# The Road to Success

SEINO

Seino Holdings Co., Ltd. Annual Report 2009

Year Ended March 31, 2009

# Profile

Seino Holdings Co., Ltd. ("the Company") began business as a trucking company in 1930 and was incorporated in 1946. Based in the city of Ogaki, Gifu Prefecture, we are a leading trucking company, expanding in step with the growth of the Japanese economy and the development of the nation's extensive expressway network. On October 1, 2005, the Company transferred its transportation business and other operations to a new company—which has taken the original name Seino Transportation Co., Ltd.—and was renamed Seino Holdings Co., Ltd., adopting a pure holding company structure.

The Seino Group currently consists of the pure holding company Seino Holdings, 52 consolidated subsidiaries and 15 affiliates engaged in transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services.

In its mainstay Transportation Services business, the Company has taken steps to build even more convenient logistics systems, all the while adhering to its "customer-first" principle. As of March 31, 2009, Seino offers efficient transportation services throughout Japan via its 414 domestic terminals, a fleet of 21,325 trucks and a trucking network that averages 5,000 routes daily. Overseas, Seino has transferred its international forwarding operations to Schenker-Seino Co., Ltd., a joint venture established with Schenker AG in Germany. Through this alliance, the Company aims to bolster its competitiveness by optimizing the synergies of Seino's domestic transportation network and Schenker's global network and cutting-edge IT systems.

The Seino Group is committed to providing rapid services that deliver total customer satisfaction and will proceed down the "Road to Success" to become a highly profitable company through initiatives to develop a progressive business model that will become the standard for next-generation transportation business.



# Contents



# Board of Directors

**(As of June 25, 2009)**

**Chairman and Chief Executive Officer**
Yoshikazu Taguchi

**President and Chief Operating Officer**
Yoshitaka Taguchi

**Directors**
Takao Taguchi
Yoshitaka Nasuno
Mitsuo Mekata
Shizutoshi Otsuka
Hidemi Maruta
Shinpei Ando

**Outside Directors**
Yuji Tanahashi
Kenjiro Ueno

**Standing Statutory Auditors**
Yoshio Matsuoka
Takahiko Kumamoto

**Outside Statutory Auditors**
Fumio Kato
Eiji Kasamatsu

SEINO HOLDINGS CO., LTD.

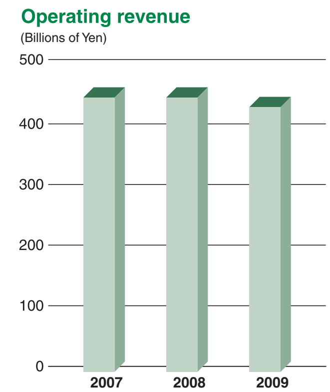
# Financial Highlight

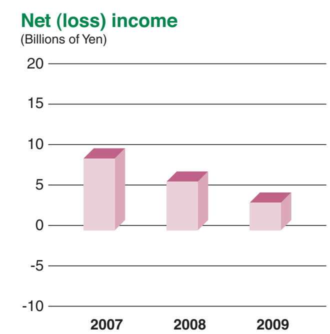
For the Years Ended March 31, 2009, 2008 and 2007

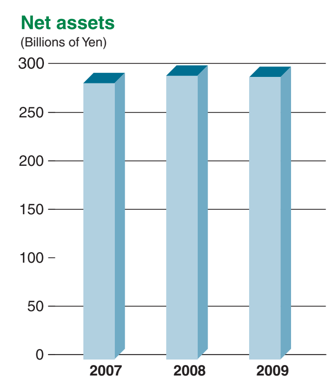
| | Millions of Yen | | | Thousands of U.S. Dollars [2] |
|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2009 |
| **CONSOLIDATED BASIS:** | | | | |
| Operating revenue | **¥433,766** | ¥451,978 | ¥449,486 | **$4,426,184** |
| Operating income | **3,333** | 9,925 | 10,796 | **34,010** |
| Income before income taxes and minority interests | **6,941** | 13,383 | 14,579 | **70,827** |
| Net income | **3,391** | 6,018 | 8,797 | **34,602** |
| Net income per share (in yen and dollars) | **17.03** | 30.27 | 44.71 | **0.17** |

| | Millions of Yen | | | Thousands of U.S. Dollars [2] |
|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2009 |
| **CONSOLIDATED BASIS:** | | | | |
| Cash and cash equivalents, and short-term investments | **¥ 42,197** | ¥ 54,299 | ¥ 52,421 | **$ 430,582** |
| Property and equipment, net of accumulated depreciation | **246,790** | 240,444 | 242,374 | **2,518,265** |
| Total assets | **439,372** | 457,871 | 468,006 | **4,483,388** |
| Long-term debt and other long-term liabilities | **64,812** | 70,842 | 76,178 | **661,347** |
| Net assets | **291,564** | 293,985 | 292,848 | **2,975,143** |
| Net assets per share (in the whole yen and dollars) | **1,433.40** | 1,445.62 | 1,451.36 | **14,626.53** |

(Notes) 1. Yen and U.S. dollar amounts have been round off to the rearest number.
2. U.S. Dollars amounts are translated at ¥98 = U.S. $1, only for convenience of readers.




# Corporate Data

**(As of March 31, 2009)**

| | |
|---|---|
| *Company Name:* | Seino Holdings Co., Ltd. |
| *Head Office:* | 1, Taguchi-cho, Ogaki, Gifu 503-8501, Japan<br>Tel: 81-584-82-3881 Fax: 81-584-82-5040 |
| *Date of Establishment:* | November 1, 1946 |
| *Paid-in Capital:* | ¥42,482 million |
| *Number of Shares Issued:* | 207,679,783??? |
| *Stock Listings:* | The First Section of Tokyo Stock Exchange (code 9076)<br>The First Section of Nagoya Stock Exchange (code 9076) |
| *Transfer Agent:* | Mitsubishi UFJ Trust and Banking Corporation |
| *Independent Auditors:* | AZUSA Audit Corporation |

Message from the Management

# To Our Shareholders, Customers and Friends

*We would like to take this opportunity to express our appreciation to our stakeholders, including shareholders and other investors, for the consistent support they have shown us over the years. The results for the fiscal year ended March 31, 2009 (from April 1, 2008 to March 31, 2009) are presented herein.*

## ❖ Operating Environment

During the fiscal year under review, while the global financial crisis triggered by the subprime loan problem significantly impacted the real economy, the Japanese economy also rapidly deteriorated from the second half of the term, reflecting a sharp decline in exports and production as well as adverse effects on corporate earnings and the employment situation.

In the transportation industry, transportation demand continued to decline on the back of a steep rise in fuel costs in the first half of the term and an abrupt slowdown in capital investment and personal spending in the latter half of the term. Consequently, competition among other companies in the industry further intensified and the operating environment became increasingly challenging.

## ❖ Initiatives and Results for the Fiscal Year Under Review

Amid these circumstances, in order to achieve its mission of contributing to the nation and society by providing preeminent transportation services esteemed by customers, the Seino Group has undertaken concerted efforts to pursue sound management based on a business structure suitable to the current economic environment with the aim of achieving the goals of our three-year medium-term management plan, the "Customer Satisfaction (CS) Improvement Plan" (April 2008 – March 2011).

Additionally, in order to overcome this difficult economic environment, the Seino Group promoted "successful execution" as its slogan to emphasize the importance of thoroughly executing policies and measures together as a united group.

The Group has also strengthened and increased the number of sectional meetings held for Group companies to streamline the organizational structure and improve management efficiency. In addition, we have reviewed operating systems and areas beyond Group company boundaries to share management resources and consolidate overlapping back-office operations.

Despite these initiatives, consolidated operating revenue for the year under review declined 4.0% from the previous year to ¥433,766 million. Operating income dropped 66.4% to ¥3,391 million and net income fell 43.7% to ¥3,391 million.

## ❖ Outlook

In the transportation industry, the Seino Group's core business segment, the total volume of freight handled is expected to decline further given the reduction in capital investment and personal spending in line with the worsening of corporate earnings and the employment situation. The operating environment is also expected to remain difficult, including fiercer competition with other industry players.

Amid this environment, based on the philosophy of its medium-term management plan, the CS Improvement Plan, the Group is promoting various initiatives to expand its logistics business, improve transportation quality and expand other businesses. In addition to these efforts, all employees are undertaking concerted efforts to secure customers' trust, thereby promoting greater cost reductions and rationalization together with striving to realize further growth through achieving the management missions of respective Group companies.

Specifically, 17 relation to the Transportation Services business, given fierce and excessive competition caused by oversupplly and based on the assumption of "examining shared trunk-route transportation," we are currently promoting the building of a cooperative framework through discussions on various aspects such as identifying problems and specific issues that need to be solved in working to build an alliance with Less-than-Truck Load (LTL) operators.

Additionally, in order to ensure we successfully survive in this economic recession, it is essential that we establish a more intricate and uniform quality of service via our nationwide network. To achieve this, it is absolutely imperative that we further strengthen the cooperative structure among the Group and reinforce collaboration as well as promote the rapid relay of information and decisive decision-making.

On the back of these measures, at Seino Transportation Co., Ltd., a company that plays a central role, we have restructured the former organization that consisted of 27 blocks nationwide into 15 areas and are pursuing swift execution of operations in all areas.

In logistics, we will focus on "people, property and equipment and funds" as a means of developing logistics into a major pillar of our business. Also, from a cost perspective, we will undertake greater efforts to control costs according to revenues and the volume of freight handled through developing transportation timetables that are specific to each day of the week, restructuring the timetable for off-season periods and reviewing the deployment of personnel.

Moreover, initiatives are currently underway in cooperation with our subsidiary, Seibu Transportation Co., Ltd., including efforts aimed at promoting efficiency of our trunk-route network, integration and relocation of redundant bases, strengthening of domestic air freight business and augmenting our lineup of services to maximize synergies.

In the Vehicle Sales business, we will focus on providing finely tuned services by quickly comprehending customer needs. As a means of increasing profits, in terms of passenger vehicle sales, we will concentrate on sales expansion of new models as well as inspection and maintenance. Meanwhile, in truck sales, we will work to speed up business expansion and utilize our accumulated know-how to expand our market coverage in Shiga Prefecture.

As a result of these measures, the Company forecasts operating revenue of ¥500,000 million and net income of ¥8,500 for the term ending March 31, 2010.

## ❖ Corporate Governance

Seino employs a corporate auditor system. As of March 31, 2009, the Board of Directors consisted of nine directors, including two outside directors. In addition to making swift and appropriate decisions on such important matters as business restructuring and strategic investments, the Board of Directors is taking important steps to strengthen auditing functions and achieve greater management transparency.

The Company also has four corporate auditors, including two outside auditors. Auditors are committed to improving compliance and enhancing the trust that society has in the Company through such activities as attending meetings of the Board of Directors, conferences of directors and other important gatherings, and carrying out auditing operations.

## ❖ Internal Control over Financial Reporting ('ICOFR')

In our opinion of the internal control report, ICOFR was effective as of March 31, 2009, as a result of the assessment in conformity with assessment standards for ICOFR generally accepted in Japan.

## ❖ Results of Independent Auditor's Report on the ICOFR

In the opinion of KPMG AZSA & Co., the internal control report referred to above presents fairly, in all material respects, the assessment of ICOFR in conformity with assessment standards for ICOFR generally accepted in Japan.

## ❖ To Our Shareholders

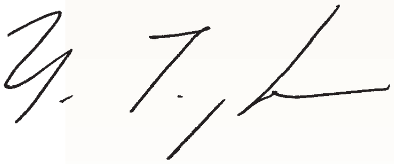
In keeping with its basic business policy, Seino seeks to enhance shareholders' equity and improve profitability from a long-term perspective, while maintaining stable dividends. Accordingly, Seino has maintained a regular annual cash dividend per share of ¥11.00 for the fiscal year ended March 31, 2009, the same amount as in the previous year.

In accordance with its new medium-term management plan, management is fully committed to making Seino the preeminent commercial freight transportation company in Japan, while at the same time raising corporate and shareholder value. We ask our shareholders, customers and friends for their continued support.

August 2009

**Yoshikazu Taguchi**
*Chairman and Chief Executive Officer*

**Yoshitaka Taguchi**
*President and Chief Operating Officer*



Special Feature

# Toward Realizing the Goals of the CS Improvement Plan, the Group's New Medium-Term Management Plan

*The Seino Group has initiated its CS Improvement Plan, a new medium-term management plan commencing from April 2008 to March 2011. The main items and specific initiatives to realize this plan are introduced herein.*

## Seino Holdings

### ❖Main Initiatives of the CS Improvement Plan

The goals of the CS Improvement Plan are to improve customer satisfaction (CS) and increase the Group's corporate value by shifting the focus from quantity to quality based on providing services that customers will value.

Specifically, we will implement the following initiatives:

① **Expand the logistics business:** As a freight forwarder capable of one-stop receipt of orders, we will expand our services by designing and proposing optimum logistics services for customers. Specifically, we will manage the overall supply chain for customers at our distribution management centers, leveraging the Seino Group's IT networks to optimize customer distribution and inventories.

② **Develop timetables for trunk-route transportation:** To raise customer satisfaction and become a preferred provider of transportation services, we will promote regular services and strive to increase cargo shipments for our main routes, strengthen our network, work to improve operational accuracy and pursue efficiency gains.

③ **Strengthen network:** To realize fine-tuned services in conjunction with the establishment of terminals, we will expand Kangaroo Business Centers as satellite offices in the Tokyo metropolitan area.

