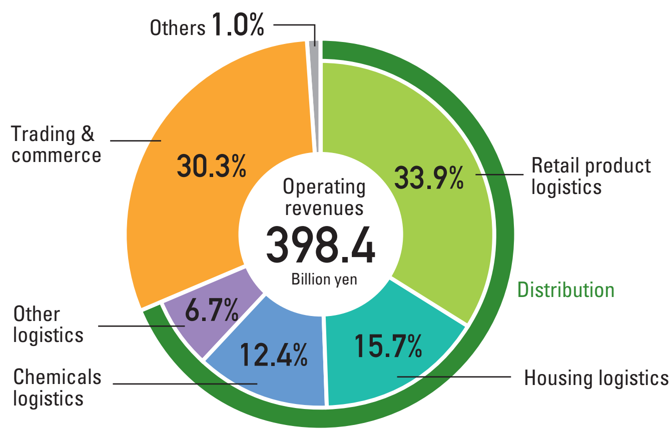
Please see our website for more details: http://www.senko.co.jp/en/ir/vision/plan/

Review of Operations

Reporting Results of the Fiscal Year under Review (FY2014) by Business Segment

Senko has three business segments: Distribution, Trading & 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.

Operating revenues composition

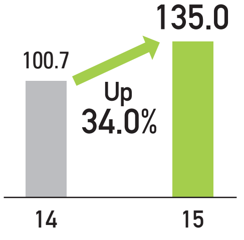


Retail Product Logistics

The retail product logistics segment provides logistics services for volume retailers, department stores, specialty stores, and other retailing businesses as well as for food, electric appliance, and machinery industries.

In the fiscal year ended March 31, 2015, we commenced operation of the Moriyama PD Center No. 3 Warehouse (Moriyama City, Shiga Prefecture), Kitakanto PD Center (Ota City, Gunma Prefecture), Nagoya No. 2 PD Center (Nagoya City, Aichi Prefecture), and other distribution centers. We also obtained orders for distribution operations from Coca-Cola West Co., Ltd. and concluded a contract with Iwatani Corporation's distribution affiliate to take over some of the affiliate's operations. We thus expanded our distribution business by meeting the companies' needs to outsource their distribution operations.

Due primarily to the above-mentioned outsourcing orders, increased cargo volume for companies in the fashion industry, and the M&A of Runtec Corporation and other companies, operating revenues for the fiscal year ended March 31, 2015 increased by 34.0% year on year to ¥135.0 billion.

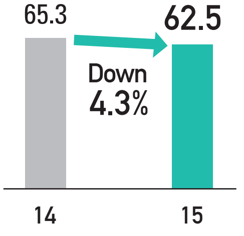


Housing Logistics

Major activities of the housing logistics segment include the transport of products from the factories of housing makers to construction sites and the transport of products for housing material manufacturers.

In the fiscal year ended March 31, 2015, we started operation of the Yawara Housing Distribution Center (Tsukubamirai City, Ibaraki Prefecture) in November 2014 to strengthen delivery capabilities of housing material in the Kanto area. In addition, we obtained an outsourcing order from a major solar panel manufacturer for all of its logistics operations ranging from distribution within plants to warehousing, cargo handling, shipment, and delivery, some of which were launched in January 2015.

Since cargo volumes decreased despite aggressive sales promotion activities due to the effect of the consumption tax rate hike, operating revenues for the fiscal year ended March 31, 2015 decreased by 4.3% year on year to ¥62.5 billion.

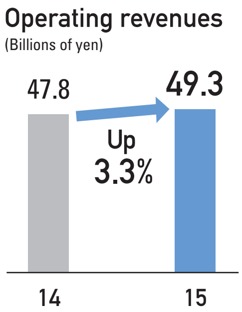


Chemicals Logistics

The chemicals logistics segment provides logistics services for resins used to make plastics and other products, and molded/processed plastic products, as well as for lubricants for machinery and other applications.

In the fiscal year ended March 31, 2015, *Senwamaru*, a vessel used to transport cracked heavy oil and other industrial materials, entered service in November 2014. We also made proposals for efficient transportation using bulk containers that we developed (containers used to transport particulate resin materials and the like), which resulted in obtaining new contracts and led to the expansion of our business.

Due primarily to a positive effect from large-scale capital expenditure, such as building the asphalt tanker *Angel Blue* in the previous fiscal year, as well as to orders received in new expanded operations, operating revenues for the fiscal year ended March 31, 2015 increased by 3.3% year on year to ¥49.3 billion.

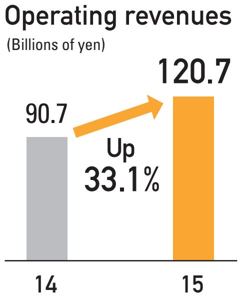


Trading & Commerce

The business of the trading & commerce segment comprises petroleum marketing, commercial sales, and international trading. Operations include the sales of fuel using petroleum cards and the sales of logistics equipment and materials, as well as the wholesale sales of commodities, wrapping materials, alcoholic beverages, and paper products used for households.

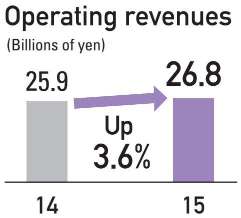
In the fiscal year ended March 31, 2015, we developed products with our trade company subsidiaries using their expertise, and promoted joint sales activities to customers of each trade company subsidiary. We also worked to generate synergy with the distribution business by actively proposing our logistics service to the suppliers and customers of each trade company subsidiary as well as by carrying out logistics operations of merchandise from subsidiaries within the Group.

Due primarily to the impact of acquiring AST CORPORATION as a consolidated subsidiary and sales growth in the petroleum marketing business, operating revenues for the fiscal year ended March 31, 2015 increased by 33.1% year on year to ¥120.7 billion.



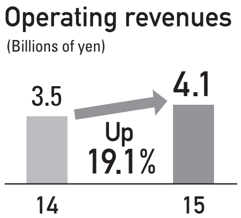
Other Logistics

This category includes all logistics services other than for retail products, housing, and chemicals. Operating revenues for the fiscal year ended March 31, 2015 increased by 3.6% year on year to ¥26.8 billion.



Others

This segment consists of activities other than the operations of logistics and trading & commerce business segments, which include outsourced data processing services, vehicle maintenance and repair, and insurance agency services. Operating revenues for the fiscal year ended March 31, 2015 increased by 19.1% year on year to ¥4.1 billion.



Topics 01

Runtec Joins the Group,

Opening Up the Way for Senko's Full-Scale Entry into the Three-Temperature Zone Logistics Business

Runtec, a Leading Low-Temperature Logistics Company, Joins the Senko Group

Senko welcomed Runtec Corporation, a leading low-temperature (cold and freezer storage) logistics company, as a Group subsidiary on October 2, 2014.

Runtec has one of the largest low-temperature logistics networks in Japan with 31 service centers across the nation, warehouses with a total area of approximately 70,000 square meters, and more than 1,000 vehicles. The company has earned itself one of the most impressive track records in the industry.

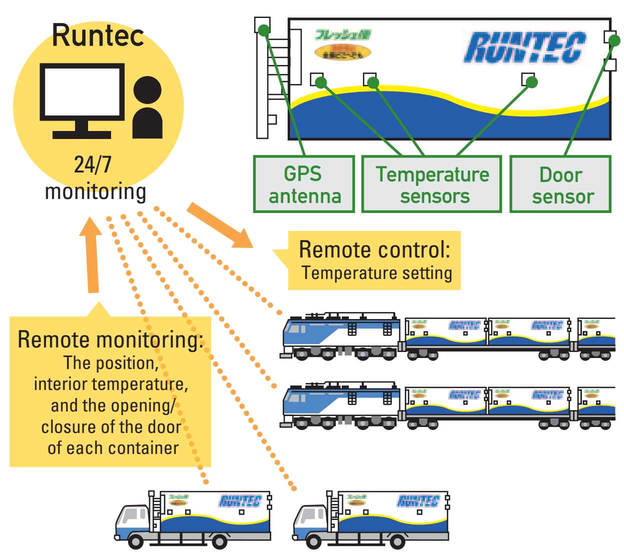
In addition, the Freshness Service—a nationwide, small-lot consolidated cargo transportation service operated 24/7, using the company's extensive network and facilities—is attracting a broad range of customers.

Developing Runtec's Own Freezer Vehicles and Temperature Monitoring Systems

One of the greatest strengths of Runtec is its capability to develop its own freezer vehicles and transportation systems. The company cooperates with auto-makers and freezer makers to develop high-performance freezer vehicles capable of carrying foods and other delicate cargo that require high quality and temperature control.

Runtec is also promoting the modal shift to railroad and sea transportation as part of its efforts to reduce CO_2 emissions. To ensure that optimum temperature is maintained during railroad transportation, the company has developed and operates a temperature monitoring system. The system monitors the interior temperature, position, and opening/closure of the door of each container on a real-time basis around the clock throughout the year. The temperature setting and turning on/off of freezers can also be remotely controlled online.

● Conceptual Diagram of the Temperature Monitoring System



Advancing into the Three-Temperature Zone Logistics Business to Expand Senko's Business Portfolio

Runtec's inclusion in the Senko Group has made it possible for the Group to offer three-temperature zone logistics (cold, freezer and normal temperature storage) in addition to Senko's normal temperature logistics and Runtec's low-temperature logistics.

Senko's current main business is to transport normal-temperature goods to leading supermarkets, DIY centers, drugstores, department stores, volume retailers, and others.

We can now offer to these customers more efficient logistics services that include the transportation of refrigerated and frozen goods.

In addition, we can further expand our customer base by taking advantage of the logistics expertise and facilities of both companies.

(As of March 31, 2015)

Company Name	Runtec Corporation
Established	July 1953
Head Office	Hakata Ward, Fukuoka City, Japan
Number of Business Sites	31
Number of Employees	2,291
Number of Vehicles Owned	1,040 (including containers)
Total Area of Warehouses	Approximately 70,000 m²
Annual Net Sales	Approximately ¥42 billion

Topics 02 Companies Specializing in Sorting and Shipping Agricultural Products Join the Senko Group

In June 2014, the Senko Group welcomed as subsidiaries Sankyo Butsuryu Niyaku Co., Ltd. and Sankyo Logistics Co., Ltd., companies based in Memuro Town, Kasai District, Hokkaido that specialize in logistics services for agricultural products from Hokkaido. The two companies undertake an entire shipment process from washing to sorting, packing, shipping, and transportation of potatoes, Chinese yams, white radishes, and other agricultural products produced in the Tokachi and Obihiro areas.

We intend to integrate the companies' expertise on logistics services for agricultural products to expand our agricultural-related business.

Topics 03 Meeting the Logistics Outsourcing Needs of Companies

In May 2014, we won orders for distribution operations in the Kyushu area from Coca-Cola West Co., Ltd. In October, we also concluded a contract with Iwatani Corporation's distribution affiliate to take over the affiliate's customs clearance business and logistics business for cargo other than gas (since gas logistics is the affiliate's core business).

Many companies have recently begun to outsource their logistics operations to make their operations more efficient and to concentrate resources on their primary business. We will make sure to meet these needs to expand our business.

