

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2014 [Japan GAAP]

July 31, 2013

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 8, 2013	Scheduled Date of Dividend Paid : —
Supplemental Information Materials : None	
Scheduled Date of Quarterly Information Meeting : None	

1. Consolidated Operating Results for the First Quarter Ending March 2014 (From April 1, 2013 to June 30, 2013)

(1) Consolidated Operating Results Note : Amounts less than one million yen have been rounded down.

	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ending March 31, 2014	74,710	4.1	2,727	23.1	2,571	12.5	1,619	25.9
First quarter ended March 31, 2013	71,758	14.5	2,215	9.0	2,285	16.5	1,286	24.0

(Note) Comprehensive income :

First quarter ending March 31, 2014 1,933 million yen (79.3%) First quarter ended March 31, 2013 1,078 million yen (3.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter ending March 31, 2014	12.79	11.56
First quarter ended March 31, 2013	10.22	9.27

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First quarter ending March 31, 2014	210,591	68,369	31.4	515.86
Fiscal year ended March 31, 2013	208,095	67,327	31.3	521.48

(Reference) Shareholders' equity :

First quarter ending March 31, 2014 66,193 million yen Fiscal year ended March 31, 2013 65,139 million yen

2. Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	—	7.00	—	7.00	14.00
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		7.00	—	7.00	14.00

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

3. Forecast of Consolidated Operating Results for the Year Ending March 2014 (From April 1, 2013 to March 31, 2014)

(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 2013	149,000	3.2	5,000	7.3	4,900	4.0	2,800	4.7	22.12
Fiscal year ending March 2014	310,000	5.6	11,000	11.0	11,000	8.9	6,000	15.3	47.40

(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
- (Note) Changes to be stated in the section "Changes in significant matters providing the basis for preparing consolidated financial statements". Please see "Changes in accounting principles and estimates, and retrospective restatement" on page 4 for more detail.

(4) Shares outstanding (Common shares)

(a) Shares outstanding (including treasury stocks)			
As of June 30, 2013	128,989,476 shares	As of March 31, 2013	128,989,476 shares
(b) Treasury stock			
As of June 30, 2013	673,774 shares	As of March 31, 2013	4,077,506 shares
(c) Average number of shares (quarterly consolidated cumulative period)			
Period ended June 30, 2013	126,595,263 shares	Period ended June 30, 2012	125,824,669 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 Fiscal Year Ending March 2014" on page 3.

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1. Results of Operations and Financial Condition

(1) Results of Operations

In the first quarter of the fiscal year ending in March 2014 (April 1, 2013 to June 30, 2013), the Japanese economy recovered, although the recovery started from a low level. One reason was an improvement in consumer sentiment as the yen weakened and stock prices rose in response to economic and monetary initiatives of the Japanese government and Bank of Japan. The Japanese economy also benefited from a rebound in exports due to healthy overseas economies and an increase in housing investments.

In the logistics industry, there were signs of an increase in cargo volumes for imports and exports and for shipments within Japan because of a slow upturn in manufacturing activity and an upturn in consumer spending. However, the outlook is still uncertain due to the rising cost of fuel caused by the weaker yen and other factors.

In this environment, the Senko Group established a new four-year medium-term business plan that started in the current fiscal year 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 on achieving growth in the distribution business and commerce and trade business as well as on fostering a greater degree of trust among our customers by building a structure for services with high quality and outstanding performance in relation to the cost.

In the first quarter, operations started in April at the Sapporo PD Center No. 2 Warehouse in order to strengthen our operations in Hokkaido. In Shiga prefecture, we started operations at two warehouses at the Daimon Distribution Center, which is in the city of Moriama. One warehouse is for dangerous goods in order to meet the demand in this prefecture for storing these items.

In May, construction of the asphalt tanker Great Crane was completed. A joint investment by Senko and a shipper, the new vessel serves primarily routes between South Korea and Japan. In addition, Senko has completed a nationwide network for the transport of heavy goods by combining the heavy cargo transport and installation capabilities of Chugoku Piano Transport Co., Ltd., which was acquired by Senko in 2012, with Senko's own logistics expertise that has been developed over many years. With this new business model in place, the provision of services has started.

