

Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022 [Japan GAAP]

February 9, 2022

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
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Scheduled Date of Issue of Quarterly Financial Report: February 14, 2022 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, 2021

(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, 2021	465,449	9.6	20,356	17.0	21,040	19.1	12,656	9.1
Nine months ended December 31, 2020	424,603	(0.7)	17,400	1.3	17,663	2.5	11,605	6.7

(Note) Comprehensive income

Nine months ended December 31, 2021: ¥13,254 million (9.3%) Nine months ended December 31, 2020: ¥12,126 million (6.3%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2021	86.36	71.68
Nine months ended December 31, 2020	76.32	70.84

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	460,559	151,377	30.2	959.38
As of March 31, 2021	436,066	146,120	30.9	909.55

(Reference) Equity:

As of December 31, 2021: ¥139,041 million As of March 31, 2021: ¥134,783 million

(Note) During the second quarter ended September 30, 2021, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the fiscal year ended March 31, 2021 reflect the finalization of the provisional accounting treatment.

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	13.00	–	15.00	28.00
Fiscal year ending March 31, 2022	–	17.00	–		
Fiscal year ending March 31, 2022 (Forecast)				15.00	32.00

(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, 2022 (From April 1, 2021 to March 31, 2022)

(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, 2022	625,000	9.2	25,200	17.1	25,600	15.2	14,800	3.9	100.98

(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: Yes
- (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, 2021: | 152,952,221 shares | As of March 31, 2021: | 152,952,221 shares |
|--------------------------|--------------------|-----------------------|--------------------|
- (b) Treasury shares
- | | | | |
|--------------------------|------------------|-----------------------|------------------|
| As of December 31, 2021: | 8,023,589 shares | As of March 31, 2021: | 4,764,111 shares |
|--------------------------|------------------|-----------------------|------------------|
- (c) Average number of shares (Cumulative)
- | | | | |
|--------------------------------------|--------------------|--------------------------------------|--------------------|
| Nine months ended December 31, 2021: | 146,554,033 shares | Nine months ended December 31, 2020: | 152,064,112 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, 2021: 338,276 shares; as of March 31, 2021: 341,740 shares) and Performance-linked Stock Compensation Plan for Directors (as of December 31, 2021: 338,607 shares; as of March 31, 2021: 348,873 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, 2022" 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 nine-month period of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 2021), the economic environment has, despite a gradual recovery in economic activity after the fifth wave of the novel coronavirus disease (COVID-19) waned, maintained an uncertain outlook with a resurgence in the spread of infections due to a new variant, and with the added factor of soaring fuel prices.

The nine-month-period performance was as follows.

(Unit: Millions of Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	%
Operating revenue	424,603	465,449	40,846	9.6
Operating profit	17,400	20,356	2,956	17.0
Ordinary profit	17,663	21,040	3,376	19.1
Profit attributable to owners of parent	11,605	12,656	1,051	9.1

Despite the fact that we were affected primarily by the application of the Accounting Standard for Revenue Recognition in terms of operating revenue, and also affected primarily by soaring fuel prices in terms of profit, we made group-wide efforts to expand sales, improve cost efficiency and enhance productivity, as well as promote M&A, and as a result, consolidated operating revenue, 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

(Unit: Millions of Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	%
Operating revenue	290,084	324,007	33,922	11.7
Segment income	15,702	18,660	2,958	18.8

Despite the effect of soaring fuel prices, we strived to expand sales, improve cost efficiency and enhance productivity amid an apparent recovery in cargo volumes, which declined drastically due to the impact of the spread of COVID-19 in the corresponding period of the previous fiscal year, while reaping the contribution of revenue from M&A. As a result, operating revenue increased ¥33,922 million year on year to ¥324,007 million, and segment income rose ¥2,958 million year on year to ¥18,660 million.

Trading & commerce

(Unit: Millions of Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	%
Operating revenue	121,180	114,129	(7,051)	(5.8)
Segment income	2,412	2,301	(110)	(4.6)

In addition to making household paper wholesale distributor AZFIT CO., Ltd. a consolidated subsidiary in April, we worked on expanding sales, improving cost efficiency among other initiatives. However, in part as a result of applying the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, and in part due to rising purchase prices in fuel sales, among other factors, operating revenue decreased by ¥7,051 million year on year to ¥114,129 million and segment income fell ¥110 million year on year to ¥2,301 million.