Topics 04 Moriyama PD Center No. 3 Warehouse Starts Operation

In May 2014, we built and put into operation the No. 3 Warehouse on the premises of the Moriyama PD Center in Moriyama City, Shiga Prefecture. The new warehouse is protected against insects and dust, making it suitable for storage of medical and pharmaceutical products and foods. We began logistics operations for pharmaceutical packaging materials outsourced by a pharmaceutical maker in July 2014, and began those for products of a medical device maker in January 2015.

Topics 05 Kitakanto PD Center Starts Operation

In July 2014, we established and put into operation the Kitakanto PD Center on the premises of the Kitakanto Logistics Center in Ota City, Gunma Prefecture. As the first distribution center with a seismic isolation structure in Gunma Prefecture, the new PD center is expected to appeal to many customers who are eager to boost their business continuity capabilities. We began logistics operations for products of a health care product manufacturer in August 2014.

Topics 06 *Senwamaru*, a Heavy-Oil Vessel, Enters Service

Senwamaru, a vessel used to transport cracked heavy-oil and other industrial materials, entered service in November 2014.

The vessel is equipped with our own ship dynamic positioning system and our patented ship safety management system to ensure efficient and safe operation.

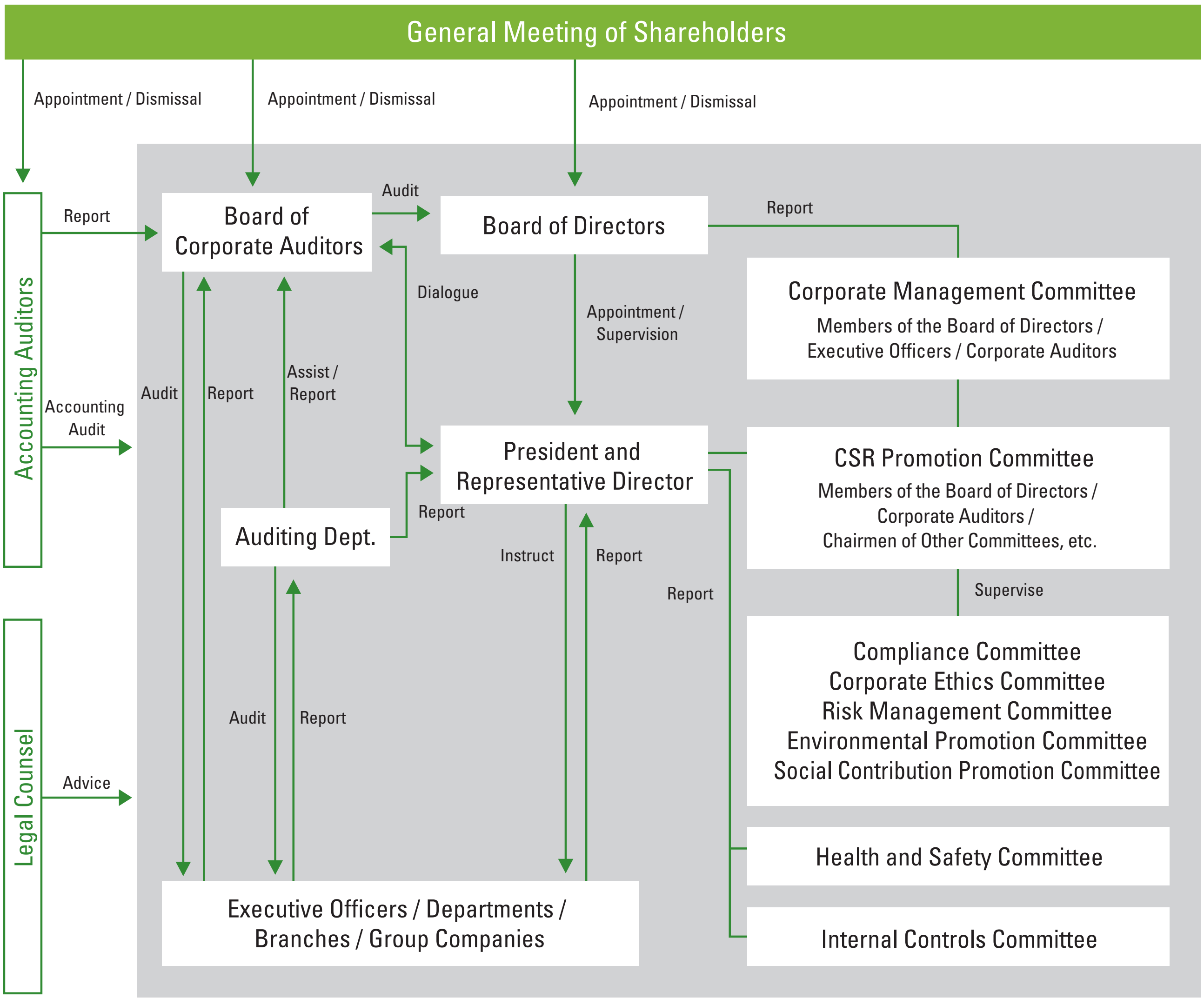
Senwamaru is also the first vessel in the industry that has been built to meet the requirements of the Ship Recycling Convention*, which was adopted to counter social and environmental problems that often take place during dismantling or recycling of end-of-life ships, such as industrial accidents and environmental pollution. The vessel, for which the latest equipment to reduce NOx emissions has also been employed, is thus designed to be socially and environmentally friendly.

* The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009: Under this convention, a list of all hazardous materials used is required to be created for each ship, approved by the relevant competent authorities, and carried by each ship.

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 comply thoroughly 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.



Compliance-Based Management

The Senko Group has established the Senko Standards of Business Conduct, which 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 local society.

To execute proper compliance (legal adherence) and social responsibility, we worked to further minimize risks by creating and disseminating our Risk Manual and by implementing periodic training programs to truck drivers on the safe transport of hazardous materials. We also operate a logistics information back-up center to prepare for major disasters.

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 corporate auditors attend meetings of 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.

Board of Directors, Corporate Auditors, and Executive Officers

President and Representative Director

Yasuhisa Fukuda

Executive Vice President and Representative Director

Masami Fujimori

President and Representative Director	Yasuhisa Fukuda
Executive Vice President and Representative Director	Masami Fujimori
Executive Vice President and Director	Takeyo Teduka
Directors and Senior Managing Executive Officers	Kengo Tanaka Kazuhiro Yamanaka Hiroshi Yoneji
Directors and Managing Executive Officers	Yoshihiro Kawase Yoshiki Kanaga Akira Taniguchi Noburoh Sasaki
Outside Directors	Hiroko Ameno Fumitaka Ojima
Full-Time Corporate Auditors	Takashi Sawada Keiji Matsubara Takanobu Ishioka Keiichiro Yoshimoto

Senior Managing Executive Officers	Kazumasa Murakami Tomoyuki Osako
Managing Executive Officer	Kenichi Shiraki
Executive Officers	Masami Tada Yoshihito Koresawa Yukio Murozaki Kiyoshi Rurigaki Kanji Kawasaki Tatsuhiro Maeda Takeo Ikebe Seiji Kono Noboru Ogoshi Shinichi Murao Takeshi Matsui Masanobu Uenaka Toshihiro Kawai Kouji Fujita Nobuharu Shinohara Tomoji Kanashima Hiroyuki Takamizawa

(As of June 26, 2015)

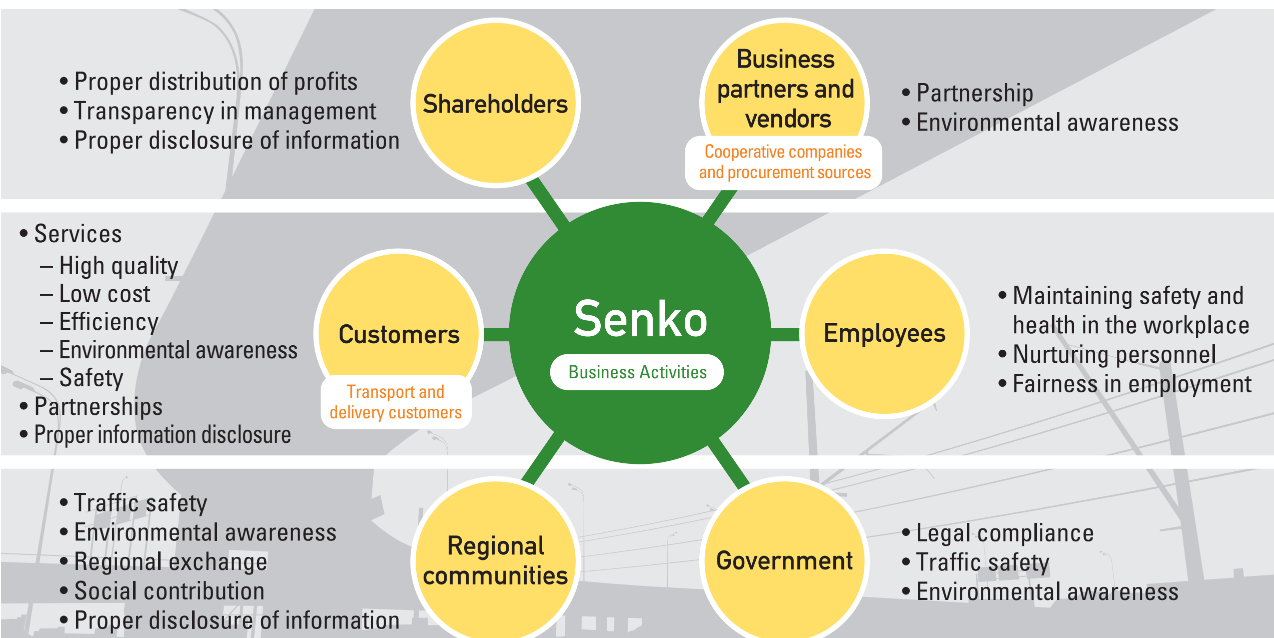
CSR

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 contribute to society through the practice of its core business and fulfill its public responsibilities.

In the Medium-Term Business Plan that began in the fiscal year ended March 31, 2014, 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 both in Japan and overseas. We conduct CSR activities as one way to achieve this goal.

● Stakeholder Relationships in Senko´s Business



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_2 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 to assess every source of risk in our operations.

