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 Third Quarter of the Fiscal Year Ending March 31, 2016 [Japan GAAP]

January 29, 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: February 12, 2016 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, 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 parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2015	328,256	11.2	13,769	31.7	13,424	33.0	7,396	31.4
Nine months ended December 31, 2014	295,281	22.3	10,455	11.2	10,093	15.4	5,630	1.9

(Note) Comprehensive income

Nine months ended December 31, 2015 ¥8,802 million (21.5%)
Nine months ended December 31, 2014 ¥7,245 million (17.5%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2015	52.51	48.80
Nine months ended December 31, 2014	44.52	37.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2015	285,194	100,176	30.9	616.19
As of March 31, 2015	285,309	92,743	28.4	581.46

(Reference) Shareholders' equity:

As of December 31, 2015 ¥88,023 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	-	9.00	-		
Fiscal year ending March 31, 2016 (Forecast)				11.00	20.00

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

Breakdown of the forecast year-end dividend per share for the year ending 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, 2016 (From April 1, 2015 to March 31, 2016)

(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
Fiscal year ending March 31, 2016	435,000	9.2	17,300	26.7	16,800	26.9	9,100	28.6	64.61

(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 December 31, 2015:	144,834,771 shares	As of March 31, 2015:	141,927,426 shares

(b) Treasury shares

As of December 31, 2015:	1,984,820 shares	As of March 31, 2015:	2,577,118 shares

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

Nine months ended December 31, 2015:	140,847,115 shares	Nine months ended December 31, 2014	126,462,317 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 December 31, 2015: 1,528,000 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 Act. The review procedure prescribed by the Financial Instruments and Exchange Act 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, 2016” on page 3.

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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, 2016 (April 1, 2015 to December 31, 2015), the Japanese economy continued to recover gradually, including improvements in corporate performance and the employment environment. However, given the weaknesses evident in areas such as consumer spending and capital expenditure, it has been at a standstill since the fall.

In the logistics industry, despite declining fuel prices, the business environment remained challenging with factors such as rising outsourcing costs and personnel expenses reflecting shortages of trucks and drivers amid slowing freight volume.

In this environment, the Senko Group worked to achieve growth in the distribution business and commerce and trade business. It also sought to foster an even greater degree of trust among its customers by building a structure for services with high quality and outstanding cost performance in line the four-year medium-term business plan launched in the fiscal year ended March 31, 2014. The plan has three goals: “go beyond logistics,” “make the world go round,” and “revolutionize business” based on the slogan “Moving Global.”

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

In Japan, April saw our opening of the Sayama PD Center (Sayama City, Saitama Prefecture) as a logistics hub that connects the Tokyo metropolitan area with the Tohoku, Chubu, and Kansai regions. In May, we opened the Narita Fashion Logistics Center I (Tomisato City, Chiba Prefecture), which handles imported brands, and in September we opened the Dangerous Goods No. 2 Warehouse, Daimon Distribution Center (Moriyama City, Shiga Prefecture), with the aim of boosting the volume of dangerous goods handled in Shiga Prefecture.

During the second half of the fiscal year, in October we started operating the Port of Sendai PD Center (Sendai City, Miyagi Prefecture), located in Sendai, an international port as well as the gateway to the Tohoku region. In November, we established the Mihara Asphalt Center (Mihara City, Hiroshima Prefecture). We have installed two asphalt tanks at the center, and we provide services that include cargo handling, shipping, and inventory management for asphalt. In January 2016, we commenced operation of the Sodegaura Bulk Container Center (Sodegaura City, Chiba Prefecture), to strengthen our chemicals logistics system in the Keiyo industrial region stretching from Tokyo to Chiba, and we began providing services.

Regarding overseas operations, to expand business in the ASEAN region, we started operating the Laem Chabang Distribution Center (Chonburi Province), which provides distribution services, primarily storage for import and export cargo at Thailand’s largest trade port, and we opened a representative office in Hanoi, Vietnam. In December, we concluded a three-way basic agreement with Sinotrans Air Transportation Development Co., Ltd. (Sinotrans Air), a major Chinese air cargo operator, and Runtec Corporation to set up a joint venture to provide cold and freezer logistics services in China. The new company will seek to develop a cold and freezer logistics network in China, with plans to establish cold and freezer distribution centers in China’s eight leading cities.

To boost profitability, we identified cost increases due to shortages of trucks and drivers and persuaded our customers to accept revised freight charges to receive appropriate rates.

