

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

August 3, 2016

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 12, 2016	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, 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	%
Three months ended June 30, 2016	110,287	3.7	4,156	8.2	4,048	7.8	2,096	7.4
Three months ended June 30, 2015	106,370	19.4	3,843	60.8	3,756	61.9	1,952	38.6

(Note) Comprehensive income

Three months ended June 30, 2016: ¥2,163 million (-30.5%)

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

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 30, 2016	14.66	13.79
Three months ended June 30, 2015	14.00	12.91

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2016	277,605	100,554	31.7	614.83
As of March 31, 2016	269,461	100,009	32.6	613.71

(Reference) Shareholders' equity:

As of June 30, 2016: ¥87,976 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	-				
Fiscal year ending March 31, 2017 (Forecast)		11.00	-	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
First half ending September 2016	225,000	4.5	8,400	1.6	8,100	2.4	4,100	(5.2)	28.69
Fiscal year ending March 2017	460,000	6.0	18,100	3.4	17,700	3.0	9,400	10.0	65.77

(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 June 30, 2016:	144,834,771 shares	As of March 31, 2016:	144,834,771 shares
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 - (b) Treasury shares

As of June 30, 2016:	1,744,904 shares	As of March 31, 2016:	1,907,546 shares
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Three months ended June 30, 2016:	142,979,415 shares	Three months ended June 30, 2015:	139,454,050 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 June 30, 2016: 1,304,300 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 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, 2017" 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, 2017 (April 1, 2016 to June 30, 2016; hereinafter referred to as the first quarter of the current fiscal year), the economic recovery in Japan remained subdued due in part to the stagnation in exports and production reflecting economic slowdown overseas, progressive appreciation of the yen and stagnant consumer spending.

In the logistics industry, the business environment remained challenging as the increase in fuel prices as well as higher personnel expenses and outsourcing costs caused by labor shortages continued amid slowing freight volume.

In this environment, the Senko Group has strived to enhance its competitiveness, expand its business areas, and upgrade its operating system as the priority policies for the fiscal year ending March 31, 2017.

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

In April, we acquired all the shares in ACROSS TRANSPORT CO., LTD., a department store delivery agent involved in the fashion logistics business, welcoming it into the Senko Group. Going forward, we will promote business expansion by boosting cooperation with each of the group companies in charge of Senko's fashion logistics businesses as well as promoting joint distribution and mutual use of business bases and human resources.

In May, we opened the Narita Fashion Logistics Center II (Tomisato City, Chiba Prefecture) near Narita Airport. The center has a bonded storage facility for handling imported brands and is involved in storage and delivery of fashion products as well as inspection and distribution processing.

Transactions with major customers also expanded. We launched logistics operations for a drugstore in the Kansai region from January to March 2016.

Furthermore, the construction of new distribution centers is underway in the Saitama area and the Chubu region, aimed at the expansion of logistics operations mainly for customers in the distribution sector.

Outside Japan, NH-SENKO Logistics Co., Ltd., a joint venture of the Company, Niigata Unyu Co., Ltd. and HWA SUNG EXPRESS CO., LTD., a South Korean company, are promoting preparation for the opening of a new distribution center in the Busan New Port in South Korea, an international hub port. In Shanghai, China, a joint venture of the Company, Runtec Corporation and Sinotrans Air Transportation Development Co., Ltd. (Sinotrans Air) are working to establish a Three-Temperature Zone Logistics Center with the aim of developing a domestic cold and freezer logistics network in China.

To upgrade our operating system, we have promoted a modal shift aimed at reducing the environmental impact and resolving the shortage of drivers. In the first quarter of the current fiscal year, we changed the method of long-distance transportation for beverage manufacturers and homebuilders from trucks to railways forwarding and maritime transports. Furthermore, in June we received the Logistics Environmental Conservation Award from the Japan Association for Logistics and Transport in recognition of our initiatives to switch the means of transportation for alcohol beverages from the Kyushu region to elsewhere in Japan from trucks to railways forwarding.

The three-month-period performance was as follows.

(Unit: Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Change	%
Operating revenue	106,370	110,287	3,916	3.7
Operating income	3,843	4,156	313	8.2
Ordinary income	3,756	4,048	291	7.8
Profit attributable to owners of parent	1,952	2,096	143	7.4

Consolidated operating revenue for the first quarter of the current fiscal year increased 3.7% year on year to ¥110,287 million. This result reflected the aggressive expansion of sales and the effect of ACROSS TRANSPORT CO., LTD. becoming a consolidated subsidiary of the Company in April 2016.

On the profit front, consolidated operating income grew to ¥4,156 million, up 8.2% year on year, while consolidated ordinary income rose to ¥4,048 million, up 7.8% year on year, due primarily to the sales expansion and lower fuel prices compared to the same quarter of the previous fiscal year, despite a decline in freight volumes from existing customers and other factors. Profit attributable to owners of parent increased 7.4% to ¥2,096 million.

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

Distribution

Operating revenue for the first quarter of the current fiscal year grew 4.1% year on year to ¥77,345 million in this segment. This was mainly attributable to a rise in operating revenue resulting from M&A and expansion of sales to new and existing customers, including a major drugstore from which we received a new order in the previous fiscal year.

Trading & commerce

Operating revenue for the first quarter of the current fiscal year grew 2.4% year on year to ¥31,837 million in this segment. This primarily 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 for the first quarter of the current fiscal year rose 13.8% year on year to ¥1,104 million in this segment. This was mainly 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 June 30, 2016 were ¥277,605 million, ¥8,144 million higher than at the end of the previous fiscal year. Current assets amounted to ¥97,371 million, up ¥3,991 million from the end of the previous fiscal year. This mainly reflected an increase of ¥3,937 million in cash and deposits despite a decrease of ¥1,342 million in notes and operating accounts receivable. Non-current assets totaled ¥180,124 million, up ¥4,152 million from the end of the previous fiscal year. This was primarily due to increases in property, plant and equipment of ¥1,625 million and in intangible assets of ¥2,178 million, respectively.

