



# Annual Report 2010

Year Ended March 31, 2010



Seino Holdings Co., Ltd.

## 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, 59 consolidated subsidiaries and 13 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, 2010, Seino offers efficient transportation services throughout Japan via its 631 domestic terminals, a fleet of 24,501 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.

### Forward-looking Statements:

In this annual report, statements other than historical facts are forward-looking statements that reflect the plans and expectations of the Company. These forward-looking statements involve risks, uncertainties and other factors that may cause the Company’s actual results and achievements to differ materially from those anticipated in these statements.



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## Board of Directors

(As of June 29, 2010)

*Chairman and  
Chief Executive Officer*  
Yoshikazu Taguchi

*Outside Directors*  
Yuji Tanahashi  
Kenjiro Ueno

*President and Chief  
Operating Officer*  
Yoshitaka Taguchi

*Standing Statutory Auditors*  
Yoshio Matsuoka  
Takahiko Kumamoto

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

*Outside Statutory Auditors*  
Fumio Kato  
Eiji Kasamatsu

SEINO HOLDINGS CO., LTD.

## Financial Highlights

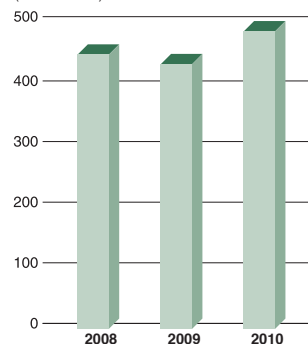
For the Years March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars <sup>(Note)</sup>
	2010	2009	2008	2010
<b>NON-CONSOLIDATED BASIS:</b>				
Operating revenue	¥ 1,502	¥ 2,363	¥ 2,227	\$ 16,151
Operating income	786	1,666	1,662	8,452
Income before income taxes	1,037	443	1,904	11,151
Net income	1,033	439	1,902	11,108
Net income per share (in the whole yen and dollars):	5.18	2.20	9.53	0.05
<b>CONSOLIDATED BASIS:</b>				
Operating revenue	485,808	433,766	451,978	5,223,742
Operating income	6,621	3,333	9,925	71,194
Income before income taxes and minority interests	12,940	6,941	13,383	139,140
Net income	9,477	3,391	6,018	101,903
Net income per share (in the whole yen and dollars)	47.60	17.03	30.27	0.51
	Millions of Yen			Thousands of U.S. Dollars <sup>(Note)</sup>
	2010	2009	2008	2010
<b>NON-CONSOLIDATED BASIS:</b>				
Cash and cash equivalents, and short-term investments	¥ 6,778	¥ 14,959	¥ 22,572	\$ 72,882
Property and equipment, net of accumulated depreciation	1	1	1	11
Total assets	281,317	268,035	274,808	3,024,914
Long-term debt and other long-term liabilities	3,500	2,536	4,392	37,634
Net assets	229,751	229,610	234,178	2,470,441
Net assets per share (in the whole yen and dollars)	1,151.86	1,151.07	1,173.75	12.38
<b>CONSOLIDATED BASIS:</b>				
Cash and cash equivalents, and short-term investments	51,302	42,197	54,299	551,635
Property and equipment, net of accumulated depreciation	273,710	246,790	240,444	2,943,118
Total assets	484,674	439,372	457,871	5,211,548
Long-term debt and other long-term liabilities	86,449	64,812	70,842	929,559
Net assets	301,792	291,564	293,985	3,245,075
Net assets per share (in the whole yen and dollars)	1,478.77	1,433.40	1,445.62	15.90

(Note) U.S. Dollars amounts are translated at ¥93 = U.S. \$1, only for convenience of readers.

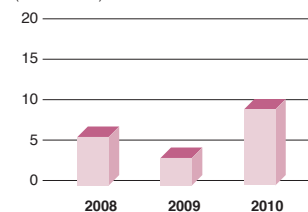
### Operating revenue

(Billions of Yen)



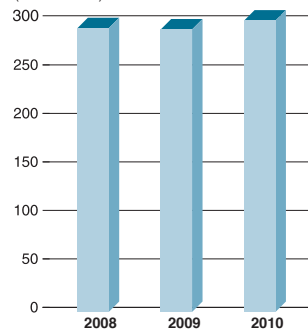
### Net income

(Billions of Yen)



### Net assets

(Billions of Yen)



## Corporate Data

(As of March 31, 2010)

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

# 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 you have shown us over the years. The results for the fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010) are presented herein.*

## ❖ Business Environment

In the fiscal year under review, Japan's economic conditions remained difficult. In the first half of the year, economic activity was weak owing to the continued impact of the global financial crisis. In the second half, although economic measures by the government and rapid recovery in the economies of emerging countries such as China drove a pickup in the economy, a self-sustained recovery was not evident.

In the transportation industry, there was little indication that transportation demand would bottom out due to sluggish capital investment and weak private consumption. As a result, the business environment remained particularly harsh.

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

Operating under such conditions, the Seino Group focused on raising corporate value by concentrating on measures to achieve each company's management plan targets and placing emphasis on maintaining a solid corporate financial position and ensuring sound management to overcome the harsh business environment.

The Seino Group continued to maintain "successful execution" as its slogan and pushed forward with the speedy implementation of policies and measures.

As a result, on a consolidated basis operating revenue for the fiscal year ended March 31, 2010, boosted by an increase in subsidiaries included in the scope of consolidation, was ¥485,808 million, up 12.0% year on year. Operating income was ¥6,621 million, up 98.7%, and net income was ¥9,477 million, up 179.5%, thus marking a significant recovery.

## ❖ Future Outlook

In the transportation industry, the primary industry of the Seino Group, we expect the business environment to worsen further. We project the rationalization of transportation and a further reduction in freight volume reflecting a decline in public-sector investment and deterioration in the employment and income situation. There are also

concerns that environmental preservation expenses and fuel costs will rise.

Under these circumstances, all Seino Group employees will conduct business based on a customer-oriented strategy. We will also further advance streamlining to enable low cost business, which will pave the way for expansion in all of our businesses.

In particular, we are building a nationwide network in the Transportation Services business, which already comprises 42 companies including both consolidated subsidiaries and affiliates. We recognize that maintaining uniform customer service and working to enhance customer responsiveness will lead to greater satisfaction and enable us to differentiate ourselves from the competition. This in turn will boost revenues. To this end, we are striving to develop our human resources in a consistent manner across the board.

To maintain a winning edge and survive in this tough environment, it is essential not only to improve on-site systems for dealing directly with customers but also to swiftly reflect customer feedback in management. Accordingly, Seino Transportation Co., Ltd., the core company of the Seino Group, integrated head office functions, streamlining the organizational structure from three tiers to two, specifically, head office and area-based operations. We will also improve on-site support functions with the aim of boosting customer satisfaction.

We created and implemented an online track and trace service for added customer convenience and a customer database that targets customers receiving freight. In addition, we will promote a policy of selection and concentration for people, property and equipment, capital and information so that we can further expand the logistics business, which is starting to achieve steady results in terms of customer acquisition.

In the Vehicle Sales business, amid expected contraction in the market for new vehicles, we will work hard to identify customer needs and provide services befitting each region. In passenger vehicle sales, Netz Toyota Gifu Co., Ltd. and Netz Toyota Centro Gifu Co., Ltd. merged in July 2010. Efforts to ensure economies of scale, notably elimination and consolidation of stores and effective personnel

allocation, will result in higher business efficiency. In truck sales, we aim to boost profits by strengthening used vehicle sales, integrating bases in Gifu Prefecture and expanding sales activities in Shiga Prefecture.

The Seino Group has provided customer services in the domains of transportation, information and sales. By adding financial services to our menu, we have become a comprehensive logistics company that offers an integrated services package to customers. Seino Financial Co., Ltd. was established in April 2010 to play a key role in this new field by providing total support for customers' e-business.

As a result of these initiatives, we forecast operating revenue of ¥493,000 million and net income of ¥7,000 million for the fiscal year ending March 31, 2011.

### ❖ Corporate Governance

Seino employs a corporate auditor system. As of March 31, 2010, the Board of Directors consisted of 10 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 auditing business execution.

### ❖ To Our Shareholders

In keeping with our 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, 2010, the same amount as in the previous fiscal year.

Through the implementation of our new medium-term management plan, we aim to be the preeminent commercial freight transportation company in Japan while at the same time raising corporate and shareholder value. We ask shareholders, customers and friends for your continued understanding and support.



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

A handwritten signature in black ink, appearing to read 'Y. Taguchi' in a cursive style.



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

A handwritten signature in black ink, appearing to read 'Y. T.' in a cursive style.

# Realizing Greater Efficiency in Group Management

The Seino Group has been vigorously promoting its Customer Satisfaction (CS) Improvement Plan, a medium-term management plan for the three-year period beginning in the fiscal year ended March 31, 2009 that aims to fulfill the mission of always providing premium services to customers and contributing to Japanese society. Recognizing that an improvement in customer satisfaction leads to an increase in corporate value, Seino Holdings Co., Ltd. has shifted focus from quantity to quality and is striving to boost the corporate value of the Seino Group while pursuing management that emphasizes corporate social responsibility (CSR).

We are implementing a series of programs to raise customer satisfaction and provide services that make our customers happy. In Transportation Services, our main areas of focus are to expand the logistics business, develop timetables for trunk-route transportation, strengthen our network and improve operational accuracy. In other business areas, we seek to expand vehicle sales, ensure effective utilization of resources and integrate indirect departments inside the Group.

We will work to promote the establishment of a profitable structure as well as shareholder-focused management by raising the profit-making capabilities of each Group company and further boosting the management efficiency of the entire Group.

The following outlines initiatives implemented by respective business groups in the fiscal year ended March 31, 2010.

## Business Group Initiatives

### Transportation Services Business Group

#### ❖ Seibu Transportation Co., Ltd. Made a Subsidiary

Seino Holdings Co., Ltd. concluded a share transfer agreement in which we acquired a 90% stake in Seibu Transportation Co., Ltd. (Head office: Saitama Prefecture), which was under the umbrella of Seibu Holdings Co., Ltd., in April 2009.

