

## Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2019 [Japan GAAP]

November 9, 2018

Name of Listed Company:	SENKO Group Holdings Co., Ltd.	Stock Listed on:	The First Section of the Tokyo Stock Exchange
Code Number:	9069	URL	<a href="http://www.senkogrouphd.co.jp/en/">http://www.senkogrouphd.co.jp/en/</a>
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Scheduled Date of Issue of Quarterly Financial Report: November 14, 2018      Scheduled Date of Dividend Paid: December 4, 2018  
 Quarterly Supplemental Information Materials: Yes  
 Scheduled Date of Quarterly Information Meeting: Yes (for analysts)

(Amounts less than ¥1 million have been rounded down)

### 1. Consolidated Operating Results for the Six Months Ended September 30, 2018

(1) Consolidated Operating Results (Cumulative) (Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2018	260,339	7.4	9,108	14.0	9,368	16.7	5,616	29.1
Six months ended September 30, 2017	242,300	7.9	7,991	(10.0)	8,025	(8.2)	4,351	(2.7)

(Note) Comprehensive income

Six months ended September 30, 2018: ¥6,033 million (-3.7%)      Six months ended September 30, 2017: ¥6,264 million (23.0%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2018	36.96	34.28
Six months ended September 30, 2017	28.68	26.60

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2018	342,729	124,270	34.1	769.27
As of March 31, 2018	333,972	118,056	33.7	741.44

(Reference) Shareholders' equity:

As of September 30, 2018: ¥116,804 million      As of March 31, 2018: ¥112,643 million

### 2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	-	11.00	-	11.00	22.00
Fiscal year ending March 31, 2019	-	13.00	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	-	-	13.00	26.00

(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, 2019 (From April 1, 2018 to March 31, 2019)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2019	530,000	7.7	19,300	12.9	19,300	11.5	11,500	21.0	75.70

(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): Yes

Newly included: 1 company (Company name) M-Senko Logistics Co., Ltd.

(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: None

(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 September 30, 2018:	152,861,921 shares	As of March 31, 2018:	152,861,921 shares
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(b) Treasury shares

As of September 30, 2018:	1,024,453 shares	As of March 31, 2018:	937,015 shares
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(c) Average number of shares (Cumulative)

Six months ended September 30, 2018:	151,958,664 shares	Six months ended September 30, 2017:	151,724,773 shares
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(Note) Starting with the first quarter of the fiscal year ended March 31, 2015, the number of treasury shares at term-end includes Senko shares owned by the trust account of employee stock ownership plan (as of September 30, 2018: – shares; as of September 30, 2017: 589,000 shares), following revisions to accounting principles due to the amendment of accounting standards. Starting with the third quarter of the fiscal year ended March 31, 2018, the number of treasury shares at term-end includes Senko shares owned by the trust accounts of Performance-linked Stock Compensation Plan for Employees (as of September 30, 2018: 351,500 shares) and Performance-linked Stock Compensation Plan for Directors (as of September 30, 2018: 353,000 shares).

Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

### 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 full-term of the fiscal year ending March 31, 2019" on page 4.

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## 1. Results of Operations and Financial Condition

### (1) Results of operations

In the six-month period of the fiscal year ending March 31, 2019 (April 1, 2018 to September 30, 2018), the Japanese economy has been on a path of recovery despite adverse effects of natural disasters, due to factors that include improvement in the employment and income environment as well as corporate earnings. Meanwhile, the overseas economy has been continuing to mount a modest recovery on the whole, despite concerns that include uncertainty regarding political measures of respective nations and trade friction triggered by U.S. trade policy.

In the logistics industry where our core business lies, a harsh business environment continued due mainly to labor shortages and the rise in fuel prices. Freight volume, however, has been following a path of recovery, particularly for consumer-related and production-related cargo despite the effect from natural disasters.

In this environment, the Senko Group has been working to expand its business areas, upgrade its operating system and strengthen its earnings capacity, as the second year of "Senko Innovation Plan 2021 (SIP21)" five-year medium-term business plan.

The following provides an outline of our main activities in the six-month period.

