

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

February 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 <http://www.senkogrouphd.co.jp/en/>
Representative: Title: President Name: Yasuhisa Fukuda
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Scheduled Date of Issue of Financial Report: February 14, 2018 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, 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	%
Nine months ended December 31, 2017	373,008	8.5	13,346	(6.5)	13,466	(6.7)	7,435	(2.7)
Nine months ended December 31, 2016	343,759	4.7	14,271	3.6	14,435	7.5	7,641	3.3

(Note) Comprehensive income

Nine months ended December 31, 2017: ¥10,562 million (10.3%) Nine months ended December 31, 2016: ¥9,574 million (8.8%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2017	49.03	45.46
Nine months ended December 31, 2016	53.34	50.21

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	327,217	122,665	32.4	697.93
As of March 31, 2017	285,958	114,090	35.1	661.61

(Reference) Shareholders' equity:

As of December 31, 2017: ¥106,032 million As of March 31, 2017: ¥100,287 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	-	11.00	-	11.00	22.00
Fiscal year ending March 31, 2018	-	11.00	-		
Fiscal year ending March 31, 2018 (Forecast)				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
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 December 31, 2017:	152,861,921 shares	As of March 31, 2017:	152,861,921 shares
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 - (b) Treasury shares

As of December 31, 2017:	937,015 shares	As of March 31, 2017:	1,279,937 shares
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Nine months ended December 31, 2017:	151,662,782 shares	Nine months ended December 31, 2016:	143,245,057 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 December 31, 2017: – shares; as of March 31, 2017: 873,200 shares), following revisions to accounting principles due to the amendment of accounting standards. Starting with the third quarter of the fiscal year ending 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 December 31, 2017: 349,900 shares) and Performance-linked Stock Compensation Plan for Directors (as of December 31, 2017: 210,200 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 full-term of the fiscal year ending March 31, 2018” on page 4.

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Results of Operations and Financial Condition

(1) Results of operations

In the nine-month period of the fiscal year ending March 31, 2018 (April 1, 2017 to December 31, 2017), the Japanese economy has been recovering at a moderate pace amid firm consumer spending and capital expenditure against backdrop of factors that include more upbeat corporate earnings and a better employment environment. Meanwhile the outlook for the overseas economy is clouded by uncertainties ahead, such as the potential impacts of geopolitical risks, despite solid trends of recovery continuing particularly in the United States and emerging countries in Asia.

In the logistics industry where our core business lies, freight volume has been firm mainly for consumer-related and production-related cargo 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, as well as fuel costs.

In this environment, the Senko Group transitioned to a holding company structure in April, 2017, and embarked on the “Senko Innovation Plan 2021 (SIP21)” five-year medium-term business plan.

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

In Japan, in order to forge ahead with efforts to further expand our marine shipping business, we added 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. We also added Kanto region cargo truck carrier ANZEN YUSO CO., LTD., based in Kanagawa Prefecture in October in order to boost the use of the Group’s own trucks and expand its operations.

Regarding distribution centers, 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 Chubu region, and in July we commenced operations of our New Komaki PD Center (Oguchi town, Aichi Prefecture). In December, we commenced operations of Hiroshima PD Center (Hiroshima City, Hiroshima Prefecture) and fortified our logistics functions in the Chugoku region.

Also, in the East Japan region, in order to expand business of major drug stores-related logistics, in June we commenced operations of Ranzan Logistics Center (Ranzan Town, Saitama Prefecture), in September Aomori Logistics Center (Goshogawara City, Aomori Prefecture), our first logistics facility located in Aomori Prefecture, and Shin Fuji PD Center (Fuji City, Shizuoka Prefecture) in October.

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 and we have been continuing to upgrade our logistics network and strengthen our business infrastructure.

Also, our overseas subsidiary in Vietnam launched full-scale forwarding business operations in May serving Japanese companies situated in the suburbs of Ho Chi Minh City, in October we commenced operations of the NH-SENKO Logistics Center, which is our second such facility in South Korea’s Busan New Port.

In the trading & commerce business segment, SMILE CORP. established an overseas subsidiary in Vietnam in April, and OKUMURA CO., LTD., a company that manufactures and sells slippers, was brought into the Group in September. We have made the manufacturing enterprise part of Group with the aims of improving our product development strengths and bolstering our price competitiveness.

Moreover we added companies to the Group with the aim of expanding our areas of business, including Aya Construction Co., Ltd., a company located in Miyazaki Prefecture which operates in the construction business and other businesses in July, fitness club operator BLUE EARTH Co., Ltd. in September, with the aim of bolstering our nursing care, medical and health-related businesses, and in October, VENUS CO., LTD., a company which operates services for seniors to prevent the need for long-term care.

