SENKO Group Holdings Co., Ltd.

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

May 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
Inquiries: Title: Executive Officer, Public Relations and IR Name: Noburoh Sasaki Tel. (06) 6440-5155

Scheduled Date of Annual Meeting of Shareholders: June 27, 2018 Scheduled Date of Dividend Paid: June 28, 2018
Scheduled Date of Issue of Financial Report: June 27, 2018
Supplemental Information Materials: Yes
Information Meeting for Financial Results: Yes (for analysts)

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(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	%
Fiscal year ended March 31, 2018	492,127	8.1	17,087	0.0	17,316	0.1	9,503	6.2
Fiscal year ended March 31, 2017	455,435	4.9	17,081	(2.4)	17,301	0.7	8,950	4.8

(Note) Comprehensive income

Fiscal year ended March 31, 2018: ¥12,893 million (5.3%) Fiscal year ended March 31, 2017: ¥12,249 million (42.0%)

	Profit per share	Diluted profit per share	Return on shareholders' equity	Ratio of ordinary profit to total assets	Ratio of operating profit to operating revenue
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2018	62.64	58.08	8.9	5.6	3.5
Fiscal year ended March 31, 2017	61.67	58.74	9.5	6.2	3.8

(Reference) Equity in earnings (losses) of affiliates:

Fiscal year ended March 31, 2018: ¥342 million Fiscal year ended March 31, 2017: ¥272 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	334,417	118,056	33.7	741.44
As of March 31, 2017	285,958	114,090	35.1	661.61

(Reference) Shareholders' equity:

Fiscal year ended March 31, 2018: ¥112,643 million Fiscal year ended March 31, 2017: ¥100,287 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2018	24,567	(37,020)	9,940	23,795
Fiscal year ended March 31, 2017	20,848	(3,678)	(8,626)	26,197

2. Dividends

	Annual dividend					Aggregate amount (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	June 30	September 30	December 31	March 31	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2017	-	11.00	-	11.00	22.00	3,265	35.7	3.3
Fiscal year ended March 31, 2018	-	11.00	-	11.00	22.00	3,354	35.1	3.1
Fiscal year ending March 31, 2019 (Forecast)	-	13.00	-	13.00	26.00		34.3	

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

Notes

(1) Changes in significant subsidiaries during the fiscal year (Changes in specified subsidiaries associated with change in scope of consolidation): None

(2) 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

(3) Shares outstanding (Common shares)

(a) Shares outstanding (including treasury shares)

As of March 31, 2018: 152,861,921 shares As of March 31, 2017: 152,861,921 shares

(b) Treasury shares

As of March 31, 2018: 937,015 shares As of March 31, 2017: 1,279,937 shares

(c) Average number of shares

Fiscal year ended March 31, 2018: 151,727,416 shares Fiscal year ended March 31, 2017: 145,138,720 shares

(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 March 31, 2018: – 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 March 31 2018: 349,900 shares) and Performance-linked Stock Compensation Plan for Directors (as of March 31, 2018: 210,200 shares).

[Reference] Overview of Non-Consolidated Operating Results

Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

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

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2018	6,121	–	1,169	–	1,024	–	1,107	–
Fiscal year ended March 31, 2017	205,469	0.5	5,437	(14.1)	6,077	(11.8)	3,678	(2.5)

	Profit per share	Diluted profit per share
	Yen	Yen
Fiscal year ended March 31, 2018	7.30	6.73
Fiscal year ended March 31, 2017	25.35	24.13

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	207,909	77,251	37.0	506.03
As of March 31, 2017	210,504	79,169	37.4	519.67

(Reference) Shareholders' equity:

Fiscal year ended March 31, 2018: ¥76,878 million Fiscal year ended March 31, 2017: ¥78,772 million

The Company's transition to a holding company structure on April 1, 2017 has given rise to some disparities between actual results presented for the fiscal year ended March 31, 2018, and those presented for the fiscal year ended March 31, 2017. Accordingly, the percentage year-on-year changes have been omitted because it is not possible to make adequate year-on-year comparisons.

This financial report is exempt from audit 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 "Forecasts" on page 3.

Index to accompanying materials

1. Overview of operating results and others

(1) Overview of operating results and others

(a) Overview of results of operations in the fiscal year ended March 31, 2018

In the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018), 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 has remained clouded by uncertainties ahead, such as the potential impact 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 strong 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 with fiscal 2017 set as its initial fiscal year.

The following provides an outline of our main activities in the fiscal year ended March 31, 2018.