Others

(Unit: Millions of Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	%
Operating revenue	13,337	27,312	13,975	104.8
Segment income (loss)	(209)	167	377	—

In addition to making membership-based general wholesale and retail business operator TERAUCHI CO., LTD. a consolidated subsidiary in January 2021, and working on expanding sales and improving cost efficiency, a recovery in consumer spending from October to December also contributed to the results. Operating revenue increased by ¥13,975 million year on year to ¥27,312 million and segment income rose ¥377 million year on year to ¥167 million.

(2) Financial condition

Assets, liabilities and net assets

Total assets

Total assets as of December 31, 2021 were ¥460,559 million, ¥24,492 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥169,223 million, up ¥5,332 million from the end of the previous fiscal year. This was mainly due to increases of ¥12,871 million in trade notes and accounts receivable, and contract assets, ¥1,045 million in electronically recorded monetary claims - operating, ¥1,048 million in merchandise and finished goods and ¥2,328 million in other current assets, despite a decrease of ¥11,904 million in cash and deposits.

Non-current assets totaled ¥291,335 million, up ¥19,159 million from the end of the previous fiscal year. This was primarily due to increases of ¥15,791 million in property, plant and equipment and ¥3,819 million in intangible assets.

Liabilities

Liabilities as of December 31, 2021 increased ¥19,235 million from the end of the previous fiscal year to ¥309,181 million.

Current liabilities totaled ¥131,379 million, down ¥2,335 million from the end of the previous fiscal year. This was mainly due to decreases of ¥7,094 million in current portion of bonds payable, ¥3,275 million in income taxes payable and ¥2,460 million in provision for bonuses, despite increases of ¥7,187 million in trade notes and accounts payable, ¥1,032 million in electronically recorded obligations - operating and ¥1,331 million in short-term borrowings.

Non-current liabilities totaled ¥177,802 million, up ¥21,571 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥9,976 million in bonds payable, ¥8,020 million in long-term borrowings, ¥1,519 million in long-term lease obligations and ¥2,079 million in other non-current liabilities.

Net assets

Net assets as of December 31, 2021 rose ¥5,256 million from the end of the previous fiscal year to ¥151,377 million. This was primarily due to increases of ¥7,939 million in retained earnings and ¥1,018 million in non-controlling interests, despite a decrease of ¥3,497 million in purchase of treasury shares. The equity ratio as of December 31, 2021 decreased by 0.7 percentage points to 30.2% from the end of the previous fiscal year.

With regard to the business combination with UACJ Logistics Corporation on December 1, 2020, although provisional accounting treatment was applied in the fiscal year ended March 31, 2021, the business combination was finalized during the second quarter ended September 30, 2021. As a result, the financial position is compared and analyzed with that at the end of the previous fiscal year using the amounts after the revision due to the finalization of the provisional accounting treatment.

(3) Forecast for the full-term of the fiscal year ending March 31, 2022

No revisions have been made to the forecast of consolidated operating results for the fiscal year ending March 31, 2022, announced in "Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2022" on November 12, 2021.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	52,530	40,625
Trade notes and accounts receivable	82,689	–
Trade notes and accounts receivable, and contract assets	–	95,560
Electronically recorded monetary claims - operating	2,519	3,565
Merchandise and finished goods	12,990	14,038
Work in process	316	170
Raw materials and supplies	651	748
Other	12,221	14,550
Allowance for doubtful accounts	(28)	(35)
Total current assets	163,891	169,223
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	80,201	83,248
Land	81,628	88,016
Other, net	47,723	54,081
Total property, plant and equipment	209,554	225,345
Intangible assets		
Goodwill	9,979	11,819
Other	8,034	10,014
Total intangible assets	18,014	21,834
Investments and other assets		
Investment securities	17,398	17,347
Long-term loans receivable	507	258
Retirement benefit asset	5,471	5,954
Guarantee deposits	13,086	13,964
Deferred tax assets	4,902	3,656
Other	3,647	3,381
Allowance for doubtful accounts	(407)	(407)
Total investments and other assets	44,606	44,155
Total non-current assets	272,175	291,335
Deferred assets		
Business commencement expenses	0	0
Total deferred assets	0	0
Total assets	436,066	460,559

