

**Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2017  
[Japan GAAP]**

January 30, 2017

Name of Listed Company:	SENKO Co., Ltd.	Stock Listed on:	The First Section of the Tokyo Stock Exchange
Code Number:	9069	URL	<a href="http://www.senko.co.jp/en/">http://www.senko.co.jp/en/</a>
Representative:	Title: President	Name:	Yasuhisa Fukuda
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Scheduled Date of Issue of Financial Report:	February 14, 2017	Tel. (06) 6440-5155	
Scheduled Date of Dividend Paid:	-		
Supplemental Information Materials:	None		
Scheduled Date of Quarterly Information Meeting:	None		

1. Consolidated Operating Results for the Nine Months Ended December 31, 2016

(1) Consolidated Operating Results

Note: Amounts less than ¥1 million have been rounded down.

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2016	343,759	4.7	14,271	3.6	14,435	7.5	7,641	3.3
Nine months ended December 31, 2015	328,256	11.2	13,769	31.7	13,424	33.0	7,396	31.4

(Note) Comprehensive income

Nine months ended December 31, 2016: ¥9,574 million (8.8%)

Nine months ended December 31, 2015: ¥8,802 million (21.5%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2016	53.34	50.21
Nine months ended December 31, 2015	52.51	48.80

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2016	279,469	107,860	33.7	646.82
As of March 31, 2016	269,461	100,009	32.6	613.71

(Reference) Shareholders' equity:

As of December 31, 2016: ¥94,160 million

As of March 31, 2016: ¥87,715 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	-	9.00	-	11.00	20.00
Fiscal year ending March 31, 2017	-	11.00	-		
Fiscal year ending March 31, 2017 (Forecast)			-	11.00	22.00

(Note) Change in the estimation of dividend for the fiscal year in this period: None

Breakdown of the year-end dividend per share for the year ended March 31, 2016: ¥9 per share ordinary dividend, ¥2 per share commemorative dividend for the 70th anniversary of the foundation and 100th anniversary in business

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 2017	460,000	6.0	18,400	5.2	18,000	4.8	9,500	11.2	66.39

(Note) Change in the forecast made in this period: None

## Notes

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries associated with change in scope of consolidation): None
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatement
- (a) Changes due to revision of accounting standards: Yes
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: Yes
  - (d) Retrospective restatement: None
- (4) Shares outstanding (Common shares)
- (a) Shares outstanding (including treasury shares)

As of December 31, 2016:	146,927,420 shares	As of March 31, 2016:	144,834,771 shares
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  - (b) Treasury shares

As of December 31, 2016:	1,353,463 shares	As of March 31, 2016:	1,907,546 shares
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  - (c) Average number of shares (quarterly consolidated cumulative period)

Nine months ended December 31, 2016:	143,245,057 shares	Nine months ended December 31, 2015:	140,847,115 shares
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- (Note) Starting with the first quarter of the consolidated fiscal year ended March 31, 2015 (the three months ended June 30, 2014), the number of treasury shares at term-end includes Senko shares owned by the employee stock ownership plan (ESOP) trust, following revisions to accounting principles due to the amendment of accounting standards. (As of December 31, 2016: 946,800 shares; as of March 31, 2016: 1,449,000 shares.)

### Information concerning quarterly review procedure

This quarterly financial report is not subject to the quarterly review procedure prescribed by the Financial Instruments and Exchange Act. The review procedure prescribed by the Financial Instruments and Exchange Act for the quarterly consolidated financial statements had not been completed when this quarterly financial report was released.

### Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the assumptions used for forecasts and precautions concerning the use of forecasts, please see "Forecast for the fiscal year ending March 31, 2017" on page 3.

## Index to accompanying materials

1. Results of Operations and Financial Condition .....	2
(1) Results of operations .....	2
(2) Financial condition .....	3
(3) Forecast for the fiscal year ending March 31, 2017 .....	3
2. Other Information .....	4
(1) Changes in significant subsidiaries during the period .....	4
(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements .....	4
(3) Changes in accounting principles and estimates, and retrospective restatement .....	4
(4) Additional Information .....	4
3. Consolidated Financial Statements .....	5
(1) Consolidated balance sheets .....	5
(2) Consolidated statements of (comprehensive) income .....	7
Consolidated statements of income	
For the nine months ended December 31, 2015 and 2016 .....	7
Consolidated statements of comprehensive income	
For the nine months ended December 31, 2015 and 2016 .....	8

## 1. Results of Operations and Financial Condition

### (1) Results of operations

In the nine-month period of the fiscal year ending March 31, 2017 (April 1, 2016 to December 31, 2016), the Japanese economy emerged from a stagnant phase having shown signs of recovery amid ongoing improvement in the income and employment environment, combined with weakening of the yen and rising share prices ensuing since the fall season. However, business conditions remained at a standstill largely due to factors such as the economic slowdown overseas and weak consumer spending.

