



ANNUAL
REPORT **2016**

For the year ended March 31, 2016

SENKO

Our aim is to be a “Logistics Information Company.”



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, 2016, the Senko Group had a nationwide network with 458 locations in Japan, an overseas network with facilities in 43 locations, approximately 2,940,000 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.

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Cautionary Statement with Respect to Forward-Looking Statements

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

Main Businesses >>>

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.

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.

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.

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.



Number of Vehicles

4,745



Total Warehouse Space

2,940 thousand m²



Number of Vessels

18



Number of Employees

12,934



Consolidated Financial Highlights

SENKO Co., Ltd. and Consolidated Subsidiaries

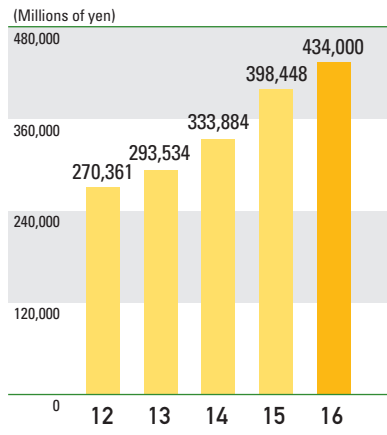
Years ended March 31	2016	2015	2014	2016
				Thousands of U.S. dollars*1
			Millions of yen	
For the year:				
Operating revenues	¥ 434,000	¥ 398,448	¥ 333,884	\$ 3,851,615
Operating income	17,497	13,650	12,122	155,280
Net income attributable to owners of parent	8,542	7,074	6,504	75,807
Capital expenditures	17,500	14,182	24,000	155,307
Depreciation and amortization	9,925	8,856	7,606	88,081
At year end:				
Total assets	269,461	285,310	243,570	2,391,383
Net assets	100,010	92,745	72,303	887,558
			Yen	U.S. dollars
Per share data:				
Net income	¥ 60.43	¥ 55.06	¥ 51.89	\$ 0.54
Cash dividends applicable to the year	20.00	17.00	16.00	0.18
Net assets	613.71	581.46	539.52	5.45
Financial Ratios:				
Operating profit margin (%)	4.0	3.4	3.6	
Net profit margin (%)	2.0	1.8	2.0	
Equity ratio (%)	32.6	28.4	27.8	
Return on equity (ROE) (%)	10.1	9.5	9.8	
Interest coverage ratio*2 (times)	14.7	15.5	8.6	
Other Information:				
Number of employees*3 (persons)	12,934	12,455	9,341	
Number of vehicles	4,745	4,530	3,352	
Distribution center space (thousand m ²)	2,938	2,809	2,523	

*1: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥112.68 to U.S.\$1 on March 31, 2016.

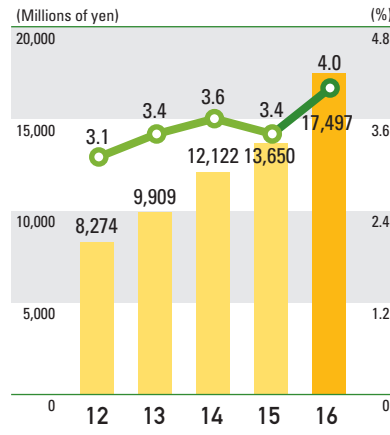
*2: Interest coverage ratio = Net cash provided by operating activities / interest cost.

*3: Excluding part-timers.

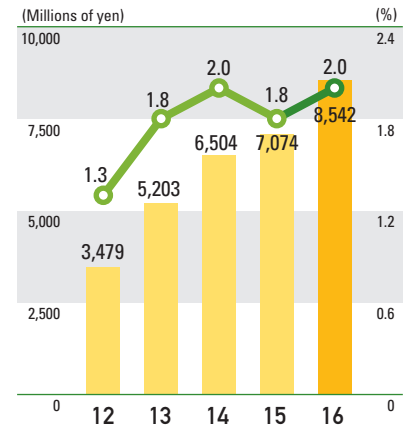
Operating revenues



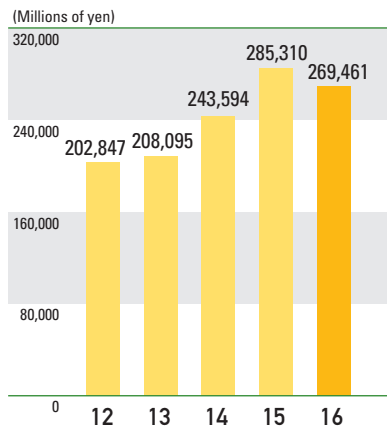
Operating income (■) / Operating profit margin (○)



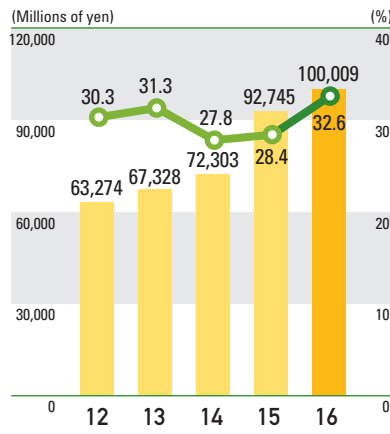
Net income attributable to owners of parent (■) / Net profit margin (○)



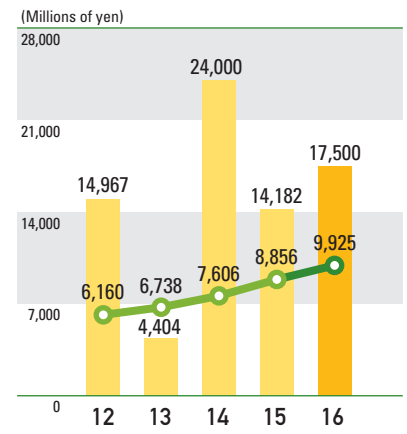
Total assets



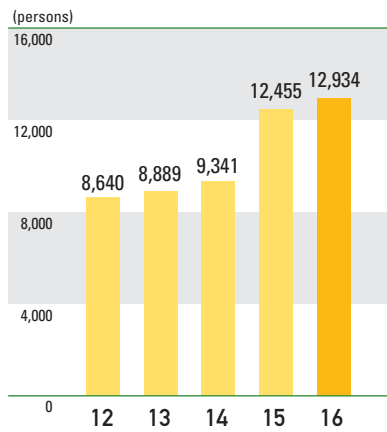
Net assets (■) / Equity ratio (○)



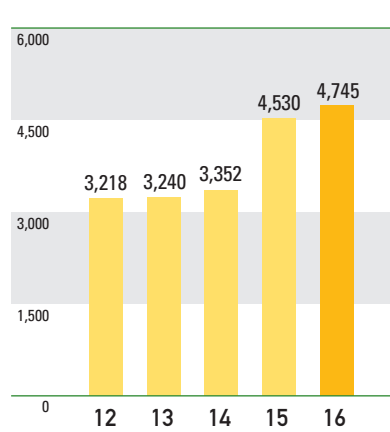
Capital Expenditures (■) / Depreciation and amortization (○)



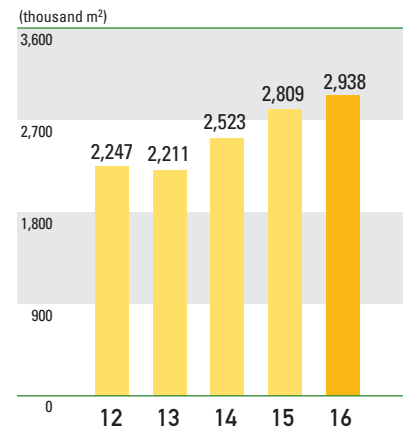
Number of employees



Number of vehicles



Distribution center space



This year, we celebrate the Senko Group's 100th anniversary of operations. We will continue to aim to be a company that earns the trust of society.

Business Environment During Fiscal 2015

In the fiscal year under review, the Japanese economy continued to recover gradually, with improvements in corporate performance and the employment environment. However, the outlook for the future remained uncertain as overseas economies slowed from the autumn and a slump was seen in consumption, in addition to such factors as the increased risk of a downturn in corporate earnings due to the yen's appreciation since early 2016.

In the logistics industry, difficult economic conditions continued with slowing freight volume, a shortage of drivers and intensifying competition.

In this environment, the Senko Group sought to enhance its competitiveness, boost profitability, and upgrade its operating system as the priority policies for the fiscal year under review, and worked on a number of measures in this regard.

Main Activities and Performance

During the fiscal year under review, we strengthened our business competitiveness by opening large-scale distribution centers in the Tohoku, Kanto, and Kansai

regions. We also worked to develop, propose and sell new products and services.

To boost profitability, in addition to working to boost productivity---including by increasing truck operation efficiency and storage efficiency in distribution centers---we proceeded to revise freight charges to attain appropriate rates.

To enhance our operation system, we aimed to expand our fleet and, in addition to actively recruiting drivers, opened an in-house training facility to obtain drivers' licenses for large vehicles.

As for overseas operations, in September we began full-scale operations at the Laem Chabang Distribution Center (Chonburi Province) near Thailand's largest trade port. And in June we opened a representative office in Hanoi, Vietnam, expanding our business base in the ASEAN region. In December, we concluded a basic agreement with Sinotrans Air Transportation Development Co., Ltd. (Sinotrans Air), a major Chinese air cargo operator, to set up a joint venture.

In the fiscal year under review, in addition to actively expanding sales, we enlarged sales volume in our trading & commerce business and made Runtec Corporation a subsidiary in October 2014. Our consolidated operating revenue grew to ¥434 billion (up 8.9% year on year).



Y. Fukuda

Yasuhisa Fukuda
President and Representative Director

On the profit front, we saw increases in costs such as the outsourcing costs in the distribution business and purchase prices in the trading & commerce business, but also a jump in revenue and a drop in fuel prices and the revision of freight charges. Accordingly, consolidated operating income reached ¥17.5 billion, up 28.2% year on year, consolidated ordinary income rose to ¥17.2 billion, up 29.8% year on year, and profit attributable to owners of parent was ¥8.5 billion, up 20.8%.

The Future Business Environment and Our Main Activities

The economic outlook of Japan is expected to remain unpredictable due to the postponement of capital expenditure due to deterioration in earnings at exporters reflecting the yen's appreciation and concerns about a slowdown in overseas economies.

In the distribution industry, the challenging environment is expected to continue, including intensifying competition within the industry amid a forecast decline in freight volume and labor shortages in human resources.

In this environment, the Senko Group will tackle the

following tasks during the final year of its four-year medium-term business plan: enhancing its competitiveness, expanding its business areas and upgrading its operating system.

Distribution of the Commemorative Dividend for the 100th Anniversary of Operations

While securing internal reserves necessary for future business development and management structure reinforcement, our 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 annual dividend for fiscal 2015, ended March 31, 2016 will be ¥20.00 per share (including ¥2.00 per share of commemorative dividend for the 70th anniversary of our foundation and the 100th anniversary of operations).

We ask for the continued support of our stockholders as we face new challenges in the fiscal year ending March 31, 2017.

August 2016



Outline of the Medium-Term Business Plan

April 2013 to March 2017

We established a Four-Year Medium-Term Business Plan to March 2017 that is currently under implementation.

Senko celebrated the 100th anniversary of its foundation in September 2016.

The Four-Year Medium-Term Business Plan to March 2017 creates a growth strategy for the next 100 years and puts forth a corporate ideal for Senko to aim for as a logistics information company trusted both in Japan and overseas. In all its corporate activities, Senko is implementing 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.

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 set the following quantitative targets for our Medium-Term Business Plan and achieved the targets already in FY2015.

Aiming at operating revenues of ¥400 billion

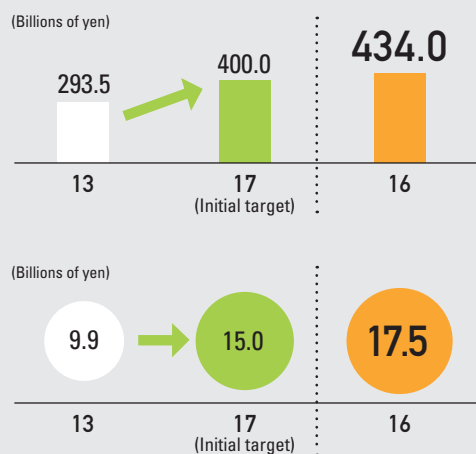
Senko aims to increase sales by expanding the scope of its logistics center & trading and commerce businesses, boosting its international logistics operations, taking on the challenge of creating products, and promoting business partnerships and M&A activities.

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.

