

SENKO

ANNUAL REPORT

2020

For the year ended March 31, 2020





Universal Mission

Vision

Corporate Group
Creating Future Trends

As a corporate group fostering people and supporting people's lives, we contribute to achieve a genuinely productive global society by continuously challenging efforts to create new trends in terms of products and services that shift the future; centering on our physical and commercial distribution business.

Slogan

Our thoughts into a Mission & Vision

Moving Global

Go beyond logistics

Make the world go round

Revolutionize business

Corporate Values

Values that should be shared with all our group employees (IP CReD)

Integrity

Passion

Commitment

Respect

Diversity

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Editorial Policy

Scope of Report

The scope of coverage includes the activities of Senko Group Holdings Co., Ltd. and Group companies.

Reporting Period

This report covers business activities for the period between April 1, 2019 and March 31, 2020. However, some activities that took place after April 2020 are also covered.

Other Publications of the Company

- Notice of convocation of the annual meeting of shareholders
- Securities reports (Japanese only) and quarterly reports
- CSR reports (Japanese only)
- Senko Group report (Japanese only)

A variety of information other than that mentioned above is available on the Company's website.

<https://www.senkogrouphd.co.jp/en>

Disclaimer

The Senko Group provides no guarantee concerning the outcome of the forward-looking statements in this annual report as they will be affected by various factors, including unforeseen changes in economic conditions.

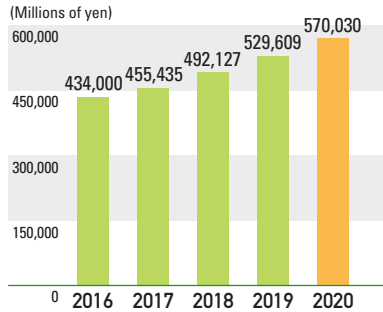
Financial Highlights

		FY2016	FY2017	FY2018	FY2019	FY2020	Thousands of U.S.\$ except per share amounts
Operating revenues	millions of yen	434,000	455,435	492,127	529,609	570,030	5,237,802
Operating profit	millions of yen	17,497	17,082	17,087	19,631	20,657	189,810
Net income attributable to owners of parent	millions of yen	8,542	8,951	9,504	11,681	12,081	111,008
Operating profit margin	(%)	4.0	3.8	3.5	3.7	3.6	—
Net assets per share	yen/US\$	613.71	661.61	741.44	785.08	823.61	7.57
Net income per share	yen/US\$	60.43	61.67	62.64	76.90	79.51	0.73
Cash dividends per share	yen/US\$	20.00	22.00	22.00	26.00	26.00	0.24
Dividend payout ratio	(%)	33.1	35.7	35.1	33.8	32.7	—
Net assets	millions of yen	100,010	114,091	118,057	126,895	134,181	1,232,942
Total assets	millions of yen	269,461	285,959	334,973	340,491	356,309	3,273,996
Equity ratio	(%)	32.6	35.1	33.7	35.0	35.1	—
Return on equity (ROE)	(%)	10.1	9.5	8.9	10.1	9.9	—
Price earnings ratio (PER)	times	11.35	11.63	13.22	11.95	10.54	—
Capital expenditures	millions of yen	17,500	17,662	37,625	21,227	18,206	167,288
Cash flows from operating activities	millions of yen	16,149	20,848	24,568	27,022	31,099	285,758
Cash flows from investing activities	millions of yen	(2,289)	(3,679)	(37,020)	(15,770)	(18,030)	(165,671)
Cash flows from financing activities	millions of yen	(21,492)	(8,627)	9,940	(13,224)	(9,156)	(84,131)
Cash and cash equivalents at end of year	millions of yen	17,765	26,197	23,796	22,801	27,143	249,407

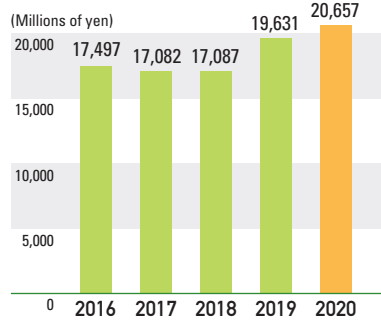
Nonfinancial Highlights

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of Group employees	number	11,992	12,889	14,496	17,081	17,644
Logistics center storage space	millions m ²	2.94	3.22	3.42	3.66	3.87
Fleet of own trucks	units	4,745	5,180	5,914	6,412	6,840

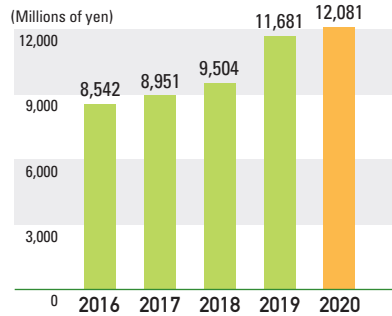
Operating revenues



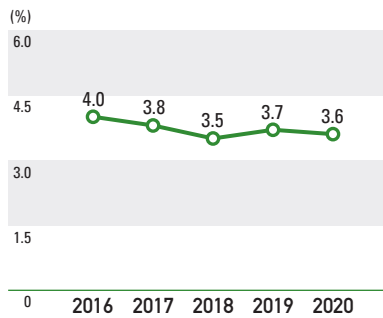
Operating profit



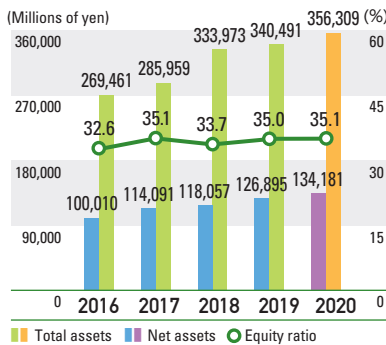
Net income attributable to owners of parent



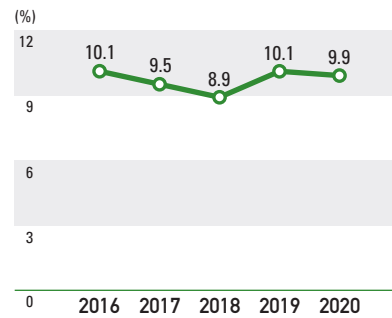
Operating profit margin



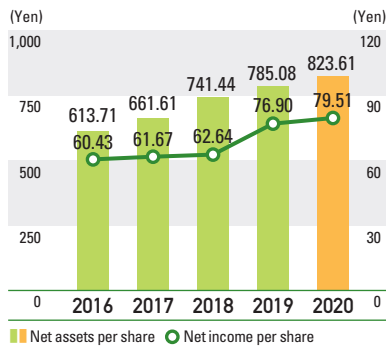
Total assets/Net assets/Equity ratio



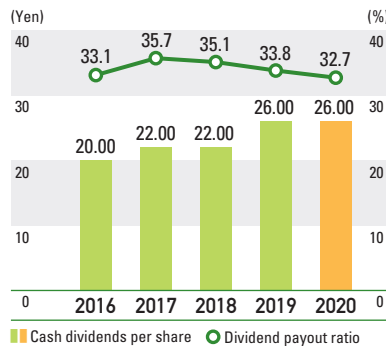
Return on equity (ROE)



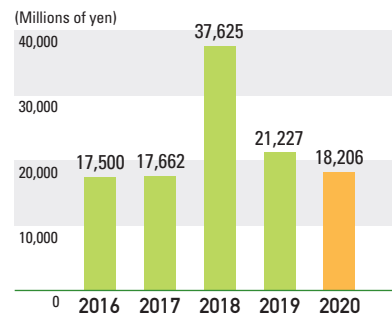
Net assets per share / Net income per share



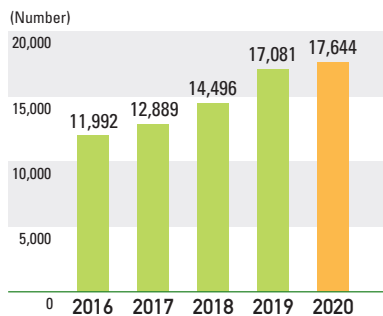
Cash dividends per share / Dividend payout ratio



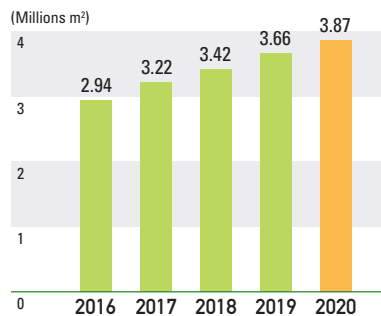
Capital expenditures



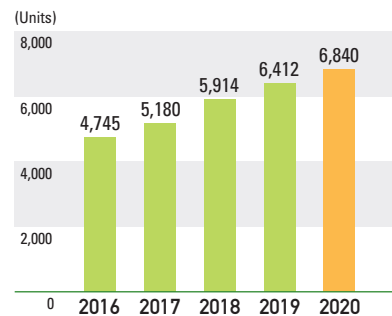
Number of Group employees



Logistics center storage space



Fleet of own trucks





History of the Senko Group

Since being founded in 1916, the Group has always taken up the challenge of transforming in anticipation of the needs of the times.

We have constantly worked to expand our business and to grow earnings.

■ Non-consolidated revenue (millions of yen) ■ Consolidated revenue (millions of yen) — Ordinary profit (millions of yen)

1916~

- 1916 Established as Tomita Shokai
- 1946 Established Senko Unyu Shoji Co., Ltd. Changed the corporate name to Senko Transport Co., Ltd.



Corporate emblem at the establishment

- 1949 Registered marine transport, marine transportation operation, marine transport brokerage and marine transport agent businesses. (At the time, the marine transport and marine transport operation business were regulated under a registration system)

1950~

- 1950 Acquired transportation (by rail) license and began developing rail transportation business. Acquired a general motor truck transportation business license, and started a truck transportation business
- 1954 Started a special loading truck transportation business (route business)
- 1959 Acquired license for operating a warehouse business
- 1961 Listed on the Second Section of the Osaka Securities Exchange
- 1965 Pioneered the introduction of computers in the distribution industry
- 1970 Started distribution (logistics) consulting service
- 1973 Changed the corporate name to Senko Co., Ltd.
- 1975 Listed on the First Section of the Osaka Securities Exchange
- 1977 Launched Siberia Land Bridge service between Japan, the Far East, the Near and Middle East, and Europe
- 1978 Made full-scale entry into the house moving business



1980~

- 1980 Started implementation of comprehensive multi-functional warehouses (PD centers) with the opening of the Nanko PD Center in Osaka
- 1984 Started value-added network (VAN) business, with Senko Information System Co., Ltd. as the primary business entity
- 1985 Launched delivery system for mass-merchandisers/retailers, and started distribution business for chain stores
- 1987 Opened housing materials logistics center, and launched a logistics system for housing materials
- 1990 Listed on the First Section of the Tokyo Securities Exchange
- 1996 Opened Crefeel Koto, a comprehensive training center for transportation and distribution (Higashi Omi City, Shiga Prefecture)
- 1997 Started logistics center business in Dalian (China)



1916

1920

1930

1940

1950

1960

1916~

The birth of Tomita Shokai, the origins of Senko

Tomita Shokai was established in 1916 as a specialized distributor for Nippon Chisso Hiryo, a chemical industry conglomerate. The company had headquarters in Osaka, an office in Minamata City in Kumamoto Prefecture, and subsequently expanded onto the Korean Peninsula. In 1941, the company name was changed to Nicchitsu Unyu, and became a subsidiary of Nippon Chisso Hiryo.

The post-war policy of breaking up *zaibatsu* led to Nicchitsu Unyu being dissolved in 1946. In the same year, Senko Unyu was established by a group of interested parties. The Japanese character for *sen* (fan) used in the name of the new company was a reference to one element in the logo of the former Nippon Chisso Hiryo, which showed a Japanese "rising sun" on a folding fan.

1950~

Set up/expanded our transportation system

Beginning with the acquisition of a truck transportation business license in 1950, the company started the first shipping service using company-owned ships in 1951, and began a rail shipping business from Osaka/Umeda Station in 1956. The company went on to acquire a warehouse business license in 1959, expanding business foundations through such initiatives as beginning nationwide operations.

In 1965, the company installed the first computer ahead of competitors, and in 1970 began to further bolster our information and proposal-writing skills, such as becoming distribution consultants. In 1973, to express our determination to take on the challenges of businesses other than distribution, the corporate name was changed.

1980~

Making the leap to a comprehensive logistics company

In 1980, we began the nationwide expansion of PD centers, incorporating multiple functions such as storage, shipping, and distribution processing. In 1985, we started major home center operations. Subsequent operations for customers grew, such as large supermarkets and drugstores, leading to the growth of what is now the retail product logistics business.

In 1996, we opened Crefeel Koto, the Company's comprehensive training center for transportation safety and distribution in Shiga Prefecture. We have improved education for drivers and forklift operators, and are further boosting quality and productivity on site. In 1981, we had already established a local subsidiary in the United States, and in 1996 we opened our first distribution center in China, as part of our full-fledged expansion overseas.

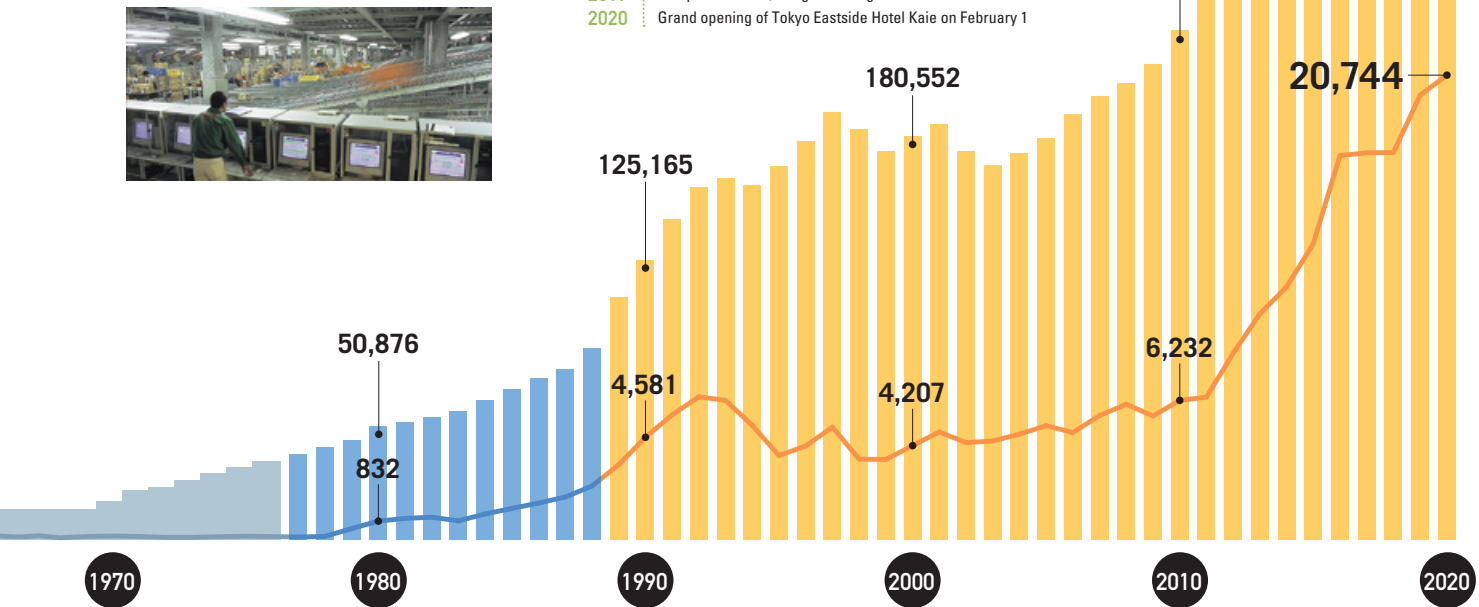
570,030

2010 ~

- 2010 Established Senko School Farm Tottori Co., Ltd. to enter the agricultural business
- 2011 Opened the Kentucky Distribution Center (United States)
Made Smile Corp. a subsidiary
- 2013 Made AST Inc. a subsidiary
- 2014 Opened the KO-SENKO Logistics Center (South Korea)
Made Runtec Corporation a subsidiary for full-fledged entry into the low-temperature logistics business
- 2015 Opened the Laem Chabang Logistics Center (Thailand)
- 2016 Made Across Transport Co., Ltd. a subsidiary
Made Keihanna Helper Station Co., Ltd. a subsidiary for full entry into the nursing care business
Opened Yangon Logistics Center (Myanmar)
- 2017 Changed the corporate name to Senko Group Holdings Co., Ltd., and transitioned to a holding company structure
Made Nippon Marine Co., Ltd. and Eikichi Kaiun Co., Ltd. subsidiaries to grow the marine transport business.
Made Skylift Consolidator (Pte) Ltd. a subsidiary to enter the international airfreight business
Made Blue Earth Japan Co., Ltd. a subsidiary to enter the fitness sector
Made Anzen Yuso Co., Ltd. a subsidiary
Made Venus Co., Ltd. a subsidiary to provide nursing and preventative care services
- 2018 Opened Pho Noi Logistics Center (Vietnam)
Opened the Qingpu Logistics Center (China)
Made Best Global Logistics Co., Ltd. a subsidiary
Opened the Beijing Logistics Center (China)
- 2019 Completed frozen/refrigerated logistics center in Thailand
- 2020 Grand opening of Tokyo Eastside Hotel Kaie on February 1

2000 ~

- 2000 Developed new logistics system "the Best Partner System (BPS)", and started services
- 2004 Launched a service transportation system utilizing the China Land Bridge between Japan and Central Asia, and entered the temping agency sector with the establishment of S-TAFF Co., Ltd.
- 2008 Established LogiSolution Co., Ltd. to conduct 3PL business and logistics consulting business
- 2009 Made Tokyo Nohin Daiko Co., Ltd. a subsidiary
Made Marufuji Co., Ltd. a subsidiary



2000 ~

From comprehensive logistics company to logistics information company

During the process of dealing with year 2000 concerns, the company inventoried all internal information assets, and to better use these, we began the full-scale deployment of the Best Partner System (BPS) which unifies information and logistics. We converted to a logistics information company with the intent to improve the efficiency of information technologies and services, centered on BPS, as well as supply chain management (SCM) in general.

Expanded in Japan and overseas using logistic centers equipped with a range of capabilities, and significantly increased storage area. The company also became fully active in M&As, welcoming companies with strengths in apparel/fashion and frozen/chilled shipping to the Senko Group, in this way diversifying the logistics services we provide. Even in Trading & Commerce, the company added trading company distributors and other companies to the Senko Group, and broadened the business domain by providing integrated trading and logistics services, etc.

2015 ~

Becoming a corporate group creating future trends

September 2016 marked the 100th anniversary of the company. A new corporate philosophy was formulated to recognize the corporate name change to Senko Group Holdings Co., Ltd. in April 2017 (as part of the transition to a holding company structure). In Logistics, in addition to increasing development of logistics centers overseas, we will move forward with plans to use automation and labor-saving technologies in these centers, while providing customers with high value-added distribution services. Also, we will strengthen new areas, such as Living Support, to build the third pillar of our company, in addition to Logistics and Trading & Commerce.

The fourth year of the five-year medium-term business plan. In this difficult business environment, the Group will work as one to achieve sustainable growth.