④ **Improve operational accuracy:** We will simplify and enhance the speed of operations by introducing postal codes to delivery addresses.

⑤ **Expand vehicle sales:** In addition to expanding and establishing new sales outlets in the market via M&A, we will develop new businesses and services including maintenance and leasing and cleaning service businesses.

⑥ **Strengthen other businesses:** We will promote the efficiency of redundant operations by strengthening the temporary staffing business, effectively utilizing resources and introducing shared services.

## Group Endeavors of Each Business

### Transportation Services

### ❖Seino Rinku Logistics Center Opened

Construction of the Seino Rinku Logistics Center was completed and operations commenced from February 5, 2009. This logistics center features 2-tier storage and boasts the largest area among the facilities of Seino Transportation Co., Ltd. with a floor area of approximately 19,168m$^3$, including office space and rest rooms.

Adjacent to Kansai International Airport, which is the largest international airport in western Japan, this center is also accessible within 30 minutes to Osaka Nanko Port, which is one of the leading ports nationwide in terms of the volume of container cargo handled. The development of the Center is anticipated as a representative base of our logistics business in the future.

### ❖Keihin Terminal Branch Expanded

Seino Transportation's Keihin Terminal Branch is operating at the Keihin Truck Terminal in the Ota district in Tokyo; however, in line with the reconstruction of the Keihin Truck Terminal, we rented roughly 2.6 times the space of the previous terminal and newly commenced operations from September 8, 2008.

Along with the installation of automatic sorting machines, this branch will also carry out reshuffling of territories with Tokyo branches, which are handling a larger volume, thereby enhancing transportation quality including improvement of the lead-time compliance rate.

### ❖ Iwatsuki Branch Established

Construction of the new Iwatsuki Branch (Saitama city, Saitama Prefecture), with which Seino Transportation has been proceeding for some time, was completed and operations commenced from March 2, 2009.

The new Iwatsuki Branch is located to the north of the Tokyo metropolitan area and is conveniently accessible in approximately 10 minutes by car from the Tohoku Expressway interchange, which is a major distribution artery for the Tohoku region. At the same time, carrying out relay operations at the branch is directed toward improving transportation levels and efficiency in both the Tohoku region and Kanto region as a consolidated arrival and departure base that connects these two regions.

### ❖ Kangaroo Business Centers Established

Seino Transportation has been working to establish Kangaroo Business Centers as satellite offices since February 2008 to provide community-based distribution services in business districts in the Tokyo metropolitan area. Accordingly, as of March 2009, Seino Transportation has established 16 Kangaroo Business Centers in eight business districts within central Tokyo, including the Chiyoda and Chuo districts. This enables more customer-oriented services, such as faster delivery and pickup, to be provided. At the same time, since the centers' staff use trolleys for delivery, this contributes to alleviating traffic jams on streets in Tokyo and benefits the environment.

### ❖ Kanto Seino Transportation Co., Ltd. Vehicle Direct Sales Center Established

In August 2008, Kanto Seino Transportation Co. Ltd. has established the Vehicle Direct Sales Center to develop its used truck sales business. Kanto Seino Transportation has been focusing on direct sales, providing vehicle inspections and maintenance to companies outside the Seino Group since 1994, and the establishment of the center at this time is part of this initiative.

In the immediate future, mainly targeting business partner companies of respective branch offices of Kanto Seino Transportation, trucks used by the company and vehicles according to customer needs will be selected from among the auctions of Gifu Hino Motor Co., Ltd. and Asahi Enterprise Co., Ltd. and subsequently sold after being painted and carrying out maintenance. In that this is the first time in which the Seino Transportation Group has undertaken such an initiative in the used vehicle sales business, there are high expectations for being able to utilize Seino's coating and maintenance technologies.

## Vehicles Sales and Other Businesses

### ❖ Shiga Hino Motors Co., Ltd. Newly Joined Seino Group

Gifu Hino Motor Co., Ltd. acquired shares of Shiga Hino Motors Co., Ltd. (Ritto city, Shiga Prefecture), a wholly owned subsidiary of Hino Motors, Ltd. (Tokyo), and became a consolidated subsidiary as of January 7, 2009.

Shiga Hino Jidosha Motors Co., Ltd. is a new company with approximately 100 employees that was established by spinning off Keiji Hino Motors Co., Ltd. into Kyoto Hino Motors Co., Ltd. and Shiga Hino Motors Co., Ltd.

Extending its sales network into neighboring Shiga Prefecture is expected to expand existing services as well as realize efficient use of personnel and economic resources and strengthen its sales base.

# CSR Topics

**Commitment as a Corporate Citizen**

*Companies within the Seino Group strive to fulfill their corporate social responsibilities as a critical management issue that must be addressed to meet the expectations of all stakeholders and earn society's trust as a corporate citizen. The following section briefly introduces the activities of Seino Group companies, which aspire to preserve the global environment, ensure safety, show respect for humanity and coexist with local communities.*

## The Environment

### Seino Transportation Group

The Seino Transportation Group is committed to innovation in its vehicles and transportation systems as well as focusing on environmentally friendly and energy-saving operations to promote conservation of the global environment.

- **Introducing environmentally friendly vehicles**
  We have introduced low-emission vehicles, such as natural gas vehicles, hybrid vehicles and electric forklifts. In particular, we are adopting hybrid vehicles in an effort to reduce $CO_2$ emissions.
- **Shifting transportation modes**
  We seek to both save energy and maintain service levels by facilitating a shift in transport modes, combining road transportation with shipping by rail and sea.
- **Promoting efficient transportation**
  We save energy by efficiently transporting the volume of cargo handled through the improvement of load efficiency, use of large vehicles and promotion of joint operations along with responding to changes in freight loading during trucking off-seasons.
- **Developing an energy-saving and environmentally friendly vehicle fleet**
  We take comprehensive measures such as adopting intercooler turbo vehicles, adopting cylinder cowling, utilizing energy-saving tires and reducing vehicle weight.
- **Environmentally friendly and energy-saving driving**
  We are fully committed to all drivers practicing "eco-driving" to minimize the adverse effect on the environment.

## The Environment

### New Company for Resource Recycling Newly Established

Seino Eco Trading Co., Ltd. was established on November 1, 2008 the newest member of the Seino Group. The company collects packaging materials including waste wrapping and used polypropylene band and bubble pack from the Seino Transportation Group and sells these materials to Chinese vendors manufacturing recycled plastics. Additionally, the company launched an initiative to offer recycled resin palettes made from these raw materials at a low price. In addition to cutting costs such as processing costs of waste materials of transportation group companies, including Seino Transportation, this initiative is also contributing to Group management that takes into account the global environment such as through the reduction of waste materials, efficient use of resources and $CO_2$ reductions.

## Contributing to the International Community

### Launch of TFT Activity at Seno Transportation Aims to Eliminate Unbalanced Diet

The cafeteria inside Seino Holdings' head office has launched the Table for Two (TFT) activity from October 2008 to address the international issue of malnutrition in developing countries and obesity in developed countries. As part of its TFT activity, originating from Japan, the cafeteria at Seino Transportation's head office offers a reduced-calorie menu along with donating ¥20 from the price of these menu items to developing countries. Since ¥20 corresponds to the amount required for a meal for children in developing countries, this activity was named "Table for Two," which signifies "having a meal with someone."

Additionally, the cafeteria is widely accessible to Group companies located on the same premises as well as neighboring residents.

## ❖ Contributing to Local Communities

### Proposal-Based Internships for Students from Commercial High Schools

Tokai Seino Transportation Co., Ltd. is collaborating with a proposal-based internship training program for commercial high schools sponsored by Gifu Prefecture. Under this program, students receive basic training, after which they visit actual workplaces with instructors to detect areas of waste and then work out improvement measures by themselves. Although this program has been implemented up until now at manufacturing sites, this marks the first time that such practical training has been carried out in non-manufacturing industries.

On August 12, 2009, a total of 19 students studying commercial subjects at two high schools in Gifu Prefecture visited Tokai Seino Transportation. The students were divided into three groups and received explanations about how the flow of incoming and outgoing invoices is handled. In each group, students considered improvement measures from their perspectives as high school students, and the following day specific improvement proposals were presented.

### Traffic Safety Classes Held at Nursery Schools

Beginning in the fiscal year ended March 31, 2009, Netz Toyota Centro Gifu Co., Ltd., which engages in the sale of automobiles, has been holding traffic safety classes for preschool-age children through each of its 19 branch offices. The first such class, which taught traffic safety rules and manners, was held on April 25, 2008 at Nagasawa Nursery School in Ogaki, Gifu Prefecture, and was attended by students and their parents. Netz Toyota Centro Gifu implemented these traffic safety classes with the cooperation of the Gifu affiliate of the Japan Automobile Federation.

### Tokai Seino Transportation Lifesaving Courses for All Employees

All employees of Tokai Seino Transportation successively participated in emergency lifesaving courses. Held at fire departments closest to each business office, the courses covered the use of automated external defibrillators (AED) as well as cardiopulmonary resuscitation and other emergency treatment methods utilized while waiting for an ambulance to arrive when an accident-caused injury occurs or if a person becomes stricken with an illness at his or her workplace or home. The first course was held on May 12, 2009 at the Tajimi Kita fire department in Gifu Prefecture and was attended by 20 people, including Tokai Seino Transportation President Toshihisa Taguchi.

# Review of Operations

*The Seino Group's business is separated into five segments. The performance of each of our business segments is outlined below. Additionally, the Merchandise Sales Business was previously included in Other business; however, the significance of this business has increased in terms of operating revenue and is therefore separately posted as a business segment from the current consolidated fiscal term under review.*

## Transportation Services

In the transportation industry, transportation demand continued to decline on the back of a steep rise in fuel costs in the first half of the term and a sudden slowdown in capital investment and personal spending in the latter half of the term. Consequently, competition among other companies in the industry further intensified and the operating environment became increasingly challenging.

Amid this environment, the transportation group has undertaken concerted efforts to further enhance quality. Additionally, we have continued our efforts to enhance management efficiency and establish a profitable structure by "securing revenues" via the development of the logistics business, "improving profits" through the pursuit of efficiency and cost budget management, and sales expansion of our Estimated Delivery Time Service.

Kyushu Seino Transportation Co., Ltd. (which changed its trading name from Showa Seino Transportation Co., Ltd.) acquired the majority of the truck transportation business of Sengoku Seino Transportation Co., Ltd., a subsidiary of Iwasaki Sangyo Corporation. With this takeover and by consolidating business in the Kyushu region, we were able to provide a more uniform quality of service via our nationwide network. Additionally, Kyushu Seino Transportation is working to improve efficiency and make effective use of management resources by eliminating and merging redundant bases.

In order to realize optimal logistics throughout the industry, we have changed our perspective as a carrier to a perspective as a freight forwarder and have strived to strengthen joint operations and the logistics business through utilizing a trunk-route transportation network. We have also focused on personnel training for proposal-based sales activities by reinforcing the logistics departmental structure at the Tokyo head office and in Tokyo, Nagoya and Osaka. As for facilities, we have newly established the Seino Rinku Logistics Center (Izumisano city, Osaka) as the largest facility of Seino Transportation Co, Ltd. Moreover, we are working to enhance the organizational structure by improving transportation services to in turn promote sales expansion in small parcel transportation.

With regard to the development of operational bases supporting transportation quality, we have expanded the Keihin Terminal Branch (Ota district, Tokyo) and newly established the Iwatsuki Branch (Saitama city, Saitama Prefecture). At the same time, we have developed 16 "Kangaroo Business Centers," which are small terminals handling limited pickup and delivery areas compared with regular areas to address office districts in central Tokyo, thereby improving precision of delivery times and enabling frequent response. In this way, we have taken measures to help further raise customer satisfaction by providing more customer-oriented services.

In terms of administration costs, in addition to a switching to variable costs for route operations and staff allocation in accordance with workloads, we have thoroughly cut costs including efforts to achieve savings in public utility fees and reusing various materials.

Despite these initiatives, the sluggish movement of logistics in the second half of the term along with the significant impact of soaring fuel prices in the first half of the term resulted in a decline in operating revenue in the Transportation Services segment of 4.7% to ¥316,341 million (US$3,228 million) versus the previous consolidated fiscal term and an operating loss of ¥555 million (US$6 million).

## Vehicle Sales

In passenger vehicle sales, amid the difficult environment characterized by a major decline in overall demand due to such factors as an aging society and a declining birthrate, the pronounced trend of young people in Japan being less inclined to drive cars and greater consumer diversification, the vehicle sales group worked to secure sources of revenue by expanding sales of fully remodeled vehicles while developing new businesses and services.

While sales of minivans, beginning with new model vehicles, were favorable, unit sales of new vehicles fell significantly from the previous year due to a rapid deceleration in the automobile market arising from the financial crisis. Additionally, used car sales dropped both in the number of units sold and revenues due to the market downturn.

In truck sales, the cycle of substitute demand in line with environmental regulations come to an end and user replacement demand also fell mainly due to soaring fuel prices and the sharp economic deterioration. Under these circumstances, we have undertaken efforts to secure profits through actively developing used vehicle sales and promoting efficiency of maintenance services. Additionally, Shiga Hino Motors Co., Ltd. became our subsidiary as part of efforts to strengthen our sales foundation through expanding our sales network into Shiga Prefecture in tandem with promoting efficiency by making effective use personnel and management resources.

As a result, operating revenue was ¥78,722 million (US$803 million), down 8.0% versus the previous term, while operating income dropped 44.7% to ¥ 2,140 million (US$22 million) year on year.