Health

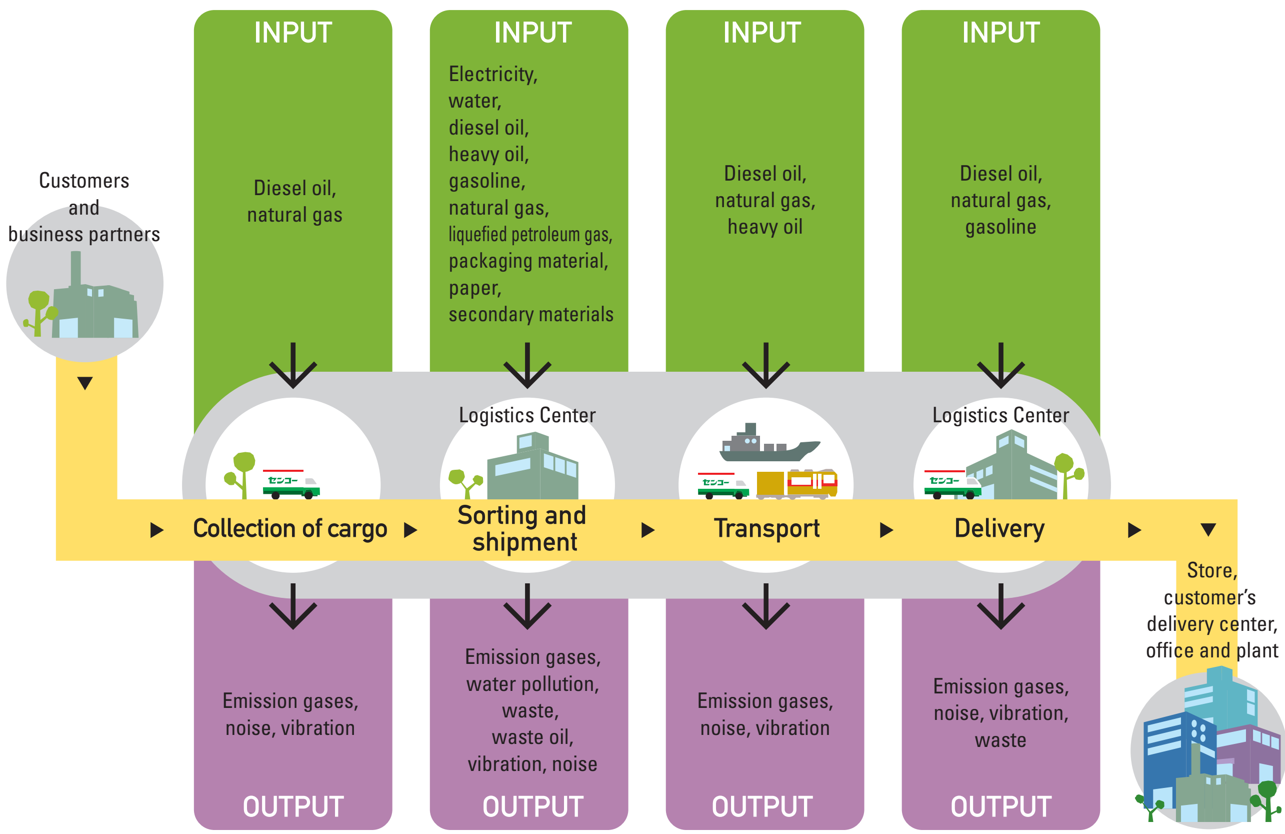
We are committed to maintaining a management framework that reduces risks involving health. We improve workplaces to prevent health problems, encourage individuals to use self-care and other measures to lead a healthy life, maintain a staff of nurses and industrial doctors, and take other actions to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

Measures to Reduce Our Environmental Impact

As an advanced environmental organization, the Senko Group has been implementing activities based on the Phase V Environmental Master Plan from the fiscal year ended March 31, 2014 with the aim of reducing its impact on the environment. Numerical targets had been established for activities to combat 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_2 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.

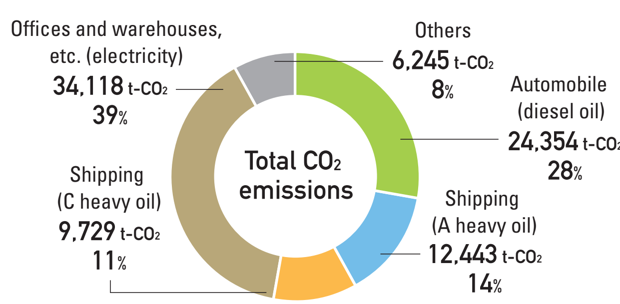


INPUT	
Diesel oil	10,338 kℓ
Heavy oil	7,834 kℓ
Electricity	67,168,558 kWh

OUTPUT	
CO_2 emissions	86,889 t-CO_2

Note: The CO_2 emission coefficients are the revised and publicly announced values as of December 27, 2013, based on the "Order for Enforcement of the Act on Promotion of Global Warming Countermeasures" and the "Ministerial Order Concerning the Calculation of the Greenhouse Gas Emissions in Conjunction with the Business Activities of Specified Emitters."

CO_2 Emissions Composition by Causes



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 to improve 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 to improve 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 are the most important element of safety and that they must manage their health properly.

Activities to Promote Good Health

Activities to Enhance and Maintain Employees' Health

The Senko Group believes that employees' health is the key to the Group's growth. Enhancing and maintaining employees' health is a priority issue of our medium-term business plan, and we implement various measures to address this issue, including the promotion of the Healthy Activity Campaign and the active recruitment of nurses.

Our efforts to enhance and maintain employees' health benefit not just employees but also help to reduce the risk of employees' health problems adversely affecting our business. Maintaining the health of drivers and workers is also directly connected to the safety management required by a logistics company. We will therefore continuously strengthen our efforts in this area.

Major CSR Activity Topics in the Fiscal Year Ended March 31, 2015

Awarded the Best Modal Shift Award

A modal shift toward combined, optimum rail-sea transport is attracting great attention as an environment-friendly solution to logistics that will lead to the reduction of CO_2 emissions. Senko is actively promoting the modal shift and proposing logistics plans for customers that will improve and innovate the way customers distribute their goods.

In March 2015, our efforts toward the modal shift were recognized and awarded with the Prize for the Best Business Entities Working on Modal Shift by the Japan Federation of Freight Industries (currently the Japan Association for Logistics and Transport).

Craftsmanship Competition Championship Held to Help Employees Enhance the Safety and Quality Level of Their Work

In September 2014, the 2014 Craftsmanship Competition Championship was held in which employees competed in skills of driving trucks and operating forklifts as well as in the safety and quality level of their work. This competition, as well as onsite training, is conducted as part of the Senko Group's efforts to ensure that Senko's own safety and quality standards are promoted and observed across the Group. The 2014 competition saw employees from overseas participating for the first time. We will continue improving the safety and quality level of employees' work on a global scale.

Healthy Activity Campaign

The Senko Group started the Healthy Activity Campaign in the fiscal year ended March 31, 2012 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 lifestyle 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 part of the campaign.

Financial Review

Performance

Consolidated operating revenues for the fiscal year ended March 31, 2015 increased by 19.3% year on year to ¥398,448 million. This results reflected efforts to aggressively expand sales as well as the M&A of AST CORPORATION, which became the Company's consolidated subsidiary two fiscal years ago, and Runtec Corporation, which became the Company's consolidated subsidiary in October 2014.

Consolidated operating income grew by 12.6% to ¥13,650 million, while consolidated ordinary income rose by 17.1% to ¥13,234 million. These results were due to positive factors such as a rise in operating revenues, price revision, M&A, and a drop in fuel costs. These factors outweighed cost increases, including a hike in outsourcing costs, as well as negative effects from yen depreciation in the trading & commerce business. Net income increased by 8.8% to ¥7,074 million.

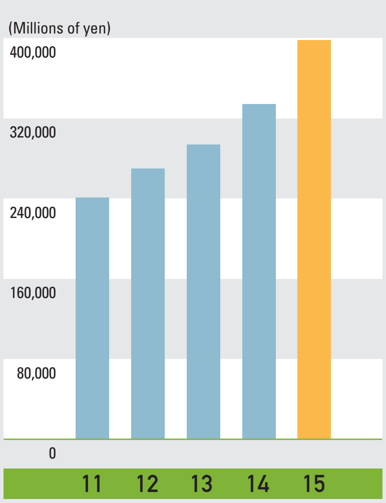
Consolidated Operating Revenues by Segment

Business segment performance for the fiscal year ended March 31, 2015 was as follows:

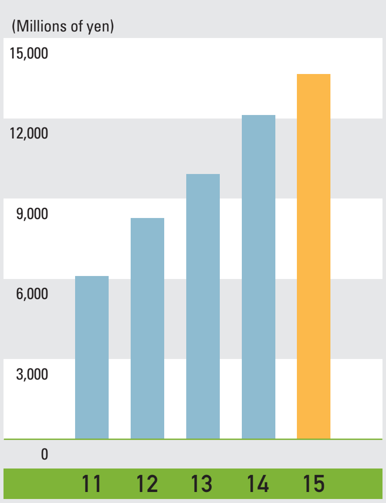
Billions of yen

For the fiscal years ended March 31	2015		2014		Difference	Growth rate (%)
	Operating revenues	Component ratio (%)	Operating revenues	Component ratio (%)		
Distribution	¥ 273.6	68.7	¥ 239.7	71.8	¥ 33.9	14.2
Retail product logistics	135.0	33.9	100.7	30.2	34.3	34.0
Housing logistics	62.5	15.7	65.3	19.5	(2.8)	(4.3)
Chemicals logistics	49.3	12.4	47.8	14.3	1.5	3.3
Other logistics	26.8	6.7	25.9	7.8	0.9	3.6
Trading & commerce	120.7	30.3	90.7	27.2	30.0	33.1
Others	4.1	1.0	3.5	1.0	0.7	19.1
Total	¥ 398.4	100.0	¥ 333.9	100.0	¥ 64.6	19.3

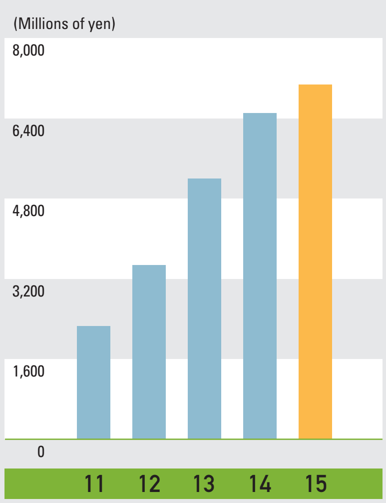
Operating revenues



Operating income



Net income



Distribution

In the retail product logistics business, we benefited from orders for distribution operations from a leading soft drink maker, increased cargo volume for companies in the fashion industry, and the M&A of Sankyo Butsuryu Niyaku Co., Ltd., Sankyo Logistics Co., Ltd. and Runtec Corporation. In the housing logistics business, cargo volumes decreased despite aggressive sales promotion activities due to the effect of the consumption tax rate hike. In the chemicals logistics business, we benefited from orders received in new expanded operations as well as positive effects from large-scale capital expenditure, such as the construction of an asphalt tanker in the previous fiscal year. As a result, operating revenues in the distribution business rose by 14.2% year on year to ¥273,663 million for the fiscal year ended March 31, 2015.

Trading & Commerce

Due primarily to the impact of acquiring AST CORPORATION as a consolidated subsidiary and sales growth in the petroleum marketing business, operating revenues in the trading & commerce business increased by 33.1% year on year to ¥120,686 million for the fiscal year ended March 31, 2015.

Others

In other business, operating revenues expanded by 19.1% year on year to ¥4,099 million, reflecting the growth of outsourced data processing services and commencement of the power trading business through solar power generation in September 2013.

Financial Position

Assets

Total assets at the end of the fiscal year under review were ¥285,310 million, ¥41,740 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥98,248 million, up ¥14,095 million from March 31, 2014. This was due to increases in cash and equivalents of ¥7,809 million, trade accounts and notes receivable of ¥4,845 million, and inventories of ¥608 million.

Noncurrent assets totaled ¥187,062 million, up ¥27,645 million from March 31, 2014. This reflected increases in net property and equipment of ¥21,353 million, goodwill of ¥1,132 million, and investments and other assets of ¥5,203 million.