The decision to move forward with the consolidation was based on expectations of significant synergistic effects. Seibu Transportation Co., Ltd. possesses strengths in specialized freight business mainly based in the Kanto and Kyushu regions and in air cargo handling. As a result, we can expect complementary effects with the Seino Transportation Business Group in terms of regional and business characteristics. Other Seibu Holdings subsidiaries such as Kyushu Seibu Transportation Co., Ltd. were also made subsidiaries upon the addition of Seibu Transportation Co., Ltd. into the Seino Group.

#### ❖ Kangaroo SAVE *Kyubin* Express Delivery Service Launched

The Seino Transportation Group started an express delivery service in October 2009 called “Kangaroo SAVE *Kyubin*,”

which promises delivery before noon the next day, for an area 800km from the point of origin, a distance that was previously difficult to manage. The service for businesses uses the network of Seibu Transportation Co., Ltd., newly included in the Seino Transportation Group in April, to enable an expanded delivery area with a commitment of before noon the next day up to the 800km zone without using air freight. A full refund will be given in case this promise is not met.

#### ❖ Sales of Shopping Service Expanded Nationwide

A project team was set up at Seino Transportation Co., Ltd. in May 2009 to expand sales of a shopping service nationwide from the traditional Chukyo and Kinki regions centering on the Tokyo Metropolitan area. With this service, customers take the items they have purchased at the supermarket to a special counter where they are placed in separate containers that differ by temperature (room temperature, cold storage, frozen) and delivered within three hours. The service is limited to a specific number of members and can only be used if purchases exceed a certain value. This provides the benefits to supermarkets of increased purchase amounts per customer and differentiation from the competition. Since the agreement with the



supermarket specifies that the service will be charged on an hourly basis, Seino Transportation Co., Ltd. can guarantee a level of income as opposed to sales based on the delivery amount.

Going forward, we will look to extend the service to hardware stores and online supermarkets.

#### ❖ Sales of “Kangaroo MAX + 1” for Single-Person Households Commenced

Seino Transportation Co., Ltd. launched a moving service called Kangaroo Single MAX + 1 on January 5, 2010 targeting single persons. This service uses boxes measuring 1.5m<sup>3</sup> and 2.5m<sup>3</sup> to transport furniture, electrical appliances and other household items. “MAX” refers to the fact that the service employs the largest boxes in the industry at 2.5m<sup>3</sup> while “+ 1” refers to the fact that the cost of transporting a bicycle is included in the price of the box whereas it was charged separately before.

The number of single-person households is expected to rise and the market for single persons moving is projected to



expand as more people take posts away from family. We aim to grow this business by targeting people who are being transferred or taking posts away from home, as well as new employees and students who need to move.

### ❖ Eco Alliance Co., Ltd. Established

Seino Holdings Co., Ltd. established Eco Alliance Co., Ltd. in June 2009 for the management of load matching systems and joint operations for shared trunk-route transportation using trucks. The purpose is to enhance the cost structure of the entire industry while improving service to customers amid diminishing loads in Japan, features that the industry has been calling for since 2008. Eco Alliance is aiming to increase load volume and lower costs through mutual utilization of empty space in trucks when traveling main trunk lines between sites that each specialized freight company uses, and to contribute to environmental preservation by reducing CO<sub>2</sub> emissions and resource consumption.

### ❖ Ota Branch Opened

Kanto Seino Transportation Co., Ltd. opened the Ota Branch (Ibaraki Prefecture) in August 2009. This branch was relocated near the interchange ahead of the scheduled 2011 opening of the Kita-Kanto Expressway that crosses three prefectures in northern Tokyo known as commuter suburbs. Facilities at the branch have been considerably expanded to facilitate smoother departure and arrival of trunk line services.



### ❖ Gifu-Tono Branch Opened



Tokai Seino Transportation Co., Ltd. opened the Gifu-Tono Branch in January 2010 after integrating the Tajimi Branch and Toki Branch. Head office functions were shifted there at the same time.

The new branch is located around 3km from the Tajimi Interchange on the Tokai-Kanjo Expressway. Platforms for larger trucks that deliver goods on the main trunk lines have been set up on either side of the platforms for smaller trucks that originally pick up the goods for a smoother flow that shortens work time. A warehouse for recycling electrical appliances, a gas filling station and a repair shop have also been included on the premises.

### ❖ Nobeoka Sales Office Integrated and Relocated

Kyusyu Seino Transportation Co., Ltd. integrated the Nobeoka Sales Office and the Nobeoka No. 2 Sales Office, which were near Nobeoka City in Miyazaki Prefecture, and opened the new Nobeoka Sales Office inside the city in January 2010. This is expected to enhance work efficiency and strengthen sales capabilities.



### Vehicle Sales and Other Businesses

#### ❖ Patent Acquired for Driving Rating System

Seino Information Service Co., Ltd. was granted patent rights in December 2009 for a rating system for driving. The patent application was jointly submitted with Aioi Insurance Co., Ltd.

The service collects and processes data on speed, distance and time that has been recorded on digital driving recorders equipped in the trucks, taxis and buses of numerous companies for objective third-party evaluation. This makes it possible to assess the reliability of each driver, company and sales office through analysis of accumulated results and overall transport quality.

#### ❖ Seino Auto Lease Co., Ltd. Established

Seino Auto Lease Co., Ltd. was established in March 2010 as a specialist in automobile leasing for companies. The company is located on the premises of Gifu Hino Motor Co., Ltd. in Gifu Prefecture. Initially, business will focus on automobile leasing in Gifu and Shiga prefectures with the aim to expand business for vehicles owned, including maintenance leases.

#### ❖ Seino Auto Service Kanto Co., Ltd. Established

Kanto Seino Transportation Co., Ltd. established Seino Auto Service Kanto Co., Ltd. in October 2009 upon the spin-off of automotive maintenance, used vehicle sales and non-life insurance businesses. The mechanical department of Kanto Seino Transportation will continue to actively promote outside sales, which includes general automotive maintenance and used vehicle sales.

# 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 and reassurance, 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<sub>2</sub> 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 cowlings, 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.

### ❖ Promoting Safe and Environmentally Friendly Driving

Each company of the Seino Transportation Group is promoting initiatives for safe driving. For example, Seino Transportation Co., Ltd. holds seminars on freeway traffic safety. Managers at Seino Express Co., Ltd. take part in safe driving workshops sponsored by the Japan Trucking Association and pass on the information during training sessions on safety so that all employees are well versed in how to drive safely. Tokai Seino Transportation Co., Ltd. won critical acclaim for its safe driving campaign and received a letter of appreciation from the Tajimi police authorities.

To minimize environmental impact, each company makes sure that all of its drivers practice energy-efficient, environmentally friendly driving habits.

### ❖ Environmental Conservation Activities at Seino Eco Trading Co., Ltd.

Seino Eco Trading Co., Ltd., part of an affiliated business group, collects packaging materials including waste wrapping, used polypropylene band and bubble pack from the Seino Transportation Group and sells these materials to Chinese vendors manufacturing recycled plastics. Additionally, the company offers recycled resin palettes made from these raw materials at a low price. These initiatives contribute to Group management that takes into account the global environment such as through the reduction of waste materials, efficient use of resources and CO<sub>2</sub> reductions.

### ❖ Supporting the Paralympics

Schenker-Seino Co., Ltd. signed a contract with the Japan Sports Association for the Disabled as an official supporter for one year from October 2009 to September 2010.

The company will assist with transportation services at sports events held in Japan that are sponsored by the Japan Sports Association for the



Disabled, including the Japan Paralympics, swim meets and archery tournaments, as well as provide total support for training camps and international events held overseas.

### ❖ Tree-Planting Activities

Tree-planting activities were conducted for the second consecutive year at the Tarakyo Forest Park in Ogaki City in November 2009 based on an agreement concluded in 2008 with the Taguchi Fukujukai Foundation and Ogaki City in Gifu Prefecture to create forests through cooperation with companies. Around 150 people gathered at the site to plant approximately 600 trees, including Seino Group employees, their families and local citizens.

### ❖ Donating Educational Books

The Taguchi Fukujukai Foundation donated the Taguchi collection of educational books to 61 schools in November 2009, namely, public primary schools and schools providing special needs education in Gifu Prefecture. This initiative has been ongoing since 1972 and 690,000 books have been donated to 1,397 schools to date.

### ❖ Traffic Safety Education

The Seino Transportation Training Center holds classes on traffic safety for primary school students as part of its social contribution efforts. The first round of classes was held at primary schools in Gifu Prefecture in July 2009.



### ❖ Basic Lifesaving Courses



Seino Tsu-un Co., Ltd. held basic lifesaving courses in May 2009 and 100 people attended. Each company of the Seino Transportation Group conducts lifesaving and first aid courses.

### ❖ “Small Kindness Movement” Nationwide

Around 23,000 Seino Group employees nationwide took part in the “Small Kindness Movement” in May 2009. This was the 20th time we participated in this campaign since 1990.

After collecting litter from around Taguchi in Ogaki City, Gifu Prefecture, which is home to Seino’s head office, participants planted seeds of the Cosmos flower, which is the symbol of the campaign, in three different flowerbeds.



# Review of Operations

## Transportation Services

In the Transportation Services business, we undertook concerted efforts to secure revenues and profits and in turn boost the corporate value of the Seino Group. Measures included increasing our “ability to provide quality” by improving our speed and punctuality from pickup to delivery, to pick up goods with our own vehicles through “full employee participation,” and to acquire new logistics projects through proposal-based marketing that “meets customer requirements” by reflecting customer feedback.

Our newly launched “Kangaroo SAVE *Kyubin*” express delivery service expanded the area for which it offers delivery before noon the next day to an 800km area. This service places utmost priority on customer convenience and is contributing to raising our “ability to provide quality.”

