

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

November 6, 2020

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: November 13, 2020 Scheduled Date of Dividend Paid: December 3, 2020
Quarterly Supplemental Information Materials: Yes
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, 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	%
Six months ended September 30, 2020	273,449	(3.1)	9,641	(6.8)	9,767	(3.8)	5,726	(11.0)
Six months ended September 30, 2019	282,070	8.3	10,343	13.6	10,155	8.4	6,431	14.5

(Note) Comprehensive income

Six months ended September 30, 2020: ¥6,165 million (-3.8%) Six months ended September 30, 2019: ¥6,406 million (6.2%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2020	37.67	34.95
Six months ended September 30, 2019	42.34	39.27

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	376,877	138,476	34.3	850.78
As of March 31, 2020	356,308	134,181	35.1	823.61

(Reference) Equity:

As of September 30, 2020: ¥129,427 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	585,000	2.6	20,200	(2.2)	20,000	(3.6)	11,400	(5.6)	74.99

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

As of September 30, 2020:	152,952,221 shares	As of March 31, 2020:	152,861,921 shares
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 - (b) Treasury shares

As of September 30, 2020:	823,706 shares	As of March 31, 2020:	898,113 shares
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 - (c) Average number of shares (Cumulative)

Six months ended September 30, 2020:	152,031,426 shares	Six months ended September 30, 2019:	151,909,767 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 September 30, 2020: 342,540 shares; as of March 31, 2020: 348,880 shares) and Performance-linked Stock Compensation Plan for Directors (as of September 30, 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.

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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, 2021 (April 1, 2020 to September 30, 2020), the economic environment has continued to maintain an uncertain outlook with still no clear timeline for the end of the novel coronavirus disease (COVID-19) despite the gradual resumption of economic activity following the lifting of the state of emergency.

The six-month-period performance was as follows.

(Unit: Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change	%
Operating revenue	282,070	273,449	(8,621)	(3.1)
Operating profit	10,343	9,641	(701)	(6.8)
Ordinary profit	10,155	9,767	(388)	(3.8)
Profit attributable to owners of parent	6,431	5,726	(704)	(11.0)

Consolidated operating revenue for the six-month period ended September 30, 2020 of the current fiscal year decreased ¥8,621 million year on year to ¥273,449 million, with the Logistics and Others businesses 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, operating profit increased year on year for the July-September quarter. However, the negative impact on profit of the April-June quarter was significant and caused consolidated operating profit, consolidated ordinary profit and profit attributable to owners of parent for the six-month period to all decrease year on year.

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

Logistics

(Unit: Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change	%
Operating revenue	196,199	188,068	(8,130)	(4.1)
Segment income	8,808	8,559	(249)	(2.8)

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 fashion-related industry, housing-related industry, chemical-related industry, and frozen and refrigerated cargo for school lunch and restaurant industry, and as a result, operating revenue decreased ¥8,130 million year on year to ¥188,068 million. Despite efforts to expand sales, reduce expenses, improve cost efficiency and increase productivity, segment income decreased ¥249 million year on year to ¥8,559 million.

Trading & commerce

(Unit: Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change	%
Operating revenue	77,903	77,534	(369)	(0.5)
Segment income	995	1,461	465	46.8

Operating revenue decreased to ¥77,534 million, down ¥369 million year on year primarily due to decreased fuel sales. On the other hand, segment income increased ¥465 million year on year to ¥1,461 million due to adjustment to the sales price of household paper and increased sales of daily necessities associated with increased demand for home deliveries.

Others

(Unit: Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change	%
Operating revenue	7,967	7,846	(120)	(1.5)
Segment income (loss)	906	(26)	(932)	—

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 operating revenue decreased ¥120 million year on year to ¥7,846 million, while segment income fell ¥932 million year on year to record a segment loss of ¥26 million.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of September 30, 2020 were ¥376,877 million, ¥20,568 million higher than at the end of the previous fiscal year. Current assets amounted to ¥141,621 million, up ¥17,410 million from the end of the previous fiscal year. This was mainly due to increases of ¥7,578 million in cash and deposits and ¥9,999 million in securities.

Non-current assets totaled ¥234,610 million, up ¥3,225 million from the end of the previous fiscal year. This was primarily due to increases of ¥7,232 million in property, plant and equipment and ¥1,110 million in intangible assets, despite a decrease of ¥5,116 million in investments and other assets.

Liabilities

Liabilities as of September 30, 2020 increased ¥16,273 million from the end of the previous fiscal year to ¥238,400 million.

Current liabilities totaled ¥96,763 million, down ¥14,874 million from the end of the previous fiscal year. This was mainly due to decreases of ¥2,313 million in trade notes and accounts payable and ¥10,897 million in short-term borrowings.

Non-current liabilities totaled ¥141,636 million, up ¥31,147 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥19,976 million in bonds payable and ¥11,845 million in long-term borrowings.

