

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

November 8, 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: November 14, 2019 Scheduled Date of Dividend Paid: December 3, 2019
Quarterly Supplemental Information Materials: Yes
Scheduled Date of Quarterly Information Meeting: Yes (for analysts)

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

1. Consolidated Operating Results for the Six Months Ended September 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 | % |
| Six months ended September 30, 2019 | 282,070 | 8.3 | 10,343 | 13.6 | 10,155 | 8.4 | 6,431 | 14.5 |
| Six months ended September 30, 2018 | 260,339 | 7.4 | 9,108 | 14.0 | 9,368 | 16.7 | 5,616 | 29.1 |

(Note) Comprehensive income

Six months ended September 30, 2019: ¥6,406 million (6.2%) Six months ended September 30, 2018: ¥6,033 million (-3.7%)

| | Profit per share | Diluted profit per share |
|-------------------------------------|------------------|--------------------------|
| | Yen | Yen |
| Six months ended September 30, 2019 | 42.34 | 39.27 |
| Six months ended September 30, 2018 | 36.96 | 34.28 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|--------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of September 30, 2019 | 348,111 | 131,101 | 35.4 | 810.44 |
| As of March 31, 2019 | 340,491 | 126,895 | 35.0 | 785.08 |

(Reference) Equity:

As of September 30, 2019: ¥123,157 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 | – | 13.00 | | | |
| Fiscal year ending March 31, 2020 (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, 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 |
| 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 September 30, 2019: | 152,861,921 shares | As of March 31, 2019: | 152,861,921 shares |
|---------------------------|--------------------|-----------------------|--------------------|
 - (b) Treasury shares

| | | | |
|---------------------------|----------------|-----------------------|------------------|
| As of September 30, 2019: | 898,205 shares | As of March 31, 2019: | 1,024,460 shares |
|---------------------------|----------------|-----------------------|------------------|
 - (c) Average number of shares (Cumulative)

| | | | |
|--------------------------------------|--------------------|--------------------------------------|--------------------|
| Six months ended September 30, 2019: | 151,909,767 shares | Six months ended September 30, 2018: | 151,958,664 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 September 30, 2019: 349,257 shares; as of March 31, 2019: 351,500 shares) and Performance-linked Stock Compensation Plan for Directors (as of September 30, 2019: 352,988 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 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.

Index to accompanying materials

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1. Results of Operations and Financial Condition

(1) Results of operations

In the six-month period of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019), the employment and income environment in the Japanese economy continued to improve, but the outlook remains unclear due to factors such as the development of a slowdown in overseas economies as a result of trade friction between the United States and China.

The six-month-period performance was as follows.

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Change | % |
|---|--|--|--------|------|
| Operating revenue | 260,339 | 282,070 | 21,730 | 8.3 |
| Operating profit | 9,108 | 10,343 | 1,235 | 13.6 |
| Ordinary profit | 9,368 | 10,155 | 787 | 8.4 |
| Profit attributable to owners of parent | 5,616 | 6,431 | 814 | 14.5 |

Consolidated operating revenue for the six-month period ended September 30, 2019 of the current fiscal year increased ¥21,730 million year on year to ¥282,070 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 ¥1,235 million year on year to ¥10,343 million and consolidated ordinary profit increased ¥787 million year on year to ¥10,155 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 ¥6,431 million, up ¥814 million year on year.

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

Logistics

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Change | % |
|-------------------|--|--|--------|------|
| Operating revenue | 184,044 | 196,199 | 12,155 | 6.6 |
| Segment income | 7,403 | 8,808 | 1,405 | 19.0 |

Operating revenue increased ¥12,155 million year on year to ¥196,199 million and segment income rose ¥1,405 million year on year to ¥8,808 million. This was mainly attributable to the effects of opening logistic centers in the previous fiscal year, opening Inzai Logistics Center, whose operations were commenced by SENKO Co., Ltd. in May of this fiscal year, and opening Kansai Branch Center, whose operations were commenced by Runtech Corporation in July, as well as the effect of expanding sales and revising the freight charges, and making seven overseas Group companies into consolidated subsidiaries.