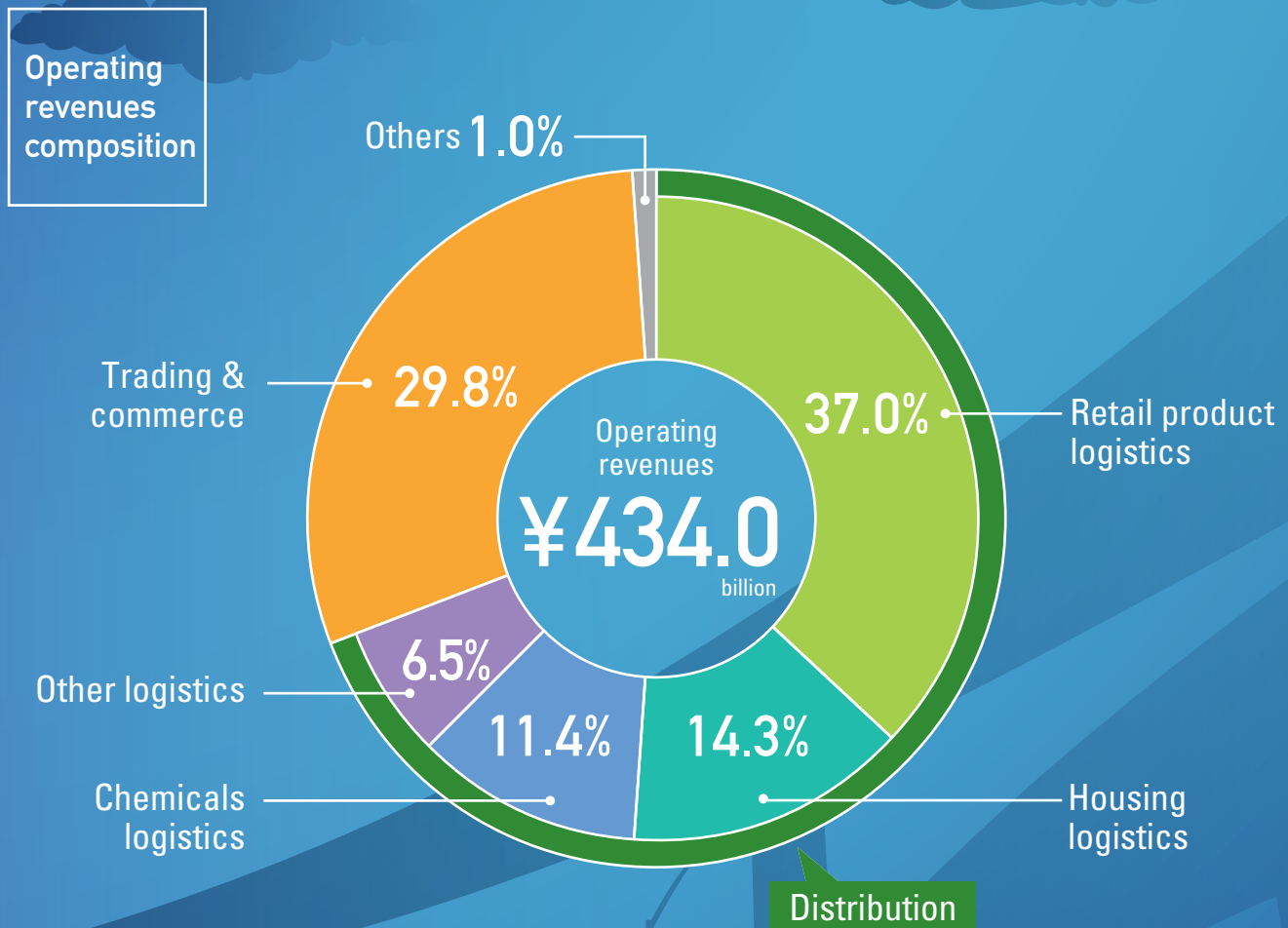
- 1 Expanding the operational scope of our physical distribution business.
- 2 Expanding the operational scope of our commerce and trading business.
- 3 Developing an international distribution business that prioritizes earnings.
- 4 Taking on the challenge of making things.
- 5 Promoting business partnerships 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 (FY2015) by Business Segment

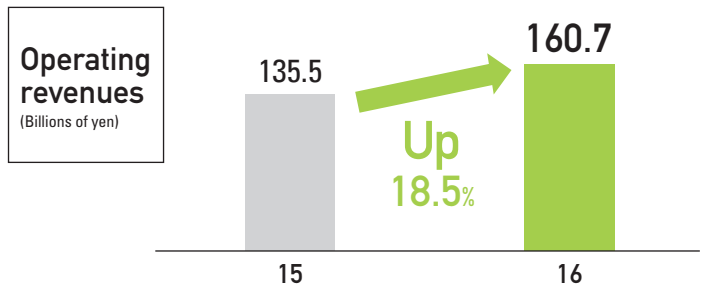
Senko has three business segments: Distribution, Trading & Commerce, and Others. The Distribution segment is further divided into the following four categories based on the types of cargo and characteristics of logistics services provided: Retail Product Logistics, Housing Logistics, Chemicals Logistics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



Retail Product Logistics

We sought to strengthen our business competitiveness by opening large-scale distribution centers. In April 2015, we opened the Sayama PD Center (Sayama City, Saitama Prefecture), which connects the Tokyo metropolitan area with the Tohoku, Chubu, and Kansai regions. In May, we opened the Narita Fashion Logistics Center I (Tomisato City, Chiba Prefecture) near Narita Airport to handle imported brands, and in October we began operating the Sendaiko PD Center (Sendai City, Miyagi Prefecture) as a central hub for the Tohoku region.

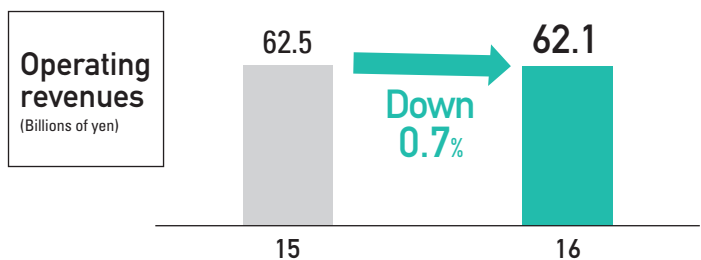
Operating revenues for the fiscal year ended March 31, 2016 increased by 18.5% year on year to ¥160.7 billion, mainly due to active sales expansion and the effect of having made Runtec Corporation a subsidiary in the previous fiscal year.



Housing Logistics

We worked to expand our business areas, identifying new needs including precutting housing components, metal fittings and assembly, in addition to storage and delivery functions. We also pursued acquisition of logistics operations for components related to solar power generation and household storage batteries, whose usage has increased in recent years.

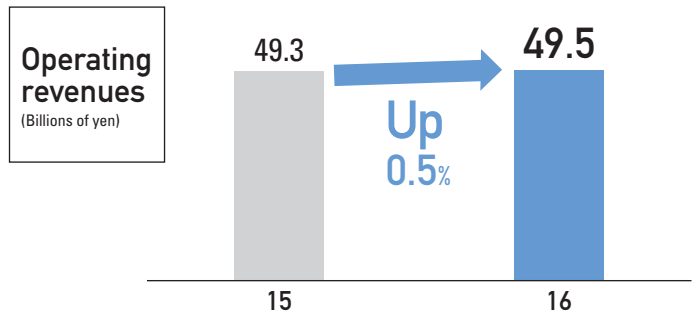
Operating revenues for the fiscal year ended March 31, 2016 decreased by 0.7% year on year to ¥62.1 billion, due to a decline in existing cargo volumes, despite active sales expansion such as our effort to acquire logistics operations.



Chemicals Logistics

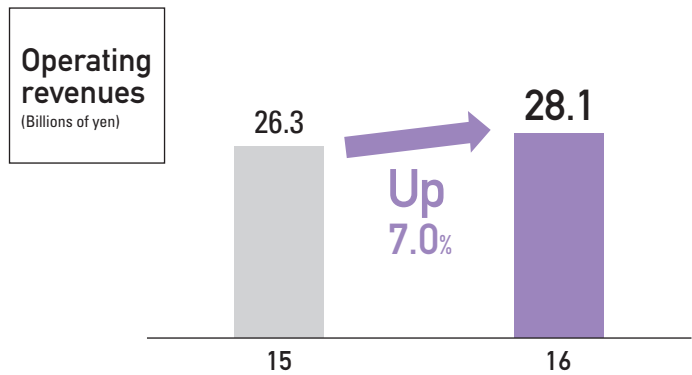
In September 2015 we opened the Dangerous Goods No. 2 Warehouse, Daimon Distribution Center (Moriyama City, Shiga Prefecture) to respond to the need for dangerous goods storage, and in November we opened the Mihara Asphalt Center (Mihara City, Hiroshima Prefecture), which conducts cargo handling, shipping and inventory management for asphalt. In January 2016, we started operating the Sodegaura Bulk Container Center (Sodegaura City, Chiba Prefecture), to expand bulk container logistics, which is our strength.

Operating revenues for the fiscal year ended March 31, 2016 increased by 0.5% year on year to ¥49.5 billion, largely supported by active sales expansion and the effect of our investment in facilities, despite a decline in existing cargo volumes.



Other Logistics

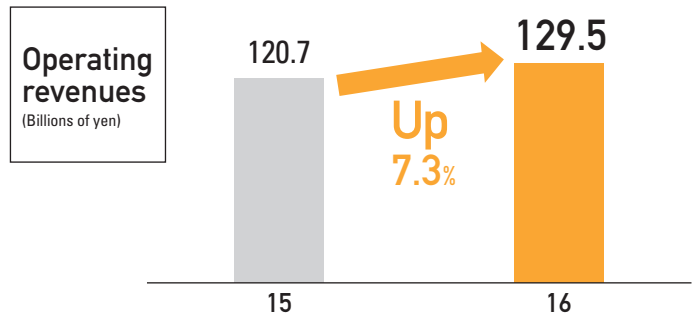
This segment consists of logistics services other than the retail product logistics, housing logistics and chemicals logistics. Operating revenues for the fiscal year ended March 31, 2016 increased by 7.0% year on year to ¥28.1 billion.



Trading & Commerce

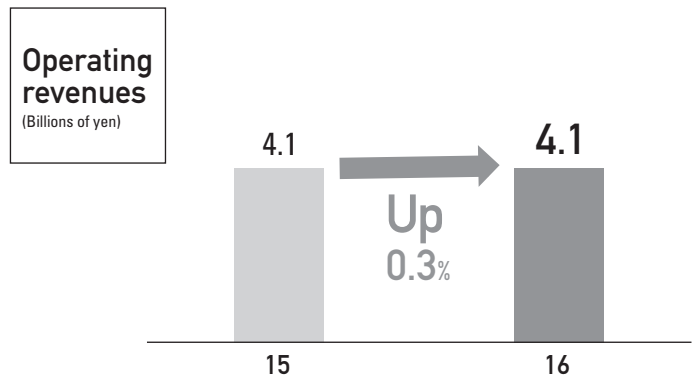
Trade company subsidiaries sought to develop their own private brands and expand businesses that provide integrated trading and logistics services leveraging the Senko Group's logistics functions. In addition, the Group worked to bring logistics operations for goods handled in-house to streamline business.

Operating revenues for the fiscal year ended March 31, 2016 increased by 7.3% year on year to ¥129.5 billion. This was mainly the result of a recovery in sales following the slump caused by the consumption tax hike in the previous fiscal year, the acquisition of new customers, and the development and sale of new products.



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, 2016 increased by 0.3% year on year to ¥4.1 billion.





TOPICS 01

Supporting SCM Overall with Advanced Distribution Centers

We are opening advanced distribution centers (PD centers) that support supply chain management (SCM) overall, with combined functions such as storage, delivery, inspection, order processing, and information processing.

Main Distribution Centers Opened since April 2015

Sayama PD Center



| Location |
Sayama City,
Saitama Prefecture

| Floor area |
21,500 m²

| Start of operations |
April 2105

This center offers very easy access to the interchange of the Metropolitan Inter-City Expressway, an excellent location for a logistics hub that connects the Kansai, Chubu and Tohoku regions and bypasses the Tokyo metropolitan area. It is an all-weather PD center with a broad, 13-m canopy.

Sendaiko PD Center



| Location |
Sendai City,
Miyagi Prefecture

| Floor area |
34,200 m²

| Start of operations |
October 2015

This center is located in the Port of Sendai (Sendaiko), an international trade port with very convenient access near the port's interchange. This location makes it the central base of the broad network covering the Tohoku region. The second floor can hold approximately 1,300 people as an emergency evacuation facility in the event of a tsunami.