Net assets

Net assets as of September 30, 2020 rose ¥4,295 million from the end of the previous fiscal year to ¥138,476 million. This was primarily due to increases of ¥3,792 million in retained earnings and ¥595 million in valuation difference on available-for-sale securities. The equity ratio as of September 30, 2020 decreased by 0.8 percentage points to 34.3% from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents as of September 30, 2020 increased by ¥17,048 million from the end of the previous fiscal year to ¥44,190 million.

Net cash provided by operating activities amounted to ¥10,662 million. This was mainly due to profit before income taxes of ¥9,457 million, depreciation of ¥8,337 million, and an increase in cash due to a decrease in trade receivables of ¥3,860 million, despite a decrease in cash due to an increase in inventories of ¥1,659 million, a decrease in cash due to a decrease in trade payables of ¥2,947 million, a decrease in cash due to a decrease in accrued consumption taxes of ¥985 million, a decrease in cash due to an increase in consumption taxes refund receivable of ¥535 million, and income taxes paid of ¥4,684 million.

Net cash used in investing activities totaled ¥10,153 million. This was mainly due to purchase of property, plant and equipment of ¥8,970 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥776 million.

Net cash provided by financing activities totaled ¥15,671 million. This was mainly due to proceeds from long-term borrowings of ¥13,161 million and proceeds from issuance of bonds of ¥20,000 million, despite net decrease in short-term borrowings of ¥4,110 million, repayments of long-term borrowings of ¥9,097 million, repayments of finance lease obligations of ¥2,098 million and dividends paid of ¥1,983 million.

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

No revisions have been made to 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.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	28,479	36,057
Trade notes and accounts receivable	74,361	71,719
Electronically recorded monetary claims - operating	2,651	1,770
Securities	–	9,999
Merchandise and finished goods	8,368	9,717
Work in process	679	1,080
Raw materials and supplies	567	481
Other	9,125	10,813
Allowance for doubtful accounts	(21)	(18)
Total current assets	124,210	141,621
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,141	72,683
Land	61,669	62,957
Other, net	45,166	42,569
Total property, plant and equipment	170,978	178,210
Intangible assets		
Goodwill	7,762	8,700
Other	5,391	5,564
Total intangible assets	13,154	14,264
Investments and other assets		
Investment securities	17,662	15,804
Long-term loans receivable	3,452	272
Retirement benefit asset	2,094	2,385
Guarantee deposits	14,556	15,066
Deferred tax assets	5,996	5,520
Other	4,269	3,415
Allowance for doubtful accounts	(779)	(330)
Total investments and other assets	47,251	42,135
Total non-current assets	231,384	234,610
Deferred assets		
Business commencement expenses	713	644
Total deferred assets	713	644
Total assets	356,308	376,877

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Trade notes and accounts payable	40,985	38,672
Electronically recorded obligations - operating	6,559	6,505
Current portion of bonds payable	48	48
Short-term borrowings	29,252	18,354
Lease obligations	3,673	3,786
Income taxes payable	3,745	3,526
Provision for bonuses	5,433	6,207
Provision for bonuses for directors (and other officers)	401	202
Other	21,537	19,460
Total current liabilities	111,638	96,763
Non-current liabilities		
Bonds payable	17,072	37,048
Convertible bond-type bonds with share acquisition rights	10,019	10,014
Long-term borrowings	55,839	67,684
Lease obligations	13,912	14,244
Provision for retirement benefits for directors (and other officers)	201	204
Provision for special repairs	90	88
Provision for share-based remuneration	271	—
Retirement benefit liability	7,060	6,793
Asset retirement obligations	1,145	1,237
Other	4,876	4,321
Total non-current liabilities	110,489	141,636
Total liabilities	222,127	238,400
Net assets		
Shareholders' equity		
Share capital	26,528	26,564
Capital surplus	29,770	29,802
Retained earnings	70,901	74,694
Treasury shares	(652)	(637)
Total shareholders' equity	126,548	130,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	779	1,375
Deferred gains or losses on hedges	14	4
Foreign currency translation adjustment	256	(134)
Remeasurements of defined benefit plans	(2,439)	(2,241)
Total accumulated other comprehensive income	(1,390)	(995)
Share acquisition rights	432	410
Non-controlling interests	8,590	8,638
Total net assets	134,181	138,476
Total liabilities and net assets	356,308	376,877

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the six months ended September 30, 2019 and 2020)

(Unit: Millions of Yen)

