

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2018 [Japan GAAP]

August 9, 2017

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
Inquiries: Title: Executive Officer, Public Relations and IR	Name: Noburoh Sasaki
Scheduled Date of Issue of Financial Report: August 14, 2017	Tel. (06) 6440-5155
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, 2017

(1) Consolidated Operating Results

Note: Amounts less than ¥1 million have been rounded down.

	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, 2017	119,605	8.4	3,830	(7.9)	3,954	(2.3)	1,901	(9.3)
Three months ended June 30, 2016	110,287	3.7	4,156	8.2	4,048	7.8	2,096	7.4

(Note) Comprehensive income

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

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

	Profit per share		Diluted profit per share	
	Yen		Yen	
Three months ended June 30, 2017	12.54		11.63	
Three months ended June 30, 2016	14.66		13.79	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	Net assets per share
	Million yen		Million yen		%	Yen
As of June 30, 2017	300,344		116,779		33.7	667.54
As of March 31, 2017	285,958		114,090		35.1	661.61

(Reference) Shareholders' equity:

As of June 30, 2017: ¥101,283 million

As of March 31, 2017: ¥100,287 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
Fiscal year ended March 31, 2017	Yen -	Yen 11.00	Yen -	Yen 11.00	Yen 22.00
Fiscal year ending March 31, 2018	-	-	-	-	-
Fiscal year ending March 31, 2018 (Forecast)	-	11.00	-	11.00	22.00

(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, 2018 (From April 1, 2017 to March 31, 2018)

(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, 2017	237,000	5.6	7,700	(13.2)	7,900	(9.6)	3,900	(12.8)	25.73
Fiscal year ending March 31, 2018	500,000	9.8	18,000	5.4	18,300	5.8	9,900	10.6	65.31

(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: 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, 2017:	152,861,921 shares	As of March 31, 2017:	152,861,921 shares
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 - (b) Treasury shares

As of June 30, 2017:	1,134,337 shares	As of March 31, 2017:	1,279,937 shares
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Three months ended June 30, 2017:	151,619,822 shares	Three months ended June 30, 2016:	142,979,415 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 March 31, 2017: 873,200 shares; as of June 30, 2017: 736,600 shares.)

Quarterly financial results reports are not required to be subjected to quarterly reviews.

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, 2018" 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, 2018 (April 1, 2017 to June 30, 2017), the Japanese economy has been recovering at a moderate pace amid improvement in consumer spending and capital expenditure brought about by factors that include more upbeat corporate earnings and a better employment environment. Meanwhile, the global economy has also been on a path of recovery, yet the business outlook remains unpredictable amid uncertainties regarding potential economic effects of political risk in Europe and the U.S. and geopolitical risk in Asia.

In the logistics industry where our core business lies, freight volume has been heading toward recovery but the business environment overall has remained challenging due to shortages of drivers and workers combined with increasing costs particularly with respect to expenses for hiring vehicles and other outsourcing costs.

In this environment, the Company was renamed as “SENKO Group Holdings Co., Ltd.” in April, 2017, and transitioned to a holding company structure. The Company categorized each of the Group companies into one of the five business domains of logistics, trading & commerce, living support, agriculture, and business support to strengthen Group alliances.

Moreover, having embarked on the “Senko Innovation Plan 2021 (SIP21)” five-year medium-term business plan beginning in April, we have been working to create new services and products centering on our logistics and commercial distribution business geared to accomplishing objectives set forth as part of our “Moving Global” corporate slogan.

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

In Japan, we have been forging ahead with efforts to expand our marine shipping business, which has involved adding NIPPON MARINE CO., LTD. which engages in marine transport for the JX Nippon Mining & Metals Group, as well as with EIKICHI KAIUN CO.,LTD, to the Senko Group in April. Also, in April we commenced operations of the Yokkaichi No. 2 PD Center (Yokkaichi City, Mie Prefecture) with the aim of fortifying our logistics functions in the Mie region, and in June we commenced operations of our Ranzan Logistics Center (Ranzan Town, Saitama Prefecture) which engages in operations for major drug stores.

Meanwhile outside Japan, Singapore-based Skylift Consolidator (Pte) Ltd., which engages in the business of international air and marine transport and other such operations, became a Group company in April. Going forward, we will take steps that involve upgrading our logistics network and strengthening our business infrastructure primarily in the ASEAN region.