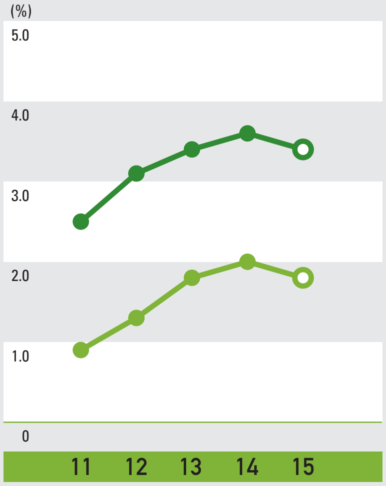
Liabilities

Liabilities rose ¥21,298 million from the end of the previous fiscal year to ¥192,565 million.

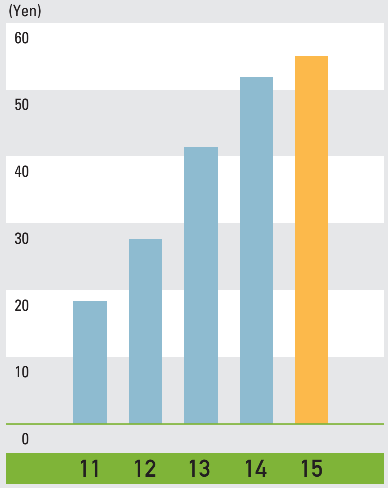
Current liabilities amounted to ¥92,553 million, up ¥13,213 million from March 31, 2014. This was due to increases in trade accounts and notes payable of ¥1,387 million and short-term loans of ¥13,050 million.

Noncurrent liabilities totaled ¥100,012 million, up ¥8,085 million from March 31, 2014. This was due to increases in bonds payable of ¥6,980 million, long-term loans payable of ¥4,372 million, and net defined benefit liabilities of ¥2,576 million, despite a decrease in convertible bond-type bonds with subscription rights to shares of ¥5,162 million.

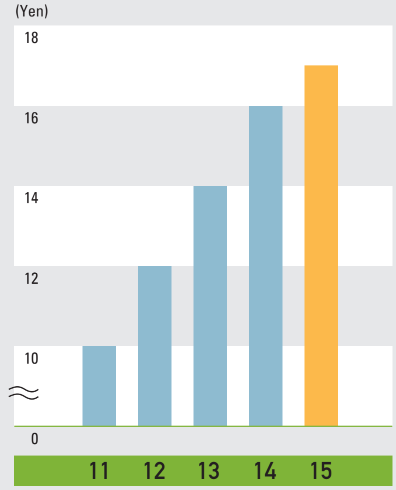
Operating income (-o-)/ net income to operating revenues (-o-)



Net income per share



Cash dividends per share



Net Assets

Net assets expanded by ¥20,442 million from the end of the previous fiscal year to ¥92,743 million. This reflected increases in capital stock and capital surplus of ¥2,578 million each, due to the conversion of convertible bond-type bonds with subscription rights to common shares. Retained earnings, net unrealized holding gains on securities, and minority interests grew by ¥5,612 million, ¥1,081 million, and ¥7,181 million, respectively. The equity ratio increased by 0.6 percentage point from the end of the previous fiscal year to 28.4%.

Capital Expenditures and Depreciation

Capital expenditures in the fiscal year under review decreased ¥9,818 million (40.9%), to ¥14,182 million, compared with the previous fiscal year. The primary reason for the year-on-year decrease was the Company's commencement of operations of large-scale distribution centers in the Kanto, Chubu and Kansai regions in the fiscal year under review, its acquisition of the Tokyo head office building and purchase of rental properties as well as its opening of large-scale distribution centers in the previous fiscal year. In the fiscal year ending March 31, 2016, capital expenditures are expected to decrease ¥357 million (2.5%), to ¥13,825 million. We will continue to upgrade and expand distribution bases in Japan and overseas in the future based on the new Medium-Term Business Plan.

Depreciation increased ¥1,250 million (16.4%), to ¥8,856 million, compared with the previous fiscal year, and is expected to rise ¥843 million (9.5%), to ¥9,699 million, in the fiscal year ending March 31, 2016.

Cash Flows

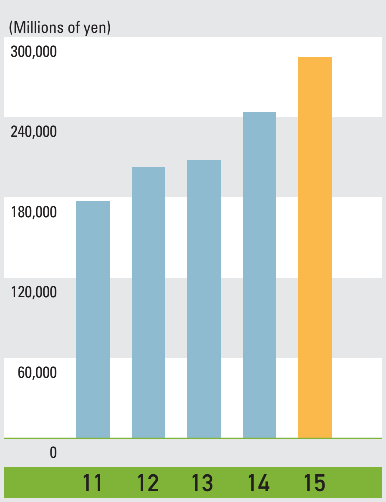
Cash and cash equivalents at the end of the term increased by ¥7,809 million year on year to ¥25,476 million.

Net cash provided by operating activities totaled ¥19,228 million. This was mainly due to income before income taxes and minority interests of ¥13,054 million and depreciation and amortization of ¥8,856 million, despite income taxes paid of ¥4,231 million.

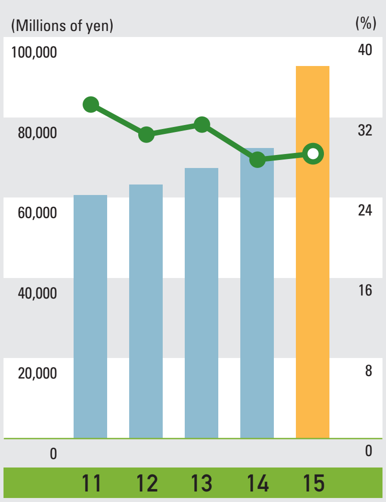
Net cash used in investing activities totaled ¥17,978 million. This was mainly due to purchases of fixed assets of ¥13,031 million, purchase of shares of subsidiaries resulting in a change in the scope of consolidation of ¥3,609 million, and the purchase of shares of non-consolidated subsidiaries of ¥510 million.

Net cash provided by financing activities totaled ¥6,210 million. This was mainly due to an increase in short-term loans payable of ¥13,033 million, proceeds from long-term loans payable of ¥6,800 million, and proceeds from the issuance of bonds of ¥7,000 million. Outflows included repayment of long-term debt of ¥9,404 million, repayments of finance lease obligations totaling ¥2,135 million, redemption of bonds of ¥7,040 million, and cash dividends paid of ¥2,075 million.

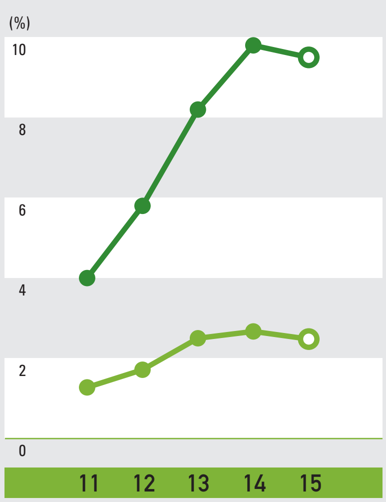
Total assets



Net assets ( ) / Equity ratio ( )



ROE ( ) / ROA ( )



Report of Independent Auditors

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, 2015, 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, 2015, 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 26, 2015

Ohtemae Audit Co.

Ohtemae Audit Corporation

Consolidated Balance Sheets

SENKO Co., Ltd. and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 25,476	¥ 17,667	$ 212,000
Trade accounts and notes receivable–			
Non-consolidated subsidiaries	11	56	92
Others	56,591	51,709	470,925
Less: allowance for doubtful accounts	(43)	(51)	(358)
Inventories	7,113	6,505	59,191
Deferred tax asset (Note 15)	2,516	2,398	20,937
Prepaid expenses and other current assets	6,584	5,869	54,788
Total current assets	98,248	84,153	817,575
Investments in and long-term loans receivable to non-consolidated subsidiaries	4,188	2,840	34,851
Investment securities (Notes 6 and 11)	6,987	4,904	58,143
Property and equipment, at cost (Notes 8 and 11)	257,853	212,139	2,145,735
Less: accumulated depreciation	(108,042)	(83,681)	(899,076)
Net property and equipment	149,811	128,458	1,246,659
Long-term deferred tax assets (Note 15)	2,735	4,235	22,759
Other assets	23,341	18,980	194,233
Total assets	¥ 285,310	¥ 243,570	$ 2,374,220

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Note 9)	¥ 20,540	¥ 7,490	$ 170,925
Current portion of long-term debt (Note 9)	8,716	15,895	72,531
Lease obligations	1,837	1,986	15,287
Trade accounts and notes payable–			
Non-consolidated subsidiaries	68	109	566
Others	37,922	36,494	315,570
Accrued expenses	8,007	7,430	66,630
Accrued income taxes	3,415	2,767	28,418
Other current liabilities (Note 15)	12,048	7,169	100,257
Total current liabilities	92,553	79,340	770,184
Long-term debt, less current portion (Note 9)	80,840	74,650	672,714
Lease obligations	3,419	3,657	28,451
Net defined benefit liabilities (Note 10)	9,382	6,804	78,073
Other long-term liabilities	6,371	6,816	53,016
Contingent liabilities (Note 12)			
Net assets (Note 13):			
Shareholders' equity			
Common stock:			
Authorized–294,999,000 shares			
Issued–141,927,426 shares in 2015 and 128,989,476 shares in 2014	23,099	20,521	192,219
Capital surplus	21,915	19,337	182,367
Retained earnings	36,677	31,065	305,209
Less: Treasury stock, at cost–2,577,118 shares in 2015 and 3,284,287 shares in 2014	(1,183)	(1,533)	(9,844)
Total shareholders' equity	80,508	69,390	669,951
Accumulated other comprehensive income:			
Net unrealized holdings gain on securities	1,820	739	15,145
Loss on deferred hedges	(4)	(9)	(33)
Translation adjustments	544	230	4,527
Remeasurements of defined benefit plans	(1,840)	(2,530)	(15,312)
Total accumulated other comprehensive income:	520	(1,570)	4,327
Stock acquisition rights (Note 14)	289	236	2,405
Minority interests	11,428	4,247	95,099
Total net assets	92,745	72,303	771,782
Total liabilities and net assets	¥ 285,310	¥ 243,570	$ 2,374,220

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Operating revenues	¥ 398,448	¥ 333,884	¥ 293,534	$ 3,315,703
Operating costs and expenses:				
Operating costs of revenues	357,431	299,040	263,898	2,974,378
Selling, general and administrative expenses	27,367	22,722	19,727	227,736
	384,798	321,762	283,625	3,202,114
Operating income	13,650	12,122	9,909	113,589
Other income (expenses):				
Interest and dividend income	303	262	1,129	2,521
Interest expenses	(1,213)	(1,243)	(1,156)	(10,094)
Others, net	314	202	(264)	2,613
	(596)	(779)	(291)	(4,960)
Income before income taxes and minority interests	13,054	11,343	9,618	108,629
Income taxes (Note 15):				
Current	4,466	4,315	3,932	37,164
Deferred	958	335	397	7,972
	5,424	4,650	4,329	45,136
Income before minority interests	7,630	6,693	5,289	63,493
Minority interests in gain of consolidated subsidiaries	(556)	(189)	(86)	(4,626)
Net income	¥ 7,074	¥ 6,504	¥ 5,203	$ 58,867
Per share of common stock			Yen	U.S. dollars
Net income	¥ 55.06	¥ 51.89	¥ 41.45	$ 0.46
Diluted net income	50.41	45.17	37.46	0.42
Cash dividends applicable to the year	17.00	16.00	14.00	0.14