Narita Fashion Logistics Center I & II



Center I

| Location |
Tomisato City,
Chiba Prefecture

| Floor area |
36,000 m²

| Start of operations |
May 2015



Center II

| Location |
Tomisato City,
Chiba Prefecture

| Floor area |
40,900 m²

| Start of operations |
May 2016

This is a large-scale fashion distribution center operated by Tokyo Nohin Daiko Co., Ltd. It conducts inspection, needle checks, and attachment of washing tags and so on for apparel products, primarily brands imported through Narita Airport.

Laem Chabang Distribution Center



| Location |
Chonburi Province,
Thailand

| Floor area |
21,000 m²

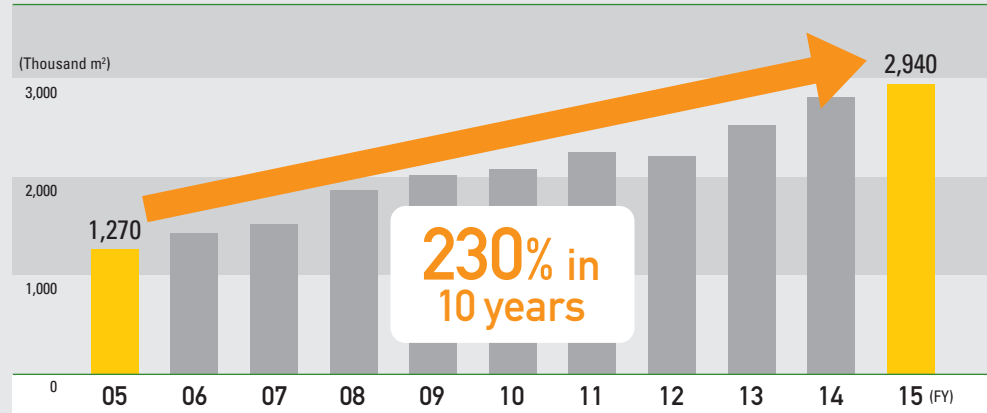
| Start of operations |
September 2015

This center opened near Laem Chabang Port, Thailand's largest trade port, to strengthen logistics in the ASEAN region. It provides logistics services, primarily storage, for import and export cargo.

We Are Proceeding to Open New Distribution Centers and Expand the Warehouse Area

We are working to strengthen the distribution center business. At the end of fiscal 2005, our total warehouse area was 1,270,000 m² and over the next decade this rose by 230%, bringing the total to 2,940,000 m² at the end of fiscal 2015.

● Warehouse Area



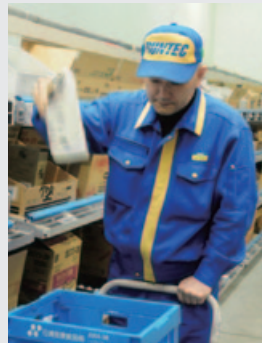
We Are Strengthening the Functions of Distribution Centers for a Range of Industries

● For the fashion industry



We handle a number of products such as clothing, shoes, and accessories. Moreover, we do not just store them but also check for needles and carry out pressing, repair defective products, attach washing tags, and even attach price tags. Recently, we have also been undertaking logistics for Internet retailers.

● For the food industry



We handle refrigerated and frozen food goods. Our facilities are compatible with the high levels of safety that are required in food logistics, maintaining product quality in strictly managed refrigerators and freezers. In addition, we use our own freezer vehicles, raising the quality of transport.

● For the medical and pharmaceutical industries



At distribution centers for the medical and pharmaceutical industries, we respond to customers' needs for high-quality logistics with insect- and dust-proofed facilities as well as seismic isolation, in response to the need for a Business Continuity Plan (BCP) and approval and authorization under the Pharmaceutical and Medical Device Act (the revised Pharmaceutical Affairs Law) and others.

● For the housing industry



The housing materials made by a number of manufacturers are collected at our housing material center, divided by residence and delivered to each construction site. Not only do we raise logistics efficiency by collecting materials together, we also process and assemble materials.

TOPICS 02 Transfer of our distribution centers to a private REIT

In September 2015, we transferred distribution centers to Senko Private REIT Inc., a private REIT managed by our wholly owned subsidiary Senko Asset Management Co., Ltd. At the same time, we started renting the centers from the REIT.

A real estate investment trust (REIT) purchases real estate with funds raised from investors and distributes profit from the rent to the investors.

By transferring our distribution centers, we have taken the assets off the balance sheet and secured financial soundness. In addition, the funds from the sale of property will be for further investment in facilities, leading to the expansion and growth of the distribution center business.

● Equity ratio (reference)

March 31, 2015	March 31, 2016	Increase (decrease)
28.4%	32.6%	+4.2 pt

● Distribution Centers Transferred to the Private REIT



Sapporo PD Center No. 2 Warehouse



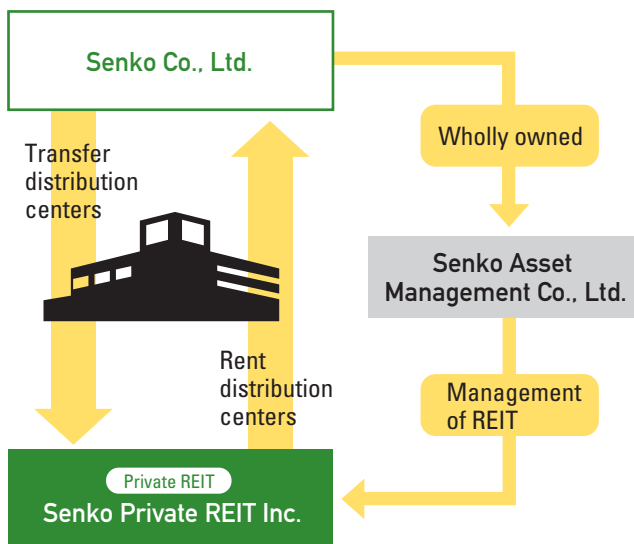
Noda No. 1 PD Center



Urawa PD Center



Nishikobe PD Center



TOPICS 03 Welcoming the Logistics Subsidiary of Onward Holdings Co., Ltd. into the Group

On April 15, 2016, we acquired 100% of the shares of ACROSS TRANSPORT Corp., a logistics subsidiary of Onward Holdings Co., Ltd. that handles fashion logistics, and welcomed it into the Group as a subsidiary. Together with our Group's fashion logistics companies, such as Tokyo Nohin Daiko Co., Ltd., we will cooperate on delivery and effectively use each other's bases, working to raise the quality of logistics and business efficiency.



TOPICS 04 Building a Cold and Freezer Logistics Network in China

In December 2015, our company and Runtec Corporation concluded a basic agreement with Sinotrans Air Transportation Development Co., Ltd. (Sinotrans Air), a Chinese government-run company that handles the air transport of freight, to set up a joint venture in China to carry out the cold and freezer logistics business in China.

In China, the demand for cold and freezer logistics is expanding rapidly, and the joint company will use our on-site capabilities, Runtec's cold and freezer logistics technology and expertise, and Sinotrans Air's land and bases to build a cold and freezer logistics network in China. As a first step, we plan to establish a cold and freezer distribution center in Shanghai in the fall of fiscal 2017. Thereafter, we aim to establish a total of eight cold and freezer distribution centers in major Chinese cities by fiscal 2024.



TOPICS 05 Transition to a Holding Company System from Fiscal 2017

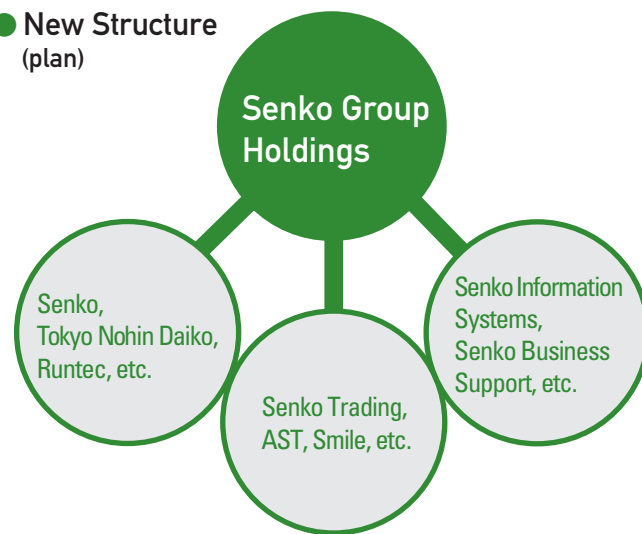
The Senko Group will move to a holding company system on April 1, 2017.

The purpose of the transition is to strengthen corporate governance, clarify the responsibilities and authorities of Group companies, speed up decision-making, and thereby further strengthen the Group structure and enhance corporate value.

In concrete terms, the pure holding company, Senko Group Holdings Co., Ltd., will devise strategy, allocate management resources, develop new businesses, and handle M&A activity from a medium-to long-term perspective. The operating companies will respond swiftly to changes in the business environment and seek growth in their own business areas.

With regard to the transition to a holding company system, it is necessary to hold discussions with the labor union, and permits and approvals from the government and competent public agencies must be obtained.

● New Structure (plan)

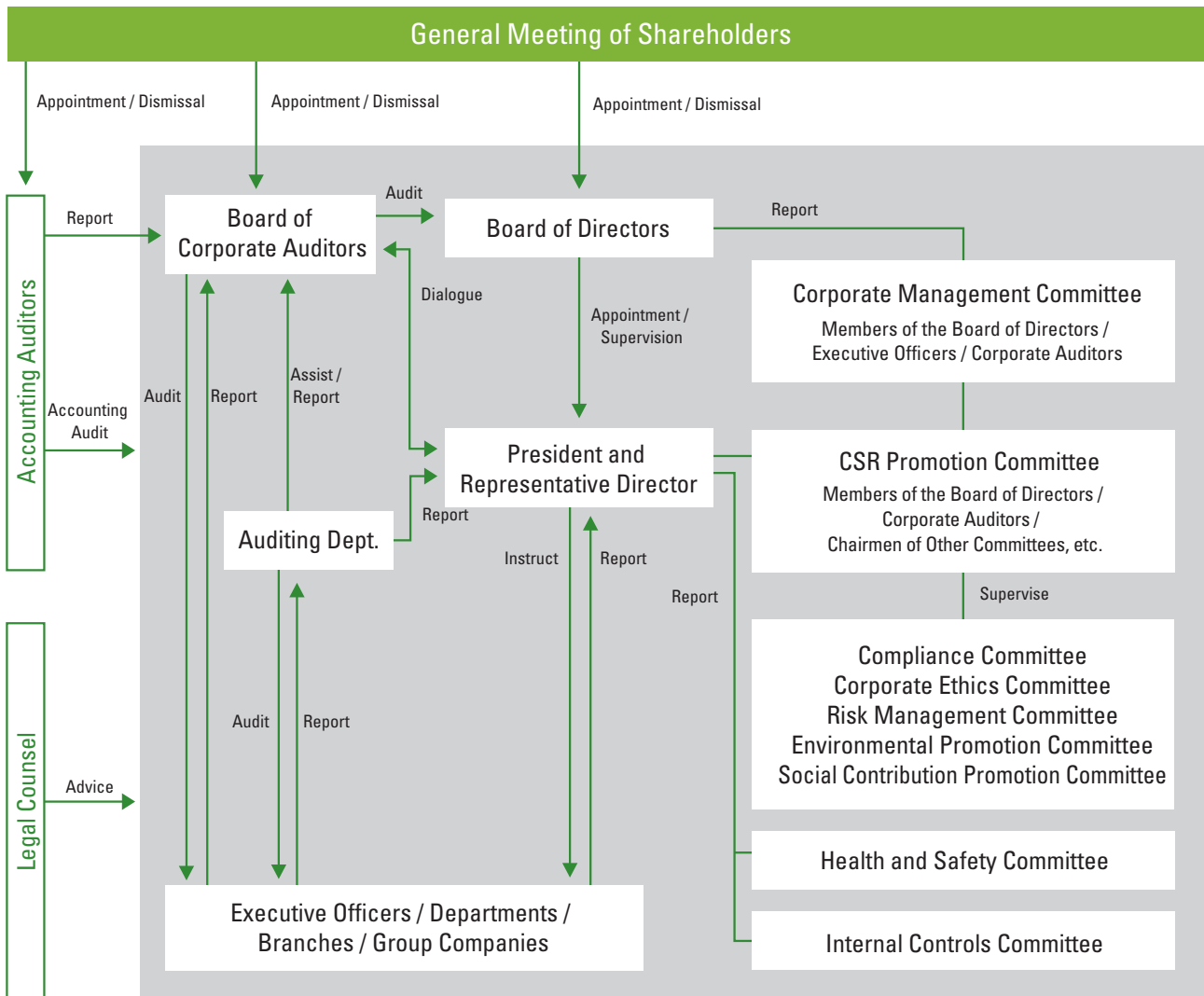




Corporate Governance and Compliance

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.



