

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

January 30, 2015

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
Inquiries:	Title: Executive Officer, Public Relations	Name:	Noburoh Sasaki
Scheduled Date of Issue of Financial Report:	February 12, 2015	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, 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	%
Nine months ended December 31, 2014	295,281	22.3	10,455	11.2	10,093	15.4	5,630	1.9
Nine months ended December 31, 2013	241,354	8.9	9,404	15.5	8,747	6.0	5,527	17.9

(Note) Comprehensive income

Nine months ended December 31, 2014: ¥7,245 million (17.5%)

Nine months ended December 31, 2013: ¥6,166 million (32.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2014	44.52	37.54
Nine months ended December 31, 2013	44.15	36.89

(Note) The figures for consolidated operating results (cumulative) for the six months ended September 30, 2013 are after the 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 December 31, 2014	283,030	85,670	26.1	580.07
As of March 31, 2014	243,570	72,302	27.8	539.52

(Reference) Shareholders' equity:

As of December 31, 2014: ¥74,012 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 the 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	-	8.00	-		
Fiscal year ending March 31, 2015 (Forecast)				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
Fiscal year ending March 31, 2015	400,000	19.8	14,300	18.0	13,500	19.4	7,600	16.9	60.10

(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 December 31, 2014	130,245,819 shares	As of March 31, 2014	128,989,476 shares
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(b) Treasury stock

As of December 31, 2014	2,653,432 shares	As of March 31, 2014	3,284,287 shares
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(c) Average number of shares (quarterly consolidated cumulative period)

Nine months ended December 31, 2014	126,462,317 shares	Nine months ended December 31, 2013	125,190,213 shares
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(Note) Starting with the first quarter of the consolidated fiscal year ending March 31, 2015 (the three months ended June 30, 2014), 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 December 31, 2014: 2,035,000 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 fiscal year ending March 31, 2015" on page 4.

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1. Results of Operations and Financial Condition

(1) Results of operations

In the nine-month period of the fiscal year ending March 31, 2015 (April 1, 2014 to December 31, 2014), the Japanese economy remained sluggish as consumer spending declined due to the consumption tax rate hike, unfavorable weather, and a climb in prices caused by depreciation of the yen. Corporate production also slowed because of sluggish domestic demand and weak exports.

In the logistics industry, cargo volumes declined in consumer spending-related goods and construction-related materials, due to the fall in consumer spending and housing investment caused by the consumption tax rate hike. In addition, the industry environment remained severe because costs increased, due to rising outsourcing expenses caused by a shortage of trucks and drivers, while fuel prices have leveled off for the time being because of a drop in crude oil prices.

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 a greater degree of trust among customers by building a structure for services with high quality and outstanding cost-performance.

In the first three quarters, the Company took a number of measures to develop the distribution center business, as follows. It added a new warehouse at the Tawaramoto Distribution Center (Shiki County, Nara Prefecture) in May 2014 to expand distribution operations for home centers. It established the Moriyama PD Center No. 3 Warehouse (Moriyama City, Shiga Prefecture) in June 2014 to expand business in the Kyoto/Shiga area. It started operating the Kitakanto PD Center (Ota City, Gunma Prefecture), its first distribution center with a seismic isolation structure in Gunma Prefecture, in July 2014. In the Chubu area, it completed the construction of the Nagoya PD Center No. 2 (Nagoya City, Aichi Prefecture) and started its operation in October 2014.

Furthermore, the Company is constructing new distribution centers in the Tohoku, Kanto and Kansai areas and began building new distribution centers in Thailand. It is also seeking to establish a delivery network for small cargo, centered on urban areas including the Kanto, Chubu, Kansai, and Kyushu areas, as part of measures to strengthen the distribution center business.

Meanwhile, there is a growing trend of companies to outsource their distribution operations. The Company obtained an order for distribution operations in the Kyushu area from a major beverage manufacturer in May 2014 and took over the general cargo distribution business and customs clearance business in October 2014 from a large gas sales company's distribution affiliate.

As part of its efforts to explore business opportunities in new markets, in June 2014 the Company acquired 100% ownership of Sankyo Butsuryu Niyaku Co., Ltd. (Kasai County, Hokkaido Prefecture) and Sankyo Logistics Co., Ltd. (the same), two companies that engage in the distribution of agricultural products in Hokkaido. In addition, the Company welcomed Runtec Corporation (Fukuoka City, Fukuoka Prefecture) into the Senko Group in October 2014. Runtec operates its constant temperature logistics business (in cold and freezer storage) nationwide, with more than 1,000 units of cold and freezer storage trucks and constant temperature warehouses with an area of around 20,000 *tsubo* (approximately 66,000 square meters); its expertise in the constant temperature logistics business is based on more than 50 years' experience. The Senko Group will strive to build a business foundation for three-temperature zone logistics (cold, freezer, and normal temperature storage) by integrating Runtec's expertise with Senko's facilities and expertise in normal temperature logistics.