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

SENKO Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Income before minority interests	¥ 7,630	¥ 6,693	¥ 5,289	$ 63,493
Other comprehensive income (Note 4):				
Net unrealized holdings gain on securities	1,258	70	563	10,469
Gain (loss) on deferred hedges	8	(4)	(167)	67
Translation adjustments	257	286	153	2,139
Share of other comprehensive income of an affiliate accounted for using equity method	–	–	(0)	–
Remeasurements of defined benefit plans	652	–	–	5,425
Total other comprehensive income	2,175	352	549	18,100
Comprehensive income	¥ 9,805	¥ 7,045	¥ 5,838	$ 81,593
Total comprehensive income attributable to:				
Owners of the parent	¥ 9,060	¥ 6,743	¥ 5,654	$ 75,393
Minority interests	¥ 745	¥ 302	¥ 184	$ 6,200

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, 2015, 2014 and 2013

	Thousands											Millions of yen
	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	Total net assets
Balance at March 31, 2012	128,989	¥ 20,521	¥ 18,782	¥ 22,901	¥ (1,049)	¥ 157	¥ 157	¥ (45)	¥ –	¥ 149	¥ 1,701	¥ 63,274
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
Balance at March 31, 2013	128,989	¥ 20,521	¥ 18,782	¥ 26,469	¥ (1,353)	¥ 674	¥ (5)	¥ 52	¥ –	¥ 196	¥ 1,992	¥ 67,328
Net income	–	–	–	6,504	–	–	–	–	–	–	–	6,504
Cash dividends	–	–	–	(1,902)	–	–	–	–	–	–	–	(1,902)
Purchases of treasury stock	–	–	560	–	(567)	–	–	–	–	–	–	(7)
Retirement of treasury stock	–	–	(5)	–	387	–	–	–	–	–	–	382
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	–	(6)	–	–	–	–	–	–	–	(6)
Other changes	–	–	–	–	–	65	(4)	178	(2,530)	40	2,255	4
Balance at March 31, 2014	128,989	¥ 20,521	¥ 19,337	¥ 31,065	¥ (1,533)	¥ 739	¥ (9)	¥ 230	¥ (2,530)	¥ 236	¥ 4,247	¥ 72,303
Cumulative effects of changes in accounting policies	–	–	–	530	–	–	–	–	–	–	–	530
Restated balance	128,989	¥ 20,521	¥ 19,337	¥ 31,595	¥ (1,533)	¥ 739	¥ (9)	¥ 230	¥ (2,530)	¥ 236	¥ 4,247	¥ 72,833
Net income	–	–	–	7,074	–	–	–	–	–	–	–	7,074
Conversion of convertible bonds	12,938	2,578	2,578	–	–	–	–	–	–	–	–	5,156
Cash dividends	–	–	–	(2,064)	–	–	–	–	–	–	–	(2,064)
Purchases of treasury stock	–	–	–	–	(10)	–	–	–	–	–	–	(10)
Retirement of treasury stock	–	–	–	–	360	–	–	–	–	–	–	360
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	–	72	–	–	–	–	–	–	–	72
Other changes	–	–	–	–	–	1,081	5	314	690	53	7,181	9,324
Balance at March 31, 2015	141,927	¥ 23,099	¥ 21,915	¥ 36,677	¥ (1,183)	¥ 1,820	¥ (4)	¥ 544	¥ (1,840)	¥ 289	¥ 11,428	¥ 92,745

											Thousand 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
Balance at March 31, 2014	$ 170,766	$ 160,914	$ 258,509	$ (12,757)	$ 6,150	$ (75)	$ 1,914	$ (21,054)	$ 1,964	$ 35,342	$ 601,673
Cumulative effects of changes in accounting policies	–	–	4,410	–	–	–	–	–	–	–	4,410
Restated balance	$ 170,766	$ 160,914	$ 262,919	$ (12,757)	$ 6,150	$ (75)	$ 1,914	$ (21,054)	$ 1,964	$ 35,342	$ 606,083
Net income	–	–	58,867	–	–	–	–	–	–	–	58,867
Conversion of convertible bonds	21,453	21,453	–	–	–	–	–	–	–	–	42,906
Cash dividends	–	–	(17,176)	–	–	–	–	–	–	–	(17,176)
Purchases of treasury stock	–	–	–	(83)	–	–	–	–	–	–	(83)
Retirement of treasury stock	–	–	–	2,996	–	–	–	–	–	–	2,996
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	599	–	–	–	–	–	–	–	599
Other changes	–	–	–	–	8,995	42	2,613	5,742	441	59,757	77,590
Balance at March 31, 2015	$ 192,219	$ 182,367	$ 305,209	$ (9,844)	$ 15,145	$ (33)	$ 4,527	$ (15,312)	$ 2,405	$ 95,099	$ 771,782

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SENKO Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 13,054	¥ 11,343	¥ 9,618	$ 108,629
Adjustments for:				
Depreciation and amortization	8,856	7,606	6,738	73,696
Loss on disposals of property and equipment	192	212	201	1,598
Gain on sales of property and equipment	(26)	(187)	(26)	(216)
Loss on revaluation of investment securities	–	–	77	–
Gain on sales of investment securities	(301)	(550)	–	(2,505)
Decrease in accured retirement benefits	–	(9,301)	(199)	–
Increase (decrease) in net defined benefit liabilities	(639)	6,804	–	(5,317)
Increase (decrease) in accrued bonuses to employees	(14)	84	(7)	(117)
Decrease in provision for loss on disaster	–	–	(44)	–
Interest and dividends income	(303)	(262)	(1,129)	(2,521)
Interest expenses	1,213	1,243	1,156	10,094
Decrease (increase) in trade receivables	773	(2,662)	(1,560)	6,433
Increase in inventories	(534)	(295)	(338)	(4,444)
Increase (decrease) in trade payables	(1,365)	1,924	526	(11,359)
Other	3,577	(185)	729	29,766
Subtotal	24,483	15,774	15,742	203,737
Interest and dividends income received	214	174	216	1,780
Interest expenses paid	(1,238)	(1,245)	(1,148)	(10,302)
Income tax paid	(4,231)	(4,014)	(3,773)	(35,208)
Net cash provided by operating activities	19,228	10,689	11,037	160,007
Cash flows from investing activities:				
Payments for purchases of fixed assets	(13,031)	(23,608)	(6,014)	(108,438)
Proceeds from sales of fixed assets	431	564	191	3,587
Payments for purchases of investment securities	(77)	(43)	(42)	(641)
Proceeds from sales of investment securities	126	1,026	111	1,048
Payments for purchases of non-consolidated subsidiaries	(510)	(160)	(254)	(4,244)
Proceeds from sales of subsidiaries	9	12	25	75
Payments for purchase of shares of newly consolidated subsidiaries	(3,609)	(2,365)	–	(30,032)
Proceeds from purchase of shares of newly consolidated subsidiary	–	–	24	–
Other	(1,318)	(382)	(277)	(10,968)
Net cash used in investing activities	(17,979)	(24,956)	(6,236)	(149,613)
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net	13,033	850	(2,626)	108,455
Proceeds from long-term debt	6,800	20,520	8,870	56,586
Repayment of long-term debt	(9,404)	(9,549)	(4,378)	(78,256)
Proceeds from issuance of convertible bond	7,000	7,035	5,000	58,251
Payments for redemption of bond	(7,040)	(20)	–	(58,584)
Payments for redemption of convertible bond	–	–	(4,900)	–
Repayments of finance lease obligations	(2,135)	(2,439)	(2,282)	(17,766)
Purchases of treasury stock	(10)	(7)	(310)	(83)
Sales of treasury stock	360	360	0	2,996
Dividends paid	(2,075)	(1,898)	(1,635)	(17,267)
Other	(319)	(301)	(290)	(2,655)
Net cash provided by (used in) financing activities	6,210	14,551	(2,551)	51,677
Effect of exchange rate changes on cash and cash equivalents	124	100	54	1,031
Net increase in cash and cash equivalents	7,583	384	2,304	63,102
Cash and cash equivalents at beginning of year	17,667	15,691	13,354	147,017
Net increase in cash and cash equivalents of newly consolidated subsidiaries	226	1,592	33	1,881
Cash and cash equivalents at end of year	¥ 25,476	¥ 17,667	¥ 15,691	$ 212,000

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

SENKO Co., Ltd. and Consolidated Subsidiaries

01 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, 2015, which was ¥120.17 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.

02 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 moving-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 51 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)

(Transaction of Delivering the Company's Own Stock to Employees, etc., through Trusts)
The Company engages in transactions to deliver its own stock to the Senko Group Employees' Stockholding (hereinafter, the "Employees' Stock Holding") through the Employee Stock Ownership Plan (ESOP) Trusts (hereinafter, "ESOP Trusts") with the aim of enhancing the welfare program for employees.

(1) Outline of the transaction

Under the ESOP Trusts plan, the ESOP Trusts, which are set up to deliver the Company's own stock to the Employees' Stock Holding, will make a lump purchase of the Company's own stock, which the Employees' Stockholding is expected to acquire over a period of four years and six months, and transfer a certain quantity to the Employees' 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.

(2) The Company's own stock remaining in the trusts

The Company's own stock remaining in the ESOP Trusts is posted as treasury stock under net assets at a book value recorded in the ESOP Trusts (excluding ancillary expenses). The amount and book value of the applicable treasury stock is 2,680,000 shares valued at ¥888 million ($7,389 thousand) for the previous consolidated fiscal year and 1,954,000 shares valued at ¥648 million ($5,392 thousand) for the current consolidated fiscal year.

(3) Book value of borrowings posted due to application of the gross method

Previous consolidated fiscal year: ¥1,502 million ($12,499 thousand)
Current consolidated fiscal year: ¥1,126 million ($9,370 thousand)

03 Changes in Accounting Policies

(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 March 26, 2015; hereinafter, "Retirement Benefits Guidance") have been applied with regard to the rules provided in paragraph 35 of the Retirement Benefits Accounting Standard and in paragraph 67 of the Retirement Benefits Guidance. The Companies reviewed the calculation methods for retirement benefit obligations and service costs, and changed the method of attribution over all periods to periods of service based on the benefit formula on a straight-line basis, as well as the method of determining the discount rate from the use of a single discount rate to the use of a single weighted average discount rate that reflects the estimated payment period of retirement benefits and the amount for that period.

In accordance with transitional accounting as provided in paragraph 37 of the Retirement Benefits Accounting Standard, the effects of the changes in calculation methods for retirement benefit obligations and service costs have been reflected in retained earnings as of the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit liabilities decreased by ¥823 million ($6,849 thousand) and retained earnings increased by ¥530 million ($4,410 thousand) as of the beginning of the fiscal year ended March 31, 2015. The impact of the above changes on profit and loss for the consolidated fiscal year under review is immaterial.

The effect of the above changes on per share information for the consolidated fiscal year ended March 31, 2015 is also immaterial.