In addition, by establishing a direct-delivery system in the Santama region of western Tokyo as part of a restructuring of the delegated delivery/pickup areas with Seibu Transportation Co., Ltd., which has a strong presence in the Kanto region, and by opening Kanto Seino Transportation Co., Ltd.’s Ota Branch (Gunma Prefecture), we enhanced our network in the

Kanto economic region and developed a system that can provide greater convenience to customers.

Elsewhere, Tokai Seino Transportation Co., Ltd. established the Gifu-Tono Branch (Gifu Prefecture) by integrating the Tajimi Branch and the Toki Branch, while Kyusyu Seino Transportation Co., Ltd. established the Nobeoka Sales Office (Miyazaki Prefecture) by integrating the Nobeoka Sales Office and the Nobeoka No. 2 Sales Office. Through such measures, we were able to select and concentrate management resources to achieve greater efficiency in sales activities.

An ongoing measure of the Seino Group is the “Eco-Drive Program” that aims to contribute to the global environment and reduce operating expenses. We will continue with efforts and strive to implement the program more widely.

As a result of the above and the inclusion of Seibu Transportation Co., Ltd. as a consolidated subsidiary, operating revenue for this segment was ¥362,628 million (US\$3,899,226 thousand), up 14.6% versus the previous consolidated fiscal term, and operating income was ¥1,761 million (US\$18,935 thousand).

## Vehicle Sales

In the Vehicle Sales business, the market environment for passenger vehicles remained tough due to an overall decline in demand. In addition to consumers beginning to move away from automobile-oriented lifestyles and an aging society with a declining birthrate in Japan, there was also a sharp decline in the automobile market due to the financial crisis. As a result of persistent vigorous marketing activities centered on new vehicles eligible for eco-car tax discounts and subsidies, such as hybrids, minivans and compact vehicles, the number of new vehicle sales from August onward rose significantly on a year-on-year basis. Levels even surpassed those recorded prior to the financial crisis. The used vehicle market stagnated, however, due to a shortage of good quality, older used vehicles, which are the best-sellers, and as consumers shift to new vehicles to take advantage of greater tax breaks. This resulted in a year-on-year decline in the number of used vehicles sold.

Deteriorating economic conditions heavily impacted truck sales. While there was a sizeable year-on-year decline in the number of new vehicles sold, we managed to secure profit by strengthening used vehicle sales and streamlining maintenance business.

In other developments, Kanto Seino Transportation Co., Ltd.’s maintenance factory was spun-off as an independent entity, Seino Auto Service Kanto Co., Ltd., which commenced a new automobile maintenance business. In addition, Asahi Leasing Co., Ltd. changed its name to Seino Auto Lease Co., Ltd. By shifting business focus and specializing in automobile leasing, it has adopted a structure that can meet customer needs. Efforts were made to expand this business.

As a result, operating revenue for this segment was ¥87,132 million (US\$736,903 thousand), up 10.7% versus the previous term, and operating income was ¥3,297 million (US\$35,451 thousand), up 54.1% year on year.

## Merchandise Sales

Conditions remained extremely tough overall in the Merchandise Sales business. Despite solid sales of domestic tissue papers, sales of fuel, this segment’s mainstay product, declined significantly year on year due to selling price erosion. Against this backdrop, we aggressively expanded sales

activities and further reduced expenses, which enabled us to secure a profit.

Operating revenue for this segment was ¥21,779 million (US\$234,183 thousand), down 6.5% year on year, and operating income was ¥599 million (US\$6,441 thousand), up 0.9%.

## Leasing for Real Estate Services

In the Leasing for Real Estate Services business, we strove to effectively utilize management resources by leasing certain vacant terminal lots of the Transportation Services Business Group, including those of Seino Transportation Co., Ltd., which took steps to relocate due to the impact of urban development and lack of space. The main terminals put up for lease included the former terminals in Yotsuhashi (Osaka

City), Shinmachi (Osaka City) and Akashi (Akashi City).

Companies outside the Transportation Services Business Group also engage in leasing with the aim of effectively utilizing assets.

Operating revenue for this segment was ¥1,265 million (US\$13,602 thousand), up 6.6% from the previous fiscal year, and operating income was ¥1,051 million (US\$11,301 thousand), up 6.9% year on year.

## Other

This business segment includes the information services business and construction consignment business. Suito Taxi Co., Ltd. and Asahi Travel Service Co., Ltd. were merged since they conduct similar business to utilize management

and human resources more effectively. The name of the new company is Suito Travel Co., Ltd. (Head office: Ogaki City).

Operating revenue for this segment was ¥13,004 million (US\$139,828 thousand), down 8.8% year on year, and operating income was ¥205 million (US\$2,050 thousand), down 68.7%.

## Operating Revenue by Business Segment

(Millions of yen)

	FY3/10		FY3/09		Year-on-Year
	Results	Composition	Results	Composition	
Transportation Services	362,628	74.6%	316,341	72.9%	14.6%
Vehicle Sales	87,132	17.9%	78,722	18.1%	10.7%
Merchandise Sales	21,779	4.5%	23,302	5.4%	(6.5%)
Leasing for Real Estate Services	1,265	0.3%	1,187	0.3%	6.6%
Other	13,004	2.7%	14,214	3.3%	(8.8%)
Total	485,808	100.0%	433,766	100.0%	12.0%

## Operating Income by Business Segment

(Millions of yen)

	FY3/10		FY3/09		Year-on-Year
	Results	Composition	Results	Composition	
Transportation Services	1,761	26.6%	(555)	(16.7)%	—
Vehicle Sales	3,297	49.8%	2,140	64.2%	54.1%
Merchandise Sales	599	9.0%	594	17.8%	0.9%
Leasing for Real Estate Services	1,051	15.9%	983	29.5%	6.9%
Other	205	3.1%	654	19.7%	(68.7)%
Total	6,913	104.4%	3,816	114.5%	81.2%
Elimination	(292)	(4.4)%	(483)	(14.5)%	—
Consolidated	6,621	100.0%	3,333	100.0%	98.7%

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 ended March 31, 2009.

# Financial Review

## Operating Results

Consolidated operating revenue for Seino Holdings Co., Ltd. for the fiscal year ended March 31, 2010 increased 12.0% from the previous fiscal year to ¥485,808 million (US\$5,223,742 thousand). This was due to increased sales in the Vehicle Sales business and the Leasing for Real Estate Services business in addition to an increase in the number of consolidated subsidiaries in the Transportation Services business.

Operating costs increased 12.1% from the previous fiscal year to ¥445,845 million (US\$4,794,023 thousand). The ratio of operating costs to operating revenue was 91.8%, on par with the previous fiscal year.

Selling, general and administrative expenses rose 11.2% to ¥33,342 million (US\$358,516 thousand), while operating income surged 98.7% to ¥6,621 million (US\$71,194 thousand).

Other income stood at ¥6,319 million (US\$67,946 thousand). Key positive factors were the amortization of negative goodwill in the amount of ¥7,394 million (US\$79,505 thousand) and a major negative factor was an impairment loss on fixed assets of ¥2,404 million (US\$25,849 thousand) loss on sale or disposal of property and equipment of ¥120 million (US\$1,290 thousand).

As a result, income before income taxes and minority interests amounted to ¥12,940 million (US\$139,140 thousand), up 86.4% year on year. Net income increased 179.5% to ¥9,477 million (US\$101,903 thousand).

Net income per share was ¥47.60 (US\$0.51), and return on equity was 3.2%. Annual cash dividends per share were maintained at ¥11.00 (US\$0.12), the same as in the previous fiscal year.

## Financial Position

Total assets at the end of the fiscal year under review were ¥484,674 million (US\$5,211,548 thousand), up 10.3% versus the previous fiscal year-end.

Total current assets increased 10.2% to ¥165,451 million (US\$1,779,043 thousand) compared with the previous fiscal year-end. Total fixed assets increased 10.4% to ¥319,223 million (US\$782,505 thousand).

Total current liabilities increased 16.2% compared with the previous fiscal year-end to ¥96,433 million (US\$1,036,914 thousand) due primarily to increases in operating accounts payable, trade payables and income taxes payable.

Long-term liabilities grew 33.4% from the previous fiscal year-end to ¥86,449 million (US\$929,559 thousand). The main factors behind this result were increases in deferred tax liabilities, allowance for employees' retirement benefits and negative goodwill.

Net assets rose 2.5% from the previous fiscal year-end to ¥301,792 million (US\$3,245,075 thousand). The major factor was an increase in retained earnings derived from the posting of net income. Shareholders' equity decreased 4.2 percentage points to 60.7%.

## Cash Flows

Net cash provided by operating activities increased ¥15,471 million compared with the previous fiscal year to ¥29,170 million (US\$313,656 thousand) due mainly to declines in trust beneficiary rights and income taxes paid.

Net cash used in investing activities decreased ¥17,041 million to ¥3,344 million (US\$35,957 thousand) due primarily to proceeds from the acquisition of investments in subsidiaries resulting in changes to the scope of consolidation and a decrease in payments for the acquisition of intangible and tangible fixed assets.

Net cash used in financing activities increased ¥14,239 million versus the previous fiscal year to ¥17,799 million (US\$191,387 thousand) due mainly to repayment of short-term borrowings at a newly consolidated subsidiary.

Consequently, cash and cash equivalents at end of year increased ¥8,041 million to ¥43,667 million (US\$469,358 thousand).

