

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2020 [Japan GAAP]

August 9, 2019

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 and Representative Director Name: Yasuhisa Fukuda
Inquiries: Title: Executive Officer, Responsible for PR & IR Name: Satoru Kokubo Tel. (06) 6440-5156

Scheduled Date of Issue of Quarterly Financial Report: August 14, 2019 Scheduled Date of Dividend Paid: –
Quarterly Supplemental Information Materials: Yes
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, 2019

(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, 2019	137,121	6.0	4,995	6.3	4,985	2.7	3,142	7.6
Three months ended June 30, 2018	129,365	8.2	4,697	22.6	4,856	22.8	2,919	53.6

(Note) Comprehensive income

Three months ended June 30, 2019: ¥3,115 million (–2.0%) Three months ended June 30, 2018: ¥3,178 million (6.2%)

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 30, 2019	20.69	19.19
Three months ended June 30, 2018	19.21	17.82

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	342,533	127,746	35.0	789.61
As of March 31, 2019	340,491	126,895	35.0	785.08

(Reference) Equity:

As of June 30, 2019: ¥119,908 million As of March 31, 2019: ¥119,204 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	–	13.00	–	13.00	26.00
Fiscal year ending March 31, 2020	–	–	–	–	–
Fiscal year ending March 31, 2020 (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, 2020 (From April 1, 2019 to March 31, 2020)

(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, 2019	276,000	6.0	9,400	3.2	9,400	0.3	5,600	(0.3)	36.88
Fiscal year ending March 31, 2020	560,000	5.7	20,900	6.5	21,000	5.7	12,200	4.4	80.35

(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: Yes
 - (d) Retrospective restatement: None
- (4) Shares outstanding (Common shares)
- (a) Shares outstanding (including treasury shares)

As of June 30, 2019:	152,861,921 shares	As of March 31, 2019:	152,861,921 shares
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 - (b) Treasury shares

As of June 30, 2019:	1,003,460 shares	As of March 31, 2019:	1,024,460 shares
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 - (c) Average number of shares (Cumulative)

Three months ended June 30, 2019:	151,858,230 shares	Three months ended June 30, 2018:	151,980,565 shares
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- (Note) 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, 2019: 351,500 shares; as of March 31, 2019: 351,500 shares) and Performance-linked Stock Compensation Plan for Directors (as of June 30, 2019: 353,000 shares; as of March 31, 2019: 353,000 shares).

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

Cautionary statement regarding forecasts of operating results and special notes

- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the assumptions used for forecasts and precautions concerning the use of forecasts, please see "Forecast for the six-month period and the full-term of the fiscal year ending March 31, 2020" on page 3.
- The supplementary material on quarterly earnings will be available on the Company's website.

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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, 2020 (April 1, 2019 to June 30, 2019), the employment and income environment in the Japanese economy continued to improve, but the outlook remains unclear due to factors such as concerns over a slowdown in overseas economies as a result of trade friction between the United States and China.

The three-month-period performance was as follows.

(Unit: Millions of Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change	%
Operating revenue	129,365	137,121	7,756	6.0
Operating profit	4,697	4,995	298	6.3
Ordinary profit	4,856	4,985	129	2.7
Profit attributable to owners of parent	2,919	3,142	222	7.6

Consolidated operating revenue for the three-month period ended June 30, 2019 of the current fiscal year increased ¥7,756 million year on year to ¥137,121 million. This result mainly reflected effects of expanding sales and revising the freight charges, opening logistics centers, and making overseas Group companies and operating companies of living support services into consolidated subsidiaries. On the profit front, despite factors that include higher costs largely stemming from rises in outsourcing costs, consolidated operating profit increased ¥298 million year on year to ¥4,995 million and consolidated ordinary profit increased ¥129 million year on year to ¥4,985 million. This upturn in profits was largely attributable to the effects of the higher revenue mentioned previously and our efforts to improve productivity. Profit attributable to owners of parent increased to ¥3,142 million, up ¥222 million year on year.

