

# SENKO

## ANNUAL REPORT 2017

For the year ended March 31, 2017



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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.

## Scope of Report

The scope of coverage includes the activities of Senko Group Holdings Co., Ltd. and its Group companies.

## Reporting Period

This report covers business activities for the period between April 1, 2016 and March 31, 2017. However, some activities that took place after April 2017 are also covered.

## Other Publications of the Company

- Notice of convocation of the annual meeting of shareholders
- Securities reports (Japanese only) and quarterly reports
- CSR reports (Japanese only)

A variety of information other than that mentioned above is available on the Company's website (in Japanese).

<http://www.senkogrouphd.co.jp/en>



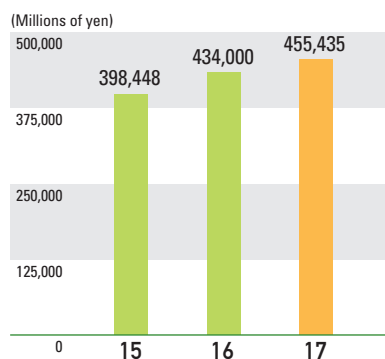
# Consolidated Financial Highlights

Years ended March 31	2017	2016	2015	2017
	Millions of yen			Thousands of U.S. dollars*1
<b>For the year:</b>				
Operating revenues	¥ 455,435	¥ 434,000	¥ 398,448	\$ 4,059,497
Operating income	17,082	17,497	13,650	152,259
Net income attributable to owners of parent	8,951	8,542	7,074	79,783
Capital expenditures	17,662	17,500	14,182	157,429
Depreciation and amortization	10,216	9,925	8,856	91,060
<b>At year end:</b>				
Total assets	285,959	269,461	285,310	2,548,881
Net assets	114,091	100,010	92,745	1,016,944
	Yen			U.S. dollars
<b>Per share data:</b>				
Net income	¥ 61.67	¥ 60.43	¥ 55.06	\$ 0.55
Cash dividends applicable to the year	22.00	20.00	17.00	0.20
Diluted net income	58.74	56.32	50.41	0.52
<b>Financial Ratios:</b>				
Operating income margin (%)	3.8	4.0	3.4	
Net income margin (%)	2.0	2.0	1.8	
Equity ratio (%)	35.1	32.6	28.4	
Return on equity (ROE) (%)	9.5	10.1	9.5	
Interest coverage ratio*2 (times)	21.9	14.7	15.5	

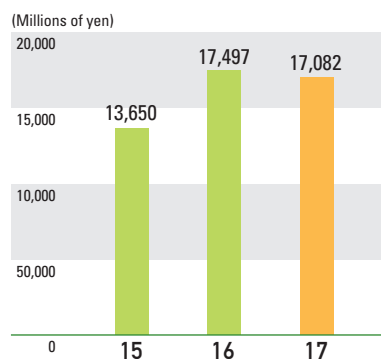
\*1: U.S. dollar amounts are converted from yen, for convenience only, at the prevailing rate of ¥112.19 to U.S.\$1 on March 31, 2017.

\*2: Interest coverage ratio: Operating cash flows / Interest expenses

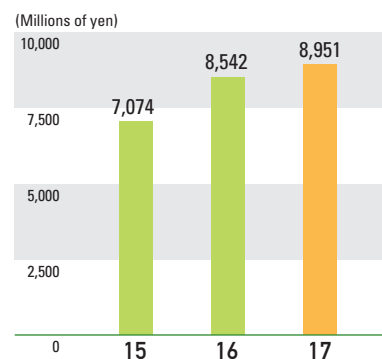
## Operating revenues



## Operating income



## Net income attributable to owners of parent



# We intend to be a “Corporate Group Creating Future Trends” fostering people and supporting people’s lives.

## Business Environment in the Fiscal Year 2016

In the Japanese economy for the fiscal year under review, the outlook for the future remained uncertain, due in part to weak consumer spending as well as other factors, despite moving from a plateau toward recovery due to a moderate upturn in overseas economies and improvements in wages and employment.

In the logistics industry, the business environment remained challenging, partially due to shortages of drivers and workers, amid the continued slowing of freight volume.

In this environment, the Senko Group worked to improve competitiveness, expand business areas, and upgrade the operation system.

## Main Activities and Performance

In Japan, we welcomed ACROSS TRANSPORT CO., LTD., which is involved in fashion logistics, including department store delivery agency services, into the Senko Group in April, and have been boosting cooperation with each of the Senko Group companies in charge of fashion logistics. In addition, within

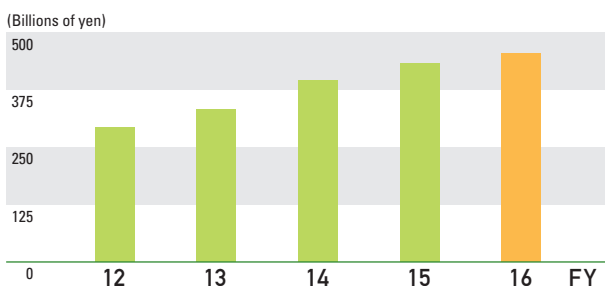
large-scale logistics facilities there were four developments: in May, we opened the Narita Fashion Logistics Center II (Chiba Prefecture) to provide logistics services for imported brands; in August, we opened the Nishikanto LC (Logistics Center) (Kanagawa Prefecture), which engages in operations for major general merchandise store outlets located in the western Kanto region; in November, we opened the Kazo PD Center (Saitama Prefecture) for logistics operations in the Tokyo metropolitan area; and in January 2017, we opened the Hino Logistics Center (Tokyo), which operates for major drugstore chains.

Outside Japan, we expanded the Kentucky Logistics Center (state of Kentucky, the U.S.) in August to include a new freezer warehouse. We also started operation of our first three-temperature zone logistics center in Myanmar in October.

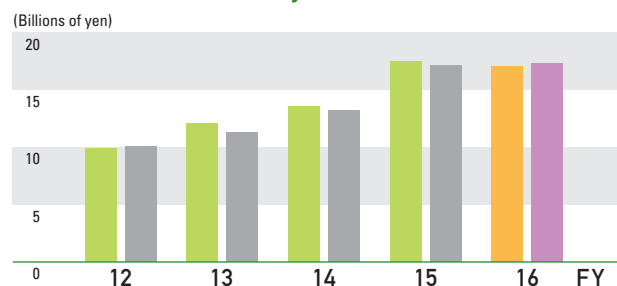
In our Trading & Commerce, we developed new products and promoted the expansion of sales channels for existing products, in addition to cultivating integrated trading and logistics services, which included bringing logistics services to goods that are handled in-house.

At the same time, for initiatives in new business areas, we established a subsidiary in August in the real estate sector. We launched a nursing care business and lifestyle support services

## Consolidated operating revenues (Net sales)



## Consolidated operating income (orange) / Consolidated ordinary income (purple)





Y. Fukuda

Yasuhisa Fukuda

President and Representative Director

business, welcoming KEIHANNA helper station Co., Ltd., which operates a nursing care business, and Ienonaka Company, Ltd., which provides housekeeping services, into the Senko Group in October 2016 and January 2017, respectively.

To upgrade our operation system, we have been promoting a modal shift to reduce our environmental impact and to resolve the shortage of drivers, while boosting the use of our own trucks. In October, we opened an authorized driving school for large vehicles at the Company's traffic safety training facility Crefeel Koto, strengthening our system for attracting and training drivers.

To ensure financial soundness, in September we transferred seven logistics centers to a real estate investment trust (a private REIT) managed by Senko Asset Management Co., Ltd. Funds raised have been used for building new logistics centers and other purposes.

Furthermore, in October 2016, we established SENKO UNIVERSITY, an in-house training center for improving the sophistication and specialization of training content for human resources and for developing strategic human resources.

Consolidated operating revenues for the fiscal year under review increased 4.9% year on year to ¥455,435 million. This result mainly reflected the aggressive expansion of sales and

the contribution of ACROSS TRANSPORT CO., LTD., which was made into a consolidated subsidiary of the Company.

On the profit front, consolidated operating income fell to ¥17,081 million, down 2.4% year on year, impacted by a fall in profit due to the decline in freight volumes from existing customers despite increases from the sales expansion, price revisions, and productivity improvements.

Meanwhile, consolidated ordinary profit increased 0.7% year on year to ¥17,301 million, partly due to an increase in non-operating revenue, and income attributable to owners of parent increased 4.8% year on year to ¥8,950 million.

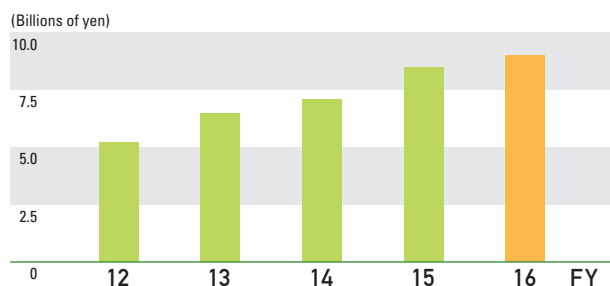
## Results of Four-Year Medium-Term Business Plan

We will now report on the results of the Four-Year Medium-Term Business Plan (fiscal 2013 – fiscal 2016) that we have been working on to date.

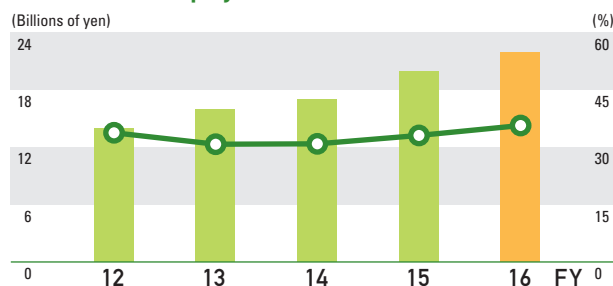
We exceeded the goal of ¥400.0 billion in operating revenues by ¥55.4 billion, due in part to our aggressive expansion of sales, large-scale capital investment and M&A activities.

Looked at by business domain, revenues from the Logistics

### Income attributable to owners of parent



### Dividend per share (■) / Consolidated payout ratio (○)



## A Message from the President

exceeded our goal by ¥20.0 billion to stand at ¥318.0 billion as a result of our efforts for new sales promotion and expanding the scope of our logistics center business.

Meanwhile, revenues in our Trading & Commerce segment exceeded our goal by ¥34.9 billion to stand at ¥132.9 billion. This was the result of an increase in revenues from AST CORPORATION, a major wholesaler of household paper products, joining the Group as well as efforts to expand integrated trading and logistics services.

Operating income exceeded the goal of ¥15.0 billion by ¥2.1 billion, mainly due to the expansion in sales and improvements in productivity.

As a result of working to aggressively expand our logistics centers inside and outside Japan, logistics center space exceeded our goal by 220,000 m<sup>2</sup>, reaching 3,220,000 m<sup>2</sup>.

### Holding Company Structure and Establishment of Group Corporate Philosophy

In April 2017, the Company changed its name to Senko Group Holdings Co., Ltd. and transitioned to a holding company structure. Under the new structure, group companies have been divided into five business groups: Logistics, Trading & Commerce, Living Support, Agriculture, and Business Support. We will oversee management with the holding company and the five operating companies at the core of our operations.

Going forward, we will strengthen our governance system, clarify responsibility and authority at each operating company, and speed up decision-making with the aim of reinforcing the structure of the Group and further enhancing its corporate value.

We have also established a philosophy to be shared by the entire Group. Our vision is to be "Corporate Group Creating Future Trends." Our aims are to foster people and support their lives. We also strive to create services and products that are driving the future by contributing to the realization of a truly enriched global community.

With our corporate slogan, Moving Global, we will go beyond

logistics, make the world of commerce go around, and revolutionize business by promoting our operations. We have also established five shared values for Group employees: sincerity, passion, responsibility, respect and diversity. The goal is to become a group of companies that contributes to and is trusted by all stakeholders.

### Future Initiatives

The Japanese economy going forward is expected to continue expanding while experiencing a moderate recovery backed by an improvement in domestic demand that is focused on consumer spending and an expansion of external demand due to an upturn in the U.S. and Chinese economies.

However, in the logistics industry, the challenging business environment is expected to persist. There has been an increase in small-lot freight amid a slowdown in both overall freight volume and in recruiting staff, particularly drivers, to handle small-lot freight.

In this environment, the Senko Group has formulated the Five-Year Medium-Term Business Plan SIP21 (Senko Innovation Plan 2021), with fiscal 2017 as its inaugural year.

SIP21 is a growth strategy that will take on the challenge of creating new services and products based on the business areas of logistics as well as trading and commerce.

In the next 100 years, we will unite as a group of companies to drive economic and social innovation inside and outside Japan with the aim of realizing our motto, Moving Global.

### Increase in the Annual Dividend to ¥22

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

In accordance with this basic policy, the annual dividend for fiscal 2016, ended March 31, 2017, was ¥22.00 per share.

We ask for the continued support and encouragement of our shareholders going forward.

Medium-Term Business Plan Targets and Results	Target	FY2016 Results	Change compared with target
Operating revenues (billions of yen)	400	455.4	55.4
Operating income (billions of yen)	15	17.1	2.1
Operating income margin (%)	3.8	3.8	0.0
ROE (%)	8.3	9.5	1.2
Equity ratio (%)	35.8	35.1	(0.7)
Logistics center space (10,000 m <sup>2</sup> )	300	322	22

	Target		FY2016 Results		Change compared with target
	Business revenues	% of total	Business revenues	% of total	
Logistics	298	75	318	70	20.0
Trading & Commerce	98	24	132.9	29	34.9
Others	4.0	1	4.6	1	0.6
Total	400	100	455.4	100	55.4

(Billions of yen)