Meanwhile, in April 2014, to secure its financial soundness, the Company established Senko Asset Management Co., Ltd. (Osaka City, Osaka Prefecture), a company that manages the assets of a real estate investment company (a private REIT). The Company will raise funds for new facilities investment by putting its distribution centers into a private REIT originated by Senko Asset Management and further promote the growth and expansion of the distribution center business.

The nine-month-period performance was as follows.

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change	(Millions of Yen) %
Operating revenues	241,354	295,281	53,927	22.3
Operating income	9,404	10,455	1,050	11.2
Ordinary income	8,747	10,093	1,345	15.4
Net income	5,527	5,630	103	1.9

Consolidated operating revenues for the nine-month period ended December 31, 2014 increased to ¥295,281 million, up 22.3% from a year earlier, due to the aggressive expansion of sales and the consolidation of AST CORPORATION and Runtec Corporation through M&A in 2013 and October 2014, respectively. Consolidated operating income grew to ¥10,455 million, up 11.2%, while consolidated ordinary income rose to ¥10,093 million, up 15.4%. This reflected positive factors, such as a rise in operating revenues, a price revision, and M&A, despite cost increases, including the hike in fuel prices and outsourcing costs, together with negative effects from the depreciation of the yen in the commerce and trade business. Net income increased to ¥5,630 million, up 1.9%.

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

Distribution

In the retail product logistics business, the Company received an order for distribution operations from a major beverage manufacturer; cargo volume increased for companies in the fashion industry; and the acquisition of Sankyo Butsuruyu Niyaku Co., Ltd., Sankyo Logistics Co., Ltd. and Runtec Corporation had a positive effect on business. In the housing logistics business, the Company saw cargo volumes decrease due to the effect of the consumption tax rate hike, despite aggressive sales promotion activities. In the chemicals logistics business, there was a positive effect from large-scale capital expenditure, such as an asphalt tanker that was built in 2013, as well as orders in new operations due to expanded sales. Consequently, operating revenues increased to ¥201,661 million, up 12.4% from the previous year.

Commerce and trade

In the commerce and trade business, operating revenues increased to ¥90,519 million, up 51.5% from the previous year, due to the impact of acquiring AST CORPORATION as a consolidated subsidiary and sales growth in the petroleum marketing business.

Others

In this segment, operating revenues grew to ¥3,100 million, up 36.1% from the previous year, due to a rise in orders received for outsourced data processing services and the launch of the solar electricity sales business in September 2013.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of December 31, 2014 were ¥283,030 million, ¥39,459 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥98,357 million, up ¥14,204 million from March 31, 2014. This was due to increases in notes and operating accounts receivable of ¥12,880 million, merchandise and finished goods of ¥568 million, and raw materials and supplies of ¥207 million.

Noncurrent assets totaled ¥184,672 million, up ¥25,255 million from March 31, 2014. This was due to increases in property, plant and equipment of ¥19,957 million, goodwill of ¥1,067 million, and investments and other assets of ¥4,108 million.

Liabilities

Liabilities rose ¥26,092 million from the end of the previous fiscal year to ¥197,360 million.

Current liabilities amounted to ¥96,012 million, up ¥16,671 million from March 31, 2014. This was due to increases in trade notes and operating accounts payable of ¥5,713 million and short-term loans payable of ¥15,622 million and a decline in current portion of bonds of ¥7,010 million.

Noncurrent liabilities totaled ¥101,347 million, up ¥9,420 million from March 31, 2014. This was due to increases in bonds payable of ¥6,990 million, long-term loans payable of ¥1,527 million, and net defined benefit liability of ¥1,907 million.

Net assets

Net assets expanded by ¥13,367 million from the end of the previous fiscal year to ¥85,670 million. This reflected increases in capital stock and capital surplus of ¥247 million each due to the conversion of convertible bond-type bonds with subscription rights to common shares, while retained earnings and minority interests grew by ¥4,203 million and ¥7,122 million, respectively. The equity ratio decreased by 1.7 percentage points from the end of the previous fiscal year to 26.1%.

(3) Forecast for the fiscal year ending March 31, 2015

The Japanese economy is expected to see a mild recovery in consumer spending and a pickup in corporate production reflecting a continuing improvement trend in employment and income.

Although the logistics industry is also likely to see a recovery in cargo volumes thanks to the above-mentioned developments, the industry continues to face rising outsourcing expenses caused by a shortage of trucks and drivers.

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

Operating results as of December 31, 2014 were generally as planned, and there is no revision to the forecast of operating results for the fiscal year ending March 2015 announced on October 31, 2014.

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

(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 the benefit calculation standard, and the decision method of the discount rate was 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 was adjusted in retained earnings at the beginning of the nine-month period of the current fiscal year.