In the Logistics, in order to forge ahead with efforts to further expand the marine shipping business, we added NIPPON MARINE CO., LTD. which engages in marine transport for the JX Nippon Mining & Metals Group, as well as EIKICHI KAIUN CO., LTD. to the Senko Group in April. We also added Kanto region cargo truck carrier ANZEN YUSO CO., LTD. in October in order to boost the use of the Senko 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), in July the New Komaki PD Center (Oguchi Town, Aichi Prefecture), and in December the Hiroshima PD Center (Hiroshima City, Hiroshima Prefecture).

Also, in order to expand business of major drug store 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.

In addition, in order to expand business of fashion logistics, in January we commenced operations of Fujiidera Center (Fujiidera City, Osaka Prefecture), in March Narashino Center (Narashino City, Chiba Prefecture). We also commenced operations of Hiroshima Branch No. 2 Center (Higashihiroshima City, Hiroshima Prefecture) in February in order to expand operations involving frozen and refrigerated logistics.

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 working to upgrade the logistics network and strengthen the business infrastructure.

In Vietnam, our overseas subsidiary launched full-scale forwarding business operations in May serving Japanese companies situated in the suburbs of Ho Chi Minh City, and in January the construction of the Pho Noi Logistics Center, which is our first logistics center in Vietnam, was completed.

In South Korea, we commenced operations in October of the NH-SENKO Logistics Center, which is our second such facility in South Korea's Busan New Port.

In March, we established M-Senko Logistics Co., Ltd. as a joint venture with MK Restaurant Group Public Company Limited, a major restaurant chain conglomerate in Thailand. Going forward, we will expand the frozen and refrigerated logistics business in Thailand, leveraging the technology and expertise of the Senko Group.

In the Trading & commerce, 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 product development strengths and bolstering price competitiveness.

Moreover, we added companies to the Group with the aim of expanding our areas of business. This has included 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 (currently, BLUE EARTH JAPAN Co., Ltd.), and VENUS CO., LTD., a company which operates services for seniors to prevent the need for long-term care in October.

To upgrade our operating system, we have bolstered the fleet of vehicles directly operated by the Senko Group, and have been actively promoting a modal shift to reduce the environmental impact and resolve the shortage of drivers.

Recognized for such initiatives as 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, the Japan Association for Logistics and Transport awarded us the Logistics Environment Special Award at the18th Logistics Environment Awards Ceremony in June and the Award for Excellent Business Entities Working on Modal Shift of the Fiscal 2017 in November. In September, Japan's Ministry of Land, Infrastructure and Transport (MLIT) recognized two of our 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.

Our efforts to develop pleasant workplace environments encompass the aim of ensuring that every employee leads a vigorous and happy life over the long haul, where they remain healthy and are able to work energetically. To such ends, in September we established the Senko Group Holdings Health Management Declaration, and in February we were certified an Outstanding Health and Productivity Management Organization for 2018 in the White 500 large enterprise category, promoted by Japan's Ministry of Economy, Trade and Industry (METI) in cooperation with Nippon Kenko Kaigi.

We increased our ownership ratio in Runtec Corporation, which had been a consolidated subsidiary, thereby making it a wholly-owned subsidiary as of April 20, 2018, with our ownership of 98.7% as of March 31, 2018.

The full-year performance was as follows.

(Unit: Millions of yen)

	FY ended March 31, 2017	FY ended March 31, 2018	Change	%
Operating revenue	455,435	492,127	36,692	8.1
Operating profit	17,081	17,087	5	0.0
Ordinary profit	17,301	17,316	15	0.1
Profit attributable to owners of parent	8,950	9,503	552	6.2

Consolidated operating revenue of the Senko Group increased 8.1% year on year to ¥492,127 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, consolidated operating profit increased only by ¥5 million over the previous fiscal year to ¥17,087 million. Whereas profits were buoyed by sales expansion and moves to make NIPPON MARINE CO., LTD., ANZEN YUSO CO., LTD. and another entity consolidated subsidiaries, the Company was faced with a decline in freight volumes from existing customers, rises in expenses for hiring vehicles and other outsourcing costs, increases in fuel prices, and higher costs due to actuarial differences in accounting for retirement benefit obligations. Also, consolidated ordinary profit increased to ¥17,316 million, up 0.1% year on year, and profit attributable to owners of parent increased to ¥9,503 million, up 6.2% year on year.

The business segment performance was as follows.

