

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2015 [Japan GAAP]

July 31, 2014

Name of Listed Company: SENKO Co., Ltd.	Stock Listed on: The First Section of the Tokyo Stock Exchange
Code Number: 9069	URL http://www.senko.co.jp/en/
Representative: Title: President	Name: Yasuhisa Fukuda
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Scheduled Date of Issue of Financial Report: August 13, 2014	Scheduled Date of Dividend Paid: —
Supplemental Information Materials: None	
Scheduled Date of Quarterly Information Meeting: None	

1. Consolidated Operating Results for the Three Months Ended June 30, 2014

(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	%
Three months ended June 30, 2014	89,125	19.3	2,389	(12.4)	2,320	(9.8)	1,408	(13.0)
Three months ended June 30, 2013	74,710	4.1	2,727	23.1	2,571	12.5	1,619	25.9

(Note) Comprehensive income

Three months ended June 30, 2014: ¥1,564 million (-19.1%)

Three months ended June 30, 2013: ¥1,933 million (79.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2014	11.20	9.36
Three months ended June 30, 2013	12.96	11.70

(Note) The figures for consolidated operating results (cumulative) for the three months ended June 30, 2013 are after retrospective application of the changes to accounting principles following the revision of accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2014	241,490	73,642	28.7	549.60
As of March 31, 2014	243,570	72,302	27.8	539.52

(Reference) Shareholders' equity:

As of June 30, 2014 ¥69,202 million As of March 31, 2014 ¥67,819 million

(Note) The figures for the consolidated financial position for the fiscal year ended March 31, 2014 are after retrospective application of the changes to accounting principles following the revision of accounting standards.

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	-	8.00	-	8.00	16.00
Fiscal year ending March 31, 2015	-	-	-	-	-
Fiscal year ending March 31, 2015 (Forecast)	-	8.00	-	8.00	16.00

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

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(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
First half ending September 30, 2014	184,000	21.7	6,000	9.8	5,500	8.6	3,100	(8.1)	24.64
Fiscal year ending March 31, 2015	380,000	13.8	14,000	15.5	13,000	15.0	7,400	13.8	58.83

(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: None
 - (d) Retrospective restatement: None

(4) Shares outstanding (Common shares)

(a) Shares outstanding (including treasury stocks)

As of June 30, 2014	129,014,856 shares	As of March 31, 2014	128,989,476 shares
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(b) Treasury stock

As of June 30, 2014	3,098,949 shares	As of March 31, 2014	3,284,287 shares
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(c) Average number of shares (quarterly consolidated cumulative period)

Three months ended June 30, 2014	125,789,447 shares	Three months ended June 30, 2013	124,963,376 shares
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(Note) Starting with the quarterly consolidated fiscal period under review, the number of shares of treasury stock 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 June 30, 2014: 2,492,000 shares; as of March 31, 2014: 2,680,000 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 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 six-month period and the full-term of the fiscal year ending March 31, 2015" 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 six-month period and the full-term of the fiscal year ending March 31, 2015	3
2. Other Information	4
(1) Changes in significant subsidiaries.....	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
3. Consolidated Financial Statements	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of (comprehensive) income	7
Consolidated statements of income	
For the three months ended June 30, 2013 and 2014	7
Consolidated statements of comprehensive income	
For the three months ended June 30, 2013 and 2014	8

1. Results of Operations and Financial Condition

(1) Results of operations

In the three-month period of the fiscal year ending March 31, 2015 (April 1, 2014 to June 30, 2014), the Japanese economy saw a deterioration in business conditions due to the impact of the consumption tax hike across a wide range of industries including non-manufacturing industries such as retail and wholesale as well as manufacturing industries such as automobile-related and housing-related sectors. However, signs of recovery have appeared in consumer spending since around June.

In the logistics industry, a drop was seen in the cargo volumes of consumer spending-related goods, construction-related materials and production-related goods due to the impact of the consumption tax hike. In addition, the industry environment remained severe, with fuel prices kept at a high level and an increase in outsourcing cost due to a shortage of trucks and drivers.