## Merchandise Sales

Seino Trading Co., Ltd., which accounts for the majority of sales in the Merchandise Sales business, is engaged in businesses centering on sales of fuel and merchandise. Due to an increase in external sales during the fiscal term under review and start of sales through agents of paper products, operating revenue was ¥23,302 million (US$238 million), while operating income amounted to ¥593 million (US$6 million).

## Leasing for Real Estate Services

Operating revenue amounted to ¥1,186 million (US$12 million), a 3.5 % increase from the previous year, while operating income rose 1.3% to ¥983 million (US$10 million) year on year.

In this business segment, when terminals of several transportation group companies, including Seino Transportation Co., Ltd., are relocated to other sites for reasons such as urban development projects or a lack of available land, the old site is leased out to maximize the benefits of management resources. Key examples of this have been the former Yotsubashi (Osaka City), Shinmachi (Osaka City) and Fukui (Fukui Prefecture) terminals. Additionally, companies outside the transportation group also engage in leasing as the most effective means to generate returns on their assets.

## Other

This business segment is made up of information services related business as well as personnel services, sales of residential properties and other businesses. Operating revenue was ¥14,214 million (US$145 million) and operating income amounted to ¥654 million (US$7 million).

**Operating Revenue by Business Segment** (Millions of yen)

| | FY3/09 | | FY3/08 | | |
|---|---|---|---|---|---|
| | Results | Composition | Results | Composition | Year-on-Year |
| Transportation Services | 316,341 | 72.9% | 331,862 | 73.4% | (4.7)% |
| Vehicle Sales | 78,722 | 18.1% | 85,536 | 18.9% | (8.0)% |
| Merchandise Sales | 23,302 | 5.4% | 19,905 | 4.4% | 17.1% |
| Leasing for Real Estate Services | 1,186 | 0.3% | 1,146 | 0.3% | 3.5% |
| Other | 14,214 | 3.3% | 13,527 | 3.0% | 5.1% |
| Total | 433,766 | 100.0% | 451,977 | 100.0% | (4.0)% |

**Operating Income by Business Segment** (Millions of yen)

| | FY3/09 | | FY3/08 | | |
|---|---|---|---|---|---|
| | Results | Composition | Results | Composition | Year-on-Year |
| Transportation Services | (555) | (16.7)% | 4,457 | 44.9% | — |
| Vehicle Sales | 2,140 | 64.2% | 3,871 | 39.0% | (44.7)% |
| Merchandise Sales | 593 | 17.8% | 538 | 5.4% | 10.2% |
| Leasing for Real Estate Services | 983 | 29.5% | 971 | 9.8% | 1.3% |
| Other | 654 | 19.7% | 511 | 5.2% | 2.8% |
| Total | 3,816 | 114.5% | 10,359 | 104.3% | (63.1)% |
| Elimination | (483) | (14.5)% | (425) | (4.3)% | — |
| Consolidated | 3,332 | 100.0% | 9,924 | 100.0% | (66.4)% |

Note: The Merchandise Sales business was previously included in Other business; however, the significance of this business has increased in terms of operating revenue and is therefore separately posted as a business segment from the current consolidated fiscal term under review.

# Financial Review

## Operating Results

Consolidated operating revenue for Seino Holdings for the fiscal year ended March 31, 2009 decreased 4.0% from the previous year to ¥433,766 million (US$4,426 million). This is primarily due to a slight decline in the Vehicle Sales business versus the previous year, reflecting the sluggish movement of logistics in the Transportation Services business in the second half of the term.

Operating costs dropped 3.1% to ¥397,826 million (US$4,059 million). The ratio of operating costs to operating revenue was 91.7%, up 0.9 percentage point.

Selling, general and administrative expenses increased 3.6% to ¥32,606 million (US$333 million), while operating income fell 66.4% to ¥3,332 million (US$34 million).

Other income stood at ¥6,683 million (US$68 million). A key positive factor was the amortization of negative goodwill of ¥4,361 million (US$45 million), while a major negative factor was loss on write-down of investment securities of ¥1,320 million (US$13 million) and impairment losses of ¥1,596 million (US$16 million).

As a result, income before income taxes and minority interests was ¥6,940 million (US$71 million), down 48.1% year on year. Net income of ¥3,391 million (US$35 million) was recorded, a decrease of 43.7% from the previous fiscal year.

Net income per share was ¥17.03 (US$0.17), and return on equity was 1.2%. Annual cash dividends per share were maintained at ¥11.00 (US$0.11), the same as in the previous term.

## Financial Position

Total assets at the end of the fiscal year under review were ¥439,371 million (US$4,483 million), down 4.0% versus the previous year.

Total current assets decreased 10.9% to ¥150,140 million (US$1,532 million). Total fixed assets dipped to ¥289,231 million (US$2,951 million).

Total current liabilities fell 10.8% to ¥82,996 million (US$847 million) primarily due to decreases in trade payables, accrued expenses and short-term borrowings.

Long-term liabilities dropped 8.5% to ¥64,811 million (US$661 million) as a result of a decrease in long-term debt and deferred tax liabilities.

Net assets rose 0.4% to ¥284,033 million (US$2,898 million). Major factors included an increase in retained earnings derived from the posting of net income. The shareholders' equity ratio rose 2.0 percentage point to 64.9%.

## Cash Flows

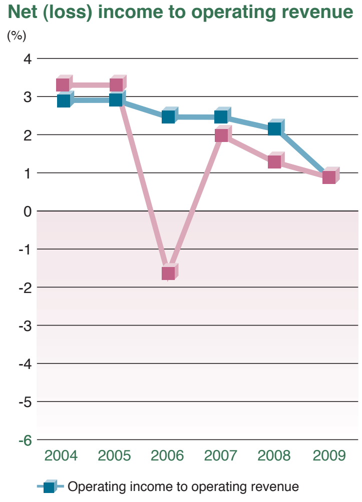
Net cash provided by operating activities decreased ¥5,873 million (US$60 million) to ¥13,699 million (US$140 million) primarily due to a decline in income before income taxes and minority interests.

Net cash used in investing activities increased ¥6,690 million (US$68 million) to ¥20,384 million (US$208 million) primarily owing to payment arising from business acquisition.

Net cash used in financing activities increased ¥805 million (US$8 million) to ¥3,559 million (US$36 million). This result reflected a decline in the repayment of long-term debt.

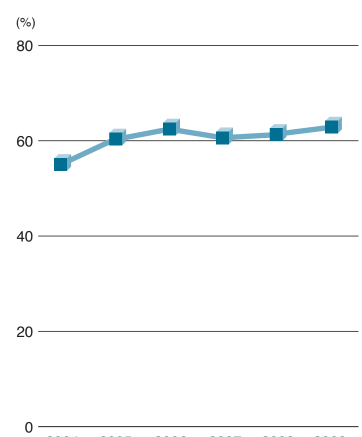
Consequently, cash and cash equivalents at the end of year decreased ¥10,259 million (US$105 million) to ¥35,625 million (US$364 million).

**Operating income to operating revenue**
**Net (loss) income to operating revenue**




**Net (loss) income to total assets**
**Return on equity ratio**


**Shareholders' equity ratio**



SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

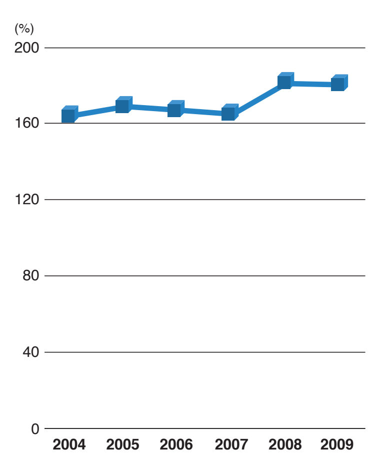
# Six-year Summary

## For the Years Ended March 31, 2009, 2008, 2007, 2006, 2005 and 2004

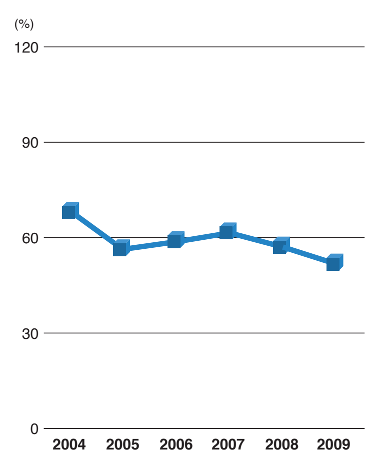
| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| **For the year:** | | | | | | |
| Operating revenue: | ¥ 433,766 | ¥ 451,978 | ¥ 449,486 | ¥ 427,520 | ¥ 423,833 | ¥ 417,705 |
| Transportation services | 316,341 | 331,862 | 327,574 | 307,888 | 307,264 | 300,645 |
| Vehicle sales | 78,722 | 85,537 | 85,549 | 82,334 | 98,259 | 97,155 |
| Merchandise sales | 23,302 | — | — | — | — | — |
| Leasing for real estate services | 1,187 | 1,146 | 1,079 | 1,004 | 5,268 | 5,483 |
| Other | 14,214 | 33,433 | 35,284 | 36,294 | 13,042 | 14,422 |
| Operating costs | 397,826 | 410,579 | 408,395 | 386,995 | 381,970 | 375,403 |
| Selling, general and administrative expenses | 32,607 | 31,474 | 30,295 | 30,443 | 29,816 | 29,637 |
| Operating income | 3,333 | 9,925 | 10,796 | 10,082 | 12,047 | 12,665 |
| Net income (loss) | 3,391 | 6,018 | 8,797 | (8,334) | 14,273 | 13,439 |
| **At year-end:** | | | | | | |
| Current assets | 150,140 | 168,475 | 169,706 | 161,208 | 164,129 | 183,933 |
| Total assets | 439,372 | 457,871 | 468,006 | 446,933 | 470,492 | 494,743 |
| Current liabilities | 82,996 | 93,044 | 98,980 | 92,800 | 91,252 | 112,668 |
| Short-term borrowings | 2,135 | 2,465 | 3,700 | 4,371 | 4,815 | 31,170 |
| Long-term debt, including current maturities | 1,462 | 2,114 | 3,435 | 8,247 | 17,974 | 18,341 |
| Net assets* | 291,564 | 293,985 | 292,848 | 278,916 | 283,352 | 272,694 |
| | Yen | | | | | |
| **Per share data:** | | | | | | |
| Net (loss) income: | | | | | | |
| -Basic | ¥ 17.03 | ¥ 30.27 | ¥ 44.71 | ¥ (43.35) | ¥ 72.26 | ¥ 76.11 |
| -Diluted | — | — | — | — | 70.67 | 63.33 |
| Cash dividends | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| | Thousands | | | | | |
| Number of shares issued | 207,679 | 207,679 | 207,679 | 207,679 | 198,631 | 198,631 |
| | Percent | | | | | |
| **Ratios:** | | | | | | |
| Operating income to operating revenue | 0.8 | 2.2 | 2.4 | 2.4 | 2.8 | 3.0 |
| Net income (loss) to operating revenue | 0.8 | 1.3 | 2.0 | (1.9) | 3.4 | 3.2 |
| Net income (loss) to total assets | 0.8 | 1.3 | 1.9 | (1.9) | 3.0 | 2.7 |
| Return on equity ratio | 1.2 | 2.1 | 3.1 | (3.0) | 5.1 | 5.3 |
| Shareholders' equity ratio | 64.9 | 62.9 | 61.2 | 62.4 | 60.2 | 55.1 |
| Current ratio | 180.9 | 181.1 | 171.5 | 173.7 | 179.9 | 163.3 |
| Debt equity ratio | 51.8 | 56.9 | 61.2 | 58.3 | 53.1 | 68.4 |
| Payout ratio | 65.1 | 36.6 | 24.5 | (25.5) | 15.1 | 14.2 |

* For details regarding net assets for the fiscal years ended March 31, 2007, 2008 and 2009, see (b) on page 17.

