

Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2021 [Japan GAAP]

February 8, 2021

Name of Listed Company: SENKO Group Holdings Co., Ltd. Stock Listed on: The First Section of the Tokyo Stock Exchange
 Code Number: 9069 URL <https://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. (03) 6862-8842

Scheduled Date of Issue of Quarterly Financial Report: February 12, 2021 Scheduled Date of Dividend Paid: –
 Quarterly Supplemental Information Materials: Yes
 Quarterly Information Meeting: None

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

1. Consolidated Operating Results for the Nine Months Ended December 31, 2020

(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 | % |
| Nine months ended December 31, 2020 | 424,603 | (0.7) | 17,400 | 1.3 | 17,663 | 2.5 | 11,605 | 6.7 |
| Nine months ended December 31, 2019 | 427,741 | 6.8 | 17,177 | 8.8 | 17,233 | 7.3 | 10,879 | 13.9 |

(Note) Comprehensive income

Nine months ended December 31, 2020: ¥12,126 million (6.3%) Nine months ended December 31, 2019: ¥11,412 million (20.0%)

| | Profit per share | Diluted profit per share |
|-------------------------------------|------------------|--------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2020 | 76.32 | 70.84 |
| Nine months ended December 31, 2019 | 71.61 | 66.42 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2020 | 408,562 | 143,234 | 32.6 | 876.61 |
| As of March 31, 2020 | 356,308 | 134,181 | 35.1 | 823.61 |

(Reference) Equity:

As of December 31, 2020: ¥133,357 million As of March 31, 2020: ¥125,158 million

2. Dividends

| | Annual dividend | | | | |
|--|-----------------|--------------|-------------|----------|-------|
| | June 30 | September 30 | December 31 | March 31 | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2020 | – | 13.00 | – | 13.00 | 26.00 |
| Fiscal year ending March 31, 2021 | – | 13.00 | – | | |
| Fiscal year ending March 31, 2021 (Forecast) | | | | 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, 2021 (From April 1, 2020 to March 31, 2021)

(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, 2021 | 578,000 | 1.4 | 21,000 | 1.7 | 21,300 | 2.7 | 13,000 | 7.6 | 85.49 |

(Note) Change in the forecast made in this period: Yes

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, 2020: | 152,952,221 shares | As of March 31, 2020: | 152,861,921 shares |
|--------------------------|--------------------|-----------------------|--------------------|
 - (b) Treasury shares

| | | | |
|--------------------------|----------------|-----------------------|----------------|
| As of December 31, 2020: | 823,099 shares | As of March 31, 2020: | 898,113 shares |
|--------------------------|----------------|-----------------------|----------------|
 - (c) Average number of shares (Cumulative)

| | | | |
|--------------------------------------|--------------------|--------------------------------------|--------------------|
| Nine months ended December 31, 2020: | 152,064,112 shares | Nine months ended December 31, 2019: | 151,927,827 shares |
|--------------------------------------|--------------------|--------------------------------------|--------------------|
- (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 December 31, 2020: 341,740 shares; as of March 31, 2020: 348,880 shares) and Performance-linked Stock Compensation Plan for Directors (as of December 31, 2020: 348,873 shares; as of March 31, 2020: 352,988 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 full-term of the fiscal year ending March 31, 2021" on page 3.
- The supplementary material on quarterly earnings will be available on the Company's website.

Index to accompanying materials

| | |
|--|---|
| 1. Results of Operations and Financial Condition | 2 |
| (1) Results of operations..... | 2 |
| (2) Financial condition..... | 3 |
| (3) Forecast for the full-term of the fiscal year ending March 31, 2021..... | 3 |
| 2. Consolidated Financial Statements | 4 |
| (1) Consolidated balance sheets..... | 4 |
| (2) Consolidated statements of (comprehensive) income | 6 |
| Consolidated statements of income | |
| For the nine months ended December 31, 2019 and 2020 | 6 |
| Consolidated statements of comprehensive income | |
| For the nine months ended December 31, 2019 and 2020 | 7 |

1. Results of Operations and Financial Condition

(1) Results of operations

In the nine-month period of the fiscal year ending March 31, 2021 (April 1, 2020 to December 31, 2020), the economic environment has maintained an uncertain outlook with a resurgence in the spread of the novel coronavirus disease (COVID-19) despite the gradual resumption of economic activity following the lifting of the first state of emergency.