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	44,383	51,570
Electronically recorded obligations - operating	8,586	9,619
Current portion of bonds payable	7,118	24
Current portion of convertible-bond-type bonds with share acquisition rights	10,009	10,002
Short-term borrowings	22,036	23,368
Lease obligations	4,253	4,720
Income taxes payable	5,377	2,102
Provision for bonuses	6,247	3,787
Provision for bonuses for directors (and other officers)	420	309
Provision for loss on disaster	68	25
Other	25,211	25,848
Total current liabilities	133,715	131,379
Non-current liabilities		
Bonds payable	30,024	40,000
Convertible-bond-type bonds with share acquisition rights	22,108	22,088
Long-term borrowings	74,887	82,908
Lease obligations	14,881	16,401
Provision for retirement benefits for directors (and other officers)	260	353
Provision for special repairs	98	156
Provision for share awards	149	164
Retirement benefit liability	7,103	6,868
Asset retirement obligations	869	935
Other	5,847	7,926
Total non-current liabilities	156,230	177,802
Total liabilities	289,946	309,181
Net assets		
Shareholders' equity		
Share capital	26,564	26,564
Capital surplus	29,806	29,608
Retained earnings	81,211	89,150
Treasury shares	(4,638)	(8,135)
Total shareholders' equity	132,944	137,188
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,759	1,598
Deferred gains or losses on hedges	32	27
Foreign currency translation adjustment	57	135
Remeasurements of defined benefit plans	(10)	90
Total accumulated other comprehensive income	1,839	1,852
Share acquisition rights	410	391
Non-controlling interests	10,926	11,944
Total net assets	146,120	151,377
Total liabilities and net assets	436,066	460,559

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the nine months ended December 31, 2020 and 2021)

(Unit: Millions of Yen)

	Nine months ended December 31, 2020 (April 1, 2020–December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021–December 31, 2021)
Operating revenue	424,603	465,449
Operating costs	371,517	398,717
Operating gross profit	53,085	66,731
Selling, general and administrative expenses	35,685	46,374
Operating profit	17,400	20,356
Non-operating income		
Interest income	49	79
Dividend income	136	159
Other	1,695	1,896
Total non-operating income	1,881	2,136
Non-operating expenses		
Interest expenses	870	908
Other	747	543
Total non-operating expenses	1,617	1,452
Ordinary profit	17,663	21,040
Extraordinary income		
Subsidy income	198	248
Gain on sale of non-current assets	461	82
Gain on bargain purchase	3,469	–
Gain on sale of investment securities	35	–
Total extraordinary income	4,164	330
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	217	243
Loss on COVID-19 impact	316	211
Loss on retirement of non-current assets	72	124
Loss on disaster	–	8
Impairment losses	2,778	–
Loss on valuation of investment securities	277	–
Loss on office withdrawal	60	–
Loss on sale of non-current assets	53	–
Total extraordinary losses	3,776	587
Profit before income taxes	18,052	20,783
Income taxes - current	5,001	5,890
Income taxes - deferred	1,124	1,535
Total income taxes	6,125	7,425
Profit	11,926	13,357
Profit attributable to non-controlling interests	321	701
Profit attributable to owners of parent	11,605	12,656

(Consolidated statements of comprehensive income)
(For the nine months ended December 31, 2020 and 2021)

(Unit: Millions of Yen)

	Nine months ended December 31, 2020 (April 1, 2020–December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021–December 31, 2021)
Profit	11,926	13,357
Other comprehensive income		
Valuation difference on available-for-sale securities	670	(195)
Deferred gains or losses on hedges	(28)	(4)
Foreign currency translation adjustment	(740)	(3)
Remeasurements of defined benefit plans, net of tax	298	101
Total other comprehensive income	199	(103)
Comprehensive income	12,126	13,254
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,034	12,669
Comprehensive income attributable to non-controlling interests	91	584