To upgrade our operation system, as part of our plans to double our fleet over the next 10 years, we opened a driving school on the site of the Company’s traffic safety training facility, Crefeel Koto (Higashiomi City, Shiga Prefecture), where any employee can obtain licenses including a driver’s license for large vehicles, and we started driver training as a registered driving school. We have also worked to promote modal shifts and received the Distribution Environment Load Reduction Technology Development Award, the Award for Excellent Logistics Operators Promoting Modal Shifts, and the Green Logistics Partnership Conference Award of the Deputy Director-General for Distribution.

To ensure financial soundness, we transferred four distribution centers to a real estate investment company (a private REIT) managed by Senko Asset Management Co., Ltd. in September. Funds raised have been applied to the construction of new distribution centers and other projects.

The nine-month-period performance was as follows.

(Unit: Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Change	%
Operating revenue	295,281	328,256	32,974	11.2
Operating income	10,455	13,769	3,314	31.7
Ordinary income	10,093	13,424	3,331	33.0
Profit attributable to owners of parent	5,630	7,396	1,765	31.4

Consolidated operating revenue for the nine-month period ended December 31, 2015 increased 11.2% year on year to ¥328,256 million due to aggressive expansion of sales, rising sales volume in the trading & commerce business, and Runtec Corporation becoming a consolidated subsidiary of the Company in October 2014. Profits increased due to a jump in revenue in addition to the effect from a drop in fuel prices and the revision of freight charges despite an increase in costs including rising outsourcing costs in the distribution business

and purchase prices in the trading & commerce business. As a result, consolidated operating income grew 31.7% to ¥13,769 million, consolidated ordinary income rose 33.0% to ¥13,424 million, and profit attributable to owners of parent increased 31.4% to ¥7,396 million.

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

Distribution

Operating revenue increased 12.9% year on year to ¥227,699 million. This mainly reflected the fact that Runtec Corporation became a consolidated subsidiary of the Company, the establishment of new distribution centers including Sayama PD Center, and an aggressive expansion of sales including logistics contracting for a major drugstore.

Trading & commerce

Operating revenue increased 7.6% year on year to ¥97,425 million. This was mainly the result of a recovery in sales following the slump caused by the consumption tax hike, the development and sale of new products, and the acquisition of new customers.

Others

In this segment, operating revenue increased 1.0% year on year to ¥3,131 million.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of December 31, 2015 were ¥285,194 million, ¥114 million lower than at the end of the previous fiscal year.
Current assets amounted to ¥107,185 million, up ¥8,937 million from the end of the previous fiscal year. This mainly reflected increases of ¥8,555 million in notes and operating accounts receivable and ¥1,152 million in merchandise and finished goods despite a decrease of ¥638 million in cash and deposits. Non-current assets totaled ¥177,894 million, down ¥9,167 million from the end of the previous fiscal year. This was due to a decrease in property, plant and equipment of ¥14,087 million as a result of transfers of four distribution centers to the private REIT, despite an increase in investments and other assets of ¥4,635 million.

Liabilities

Liabilities as of December 31, 2015 decreased ¥7,547 million from the end of the previous fiscal year to ¥185,018 million.
Current liabilities amounted to ¥96,160 million, up ¥3,606 million from the end of the previous fiscal year. This mainly reflected increases of ¥4,324 million in trade notes and operating accounts payable and ¥4,990 million in the current portion of bonds, despite decreases of ¥3,130 million in short-term loans payable, ¥1,652 million in income taxes payable, and ¥1,504 million in provision for bonuses.

Non-current liabilities totaled ¥88,857 million, down ¥11,154 million from the end of the previous fiscal year. This was due to decreases in bonds payable of ¥5,000 million, convertible bond-type bonds with subscription rights to shares of ¥1,830 million, long-term loans payable of ¥2,611 million, and net defined benefit liability of ¥265 million.

Net assets

Net assets as of December 31, 2015 rose ¥7,433 million from the end of the previous fiscal year to ¥100,176 million, reflecting increases of ¥913 million in capital stock as a result of the conversion to shares of convertible bond-type bonds with subscription rights to shares, ¥914 million in capital surplus, ¥5,022 million in retained earnings, and ¥365 million in non-controlling interests. The equity ratio increased by 2.5 percentage points to 30.9% from the end of the previous fiscal year.

(3) Forecast for the fiscal year ending March 31, 2016

The Japanese economy is expected to continue recovering gradually, but there is uncertainty over the outlook, reflecting, among other things, concerns about the slowdown of the Chinese economy in addition to the weak recovery in consumer spending and capital expenditure in Japan.

In the logistics industry, the business environment is expected to remain challenging, affected by a driver shortage problem and intensified competition.