(Application of the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)

Effective from the current consolidated fiscal year, the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (ASBJ Practical Issues Task Force No. 30, issued on March 26, 2015) has been applied. When the Company delivers treasury stock to the trust, the Company recognizes the disposal balance. Profit or loss related to the sale of shares by the trust to the employee stock ownership plan, dividends paid by the Company on shares held by the trust, and net charges related to the trust are included by the Company as liabilities. This change in accounting policy was applied retrospectively to past fiscal years, and the results are included in the relevant financial statements.

Consequently, compared with figures before this retroactive application, as of the end of the previous fiscal year, advances paid and deposits received each decreased by ¥23 million ($191 thousand), treasury stock decreased by ¥440 million ($3,661 thousand), and capital surplus increased by ¥440 million ($3,661 thousand).

And net income per share and diluted net income per share for the end of the previous fiscal year increased by ¥1.06 and ¥0.80, respectively.

04 Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31,2015, 2014 and 2013 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Net unrealized holdings gain on securities:				
Amount recognized in the period under review	¥ 2,090	¥ 646	¥ 795	$ 17,392
Amount of recycling	(306)	(541)	77	(2,546)
Before income tax effect adjustments	1,784	105	872	14,846
Amount of income tax effect	(526)	(35)	(309)	(4,377)
Net unrealized holdings gain on securities	1,258	70	563	10,469
Gain (loss) on deferred hedges:				
Amount recognized in the period under review	13	(6)	(269)	109
Before income tax effect adjustments	13	(6)	(269)	109
Amount of income tax effect	(5)	2	102	(42)
Gain (loss) on deferred hedges	8	(4)	(167)	67
Translation adjustments:				
Amount recognized in the period under review	257	286	153	2,139
Remeasurements of defined benefit plans:				
Amount recognized in the period under review	1,666	–	–	13,864
Amount of recycling	(555)	–	–	(4,619)
Before income tax effect adjustments	1,111	–	–	9,245
Amount of income tax effect	(459)	–	–	(3,820)
Remeasurements of defined benefit plans	652	–	–	5,425
Share of other comprehensive income of an affiliate:				
Amount recognized in the period under review	–		(0)	–
Total other comprehensive income	¥ 2,175	¥ 352	¥ 549	$ 18,100

05 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 issuancee 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

2015	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 25,684	¥ 25,684	¥ –
(2) Trade accounts and notes receivable	56,602	56,602	–
(3) Investment securities	6,543	6,543	–
(4) Long-term loans receivable (including current portion)	5,106		
Less allowance for doubtful accounts (*1)	(270)		
	4,836	5,373	537
Total assets	¥ 93,665	¥ 94,202	¥ 537
(1) Trade accounts and notes payable	¥ 37,990	¥ 37,990	¥ –
(2) Short-term loans	20,540	20,540	–
(3) Bond	12,020	11,816	(204)
(4) Convertible bond	6,868	6,658	(210)
(5) Long-term debt (including current portion)	70,667	71,238	571
(6) Lease obligations (including current portion)	5,255	5,026	(229)
Total liabilities	¥ 153,340	¥ 153,268	¥ (72)
Derivatives (*2)	¥ (4)	¥ (4)	¥ –

Millions of yen

2014	Book value	Market value	Difference
(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
Total assets	¥ 77,937	¥ 78,450	¥ 513
(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)
Total liabilities	¥ 140,281	¥ 140,320	¥ 39
Derivatives (*2)	¥ (9)	¥ (9)	¥ –

Thousands of U.S. dollars

2015	Book value	Market value	Difference
(1) Cash and cash equivalents	$ 213,731	$ 213,731	$ –
(2) Trade accounts and notes receivable	471,017	471,017	–
(3) Investment securities	54,447	54,447	–
(4) Long-term loans receivable (including current portion)	42,490		
Less allowance for doubtful accounts (*1)	(2,247)		
	40,243	44,711	4,468
Total assets	$ 779,438	$ 783,906	$ 4,468
(1) Trade accounts and notes payable	$ 316,136	$ 316,136	$ –
(2) Short-term loans	170,925	170,925	–
(3) Bond	100,025	98,327	(1,698)
(4) Convertible bond	57,152	55,405	(1,747)
(5) Long-term debt (including current portion)	588,059	592,810	4,751
(6) Lease obligations (including current portion)	43,730	41,824	(1,906)
Total liabilities	$ 1,276,027	$ 1,275,427	$ (600)
Derivatives (*2)	$ (33)	$ (33)	$ –

*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 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Unlisted shares	¥ 1,824	¥ 1,373	$ 15,178

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

2015	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	¥ 25,684	¥ –	¥ –	¥ –
Trade accounts and notes receivable	56,602	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	10	–	–
(2) Bond	–	–	–	–
(3) Other	–	–	–	–
Long-term loans receivable	333	2,427	1,744	602
Total	¥ 82,619	¥ 2,437	¥ 1,744	¥ 602

Millions of yen

2014	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
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

Thousands of U.S.dollars

2015	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	$ 213,731	$ –	$ –	$ –
Trade accounts and notes receivable	471,017	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	83	–	–
(2) Bond	–	–	–	–
(3) Other	–	–	–	–
Long-term loans receivable	2,771	20,196	14,513	5,010
Total	$ 687,519	$ 20,279	$ 14,513	$ 5,010

06 Investment Securities

The carrying amounts of investment securities at March 31, 2015 and 2014, consisted of the following:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Marketable securities	¥ 6,543	¥ 4,403	$ 54,447
Non-marketable securities	444	501	3,696
	¥ 6,987	¥ 4,904	$ 58,143

The following is a summary of marketable securities included in investment securities, at March 31, 2015 and 2014.

Millions of yen

2015	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 3,238	¥ 3,123	¥ (14)	¥ 6,347
Bond and Others	187	10	(1)	196
	¥ 3,425	¥ 3,133	¥ (15)	¥ 6,543

Millions of yen

2014	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 2,924	¥ 1,377	¥ (59)	¥ 4,242
Bond and Others	153	8	–	161
	¥ 3,077	¥ 1,385	¥ (59)	¥ 4,403

Thousands of U.S.dollars

2015	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	$ 26,945	$ 25,988	$ (117)	$ 52,816
Bond and Others	1,556	83	(8)	1,631
	$ 28,501	$ 26,071	$ (125)	$ 54,447

The proceeds from sales of , and gross realized gain and loss on , other securities for the years at March 31,2015 and 2014 are summarized as follows.

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Proceeds from sales	¥ 485	¥ 1,024	$ 4,036
Gross realized gain	306	550	2,546
Gross realized loss	–	–	–

07 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

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2015		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Sell				
	U.S. dollars	Trade accounts receivable	¥ 7	¥ –	¥ (1)
	Buy				
	U.S. dollars	Trade accounts payable	¥ 1,945	–	¥ 60
	Euros	Trade accounts payable	1,102	–	(51)
	Danish kroner	Trade accounts payable	11	–	(1)
	Chinese yen	Trade accounts payable	29	–	(0)
	Singapore dollar	Trade accounts payable	0	–	0
	Total		¥ 3,094	¥ –	¥ 7

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2014		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Sell				
	U.S. dollars	Trade accounts receivable	¥ 2	¥ –	¥ 0
	Buy				
	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		¥ 3,758	¥ –	¥ (4)

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2015		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Sell				
	U.S. dollars	Trade accounts receivable	$ 58	$ –	$ (8)
	Buy				
	U.S. dollars	Trade accounts payable	$ 16,185	–	$ 499
	Euros	Trade accounts payable	9,170	–	(425)
	Danish kroner	Trade accounts payable	92	–	(8)
	Chinese yen	Trade accounts payable	241		(0)
	Singapore dollar	Trade accounts payable	0	–	0
	Total		$ 25,746	$ –	$ 58

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

(2) Interest rate swap

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2015		
			Contract amounts	Over 1 year out of contract amounts	Market value
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	¥ 38,257	¥ 34,050	¥ – (*)

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2014		
			Contract amounts	Over 1 year out of contract amounts	Market value
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	¥ 40,715	¥ 35,257	¥ – (*)

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2015		
			Contract amounts	Over 1 year out of contract amounts	Market value
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	$ 318,357	$ 283,349	$ – (*)

* 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.

08 Property and Equipment

At March31,2015 and 2014,property and equipment at cost consisted of the following:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Land	¥ 66,230	¥ 56,093	$ 551,136
Buildings and structures	141,085	118,145	1,174,045
Machinery and equipment, vehicle and vessels	34,049	22,382	283,340
Tools, furniture and fixtures	6,055	5,364	50,387
Construction in Progress	3,028	1,646	25,198
Lease assets	7,406	8,509	61,629
	¥ 257,853	¥ 212,139	$ 2,145,735

09 Short-term Loans and Long-term Debt

At March31, 2015 and 2014, short-term loans consisted of the following:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
0.31% to 1.47% unsecured loans from banks	¥ 20,540	¥ 7,490	$ 170,925

At March 31, 2015 and 2014, long-term debt consisted of the following:-

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
1.31% bond due 2014	¥ –	¥ 7,000	$ –
0.60% bond due 2015	–	20	–
0.60% bond due 2016	20	40	166
0.80% bond due 2016	5,000	5,000	41,608
0.50% bond due 2021	7,000	–	58,251
Convertible bond due 2017	–	5,000	–
Convertible bond due 2018	6,869	7,031	57,161
0.20% to 4.50% loans from banks and insurance companies:			
Unsecured	70,667	66,454	588,059
	89,556	90,545	745,245
Less current portion	(8,716)	(15,895)	(72,531)
	¥ 80,840	¥ 74,650	$ 672,714

On July 20, 2012, the Company issued ¥5,000 million ($41,608 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 ($3.28) per share.

On October 15, 2013, the Company issued ¥7,000 million ($58,251 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 ($5.21) per share.

The annual maturities of long-term debt at March 31, 2015 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 8,716	$ 72,531
2017	16,751	139,394
2018	16,919	140,792
2019	15,085	125,531
2020	5,002	41,625
There after	27,083	225,372

At March 31,2015, the Company has committed line and overdraft contracts with twenty one banks aggregating ¥37,250 million ($309,978 thousand).

Of the total credit limit, ¥17,630 million ($146,709 thousand) was used as the above short-term and long-term borrowing, and the rest ¥19,620 million ($163,269 thousand) was unused.