Y. Fukuda

Yasuhisa Fukuda

President and Representative Director Senko Group Holdings Co., Ltd.

Business Environment during Fiscal Year 2020

In the Japanese economy during the fiscal year ended March 31, 2020, employment and income continued to improve. However, the outlook remained unclear due to factors such as a slowdown in overseas economies caused by trade friction between the United States and China and the slump in demand that followed the rush of purchases ahead of the consumption tax hike. In particular, the business environment became especially challenging due to the impact of the spread of the COVID-19 (novel coronavirus) in the fourth quarter.

Main Activities

During the third year of the Senko Innovation Plan 2021 (SIP21), our five-year medium-term business plan, the Group worked on initiatives to expand and strengthen business operations.

In Logistics, SENKO Co., Ltd. began operations at the new Inzai Logistics Center (Inzai City, Chiba Prefecture) in May, at the Oita PD Center (Oita City, Oita Prefecture) in October, and at the Amagasaki PD Center (Amagasaki City, Hyogo Prefecture) in February. Moreover, in July Runtec Corporation began operating a new frozen and refrigerated storage warehouse at the Kansai Branch (Nishinomiya City, Hyogo Prefecture).

Outside Japan, M-Senko Logistics Co., Ltd., a joint venture with MK Restaurant Group Public Company Limited, a major Thai restaurant chain, started operations of the new three-temperature zone (i.e., frozen, refrigerated, and standard) M-SENKO Logistics Center in October, and has been working to develop a cold logistics chain in Thailand.

In Trading & Commerce, AST CORPORATION started to handle household paper products for large-scale mass-merchandise groups throughout Japan.

In Living Support, we have been working hard to open new locations. VENUS CO., LTD., which operates day-care centers, has opened eleven new locations. BLUE EARTH JAPAN Co., Ltd., which operates fitness clubs, has opened six new locations including a first overseas location on Cebu, an island in the Philippines, and KEIHANNA helper station Co., Ltd., which operates residential nursing homes, has opened two new locations.

In Business Support, Tokyo Eastside Hotel Kaie, built within the grounds of the Company's Head Office in Shiomi, Koto-ku, Tokyo, celebrated a grand opening in February.

For initiatives to reduce environmental impact, SENKO Co., Ltd. and Runtec Corporation both received the Special

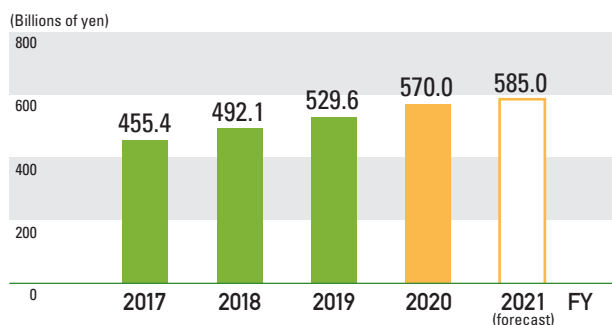
Logistics Environment Award from the Japan Association for Logistics and Transport in June, and four Group companies received the Award for Excellent Business Entities Working on Modal Shift from the same association in November.

Performance

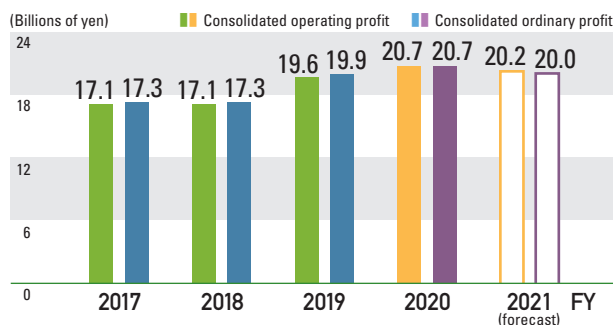
Consolidated operating revenue for the fiscal year ended March 31, 2020 increased ¥40,421 million year on year to ¥570,030 million. This result mainly reflected growing sales and revised freight charges, opening new logistics centers, and making overseas Group companies and operating companies in living support services into consolidated subsidiaries.

On the profit front, despite factors that included higher costs (mostly stemming from increased outsourcing costs and the impact of the spread of COVID-19), consolidated operating profit rose ¥1,024 million year on year to ¥20,656 million and consolidated ordinary profit went up ¥868 million year on year to ¥20,744 million. This upturn in profits was largely attributable to the effects of the higher revenue

Consolidated operating revenues (Net sales)



Consolidated operating profit / Consolidated ordinary profit



mentioned above, as well as our initiatives to improve productivity. Profit attributable to owners of parent increased to ¥12,081 million, up ¥399 million year on year.

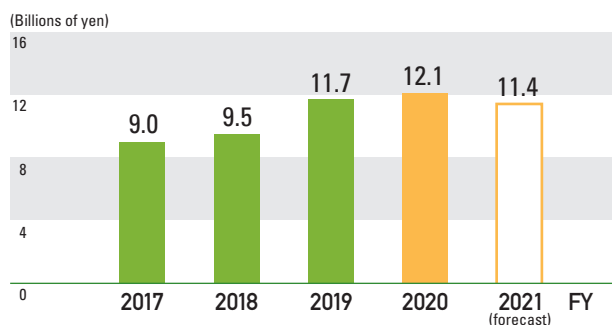
Future Initiatives and Outlook

Going forward, the outlook for the Japanese economy, affected by the slowdown in the global economy caused by factors such as the impact of COVID-19, is expected to remain uncertain.

Given this environment, the Senko Group will continue to work on initiatives such as growing business areas around the core of the Logistics and Trading & Commerce segments, based on the five-year medium-term business plan.

For the consolidated performance forecasts for the next fiscal year—centered on the assumptions that economic activity will gradually recover and that our management approach succeeds—we expect consolidated operating revenue of ¥585,000 million, operating profit of ¥20,200 million, ordinary profit of ¥20,000 million and profit attributable to owners of parent of ¥11,400 million.

Net Income attributable to owners of parent



Maintaining the annual dividend of ¥26

Our basic policy for distributing profits is to have a consistent dividend linked to business performance.

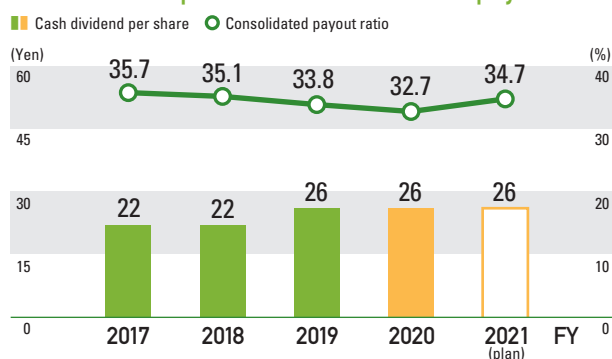
Given this basic policy, the year-end dividend for the fiscal year ended March 31, 2020 was ¥13 per share, as expected. Combined with the interim dividend of ¥13 already paid, the total annual dividend was ¥26 per share.

Based on the performance forecasts for the next fiscal year, we also plan to pay an annual dividend of ¥26 per share, consisting of an interim dividend of ¥13 and a year-end dividend of ¥13.

We would like to ask for the continued support and encouragement of our shareholders as we move into the future.

Going forward—as a corporate Group that nurtures people and supports their daily lives, in addition to working as one to promote CSR activities and maintain the trust of stakeholders—over the long term the Group will follow, through our business practices, the Sustainable Development Goals (SDGs) being promoted by the United Nations.

Cash dividend per share / Consolidated payout ratio

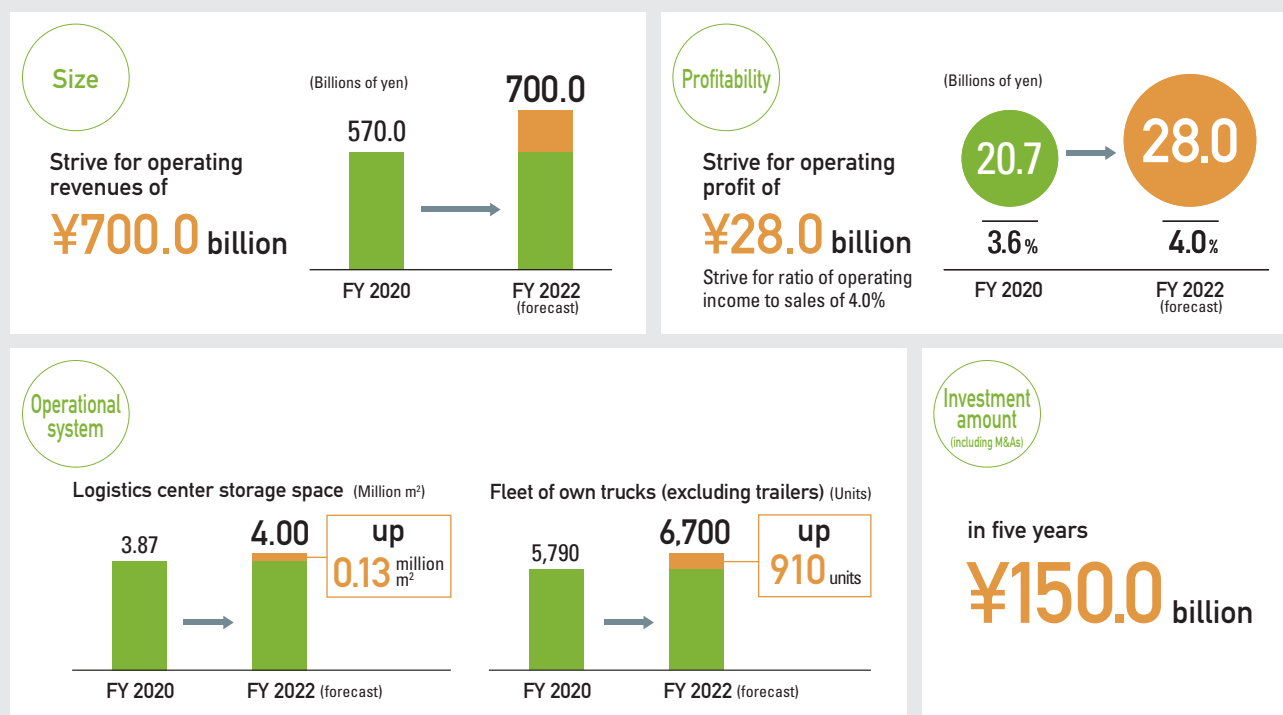


Medium-Term Business Plan [SIP21]

The Senko Group has launched the Five-Year Medium-Term Business Plan SIP21 (Senko Innovation Plan 2021), which runs through fiscal year 2018 and fiscal year 2022.

SIP21 is a growth strategy for the corporate Group to support logistics for industry and people's lives as well as to take up the challenge of creating new services and products that will drive the future, based on Logistics and Trading & Commerce, for the next 100 years.

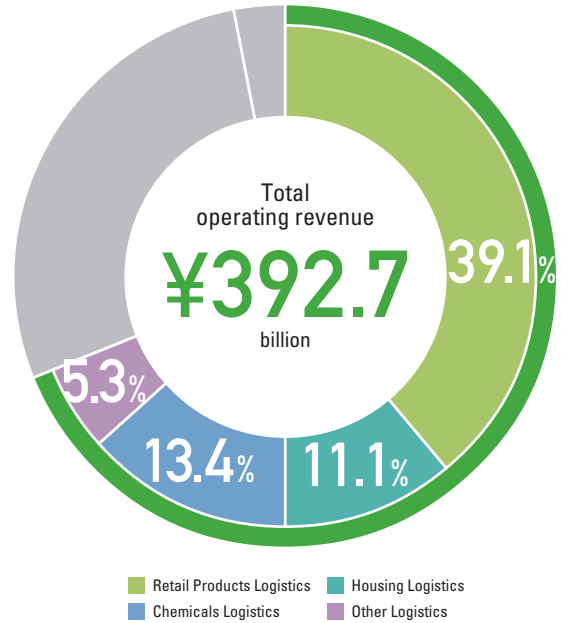
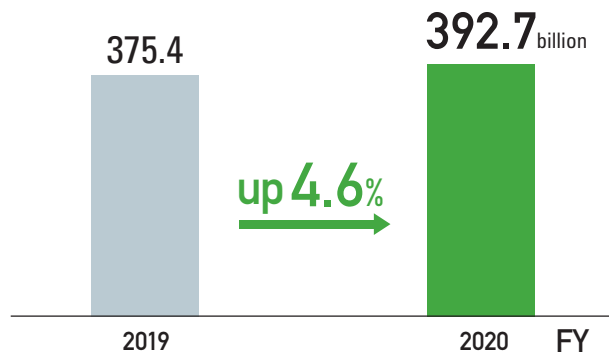
- 1 Expand business areas** Accelerate international business expansion, further enhance existing domestic businesses, and enter new business areas, such as Living Support and Business Support. Also, actively promote business partnerships and M&As to support the above.
- 2 Enhance brand value** Consolidate the Group's overall strength, deliver "services that surprise and delight," and evolve from "customer satisfaction" (CS) to "customer delight" (CD).
- 3 Improve employee satisfaction (ES)** Through the creation and active utilization of diverse programs, boost employee satisfaction to attract diverse personnel, help them to grow, and increase the value of their working environment.
- 4 Emphasize corporate social responsibility (CSR)** Grow alongside society, while preserving and fostering industry, culture, and nature in each area.
- 5 Gain trust from capital markets** Work to maximize the corporate value of the entire Group, while strengthening financial soundness.



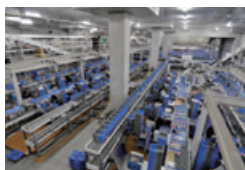
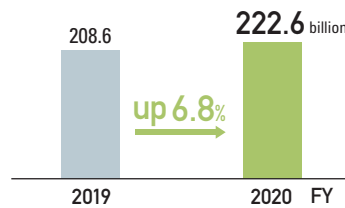


Logistics

Operating revenue increased ¥17.343 billion year on year to ¥392.728 billion. This was mainly attributable to the effects of new logistic centers beginning operations in the current and the previous fiscal year, as well as the effects of higher sales, revised freight charges, and making seven overseas Group companies into consolidated subsidiaries.



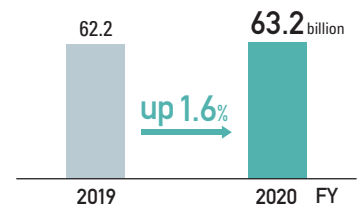
Retail Products Logistics



Revenue for the current fiscal year rose ¥14.1 billion to ¥222.6 billion.



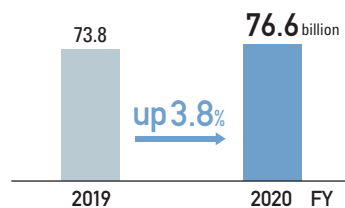
Housing Logistics



Revenue for the current fiscal year increased ¥1.0 billion to ¥63.2 billion.



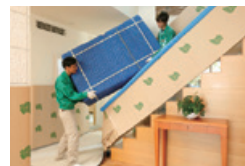
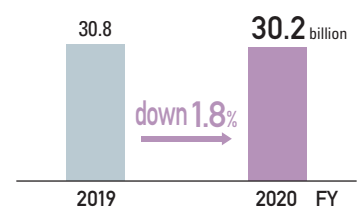
Chemicals Logistics



Revenue for the current fiscal year improved by ¥2.8 billion to ¥76.6 billion.



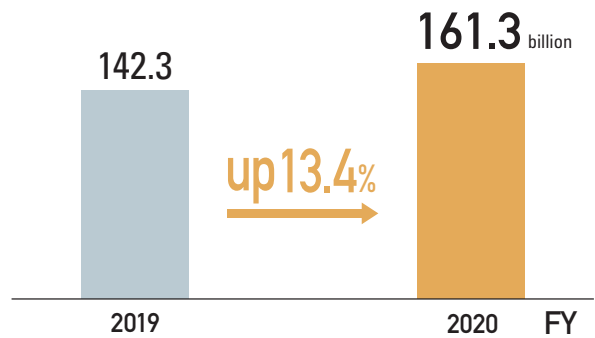
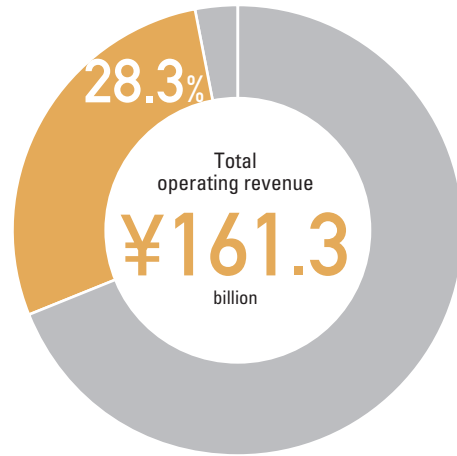
Other Logistics



Revenue for the current fiscal year fell by ¥0.5 billion to ¥30.2 billion.

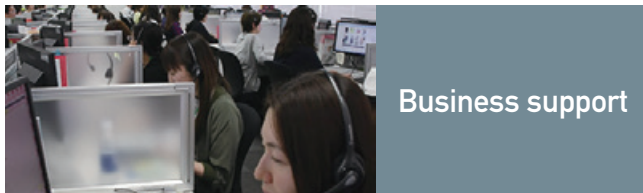
Trading & Commerce

Operating revenue increased ¥19.02 billion year on year to ¥161.314 billion, due in part to higher sales of household paper products for large mass-merchandising chains.

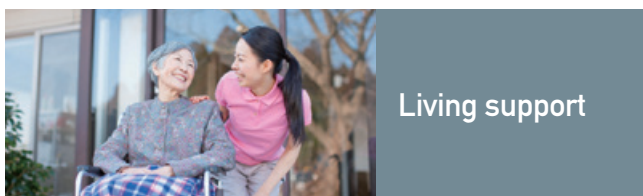


Others

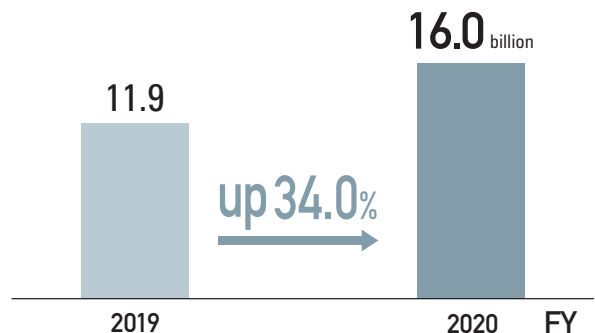
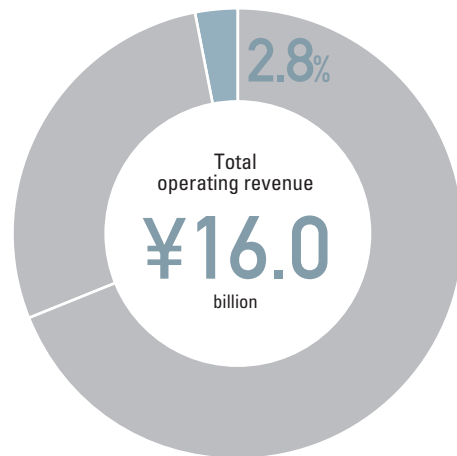
Operating revenue increased ¥4.057 billion year on year to ¥15.987 billion, driven by growth in businesses, such as making the food and beverage business into a consolidated subsidiary, as well as opening new nursing homes, fitness centers, and a hotel.



