

## Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2014 [Japan GAAP]

October 31, 2013

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>
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Scheduled Date of Issue of Financial Report: November 12, 2013	Scheduled Date of Dividend Paid: December 3, 2013
Supplemental Information Materials: Yes	
Scheduled Date of Quarterly Information Meeting: Yes (for institutional investors)	

### 1. Consolidated Operating Results for the Six Months Ended September 30, 2013

#### (1) Consolidated Operating Results

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

	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2013	151,189	4.7	5,465	17.3	5,063	7.5	3,374	26.2
Six months ended September 30, 2012	144,412	13.9	4,658	22.6	4,711	28.9	2,674	62.5

#### (Note) Comprehensive income

Six months ended September 30, 2013 ¥3,686 million (62.5%)

Six months ended September 30, 2012 ¥2,268 million (40.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2013	26.46	23.94
Six months ended September 30, 2012	21.26	19.20

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2013	219,153	70,280	31.0	529.84
As of March 31, 2012	208,095	67,327	31.3	521.48

#### (Reference) Shareholders' equity:

As of September 30, 2013 ¥68,027 million      As of March 31, 2012 ¥65,139 million

### 2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	-	7.00	-	7.00	14.00
Fiscal year ending March 31, 2014	-	8.00			
Fiscal year ending March 31, 2014 (Forecast)			-	8.00	16.00

#### (Note) Change in the estimation of dividend for the fiscal year in this period: Yes

The dividend forecast announced on April 25, 2013 has been revised. Please see "(Reference) Fundamental policy for distribution of earnings and dividend for the fiscal year ending March 31, 2013" on page 4.

### 3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Percentage figures represent year on year changes)

	Operating revenues		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2014	325,000	10.7	12,200	23.1	11,400	12.9	6,400	23.0	50.20

#### (Note) Change in the forecast made in this period: Yes

Forecast stated in the results of operations for the fiscal year ending March 2014 announced on April 25, 2013 has been revised. Please refer to "Forecast for the Fiscal Year Ending March 31, 2014" on page 4.

## 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: None

(d) Retrospective restatement: None

(4) Shares outstanding (Common shares)

(a) Shares outstanding (including treasury stocks)

As of September 30, 2013	128,989,476 shares	As of March 31, 2013	128,989,476 shares
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(b) Treasury stock

As of September 30, 2013	597,240 shares	As of March 31, 2013	4,077,506 shares
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(c) Average number of shares (quarterly consolidated cumulative period)

Six months ended September 30, 2013	127,498,771 shares	Six months ended September 30, 2012	125,823,604 shares
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### Information concerning quarterly review procedure

This quarterly financial report is not subject to the quarterly review procedure prescribed by the Financial Instruments and Exchange Law.

The review procedure prescribed by the Financial Instruments and Exchange Law 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, 2014" on page 4.

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## 1. Results of Operations and Financial Condition

### (1) Results of operations

In the six-month period of the fiscal year ending March 31, 2014 (April 1, 2013 to September 30, 2013), the Japanese economy gradually recovered supported by robust domestic demand against a backdrop of the following factors: rising expectations for economic recovery through the government's economic stimulation measures, a recovery in consumer spending due to last-minute demand before the consumption tax hike, and visible signs of an improvement in capital expenditures reflecting improved corporate earnings.

In the logistics industry, there were signs of a growth in cargo of construction-related materials reflecting increasing public projects and consumer spending-related goods due to the spike in demand ahead of the consumption tax hike. Meanwhile, with fuel prices remaining at a high level due to the yen's depreciation, subsequent high fuel costs weighed on the industry as a whole.

In this environment, the Senko Group established a new four-year medium-term business plan that started in the fiscal year under review and is based on the slogan "Moving Global." The plan has three goals: go beyond logistics, make the world go round, and revolutionize business. The Group is working on achieving growth in the distribution business and commerce and trade business as well as on fostering a greater degree of trust among our customers by building a structure for services with high quality and outstanding performance in relation to the cost.