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 Hiroshi Yoneji
Directors and Managing Executive Officers	Yoshihiro Kawase Yoshiki Kanaga Akira Taniguchi Noburoh Sasaki
Director	Kazuhiro Yamanaka
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 Tatsuhiko Maeda Takeo Ikebe Seiji Kono Noboru Ogoshi Shinichi Murao Takeshi Matsui Masanobu Uenaka Toshihiro Kawai Kouji Fujita Nobuharu Shinohara Hiroyuki Takamizawa Yoshihiro Furuyashiki Tomohiko Ito Hiroyuki Ito Shigeru Ono

(As of June 28, 2016)

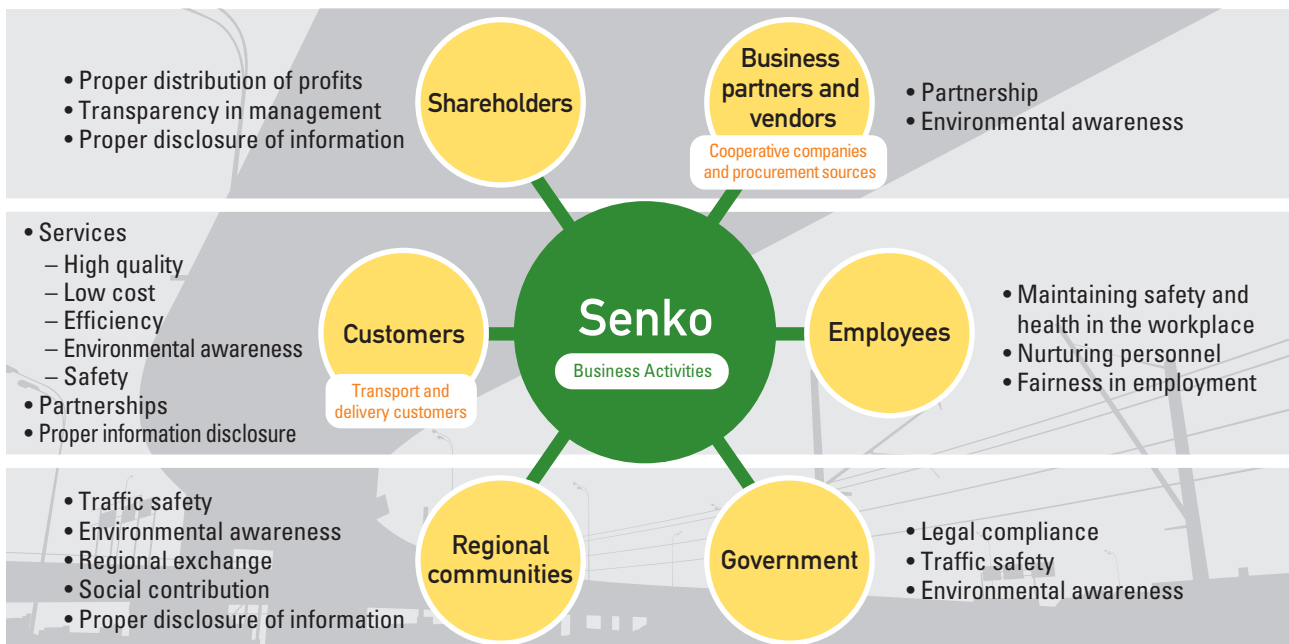
CSR

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 CO₂ 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.



We Are Strengthening Eco-Drive (Energy-Conserving Driving Techniques) and Green Logistics Proposals

As a company deeply involved in logistics, the Senko Group is working to cut its CO₂ emissions by using eco-drive systems. Through proposals for green logistics, we are helping to reduce our customers' environment load.

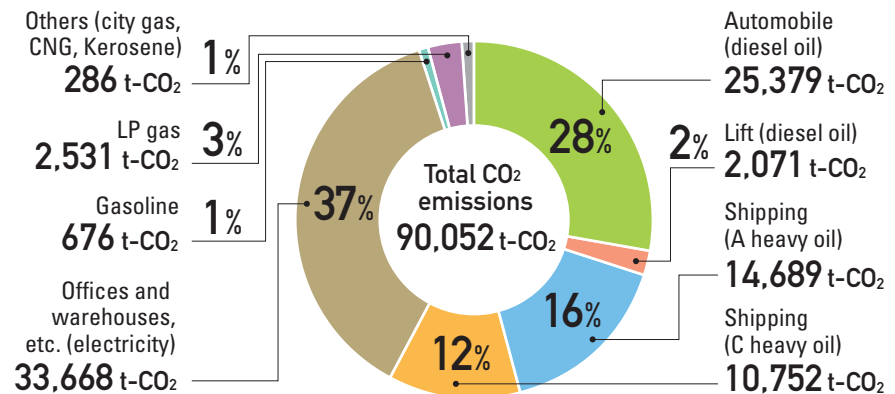
Measures to Reduce Our Environmental Impact

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 CO₂ and waste materials we produce (the output).

INPUT	
Diesel oil	10,619 kℓ
Heavy oil	9,010 kℓ
Electricity	64,650,000 kWh
OUTPUT	
CO ₂ emissions	90,052 t-CO ₂

Note: The CO₂ 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."

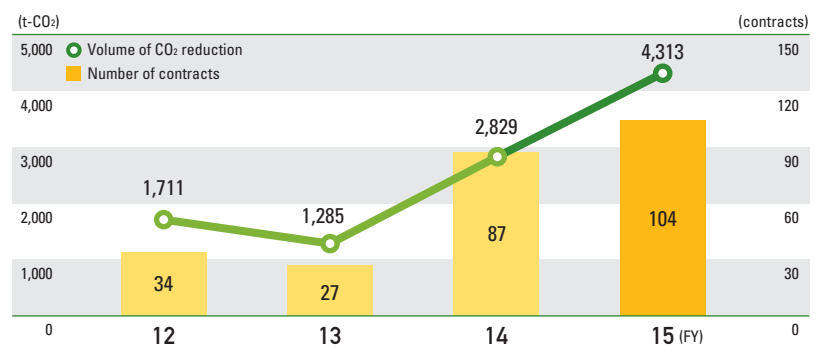
CO₂ Emissions Composition by Causes



We Continue to Make Transport More Environmentally Friendly and Aim to Achieve 100 Green Logistics Contracts

With its expertise in green logistics, the Senko Group actively proposes modal shifts in transport, such as to railway forwarding or marine transport, and improvements in the efficiency of logistics. This resulted in a reduction of 4,313t of CO₂ for fiscal 2015, ended March 31, 2016. Green logistics does not just support the customer's environment load reduction efforts, it also helps to resolve the issue of shortage of long-distance drivers, and it has won high evaluations from numerous quarters.

Number of green logistics contracts and reduction of CO₂





W

ith Practical Training, We Inculcate Senko Standard Practices throughout the Overall Senko Group

To inculcate a safety-centric conscience among on-site workers, we are working on even higher-level safety measures. In particular, in fiscal 2015 we strengthened training to foresee danger using images and training for a number of frequent accident situations. We are working to raise the skills and consciousness of safety of each and every driver with realistic practice and training.

We Undertook Skills Training Sessions for a Range of Frequent Accident Situations

We select situations where accidents occur frequently and hold regional training in methods to prevent them. In fiscal 2015, we carried out training on methods to prevent accidents in intersections and accidents when backing up a forklift trucks.

For Drivers

Aiming for zero collisions and rear-end collisions in intersections, we made

“defensive driving”
mandatory.



Instruction in “defensive driving,” to prepare for people who suddenly enter an intersection

For Forklift Trucks Operators

Aiming for zero collisions when backing up a forklift truck and zero accidents from falling cargo,

we undertook training to prevent accidents when backing up a forklift truck.



Instruction in points of caution when backing up a reach-type forklift truck



Taking Coexistence with Society Seriously, Senko Aims to Be a “Healthy Company”

Employees are the foundation of a company. We put a great deal of effort into creating a workplace where each and every employee can be healthy and carry out their work with a feeling of satisfaction. In addition, as a way to contribute to regional society, we are continuing activities to convey the knowledge and expertise on safety that we have developed in the logistics business. Each Group company is implementing a number of initiatives in this regard.

Health

We Are Working to Improve Employees' Health and Have Stationed Sixteen Nurses around the Country

To support our employees' health, we have stationed 16 nurses (occupational health nurses and nurses) in nine areas around the country. These nurses give solid health advice founded on specialized knowledge.



Diversity

We Are Promoting the Employment of Persons with Disabilities and Employ More People with Disabilities Each Year

The Senko Group seeks to employ people with disabilities, such as at Senko School Farm Tottori Co., Ltd. We will continue to create an environment and system where every person can work easily.



Fiscal 2015 employment rate of persons with disabilities **3.14%**
(a 0.11% increase year on year)

CSR Ranking: **17th**

Note: From Toyo Keizai Inc., “2016 Directory of CSR Corporations”
Ranking by employment rate of people with disabilities

Regional Social Contribution

Traffic Safety Classes for Kids Held at 12 Places Nationwide

We have been holding Traffic Safety Classes for Kids since fiscal 2006 so that children can learn traffic safety and protect themselves from traffic accidents. In fiscal 2015, a total of 1,083 children and their guardians took part in 12 places throughout Japan and enjoyed learning with games and storytelling with pictures.



Performance

Consolidated operating revenues for the fiscal year ended March 31, 2016 increased 8.9% year on year to ¥434,000 million due to aggressive expansion of sales in addition to rising sales volume in the trading & commerce business, and the effect of Runtec Corporation becoming a consolidated subsidiary of the Company in October 2014 on increasing revenues.

On the profit front, consolidated operating income grew to ¥17,497 million, up 28.2% year on year, while consolidated ordinary income rose to ¥17,178 million, up 29.8% year on year. Profits increased due to a jump in revenues in addition to the effect from a drop in fuel prices and the revision of freight charges despite a

rise in costs, including rising outsourcing costs in the distribution business and purchase prices in the trading & commerce business. Net income attributable to owners of parent increased to ¥8,542 million, up 20.8% year on year.

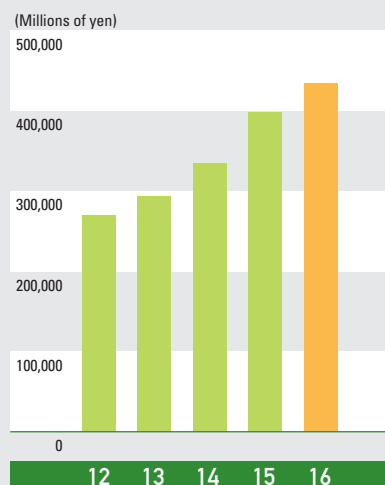
Consolidated Operating Revenues by Segment

Business segment performance for the fiscal year ended March 31, 2016 was as follows:

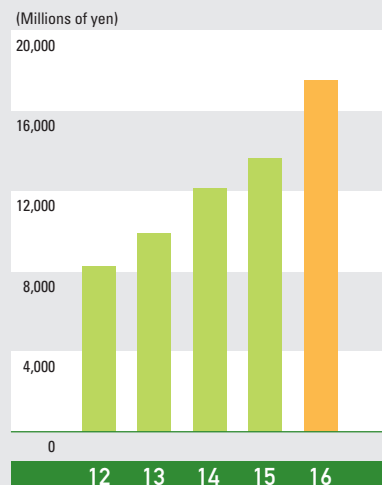
Billions of yen

For the fiscal years ended March 31	2016		2015		Difference	Growth rate (%)
	Operating revenues	Component ratio (%)	Operating revenues	Component ratio (%)		
Distribution	¥ 300.4	69.2	¥ 273.6	68.7	¥ 26.8	9.8
Retail product logistics	160.7	37.0	135.5	34.0	25.1	18.5
Housing logistics	62.1	14.3	62.5	15.7	(0.4)	(0.7)
Chemicals logistics	49.5	11.4	49.3	12.4	0.3	0.5
Other logistics	28.1	6.5	26.3	6.6	1.8	7.0
Trading & commerce	129.5	29.8	120.7	30.3	8.8	7.3
Others	4.1	1.0	4.1	1.0	0	0.3
Total	¥ 434.0	100.0	¥ 398.4	100.0	¥ 35.6	8.9

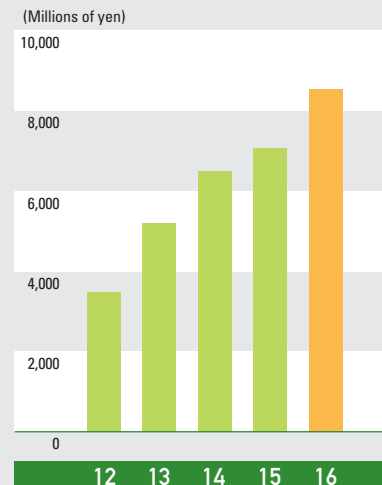
Operating revenues



Operating income



Net income attributable to owners of parent



Distribution

Operating revenues for the fiscal year under review grew 9.8% year on year to ¥300,421 million in this segment. This was the result of higher revenues in the retail product logistics business, due to the effect from making Runtec Corporation a subsidiary, and the receipt of new orders for distribution operations, including those from a major drug store. In the housing logistics business and the chemicals logistics business, revenues were flat due to a decline in existing volumes despite aggressive sales expansion.