Business support



Living support





2019
4 5 6 7 8 9

Opening the Inzai Logistics Center in Inzai City, Chiba Prefecture

In May 2019, SENKO Co., Ltd. opened the Inzai Logistics Center in Inzai City, Chiba Prefecture.

This new center is one of the largest within the Senko Group, and much work has been put into automation and labor-saving technologies, such as AGVs (automatic guided vehicles) and installing a system for using smartphones to inspect products. This distribution base, which covers the whole of the Greater Tokyo Metropolitan area, has a convenient location with outstanding access to expressways with nationwide connections.

The site includes a cafeteria and convenience store, creating a comfortable work environment for employees.



Developing electric trucks especially designed with hangers for shipping clothes for environmentally friendly transportation

In July 2019, Tokyo Nohin Daiko Co., Ltd. took delivery of two electric e-Canter model trucks.

In cooperation with European luxury brand Louis Vuitton Japan, we switched deliveries to some stores within Tokyo, using electric trucks especially designed with hangers for shipping clothes developed jointly with Mitsubishi Fuso Truck and Bus Corporation, the first of their kind in Japan.

In Louis Vuitton's home region, Europe, building out more environmentally friendly logistics networks is increasing being required, and going forward we will continue to promote environmentally friendly logistics.



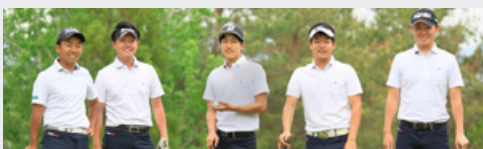
Holding information meetings for individual investors in Tokyo and Osaka

During August and September 2019, Senko Group Holdings Co., Ltd. held information meetings for individual investors in Tokyo and Osaka.

We provided an overview of the Group and explanations on the results for the fiscal year ended March 31, 2019 for around 600 attendees. Regarding Living Support, we discussed initiatives for the development of nursing care, as well as fitness and housekeeping services by Group companies.

We will continue to hold information meetings in the future. Details are continually available on our website, which we encourage you to visit.

Senko Group promotes extracurricular activities for employees



Senko Group promotes extracurricular activities to encourage communication among employees and to promote corporate public relations.

In the judo club, one of the members achieved the remarkable feat of a victory in the 60 kg class

at the European Judo Open tournament held in Odivelas, Portugal, in February 2019.

At the same time, the golf club has members who are competitive at the global level, winning 5th place at the World Corporate Golf Challenge doubles tournament held in Portugal in July.

Other clubs, including kendo, swimming, and tennis, also take their activities seriously. Club members practice every day while balancing their sports with their work, in this way supporting the activities of the Group as a whole.



10

11

12

2020

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3

Completion of frozen/refrigerated logistics center in Thailand. Our aim is to be No.1 in the cold chain

In October 2019, our joint venture in Thailand, M-SENKO, completed the three-temperature zone (i.e., frozen, refrigerated, and standard) M-SENKO Logistics Center in Samut Prakan Province. On a site approximately 53,000 m², this building has a total floor area of around 22,000 m² and is equipped with automated frozen/refrigerated warehouses and movable racks to deal with a wide range of storage temperature areas.

The new center is about 30 minutes by vehicle from central Bangkok, and about 23 km from Suvarnabhumi Airport, a highly convenient location for transportation. By using the frozen/refrigerated logistics technology and the know-how that we have cultivated in Japan, we provide a meticulous, high-quality service to the same level as in Japan. In addition to supplying food to MK Restaurants operated by M-SENKO Group companies, we intend to attract new customers and become No.1 in developing cold chains in Thailand.



Amagasaki PD Center begins operations, covers two urban areas: Osaka and Kobe

In February 2020, SENKO Co., Ltd. opened the Amagasaki PD Center in Amagasaki City, Hyogo Prefecture. With a total floor area of 44,000 m² and features such as double-sided trucking docks (for 88 vehicles) and dock levelers (10 vehicles), the center is highly efficient at storage, loading/unloading, and transportation.

This center, within 8 km of the center of Osaka City and close to both the Hanshin and Meishin Expressways, covers a wide area that includes the urban areas of both Osaka and Kobe. We are taking advantage of the nearness of the ports of Osaka and Kobe to provide an integrated transportation service, both in Japan and overseas.

In the Kansai region, the Company previously opened a large-scale logistics center focusing on Osaka and Shiga, but by following the Nishi-Kobe PD Center with the opening of the Amagasaki PD Center, we have strengthened operations in Hyogo Prefecture and further reinforced our business foundation in the Kansai region.

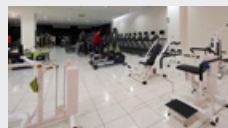


We are further expanding the Living Support segment of our business, or supporting people's health and their daily lives.

In Yamanashi Prefecture, Blue Earth Japan Co., Ltd. is accelerating the rollout of MY-BODY 24-hour fitness gyms with specialized small studios. In addition to Yamanashi Prefecture, we are planning to increase the number of locations both in Japan and overseas, including Tokyo and Cebu in the Philippines.

In Osaka, Venus Co., Ltd. opened a new seniors' daycare center focusing on exercise and rehabilitation. Because of our desire to also offer meals, in Sakai City the company has begun an evening meal delivery service for senior citizens.

Going forward we will continue to work for the further growth of Living Support, and plan to nurture this segment so that it becomes one of the three pillars of our business, alongside Logistics and Trading & Commerce.



MY-BODY in Central Yamanashi



Venus Tabetenka healthy bento (lunch boxes)



Launch of the Senko Group official Instagram account

Account Name

senko_group.official

This account, covering a wide range of content such as details of our businesses and club activities, is updated nearly every day. Please take a look for yourself.





Business Bases

Domestic Branches and Offices: 611 (As of March 31, 2020)

Logistic centers that began operations in FY2020



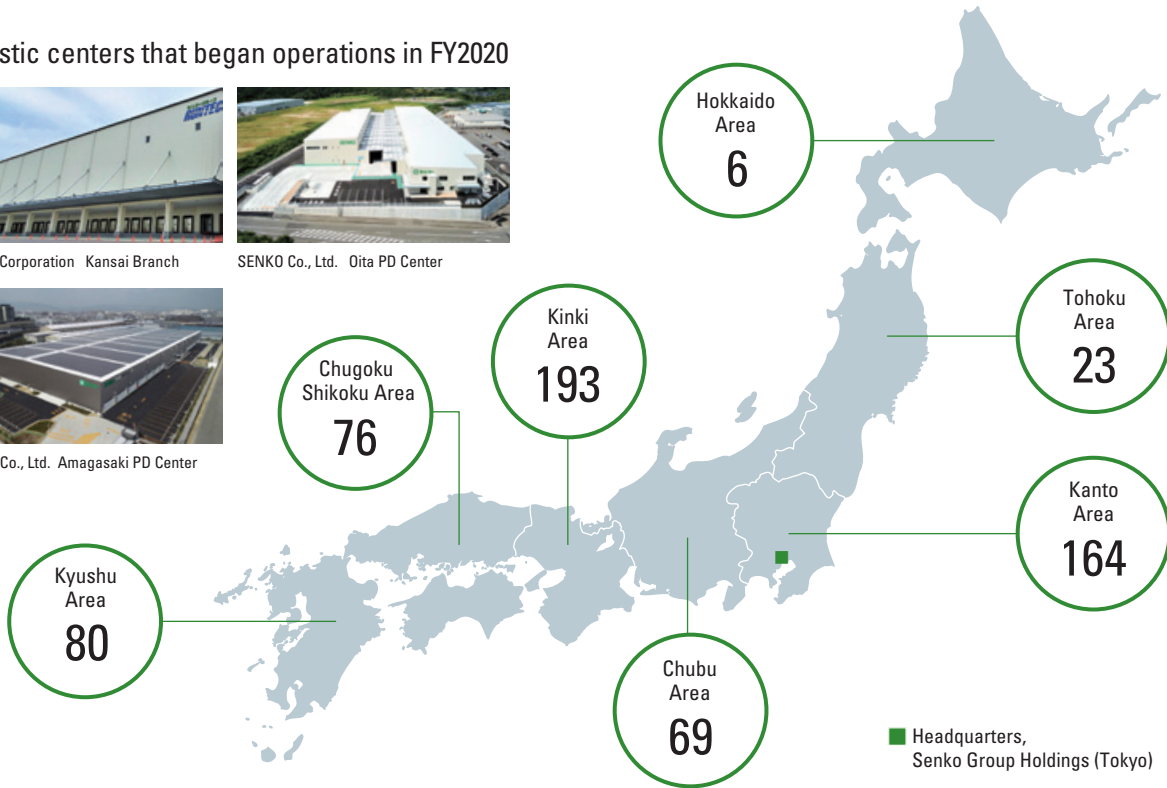
Runtec Corporation Kansai Branch



SENKO Co., Ltd. Oita PD Center



SENKO Co., Ltd. Amagasaki PD Center



Overseas: 59 (As of March 31, 2020)





We intend to earn the trust of all our stakeholders in all our business interactions

Senko Group	Shareholders	<ul style="list-style-type: none"> ● Fair profit distribution ● Transparent management ● Full disclosure of information
	Customers Shippers / Consignees	<ul style="list-style-type: none"> ● Safe and environmentally friendly services ● Partnership ● Full disclosure of information
	Regional Community	<ul style="list-style-type: none"> ● Road safety ● Environmental friendliness ● Engaging with communities ● Engaging with society ● Full disclosure of information
	Government	<ul style="list-style-type: none"> ● Strict legal compliance ● Road safety ● Environmental friendliness
	Employees	<ul style="list-style-type: none"> ● Workplace health and safety ● HR training ● Fair employment practices
	Partner Companies Subcontractors / Suppliers	<ul style="list-style-type: none"> ● Partnership ● Environmental friendliness

Important Initiatives

1

Environmental Measures

We recognize that as a logistics company we have a serious role to play with regard to the environment, and we take on initiatives to reduce CO₂ emissions and to save energy, with specific numerical targets, and to implement green logistics.

2

Safety Initiatives

We have set reduction targets for vehicle and work accidents and have implemented safety initiatives based on the PDCA cycle. These will help us achieve our eventual goal of being a zero-accident workplace.

3

Health Initiatives

We aim to reduce health risks to a minimum through workplace improvements aimed at preventing health problems, self-care, and other personal health improvement programs, and by maintaining an extensive in-house health support system with industrial physicians and nurses.

4

Social Activities

We hold traffic safety classes and local clean-up drives to contribute to the local community, and we organize volunteer activities, such as education support, outside Japan.

ESG indices for which the Company has been selected

2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



*The inclusion of [issuer entity name] in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of [issuer entity name] by MSCI or any of its affiliates.

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The UN's SDGs (Sustainable Development Goals) and the business activities of the Senko Group nurture people's development and supports their daily lives.

As a rule, the Senko Group's approach is that economic activities are built on a healthy global environment and harmonious social relations, and the Group aims to resolve social issues and create new value through business.

Priority themes for the Senko Group SDGs



Trading & Commerce

Trading / oil sales / sales of miscellaneous daily goods, food, and liquor, etc.

Business Support

Logistics consulting / IT solutions / call centers / temporary personnel / hotels / real estate, etc.



Logistics

Economic level

Providing new value to society through business

We are helping to create a barrier-free society in addition to using our business activities to resolve social issues through initiatives linked to CSR policies.

Business activities that nurture people and support their daily lives



Promoting green logistics in cooperation with customers



Providing logistics services that are resilient to natural disasters



Developing the Living Support segment, beginning with nursing care / healthcare services



Senko School Farm Tottori Co., Ltd., aims to develop communities through agriculture

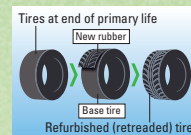
Sustainability of the global environment



Installing solar power generation / energy-saving equipment at PD Centers



Reducing energy use / carbon emissions for transportation infrastructure (Introducing CNG vehicles, electric trucks)



Using retreaded tires



Cooperation with the Osaka Bay Regeneration Project

Living Support

Nursing care and housework services / fitness centers / moving services / restaurants / agriculture, etc.

Crefeel Koto Co., Ltd.

Traffic safety education / nurturing human resources / traffic safety parks for children, etc.

Transportation / storage / distribution processing / operational work / international logistics, etc.

Priority themes for the Senko Group SDGs



Society level

We promote dialogues and collaboration with the various stakeholders associated with the Senko Group, starting with local communities, and build harmonious social relationships.

The human resources and organizations that form the foundation

CSR

Safety Initiatives
Health Initiatives
Social Activities



Promoting health management at all Group companies



Nurturing people and businesses at Senko University



Traffic safety classes for kids at business locations



Traffic safety education / Professional driver training at the Crefeel Koto facility

Collaborating with society

Environmental level

Minimizing the environmental impact of our business activities

CSR

Environmental Measures

As a logistics company, we are aware of our responsibility for consuming energy and for greenhouse gas emissions, and we are doing our best to both gain a full understanding of these issues and to reduce both factors.



Initiatives to Reduce Our Environmental Burden

Accelerated Introduction of Environmentally Friendly Trucks



A heavy-duty hybrid truck introduced at Runtec Corporation in FY 2020

The Senko Group has introduced environmentally friendly trucks that emit less CO₂ and NO_x as part of our determination to bring about a low-carbon society. In FY 2020, the Senko Group introduced two electric trucks and 14 hybrid trucks. The

heavy-duty hybrid truck introduced at Runtec Corporation uses regenerated electric energy to power both the refrigeration unit and the vehicle.

Introduction and Further Promotion of Energy-Saving Lighting

At logistics centers, we are proactively introducing high-efficiency LED lighting, which uses 75% less electricity than conventional mercury lamps. In FY 2020, we used grants from the Ministry of Economy, Trade and Industry to switch to LED lighting at four locations. The Senko Group is accelerating the efficient and effective use of energy.



The Urawa PD Center, where 100% LED illumination was achieved with help from grants

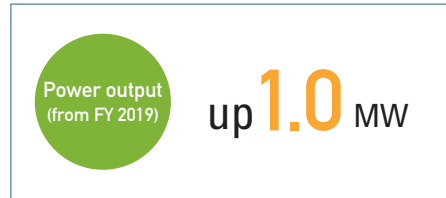
Using roofs on logistics centers, we are developing solar power to provide renewable energy

To promote the spread of renewable energy, the Senko Group began a solar power generation business in FY2014, supplying electricity to power companies. In FY2020, the Kansai branch of Runtec Corporation became the first in the Group to operate as a major in-house producer/user of renewable energy. We offer clean energy for goods being stored on behalf of customers. In FY2021, we will install 0.6 MW of solar power for in-house use at the new Moji branch of Runtec Corporation (in



Kitakyushu City) and a large 60 kWh storage battery. This clean energy will be used at night and even when it is raining.

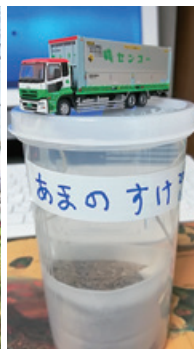
Runtec Corporation's Kansai branch began operating in July 2019 (the Senko Group's first major in-house producer/user of renewable energy)



Launching initiatives to preserve biodiversity



Expanding environmental tree planting at Senko Group logistics centers



Employees growing eelgrass seedlings at home

In FY2020, the Senko Group launched initiatives aimed at preserving biodiversity. Environmental tree planting, where saplings are planted at logistics centers, has now been implemented at nine Senko branches and at four Group companies. This contributes to better communications, both in the workplace and with the local community, as well as to preserving green spaces that will be inherited by the next generation. The Group has also endorsed the Osaka Bay Regeneration Project in cooperation with local environmental conservation groups. As part of this project, we are cooperating by cultivating eelgrass in pots, later to be returned to the sea to provide habitat for marine life. In FY2020, 35 pots were distributed, with employees nurturing them at home from seeds.

Environmental Targets and Achievements

CO₂ Reduction Initiatives and Results

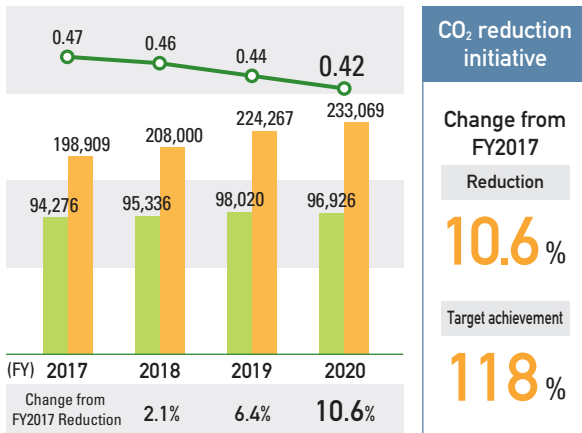
The Senko Group tracks the amount of energy used and the CO₂ emissions generated by business activities, adjusting environmental protection measures as they are required. Today, we are continuing with initiatives to reduce our environmental burden. We aim to achieve the CO₂ reduction target of the five-year medium-term business plan that started in FY2018: a 9% reduction in CO₂ emissions per unit of sales over the five years for Senko Co., Ltd.

Senko Group's CO₂ emissions by source

Senko Co., Ltd., nonconsolidated *1

■ Sales (Millions of yen) ■ CO₂ emissions (t)*2 ○ CO₂ emissions per million yen (t/million yen)

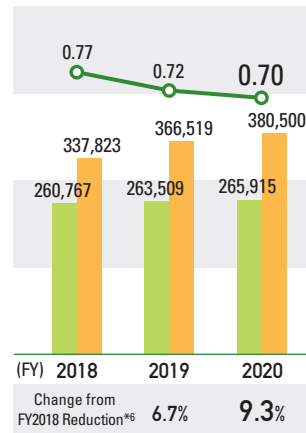
Senko Co., Ltd.