In the first half, we started operation of the Sapporo PD Center No. 2 Warehouse (Sapporo City) and new warehouses at the Daimon Distribution Center (Moriyama City, Shiga Prefecture) in April 2013. We also placed in commission an asphalt tanker that was constructed under a joint investment by the Company and a shipper in May 2013. In addition, we opened the Chubu Housing Distribution Center (Nagoya City) as a logistics hub for housing materials in the Chubu region in August 2013 and the Komaki No. 2 PD Center (Komaki City, Aichi Prefecture) in September 2013 to expand our business base in the Chubu region.

Overseas, we continued to take actions aimed at strengthening and enlarging our international distribution business. Our actions include the following: component procurement and transportation services for Japanese automobile plants in Thailand that started in April 2013; the construction of a distribution center at Busan New Port in South Korea that began in June 2013; and distribution services for Japanese retailers in China that commenced in September 2013.

In the commerce and trade business segment, in September 2013 we concluded a capital and business alliance agreement with AST CORPORATION, one of the largest wholesalers of household paper products, in which we acquired a majority of the shares in AST. We will develop a business model featuring the integration of flow of trading activities and physical flow of goods by making full use of both AST's abilities to plan and sell products and Senko's know-how in logistics and nationwide distribution network.

In addition, as a part of environmental burden reduction activities, we started photovoltaic power generation by making efficient use of our distribution centers' roofs and launched the solar electricity sales business in September 2013.

The six-month-period performance was as follows.

	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	(Unit: Millions of Yen) %
Operating revenues	144,412	151,189	6,777	4.7
Operating income	4,658	5,465	807	17.3
Ordinary income	4,711	5,063	352	7.5
Net income	2,674	3,374	699	26.2

Consolidated operating revenues for the six-month period ended September 30, 2013 increased 4.7% from one year earlier to ¥151,189 million as revenues increased in both the distribution and the commerce and trade business segments. Earnings benefited from the growth in sales, cost-cutting measures and activities to raise productivity. The consolidation of special-purpose companies associated with a revision to an accounting standard also affected earnings. As a result, operating income increased 17.3% to ¥5,465 million, ordinary income increased 7.5% to ¥5,063 million, and net income increased 26.2% to ¥3,374 million.

The six-month-period business segment performance was as follows.

### **Distribution**

In retail product logistics, an increase in the volume of cargo for general merchandise stores, discount stores, and apparel volume retailers contributed to growth in operating revenues and there was progress in developing relationships with new customers in the electrical machinery and other machinery sector. In the housing logistics business, the cargo volume was higher along with the increasing in housing starts in Japan. In the chemicals logistics business, the Group conducted aggressive activities to increase sales, as production, exports and imports were sluggish in the chemical industry. The result was operating revenues of ¥116,931 million, 3.9% higher than one year earlier.

### **Commerce and trade**

In the commerce business, progress with activities to increase sales in the petroleum marketing business and a contribution to revenues from Obata Co., Ltd., a wholesaler of household products that joined the Senko Group in October 2012. In the trade business, there was an increase in exports of electronic components to China. The result was operating revenues of ¥32,814 million, 8.1% higher than one year earlier.

### **Others**

In this segment, operating revenues decreased 5.4% from one year earlier to ¥1,444 million, partly because of a decline in orders received for outsourced data processing services.

## (2) Financial condition

### 1) Assets, liabilities and net assets

#### **Total assets**

Total assets as of September 30, 2013 were ¥219,153 million, ¥11,058 million higher than at the end of the previous fiscal year. There were increases of ¥2,222 million in current assets and ¥20,497 million in property, plant and equipment, while investments and other assets decreased ¥11,350 million. The consolidation of special-purpose companies caused increases of ¥1,633 million in current assets and ¥13,602 million in property, plant and equipment, and a decrease of ¥10,742 million in investments and other assets.

