

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

August 10, 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	http://www.senkogrouphd.co.jp/en/
Representative:	Title: President	Name:	Yasuhisa Fukuda
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Scheduled Date of Issue of Quarterly Financial Report: August 14, 2018 Scheduled Date of Dividend Paid: -
 Quarterly Supplemental Information Materials: None
 Scheduled Date of Quarterly Information Meeting: None

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

1. Consolidated Operating Results for the Three Months Ended June 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	%
Three months ended June 30, 2018	129,365	8.2	4,697	22.6	4,856	22.8	2,919	53.6
Three months ended June 30, 2017	119,605	8.4	3,830	(7.9)	3,954	(2.3)	1,901	(9.3)

(Note) Comprehensive income

Three months ended June 30, 2018: ¥3,178 million (6.2%)

Three months ended June 30, 2017: ¥2,991 million (38.3%)

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 30, 2018	19.21	17.82
Three months ended June 30, 2017	12.54	11.63

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2018	342,892	121,364	33.3	750.39
As of March 31, 2018	333,972	118,056	33.7	741.44

(Reference) Shareholders' equity:

As of June 30, 2018: ¥114,045 million

As of March 31, 2018: ¥112,643 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
Fiscal year ended March 31, 2018	Yen -	Yen 11.00	Yen -	Yen 11.00	Yen 22.00
Fiscal year ending March 31, 2019	-	-	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	13.00	-	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
First half ending September 30, 2018	260,000	7.3	9,000	12.6	9,000	12.1	5,400	24.1	35.54
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 June 30, 2018:	152,861,921 shares	As of March 31, 2018:	152,861,921 shares
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(b) Treasury shares

As of June 30, 2018:	880,018 shares	As of March 31, 2018:	937,015 shares
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(c) Average number of shares (Cumulative)

Three months ended June 30, 2018:	151,980,565 shares	Three months ended June 30, 2017:	151,619,822 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 June 30, 2018: – shares; as of June 30, 2017: 736,600 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 June 30, 2018: 349,900 shares) and Performance-linked Stock Compensation Plan for Directors (as of June 30, 2018: 210,200 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 six-month period and the full-term of the fiscal year ending March 31, 2019” on page 3.

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1. Results of Operations and Financial Condition

(1) Results of operations

In the three-month period of the fiscal year ending March 31, 2019 (April 1, 2018 to June 30, 2018), the Japanese economy has been on a path of recovery amid the continuing improvement in the corporate earnings and employment and income environment. 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 developments with respect to trade issues.

In the logistics industry where our core business lies, although the labor shortages and the rise in fuel prices have continued, freight volume has been firm mainly for consumer-related and production-related cargo.

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 three-month period.

To expand its business areas, in April SENKO Co., Ltd. commenced operations of Higashi Fuji PD Center (Fuji City, Shizuoka Prefecture) in order to expand business for major drug store logistics, and in May it took charge of logistics business of a major apparel manufacturer and commenced operations of Nagareyama Logistics Center (Nagareyama City, Chiba Prefecture).

In April, in order to expand operations involving frozen and refrigerated logistics, Runtec Corporation commenced operations of its Osaka Branch Nanko Center (Osaka City) which is equipped with Japan's largest automated frozen storage warehouse with a quake-absorbing structure. Also in April, it expanded the frozen and cold storage warehouse of its Fukuoka Branch Center (Fukuoka City).

Outside Japan, in May SHANGHAI SENKO INTERNATIONAL FREIGHT FORWARDING INC. commenced operations of its Qingpu Logistics Center, located in Shanghai, in order to fortify its logistics functions in China's Shanghai region.

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.

In relation to those projects, in July we established innovatech studio Co., Ltd. which develops next-generation technologies in areas such as AI and robotics, and engages in system sales.

Meanwhile, having succeeded SENKO Co., Ltd.'s marine shipping business, Senko Line Co., Ltd. started business operations in April. Senko Line aims to expand the marine shipping business by joining forces with Group companies NIPPON MARINE CO., LTD. and EIKICHI KAIUN CO., LTD. and accelerating a modal shift and other initiatives.

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 made progress in revising the freight charges and overhauling the terms of business, and also worked on streamlining back office operations and improving productivity at distribution sites.

The three-month-period performance was as follows.

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change	(Unit: Millions of Yen) %
Operating revenue	119,605	129,365	9,759	8.2
Operating profit	3,830	4,697	867	22.6
Ordinary profit	3,954	4,856	901	22.8
Profit attributable to owners of parent	1,901	2,919	1,018	53.6

Consolidated operating revenue for the three-month period ended June 30, 2018 of the current fiscal year increased 8.2% year on year to ¥129,365 million. 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 higher costs largely stemming from rises in expenses for hiring vehicles and other outsourcing costs, and increases in fuel prices, consolidated operating profit increased to ¥4,697 million, up 22.6% year on year, and consolidated ordinary profit increased to ¥4,856 million, up 22.8% year on year. The upturn in profits was largely attributable to factors that include 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 ¥2,919 million, up 53.6% year on year, partially as a result of having made Runtec Corporation and other entities into wholly owned subsidiaries.

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

Logistics

Operating revenue grew 8.7% year on year to ¥91,101 million in this segment. 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, and year-on-year differences related to the timing of consolidation of ANZEN YUSO CO., LTD.

Trading & commerce

Operating revenue grew 3.8% year on year to ¥35,472 million in this segment. This was mainly attributable to higher revenues 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 75.3% year on year to ¥2,791 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

Assets, liabilities and net assets

Total assets

Total assets as of June 30, 2018 were ¥342,892 million, ¥8,919 million higher than at the end of the previous fiscal year. Current assets amounted to ¥120,036 million, up ¥5,888 million from the end of the previous fiscal year. This mainly reflected an increase of ¥7,208 million in cash and deposits, despite a decrease of ¥723 million in notes and operating accounts receivable. Non-current assets totaled ¥222,803 million, up ¥3,036 million from the end of the previous fiscal year. This was primarily due to increases of ¥5,445 million in property, plant and equipment and ¥498 million in intangible assets, despite a decrease of ¥2,906 million in investments and other assets.