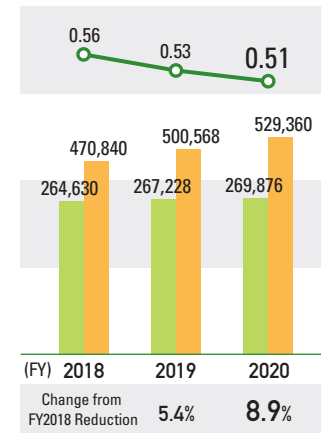
Entire Group *3

■ Sales (Millions of yen) ■ CO₂ emissions (t)*2 ○ CO₂ emissions per million yen (t/million yen)

Logistics Business *4



Group Total *5



*1 Includes Senko Line Co., Ltd. (spun off in April 2018) *2 Emissions are total of Scope1 and 2 *3 Excluding overseas subsidiaries *4 Total of 51 companies based mainly on logistics business
*5 Logistics (51 companies) + Trading and Commerce (5 companies) + Others (8 companies) = Group Total (64 companies) *6 We started calculating emissions for the entire Group in 2017

FY 2019 achievements for CO₂ reduction (SENKO Co., Ltd. and 59 group companies)

	Priority implementation items	FY2019 CO ₂ reduction amount		
		Company category		Total
		Senko Co., Ltd.	Senko Group	
Own Efforts	Electricity Savings 1. Switch to electric power companies with low CO ₂ emission coefficients 2. Upgrade to energy-efficient plants and equipment (LED lighting / air conditioning) 3. Use renewable energy from solar power, etc.	2,010	497	2,507
	Fuel Savings 1. Update services with advanced, environmentally friendly trucks (electric, natural gas, hybrid) 2. Deploy environmental equipment, such as support equipment with start/stop systems	484	868	1,352
	Recycling-Based Society 1. Promote recycling of wooden pallets and waste plastic 2. Promote use of retreaded tires	127	127	254
Total		2,621	1,492	4,113
Recycled CO ₂ Products for Customers	Green Logistics 1. Promote modal shifts 2. Propose improved efficiency that is environmentally friendly (larger vehicles, shared transportation, consolidation of locations)	925	243	1,168
		Modal shift rate 70%		



Senko Group Safety Policy

Safety Philosophy	<p>The Senko Group will “achieve an eventual goal of zero workplace accidents” based on the spirit of respect and by prioritizing safety over everything else.</p> <ol style="list-style-type: none"> 1 We can and must prevent all accidents and disasters. 2 Managers are responsible for the safety of employees. 3 Every employee must believe in “eliminating all accidents.” 4 Safety ensures high quality and high productivity.
Basic Approach	<ul style="list-style-type: none"> ● The Senko Group deeply recognizes the social mission of the logistics business and promotes efforts that all employees understand correctly and that contributes to the improvement of safety by ensuring safety in business activities is the basis of our business. ● The top management will actively lead the field from the bottom to the top to unite and strive to secure safety and improve safety in business activities. ● The basis of safety is to be strongly conscious of each person working in the Senko Group to be healthy mentally and physically, to practice proper health management.
Priority Measures	<ol style="list-style-type: none"> 1 We comply with relevant laws and regulations and fulfill our social responsibilities. 2 We thoroughly carry out risk assessment and reduce all safety risks. 3 We prevent health problems by enhancing health management system and promoting independent health. 4 We actively disclose information on safety and health activities.

Achievement of Safety Goals (FY 2020)

As not all goals were achieved, we will formulate and implement new measures.

	FY 2020 goals	FY 2020 achievements
Vehicle accident frequency rate	0.31 or lower	0.59
Occupational accident frequency rate	1.14 or lower	2.31

Priority initiatives

- Implement effective preventive measures based on analyses of a range of accidents
- Further improve safety standards through cooperation within the Logistics Group
- Create an environment where safety can be substantially improved and introduce leading-edge technology based on the verification of results
- Strengthen the structure for performance of safety initiatives by reinforcing various safety management systems and checks

Medium-Term Safety Goals (FY 2018 – FY 2022)

Based on our Five-Year Medium-Term Business Plan SIP21, we will promote Group-wide safety programs, including using the latest driver assistance technology and other measures.

We aim to reduce by half vehicle and occupational accidents from the FY 2017 level.	<p>Vehicle accident frequency rate (on-road accidents)</p> <p>FY 2020 achievements: 0.61 (Logistics Group) / 0.53 (Senko Co., Ltd.)</p> <p>FY 2022 goals: 0.25 or lower (Senko Co., Ltd. And Logistics Group)</p>
	<p>Occupational accident frequency rate (occupational accidents with at least four lost workdays)</p> <p>FY 2020 achievements: 2.49 (Logistics Group) / 1.71 (Senko Co., Ltd.)</p> <p>FY 2022 goals: 0.95 or lower (Senko Co., Ltd. And Logistics Group)</p>

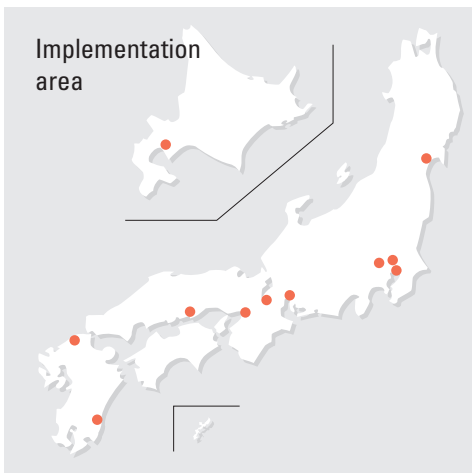
*Figures for the Logistics Group do not include recently acquired companies.

Intra-Group Health and Safety Initiatives

To strengthen compliance at Senko Group logistics companies, for managers and others involved in operations, we are conducting training in 11 blocks nationwide. We will focus on the laws, regulations, and internal rules that must be followed for operating a motor truck transportation business.



Local managers experiencing face-to-face training



Nationwide Management System for Hazardous Materials

We assign people in charge of hazardous materials to 12 areas in Japan. They share information on hazardous materials and improve their knowledge and skills. Only drivers who have passed a demanding test under the internal accreditation system can drive tanker trucks. Furthermore, accredited drivers are given update training every five years to raise their safety and quality awareness. In addition to supplying varied opportunities for education and training for transportation safety when handling hazardous materials, we also focus on maintaining a safer workplace.



Training for exposure to liquids



Training on the operation of various types of valves

<p>FY 2020 internal qualification for drivers</p>	<p>Technical Master 14 people</p>	<p>Technical Coach 15 people</p>	<p>Technical Professional Driver 217 people</p>
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Announcing the Senko Group Health Management Declaration Inside and Outside the Company

The Health Management Declaration announced in September 2017 expresses our wish that employees will not only be healthy and happy at work, but that they will also be healthy and happy throughout their lives, even after their working life ends.

Senko Group Health Management Declaration

The Senko Group hereby declares the following regarding the health of employees:

- ◎ Continuing to be “A corporate Group which nurtures people and supports their daily lives.”
- ◎ Ensuring that every Group employee can work in a healthy and lively manner.
- ◎ Placing the utmost importance on making sure employees can live healthy and happy lives.

In line with these goals, the Senko Group is implementing initiatives for promoting the health of employees, in order to become a truly affluent global company as a “Corporate Group Creating Future Trends.”

Yasuhisa Fukuda

President and Representative Director
Senko Group Holdings Co., Ltd.

Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) for Three Consecutive Years



In 2017, the Senko Group announced the Senko Group Health Management Declaration, which positions the promotion of employee health as one of the most important issues facing management; we have been encouraging activities that promote healthy living for many years.

This program has been well received. We were recognized by the Certified Health & Productivity Management Outstanding Organizations Recognition Program (also called White 500) on March 2, 2020 for the third consecutive year. Under this program, the Ministry of Economy, Trade and Industry and health organization Nippon Kenko Kaigi jointly recognize companies that practice outstanding health management.

A Company Where Employees Can Work Healthily and Energetically

Major Health Management Initiatives



The tennis club in action

Promoting activities that build health for life

Seminars have been held on a variety of themes to improve health literacy.* In FY2020, seminars on promoting ways for working women to be healthy were held at three locations nationwide, targeting female employees.

Healthy activity events were also held at various workplaces, including a volleyball competition, and employees were also involved in club activities. In 2019, a tennis club was launched at the Tokyo Headquarters building.

*The ability to search for and understand health-related information that is relevant to yourself and to take actions to prevent illness and care for your own health



Nursing staff stationed around the country

Nurses Supporting Health

As of April 2020, 22 nursing professionals (public health and registered nurses) have been assigned to the main offices in 13 areas around the country, providing specialized healthcare guidance and support for the mental and physical health of employees.

In FY2020, a health management system was introduced, providing unified management of information, including the results of periodic health checks and records on guidance for healthy living. This system enabled health management at the same level for all employees in the Group.

Health Management also Conducted at Group Companies

Toyohashi Senko Transport Co., Ltd. and Harcob Co., Ltd. were recently recognized in the SME category by the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2020. We plan to continue supporting and expanding our initiatives for promoting employee health at our Group companies.

Health Management Initiatives

Companies recognized by the SME category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2020

Toyohashi Senko Transport Co., Ltd.

Using health events to energize communications

Following our recognition by the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program, we began receiving proposals from companies involved in healthcare, and awareness of health issues among our employees increased. In FY2020, our goals were to increase the number of opportunities for exercise and to energize communications. To help meet these goals, we hired trainers from sports clubs to come and teach a variety of stretches that can be used in the workplace or at home. Many people attended, including whole families, providing opportunities for people to get in touch with their bodies.



Healthy activity gatherings

Harcob Co., Ltd.

Taking up new challenges every year!

In addition to our existing activities, such as regularly publishing *Health News*, we also strengthened our system for recommending additional tests and diagnoses to employees after health checks. In addition, we worked to raise health awareness through such activities as prohibiting smoking and introducing yoga mat exercises at 3 p.m. every working day, while in FY2021 we are implementing workstyle reforms, such as establishing regular days off and setting aside some days for no overtime. At workplaces with many females, we have made it possible for them to receive medical examinations for women's health issues, regardless of their age.



Daily healthy exercises at 3 p.m.

Health Check Statistics

Item	Results		FY 2020 Evaluation
	FY 2019	FY 2020	
(a) Stress check test ratio	93.8	96.2	◎
(b) Smoking ratio	34.9	34.5	○
(c) Ratio of checkups where health issues were found	46.6	54.4	×
(d) Ratio of regular exercisers	44.0	47.3	○
(e) Ratio of those getting enough sleep	52.5	54.7	○
(f) Ratio of those maintaining a healthy weight	66.2	64.0	×
(g) Blood pressure	74.5	72.5	△
(h) Blood sugar level	78.3	78.0	△
(i) Liver function	74.7	72.3	×
(j) Lipids	84.5	81.8	×
(k) Renal function	91.5	91.9	○
Number of people eligible (as of March 31, 2020)	3,358	4,431	—

(c) Ratio of health issues found: cases where results for items on regular statutory health checkups ranges from B1 (requires further observation) to C2 (under treatment)

(d) People who responded positively to the statement on health "exercise twice a week for at least 30 minutes each time, and have done this for at least one year" or people who responded positively to the statement "walk or perform equivalent exercise for at least one hour every day."

(e) People who responded positively to the specific health question "I am getting enough sleep"

(f) Healthy weight: BMI less than 25 and a waist size of less than 85 cm (men) or 90 cm (women)

(g) Blood pressure: systolic pressure less than 130 mmHg and diastolic pressure of less than 85 mmHg

(h) Blood sugar level: blood sugar value less than 100 mg/dl after fasting or HbA1c less than 5.6%

(i) Liver function: AST less than 31, and ALT less than 31, and γ -GTP less than 51

(j) Lipids: neutral fat less than 150 mg/dl and HDL cholesterol at least 40 mg/dl

(k) Renal function: Creatinine less than 1.05 mg/dl (men) or 0.80 mg/dl (women)

*The above covers employees of Senko Group Holdings Co., Ltd. and Senko Co., Ltd.



Encouraging Regional/Social Contribution Activities

We Evaluate Social Contribution Activities within the Group and Give Awards for Outstanding Achievements

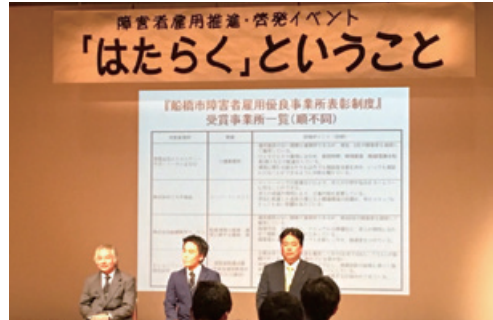
The Senko Group established the Social Contribution Activities Commendation program in FY2017, which gives awards for outstanding achievements. In FY2019, the Social Contribution Promotions Committee examined social contribution activities by Group companies, with the result that one team was selected for the outstanding performance award and two teams were selected for performance awards.



Joint Safety Council meeting for five companies including Senko Fashion Logistics Co., Ltd. and Tokyo Nohin Daiko Co., Ltd.

“Evaluated the proactive stance and continuity”

Won the outstanding performance award for developing traffic safety classes for children as well as for consistently employing people with disabilities.



Presentation on the activities over the past 12 years as a result of receiving awards from Chiba Prefecture and Funabashi City for being an "Outstanding Business Office for the Employment of People with Disabilities"



Senko School Farm Tottori Co., Ltd. and the Tohoku Main Branch of SENKO Co., Ltd. won performance awards.

Senko School Farm Tottori Co., Ltd. was rated highly for consistency when providing agricultural experiences, primarily to local elementary school children and children using mother and child living support facilities. The Tohoku Main Branch of SENKO Co., Ltd. was rated highly for consistently undertaking a range of activities, including collecting aluminum cans and using that money to donate wheelchairs and planting 10,000 trees for the Millennium Hope Hills development in Miyagi Prefecture.

Senko School Farm Tottori Co., Ltd.



Holding an agricultural experience session

Tohoku Main Branch of SENKO Co., Ltd.



Planted 10,000 trees at Millennium Hope Hills

Joint Project between Industry and Academia

Held Hotel Kaie Art Competition in partnership with Tama Art University

65 textiles, dyed goods, and illustrations created by students of Tama Art University were exhibited at Hotel Kaie, which opened in Shiomi, Tokyo, in February 2020. Hotel Kaie approached the university to suggest opening an exhibition space for students to spread their wings and launch themselves into the future, in the hope that this will help nurture a new generation of artists. The Grand Prix was awarded to *Echoes* by Yael Harnik (Israel), which was exhibited in the elevator hall on the first floor.



Award ceremony for the Art Competition industry-academia joint project with Tama Art University



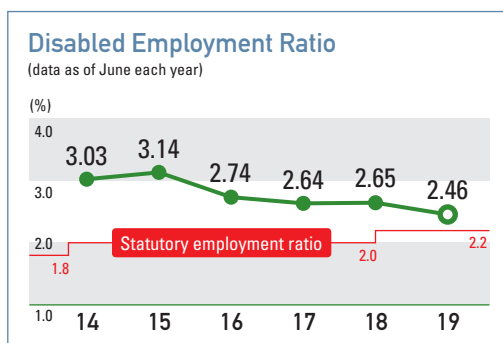
Large numbers of prize-winning works exhibited in the hotel

In addition, illustrations personifying each of the 47 prefectures of Japan were posted in the rooms and corridors on the second floor, as part of a joint project with the Tokyo Communication Arts School. Going forward, Hotel Kaie will consistently offer spaces to works by young artists.

Promoting Employment of the People with Disabilities

The Senko Group aims to contribute to the lives of all members of society and to be a trusted company. Beginning with the opening of Senko School Farm Tottori Co., Ltd. (a special subsidiary company), we have been focusing on providing employment for people with disabilities and are moving forward with initiatives to allow a diverse range of employees to participate fully in the company.

We have consistently employed greater numbers of people than the statutory employment ratio, and many people with disabilities are playing active roles in their workplaces.



Linking with the Local Community

Holding Traffic Safety Classes in Japan

Class held at 20 sites with 1,922 participants

In addition to the Traffic Safety Classes for Kids that we have been holding at Crefeel Koto and other sites, from FY2015 we have continued to hold school visit workshops at elementary and junior high schools, which are enjoyed by a large number of students.

We make every effort to ensure that the program enables children to enjoy learning about the importance of traffic safety. In the school visit workshop program, children think about safe ways to cross the road and use across walk as well as experience the blind spots in a driver's line of sight by riding in a truck. These classes are enjoyed by both children and their guardians.

Contributing to the Region by Running Daycare Centers

The Senko Group currently runs six daycare centers. These centers accept children from parents other than Group employees and are well-loved by local residents. In addition, in October 2019 we began eliminating fees for non-licensed daycare facilities for children aged 3 to 5.



Christmas Party

Participating in Local Cleanups and Blood Donation Drives

We hold cleanup drives to contribute to the local region and to show appreciation for the roads that we rely on. In FY2020, 14,619 people participated.

1,129 people took part in blood donation drives in FY2020, exceeding the figure for FY2019 and coming second only to the record high set in FY2018.



Joint blood donation drive being held in the Kyoto-Shiga region



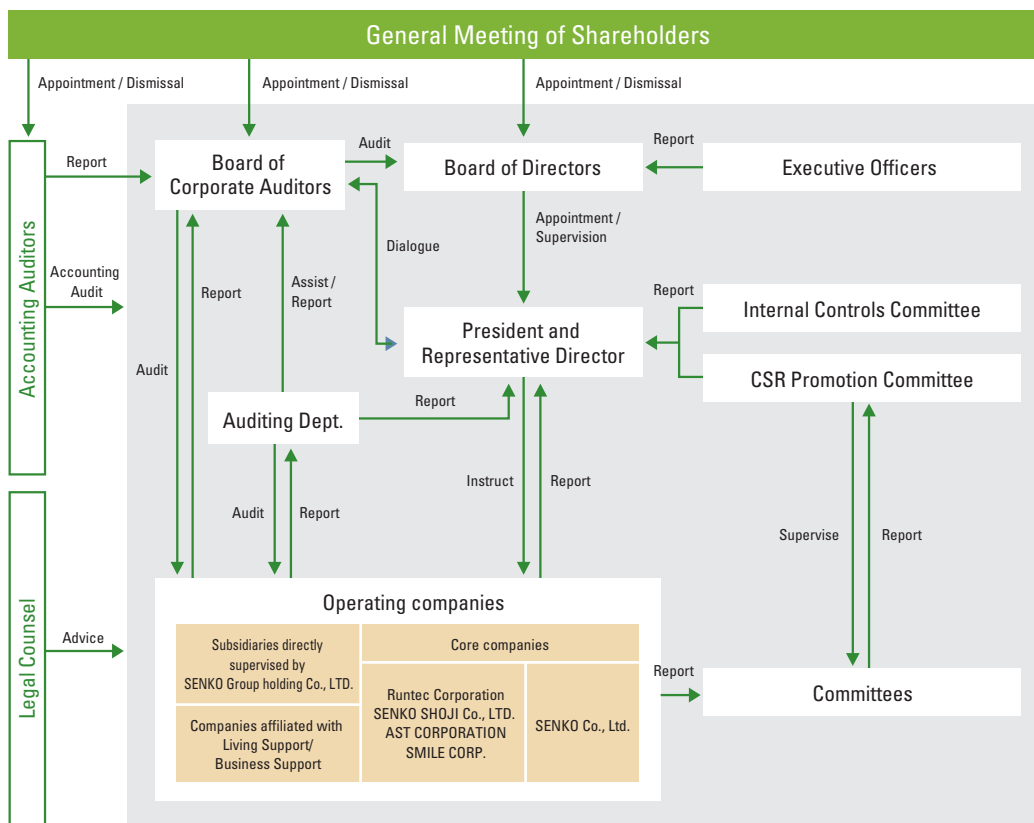
President and Representative Director	Yasuhisa Fukuda	Responsible for Logistics President and Representative Director, SENKO Co., Ltd.
Directors Managing Executive Officer	Noburo Sasaki	General Manager of Business Support Promotion HQ
	Kenichi Shiraki	General Manager of Living Support Business Promotion HQ
	Masanobu Uenaka	Responsible for Finance General Manager of Finance & Accounting HQ
	Shinichi Murao	General Manager of Strategic Planning HQ Senior Manager of Business Development Department
Directors	Kazuhiro Yamanaka	Responsible for Refrigerated & Frozen Logistics President and Representative Director, Runtec Corporation
	Hiroshi Yoneji	Responsible for Trading & Commerce President and Representative Director, SENKO SHOJI CO., LTD.
	Akira Taniguchi	Responsible for Marine Logistics Director, and Chairman, Senko Line Co., Ltd. Director, and Chairman, NIPPON MARINE CO., LTD.
Outside Directors	Hiroko Ameno	Director (part-time), Senko Co., Ltd.
	Yasuyuki Sugiura	
	Yoko Araki	
Full-time Corporate Auditors	Keiji Matsubara	Corporate Auditor, SENKO Co., Ltd.
	Masami Washida	Corporate Auditor, SENKO Co., Ltd.
Outside Corporate Auditors	Kanji Yasumitsu	Corporate Auditor, SENKO Co., Ltd.
	Yasushi Matsutomo	Corporate Auditor, SENKO Co., Ltd.