Meanwhile, the Senko Group has been actively promoting a modal shift to reduce the environmental impact and resolve the shortage of drivers. In June, recognized for our initiatives including switching from the previous use of trucks to the use of railroads and marine vessels for long-distance transport of apparel, housing, food and other items, we received the Logistics Environment Special Award at the 18th Logistics Environment Awards Ceremony, and in November, we received the Award for Excellent Business Entities Working on Modal Shift of the Fiscal 2017 from the Japan Association for Logistics and Transport. In September, Japan’s Ministry of Land, Infrastructure and Transport (MLIT) recognized our two new initiatives geared to achieving shifts to new modes of transport by certifying them as comprehensive and efficient logistics plans based on the Act of Logistics Integration and Efficiency.

The nine-month-period performance was as follows.

(Unit: Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	%
Operating revenue	343,759	373,008	29,248	8.5
Operating profit	14,271	13,346	(925)	(6.5)
Ordinary profit	14,435	13,466	(969)	(6.7)
Profit attributable to owners of parent	7,641	7,435	(205)	(2.7)

Consolidated operating revenue of the Senko Group increased 8.5% year on year to ¥373,008 million. This result mainly reflected the aggressive expansion of sales and the contribution of NIPPON MARINE CO., LTD., ANZEN YUSO CO., LTD. and another entity, 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., ANZEN YUSO CO., LTD. and another entity consolidated subsidiaries, consolidated operating profit decreased to ¥13,346 million, down 6.5% year on year, consolidated ordinary profit decreased to ¥13,466 million, down 6.7% year on year, and profit attributable to owners of parent decreased to ¥7,435 million, down 2.7% year on year. The downturn in profits was largely attributable to factors that include a decline in freight volumes from existing customers, rises in expenses for hiring vehicles and other outsourcing costs and in fuel prices and higher costs due to actuarial differences in accounting for retirement benefit obligations.

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

Logistics

Operating revenue grew 9.0% year on year to ¥261,969 million in this segment. This was mainly attributable to higher revenues generated through the consolidation of NIPPON MARINE CO., LTD., ANZEN YUSO CO., LTD. and another entity, increased operations due to the opening of large facilities in the previous fiscal year and expanded sales in relation to retailers and mass merchandisers, such as major drug stores.

Trading & commerce

Operating revenue grew 6.1% year on year to ¥106,161 million in this segment. This was mainly attributable to higher revenues due to increasing fuel sales prices along with expansion of sales to new customers and the consolidation of OKUMURA CO., LTD.

Others

Operating revenue rose 40.2% year on year to ¥4,877 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 December 31, 2017 were ¥327,217 million, ¥41,259 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥116,946 million, up ¥8,247 million from the end of the previous fiscal year. This mainly reflected increases of ¥13,501 million in notes and operating accounts receivable and ¥625 million in merchandise and finished goods, despite a decrease of ¥7,334 million in cash and deposits.

Non-current assets totaled ¥210,206 million, up ¥33,031 million from the end of the previous fiscal year. This was primarily due to increases of ¥23,184 million in property, plant and equipment, ¥1,635 million in intangible assets and ¥8,210 million in investments and other assets due to effects of M&As and new capital expenditure, despite a decreasing factor as a result of transfers of three logistics centers to the private REIT.

Liabilities

Liabilities as of December 31, 2017 increased ¥32,684 million from the end of the previous fiscal year to ¥204,552 million.

Current liabilities totaled ¥100,128 million, up ¥6,213 million from the end of the previous fiscal year. This was mainly due to an increase of ¥7,328 million in notes and operating accounts payable - trade.

Non-current liabilities totaled ¥104,424 million, up ¥26,471 million from the end of the previous fiscal year. This was primarily due to increases of ¥10,168 million in bonds payable and ¥14,861 million in long-term loans payable.

Net assets

Net assets as of December 31, 2017 rose ¥8,575 million from the end of the previous fiscal year to ¥122,665 million. This was mainly attributable to increases of ¥4,245 million in retained earnings and ¥2,853 million in non-controlling interests. The equity ratio as of December 31, 2017 decreased by 2.7 percentage points to 32.4% from the end of the previous fiscal year.