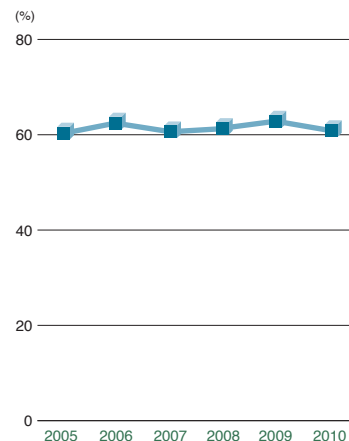
Operating income to operating revenue  
Net (loss) income to operating revenue



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



Shareholders' equity ratio

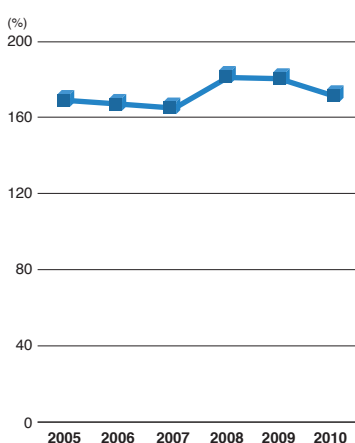


# Six-year Summary

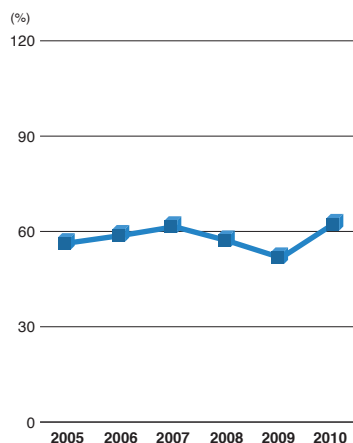
For the Years Ended March 31, 2010, 2009, 2008, 2007, 2006 and 2005

	Millions of Yen					
	2010	2009	2008	2007	2006	2005
<b>For the year:</b>						
Operating revenue:	¥ 485,808	¥ 433,766	¥ 451,978	¥ 449,486	¥ 427,520	¥ 423,833
Transportation services	362,628	316,341	331,862	327,574	307,888	307,264
Vehicle sales	87,132	78,722	85,537	85,549	82,334	98,259
Merchandise sales	21,779	23,302	—	—	—	—
Leasing for real estate services	1,265	1,187	1,146	1,079	1,004	5,268
Other	13,004	14,214	33,433	35,284	36,294	13,042
Operating costs	445,845	397,826	410,579	408,395	386,995	381,970
Selling, general and administrative expenses	33,342	32,607	31,474	30,295	30,443	29,816
Operating income	6,621	3,333	9,925	10,796	10,082	12,047
Net income (loss)	9,477	3,391	6,018	8,797	(8,334)	14,273
<b>At year-end:</b>						
Current assets	165,451	150,140	168,475	169,706	161,208	164,129
Total assets	484,674	439,372	457,871	468,006	446,933	470,492
Current liabilities	96,433	82,996	93,044	98,980	92,800	91,252
Short-term borrowings	2,315	2,135	2,465	3,700	4,371	4,815
Long-term debt, including current maturities	982	1,462	2,114	3,435	8,247	17,974
Net assets	301,792	291,564	293,985	292,848	278,916	283,352
	Yen					
<b>Per share data:</b>						
Net (loss) income:						
-Basic	¥ 47.60	¥ 17.03	¥ 30.27	¥ 44.71	¥ (43.35)	¥ 72.26
-Diluted	—	—	—	—	—	70.67
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	207,679	198,631
	Percent					
<b>Ratios:</b>						
Operating income to operating revenue	1.4	0.8	2.2	2.4	2.4	2.8
Net income (loss) to operating revenue	2.0	0.8	1.3	2.0	(1.9)	3.4
Net income (loss) to total assets	2.0	0.8	1.3	1.9	(1.9)	3.0
Return on equity ratio	3.2	1.2	2.1	3.1	(3.0)	5.1
Shareholders' equity ratio	60.7	64.9	62.9	61.2	62.4	60.2
Current ratio	171.6	180.9	181.1	171.5	173.7	179.9
Debt equity ratio	62.1	51.8	56.9	61.2	58.3	53.1
Payout ratio	23.2	65.1	36.6	24.5	(25.5)	15.1

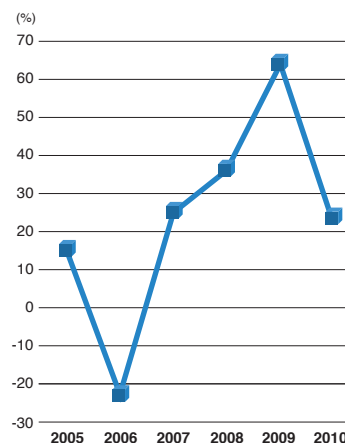
**Current ratio**



**Debt equity ratio**



**Payout ratio**



# Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 13)	¥ 43,667	¥ 35,626	\$ 469,538
Short-term investments (Notes 4, 6 and 13)	7,635	6,571	82,097
Trade receivables (Note 13)	97,076	83,284	1,043,828
Inventories (Note 3)	10,588	7,826	113,849
Deferred tax assets (Note 11)	4,194	3,691	45,097
Other current assets	2,798	13,743	30,086
Allowance for doubtful accounts	(507)	(601)	(5,452)
Total current assets	165,451	150,140	1,779,043
<b>Property and equipment (Notes 5, 6 and 12):</b>			
At cost	520,524	464,505	5,597,032
Accumulated depreciation	(246,814)	(217,715)	(2,653,914)
Net property and equipment	273,710	246,790	2,943,118
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 13)	19,742	18,401	212,280
Investments in and long-term loans to affiliates (Note 4)	3,110	3,301	33,441
Deferred tax assets (Note 11)	11,189	10,642	120,312
Other assets	11,472	10,098	123,354
Total investment and other assets	45,513	42,442	489,387
Total assets	¥ 484,674	¥ 439,372	\$ 5,211,548
<b>Current liabilities:</b>			
Short-term borrowings (Notes 6 and 13)	¥ 2,315	¥ 2,135	\$ 24,892
Current portion of long-term debt (Notes 6 and 13)	328	473	3,527
Trade payables (Note 13)	65,488	57,719	704,172
Accrued expenses	12,004	11,246	129,075
Income taxes payable	4,558	1,448	49,011
Other current liabilities (Note 11)	11,740	9,975	126,237
Total current liabilities	96,433	82,996	1,036,914
Long-term debt (Notes 6 and 13)	654	989	7,032
Employee retirement benefit liability (Note 7)	54,574	49,369	586,817
Accrued severance indemnities for directors and statutory auditors	1,473	1,504	15,839
Deferred tax liabilities (Note 11)	14,556	5,827	156,516
Negative goodwill	14,729	6,933	158,376
Other long-term liabilities	463	190	4,979
Total liabilities	182,882	147,808	1,966,473
<b>Commitments and contingent liabilities (Notes 8 and 9)</b>			
<b>Net Assets:</b>			
Shareholders' equity (Note 10):			
Common stock: 794,524,668 shares authorized and 207,679,783 shares issued	42,482	42,482	456,796
Capital surplus	74,266	74,266	798,559
Retained earnings	183,105	175,872	1,968,871
Less, treasury stock at cost: 8,624,246 shares in 2010 and 8,610,129 shares in 2009	(8,595)	(8,586)	(92,420)
Total shareholders' equity	291,258	284,034	3,131,806
Accumulated gains from valuation and translation adjustments	3,101	1,313	33,344
Minority interests	7,433	6,217	79,925
Total net assets	301,792	291,564	3,245,075
Total liabilities and net assets	¥ 484,674	¥ 439,372	\$ 5,211,548

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Income

For the Years Ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>Operating revenue (Notes 14 and 15)</b>	¥ 485,808	¥ 433,766	¥ 451,978	\$ 5,223,742
<b>Operating costs and expenses (Notes 7 and 15):</b>				
Operating costs	445,845	397,826	410,579	4,794,032
Selling, general and administrative expenses	33,342	32,607	31,474	358,516
	<u>479,187</u>	<u>430,433</u>	<u>442,053</u>	<u>5,152,548</u>
Operating income	6,621	3,333	9,925	71,194
<b>Other income (expenses):</b>				
Interest and dividend income	486	775	831	5,225
Interest expenses	(119)	(87)	(137)	(1,280)
(Loss) gain on sale or disposal of property and equipment	(120)	(138)	546	(1,290)
(Loss) gain on sale of investment securities	(27)	2	896	(290)
Gain on cancellation of leasehold contracts	116	—	—	1,247
Equity in net (loss) income of affiliates	(172)	—	17	(1,849)
Amortization of negative goodwill	7,394	4,361	4,357	79,505
Impairment loss on fixed assets (Note 2(j))	(2,404)	(1,596)	(3,115)	(25,849)
Loss on write-down of investment securities	(76)	(1,321)	(1)	(817)
(Loss) gain on abolishment of retirement benefit plan (Note 7)	(541)	50	—	(5,817)
Provision for severance indemnities for directors and statutory auditors (Note 2(l))	—	—	(1,073)	—
Loss on liquidation or sale of subsidiaries and affiliates	—	—	(26)	—
Miscellaneous, net	1,782	1,562	1,163	19,161
	<u>6,319</u>	<u>3,608</u>	<u>3,458</u>	<u>67,946</u>
Income before income taxes and minority interests	12,940	6,941	13,383	139,140
<b>Income taxes (Note 11):</b>				
Current	5,628	2,516	5,951	60,516
Deferred	(2,357)	971	742	(25,344)
Total income taxes	<u>3,271</u>	<u>3,487</u>	<u>6,693</u>	<u>35,172</u>
<b>Minority interests in net income of subsidiaries</b>	<u>192</u>	<u>63</u>	<u>672</u>	<u>2,065</u>
Net income	¥ <u>9,477</u>	¥ <u>3,391</u>	¥ <u>6,018</u>	\$ <u>101,903</u>
<b>Per share:</b>				
Net income	¥ 47.60	¥ 17.03	¥ 30.27	\$ 0.51
Cash dividends	11.00	11.00	11.00	0.12