10 Retirement Benefits

(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
	2015	2014	2015
Benefits obligation at the beginning of the year	¥ 22,889	¥ 27,087	$ 190,472
Cumulative effects of changes in accounting policies	(823)	–	(6,849)
Restated balance	22,066	27,087	183,623
Service cost	929	1,066	7,731
Interest cost	311	238	2,588
Accrued actuarial differences	874	(286)	7,273
Retirement benefits paid	(918)	(1,707)	(7,639)
Reversal due to the transfer to the defined contribution plan	–	(3,542)	–
Others	4,319	32	35,941
Benefits obligation at the end of the year	¥ 27,581	¥ 22,888	$ 229,517

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
	2015	2014	2015
Fair value of plan assets at the beginning of the year	¥ 16,084	¥ 14,552	$ 133,844
Expected return on plan assets	483	436	4,019
Accrued actuarial differences	2,609	850	21,711
Contribution by employers	1,033	1,046	8,596
Retirement benefits paid	–	(800)	–
Fair value of plan assets at the end of the year	¥ 20,209	¥ 16,084	$ 168,170

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
	2015	2014	2015
Benefits obligation under the funded benefit plan	¥ 22,653	¥ 21,297	$ 188,508
Fair value of plan assets	(20,209)	(16,084)	(168,170)
	2,444	5,213	20,338
Benefits obligation under the unfunded benefit plan	4,928	1,591	41,009
Net amounts of assets and liabilities on the consolidated balance sheets	7,372	6,804	61,347
Net defined benefit assets	2,010	–	16,726
Net defined benefit liabilities	9,382	6,804	78,073
Net amounts of assets and liabilities on the consolidated balance sheets	¥ 7,372	¥ 6,804	$ 61,347

d. Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 929	¥ 1,066	$ 7,731
Interest cost	311	238	2,588
Expected return on plan assets	(483)	(436)	(4,019)
Recognized actuarial differences	556	1,054	4,627
Retirement benefit costs for the defined benefit plan	¥ 1,313	¥ 1,922	$ 10,927
Gain associated with transfer to the defined contribution plan (*)	–	(239)	–

* Gain posted as extraordinary income

e. Remeasurements of defined benefit plans (Other Comprehensive Income)
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
	2015	2014	2015
Recognized actuarial differences	¥ (1,112)	¥ –	$ (9,254)
Total	(1,112)	–	(9,254)

f. Remeasurements of defined benefit plans (Accumluated Other Comprehensive Income)
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
	2015	2014	2015
Unrecognized actuarial differences	¥ (2,817)	¥ (3,928)	$ (23,442)
Total	(2,817)	(3,928)	(23,442)

g. Items concerning plan assets

(i) Main items of plan assets

	2015	2014
Bonds	23%	29%
Stocks	62%	60%
Others	15%	11%
Total	100%	100%

(Note) 36% and 40% of total pension assets are in a "Retirements Benefit Trust" for the defined benefit pension plans as of March 31, 2015 and 2014,respectively.

(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.

h. Items concerning the essential basis for actuarial calculation

	2015	2014
Discount rate		
Defined benefit pension plans	1.64%	1.00%
Retirements lump-sum plans	1.07%	1.00%
Expected rate of return on plan assets	3.00%	3.00%

(2) Defined benefit plan

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Contributions to defind contribution plan by the Company and its consolidated subsidiaries	¥ 503	¥ 427	$ 4,186

11 Pledged Assets

The following assets were pledged as collateral as at March 31, 2015 and 2014.

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Land	¥ 8,058	¥ 2,225	$ 67,055
Buildings	3,500	350	29,125
Vehicles	0	0	0
Investment securities	22	10	183
	¥ 11,580	¥ 2,585	$ 96,363

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

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Long-term debt, including current portion	¥ 5,845	¥ 100	$ 48,639

12 Contingent Liabilities

At March 31, 2015 and 2014, contingent liabilities were as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Guarantees of some obligations	¥ 300	¥ 352	$ 2,496
Buyback obligations associated with securitization of receivables	363	440	3,021
Recourse obligation associated with securitization of guarantee deposits	140	139	1,165
Trade notes endorsed	69	54	574
	¥ 872	¥ 985	$ 7,256

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, 2015, included the Company's legal reserve of ¥1,506 million ($12,532 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, 2015 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 2, 2013-June 30, 2033
2013 Stock options (16th)	18 operating officers 26 assistant directors	82,000 shares	July 1, 2013	¥1	Common stock	July 2, 2013-June 30, 2043
2014 Stock options (18th)	12 directors 4 auditors	56,000 shares	July 1, 2014	¥1	Common stock	July 2, 2014-June 30, 2034
2014 Stock options (19th)	18 operating officers 32 assistant directors	74,000 shares	July 1, 2014	¥1	Common stock	July 2, 2014-June 30, 2044

(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, 2015. The number of stock options is translated into the number of shares.

Stock option	Share subscription rights which have already been vested (shares):					Share subscription rights which are not yet vested (shares):				
	At March 31, 2014	Vested	Exercised	Forfeited	At March 31, 2015	At March 31, 2014	Granted	Forfeited	Vested	At March 31, 2015
2007 Stock options (1st)	–	–	–	–	–	42,000	–	–	–	42,000
2007 Stock options (2nd)	–	–	–	–	–	10,000	–	–	–	10,000
2008 Stock options (4th)	–	–	–	–	–	49,000	–	–	–	49,000
2008 Stock options (5th)	–	–	–	–	–	15,000	–	–	–	15,000
2009 Stock options (6th)	–	–	–	–	–	60,000	–	–	–	60,000
2009 Stock options (7th)	–	–	–	–	–	25,000	–	–	–	25,000
2010 Stock options (8th)	–	–	–	–	–	71,000	–	–	–	71,000
2010 Stock options (9th)	–	–	–	–	–	41,000	–	–	–	41,000
2011 Stock options (10th)	–	–	–	–	–	88,000	–	–	–	88,000
2011 Stock options (11th)	–	–	–	–	–	93,000	–	–	–	93,000
2012 Stock options (12th)	–	–	–	–	–	92,000	–	–	–	92,000
2012 Stock options (13th)	–	–	–	–	–	92,000	–	–	–	92,000
2013 Stock options (15th)	–	–	–	–	–	71,000	–	–	–	71,000
2013 Stock options (16th)	–	–	–	–	–	82,000	–	–	–	82,000
2014 Stock options (18th)	–	56,000	–	56,000	–	–	56,000	–	–	56,000
2014 Stock options (19th)	–	74,000	–	74,000	–	–	74,000	–	–	74,000

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 35.6 % for the years ended March 31, 2015 and 38.0 % for the years ended March 31, 2014.

(1) Significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liabilities	¥ 4,338	¥ 4,812	$ 36,099
Accrued bonuses to employees	1,515	1,451	12,607
Loss carry forward	659	766	5,484
Impairment losses	281	311	2,338
Loss on revaluation of land	277	311	2,305
Accrued enterprise tax	270	216	2,247
Social insurance premium	195	205	1,623
Asset retirement obligations	158	127	1,315
Loss on revaluation of golf club membership	121	88	1,007
Other	1,290	1,200	10,734
Gross deferred tax assets	9,104	9,487	75,759
Less: valuation allowance	(1,425)	(1,393)	(11,858)
Total deferred tax assets	7,679	8,094	63,901
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(983)	(852)	(8,180)
Asset retirement obligations	(38)	(47)	(316)
Net unrealized holdings gain on other securities	(1,066)	(480)	(8,871)
Other	(865)	(405)	(7,198)
Gross deferred tax liabilities	(2,952)	(1,784)	(24,565)
Net deferred tax assets	¥ 4,727	¥ 6,310	$ 39,336

(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, 2015 and 2014 were as follows:

	2015	2014
Statutory tax rate	35.6%	38.0%
Adjustment:		
Non-deductible expenses	1.4	1.5
Inhabitants' per capita taxes	1.8	1.9
Non-taxable dividends income	(0.1)	(0.3)
Adjustments of deferred tax assets due to the change in statutory effective tax rates	3.5	1.3
Special deduction of income taxes	(0.2)	(1.4)
Other	0.0	0.0
Income tax rate as a percentage of income before income taxes and minority interests	41.9%	41.0%

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

Following promulgation of the Act for Partial Amendment of the Income Tax Act (Act No. 9 of 2015) and the Act for Partial Amendment of the Local Tax Act (Act No. 2 of 2015) on March 31, 2015, the corporate tax rate, etc., will be reduced effective from the consolidated fiscal period starting on April 1, 2015. Consequently, the statutory effective tax rate used to calculate deferred tax assets and liabilities for this consolidated fiscal period was changed from 35.6% in the previous consolidated fiscal period to 33.0%, for the temporary difference that is expected to be settled in the consolidated fiscal period starting on April 1, 2015; and to 32.2%, for the temporary difference that is expected to be settled in the consolidated fiscal period starting on April 1, 2016.

Accordingly, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥436 million ($3,628 thousand), while deferred income taxes and net unrealized holdings gain on securities increased by ¥443 million ($3,686 thousand) and ¥102 million ($849 thousand) and remeasurements of defined benefit plans decreased by ¥95 million ($791 thousand), respectively.

16 Business Combination Related

(1) Outline of the business combination

a. Name of the acquired company and its business

Name of the acquired company

Runtec Corporation (hereinafter, "Runtec") and Kouki Corporation (hereinafter, "Kouki")

Businesses

Temperature controlled transportation of frozen food, chilled food, fresh food products, etc., warehousing business, automobile maintenance business, 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, the Company 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.

At the same time, Runtec engages in the comprehensive logistics business, including refrigerated warehousing, etc., with temperature-controlled transportation as its mainstay operation.

With more than 1,000 units of cold storage trucks (including JR freezer storage containers) and cold and freezer warehouse bases covering the Kyushu, Kansai, Kanto and Tohoku regions, Runtec has established a nationwide network in collaboration with its partner companies.

The Company decided to form a capital alliance with Runtec and acquire its stock based on the judgment that both firms would be able to further cultivate new customers while complementing customer needs on a mutual basis by combining the Company's expertise in normal temperature logistics services for mass merchandisers and retailers with Runtec's expertise in controlled temperature logistics.

c. Date of business combination

October 2, 2014

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

29.8%

On the same day as the date of executing the stock transfer, the Company acquired a 100% stake in Kouki, a non-life insurance agency that held a 17.9% stake in Runtec at the time. As a result, the percentage share of voting rights including indirect shareholdings is now 47.7%.

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 October 2, 2014 to March 31, 2015

(3) Acquisition cost of the acquired company and breakdown

		Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	Cash (Runtec)	¥ 4,145	$ 34,493
	Cash (Kouki)	2,344	$ 19,506
Expenses directly required for acquisition	Advisory fees, other	14	116
Acquisition cost		¥ 6,503	$ 54,115

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization period
a. Amount of goodwill
¥830 million ($6,907 thousand)

b. Reason for recognizing goodwill
Goodwill is attributable mainly to the excess earnings power expected from Runtec's temperature controlled transportation of frozen food, chilled food, fresh food products, etc., warehousing business and automobile maintenance business.

c. Method and period of amortization of goodwill
Straight-line method over 20 years.