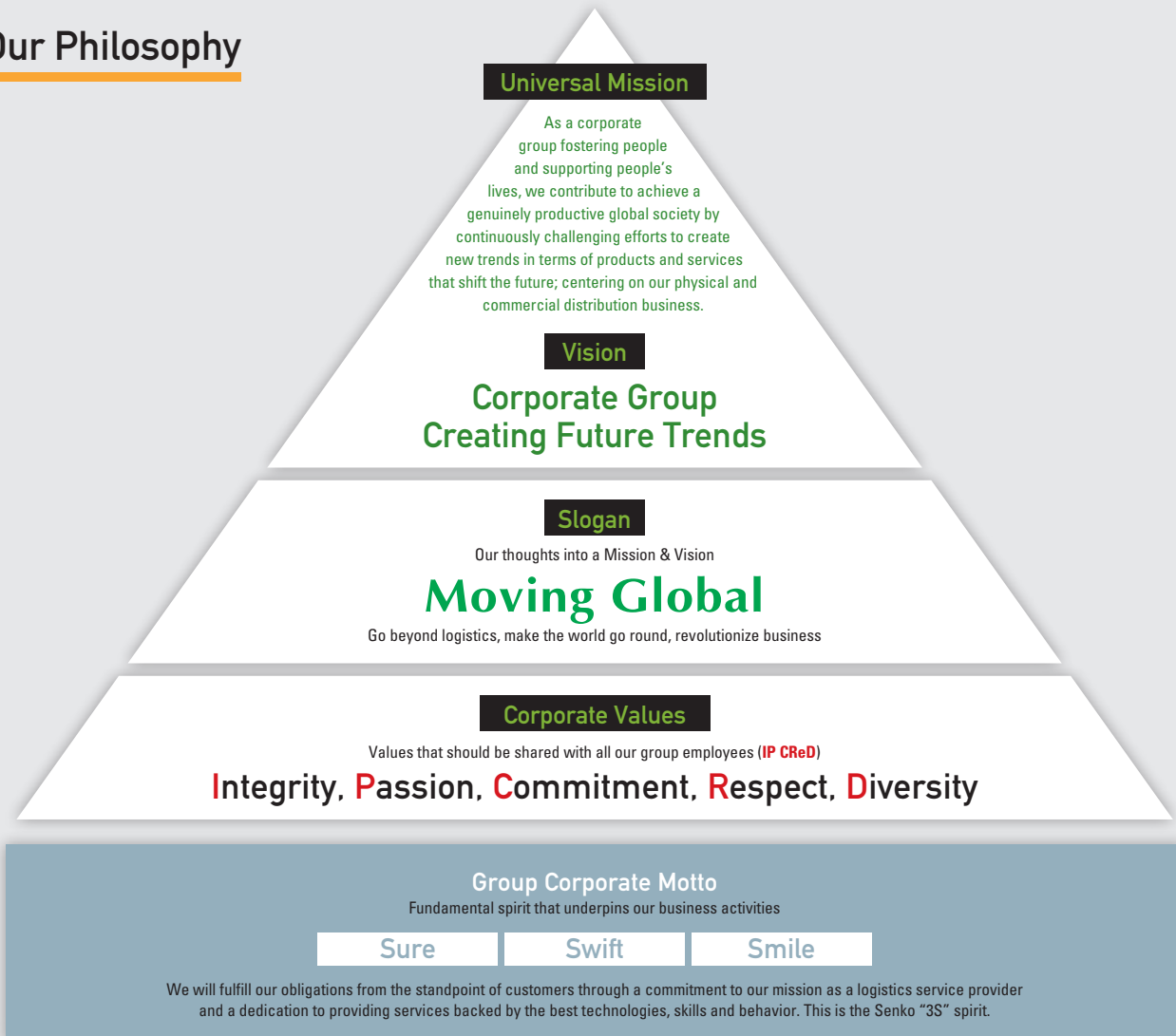
# New Medium-Term Business Plan

## Launch of Senko Group Five-Year Medium-Term Business Plan SIP21

The Senko Group has launched the Five-Year Medium-Term Business Plan SIP21 (Senko Innovation Plan 2021), which runs from fiscal 2017 until fiscal 2021.

SIP21 is a growth strategy for the corporate group to support logistics for industry and people’s lives as well as to take up the challenge of creating new services and products that will drive the future, based on Logistics and Trading & Commerce, for the next 100 years.

### Our Philosophy



#### Direction of strategy

- Achieve “Moving Global” | Go beyond logistics, make the world go round, and revolutionize business.
- Unite as a group to drive economic and social innovation inside and outside Japan.



# New Medium-Term Business Plan

## Senko Group Medium-Term Business Policy

### 1 Expand business areas

Accelerate international business expansion, further enhance existing domestic businesses, and enter new business areas, such as Living Support and Business Support. Also, actively promote business partnerships and M&As to support the above.

### 2 Grow brand value

Consolidate the Group's overall strength, deliver "services that surprise and delight," and evolve from "customer satisfaction" (CS) to "customer delight" (CD).

### 3 Improve employee satisfaction (ES)

By both creating and using a diverse range of programs, improve employee satisfaction to attract employees from varied backgrounds and then nurture their growth, as well as increase the value of the environment they work in.

### 4 Emphasize corporate social responsibility (CSR)

Grow alongside society, while preserving and fostering industry, culture, and nature in each region.

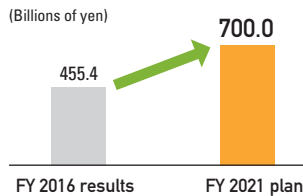
### 5 Gain trust from capital markets

Work to maximize the corporate value of the entire Group, while strengthening financial soundness.

## Group Medium-Term Management Goals

### Size

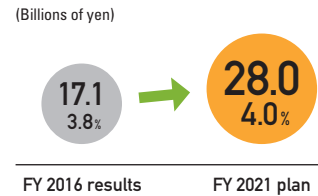
Strive for operating revenues of **¥700.0 billion**



### Profitability

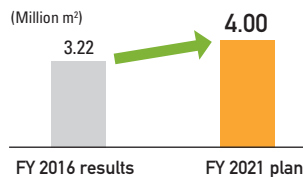
Strive for operating income of **¥28.0 billion**

Strive for ratio of operating income to sales of **4.0%**

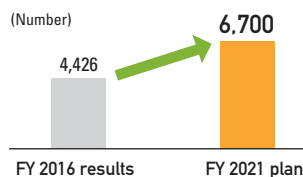


### Operational system

Logistics center storage space

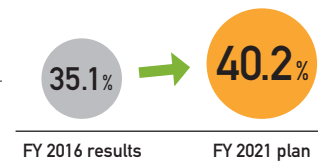


Fleet of own trucks

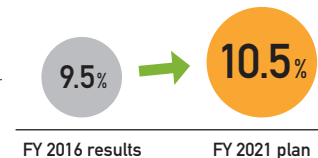


### Stability

Equity ratio



ROE





# Key Measures of Group Medium-Term Business Policy

## 1 Expand business areas

Goals for operating revenues in each business area	FY2016 results	
	Operating revenues	Percentage
Retail products	177.6	39%
Housing	60.9	13%
Chemical	51.1	11%
Other	28.4	6%
Logistics	318.0	70%
Trading & Commerce	132.9	29%
Others	4.6	1%
Total	455.4	100%
International business*	26.6	6%



FY2021 plan		Change	
Operating revenues	Percentage	Amount	Rate of increase
285	41%	107.4	60%
65	9%	4.1	7%
75	11%	23.9	47%
30	4%	1.6	6%
455	65%	137.0	43%
185	26%	52.1	39%
60	8%	55.4	1204%
700	100%	244.6	54%
70	10%	43.4	163%

\* Revenue from international business is included in the above figure.

## 2 Enhance brand value

- 1) Extend and improve the Group brand
- 2) Develop products and services incorporating next-generation technology
- 3) Build a business platform that transcends industries and national borders

## 3 Improve employee satisfaction (ES)

- 1) Strengthen hiring and training of global human resources
- 2) Provide opportunities so that all Group employees are challenged and can grow
- 3) Promote diverse workstyles and a workplace that is easy to work in

## 4 Emphasize corporate social responsibility (CSR)

- 1) Strengthen internal controls and promote activities for safety and health
- 2) Contribute to and collaborate with local communities
- 3) Pursue environmental consciousness

## 5 Gain trust from capital markets

- 1) Strengthen financial soundness
- 2) Boost capital efficiency
- 3) Strengthen business profitability

Key measures in each business area		Key measures
Logistics	Retail products	<ul style="list-style-type: none"> <li>• Diversifying logistics center services and expanding bases</li> <li>• Enhancing logistics bases with three temperature zones, for food products, etc.</li> <li>• Expanding business through logistics bases, integrating operations for manufacturers and wholesalers (using an industry platform)</li> </ul>
	Housing	<ul style="list-style-type: none"> <li>• Expanding logistics for both builders using traditional Japanese timber framing methods as well as pre-cut housing manufacturers</li> <li>• Entering into logistics for fields other than single-family houses, such as apartment and commercial buildings, and housing renovations</li> <li>• Enhancing housing logistics-related services</li> </ul>
	Chemical	<ul style="list-style-type: none"> <li>• Expanding business areas where we have a competitive advantage, such as bulk container transportation</li> <li>• Promoting renewable energy-related logistics</li> <li>• Enhancing logistics for foreign-owned businesses in Japan and trading companies</li> </ul>
	Other	<ul style="list-style-type: none"> <li>• Growing the moving business for hospitals, libraries, research centers, etc.</li> <li>• Expanding logistics in the same industry as ours and for trading companies</li> </ul>
Trading & Commerce		<ul style="list-style-type: none"> <li>• Deeply cultivating markets with a unified model for Logistics and Trading &amp; Commerce</li> <li>• Developing and selling new products</li> </ul>
Others (Living Support, Agriculture, Business Support)		<ul style="list-style-type: none"> <li>• Promoting business in the healthcare industry (nursing care facilities, etc.)</li> <li>• Promoting and strengthening lifestyle-related business (housekeeping services, etc.)</li> <li>• Promoting business related to hotels</li> <li>• Expanding business in the agriculture industry</li> <li>• Promoting Business Support</li> </ul>
International business		<ul style="list-style-type: none"> <li>• Strengthening international logistics (expand bases, build a cold storage and freezer network, enter international air transportation)</li> <li>• Expanding into commercial logistics areas that we have not entered yet</li> </ul>

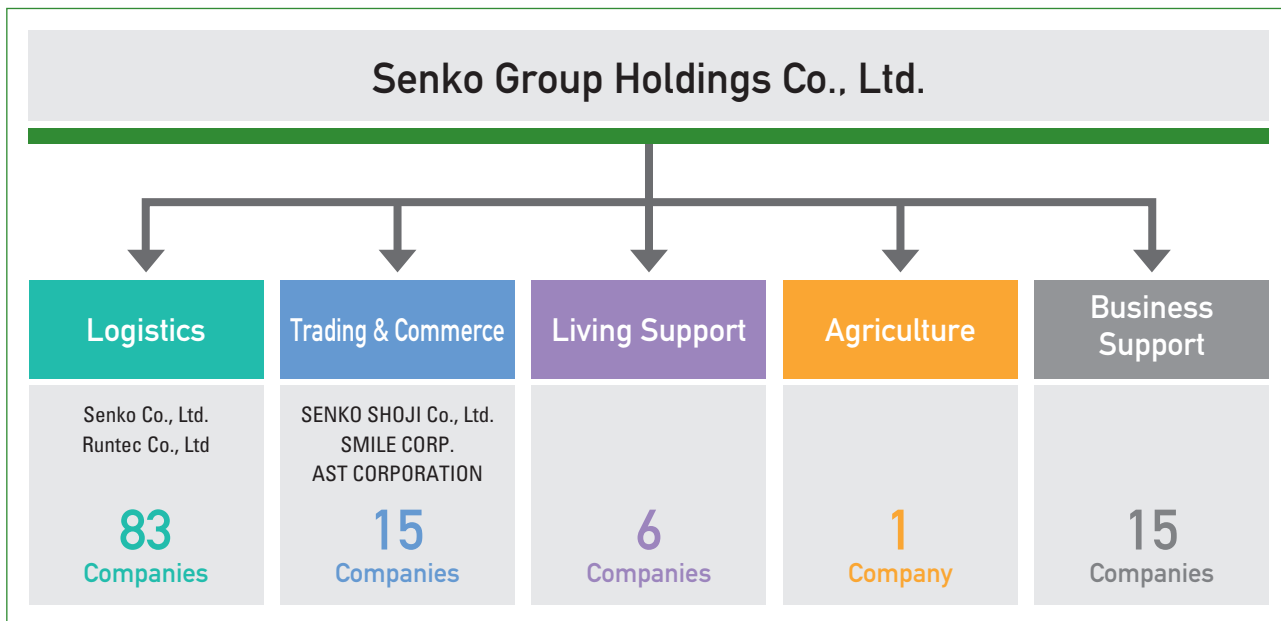


Corporate Group Creating Future Trends

# The New Structure of the Senko Group

In April 2017, we divided our Group companies into five business domains, to coincide with the transition to using a holding company system. We also established SENKO Co., Ltd. and Runtec Co., Ltd. as the core companies for the Logistic Group and SENKO SHOJI Co., LTD., SMILE CORP. and AST CORPORATION as the core companies for the Trading & Commerce Group in order to supervise the management of the companies within each group.

Name	Senko Group Holdings Co., Ltd.
Representative	Yasuhisa Fukuda (President and Representative Director)
Date of Founding	September 1916
Date of Establishment	July 1946
Paid-in Capital	¥26,528 million



(As of April 30, 2017)

## Core companies

Name	SENKO Co., Ltd.
Representative	Yasuhisa Fukuda (President and Representative Director)
Date of Establishment	April 15, 2016
Paid-in Capital	¥10,000 million
Main Business	Logistics

Name	SMILE CORP.
Representative	Atsushi Ono (President and Representative Director)
Date of Establishment	June 1, 1977
Paid-in Capital	¥570.5 million
Main Business	Trading & Commerce

Name	Runtec Co., Ltd.
Representative	Kazuhiro Yamanaka (President and Representative Director)
Date of Establishment	July 14, 1953
Paid-in Capital	¥519.8 million
Main Business	Logistics (refrigerated and frozen)

Name	AST CORPORATION
Representative	Hiroyuki Hayashi (President and Representative Director)
Date of Establishment	July 1, 2006
Paid-in Capital	¥100 million
Main Business	Trading & Commerce

Name	SENKO SHOJI Co., LTD.
Representative	Hiroshi Yoneji (President and Representative Director)
Date of Establishment	April 1, 1965
Paid-in Capital	¥300 million
Main Business	Trading & Commerce

## Logistics

We have expanded our Logistics Group to support customers in industries related to housing and construction materials and chemical products, in addition to retail industries encompassing general supermarkets, drugstores, home improvement stores, and apparel. Furthermore, for the food sector we have freezing and refrigeration warehouses as well as a nationwide low-temperature (both refrigerated & frozen) logistics network, which uses several methods including refrigerated trucks and railway containers.

We also have business centers outside Japan (local companies, etc.) to create a multimodal transportation system between Japan and the rest of the world, and for our global logistics center business.



## Trading & Commerce

We sell fuel with oil cards, logistics-related commercial materials (logistics equipment, etc.), everyday items, packaging materials, foodstuffs, liquor and more.

We also undertake international trade, such as the import and export of customers' raw materials, and other international transactions.



## Living Support

We have developed businesses to support the everyday life of consumers, such as nursing care and housework services, as well as moving services and restaurants.



## Agriculture

Senko School Farm Tottori, housed in a disused school, is a welfare-oriented agricultural initiative which cultivates and sells leafy vegetables and mushrooms.

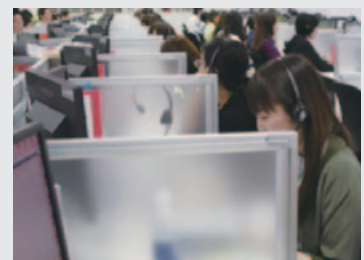
We also grow and sell tea (in Kumamoto), tomatoes (in Miyazaki), and grapara leaves (in Chiba).



## Business Support

We have a logistics consulting business and an information system business, responsible for developing and managing IT solution systems, to create an optimum logistics system which meets the diverse needs of our customers.

We also have a call center business that serves the real estate development sector, the personnel service sector and online shopping businesses.