The nine-month-period performance was as follows.

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Change | (Unit: Millions of Yen) % |
|--|--|--|---------|------------------------------|
| Operating revenue | 427,741 | 424,603 | (3,137) | (0.7) |
| Operating profit | 17,177 | 17,400 | 222 | 1.3 |
| Ordinary profit | 17,233 | 17,663 | 430 | 2.5 |
| Profit attributable to owners of parent | 10,879 | 11,605 | 725 | 6.7 |

Consolidated operating revenue for the nine-month period ended December 31, 2020 of the current fiscal year decreased ¥3,137 million year on year to ¥424,603 million, with the Logistics business being significantly affected by COVID-19 pandemic. In terms of profits, as a result of group-wide efforts to expand sales, reduce expenses, improve cost efficiency and increase productivity, consolidated operating profit, consolidated ordinary profit and profit attributable to owners of parent all increased year on year.

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

Logistics

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Change | (Unit: Millions of Yen) % |
|-------------------|--|--|---------|------------------------------|
| Operating revenue | 297,850 | 290,084 | (7,765) | (2.6) |
| Segment income | 14,867 | 15,702 | 834 | 5.6 |

Although there was an increase in cargo volume for discount stores, drugstores and other chain stores, the COVID-19 pandemic caused a significant decrease in the volume for housing-related industry, chemical-related industry, and frozen and refrigerated cargo for school lunch and restaurant industry, and as a result, operating revenue decreased ¥7,765 million year on year to ¥290,084 million. In terms of profits, as a result of efforts to expand sales, reduce expenses, improve cost efficiency and increase productivity, segment income increased ¥834 million year on year to ¥15,702 million.

Trading & commerce

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Change | (Unit: Millions of Yen) % |
|-------------------|--|--|--------|------------------------------|
| Operating revenue | 117,974 | 121,180 | 3,206 | 2.7 |
| Segment income | 1,583 | 2,412 | 829 | 52.4 |

Operating revenue increased ¥3,206 million year on year to ¥121,180 million and segment income increased ¥829 million year on year to ¥2,412 million due to increased sales of household paper and adjustment to its sales price, and increased sales of daily necessities associated with increased demand for home deliveries.

Others

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Change | (Unit: Millions of Yen) % |
|-----------------------|--|--|---------|------------------------------|
| Operating revenue | 11,916 | 13,337 | 1,420 | 11.9 |
| Segment income (loss) | 1,247 | (209) | (1,457) | — |

Operating revenue increased to ¥13,337 million, up ¥1,420 million year on year primarily due to making Procure Co., Ltd. into a consolidated subsidiary. On the other hand, due to the spread of COVID-19, the number of customers decreased significantly at hotels, fitness gyms, day-service nursing care facilities, restaurants, etc., and segment income fell ¥1,457 million year on year to record a segment loss of ¥209 million.

(2) Financial condition

Assets, liabilities and net assets

Total assets

Total assets as of December 31, 2020 were ¥408,562 million, ¥52,253 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥151,822 million, up ¥27,611 million from the end of the previous fiscal year. This was mainly due to increases of ¥9,205 million in cash and deposits, ¥10,782 million in trade notes and accounts receivable, ¥4,520 million in merchandise and finished goods and ¥2,896 million in other current assets.

Non-current assets totaled ¥256,137 million, up ¥24,752 million from the end of the previous fiscal year. This was primarily due to increases of ¥27,620 million in property, plant and equipment and ¥3,848 million in intangible assets, despite a decrease of ¥6,716 million in investments and other assets.

Liabilities

Liabilities as of December 31, 2020 increased ¥43,200 million from the end of the previous fiscal year to ¥265,328 million.

Current liabilities totaled ¥122,577 million, up ¥10,939 million from the end of the previous fiscal year. This was mainly due to increases of ¥5,140 million in trade notes and accounts payable, ¥1,911 million in electronically recorded obligations - operating and ¥7,000 million in current portion of bonds payable, despite a decrease of ¥3,006 million in short-term borrowings.

Non-current liabilities totaled ¥142,750 million, up ¥32,261 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥12,952 million in bonds payable, ¥16,134 million in long-term borrowings and ¥1,584 million in long-term lease obligations.