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2010, 2009 and 2008

	Number of shares of common stock issued	Shareholders' equity					Accumulated gains from valuation and translation adjustments					Minority interests	Total net assets
		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			
Millions of yen													
<b>Balance at March 31, 2007</b>	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 in items other than shareholders' equity	—	—	—	—	—	—	(3,929)	13	85	(3,831)	(345)	(4,176)	
<b>Balance at March 31, 2008</b>	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 in items other than shareholders' equity	—	—	—	—	—	—	(3,404)	—	(262)	(3,666)	65	(3,601)	
<b>Balance at March 31, 2009</b>	207,679,783	¥ 42,482	¥ 74,266	¥ 175,872	¥ (8,586)	¥ 284,034	¥ 2,151	¥ (305)	¥ (533)	¥ 1,313	¥ 6,217	¥ 291,564	
Net income for the year	—	—	—	9,477	—	9,477	—	—	—	—	—	9,477	
Cash dividends	—	—	—	(2,190)	—	(2,190)	—	—	—	—	—	(2,190)	
Reversal of land revaluation decrement	—	—	—	(54)	—	(54)	—	—	—	—	—	(54)	
Sales of treasury stock and fractional shares, net	—	—	—	—	(9)	(9)	—	—	—	—	—	(9)	
Net changes in items other than shareholders' equity	—	—	—	—	—	—	1,658	54	76	1,788	1,216	3,004	
<b>Balance at March 31, 2010</b>	207,679,783	¥ 42,482	¥ 74,266	¥ 183,105	¥ (8,595)	¥ 291,258	¥ 3,809	¥ (251)	¥ (457)	¥ 3,101	¥ 7,433	¥ 301,792	

	Thousands of U.S. dollars										
<b>Balance at March 31, 2009</b>	\$456,796	\$798,559	\$1,891,097	\$(92,323)	\$3,054,129	\$ 23,129	\$( 3,280)	\$( 5,731)	\$ 14,118	\$ 66,850	\$3,135,097
Net income for the year	—	—	101,903	—	101,903	—	—	—	—	—	101,903
Cash dividends	—	—	(23,548)	—	(23,548)	—	—	—	—	—	(23,548)
Reversal of land revaluation decrement	—	—	(581)	—	(581)	—	—	—	—	—	(581)
Sales of treasury stock and fractional shares, net	—	—	—	(97)	(97)	—	—	—	—	—	(97)
Net changes in items other than shareholders' equity	—	—	—	—	—	17,828	581	817	19,226	13,075	32,301
<b>Balance at March 31, 2010</b>	\$456,796	\$798,559	\$1,968,871	\$(92,420)	\$3,131,806	\$ 40,957	\$( 2,699)	\$( 4,914)	\$ 33,344	\$ 79,925	\$3,245,075

See accompanying Notes to Consolidated Financial Statements.



# Consolidated Statements of Cash Flows

For the Years Ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 12,940	¥ 6,941	¥ 13,383	\$ 139,140
Adjustments for:				
Depreciation	18,185	17,326	17,016	195,538
Impairment loss on fixed assets	2,404	1,596	3,115	25,849
Amortization of negative goodwill	(7,394)	(4,361)	(4,357)	(79,505)
Amortization of goodwill	506	449	7	5,441
Net provision (reversal) for employee retirement benefit liability	32	(124)	42	344
Loss (gain) on sale or disposal of property and equipment	120	138	(546)	1,290
Equity in net loss (income) of affiliates	172	—	(17)	1,849
Loss on write-down of investment securities	76	1,321	1	817
Loss (gain) on sale of investment securities	27	(2)	(896)	290
Net (reversal) provision for accrued severance indemnities for directors and statutory auditors	(187)	(183)	961	(2,011)
(Increase) decrease in trade receivables	(2,122)	5,496	1,565	(22,817)
(Increase) decrease in inventories	(3,242)	(937)	(1,373)	(34,860)
Increase (decrease) in trade payables	564	(6,626)	(4,675)	6,065
Decrease (increase) in beneficial interest in trusts in relation to trade payables	10,813	1,317	(51)	116,269
Other, net	(1,796)	(2,758)	688	(19,312)
Sub-total	31,098	19,593	24,863	334,387
Interest and dividends received	512	797	852	5,506
Interest paid	(119)	(88)	(138)	(1,280)
Income taxes paid	(2,321)	(6,603)	(6,005)	(24,957)
Net cash provided by operating activities	29,170	13,699	19,572	313,656
<b>Cash flows from investing activities:</b>				
Increase in property and equipment	(13,465)	(23,260)	(19,066)	(144,785)
Increase in long-term investments and loans	(674)	(635)	(644)	(7,247)
Decrease in property and long-term investments	8,198	1,197	3,516	88,150
Decrease in short-term investments	2,597	2,313	2,500	27,925
Net cash used in investing activities	(3,344)	(20,385)	(13,694)	(35,957)
<b>Cash flows from financing activities:</b>				
Repayment of long-term debt	(2,379)	(653)	(1,473)	(25,581)
Net decrease in short-term borrowings	(13,210)	(680)	(1,237)	(142,043)
Dividends paid to shareholders	(2,190)	(2,190)	(2,162)	(23,548)
Dividends paid to minority shareholders	(11)	(16)	(41)	(118)
Purchases of treasury stock, net of sales	(9)	(21)	2,158	(97)
Net cash used in financing activities	(17,799)	(3,560)	(2,755)	(191,387)
Effect of exchange rate changes on cash and cash equivalents	14	(12)	8	151
Net increase (decrease) in cash and cash equivalents	8,041	(10,258)	3,131	86,463
Cash and cash equivalents at beginning of year	35,626	45,884	42,753	383,075
Cash and cash equivalents at end of year	¥ 43,667	¥ 35,626	¥ 45,884	\$ 469,538

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 Instruments 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 Instruments 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 approximate exchange rate prevailing at March 31, 2010, which was ¥93 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, 2010, 2009 and 2008, 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 one, two and two, respectively.

The number of subsidiaries and affiliates for the years ended March 31, 2010, 2009 and 2008 was as follows:

	2010	2009	2008
Subsidiaries:			
Domestic	57	50	47
Overseas	2	2	2
Affiliates accounted for by the equity method	3	3	3
Affiliates stated at cost	10	12	11

The Company and most of its subsidiaries have a fiscal year that ends on March 31. One of the Company's domestic subsidiaries and one overseas subsidiary close their books at December 31. Another domestic subsidiary closes its books at January 31. The Company has consolidated those subsidiaries' financial statements as of their year-ends because the difference between their fiscal year-ends and that of the Company was not more than three months. Significant transactions for the period between the subsidiaries' year-ends and the Company's year-end are adjusted for on consolidation.

The overseas subsidiaries have adopted 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 for the current fiscal year-end.

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

During the year ended March 31, 2010, the Seino Group acquired 90% of the common shares of Seibu Transportation Co., Ltd. ("Seibu Transportation"). As a result, Seibu Transportation and its subsidiaries, Kyushu Seibu Transportation Co., Ltd., Toyo Co., Ltd., Central Logistics Co., Ltd., Katsunuma Transportation Co., Ltd. and Darumaya Transportation Co., Ltd., became subsidiaries of the Company effective April 24, 2009. The assets and the liabilities of Seibu Transportation and its subsidiaries as of the initial consolidation by the Company were as follows.

	Millions of yen	Thousands of U.S. dollars
Assets:		
Current assets	¥ 22,422	\$ 241,097
Non-current assets	40,803	438,742
Total assets	¥ 63,225	\$ 679,839
Liabilities:		
Current liabilities	¥ 29,625	\$ 318,548
Non-current liabilities	15,998	172,022
Negative goodwill	14,830	159,462
Total liabilities	¥ 60,453	\$ 650,032

### (a-iii) Acquisitions for the years 2008 and 2009

During the year ended March 31, 2009, the Seino Group acquired common shares of Seino Logistics Co., Ltd. ("Seino Logistics"). As a result, 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
Assets:	
Current assets	¥ 39
Non-current assets	2
Goodwill	10
Total assets	¥ 51
Liabilities:	
Current liabilities	¥ 41
Non-current liabilities	—
Total liabilities	¥ 41

During the year ended March 31, 2009, the Seino Group acquired common shares of Shiga Hino Motor Co., Ltd. ("Shiga Hino"). As a result, 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
Assets:	
Current assets	¥ 1,953
Non-current assets	1,493
Goodwill	391
Total assets	¥ 3,837
Liabilities:	
Current liabilities	¥ 2,920
Non-current liabilities	215
Total liabilities	¥ 3,135

During the year ended March 31, 2008, the Company acquired additional common shares of Izu Seino Transportation Co., Ltd. ("Izu Seino"). As a result, 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

**(a-iv) Business transfer for the year 2009**

Pursuant to the resolution by the Board of Directors of the Company on February 13, 2008, on April 1, 2008, Kyushu Seino Transportation Co., Ltd. succeeded a part of the transportation business of Sengoku Seino Transportation Co., Ltd., acquiring the vehicles and operational assets and assuming liabilities such as the employee retirement benefit liability. In addition, Kyusyu Seino 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, and goodwill in the amount of ¥2,039 million was recorded in the year ended March 31, 2009. The assets and the liabilities of this business transfer were as follows.

	Millions of yen
Assets:	
Current assets	¥ —
Non-current assets	3,887
Goodwill	2,039
Total assets	¥ 5,926
Liabilities:	
Current liabilities	¥ —
Non-current liabilities	594
Total liabilities	¥ 594

**(b) 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.

**(c) Investments and marketable securities**

The Seino Group classifies certain investments in debt and equity securities as “held-to-maturity,” “trading” or “available-for-sale.” The 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.

**(d) Accounting for derivatives**

At March 31, 2010 and 2009, the Seino Group did not hold nor had it issued any derivative instruments.

**(e) 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 of certain doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience for a certain past period.

**(f) 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, 2010.

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 from the year ended March 31, 2009, the Company has applied the Accounting Standards Board of Japan (ASBJ) Statement No. 9, “Accounting Standard for Measurement of Inventories,” 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 were ¥80 million less than the amounts that would have been recorded without the change.