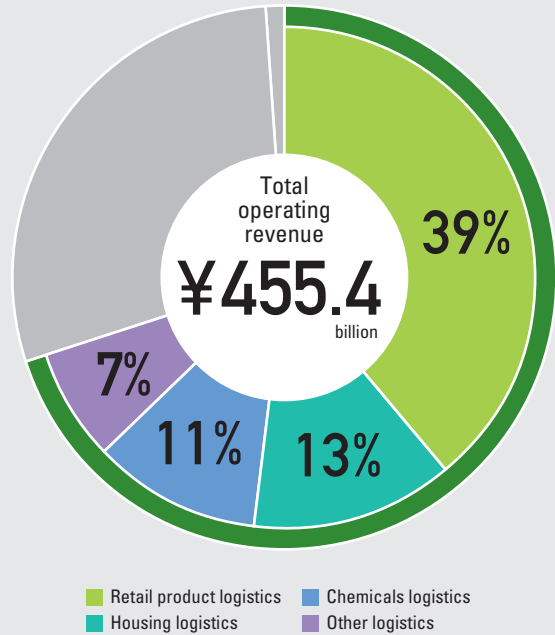
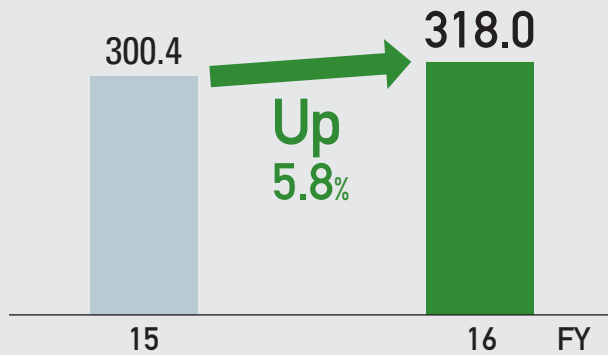




# Review of Operations by Business Segment

## Logistics

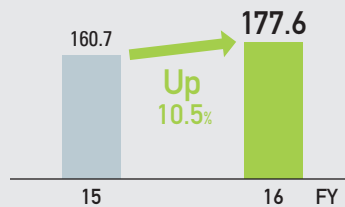
Operating revenue grew 5.8% year on year to ¥318 billion in this segment. This was mainly attributable to a rise in operating revenue resulting from the consolidation of ACROSS TRANSPORT CO., LTD. and sales to new and existing customers, including a major drugstore chain.



### Retail Products Logistics



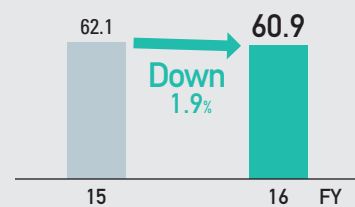
Operating revenue grew 10.5% year on year to ¥177.6 billion in this segment. This was mainly attributable to new service contracts, particularly for major drug stores, and the effect of making ACROSS TRANSPORT CO., LTD. into a consolidated subsidiary.



### Housing Logistics



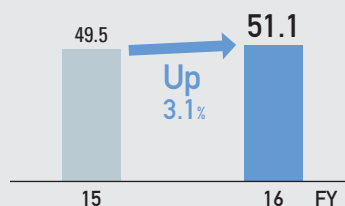
Operating revenue decreased 1.9% year on year to ¥60.9 billion in this to a decline in existing cargo volumes, despite active sales expansion.



### Chemicals Logistics



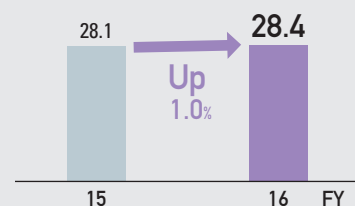
In this segment, operating revenue grew 3.1% year on year to ¥51.1 billion. This was mainly because of growth in sales, which included logistics contracts for resin and aluminum products and an expansion in bulk container transportation.



### Other Logistics

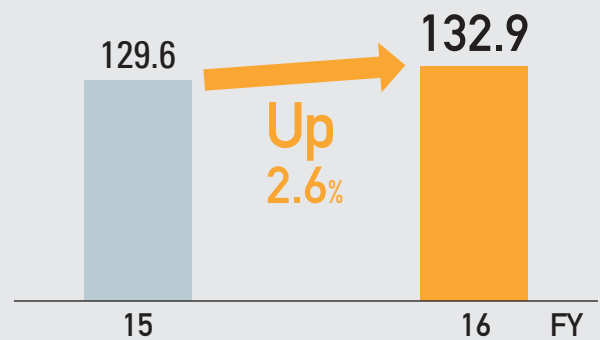
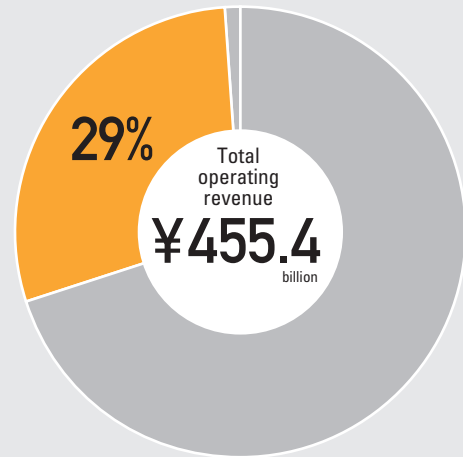


Operating revenue in this segment for the fiscal year ended March 31, 2017 increased by 1.0% year on year to ¥28.4 billion.



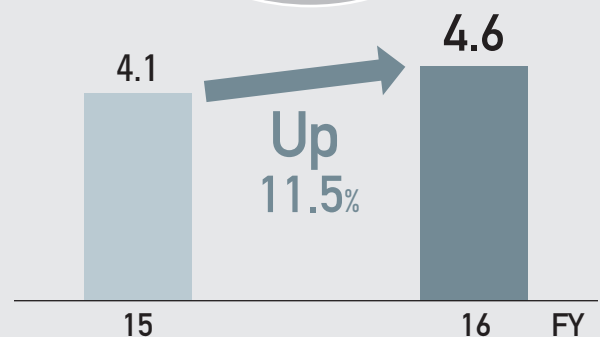
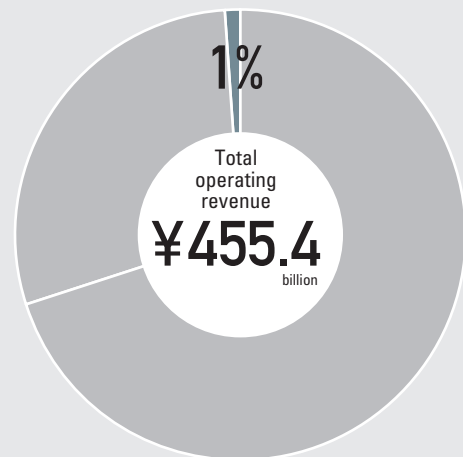
## Trading & Commerce

Operating revenue grew 2.6% year on year to ¥132.9 billion in this segment, the result of an increase in sales volume of existing products and sales expansion to new customers.



## Others

Operating revenue rose 11.5% year on year to ¥4.6 billion in this segment. This was mainly attributable to the growth of sales in data processing services and sales of electricity produced by solar power generation.



## Logistics

### Building a Logistics Infrastructure in Vietnam; Logistics Center to Begin Operations in December

# 01

We established SENKO Logistics Vietnam Co., Ltd. to work in freight forwarding and customs services in Vietnam, a nation attracting wide attention as a manufacturing center and as a consumer market. We began a full-scale land-sea intermodal transportation service between Japan and Vietnam in May 2017.

We also established SENKO DISTRIBUTION SERVICE (VIETNAM) Co., Ltd. in March 2017 and started building a logistics center near Hanoi, with plans to start operating in December 2017.



## Logistics

### Subsidiaries to Develop Marine Transportation

# 02

In April 2017, Senko purchased 60% of the shares in each of NIPPON MARINE CO., LTD. and EIKICHI KAIUN CO., LTD., both members of the JX Nippon Mining & Metals Group, a marine transporter of metals, from JX Nippon Mining & Metals Group and made them into subsidiaries.

With the entry of these two companies into the Senko Group, we can strengthen our marine transportation services, including increasing tonnage shipped and reducing costs through centralized purchasing of equipment. In addition, we intend to further grow the marine transportation segment, including the creation of new services and the development of new customers, by combining Senko's expertise in land-sea intermodal operations with the marine transportation expertise of these two companies.



## Living Support

### Expanding the Living Support Segment Group Nationwide

# 03

In January 2017, the Senko Group made Ienonaka Company, Ltd. into a subsidiary, which operates lifestyle support services, mainly in Tokyo and Yokohama.

Over the past few years, there has been a growing need for these types of services, which includes housekeeping and house cleaning, due to an increase in the number of women working outside the home and the graying of society in Japan.

The Senko Group entered the living support domain and will first provide services in the Kanto region, with plans to gradually roll out services nationwide with a focus on urban areas, such as the Kansai region. We will roll out these services in cooperation with Senko Group business sites, which are located nationwide.



## Logistics / Trading & Commerce / Living Support

### Alliance with Chinese Nursing Care Company: Developing Integrated Trading, Commerce and Logistics

# 04

In March 2017, Senko formed an operational alliance with China Minsheng Investment Group (CMIG) Elderly Care, Ltd., a subsidiary established by the major Chinese property manager CMIG to run nursing care facilities and to sell nursing care products in China.

This alliance creates an opportunity for us to support the nursing care businesses that CMIG Elderly Care, Ltd. operates in China through trading and by sales of the nursing care equipment and goods that the Senko Group handles, supplying the nursing care expertise of Group company KEIHANNA helper station Co., Ltd., as well as training, guidance and integrated Japan-China logistics.



## Personnel Development

### Initiatives for Human Resource Development

# 05

In October 2016, the Senko Group established SENKO University, an in-house training center for developing strategic personnel. With courses such as Creating new businesses, Developing the next-generation of leaders, Training globally minded managers, and Training advanced business professionals, we give a series of lectures from internal and external experts for periods of study that last from one to three years.



## Personnel Development

### Driving School for Large Vehicles to Attract New Drivers

# 06

In November 2016, the Crefeel Koto Driving School Grounds (Higashiomi City, Shiga Prefecture) at the Company's traffic safety training facility Crefeel Koto was certified by the Shiga Prefectural Public Safety Commission and began operating as a training school for large vehicle driving.

In addition to driver education at Crefeel Koto, going forward the Senko Group will continue working to attract drivers by promoting large vehicle drivers' licenses.



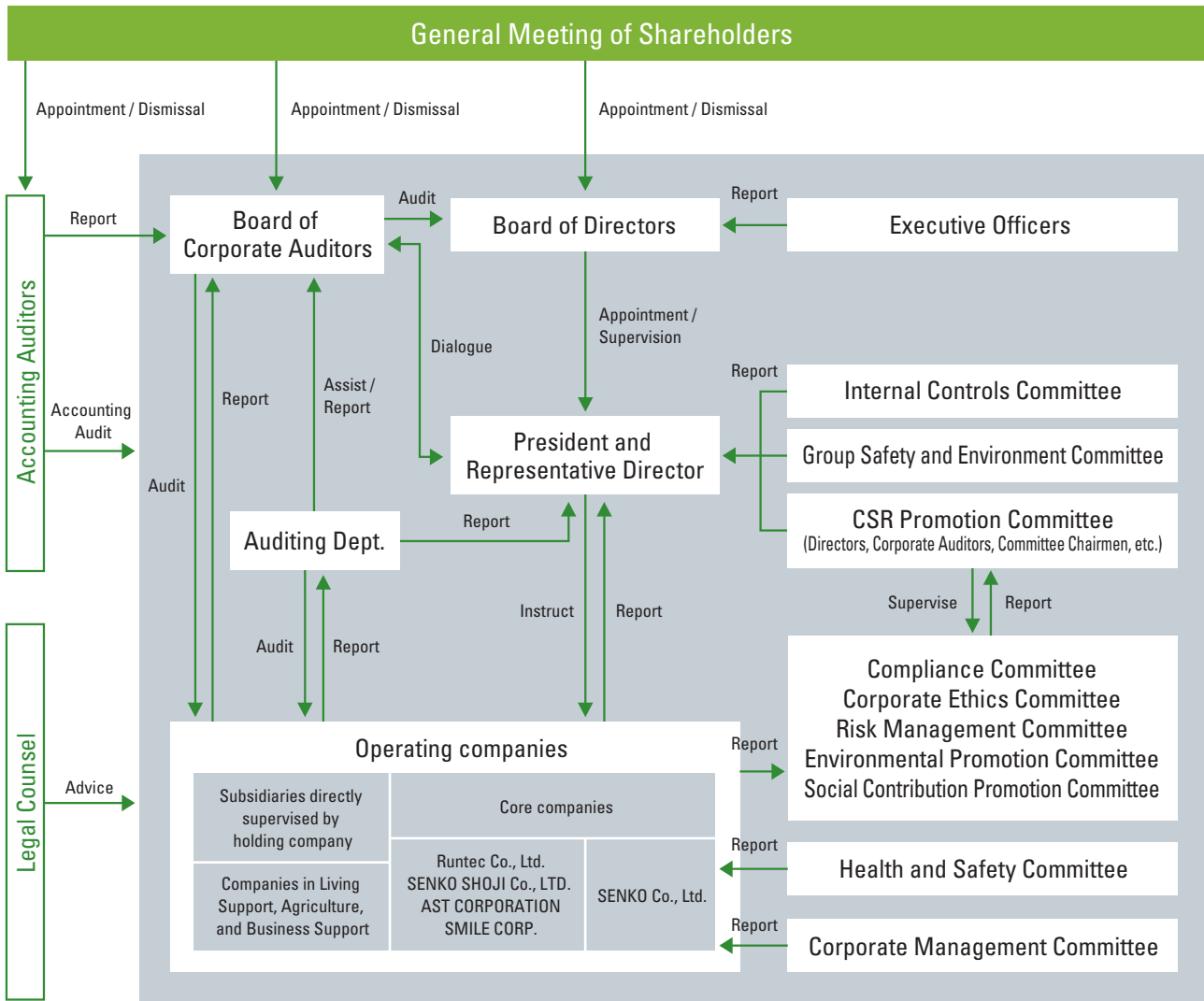




# Corporate Governance and Compliance

## 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 issue for management.



Senko has included some of the principle elements of Japan's Corporate Governance Code on the Company's website to clarify its position on working to enhance corporate governance based on this code. <http://www.senkogrouphd.co.jp/ir/governance/> (Japanese only)

## 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.

The Senko Group established the Senko Group Corporate Code of Conduct, which prescribes all items that executives and employees must observe in every aspect of their job activities based on a thorough understanding of the Group's social obligations.



# Business Risks

## 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 a 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 for truck drivers on the safe transport of hazardous materials. We also operate a logistics information back-up center to prepare for major disasters.

Of the items related to the status of business and accounting contained in the Securities Report, the following may have a material impact on the judgment of investors.

### **(1) Laws and Regulations**

The Group is engaged in transportation, distribution processing, and other businesses, and provides a wide range of logistics services. These businesses are subject to regulation under the Motor Truck Transportation Business Act, the Consigned Freight Forwarding Business Act, the Warehousing Business Act and other legislation. It is necessary to receive registration or approval from the Minister of Land, Infrastructure and Transport to engage in these businesses, and there is a mandatory post-notification system for setting and revising fees. Moreover, environmental legislation, including regulations on truck exhaust, has also been strengthened. The performance of the Group could be affected by legal revisions in the future and by trends for tightening or loosening regulations.

### **(2) Sharp Increase in the Price of Crude Oil**

A rise in the price of light oil due to a sharp increase in the price of crude oil will push up transportation costs. The performance of the Group, where truck transportation is the mainstay business, could be affected in the future by price trends.

### **(3) Occurrence of a Serious Accident**

In case a serious vehicle or freight accident occurs, the performance of the Group could be affected by a loss in customer and public confidence, suspension of vehicle use, administrative penalties such as business suspension, etc.