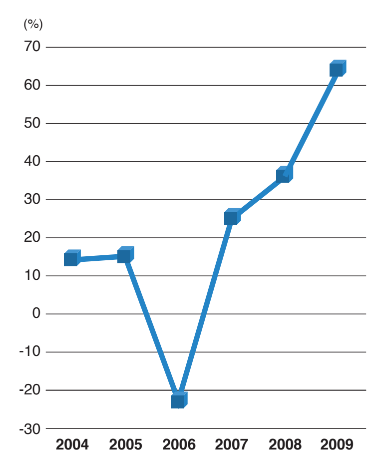
**Current ratio**




**Debt equity ratio**




**Payout ratio**



# Consolidated Balance Sheets

March 31, 2009 and 2008

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| **Assets:** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | **¥ 35,626** | ¥ 45,884 | **$ 363,531** |
| Short-term investments (Notes 3 and 5) | **6,571** | 8,415 | **67,051** |
| Trade receivables | **83,284** | 87,943 | **849,837** |
| Inventories | **7,826** | 7,301 | **79,857** |
| Deferred tax assets (Note 10) | **3,691** | 4,435 | **37,663** |
| Other current assets | **13,743** | 15,114 | **140,235** |
| Allowance for doubtful accounts | **(601)** | (617) | **(6,133)** |
| Total current assets | **150,140** | 168,475 | **1,532,041** |
| **Property and equipment (Notes 4 and 5):** | | | |
| At cost | **464,505** | 452,055 | **4,739,847** |
| Accumulated depreciation | **(217,715)** | (211,611) | **(2,221,582)** |
| Net property and equipment | **246,790** | 240,444 | **2,518,265** |
| **Investments and other assets:** | | | |
| Investment securities (Note 3) | **18,401** | 26,076 | **187,765** |
| Investments in and long-term loans to affiliates (Note 3) | **3,301** | 3,427 | **33,684** |
| Deferred tax assets (Note 10) | **10,642** | 10,446 | **108,592** |
| Other assets | **10,098** | 9,003 | **103,041** |
| Total investment and other assets | **42,442** | 48,952 | **433,082** |
| Total assets | **¥ 439,372** | ¥ 457,871 | **$ 4,483,388** |
| **Current liabilities:** | | | |
| Short-term borrowings (Note 5) | **¥ 2,135** | ¥ 2,465 | **$ 21,786** |
| Current portion of long-term debt (Note 5) | **473** | 649 | **4,826** |
| Trade payables | **57,719** | 61,705 | **588,969** |
| Accrued expenses | **11,246** | 12,481 | **114,755** |
| Income taxes payable | **1,448** | 4,870 | **14,776** |
| Other current liabilities (Note 10) | **9,975** | 10,874 | **101,786** |
| Total current liabilities | **82,996** | 93,044 | **846,898** |
| **Long-term debt (Note 5)** | **989** | 1,465 | **10,092** |
| **Employee retirement benefit liability (Note 6)** | **49,369** | 48,694 | **503,765** |
| **Accrued severance indemnities for directors and statutory auditors** | **1,504** | 1,684 | **15,347** |
| **Deferred tax liabilities (Note 10)** | **5,827** | 7,636 | **59,459** |
| **Negative goodwill** | **6,933** | 11,181 | **70,745** |
| **Other long-term liabilities** | **190** | 182 | **1,939** |
| Total liabilities | **147,808** | 163,886 | **1,508,245** |
| **Commitments and contingent liabilities (Notes 7 and 8)** | | | |
| **Net Assets:** | | | |
| Shareholders' equity (Note 9): | | | |
| Common stock: 794,524,668 shares authorized and 207,679,783 shares issued | **42,482** | 42,482 | **433,490** |
| Capital surplus | **74,266** | 74,266 | **757,816** |
| Retained earnings | **175,872** | 174,671 | **1,794,612** |
| Less, treasury stock at cost: 8,610,129 shares in 2009 and 8,572,508 shares in 2008 | **(8,586)** | (8,565) | **(87,612)** |
| Total shareholders' equity | **284,034** | 282,854 | **2,898,306** |
| Accumulated gains from valuation and translation adjustments | **1,313** | 4,979 | **13,398** |
| Minority interests | **6,217** | 6,152 | **63,439** |
| Total net assets | **291,564** | 293,985 | **2,975,143** |
| Total liabilities and net assets | **¥ 439,372** | ¥ 457,871 | **$ 4,483,388** |

*See accompanying Notes to Consolidated Financial Statements.*

# Consolidated Statements of Operations

## For the Years Ended March 31, 2009, 2008 and 2007

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| | **2009** | 2008 | 2007 | **2009** |
| **Operating revenue (Note 12)** | **¥ 433,766** | ¥ 451,978 | ¥ 449,486 | **$ 4,426,184** |
| **Operating costs and expenses (Notes 6 and 12):** | | | | |
| Operating costs | **397,826** | 410,579 | 408,395 | **4,059,449** |
| Selling, general and administrative expenses | **32,607** | 31,474 | 30,295 | **332,725** |
| | **430,433** | 442,053 | 438,690 | **4,392,174** |
| Operating income | **3,333** | 9,925 | 10,796 | **34,010** |
| **Other income (expenses):** | | | | |
| Interest and dividend income | **775** | 831 | 825 | **7,908** |
| Interest expenses | **(87)** | (137) | (164) | **(888)** |
| Gain (loss) on sale or disposal of property and equipment | **(138)** | 546 | (386) | **(1,408)** |
| Gain on sale of investment securities | **2** | 896 | — | **21** |
| Equity in net income (loss) of affiliates | **—** | 17 | (368) | **—** |
| Amortization of negative goodwill | **4,361** | 4,357 | 4,181 | **44,500** |
| Impairment loss on fixed assets (Note 2 (l)) | **(1,596)** | (3,115) | (1,727) | **(16,286)** |
| Loss on write-down of investment securities | **(1,321)** | (1) | (1) | **(13,479)** |
| Provision for severance indemnities for directors and statutory auditors (Note 2 (n)) | **—** | (1,073) | — | **—** |
| Loss on liquidation or sale of subsidiaries and affiliates | **—** | (26) | — | **—** |
| Miscellaneous, net | **1,612** | 1,163 | 1,423 | **16,449** |
| | **3,608** | 3,458 | 3,783 | **36,817** |
| Income before income taxes and minority interests | **6,941** | 13,383 | 14,579 | **70,827** |
| **Income taxes:** | | | | |
| Current | **2,516** | 5,951 | 5,912 | **25,674** |
| Deferred | **971** | 742 | (295) | **9,908** |
| Total income taxes | **3,487** | 6,693 | 5,617 | **35,582** |
| **Minority interests in net income of subsidiaries** | **63** | 672 | 165 | **643** |
| Net income | **¥ 3,391** | ¥ 6,018 | ¥ 8,797 | **$ 34,602** |

| | Yen | | | U.S. dollars (Note 1) |
|---|---|---|---|---|
| **Per share:** | | | | |
| Net income | **¥ 17.03** | ¥ 30.27 | ¥ 44.71 | **$ 0.17** |
| Cash dividends | **11.00** | 11.00 | 11.00 | **0.11** |

*See accompanying Notes to Consolidated Financial Statements.*

SEINO HOLDINGS CO., LTD. and Subsidiaries

# Consolidated Statements of Changes in Net Assets

**For the Years Ended March 31, 2009, 2008 and 2007**

| | | Shareholders' equity | | | | | Accumulated gains from valuation and translation adjustments | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gains on available-for-sale securities | Land revaluation decrement | Foreign currency translation adjustments | Total accumulated gains from valuation and translation adjustments | Minority interests | Total net assets |
| | | Millions of yen | | | | | | | | | | |
| **Balance at March 31, 2006** | 207,679,783 | ¥ 42,482 | ¥ 73,353 | ¥ 164,490 | ¥ (10,572) | ¥ 269,753 | ¥ 9,860 | ¥ (295) | ¥ (402) | ¥ 9,163 | ¥ 5,528 | ¥ 284,444 |
| Net income for the year | — | — | — | 8,797 | — | 8,797 | — | — | — | — | — | 8,797 |
| Treasury stock reissued under stock-for-stock exchange offerings (Note 2 (a-ii)) | — | — | 229 | — | 1,105 | 1,334 | — | — | — | — | — | 1,334 |
| Cash dividends | — | — | — | (2,151) | — | (2,151) | — | — | — | — | — | (2,151) |
| Bonuses to directors and statutory auditors | — | — | — | (102) | — | (102) | — | — | — | — | — | (102) |
| Fractional shares acquired, net | — | — | — | — | (90) | (90) | — | — | — | — | — | (90) |
| Net changes other than shareholders' equity | — | — | — | — | — | — | (376) | (23) | 46 | (353) | 969 | 616 |
| **Balance at March 31, 2007** | 207,679,783 | ¥ 42,482 | ¥ 73,582 | ¥ 171,034 | ¥ (9,557) | ¥ 277,541 | ¥ 9,484 | ¥ (318) | ¥ (356) | ¥ 8,810 | ¥ 6,497 | ¥ 292,848 |
| Net income for the year | — | — | — | 6,018 | — | 6,018 | — | — | — | — | — | 6,018 |
| Cash dividends | — | — | — | (2,161) | — | (2,161) | — | — | — | — | — | (2,161) |
| Decrease in retained earnings through inclusion of additional affiliate accounted for by the equity method | — | — | — | (207) | — | (207) | — | — | — | — | — | (207) |
| Reversal of land revaluation decrement | — | — | — | (13) | — | (13) | — | — | — | — | — | (13) |
| Sales of treasury stock and fractional shares, net | — | — | 684 | — | 992 | 1,676 | — | — | — | — | — | 1,676 |
| Net changes other than shareholders' equity | — | — | — | — | — | — | (3,929) | 13 | 85 | (3,831) | (345) | (4,176) |
| **Balance at March 31, 2008** | 207,679,783 | ¥ 42,482 | ¥ 74,266 | ¥ 174,671 | ¥ (8,565) | ¥ 282,854 | ¥ 5,555 | ¥ (305) | ¥ (271) | ¥ 4,979 | ¥ 6,152 | ¥ 293,985 |
| Net income for the year | — | — | — | 3,391 | — | 3,391 | — | — | — | — | — | 3,391 |
| Cash dividends | — | — | — | (2,190) | — | (2,190) | — | — | — | — | — | (2,190) |
| Fractional shares acquired, net | — | — | — | — | (21) | (21) | — | — | — | — | — | (21) |
| Net changes other than shareholders' equity | — | — | — | — | — | — | (3,404) | — | (262) | (3,666) | 65 | (3,601) |
| **Balance at March 31, 2009** | 207,679,783 | ¥ 42,482 | ¥ 74,266 | ¥ 175,872 | ¥ (8,586) | ¥ 284,034 | ¥ 2,151 | ¥ (305) | ¥ (533) | ¥ 1,313 | ¥ 6,217 | ¥ 291,564 |
| | | Thousands of U.S. dollars | | | | | | | | | | |
| **Balance at March 31, 2008** | | $433,490 | $757,816 | $1,782,357 | $ (87,398) | $2,886,265 | $ 56,684 | $ (3,112) | $ (2,766) | $ 50,806 | $ 62,776 | $2,999,847 |
| Net income for the year | | — | — | 34,602 | — | 34,602 | — | — | — | — | — | 34,602 |
| Cash dividends | | — | — | (22,347) | — | (22,347) | — | — | — | — | — | (22,347) |
| Fractional shares acquired, net | | — | — | — | (214) | (214) | — | — | — | — | — | (214) |
| Net changes other than shareholders' equity | | — | — | — | — | — | (34,735) | — | (2,673) | (37,408) | 663 | (36,745) |
| **Balance at March 31, 2009** | | $433,490 | $757,816 | $1,794,612 | $ (87,612) | $2,898,306 | $ 21,949 | $ (3,112) | $ (5,439) | $ 13,398 | $ 63,439 | $2,975,143 |

*See accompanying Notes to Consolidated Financial Statements.*

# Consolidated Statements of Cash Flows

## For the Years Ended March 31, 2009, 2008 and 2007

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| | **2009** | 2008 | 2007 | **2009** |
| **Cash flows from operating activities:** | | | | |
| Income before income taxes and minority interests | **¥ 6,941** | ¥ 13,383 | ¥ 14,579 | **$ 70,827** |
| Adjustments for: | | | | |
| Depreciation | **17,326** | 17,016 | 16,253 | **176,796** |
| Impairment loss on fixed assets | **1,596** | 3,115 | 1,727 | **16,286** |
| Amortization of negative goodwill | **(4,361)** | (4,357) | (4,181) | **(44,500)** |
| Amortization of goodwill | **449** | 7 | 3 | **4,582** |
| Net (reversal) provision for employee retirement benefit liability | **(124)** | 42 | 1,442 | **(1,265)** |
| Gain (loss) on sale or disposal of property and equipment | **138** | (546) | 386 | **1,408** |
| Equity in net (income) loss of affiliates | **—** | (17) | 368 | **—** |
| Loss on write-down of investment securities | **1,321** | 1 | 1 | **13,479** |
| Gain on sale of investment securities | **(2)** | (896) | — | **(21)** |
| Net provision (reversal) for accrued severance indemnities for directors and statutory auditors | **(183)** | 961 | (33) | **(1,867)** |
| Decrease (increase) in trade receivables | **5,496** | 1,565 | (3,432) | **56,081** |
| (Increase) decrease in inventories | **(937)** | (1,373) | 1,976 | **(9,561)** |
| (Decrease) increase in trade payables | **(6,626)** | (4,675) | 6,193 | **(67,612)** |
| Decrease (increase) in beneficial interest in trusts in relation to trade payables | **1,317** | (51) | (11,714) | **13,439** |
| Other, net | **(2,758)** | 688 | (297) | **(28,143)** |
| Sub-total | **19,593** | 24,863 | 23,271 | **199,929** |
| Interest and dividend received | **797** | 852 | 824 | **8,133** |
| Interest paid | **(88)** | (138) | (169) | **(898)** |
| Income taxes paid | **(6,603)** | (6,005) | (6,406) | **(67,378)** |
| Net cash provided by operating activities | **13,699** | 19,572 | 17,520 | **139,786** |
| **Cash flows from investing activities:** | | | | |
| Increase in property and equipment | **(23,260)** | (19,066) | (16,310) | **(237,347)** |
| Increase in long-term investments and loans | **(635)** | (644) | (3,768) | **(6,479)** |
| Decrease in property and long-term investments | **1,197** | 3,516 | 1,448 | **12,214** |
| Decrease in short-term investments | **2,313** | 2,500 | 1,877 | **23,602** |
| Net cash used in investing activities | **(20,385)** | (13,694) | (16,753) | **(208,010)** |
| **Cash flows from financing activities:** | | | | |
| Increase in long-term debt | **—** | — | 1 | **—** |
| Repayment of long-term debt | **(653)** | (1,473) | (8,689) | **(6,663)** |
| Net decrease in short-term borrowings | **(680)** | (1,237) | (3,755) | **(6,939)** |
| Dividends paid to shareholders | **(2,190)** | (2,162) | (2,151) | **(22,347)** |
| Dividends paid to minority shareholders | **(16)** | (41) | (7) | **(163)** |
| Purchases of treasury stock, net of sales | **(21)** | 2,158 | (86) | **(215)** |
| Other, net | **—** | — | 8 | **—** |
| Net cash used in financing activities | **(3,560)** | (2,755) | (14,679) | **(36,327)** |
| Effect of exchange rate changes on cash and cash equivalents | **(12)** | 8 | 8 | **(122)** |
| Net increase (decrease) in cash and cash equivalents | **(10,258)** | 3,131 | (13,904) | **(104,673)** |
| Cash and cash equivalents at beginning of year | **45,884** | 42,753 | 55,226 | **468,204** |
| Increase in cash and cash equivalents upon inclusion of additional subsidiaries in consolidation | **—** | — | 1,431 | **—** |
| Cash and cash equivalents at end of year | **¥ 35,626** | ¥ 45,884 | ¥ 42,753 | **$ 363,531** |

*See accompanying Notes to Consolidated Financial Statements.*

# Notes to Consolidated Financial Statements

## 1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. (the "Company") and its subsidiaries (together with the Company, the "Seino Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Certain comparative figures have been reclassified to conform to the current year's presentation.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at March 31, 2009, which was ¥98 to U.S.$1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (a-i) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in significant affiliates are accounted for by the equity method. Investments in affiliates not accounted for by the equity method are stated at cost. Differences between the acquisition cost of investments in subsidiaries and the underlying equity in their net assets are adjusted based on the fair value at the time of the acquisition, deferred as goodwill or negative goodwill and amortized over five years on a straight-line basis. All intercompany transactions and accounts have been eliminated.