#### **Liabilities**

Liabilities increased ¥8,105 million from the end of the previous fiscal year to ¥148,873 million. Long-term loans payable increased ¥11,237 million and provision for retirement benefits decreased ¥3,266 million. The consolidation of special-purpose companies caused increases of ¥1,556 million in current liabilities and ¥2,945 million in noncurrent liabilities.

#### **Net assets**

Net assets increased ¥2,953 million from the end of the previous fiscal year to ¥70,280 million. Retained earnings increased ¥2,493 million. The equity ratio decreased by 0.3 percentage point to 31.0%.

### 2) Cash flows

Cash and cash equivalents as of September 30, 2013 totaled ¥20,066 million, an increase of ¥4,375 million from the end of the previous fiscal year.

Net cash provided by operating activities was ¥4,686 million. Major sources of cash were income before income taxes of ¥5,716 million, depreciation and amortization of ¥3,702 million, and a ¥2,768 million decrease in notes and accounts receivable-trade, while uses of cash involved a ¥3,266 million decrease in provision for retirement benefits, a ¥1,405 million decrease in notes and accounts payable-trade, and income taxes paid of ¥2,447 million.

Net cash used in investing activities was ¥6,943 million. The main use of cash involved purchases of property, plant and equipment totaling ¥8,288 million, while the main source of cash was proceeds of ¥1,024 million from sales of investment securities.

Net cash provided by financing activities was ¥4,988 million. There were proceeds of ¥12,740 million from long-term loans payable, while cash was used mainly by repayments of ¥6,091 million for long-term loans payable, repayments of ¥1,213 million for finance lease obligations, and cash dividends of ¥873 million.

(3) Forecast for the fiscal year ending March 31, 2014

The outlook for the Japanese economy is expected to remain solid supported by domestic demand, such as last-minute demand before the consumption tax hike and capital expenditures by private companies.

In this environment, based on its medium-term management plan, the Senko Group will develop and provide high-value-added services, expand the distribution center business, strengthen businesses in the Asian region, develop new businesses, and enhance profitability.

Considering the consolidation of special purpose companies associated with a revision to an accounting standard and AST CORPORATION, we have revised the forecast of consolidated operating results for the fiscal year ending March 31, 2014 as follows:

	Operating revenues	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	310,000	11,000	11,000	6,000	47.40
Revised forecast (B)	325,000	12,200	11,400	6,400	50.20
Difference (B – A)	15,000	1,200	400	400	-
Difference (%)	4.8	10.9	3.6	6.7	-
Reference: Previous operating results (the fiscal year ended March 31, 2013)	293,534	9,908	10,100	5,202	41.45

(Reference) Fundamental policy for distribution of earnings and dividend for the fiscal year ending March 31, 2013

The fundamental policy is to return earnings to shareholders by paying stable dividends and dividends that are linked to results of operations while maintaining the internal reserves needed for future business development and management structure reinforcement. In accordance with this policy, based on six-month consolidated results of operations and forecast of consolidated operating results for the fiscal year ending March 31, 2014, Senko plans to pay an annual dividend of ¥16.00 per share, the sum of a ¥8.00 interim dividend and ¥8.00 year-end dividend.

Record date	Dividends per share (yen)		
	September 30	March 31	Annual dividend
Previous forecast (announced on April 25, 2013)	7.00	7.00	14.00
New forecast		8.00	16.00
Results for the six months ended September 30, 2013	8.00		
Results for the fiscal year ended March 31, 2013	7.00	7.00	14.00

## 2. Other Information

(1) Changes in significant subsidiaries

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

Change in accounting principle

(Application of accounting standard for consolidated financial statements)

Starting with the six-month period of the fiscal year ending March 31, 2014, Senko is applying the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, March 25, 2011), Guidance on Disclosure about Certain Special Purpose Entities (ASBJ Guidance No. 15, March 25, 2011), Guidance on Determining a Subsidiary and an Affiliate (ASBJ Guidance No. 22, March 25, 2011), and Practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations (ASBJ Practical Issues Task Force No. 20, March 25, 2011). As a result, Y.K. SK Urawa and five other companies have become consolidated subsidiaries.