### **(4) Occurrence of a Disaster, etc.**

The performance of the Group could be affected by a system shutdown due to transportation routes being blocked or electricity being suspended during a disaster, such as a storm or an earthquake, or by a blackout.

### **(5) IT System Failure**

The Group leverages IT technology to manage customer freight information and for control systems for warehouses. The performance of the Group could be affected if these systems are shut down due to a natural disaster, computer virus, or computer hacking.

### **(6) Management of Customer Information**

The Group handles customer information when providing logistics services and has worked hard on information management through in-house education. However, the Group's performance could be affected by claims for compensation for damages if there is an external leak of information or loss of data.



# Board of Directors, Corporate Auditors and Executive Officers



President and  
Representative Director

**Yasuhisa Fukuda**

President and Representative Director	<b>Yasuhisa Fukuda</b>	Responsible for Logistics Head of promotion Division, Business Support Senko Co., Ltd. President and Representative Director
Director and Managing Executive Officers	<b>Yoshihiro Kawase</b>	Responsible for IT & HR Training President and Representative Director, SENKO INFORMATION SYSTEM Co., Ltd. Chairman, Senko Health Insurance Association
	<b>Noburo Sasaki</b>	Responsible for PR & IR President and Representative Director, Senko Facilities Co., Ltd.
	<b>Kenichi Shiraki</b>	Head of Business Promotion Division, Living Support
Directors	<b>Masanobu Uenaka</b>	Responsible for Management Strategy General Manager of Management Strategy Office Director and Managing Executive Officer, Senko Co., Ltd.
	<b>Takeyo Tezuka</b>	Responsible for Trading & Commerce Director and Chairman, SENKO SHOJI Co., Ltd. President and Representative Director, Marufuji Co., Ltd. President and Representative Director, Obata Co., Ltd.
	<b>Kengo Tanaka</b>	Responsible for International Business
Outside Directors	<b>Kazuhiro Yamanaka</b>	Represent for Refrigerated & Frozen Logistics President and Representative Director, Runtec Co., Ltd. President and Representative Director, KOUKI Co., Ltd.
	<b>Hiroko Ameno</b>	Director (part-time), Senko Co., Ltd.
Full-time Corporate Auditors	<b>Yasuyuki Sugiura</b>	
	<b>Keiji Matsubara</b>	
Auditor	<b>Masami Washida</b>	Auditor, Senko Co., Ltd.
	<b>Keiichiro Yoshimoto</b>	
Executive Officers	<b>Kanji Yasumitsu</b>	
	<b>Masami Tada</b>	Depuly Head of promotion Division, Living Support Responsible for Hotel Business President and Representative Director, Senko Creative Management Co., Ltd.
	<b>Kiyoshi Rurigaki</b>	Assistant to Responsible for IT & HR Training Responsible for Senko University President and Representative Director, Crefeel Koto Co., Ltd.
	<b>Shigeru Ono</b>	Head of ASEAN Area Office Executive Officer, Senko Co., Ltd. President and Representative Director, SENKO (THAILAND) CO., LTD.

# CSR

## Corporate Social Responsibility

The Senko Group has made to “emphasize corporate social responsibility (CSR)” part of its policy in SIP21. The Group will unite to promote CSR management with the aim of enhancing corporate value and achieving an enriched society in the future.

### Medium-Term CSR Policy

We will raise awareness about compliance and CSR beginning with the Senko Group and will include our vendors and business partners.

### ● Key Measures

# 1

#### Environmental Initiatives

- (1) As a specified business operator, we will work to achieve energy conservation targets.
- (2) We will make reductions by conserving energy and improving the recycling and the green product purchasing rates, while contributing to a recycling society.
- (3) We will develop environmental data at Group companies and will roll out environmental targets to Group companies.
- (4) We will introduce equipment that reduces environmental impact, such as LED lighting and low-emission vehicles.
- (5) We will promote alternative energy sources, including installing solar panels at new sites and by introducing large CNG vehicles.
- (6) We will actively propose modal shifts in transportation to customers to promote green logistics.

# 2

#### Safety Initiatives

- (1) We will establish a safety and health management system that matches the characteristics of Group companies.
- (2) We will analyze and use big data to centralize safety-related systems.
- (3) We will actively introduce technology that prevents accidents (active safety).
- (4) We will create opportunities for receiving and learning about safety technology.

# 3

#### Health Initiatives

- (1) We will manage health information on all Group employees and translate this into extending a healthy life expectancy.
- (2) We will strengthen health management and eliminate all accidents caused by health conditions.
- (3) We will build a prevention management framework based on the implementation of stress checks.
- (4) We will strengthen activities to promote health in collaboration with the employee health insurance association.

# 4

#### Social Activities

- (1) We will actively conduct road safety classes and area cleanups to contribute to the local community.
- (2) We will actively engage in volunteer programs that include educational assistance overseas.

### CSR Promotion System

To fulfill our diverse social responsibilities, the Compliance Committee, the Corporate Ethics Committee, the Risk Management Committee, the Environmental Promotion Committee, and the Social Contribution Promotion Committee will each promote individual activities related to CSR.

In addition, the CSR Promotion Committee, chaired by the president of Senko Group Holdings, oversees these committees.



# Environmental Initiatives

To fulfill our social responsibility as a logistics company, we are taking action to reduce CO<sub>2</sub> emissions and are working with customers to promote green logistics.

## Updated the Modal Shift Promotion Catalog to Strengthen Green Logistics Proposals

The Senko Group's performance on modal shifts to railway and marine transportation has been highly evaluated. As a result of contracts concluded with major customers, we have reduced CO<sub>2</sub> emissions per contract by 54% year on year.

For example, we switched to railway transportation for clothing and apparel in fiscal 2016. We updated our modal shift promotion catalog to allow more customers to know about these kinds of green logistics. We are strengthening our proposal activities to provide support for customers to reduce their environmental impact.

## 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 first determined the quantity of resources and energy used (the input) and the quantity of CO<sub>2</sub> and waste materials we produce (the output).

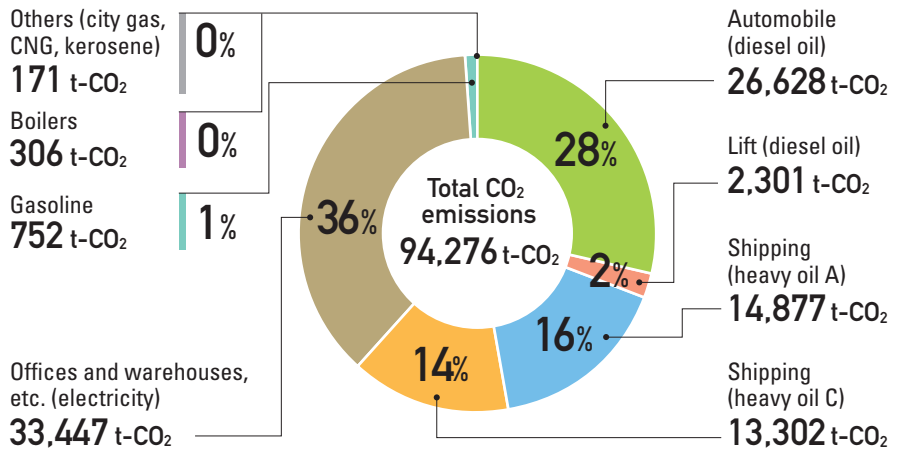
INPUT	
Diesel oil	11,191 kℓ
Heavy oil	10,047 kℓ
Electricity	64,380,000 kWh

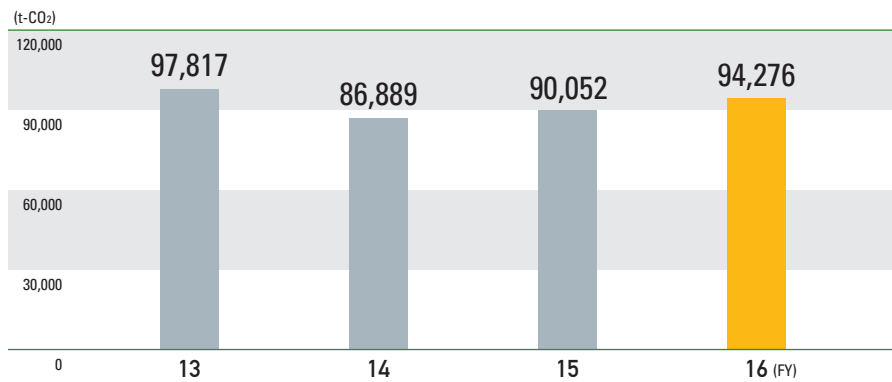
OUTPUT	
CO <sub>2</sub> emissions	94,276 t-CO <sub>2</sub>

Note: The CO<sub>2</sub> emission coefficients are the revised and publicly announced values as of December 27, 2013, based on the "Order for Enforcement of the Act on Promotion of Global Warming Countermeasures" and the "Ministerial Order Concerning the Calculation of the Greenhouse Gas Emissions in Conjunction with the Business Activities of Specified Emitters."

### CO<sub>2</sub> Emissions by Cause



### Change in annual CO<sub>2</sub> emissions



# Safety Programs

We are striving to improve the skills of drivers in addition to strengthening safety management systems.  
We are promoting initiatives linked to our health management system.

## Held the 1st Grand Championship to Mark our 100th Anniversary

We extended the scale of the Skill Contest, held every year as part of our way to boost practical skills, and we determined champions from among 108 competitors. The champions were selected in each area by past champions and included ten competitors from overseas in a logistics contest. In addition, 31 competitors selected from each area also competed in the telephone communication contest. A fascinating contest was held on Senko-style safety knowledge and skills.

### Driver competition, Operator competition

We changed from a conventional scoring system to a tournament style, where competitors now go head to head.



### Telephone communication contest

In fiscal 2016, we also incorporated a paper test for this competition of knowledge and skill.



# Social Initiatives

We promoted reforms to benefit the health and job satisfaction of employees. We also focused on initiatives for being more in harmony with local communities.

## Health

### Supporting Health with 19 Nurses Around the Country

We have stationed occupational health and general nurses in nine areas around the country to provide specialized health advice for all employees. In 2016, we hired three new nurses, creating a system with 19 in total.

We are also identifying issues from health data and are implementing measures to promote better health. Specifically, the rate of abnormal findings increased by 1.7% over the previous fiscal year. The rate of re-examination, follow-up examination, and treatment required improved by 0.2% year on year.



## Diversity

### Promoting a "Working at Home" System under Work Style Reforms

We have formulated the Work Style Reform Plan, to create a workplace that is easy to work in and to keep working in.

As part of this program, we introduced a "working at home" system for employees who have difficulty coming into work for reasons such as child or nursing care. In fiscal 2016, five employees used this system, launching a new work style. We will further develop an environment that enables the same work to be done at home as is done at the office and to provide support that enables employees to keep working over the long term.



Seeing the same materials and working outside the office



Making maximum use of the teleconferencing system

## Communities

### School Visit Workshops on Road Safety

In addition to Road Safety Classes for Kids, which we hold in every area, we have been holding school visit workshops at elementary and junior high schools since fiscal 2014. In fiscal 2016, we held these workshops in six schools in Hokkaido, Miyagi, Saitama, Kanagawa, Fukuoka, and Miyazaki prefectures. The school visit workshops include a ride in a truck and other experiences, and are a good opportunity for students to see trucks up close.



School visit workshop for 5th grade elementary school students



Hands on demonstration on the coolness of a refrigerated vehicle, etc.

#### Main components of the school visit workshop program

- Children learn the safe way to cross a road and use crosswalk
- Children see the blind spots in a truck driver's line of sight
- Children learn about the hazards of left-turn collisions, etc.

## Performance

Consolidated operating revenue for the fiscal year ended March 31, 2017 increased 4.9% year on year to ¥455,435 million. This result mainly reflected the aggressive expansion of sales and the contribution of ACROSS TRANSPORT CO., LTD., which was made a consolidated subsidiary of the Company.

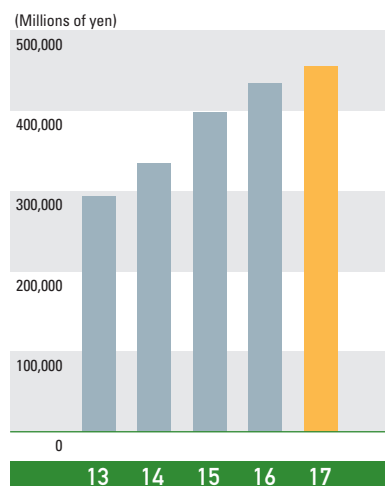
On the profit front, consolidated operating income decreased to ¥17,082 million, down 2.4% year on year due to a

decline in freight volumes from existing customers, and despite factors buoying profits such as sales expansion, revision of freight charges, and improvements in productivity. On the other hand, consolidated ordinary profit rose to ¥17,301 million, up 0.7% year on year, due primarily to the increase in non-operating income, while income attributable to owners of parent also rose, to ¥8,951 million, up 4.8% year on year.

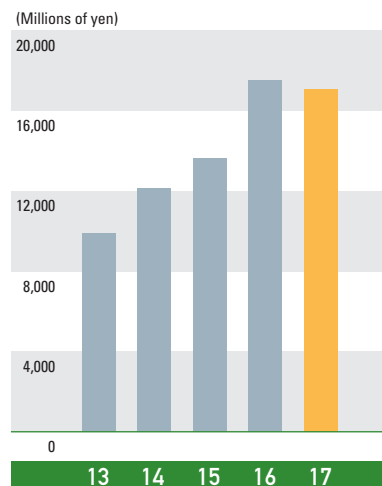
Billions of yen

For the fiscal years ended March 31	2017		2016		Difference	Growth rate (%)
	Operating revenues	Component ratio (%)	Operating revenues	Component ratio (%)		
Logistics	¥ 318.0	69.8	¥ 300.4	69.2	¥ 17.6	5.8
Retail product	177.7	55.9	160.7	53.5	17.0	10.6
Housing	60.9	19.1	62.1	20.7	(1.2)	(2)
Chemicals	51.1	16.1	49.5	16.5	1.6	3.2
Other	28.3	8.9	28.1	9.4	0.2	0.9
Trading & commerce	132.9	29.2	129.6	29.8	3.4	2.6
Others	4.6	1.0	4.1	1.0	0.4	11.5
<b>Total</b>	<b>¥ 455.4</b>	<b>100</b>	<b>¥ 434.0</b>	<b>100.0</b>	<b>¥ 21.4</b>	<b>9</b>

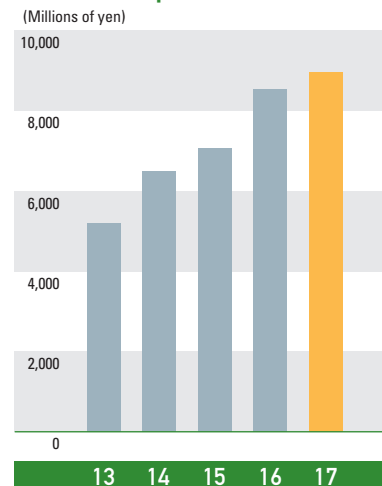
### Operating revenues



### Operating income



### Net income attributable to owners of parent





## Consolidated Operating Revenues by Segment

### Logistics

Operating revenue grew 5.8% year on year to ¥317,984 million in this segment. This was mainly attributable to a rise in operating revenue resulting from the consolidation of ACROSS TRANSPORT CO., LTD. and expansion of sales to new and existing customers, including a major drugstore chain.