Under accounting standards for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or a 40% to 50% owned enterprise that meets certain criteria. In addition, an affiliated company is defined as an enterprise in which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or 15% to less than 20% owned enterprise that meets certain criteria. For the years ended March 31, 2009, 2008 and 2007, the number of the companies that were not more than 50% owned enterprises, but were nevertheless classified as subsidiaries based on the judgment of the Company in accordance with the accounting standards was two, two and five, respectively.

The number of subsidiaries and affiliates for the years ended March 31, 2009, 2008 and 2007 was as follows:

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| Subsidiaries: | | | |
| Domestic | 50 | 47 | 46 |
| Overseas | 2 | 2 | 4 |
| Affiliates accounted for by the equity method | 3 | 3 | 2 |
| Affiliates stated at cost | 12 | 11 | 8 |

The Company's overseas subsidiaries close their books at December 31 every year, three months earlier than the Company and its domestic subsidiaries. The Company has consolidated the overseas subsidiaries' financial statements as of their year-end because the difference between the fiscal year-ends was not more than three months. Significant transactions for the period between subsidiaries' year-end and the Company's year-end are adjusted for on consolidation.

The overseas subsidiaries adopt accounting principles generally accepted in their respective countries (see Note 1). No adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation, as allowed under Japanese GAAP effective at the current fiscal year-end.

### (a-ii) Stock-for-stock exchange agreements with the subsidiaries

On October 1, 2006, the Company exercised a stock-for-stock exchange transaction with an affiliate, Hokkaido Seino Transportation Co., Ltd. ("Hokkaido Seino"), in order to increase the Company's equity share in the affiliate from 39.05% to 100%. This reorganization is expected to strengthen the integration of the Seino Group, improve efficiency, and enable the group to adapt to the change in the business environment with greater mobility and flexibility. On October 1, 2006, the Company reissued 438,840 shares of the Company's treasury stock to the shareholders of the affiliate at the exchange rate of 0.24 shares of the Company's treasury stock for one share of common stock of the affiliate. As a result of this transaction, negative goodwill of ¥147 million was recorded as the excess of the underlying equity in the fair value of the acquired net assets over the acquisition cost of ¥533 million.

The assets acquired and liabilities assumed of Hokkaido Seino as of October 1, 2006 were as follows:

| | Millions of yen |
|---|---|
| Assets: | |
| Current assets | ¥ 2,831 |
| Non-current assets | 5,628 |
| Total assets | ¥ 8,459 |
| Liabilities: | |
| Current liabilities | ¥ 4,247 |
| Non-current liabilities | 2,021 |
| Total liabilities | ¥ 6,268 |

Unaudited information about the transactions effect on the consolidated operational results of the Seino Group for the year ended March 31, 2007, assuming this transaction had been completed as of April 1, 2006 (the beginning of the fiscal year), was as follows:

| | Millions of yen |
|---|---|
| Operating revenue | ¥ 2,576 |
| Operating loss | (116) |
| Net loss | (75) |

In addition, on October 1, 2006, the Company exercised a stock-for-stock exchange transaction with its subsidiary, Seino Information Service Co., Ltd., in order to increase the Company's equity share in the subsidiary to 100%. On October 1, 2006, the Company reissued 673,128 shares of the Company's treasury stock at the exchange rate of 280.47 shares of the Company's treasury stock for 1 share of common stock of the subsidiary. As a result of this transaction, negative goodwill of ¥31 million was recognized as the excess of the underlying equity in the net assets of the subsidiary over the acquisition cost of ¥814 million.

### (a-iii) Acquisition for the current fiscal year

During the year ended March 31, 2009, the Seino Group acquired common shares of Seino Logistics Co., Ltd. ("Seino Logistics"), and Seino Logistics became a subsidiary of the Company effective July 1, 2008. The assets and the liabilities of Seino Logistics as of the initial consolidation by the Company were as follows.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Assets: | | |
| Current assets | ¥ 39 | $ 398 |
| Non-current assets | 2 | 20 |
| Goodwill | 10 | 102 |
| Total assets | ¥ 51 | $ 520 |
| Liabilities: | | |
| Current liabilities | ¥ 41 | $ 418 |
| Non-current liabilities | — | — |
| Total liabilities | ¥ 41 | $ 418 |

During the year ended March 31, 2009, the Seino Group acquired common shares of Shiga Hino Motor Co., Ltd. ("Shiga Hino"), and Shiga Hino became a 67% owned subsidiary of the Company effective January 7, 2009. The assets and the liabilities of Shiga Hino as of the initial consolidation by the Company were as follows.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Assets: | | |
| Current assets | ¥ 1,953 | $ 19,928 |
| Non-current assets | 1,493 | 15,235 |
| Goodwill | 391 | 3,990 |
| Total assets | ¥ 3,837 | $ 39,153 |
| Liabilities: | | |
| Current liabilities | ¥ 2,920 | $ 29,796 |
| Non-current liabilities | 215 | 2,194 |
| Total liabilities | ¥ 3,135 | $ 31,990 |

### (a-iv) Acquisitions for the years 2007 and 2008

During the year ended March 31, 2008, the Company acquired additional common shares of Izu Seino Transportation Co., Ltd. ("Izu Seino"), and Izu Seino became a 51% owned subsidiary of the Company effective April 1, 2007. The assets and the liabilities of Izu Seino as of the initial consolidation by the Company were as follows.

| | Millions of yen |
|---|---|
| Assets: | |
| Current assets | ¥ 73 |
| Non-current assets | 63 |
| Goodwill | 74 |
| Total assets | ¥ 210 |
| Liabilities: | |
| Current liabilities | ¥ 58 |
| Non-current liabilities | 152 |
| Total liabilities | ¥ 210 |

For the year ended March 31, 2007, the Company acquired an additional equity share of Shikoku Seino Transportation Co., Ltd. ("Shikoku Seino"), which was previously an affiliate accounted for by the equity method, and Shikoku Seino became a subsidiary. The assets and liabilities of Shikoku Seino as of the initial consolidation were as follows.

| | Showa Seino | Hinomaru Seino |
|---|---|---|
| | Millions of yen | |
| Current assets | ¥ 1,977 | ¥ 1,238 |
| Non-current assets | 3,528 | 3,275 |
| Current liabilities | (2,193) | (1,319) |
| Non-current liabilities | (5,152) | (2,168) |
| Goodwill | 387 | 33 |
| Minority interests | — | (498) |
| Less, equity interests previously held by the Company | 1,463 | (382) |
| Additional acquisition costs | ¥ 10 | ¥ 179 |

* Showa Seino changed its company name to Kyusyu Seino Transportation Co., Ltd. ("Kyusyu Seino") on March 1, 2008.

### (a-v) Business Transfer for the current fiscal year

Pursuant to the resolution by the Board of Directors of the Company on February 13, 2008, on April 1, 2008, Kyushu Seino succeeded to a part of the transportation business of Sengoku Seino Transportation Co., Ltd., acquiring the vehicles and operational assets and assuming the liabilities such as employee retirement benefit liability. In addition, Kyusyu Seino also acquired land and buildings from Iwasaki Corporation Co., Ltd. and Shiratsuyu Company, Ltd. on April 1, 2008. This business transfer is expected to strengthen the integration of the Seino Group and improve optimization and efficiency by integrating the Kyushu area into one huge network and making homogeneous the services of the Seino Group.

The consideration for this transaction amounted to ¥5,361 million ($54,704 thousand), and goodwill ¥2,039 million ($20,806 thousand) were recorded in the year ended March 31, 2009. The assets and the liabilities of this business transfer were as follows.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Assets: | | |
| Current assets | ¥ — | $ — |
| Non-current assets | 3,887 | 39,663 |
| Goodwill | 2,039 | 20,806 |
| Total assets | ¥ 5,926 | $ 60,469 |
| Liabilities: | | |
| Current liabilities | ¥ — | $ — |
| Non-current liabilities | 594 | 6,061 |
| Total liabilities | ¥ 594 | $ 6,061 |

### (a-vi) Accounting standard for business combinations

The Business Accounting Council of Japan ("BACJ") issued the "Accounting Standard for Business Combinations" on October 31, 2003, and the Accounting Standards Board of Japan ("ASBJ") issued the "Accounting Standard for Business Divestitures (ASBJ Statement No.7)" on December 27, 2005 and the implementation guidance, "Guidance on Accounting Standard for Business Combinations and Accounting Standard on Business Divestitures (ASBJ Guidance No. 10)," on December 22, 2006. The Seino Group adopted these standards effective from the year ended March 31, 2007. This accounting change had no material effect on the operational results of the Seino Group.

### (b) Accounting standard for presentation of net assets in balance sheet

Effective from the year ended March 31, 2007, the Seino Group adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (ASBJ Guidance No. 8.)

The consolidated balance sheets prepared in accordance with the new standards comprise three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet reported pursuant to the previous presentation rules comprised the assets, liabilities, minority interests and shareholders' equity sections. Under the new standards, the following items are presented differently from the previous reporting. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and the shareholders' equity sections. If the previous accounting method had been applied for the consolidated balance sheet at March 31, 2007, equity would have amounted to ¥286,351 million.

### (c) Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Seino Group adopted the accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (ASBJ Statement No. 6), and the implementation guidance for the accounting standard for statement of changes in net assets (ASBJ Guidance No. 9), and prepared the accompanying consolidated statements of changes in net assets for the years ended March 31, 2009 and 2008 in accordance with these standards. The accompanying consolidated statement of changes in net assets for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules.

### (d) Cash and cash equivalents

The Seino Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

### (e) Investments and marketable securities

The Seino Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale," whose classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Held-to-maturity securities are stated at amortized cost. Marketable securities with market quotations for available-for-sale securities are stated at fair value, and net unrealized gains or losses on these securities are reported as a component of net assets, net of applicable income taxes. Gains and losses on the disposition of available-for-sale securities are computed based on the moving-average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving-average method. Adjustments in carrying values of individual securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

### (f) Accounting for derivatives

At March 31, 2009 and 2008, the Seino Group did not hold or had not issued any derivative transactions.

### (g) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for at the aggregate amount of estimated credit loss based on an individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience for a certain past period.

### (h) Inventories

Inventories for merchandise, products, raw materials and supplies are principally stated at the lower of moving-average cost or net realizable value, and inventories for vehicles and work-in-process are principally stated at the lower of the specific identification cost or net realizable value at March 31, 2009.

Prior to April 1, 2008, inventories for supplies are principally stated at moving-average cost, and inventories for vehicles and work-in-process are principally stated at cost determined by the specific identification method. Effective the year ended March 31, 2009, the Company has applied “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9) issued by ASBJ on July 5, 2006. As a result, in the year ended March 31, 2009 operating income and income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥80 million ($816 thousand), respectively.

## (i) Property and equipment and depreciation

Property and equipment, including significant renewals and additions, are stated at cost. Property and equipment of the Company and certain subsidiaries are depreciated by the straight-line method for buildings and vehicles and by the declining-balance method for other property.

Property and equipment of other subsidiaries have been principally depreciated by the declining-balance method, except for buildings acquired on and after April 1, 1998 and the property held for leases. Buildings acquired on and after April 1, 1998 by the domestic subsidiaries are depreciated by the straight-line method. Some of the subsidiaries capitalize property the cost of which is not less than ¥100,000 and below ¥200,000 and depreciate it over three years on a straight-line basis.

The leased property of a certain subsidiary engaged in leasing operations as lessor is recorded at cost as property held for leases. The property was included in property and equipment in the accompanying consolidated balance sheets and is depreciated over the lease contract terms by the straight-line method to the amount equal to the estimated disposal value at the lease termination date. Expenditure on maintenance and repairs is charged to operating income as incurred. Upon the disposal of the property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded as income or expenses.

In accordance with the amendment of the Corporation Tax Law of Japan, with effect from the year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method of property and equipment acquired on and after April 1, 2007 to the method pursuant to the amended Corporation Tax Law of Japan. As a result, as compared with the previous accounting method, operating income and income before income taxes and minority interests decreased by ¥432 million, respectively, for the year ended March 31, 2008.