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

The following provides an outline of our main activities in the third quarter of the current fiscal year.

In Japan, we welcomed ACROSS TRANSPORT CO., LTD., a department store delivery agent involved in the fashion logistics business, into the Senko Group in April, and have accordingly been promoting business expansion by boosting cooperation with each of the Senko Group companies in charge of the fashion logistics businesses.

With regard to our large-scale distribution facilities, we commenced operations of the Narita Fashion Logistics Center II (Tomisato City, Chiba Prefecture) which provides logistics services for imported brands, the Nishikanto LC (Logistics Center) (Aikawa Town, Kanagawa Prefecture) which engages in operations for major general merchandise store outlets located in the western Kanto region, and the Kazo PD Center (Kazo City, Saitama Prefecture) which engages in operations for the Tokyo metropolitan area, in May, August and November, respectively. Moreover, in January 2017 we opened the Hino Distribution Center (Hino City, Tokyo) and started operations for major drug stores.

Outside Japan, we expanded the Kentucky Logistics Center (Kentucky, the United States) in August, extending it in terms of both scale and function in part by establishing a new freezer warehouse at the facility. We also started operation at our first Three-Temperature Zone Logistics Center in Myanmar in October. In addition, we have been engaging in initiatives geared to business expansion which have included forging ahead with construction of the second distribution center at Busan New Port in South Korea aiming at commencement of operations in October 2017, and also forming a business alliance with a Chinese major textile company, with plans to launch logistics operations for apparel in Shanghai, China from January 2018.

Meanwhile, regarding initiatives in the new business domain, we established a subsidiary in August, advancing into the real estate business. In October, we officially launched a nursing care business by making Keihanna helper station Co., Ltd., which operates a nursing care business, into a Senko Group subsidiary. Moreover, we entered the lifestyle support services business upon making housekeeping services provider Ienonaka Company, Ltd. a subsidiary in January 2017.

To upgrade our operating system, we have been promoting a modal shift to reduce the environmental impact and resolve the shortage of drivers, while boosting the use of our own trucks. Moreover, our driving school grounds for large vehicles at the Company's traffic safety training facility Crefeel Koto (Higashiomi City, Shiga Prefecture) gained approval to function as an authorized driving school in October, which will help us attract and train drivers going forward.

To ensure financial soundness, in September we transferred seven distribution centers to a real estate investment company (a private REIT) managed by Senko Asset Management Co., Ltd. Funds raised have been utilized for the construction of new distribution centers and other purposes.

Furthermore, in October we established SENKO UNIVERSITY, an in-house university for raising the sophistication and specialization of training content for human resources and developing strategic human resources, and we have been making progress in appointing women to managerial positions with the aim of promoting their active participation in the workplace.

The nine-month-period performance was as follows.

(Unit: Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change	%
Operating revenue	328,256	343,759	15,503	4.7
Operating income	13,769	14,271	501	3.6
Ordinary income	13,424	14,435	1,010	7.5
Profit attributable to owners of parent	7,396	7,641	244	3.3

Consolidated operating revenue for the nine-month period ended December 31, 2016 of the current fiscal year increased 4.7% year on year to ¥343,759 million. This result mainly reflected the aggressive expansion of sales and the contribution of ACROSS TRANSPORT CO., LTD., which was made a consolidated subsidiary of the Company.

On the profit front, consolidated operating income grew to ¥14,271 million, up 3.6% year on year, while consolidated ordinary income rose

to ¥14,435 million, up 7.5% year on year, due primarily to the sales expansion, revision of freight charges and lower fuel prices, despite a decline in freight volumes from existing customers. Profit attributable to owners of parent increased 3.3% to ¥7,641 million.

The nine-month-period operating revenue by segment was as follows.

#### **Distribution**

Operating revenue grew 5.5% year on year to ¥240,241 million in this segment. This was mainly attributable to a rise in operating revenue resulting from the consolidation of ACROSS TRANSPORT CO., LTD. and expansion of sales to new and existing customers, including a major drugstore.