### Trading & Commerce

Operating revenue grew 2.6% year on year to ¥132,868 million in this segment, the result of an increase in sales volume of existing products and sales expansion to new customers.

### Others

Operating revenue rose 11.5% year on year to ¥4,6 million in this segment. This was attributable to the growth of sales in data processing services and increased sales of electricity produced by solar power generation.

## Financial Condition

### Assets

Total assets as of March 31, 2017 were ¥285,959 million, which was ¥16,497 million more, or 6.1% higher, than at the end of the previous fiscal year.

Current assets amounted to ¥108,699 million, up ¥15,318 million, or 16.4%, from the end of the previous fiscal year. This mainly reflected increases of ¥8,685 million in cash and deposits and increases of ¥3,868 million in notes and operating accounts receivable.

Non-current assets totaled ¥177,175 million, up ¥1,204 million, or 0.7%, from the end of the previous fiscal year. This was due to a decrease in property, plant and equipment of ¥6,609 million, or 4.8%, as a result of transfers of seven logistics centers to the private REIT, despite increases in intangible assets of ¥1,759 million, and an increase in investments and other assets of ¥6,054 million.

### Liabilities

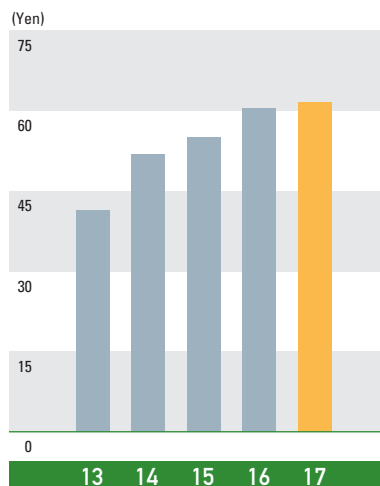
Liabilities as of March 31, 2017 increased ¥2,416 million, or 1.4%, from the end of the previous fiscal year to ¥171,868 million.

Current liabilities totaled ¥93,915 million, up ¥8,267 million, or 9.7%, from the end of the previous fiscal year. This was mainly due to increases in electronically recorded obligations—operating of ¥5,171 million, short-term loans payable of ¥7,243 million, and lease obligations of ¥857 million, despite decreases in notes and operating accounts payable—trade of ¥3,394 million and current portion of bonds of ¥5,000 million.

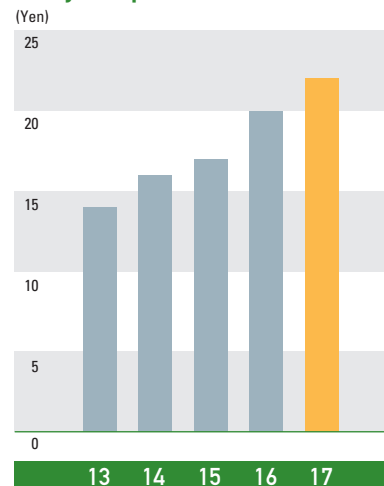
### Operating income (●) / net income to operating revenues (○)



### Net income per share



### Cash dividends applicable to the year per share



Non-current liabilities totaled ¥77,953 million, down ¥5,850 million, or 0.7%, from the end of the previous fiscal year. This was due to increases in convertible bonds with subscription rights to shares of ¥5,012 million and lease obligations of ¥2,774 million, even though long-term loans payable decreased by ¥13,459 million.

## Net Assets

Net assets as of March 31, 2017 rose ¥14,080 million, or 14.1%, from the end of the previous fiscal year to ¥114,091 million. This was due to factors such as increases of ¥2,516 million in capital stock as a result of the conversion of convertible bonds with subscription rights to shares, ¥2,573 million in capital surplus, ¥5,809 million in retained earnings, ¥1,527 million in remeasurements of defined benefit plans, and ¥1,472 million in non-controlling interests. The equity ratio increased by 2.5 percentage points to 35.1% from the end of the previous fiscal year.

## Capital Expenditures and Depreciation

Capital expenditures in the fiscal year under review increased ¥162 million, or 0.9%, to ¥17,662 million, compared with the previous fiscal year. The Company opened logistics centers in the Kanto region in Japan as well as in the U.S. and Myanmar in the fiscal year under review. As a result, the total warehouse space as of March 31, 2017 expanded by 280,000 m<sup>2</sup> from the end of the previous fiscal year to 3,220,000 m<sup>2</sup>. In the fiscal year ending March 31, 2018, capital expenditures are expected to

increase ¥18,984 million, or 107.5%, to ¥36,646 million, due to the planned opening of large logistics centers both in Japan and overseas.

Depreciation increased ¥291 million, or 2.9%, to ¥10,216 million, compared with the previous fiscal year, and is expected to rise ¥1,336 million, or 13.1%, to ¥11,552 million in the fiscal year ending March 31, 2018.

## Cash Flows

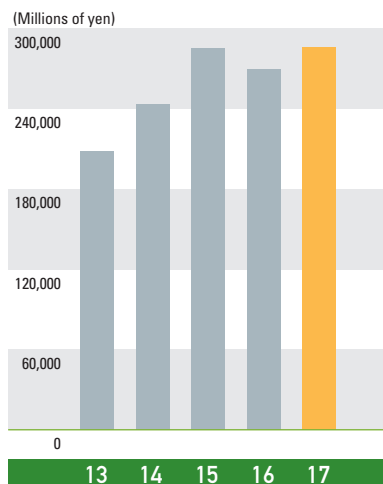
Cash and cash equivalents at the end of year increased by ¥8,431 million, or 47.5%, year on year to ¥26,197 million.

Net cash provided by operating activities amounted to ¥20,848 million, an increase of ¥4,698 million, or 29.1%, from the previous fiscal year. This was mainly due to income before income taxes of ¥16,573 million and depreciation and amortization of ¥10,216 million, despite interest expenses paid of ¥954 million and income taxes paid of ¥5,360 million.

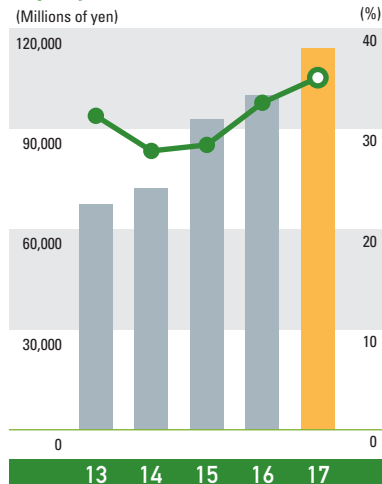
Net cash used in investing activities totaled ¥3,679 million, an increase of ¥1,390 million, or 60.7%, from the previous fiscal year. This was mainly due to the purchase of fixed assets of ¥16,253 million and the purchase of non-consolidated subsidiaries ¥5,282 million, despite proceeds from the sale of fixed assets of ¥17,883 million.

Net cash used in financing activities totaled ¥8,627 million, a decrease of ¥12,865 million, or 59.9%, from the previous fiscal year. This was mainly due to a repayment of long-term debt of ¥10,871 million, repayments of finance lease obligations of ¥2,802 million, redemption of bond of ¥5,000 million, and cash dividends paid of ¥3,173 million, despite proceeds from long-term loans debt of ¥3,150 million and proceeds from issuance of convertible bond of ¥10,050 million.

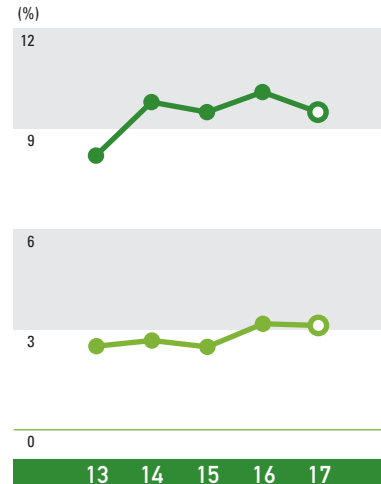
### Total assets



### Net assets (■) / Equity ratio (○)



### ROE (○) / ROA (○)





# Report of Independent Auditors

## Report of Independent Auditors

To the Board of Directors of SENKO Group Holdings Co.,Ltd.

We have audited the accompanying consolidated balance sheets of SENKO Group Holdings Co.,Ltd. and its consolidated subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for each of the years 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 Group Holdings Co.,Ltd. and its consolidated subsidiaries as of March 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in Japan.

### Emphasis of Matter

As discussed in Note 20 (2), SENKO Group Holdings Co.,Ltd. moved to a holding company structure through a company split. Our audit 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, 2017

*Ohtemae Audit Co.*

Ohtemae Audit Corporation

# Consolidated Balance Sheets

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries

March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 26,197	¥ 17,765	\$ 233,506
Trade accounts and notes receivable–			
Non-consolidated subsidiaries	6	4	53
Others	61,970	58,104	552,366
Less : allowance for doubtful accounts	(22)	(29)	(196)
Inventories	7,604	7,507	67,778
Deferred tax asset (Note 16)	2,827	2,583	25,198
Prepaid expenses and other current assets	10,117	7,446	90,177
<b>Total current assets</b>	<b>108,699</b>	<b>93,380</b>	<b>968,882</b>
<b>Investments in and long-term loans receivable to non-consolidated subsidiaries</b>	<b>13,267</b>	<b>9,031</b>	<b>118,255</b>
<b>Investment securities (Notes 7 and 12)</b>	<b>6,033</b>	<b>6,033</b>	<b>53,775</b>
<b>Property and equipment, at cost (Notes 9 and 12)</b>	<b>241,236</b>	<b>245,205</b>	<b>2,150,245</b>
<b>Less : accumulated depreciation</b>	<b>(111,122)</b>	<b>(108,481)</b>	<b>(990,480)</b>
<b>Net property and equipment</b>	<b>130,114</b>	<b>136,724</b>	<b>1,159,765</b>
<b>Long-term deferred tax assets (Note 16)</b>	<b>2,051</b>	<b>2,553</b>	<b>18,281</b>
<b>Net defined benefit assets</b>	<b>2,359</b>	<b>–</b>	<b>21,027</b>
<b>Other assets</b>	<b>23,353</b>	<b>21,631</b>	<b>208,156</b>
<b>Deferred assets:</b>			
Business commencement expenses	83	109	740
<b>Total deferred assets</b>	<b>83</b>	<b>109</b>	<b>740</b>
<b>Total assets</b>	<b>¥ 285,959</b>	<b>¥ 269,461</b>	<b>\$ 2,548,881</b>

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term loans (Note 10)	¥ 9,035	¥ 7,530	\$ 80,533
Current portion of long-term debt (Note 10)	16,597	15,858	147,937
Lease obligations	2,794	1,936	24,904
Trade accounts and notes payable–			
Non-consolidated subsidiaries	25	44	223
Others	40,480	38,683	360,817
Accrued expenses	8,630	8,301	76,923
Accrued income taxes	3,916	3,220	34,905
Other current liabilities	12,438	10,075	110,865
<b>Total current liabilities</b>	<b>93,915</b>	<b>85,647</b>	<b>837,107</b>
<b>Long-term debt, less current portion (Note 10)</b>	<b>59,534</b>	<b>67,981</b>	<b>530,653</b>
<b>Lease obligations</b>	<b>6,366</b>	<b>3,591</b>	<b>56,743</b>
<b>Net defined benefit liabilities (Note 11)</b>	<b>7,088</b>	<b>7,621</b>	<b>63,179</b>
<b>Other long-term liabilities</b>	<b>4,965</b>	<b>4,611</b>	<b>44,255</b>
<b>Contingent liabilities (Note 13)</b>			
<b>Net assets (Note 14):</b>			
Shareholders' equity			
Common stock:			
Authorized–294,999,000 shares			
Issued–152,861,921 shares in 2017 and 144,834,771 shares in 2016	26,529	24,012	236,465
Capital surplus	25,411	22,838	226,499
Retained earnings	48,655	42,845	433,684
Less : Treasury stock, at cost–1,279,937 shares in 2017 and 1,907,546 shares in 2016	(658)	(943)	(5,864)
<b>Total Shareholders' equity</b>	<b>99,937</b>	<b>88,752</b>	<b>890,784</b>
Accumulated other comprehensive income :			
Net unrealized holdings gain on securities	1,392	1,449	12,408
Gain (loss) on deferred hedges	2	(92)	18
Translation adjustments	251	428	2,237
Remeasurements of defined benefit plans	(1,293)	(2,821)	(11,525)
<b>Total accumulated other comprehensive income :</b>	<b>352</b>	<b>(1,036)</b>	<b>3,138</b>
Stock acquisition rights (Note 15)	396	360	3,530
Non-controlling interests	13,406	11,934	119,492
<b>Total net assets</b>	<b>114,091</b>	<b>100,010</b>	<b>1,016,944</b>
<b>Total liabilities and net assets</b>	<b>¥ 285,959</b>	<b>¥ 269,461</b>	<b>\$ 2,548,881</b>

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Income

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
<b>Operating revenues</b>	¥ 455,435	¥ 434,000	¥ 398,448	\$ 4,059,497
<b>Operating costs and expenses:</b>				
Operating costs of revenues	405,758	386,321	357,431	3,616,704
Selling, general and administrative expenses	32,595	30,182	27,367	290,534
	438,353	416,503	384,798	3,907,238
<b>Operating income</b>	17,082	17,497	13,650	152,259
<b>Other income (expenses):</b>				
Interest and dividend income	232	293	303	2,068
Interest expenses	(927)	(1,102)	(1,213)	(8,263)
Others, net	186	(272)	314	1,658
	(509)	(1,081)	(596)	(4,537)
<b>Income before income taxes</b>	16,573	16,416	13,054	147,722
<b>Income taxes (Note 16):</b>				
Current	5,930	5,528	4,466	52,857
Deferred	(148)	638	958	(1,319)
	5,782	6,166	5,424	51,538
<b>Net income</b>	10,791	10,250	7,630	96,184
<b>Net income attributable to non-controlling interests</b>	(1,840)	(1,708)	(556)	(16,401)
<b>Net income attributable to owners of parent</b>	¥ 8,951	¥ 8,542	¥ 7,074	\$ 79,783
<b>Per share of common stock</b>			Yen	U.S. dollars
Net income	¥ 61.67	¥ 60.43	¥ 55.06	\$ 0.55
Diluted net income	58.74	56.32	50.41	0.52
Cash dividends applicable to the year	22.00	20.00	17.00	0.20

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Comprehensive Income

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
<b>Net income</b>	¥ 10,791	¥ 10,250	¥ 7,630	\$ 96,184
<b>Other comprehensive income (Note 5):</b>				
Net unrealized holdings gain on securities	52	(353)	1,258	463
Gain (loss) on deferred hedges	98	(95)	8	875
Translation adjustments	(236)	(153)	257	(2,104)
Remeasurements of defined benefit plans	1,544	(1,019)	652	13,762
<b>Total other comprehensive income</b>	1,458	(1,620)	2,175	12,996
<b>Comprehensive income</b>	¥ 12,249	¥ 8,630	¥ 9,805	\$ 109,180
<b>Total comprehensive income attributable to:</b>				
Owners of parent	¥ 10,337	¥ 7,088	¥ 9,060	\$ 92,137
Non-controlling interests	¥ 1,912	¥ 1,542	¥ 745	\$ 17,043