Logistics

Operating revenue grew 9.4% year on year to ¥347,752 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 4.9% year on year to ¥139,317 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 10.4% year on year to ¥5,058 million in this segment. This was mainly attributable to the growth of sales in the call center business.

(b) Forecasts

The Japanese economy is likely to gain support from ongoing increases in capital expenditure and consumer spending, against a backdrop of expanding corporate earnings and a more upbeat employment situation.

In the logistics industry on the other hand, we are likely to face an increasingly challenging business environment amid developments that include rising costs against a backdrop of labor shortages, intensifying competition and other such factors.

In this environment, the Senko Group will seek to expand its business areas, upgrade its operating system and strengthen its earnings capacity, throughout the second year of its five-year medium-term business plan.

With respect to expanding our areas of business, we will further extend the logistics center business both in Japan and overseas with a focus on the field of retail product logistics, particularly in distribution involving three temperature zones.

With respect to upgrading the operating system, we will further promote efforts to bolster the fleet of vehicles directly operated by the

Senko Group, while taking steps to improve the labor environment and enhancing our capability to secure and train human resources.

With respect to strengthening earnings capacity, we will move forward in overhauling the terms of business and revising the freight charges with the aim of addressing cost increases, particularly fuel costs as well as expenses for hiring vehicles and other outsourcing costs.

The Group's consolidated forecasts for the next fiscal year are for operating revenue of ¥530.0 billion, operating profit of ¥19.3 billion, ordinary profit of ¥19.3 billion, and profit attributable to owners of parent of ¥11.5 billion.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of March 31, 2018 were ¥334,417 million, ¥48,459 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥117,127 million, up ¥8,428 million from the end of the previous fiscal year. This mainly reflected increases of ¥8,551 million in notes and operating accounts receivable, despite a decrease of ¥2,167 million in cash and deposits.

Non-current assets totaled ¥217,232 million, up ¥40,056 million from the end of the previous fiscal year. This was mainly due to increases of ¥29,957 million in property, plant and equipment, ¥1,043 million in intangible assets and ¥9,056 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 distribution centers to the private REIT.

Liabilities

Liabilities as of March 31, 2018 increased ¥44,492 million from the end of the previous fiscal year to ¥216,360 million.

Current liabilities totaled ¥106,049 million, up ¥12,134 million from the end of the previous fiscal year. This was mainly due to increases of notes and operating accounts payable−trade of ¥3,687 million, electronically recorded obligations−operating of ¥416 million, short-term loans payable of ¥3,719 million and income taxes payable of ¥592 million.

Non-current liabilities totaled ¥110,311 million, up ¥32,357 million from the end of the previous fiscal year. This was mainly due to increases of bonds payable of ¥10,168 million, long-term loans payable of ¥20,748 million and lease obligations of ¥976 million.

Net assets

Net assets as of March 31, 2018 rose ¥3,966 million from the end of the previous fiscal year to ¥118,056 million. This was mainly due to factors such as increases of ¥4,319 million in capital surplus, ¥6,314 million in retained earnings and ¥1,250 million in remeasurements of defined benefit plans, and despite a decrease of ¥8,366 million in non-controlling interests largely as a result of having acquired an additional stake in our consolidated subsidiary Runtec Corporation. The equity ratio decreased by 1.4 percentage points to 33.7% from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents at end of period decreased by ¥2,401 million year on year to ¥23,795 million.

Net cash provided by operating activities amounted to ¥24,567 million. This was mainly due to profit before income taxes of ¥16,936 million, depreciation of ¥12,439 million, an increase in cash due to an increase in notes and accounts payable-trade of ¥2,259 million and proceeds from subsidy income of ¥1,891 million, and despite a ¥3,862 million decrease in cash from an increase in notes and accounts receivable-trade and income taxes paid of ¥5,262 million.

Net cash used in investing activities totaled ¥37,020 million. This was mainly due to the purchase of property, plant and equipment of ¥37,041 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2,140 million and purchase of shares of subsidiaries and associates of ¥5,131 million, despite proceeds from the sales of property, plant and equipment of ¥11,121 million.

Net cash provided by financing activities totaled ¥9,940 million. This was mainly due to a repayment of long-term loans payable of¥17,792 million, repayments of finance lease obligations of ¥3,854, payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥6,883 million and cash dividends paid of ¥3,470 million, despite net increase in short-term loans payable of ¥9,777 million, proceeds from long-term loans payable of ¥22,105 million and proceeds from issuance of bonds of ¥10,000 million.