Trading & Commerce

Operating revenues increased 7.3% year on year to ¥129,469 million. This was mainly the result of a recovery in sales following the slump caused by the consumption tax hike in the previous fiscal year, the acquisition of new customers, and the development and sale of new products.

Others

In this segment, operating revenues increased 0.3% year on year to ¥4,110 million.

Financial Position

Assets

Total assets as of March 31, 2016 were ¥269,461 million, ¥15,849 million lower than at the end of the previous fiscal year.

Current assets amounted to ¥93,380 million, down ¥4,868 million from the end of the previous fiscal year. This mainly reflected a decrease of ¥7,207 million in cash and deposits despite increases of ¥1,506 million in notes and operating accounts receivable and ¥487 million in merchandise and finished goods.

Non-current assets totaled ¥175,971 million, down ¥11,089 million from the end of the previous fiscal year. This was due to a decrease in property, plant and equipment of ¥13,087 million as a result of transfers of four distribution centers to the private REIT, despite an increase in investments and other assets of ¥1,759 million.

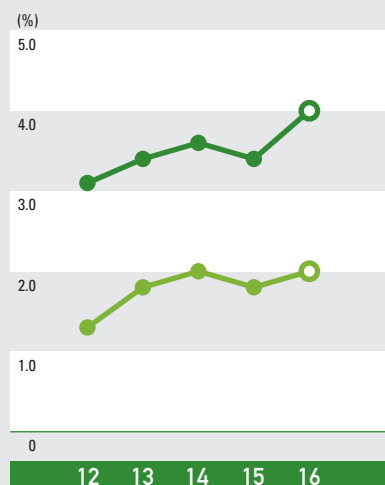
Liabilities

Liabilities as of March 31, 2016 decreased ¥23,114 million from the end of the previous fiscal year to ¥169,451 million.

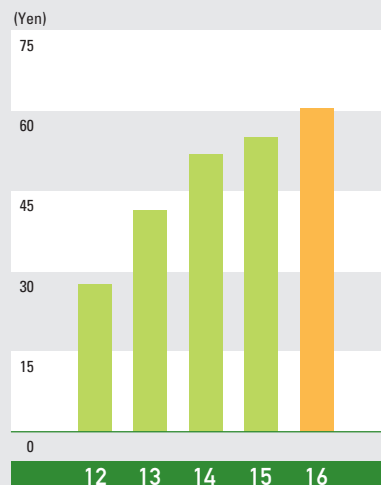
Current liabilities totaled ¥85,647 million, down ¥6,906 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥10,847 million in short-term loans payable, even though current portion of bonds increased by ¥4,980 million.

Non-current liabilities totaled ¥83,804 million, down ¥16,207 million from the end of the previous fiscal year. This was due to

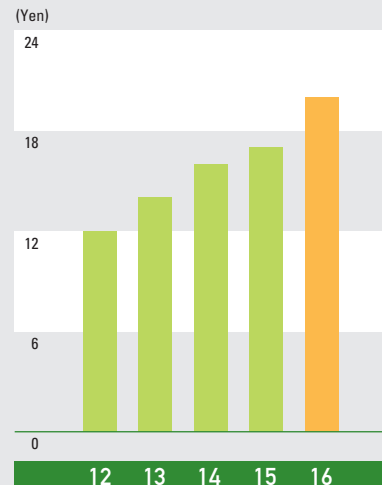
Operating income (○) / net income to operating revenues (○)



Net income per share



Cash dividends applicable to the year per share



decreases in bonds payable of ¥5,000 million, convertible bond-type bonds with subscription rights to shares of ¥1,831 million, long-term loans payable of ¥6,027 million, and net defined benefit liability of ¥1,760 million.

Net Assets

Net assets as of March 31, 2016 rose ¥7,265 million from the end of the previous year to ¥100,010 million. This mainly reflected increases of ¥913 million in capital stock as a result of the conversion to shares of convertible bond-type bonds with subscription rights to shares, ¥923 million in capital surplus, ¥6,168 million in retained earnings, and ¥506 million in non-controlling interests, despite a decrease of ¥980 million in remeasurements of defined benefit plans. The equity ratio increased by 4.2 percentage points to 32.6% from the end of the previous fiscal year.

Capital Expenditures and Depreciation

Capital expenditures in the fiscal year under review increased ¥3,318 million (23.4%), to ¥17,500 million, compared with the previous fiscal year. The Company opened large-scale distribution centers in the Tohoku, Kanto and Kansai regions in the fiscal year under review. As a result, the total warehouse space as of March 31, 2016 expanded by 129,000 m² from the end of the previous year to 2,938,000 m².

In the fiscal year ending March 31, 2017, capital

expenditures are expected to increase ¥260 million (1.5%), to ¥17,240 million, due to planned opening of large-scale distribution centers mainly in the Kanto region.

Depreciation increased ¥1,069 million (12.1%), to ¥9,925 million, compared with the previous fiscal year, and is expected to rise ¥169 million (1.7%), to ¥10,094 million, in the fiscal year ending March 31, 2017.

Cash Flows

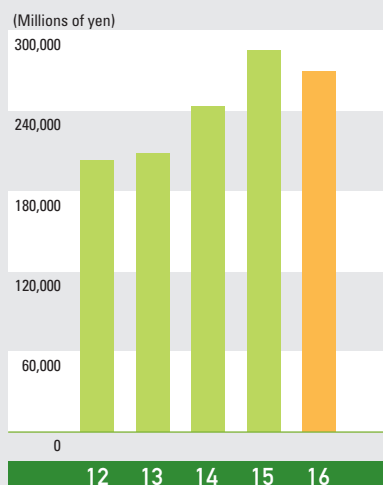
Cash and cash equivalents at end of year decreased by ¥7,711 million year on year to ¥17,765 million.

Net cash provided by operating activities amounted to ¥16,149 million. This was mainly due to income before income taxes of ¥16,416 million and depreciation and amortization of ¥9,925 million, despite decreases of ¥1,761 million in the net defined benefit liability and ¥1,779 million in accrued consumption taxes, and interest expenses paid of ¥1,096 million and income taxes paid of ¥5,763 million.

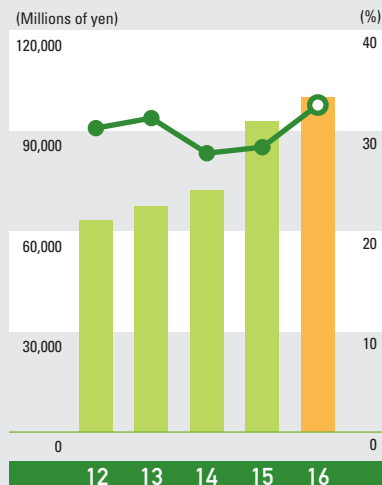
Net cash used in investing activities totaled ¥2,288 million. This was mainly due to the purchases of fixed assets of ¥17,995 million and purchases of non-consolidated subsidiaries of ¥4,579 million, despite proceeds from sales of fixed assets of ¥21,728 million.

Net cash used in financing activities totaled ¥21,492 million. This was mainly due to a decrease in net short-term loans of ¥12,800 million, repayment of long-term debt of ¥9,645 million, repayments of finance lease obligations of ¥2,116 million, and dividends paid of ¥2,571 million, despite proceeds from long-term debt of ¥5,780 million.

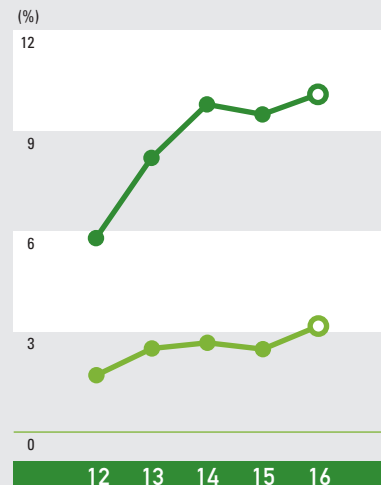
Total assets



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, 2016, 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, 2016, 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.

Emphasis of Matter

As discussed in Note 18 (2), the Company has resolved that all of the businesses in which the Company engages (except businesses related to the management of the business activities of companies of which the Company holds shares, or businesses related to the group management) will be succeeded to by SENKO Split Preparation CO., LTD.

The Company concluded an absorption-type company split contract with SENKO Split Preparation CO., LTD.

Our opinion is not modified in respect of this matter.

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 28, 2016

Ohtemae Audit Co.
Ohtemae Audit Corporation

Consolidated Balance Sheets

SENKO Co., Ltd. and Consolidated Subsidiaries

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 17,765	¥ 25,476	\$ 157,659
Trade accounts and notes receivable–			
Non-consolidated subsidiaries	4	11	36
Others	58,104	56,591	515,655
Less: allowance for doubtful accounts	(29)	(43)	(257)
Inventories	7,507	7,113	66,622
Deferred tax asset (Note 15)	2,583	2,516	22,923
Prepaid expenses and other current assets	7,446	6,584	66,081
Total current assets	93,380	98,248	828,719
Investments in and long-term loans receivable to non-consolidated subsidiaries	9,031	4,188	80,147
Investment securities (Notes 6 and 11)	6,033	6,987	53,541
Property and equipment, at cost (Notes 8 and 11)	245,205	257,853	2,176,118
Less: accumulated depreciation	(108,481)	(108,042)	(962,735)
Net property and equipment	136,724	149,811	1,213,383
Long-term deferred tax assets (Note 15)	2,553	2,735	22,657
Other assets	21,631	23,341	191,968
Deferred assets:			
Business commencement expenses	109	–	968
Total deferred assets	109	–	968
Total assets	¥ 269,461	¥ 285,310	\$ 2,391,383

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Note 9)	¥ 7,530	¥ 20,540	\$ 66,826
Current portion of long-term debt (Note 9)	15,858	8,716	140,735
Lease obligations	1,936	1,837	17,181
Trade accounts and notes payable–			
Non-consolidated subsidiaries	44	68	390
Others	38,683	37,922	343,300
Accrued expenses	8,301	8,007	73,669
Accrued income taxes	3,220	3,415	28,577
Other current liabilities	10,075	12,048	89,413
Total current liabilities	85,647	92,553	760,091
Long-term debt, less current portion (Note 9)	67,981	80,840	603,310
Lease obligations	3,591	3,419	31,869
Net defined benefit liabilities (Note 10)	7,621	9,382	67,634
Other long-term liabilities	4,611	6,371	40,921
Contingent liabilities (Note 12)			
Net assets (Note 13):			
Shareholders' equity			
Common stock:			
Authorized–294,999,000 shares			
Issued–144,834,771 shares in 2016 and 141,927,426 shares in 2015	24,012	23,099	213,099
Capital surplus	22,838	21,915	202,680
Retained earnings	42,845	36,677	380,236
Less: Treasury stock, at cost–1,907,546 shares in 2016 and 2,577,118 shares in 2015	(943)	(1,183)	(8,369)
Total Shareholders' equity	88,752	80,508	787,646
Accumulated other comprehensive income:			
Net unrealized holdings gain on securities	1,449	1,820	12,859
Loss on deferred hedges	(92)	(4)	(816)
Translation adjustments	428	544	3,798
Remeasurements of defined benefit plans	(2,821)	(1,840)	(25,035)
Total accumulated other comprehensive income:	(1,036)	520	(9,194)
Stock acquisition rights (Note 14)	360	289	3,195
Non-controlling interests	11,934	11,428	105,911
Total net assets	100,010	92,745	887,558
Total liabilities and net assets	¥ 269,461	¥ 285,310	\$ 2,391,383