**(g) 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 depreciated

principally 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 but 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 lease. 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 pursuant to the amended Corporation Tax Law of Japan. As a result, compared with the amounts that would have been recorded with the previous accounting method, operating income and income before income taxes and minority interests were ¥432 million less 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 it to the depreciable limit of 5% of acquisition cost in accordance with the Corporation Tax Law of Japan. Effective from the year ended March 31, 2008, the 5% 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 is reached, pursuant to the amended Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests were ¥693 million less for the year ended March 31, 2008, than the amounts that would have been recorded with the previous accounting method.

**(h) Leases**

Prior to April 1, 2008, the Company and its consolidated domestic subsidiaries accounted for finance leases which did 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 its consolidated domestic subsidiaries have adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalize assets used under such leases, except for certain immaterial or short-term finance leases 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.

**(i) 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.

**(j) 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 the 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, 2010, 2009 and 2008, recoverable amounts of assets were measured based on value in use calculated using discounted future cash flows at interest rates principally of 2.8%, 5.3% and 4.7%, respectively, or net selling prices primarily using appraisal valuations. As a result, the Seino Group recognized impairment loss for the property of 50 business branches and 5 idle properties for the year ended March 31, 2010, for the property of 27 business branches and 4 idle properties for the year ended March 31, 2009 and for the property of 48 business branches, 6 idle properties and goodwill for the year ended March

31, 2008 as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Buildings and structures	¥ 538	¥ 218	¥ 574	\$ 5,785
Land	1,609	1,368	2,443	17,301
Other property	257	10	3	2,763
Goodwill	—	—	95	—
	¥ 2,404	¥ 1,596	¥ 3,115	\$ 25,849

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

**(k) Employee retirement benefits**

Employees who terminate their service with the Seino Group are entitled to retirement benefits generally determined by reference to basic rates of pay at the time of termination, 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 of pension plan assets resulting from actual outcomes different from that which was assumed and from changes in assumptions themselves are amortized on a straight-line basis over principally 10 years, a period within the average remaining service years of employees from the year following the year in which they arise. Unrecognized prior service cost is amortized using the straight-line method over principally 10 years, a period within the average remaining service years of employees from the year in which it occurs.

Effective from the fiscal year under review, the Company has adopted ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," issued on July 31, 2008. This change did not affect the profit and loss for the year under review.

**(l) 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 were ¥161 million and ¥1,235 million less, respectively, than the amounts that would have been recorded with the previous accounting method.

**(m) 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.

**(n) 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.

**(o) 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.

**(p) 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.

**(q) 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 current earnings.

In respect to 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 allocations of portions attributable to minority interests, are reported as foreign currency translation adjustments in a component of net assets on the accompanying consolidated balance sheets.

**(r) 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 by 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, 2010, 2009 and 2008.

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. Inventories**

Inventories at March 31, 2010 and 2009 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise and finished goods	¥ 8,949	¥ 6,601	\$ 96,226
Work in process	918	659	9,871
Raw materials and supplies	721	566	7,752
	¥ 10,588	¥ 7,826	\$ 113,849

**4. Investments**

At March 31, 2010 and 2009, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Marketable securities:			
Bonds	¥ 1,913	¥ 472	\$ 20,570
Total marketable securities	1,913	472	20,570
Time deposits with an original maturity of more than three months	5,722	6,099	61,527
	¥ 7,635	¥ 6,571	\$ 82,097

At March 31, 2010 and 2009, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Marketable securities:			
Equity securities	¥ 16,899	¥ 13,092	\$ 181,710
Bonds	638	3,436	6,860
Other	127	106	1,366
Total marketable securities	17,664	16,634	189,936
Other non-marketable securities	2,078	1,767	22,344
	¥ 19,742	¥ 18,401	\$ 212,280

At March 31, 2010 and 2009, 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, 2010	¥ 100	¥ 102	¥ 2
At March 31, 2009	100	100	—

	Thousands of U.S. dollars		
Bonds included in investment securities:			
At March 31, 2010	\$ 1,075	\$ 1,096	\$ 21

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. At March 31, 2010 and 2009, 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			
<b>At March 31, 2010:</b>				
Equity securities	¥ 9,109	¥ 8,099	¥ (309)	¥ 16,899
Bonds	2,447	14	(10)	2,451
Other	114	20	(7)	127
	<u>¥ 11,670</u>	<u>¥ 8,133</u>	<u>¥ (326)</u>	<u>¥ 19,477</u>

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
	<u>¥ 12,300</u>	<u>¥ 5,044</u>	<u>¥ (338)</u>	<u>¥ 17,006</u>

	Thousands of U.S. dollars			
<b>At March 31, 2010:</b>				
Equity securities	\$ 97,946	\$ 87,086	\$ (3,322)	\$ 181,710
Bonds	26,312	151	(108)	26,355
Other	1,226	215	(75)	1,366
	<u>\$ 125,484</u>	<u>\$ 87,452</u>	<u>\$ (3,505)</u>	<u>\$ 209,431</u>

At March 31, 2010 and 2009, investments in and long-term loans to affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investments, accounted for by the equity method for significant affiliates and at cost for others	¥ 3,080	¥ 3,263	\$ 33,118
Interest bearing long-term loans	30	38	323
	<u>¥ 3,110</u>	<u>¥ 3,301</u>	<u>\$ 33,441</u>

## 5. Property and Equipment

At March 31, 2010 and 2009, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Property held for own use, at cost:			
Land	¥ 164,247	¥ 136,668	\$ 1,766,097
Buildings and structures	225,860	211,760	2,428,602
Vehicles	100,111	88,403	1,076,462
Machinery and equipment	28,945	26,346	311,237
Construction in progress	32	571	344
Other	1,329	757	14,290
	<u>520,524</u>	<u>464,505</u>	<u>5,597,032</u>
Less, accumulated depreciation	<u>(246,814)</u>	<u>(217,715)</u>	<u>(2,653,914)</u>
Total property and equipment	<u>¥ 273,710</u>	<u>¥ 246,790</u>	<u>\$ 2,943,118</u>

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 portions, is recorded in net assets as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2010 and 2009, 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 ¥1,787 million (\$19,215 thousand) and ¥1,748 million, respectively.

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

At March 31, 2010 and 2009, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured bank overdrafts with interest rates of 1.3% per annum at March 31, 2010	¥ 25	¥ 25	\$ 269
Short-term bank borrowings, principally unsecured and represented by notes with interest rates ranging from 0.375% to 1.875% per annum at March 31, 2010	<u>2,290</u>	<u>2,110</u>	<u>24,623</u>
	<u>¥ 2,315</u>	<u>¥ 2,135</u>	<u>\$ 24,892</u>

At March 31, 2010, 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 (\$452,688 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of such overdraft facilities.

At March 31, 2010 and 2009, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans from banks, partly secured, due through 2017, repayable on an installment basis with interest rates ranging from 1.03% to 2.1% per annum at March 31, 2010	¥ 138	¥ 402	\$ 1,484
Loans from government agencies, principally mortgages, repayable on an installment basis with interest rates ranging from 0.7% to 3.6% per annum at March 31, 2010	<u>771</u>	<u>981</u>	<u>8,290</u>
Other	<u>73</u>	<u>79</u>	<u>785</u>
	<u>982</u>	<u>1,462</u>	<u>10,559</u>
Less, current portion	<u>(328)</u>	<u>(473)</u>	<u>(3,527)</u>
	<u>¥ 654</u>	<u>¥ 989</u>	<u>\$ 7,032</u>

At March 31, 2010 and 2009, the following assets were pledged as collateral for certain short-term borrowings and long-term debt in the aggregate amounts of ¥1,232 million (\$13,247 thousand) and ¥1,575 million, respectively:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 6,856	¥ 6,941	\$ 73,720
Buildings and structures	<u>3,912</u>	<u>4,162</u>	<u>42,065</u>
Time deposits included in short-term investments	—	11	—

The aggregate annual maturities of long-term debt as at March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 328	\$ 3,527
2012	197	2,118
2013	172	1,850
2014	120	1,290
2015	81	871
Thereafter	<u>84</u>	<u>903</u>
	<u>¥ 982</u>	<u>\$ 10,559</u>

## 7. Employee Retirement Benefits

The Company and its domestic subsidiaries have defined benefit plans. The following table reconciles the benefit liability as of March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Reconciliation of benefit liability:			
Projected benefit obligation	¥ 66,863	¥ 53,719	\$ 718,957
Less, fair value of pension plan assets at end of year	(7,847)	(932)	(84,376)
	59,016	52,787	634,581
Less, unrecognized actuarial differences (loss)	(1,805)	(2,087)	(19,409)
Less, unrecognized past service cost	(3,102)	(1,331)	(33,355)
Prepaid pension assets	465	—	5,000
Net amounts of employee retirement benefit liability recorded on the consolidated balance sheets	¥ 54,574	¥ 49,369	\$ 586,817

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 a multi-employer pension program established by the subsidiaries and other employers. Because information regarding the pension plan assets based on the proportionate contributions made by the subsidiaries is not available, the Seino Group records the 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 end of the latest calculation period-end was as follows:

	Millions of yen	Thousands of U.S. dollars
Pension plan assets at March 31, 2009	¥ 14,769	\$ 158,806
Related benefit obligation under the program	(19,654)	(211,333)
Plan surplus	¥ (4,885)	\$ (52,527)
Ratio of the subsidiaries' payroll to the totals in the entire plan	41.9%	

The components of net periodic retirement benefit expenses for the years ended March, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net periodic retirement benefit expenses:				
Service cost	¥ 3,774	¥ 2,861	¥ 2,844	\$ 40,581
Interest cost	1,328	1,067	1,084	14,280
Expected return on pension plan assets	(120)	(28)	(42)	(1,290)
Amortization of actuarial differences	564	529	553	6,064
Amortization of past service cost	380	326	294	4,086
Loss (gain) on abolishment of retirement benefit plan	541	(50)	—	5,817
Total retirement benefit expenses	¥ 6,467	¥ 4,705	¥ 4,733	\$ 69,538

Major assumptions used in the calculation of the above information for the years ended March 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
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

## 8. Contingent Liabilities

At March 31, 2010 and 2009, 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 ¥1,380 million (\$14,839 thousand) and ¥1,671 million, respectively.