3) Performance indicators associated with cash flows

Fiscal years ended March 31	2014	2015	2016	2017	2018
Equity ratio (%)	27.8	28.4	32.6	35.1	33.7
Market capitalization equity ratio (%)	23.6	38.1	36.4	38.0	37.6
Interest-bearing debt to cash flow ratio	9.2	5.7	5.7	4.1	4.9
Interest coverage ratio	8.6	15.5	14.7	21.9	25.4

Notes:

Equity ratio: Shareholders' equity / Total assets

Market capitalization equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest expenses

• All figures are based on the consolidated financial statements.
• Market capitalization is calculated by multiplying the fiscal year-end stock price and the number of shares issued at the end of the fiscal year (after deducting treasury shares).
• Operating cash flows are the figure shown in the consolidated statement of cash flows. Interest-bearing debt is the sum of all liabilities on the consolidated balance sheet on which interest is paid. Interest expenses are the figure shown in the consolidated statement of cash flows.

(3) Fundamental policy for distribution of earnings and dividend for the current and the next fiscal years

While securing internal reserves necessary for future business development and management structure reinforcement, the basic policy of the Company is to return profits to shareholders by implementing stable dividends and dividends that are linked to business results with the aim of enhancing the return to its shareholders.

In accordance with this policy, the year-end dividend for the fiscal year ended March 31, 2018 is set at ¥11.00 per share as previously forecasted. Combined with the already declared interim dividend of ¥11.00, the total annual dividend is expected to be ¥22.00.

For the next fiscal year's dividend, we expect an annual dividend of ¥26.00 per share (interim dividend of ¥13.00, year-end dividend of ¥13.00), based on business results forecasts.

(4) Business risk

No discussion of business and other risks is presented here because there have been no significant changes involving these risks since the most recent Securities Report (dated June 28, 2017), which includes a section about business and other risks.

2. Corporate Group

The Senko Group includes the Company, 123 subsidiaries and ten affiliated companies. To meet the increasingly diverse and exacting needs of customers, Group companies conduct a full line of logistics operations extending from the development of strategic logistics systems to the operation of these systems. There are three business segments: Logistics, which includes cargo transport by truck, cargo transport by rail, warehouse operations, the operation of distribution centers, and other activities; Trading & commerce, which includes sales of petroleum products, trading sales and international trade; and Others, which includes outsourced data processing services, motor vehicle maintenance, insurance agency services and other activities. A diagram of these business operations is presented below.

Customers

SENKO Group Holdings Co., Ltd.

Logistics | Trading & commerce | Others

Logistics

Subsidiaries

○ SENKO Co., Ltd.
○ Logi Solution Co., Ltd.
○ Senko Living Plaza Co., Ltd.
○ Senko A Line Amano Co., Ltd.
○ Tokyo Nohin Daiko Co., Ltd.
○ ACROSS TRANSPORT CO., LTD.
○ Senko Line Split Preparation Co., Ltd.
○ NIPPON MARINE CO., LTD.
EIKO SHIPPING CO., LTD.
○ Hokkaido Senko Co., Ltd.
○ Tohoku Senko Transport Co., Ltd.
○ Kanto Senko Transport Co., Ltd.
○ Kan-etsu Senko Logistics Co., Ltd.
○ Saitama Senko logiservice Co., Ltd.
○ Saitama Minami Senko Logi Co., Ltd.
○ Senko Housing Logistics Co., Ltd.
○ Chiba Senko Transport Co., Ltd.
○ Senko Fashion Logistics Co., Ltd.
○ Kashiwa Senko Transport Co., Ltd.
○ Noda Senko Logi Service Co., Ltd.
○ Kanagawa Senko Transport Co., Ltd.
○ ANZEN YUSO CO., LTD.
JCN KANTO Co., LTD.
○ Atsugi Senko Transport Co., Ltd.
NISHIKANTO SENKO LOGI CO., LTD.
○ Hokuriku Senko Transport Co., Ltd.
○ Fuji Senko Transport Co., Ltd.
○ Daito Senko Apollo Co., Ltd.
○ Tokai Senko Transport Co., Ltd.
○ Toyohashi Senko Transport Co., Ltd.
○ Mie Senko Logistics Co., Ltd.
○ Shiga Senko Transport Co., Ltd.
○ Kyoto Senko Transport Co., Ltd.
○ Osaka Senko Transport Co., Ltd.
○ Tokyo Nohin Daiko West Japan Co., Ltd.
○ Minami Osaka Senko Transport Co., Ltd.
NICHIEI KOUN CO., LTD.
○ Hanshin Senko Transport Co., Ltd.
○ Esaka Logistics Service Co., Ltd.
○ Hanshin Transport Co., Ltd.
○ Nara Senko Logistics Co., Ltd.
○ Okayama Senko Transport Co., Ltd.
○ EIKICHI KAIUN CO., LTD.
MIFUNE CO., LTD.
TOEI KISEN CO., LTD.
EIKICHI EISEN CO., LTD.
○ Harcob Co., Ltd.
○ Sankyo Freight Co., Ltd.
○ Sanyo Senko Transport Co., Ltd.
○ Chushikoku Logistics Co., Ltd.
○ Fukuoka Senko Transport Co., Ltd.
○ Runtec Corporation