For the application of the above accounting standards and other items to the six newly consolidated subsidiaries, in accordance with the transitional handling prescribed in Section 44-4 (3) of the Accounting Standard for Consolidated Financial Statements, at the beginning of the first fiscal year of applying this standard the assets and liabilities of the six newly consolidated subsidiaries were valued at a suitable book value for inclusion in the consolidated balance sheet.

The consolidation of these six companies did not have a material effect on retained earnings at the beginning of the six-month period of the fiscal year ending March 31, 2014.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2013	As of September 30, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	15,690	20,066
Notes and accounts receivable	42,387	39,627
Merchandise	4,399	4,526
Real estate for sale	3	3
Work in process	190	172
Supplies	186	180
Other	6,072	6,561
Allowance for doubtful accounts	(66)	(54)
Total current assets	68,863	71,085
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	44,117	57,691
Land	40,098	44,108
Other (net)	11,389	14,302
Total property, plant and equipment	95,605	116,102
Intangible assets		
Goodwill	3,452	3,316
Other	3,477	3,302
Total intangible assets	6,930	6,619
Investments and other assets		
Guarantee deposits	9,252	9,323
Deferred tax assets	3,435	2,782
Other	24,407	13,661
Allowance for doubtful accounts	(399)	(420)
Total investments and other assets	36,696	25,346
Total noncurrent assets	139,232	148,068
<b>Total assets</b>	<b>208,095</b>	<b>219,153</b>



(Unit: Millions of Yen)

	As of March 31, 2013	As of September 30, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and operating accounts payable-trade	31,377	30,245
Short-term loans payable	14,475	15,246
Income taxes payable	2,540	1,757
Provision for bonuses	3,118	3,439
Provision for directors' bonuses	181	74
Other	12,142	12,124
<b>Total current liabilities</b>	<b>63,835</b>	<b>62,887</b>
Noncurrent liabilities		
Bonds payable	12,000	12,000
Convertible bond-type bonds with subscription rights	5,000	5,000
Long-term loans payable	41,749	52,987
Provision for retirement benefits	9,269	6,002
Provision for directors' retirement benefits	65	62
Provision for special repairs	61	54
Asset retirement obligations	324	327
Other	8,462	9,550
<b>Total noncurrent assets</b>	<b>76,931</b>	<b>85,985</b>
<b>Total liabilities</b>	<b>140,767</b>	<b>148,873</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	20,521	20,521
Capital surplus	18,782	18,834
Retained earnings	26,468	28,962
Treasury stock	(1,353)	(1,214)
<b>Total shareholders' equity</b>	<b>64,418</b>	<b>67,103</b>
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	673	787
Deferred gains or losses on hedges	(4)	(14)
Foreign currency translation adjustment	52	150
<b>Total accumulated other comprehensive income</b>	<b>720</b>	<b>923</b>
Subscription rights to shares	195	235
Minority interests	1,992	2,017
<b>Total net assets</b>	<b>67,327</b>	<b>70,280</b>
<b>Liabilities and net assets</b>	<b>208,095</b>	<b>219,153</b>

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

(Consolidated statements of income)

(For the six months ended September 30, 2012 and 2013)

(Unit: Millions of Yen)