To expand its business areas, SENKO Co., Ltd. commenced operations of Higashi Fuji PD Center (Fuji City, Shizuoka Prefecture) in April, Nagareyama Logistics Center (Nagareyama City, Chiba Prefecture) in May, and Koga PD Center (Koga City, Ibaraki Prefecture) and Kazo PD Center Warehouse No. 2 (Kazo City, Saitama Prefecture) in August.

The Kazo PD Center Warehouse No. 2 is the first three-temperature-zone center operated jointly by SENKO Co., Ltd. and Runtec Corporation. The total floor area of the Kazo PD Center, including the existing warehouse, amounts to 103,000 m<sup>2</sup>, making it one of the Senko Group's largest logistics facilities.

In April, Runtec Corporation commenced operations of its Osaka Branch Nanko Center (Osaka City), and expanded its Fukuoka Branch Center (Fukuoka City).

Outside Japan, in May SHANGHAI SENKO INTERNATIONAL FREIGHT FORWARDING INC. commenced operations of its Qingpu Logistics Center (Shanghai, China). Moreover, we have been working to strengthen operations in the ASEAN region, having made Thailand-based Best Global Logistics Co., Ltd., which engages in the business of air and marine transport and other such operations, a Group company in September.

To upgrade our operating system, we have been actively moving ahead with labor-saving and mechanization initiatives in our distribution centers by adopting the latest technologies such as robotic arms and unmanned forklifts. In order to further accelerate such initiatives going forward, in April we set up the AI Project and the Robotics Project, both promoting R&D and other such endeavors. Also in July, we established innovatech studio Co., Ltd., which develops next-generation technologies and engages in system sales. Moreover, having succeeded SENKO Co., Ltd.'s marine shipping business, Senko Line Co., Ltd. started business operations in April, and aims to expand the marine shipping business.

With respect to our modal shift initiatives, in June we received the Logistics Environment Grand Prix Award (the highest Logistics Environment Award) and three Logistics Environment Special Awards from the Japan Association for Logistics and Transport in recognition of our four initiatives that include switching from the previous use of trucks to the use of railroads and marine vessels for long-distance transport of beverage, chemical product, food, housing material and other items.

To strengthen our earnings capacity, we worked on streamlining back office operations, improving productivity at distribution sites and other initiatives.

The six-month-period performance was as follows.

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change	(Unit: Millions of Yen) %
Operating revenue	242,300	260,339	18,039	7.4
Operating profit	7,991	9,108	1,117	14.0
Ordinary profit	8,025	9,368	1,343	16.7
Profit attributable to owners of parent	4,351	5,616	1,265	29.1

Consolidated operating revenue for the six-month period ended September 30, 2018 of the current fiscal year increased 7.4% year on year to ¥260,339 million despite adverse effects of natural disasters. This result mainly reflected effects of expanding sales and revising the freight charges, year-on-year differences arising with respect to ANZEN YUSO CO., LTD. and OKUMURA CO., LTD. which became consolidated subsidiaries in the previous fiscal year, and furthermore moves taken since April this year to make operating companies of living support services into consolidated subsidiaries (KEIHANNA helper station Co., Ltd., VENUS CO., LTD., BLUE EARTH JAPAN Co., Ltd., etc.).

On the profit front, despite factors that include higher costs largely stemming from rises in outsourcing costs and increases in fuel prices,

consolidated operating profit increased to ¥9,108 million, up 14.0% year on year, and consolidated ordinary profit increased to ¥9,368 million, up 16.7% year on year. The upturn in profits was largely attributable to positive effects on profits brought about by expanding sales, revising freight charges and making entities into consolidated subsidiaries, and furthermore due to the decrease in the amount amortized for actuarial differences in accounting for retirement benefit obligations. Profit attributable to owners of parent increased to ¥5,616 million, up 29.1% year on year, partially as a result of having made Runtec Corporation and other entities into wholly owned subsidiaries.

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

#### **Logistics**

Operating revenue grew 8.0% year on year to ¥184,044 million in this segment, despite adverse effects of natural disasters. This was mainly attributable to higher revenues generated by large facilities opened in the previous fiscal year, expansion of sales to new customers with respect to daily-use items, food products, apparel, and chemical products, effects of revising the freight charges, and year-on-year differences related to the timing of consolidation of ANZEN YUSO CO., LTD.