Net assets

Net assets as of December 31, 2020 rose ¥9,053 million from the end of the previous fiscal year to ¥143,234 million. This was primarily due to increases of ¥7,685 million in retained earnings and ¥876 million in non-controlling interests. The equity ratio as of December 31, 2020 decreased by 2.5 percentage points to 32.6% from the end of the previous fiscal year.

(3) Forecast for the full-term of the fiscal year ending March 31, 2021

The forecast of consolidated operating results for the fiscal year ending March 31, 2021, announced in "Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2021" on August 11, 2020 has been revised as follows after considering recent trends in operating results, the performance outlook and other factors.

Forecast of consolidated operating results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

| | Operating revenue | Operating profit | Ordinary profit | Profit attributable to owners of parent | Profit per share |
|--|------------------------|-----------------------|-----------------------|---|------------------|
| Previous Forecast (A) (announced on August 11, 2020) | Million yen 585,000 | Million yen 20,200 | Million yen 20,000 | Million yen 11,400 | Yen 74.99 |
| Revised Forecast (B) | 578,000 | 21,000 | 21,300 | 13,000 | 85.49 |
| Amount of change (B - A) | (7,000) | 800 | 1,300 | 1,600 | |
| Change (%) | (1.2) | 4.0 | 6.5 | 14.0 | |
| (Reference) Actual results for the fiscal year ended March 31, 2020 | 570,030 | 20,656 | 20,744 | 12,081 | 79.51 |

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 28,479 | 37,684 |
| Trade notes and accounts receivable | 74,361 | 85,144 |
| Electronically recorded monetary claims - operating | 2,651 | 2,403 |
| Merchandise and finished goods | 8,368 | 12,889 |
| Work in process | 679 | 1,216 |
| Raw materials and supplies | 567 | 480 |
| Other | 9,125 | 12,021 |
| Allowance for doubtful accounts | (21) | (19) |
| Total current assets | 124,210 | 151,822 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 64,141 | 80,183 |
| Land | 61,669 | 73,104 |
| Other, net | 45,166 | 45,311 |
| Total property, plant and equipment | 170,978 | 198,598 |
| Intangible assets | | |
| Goodwill | 7,762 | 10,716 |
| Other | 5,391 | 6,286 |
| Total intangible assets | 13,154 | 17,003 |
| Investments and other assets | | |
| Investment securities | 17,662 | 15,779 |
| Long-term loans receivable | 3,452 | 269 |
| Retirement benefit asset | 2,094 | 2,530 |
| Guarantee deposits | 14,556 | 14,455 |
| Deferred tax assets | 5,996 | 4,702 |
| Other | 4,269 | 3,167 |
| Allowance for doubtful accounts | (779) | (370) |
| Total investments and other assets | 47,251 | 40,535 |
| Total non-current assets | 231,384 | 256,137 |
| Deferred assets | | |
| Business commencement expenses | 713 | 602 |
| Total deferred assets | 713 | 602 |
| Total assets | 356,308 | 408,562 |

| | As of March 31, 2020 | As of December 31, 2020 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 40,985 | 46,126 |
| Electronically recorded obligations - operating | 6,559 | 8,471 |
| Current portion of bonds payable | 48 | 7,048 |
| Short-term borrowings | 29,252 | 26,245 |
| Lease obligations | 3,673 | 4,175 |
| Income taxes payable | 3,745 | 2,180 |
| Provision for bonuses | 5,433 | 3,765 |
| Provision for bonuses for directors (and other officers) | 401 | 277 |
| Other | 21,537 | 24,287 |
| Total current liabilities | 111,638 | 122,577 |
| Non-current liabilities | | |
| Bonds payable | 17,072 | 30,024 |
| Convertible bond-type bonds with share acquisition rights | 10,019 | 10,012 |
| Long-term borrowings | 55,839 | 71,973 |
| Lease obligations | 13,912 | 15,497 |
| Provision for retirement benefits for directors (and other officers) | 201 | 234 |
| Provision for special repairs | 90 | 91 |
| Provision for share-based remuneration | 271 | – |
| Retirement benefit liability | 7,060 | 7,328 |
| Asset retirement obligations | 1,145 | 1,243 |
| Other | 4,876 | 6,344 |
| Total non-current liabilities | 110,489 | 142,750 |
| Total liabilities | 222,127 | 265,328 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 26,528 | 26,564 |
| Capital surplus | 29,770 | 29,808 |
| Retained earnings | 70,901 | 78,587 |
| Treasury shares | (652) | (637) |
| Total shareholders' equity | 126,548 | 134,322 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 779 | 1,402 |
| Deferred gains or losses on hedges | 14 | (11) |
| Foreign currency translation adjustment | 256 | (215) |
| Remeasurements of defined benefit plans | (2,439) | (2,140) |
| Total accumulated other comprehensive income | (1,390) | (965) |
| Share acquisition rights | 432 | 410 |
| Non-controlling interests | 8,590 | 9,466 |
| Total net assets | 134,181 | 143,234 |
| Total liabilities and net assets | 356,308 | 408,562 |