Liabilities

Liabilities as of June 30, 2016 increased ¥7,599 million from the end of the previous fiscal year to ¥177,050 million. Current liabilities totaled ¥94,943 million, up ¥9,296 million from the end of the previous fiscal year. This was mainly due to an increase of ¥11,038 million in short-term loans payable. Non-current liabilities totaled ¥82,107 million, down ¥1,697 million from the end of the previous fiscal year. This was primarily due to a decrease in long-term loans payable of ¥2,890 million.

Net assets

Net assets as of June 30, 2016 rose ¥544 million from the end of the previous fiscal year to ¥100,554 million. This was mainly attributable to an increase of ¥524 million in retained earnings. The equity ratio as of June 30, 2016 was 31.7%.

(3) Forecast for the six-month period and the full-term of the fiscal year ending March 31, 2017

Uncertainty in the Japanese economy is expected to remain, due in part to concerns about global economic downturn as a result of issues pertaining to the United Kingdom's decision to withdraw from the European Union and other factors, the stagnation in exports and production and weak consumer spending.

In the logistics industry, the challenging environment is expected to continue, amid a decline in freight volume and labor shortages in human resources, including drivers and expected increases in various costs.

In this environment, the Senko Group will continue trying to enhance its competitiveness, expand its business areas, 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, 2017 announced on May 13, 2016.

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 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 first quarter of the current fiscal year decreased by ¥72 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 June 30, 2016
Assets		
Current assets		
Cash and deposits	18,477	22,415
Notes and operating accounts receivable	58,107	56,764
Merchandise and finished goods	6,967	7,242
Real estate for sale	3	-
Work in process	200	281
Raw materials and supplies	335	339
Other	9,317	10,349
Allowance for doubtful accounts	(29)	(22)
Total current assets	93,380	97,371
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	62,412	61,799
Land	60,486	61,599
Other, net	13,824	14,949
Total property, plant and equipment	136,723	138,349
Intangible assets		
Goodwill	4,038	5,886
Other	3,906	4,237
Total intangible assets	7,945	10,123
Investments and other assets		
Guarantee deposits	10,572	10,926
Deferred tax assets	2,553	2,691
Other	19,203	19,061
Allowance for doubtful accounts	(1,026)	(1,028)
Total investments and other assets	31,302	31,651
Total non-current assets	175,971	180,124
Deferred assets		
Business commencement expenses	108	109
Total deferred assets	108	109
Total assets	269,461	277,605

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	37,125	31,422
Electronically recorded obligations–operating	1,601	6,634
Current portion of bonds	5,000	5,000
Short-term loans payable	18,388	29,426
Income taxes payable	3,219	1,137
Provision for bonuses	3,959	3,222
Provision for directors' bonuses	220	56
Other	16,131	18,042
Total current liabilities	85,647	94,943
Non-current liabilities		
Bonds payable	7,000	7,000
Convertible bond-type bonds with subscription rights to shares	5,037	5,036
Long-term loans payable	55,943	53,053
Provision for directors' retirement benefits	363	312
Provision for special repairs	39	42
Net defined benefit liability	7,621	7,706
Asset retirement obligations	518	754
Other	7,279	8,201
Total non-current liabilities	83,804	82,107
Total liabilities	169,451	177,050
Net assets		
Shareholders' equity		
Capital stock	24,011	24,011
Capital surplus	22,838	22,861
Retained earnings	42,845	43,370
Treasury shares	(942)	(871)
Total shareholders' equity	88,752	89,371
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,448	1,229
Deferred gains or losses on hedges	(91)	(193)
Foreign currency translation adjustment	427	318
Remeasurements of defined benefit plans	(2,820)	(2,750)
Total accumulated other comprehensive income	(1,036)	(1,395)
Subscription rights to shares	359	359
Non-controlling interests	11,933	12,218
Total net assets	100,009	100,554
Liabilities and net assets	269,461	277,605

(2) Consolidated statements of (comprehensive) income
(Consolidated statements of income)
(For the three months ended June 30, 2015 and 2016)

(Unit: Millions of Yen)

	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)
Operating revenue	106,370	110,287
Operating cost	95,013	98,031
Operating gross profit	11,357	12,256
Selling, general and administrative expenses	7,514	8,099
Operating income	3,843	4,156
Non-operating income		
Interest income	45	25
Dividend income	70	70
Other	237	269
Total non-operating income	352	364
Non-operating expenses		
Interest expenses	294	243
Other	144	229
Total non-operating expenses	438	473
Ordinary income	3,756	4,048
Extraordinary losses		
Expenses related to commemorative works for centennial anniversary	—	68
Loss on disaster	—	46
Total extraordinary losses	—	114
Profit before income taxes	3,756	3,933
Income taxes—current	760	937
Income taxes—deferred	603	445
Total income taxes	1,363	1,382
Profit	2,393	2,550
Profit attributable to non-controlling interests	440	454
Profit attributable to owners of parent	1,952	2,096

(Consolidated statements of comprehensive income)
(For the three months ended June 30, 2015 and 2016)

(Unit: Millions of Yen)

	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)
Profit	2,393	2,550
Other comprehensive income		
Valuation difference on available-for-sale securities	637	(204)
Deferred gains or losses on hedges	27	(108)
Foreign currency translation adjustment	(5)	(144)
Remeasurements of defined benefit plans, net of tax	58	69
Total other comprehensive income	717	(387)
Comprehensive income	3,110	2,163
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,630	1,736
Comprehensive income attributable to non-controlling interests	479	426