#### **Trading & commerce**

Operating revenue grew 2.7% year on year to ¥70,427 million in this segment. This was attributable to higher revenues mainly from trade operations and sales of petroleum products, and also due to year-on-year differences related to the timing of consolidation of OKUMURA CO., LTD.

#### **Others**

Operating revenue rose 78.3% year on year to ¥5,868 million in this segment. This was mainly attributable to higher revenues due to the consolidation of operating companies of living support services.

### (2) Financial condition

#### 1) Assets, liabilities and net assets

##### **Total assets**

Total assets as of September 30, 2018 were ¥342,729 million, ¥8,756 million higher than at the end of the previous fiscal year. Current assets amounted to ¥119,773 million, up ¥5,625 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,753 million in cash and deposits, ¥704 million in notes and operating accounts receivable and ¥2,031 million in securities. Non-current assets totaled ¥222,909 million, up ¥3,143 million from the end of the previous fiscal year. This was primarily due to increases of ¥2,286 million in property, plant and equipment, ¥291 million in intangible assets and ¥565 million in investments and other assets.

##### **Liabilities**

Liabilities as of September 30, 2018 increased ¥2,542 million from the end of the previous fiscal year to ¥218,458 million. Current liabilities totaled ¥110,363 million, up ¥4,314 million from the end of the previous fiscal year. This was mainly due to an increase of ¥7,531 million in short-term loans payable, despite decreases of ¥1,639 million in notes and operating accounts payable-trade and ¥1,073 million in income taxes payable. Non-current liabilities totaled ¥108,095 million, down ¥1,771 million from the end of the previous fiscal year. This was primarily due to a decrease in long-term loans payable of ¥2,076 million.

##### **Net assets**

Net assets as of September 30, 2018 rose ¥6,213 million from the end of the previous fiscal year to ¥124,270 million. This was mainly attributable to increases of ¥3,672 million in retained earnings and ¥2,000 million in non-controlling interests. The equity ratio as of September 30, 2018 increased by 0.4 percentage points to 34.1% from the end of the previous fiscal year.

#### 2) Cash flows

Cash and cash equivalents as of September 30, 2018 decreased by ¥290 million from the end of the previous fiscal year to ¥23,504 million.

Net cash provided by operating activities amounted to ¥9,335 million. This was mainly due to profit before income taxes of ¥9,166 million and depreciation of ¥7,003 million, despite a ¥993 million decrease in cash from an increase in notes and accounts receivable-trade, a ¥1,530 million decrease in cash from a decrease in notes and accounts payable-trade and income taxes paid of ¥4,631 million.

Net cash used in investing activities totaled ¥13,133 million. This was mainly due to payments into time deposits of ¥3,042 million, purchase of securities of ¥2,080 million, purchase of property, plant and equipment of ¥16,293 million and purchase of shares of subsidiaries and associates of ¥1,146 million, despite proceeds from sales of property, plant and equipment of ¥9,244 million.

Net cash provided by financing activities totaled ¥2,486 million. This was mainly due to net increase in short-term loans payable of

¥5,316 million, proceeds from long-term loans payable of ¥2,311 million and proceeds from share issuance to non-controlling shareholders of ¥2,305 million, despite a repayment of long-term loans payable of ¥3,359 million, repayments of finance lease obligations of ¥1,979 million and cash dividends paid of ¥1,697 million.

(3) Forecast for the full-term of the fiscal year ending March 31, 2019

No revisions have been made to the forecast of consolidated operating results for the fiscal year ending March 31, 2019, announced in “Summary of Financial Statements for the Fiscal Year Ended March 31, 2018” on May 10, 2018.