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Operating revenues	¥ 434,000	¥ 398,448	¥ 333,884	\$ 3,851,615
Operating costs and expenses:				
Operating costs of revenues	386,321	357,431	299,040	3,428,479
Selling, general and administrative expenses	30,182	27,367	22,722	267,856
	416,503	384,798	321,762	3,696,335
Operating income	17,497	13,650	12,122	155,280
Other income (expenses):				
Interest and dividend income	293	303	262	2,600
Interest expenses	(1,102)	(1,213)	(1,243)	(9,780)
Others, net	(272)	314	202	(2,414)
	(1,081)	(596)	(779)	(9,594)
Income before income taxes	16,416	13,054	11,343	145,686
Income taxes (Note 15):				
Current	5,528	4,466	4,315	49,059
Deferred	638	958	335	5,662
	6,166	5,424	4,650	54,721
Net income	10,250	7,630	6,693	90,965
Net income attributable to non-controlling interests	(1,708)	(556)	(189)	(15,158)
Net income attributable to owners of parent	¥ 8,542	¥ 7,074	¥ 6,504	\$ 75,807
Per share of common stock			Yen	U.S. dollars
Net income	¥ 60.43	¥ 55.06	¥ 51.89	\$ 0.54
Diluted net income	56.32	50.41	45.17	0.50
Cash dividends applicable to the year	20.00	17.00	16.00	0.18

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

SENKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Net income	¥ 10,250	¥ 7,630	¥ 6,693	\$ 90,965
Other comprehensive income (Note 4):				
Net unrealized holdings gain on securities	(353)	1,258	70	(3,132)
Gain (loss) on deferred hedges	(95)	8	(4)	(843)
Translation adjustments	(153)	257	286	(1,358)
Remeasurements of defined benefit plans	(1,019)	652	–	(9,043)
Total other comprehensive income	(1,620)	2,175	352	(14,376)
Comprehensive income	¥ 8,630	¥ 9,805	¥ 7,045	\$ 76,589
Total comprehensive income attributable to:				
Owners of parent	¥ 7,088	¥ 9,060	¥ 6,743	\$ 62,904
Non-controlling interests	¥ 1,542	¥ 745	¥ 302	\$ 13,685

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, 2016, 2015 and 2014

	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	Loss on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
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 attributable to owners of parent	–	–	–	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 attributable to owners of parent	–	–	–	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
Net income attributable to owners of parent	–	–	–	8,542	–	–	–	–	–	–	–	8,542
Conversion of convertible bonds	2,907	913	913	–	–	–	–	–	–	–	–	1,826
Cash dividends	–	–	–	(2,571)	–	–	–	–	–	–	–	(2,571)
Purchases of treasury stock	–	–	–	–	(10)	–	–	–	–	–	–	(10)
Retirement of treasury stock	–	–	–	–	250	–	–	–	–	–	–	250
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	–	197	–	–	–	–	–	–	–	197
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	10	–	–	–	–	–	–	–	–	10
Other changes	–	–	–	–	–	(371)	(88)	(116)	(981)	71	506	(979)
Balance at March 31, 2016	144,834	¥ 24,012	¥ 22,838	¥ 42,845	¥ (943)	¥ 1,449	¥ (92)	¥ 428	¥ (2,821)	¥ 360	¥ 11,934	¥ 100,010

	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	Non-controlling interests	Total net assets	
Balance at March 31, 2015	\$ 204,995	\$ 194,488	\$ 325,496	\$ (10,500)	\$ 16,151	\$ (36)	\$ 4,827	\$ (16,330)	\$ 2,564	\$ 101,428	\$ 823,083	
Net income attributable to owners of parent	–	–	75,807	–	–	–	–	–	–	–	75,807	
Conversion of convertible bonds	8,104	8,104	–	–	–	–	–	–	–	–	16,208	
Cash dividends	–	–	(22,816)	–	–	–	–	–	–	–	(22,816)	
Purchases of treasury stock	–	–	–	(88)	–	–	–	–	–	–	(88)	
Retirement of treasury stock	–	–	–	2,219	–	–	–	–	–	–	2,219	
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	1,749	–	–	–	–	–	–	–	1,749	
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	88	–	–	–	–	–	–	–	–	88	
Other changes	–	–	–	–	(3,292)	(780)	(1,029)	(8,705)	631	4,483	(8,692)	
Balance at March 31, 2016	\$ 213,099	\$ 202,680	\$ 380,236	\$ (8,369)	\$ 12,859	\$ (816)	\$ 3,798	\$ (25,035)	\$ 3,195	\$ 105,911	\$ 887,558	

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SENKO Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Cash flows from operating activities:				
Income before income taxes	¥ 16,416	¥ 13,054	¥ 11,343	\$ 145,686
Adjustments for:				
Depreciation and amortization	9,925	8,856	7,606	88,081
Loss on disposals of property and equipment	182	192	212	1,615
Gain on sales of property and equipment	(248)	(26)	(187)	(2,201)
Gain on sales of investment securities	-	(301)	(550)	-
Loss on valuation of shares of subsidiaries and associates	104	-	-	923
Loss on sales of shares of subsidiaries and associates	32	-	-	284
Decrease in accrued retirement benefits	-	-	(9,301)	-
Increase (decrease) in net defined benefit liabilities	(1,761)	(639)	6,804	(15,628)
Increase (decrease) in accrued bonuses to employees	58	(14)	84	515
Interest and dividends income	(293)	(303)	(262)	(2,600)
Interest expenses	1,102	1,213	1,243	9,780
Decrease (increase) in trade receivables	(1,748)	773	(2,662)	(15,513)
Increase in inventories	(405)	(534)	(295)	(3,594)
Increase (decrease) in trade payables	1,694	(1,365)	1,924	15,034
Other	(2,276)	3,577	(185)	(20,199)
Subtotal	22,782	24,483	15,774	202,183
Interest and dividends income received	226	214	174	2,006
Interest expenses paid	(1,096)	(1,238)	(1,245)	(9,727)
Income tax paid	(5,763)	(4,231)	(4,014)	(51,145)
Net cash provided by operating activities	16,149	19,228	10,689	143,317
Cash flows from investing activities:				
Payments for purchases of fixed assets	(17,995)	(13,031)	(23,608)	(159,700)
Proceeds from sales of fixed assets	21,728	431	564	192,829
Payments for purchases of investment securities	(120)	(77)	(43)	(1,065)
Proceeds from sales of investment securities	524	126	1,026	4,650
Payments for purchases of non-consolidated subsidiaries	(4,579)	(510)	(160)	(40,637)
Proceeds from sales of subsidiaries	-	9	12	-
Payments for purchase of shares of newly consolidated subsidiaries	-	(3,609)	(2,365)	-
Payments for sales of shares of consolidated subsidiaries	(96)	-	-	(852)
Other	(1,751)	(1,318)	(382)	(15,540)
Net cash used in investing activities	(2,289)	(17,979)	(24,956)	(20,315)
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net	(12,800)	13,033	850	(113,596)
Proceeds from long-term debt	5,780	6,800	20,520	51,296
Repayment of long-term debt	(9,645)	(9,404)	(9,549)	(85,596)
Proceeds from issuance of convertible bond	-	7,000	7,035	-
Payments for redemption of bond	(20)	(7,040)	(20)	(177)
Repayments of finance lease obligations	(2,116)	(2,135)	(2,439)	(18,779)
Purchases of treasury stock	(9)	(10)	(7)	(80)
Sales of treasury stock	250	360	360	2,219
Dividends paid	(2,571)	(2,075)	(1,898)	(22,817)
Other	(361)	(319)	(301)	(3,204)
Net cash provided by (used in) financing activities	(21,492)	6,210	14,551	(190,734)
Effect of exchange rate changes on cash and cash equivalents	(79)	124	100	(701)
Net increase (decrease) in cash and cash equivalents	(7,711)	7,583	384	(68,433)
Cash and cash equivalents at beginning of year	25,476	17,667	15,691	226,092
Net increase in cash and cash equivalents of newly consolidated subsidiaries	-	226	1,592	-
Cash and cash equivalents at end of year	¥ 17,765	¥ 25,476	¥ 17,667	\$ 157,659

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, 2016, which was ¥112.68 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
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(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) Accounting for significant deferred assets

Method and period for amortization of business commencement expenses

Business commencement expenses are amortized by the straight-line method over five years.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 1,954,000 shares valued at ¥969 million (\$8,600 thousand) for the previous consolidated fiscal year and 1,449,000 shares valued at ¥718 million (\$6,372 thousand) for the current consolidated fiscal year.

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

Previous consolidated fiscal year: ¥1,126 million (\$9,993 thousand)

Current consolidated fiscal year: ¥750 million (\$6,656 thousand)

03

Changes in Accounting Policies

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the current consolidated fiscal year, the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan [ASBJ] Statement No. 21, September 13, 2013; hereinafter referred to as "Business Combinations Accounting Standards"), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as "Consolidation Accounting Standard") and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as "Business Divestitures Accounting Standard") have been applied. Accordingly, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and record acquisition-related costs as expenses for the consolidated fiscal year in which they occur. In addition, with respect to any business combination entered into on or after the first day of the current consolidated fiscal year, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the consolidated fiscal year in which the relevant business combinations became effective. Furthermore, the presentation of net income, etc., was changed and the presentation of minority interests was altered to non-controlling interests. To reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to the previous consolidated fiscal year.

The Company has applied the Business Combinations Accounting Standards, etc., in accordance with transitional accounting as provided in paragraph 58-2(4) of the Business Combinations Accounting Standards, paragraph 44-5(4) of the Consolidation Accounting Standard and paragraph 57-4(4) of the Business Divestitures Accounting Standard, prospectively from the beginning of the current consolidated fiscal year.

The above change had only a negligible effect on income before income taxes for the current consolidated fiscal year and capital surplus at the end of the current consolidated fiscal year.

In the consolidated statement of cash flows for the current consolidated fiscal year, cash flows from purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of "cash flows from financing activities," and cash flows from expenses related to purchase of shares of subsidiaries resulting in change in scope of consolidation or expenses related to purchase or sales of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of "cash flows from operating activities."

The above changes had only a negligible effect on capital surplus at the end of the term in the Consolidated Statements of Changes in Net Assets for the current consolidated fiscal year.

The effect of the above changes on per share information for the consolidated fiscal year ended March 31, 2016 is also immaterial.

(Accounting Standard, etc., Issued but Not Yet Adopted)

"Revised Implementation Guidance on the Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

(1) Outline

"Revised Implementation Guidance on the Recoverability of Deferred Tax Assets" sets out guidelines for the application of the Accounting Standard for Tax Effect Accounting (Business Accounting Council, Financial Services Agency) in relation to the recoverability of deferred tax assets. As part of the transfer of practical and auditing guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ, in relation to guidelines on the recoverability of deferred tax assets, particularly those set out in JICPA Audit Committee Report No. 66, (Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets), the ASBJ has made essential revisions to guidance in selected areas, including classification requirements and handling posted figures for deferred tax assets, while still essentially following the framework for estimating deferred tax assets by classifying companies into five categories and calculating the amount based on each of the relevant categories.

(2) Planned application date

The Guidance will be applicable from the first day of the consolidated fiscal year beginning on or after April 1, 2016.

(3) Impact of application of the above accounting standard, etc.

The impact that the application of "Revised Implementation Guidance on the Recoverability of Deferred Tax Assets" will have on consolidated financial statements is currently under evaluation.

04

Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2016, 2015 and 2014 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Net unrealized holdings gain on securities:				
Amount recognized in the period under review	¥ (658)	¥ 2,090	¥ 646	\$ (5,839)
Amount of recycling	6	(306)	(541)	53
Before income tax effect adjustments	(652)	1,784	105	(5,786)
Amount of income tax effect	299	(526)	(35)	2,654
Net unrealized holdings gain on securities	(353)	1,258	70	(3,132)
Gain (loss) on deferred hedges:				
Amount recognized in the period under review	(138)	13	(6)	(1,225)
Before income tax effect adjustments	(138)	13	(6)	(1,225)
Amount of income tax effect	43	(5)	2	382
Gain (loss) on deferred hedges	(95)	8	(4)	(843)
Translation adjustments:				
Amount recognized in the period under review	(153)	257	286	(1,358)
Remeasurements of defined benefit plans:				
Amount recognized in the period under review	(1,127)	1,666	–	(10,002)
Amount of recycling	(276)	(555)	–	(2,449)
Before income tax effect adjustments	(1,403)	1,111	–	(12,451)
Amount of income tax effect	384	(459)	–	3,408
Remeasurements of defined benefit plans	(1,019)	652	–	(9,043)
Total other comprehensive income	¥ (1,620)	¥ 2,175	¥ 352	\$ (14,376)

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 issuance of bond. The Companies manage any temporary surplus funds using highly stable financial assets. The Companies use derivatives in order to hedge against currency risks associated with merchandise imports as well as interest rate fluctuations risks in loans payable, and do not engage in speculative transactions.

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

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

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

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

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

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

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

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

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

procurement by converting variable interest rate liabilities into fixed interest rate liabilities.