#### **Trading & commerce**

Operating revenue grew 2.7% year on year to ¥100,039 million in this segment. This reflected the result of an increase in sales volume of existing products and sales expansion to new customers, despite a decline in sales caused by a drop in fuel prices in the petroleum marketing business.

#### **Others**

Operating revenue rose 11.1% year on year to ¥3,478 million in this segment. This was attributable to the growth of sales in the data processing services and expansion of the sales of electricity produced by solar power generation.

### (2) Financial condition

Assets, liabilities and net assets

#### **Total assets**

Total assets as of December 31, 2016 were ¥279,469 million, ¥10,008 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥106,435 million, up ¥13,055 million from the end of the previous fiscal year. This mainly reflected increases of ¥10,496 million in notes and operating accounts receivable and ¥961 million in merchandise and finished goods.

Non-current assets totaled ¥172,943 million, down ¥3,027 million from the end of the previous fiscal year. This was primarily due to a decrease in property, plant and equipment of ¥8,429 million largely as a result of transfers of seven distribution centers to the private REIT, despite increases in intangible assets of ¥1,861 million and investments and other assets of ¥3,539 million, respectively.

#### **Liabilities**

Liabilities as of December 31, 2016 increased ¥2,156 million from the end of the previous fiscal year to ¥171,608 million.

Current liabilities totaled ¥93,515 million, up ¥7,868 million from the end of the previous fiscal year. This was mainly due to increases of ¥6,007 million in electronically recorded obligations—operating and ¥5,511 million in short-term loans payable, despite a decrease of ¥5,000 million in current portion of bonds.

Non-current liabilities totaled ¥78,092 million, down ¥5,711 million from the end of the previous fiscal year. This was primarily due to a decrease in long-term loans payable of ¥6,664 million.

#### **Net assets**

Net assets as of December 31, 2016 rose ¥7,851 million from the end of the previous fiscal year to ¥107,860 million. This was mainly attributable to increases of ¥656 million in capital stock primarily as a result of the conversion to shares of convertible bond-type bonds with subscription rights to shares, ¥707 million in capital surplus, ¥4,481 million in retained earnings and ¥1,370 million in non-controlling interests. The equity ratio as of December 31, 2016 increased by 1.1 percentage points to 33.7% from the end of the previous fiscal year.

### (3) Forecast for the fiscal year ending March 31, 2017

The Japanese economy is expected to recover at a moderate pace amid improvement in consumer spending and other positive factors, yet business conditions remain unpredictable given mounting uncertainties regarding the overseas economic outlook, amid the prospect of shifts in U.S. government policy and other such developments.

In the logistics industry, the challenging environment is expected to continue given concerns of rising labor costs due to the shortage of drivers and rising fuel prices, amid a likely scenario of decreasing freight volumes.

In this environment, the Senko Group will continue trying to enhance its competitiveness, expand its business areas, and upgrade its operating system.

As of December 31, 2016, operating results were largely in line with forecasts, and no revisions have been made to the forecast of operating results for the fiscal year ending March 31, 2017 announced on October 31, 2016.

## 2. Other Information

- (1) Changes in significant subsidiaries during the period

None

- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements

None

- (3) Changes in accounting principles and estimates, and retrospective restatement

Changes in accounting principles

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

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

The above change had only a negligible effect on the profit and loss.

Changes in accounting estimates

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

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

In line with this change, when compared with the figures calculated for the previous amortization period, operating income, ordinary income and profit before income taxes for the nine months ended December 31, 2016 decreased by ¥217 million for each.

- (4) Additional information

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

Effective from the first quarter of the fiscal year ending March 31, 2017, the Company has adopted the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016).

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	18,477	18,793
Notes and operating accounts receivable	58,107	68,604
Merchandise and finished goods	6,967	7,929
Real estate for sale	3	-
Work in process	200	424
Raw materials and supplies	335	300
Other	9,317	10,409
Allowance for doubtful accounts	(29)	(26)
<b>Total current assets</b>	<b>93,380</b>	<b>106,435</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	62,412	54,826
Land	60,486	55,918
Other, net	13,824	17,549
<b>Total property, plant and equipment</b>	<b>136,723</b>	<b>128,294</b>
Intangible assets		
Goodwill	4,038	5,711
Other	3,906	4,094
<b>Total intangible assets</b>	<b>7,945</b>	<b>9,806</b>
Investments and other assets		
Investment securities	11,696	15,633
Guarantee deposits	10,572	11,249
Deferred tax assets	2,553	2,348
Other	7,506	6,579
Allowance for doubtful accounts	(1,026)	(967)
<b>Total investments and other assets</b>	<b>31,302</b>	<b>34,842</b>
<b>Total non-current assets</b>	<b>175,971</b>	<b>172,943</b>
Deferred assets		
Business commencement expenses	108	89
<b>Total deferred assets</b>	<b>108</b>	<b>89</b>
<b>Total assets</b>	<b>269,461</b>	<b>279,469</b>