As for property and equipment acquired before April 1, 2007, the Company and its domestic subsidiaries previously depreciated up to the depreciable limit of 5% of the acquisition cost in accordance with the Corporation Tax Law of Japan. Effective from the year ended March 31, 2008, the remaining residual value is depreciated over five years using the straight-line method from the fiscal year following the year in which the depreciable limit of 5% of the acquisition cost is reached, pursuant to the amended Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests decreased by ¥693 million, respectively, for the year ended March 31, 2008, as compared with the previous accounting method.

## (j) Leases

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain “as if capitalized” information in the notes to the consolidated financial statements.

On March 31, 2007, ASBJ issued Statement No. 13, “Accounting Standard for Lease Transactions” and Guidance No. 16, “Guidance on Accounting Standard for Lease Transactions”. The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

The effects of adopting the new standards on the consolidated balance sheet as of March 31, 2009 were not material.

## (k) Intangible assets

Intangible assets are amortized on a straight-line basis. Software, which is included in intangible assets, is amortized using the straight-line method over the estimated useful life of five years.

## (l) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by BACJ and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired asset or group of assets to the recoverable amount to be measured as the higher of the asset’s net selling price or value in use. Fixed assets include land, buildings and other forms of property, as well as intangible assets, and are to be grouped at the lowest level for which there are identifiable cash flows distinguishable from other groups of assets. For the purpose of recognition and measurement of impairment loss, fixed assets are grouped into cash-generating units, such as operating business branches, other than idle or unused property. At March 31, 2009, 2008 and 2007, recoverable amounts of assets were measured based on value in use calculated using discounted future cash flows at interest rates principally of 5.3%, 4.7% and 5.4%, respectively, or net selling prices primarily using appraisal valuations. As a result, the Seino Group recognized impairment loss for the property of 27 business branches and 4 idle properties for the year ended March 31, 2009, for the property of 48 business branches, 6 idle properties and goodwill for the year ended March 31, 2008 and for the property of 38 business branches, 4 idle properties and goodwill for the year ended March 31, 2007 as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2009 |
| Buildings and structures | ¥ **218** | ¥ 574 | ¥ 90 | $ **2,225** |
| Land | **1,368** | 2,443 | 1,227 | **13,959** |
| Other property | **10** | 3 | 23 | **102** |
| Goodwill | **—** | 95 | 387 | **—** |
| | ¥ **1,596** | ¥ 3,115 | ¥ 1,727 | $ **16,286** |

Accumulated impairment losses have been directly deducted from the applicable assets.

## (m) Employee retirement benefits

Employees who terminate their service with the Seino Group are entitled to retirement benefits generally determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs.

In accordance with the accounting standard for employee retirement benefits, the Seino Group has recognized the retirement benefits for employees, including pension cost and related liability, based on the actuarial present value of projected benefit obligation using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the fiscal year-end. Unrecognized actuarial differences from changes in the projected benefit obligation or the value pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized on a straight-line basis over principally ten years, a period within average remaining service years of employees from the following year in which they arise. Unrecognized prior service cost is amortized using the straight-line method over principally ten years, a period within the average remaining service years of employees from the year in which it occurs.

## (n) Severance indemnities for directors and statutory auditors

The Seino Group may pay severance indemnities to directors and statutory auditors that are subject to the approval of the shareholders. Until March 31, 2007, although some of the subsidiaries provided for accrued severance indemnities at the full amount of the liabilities of directors’ and statutory auditors’ benefits at the respective balance sheet dates, the Company and other subsidiaries did not provide accrued severance indemnities for directors and statutory auditors, and these amounts were charged to income when paid. Effective from the year ended March 31, 2008, the Company and other subsidiaries changed the accounting method to provide for accrued severance indemnities for directors and statutory auditors at the amount that would be payable if the directors and corporate auditors retired at the end of the fiscal year based on internal rules, in accordance with the JICPA Audit and Assurance Committee Report No. 42, “Treatment for Auditing of Reserve Under Special Taxation Measures Law, Reserve Under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors,” issued by JICPA on April 13, 2007. As a result, the amount of ¥1,073 million attributable to the prior years was recorded as other expenses in the accompanying consolidated statements of operations, and operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥161 million and ¥1,235 million, respectively, as compared with the previous accounting method.

## (o) Income taxes

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

### (p) Revenue recognition for freight charges

The Seino Group recognizes freight charges as revenue when freight is received for shipment. In relation to its revenue recognition, the Seino Group records freight charges from customers and paid to interline carriers as operating revenue and operating costs and expenses, respectively.

### (q) Revenue recognition for installment sale commissions

Effective from the year ended March 31, 2007, the Seino Group changed the accounting method for income classification to record installment sale commissions in the income statement from other income to operating revenue. This change resulted from the increase in the importance of such commission income under recent business developments of the Seino Group and for comparative purposes for information of competitors. As a result, as compared with the previous accounting method, operating income increased by ¥1,044 million, although there was no effect on income before income taxes and minority interests for the year ended March 31, 2007.

### (r) Revenue recognition for vehicle sales

Effective April 1, 2006, the Seino Group changed the accounting method for the recognition of vehicle sales. From the year ended March 31, 2007, the Seino Group recognizes vehicle sales when a vehicle is registered rather than when a vehicle is delivered to the customers, the practice under the previous accounting method. This accounting change was made for comparative purposes for information of competitors and for the improvement in the accounting treatments under the business reorganization of the Seino Group. As a result, as compared with the previous accounting method, operating revenue increased by ¥854 million, and operating income and income before income taxes and minority interests increased by ¥110 million, respectively, for the year ended March 31, 2007.

### (s) Enterprise taxes

The Seino Group records local corporate enterprise taxes calculated based on the “added value” and “capital” amounts when levied as size-based corporate taxes for local government enterprise taxes, which are included in selling, general and administrative expenses.

### (t) Accounting standard for directors’ bonus

From the year ended March 31, 2007, the Seino Group adopted the “Accounting Standard for Directors’ Bonus (ASBJ Statement No. 4)” issued by ASBJ on November 29, 2005. The standard requires that the directors’ bonuses, including those for statutory auditors, shall be accounted for as expense in the accounting period in which such bonuses are accrued. Until the year ended March 31, 2006, bonuses to directors and statutory auditors were recorded as part of the appropriation of retained earnings in the fiscal year when a proposed appropriation of retained earnings for directors’ bonuses was approved by the Board of Directors and/or shareholders. Because the Seino Group has accrued such bonuses, operating income and income before income taxes and minority interests decreased by ¥111 million, respectively, for the year ended March 31, 2007, as compared with the previous accounting method.

### (u) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year during which a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders. See Note 2(t) for the accounting for bonuses to directors and statutory auditors.

### (v) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains and losses are included in the current earnings.

In respect of the financial statement items of overseas subsidiaries, all asset, liability, income and expense accounts are translated into yen by applying the exchange rates in effect at the fiscal year-end. Translation differences, after allocating to portions attributable to minority interests, are reported as foreign currency translation adjustments in a component of net assets on the accompanying consolidated balance sheets.

### (w) Per share data

Basic net income (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective year. Diluted net income per share is computed as if warrants or stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective year under the treasury stock method. Diluted net income per share is not disclosed as Seino Group had no diluted common shares for the years ended March 31, 2009, 2008 and 2007.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared as applicable to the respective years.

## 3. Investments

At March 31, 2009 and 2008, short-term investments consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Marketable securities: | | | |
| Bonds | **¥ 472** | ¥ 1,252 | **$ 4,816** |
| Total marketable securities | **472** | 1,252 | **4,816** |
| Other nonmarketable securities | **—** | — | **—** |
| Time deposits with an original maturity of more than three months | **6,099** | 7,163 | **62,235** |
| | **¥ 6,571** | ¥ 8,415 | **$ 67,051** |

At March 31, 2009 and 2008, investment securities consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Marketable securities: | | | |
| Equity securities | **¥ 13,092** | ¥ 19,918 | **$ 133,592** |
| Bonds | **3,436** | 4,214 | **35,061** |
| Other | **106** | 168 | **1,082** |
| Total marketable securities | **16,634** | 24,300 | **169,735** |
| Other nonmarketable securities | **1,767** | 1,776 | **18,030** |
| | **¥ 18,401** | ¥ 26,076 | **$ 187,765** |

At March 31, 2009 and 2008, the fair value of marketable securities classified as held-to-maturity and the related net unrealized gains were as follows:

| | Carrying value | Fair value | Net unrealized gains |
|---|---|---|---|
| | Millions of yen | | |
| Bonds included in investment securities: | | | |
| At March 31, 2009 | **¥ 100** | **¥ 100** | **¥ —** |
| At March 31, 2008 | 200 | 202 | 2 |
| | Thousands of U.S. dollars | | |
| Bonds included in investment securities: | | | |
| At March 31, 2009 | **$ 1,020** | **$ 1,020** | **$ —** |

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the net assets account until realized. At March 31, 2009 and 2008, gross unrealized gains and losses for marketable securities classified as available-for-sale were as follows:

| | Cost | Gross unrealized gains | Gross unrealized losses | Fair and carrying value |
|---|---|---|---|---|
| | Millions of yen | | | |
| **At March 31, 2009:** | | | | |
| Equity securities | **¥ 8,353** | **¥ 5,029** | **¥ (289)** | **¥ 13,093** |
| Bonds | **3,818** | **12** | **(23)** | **3,807** |
| Other | **129** | **3** | **(26)** | **106** |
| | **¥ 12,300** | **¥ 5,044** | **¥ (338)** | **¥ 17,006** |
| At March 31, 2008: | | | | |
| Equity securities | ¥ 9,566 | ¥ 10,859 | ¥ (507) | ¥ 19,918 |
| Bonds | 5,272 | 27 | (33) | 5,266 |
| Other | 133 | 43 | (8) | 168 |
| | ¥ 14,971 | ¥ 10,929 | ¥ (548) | ¥ 25,352 |
| | Thousands of U.S. dollars | | | |
| **At March 31, 2009:** | | | | |
| Equity securities | **$ 85,235** | **$ 51,316** | **$ (2,949)** | **$ 133,602** |
| Bonds | **38,959** | **122** | **(235)** | **38,846** |
| Other | **1,316** | **31** | **(265)** | **1,082** |
| | **$ 125,510** | **$ 51,469** | **$ (3,449)** | **$ 173,530** |

Expected maturities of held-to-maturity and available-for-sale debt securities at March 31, 2009 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Due in one year or less | ¥ 1,470 | $ 15,000 |
| Due after one year through five years | 2,047 | 20,888 |
| Due after five years through ten years | 1,000 | 10,204 |
| Due after ten years | 400 | 4,081 |
| | ¥ 4,917 | $ 50,173 |

At March 31, 2009 and 2008, investments in and long-term loans to affiliates consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Investments, accounted for by the equity method for significant affiliates and at cost for others | **¥ 3,263** | ¥ 3,382 | **$ 33,296** |
| Interest bearing long-term loans | **38** | 45 | **388** |
| | **¥ 3,301** | ¥ 3,427 | **$ 33,684** |

## 4. Property and Equipment

At March 31, 2009 and 2008, property and equipment consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Property held for own use, at cost: | | | |
| Land | **¥136,668** | ¥131,631 | **$1,394,571** |
| Buildings and structures | **211,760** | 205,671 | **2,160,816** |
| Vehicles | **88,403** | 88,699 | **902,071** |
| Machinery and equipment | **26,346** | 25,295 | **261,837** |
| Construction in progress | **571** | 30 | **5,827** |
| Other | **757** | 729 | **7,725** |
| | **464,505** | 452,055 | **4,739,847** |
| Less, accumulated depreciation | **(217,715)** | (211,611) | **(2,221,582)** |
| Total property and equipment | **¥246,790** | ¥240,444 | **$2,518,265** |

One of the consolidated subsidiaries elected to carry out a one-time revaluation to restate the cost of land used for business operations at values reassessed on March 31, 2002, reflecting adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency in accordance with the Law Concerning Revaluation of Land. According to the Law, the excess of the original book values over reassessed values, net of the tax effect and minority interests portion, is recorded in net assets as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2009 and 2008, the difference between the carrying values of land used for the business operations after revaluation over the current market value of the land at the fiscal year-end amounted to ¥1,748 million ($17,837 thousand) and ¥1,595 million, respectively.

## 5. Short-term Borrowings and Long-term Debt

At March 31, 2009 and 2008, short-term borrowings consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Unsecured bank overdrafts with interest rates of 1.45% per annum at March 31, 2009 | **¥ 25** | ¥ 55 | **$ 255** |
| Short-term bank borrowings, principally unsecured and represented by notes with interest rates ranging from 0.575% to 1.875% per annum at March 31, 2009 | **2,110** | 2,440 | **21,531** |
| | **¥ 2,135** | ¥ 2,465 | **$ 21,786** |

At March 31, 2009, the Company and certain subsidiaries had unsecured overdraft agreements with 10 banks. Under such agreements, the Company and these subsidiaries were entitled to withdraw up to ¥42,100 million ($429,592 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of such overdraft facilities.