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

As of the nine-month period ended December 31, 2015, operating results were largely in line with forecasts, and no revisions have been made to the forecast of operating results for the fiscal year ending March 31, 2016 announced on October 30, 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 third 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 third quarter of the current fiscal year, and capital surplus at the end of the third 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 December 31, 2015
Assets		
Current assets		
Cash and deposits	25,685	25,046
Notes and operating accounts receivable	56,602	65,157
Merchandise and finished goods	6,480	7,632
Real estate for sale	3	3
Work in process	191	325
Raw materials and supplies	437	380
Other	8,890	8,665
Allowance for doubtful accounts	(42)	(26)
Total current assets	98,248	107,185
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,435	62,223
Land	66,229	60,502
Other, net	15,146	12,998
Total property, plant and equipment	149,811	135,724
Intangible assets		
Goodwill	4,311	4,104
Other	3,395	3,885
Total intangible assets	7,706	7,990
Investments and other assets		
Guarantee deposits	10,390	10,518
Deferred tax assets	2,734	2,197
Other	17,159	22,188
Allowance for doubtful accounts	(741)	(725)
Total investments and other assets	29,543	34,179
Total non-current assets	187,061	177,894
Deferred assets		
Business commencement expenses	-	115
Total deferred assets	-	115
Total assets	285,309	285,194

(Unit: Millions of Yen)

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and operating accounts payable−trade	37,989	42,314
Current portion of bonds	20	5,010
Short-term loans payable	29,235	26,105
Income taxes payable	3,415	1,762
Provision for bonuses	3,905	2,400
Provision for directors' bonuses	189	152
Other	17,798	18,414
Total current liabilities	92,554	96,160
Non-current liabilities		
Bonds payable	12,000	7,000
Convertible bond-type bonds with subscription rights to shares	6,868	5,038
Long-term loans payable	61,971	59,359
Provision for directors' retirement benefits	369	363
Net defined benefit liability	9,381	9,116
Provision for special repairs	33	35
Asset retirement obligations	575	516
Other	8,811	7,426
Total non-current liabilities	100,011	88,857
Total liabilities	192,565	185,018
Net assets		
Shareholders' equity		
Capital stock	23,098	24,011
Capital surplus	21,914	22,829
Retained earnings	36,676	41,698
Treasury shares	(1,183)	(980)
Total shareholders' equity	80,506	87,559
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,819	1,678
Deferred gains or losses on hedges	(4)	(34)
Foreign currency translation adjustment	543	489
Remeasurements of defined benefit plans	(1,839)	(1,669)
Total accumulated other comprehensive income	519	463
Subscription rights to shares	288	359
Non-controlling interests	11,428	11,793
Total net assets	92,743	100,176
Liabilities and net assets	285,309	285,194

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the nine months ended December 31, 2014 and 2015)

(Unit: Millions of Yen)

	Nine months ended December 31, 2014 (April 1, 2014–December 31, 2014)	Nine months ended December 31, 2015 (April 1, 2015–December 31, 2015)
Operating revenue	295,281	328,256
Operating cost	264,755	291,937
Operating gross profit	30,525	36,318
Selling, general and administrative expenses	20,069	22,548
Operating income	10,455	13,769
Non-operating income		
Interest income	133	137
Dividend income	110	106
Other	557	623
Total non-operating income	802	866
Non-operating expenses		
Interest expenses	912	837
Other	252	375
Total non-operating expenses	1,164	1,212
Ordinary income	10,093	13,424
Extraordinary income		
Gain on sales of non-current assets	47	286
Total extraordinary income	47	286
Extraordinary losses		
Loss on cancellation of leases	-	126
Loss on retirement of non-current assets	85	96
Loss on sales of non-current assets	33	54
Expenses related to commemorative works for centennial anniversary	-	47
Cancel penalty	-	35
Loss on sales of shares of subsidiaries and associates	-	32
Compensation for damage	99	-
Litigation settlement	98	-
Loss on business withdrawal	41	-
Total extraordinary losses	357	394
Income before income taxes	9,782	13,316
Income taxes−current	2,160	3,105
Income taxes−deferred	1,564	1,403
Total income taxes	3,725	4,508
Profit	6,057	8,808
Profit attributable to non-controlling interests	426	1,412
Profit attributable to owners of parent	5,630	7,396

(Consolidated statements of comprehensive income)

(For the nine months ended December 31, 2014 and 2015)

(Unit: Millions of Yen)

	Nine months ended December 31, 2014 (April 1, 2014–December 31, 2014)	Nine months ended December 31, 2015 (April 1, 2015–December 31, 2015)
Profit	6,057	8,808
Other comprehensive income		
Valuation difference on available-for-sale securities	798	(76)
Deferred gains or losses on hedges	78	(34)
Foreign currency translation adjustment	42	(68)
Remeasurements of defined benefit plans, net of tax	268	174
Total other comprehensive income	1,187	(6)
Comprehensive income	7,245	8,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,715	7,441
Comprehensive income attributable to non-controlling interests	530	1,361