Subsidiaries

○ Kyushu Senko Logistics Co., Ltd.
○ Minami Kyushu Senko Co., Ltd.
○ Miyazaki Senko Transport Co., Ltd.
○ Miyazaki Senko Apollo Co., Ltd.
○ Senko Plantec Co., Ltd.
○ SK Kaihatsu Ippan Shadan Hojin
○ SK Senboku Yugen Kaisha
Senko Medical Logistics Co., Ltd.
○ Delivery Ace Co., Ltd.
Prettyporters Co., Ltd.
○ Sankyo Butsuryu Niyaku Co., Ltd.
○ Sankyo Logistics Co., Ltd.
Senko (U.S.A.) Inc.
SENKO LOGISTICS MEXICO S.A. DE C.V.
SK MARINE S.A.
○ Osorno Shipholding S.A.
○ Rupanco Inc.
SHENYANG SENKO LOGISTICS CO., LTD.
○ DALIAN TRI-ENTERPRISE LOGISTICS CO., LTD.
QINGDAO SENKO LOGISTICS CO., LTD.
SENKO LOGISTICS (SHANGHAI) CO., LTD.
○ SHANGHAI SENKO INTERNATIONAL FREIGHT FORWARDING INC.
○ GUANGZHOU SENKO LOGISTICS CO., LTD.
Senko International Logistics (Hong Kong) Ltd.
Senko (Thailand) Co., Ltd.
SENKO GLOBAL LOGISTICS (THAILAND) CO., LTD.
SENKO LOGISTICS DISTRIBUTION (THAILAND) Co., Ltd.
○ Senko International Logistics Pte. Ltd.
Skylift Consolidator (Pte) Ltd.
Skylift Districentre (Pte) Ltd.
SENKO LOGISTICS VIETNAM COMPANY LIMITED
SENKO DISTRIBUTION SERVICE (VIETNAM) CO., LTD.
Senko Logistics Australia Pty Ltd.
Senko-Lancaster Silk Road Logistics LLP.
NH-SENKO Logistics Co., Ltd.

Affiliated Companies

Moriyama Hoso Co., Ltd.
Hososhimako Niyaku Shinko Co., Ltd.
Mexicana de Paquetería Urgente, S.A. de C.V.
SINOTRANS SENKO INTERNATIONAL COLD LOGISTICS CO., LTD
SMI-SENKO LOGISTICS PTE. LTD.
SENKOSMI Myanmar Co., Ltd.
KO-SENKO Logistics Co., Ltd.
Senko Logistics (Thailand) Co., Ltd.

Trading & commerce

Subsidiaries

○ SENKO Co., Ltd.
○ SENKO SHOJI CO., LTD.
○ AST CORPORATION
○ SMILE CORP.
○ Marufuji Co., Ltd.
○ Fuji Label Co., Ltd.
○ Takano Machinery Works Co., Ltd.
○ OKUMURA CO., LTD.
○ Obata Co., Ltd.
○ Shanghai Smile Corp.
○ SHANGHAI SMILE PRINTING CORP.
○ HONG KONG SMILE CORP LIMITED
Japan Select LLP
○ SMILECORP VIETNAM CO., LTD.
○ KOREA SMILE CORP.