Basic Policy

The Senko Group is a logistics company involved in highly public work that fosters people’s development and supports their lives. The Senko Group makes every effort to ensure that all corporate activities thoroughly comply with laws, based on the awareness that good corporate governance is the foundation of a business, as well as regarding governance as a high priority for management.

Corporate Governance System

We have adopted the following corporate governance system, one that we consider to be optimal, in order to ensure management transparency and legal compliance based on the company’s size, lines of business, organizational structure, and other features.



1

The Company’s Board of Directors meets at least once a month and deliberates on issues as required by laws and regulations as well as important management concerns in addition to being an organization that oversees the execution of business. Furthermore, so that the Directors, Executive Officers, and key employees execute their duties appropriately and efficiently, the Company has established the Regulations of the Board of Directors and the Regulations for Administrative Authority to clarify authority and responsibility. We also verify the status of the implementation of operations and strive to have even more transparent management.

2

To promote Group-wide CSR-based management, the Group has established the Compliance Committee, the Corporate Ethics Committee, the Risk Management Committee, the Environmental Promotion Committee, and the Social Contribution Committee in addition to the CSR Promotion Committee, which supervises these committees. We also established an Internal Control Committee that will continue the internal control activities of the Group and seek to improve them.

3

The Corporate Auditors attend meetings of the Board of Directors and monitor the execution of operations by the Directors from an objective point of view. In addition, they conduct audits and collaborate with the Auditing Department and the Accounting Auditors to ensure thorough compliance, which includes subsidiaries.



In the fiscal year ended March 31, 2020 the Company concluded an audit contract with Ohtemae Audit Corporation as the accounting auditor, based on the Companies Act and the Financial Instruments and Exchange Act, and we have received effective guidance on accounting practices.

4 Three certified public accountants performed auditing service, while nine other certified public accountants and one person who has passed certified public accountant exams assisted with auditing.

In the fiscal year ending March 31, 2021 the Company will conclude an audit contract with Grant Thornton Taiyo LLC as the accounting auditor, based on the Companies Act and the Financial Instruments and Exchange Act, and will receive guidance on accounting practices.

5 The Auditing Department performs internal audits at the Company and subsidiaries with the aim of verifying the status of risk countermeasures, identifying the status of managing operations and of improvements, and ensuring the effectiveness of the operation management system. As well, the Auditing Department reports its findings to the Representative Director and the Corporate Auditors.

Further, to promote Group-wide CSR-based management, we established the Compliance Committee, the Corporate Ethics Committee, the Risk Management Committee, the Environmental Promotion Committee, and the Social Contribution Committee in addition to the CSR Promotion Committee, which supervises these committees, and the Internal Controls Committee to create a Group-wide CSR-based management system.



Policy on Determining Compensation for Officers

Compensation for officers includes basic compensation, stock options, and performance-based pay (bonuses), as well as performance-based stock. Guided by internal rules, we determine the specific amounts of the compensation, taking into account factors such as the position of the officer, the performance in the individual fiscal year, and the level of contribution to performance made by each person.

Category of Officer	Total Amount of Compensation, etc. (Millions of yen)	Total Amount of Each Type of Compensation, etc. (Millions of yen)				Number of Eligible Officers
		Basic remuneration	Stock options	Performance-based pay (bonuses)	Performance-based stock compensation	
Directors (excludes Outside Directors)	161	69	13	58	20	11
Corporate Auditors (excludes Outside Corporate Auditors)	42	31	1	9	—	2
Outside Officers	47	33	2	12	—	6

Senko has included some of the principle elements of Japan’s Corporate Governance Code, which started being applied in June 2015, on the Company’s website to clarify the Company position on working to enhance corporate governance based on this code. <https://www.senkogrouphd.co.jp/ir/governance/> (Japanese only)

- Corporate Governance Report
- Initiatives Based on Corporate Governance Principles

Compliance-Based Management

Compliance-based management, which complies with laws and regulations and engages in ethical business activities, is the base for a company to fulfill its social responsibility and earn the trust of stakeholders.

The Senko Group has established, based on a thorough understanding of the Group’s social obligations, the Senko Standards of Business Conduct which prescribes all items that executives and employees must observe for every aspect of their jobs.



Business Risks

The risks related to the business, financial position, and operating results, etc. of the Senko Group that may have a material impact on the judgment of investors are described below. Forward-looking statements are based on the judgment of the Senko Group (the Company and consolidated subsidiaries) as of the last day of the fiscal year under review (March 31, 2020).

1	Laws and Regulations	<p>The Group is engaged in transportation, distribution processing, and other businesses, and provides a wide range of logistics services. These businesses are subject to regulation under the Motor Truck Transportation Business Act, the Consigned Freight Forwarding Business Act, the Warehousing Business Act and other legislation. It is necessary to receive registration or approval from the Minister of Land, Infrastructure and Transport to engage in these businesses, and there is a mandatory post-notification system for setting and revising fees. Moreover, environmental legislation, including regulations on truck exhaust, has also been strengthened. The performance of the Group could be affected by legal revisions in the future and by trends for tightening or loosening regulations.</p>
2	Sharp Increases in the Price of Crude Oil	<p>Higher prices for light oil due to a sharp increase in the price of crude oil will push up transportation costs. The performance of the Group, where truck transportation is the mainstay business, could be affected in the future by price trends.</p>
3	Occurrence of a Serious Accident	<p>In case a serious vehicle or freight accident occurs, the performance of the Group could be affected by a loss in customer and public confidence, suspension of vehicle use, administrative penalties such as business suspension, etc.</p>
4	Occurrence of a Disaster, etc.	<p>The performance of the Group could be affected by a system shutdown due to transportation routes being blocked or electricity being suspended during a disaster, such as a storm or an earthquake, or by a blackout.</p>
5	IT System Failure	<p>The Group leverages IT technology to manage customer freight information and for control systems for warehouses. The performance of the Group could be affected if these systems are shut down due to a natural disaster, computer virus, or computer hacking. In 2018, the Group was affected by torrential rains in western Japan, as well as Typhoon Jebi and the Hokkaido Eastern Iburi Earthquake.</p>
6	Management of Customer Information	<p>The Group handles customer information when providing logistics services and has worked hard on information management through in-house education. However, the Group's performance could be affected by claims for compensation for damages if there is an external leak of information or loss of data.</p>
7	M&A and capital alliances	<p>When expanding the scale of existing businesses, or entering new business fields, the Senko Group concludes M&As and enters into capital alliances, etc. as part of our business strategy. When progress after the completion of an acquisition or alliance is significantly slower than initially expected, there may be an impact on performance and on the financial position of the Group.</p>
8	Overseas business growth	<p>To continue growing into the future, the Senko Group is working to expand business overseas. The Group's business expansion, performance, and growth outlook could be significantly affected by social disturbances in the regions where we operate. These disturbances could be due to changes in the economic situation, recessions, fluctuations in foreign exchange rates, changes in politics or laws and regulations, or outbreaks of terrorism, war or disease.</p>

Risk Management System

The Senko Group's key management issues include ensuring stable earnings and establishing a sound management base by managing all risks associated with the execution of operations. The risk management system is described below.

- 1 To systematically and effectively mitigate the risks that the Group faces, and to take corrective action, we have established the Risk Management Regulations. Every department that controls risk is also tasked with formulating and distributing regulations, etc. aimed at reducing risks and for taking effective action when risks materialize.
- 2 When a risk materializes and is expected to cause serious damage, the department controlling this risk and the department in which the risk is expected to arise collaborate on reporting to the Board of Directors.
- 3 The Auditing Department verifies the status of risk countermeasures, etc. and reports to the Representative Director and the Board of Corporate Auditors.

Establishing Business Continuity Plans (BCPs)

Every Group location has established a business continuity plan (BCP) in order to swiftly recover logistics in the event of a disaster. In an emergency, support and recovery activities will be carried out promptly under the direction of the head office and the manager of the department taking countermeasures on the ground using the BCP.

When data centers are affected by a disaster, a backup data center will restore systems within 30 minutes, even if the server shuts down to ensure that logistics systems can be maintained.

2020

Financial Information

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Financial Review

Consolidated operating revenues for the fiscal year ended March 31, 2020 increased ¥40,421 million year on year to ¥570,030 million. This result is mainly a reflection of the effects of growing sales, revised freight charges, opening logistics centers, and making overseas Group companies and operating companies in living support services into consolidated subsidiaries. On the profit front, despite factors that included higher costs (mostly stemming from higher outsourcing costs and the impact of the spread of COVID-19), consolidated operating profit rose ¥1,024 million year on year to ¥20,656 million and consolidated ordinary profit increased ¥868 million year on year to ¥20,744 million. This upturn in profits was largely attributable to the effects of higher revenue (mentioned above), as well as our efforts to improve productivity. Profit attributable to owners of parent increased to ¥12,081 million, up ¥399 million year on year.

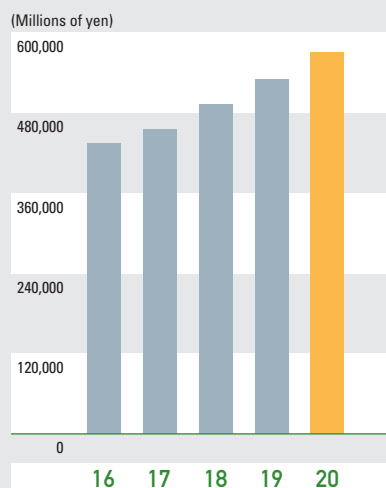
Billions of yen

	2020		2019		Difference	Growth rate (%)
	Operating revenues	Component ratio (%)	Operating revenues	Component ratio (%)		
Logistics	¥ 392.7	68.9	¥ 375.4	70.9	¥ 17.3	4.6
Retail product	222.6	39.1	208.3	55.5	14.1	6.8
Housing	63.2	11.1	62.2	16.6	1.0	1.6
Chemicals	76.6	13.4	73.8	19.7	2.8	3.8
Other	30.2	5.3	31.0	8.3	(0.5)	(1.8)
Trading & Commerce	161.3	28.3	142.3	26.9	19.0	13.4
Others	16.0	2.8	11.9	2.2	4.1	34.0
Total	570.0	100.0	529.6	100.0	40.4	7.6

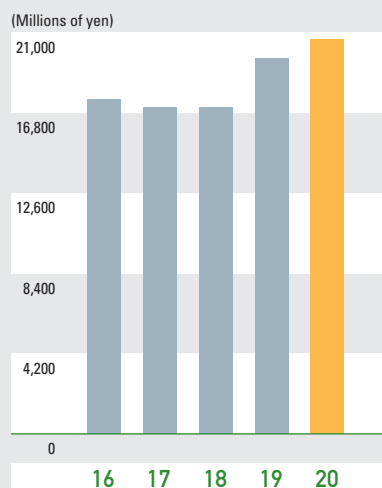
Logistics

Operating revenue improved by ¥17,343 million year on year to ¥392,728 million. This was mainly attributable to the effects of new logistic centers beginning operations in the current and the previous fiscal year, as well as the effect of higher sales, revised freight charges, and making seven overseas Group companies into consolidated subsidiaries. Segment profit rose by ¥1,637 million year on year to ¥17,847 million.

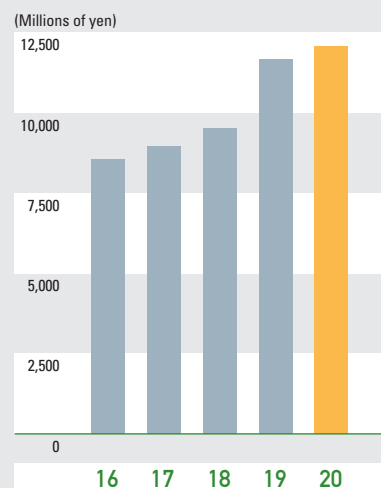
Operating revenues



Operating profit



Net income attributable to owners of parent



Trading & Commerce

Operating revenue in this segment grew ¥19,020 million year on year to ¥161,314 million, due in part to higher sales of household paper products for large mass-merchandising chains, but costs also increased as a result of higher outsourcing costs and other factors. Segment profit declined by ¥160 million year on year to ¥2,119 million.

Others

Operating revenue rose ¥4,057 million year on year to ¥15,987 million, driven by growth in businesses, such as making Life-eat Co., Ltd., which is developing a food and beverage business, into a consolidated subsidiary, as well as opening new nursing care homes, fitness centers, and a hotel. However, due to the impact of the spread of COVID-19, segment profit decreased by ¥260 million year on year to ¥1,419 million.

Assets, Liabilities and Net Assets

Total assets

Total assets as of March 31, 2020 were ¥356,308 million, rising by ¥15,817 million over the end of the previous fiscal year.

Current assets came to ¥124,210 million, up ¥6,947 million from the end of the previous fiscal year. This was mainly a reflection of increases of ¥3,246 million in cash and cash equivalents and ¥3,050 million in trade accounts and notes receivable.

Non-current assets were ¥231,384 million, up ¥8,189 million. This was the result of a decline of ¥1,706 million in investments and other assets, an increase in property, plant and equipment of ¥8,763 million, and an increase in intangible assets of ¥1,131 million.

Liabilities

Liabilities as of March 31, 2020 increased ¥8,531 million from the end of the previous fiscal year to ¥222,127 million.

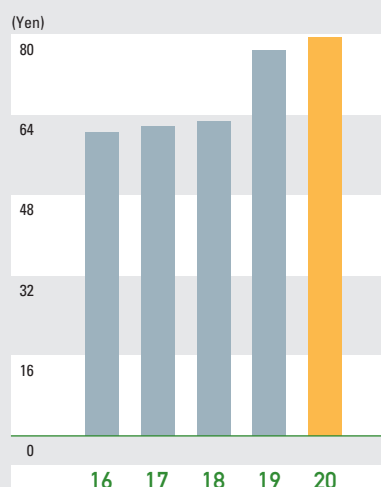
Current liabilities totaled ¥111,638 million, up ¥12,969 million from the end of the previous fiscal year. This was due to an increase in trade accounts and notes payable of ¥3,382 million and an increase in short-term loans of ¥7,671 million.

Non-current liabilities were ¥110,489 million, down ¥4,437 million. This was the result of lease obligations increasing by ¥3,412 million, and a decline in long-term debt of ¥8,857 million, and other factors.

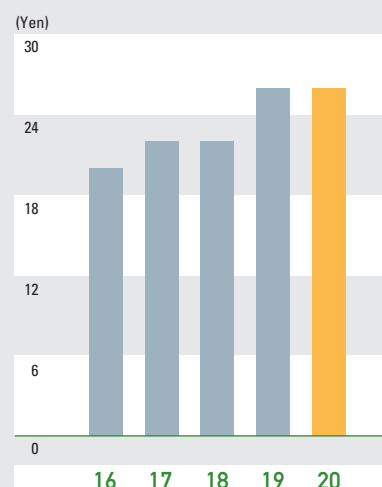
Operating profit margin (→)



Net income per share



Cash dividends per share



Net assets

Net assets as of March 31, 2020 rose ¥7,285 million from the end of the previous fiscal year to ¥134,181 million. This was due to, among other factors, a decrease in remeasurements of defined benefit plans of ¥1,519 million, an increase in retained earnings of ¥7,918 million, and an increase in non-controlling interests of ¥1,324 million. The equity ratio improved by 0.1 percentage points from the end of the previous fiscal year to 35.1%.

Capital Expenditures and Depreciation

Capital expenditures in the fiscal year under review decreased ¥3,021 million, or 14.2%, to ¥18,205 million compared with the previous fiscal year. The Company opened logistics centers in Chiba, Oita, and Hyogo Prefectures as well as Thailand in the fiscal year under review. As a result, the total warehouse space as of March 31, 2020 grew by 210,000 m² from the end of the previous fiscal year to 3,870,000 m².

Depreciation in the fiscal year under review increased ¥1,230 million, or 8.6%, to ¥15,565 million compared with the previous fiscal year.

Cash Flows

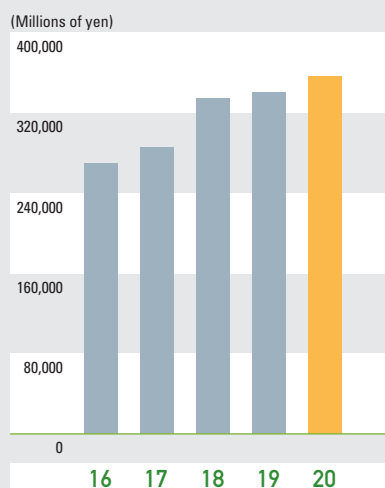
Cash and cash equivalents at the end of the fiscal year increased by ¥4,340 million year on year to ¥27,142 million.

Net cash provided by operating activities came to ¥31,098 million. This was due to income before income taxes of ¥19,648 million, Depreciation and amortization of ¥15,565 million, an increase in funds driven by higher trade payables of ¥1,572 million, and an increase in accrued consumption taxes of ¥2,317 million. Against this backdrop, an increase in trade receivables resulted in a decrease in cash of ¥2,866 million, and income taxes paid were ¥7,645 million.

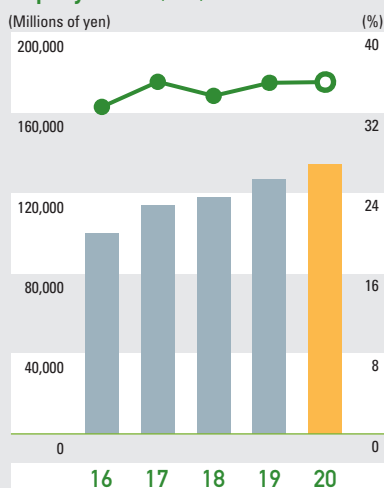
Net cash used in investing activities came to ¥18,030 million. This was mainly the result of purchases of property, plant and equipment of ¥17,449 million.

Net cash used in financing activities totaled ¥9,155 million. The main elements were proceeds from long-term debt of ¥5,210 million, repayments of long-term debt of ¥6,978 million, repayments of finance lease obligations of ¥3,924 million, and dividends paid of ¥3,964 million.