## 2. Consolidated Financial Statements

### (1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	24,995	26,749
Notes and operating accounts receivable	70,526	71,231
Securities	–	2,031
Merchandise and finished goods	7,293	7,514
Work in process	351	645
Raw materials and supplies	536	571
Other	10,460	11,047
Allowance for doubtful accounts	(16)	(17)
<b>Total current assets</b>	<b>114,148</b>	<b>119,773</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,045	64,740
Land	59,613	59,227
Other, net	45,411	38,389
<b>Total property, plant and equipment</b>	<b>160,071</b>	<b>162,357</b>
Intangible assets		
Goodwill	6,522	6,740
Other	4,225	4,298
<b>Total intangible assets</b>	<b>10,747</b>	<b>11,038</b>
Investments and other assets		
Investment securities	22,642	21,910
Long-term loans receivable	3,709	3,268
Net defined benefit asset	3,658	3,970
Guarantee deposits	12,118	12,886
Deferred tax assets	4,317	4,201
Other	3,718	3,975
Allowance for doubtful accounts	(1,216)	(698)
<b>Total investments and other assets</b>	<b>48,947</b>	<b>49,513</b>
<b>Total non-current assets</b>	<b>219,766</b>	<b>222,909</b>
Deferred assets		
Business commencement expenses	57	45
<b>Total deferred assets</b>	<b>57</b>	<b>45</b>
<b>Total assets</b>	<b>333,972</b>	<b>342,729</b>

(Unit: Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and operating accounts payable-trade	37,418	35,779
Electronically recorded obligations-operating	7,189	7,083
Current portion of bonds	48	48
Short-term loans payable	29,351	36,883
Lease obligations	3,073	3,011
Income taxes payable	4,509	3,435
Provision for bonuses	4,625	5,340
Provision for directors' bonuses	197	152
Provision for loss on disaster	–	267
Other	19,634	18,360
<b>Total current liabilities</b>	<b>106,048</b>	<b>110,363</b>
Non-current liabilities		
Bonds payable	17,168	17,144
Convertible bond-type bonds with share acquisition rights	10,039	10,034
Long-term loans payable	63,232	61,155
Lease obligations	7,342	7,662
Provision for directors' retirement benefits	159	155
Provision for special repairs	82	69
Net defined benefit liability	6,901	6,683
Asset retirement obligations	819	912
Other	4,120	4,277
<b>Total non-current liabilities</b>	<b>109,866</b>	<b>108,095</b>
<b>Total liabilities</b>	<b>215,915</b>	<b>218,458</b>
Net assets		
Shareholders' equity		
Capital stock	26,528	26,528
Capital surplus	29,730	30,006
Retained earnings	54,968	58,641
Treasury shares	(590)	(697)
<b>Total shareholders' equity</b>	<b>110,637</b>	<b>114,477</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,775	2,018
Deferred gains or losses on hedges	(61)	18
Foreign currency translation adjustment	334	142
Remeasurements of defined benefit plans	(42)	147
<b>Total accumulated other comprehensive income</b>	<b>2,005</b>	<b>2,326</b>
Share acquisition rights	373	424
Non-controlling interests	5,040	7,040
<b>Total net assets</b>	<b>118,056</b>	<b>124,270</b>
<b>Total liabilities and net assets</b>	<b>333,972</b>	<b>342,729</b>

**(2) Consolidated statements of (comprehensive) income**

(Consolidated statements of income)

(For the six months ended September 30, 2017 and 2018)

(Unit: Millions of Yen)

	Six months ended September 30, 2017 (April 1, 2017–September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018–September 30, 2018)
Operating revenue	242,300	260,339
Operating cost	217,093	232,038
Operating gross profit	25,207	28,301
Selling, general and administrative expenses	17,216	19,192
Operating profit	7,991	9,108
Non-operating income		
Interest income	43	57
Dividend income	89	93
Other	789	1,041
Total non-operating income	922	1,192
Non-operating expenses		
Interest expenses	476	561
Other	413	371
Total non-operating expenses	889	932
Ordinary profit	8,025	9,368
Extraordinary income		
Subsidy income	–	1,156
Gain on sales of non-current assets	110	365
Reversal of allowance for doubtful accounts for subsidiaries and associates	–	40
Delinquency charges	157	–
Gain on sales of investment securities	66	–
Total extraordinary income	334	1,563
Extraordinary losses		
Loss on reduction of non-current assets	–	1,144
Provision for loss on disaster	–	267
Loss on liquidation of subsidiaries	–	168
Loss on office withdrawal	311	96
Loss on retirement of non-current assets	109	87
Total extraordinary losses	420	1,765
Profit before income taxes	7,939	9,166
Income taxes-current	2,410	3,381
Income taxes-deferred	131	(21)
Total income taxes	2,542	3,359
Profit	5,396	5,806
Profit attributable to non-controlling interests	1,044	189
Profit attributable to owners of parent	4,351	5,616