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

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

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

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

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

(b) Market value of financial instruments

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

Millions of yen

2016	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 18,478	¥ 18,478	¥ -
(2) Trade accounts and notes receivable	58,108	58,108	-
(3) Investment securities	5,579	5,579	-
(4) Long-term loans receivable (including current portion)	3,857		
Less allowance for doubtful accounts (*1)	(595)		
	3,262	3,917	655
Total assets	¥ 85,427	¥ 86,082	¥ 655
(1) Trade accounts and notes payable	¥ 38,727	¥ 38,727	¥ -
(2) Short-term loans	7,530	7,530	-
(3) Bond	12,000	12,004	4
(4) Convertible bond	5,038	4,982	(56)
(5) Long-term debt (including current portion)	66,802	68,059	1,257
(6) Lease obligations (including current portion)	5,527	5,281	(246)
Total liabilities	¥ 135,624	¥ 136,583	¥ 959
Derivatives (*2)	¥ (92)	¥ (92)	¥ -

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)	¥ -

2016	Book value	Market value	Difference
(1) Cash and cash equivalents	\$ 163,987	\$ 163,987	\$ -
(2) Trade accounts and notes receivable	515,690	515,690	-
(3) Investment securities	49,512	49,512	-
(4) Long-term loans receivable (including current portion)	34,230		
Less allowance for doubtful accounts (*1)	(5,280)		
	28,950	34,762	5,812
Total assets	\$ 758,139	\$ 763,951	\$ 5,812
(1) Trade accounts and notes payable	\$ 343,690	\$ 343,690	\$ -
(2) Short-term loans	66,826	66,826	-
(3) Bond	106,496	106,532	36
(4) Convertible bond	44,711	44,214	(497)
(5) Long-term debt (including current portion)	592,847	604,003	11,156
(6) Lease obligations (including current portion)	49,050	46,867	(2,183)
Total liabilities	\$ 1,203,620	\$ 1,212,132	\$ 8,512
Derivatives (*2)	\$ (816)	\$ (816)	\$ -

*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 difficult to determine market value

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted shares	¥ 6,118	¥ 1,824	\$ 54,295

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

2016	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	¥ 18,478	¥ –	¥ –	¥ –
Trade accounts and notes receivable	58,108	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	10	–	–	–
(2) Bond	–	16	–	–
(3) Other	–	–	–	–
Long-term loans receivable	284	2,383	1,080	110
Total	¥ 76,880	¥ 2,399	¥ 1,080	¥ 110

2015	Millions of yen			
	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

2016	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	\$ 163,987	\$ –	\$ –	\$ –
Trade accounts and notes receivable	515,690	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	89	–	–	–
(2) Bond	–	142	–	–
(3) Other	–	–	–	–
Long-term loans receivable	2,520	21,148	9,585	977
Total	\$ 682,286	\$ 21,290	\$ 9,585	\$ 977

The carrying amounts of investment securities at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Marketable securities	¥ 5,579	¥ 6,543	\$ 49,511
Non-marketable securities	454	444	4,030
	¥ 6,033	¥ 6,987	\$ 53,541

The following is a summary of marketable securities included in investment securities, at March 31, 2016 and 2015.

2016	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 2,933	¥ 2,572	¥ 59	¥ 5,446
Bond and Others	133	2	2	133
	¥ 3,066	¥ 2,574	¥ 61	¥ 5,579

2015	Millions of yen			
	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

2016	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	\$ 26,029	\$ 22,826	\$ 524	\$ 48,331
Bond and Others	1,180	18	18	1,180
	\$ 27,209	\$ 22,844	\$ 542	\$ 49,511

The proceeds from sales of, and gross realized gain and loss on, other securities for the years at March 31, 2016 and 2015 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds from sales	¥ —	¥ 485	\$ —
Gross realized gain	—	306	—
Gross realized loss	—	—	—

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	2016		
			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	¥ 0	¥-	¥ (0)
	Euros	Trade accounts receivable	2	-	0
	Buy				
	U.S. dollars	Trade accounts payable	¥ 1,946	-	¥ (105)
	Euros	Trade accounts payable	735	-	(20)
	Danish kroner	Trade accounts payable	12	-	(0)
	Pounds sterling	Trade accounts payable	0	-	(0)
	Chinese yen	Trade accounts payable	203	-	(5)
Total			¥ 2,898	¥-	¥ (130)

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

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2016		
			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	\$ 0	\$-	\$ (0)
	Euros	Trade accounts receivable	18	-	0
	Buy				
	U.S. dollars	Trade accounts payable	\$ 17,270	\$-	\$ (932)
	Euros	Trade accounts payable	6,523	-	(178)
	Danish kroner	Trade accounts payable	106	-	0
	Pounds sterling	Trade accounts payable	0	-	0
Chinese yen	Trade accounts payable	1,802	-	(44)	
Total			\$ 25,719	\$-	\$ (1,154)

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	2016		
			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	¥ 37,450	¥ 30,600	¥ – (*)

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	¥ – (*)

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2016		
			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	\$ 332,357	\$ 271,565	¥ – (*)

* 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 March 31, 2016 and 2015, property and equipment at cost consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥ 60,487	¥ 66,230	\$ 536,803
Buildings and structures	134,201	141,085	1,190,992
Machinery and equipment, vehicle and vessels	35,671	34,049	316,569
Tools, furniture and fixtures	6,494	6,055	57,632
Construction in Progress	1,504	3,028	13,348
Lease assets	6,848	7,406	60,774
	¥ 245,205	¥ 257,853	\$ 2,176,118

At March 31, 2016 and 2015, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.49% to 0.60% unsecured loans from banks	¥ 7,530	¥ 20,540	\$ 66,826

At March 31, 2016 and 2015, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.60% bond due 2016	¥ —	¥ 20	\$ —
0.80% bond due 2016	5,000	5,000	44,373
0.50% bond due 2021	7,000	7,000	62,123
Convertible bond due 2018	5,037	6,869	44,702
0.35% to 4.50% loans from banks and insurance companies: Unsecured	66,802	70,667	592,847
	83,839	89,556	744,045
Less current portion	(15,858)	(8,716)	(140,735)
	¥ 67,981	¥ 80,840	\$ 603,310

On October 15, 2013, the Company issued ¥7,000 million (\$62,123 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 (\$5.56) per share.

The annual maturities of long-term debt at March 31, 2016 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 15,858	\$ 140,735
2018	16,579	147,134
2019	13,367	118,628
2020	5,120	45,438
2021	12,879	114,297
There after	20,036	177,813

At March 31, 2016, the Company has committed line and overdraft contracts with twenty one banks aggregating ¥32,500 million (\$288,427 thousand).

Of the total credit limit, ¥6,030 million (\$53,514 thousand) was used as the above short-term and long-term borrowing, and the rest ¥26,470 million (\$234,913 thousand) was unused.

(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
	2016	2015	2016
Benefits obligation at the beginning of the year	¥ 27,581	¥ 22,889	\$ 244,773
Cumulative effects of changes in accounting policies	—	(823)	—
Restated balance	27,581	22,066	244,773
Service cost	1,039	929	9,221
Interest cost	227	311	2,014
Accrued actuarial differences	(788)	874	(6,993)
Retirement benefits paid	(1,755)	(918)	(15,575)
Others	(40)	4,319	(355)
Benefits obligation at the end of the year	¥ 26,264	¥ 27,581	\$ 233,085

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
	2016	2015	2016
Fair value of plan assets at the beginning of the year	¥ 20,209	¥ 16,084	\$ 179,349
Expected return on plan assets	606	483	5,378
Accrued actuarial differences	(2,481)	2,609	(22,018)
Contribution by employers	1,020	1,033	9,052
Retirement benefits paid	(711)	—	(6,310)
Fair value of plan assets at the end of the year	¥ 18,643	¥ 20,209	\$ 165,451

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
	2016	2015	2016
Benefits obligation under the funded benefit plan	¥ 21,124	¥ 22,653	\$ 187,469
Fair value of plan assets	(18,643)	(20,209)	(165,451)
	2,481	2,444	22,018
Benefits obligation under the unfunded benefit plan	5,140	4,928	45,616
Net amounts of assets and liabilities on the consolidated balance sheets	7,621	7,372	67,634
Net defined benefit assets	—	2,010	—
Net defined benefit liabilities	7,621	9,382	67,634
Net amounts of assets and liabilities on the consolidated balance sheets	¥ 7,621	¥ 7,372	\$ 67,634

d. Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 1,039	¥ 929	\$ 9,221
Interest cost	227	311	2,014
Expected return on plan assets	(606)	(483)	(5,378)
Recognized actuarial differences	297	556	2,636
Retirement benefit costs for the defined benefit plan	¥ 957	¥ 1,313	\$ 8,493

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
	2016	2015	2016
Recognized actuarial differences	¥ 1,402	¥ (1,112)	\$ 12,442
Total	1,402	(1,112)	12,442

f. Remeasurements of defined benefit plans (Accumulated 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
	2016	2015	2016
Unrecognized actuarial differences	¥ (4,219)	¥ (2,817)	\$ (37,442)
Total	(4,219)	(2,817)	(37,442)

g. Items concerning plan assets

(i) Main items of plan assets

	2016	2015
Bonds	27%	23%
Stocks	58%	62%
Others	15%	15%
Total	100%	100%

(Note) 18% and 23% of total pension assets are in a "Retirements Benefit Trust" for the defined benefit pension plans as of March 31, 2016 and 2015, 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

	2016	2015
Discount rate		
Defined benefit pension plans	0.42%	1.09%
Retirements lump-sum plans	0.17%	0.67%
Expected rate of return on plan assets	3.00%	3.00%

(2) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Contributions to defined contribution plan by the Company and its consolidated subsidiaries	¥ 530	¥ 503	\$ 4,704

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Pledged Assets

The following assets were pledged as collateral as at March 31, 2016 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥ 8,323	¥ 8,058	\$ 73,864
Buildings	3,273	3,500	29,047
Vehicles	0	0	0
Investment securities	36	22	319
	¥ 11,632	¥ 11,580	\$ 103,230

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Long-term debt, including current portion	¥ 5,206	¥ 5,845	\$ 46,202

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Contingent Liabilities

At March 31, 2016 and 2015, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Guarantees of some obligations	¥ 405	¥ 300	\$ 3,594
Buyback obligations associated with securitization of receivables	468	363	4,153
Recourse obligation associated with securitization of guarantee deposits	140	140	1,242
Trade notes endorsed	82	69	728
	¥ 1,095	¥ 872	\$ 9,717

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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, 2016, included the Company's legal reserve of ¥1,506 million (\$13,365 thousand).

The stock option plans of the Company approved by the shareholders in accordance with the Japan Companies Act at March 31, 2016 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
2015 Stock options (20th)	12 directors 4 auditors	52,000 shares	July 1, 2015	¥1	Common stock	July 2, 2015- June 30, 2035
2015 Stock options (21th)	20 operating officers 30 assistant directors	60,000 shares	July 1, 2015	¥1	Common stock	July 2, 2015- June 30, 2045

(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, 2016. The number of stock options is translated into the number of shares.

Stock option	Share subscription rights which are not yet vested (shares):				Share subscription rights which have already been vested (shares):					
	At March 31, 2015	Granted	Forfeited	Vested	At March 31, 2016	At March 31, 2015	Vested	Exercised	Forfeited	At March 31, 2016
2007 Stock options (1st)	-	-	-	-	-	42,000	-	18,000	-	24,000
2007 Stock options (2nd)	-	-	-	-	-	10,000	-	4,000	-	6,000
2008 Stock options (4th)	-	-	-	-	-	49,000	-	22,000	-	27,000
2008 Stock options (5th)	-	-	-	-	-	15,000	-	6,000	-	9,000
2009 Stock options (6th)	-	-	-	-	-	60,000	-	24,000	-	36,000
2009 Stock options (7th)	-	-	-	-	-	25,000	-	5,000	-	20,000
2010 Stock options (8th)	-	-	-	-	-	71,000	-	29,000	-	42,000
2010 Stock options (9th)	-	-	-	-	-	41,000	-	5,000	-	36,000
2011 Stock options (10th)	-	-	-	-	-	88,000	-	18,000	-	70,000
2011 Stock options (11th)	-	-	-	-	-	93,000	-	6,000	-	87,000
2012 Stock options (12th)	-	-	-	-	-	92,000	-	18,000	-	74,000
2012 Stock options (13th)	-	-	-	-	-	92,000	-	3,000	-	89,000
2013 Stock options (15th)	-	-	-	-	-	71,000	-	8,000	-	63,000
2013 Stock options (16th)	-	-	-	-	-	82,000	-	2,000	-	80,000
2014 Stock options (18th)	-	-	-	-	-	56,000	-	7,000	-	49,000
2014 Stock options (19th)	-	-	-	-	-	74,000	-	2,000	-	72,000
2015 Stock options (20th)	-	52,000	-	52,000	-	-	52,000	-	-	52,000
2015 Stock options (21th)	-	60,000	-	60,000	-	-	60,000	-	-	60,000

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 33.0 % for the years ended March 31, 2016 and 35.6 % for the years ended March 31, 2015.