In this environment, the Senko Group established a new four-year medium-term business plan that began in the fiscal year ended March 31, 2014 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 to achieve growth in the distribution business and commerce and trade business as well as to foster an even greater degree of trust among its customers by building a structure for services with high quality and outstanding performance in relation to cost.

In the first quarter, we added a new warehouse at the Tawaramoto Distribution Center (Shiki-gun, Nara Prefecture) in May to address the expansion of distribution operations for home centers. We also started operation of the Moriyama PD Center No. 3 Warehouse (Moriyama City, Shiga Prefecture) in June to expand business in the Kyoto/Shiga area. Furthermore, we are constructing new distribution centers in the Tohoku, Kanto and Chubu areas and have started construction of a distribution center that handles import/export cargo at the Laem Chabang Port, Thailand in an effort to strengthen our distribution center business both in Japan and abroad.

In May, we obtained orders for distribution operations in the Kyushu area from a major beverage manufacturer. As companies increasingly outsource their distribution, the Senko Group intends to further expand its distribution business by precisely targeting such moves.

In June, we acquired shares of Sankyo Butsuryu Niyaku Co., Ltd. and Sankyo Logistics Co., Ltd., which carry out sorting, packing, shipping and transport of agricultural products in Hokkaido, and added them to the Senko Group. We intend to integrate their expertise in handling agricultural products with our distribution network and provide new agricultural-related distribution services.

Furthermore, in order to strengthen the functions of the distribution centers with the aim of enhancing competitiveness, we have been working to establish a shipping network of small-lot cargo in the metropolitan areas of Kanto, Chubu, Kansai and Kyushu. In addition, we have set up a human resource securement development project in April to enhance the production system and thereby strengthen our workforce, develop personnel and improve the quality of distribution.

The three-month-period performance was as follows.

(Unit: Millions of Yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Change	%
Operating revenues	74,710	89,125	14,414	19.3
Operating income	2,727	2,389	(338)	(12.4)
Ordinary income	2,571	2,320	(250)	(9.8)
Net income	1,619	1,408	(210)	(13.0)

Consolidated operating revenues for the three-month period ended June 30, 2014 increased 19.3% year on year to ¥89,125 million due to aggressive expansion of sales and the consolidation of AST CORPORATION through M&A last October. Profits dropped due to cost increases such as surges in fuel prices and outsourcing costs, despite effects from a rise in revenues. Exchange rate fluctuations in the commerce and trade business also affected earnings. As a result, consolidated operating income dropped 12.4% to ¥2,389 million, ordinary income decreased 9.8% to ¥2,320 million, and net income declined 13.0% to ¥1,408 million.

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

Distribution

In retail product logistics, we received an order for distribution operations from a major beverages manufacturer. The volume of cargo for apparel volume retailers also increased. In housing logistics business, the Senko Group conducted aggressive sales promotion activities targeting mainly housing material manufacturers, although there were some decreases in cargo volume due to the impact of the consumption tax hike. In the chemicals logistics business, there was a positive effect from large-scale capital expenditure, such as the asphalt tanker that was built last year, as well as orders in new operations due to expanded sales. The result was operating revenues of ¥60,769 million, a 5.0% year-on-year increase.

Commerce and trade

In the commerce and trade business, operating revenues increased 69.8% year on year to ¥27,373 million due to the merger effect of AST CORPORATION and sales growth in the petroleum marketing business.

Others

In this segment, operating revenues rose 39.0% year on year to ¥982 million, partly due to the launch of the solar electricity sales business last September.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of June 30, 2014 were ¥241,490 million, a decline of ¥2,079 million from the end of the previous fiscal year. There were increases of ¥983 million in property, plant and equipment, ¥623 million in intangible assets and ¥747 million in investments and other assets, while current assets decreased ¥4,434 million.