(Consolidated statements of comprehensive income)  
(For the six months ended September 30, 2017 and 2018)

(Unit: Millions of Yen)

	Six months ended September 30, 2017 <small>(April 1, 2017–September 30, 2017)</small>	Six months ended September 30, 2018 <small>(April 1, 2018–September 30, 2018)</small>
Profit	5,396	5,806
Other comprehensive income		
Valuation difference on available-for-sale securities	390	268
Deferred gains or losses on hedges	36	82
Foreign currency translation adjustment	(42)	(313)
Remeasurements of defined benefit plans, net of tax	483	190
Total other comprehensive income	868	227
Comprehensive income	6,264	6,033
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,177	5,938
Comprehensive income attributable to non-controlling interests	1,087	95

**(3) Consolidated statements of cash flows**

(Unit: Millions of Yen)

	Six months ended September 30, 2017 (April 1, 2017–September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018–September 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,939	9,166
Depreciation	5,817	7,003
Loss (gain) on sales of non-current assets	(102)	(349)
Loss on retirement of non-current assets	109	87
Loss on reduction of non-current assets	–	1,144
Subsidy income	–	(1,156)
Loss on liquidation of subsidiaries	–	168
Decrease (increase) in net defined benefit asset	136	(29)
Increase (decrease) in net defined benefit liability	(78)	(229)
Increase (decrease) in provision for bonuses	493	676
Increase (decrease) in provision for loss on disaster	(96)	267
Interest and dividend income	(133)	(150)
Interest expenses	476	561
Decrease (increase) in notes and accounts receivable-trade	(4,101)	(993)
Decrease (increase) in inventories	247	(547)
Increase (decrease) in notes and accounts payable-trade	1,257	(1,530)
Increase (decrease) in accrued consumption taxes	711	(1,223)
Decrease (increase) in consumption taxes refund receivable	(750)	1,815
Other	839	(606)
<b>Subtotal</b>	<b>12,765</b>	<b>14,074</b>
Interest and dividend income received	271	139
Interest expenses paid	(487)	(558)
Proceeds from subsidy income	1,252	310
Income taxes paid	(3,071)	(4,631)
<b>Net cash provided by (used in) operating activities</b>	<b>10,731</b>	<b>9,335</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	–	(3,042)
Purchase of securities	–	(2,080)
Purchase of property, plant and equipment	(13,724)	(16,293)
Proceeds from sales of property, plant and equipment	10,493	9,244
Purchase of investment securities	(33)	(38)
Proceeds from sales of investment securities	145	80
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,375)	–
Purchase of shares of subsidiaries and associates	(4,153)	(1,146)
Payments for investments in capital of subsidiaries and associates	(1,082)	(1)
Other	(998)	143
<b>Net cash provided by (used in) investing activities</b>	<b>(10,728)</b>	<b>(13,133)</b>

	Six months ended September 30, 2017 (April 1, 2017–September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018–September 30, 2018)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,862	5,316
Proceeds from long-term loans payable	8,092	2,311
Repayment of long-term loans payable	(9,184)	(3,359)
Repayments of finance lease obligations	(1,599)	(1,979)
Redemption of bonds	–	(24)
Proceeds from sales of treasury shares	209	–
Proceeds from share issuance to non-controlling shareholders	–	2,305
Cash dividends paid	(1,675)	(1,697)
Dividends paid to non-controlling interests	(124)	(72)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(169)
Other	(503)	(144)
<b>Net cash provided by (used in) financing activities</b>	<b>(922)</b>	<b>2,486</b>
Effect of exchange rate change on cash and cash equivalents	(17)	(73)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(937)</b>	<b>(1,384)</b>
Cash and cash equivalents at beginning of period	26,197	23,795
Increase in cash and cash equivalents from newly consolidated subsidiary	55	1,093
<b>Cash and cash equivalents at end of period</b>	<b>25,314</b>	<b>23,504</b>