Also, our overseas subsidiary established last year in Vietnam launched full-scale forwarding business operations in May serving Japanese companies situated in the suburbs of Ho Chi Minh City, and we are proceeding with construction of logistics centers located in the suburbs of Busan, South Korea and Hanoi City, Vietnam with the aim of commencing operations this fiscal year. We have also been taking steps to enhance and expand our overseas business through efforts that included the establishment of an overseas subsidiary in Vietnam in April by SMILE CORP. which engages in trading & commerce business operations.

In June, we received the Logistics Environment Special Award at the Japan Association for Logistics and Transport’s 18th Logistics Environment Awards Ceremony, in recognition of three instances where we switched to the use of railroads and marine vessels, from trucks previously, for long-distance transport of apparel, housing, food and other items, with respect to shifting modes of transport with the aim of reducing environmental impact and addressing the driver shortage.

The three-month-period performance was as follows.

	Three months ended June 30, 2016	Three months ended June 30, 2017	Change	(Unit: Millions of yen) %
Operating revenue	110,287	119,605	9,317	8.4
Operating profit	4,156	3,830	(326)	(7.9)
Ordinary profit	4,048	3,954	(93)	(2.3)
Profit attributable to owners of parent	2,096	1,901	(195)	(9.3)

Consolidated operating revenue for the three-month period ended June 30, 2017 of the current fiscal year increased 8.4% year on year to ¥119,605 million. This result mainly reflected the aggressive expansion of sales and the contribution of NIPPON MARINE CO., LTD. and EIKICHI KAIUN CO.,LTD, which were made consolidated subsidiaries of the Company.

On the profit front, despite factors buoying profits brought about by sales expansion and moves to make NIPPON MARINE CO., LTD. and another entity consolidated subsidiaries, consolidated operating profit decreased to ¥3,830 million, down 7.9% year on year, consolidated ordinary profit decreased to ¥3,954 million, down 2.3% year on year, and profit attributable to owners of parent decreased to ¥1,901 million, down 9.3% year on year. The downturn in profits was largely attributable to factors that include higher costs due to rising fuel

prices and actuarial differences in accounting for retirement benefit obligations, in addition to factors such as a decline in freight volumes from existing customers and diminished demand in relation to the 2016 Kumamoto Earthquake.

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

Logistics

Operating revenue grew 8.4% year on year to ¥83,823 million in this segment. This was mainly attributable to higher revenues generated through the consolidation of NIPPON MARINE CO., LTD. and another entity, and was also a result of operating large facilities opened in the previous fiscal year and having expanded sales to new and existing customers particularly with respect to major drug stores.

Trading & commerce

Operating revenue grew 7.4% year on year to ¥34,189 million in this segment. This was mainly attributable to higher revenues due to increasing fuel prices along with expansion of sales to new customers, despite diminished demand in relation to the 2016 Kumamoto Earthquake.

Others

Operating revenue rose 44.1% year on year to ¥1,592 million in this segment. This was mainly attributable to the growth of sales in the call center business.

(2) Financial condition

Assets, liabilities and net assets

Total assets

Total assets as of June 30, 2017 were ¥300,344 million, ¥14,385 million higher than at the end of the previous fiscal year. Current assets amounted to ¥106,860 million, down ¥1,838 million from the end of the previous fiscal year. This mainly reflected decreases of ¥1,117 million in cash and deposits and ¥285 million in notes and operating accounts receivable. Non-current assets totaled ¥193,406 million, up ¥16,230 million from the end of the previous fiscal year. This was primarily due to increases of ¥14,361 million in property, plant and equipment, ¥900 million in intangible assets and ¥968 million in investments and other assets.

Liabilities

Liabilities as of June 30, 2017 increased ¥11,696 million from the end of the previous fiscal year to ¥183,564 million. Current liabilities totaled ¥97,938 million, up ¥4,024 million from the end of the previous fiscal year. This was mainly due to an increase of ¥4,123 million in short-term loans payable. Non-current liabilities totaled ¥85,625 million, up ¥7,672 million from the end of the previous fiscal year. This was primarily due to an increase in long-term loans payable of ¥6,631 million.