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2017, 2016 and 2015

	Thousands											Millions of yen
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Gain (loss) on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
<b>Balance at March 31, 2014</b>	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
<b>Restated balance</b>	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
<b>Balance at March 31, 2015</b>	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)
<b>Balance at March 31, 2016</b>	144,834	¥ 24,012	¥ 22,838	¥ 42,845	¥ (943)	¥ 1,449	¥ (92)	¥ 428	¥ (2,821)	¥ 360	¥ 11,934	¥ 100,010
Cumulative effects of changes in accounting policies	–	–	–	19	–	–	–	–	–	–	20	39
<b>Restated balance</b>	144,834	¥ 24,012	¥ 22,838	¥ 42,864	¥ (943)	¥ 1,449	¥ (92)	¥ 428	¥ (2,821)	¥ 360	¥ 11,954	¥ 100,049
Net income attributable to owners of parent	–	–	–	8,951	–	–	–	–	–	–	–	8,951
Conversion of convertible bonds	8,027	2,517	2,517	–	–	–	–	–	–	–	–	5,034
Cash dividends	–	–	–	(3,177)	–	–	–	–	–	–	–	(3,177)
Purchases of treasury stock	–	–	–	–	(1)	–	–	–	–	–	–	(1)
Retirement of treasury stock	–	–	–	–	286	–	–	–	–	–	–	286
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	–	17	–	–	–	–	–	–	–	17
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	56	–	–	–	–	–	–	–	–	56
Other changes	–	–	–	–	–	(57)	94	(177)	1,528	36	1,452	2,876
<b>Balance at March 31, 2017</b>	152,861	¥ 26,529	¥ 25,411	¥ 48,655	¥ (658)	¥ 1,392	¥ 2	¥ 251	¥ (1,293)	¥ 396	¥ 13,406	¥ 114,091

	Thousand of U.S. dollars											
	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Gain (loss) on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets	
<b>Balance at March 31, 2016</b>	\$ 214,030	\$ 203,565	\$ 381,897	\$ (8,405)	\$ 12,916	\$ (820)	\$ 3,815	\$ (25,145)	\$ 3,209	\$ 106,372	\$ 891,434	
Cumulative effects of changes in accounting policies	–	–	170	–	–	–	–	–	–	178	348	
<b>Restated balance</b>	\$ 214,030	\$ 203,565	\$ 382,067	\$ (8,405)	\$ 12,916	\$ (820)	\$ 3,815	\$ (25,145)	\$ 3,209	\$ 106,550	\$ 891,782	
Net income attributable to owners of parent	–	–	79,783	–	–	–	–	–	–	–	79,783	
Conversion of convertible bonds	22,435	22,435	–	–	–	–	–	–	–	–	44,870	
Cash dividends	–	–	(28,318)	–	–	–	–	–	–	–	(28,318)	
Purchases of treasury stock	–	–	–	(9)	–	–	–	–	–	–	(9)	
Retirement of treasury stock	–	–	–	2,550	–	–	–	–	–	–	2,550	
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	152	–	–	–	–	–	–	–	152	
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	499	–	–	–	–	–	–	–	–	499	
Other changes	–	–	–	–	(508)	838	(1,578)	13,620	321	12,942	25,635	
<b>Balance at March 31, 2017</b>	\$ 236,465	\$ 226,499	\$ 433,684	\$ (5,864)	\$ 12,408	\$ 18	\$ 2,237	\$ (11,525)	\$ 3,530	\$ 119,492	\$ 1,016,944	

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
<b>Cash flows from operating activities:</b>				
Income before income taxes	¥ 16,573	¥ 16,416	¥ 13,054	\$ 147,722
Adjustments for:				
Depreciation and amortization	10,216	9,925	8,856	91,060
Loss on disposals of property and equipment	130	182	192	1,159
Gain on sales of property and equipment	(251)	(248)	(26)	(2,237)
Loss on reduction of property and equipment	1,225	–	–	10,919
State subsidy	(1,253)	–	–	(11,168)
Gain on sales of investment securities	(537)	–	(301)	(4,787)
Loss on valuation of shares of subsidiaries and associates	575	104	–	5,125
Loss on sales of shares of subsidiaries and associates	–	32	–	–
Increase in accrued retirement benefits	(419)	–	–	(3,735)
Decrease in net defined benefit liabilities	(243)	(1,761)	(639)	(2,166)
Increase (decrease) in accrued bonuses to employees	144	58	(14)	1,284
Interest and dividends income	(232)	(293)	(303)	(2,068)
Interest expenses	927	1,102	1,213	8,263
Decrease (increase) in trade receivables	(1,695)	(1,748)	773	(15,108)
Increase in inventories	(67)	(405)	(534)	(597)
Increase (decrease) in trade payables	1,071	1,694	(1,365)	9,546
Other	608	(2,276)	3,577	5,419
<b>Subtotal</b>	<b>26,772</b>	<b>22,782</b>	<b>24,483</b>	<b>238,631</b>
Interest and dividends income received	390	226	214	3,476
Interest expenses paid	(954)	(1,096)	(1,238)	(8,503)
Income tax paid	(5,360)	(5,763)	(4,231)	(47,776)
<b>Net cash provided by operating activities</b>	<b>20,848</b>	<b>16,149</b>	<b>19,228</b>	<b>185,828</b>
<b>Cash flows from investing activities:</b>				
Payments for purchases of fixed assets	(16,253)	(17,995)	(13,031)	(144,870)
Proceeds from sales of fixed assets	17,883	21,728	431	159,399
Payments for purchases of investment securities	(60)	(120)	(77)	(535)
Proceeds from sales of investment securities	637	524	126	5,678
Payments for purchases of non-consolidated subsidiaries	(5,282)	(4,579)	(510)	(47,081)
Proceeds from sales of subsidiaries	–	–	9	–
Payments for purchase of shares of newly consolidated subsidiaries	(325)	–	(3,609)	(2,897)
Payments for sales of shares of consolidated subsidiaries	–	(96)	–	–
Other	(279)	(1,751)	(1,318)	(2,487)
<b>Net cash used in investing activities</b>	<b>(3,679)</b>	<b>(2,289)</b>	<b>(17,979)</b>	<b>(32,793)</b>
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term loans, net	252	(12,800)	13,033	2,246
Proceeds from long-term debt	3,150	5,780	6,800	28,077
Repayment of long-term debt	(10,871)	(9,645)	(9,404)	(96,898)
Proceeds from issuance of convertible bond	10,050	–	7,000	89,580
Payments for redemption of bond	(5,000)	(20)	(7,040)	(44,567)
Repayments of finance lease obligations	(2,802)	(2,116)	(2,135)	(24,975)
Purchases of treasury stock	(1)	(9)	(10)	(9)
Sales of treasury stock	406	250	360	3,619
Dividends paid	(3,173)	(2,571)	(2,075)	(28,282)
Other	(638)	(361)	(319)	(5,687)
<b>Net cash provided by (used in) financing activities</b>	<b>(8,627)</b>	<b>(21,492)</b>	<b>6,210</b>	<b>(76,896)</b>
Effect of exchange rate changes on cash and cash equivalents	(116)	(79)	124	(1,034)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,426</b>	<b>(7,711)</b>	<b>7,583</b>	<b>75,105</b>
Cash and cash equivalents at beginning of year	17,765	25,476	17,667	158,347
Net increase in cash and cash equivalents of newly consolidated subsidiaries	6	–	226	54
<b>Cash and cash equivalents at end of year</b>	<b>¥ 26,197</b>	<b>¥ 17,765</b>	<b>¥ 25,476</b>	<b>\$ 233,506</b>

See the accompanying notes to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries

## 01

### Basis of Presenting Consolidated Financial Statements

SENKO Group Holdings 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, 2017, which was ¥112.19 to US\$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 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 10 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 1,449,000 shares valued at ¥718 million (\$6,400thousand) for the previous consolidated fiscal year and 873,000 shares valued at ¥433 million (\$3,860thousand) for the current consolidated fiscal year.

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

Previous consolidated fiscal year: ¥750 million (\$6,685thousand)

Current consolidated fiscal year: ¥374 million (\$3,334thousand)

## 03

### Changes in Accounting Policies

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the consolidated fiscal year ended March 31, 2017, the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016; hereinafter referred to as "Implementation Guidance on Recoverability") has been applied.

Accordingly, certain accounting methods related to the recoverability of deferred tax assets have been changed.

The Implementation Guidance on Recoverability has been applied in accordance with the transitional treatment set forth in paragraph 49 (4) of the Implementation Guidance on Recoverability. The differences between (a) the amounts of deferred tax assets and deferred tax liabilities calculated when application of paragraph 49 (3) (i) to (iii) of the Implementation Guidance on Recoverability as of April 1, 2016, the beginning of the fiscal year ended March 31, 2017, and (b) the amounts of deferred tax assets and deferred tax liabilities as of March 31, 2016, the end of the previous consolidated fiscal year, were added to retained earnings and non-controlling interests as of April 1, 2016.

As a result, long-term deferred tax assets, retained earnings and non-controlling interests increased by ¥39 million (\$348 thousand), ¥19 million (\$170thousand) and ¥20 million (\$178thousand) as of April 1, 2016, respectively.

As the amount of the impact was reflected in net assets at the beginning of the current consolidated fiscal year, on the consolidated statements of changes in net assets, the beginning balance of retained earnings increased by ¥19 million (\$170thousand) and non-controlling interests increased by ¥20 million (\$178thousand).

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Effective from the consolidated fiscal year ended March 31, 2017, certain consolidated subsidiaries of the Company began applying the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Accounting Standards Board of Japan [ASBJ] Practical Issues Task Force [PITF] No. 32 of June 17, 2016) as a result of revisions to Japan's Corporate Tax Act. The solution was adopted to change from the declining-balance method to the straight-line method for the depreciation of fixtures attached to the buildings or structures acquired on or after April 1, 2016.

The effect of this change on the consolidated operating results for the ended March 31, 2017 was also immaterial.

## 04

### Changes in Accounting Estimates

(Change in the amortization period for actuarial gains and losses from accounting treatments of defined benefit plans)

With regard to actuarial gains and losses from accounting treatments of defined benefit plans that were previously amortized over a certain period (mainly 13 years), which is within the estimated average remaining years of service of the Companies' employees, the Company has shortened the period to mainly 10 years effective from the consolidated fiscal year ended March 31, 2017, as the current estimated average remaining years of service fell short of the previous amortization period of 13 years.

Compared with the figures calculated for the previous amortization period, this change had the effect of reducing operating income, and income before income taxes for the consolidated fiscal year ended March 31, 2017, each by ¥289 million (\$2,576thousand).

# 05 Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2017, 2016 and 2015 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
Net unrealized holdings gain on securities:				
Amount recognized in the period under review	¥ 563	¥ (658)	¥ 2,090	\$ 5,018
Amount of recycling	(513)	6	(306)	(4,573)
Before income tax effect adjustments	50	(652)	1,784	445
Amount of income tax effect	2	299	(526)	18
Net unrealized holdings gain on securities	52	(353)	1,258	463
Gain (loss) on deferred hedges:				
Amount recognized in the period under review	143	(138)	13	1,275
Before income tax effect adjustments	143	(138)	13	1,275
Amount of income tax effect	(45)	43	(5)	(400)
Gain (loss) on deferred hedges	98	(95)	8	875
Translation adjustments:				
Amount recognized in the period under review	(236)	(153)	257	(2,104)
Remeasurements of defined benefit plans:				
Amount recognized in the period under review	1,791	(1,127)	1,666	15,964
Amount of recycling	460	(276)	(555)	4,100
Before income tax effect adjustments	2,251	(1,403)	1,111	20,064
Amount of income tax effect	(707)	384	(459)	(6,302)
Remeasurements of defined benefit plans	1,544	(1,019)	652	13,762
Total other comprehensive income	¥ 1,458	¥ (1,620)	¥ 2,175	\$ 12,996

# 06 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 been 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

2017	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 27,163	¥ 27,163	¥ —
(2) Trade accounts and notes receivable	61,976	61,976	—
(3) Investment securities	5,597	5,597	—
(4) Long-term loans receivable (including current portion) Less allowance for doubtful accounts (*1)	3,791 (646)		
	3,145	3,872	727
<b>Total assets</b>	<b>¥ 97,881</b>	<b>¥ 98,608</b>	<b>¥ 727</b>
(1) Trade accounts and notes payable	¥ 40,505	¥ 40,505	¥ —
(2) Short-term loans	9,035	9,035	—
(3) Bond	7,000	6,953	(47)
(4) Convertible bond	10,050	9,702	(348)
(5) Long-term debt (including current portion)	59,081	59,702	621
(6) Lease obligations (including current portion)	9,160	8,602	(558)
<b>Total liabilities</b>	<b>¥ 134,831</b>	<b>¥ 134,499</b>	<b>¥ (332)</b>
Derivatives (*2)	¥ 2	¥ 2	¥ —

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) Less allowance for doubtful accounts (*1)	3,857 (595)		
	3,262	3,917	655
<b>Total assets</b>	<b>¥ 85,427</b>	<b>¥ 86,082</b>	<b>¥ 655</b>
(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)
<b>Total liabilities</b>	<b>¥ 135,624</b>	<b>¥ 136,583</b>	<b>¥ 959</b>
Derivatives (*2)	¥ (92)	¥ (92)	¥ —

2017	Book value	Market value	Difference
(1) Cash and cash equivalents	\$ 242,116	\$ 242,116	\$ —
(2) Trade accounts and notes receivable	552,419	552,419	—
(3) Investment securities	49,889	49,889	—
(4) Long-term loans receivable (including current portion) Less allowance for doubtful accounts (*1)	33,791 (5,758)		
	28,033	34,513	6,480
<b>Total assets</b>	<b>\$ 872,457</b>	<b>\$ 878,937</b>	<b>\$ 6,480</b>
(1) Trade accounts and notes payable	\$ 361,040	\$ 361,040	\$ —
(2) Short-term loans	80,533	80,533	—
(3) Bond	62,394	61,975	(419)
(4) Convertible bond	89,580	86,478	(3,102)
(5) Long-term debt (including current portion)	526,616	532,151	5,535
(6) Lease obligations (including current portion)	81,647	76,673	(4,974)
<b>Total liabilities</b>	<b>\$ 1,201,810</b>	<b>\$ 1,198,850</b>	<b>\$ (2,960)</b>
Derivatives (*2)	\$ 18	\$ 18	\$ —

\*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 7"

###### (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 8"

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2015
Unlisted shares	¥ 10,856	¥ 6,118	\$ 96,764

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

2017	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	¥ 27,163	¥ –	¥ –	¥ –
Trade accounts and notes receivable	61,976	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	–	–	–
(2) Bond	–	16	–	–
(3) Other	–	–	–	–
Long-term loans receivable	844	1,357	1,481	109
<b>Total</b>	<b>¥ 89,983</b>	<b>¥ 1,373</b>	<b>¥ 1,481</b>	<b>¥ 109</b>

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
<b>Total</b>	<b>¥ 76,880</b>	<b>¥ 2,399</b>	<b>¥ 1,080</b>	<b>¥ 110</b>

2017	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	\$ 242,116	\$ –	\$ –	\$ –
Trade accounts and notes receivable	552,419	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	–	–	–
(2) Bond	–	143	–	–
(3) Other	–	–	–	–
Long-term loans receivable	7,523	12,096	13,201	971
<b>Total</b>	<b>\$ 802,058</b>	<b>\$ 12,239</b>	<b>\$ 13,201</b>	<b>\$ 971</b>

# 07 Investment Securities

The carrying amounts of investment securities at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Marketable securities	¥ 5,597	¥ 5,579	\$ 49,888
Non-marketable securities	436	454	3,887
	¥ 6,033	¥ 6,033	\$ 53,775

The following is a summary of marketable securities included in investment securities, at March 31, 2017 and 2016.