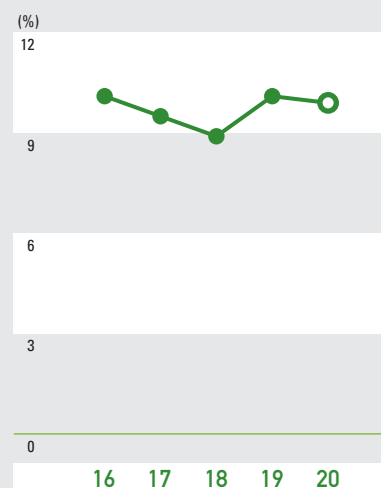
Total assets



Net assets (■) / Equity ratio (○)



ROE (○)



Consolidated Balance Sheets

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 27,143	¥22,802	\$ 249,407
Trade accounts and notes receivable–			
Non-consolidated subsidiaries	1	2	9
Others	77,012	73,095	707,636
Less : allowance for doubtful accounts	(22)	(14)	(201)
Inventories	9,616	9,767	88,358
Prepaid expenses and other current assets	10,461	11,611	96,122
Total current assets	124,211	117,263	1,141,331
Investments in and long-term loans receivable to non-consolidated subsidiaries	16,283	18,420	149,618
Investment securities (Notes 8 and 13)	5,764	6,651	52,963
Property and equipment, at cost (Notes 10 and 13)	309,561	294,519	2,844,446
Less : accumulated depreciation	(138,583)	(132,305)	(1,273,390)
Net property and equipment	170,978	162,214	1,571,056
Long-term deferred tax assets (Note 17)	5,997	5,139	55,104
Net defined benefit assets	2,094	3,089	19,241
Other assets	30,269	27,683	278,131
Deferred assets:			
Business commencement expenses	713	32	6,552
Total deferred assets	713	32	6,552
Total assets	¥ 356,309	¥ 340,491	\$ 3,273,996

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Note 11)	¥ 15,091	¥ 14,610	\$ 138,666
Current portion of long-term debt (Note 11)	14,210	7,019	130,571
Lease obligations	3,674	3,182	33,759
Trade accounts and notes payable–			
Non-consolidated subsidiaries	24	1	221
Others	47,521	44,649	436,653
Accrued expenses	12,039	11,635	110,622
Accrued income taxes	3,745	4,242	34,411
Other current liabilities	15,335	13,331	140,907
Total current liabilities	111,639	98,669	1,025,810
Long-term debt, less current portion (Note 11)	82,931	91,847	762,023
Lease obligations	13,913	10,500	127,842
Net defined benefit liabilities (Note 12)	7,060	6,971	64,872
Other long-term liabilities	6,585	5,608	60,507
Contingent liabilities (Note 14)			
Net assets (Note 15):			
Shareholders' equity			
Common stock:			
Authorized–294,999,000 shares			
Issued–152,861,921 shares in 2020 and 152,861,921 shares in 2019	26,529	26,529	243,766
Capital surplus	29,770	29,842	273,546
Retained earnings	70,902	62,983	651,493
Less : Treasury stock, at cost–898,113, shares in 2020 and 1,024,460 shares in 2019	(652)	(698)	(5,991)
Total Shareholders' equity	126,549	118,656	1,162,814
Accumulated other comprehensive income :			
Net unrealized holdings gain on securities	779	1,351	7,158
Gain (loss) on deferred hedges	14	(4)	129
Translation adjustments	256	122	2,352
Remeasurements of defined benefit plans	(2,439)	(920)	(22,411)
Total accumulated other comprehensive income :	(1,390)	549	(12,772)
Stock acquisition rights (Note 16)	432	425	3,969
Non-controlling interests	8,590	7,266	78,931
Total net assets	134,181	126,896	1,232,942
Total liabilities and net assets	¥ 356,309	¥ 340,491	\$3,273,996

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating revenues	¥ 570,030	¥ 529,609	\$ 5,237,802
Operating costs and expenses:			
Operating costs of revenues	503,687	471,129	4,628,200
Selling, general and administrative expenses	45,686	38,848	419,792
	549,373	509,977	5,047,992
Operating profit	20,657	19,632	189,810
Other income (expenses):			
Interest and dividend income	254	269	2,334
Interest expenses	(1,100)	(1,036)	(10,108)
Others, net	(163)	36	(1,498)
	(1,009)	(731)	(9,272)
Income before income taxes	19,648	18,901	180,538
Income taxes (Note 17):			
Current	7,010	7,102	64,412
Deferred	102	(296)	937
	7,112	6,806	65,349
Net income	12,536	12,095	115,189
Net income attributable to non-controlling interests	(455)	(414)	(4,181)
Net income attributable to owners of parent	¥ 12,081	¥ 11,681	\$ 111,008
Per share of common stock			
	Yen		U.S. dollars
Net income	¥ 79.51	¥ 76.90	\$ 0.73
Diluted net income	73.75	71.31	0.68
Cash dividends applicable to the year	26.00	26.00	0.24

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income	¥ 12,536	¥ 12,095	\$ 115,189
Other comprehensive income (Note 6):			
Net unrealized holdings gain (loss) on securities	(560)	(434)	(5,146)
Gain (loss) on deferred hedges	21	59	193
Translation adjustments	199	(294)	1,829
Remeasurements of defined benefit plans	(1,519)	(878)	(13,958)
Total other comprehensive income	(1,859)	(1,547)	(17,082)
Comprehensive income	¥ 10,677	¥ 10,548	\$ 98,107
Total comprehensive income attributable to:			
Owners of parent	¥ 10,078	¥ 10,228	\$ 92,603
Non-controlling interests	¥ 599	¥ 320	\$ 5,504

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

Millions of yen

	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Gain (loss) on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2018	152,861	¥ 26,529	¥ 29,730	¥ 54,969	¥ (590)	¥ 1,775	¥ (61)	¥ 335	¥ (43)	¥ 373	¥ 5,040	¥ 118,057
Net income attributable to owners of parent	—	—	—	11,681	—	—	—	—	—	—	—	11,681
Cash dividends	—	—	—	(3,661)	—	—	—	—	—	—	—	(3,661)
Purchases of treasury stock	—	—	—	—	(128)	—	—	—	—	—	—	(128)
Retirement of treasury stock	—	—	(2)	—	20	—	—	—	—	—	—	18
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	—	(6)	—	—	—	—	—	—	—	(6)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	114	—	—	—	—	—	—	—	—	114
Other changes	—	—	—	—	—	(424)	57	(213)	(877)	52	2,226	821
Balance at March 31, 2019	152,861	¥ 26,529	¥ 29,842	¥ 62,983	¥ (698)	¥ 1,351	¥ (4)	¥ 122	¥ (920)	¥ 425	¥ 7,266	¥ 126,896
Net income attributable to owners of parent	—	—	—	12,081	—	—	—	—	—	—	—	12,081
Cash dividends	—	—	—	(3,968)	—	—	—	—	—	—	—	(3,968)
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—	(0)
Retirement of treasury stock	—	—	5	—	46	—	—	—	—	—	—	51
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	42	(194)	—	—	—	—	—	—	—	(152)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(119)	—	—	—	—	—	—	—	—	(119)
Other changes	—	—	—	—	—	(572)	18	134	(1,519)	7	1,324	(608)
Balance at March 31, 2020	152,861	¥ 26,529	¥ 29,770	¥ 70,902	¥ (652)	¥ 779	¥ 14	¥ 256	¥ (2,439)	¥ 432	¥ 8,590	¥ 134,181

Thousand of U.S. dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock (at cost)	Net unrealized holdings gain on securities	Gain (loss) on deferred hedges	Translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2019	\$ 243,766	\$ 274,207	\$ 578,728	\$ (6,414)	\$ 12,414	\$ (36)	\$ 1,121	\$ (8,454)	\$ 3,905	\$ 66,765	\$ 1,166,002
Net income attributable to owners of parent	—	—	111,008	—	—	—	—	—	—	—	111,008
Cash dividends	—	—	(36,460)	—	—	—	—	—	—	—	(36,460)
Purchases of treasury stock	—	—	—	(0)	—	—	—	—	—	—	(0)
Retirement of treasury stock	—	46	—	423	—	—	—	—	—	—	469
Adjustment of retained earnings for newly consolidated subsidiaries	—	386	(1,783)	—	—	—	—	—	—	—	(1,397)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(1,093)	—	—	—	—	—	—	—	—	(1,093)
Other changes	—	—	—	—	(5,256)	165	1,231	(13,957)	64	12,166	(5,587)
Balance at March 31, 2020	\$ 243,766	\$ 273,546	\$ 651,493	\$ (5,991)	\$ 7,158	\$ 129	\$ 2,352	\$ (22,411)	\$ 3,969	\$ 78,931	\$ 1,232,942

Consolidated Statements of Cash Flows

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥ 19,648	¥ 18,901	\$ 180,538
Adjustments for:			
Depreciation and amortization	15,565	14,335	143,021
Impairment loss	211	32	1,939
Gain (loss) on sales of investment securities	(11)	(259)	(101)
Loss on valuation of shares of subsidiaries and associates	190	675	1,746
Insurance income	(144)	—	(1,323)
Settlement money	118	—	1,084
Litigation settlement money	55	—	505
Loss (gain) on extinguishment of tie-in shares	(51)	—	(469)
Gain on termination of retirement benefit plan	(46)	—	(423)
Gain on sales of property and equipment	(52)	(349)	(478)
Loss on disposals of property and equipment	159	335	1,461
Loss on reduction of property and equipment	565	1,565	5,192
Subsidy income	(579)	(1,587)	(5,320)
Loss (gain) on liquidation of subsidiaries	356	200	3,271
Loss on return of subsidies	238	—	2,187
Gain on reversal of tax purpose reduction entry of non-current assets	(238)	—	(2,187)
Loss on disaster	—	111	—
Loss on office withdrawal	—	134	—
Decrease (increase) in accrued retirement benefits	(139)	(58)	(1,277)
Increase (decrease) in net defined benefit liabilities	(671)	(598)	(6,166)
Increase (decrease) in accrued bonuses to employees	176	584	1,617
Increase (decrease) in provision for share-based remuneration	271	124	2,490
Increase (decrease) in provision for loss on disaster	(103)	103	(946)
Interest and dividends income	(254)	(272)	(2,334)
Foreign currency exchange loss (gain)	67	293	616
Interest expenses	1,100	1,036	10,108
Decrease (increase) in trade receivables	(2,866)	(2,138)	(26,334)
Decrease (increase) in inventories	131	(1,547)	1,204
Increase (decrease) in trade payables	1,572	871	14,445
Increase (decrease) in accrued consumption taxes	2,318	(648)	21,299
Decrease (increase) in consumption taxes refund receivable	545	1,441	5,008
Other	882	113	8,104
Subtotal	39,013	33,397	358,477
Proceeds from subsidy income	579	1,587	5,320
Settlement payment	(106)	—	(974)
Loss on return of subsidies	(238)	—	(2,187)
Interest and dividends income received	594	718	5,458
Interest expenses paid	(1,097)	(1,031)	(10,080)
Income tax paid	(7,646)	(7,649)	(70,256)
Net cash provided by operating activities	31,099	27,022	285,758
Cash flows from investing activities:			
Payments into time deposits	(2,738)	(3,596)	(25,159)
Proceeds from withdrawal of time deposits	3,934	2,413	36,148
Payments for purchases of fixed assets	(17,449)	(24,376)	(160,332)
Proceeds from sales of fixed assets	1,182	14,095	10,861
Payments for purchases of investment securities	—	(116)	—
Proceeds from sales of investment securities	—	378	—
Payments for purchase of shares of newly consolidated subsidiaries	—	(1,380)	—
Payments for purchases of non-consolidated subsidiaries	—	(1,296)	—
Payments for guarantee deposits	(2,043)	(1,576)	(18,772)
Other	(916)	(316)	(8,417)
Net cash used in investing activities	(18,030)	(15,770)	(165,671)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	212	(5,332)	1,948
Proceeds from long-term debt	5,210	7,711	47,873
Repayment of long-term debt	(6,978)	(9,865)	(64,118)
Repayments of finance lease obligations	(3,925)	(3,871)	(36,065)
Proceeds from issuing shares to non-controlling shareholders	803	2,305	7,378
Payments for purchase of shares of usual consolidated subsidiaries	(152)	(170)	(1,397)
Dividends paid	(3,964)	(3,659)	(36,424)
Other	(362)	(343)	(3,326)
Net cash provided by (used in) financing activities	(9,156)	(13,224)	(84,131)
Effect of exchange rate changes on cash and cash equivalents	46	(116)	422
Net increase (decrease) in cash and cash equivalents	3,959	(2,088)	36,378
Cash and cash equivalents at beginning of year	22,802	23,796	209,519
Net increase in cash and cash equivalents of newly consolidated subsidiaries	315	1,094	2,894
Net increase in cash due to merger non-consolidated subsidiaries	67	—	616
Cash and cash equivalents at end of year	¥ 27,143	¥ 22,802	\$ 249,407

See the accompanying notes to the consolidated financial statements.

01 | Basis of Presenting Consolidated Financial Statements

SENKO Group Holdings Co., Ltd. (the “Company”) and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japan Companies Act and the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in several respects as to the accounting and disclosure requirements of International Accounting Standards.

The Company’s foreign subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the “Companies”) which were filed with the Director of Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the exchange rate prevailing at March 31, 2020, which was ¥108.83 to US\$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S.dollars at this or any other rate of exchange.

02 | Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions are eliminated.

Non-consolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidation with the Companies.

The investments in other insignificant unconsolidated subsidiaries and affiliates are stated at cost.

(b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities of three months or less.

(c) Investment Securities

Investment securities are classified and accounted for, depending on management’s intent.

Marketable other securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets.

Non-marketable other securities are stated at cost.

The cost of other securities sold is determined by the moving-average method.

The Companies classified all securities as other securities.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies’ past credit loss experience or an evaluation of potential losses in the receivables outstanding.

(e) Inventories

Purchased goods are stated principally at cost determined by the moving-average method (with book values written down on the balance sheets based on decreased profitability of assets). Finished goods, real estate for sale and work in process are stated principally at cost determined by the specific method (with book values written down on the balance sheets based on decreased profitability of assets). Raw materials are stated at cost determined by the last purchase cost method (with book values written down on the balance sheets based on decreased profitability of assets). Supplies are principally stated at cost determined by the moving-average method (with book values written down on the balance sheets based on decreased profitability of assets).

(f) Property and Equipment and Depreciation (Except for Leased Assets)

Property and equipment are stated at cost. Depreciation is computed on the straight-line method for the buildings (including fixtures attached to the buildings), structures and vehicles, and on the declining-balance method for the others, on the estimated useful lives of assets.

The principal estimated useful lives are as follows:

Buildings and structures	2 to 60 years	Machinery and equipment	2 to 17 years
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(g) Leased Assets

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees are accounted for in a similar way to purchases and depreciation for lease assets is computed under the straight-line method with zero residual value over the lease term.

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees, which commenced in fiscal years beginning prior to April 1, 2008, are accounted for in a similar way to operating leases.

(h) Accounting for significant deferred assets

Method and period for amortization of business commencement expenses

Business commencement expenses are amortized by the straight-line method over 5 years.

(i) Retirement Benefits

The Company and certain consolidated subsidiaries have retirement benefit plans for their employees that consist of funded and unfunded defined benefit pension plans and a defined contribution pension plan.

Under the defined benefit pension plans (all of which are funded benefit plans), lump-sum benefits or pensions are paid based on salary and the length of service. The Company has set up a retirement benefit trust scheme for certain defined benefit pension plans.

Under the retirement lump-sum plans (though the plans are basically unfunded, some were turned into funded plans after the setting up of a retirement benefit trust scheme), lump-sum benefits are paid based on salary and length of service.

Net defined benefit liabilities have been provided for employees' retirement benefits, based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the balance sheet date.

Actuarial gains and losses are amortized by the straight-line method over a period of 9 years, which is within the estimated average remaining years of service of the Companies' employees. The amortization of such gains and losses is recognized effective the year subsequent to the year in which they are incurred.

Certain consolidated subsidiaries also have a severance indemnity plan for directors and corporate auditors, whose accrued severance indemnities are stated at 100% of the amount which is computed according to internal rules.

(j) Income Taxes

Deferred income taxes are recognized by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are determined based on difference of between financial reporting and the tax basis of the assets and liabilities, and are measured using the enacted tax rate and laws that will be in effect when the differences are expected to reverse.

(k) Goodwill

Goodwill amortized over a period of 5 years by the straight-line method. If the economic useful life can be estimated, the useful life is used as the amortization period.

(l) Derivatives and hedge accounting

The Company and consolidated subsidiaries state derivative financial instruments at market value and recognize changes in the market value as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and consolidated subsidiaries defer recognition of gain or loss resulting from changes in the market value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, when forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(m) Per Share Information

Basic net income per share is computed on the basis of the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share is computed on the basis of the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds and exercise of stock acquisition rights.

Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.

(n) Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. Revenue and expenses are translated at the rate of exchange prevailing when transactions are made.

Foreign currency financial statements amounts of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate for prevailing at the respective balance sheet dates of those subsidiaries for assets and liabilities, and at the historical exchange rate for net assets.

All income and expense amounts are translated at the average rate of exchange during the fiscal year of those subsidiaries.

The resulting translation adjustments are included in net assets as translation adjustments.

03 | Accounting Standard, etc., Issued but Not Yet Adopted

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)
- Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have jointly developed a comprehensive

accounting standard for revenue recognition. This standard, issued in May 2014, is called Revenue from Contracts with Customers (IFRS 15 for the IASB and Topic 606 for the FASB). In recognition of the application of IFRS 15 for fiscal years beginning after January 1, 2018, and the application of Topic 606 for fiscal years beginning after December 15, 2017, the Accounting Standards Board of Japan has developed and issued a comprehensive accounting standard and guidance for revenue recognition.

The basic approach of the Accounting Standards Board of Japan when developing the revenue recognition accounting standard was to set out an accounting standard that adopted as its starting point the basic principles of IFRS 15 from the perspective of comparability of financial statements, one of the benefits of working to achieve consistency with IFRS 15. In addition, in cases where there are items that must be taken into consideration, such as the way business has been conducted in the past in Japan, etc., this standard proposes additional substitute treatments, provided that they do not affect comparability.

(2) Planned application date

Application of these accounting standards is to start from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the above accounting standard, etc.

The financial impact on the consolidated financial statements of applying the Accounting Standard for Revenue Recognition and other standards is currently under evaluation.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Statement No. 19, March 31, 2020)

(1) Outline

The IASB and FASB issued very similar detailed guidance on the measurement of fair value, issued as International Financial Reporting Standards (IFRS) 13 Fair Value Measurement, and by FASB as Topic 820 (Fair Value Measurement) of the Accounting Standards Codification. Accordingly, the Accounting Standards Board of Japan took steps to ensure that the Japanese standard was consistent with international standards, and issued Accounting Standard for Fair Value Measurement, a standard primarily concerned with guidance and disclosure in relation to the fair value of financial instruments.

The basic approach of the Accounting Standards Board of Japan when developing the fair value measurement accounting standard was, in effect, to adopt all of the prescriptions of IFRS 13 and to use a unified method of measurement from the perspective of improving comparability of financial statements between companies in Japan and overseas. In addition, in cases where there are items that must be taken into consideration, such as the way business has been conducted in the past in Japan, etc., the standard sets out other treatments for individual items, provided that they do not affect comparability.

(2) Planned application date

Application of these accounting standards is to start from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the above accounting standard, etc.