At March 31, 2009 and 2008, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Loans from banks, partly secured, due through 2017, repayable on an installment basis with interest rates ranging from 0.943 % to 2.5% per annum at March 31, 2009 | **¥ 402** | ¥ 827 | **$ 4,102** |
| Loans from government agencies, principally mortgage, repayable on an installment basis with interest rates ranging from 0.43% to 3.6% per annum at March 31, 2009 | **981** | 1,204 | **10,010** |
| Other | **79** | 83 | **806** |
| | **1,462** | 2,114 | **14,918** |
| Less, current portion | **(473)** | (649) | **(4,826)** |
| | **¥ 989** | ¥ 1,465 | **$ 10,092** |

At March 31, 2009 and 2008, the following assets were pledged as collateral for certain short-term borrowings and long-term debt in the aggregate amount of ¥1,575 million ($16,071 thousand) and ¥1,968 million, respectively:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Land | **¥ 6,941** | ¥ 7,804 | **$ 70,827** |
| Buildings and structures | **4,165** | 4,615 | **42,469** |
| Time deposits included in short-term investments | **11** | 11 | **112** |

The aggregate annual maturities of long-term debt as at March 31, 2009 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2010 | ¥ 473 | $ 4,826 |
| 2011 | 335 | 3,418 |
| 2012 | 197 | 2,010 |
| 2013 | 172 | 1,755 |
| 2014 | 120 | 1,225 |
| Thereafter | 165 | 1,684 |
| | ¥ 1,462 | $ 14,918 |

## 6. Employee Retirement Benefits

The Company and its domestic subsidiaries have defined benefit plans. The following table reconciles the benefit liability as of March 31, 2009 and 2008:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Reconciliation of benefit liability: | | | |
| Projected benefit obligation | **¥ 53,719** | ¥ 54,113 | **$ 548,153** |
| Less, fair value of pension plan assets at end of year | **(932)** | (1,899) | **(9,510)** |
| | **52,787** | 52,214 | **538,643** |
| Less, unrecognized actuarial differences (loss) | **(2,087)** | (1,799) | **(21,296)** |
| Less, unrecognized past service cost | **(1,331)** | (1,721) | **(13,582)** |
| Net amounts of employee retirement benefit liability recorded on the consolidated balance sheets | **¥ 49,369** | ¥ 48,694 | **$ 503,765** |

*Notes: 1. Projected benefit obligation of certain subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.*

*2. Some of the Company's subsidiaries participate in a certain corporate pension plan under the multi-employer pension program established by other employers, together with the subsidiaries. As the information that the pension plan assets calculated based on the proportionate contributions made by the subsidiaries is not available, the Seino Group records the related required contributions to the pension plan as net periodic retirement benefit expense for the period in accordance with the amended accounting standard for employee retirement benefits (ASBJ Statement No. 14). The above table excluded the portion for the pension plan assets under the multi-employer pension program. The information for the funded status of the entire corporate pension plan available at the latest calculation period-end was as follows:*

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Pension plan assets at March 31, 2008 | ¥ 18,606 | $ 189,857 |
| Related benefit obligation under the program | (19,304) | (196,979) |
| Plan surplus | ¥ (698) | $ (7,122) |
| Ratio of the subsidiaries' payroll to the totals in the entire plan | ¥ 42.4% | |

The components of net periodic retirement benefit expenses for the years ended March, 2009, 2008 and 2007 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2009 |
| Net periodic retirement benefit expenses: | | | | |
| Service cost | **¥ 2,861** | ¥ 2,844 | ¥ 2,760 | **$ 29,194** |
| Interest cost | **1,067** | 1,084 | 1,033 | **10,888** |
| Expected return on pension plan assets | **(28)** | (42) | (34) | **(286)** |
| Amortization of actuarial differences | **529** | 553 | 494 | **5,398** |
| Amortization of past service cost | **326** | 294 | 335 | **3,326** |
| Gain on abolishment of retirement benefit plan | **(50)** | — | — | **(510)** |
| Total retirement benefit expenses | **¥ 4,705** | ¥ 4,733 | ¥ 4,588 | **$ 48,010** |

Major assumptions used in the calculation of the above information for the years ended March 31, 2009, 2008 and 2007 were as follows:

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| Method attributing the projected benefits to periods of services | **Straight-line method** | Straight-line method | Straight-line method |
| Discount rate | **2.0%** | 2.0% | 2.0% |
| Expected rate of return on pension plan assets | **2.0%** | 2.0% | 2.0% |
| Amortization of past service cost | **principally 10 years** | principally 10 years | principally 10 years |
| Amortization of actuarial differences | **principally 10 years** | principally 10 years | principally 10 years |

## 7. Contingent Liabilities

At March 31, 2009 and 2008, the Seino Group was contingently liable for trade notes endorsed to affiliates and third parties, and for guarantees, including substantial guarantees, principally of indebtedness of affiliates and third parties in the aggregate amounts of ¥1,671 million ($17,051 thousand) and ¥2,462 million, respectively.

## 8. Lease Commitments

The Seino Group has entered into various rental and lease agreements non-cancelable lease agreements for computer equipment and radio facilities with two-to-nine year contract terms as lessee. As disclosed Note 2 (j), these finance leases which commenced prior to April 1, 2008 have been accounted for as operating leases. The aggregate minimum future lease payments for such non-cancelable finance lease agreements, including the imputed interest portion, as at March 31, 2009 and 2008 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Finance leases: | | | |
| Due within one year | **¥ 393** | ¥ 525 | **$ 4,010** |
| Due after one year | **406** | 666 | **4,143** |
| | **¥ 799** | ¥ 1,191 | **$ 8,153** |

In addition, The Seino Group has entered into various rental and lease agreements for land and buildings to be used for truck terminals and warehouses which are generally cancelable with a few months' advance notice except for certain operating lease agreements as below. The aggregate minimum future lease payments for such non-cancelable operating lease agreements, including the imputed interest portion, as lessee at March 31, 2009 and 2008 were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Operating Leases: | | | |
| Due within one year | **¥ 275** | ¥ — | **$ 2,806** |
| Due after one year | **1,053** | — | **10,745** |
| | **¥ 1,328** | ¥ — | **$ 13,551** |

A certain consolidated subsidiary engaged in leasing operations, as lesser, entered into various lease agreements principally for vehicles with third parties. The leases were categorized as financing leases and operating leases. At March 31, 2009 and 2008, the aggregate future minimum lease commitments to be received for such non-cancelable lease agreements, including the imputed interest, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Finance leases: | | | |
| Due within one year | **¥ 103** | ¥ 164 | **$ 1,051** |
| Due after one year | **114** | 221 | **1,163** |
| | **¥ 217** | ¥ 385 | **$ 2,214** |
| Operating Leases: | | | |
| Due within one year | **¥ 71** | ¥ — | **$ 724** |
| Due after one year | **200** | — | **2,041** |
| | **¥ 271** | ¥ — | **$ 2,765** |

## 9. Net Assets

**(a)** The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the former Japanese Commercial Code. The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2009 and 2008, respectively, capital surplus principally consisted of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥4,262 million ($43,490 thousand) at March 31, 2009 and 2008, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the non consolidated financial statements of the Company in accordance with Japanese laws and regulations.

**(b)** On July 1, 2005, Seino implemented a rights plan using stock acquisition rights and a trust mechanism ("trust-type rights plan") as a means of dealing with the acquisition of the Company's common stock resulting in a particular shareholder holding more than 20% of the Company's common stock and proposals of acquisition without the prior approval of the Board of Directors, and issued stock acquisition rights to The Sumitomo Trust & Banking Co., Ltd. at no charge as part of the plan based on the approval of shareholders at the annual general meeting of shareholders in June 2005. Up to 397,262,334 shares of common stock was to be issuable at a certain price for the exercise of these stock acquisition rights for the period from July 1, 2005 to June 30, 2008.

With the implementation of measures related to the large-scale acquisition of the company stock (Takeover Defense Measure) based on the approval of shareholders at the annual general meeting of shareholders held on June 26, 2008, this trust-type rights plan was abolished, and all stock acquisition rights issued as part of the trust-type rights plan was acquired and eliminated by the company at no cost.

**(c)** At the annual shareholders' meeting held on June 25, 2009, the shareholders approved cash dividends of ¥11 per share, amounting to ¥2,194 million ($22,388 thousand). The appropriations have not been accrued in the consolidated financial statements as of March 31, 2009 as such appropriations are recognized in the period in which they are approved by the shareholders.

## 10. Income Taxes

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Deferred tax assets: | | | |
| Employee retirement benefit liability | **¥ 20,517** | ¥ 20,243 | **$ 209,357** |
| Enterprise tax accruals | **92** | 337 | **939** |
| Accrued bonuses | **3,117** | 3,633 | **31,806** |
| Intercompany capital gains | **998** | 978 | **10,184** |
| Operating loss carryforwards | **1,830** | 1,388 | **18,673** |
| Loss on assets transferred | **1,690** | 1,049 | **17,245** |
| Impairment loss on fixed assets | **10,922** | 10,968 | **111,449** |
| Allowance for doubtful accounts | **202** | 164 | **2,061** |
| Other | **5,036** | 4,165 | **51,388** |
| | **44,404** | 42,925 | **453,102** |
| Less, valuation allowance | **(19,732)** | (16,992) | **(201,347)** |
| | **24,672** | 25,933 | **251,755** |
| Deferred tax liabilities: | | | |
| Deferred capital gains | **6,343** | 6,443 | **64,725** |
| Unrealized gains on available-for-sale securities | **1,906** | 4,107 | **19,449** |
| Valuation adjustments for consolidation | **7,832** | 8,140 | **79,918** |
| Other | **85** | — | **867** |
| | **16,166** | 18,690 | **164,959** |
| Net deferred tax assets | **¥ 8,506** | ¥ 7,243 | **$ 86,796** |

At March 31, 2009 and 2008, deferred tax assets and liabilities were recorded as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Deferred tax assets: | | | |
| Current | **¥ 3,691** | ¥ 4,435 | **$ 37,663** |
| Non-current | **10,642** | 10,446 | **1 08,592** |
| Deferred tax liabilities: | | | |
| Current | **—** | 2 | — |
| Non-current | **5,827** | 7,636 | **59,459** |

In assessing the realizability of deferred tax assets, management of the Seino Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2009 and 2008, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believed that the amount of the deferred tax assets was not realizable.

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective income tax rate on pretax income reflected in the accompanying consolidated statements of operations for the year ended March 31, 2009 was as follows:

| | Percentage of pretax income | |
|---|---|---|
| | **2009** | 2008 |
| Japanese statutory effective tax rate | **40.4%** | 40.4% |
| Increase (decrease) due to: | | |
| Permanently nondeductible expenses | **1.6** | 0.9 |
| Tax exempt income | **(0.6)** | (0.7) |
| Local minimum taxes-per capita levy | **8.1** | 4.2 |
| Amortization of negative goodwill | **(25.1)** | (13.1) |
| Changes in valuation allowance | **26.1** | 16.5 |
| Other | **(0.3)** | 1.8 |
| Actual effective income tax rate | **50.2%** | 50.0% |

Reconciliation for the year ended March 31, 2007 was not disclosed because the difference was not material.

## 11. Subsequent Event

Pursuant to the resolution by the Board of Directors of the Company on April 20, 2009, the Company executed a sales and purchase agreement with Seibu Railway Co., Ltd. and Seibu Construction Co., Ltd., both are subsidiaries of SEIBU HOLDINGS INC., whereby the Company acquired 9,161,820 shares of Seibu Transportation Co., Ltd. ("Seibu Transportation"), and Seibu Transportation became a 90.0% owned subsidiary of the Company effective April 24, 2009. The consideration for this transaction amounted to ¥563 million ($5,745 thousand). This acquisition is expected to improve the quality of transportation. With the synergistic effects of the cooperative operations of the Company and Seibu Transportation to include improved efficiency of arterial networks, integration and relocation of overlapping bases, and entrustment of collection and delivery services to each other, which are complementary to each other with respect to regions and businesses, the companies will seek to further expand their operations.