(3) Forecast for 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 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 December 31, 2017
Assets		
Current assets		
Cash and deposits	27,162	19,828
Notes and operating accounts receivable	61,975	75,477
Merchandise and finished goods	7,006	7,632
Work in process	305	498
Raw materials and supplies	292	487
Other	11,978	13,037
Allowance for doubtful accounts	(21)	(14)
Total current assets	108,699	116,946
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,420	49,518
Land	56,700	58,682
Other, net	19,993	45,097
Total property, plant and equipment	130,114	153,298
Intangible assets		
Goodwill	5,617	6,662
Other	4,086	4,677
Total intangible assets	9,704	11,340
Investments and other assets		
Investment securities	16,452	22,807
Net defined benefit asset	2,359	2,987
Guarantee deposits	11,197	11,836
Deferred tax assets	2,050	1,970
Other	6,322	7,129
Allowance for doubtful accounts	(1,025)	(1,162)
Total investments and other assets	37,357	45,568
Total non-current assets	177,175	210,206
Deferred assets		
Business commencement expenses	83	63
Total deferred assets	83	63
Total assets	285,958	327,217

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	33,731	41,060
Electronically recorded obligations–operating	6,773	7,813
Current portion of bonds	–	48
Short-term loans payable	25,631	21,227
Income taxes payable	3,916	2,458
Provision for bonuses	4,228	2,754
Provision for directors' bonuses	210	221
Provision for loss on disaster	96	–
Other	19,327	24,543
Total current liabilities	93,914	100,128
Non-current liabilities		
Bonds payable	7,000	17,168
Convertible bond-type bonds with subscription rights to shares	10,049	10,042
Long-term loans payable	42,483	57,345
Provision for directors' retirement benefits	276	152
Provision for special repairs	37	81
Net defined benefit liability	7,087	7,032
Asset retirement obligations	817	831
Other	10,200	11,769
Total non-current liabilities	77,953	104,424
Total liabilities	171,868	204,552
Net assets		
Shareholders' equity		
Capital stock	26,528	26,528
Capital surplus	25,411	25,398
Retained earnings	48,654	52,900
Treasury shares	(657)	(589)
Total shareholders' equity	99,937	104,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,391	2,073
Deferred gains or losses on hedges	1	12
Foreign currency translation adjustment	250	283
Remeasurements of defined benefit plans	(1,293)	(574)
Total accumulated other comprehensive income	350	1,794
Subscription rights to shares	396	373
Non-controlling interests	13,406	16,259
Total net assets	114,090	122,665
Total liabilities and net assets	285,958	327,217

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the nine months ended December 31, 2016 and 2017)

(Unit: Millions of Yen)

	Nine months ended December 31, 2016 (April 1, 2016–December 31, 2016)	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)
Operating revenue	343,759	373,008
Operating cost	305,328	333,647
Operating gross profit	38,431	39,361
Selling, general and administrative expenses	24,159	26,014
Operating profit	14,271	13,346
Non-operating income		
Interest income	76	74
Dividend income	121	132
Other	986	1,198
Total non-operating income	1,183	1,405
Non-operating expenses		
Interest expenses	710	730
Other	309	555
Total non-operating expenses	1,020	1,286
Ordinary profit	14,435	13,466
Extraordinary income		
Gain on sales of non-current assets	212	369
Delinquency charges	–	157
Subsidy income	–	88
Gain on sales of investment securities	–	66
Total extraordinary income	212	682
Extraordinary losses		
Loss on office withdrawal	–	311
Loss on retirement of non-current assets	60	117
Loss on reduction of non-current assets	–	101
Expenses related to commemorative works for centennial anniversary	306	–
Loss on disaster	128	–
Litigation expenses	38	–
Total extraordinary losses	534	529
Profit before income taxes	14,113	13,619
Income taxes–current	3,690	3,649
Income taxes–deferred	1,195	920
Total income taxes	4,885	4,570
Profit	9,228	9,049
Profit attributable to non-controlling interests	1,587	1,613
Profit attributable to owners of parent	7,641	7,435

(Consolidated statements of comprehensive income)
(For the nine months ended December 31, 2016 and 2017)

(Unit: Millions of Yen)

	Nine months ended December 31, 2016 (April 1, 2016–December 31, 2016)	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)
Profit	9,228	9,049
Other comprehensive income		
Valuation difference on available-for-sale securities	413	738
Deferred gains or losses on hedges	191	10
Foreign currency translation adjustment	(504)	39
Remeasurements of defined benefit plans, net of tax	245	724
Total other comprehensive income	346	1,513
Comprehensive income	9,574	10,562
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,991	8,879
Comprehensive income attributable to non-controlling interests	1,583	1,682