This document is a translation of the Japanese financial statements and is not in conformity with accounting principles of the United States.

SENKO Co., Ltd.

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2016 [Japan GAAP]

July 31, 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 Tel. (06) 6440-5155
Scheduled Date of Issue of Financial Report: August 13, 2015
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, 2015

(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 the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2015	106,370	19.4	3,843	60.8	3,756	61.9	1,952	38.6
Three months ended June 30, 2014	89,125	19.3	2,389	(12.4)	2,320	(9.8)	1,408	(13.0)

(Note) Comprehensive income

Three months ended June 30, 2015: ¥3,110 million (98.8%)

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

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 30, 2015	14.00	12.91
Three months ended June 30, 2014	11.20	9.36

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2015	286,704	94,570	28.8	590.86
As of March 31, 2015	285,309	92,743	28.4	581.46

(Reference) Shareholders' equity:

As of June 30, 2015 ¥82,449 million As of March 31, 2015 ¥81,026 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2015	-	8.00	-	9.00	17.00
Fiscal year ending March 31, 2016	-				
Fiscal year ending March 31, 2016 (Forecast)		9.00	-	9.00	18.00

(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, 2016 (From April 1, 2015 to March 31, 2016)

(Percentage figures represent year on year changes)

	Operating revenue		Operating income		Ordinary income		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half ending September 30, 2015	216,000	17.5	7,300	35.8	6,900	34.5	3,600	17.3	25.81
Fiscal year ending March 31, 2016	440,000	10.4	16,800	23.1	16,000	20.9	8,700	23.0	62.39

(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: None

(d) Retrospective restatement: None

(4) Shares outstanding (Common shares)

(a) Shares outstanding (including treasury shares)

As of June 30, 2015	141,927,426 shares	As of March 31, 2015	141,927,426 shares

(b) Treasury shares

As of June 30, 2015	2,384,645 shares	As of March 31, 2015	2,577,118 shares

(c) Average number of shares (quarterly consolidated cumulative period)

Three months ended June 30, 2015	139,454,050 shares	Three months ended June 30, 2014	125,789,447 shares

(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 June 30, 2015: 1,827,000 shares; as of March 31, 2015: 1,954,000 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, 2016” on page 3.

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1. Results of Operations and Financial Condition

(1) Results of operations

In the first three-month period of the fiscal year ending March 31, 2016 (April 1, 2015 to June 30, 2015; hereinafter referred to as the first quarter of the current fiscal year), depreciation of the yen progressed and stock prices continued to rise. During the period, the Japanese economy continued to recover gradually, supported by the improvement in corporate earnings and the employment environment and a recovery in capital expenditure. However, consumer spending did not recover fully and industrial production lacked momentum.

In the logistics industry, cargo volumes grew sluggishly due to a decline in public works and production and sales adjustment in some industries triggered by weak personal consumption. Furthermore, costs continued to increase due to a rise in outsourcing costs caused by a shortage of trucks and drivers.

In this environment, the Senko Group established a 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 has been 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.

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

In Japan, we started operation of the Sayama PD Center (Sayama City, Saitama Prefecture) in April. The Sayama PD Center, well located for accessing the Metropolitan Inter-City Expressway, handles a variety of products, such as everyday items, as a logistics hub that connects the Tokyo metropolitan area with the Tohoku, Chubu, and Kansai regions, and will start distributing items for a large sporting goods chain in August. In May, we also started operation of the Narita Fashion Logistics Center I (Tomisato City, Chiba Prefecture), which is located near Narita International Airport. We opened the new logistics center to strengthen our distribution capabilities for the fashion industry in the Narita area. We have already obtained an outsourcing order for logistics operations from the Japanese subsidiary of a global fashion mail-order company, and plan to also distribute several imported branded goods.

We also saw a steady increase in new transactions with large customers in each region. For example, we started a new business with a sporting goods manufacturer in the Tokyo metropolitan area, a drugstore in the Chubu region, and an operator of home improvement centers in the Keiji region.

Regarding overseas operations, in China, we launched transportation operations from China to Japan for a Japanese chemical manufacturer, in addition to domestic trunk line transportation for a Japanese automobile component manufacturer. In Thailand, we started operation of the Laem Chabang Distribution Center (Chonburi Province), which handles import/export cargo at the country’s largest harbor, Laem Chabang Port. We also opened a representative office in Hanoi, Vietnam to further expand business in the ASEAN region.

To improve profitability, we persuaded our customers to accept revised freight charges based on the higher costs caused by the shortage of trucks and drivers. We also tried to boost the use of our own trucks to upgrade our operation system. As part of our efforts, we are preparing to open a driving school within the Company where employees can obtain a driver’s license mainly for large and/or hauling vehicles.