Overseas, a company established jointly by Senko and a Korean company has started construction of a distribution center at Busan New Port in South Korea, which is a hub port of global importance. The Group will continue to take actions aimed at strengthening and enlarging its international distribution business, chiefly in Eastern Asia, Southeast Asia and Central Asia.

First quarter performance was as follows.

(Unit : Millions of Yen)

	First quarter ended March 31, 2013	First quarter ending March 31, 2014	Change	%
Operating revenues	71,758	74,710	2,952	4.1%
Operating income	2,215	2,727	511	23.1%
Ordinary income	2,285	2,571	286	12.5%
Net income	1,286	1,619	333	25.9%

First quarter consolidated operating revenues increased 4.1% from one year earlier to ¥74,710 million as revenues increased in both the distribution and the commerce and trade business segments. Earnings benefited from the growth in sales, cost-cutting measures and activities to raise productivity. The consolidation of special-purpose companies associated with a revision to an accounting standard also affected earnings. As a result, operating income increased 23.1% to ¥2,727 million, ordinary income increased 12.5% to ¥2,571 million and net income increased 25.9% to ¥1,619 million.

First quarter business segment performance was as follows.

Distribution

In retail product logistics, an increase in the volume of cargo for general merchandise stores and discount stores contributed to growth in operating revenues and there was progress in developing relationships with new customers in the electrical machinery and other machinery sector. In the housing logistics business, the cargo volume was higher along with the increasing in housing starts in Japan. In the chemicals logistics business, the Group conducted aggressive activities to increase sales as production, exports and imports were sluggish in the chemical industry. The result was operating revenues of ¥57,879 million, 3.2% higher than one year earlier.

Commerce and Trade

In this segment, there was an increase in exports of electronic components to China, progress with activities to increase sales in the petroleum marketing business and a contribution to revenues from Obata Co., Ltd., which joined the Senko Group in October 2012. The result was operating revenues of ¥16,124 million, 7.8% higher than one year earlier.

Others

In this segment, operating revenues decreased 2.0% from one year earlier to ¥706 million partly because of a decline in orders received for outsourced data processing services.

(2) Financial Condition

Total assets

Total assets at the end of the first quarter were ¥210,591 million, ¥2,496 million higher than at the end of the previous fiscal year. Property, plant and equipment increased ¥15,342 million and there were decreases of ¥2,250 million in current assets and ¥10,559 million in investments and other assets. The consolidation of special-purpose companies caused increases of ¥1,985 million in current assets and ¥13,728 million in property, plant and equipment and a decrease of ¥10,484 million in investments and other assets.

Liabilities

Liabilities increased ¥1,454 million from the end of the previous fiscal year to ¥142,222 million. Noncurrent liabilities increased ¥3,813 million and current liabilities decreased ¥2,358 million. The consolidation of special-purpose companies caused increases of ¥1,593 million in current liabilities and ¥3,643 million in noncurrent liabilities.

Net assets

Net assets increased ¥1,042 million from the end of the previous fiscal year to ¥68,369 million. Retained earnings increased ¥738 million and valuation differences on available-for-sale securities increased ¥160 million. The equity ratio increased by 0.1 percentage point to 31.4%.

(3) Forecast for Fiscal Year Ending March 2014

Going forward, the Japanese economy is seen recovering gradually, due to higher exports due to the weaker yen and the impact of government economic stimulatory measures and anticipatory demand ahead of the hike in the consumption tax rate.

Since operating revenues and earnings thus far in the fiscal year are generally as planned, there are no revisions to the first half and fiscal year forecasts that were announced on April 25, 2013.

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

Change in accounting principle

(Application of accounting standard for consolidated financial statements)

Starting with the first quarter of the current fiscal year, Senko is applying the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, March 25, 2011), Guidance on Disclosure about Certain Special Purpose Entities (ASBJ Guidance No. 15, March 25, 2011), Guidance on Determining a Subsidiary and an Affiliate (ASBJ Guidance No. 22, March 25, 2011), and Practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations (ASBJ Practical Issues Task Force No. 20, March 25, 2011). As a result, Y.K. SK Urawa and five other companies have become consolidated subsidiaries.