	Six months ended September 30, 2012 (April 1, 2012–September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013–September 30, 2013)
Operating revenues	144,412	151,189
Cost of sales	129,976	135,583
Gross profit	14,436	15,605
Selling, general and administrative expenses	9,777	10,139
Operating income	4,658	5,465
Non-operating income		
Interest income	87	78
Dividend income	473	57
Other	282	272
Total non-operating income	843	409
Non-operating expenses		
Interest expenses	586	624
Other	204	187
Total non-operating expenses	790	811
Ordinary income	4,711	5,063
Extraordinary income		
Gain on sales of investment securities	-	549
Gain on revision of retirement benefit plan	-	239
Gain on sales of noncurrent assets	-	145
Insurance income	-	32
Total extraordinary income	-	966
Extraordinary loss		
Loss on retirement of noncurrent assets	-	134
Loss on valuation of investments in capital of subsidiaries and affiliates	-	104
Loss on cancellation of lease contracts	-	51
Provision of allowance for doubtful accounts for subsidiaries and affiliates	-	22
Loss on valuation of investment securities	35	-
Total extraordinary loss	35	313
Income before income taxes	4,675	5,716
Income taxes-current	1,708	1,764
Income taxes-deferred	275	536
Total income taxes	1,984	2,301
Income before minority interests	2,690	3,415
Minority interest in income or loss	16	41
Net income	2,674	3,374

(Consolidated statements of comprehensive income)  
(For the six months ended September 30, 2012 and 2013)

(Unit: Millions of Yen)

	Six months ended September 30, 2012 (April 1, 2012–September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013–September 30, 2013)
Income before minority interests	2,690	3,415
Other comprehensive income		
Valuation difference on available-for-sale securities	(218)	122
Deferred gains or losses on hedges	(216)	(9)
Foreign currency translation adjustment	12	158
Share of other comprehensive income of associates accounted for using the equity method	0	-
Total other comprehensive income	(421)	271
Comprehensive income	2,268	3,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,257	3,577
Comprehensive income attributable to minority interests	11	109

**(3) Consolidated statements of cash flows**

(Unit: Millions of Yen)

	Six months ended September 30, 2012 (April 1, 2012–September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013–September 30, 2013)
<b>Cash flows from operating activities</b>		
Income before income taxes	4,675	5,716
Depreciation and amortization	3,325	3,702
Loss on retirement of noncurrent assets	7	134
Loss (gain) on valuation of investment securities	35	–
Loss (gain) on sales of investment securities	–	(549)
Loss (gain) on sales of noncurrent assets	0	(145)
Increase (decrease) in provision for retirement benefits	29	(3,266)
Increase (decrease) in provision for bonuses	239	320
Increase (decrease) in provision for loss on disaster	(43)	–
Interest and dividends income	(561)	(136)
Interest expenses	586	624
Decrease (increase) in notes and accounts receivable-trade	482	2,768
Decrease (increase) in inventories	138	(103)
Increase (decrease) in notes and accounts payable-trade	(2,158)	(1,405)
Other	(209)	(1)
Sub-total	6,549	7,658
Interest and dividends income received	119	100
Interest expenses paid	(580)	(625)
Income taxes paid	(2,203)	(2,447)
Net cash provided by (used in) operating activities	3,885	4,686
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,256)	(8,288)
Proceeds from sales of property, plant and equipment	44	359
Purchase of investment securities	(23)	(26)
Proceeds from sales of investment securities	2	1,024
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	23	–
Purchase of stocks of subsidiaries and affiliates	–	(143)
Income from sales of stocks of subsidiaries and affiliates	22	12
Other	(385)	118
Net cash provided by (used in) investing activities	(3,570)	(6,943)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(2,283)	420
Proceeds from long-term loans payable	6,506	12,740
Repayment of long-term loans payable	(2,310)	(6,091)
Repayments of finance lease obligations	(1,100)	(1,213)
Proceeds from issuance of bonds with subscription rights	5,000	–
Expense from issuance of bonds with subscription rights	(4,900)	–
Purchase of treasury stock	(1)	(2)
Proceeds from sales of treasury stock	0	172
Cash dividends paid	(713)	(873)
Other	(159)	(162)
Net cash provided by (used in) financing activities	37	4,988
Effect of exchange rate change on cash and cash equivalents	8	52
Net increase (decrease) in cash and cash equivalents	361	2,783
Cash and cash equivalents at beginning of period	13,354	15,690
Net increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	1,591
Cash and cash equivalents at end of period	13,715	20,066