Trading & commerce

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Change | % |
|-------------------|--|--|--------|--------|
| Operating revenue | 70,427 | 77,903 | 7,476 | 10.6 |
| Segment income | 1,136 | 995 | (141) | (12.4) |

Operating revenue increased ¥7,476 million year on year to ¥77,903 million and segment income fell ¥141 million year on year to ¥995 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

| | Six months ended September 30, 2018 | Six months ended September 30, 2019 | Change | % |
|-------------------|--|--|--------|------|
| Operating revenue | 5,868 | 7,967 | 2,099 | 35.8 |
| Segment income | 775 | 906 | 130 | 16.9 |

Operating revenue increased ¥2,099 million year on year to ¥7,967 million and segment income increased ¥130 million year on year to ¥906 million. This was mainly attributable to making Ueno Shoji Co., Ltd. (trade name changed to Life-eat Co., Ltd. on October 1, 2019), which manages the food and drink business, into a consolidated subsidiary, and opening new nursing care and fitness locations.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of September 30, 2019 were ¥348,111 million, ¥7,620 million higher than at the end of the previous fiscal year.

Current assets amounted to ¥121,080 million, up ¥3,817 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,959 million in cash and deposits, ¥466 million in electronically recorded monetary claims - operating and ¥679 million in merchandise and finished goods.

Non-current assets totaled ¥227,012 million, up ¥3,816 million from the end of the previous fiscal year. This was primarily due to increases of ¥4,729 million in property, plant and equipment and ¥1,304 million in intangible assets, despite a decrease of ¥2,217 million in investments and other assets.

Liabilities

Liabilities as of September 30, 2019 increased ¥3,414 million from the end of the previous fiscal year to ¥217,010 million.

Current liabilities totaled ¥104,319 million, up ¥5,649 million from the end of the previous fiscal year. This was mainly due to increases of ¥2,469 million in trade notes and accounts payable and ¥5,388 million in short-term borrowings, despite a decrease of ¥852 million in income taxes payable.

Non-current liabilities totaled ¥112,691 million, down ¥2,235 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥4,661 million in long-term borrowings, despite an increase of ¥2,105 million in long-term lease obligations.

Net assets

Net assets as of September 30, 2019 rose ¥4,206 million from the end of the previous fiscal year to ¥131,101 million. This was mainly attributable to an increase of ¥4,265 million in retained earnings. The equity ratio as of September 30, 2019 increased by 0.4 percentage points to 35.4% from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents as of September 30, 2019 increased by ¥1,980 million from the end of the previous fiscal year to ¥24,782 million.

Net cash provided by operating activities amounted to ¥15,039 million. This was mainly due to profit before income taxes of ¥10,181 million, depreciation of ¥7,594 million, an increase in cash due to an increase in provision for bonuses of ¥709 million, an increase in cash due to a decrease in trade receivables of ¥766 million, despite a decrease in cash due to an increase in inventories of ¥998 million and income taxes paid of ¥4,285 million.

Net cash used in investing activities totaled ¥9,590 million. This was mainly due to purchase of property, plant and equipment of ¥8,044 million and payments of guarantee deposits of ¥1,647 million.

Net cash used in financing activities totaled ¥3,810 million. This was mainly due to repayments of long-term borrowings of ¥5,701 million, repayments of finance lease obligations of ¥1,944 million and dividends paid of ¥1,971 million, despite net increase in short-term borrowings of ¥1,509 million and proceeds from long-term borrowings of ¥4,458 million.

(3) Forecast for 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 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 September 30, 2019 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 25,232 | 27,192 |
| Trade notes and accounts receivable | 71,311 | 71,091 |
| Electronically recorded monetary claims - operating | 1,785 | 2,252 |
| Merchandise and finished goods | 8,513 | 9,193 |
| Work in process | 670 | 897 |
| Raw materials and supplies | 583 | 654 |
| Other | 9,181 | 9,835 |
| Allowance for doubtful accounts | (14) | (35) |
| Total current assets | 117,263 | 121,080 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 64,645 | 66,336 |
| Land | 59,669 | 60,279 |
| Other, net | 37,899 | 40,328 |
| Total property, plant and equipment | 162,214 | 166,944 |
| Intangible assets | | |
| Goodwill | 7,446 | 8,078 |
| Other | 4,576 | 5,249 |
| Total intangible assets | 12,022 | 13,327 |
| Investments and other assets | | |
| Investment securities | 20,260 | 18,260 |
| Long-term loans receivable | 3,888 | 2,991 |
| Retirement benefit asset | 3,088 | 3,388 |
| Guarantee deposits | 13,271 | 13,786 |
| Deferred tax assets | 5,138 | 5,104 |
| Other | 4,019 | 3,996 |
| Allowance for doubtful accounts | (709) | (788) |
| Total investments and other assets | 48,958 | 46,740 |
| Total non-current assets | 223,195 | 227,012 |
| Deferred assets | | |
| Business commencement expenses | 32 | 19 |
| Total deferred assets | 32 | 19 |
| Total assets | 340,491 | 348,111 |