(1) Significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liabilities	¥ 4,062	¥ 4,338	\$ 36,049
Accrued bonuses to employees	1,475	1,515	13,090
Loss carry forward	581	659	5,156
Impairment losses	263	281	2,334
Loss on revaluation of land	265	277	2,352
Accrued enterprise tax	299	270	2,654
Social insurance premium	200	195	1,775
Asset retirement obligations	153	158	1,358
Loss on revaluation of golf club membership	120	121	1,065
Other	1,467	1,290	13,019
Gross deferred tax assets	8,885	9,104	78,852
Less: valuation allowance	(1,603)	(1,425)	(14,226)
Total deferred tax assets	7,282	7,679	64,626
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(911)	(983)	(8,085)
Asset retirement obligations	(31)	(38)	(275)
Net unrealized holdings gain on other securities	(768)	(1,066)	(6,816)
Other	(804)	(865)	(7,135)
Gross deferred tax liabilities	(2,514)	(2,952)	(22,311)
Net deferred tax assets	¥ 4,768	¥ 4,727	\$ 42,315

(2) Reconciliation of the statutory effective income tax rate and the income tax rate as a percentage of income before income taxes and non-controlling interests at March 31, 2016 and 2015 were as follows:

	2016	2015
Statutory tax rate	33.0%	35.6%
Adjustment:		
Non-deductible expenses	1.1	1.4
Inhabitants' per capita taxes	1.5	1.8
Non-taxable dividends income	(0.3)	(0.1)
Adjustments of deferred tax assets due to the change in statutory effective tax rates	1.2	3.5
Special deduction of income taxes	(0.7)	(0.2)
Changes in valuation allowance	1.2	—
Other	0.6	0.0
Income tax rate as a percentage of income before income taxes and non-controlling interests	37.6%	41.9%

(3) Adjustments 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. 15 of 2016) and the Act for Partial Amendment of the Local Tax Act (Act No. 13 of 2016) on March 29, 2016, the corporate tax rate, etc., will be reduced effective from the consolidated fiscal period starting on April 1, 2016. Consequently, the statutory effective tax rate used to calculate deferred tax assets and liabilities for this consolidated fiscal period was changed from 32.2% in the previous consolidated fiscal period to 30.8%, for the temporary difference that is expected to be settled in the consolidated fiscal period starting on April 1, 2016 and 2017; and to 30.5%, for the temporary difference that is expected to be settled in the consolidated fiscal period starting on April 1, 2018.

Accordingly, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥225 million (\$1,997 thousand), while deferred income taxes and net unrealized holdings gain on securities increased by ¥191 million (\$1,695 thousand) and ¥37 million (\$328 thousand) and loss on deferred hedges and remeasurements of defined benefit plans decreased by ¥2 million (\$328 thousand) and ¥68 million (\$603 thousand), respectively.

16 | Asset Retirement Obligations

(1) Asset retirement obligations recorded in the consolidated balance sheets

a. Outline of the relevant asset retirement obligations

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

b. Calculation method for the relevant asset retirement obligations

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

c. Increase in the total amount of asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at the beginning of the term	¥ 575	¥ 440	\$ 5,103
Increase due to acquisition of a consolidated subsidiary	—	126	—
Reconciliation associated with the passage of time	9	9	80
Decrease due to settlement	(65)	—	(577)
Balance at the end of the term	¥ 519	¥ 575	\$ 4,606

(2) Asset retirement obligations not recorded in the consolidated balance sheets

The Group has restoration obligations to the original state at the withdrawal for some offices used on lease agreements. Since the use period of the leased asset pertaining to the obligations is unclear and transfer is not scheduled at present, asset retirement obligations cannot be measured reasonably. Therefore, asset retirement obligations corresponding to the obligations have not been recorded.

1. Summary of reportable segment

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

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

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

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

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

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

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

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

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

Millions of yen

	2016					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 300,421	¥ 129,469	¥ 4,110	¥ 434,000	¥ –	¥ 434,000
Intersegment	1,599	11,011	4,025	16,635	(16,635)	–
Total operating revenues	302,020	140,480	8,135	450,635	(16,635)	434,000
Segment income (loss)	14,214	2,806	813	17,833	(336)	17,497
Segment assets	211,113	40,276	10,298	261,687	7,774	269,461
Other items						
Depreciation	8,452	269	285	9,006	919	9,925
Increase in tangible and intangible fixed assets	17,194	201	202	17,597	4,581	22,178

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

Thousands of U.S. dollars

	2016					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	\$ 2,666,143	\$ 1,148,997	\$ 36,475	\$ 3,851,615	\$ –	\$ 3,851,615
Intersegment	14,191	97,719	35,721	147,631	(147,631)	–
Total operating revenues	2,680,334	1,246,716	72,196	3,999,246	(147,631)	3,851,615
Segment income (loss)	126,145	24,902	7,215	158,262	(2,982)	155,280
Segment assets	1,873,562	357,437	91,392	2,322,391	68,992	2,391,383
Other items						
Depreciation	75,009	2,387	2,529	79,925	8,156	88,081
Increase in tangible and intangible fixed assets	152,591	1,784	1,793	156,168	40,655	196,823

(1) Products and Services Information

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

(2) Geographic Segment Information

a. Sales

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

b. Property, plant and equipment

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

(3) Information by Major Clients

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

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

No significant items to be reported.

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

Millions of yen

	2016				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 123	¥ 144	¥ 5	¥ –	¥ 272
Balance at the end of period	1,743	2,205	90	–	4,038

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

Thousands of U.S. dollars

	2016				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ 1,092	\$ 1,278	\$ 44	\$ -	\$ 2,414
Balance at the end of period	15,469	19,569	799	-	35,837

(Information on negative goodwill by business segment)

No significant items to be reported.

18 Subsequent Event

(1) Payment of Dividends

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 28, 2016

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 1,588	\$ 14,093

(2) Transition to a Holding Company Structure through Company Split

The Company, at the meeting of its Board of Directors held on May 13, 2016, has resolved that, effective April 1, 2017, all of the businesses in which the Company engages (except businesses related to the management of the business activities of companies of which the Company holds shares, or businesses related to the group management) will be succeeded to by SENKO Split Preparation Co., Ltd. (with its trade name to be changed to SENKO Co., Ltd. as of April 1, 2017), a wholly owned subsidiary of the Company that was incorporated on April 15, 2016, by absorption-type company split, and that it will become a pure holding company. Accordingly, the Company concluded an absorption-type company split contract with SENKO Split Preparation Co., Ltd. on the same date. The implementation of absorption-type company split was approved at the 99th Annual General Meeting of Shareholders was held on June 28, 2016.



Corporate/Stock Information

Corporate Data (As of March 31, 2016)

Date of Establishment	July 1946
Paid-in Capital	¥24,011,687,826
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	458
Number of Overseas Offices	43
Number of Vehicles	4,745
Number of Vessels	18
Total Warehouse Space	2,938,000 m ²
Number of Employees	12,934

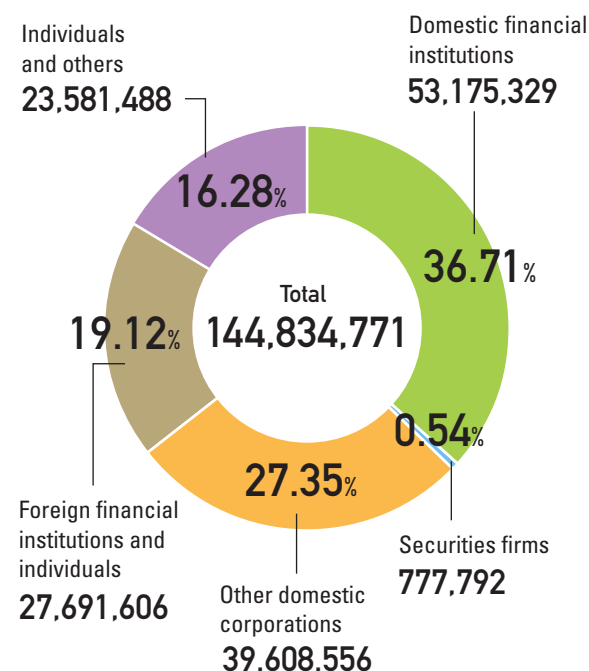
Stock Information (As of March 31, 2016)

Stock Listing	Tokyo
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Shares	144,834,771
Number of Shareholders	6,027
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)	20,507,000	14.16%
Asahi Kasei Corporation	11,676,726	8.06%
The Master Trust Bank of Japan, Ltd.	8,305,000	5.73%
NORTHERNTRUSTCO. (AVFC)	6,875,553	4.75%
Sekisui Chemical Co., Ltd.	6,785,900	4.69%
Senko Group Employee's Stockholding	6,502,743	4.49%
J. P. MORGANBANKLUXEMBOURGS. A.	5,638,000	3.89%
Mitsubishi UFJ Trust and Banking Corporation	4,252,000	2.94%
Isuzu Motors Limited	4,039,689	2.79%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,439,170	2.37%

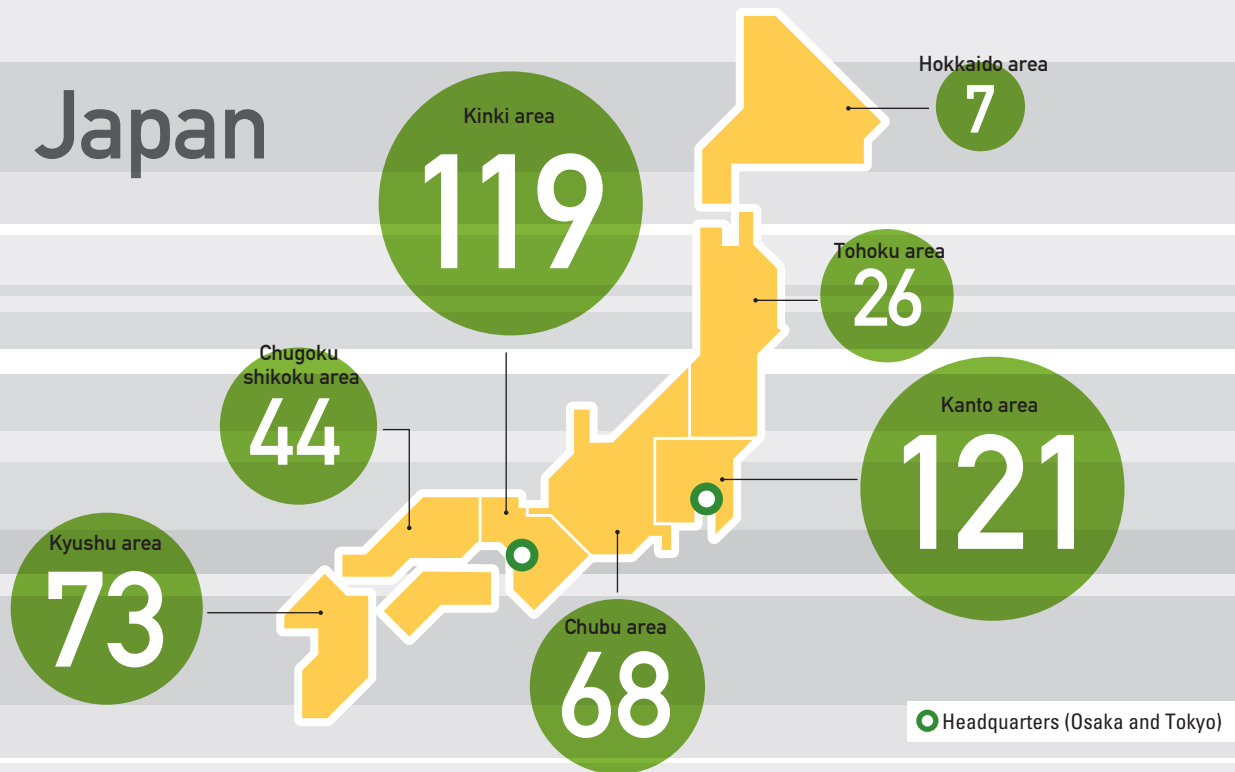
Classification by Type of Shareholder





Domestic and Global Network (As of March 31, 2016)

Japan



Subsidiaries (As of March 31, 2016)

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
● Sapporo Senko Transport Co., Ltd.	Distribution
● Tohoku Senko Transport Co., Ltd.	Distribution
● Kanto Senko Transport Co., Ltd.	Distribution
● Kanetsu Senko Logistics 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
SENKO LOGISTICS MEXICO S.A.DE C.V.	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
NH-SENKO Logistics Co., Ltd.	Distribution

●: Consolidated subsidiaries



SENKO Co., Ltd.

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