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the nine months ended December 31, 2019 and 2020)

(Unit: Millions of Yen)

| | Nine months ended December 31, 2019 (April 1, 2019–December 31, 2019) | Nine months ended December 31, 2020 (April 1, 2020–December 31, 2020) |
|--|---|---|
| Operating revenue | 427,741 | 424,603 |
| Operating costs | 376,481 | 371,517 |
| Operating gross profit | 51,259 | 53,085 |
| Selling, general and administrative expenses | 34,081 | 35,685 |
| Operating profit | 17,177 | 17,400 |
| Non-operating income | | |
| Interest income | 82 | 49 |
| Dividend income | 140 | 136 |
| Other | 1,298 | 1,695 |
| Total non-operating income | 1,521 | 1,881 |
| Non-operating expenses | | |
| Interest expenses | 820 | 870 |
| Other | 644 | 747 |
| Total non-operating expenses | 1,465 | 1,617 |
| Ordinary profit | 17,233 | 17,663 |
| Extraordinary income | | |
| Gain on bargain purchase | – | 3,469 |
| Gain on sales of non-current assets | 42 | 461 |
| Subsidy income | – | 198 |
| Gain on sales of investment securities | – | 35 |
| Insurance claim income | 144 | – |
| Gain on extinguishment of tie-in shares | 51 | – |
| Gain on termination of retirement benefit plan | 46 | – |
| Total extraordinary income | 284 | 4,164 |
| Extraordinary losses | | |
| Impairment loss | 121 | 2,778 |
| Loss on COVID-19 impact | – | 316 |
| Loss on valuation of investment securities | – | 277 |
| Loss on tax purpose reduction entry of non-current assets | – | 217 |
| Loss on retirement of non-current assets | 96 | 72 |
| Loss on office withdrawal | – | 60 |
| Loss on sales of non-current assets | – | 53 |
| Loss on liquidation of subsidiaries | 111 | – |
| Provision of allowance for doubtful accounts for subsidiaries and associates | 79 | – |
| Litigation settlement | 55 | – |
| Loss on valuation of shares of subsidiaries and associates | 49 | – |
| Total extraordinary losses | 515 | 3,776 |
| Profit before income taxes | 17,002 | 18,052 |
| Income taxes - current | 4,568 | 5,001 |
| Income taxes - deferred | 1,186 | 1,124 |
| Total income taxes | 5,755 | 6,125 |
| Profit | 11,247 | 11,926 |
| Profit attributable to non-controlling interests | 368 | 321 |
| Profit attributable to owners of parent | 10,879 | 11,605 |

(Consolidated statements of comprehensive income)
(For the nine months ended December 31, 2019 and 2020)

(Unit: Millions of Yen)

| | Nine months ended December 31, 2019 <small>(April 1, 2019–December 31, 2019)</small> | Nine months ended December 31, 2020 <small>(April 1, 2020–December 31, 2020)</small> |
|--|--|--|
| Profit | 11,247 | 11,926 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 52 | 670 |
| Deferred gains or losses on hedges | 17 | (28) |
| Foreign currency translation adjustment | (79) | (740) |
| Remeasurements of defined benefit plans, net of tax | 174 | 298 |
| Total other comprehensive income | 165 | 199 |
| Comprehensive income | 11,412 | 12,126 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 10,998 | 12,034 |
| Comprehensive income attributable to non-controlling interests | 414 | 91 |