| | As of March 31, 2019 | As of September 30, 2019 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 37,603 | 40,072 |
| Electronically recorded obligations - operating | 7,047 | 7,146 |
| Current portion of bonds | 48 | 48 |
| Short-term borrowings | 21,580 | 26,968 |
| Lease obligations | 3,181 | 3,458 |
| Income taxes payable | 4,242 | 3,389 |
| Provision for bonuses | 5,253 | 5,965 |
| Provision for bonuses for directors (and other officers) | 347 | 181 |
| Provision for loss on disaster | 103 | – |
| Other | 19,261 | 17,089 |
| Total current liabilities | 98,669 | 104,319 |
| Non-current liabilities | | |
| Bonds payable | 17,120 | 17,096 |
| Convertible bond-type bonds with share acquisition rights | 10,029 | 10,024 |
| Long-term borrowings | 64,696 | 60,035 |
| Lease obligations | 10,500 | 12,605 |
| Provision for retirement benefits for directors (and other officers) | 180 | 186 |
| Provision for special repairs | 80 | 94 |
| Provision for share-based remuneration | 124 | 157 |
| Retirement benefit liability | 6,970 | 6,666 |
| Asset retirement obligations | 1,011 | 1,167 |
| Other | 4,212 | 4,655 |
| Total non-current liabilities | 114,926 | 112,691 |
| Total liabilities | 213,595 | 217,010 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 26,528 | 26,528 |
| Capital surplus | 29,841 | 29,724 |
| Retained earnings | 62,983 | 67,249 |
| Treasury shares | (697) | (652) |
| Total shareholders' equity | 118,656 | 122,850 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,350 | 1,016 |
| Deferred gains or losses on hedges | (3) | (24) |
| Foreign currency translation adjustment | 122 | 130 |
| Remeasurements of defined benefit plans | (920) | (814) |
| Total accumulated other comprehensive income | 548 | 307 |
| Share acquisition rights | 424 | 432 |
| Non-controlling interests | 7,265 | 7,511 |
| Total net assets | 126,895 | 131,101 |
| Total liabilities and net assets | 340,491 | 348,111 |

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the six months ended September 30, 2018 and 2019)

(Unit: Millions of Yen)

| | Six months ended September 30, 2018 (April 1, 2018–September 30, 2018) | Six months ended September 30, 2019 (April 1, 2019–September 30, 2019) |
|--|--|--|
| Operating revenue | 260,339 | 282,070 |
| Operating cost | 232,038 | 248,942 |
| Operating gross profit | 28,301 | 33,128 |
| Selling, general and administrative expenses | 19,192 | 22,784 |
| Operating profit | 9,108 | 10,343 |
| Non-operating income | | |
| Interest income | 57 | 52 |
| Dividend income | 93 | 89 |
| Other | 1,041 | 843 |
| Total non-operating income | 1,192 | 985 |
| Non-operating expenses | | |
| Interest expenses | 561 | 551 |
| Other | 371 | 621 |
| Total non-operating expenses | 932 | 1,173 |
| Ordinary profit | 9,368 | 10,155 |
| Extraordinary income | | |
| Insurance claim income | – | 144 |
| Gain on extinguishment of tie-in shares | – | 51 |
| Gain on sales of non-current assets | 365 | 32 |
| Subsidy income | 1,156 | – |
| Reversal of allowance for doubtful accounts for subsidiaries and associates | 40 | – |
| Total extraordinary income | 1,563 | 228 |
| Extraordinary losses | | |
| Provision of allowance for doubtful accounts for subsidiaries and associates | – | 77 |
| Loss on retirement of non-current assets | 87 | 69 |
| Litigation settlement | – | 55 |
| Loss on tax purpose reduction entry of non-current assets | 1,144 | – |
| Provision for loss on disaster | 267 | – |
| Loss on liquidation of subsidiaries | 168 | – |
| Loss on office withdrawal | 96 | – |
| Total extraordinary losses | 1,765 | 202 |
| Profit before income taxes | 9,166 | 10,181 |
| Income taxes - current | 3,381 | 3,376 |
| Income taxes - deferred | (21) | 134 |
| Total income taxes | 3,359 | 3,511 |
| Profit | 5,806 | 6,670 |
| Profit attributable to non-controlling interests | 189 | 239 |
| Profit attributable to owners of parent | 5,616 | 6,431 |