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

Logistics

(Unit: Millions of Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change	%
Operating revenue	91,101	96,390	5,289	5.8
Segment income	3,854	4,290	436	11.3

Operating revenue increased ¥5,289 million year on year to ¥96,390 million and segment income rose ¥436 million year on year to ¥4,290 million. This was mainly attributable to the effects of opening logistic centers in the previous fiscal year and opening the Inzai Logistics Center that commenced operations in May of this fiscal year, expanding sales and revising the freight charges, and making seven overseas Group companies into consolidated subsidiaries.

Trading & commerce

(Unit: Millions of Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change	%
Operating revenue	35,472	36,662	1,190	3.4
Segment income	675	473	(202)	(30.0)

Operating revenue increased ¥1,190 million year on year to ¥36,662 million and segment income fell ¥202 million year on year to ¥473 million. Although sales of household paper products for large-scale mass-merchandise groups and sales of chemical products and apparel in the international trade business grew, there were higher costs largely stemming from rises in outsourcing costs.

Others

(Unit: Millions of Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change	%
Operating revenue	2,791	4,067	1,276	45.7
Segment income	231	395	164	70.9

Operating revenue increased ¥1,276 million year on year to ¥4,067 million and segment income increased ¥164 million year on year to ¥395 million. This was mainly attributable to making Ueno Shoji Co., Ltd., which manages the food and drink business, a consolidated subsidiary, and opening new nursing care and fitness locations.

(2) Financial condition

Assets, liabilities and net assets

Total assets

Total assets as of June 30, 2019 were ¥342,533 million, ¥2,042 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥119,203 million, up ¥1,939 million from the end of the previous fiscal year. This mainly reflected an increase of ¥2,155 million in other current assets.

Non-current assets totaled ¥223,305 million, up ¥109 million from the end of the previous fiscal year. This was primarily due to increases of ¥2,293 million in property, plant and equipment and ¥1,775 million in intangible assets, despite a decrease of ¥3,959 million in total investments and other assets.

Liabilities

Liabilities as of June 30, 2019 increased ¥1,191 million from the end of the previous fiscal year to ¥214,787 million.

Current liabilities totaled ¥98,847 million, up ¥178 million from the end of the previous fiscal year. This was mainly due to an increase of ¥4,393 million in short-term borrowings, despite a decrease of ¥3,386 million in income taxes payable.

Non-current liabilities totaled ¥115,939 million, up ¥1,013 million from the end of the previous fiscal year. This was primarily due to an increase of ¥1,200 million in long-term lease obligations.

Net assets

Net assets as of June 30, 2019 rose ¥851 million from the end of the previous fiscal year to ¥127,746 million. This was mainly attributable to an increase of ¥890 million in retained earnings. The equity ratio as of June 30, 2019 was 35.0%.

(3) Forecast for the six-month period and the full-term of the fiscal year ending March 31, 2020

No revisions have been made to the forecast of consolidated operating results for the first half ending September 30, 2019 and the fiscal year ending March 31, 2020, announced in "Summary of Financial Statements for the Fiscal Year Ended March 31, 2019" on May 10, 2019.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	25,232	24,425
Trade notes and accounts receivable	71,311	71,021
Electronically recorded monetary claims - operating	1,785	2,433
Merchandise and finished goods	8,513	8,580
Work in process	670	829
Raw materials and supplies	583	604
Other	9,181	11,336
Allowance for doubtful accounts	(14)	(28)
Total current assets	117,263	119,203
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,645	64,721
Land	59,669	59,762
Other, net	37,899	40,024
Total property, plant and equipment	162,214	164,507
Intangible assets		
Goodwill	7,446	8,262
Other	4,576	5,535
Total intangible assets	12,022	13,798
Investments and other assets		
Investment securities	20,260	18,153
Long-term loans receivable	3,888	3,045
Retirement benefit asset	3,088	3,235
Guarantee deposits	13,271	12,991
Deferred tax assets	5,138	4,312
Other	4,019	3,967
Allowance for doubtful accounts	(709)	(708)
Total investments and other assets	48,958	44,999
Total non-current assets	223,195	223,305
Deferred assets		
Business commencement expenses	32	25
Total deferred assets	32	25
Total assets	340,491	342,533