In addition, we promoted environment-friendly green logistics. In May, we received the Distribution Environment Load Reduction Technology Development Award from the Japan Association for Logistics and Transportation’s Logistics for our proposal for modal shift to railways using our self-developed bulk containers.

The three-month-period performance was as follows.

(Unit: Millions of Yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change	%
Operating revenue	89,125	106,370	17,245	19.4
Operating income	2,389	3,843	1,453	60.8
Ordinary income	2,320	3,756	1,435	61.9
Profit attributable to owners of parent	1,408	1,952	543	38.6

Consolidated operating revenue for the first quarter of the current fiscal year increased 19.4% year on year to ¥106,370 million due to aggressive expansion of sales and the consolidation of Runtec Corporation in October 2014. Profits increased due to a rise in operating revenue resulting from M&A, our efforts to boost sales, and the revision of freight charges, despite an increase in costs caused by rising outsourcing costs. As a result, consolidated operating income grew 60.8% to ¥3,843 million, consolidated ordinary income rose 61.9% to ¥3,756 million, and profit attributable to owners of parent increased 38.6% to ¥1,952 million.

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

Distribution

Operating revenue increased 22.3% from the previous year to ¥74,306 million. This was mainly due to the consolidation of Runtec Corporation, contributions from distribution services we started providing under the contracts from a major beverage manufacturer and a large gas sales company in the previous year, and our active efforts to expand sales.

Trading & commerce

Operating revenue increased 13.6% year on year to ¥31,093 million. This was mainly due to a recovery in sales following the slump caused by the consumption tax hike and our active efforts to expand sales.

Others

In this segment, operating revenue decreased 1.2% year on year to ¥970 million.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets at the end of the first quarter of the current fiscal year were ¥286,704 million, ¥1,394 million higher than at the end of the previous fiscal year. Current assets amounted to ¥94,035 million, down ¥4,212 million from the end of the previous fiscal year. This was due to decreases in cash and deposits of ¥3,853 million and notes and operating accounts receivable of ¥1,149 million, despite an increase in merchandise and finished goods of ¥920 million. Noncurrent assets totaled ¥192,669 million, up ¥5,607 million from the end of the previous fiscal year. This was due to increases in property, plant and equipment of ¥3,198 million, intangible assets of ¥340 million, and investments and other assets of ¥2,068 million.

Liabilities

Liabilities at the end of the first quarter of the current fiscal year decreased ¥431 million from the end of the previous fiscal year to ¥192,134 million. Current liabilities amounted to ¥93,193 million, up ¥639 million from the end of the previous fiscal year. This was due to decreases in income taxes payable of ¥2,450 million and provision for bonuses of 827 million despite an increase in short-term loans payable of ¥5,242 million. Noncurrent liabilities totaled ¥98,940 million, down ¥1,071 million from the end of the previous fiscal year. This was due to decreases in long-term loans payable of ¥470 million and asset retirement obligations of ¥63 million.

Net assets

Net assets at the end of the first quarter of the current fiscal year rose ¥1,826 million from the end of the previous fiscal year to ¥94,570 million, reflecting increases of ¥680 million in retained earnings, ¥599 million in valuation difference on available-for-sale securities, and ¥403 million in non-controlling interests. The equity ratio increased by 0.4 percentage points to 28.8% from the end of the previous fiscal year.

(3) Forecast for the six-month period and the full-term of the fiscal year ending March 31, 2016

The Japanese economy is expected to continue recovering gradually, supported by a pickup in consumer spending and an increase in capital expenditure by enterprises amid the continuing improvement in the employment and income environment.

In the logistics industry, consumer-related and production-related cargo volumes are expected to recover, but total transport volumes look to remain unchanged from the previous fiscal year, since construction-related cargo volumes are forecast to decline due to a fall in public spending.

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

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, 2016 announced on May 7, 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 for Business Combinations, etc.)

Starting with the first quarter of the current fiscal year, Senko has applied the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter referred to as "Business Combinations Accounting Standards"), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as "Consolidation Accounting Standard") and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as "Business Divestitures Accounting Standard"). Accordingly, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and record acquisition-related costs as expenses for the fiscal year in which they occur. In addition, with respect to any business combination entered into on or after the first day of the first quarter of the current fiscal year, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarterly financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation of quarterly net income, etc., was changed and the presentation of minority interests was altered to non-controlling interests. To reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to both the first quarter of the previous fiscal year and the previous fiscal year.