Liabilities

Liabilities dropped ¥3,419 million from the end of the previous fiscal year to ¥167,848 million, reflecting declines of ¥1,696 million in current liabilities and ¥1,723 million in noncurrent liabilities.

Net assets

Net assets rose ¥1,339 million from the end of the previous fiscal year to ¥73,642 million, reflecting increases of ¥984 million in retained earnings and ¥195 million in valuation differences on available-for-sale securities. The equity ratio increased by 0.9 percentage points to 28.7%.

(3) Forecast for the six-month period and the full-term of the fiscal year ending March 31, 2015

Although the Japanese economy is expected to stage a mild recovery reflecting the diminishing impact of the consumption tax hike, the severe environment is expected to continue in the logistics industry due to the issue of the personnel shortage and a range of cost increases, including the surge in fuel prices.

In this environment, the Senko Group will continue to enhance its competitiveness, improve its profitability and upgrade its operating system.

Operating results as of June 30, 2014 were generally as planned, and there is no revision to the forecast of operating results for the six-month period and the full-term of the fiscal year ending March 31, 2015 announced on May 7, 2014.

As stated in "Notice of Capital and Business Alliance with Runtec Corporation and the Incorporation of Runtec as a Subsidiary," which was disclosed today, we are monitoring the impact of the consolidation of Runtec Corporation on our consolidated operating results for the fiscal year ending March 2015.

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

Changes in accounting principles

(Application of accounting standard, etc. for retirement benefits)

Starting with the three-month period of the fiscal year ending March 31, 2015, Senko has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the "Guidance") with regard to the provisions prescribed in the main text of Section 35 of the Accounting Standard and Section 67 of the Guidance. As a result, the calculation methods of retirement benefit obligations and service costs were reviewed, the period attribution method of the expected amount of retirement benefits was changed from straight-line attribution to benefit calculation standard, and the decision method of the discount rate were changed from a single discount rate to a single weighted average discount rate (equivalence system).

In accordance with the transitional handling prescribed in Section 37 of the Accounting Standard, for the application of the above Accounting Standard and Guidance, the effect of the changes in the calculation methods of retirement benefit obligations and service costs were adjusted in retained earnings at the beginning of the three-month period of the current fiscal year.

As a result, liabilities pertaining to retirement benefits at the beginning of the three-month period of the fiscal year under review decreased by ¥823 million and retained earnings increased by ¥530 million. The application of the Accounting Standard and Guidance did not have a material effect on consolidated cumulative profits and losses for the three-month period of the current fiscal year.

(Application of practical solution on transactions of delivering the Company's own stock to employees, etc. through trusts)

Starting with the three-month period of the fiscal year ending March 31, 2015, Senko has applied the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts (ASBJ Practical Issues Task Force No. 30, December 25, 2013; hereinafter referred to as the "Practical Solution"). The disposal difference was acknowledged at the time of disposal of our treasury stock to the trust, and the profit/loss on the sale of shares sold from the trust to the Senko Group Employee's Stockholding, the dividend from Senko with respect to the shares owned by the trust, and the net amount of the costs related to the trust have been recorded in liabilities. The said change in accounting principles has been applied retrospectively, with the quarterly consolidated financial statements and consolidated financial statements for the three-month period of the previous fiscal year and the previous consolidated fiscal year based on retrospective application.

As a result, advances paid and deposits as of the end of the previous consolidated fiscal year decreased by ¥23 million each, treasury stock decreased by ¥440 million and capital surplus increased by ¥440 million compared to before the Practical Solution was retrospectively applied.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	*17,767	*17,421
Notes and accounts receivable	51,764	47,420
Merchandise	6,076	6,296
Real estate for sale	3	3
Work in process	214	362
Supplies	209	185
Other	8,167	8,070
Allowance for doubtful accounts	(50)	(41)
Total current assets	84,153	79,719
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	*60,139	*60,836
Land	*56,092	*56,196
Other (net)	*12,225	*12,408
Total property, plant and equipment	128,457	129,441
Intangible assets		
Goodwill	3,178	3,640
Other	3,440	3,601
Total intangible assets	6,619	7,242
Investments and other assets		
Guarantee deposits	9,559	9,464
Deferred tax assets	4,234	4,058
Other	11,104	12,115
Allowance for doubtful accounts	(557)	(551)
Total investments and other assets	24,339	25,087
Total noncurrent assets	159,416	161,771
Total assets	243,570	241,490