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

(Unit: Millions of Yen)

| | Six months ended September 30, 2018 (April 1, 2018–September 30, 2018) | Six months ended September 30, 2019 (April 1, 2019–September 30, 2019) |
|--|--|--|
| Profit | 5,806 | 6,670 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 268 | (344) |
| Deferred gains or losses on hedges | 82 | (21) |
| Foreign currency translation adjustment | (313) | (3) |
| Remeasurements of defined benefit plans, net of tax | 190 | 105 |
| Total other comprehensive income | 227 | (263) |
| Comprehensive income | 6,033 | 6,406 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,938 | 6,134 |
| Comprehensive income attributable to non-controlling interests | 95 | 272 |

(3) Consolidated statements of cash flows

(Unit: Millions of Yen)

| | Six months ended September 30, 2018 (April 1, 2018–September 30, 2018) | Six months ended September 30, 2019 (April 1, 2019–September 30, 2019) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 9,166 | 10,181 |
| Depreciation | 7,003 | 7,594 |
| Amortization of goodwill | 240 | 364 |
| Increase (decrease) in allowance for doubtful accounts | (26) | 97 |
| Decrease (increase) in retirement benefit asset | (29) | (67) |
| Increase (decrease) in retirement benefit liability | (229) | (363) |
| Increase (decrease) in provision for bonuses | 676 | 709 |
| Increase (decrease) in provision for loss on disaster | 267 | (103) |
| Interest and dividend income | (150) | (141) |
| Foreign exchange losses (gains) | 169 | 409 |
| Interest expenses | 561 | 551 |
| Subsidy income | (1,156) | – |
| Insurance claim income | – | (144) |
| Litigation settlement | – | 55 |
| Loss (gain) on extinguishment of tie-in shares | – | (51) |
| Loss on liquidation of subsidiaries | 168 | – |
| Loss on tax purpose reduction entry of non-current assets | 1,144 | – |
| Loss (gain) on sales of non-current assets | (349) | (30) |
| Loss on retirement of non-current assets | 87 | 69 |
| Decrease (increase) in trade receivables | (993) | 766 |
| Decrease (increase) in inventories | (547) | (998) |
| Increase (decrease) in trade payables | (1,530) | 588 |
| Increase (decrease) in accrued consumption taxes | (1,223) | 37 |
| Decrease (increase) in consumption taxes refund receivable | 1,815 | 376 |
| Other | (989) | (86) |
| Subtotal | 14,074 | 19,815 |
| Interest and dividends received | 139 | 46 |
| Interest paid | (558) | (552) |
| Income taxes paid | (4,631) | (4,285) |
| Other | 310 | 14 |
| Net cash provided by (used in) operating activities | 9,335 | 15,039 |
| Cash flows from investing activities | | |
| Payments into time deposits | (3,042) | (2,033) |
| Proceeds from withdrawal of time deposits | 1,007 | 2,148 |
| Purchase of securities | (2,080) | – |
| Purchase of property, plant and equipment | (16,293) | (8,044) |
| Proceeds from sales of property, plant and equipment | 9,244 | 408 |
| Purchase of shares of subsidiaries and associates | (1,146) | – |
| Payments of guarantee deposits | (899) | (1,647) |
| Other | 77 | (422) |
| Net cash provided by (used in) investing activities | (13,133) | (9,590) |

| | Six months ended September 30, 2018 <small>(April 1, 2018–September 30, 2018)</small> | Six months ended September 30, 2019 <small>(April 1, 2019–September 30, 2019)</small> |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 5,316 | 1,509 |
| Proceeds from long-term borrowings | 2,311 | 4,458 |
| Repayments of long-term borrowings | (3,359) | (5,701) |
| Repayments of finance lease obligations | (1,979) | (1,944) |
| Proceeds from share issuance to non-controlling shareholders | 2,305 | – |
| Dividends paid | (1,697) | (1,971) |
| Dividends paid to non-controlling interests | (72) | (162) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (169) | – |
| Other | (168) | 1 |
| Net cash provided by (used in) financing activities | 2,486 | (3,810) |
| Effect of exchange rate change on cash and cash equivalents | (73) | (40) |
| Net increase (decrease) in cash and cash equivalents | (1,384) | 1,598 |
| Cash and cash equivalents at beginning of period | 23,795 | 22,801 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | 1,093 | 315 |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | – | 66 |
| Cash and cash equivalents at end of period | 23,504 | 24,782 |