## 9. Lease Commitments

As lessee, the Seino Group has entered into various rental and non-cancelable lease agreements for computer equipment and radio facilities with contract terms from four to nine years. As disclosed in Note 2(h), these finance leases which commenced prior to April 1, 2008 have been accounted for as operating leases. The aggregate minimum future lease payments under such non-cancelable finance lease agreements, including the imputed interest portions, as at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finance leases:			
Due within one year	¥ 280	¥ 393	\$ 3,011
Due after one year	158	406	1,699
	¥ 438	¥ 799	\$ 4,710

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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Operating leases:			
Due within one year	¥ 461	¥ 275	\$ 4,957
Due after one year	1,489	1,053	16,011
	¥ 1,950	¥ 1,328	\$ 20,968

A certain consolidated subsidiary engaged in leasing operations as lessor, enters into various lease agreements with third parties principally for vehicles. The leases are categorized as financing leases and operating leases. At March 31, 2010 and 2009, 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
	2010	2009	2010
Finance leases:			
Due within one year	¥ 59	¥ 103	\$ 635
Due after one year	47	114	505
	¥ 106	¥ 217	\$ 1,140
Operating leases:			
Due within one year	¥ 123	¥ 71	\$ 1,323
Due after one year	674	200	7,247
	¥ 797	¥ 271	\$ 8,570

## 10. 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, 2010 and 2009, 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 (\$45,828 thousand) at March 31, 2010 and 2009.

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) At the annual shareholders' meeting held on June 29, 2010, the shareholders approved cash dividends of ¥11 per share, amounting to ¥2,194 million (\$23,591 thousand). The appropriations have not been accrued in the consolidated financial statements as of March 31, 2010 as such appropriations are recognized in the period in which they are approved by the shareholders.

## 11. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Employee retirement benefit liability	¥ 22,431	¥ 20,517	\$ 241,194
Enterprise tax accruals	351	92	3,774
Accrued bonuses	3,342	3,117	35,936
Intercompany capital gains	956	998	10,280
Operating loss carryforwards	2,074	1,830	22,301
Loss on assets transferred	1,725	1,690	18,548
Impairment loss on fixed assets	12,877	10,922	138,462
Allowance for doubtful accounts	187	202	2,011
Other	6,876	5,036	73,935
	50,819	44,404	546,441
Less, valuation allowance	(24,661)	(19,732)	(265,172)
	26,158	24,672	281,269
Deferred tax liabilities:			
Deferred capital gains	6,928	6,343	74,495
Unrealized gains on available-for-sale securities	2,983	1,906	32,075
Valuation adjustments for consolidation	15,348	7,832	165,032
Other	77	85	828
	25,336	16,166	272,430
Net deferred tax assets	¥ 822	¥ 8,506	\$ 8,839

At March 31, 2010 and 2009, deferred tax assets and liabilities were recorded as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Current	¥ 4,194	¥ 3,691	¥ 45,097
Non-current	11,189	10,642	120,312
Deferred tax liabilities:			
Current	5	—	54
Non-current	¥ 14,556	¥ 5,827	¥156,516

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, 2010 and 2009, 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, 2010 was as follows:

	Percentage of pretax income	
	2010	2009
Japanese statutory effective tax rate	40.4%	40.4%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.8	1.6
Tax exempt income	(0.3)	(0.6)
Local minimum taxes-per capita levy	5.0	8.1
Amortization of goodwill and negative goodwill	(22.7)	(25.1)
Equity in net income of affiliates	0.5	—
Changes in valuation allowance	1.4	26.1
Other	0.2	(0.3)
Actual effective income tax rate	25.3%	50.2%

## 12. Real Estate For Rent

Some of the Company's subsidiaries own for rent land and facilities where closed or redeployed branches used to be. The book values in the consolidated balance sheets, changes during the fiscal year under review and the fair values of the rental properties were as follows:

	Millions of yen	Thousands of U.S. dollars
Book value		
March 31, 2009	¥ 10,587	\$ 113,839
Increase	2,474	26,602
March 31, 2010	13,061	140,441
Fair value		
March 31, 2010	17,133	184,226

Profit and loss in the fiscal year ended March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Rental properties		
Operating revenue	¥ 1,264	\$ 13,591
Operating costs	234	2,516
Difference	1,030	11,075
Others (gains (losses) on sale of property, etc.)	102	1,097

(Supplementary Information)

Effective from the fiscal year ended March 31, 2010, the Seino Group has adopted ASBJ Statement No. 20, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," issued on November 28, 2008, and ASBJ Guidance No. 23, "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," issued on November 28, 2008.

## 13. Financial Instruments

Effective from the year ended March 31, 2010, the Seino Group adopted ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," revised on March 10, 2008, and ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments," revised on March 10, 2008.

- (a) Policies on financial instruments
- The Seino Group consolidated its temporary cash surplus to the Company by utilizing its Cash Management System. The Company invests in low-risk and short-term instruments in accordance with its internal fund management rules. The Company mainly raises funds through indirect financing such as bank loans for investments in facilities taking immediate liquidity into consideration.
- (b) Details of financial instruments and risks
- Trade receivables are exposed to credit risk of customers. Some of the subsidiaries have receivables in foreign currency and are exposed foreign currency exchange risk.
- Marketable and investment securities, which consist of held-to-maturity securities and marketable securities business entities with which the Seino Group has business relationships, are exposed to stock market fluctuation risk.
- Notes and accounts payable have general terms and conditions and are mostly due within one year. However, some of the subsidiaries have them in foreign currency which exposes them to exchange risk.
- Some loans are used principally for capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk.
- (c) Risk management for financial instruments
- (1) Monitoring of credit risk
- In accordance with internal policies for credit risk management, each subsidiary monitors the creditworthiness of its customers and manages the terms and conditions of payment, due dates and remaining balances to reduce such risk.
- Regarding held-to-maturity securities, the Company invests in high credit-rating bonds in accordance with its internal fund management rules. As a result, the risk is de-minimis.
- (2) Monitoring market risk
- The board of directors regularly monitors market risk based on the management methods which they decide in accordance with internal market risk management rules. For marketable securities, the Seino Group monitors market prices every quarter, and reviews the market condition, financial position and business relationship of the issuers.
- (3) Monitoring liquidity risk
- The Company has a Cash Management System with its subsidiaries and becomes the paying agent for the subsidiaries under the system. The subsidiaries report their cash flow projections to the Company. The

Company has sufficient bank credit lines, including overdrafts, enabling the Seino Group to manage liquidity risk.

(d) Supplemental information on fair values

The fair values of financial instruments are based on their market prices. The fair values of financial instruments with no available market prices are determined by using prices calculated in a reasonable manner. However, as various factors are incorporated into these calculations, the resulting values may differ if different assumptions are provided.

The book value and fair values of financial instruments, and any differences between them, as of March 31, 2010 were as follows.

	Millions of yen		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 43,667	¥ 43,667	¥ —
Trade receivables	97,076	97,076	—
Short-term investments and investment securities	25,299	25,301	2
<b>Total assets</b>	<b>¥ 166,042</b>	<b>¥ 166,044</b>	<b>¥ 2</b>
Trade payables	¥ 65,488	¥ 65,488	¥ —
Short-term borrowings	2,315	2,315	—
Current portion of long-term debt	328	328	—
Long-term debt	654	653	(1)
<b>Total liabilities</b>	<b>¥ 68,785</b>	<b>¥ 68,784</b>	<b>¥ (1)</b>

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	\$ 469,538	\$ 469,538	\$ —
Trade receivables	1,043,828	1,043,828	—
Short-term investments and investment securities	272,032	272,053	21
<b>Total assets</b>	<b>\$ 1,785,398</b>	<b>\$ 1,785,419</b>	<b>\$ 21</b>
Trade payables	\$ 704,172	\$ 704,172	\$ —
Short-term borrowings	24,892	24,892	—
Current portion of long-term debt	3,527	3,527	—
Long-term debt	7,032	7,022	(10)
<b>Total liabilities</b>	<b>\$ 739,623</b>	<b>\$ 739,613</b>	<b>\$ (10)</b>

Notes:

1. Method of measuring the fair value of financial instruments  
Assets

(1) Cash and cash equivalents

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(2) Trade receivables

The carrying amount of installment sales receivables approximates the fair value, which is based on the present value of future cash flows through maturity discounted using an estimated credit risk adjusted interest rate. The carrying amounts of notes and trade receivables other than installment sales receivables approximates fair value because of the short maturity of these instruments.

(3) Short-term investments and investment securities

The fair value of marketable securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or the price provided by financial institutions. Marketable and investment securities classified according to the purpose for which they are held are described in Note 4.

Liabilities

(1) Trade payables

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(2) Short-term borrowings

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(3) Current portion of long-term debt

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(4) Long-term debt

Fair value of long-term debt is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

2. Financial instruments for which the fair value is extremely difficult to determine

	Millions of yen	Thousands of U.S. dollars
	Book value	
Non-marketable securities	¥ 1,578	\$ 16,968
Preferred securities	500	5,377
	<b>¥ 2,078</b>	<b>\$ 22,345</b>

Financial instruments for which there is no fair value and for which the fair value is extremely difficult to determine are not included in (3) Short term investments and investment securities.