	Six months ended September 30, 2019 (April 1, 2019–September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020–September 30, 2020)
Operating revenue	282,070	273,449
Operating costs	248,942	240,422
Operating gross profit	33,128	33,026
Selling, general and administrative expenses	22,784	23,384
Operating profit	10,343	9,641
Non-operating income		
Interest income	52	27
Dividend income	89	94
Other	843	1,122
Total non-operating income	985	1,244
Non-operating expenses		
Interest expenses	551	552
Other	621	565
Total non-operating expenses	1,173	1,118
Ordinary profit	10,155	9,767
Extraordinary income		
Gain on sales of non-current assets	32	452
Gain on sales of investment securities	–	35
Insurance claim income	144	–
Gain on extinguishment of tie-in shares	51	–
Total extraordinary income	228	488
Extraordinary losses		
Loss on COVID-19 impact	–	337
Loss on valuation of investment securities	–	277
Loss on office withdrawal	–	60
Loss on tax purpose reduction entry of non-current assets	–	44
Loss on retirement of non-current assets	69	42
Impairment loss	–	37
Provision of allowance for doubtful accounts for subsidiaries and associates	77	–
Litigation settlement	55	–
Total extraordinary losses	202	798
Profit before income taxes	10,181	9,457
Income taxes - current	3,376	3,332
Income taxes - deferred	134	230
Total income taxes	3,511	3,562
Profit	6,670	5,894
Profit attributable to non-controlling interests	239	167
Profit attributable to owners of parent	6,431	5,726

(Consolidated statements of comprehensive income)
(For the six months ended September 30, 2019 and 2020)

(Unit: Millions of Yen)

	Six months ended September 30, 2019 <small>(April 1, 2019–September 30, 2019)</small>	Six months ended September 30, 2020 <small>(April 1, 2020–September 30, 2020)</small>
Profit	6,670	5,894
Other comprehensive income		
Valuation difference on available-for-sale securities	(344)	631
Deferred gains or losses on hedges	(21)	(11)
Foreign currency translation adjustment	(3)	(547)
Remeasurements of defined benefit plans, net of tax	105	198
Total other comprehensive income	(263)	271
Comprehensive income	6,406	6,165
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,134	6,126
Comprehensive income attributable to non-controlling interests	272	39

(3) Consolidated statements of cash flows

(Unit: Millions of Yen)

	Six months ended September 30, 2019 (April 1, 2019–September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020–September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	10,181	9,457
Depreciation	7,594	8,337
Amortization of goodwill	364	339
Increase (decrease) in allowance for doubtful accounts	97	(52)
Decrease (increase) in retirement benefit asset	(67)	(38)
Increase (decrease) in retirement benefit liability	(363)	(332)
Increase (decrease) in provision for share-based remuneration	33	(271)
Increase (decrease) in provision for bonuses	709	590
Interest and dividend income	(141)	(122)
Foreign exchange losses (gains)	409	(1)
Interest expenses	551	552
Loss on tax purpose reduction entry of non-current assets	–	44
Impairment loss	–	37
Insurance claim income	(144)	–
Litigation settlement	55	–
Loss (gain) on extinguishment of tie-in shares	(51)	–
Loss (gain) on sales of non-current assets	(30)	(434)
Loss on retirement of non-current assets	69	42
Loss (gain) on sales of investment securities	(10)	(35)
Decrease (increase) in trade receivables	766	3,860
Decrease (increase) in inventories	(998)	(1,659)
Increase (decrease) in trade payables	588	(2,947)
Increase (decrease) in accrued consumption taxes	37	(985)
Decrease (increase) in consumption taxes refund receivable	376	(535)
Other	(197)	(275)
Subtotal	19,830	15,567
Interest and dividends received	46	347
Interest paid	(552)	(568)
Income taxes paid	(4,285)	(4,684)
Net cash provided by (used in) operating activities	15,039	10,662
Cash flows from investing activities		
Payments into time deposits	(2,033)	(991)
Proceeds from withdrawal of time deposits	2,148	834
Purchase of property, plant and equipment	(8,044)	(8,970)
Proceeds from sales of property, plant and equipment	408	1,294
Purchase of investment securities	(37)	(292)
Proceeds from sales of investment securities	49	75
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(776)
Payments of guarantee deposits	(1,647)	(487)
Other	(434)	(839)
Net cash provided by (used in) investing activities	(9,590)	(10,153)

	Six months ended September 30, 2019 <small>(April 1, 2019–September 30, 2019)</small>	Six months ended September 30, 2020 <small>(April 1, 2020–September 30, 2020)</small>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,509	(4,110)
Proceeds from long-term borrowings	4,458	13,161
Repayments of long-term borrowings	(5,701)	(9,097)
Repayments of finance lease obligations	(1,944)	(2,098)
Proceeds from issuance of bonds	–	20,000
Purchase of treasury shares	–	(311)
Proceeds from sales of treasury shares	0	106
Dividends paid	(1,971)	(1,983)
Dividends paid to non-controlling interests	(162)	(164)
Other	1	169
Net cash provided by (used in) financing activities	(3,810)	15,671
Effect of exchange rate change on cash and cash equivalents	(40)	(210)
Net increase (decrease) in cash and cash equivalents	1,598	15,969
Cash and cash equivalents at beginning of period	22,801	27,142
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	315	1,078
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	66	–
Cash and cash equivalents at end of period	24,782	44,190