For the application of the above accounting standards and other items to the six newly consolidated subsidiaries, in accordance with the transitional handling prescribed in Section 44-4 (3) of the Accounting Standard for Consolidated Financial Statements, at the beginning of the first fiscal year of applying this standard the assets and liabilities of the six newly consolidated subsidiaries were valued at a suitable book value for inclusion in the consolidated balance sheet.

The consolidation of these six companies did not have a material effect on retained earnings at the beginning 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, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and deposits	15,690	14,352
Notes and accounts receivable	42,387	41,430
Merchandise	4,399	4,125
Real estate for sale	3	3
Work in process	190	223
Supplies	186	176
Other	6,072	6,361
Allowance for doubtful accounts	(66)	(61)
Total current assets	68,863	66,612
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	44,117	56,533
Land	40,098	43,441
Other (net)	11,389	10,973
Total property, plant and equipment	95,605	110,948
Intangible assets		
Goodwill	3,452	3,381
Other	3,477	3,513
Total intangible assets	6,930	6,894
Investments and other assets		
Guarantee deposits	9,252	9,248
Deferred tax assets	3,435	3,016
Other	24,407	14,293
Allowance for doubtful accounts	(399)	(422)
Total investments and other assets	36,696	26,136
Total noncurrent assets	139,232	143,979
Total assets	208,095	210,591

(Unit : Millions of Yen)

	As of March 31, 2013	As of June 30, 2013
Liabilities		
Current liabilities		
Notes and operating accounts payable- trade	31,377	30,095
Short-term loans payable	14,475	15,895
Income taxes payable	2,540	315
Provision for bonuses	3,118	1,967
Provision for directors' bonuses	181	36
Other	12,142	13,166
Total current liabilities	63,835	61,477
Noncurrent liabilities		
Bonds payable	12,000	12,000
Convertible bond-type bonds with subscription rights	5,000	5,000
Long-term loans payable	41,749	46,654
Provision for retirement benefits	9,269	6,032
Provision for directors' retirement benefits	65	62
Provision for special repairs	61	66
Asset retirement obligations	324	326
Other	8,462	10,603
Total noncurrent liabilities	76,931	80,744
Total liabilities	140,767	142,222
Net assets		
Shareholders' equity		
Capital stock	20,521	20,521
Capital surplus	18,782	18,807
Retained earnings	26,468	27,207
Treasury stock	(1,353)	(1,304)
Total shareholders' equity	64,418	65,231
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	673	834
Deferred gains or losses on hedges	(4)	2
Foreign currency translation adjustment	52	124
Total accumulated other comprehensive income	720	961
Subscription rights to shares	195	195
Minority interests	1,992	1,981
Total net assets	67,327	68,369
Liabilities and net assets	208,095	210,591

(2) Consolidated Statements of (Comprehensive) Income
(Consolidated Statements of Income)
(For the three months ended June 30, 2012 and 2013)

(Unit : Millions of Yen)

	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)
Operating revenues	71,758	74,710
Cost of sales	64,561	66,940
Gross profit	7,196	7,770
Selling, general and administrative expenses	4,980	5,042
Operating income	2,215	2,727
Non-operating income		
Interest income	52	36
Dividends income	240	53
Other	136	135
Total non-operating income	429	225
Non-operating expenses		
Interest expenses	296	312
Other	63	68
Total non-operating expenses	360	381
Ordinary income	2,285	2,571
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		
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
Income before income taxes	2,285	2,931
Income taxes- current	271	376
Income taxes- deferred	705	906
Total income taxes	977	1,283
Income before minority interests	1,308	1,647
Minority interest in income or loss	22	28
Net income	1,286	1,619

(Consolidated Statements of Comprehensive Income)
(For the three months ended June 30, 2012 and 2013)

(Unit : Millions of Yen)

	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)
Income before minority interests	1,308	1,647
Other comprehensive income		
Valuation difference on available-for-sale securities	(153)	162
Deferred gains or losses on hedges	(145)	2
Foreign currency translation adjustment	64	119
Share of other comprehensive income of associates accounted for using equity method	4	—
Total other comprehensive income	(229)	285
Comprehensive income	1,078	1,933
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,042	1,855
Comprehensive income attributable to minority interests	35	77