2017	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 2,891	¥ 2,609	¥ 34	¥ 5,466
Bond and Others	133	0	2	131
	¥ 3,024	¥ 2,609	¥ 36	¥ 5,597

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

2017	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	\$ 25,769	\$ 23,255	\$ 303	\$ 48,721
Bond and Others	1,185	0	18	1,167
	\$ 26,954	\$ 23,255	\$ 321	\$ 49,888

# 08 Derivatives

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

2. Derivative transactions to which hedge accounting is applied

(1) Currency transactions

Hedge accounting method	Type of contracts	Item hedged	2017		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Sell				
	U.S. dollars	Trade accounts receivable	¥ 58	¥ -	¥ 0
	Euros	Trade accounts receivable	2	-	0
	Buy				
	U.S. dollars	Trade accounts payable	¥ 1,954	¥ -	¥ 6
	Euros	Trade accounts payable	572	-	1
	Chinese yen	Trade accounts payable	147	-	5
	Danish kroner	Trade accounts payable	5	-	0
	Australian dollars	Trade accounts payable	3	-	0
	Total		¥ 2,741	¥ -	¥ 12



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)
	Chinese yen	Trade accounts payable	203	-	(5)
	Danish kroner	Trade accounts payable	12	-	(0)
Pounds sterling	Trade accounts payable	0	-	(0)	
Total			¥ 2,898	¥-	¥ (130)

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2017		
			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	\$ 517	\$-	\$ (0)
	Euros	Trade accounts receivable	18	-	0
	Buy				
	U.S. dollars	Trade accounts payable	\$ 17,417	\$-	\$ 53
	Euros	Trade accounts payable	5,098	-	9
	Chinese yen	Trade accounts payable	1,310	-	45
	Danish kroner	Trade accounts payable	45	-	0
Australian dollars	Trade accounts payable	27	-	0	
Total			\$ 24,432	\$-	\$ 107

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

## (2) Interest rate swaps

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2017		
			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	¥ 30,600	¥ 18,950	¥ - (*)

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	¥ - (*)

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2017		
			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	\$ 272,752	\$ 168,910	¥ - (*)

\* 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.

# 09 | Property and Equipment

At March 31, 2017 and 2016, property and equipment at cost consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Land	¥ 56,700	¥ 60,487	\$ 505,392
Buildings and structures	124,740	134,201	1,111,864
Machinery and equipment, vehicle and vessels	37,669	35,671	335,761
Tools, furniture and fixtures	6,955	6,494	61,993
Construction in Progress	3,637	1,504	32,418
Lease assets	11,535	6,848	102,817
	¥ 241,236	¥ 245,205	\$ 2,150,245

# 10 | Short-term Loans and Long-term Debt

At March 31, 2017 and 2016, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
0.21% to 0.55% unsecured loans from banks	¥ 9,035	¥ 7,530	\$ 80,533

At March 31, 2017 and 2016, long-term debt consisted of the following:-

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
0.80% bond due 2016	¥ —	¥ 5,000	\$ —
0.50% bond due 2021	7,000	7,000	62,394
Convertible bond due 2018	—	5,037	—
Convertible bond due 2022	10,050	—	89,580
0.50% to 4.50% loans from banks and insurance companies: Unsecured	59,081	66,802	526,616
	76,131	83,839	678,590
Less current portion	(16,597)	(15,858)	(147,937)
	¥ 59,534	¥ 67,981	\$ 530,653

On October 15, 2013, the Company issued ¥7,000 million (\$62,394 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 (\$5.58) per share.

On March 9, 2017, the Company issued ¥10,050 million (\$89,580 thousand) of zero coupon convertible bond with stock acquisition rights due in 2022. The stock acquisition rights are exercisable during the period from March 14, 2022 at a conversion price of ¥930 (\$8.29) per share.

The annual maturities of long-term debt at March 31, 2017 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 16,597	\$ 147,937
2019	8,349	74,418
2020	5,640	50,272
2021	12,899	114,975
2022	1,873	16,694
There after	30,773	274,294

At March 31, 2017, the Company has committed line and overdraft contracts with twenty three banks aggregating ¥37,065 million (\$330,377 thousand). Of the total credit limit, ¥7,535 million (\$67,163 thousand) was used as the above short-term and long-term borrowing, and the rest ¥29,530 million (\$263,214 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
	2017	2016	2017
Benefits obligation at the beginning of the year	¥ 26,264	¥ 27,581	\$ 234,103
Service cost	1,137	1,039	10,135
Interest cost	78	227	695
Accrued actuarial differences	(442)	(788)	(3,940)
Retirement benefits paid	(1,673)	(1,755)	(14,912)
Others	274	(40)	2,442
Benefits obligation at the end of the year	¥ 25,638	¥ 26,264	\$ 228,523

## 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
	2017	2016	2017
Fair value of plan assets at the beginning of the year	¥ 18,643	¥ 20,209	\$ 166,173
Expected return on plan assets	559	606	4,983
Accrued actuarial differences	1,397	(2,481)	12,452
Contribution by employers	1,011	1,020	9,011
Retirement benefits paid	(701)	(711)	(6,248)
Fair value of plan assets at the end of the year	¥ 20,909	¥ 18,643	\$ 186,371

## 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
	2017	2016	2017
Benefits obligation under the funded benefit plan	¥ 20,095	¥ 21,124	\$ 179,116
Fair value of plan assets	(20,909)	(18,643)	(186,371)
Benefits obligation under the unfunded benefit plan	(814)	2,481	(7,255)
	5,542	5,140	49,398
Net amounts of assets and liabilities on the consolidated balance sheets	4,728	7,621	42,143
Net defined benefit assets	2,360	—	21,036
Net defined benefit liabilities	7,088	7,621	63,179
Net amounts of assets and liabilities on the consolidated balance sheets	¥ 4,728	¥ 7,621	\$ 42,143

## d. Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 1,137	¥ 1,039	\$ 10,135
Interest cost	78	227	695
Expected return on plan assets	(559)	(606)	(4,983)
Recognized actuarial differences	480	297	4,278
Retirement benefit costs for the defined benefit plan	¥ 1,136	¥ 957	\$ 10,125

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
	2017	2016	2017
Recognized actuarial differences	¥ 2,252	¥ 1,402	\$ 20,073
Total	2,252	1,402	20,073

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
	2017	2016	2017
Unrecognized actuarial differences	¥ (1,967)	¥ (4,219)	\$ (17,533)
Total	(1,967)	(4,219)	(17,533)

g. Items concerning plan assets

(i) Main items of plan assets

	2017	2016
Bonds	25%	27%
Stocks	58%	58%
Others	17%	15%
Total	100%	100%

(Note) 44% and 41% of total pension assets are in a "Retirements Benefit Trust" for the defined benefit pension plans as of March 31, 2017 and 2016, 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

	2017	2016
Discount rate		
Defined benefit pension plans	0.61%	0.42%
Retirements lump-sum plans	0.26%	0.17%
Expected rate of return on plan assets	3.00%	3.00%

(2) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Contributions to defined contribution plan by the Company and its consolidated subsidiaries	¥ 621	¥ 530	\$ 5,535

# 12

## Pledged Assets

The following assets were pledged as collateral as at March 31, 2017 and 2016.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Land	¥ 5,834	¥ 8,323	\$ 52,001
Buildings	2,744	3,273	24,459
Structures	31	36	276
Vehicles	—	0	—
Investment securities	22	30	196
	¥ 8,631	¥ 11,662	\$ 76,932

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Long-term debt, including current portion	¥ 4,581	¥ 5,206	\$ 40,832

# 13

## Contingent Liabilities

At March 31, 2017 and 2016, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Guarantees of some obligations	¥ 2,052	¥ 405	\$ 18,290
Buyback obligations associated with securitization of receivables	605	468	5,393
Recourse obligation associated with securitization of guarantee deposits	83	140	740
Trade notes endorsed	84	82	749
	¥ 2,824	¥ 1,095	\$ 25,172

# 14

## 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, 2017, included the Company's legal reserve of ¥1,506 million (\$13,424 thousand).

# 15 | Stock Option Plans

The stock option plans of the Company approved by the shareholders in accordance with the Japan Companies Act at March 31, 2017 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
2016 Stock options (22th)	10 directors 4 auditors	35,000 shares	July 1, 2016	¥ 1	Common stock	July 2, 2016- June 30, 2036
2016 Stock options (23th)	23 operating officers 15 assistant directors	43,000 shares	July 1, 2016	¥ 1	Common stock	July 2, 2016- June 30, 2046

(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, 2017. 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, 2016	Granted	Forfeited	Vested	At March 31, 2017	At March 31, 2016	Vested	Exercised	Forfeited	At March 31, 2017
2007 Stock options (1st)	–	–	–	–	–	24,000	–	–	–	24,000
2007 Stock options (2nd)	–	–	–	–	–	6,000	–	2,000	–	4,000
2008 Stock options (4th)	–	–	–	–	–	27,000	–	–	–	27,000
2008 Stock options (5th)	–	–	–	–	–	9,000	–	3,000	–	6,000
2009 Stock options (6th)	–	–	–	–	–	36,000	–	6,000	–	30,000
2009 Stock options (7th)	–	–	–	–	–	20,000	–	–	–	20,000
2010 Stock options (8th)	–	–	–	–	–	42,000	–	7,000	–	35,000
2010 Stock options (9th)	–	–	–	–	–	36,000	–	2,000	–	34,000
2011 Stock options (10th)	–	–	–	–	–	70,000	–	8,000	–	62,000
2011 Stock options (11th)	–	–	–	–	–	87,000	–	6,000	–	81,000
2012 Stock options (12th)	–	–	–	–	–	74,000	–	8,000	–	66,000
2012 Stock options (13th)	–	–	–	–	–	89,000	–	4,000	–	85,000
2013 Stock options (15th)	–	–	–	–	–	63,000	–	–	–	63,000
2013 Stock options (16th)	–	–	–	–	–	80,000	–	4,000	–	76,000
2014 Stock options (18th)	–	–	–	–	–	49,000	–	–	–	49,000
2014 Stock options (19th)	–	–	–	–	–	72,000	–	2,000	–	70,000
2015 Stock options (20th)	–	–	–	–	–	52,000	–	–	–	52,000
2015 Stock options (21th)	–	–	–	–	–	60,000	–	–	–	60,000
2016 Stock options (22th)	–	35,000	–	35,000	–	–	35,000	–	–	35,000
2016 Stock options (23th)	–	43,000	–	43,000	–	–	43,000	–	–	43,000

# 16 | 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 30.8 % for the years ended March 31, 2017 and 33.0 % for the years ended March 31, 2016.

(1) Significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Deferred tax assets:</b>			
Net defined benefit liabilities	¥ 2,966	¥ 4,062	\$ 26,437
Accrued bonuses to employees	1,591	1,475	14,181
Loss carry forward	409	581	3,646
Impairment losses	258	263	2,300
Loss on revaluation of land	265	265	2,362
Accrued enterprise tax	318	299	2,835
Social insurance premium	216	200	1,925
Asset retirement obligations	258	153	2,300
Loss on revaluation of golf club membership	102	120	909
Other	1,744	1,467	15,545
<b>Gross deferred tax assets</b>	<b>8,127</b>	<b>8,885</b>	<b>72,440</b>
Less: valuation allowance	(1,244)	(1,603)	(11,088)
<b>Total deferred tax assets</b>	<b>6,883</b>	<b>7,282</b>	<b>61,352</b>
<b>Deferred tax liabilities:</b>			
Reserve for reduction in costs of fixed assets	(689)	(911)	(6,141)
Asset retirement obligations	(32)	(31)	(285)
Net unrealized holdings gain on other securities	(697)	(768)	(6,213)
Other	(971)	(804)	(8,655)
<b>Gross deferred tax liabilities</b>	<b>(2,389)</b>	<b>(2,514)</b>	<b>(21,294)</b>
<b>Net deferred tax assets</b>	<b>¥ 4,494</b>	<b>¥ 4,768</b>	<b>\$ 40,058</b>

(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, 2017 and 2016 were as follows:

	2017	2016
Statutory tax rate	30.8%	33.0%
<b>Adjustment:</b>		
Non-deductible expenses	1.3	1.1
Inhabitants' per capita taxes	1.5	1.5
Non-taxable dividends income	(0.4)	(0.3)
Adjustments of deferred tax assets due to the change in statutory effective tax rates	–	1.2
Special deduction of income taxes	(0.6)	(0.7)
Changes in valuation allowance	1.4	1.2
Other	0.9	0.6
<b>Income tax rate as a percentage of income before income taxes and non-controlling interests</b>	<b>34.9%</b>	<b>37.6%</b>



## (1) Outline of the business combination

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

Name of the acquired company  
ACROSS TRANSPORT CO., LTD (hereinafter, "Across")  
Businesses  
Fashion logistics

## b. Main reasons for the business combination

Through a Group company, Tokyo Nohin Daiko Co., Ltd., the Company operates a consistent business for fashion products, ranging from overseas procurement to logistics center operation including storage, needle detection and repair, and delivery to a wide variety of outlets such as department stores, and is working to strengthen and expand its fashion logistics business.

Concurrently, Across provides a consistent service ranging from logistics management to transportation of fashion products, as a subsidiary of Onward Holdings Co., Ltd. (hereinafter referred to as "Onward"), and recently it has aggressively provided logistics services to companies other than those in the Onward Group.

The Company made a decision to acquire Across's shares to strengthen the delivery network to a range of stores including department stores, shopping malls and outlet shopping centers throughout Japan. This will improve the fashion logistics services and boost earning capacity and price competitiveness by integrating Across's logistics expertise, production system and customer base with the Company's fashion logistics business.

## c. Date of business combination

April 15, 2016

## d. Legal form of the business combination

Stock acquisition

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

The name remains unchanged.

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

100.0%

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

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

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

From April 15, 2016 to March 31, 2017

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

		Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	Cash	¥ 6,058	\$ 53,998
Expenses directly required for acquisition	Advisory fees, other	12	107
Acquisition cost		¥ 6,070	\$ 54,105

## (4) Goodwill, reason for recognizing goodwill, amortization method and amortization period

## a. Amount of goodwill

¥1,944 million (\$17,328 thousand)

## b. Reason for recognizing goodwill

Goodwill is attributable mainly to the excess earnings power expected from Across's fashion logistics.

## c. Method and period of amortization of goodwill

Straight-line method over 20 years.

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,888	\$ 70,309
Non-current assets	1,436	12,800
<b>Total assets</b>	<b>¥ 9,324</b>	<b>\$ 83,109</b>
Current liabilities	¥ 4,029	\$ 35,912
Long-term liabilities	1,180	10,518
<b>Total liabilities</b>	<b>¥ 5,209</b>	<b>\$ 46,430</b>

(6) Estimated amount and the calculation method of the impact on the consolidated statements of income for the year ended March 31, 2017, assuming that the business combination has been completed on the first day of the fiscal year under review.