3. The redemption schedule for financial assets with maturities was as follows:

	Millions of yen			
	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and cash equivalents	¥ 43,667	¥ —	¥ —	¥ —
Trade receivables	77,631	18,757	688	—
Short-term investments and investment securities	5,723	—	—	—
Time deposits	—	—	—	—
Held-to-maturity securities	—	100	—	—
Corporate bonds	100	47	—	—
Available-for-sale securities with maturities	1,800	—	500	—
(1) Government and municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	1,800	—	500	—
Short-term investments and investment securities total	7,623	147	500	—
	<b>¥ 128,921</b>	<b>¥ 18,904</b>	<b>¥ 1,188</b>	<b>¥ —</b>

	Thousands of U.S. dollars			
	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and cash equivalents	\$ 469,538	\$ —	\$ —	\$ —
Trade receivables	834,742	201,688	7,398	—
Short-term investments and investment securities	61,537	—	—	—
Time deposits	—	—	—	—
Held-to-maturity securities	—	1,075	—	—
Corporate bonds	1,075	506	—	—
Available-for-sale securities with maturities	19,355	—	5,376	—
(1) Government and municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	19,355	—	5,376	—
Short-term investments and investment securities total	81,967	1,581	5,376	—
	<b>\$ 1,386,247</b>	<b>\$ 203,269</b>	<b>\$ 12,774</b>	<b>\$ —</b>

4. For the repayment schedule for bonds payable and long-term loans payable at March 31, 2010, see Note 6. Short-term borrowings and long-term debt.

## 14. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the year ended March 31, 2010 are summarized as follows:

Name	Title	Transaction	Millions of Yen	Thousands of U.S. dollars
Takao Taguchi	Director	Sales of housing	48	516



## 15. 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, 2010, 2009 and 2008 was summarized as follows:

	Transportation services	Vehicle sales	Merchandise sales	Leasing for real estate services	Other	Total	Elimination	Consolidated
<b>For the year 2010:</b>								
Operating revenue: Millions of yen								
External customers	¥ 362,628	¥ 87,132	¥ 21,779	¥ 1,265	¥ 13,004	¥ 485,808	¥ —	¥ 485,808
Inter-segment sales	1,649	4,848	21,410	—	12,827	40,734	(40,734)	—
Total operating revenue	364,277	91,980	43,189	1,265	25,831	526,542	(40,734)	485,808
Operating costs and expenses	362,516	88,683	42,590	214	25,626	519,629	(40,442)	479,187
Operating income	¥ 1,761	¥ 3,297	¥ 599	¥ 1,051	¥ 205	¥ 6,913	(292)	¥ 6,621
Identifiable assets	¥ 391,072	¥ 91,155	¥ 11,880	¥ 11,121	¥ 17,855	¥ 523,083	¥ (38,409)	¥ 484,674
Depreciation	16,741	1,785	77	64	287	18,954	(263)	18,691
Impairment loss on fixed assets	2,324	80	—	—	—	2,404	—	2,404
Capital expenditures	9,078	1,436	134	2	286	10,936	(158)	10,778
<b>For the year 2009:</b>								
Operating revenue: Millions of yen								
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 (loss)	¥ (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	(265)	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
<b>For the year 2008:</b>								
Operating revenue: Millions of yen								
External customers	¥ 331,862	¥ 85,537	—	¥ 1,146	¥ 33,433	¥ 451,978	¥ —	¥ 451,978
Inter-segment sales	1,669	8,473	—	—	39,644	49,786	(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
<b>For the year 2010:</b>								
Operating revenue: Thousands of U.S. dollars								
External customers	\$ 3,899,226	\$ 936,903	\$ 234,183	\$ 13,602	\$ 139,828	\$ 5,223,742	\$ —	\$ 5,223,742
Inter-segment sales	17,731	52,129	230,215	—	137,925	438,000	(438,000)	—
Total operating revenue	3,916,957	989,032	464,398	13,602	277,753	5,661,742	(438,000)	5,223,742
Operating costs and expenses	3,898,022	953,581	457,957	2,301	275,548	5,587,409	(434,861)	5,152,548
Operating income	\$ 18,935	\$ 35,451	\$ 6,441	\$ 11,301	\$ 2,205	\$ 74,333	\$ (3,139)	\$ 71,194
Identifiable assets	\$ 4,205,075	\$ 980,161	\$ 127,742	\$ 119,581	\$ 191,989	\$ 5,624,548	\$ (413,000)	\$ 5,211,548
Depreciation	180,011	19,194	828	688	3,086	203,807	(2,828)	200,979
Impairment loss on fixed assets	24,989	860	—	—	—	25,849	—	25,849
Capital expenditures	97,613	15,441	1,441	21	3,075	117,591	(1,699)	115,892

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, the "Merchandise sales" segment, which was included in the "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 composition was applied, operating revenue and operating income of the "Other" segment would have been ¥47,998 million and ¥579 million more, respectively, for the year ended March 31, 2009.

### (Accounting standard for measurement of inventories)

As disclosed in Note 2(f), from the year ended March 31, 2009, the Company changed the measurement of inventories. As a result, as compared with the amounts that would have been recorded with the previous accounting method, operating income of the "Vehicle sales" segment and "Other" segment for the year ended March 31, 2009 were ¥72 million and ¥8 million less, respectively.

### (Accounting standard for lease transactions)

As disclosed in Note 2(h), effective from April 1, 2008, the Company and its consolidated domestic subsidiaries have adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalize assets 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(g), 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 amounts that would have been recorded with the previous accounting method, operating income of the "Transportation services" segment, "Vehicle sales" segment and "Other" segment were ¥352 million, ¥68 million and ¥12 million less 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 the "Transportation services" segment, "Vehicle sales" segment, "Leasing for real estate services" segment and "Other" segment were ¥653 million, ¥29 million, ¥2 million, and ¥9 million less, respectively, for the year ended March 31, 2008, than the amounts that would have been recorded with the previous accounting method.

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

As also described in Note 2(i), 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 amounts that would have been recorded with the previous accounting method, operating income of the "Transportation services" segment, "Vehicle sales" segment, "Other" segment and "Elimination" column were ¥94 million, ¥6 million, ¥41 million and ¥20 million less, respectively, for the year ended March 31, 2008.

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, 2010, 2009 and 2008. Information for overseas sales is not disclosed because such sales were not material.

# Report of Independent Auditors

## 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, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2010, 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.

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, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

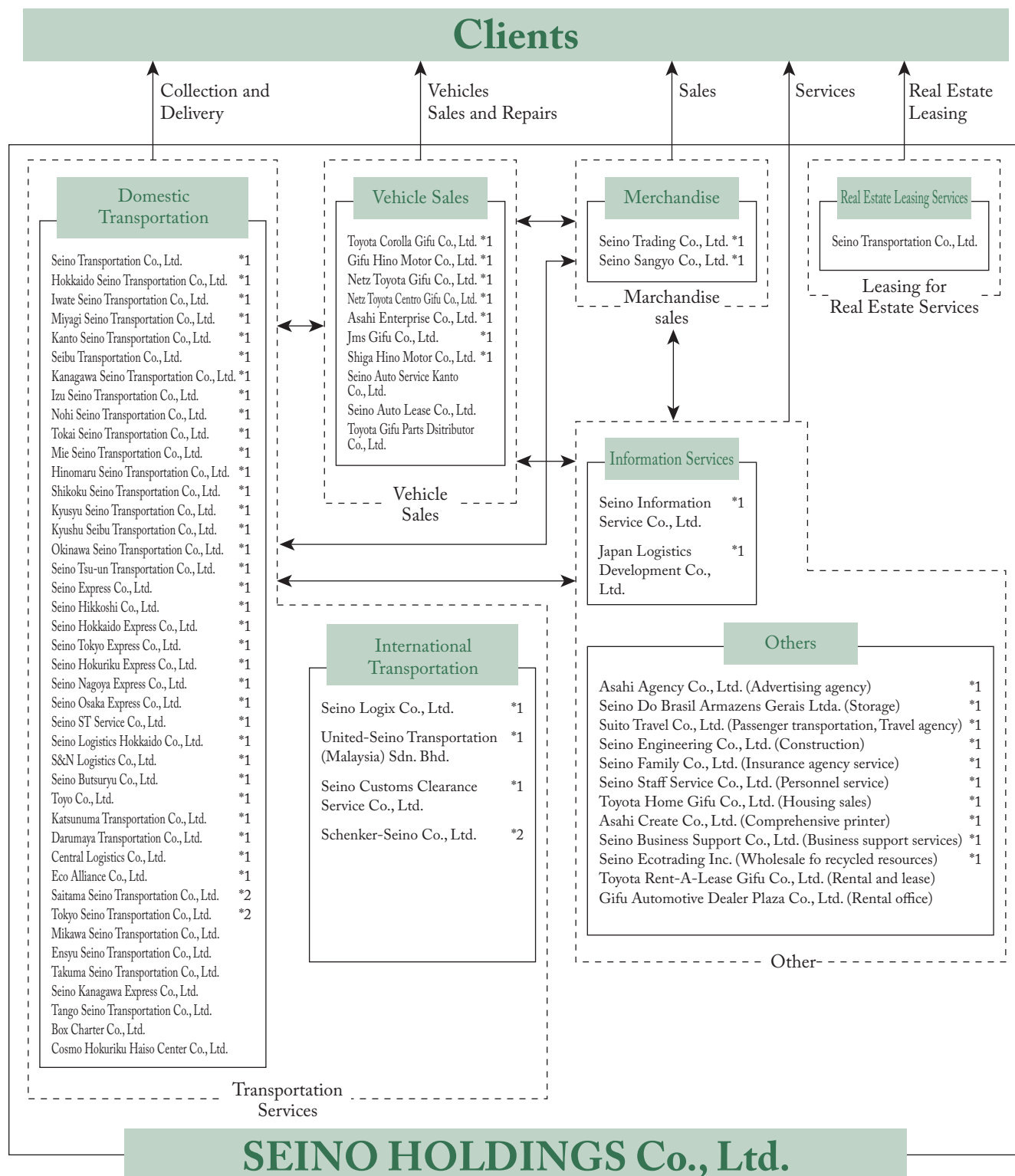
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA & Co.*

KPMG AZSA & Co.  
Nagoya, Japan  
June 29, 2010

# Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 59 consolidated subsidiaries and 13 affiliates. The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services. The Business relationship in the Seino Group is as follows.



Note \*1: Consolidated subsidiaries 59

\*2: Affiliates (under the equity method) 3

Companies except those mentioned above are affiliates under the cost method. 10



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