Net assets

Net assets as of June 30, 2017 rose ¥2,689 million from the end of the previous fiscal year to ¥116,779 million. This was mainly attributable to increases of ¥394 million in retained earnings, ¥256 million in valuation difference on available-for-sale securities, ¥239 million in remeasurements of defined benefit plans and ¥1,762 million in non-controlling interests. The equity ratio as of June 30, 2017 decreased by 1.4 percentage points to 33.7% 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, 2018

No revisions have been made to the forecast of consolidated operating results for the first half ending September 30, 2017 and the fiscal year ending March 31, 2018, announced in "Summary of Financial Statements for the Fiscal Year Ended March 31, 2017" on May 11, 2017.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	27,162	26,045
Notes and operating accounts receivable	61,975	61,689
Merchandise and finished goods	7,006	6,975
Work in process	305	443
Raw materials and supplies	292	512
Other	11,978	11,210
Allowance for doubtful accounts	(21)	(17)
Total current assets	108,699	106,860
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,420	55,071
Land	56,700	57,575
Other, net	19,993	31,828
Total property, plant and equipment	130,114	144,475
Intangible assets		
Goodwill	5,617	6,085
Other	4,086	4,519
Total intangible assets	9,704	10,605
Investments and other assets		
Investment securities	16,452	18,574
Net defined benefit asset	2,359	2,622
Guarantee deposits	11,197	11,202
Deferred tax assets	2,050	2,082
Other	6,322	4,857
Allowance for doubtful accounts	(1,025)	(1,013)
Total investments and other assets	37,357	38,325
Total non-current assets	177,175	193,406
Deferred assets		
Business commencement expenses	83	76
Total deferred assets	83	76
Total assets	285,958	300,344

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	33,731	33,993
Electronically recorded obligations–operating	6,773	7,506
Short-term loans payable	25,631	29,755
Income taxes payable	3,916	1,185
Provision for bonuses	4,228	3,430
Provision for directors' bonuses	210	75
Provision for loss on disaster	96	-
Other	19,327	21,991
Total current liabilities	93,914	97,938
Non-current liabilities		
Bonds payable	7,000	7,000
Convertible bond-type bonds with subscription rights to shares	10,049	10,047
Long-term loans payable	42,483	49,115
Provision for directors' retirement benefits	276	276
Provision for special repairs	37	66
Net defined benefit liability	7,087	7,136
Asset retirement obligations	817	823
Other	10,200	11,160
Total non-current liabilities	77,953	85,625
Total liabilities	171,868	183,564
Net assets		
Shareholders' equity		
Capital stock	26,528	26,528
Capital surplus	25,411	25,397
Retained earnings	48,654	49,049
Treasury shares	(657)	(507)
Total shareholders' equity	99,937	100,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,391	1,648
Deferred gains or losses on hedges	1	27
Foreign currency translation adjustment	250	193
Remeasurements of defined benefit plans	(1,293)	(1,053)
Total accumulated other comprehensive income	350	815
Subscription rights to shares	396	327
Non-controlling interests	13,406	15,168
Total net assets	114,090	116,779
Total liabilities and net assets	285,958	300,344

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the three months ended June 30, 2016 and 2017)

(Unit: Millions of Yen)

	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)
Operating revenue	110,287	119,605
Operating cost	98,031	106,970
Operating gross profit	12,256	12,635
Selling, general and administrative expenses	8,099	8,805
Operating profit	4,156	3,830
Non-operating income		
Interest income	25	25
Dividend income	70	74
Other	269	453
Total non-operating income	364	553
Non-operating expenses		
Interest expenses	243	241
Other	229	187
Total non-operating expenses	473	429
Ordinary profit	4,048	3,954
Extraordinary income		
Delinquency charges	-	157
Total extraordinary income	-	157
Extraordinary losses		
Loss on office withdrawal	-	269
Expenses related to commemorative works for centennial anniversary	68	-
Loss on disaster	46	-
Total extraordinary losses	114	269
Profit before income taxes	3,933	3,842
Income taxes–current	937	858
Income taxes–deferred	445	498
Total income taxes	1,382	1,357
Profit	2,550	2,485
Profit attributable to non-controlling interests	454	584
Profit attributable to owners of parent	2,096	1,901

(Consolidated statements of comprehensive income)
(For the three months ended June 30, 2016 and 2017)

(Unit: Millions of Yen)

	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)
Profit	2,550	2,485
Other comprehensive income		
Valuation difference on available-for-sale securities	(204)	314
Deferred gains or losses on hedges	(108)	25
Foreign currency translation adjustment	(144)	(74)
Remeasurements of defined benefit plans, net of tax	69	241
Total other comprehensive income	(387)	506
Comprehensive income	2,163	2,991
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,736	2,365
Comprehensive income attributable to non-controlling interests	426	625