Liabilities

Liabilities as of June 30, 2018 increased ¥5,611 million from the end of the previous fiscal year to ¥221,527 million. Current liabilities totaled ¥110,296 million, up ¥4,247 million from the end of the previous fiscal year. This was mainly due to an increase of ¥11,715 million in short-term loans payable, despite decreases of ¥1,476 million in notes and operating accounts payable-trade, ¥3,561 million in income taxes payable and ¥1,636 million in provision for bonuses. Non-current liabilities totaled ¥111,230 million, up ¥1,363 million from the end of the previous fiscal year. This was primarily due to increases in long-term loans payable of ¥760 million and long-term lease obligations of ¥463 million.

Net assets

Net assets as of June 30, 2018 rose ¥3,308 million from the end of the previous fiscal year to ¥121,364 million. This was mainly attributable to increases of ¥274 million in capital surplus, ¥943 million in retained earnings and ¥1,922 million in non-controlling interests. The equity ratio as of June 30, 2018 decreased by 0.4 percentage points to 33.3% 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, 2019

No revisions have been made to the forecast of consolidated operating results for the first half ending September 30, 2018 and 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	24,995	32,203
Notes and operating accounts receivable	70,526	69,803
Merchandise and finished goods	7,293	7,186
Work in process	351	515
Raw materials and supplies	536	577
Other	10,460	9,769
Allowance for doubtful accounts	(16)	(19)
Total current assets	114,148	120,036
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,045	66,245
Land	59,613	59,717
Other, net	45,411	39,553
Total property, plant and equipment	160,071	165,516
Intangible assets		
Goodwill	6,522	6,859
Other	4,225	4,385
Total intangible assets	10,747	11,245
Investments and other assets		
Investment securities	22,642	20,444
Long-term loans receivable	3,709	3,679
Net defined benefit asset	3,658	3,814
Guarantee deposits	12,118	12,285
Deferred tax assets	4,317	3,287
Other	3,718	3,701
Allowance for doubtful accounts	(1,216)	(1,172)
Total investments and other assets	48,947	46,041
Total non-current assets	219,766	222,803
Deferred assets		
Business commencement expenses	57	52
Total deferred assets	57	52
Total assets	333,972	342,892

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	37,418	35,942
Electronically recorded obligations-operating	7,189	7,126
Current portion of bonds	48	48
Short-term loans payable	29,351	41,066
Lease obligations	3,073	3,028
Income taxes payable	4,509	947
Provision for bonuses	4,625	2,989
Provision for directors' bonuses	197	83
Other	19,634	19,063
Total current liabilities	106,048	110,296
Non-current liabilities		
Bonds payable	17,168	17,144
Convertible bond-type bonds with share acquisition rights	10,039	10,037
Long-term loans payable	63,232	63,992
Lease obligations	7,342	7,806
Provision for directors' retirement benefits	159	156
Provision for special repairs	82	91
Net defined benefit liability	6,901	6,817
Asset retirement obligations	819	908
Other	4,120	4,276
Total non-current liabilities	109,866	111,230
Total liabilities	215,915	221,527
Net assets		
Shareholders' equity		
Capital stock	26,528	26,528
Capital surplus	29,730	30,004
Retained earnings	54,968	55,912
Treasury shares	(590)	(569)
Total shareholders' equity	110,637	111,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,775	1,863
Deferred gains or losses on hedges	(61)	(11)
Foreign currency translation adjustment	334	264
Remeasurements of defined benefit plans	(42)	52
Total accumulated other comprehensive income	2,005	2,169
Share acquisition rights	373	356
Non-controlling interests	5,040	6,962
Total net assets	118,056	121,364
Total liabilities and net assets	333,972	342,892

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the three months ended June 30, 2017 and 2018)

(Unit: Millions of Yen)

	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)
Operating revenue	119,605	129,365
Operating cost	106,970	114,861
Operating gross profit	12,635	14,503
Selling, general and administrative expenses	8,805	9,806
Operating profit	3,830	4,697
Non-operating income		
Interest income	25	28
Dividend income	74	78
Other	453	473
Total non-operating income	553	580
Non-operating expenses		
Interest expenses	241	273
Other	187	148
Total non-operating expenses	429	421
Ordinary profit	3,954	4,856
Extraordinary income		
Subsidy income	–	187
Reversal of allowance for doubtful accounts for subsidiaries and associates	–	46
Gain on sales of non-current assets	–	37
Delinquency charges	157	–
Total extraordinary income	157	271
Extraordinary losses		
Loss on reduction of non-current assets	–	187
Loss on retirement of non-current assets	–	35
Loss on office withdrawal	269	–
Total extraordinary losses	269	222
Profit before income taxes	3,842	4,905
Income taxes-current	858	749
Income taxes-deferred	498	1,140
Total income taxes	1,357	1,890
Profit	2,485	3,015
Profit attributable to non-controlling interests	584	95
Profit attributable to owners of parent	1,901	2,919

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

(Unit: Millions of Yen)

	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)
Profit	2,485	3,015
Other comprehensive income		
Valuation difference on available-for-sale securities	314	102
Deferred gains or losses on hedges	25	52
Foreign currency translation adjustment	(74)	(86)
Remeasurements of defined benefit plans, net of tax	241	95
Total other comprehensive income	506	163
Comprehensive income	2,991	3,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,365	3,084
Comprehensive income attributable to non-controlling interests	625	93