The financial impact on the consolidated financial statements of applying Accounting Standard for Fair Value Measurement and other standards has yet to be finalized.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Outline

There is a requirement for the disclosure of "sources of estimation uncertainty" under paragraph 125 of International Accounting Standards 1, (IAS 1) published in 2003 by the IASB. Because this information has value to readers of the financial statements, there have been requests to consider disclosing these sources under Japanese standards as information in explanatory notes. For this reason, the Accounting Standards Board of Japan has developed and published the Accounting Standard for Disclosure of Accounting Estimates.

The basic approach taken by the Accounting Standards Board of Japan during the development of this standard was, rather than expanding individual notes, to state the general principle (disclosure objectives), and then to allow the company to make a decision on the specific content to be disclosed after comparing it with the disclosure objectives. During development, the Accounting Standards Board of Japan referred to the provisions of paragraph 125 of IAS 1.

(2) Planned application date

Application of these accounting standards is to start from the end of the fiscal year ending March 31, 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(1) Outline

Having been presented with the argument that consideration should be given to enriching the information in the explanatory notes in relation to "the principles and procedures for accounting treatments adopted in cases where the provisions of relevant accounting standards are not clear," the Accounting Standards Board of Japan performed the necessary revisions, and published this as an accounting standard for accounting policy disclosures, accounting changes, and error corrections.

In addition, to clarify the information in the explanatory notes related to "the principles and procedures for accounting treatments adopted in cases

where the provisions of relevant accounting standards are not clear,” and in order to avoid affecting business that had been conducted in cases where the provisions of relevant accounting standards are clear, it is assumed to inherit the provisions of Notes to Corporate Accounting Principles (Note 1 – 2).

(2) Planned application date

Application of these accounting standards is to start from the end of the fiscal year ending March 31, 2021.

04 | Changes in accounting estimates

(Change in the number of years used for amortization of actuarial differences relating to the accounting treatment of retirement benefits)

Previously, the number of years used for amortization of actuarial differences relating to the accounting treatment of retirement benefits had been set at a certain number of years that was less than the average remaining years of service for employees (mostly 10 years). However, because the average remaining years of service fell below this level, in the fiscal year under review the Company began to use a figure of 9 years for amortization.

To reflect this change, operating profit, ordinary profit and income before income taxes each declined by ¥147 million (\$1,352 thousand), compared with their respective levels before the change in the number of years used for amortization.

05 | Additional Information

(Employee Stock Ownership Plan Trust (ESOP Trust))

(1) Outline of the transaction

The Company introduced the ESOP Trust with the aim of improving the benefit program for employees. In addition, the ESOP Trust will foster a sense of belonging to the Group, creating an awareness of participation in management, and will increase awareness about contributing to improvements in the Group’s medium-to-long term business performance and increasing corporate value through a program that is common across the Group. The ESOP Trust is an incentive plan that delivers the Company’s shares acquired by the Trust to eligible employees who meet certain requirements based on predetermined share distribution rules. As the funds for purchasing the Company’s shares that the Trust acquires are contributed by every eligible company, there is no contribution from eligible employees.

(2) The Company’s own stock remaining in the trusts

The Company’s own stock remaining in the ESOP Trusts is posted as treasury stock under net assets at a book value recorded in the ESOP Trusts (excluding ancillary expenses). The amount and book value of the applicable treasury stock is 348,000 shares valued at ¥284 million (\$2,610 thousand) for the current consolidated fiscal year.

(Officer Remuneration Board Incentive Plan (BIP Trust))

(1) Outline of Transactions

The Company has introduced the Board Incentive Plan Trust (BIP Trust) as an executive officer remuneration plan for directors of the Company and the Group’s subsidiaries (excluding outside directors and non-residents of Japan). This incentive plan is strongly linked to the Group’s financial performance as well as being highly transparent and objective to help increase awareness of contributing to improving the Group’s medium-to-long term business performance and increasing the corporate value. The BIP Trust is a plan that delivers the Company’s shares and/or pays an amount of cash equivalent to the converted value of the Company’s shares to directors based on their position in the company and their financial performance in the same way as the Performance-based Stock Compensation Plan (Performance Share) and the Restricted Stock Compensation Plan (Restricted Stock) in Europe and the United States.

(2) The Company’s own stock remaining in the trusts

The Company’s own stock remaining in the BIP Trusts is posted as treasury stock under net assets at a book value recorded in the BIP Trusts (excluding ancillary expenses). The amount and book value of the applicable treasury stock is 352,000 shares valued at ¥296 million (\$2,720 thousand) for the current consolidated fiscal year.

(Accounting estimates related to the impact of the spread of novel coronavirus infections)

The Group has based impairment accounting of non-current assets, (and accounting estimates of these elements as the recoverability of deferred tax assets), on the information available at the time the consolidated financial statements were created. The impact and the degree of impact from the novel coronavirus infectious disease on the business of the Group has varied based on the business and the region. However, for those businesses affected by declines in operating revenues, etc., accounting estimates have been made on the assumption that the impact will continue for part of the fiscal year ending March 31, 2021.

06 | Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized holdings gain (loss) on securities:			
Amount recognized in the period under review	¥ (800)	¥ (360)	\$ (7,351)
Amount of recycling	(11)	(259)	(101)
Before income tax effect adjustments	(811)	(619)	(7,452)
Amount of income tax effect	251	185	2,306
Net unrealized holdings gain (loss) on securities	(560)	(434)	(5,146)
Gain (loss) on deferred hedges:			
Amount recognized in the period under review	31	87	285
Before income tax effect adjustments	31	87	285
Amount of income tax effect	(10)	(28)	(92)
Gain (loss) on deferred hedges	21	59	193
Translation adjustments:			
Amount recognized in the period under review	199	(294)	1,829
Remeasurements of defined benefit plans:			
Amount recognized in the period under review	(2,534)	(1,814)	(23,284)
Amount of recycling	350	541	3,216
Before income tax effect adjustments	(2,184)	(1,273)	(20,068)
Amount of income tax effect	665	395	6,110
Remeasurements of defined benefit plans	(1,519)	(878)	(13,958)
Total other comprehensive income	¥ (1,859)	¥ (1,547)	\$ (17,082)

07 | Financial Instruments

(a) Status of financial instruments

(1) Policy on financial instruments

The Company and certain of its subsidiaries raise the funds required for capital investment plans for further growth from bank loans and the issuance of bond. The Companies manage any temporary surplus funds using highly stable financial assets. The Companies use derivatives in order to hedge against currency risks associated with merchandise imports as well as interest rate fluctuations risks in loans payable, and do not engage in speculative transactions.

(2) Details of financial instruments, their risks and management systems

Trade accounts and notes receivable, which are operating receivables, are exposed to the credit risk of the customer and the Companies operate systems to manage both payment deadlines and balances for each customer and grasp the credit status of each customer.

Investment securities are mainly the shares of companies with which the Companies have a business relationship and the shares related to capital alliances, and these are exposed to the risk of fluctuations in market prices.

Trade accounts and notes payable, which are operating liabilities, have payment dates of within 1 year.

Trade accounts payable in foreign currencies are exposed to risks of foreign exchange fluctuations. To hedge such fluctuation risks, a consolidated subsidiary has entered into foreign exchange forward contracts.

Short-term loans are fund procurement related mainly to operating transactions. Long-term debt are fund procurement related mainly to capital investment.

Loans with variable interest rate are exposed to the risk of fluctuations in payable interest rates, but the Company conduct interest rate swap transactions in order to hedge the risk of fluctuations in payable interest rates for some long-term debt among variable interest rate loans.

In addition, operating liabilities and loans payable are exposed to liquidity risk, but the Companies implement integrated fund management through the concentration of funds in the Company, which carries out fund settlement, fund procurement, monitoring of balances and fund management for the Companies.

Regarding derivatives, the Companies use foreign exchange forward contracts to hedge against foreign exchange rates fluctuation risks, and interest rate swap transactions aimed at hedging against the risk of future interest rate fluctuations, and also reduce the cost of fund procurement by converting variable interest rate liabilities into fixed interest rate liabilities.

Primary risks pertaining to derivative transactions include market risk and credit risk. Market risk is the risk that the value of an investment position will decrease due to changes in market factors, and a derivative transaction is exposed to foreign exchange and interest rate fluctuation risks. The Companies' derivatives effectively offset the risks of assets and liabilities on the balance sheets, and there were no important transaction risks. Credit risk is the risk that, in the case of default of the other party, the relevant party would become incapable of benefiting from the effect that would have obtained in the future if the transaction had continued. The Companies' derivative transaction partners are limited to financial institutions with high credit ratings and the Companies do not foresee the occurrence of losses due to debt default on the part of transaction partners.

The Company manages derivatives based on authority-related regulations in the Business Management Division. The execution of transactions requires the permission of the director responsible for the management of derivatives and the details of transactions are reported to the general manager of the Business Management Division and the director after their execution.

Consolidated subsidiaries also manage derivatives based on authority-related regulations, as does the Company.

(3) Supplementary explanation of the estimated market values of financial instruments

The market value of financial instruments includes prices based on market prices and reasonably estimated prices if there are no market prices.

Because estimations of the prices incorporate fluctuating factors, application of different assumptions can in some cases change the prices.

(b) Market value of financial instruments

The values on the consolidated balance sheets, market values and the differences between them are as follows. Financial instruments for which apprehension of the market value is recognized to be extremely difficult are not included.

Millions of yen

2020	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 28,479	¥28,479	¥ -
(2) Trade accounts and notes receivable	77,013	77,013	-
(3) Investment securities	5,285	5,285	-
(4) Long-term loans receivable (including current portion)	3,329		
Less allowance for doubtful accounts (*1)	(128)		
	3,201	3,224	23
Total assets	¥ 113,978	¥114,001	¥ 23
(1) Trade accounts and notes payable	¥ 47,545	¥ 47,545	¥ -
(2) Short-term loans	15,091	15,091	-
(3) Bond	17,120	17,036	(84)
(4) Convertible bond	10,020	9,910	(110)
(5) Long-term debt (including current portion)	70,001	69,949	(52)
(6) Lease obligations (including current portion)	17,587	17,200	(387)
Total liabilities	¥ 177,364	¥176,731	¥ (633)
Derivatives (*2)	¥ 33	¥33	¥ -

Millions of yen

2019	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 25,233	¥ 25,233	¥ -
(2) Trade accounts and notes receivable	73,097	73,097	-
(3) Investment securities	6,238	6,238	-
(4) Long-term loans receivable (including current portion)	3,791		
Less allowance for doubtful accounts (*1)	(185)		
	3,606	3,562	(44)
Total assets	¥ 108,174	¥ 108,130	¥(44)
(1) Trade accounts and notes payable	¥ 44,650	¥ 44,650	¥ -
(2) Short-term loans	14,610	14,610	-
(3) Bond	17,168	17,106	(62)
(4) Convertible bond	10,030	9,866	(164)
(5) Long-term debt (including current portion)	71,668	72,440	772
(6) Lease obligations (including current portion)	13,682	13,539	(143)
Total liabilities	¥ 171,808	¥ 172,211	¥ 403
Derivatives (*2)	¥ 1	¥ 1	¥ -

2020	Book value	Market value	Difference
(1) Cash and cash equivalents	\$ 261,683	\$ 261,683	\$ –
(2) Trade accounts and notes receivable	707,645	707,645	–
(3) Investment securities	48,562	48,562	–
(4) Long-term loans receivable (including current portion)	30,589		
Less allowance for doubtful accounts ^(*)	(1,176)		
	29,413	29,624	211
Total assets	\$ 1,047,303	\$ 1,047,514	\$ 211
(1) Trade accounts and notes payable	\$ 436,874	\$ 436,874	\$ –
(2) Short-term loans	138,666	138,666	–
(3) Bond	157,309	156,538	(771)
(4) Convertible bond	92,070	91,059	(1,011)
(5) Long-term debt (including current portion)	643,214	642,736	(478)
(6) Lease obligations (including current portion)	161,601	158,045	(3,556)
Total liabilities	\$ 1,629,734	\$ 1,623,918	\$ (5,816)
Derivatives ^(**)	\$ 303	\$ 303	\$ –

*1. Allowance for doubtful accounts recognized in long-term loans receivable is offset.

*2. "Derivatives" shows net receivables and liabilities generated by derivative transactions, with net liabilities shown in parentheses.

Calculation of the market value of financial instruments and items relating to investment securities and derivatives

● Assets

(1) Cash and cash equivalents, (2) Trade accounts and notes receivable

Because these are settled in a short period of time and market values are roughly equivalent to book values, market value are calculated based on book values.

(3) Investment securities

The market values of shares are based on stock exchange prices and the market values of bond are based on stock exchange prices and the prices offered by correspondent financial institutions. With regard to details of the investment securities by purpose, please see "Note 7"

(4) Long-term loans receivable

The market values of long-term loans receivable are calculated based on the current value discounting future cash flow by a rate adding credit risk to appropriate indices such as the yield on government bond.

● Liabilities

(1) Trade accounts and notes payable, (2) Short-term loans

Because these are settled in a short period of time and market values are roughly equivalent to book values, market values are calculated based on the book values.

(3) Bond, (4) Convertible bond

The market values of bond issued by the Company are calculated based on the current value discounting the total value of principal and interest by a rate adding the remaining period of the bond in question and credit risk.

(5) Long-term debt

The market values of long-term debt are calculated based on the current value discounting the total value of principal and interest by a rate envisioned if a new loan of the same value was taken out. Long-term debt based on variable interest rates are subject to special processing using interest rate swaps, and are calculated based on the current value discounting the total value of principal and interest processed as a unit with the relevant interest rate swaps by a rate estimated rationally and applied if a loan of the same value was taken out.

(6) Lease obligations

The market values of lease obligations are calculated based on the current value discounting the total value of principal and interest by a rate envisioned if a new loan of the same value was taken out.

● Derivatives

See "Note 9"

Financial instruments for which it is extremely difficult to determine market value

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted shares	¥ 12,378	¥ 14,023	\$ 113,737

The financial instruments listed above are not included in "(3) Investment securities," as there is no market price and determination of their market value is extremely difficult.

(c) Planned redemption amounts after the balance sheets date for monetary assets and investment securities with maturity dates

Millions of yen

2020	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	¥ 28,479	¥ –	¥ –	¥ –
Trade accounts and notes receivable	77,013	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	–	–	–
(2) Bond	–	–	–	–
(3) Other	–	–	–	–
Long-term loans receivable	89	1,803	1,217	220
Total	¥ 105,581	¥ 1,803	¥ 1,217	¥ 220

Millions of yen

2019	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	¥ 25,233	¥ –	¥ –	¥ –
Trade accounts and notes receivable	73,097	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	–	–	–
(2) Bond	–	16	–	–
(3) Other	–	–	–	–
Long-term loans receivable	96	2,535	925	235
Total	¥ 98,426	¥ 2,551	¥ 925	¥ 235

Thousands of U.S.dollars

2020	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	\$ 261,683	\$ –	\$ –	\$ –
Trade accounts and notes receivable	707,645	–	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	–	–	–	–
(2) Bond	–	–	–	–
(3) Other	–	–	–	–
Long-term loans receivable	818	16,567	11,182	2,022
Total	\$ 970,146	\$ 16,567	\$ 11,182	\$ 2,022

08 | Investment Securities

The carrying amounts of investment securities at March 31, 2020 and 2019, consisted of the following:

Thousands of
U.S. dollars

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Marketable securities	¥ 5,285	¥ 6,238	\$ 48,562
Non-marketable securities	479	413	4,401
	¥ 5,764	¥ 6,651	\$ 52,963

The following is a summary of marketable securities included in investment securities, at March 31, 2020 and 2019.

Millions of yen

2020	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 3,337	¥ 2,191	¥ 401	¥ 5,127
Bond and Others	186	–	28	158
	¥ 3,523	¥ 2,191	¥ 429	¥ 5,285

Millions of yen

2019	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 3,530	¥ 2,644	¥ 102	¥ 6,072
Bond and Others	169	–	3	166
	¥ 3,699	¥ 2,644	¥ 105	¥ 6,238

Thousands of U.S.dollars

2020	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	\$ 30,663	\$ 20,132	\$ 3,685	\$ 47,110
Bond and Others	1,709	–	257	1,452
	\$ 32,372	\$ 20,132	\$ 3,942	\$ 48,562

09 | Derivatives

1. Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency transactions

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2020		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Sell				
	U.S. dollar	Trade accounts receivable	¥ 0	¥ –	¥ 0
	Buy				
	U.S. dollar	Trade accounts payable	¥ 2,239	¥ –	¥ 37
	Euro	Trade accounts payable	754	–	(10)
	Chinese yuan	Trade accounts payable	237	–	(3)
	Danish krone	Trade accounts payable	2	–	0
	New Zealand dollar	Trade accounts payable	1	–	0
British pound	Trade accounts payable	0	–	0	
	Total		¥ 3,233	¥ –	¥ 24

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2019		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Buy				
	U.S. dollar	Trade accounts payable	¥ 2,459	¥ –	¥ 11
	Euro	Trade accounts payable	379	–	(13)
	Chinese yuan	Trade accounts payable	277	–	3
	Danish krone	Trade accounts payable	6	–	(0)
Australian dollar	Trade accounts payable	4	–	0	
	Total		¥ 3,125	¥ –	¥ 1

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2020		
			Contract amounts	Over 1 year out of contract amounts	Market value
Designated transactions for forward exchange contracts	Forward exchange contracts				
	Sell				
	U.S. dollar	Trade accounts receivable	\$ 0	\$ –	\$ 0
	Buy				
	U.S. dollar	Trade accounts payable	\$ 20,573	\$ –	\$ 340
	Euro	Trade accounts payable	6,928	–	(92)
	Chinese yuan	Trade accounts payable	2,178	–	(27)
	Danish krone	Trade accounts payable	19	–	0
New Zealand dollar	Trade accounts payable	9	–	0	
British pound	Trade accounts payable	0	–	0	
Total			\$ 29,707	\$ –	\$ 221

Market value is measured based on prices and other criteria presented by our correspondent financial institutions.

(2) Interest rate swaps

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2020		
			Contract amounts	Over 1 year out of contract amounts	Market value
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	¥ 17,000	¥ 6,700	¥ –

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2019		
			Contract amounts	Over 1 year out of contract amounts	Market value
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	¥ 17,450	¥ 17,000	¥ –

Thousands of U.S.dollars

Hedge accounting method	Type of contracts	Item hedged	2020		
			Contract amounts	Over 1 year out of contract amounts	Market value
Exceptional accounting method for interest-rate swap transactions	Interest rate swap contracts Floating rate receivable/ Fixed rate payable	Long-term debt	\$ 156,207	\$ 61,564	\$ –

10 | Property and Equipment

At March 31, 2020 and 2019, property and equipment at cost consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥ 61,669	¥ 59,670	\$ 566,655
Buildings and structures	145,107	142,722	1,333,336
Machinery and equipment, vehicle and vessels	67,912	62,544	624,019
Tools, furniture and fixtures	9,334	8,398	85,767
Construction in Progress	6,294	4,309	57,833
Lease assets	19,245	16,876	176,836
	¥ 309,561	¥ 294,519	\$ 2,844,446

11 | Short-term Loans and Long-term Debt

At March 31, 2020 and 2019, short-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
0.24% to 3.22% unsecured loans from banks	¥ 15,091	¥ 14,610	\$ 138,666

At March 31, 2020 and 2019, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
0.50% bond due 2021	¥ 7,000	¥ 7,000	\$ 64,320
0.10% bond due 2022	120	168	1,102
0.48% bond due 2027	10,000	10,000	91,886
Convertible bond due 2022	10,020	10,030	92,070
0.20% to 2.78% loans from banks and insurance companies:			
Unsecured	70,001	71,668	643,216
	97,141	98,866	892,594
Less current portion	(14,210)	(7,019)	(130,571)
	¥ 82,931	¥ 91,847	\$ 762,023

On March 28, 2017, the Company issued ¥10,050 million (\$92,346 thousand) of zero coupon convertible bond with stock acquisition rights due in 2022. The stock acquisition rights are exercisable during the period from March 14, 2022 at a conversion price of ¥930 (\$8.55) per share.