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 9,242	$ 76,908
Non-current assets	20,409	169,834
Total assets	¥ 29,651	$ 246,742
Current liabilities	¥ 5,809	$ 48,340
Long-term liabilities	9,466	78,772
Total liabilities	¥ 15,275	$ 127,112

(6) Estimated amount and the calculation method of the impact on the consolidated statements of income for the year ended March 31, 2015, 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	¥ 42,455	$ 353,291
Operating income	2,808	23,367
Ordinary income	2,923	24,324
Income before income taxes	2,965	24,673
Net income	906	7,539
	yen	U.S. dollars
Net income per share	¥ 7.05	$ 0.06

(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, 2014 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 Businesses
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
	2015	2014	2015
Balance at the beginning of the term	¥ 440	¥ 324	$ 3,661
Increase due to acquisition of a consolidated subsidiary	126	–	1,049
Increase due to acquisition of fixed assets	–	42	–
Reconciliation associated with the passage of time	9	8	75
Others	–	66	–
Balance at the end of the term	¥ 575	¥ 440	$ 4,785

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 outsousing 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

	2015					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 273,663	¥ 120,686	¥ 4,099	¥ 398,448	¥ –	¥ 398,448
Intersegment	1,463	11,309	3,411	16,183	(16,183)	–
Total operating revenues	275,126	131,995	7,510	414,631	(16,183)	398,448
Segment income (loss)	11,215	2,030	664	13,909	(259)	13,650
Segment assets	229,204	38,110	10,428	277,742	7,568	285,310
Other items						
Depreciation	7,620	267	274	8,161	695	8,856
Increase in tangible and intangible fixed assets	11,394	343	262	11,999	4,395	16,394

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	192,529	38,249	5,496	236,274	7,296	243,570
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

Thousands of U.S. dollars

	2015					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	$ 2,277,299	$ 1,004,294	$ 34,110	$ 3,315,703	$ –	$ 3,315,703
Intersegment	12,174	94,108	28,385	134,667	(134,667)	–
Total operating revenues	2,289,473	1,098,402	62,495	3,450,370	(134,667)	3,315,703
Segment income (loss)	93,326	16,893	5,526	115,745	(2,156)	113,589
Segment assets	1,907,332	317,134	86,777	2,311,243	62,977	2,374,220
Other items						
Depreciation	63,410	2,223	2,280	67,913	5,783	73,696
Increase in tangible and intangible fixed assets	94,816	2,854	2,180	99,850	36,573	136,423

(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)

(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

	2015				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 117	¥ 154	¥ 2	¥ –	¥ 273
Balance at the end of period	1,867	2,349	95	–	4,311

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

Thousands of U.S. dollars

	2015				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	$ 974	$ 1,282	$ 17	$ –	$ 2,273
Balance at the end of period	15,536	19,547	791	–	35,874

(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 26, 2015

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 1,272	$ 10,585

Corporate/Stock Information

Corporate Data (As of March 31, 2015)

Date of Establishment	July 1946
Paid-in Capital	¥23,098,633,751
Head Office	Umeda Sky Bldg, Tower West, 1-30, Oyodonaka 1-chome, Kita-ku, Osaka 531-6115, Japan
Fiscal Year End	March 31
Number of Domestic Offices	451
Number of Overseas Offices	34
Number of Vehicles	4,530
Number of Vessels	11
Total Warehouse Space	2,809,000 m^2
Number of Employees	12,455

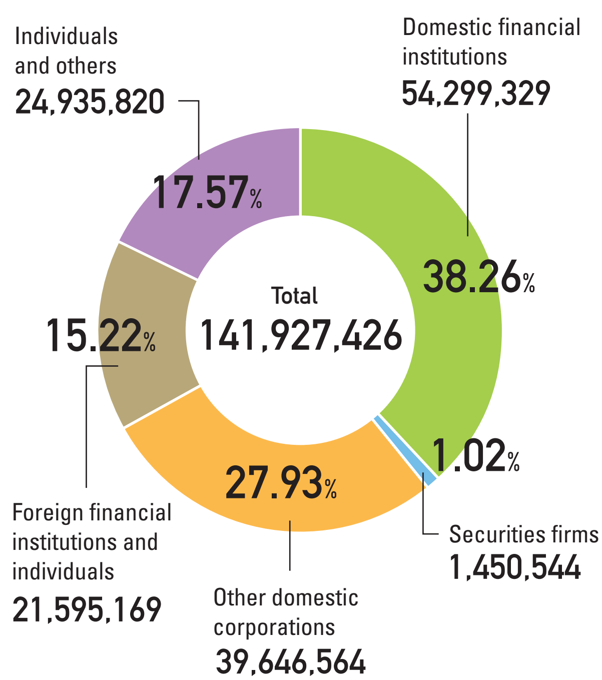
Stock Information (As of March 31, 2015)

Stock Listing	Tokyo
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Shares	141,927,426
Number of Shareholders	6,236
Administrator of Shareholders' Register	Mitsubishi UFJ Trust and Banking Corporation, Osaka Corporate Agency Division 3-6-3, Fushimi Machi, Chuo-ku, Osaka 541-8502, Japan
Independent Auditors	Ohtemae Audit Corporation

Largest Shareholders

	Number of Shares	Percentage Held
Japan Trustee Services Bank, Ltd. (Trust Account)	20,128,000	14.18%
Asahi Kasei Corporation	11,676,726	8.23%
The Master Trust Bank of Japan, Ltd.	9,832,000	6.93%
Senko Group Employee's Stockholding	6,907,743	4.87%
Sekisui Chemical Co., Ltd.	6,785,900	4.78%
NORTHERNTRUSTCO. (AVFC)	6,168,040	4.35%
Mitsubishi UFJ Trust and Banking Corporation	4,252,000	3.00%
Isuzu Motors Limited	4,039,689	2.85%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,439,170	2.42%
Aioi Nissay Dowa Insurance Co., Ltd.	3,169,655	2.23%

Classification by Type of Shareholder



Domestic and Global Network (As of April 1, 2015)

Sales Division:

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

Branches:

Sapporo, Sapporo Minami, Tohoku, Sendai Kita, Fukushima, Kanto, Kashiwa, Kita Kanto, Ibaraki Jyutaku, 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

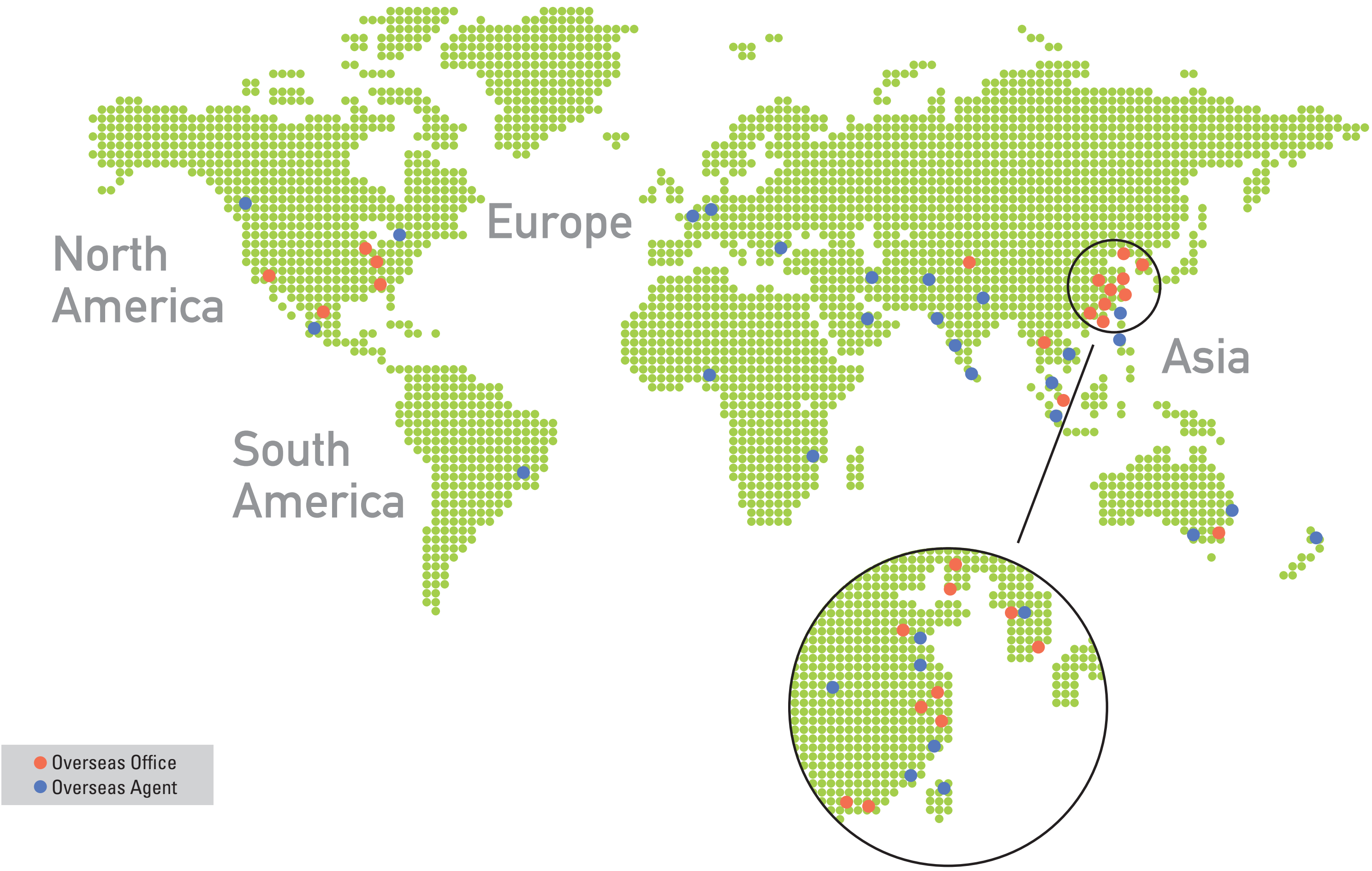
Worldwide Locations:

United States / Chicago, Atlanta, Los Angeles, Kentucky
China / Dalian, Shenyang, Quingdao, Shanghai, Suzhou, Changshu, Nantong, Hong Kong, Guangzhou, Zhang Jia Gang
Thailand / Bangkok, Chonburi, Rayong
Australia / Ingleburn
Singapore
Kazakhstan / Almaty
South Korea / Changwon

Subsidiaries (As of March 31, 2015)

Company Name	Main Business
Senko Trading Co., Ltd.	Trading & Commerce, Others
AST CORPORATION	Trading & Commerce
Smile Corp.	Trading & Commerce
Marufuji Co., Ltd.	Trading & 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

Company Name	Main Business
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
Sankyo 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
Runtec Corporation	Distribution
Kyushu Senko Logistics Co., Ltd.	Distribution



	Company Name	Main Business
●	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 & Commerce
●	Takano Machinery Works Co., Ltd.	Trading & Commerce
●	Obata Co., Ltd.	Trading & Commerce
●	Delivery Ace Co., Ltd.	Distribution
	PrettyPorters Co., Ltd.	Distribution
	Senko Asset Management Co., Ltd.	Others
●	Sankyo Butsuryu Niyaku Co., Ltd.	Distribution
●	Sankyo Logistics Co., Ltd.	Distribution
●	Kouki Corporation	Others
	Senko Facilities Co., Ltd.	Others

	Company Name	Main Business
	Senko Logistics (U.S.A.) Inc.	Others
	Senko (U.S.A.) Inc.	Distribution
	SK MARINE S.A.	Distribution
	Shenyang Senko Logistics Co., Ltd.	Distribution
●	Dalian Tri-Enterprise 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 & Commerce
●	SHANGHAI SMILE PRINTING CORP.	Trading & Commerce
●	Guangzhou Senko Logistics Co., Ltd.	Distribution
	Senko International Logistics (Hong Kong) Ltd.	Distribution
●	HONG KONG SMILE CORP LIMITED	Trading & Commerce
	Senko (Thailand) Co., Ltd.	Distribution
	SENKO GLOBAL LOGISTICS (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 & Commerce
●	KOREA SMILE CORP.	Trading & Commerce

●: Consolidated subsidiaries

SENKO Co., Ltd.

Umeda Sky Bldg., Tower West, 1-30, Oyodonaka 1-chome,
Kita-ku, Osaka 531-6115, Japan
URL http://www.senko.co.jp/en/