(Unit: Millions of Yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trade notes and accounts payable	37,603	37,154
Electronically recorded obligations - operating	7,047	7,142
Current portion of bonds	48	48
Short-term borrowings	21,580	25,974
Lease obligations	3,181	3,385
Income taxes payable	4,242	855
Provision for bonuses	5,253	3,106
Provision for bonuses for directors (and other officers)	347	94
Provision for loss on disaster	103	42
Other	19,261	21,042
Total current liabilities	98,669	98,847
Non-current liabilities		
Bonds payable	17,120	17,096
Convertible bond-type bonds with share acquisition rights	10,029	10,027
Long-term borrowings	64,696	64,330
Lease obligations	10,500	11,700
Provision for retirement benefits for directors (and other officers)	180	181
Provision for special repairs	80	98
Provision for share-based remuneration	124	124
Retirement benefit liability	6,970	6,745
Asset retirement obligations	1,011	1,164
Other	4,212	4,470
Total non-current liabilities	114,926	115,939
Total liabilities	213,595	214,787
Net assets		
Shareholders' equity		
Share capital	26,528	26,528
Capital surplus	29,841	29,816
Retained earnings	62,983	63,874
Treasury shares	(697)	(690)
Total shareholders' equity	118,656	119,529
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,350	1,028
Deferred gains or losses on hedges	(3)	(38)
Foreign currency translation adjustment	122	265
Remeasurements of defined benefit plans	(920)	(876)
Total accumulated other comprehensive income	548	379
Share acquisition rights	424	416
Non-controlling interests	7,265	7,421
Total net assets	126,895	127,746
Total liabilities and net assets	340,491	342,533

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the three months ended June 30, 2018 and 2019)

(Unit: Millions of Yen)

	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019–June 30, 2019)
Operating revenue	129,365	137,121
Operating cost	114,861	121,108
Operating gross profit	14,503	16,012
Selling, general and administrative expenses	9,806	11,017
Operating profit	4,697	4,995
Non-operating income		
Interest income	28	35
Dividend income	78	71
Other	473	437
Total non-operating income	580	544
Non-operating expenses		
Interest expenses	273	275
Other	148	279
Total non-operating expenses	421	554
Ordinary profit	4,856	4,985
Extraordinary income		
Gain on extinguishment of tie-in shares	–	51
Insurance claim income	–	32
Subsidy income	187	–
Reversal of allowance for doubtful accounts for subsidiaries and associates	46	–
Gain on sales of non-current assets	37	–
Total extraordinary income	271	83
Extraordinary losses		
Litigation settlement	–	55
Loss on tax purpose reduction entry of non-current assets	187	–
Loss on retirement of non-current assets	35	–
Total extraordinary losses	222	55
Profit before income taxes	4,905	5,014
Income taxes - current	749	705
Income taxes - deferred	1,140	1,024
Total income taxes	1,890	1,730
Profit	3,015	3,283
Profit attributable to non-controlling interests	95	141
Profit attributable to owners of parent	2,919	3,142

(Consolidated statements of comprehensive income)
(For the three months ended June 30, 2018 and 2019)

(Unit: Millions of Yen)

	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019–June 30, 2019)
Profit	3,015	3,283
Other comprehensive income		
Valuation difference on available-for-sale securities	102	(340)
Deferred gains or losses on hedges	52	(38)
Foreign currency translation adjustment	(86)	166
Remeasurements of defined benefit plans, net of tax	95	44
Total other comprehensive income	163	(168)
Comprehensive income	3,178	3,115
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,084	2,931
Comprehensive income attributable to non-controlling interests	93	184