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and operating accounts payable–trade	37,125	37,548
Electronically recorded obligations–operating	1,601	7,609
Current portion of bonds	5,000	-
Short-term loans payable	18,388	23,900
Income taxes payable	3,219	1,800
Provision for bonuses	3,959	2,466
Provision for directors' bonuses	220	155
Other	16,131	20,036
Total current liabilities	85,647	93,515
Non-current liabilities		
Bonds payable	7,000	7,000
Convertible bond-type bonds with subscription rights to shares	5,037	3,721
Long-term loans payable	55,943	49,279
Provision for directors' retirement benefits	363	271
Provision for special repairs	39	33
Net defined benefit liability	7,621	7,619
Asset retirement obligations	518	770
Other	7,279	9,396
Total non-current liabilities	83,804	78,092
Total liabilities	169,451	171,608
<b>Net assets</b>		
Shareholders' equity		
Capital stock	24,011	24,667
Capital surplus	22,838	23,545
Retained earnings	42,845	47,327
Treasury shares	(942)	(693)
Total shareholders' equity	88,752	94,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,448	1,762
Deferred gains or losses on hedges	(91)	89
Foreign currency translation adjustment	427	42
Remeasurements of defined benefit plans	(2,820)	(2,579)
Total accumulated other comprehensive income	(1,036)	(685)
Subscription rights to shares	359	396
Non-controlling interests	11,933	13,303
Total net assets	100,009	107,860
Liabilities and net assets	269,461	279,469

**(2) Consolidated statements of (comprehensive) income**

(Consolidated statements of income)

(For the nine months ended December 31, 2015 and 2016)

(Unit: Millions of Yen)

	Nine months ended December 31, 2015 (April 1, 2015–December 31, 2015)	Nine months ended December 31, 2016 (April 1, 2016–December 31, 2016)
Operating revenue	328,256	343,759
Operating cost	291,937	305,328
Operating gross profit	36,318	38,431
Selling, general and administrative expenses	22,548	24,159
Operating income	13,769	14,271
Non-operating income		
Interest income	137	76
Dividend income	106	121
Other	623	986
Total non-operating income	866	1,183
Non-operating expenses		
Interest expenses	837	710
Other	375	309
Total non-operating expenses	1,212	1,020
Ordinary income	13,424	14,435
Extraordinary income		
Gain on sales of non-current assets	286	212
Total extraordinary income	286	212
Extraordinary losses		
Expenses related to commemorative works for centennial anniversary	47	306
Loss on disaster	-	128
Loss on retirement of non-current assets	96	60
Litigation expenses	-	38
Loss on cancellation of leases	126	-
Loss on sales of non-current assets	54	-
Cancel penalty	35	-
Loss on sales of shares of subsidiaries and associates	32	-
Total extraordinary losses	394	534
Profit before income taxes	13,316	14,113
Income taxes—current	3,105	3,690
Income taxes—deferred	1,403	1,195
Total income taxes	4,508	4,885
Profit	8,808	9,228
Profit attributable to non-controlling interests	1,412	1,587
Profit attributable to owners of parent	7,396	7,641

(Consolidated statements of comprehensive income)  
(For the nine months ended December 31, 2015 and 2016)

(Unit: Millions of Yen)

	Nine months ended December 31, 2015 <small>(April 1, 2015–December 31, 2015)</small>	Nine months ended December 31, 2016 <small>(April 1, 2016–December 31, 2016)</small>
Profit	8,808	9,228
Other comprehensive income		
Valuation difference on available-for-sale securities	(76)	413
Deferred gains or losses on hedges	(34)	191
Foreign currency translation adjustment	(68)	(504)
Remeasurements of defined benefit plans, net of tax	174	245
Total other comprehensive income	(6)	346
Comprehensive income	8,802	9,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,441	7,991
Comprehensive income attributable to non-controlling interests	1,361	1,583