	Millions of yen	Thousands of U.S. dollars
Operating revenues	¥ 10,977	\$ 97,843
Operating loss	(87)	(775)
Ordinary loss	(43)	(383)
Loss before income taxes	(44)	(392)
Net loss	(36)	(321)

	yen	U.S. dollars
Net loss per share	¥ (0)	\$ (0)

(Calculation method for estimated amount of impact)

Operating revenues and information on profit and loss computed on the assumption that the business combination was completed on April 1, 2016 are defined as the estimated amount.

The relevant estimated amount is unaudited.

# 18 | 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 0.1% to 2.5% were assumed.

c. Increase in the total amount of asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at the beginning of the term	¥ 519	¥ 575	\$ 4,626
Increase due to acquisition of a consolidated subsidiary	232	—	2,068
Increase due to acquisition of fixed assets	52	—	463
Reconciliation associated with the passage of time	14	9	125
Decrease due to settlement	—	(65)	—
<b>Balance at the end of the term</b>	<b>¥ 817</b>	<b>¥ 519</b>	<b>\$ 7,282</b>

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.

# 19 | Segment Information

## 1. Summary of reportable segment

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

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

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

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

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

## 2. Calculation of sales, income (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

	2017					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 317,985	¥ 132,868	¥ 4,582	¥ 455,435	¥ –	¥ 455,435
Intersegment	1,999	12,000	4,409	18,408	(18,408)	–
Total operating revenues	319,984	144,868	8,991	473,843	(18,408)	455,435
Segment income (loss)	13,419	3,209	870	17,498	(416)	17,082
Segment assets	221,505	42,880	12,260	276,645	9,314	285,959
Other items						
Depreciation	8,634	277	311	9,222	994	10,216
Increase in tangible and intangible fixed assets	15,165	457	822	16,444	6,619	23,063

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

Thousands of U.S. dollars

	2017					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	\$ 2,834,344	\$ 1,184,312	\$ 40,841	\$ 4,059,497	\$ –	\$ 4,059,497
Intersegment	17,818	106,961	39,299	164,078	(164,078)	–
Total operating revenues	2,852,162	1,291,273	80,140	4,223,575	(164,078)	4,059,497
Segment income (loss)	119,610	28,603	7,755	155,968	(3,709)	152,259
Segment assets	1,974,374	382,208	109,279	2,465,861	83,020	2,548,881
Other items						
Depreciation	76,959	2,469	2,772	82,200	8,860	91,060
Increase in tangible and intangible fixed assets	135,172	4,073	7,327	146,572	58,998	205,570

(1) Products and Services Information

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

(2) Geographic Segment Information

a. Sales

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

b. Property, plant and equipment

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

(3) Information by Major Clients

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

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

No significant items to be reported.

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

Millions of yen

	2017				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 227	¥ 144	¥ 5	¥ –	¥ 376
Balance at the end of period	3,472	2,060	86	–	5,618

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

Thousands of U.S. dollars

	2017				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ 2,023	\$ 1,284	\$ 45	\$ –	\$ 3,352
Balance at the end of period	30,947	18,362	767	–	50,076

(Information on negative goodwill by business segment)

No significant items to be reported.

## 20 Subsequent Event

(1) Payment of Dividends

Shareholders approved the following appropriation of retained earning at the annual meeting held on June 28, 2017

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 1,677	\$ 14,948

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

Based on the resolution at the Annual Meeting of Shareholders held on June 28, 2016, the Company moved to a holding company structure through a company split as of April 1, 2017. Accordingly, the Company and SENKO Split Preparation Co., Ltd. changed their trade name to SENKO Group Holdings Co., Ltd. and SENKO Co., Ltd., respectively.



# Corporate/Stock Information

## Corporate Data (As of March 31, 2017)

Trade Name	SENKO Group Holdings Co., Ltd.
Established	September 1916
Incorporated	July 1946
Head Office	Shiomi SIF Bldg., 2-8-10 Shiomi, Koto-ku, Tokyo 135-0052
Representative	Yasuhisa Fukuda, President and Representative Director
Capital	26,528 million yen
Issued Shares	152,861 Thousand of Shares
Group Employees	13,915
Group Companies	111 (102 subsidiaries, 9 affiliated companies)
Vehicles	5,180
Vessels	18
Total Warehouse Space	3,220,000 m <sup>2</sup>

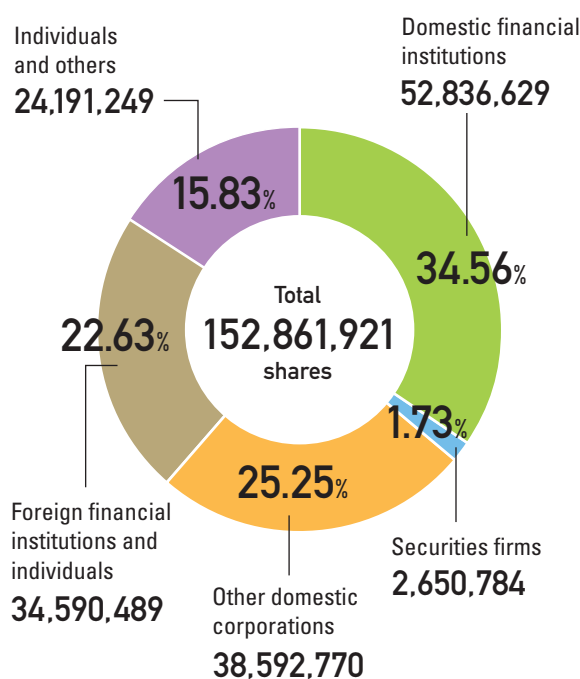
## Stock Information (As of March 31, 2017)

Stock Listing	First Section of the Tokyo Stock Exchange
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Shares	152,861,921
Number of Shareholders	7,572
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 (thousands)	Percentage Held
Japan Trustee Services Bank, Ltd.	19,890	13.0%
Asahi Kasei Corporation	11,676	7.7%
The Master Trust Bank of Japan, Ltd.	8,403	5.5%
Sekisui Chemical Co., Ltd.	6,785	4.5%
Senko Group Employee's Stockholding	6,316	4.1%
STATE STREET BANK AND TRUST COMPANY (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	5,445	3.6%
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4,252	2.8%
J.P. Morgan Bank Luxembourg S.A. (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd)	4,102	2.7%
Isuzu Motors Ltd.	4,039	2.6%
NORTHERN TRUST CO. (AVFC) (Standing proxy: The Hongkong and Shanghai Banking Corporation, Tokyo Branch)	3,626	2.4%

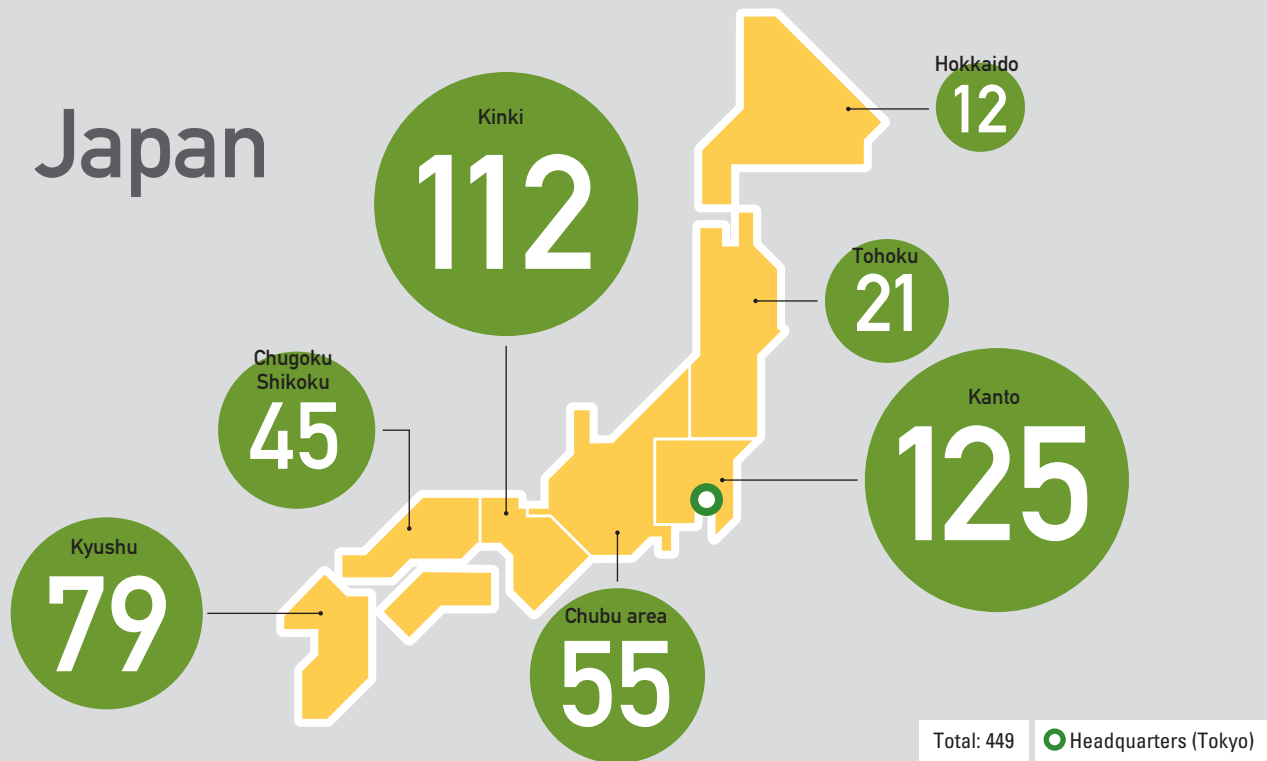
### Type of Shareholder





# Domestic and Global Network

## Japan



# Group Companies

Logistics
SENKO Co., Ltd.
● Hokkaido Senko Co., Ltd.
● Tohoku Senko Transport Co., Ltd.
● Noda Senko Logi Service Co., Ltd.
● Kashiwa Senko Transport Co., Ltd.
● Prettyporters Co., Ltd.
● Kanto Senko Transport Co., Ltd.
● Saitama Senko logiservice Co., Ltd.
● Saitama Minami Senko Logi Co., Ltd.
● Kan-etsu Senko Logistics Co., Ltd.
● Senko Housing Logistics Co., Ltd.
● Kanagawa Senko Transport Co., Ltd.
● Atsugi Senko Transport Co., Ltd.
● NISHIKANTO SENKO LOGI CO., LTD.
● Chiba Senko Transport Co., Ltd.
● Tokai Senko Transport Co., Ltd.
● Toyohashi Senko Transport Co., Ltd.
● Fuji Senko Transport Co., Ltd.
● Daito Senko Apollo Co., Ltd.
● Mie Senko Logistics Co., Ltd.

● Hokuriku Senko Transport Co., Ltd.
● Shiga Senko Transport Co., Ltd.
● Osaka Senko Transport Co., Ltd.
● Kyoto Senko Transport Co., Ltd.
● Nara Senko Logistics Co., Ltd.
● Moriyama Hoso Co., Ltd.
● Hososhimako Niyaku Shinko Co., Ltd.
● Minami Osaka Senko Transport Co., Ltd.
● Hanshin Senko Transport Co., Ltd.
● Okayama Senko Transport Co., Ltd.
● Harcob Co., Ltd.
● Sankyo Freight Co., Ltd.
● Sanyo Senko Transport Co., Ltd.
● Fukuoka Senko Transport Co., Ltd.
● Minami Kyushu Senko Co., Ltd.
● Kyushu Senko Logistics Co., Ltd.
● Miyazaki Senko Transport Co., Ltd.
● Miyazaki Senko Apollo Co., Ltd.
● Senko Plantec Co., Ltd.
● Tokyo Nohin Daiko Co., Ltd.
● Senko A Line Amano Co., Ltd.

● Tokyo Nohin Daiko West Japan Co., Ltd.
● ACROSS TRANSPORT CO., LTD.
● Senko Fashion Logistics Co., Ltd.
● Esaka Logistics Service Co., Ltd.
● Hanshin Transportation Co., Ltd.
● NIPPON MARINE CO., LTD.
● EIKO SHIPPING CO., LTD.
● NICHIEI KOUN CO., LTD.
● EIKICHI KAIUN CO., LTD.
● Senko (U.S.A.) Inc.
● Mexicana de Paqueteria Urgente, S.A.de C.V.
● SHENYANG SENKO LOGISTICS CO., LTD.
● DALIAN TRI-ENTERPRISE LOGISTICS CO., LTD.
● QINGDAO SENKO LOGISTICS CO., LTD.
● SINOTRANS SENKO INTERNATIONAL COLD LOGISTICS Co., Ltd.
● SENKO LOGISTICS (SHANGHAI) CO., LTD.
● SHANGHAI SENKO INTERNATIONAL FREIGHT FORWARDING INC.
● GUANGZHOU SENKO LOGISTICS CO., LTD.
● SENKO INTERNATIONAL LOGISTICS (HONG KONG) CO., LTD.



Total: 54 ● Overseas Office

- SENKO (THAILAND) CO., LTD.
- Senko Logistics Distribution (Thailand) Co., Ltd.
- SENKO INTERNATIONAL LOGISTICS PTE., LTD.
- Skylift Consolidator (Pte) Ltd.
- Skylift Districentre (Pte) Ltd.
- SENKO SMI Myanmar Co., Ltd.
- SENKO Logistics Vietnam Co., Ltd.
- SENKO DISTRIBUTION SERVICE (VIETNAM) Co., Ltd.
- Senko Logistics Australia Pty Ltd.
- Senko-Lancaster Silk Road Logistics LLP
- Japan Select LLP
- NH-SENKO LOGISTICS CO., LTD.
- KO-SENKO LOGISTICS CO., LTD.
- Senko Logistics (Thailand) Co., Ltd.

**Runtec Co., Ltd.**

- KOUKI Co., Ltd.
- Chushikoku Logistics Co., Ltd.

**Trading & Commerce**

**SENKO SHOJI CO.,LTD.**

- Marufuji Co., Ltd.
- Obata Co., Ltd.
- Sankyo Butsuruyu Niyaku Co., Ltd.
- Sankyo Logistics Co., Ltd.

**SMILE CORP.**

- Fuji Label Co., Ltd.
- Takano Machinery Works Co., Ltd.
- SHANGHAI SMILE CORP.
- SHANGHAI SMILE PRINTING CORP
- HONG KONG SMILE CORP LIMITED
- KOREA SMILE CORP.
- SMILECORP VIETNAM CO., LTD.

**AST CORPORATION**

- Delivery Ace Co., Ltd.

**Agriculture**

- Senko School Farm Tottori Co., Ltd.

**Living Support**

- Senko Living Plaza Co., Ltd.
- Senko Foods Co., Ltd.
- KEIHANNA helper station Co., Ltd.
- Ienonaka Company, Ltd.
- Senko Medical Logistics Co., Ltd.
- Senko Creative Management Co., Ltd.

**Business Support**

- Senko Facilities Co., Ltd.
- Senko Asset Management Co., Ltd.
- Senko Private REIT Inc.
- Senko Real Estate Co., Ltd.
- Logi Factoring Co., Ltd.
- Senko Business Support Co., Ltd.
- S-TAFF Co., Ltd.
- Senko Insurance Services Co., Ltd.
- Logi Solution Co., Ltd.
- SENKO INFORMATION SYSTEM Co., Ltd.
- Crefeel Koto Co., Ltd.

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