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	36,603	35,570
Current portion of bonds	7,040	7,040
Short-term loans payable	*16,345	*17,306
Income taxes payable	2,766	358
Provision for bonuses	3,342	1,886
Provision for directors' bonuses	163	50
Other	13,080	15,432
Total current liabilities	79,340	77,644
Noncurrent liabilities		
Bonds payable	5,020	5,020
Convertible bond-type bonds with subscription rights	12,031	12,019
Long-term loans payable	*57,598	*57,318
Provision for directors' retirement benefits	187	191
Net defined benefit liability	6,804	6,057
Provision for special repairs	42	45
Asset retirement obligations	440	442
Other	9,802	9,108
Total noncurrent assets	91,927	90,203
Total liabilities	171,267	167,848
Net assets		
Shareholders' equity		
Capital stock	20,521	20,526
Capital surplus	19,337	19,342
Retained earnings	31,064	32,049
Treasury stock	(1,532)	(1,441)
Total shareholders' equity	69,390	70,476
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	738	934
Deferred gains or losses on hedges	(9)	(40)
Foreign currency translation adjustment	230	274
Remeasurements of defined benefit plans	(2,530)	(2,440)
Total accumulated other comprehensive income	(1,570)	(1,273)
Subscription rights to shares	235	235
Minority interests	4,247	4,204
Total net assets	72,302	73,642
Liabilities and net assets	243,570	241,490

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the three months ended June 30, 2013 and 2014)

(Unit: Millions of Yen)

	Three months ended June 30, 2013 (April 1, 2013–June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014–June 30, 2014)
Operating revenues	74,710	89,125
Cost of sales	66,940	80,057
Gross profit	7,770	9,067
Selling, general and administrative expenses	5,042	6,678
Operating income	2,727	2,389
Non-operating income		
Interest income	36	46
Dividend income	53	83
Other	135	194
Total non-operating income	225	325
Non-operating expenses		
Interest expenses	312	292
Other	68	101
Total non-operating expenses	381	394
Ordinary income	2,571	2,320
Extraordinary income		
Gain on sales of investment securities	330	-
Gain on revision of retirement benefit plan	239	-
Insurance income	32	-
Total extraordinary income	602	-
Extraordinary loss		
Litigation settlement	-	98
Loss on valuation of investments in capital of subsidiaries and affiliates	104	-
Loss on retirement of noncurrent assets	63	-
Loss on cancellation of lease contracts	51	-
Provision of allowance for doubtful accounts for subsidiaries and affiliates	22	-
Total extraordinary loss	243	98
Income before income taxes	2,931	2,222
Income taxes—current	376	171
Income taxes—deferred	906	657
Total income taxes	1,283	829
Income before minority interests	1,647	1,393
Minority interest in income (loss)	28	(14)
Net income	1,619	1,408

(Consolidated statements of comprehensive income)
(For the three months ended June 30, 2013 and 2014)

(Unit: Millions of Yen)

	Three months ended June 30, 2013 <small>(April 1, 2013–June 30, 2013)</small>	Three months ended June 30, 2014 <small>(April 1, 2014–June 30, 2014)</small>
Income before minority interests	1,647	1,393
Other comprehensive income		
Valuation difference on available-for-sale securities	162	210
Deferred gains or losses on hedges	2	(33)
Foreign currency translation adjustment	119	(95)
Remeasurements of defined benefit plans	-	89
Total other comprehensive income	285	170
Comprehensive income	1,933	1,564
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,855	1,594
Comprehensive income attributable to minority interests	77	(29)