Others

Subsidiaries

○ Logi Solution Co., Ltd.
○ SENKO INFORMATION SYSTEM Co., Ltd.
○ Saitama Senko logiservice Co., Ltd.
○ Chiba Senko Transport Co., Ltd.
○ Fuji Senko Transport Co., Ltd.
○ Shiga Senko Transport Co., Ltd.
○ Minami Osaka Senko Transport Co., Ltd.
○ Miyazaki Senko Transport Co., Ltd.
Aya Construction Co., Ltd.
○ Senko Insurance Services Co., Ltd.
○ Senko Foods Co., Ltd.
Crefeel Koto Co., Ltd.
○ S-TAFF Co., Ltd.
○ Senko Business Support Co., Ltd.
Logi Factoring Co., Ltd.
Senko School Farm Tottori Co., Ltd.
SENKO AGRI Co.,Ltd.
○ Senko Asset Management Co., Ltd.
○ KOUKI Co., Ltd.
Runtec Service Corporation
Senko Facilities Co., Ltd.
Senko Real Estate Co., Ltd.
KEIHANNA helper station Co., Ltd.
VENUS CO., LTD.
Aphrodite CO., LTD.
Senko Creative Management Co., Ltd.
Ienonaka Company, Ltd.
BLUE EARTH JAPAN Co., Ltd.
Senko Logistics (U.S.A.) Inc.

Affiliated Companies

△ Senko Private REIT investment Company
Samurai Farm Saito Co., Ltd.

(Note)
○: Consolidated subsidiaries
△: Equity-method affiliate

3. Basic Concept Regarding the Selection of Accounting Standards

To facilitate comparisons of its consolidated financial statements across time periods and with other companies, the Senko Group intends to prepare its consolidated financial statements based on Japanese generally accepted accounting principles (JGAAP) for the time being.

With regard to the adoption of international financial reporting standards (IFRS), the Company intends to monitor developments in Japan and overseas, and to respond appropriately to these developments.

4. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	27,162	24,995
Notes and operating accounts receivable	61,975	70,526
Merchandise and finished goods	7,006	7,293
Work in process	305	351
Raw materials and supplies	292	536
Deferred tax assets	2,826	2,979
Other	9,151	10,460
Allowance for doubtful accounts	(21)	(16)
Total current assets	108,699	117,127
Non-current assets		
Property, plant and equipment		
Buildings and structures	124,739	146,448
Accumulated depreciation	(71,319)	(91,402)
Buildings and structures, net	53,420	55,045
Machinery, equipment and vehicles	37,669	59,003
Accumulated depreciation	(28,650)	(38,496)
Machinery, equipment and vehicles, net	9,018	20,506
Tools, furniture and fixtures	6,954	7,270
Accumulated depreciation	(5,517)	(5,731)
Tools, furniture and fixtures, net	1,436	1,539
Land	56,700	59,613
Leased Assets	11,534	13,002
Accumulated depreciation	(5,634)	(6,085)
Leased Assets, net	5,900	6,916
Construction in progress	3,637	16,449
Total property, plant and equipment	130,114	160,071
Intangible assets		
Goodwill	5,617	6,522
Other	4,086	4,225
Total intangible assets	9,704	10,747
Investments and other assets		
Investment securities	16,452	22,642
Long-term loans receivable	3,131	3,709
Net defined benefit asset	2,359	3,658
Guarantee deposits	11,197	12,118
Deferred tax assets	2,050	1,783
Other	3,191	3,718
Allowance for doubtful accounts	(1,025)	(1,216)
Total investments and other assets	37,357	46,413
Total non-current assets	177,175	217,232
Deferred assets		
Business commencement expenses	83	57
Total deferred assets	83	57
Total assets	285,958	334,417

(Unit: Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and operating accounts payable−trade	33,731	37,418
Electronically recorded obligations−operating	6,773	7,189
Current portion of bonds	―	48
Short-term loans payable	25,631	29,351
Lease obligations	2,793	3,073
Income taxes payable	3,916	4,509
Provision for bonuses	4,228	4,625
Provision for directors' bonuses	210	197
Provision for loss on disaster	96	―
Other	16,534	19,635
Total current liabilities	93,914	106,049
Non-current liabilities		
Bonds payable	7,000	17,168
Convertible bond-type bonds with share acquisition rights	10,049	10,039
Long-term loans payable	42,483	63,232
Lease obligations	6,365	7,342
Provision for directors' retirement benefits	276	159
Provision for special repairs	37	82
Net defined benefit liability	7,087	6,901
Asset retirement obligations	817	819
Other	3,834	4,564
Total non-current liabilities	77,953	110,311
Total liabilities	171,868	216,360
Net assets		
Shareholders' equity		
Capital stock	26,528	26,528
Capital surplus	25,411	29,730
Retained earnings	48,654	54,968
Treasury shares	(657)	(590)
Total shareholders' equity	99,937	110,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,391	1,775
Deferred gains or losses on hedges	1	(61)
Foreign currency translation adjustment	250	334
Remeasurements of defined benefit plans	(1,293)	(42)
Total accumulated other comprehensive income	350	2,005
Shares acquisition rights	396	373
Non-controlling interests	13,406	5,040
Total net assets	114,090	118,056
Total liabilities and net assets	285,958	334,417