## 12. Segment Information

The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services. Information by industry segment for the years ended March 31, 2009, 2008 and 2007 was summarized as follows:

| **For the year 2009:** | Transportation services | Vehicle sales | Merchandise sales | Leasing for real estate services | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | | |
| Operating revenue: | | | | | | | | |
| External customers | **¥ 316,341** | **¥ 78,722** | **¥ 23,302** | **¥ 1,187** | **¥ 14,214** | **¥ 433,766** | **¥ —** | **¥ 433,766** |
| Inter-segment sales | **1,807** | **8,415** | **25,762** | **—** | **14,213** | **50,197** | **(50,197)** | **—** |
| Total operating revenue | **318,148** | **87,137** | **49,064** | **1,187** | **28,427** | **483,963** | **(50,197)** | **433,766** |
| Operating costs and expenses | **318,703** | **84,997** | **48,470** | **204** | **27,773** | **480,147** | **(49,714)** | **430,433** |
| Operating income | **¥ (555)** | **¥ 2,140** | **¥ 594** | **¥ 983** | **¥ 654** | **¥ 3,816** | **¥ (483)** | **¥ 3,333** |
| Identifiable assets | **¥ 332,493** | **¥ 85,852** | **¥ 10,954** | **¥ 10,276** | **¥ 19,450** | **¥ 459,025** | **¥ (19,653)** | **¥ 439,372** |
| Depreciation | **15,966** | **1,692** | **60** | **60** | **262** | **18,040** | **(256)** | **17,775** |
| Impairment loss on fixed assets | **1,096** | **308** | **—** | **192** | **—** | **1,596** | **—** | **1,596** |
| Capital expenditures | **24,700** | **2,365** | **384** | **417** | **420** | **28,286** | **(385)** | **27,901** |

| For the year 2008: | Transportation services | Vehicle sales | Leasing for real estate services | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | |
| Operating revenue: | | | | | | | |
| External customers | ¥ 331,862 | ¥ 85,537 | ¥ 1,146 | ¥ 33,433 | ¥ 451,978 | ¥ — | ¥ 451,978 |
| Inter-segment sales | 1,669 | 8,473 | — | 39,644 | 48,463 | (49,786) | — |
| Total operating revenue | 333,531 | 94,010 | 1,146 | 73,077 | 501,764 | (49,786) | 451,978 |
| Operating costs and expenses | 329,073 | 90,138 | 175 | 72,063 | 491,449 | (49,396) | 442,053 |
| Operating income | ¥ 4,458 | ¥ 3,872 | ¥ 971 | ¥ 1,014 | ¥ 10,315 | ¥ (390) | ¥ 9,925 |
| Identifiable assets | ¥ 338,843 | ¥ 85,364 | ¥ 9,623 | ¥ 29,830 | ¥ 463,660 | ¥ (5,789) | ¥ 457,871 |
| Depreciation | 15,269 | 1,690 | 45 | 268 | 17,272 | (256) | 17,016 |
| Impairment loss on fixed assets | 2,713 | 386 | — | 16 | 3,115 | — | 3,115 |
| Capital expenditures | 17,923 | 1,915 | — | 277 | 20,115 | (461) | 19,654 |
| For the year 2007: | | | | | | | |
| Operating revenue: | | | | | | | |
| External customers | ¥ 327,574 | ¥ 85,549 | ¥ 1,079 | ¥ 35,284 | ¥ 449,486 | ¥ — | ¥ 449,486 |
| Inter-segment sales | 1,705 | 10,180 | — | 36,578 | 48,463 | (48,463) | — |
| Total operating revenue | 329,279 | 95,729 | 1,079 | 71,862 | 497,949 | (48,463) | 449,486 |
| Operating costs and expenses | 323,724 | 92,608 | 174 | 70,574 | 487,080 | (48,390) | 438,690 |
| Operating income | ¥ 5,555 | ¥ 3,121 | ¥ 905 | ¥ 1,288 | ¥ 10,869 | ¥ (73) | ¥ 10,796 |
| Identifiable assets | ¥ 338,669 | ¥ 86,114 | ¥ 9,260 | ¥ 27,385 | ¥ 461,428 | ¥ 6,578 | ¥ 468,006 |
| Depreciation | 14,555 | 1,601 | 49 | 304 | 16,509 | (256) | 16,253 |
| Impairment loss on fixed assets | 1,619 | 97 | — | 11 | 1,727 | — | 1,727 |
| Capital expenditures | 14,435 | 1,675 | — | 171 | 16,281 | (255) | 16,026 |

| **For the year 2009:** | Transportation services | Vehicle sales | Merchandise sales | Leasing for real estate services | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Thousands of U.S. dollars | | | | | | | |
| Operating revenue: | | | | | | | | |
| External customers | **$ 3,227,969** | **$ 803,286** | **$ 237,776** | **$ 12,112** | **$ 145,041** | **$ 4,426,184** | **$ —** | **$ 4,426,184** |
| Inter-segment sales | **18,439** | **85,867** | **262,877** | **—** | **145,031** | **512,214** | **(512,214)** | **—** |
| Total operating revenue | **3,246,408** | **889,153** | **500,653** | **12,112** | **290,072** | **4,938,398** | **(512,214)** | **4,426,184** |
| Operating costs and expenses | **3,252,071** | **867,316** | **494,592** | **2,082** | **283,398** | **4,899,459** | **(507,285)** | **4,392,174** |
| Operating income | **$ (5,663)** | **$ 21,837** | **$ 6,061** | **$ 10,030** | **$ 6,674** | **$ 38,939** | **$ (4,929)** | **$ 34,010** |
| Identifiable assets | **$ 3,392,786** | **$ 876,041** | **$ 111,776** | **$ 104,857** | **$ 198,469** | **$ 4,683,929** | **$ (200,541)** | **$ 4,483,388** |
| Depreciation | **162,919** | **17,265** | **612** | **612** | **2,674** | **184,082** | **(2,704)** | **181,378** |
| Impairment loss on fixed assets | **11,184** | **3,143** | **—** | **1,959** | **—** | **16,286** | **—** | **16,286** |
| Capital expenditures | **252,041** | **24,133** | **3,918** | **4,255** | **4,286** | **288,633** | **(3,929)** | **284,704** |

Notes: 1. *Identifiable assets in the elimination column represent unallocated general corporate items which are not assigned to a particular industry segment such as cash and short-term and long-term investment securities, net of inter-segment balances.*

2. *Accounting changes:*

***(Accounting change in the composition of reportable business segments)***

Effective for the year ended March 31, 2009, the Company changed the composition of its reportable business segments from "Transportation services", "Vehicle sales", "Leasing for real estate services" and "Other" segment to "Transportation services", "Vehicle sales", "Merchandise sales", "Leasing for real estate services" and "Other" segment in order to disclose segment information more properly. For the year ended March 31, 2009, "Merchandise sales" segment, which was included in "Other" segment, was separately shown, as operating revenue of its business segment exceeded 10% of total consolidated operating revenue before elimination. If the previous reportable business segment composition was applied, operating revenue and operating income of "Other" segment increased by ¥47,998 million ($489,776 thousand) and ¥579 million ($5,908 thousand), respectively for the year ended March 31, 2009

***(Accounting standard for measurement of inventories)***

As disclosed in Note 2(h), from the year ended March 31, 2009, the Company changed the measurement of inventories. As a result, as compared with the previous accounting method, operating income of "Vehicle sales" segment and "Other" segment for the year ended March 31, 2009 decreased by ¥72 million ($735 thousand) and ¥8 million ($82 thousand), respectively.

***(Accounting standard for lease transactions)***

As disclosed in Note 2(j), Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases, with disclosure of certain "as if capitalized" information. The effects of adopting the new standards on the consolidated balance sheet as of March 31, 2009 were not material.

***(Change of accounting method for depreciation of property and equipment)***

As disclosed in Note 2(i), effective from the year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for property and equipment acquired on after April 1, 2007 to the method pursuant to the amended Corporation Tax Law of Japan. As a result, as compared with the previous accounting method, operating income of "Transportation services" segment, "Vehicle sales" segment and "Other" segment decreased by ¥352 million, ¥68 million and ¥12 million for the year ended March 31, 2008, respectively. In addition, from the year ended March 31, 2008, the residual value of property and equipment acquired before April 1, 2007 is depreciated over five years using the straight-line method from the fiscal year following the year in which the depreciable limit (5% of the acquisition cost) is reached pursuant to the amended Corporation Tax Law of Japan. As a result, operating income of "Transportation services" segment, "Vehicle sales" segment, "Leasing for real estate services" segment and "Other" segment decreased by ¥653 million, ¥29 million, ¥2 million, and ¥9 million for the year ended March 31, 2008, respectively, as compared with the previous accounting method.

***(Change of accounting method for severance indemnities for directors and statutory auditors)***

As also described in Note 2(n), until March 31, 2007, the Company and some of the subsidiaries did not provide accrued severance indemnities for directors and statutory auditors and such amounts were charged to income when paid. Effective from the year ended March 31, 2008, the Company and such subsidiaries changed the accounting method to provide accrued severance indemnities for directors and statutory auditors. As a result, as compared with the previous accounting method, operating income of "Transportation services" segment, "Vehicle sales" segment, "Other" segment and "Elimination" column decreased by ¥94 million, ¥6 million, ¥41 million and ¥20 million for the year ended March 31, 2008, respectively.

***(Change of accounting method for revenue recognition for vehicle sales)***

As described in Note 2(r), effective April 1, 2006, the Seino Group changed the accounting method for vehicle sales recognition. As a result, as compared with the previous accounting method, operating revenue and operating income of "Vehicle sales" segment increased by ¥854 million and ¥110 million for the year ended March 31, 2007, respectively.

***(Accounting standard for directors' bonuses)***

As disclosed in Note 2(t), from the year ended March 31, 2007, the Seino Group has adopted the accounting standard for directors' bonuses. As a result, as compared with the previous accounting method, operating income of "Transportation services" segment, "Vehicle sales" segment and "Other" segment decreased by ¥35 million, ¥50 million and ¥26 million for the year ended March 31, 2007, respectively.

Geographic segment information is not shown because operating revenue and total assets of the overseas subsidiaries were not material in the years ended March 31, 2009, 2008 and 2007. Information for overseas sales is not disclosed because such sales were not material.

## Independent Auditors' Report

To the Board of Directors of
SEINO HOLDINGS Co., LTD:

We have audited the accompanying consolidated balance sheets of SEINO HOLDINGS Co., LTD. (the "Company") and its consolidated subsidiaries (together with the Company, the "Seino Group") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Seino Group's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits. The consolidated statements of income, changes in net assets and cash flows of the Seino Group for the year ended March 31, 2007, was audited by other auditors who have ceased operations and whose report dated June 26, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Seino Group as of March 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the two years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 11, pursuant to the resolution by the Board of Directors of the Company on April 20, 2009, the Company executed a sales and purchase agreement with Seibu Railway Co., Ltd. and Seibu Construction Co., Ltd., both are subsidiaries of SEIBU HOLDINGS INC., whereby the Company acquired common shares of Seibu Transportation Co., Ltd.

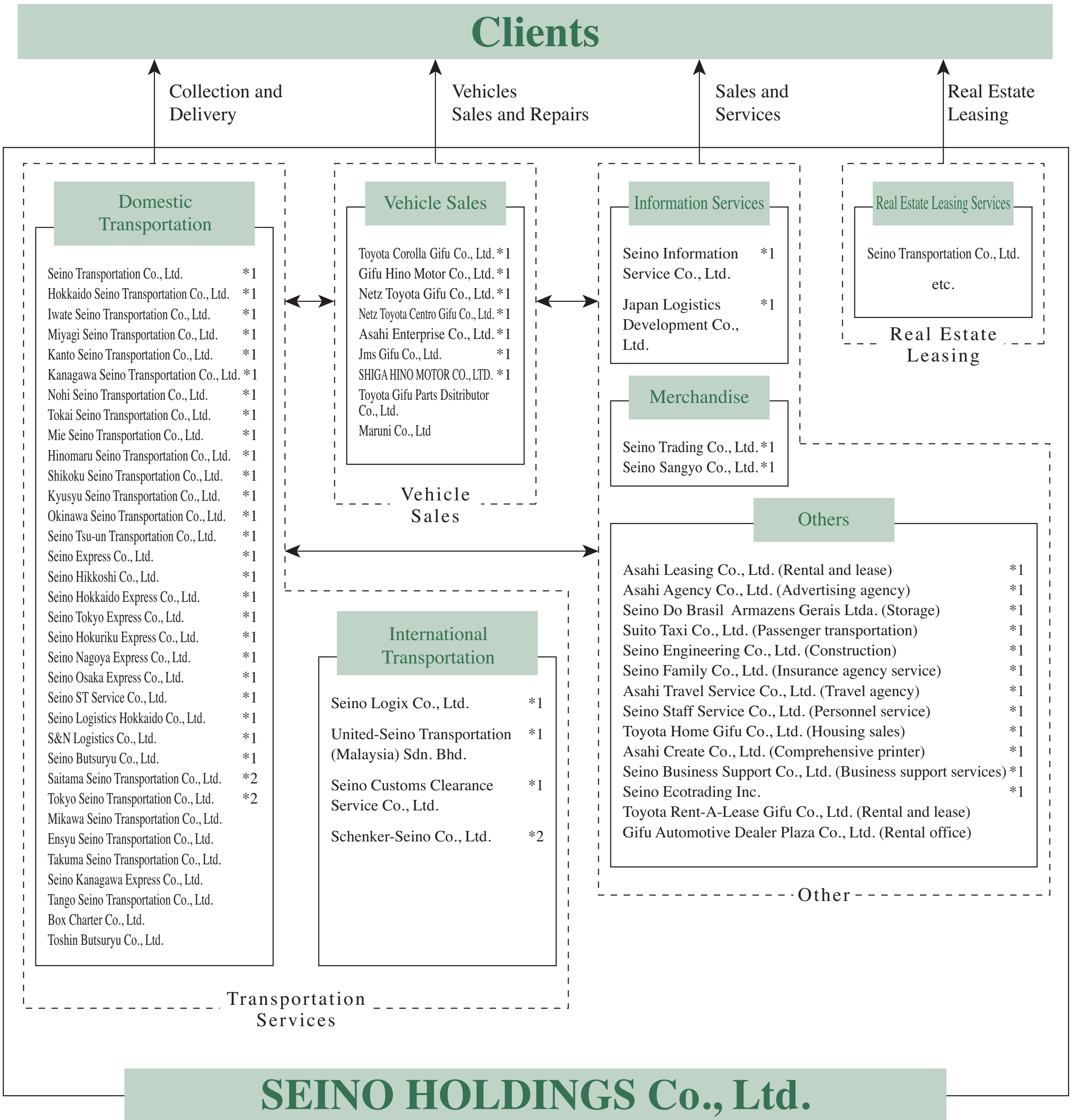
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
June 25, 2009

# Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 52 consolidated subsidiaries and 15 affiliates. The Seino Group operates in four business segments, transportation services, vehicle sales, real-estate leasing services and other services. Business relationship in the Seino Group is as follows.

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|---|---|---|
| Note | *1: Consolidated subsidiaries | 52 |
| | *2: Affiliates (under the equity method) | 3 |
| | Companies except those mentioned above are affiliates under the cost method. | 12 |

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