Senko has applied the Business Combinations Accounting Standards, etc., in accordance with transitional provisions in paragraph 58-2(4) of the Business Combinations Accounting Standards, paragraph 44-5(4) of the Consolidation Accounting Standard and paragraph 57-4(4) of the Business Divestitures Accounting Standard, prospectively at the beginning of the first quarter of the current fiscal year.

The above change had only a negligible effect on ordinary income and income before income taxes for the first quarter of the current fiscal year, and capital surplus at the end of the first quarter of the current fiscal year.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	25,685	21,831
Notes and accounts receivable	56,602	55,452
Merchandise and finished goods	6,480	7,400
Real estate for sale	3	3
Work in process	191	261
Raw materials and supplies	437	408
Other	8,890	8,699
Allowance for doubtful accounts	(42)	(23)
Total current assets	98,248	94,035
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	68,435	71,291
Land	66,229	66,299
Other (net)	15,146	15,418
Total property, plant and equipment	149,811	153,009
Intangible assets		
Goodwill	4,311	4,241
Other	3,395	3,806
Total intangible assets	7,706	8,047
Investments and other assets		
Guarantee deposits	10,390	10,491
Deferred tax assets	2,734	2,577
Other	17,159	19,290
Allowance for doubtful accounts	(741)	(748)
Total investments and other assets	29,543	31,612
Total noncurrent assets	187,061	192,669
Total assets	285,309	286,704

(Unit: Millions of Yen)

	As of March 31, 2015	As of June 30, 2015
Liabilities		
Current liabilities		
Notes and operating accounts payable−trade	37,989	38,109
Current portion of bonds	20	20
Short-term loans payable	29,235	34,478
Income taxes payable	3,415	964
Provision for bonuses	3,905	3,077
Provision for directors’ bonuses	189	58
Other	17,798	16,485
Total current liabilities	92,554	93,193
Noncurrent liabilities		
Bonds payable	12,000	12,000
Convertible bond-type bonds with subscription rights to shares	6,868	6,867
Long-term loans payable	61,971	61,500
Provision for directors’ retirement benefits	369	356
Net defined benefit liability	9,381	9,360
Provision for special repairs	33	37
Asset retirement obligations	575	511
Other	8,811	8,305
Total noncurrent liabilities	100,011	98,940
Total liabilities	192,565	192,134
Net assets		
Shareholders’ equity		
Capital stock	23,098	23,098
Capital surplus	21,914	21,917
Retained earnings	36,676	37,357
Treasury shares	(1,183)	(1,122)
Total shareholders’ equity	80,506	81,251
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,819	2,419
Deferred gains or losses on hedges	(4)	24
Foreign currency translation adjustment	543	537
Remeasurements of defined benefit plans	(1,839)	(1,783)
Total accumulated other comprehensive income	519	1,198
Subscription rights to shares	288	288
Non-controlling interests	11,428	11,832
Total net assets	92,743	94,570
Liabilities and net assets	285,309	286,704

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the three months ended June 30, 2014 and 2015)

(Unit: Millions of Yen)

	Three months ended June 30, 2014 (April 1, 2014–June 30, 2014)	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)
Operating revenue	89,125	106,370
Operating cost	80,057	95,013
Operating gross profit	9,067	11,357
Selling, general and administrative expenses	6,678	7,514
Operating income	2,389	3,843
Non-operating income		
Interest income	46	45
Dividend income	83	70
Other	194	237
Total non-operating income	325	352
Non-operating expenses		
Interest expenses	292	294
Other	101	144
Total non-operating expenses	394	438
Ordinary income	2,320	3,756
Extraordinary losses		
Litigation settlement	98	−
Total extraordinary losses	98	−
Income before income taxes	2,222	3,756
Income taxes−current	171	760
Income taxes−deferred	657	603
Total income taxes	829	1,363
Profit	1,393	2,393
Profit (loss) attributable to non-controlling interests	(14)	440
Profit attributable to owners of parent	1,408	1,952

(Consolidated statements of comprehensive income)

(For the three months ended June 30, 2014 and 2015)

(Unit: Millions of Yen)

	Three months ended June 30, 2014 (April 1, 2014–June 30, 2014)	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)
Profit	1,393	2,393
Other comprehensive income		
Valuation difference on available-for-sale securities	210	637
Deferred gains or losses on hedges	(33)	27
Foreign currency translation adjustment	(95)	(5)
Remeasurements of defined benefit plans, net of tax	89	58
Total other comprehensive income	170	717
Comprehensive income	1,564	3,110
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,594	2,630
Comprehensive income attributable to non-controlling interests	(29)	479