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(Unit: Millions of Yen)

	Fiscal year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Operating revenue	455,435	492,127
Operating cost	405,757	440,671
Operating gross profit	49,677	51,456
Selling, general and administrative expenses	32,595	34,369
Operating profit	17,081	17,087
Non-operating income		
Interest income	101	101
Dividend income	130	136
Share of profit of entities accounted for using equity method	272	342
Other	1,237	1,350
Total non-operating income	1,742	1,931
Non-operating expenses		
Interest expenses	927	976
Other	595	725
Total non-operating expenses	1,522	1,701
Ordinary profit	17,301	17,316
Extraordinary income		
Subsidy income	—	638
Gain on sales of non-current assets	283	444
Delinquency charges	—	157
Gain on sales of investment securities	536	66
State subsidy	1,252	—
Total extraordinary income	2,072	1,307
Extraordinary losses		
Loss on reduction of non-current assets	1,225	651
Loss on office withdrawal	—	310
Loss on liquidation of subsidiaries	—	204
Loss on business withdrawal	—	169
Loss on retirement of non-current assets	130	126
Loss on valuation of investments in capital of subsidiaries and associates	—	56
Expenses related to closing of stores	—	53
Provision of allowance for doubtful accounts for subsidiaries and associates	62	43
Expenses related to commemorative works for centennial anniversary	448	39
Loss on sales of non-current assets	31	30
Loss on valuation of shares of subsidiaries and associates	574	—
Loss on disaster	252	—
Litigation expenses	76	—
Total extraordinary losses	2,801	1,688
Profit before income taxes	16,572	16,936
Income taxes−current	5,930	5,778
Income taxes−deferred	(148)	(8)
Total income taxes	5,781	5,769
Profit	10,790	11,167
Profit attributable to non-controlling interests	1,839	1,663
Profit attributable to owners of parent	8,950	9,503

(Consolidated statements of comprehensive income)

(Unit: Millions of Yen)

	Fiscal year ended March 31, 2017 (April 1, 2016–March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)
Profit	10,790	11,167
Other comprehensive income		
Valuation difference on available-for-sale securities	52	430
Deferred gains or losses on hedges	97	(65)
Foreign currency translation adjustment	(235)	104
Remeasurements of defined benefit plans, net of tax	1,544	1,256
Total other comprehensive income	1,458	1,725
Comprehensive income	12,249	12,893
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,337	11,158
Comprehensive income attributable to non-controlling interests	1,912	1,734

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(Unit: Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	24,011	22,838	42,845	(942)	88,752
Cumulative effects of changes in accounting policies			18		18
Restated balance	24,011	22,838	42,863	(942)	88,770
Changes of items during period					
Issuance of new shares	2,516	2,516			5,033
Dividends of surplus			(3,176)		(3,176)
Profit attributable to owners of parent			8,950		8,950
Purchases of treasury shares				(0)	(0)
Disposal of treasury shares				285	285
Change of scope of consolidation			16		16
Change in ownership interest of parent due to transactions with non-controlling interests		56			56
Net changes of items other than shareholders' equity					—
Total changes of items during period	2,516	2,573	5,790	285	11,166
Balance at end of current period	26,528	25,411	48,654	(657)	99,937

	Accumulated other comprehensive income					Share Acquisition rights	Non-controlling interests	Total net assets
	Valuation differences on available-for-securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	1,448	(91)	427	(2,820)	(1,036)	359	11,933	100,009
Cumulative effects of changes in accounting policies					—		20	39
Restated balance	1,448	(91)	427	(2,820)	(1,036)	359	11,953	100,048
Changes of items during period								
Issuance of new shares					—			5,033
Dividends of surplus					—			(3,176)
Profit attributable to owners of parent					—			8,950
Purchases of treasury shares					—			(0)
Disposal of treasury shares					—			285
Change of scope of consolidation					—			16
Change in ownership interest of parent due to transactions with non-controlling interests					—			56
Net changes of items other than shareholders' equity	(57)	93	(176)	1,527	1,386	36	1,452	2,875
Total changes of items during period	(57)	93	(176)	1,527	1,386	36	1,452	14,041
Balance at end of current period	1,391	1	250	(1,293)	350	396	13,406	114,090

Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(Unit: Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	26,528	25,411	48,654	(657)	99,937
Cumulative effects of changes in accounting policies					–
Restated balance	26,528	25,411	48,654	(657)	99,937
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(3,354)		(3,354)
Profit attributable to owners of parent			9,503		9,503
Purchases of treasury shares				(455)	(455)
Disposal of treasury shares		(13)		522	509
Change of scope of consolidation			165		165
Change in ownership interest of parent due to transactions with non-controlling interests		4,332			4,332
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	4,319	6,314	67	10,700
Balance at end of current period	26,528	29,730	54,968	(590)	110,637

	Accumulated other comprehensive income					Share Acquisition rights	Non-controlling interests	Total net assets
	Valuation differences on available-for-securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	1,391	1	250	(1,293)	350	396	13,406	114,090
Cumulative effects of changes in accounting policies					–			–
Restated balance	1,391	1	250	(1,293)	350	396	13,406	114,090
Changes of items during period								
Issuance of new shares					–			–
Dividends of surplus					–			(3,354)
Profit attributable to owners of parent					–			9,503
Purchases of treasury shares					–			(455)
Disposal of treasury shares					–			509
Change of scope of consolidation					–			165
Change in ownership interest of parent due to transactions with non-controlling interests					–			4,332
Net changes of items other than shareholders' equity	383	(63)	83	1,250	1,654	(22)	(8,366)	(6,734)
Total changes of items during period	383	(63)	83	1,250	1,654	(22)	(8,366)	3,966
Balance at end of current period	1,775	(61)	334	(42)	2,005	373	5,040	118,056

(4) Consolidated statements of cash flows

(Unit: Millions of Yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	16,572	16,936
Depreciation	10,216	12,439
Loss (gain) on sales of investment securities	(536)	(66)
Loss on valuation of shares of subsidiaries and associates	574	–
Loss on valuation of investments in capital of subsidiaries and affiliates	–	56
Loss (gain) on sales of non-current assets	(251)	(413)
Loss on retirement of non-current assets	130	126
Loss on reduction of non-current assets	1,225	651
Subsidy income	–	(638)
State subsidy	(1,252)	–
Decrease (increase) in net defined benefit asset	(419)	470
Increase (decrease) in net defined benefit liability	(243)	(256)
Increase (decrease) in provision for bonuses	143	189
Interest and dividend income	(232)	(237)
Interest expenses	927	976
Decrease (increase) in notes and accounts receivable-trade	(1,695)	(3,862)
Decrease (increase) in inventories	(66)	62
Increase (decrease) in notes and accounts payable-trade	1,071	2,259
Increase (decrease) in accrued consumption taxes	366	2,119
Other	242	(2,428)
Subtotal	26,772	28,386
Proceeds from subsidy income	–	1,891
Interest and dividend income received	389	519
Interest expenses paid	(953)	(967)
Income taxes paid	(5,360)	(5,262)
Net cash provided by (used in) operating activities	20,848	24,567
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,253)	(37,041)
Proceeds from sales of property, plant and equipment	17,883	11,121
Purchase of investment securities	(60)	(387)
Proceeds from sales of investment securities	637	155
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(325)	(2,140)
Purchase of shares of subsidiaries and associates	(5,282)	(5,131)
Other	(278)	(3,595)
Net cash provided by (used in) investing activities	(3,678)	(37,020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	252	9,777
Proceeds from long-term loans payable	3,150	22,105
Repayment of long-term loans payable	(10,871)	(17,792)
Repayments of finance lease obligations	(2,801)	(3,854)
Redemption of bonds	(5,000)	(24)
Proceeds from issuance of bonds with share acquisition rights	10,050	–
Proceeds from issuance of bonds	–	10,000
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(6,883)
Purchase of treasury shares	(0)	(455)
Proceeds from sales of treasury shares	406	683
Cash dividends paid	(3,173)	(3,470)
Other	(638)	(145)
Net cash provided by (used in) financing activities	(8,626)	9,940
Effect of exchange rate change on cash and cash equivalents	(116)	55
Net increase (decrease) in cash and cash equivalents	8,425	(2,456)

Cash and cash equivalents at beginning of period	17,765	26,197
Increase in cash and cash equivalents from newly consolidated subsidiary	5	55
Cash and cash equivalents at end of period	26,197	23,795