As a result, liabilities pertaining to retirement benefits at the beginning of the nine-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 nine-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 the Company's treasury stock to the trust, and the profit/loss on the sale of shares sold from the trust to the Senko Group Employees' 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, respectively, treasury stock decreased by ¥440 million, and capital surplus increased by ¥440 million compared to the period 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 December 31, 2014
Assets		
Current assets		
Cash and deposits	*17,767	*17,953
Notes and accounts receivable	51,764	64,645
Merchandise	6,076	6,644
Real estate for sale	3	3
Work in process	214	307
Supplies	209	417
Other	8,167	8,445
Allowance for doubtful accounts	(50)	(60)
Total current assets	84,153	98,357
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	*60,139	*68,829
Land	*56,092	*66,381
Other (net)	*12,225	*13,204
Total property, plant and equipment	128,457	148,415
Intangible assets		
Goodwill	3,178	4,245
Other	3,440	3,562
Total intangible assets	6,619	7,808
Investments and other assets		
Guarantee deposits	9,559	10,309
Deferred tax assets	4,234	3,443
Other	11,104	15,354
Allowance for doubtful accounts	(557)	(658)
Total investments and other assets	24,339	28,448
Total noncurrent assets	159,416	184,672
Total assets	243,570	283,030

(Unit: Millions of Yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	36,603	42,316
Current portion of bonds	7,040	30
Short-term loans payable	*16,345	*31,968
Income taxes payable	2,766	1,416
Provision for bonuses	3,342	2,003
Provision for directors' bonuses	163	126
Other	13,080	18,151
Total current liabilities	79,340	96,012
Noncurrent liabilities		
Bonds payable	5,020	12,010
Convertible bond-type bonds with subscription rights	12,031	11,531
Long-term loans payable	*57,598	*59,126
Provision for directors' retirement benefits	187	358
Net defined benefit liability	6,804	8,711
Provision for special repairs	42	29
Asset retirement obligations	440	573
Other	9,802	9,007
Total noncurrent assets	91,927	101,347
Total liabilities	171,267	197,360
Net assets		
Shareholders' equity		
Capital stock	20,521	20,768
Capital surplus	19,337	19,584
Retained earnings	31,064	35,268
Treasury stock	(1,532)	(1,220)
Total shareholders' equity	69,390	74,401
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	738	1,445
Deferred gains or losses on hedges	(9)	62
Foreign currency translation adjustment	230	378
Recalculation of defined benefit plans	(2,530)	(2,276)
Total accumulated other comprehensive income	(1,570)	(389)
Subscription rights to shares	235	288
Minority interests	4,247	11,369
Total net assets	72,302	85,670
Liabilities and net assets	243,570	283,030

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the nine months ended December 31, 2012 and 2013)

(Unit: Millions of Yen)

	Nine months ended December 31, 2013 (April 1, 2013–December 31, 2013)	Nine months ended December 31, 2014 (April 1, 2014–December 31, 2014)
Operating revenues	241,354	295,281
Cost of sales	215,902	264,755
Gross profit	25,452	30,525
Selling, general and administrative expenses	16,047	20,069
Operating income	9,404	10,455
Non-operating income		
Interest income	120	133
Dividend income	89	110
Other	393	557
Total non-operating income	603	802
Non-operating expenses		
Interest expenses	931	912
Other	329	252
Total non-operating expenses	1,260	1,164
Ordinary income	8,747	10,093
Extraordinary income		
Gain on sales of noncurrent assets	151	47
Gain on sales of investment securities	549	–
Gain on revision of retirement benefit plan	239	–
Insurance income	32	–
Total extraordinary income	973	47
Extraordinary loss		
Compensation for damage	–	99
Litigation settlement	–	98
Loss on retirement of noncurrent assets	136	85
Loss on business withdrawal	–	41
Loss on sales of noncurrent assets	–	33
Loss on valuation of investments in capital of subsidiaries and affiliates	104	–
Loss on cancellation of lease contracts	64	–
Soil improvement cost	61	–
Provision of allowance for doubtful accounts for subsidiaries and affiliates	22	–
Total extraordinary loss	389	357
Income before income taxes	9,331	9,782
Income taxes–current	2,355	2,160
Income taxes–deferred	1,330	1,564
Total income taxes	3,686	3,725
Income before minority interests	5,644	6,057
Minority interest in income or loss	117	426
Net income	5,527	5,630

(Consolidated statements of comprehensive income)
(For the nine months ended December 31, 2013 and 2014)

(Unit: Millions of Yen)

	Nine months ended December 31, 2013 <small>(April 1, 2013–December 31, 2013)</small>	Nine months ended December 31, 2014 <small>(April 1, 2014–December 31, 2014)</small>
Income before minority interests	5,644	6,057
Other comprehensive income		
Valuation difference on available-for-sale securities	284	798
Deferred gains or losses on hedges	85	78
Foreign currency translation adjustment	152	42
Recalculation of defined benefit plans	-	268
Total other comprehensive income	521	1,187
Comprehensive income	6,166	7,245
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,963	6,715
Comprehensive income attributable to minority interests	203	530