The annual maturities of long-term debt at March 31, 2020 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 14,210	\$ 130,571
2022	20,062	184,343
2023	10,655	97,905
2024	9,534	87,604
2025	10,858	99,770
There after	31,822	292,401

At March 31, 2020, the Company has committed line and overdraft contracts with 25 banks aggregating ¥49,765 million (\$457,273 thousand).

Of the total credit limit, ¥14,750 million (\$135,533 thousand) was used as the above short-term and long-term borrowing, and the rest ¥35,015 million (\$321,740 thousand) was unused.

12 | Retirement Benefits

(1) Defined benefit plan

a. Table for adjusting benefits obligation at the beginning and end of the year

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Benefits obligation at the beginning of the year	¥ 25,439	¥ 25,624	\$ 233,750
Service cost	1,076	1,046	9,887
Interest cost	55	88	505
Accrued actuarial differences	137	536	1,259
Retirement benefits paid	(1,814)	(1,849)	(16,668)
Decrease on termination of retirement benefit plan	(277)	—	(2,545)
Others	(27)	(6)	(248)
Benefits obligation at the end of the year	¥ 24,589	¥ 25,439	\$ 225,940

b. Table for adjusting fair value of plan assets at the beginning and end of the year

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Fair value of plan assets at the beginning of the year	¥ 21,557	¥ 22,381	\$ 198,080
Expected return on plan assets	539	671	4,953
Accrued actuarial differences	(2,373)	(1,278)	(21,805)
Contribution by employers	578	520	5,311
Retirement benefits paid	(678)	(737)	(6,230)
Fair value of plan assets at the end of the year	¥ 19,623	¥ 21,557	\$ 180,309

c. Table for adjusting benefits obligation, fair value of plan assets at the end of the year, and net defined benefit liabilities and net defined benefit assets on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Benefits obligation under the funded benefit plan	¥ 18,970	¥ 19,656	\$ 174,309
Fair value of plan assets	(19,623)	(21,557)	(180,309)
	(653)	(1,901)	(6,000)
Benefits obligation under the unfunded benefit plan	5,619	5,783	51,631
Net amounts of assets and liabilities on the consolidated balance sheets	4,966	3,882	45,631
Net defined benefit assets	2,094	3,089	19,241
Net defined benefit liabilities	7,060	6,971	64,872
Net amounts of assets and liabilities on the consolidated balance sheets	¥ 4,966	¥ 3,882	\$ 45,631

d. Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 1,076	¥ 1,046	\$ 9,887
Interest cost	55	88	505
Expected return on plan assets	(539)	(671)	(4,953)
Recognized actuarial differences	340	541	3,124
Retirement benefit costs for the defined benefit plan	¥ 932	¥ 1,004	\$ 8,563
Gain on termination of retirement benefit plan	(46)	—	(423)

e. Remeasurements of defined benefit plans (Other Comprehensive Income)

The breakdown of items posted as re-measurement of defined benefit plans (before tax effect deduction) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Recognized actuarial differences	¥ (2,184)	¥ (1,273)	\$ (20,068)
Total	(2,184)	(1,273)	(20,068)

f. Remeasurements of defined benefit plans (Accumulated Other Comprehensive Income)

The breakdown of items posted as re-measurement of defined benefit plans (before tax effect deduction) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥ (3,617)	¥ (1,433)	\$ (33,235)
Total	(3,617)	(1,433)	(33,235)

g. Items concerning plan assets

(i) Main items of plan assets

	2020	2019
Bonds	28%	26%
Stocks	51%	55%
Others	21%	19%
Total	100%	100%

(Note) 40% and 43% of total pension assets are in a "Retirements Benefit Trust" for the defined benefit pension plans as of March 31, 2020 and 2019, respectively.

(ii) Method of setting the expected rate of long-term return on plan assets

The Company has taken into account a forecasted allocation of plan assets and the present and expected long-term return on various assets that consist of the plan assets to determine the expected rate of long-term return on plan assets.

h. Items concerning the essential basis for actuarial calculation

	2020	2019
Discount rate		
Defined benefit pension plans	0.31%	0.33%
Retirements lump-sum plans	0.14%	0.12%
Expected rate of return on plan assets	2.50%	3.00%

(2) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Contributions to defined contribution plan by the Company and its consolidated subsidiaries	¥ 980	¥ 806	\$ 9,005

13 | Pledged Assets

The following assets were pledged as collateral as at March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥ 3,904	¥ 6,670	\$ 35,872
Buildings	1,650	2,253	15,161
Structures	20	23	184
Ship	1,249	1,351	11,477
Investment securities	—	10	—
Others	10	—	92
	¥ 6,833	¥ 10,307	\$ 62,786

Obligations which were secured on the above assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term debt, including current portion	¥ 4,954	¥ 5,575	\$ 45,521

14 | Contingent Liabilities

At March 31, 2020 and 2019, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Guarantees of some obligations	¥ 77	¥ 782	\$ 707
Buyback obligations associated with securitization of receivables	448	369	4,116
Recourse obligation associated with securitization of guarantee deposits	25	83	230
Trade notes endorsed	94	112	864
	¥ 644	¥ 1,346	\$ 5,917

15 | Net Assets

The Japan Companies Act provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until such reserve and additional paid-in capital equals 25% of the common stock account. The Japan Companies Act also stipulates that, on condition that the sum of the additional paid-in capital and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The retained earnings account in the accompanying consolidated financial statements at March 31, 2020, included the Company's legal reserve of ¥1,506 million (\$13,838 thousand).

16 | Stock Option Plans

The stock option plans of the Company approved by the shareholders in accordance with the Japan Companies Act at March 31, 2020 were as follows:

(1) Description of stock options

Stock option	Grantees	Number of shares with warrants granted	Date of grant	Option price per warrant	Shares with warrants granted	Exercise period
2007 Stock options (1st)	10 directors 3 auditors	61,000 shares	July 20, 2007	¥ 1	Common stock	July 21, 2007-June 30, 2027
2007 Stock options (2nd)	9 operating officers	18,000 shares	July 20, 2007	¥ 1	Common stock	July 21, 2007-June 30, 2027
2008 Stock options (4th)	10 directors 3 auditors	71,000 shares	July 1, 2008	¥ 1	Common stock	July 2, 2008-June 30, 2028
2008 Stock options (5th)	10 operating officers	22,000 shares	July 1, 2008	¥ 1	Common stock	July 2, 2008-June 30, 2028
2009 Stock options (6th)	11 directors 4 auditors	74,000 shares	July 1, 2009	¥ 1	Common stock	July 2, 2009-June 30, 2029
2009 Stock options (7th)	12 operating officers	27,000 shares	July 1, 2009	¥ 1	Common stock	July 2, 2009-June 30, 2029
2010 Stock options (8th)	11 directors 4 auditors	90,000 shares	July 1, 2010	¥ 1	Common stock	July 2, 2010-June 30, 2030
2010 Stock options (9th)	13 operating officers 13 assistant directors	42,000 shares	July 1, 2010	¥ 1	Common stock	July 2, 2010-June 30, 2040
2011 Stock options (10th)	12 directors 4 auditors	102,000 shares	July 1, 2011	¥ 1	Common stock	July 2, 2011-June 30, 2031
2011 Stock options (11th)	15 operating officers 20 assistant directors	96,000 shares	July 1, 2011	¥ 1	Common stock	July 2, 2011-June 30, 2041
2012 Stock options (12th)	12 directors 4 auditors	107,000 shares	July 2, 2012	¥ 1	Common stock	July 3, 2012-June 30, 2032
2012 Stock options (13th)	16 operating officers 22 assistant directors	92,000 shares	July 2, 2012	¥ 1	Common stock	July 3, 2012-June 30, 2042
2013 Stock options (15th)	12 directors 4 auditors	71,000 shares	July 1, 2013	¥ 1	Common stock	July 2, 2013-June 30, 2033
2013 Stock options (16th)	18 operating officers 26 assistant directors	82,000 shares	July 1, 2013	¥ 1	Common stock	July 2, 2013-June 30, 2043
2014 Stock options (18th)	12 directors 4 auditors	56,000 shares	July 1, 2014	¥ 1	Common stock	July 2, 2014-June 30, 2034
2014 Stock options (19th)	18 operating officers 32 assistant directors	74,000 shares	July 1, 2014	¥ 1	Common stock	July 2, 2014-June 30, 2044
2015 Stock options (20th)	12 directors 4 auditors	52,000 shares	July 1, 2015	¥ 1	Common stock	July 2, 2015-June 30, 2035
2015 Stock options (21st)	20 operating officers 30 assistant directors	60,000 shares	July 1, 2015	¥ 1	Common stock	July 2, 2015-June 30, 2045
2016 Stock options (22nd)	10 directors 4 auditors	35,000 shares	July 1, 2016	¥ 1	Common stock	July 2, 2016-June 30, 2036
2016 Stock options (23rd)	23 operating officers 15 assistant directors	43,000 shares	July 1, 2016	¥ 1	Common stock	July 2, 2016-June 30, 2046
2017 Stock options (25th)	6 directors 4 auditors	21,000 shares	July 3, 2017	¥ 1	Common stock	July 4, 2017-June 30, 2037
2017 Stock options (26th)	2 operating officers 4 assistant directors 9 executives of the subsidiaries 23 operating officers of the subsidiaries 20 assistant directors of the subsidiaries	77,000 shares	July 3, 2017	¥ 1	Common stock	July 4, 2017-June 30, 2047
2018 Stock options (27th)	7 directors 4 auditors	19,000 shares	July 2, 2018	¥ 1	Common stock	July 3, 2018-June 30, 2038
2018 Stock options (28th)	1 operating officers 4 assistant directors 9 executives of the subsidiaries 24 operating officers of the subsidiaries 24 assistant directors of the subsidiaries	83,000 shares	July 2, 2018	¥ 1	Common stock	July 3, 2018-June 30, 2048
2019 Stock options (29th)	10 directors 3 auditors	24,000 shares	July 1, 2019	¥ 1	Common stock	July 2, 2019-June 30, 2039
2019 Stock options (29th)	5 operating officers 3 assistant directors 6 executives of the subsidiaries 18 operating officers of the subsidiaries 21 assistant directors of the subsidiaries	61,000 shares	July 1, 2019	¥ 1	Common stock	July 2, 2019-June 30, 2049

(2) Changes in the number of stock options

The following describes changes in the number of stock options that existed during the year ended March 31, 2020. The number of stock options is translated into the number of shares.

Stock option	Share subscription rights which are not yet vested (shares):					Share subscription rights which have already been vested (shares):				
	At March 31, 2019	Granted	Forfeited	Vested	At March 31, 2020	At March 31, 2019	Vested	Exercised	Forfeited	At March 31, 2020
2007 Stock options (1st)	-	-	-	-	-	24,000	-	5,000	-	19,000
2007 Stock options (2nd)	-	-	-	-	-	4,000	-	-	-	4,000
2008 Stock options (4th)	-	-	-	-	-	27,000	-	5,000	-	22,000
2008 Stock options (5th)	-	-	-	-	-	4,000	-	-	-	4,000
2009 Stock options (6th)	-	-	-	-	-	30,000	-	5,000	-	25,000
2009 Stock options (7th)	-	-	-	-	-	15,000	-	-	-	15,000
2010 Stock options (8th)	-	-	-	-	-	35,000	-	6,000	-	29,000
2010 Stock options (9th)	-	-	-	-	-	25,000	-	1,000	-	24,000
2011 Stock options (10th)	-	-	-	-	-	56,000	-	15,000	-	41,000
2011 Stock options (11th)	-	-	-	-	-	69,000	-	3,000	-	66,000
2012 Stock options (12th)	-	-	-	-	-	59,000	-	16,000	-	43,000
2012 Stock options (13th)	-	-	-	-	-	73,000	-	2,000	-	71,000
2013 Stock options (15th)	-	-	-	-	-	54,000	-	15,000	-	39,000
2013 Stock options (16th)	-	-	-	-	-	71,000	-	4,000	-	67,000
2014 Stock options (18th)	-	-	-	-	-	43,000	-	11,000	-	32,000
2014 Stock options (19th)	-	-	-	-	-	67,000	-	3,000	-	64,000
2015 Stock options (20th)	-	-	-	-	-	49,000	-	12,000	-	37,000
2015 Stock options (21st)	-	-	-	-	-	59,000	-	3,000	-	56,000
2016 Stock options (22nd)	-	-	-	-	-	32,000	-	6,000	-	26,000
2016 Stock options (23rd)	-	-	-	-	-	41,000	-	3,000	-	38,000
2017 Stock options (25th)	-	-	-	-	-	21,000	-	4,000	-	17,000
2017 Stock options (26th)	-	-	-	-	-	75,000	-	1,000	-	74,000
2018 Stock options (27th)	-	-	-	-	-	19,000	-	3,000	-	16,000
2018 Stock options (28th)	-	-	-	-	-	83,000	-	1,000	-	82,000
2019 Stock options (29th)	-	24,000	-	24,000	-	-	24,000	-	-	24,000
2019 Stock options (30th)	-	61,000	-	61,000	-	-	61,000	-	-	61,000

17 | Income Taxes

The Company and its subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a normal effective statutory tax rates of approximately 30.6 % for the years ended March 31, 2020 and 30.6 % for the years ended March 31, 2019.

(1) Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liabilities	¥ 3,214	¥ 2,800	\$ 29,532
Accrued bonuses to employees	2,035	1,700	18,699
Loss carry forward	469	416	4,309
Impairment losses	691	642	6,349
Accrued enterprise tax	301	310	2,766
Social insurance premium	297	239	2,729
Asset retirement obligations	363	317	3,335
Loss on revaluation of golf club membership	115	159	1,057
Other	1,749	1,910	16,071
Gross deferred tax assets	9,234	8,493	84,847
Less: valuation allowance	(1,365)	(1,272)	(12,542)
Total deferred tax assets	7,869	7,221	72,305
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(733)	(739)	(6,735)
Asset retirement obligations	(130)	(110)	(1,195)
Net unrealized holdings gain on other securities	(545)	(795)	(5,008)
Other	(767)	(697)	(7,047)
Gross deferred tax liabilities	(2,175)	(2,341)	(19,985)
Net deferred tax assets	¥ 5,694	¥ 4,880	\$ 52,320

(2) Reconciliation of the statutory effective income tax rate and the income tax rate as a percentage of income before income taxes and non-controlling interests at March 31, 2020 and 2019 were as follows:

	2020	2019
Statutory tax rate	30.6%	30.6%
Adjustment:		
Non-deductible expenses	1.9	1.7
Inhabitants' per capita taxes	1.5	1.5
Non-taxable dividends income	(1.7)	(0.4)
Special deduction of income taxes	(0.0)	(0.1)
Changes in valuation allowance	0.1	(0.1)
Other	3.8	2.8
Income tax rate as a percentage of income before income taxes and non-controlling interests	36.2%	36.0%

18 | Asset Retirement Obligations

1. Asset retirement obligations recorded in the consolidated balance sheets

a. Outline of the relevant asset retirement obligations

Of property lease contracts for the Company's distribution centers, asset retirement obligations are recognized where restoration is required in the fixed-term leasehold contracts and in the property lease contracts of some consolidated subsidiaries as well as expenses for removing asbestos in buildings the Company owns.

b. Calculation method for the relevant asset retirement obligations

In calculating the amount of asset retirement obligations recorded under liabilities, an estimated period of use of 3 to 30 years and a discount rate generally set between 0.0% and 2.5% were assumed.

c. Increase in the total amount of asset retirement obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the term	¥ 1,011	¥ 819	\$ 9,290
Increase due to acquisition of a consolidated subsidiary	—	22	—
Increase due to acquisition of fixed assets	159	156	1,461
Increase in amount as a result of changes in accounting estimates (related to asset retirement obligations)	1	—	9
Reconciliation associated with the passage of time	14	14	129
Decrease due to settlement	(40)	—	(368)
Balance at the end of the term	¥ 1,145	¥ 1,011	\$ 10,521

2. Asset retirement obligations not recorded in the consolidated balance sheets

The Group has restoration obligations to the original state at the withdrawal for some offices used on lease agreements. Since the use period of the leased asset pertaining to the obligations is unclear and transfer is not scheduled at present, asset retirement obligations cannot be measured reasonably. Therefore, asset retirement obligations corresponding to the obligations have not been recorded.

19 | Segment Information

1. Summary of reportable segment

The reportable segments of the Companies are components for which separate financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies divide business operations into three segments: Distribution, Trading & Commerce, and Others

Distribution mainly includes truck transport, railway forwarding, marine transport, global logistics service, integrated retail logistics (distribution centers) etc.

Trading & Commerce mainly includes the sale of petroleum products and the trading business.

Others mainly includes data processing outsourcing services, automobile maintenance and insurance agency services

2. Calculation of sales, income (loss), and assets, etc. of each reportable segment

The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies."

Income (loss) of reportable segments is based on operating income or loss.

3. Sales, income (loss), and assets, etc. of each reportable segment

Millions of yen

	2020					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 392,727	¥ 161,315	¥ 15,988	¥ 570,030	¥ –	¥ 570,030
Intersegment	2,510	12,033	9,797	24,340	(24,340)	–
Total operating revenues	395,237	173,348	25,785	594,370	(24,340)	570,030
Segment income (loss)	17,848	2,120	1,419	21,387	(730)	20,657
Segment assets	278,028	50,409	18,908	347,345	8,964	356,309
Other items						
Depreciation	13,436	262	873	14,571	994	15,565
Impairment loss	183	–	28	211	–	211
Increase in tangible and intangible fixed assets	22,693	288	1,812	24,793	2,319	27,112

Millions of yen

	2019					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 375,385	¥ 142,294	¥ 11,930	¥ 529,609	¥ –	¥ 529,609
Intersegment	2,722	11,853	10,368	24,943	(24,943)	–
Total operating revenues	378,107	154,147	22,298	554,552	(24,943)	529,609
Segment income (loss)	16,211	2,280	1,680	20,171	(539)	19,632
Segment assets	265,087	46,863	21,061	333,011	7,480	340,491
Other items						
Depreciation	11,777	250	686	12,713	892	13,605
Impairment loss	32	–	–	32	–	32
Increase in tangible and intangible fixed assets	42,145	208	2,072	44,425	775	45,200

Thousands of U.S. dollars

	2020					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	\$ 3,608,628	\$ 1,482,266	\$ 146,908	\$ 5,237,802	\$ –	\$ 5,237,802
Intersegment	23,063	110,567	90,021	223,651	(223,651)	–
Total operating revenues	3,631,691	1,592,833	236,929	5,461,453	(223,651)	5,237,802
Segment income (loss)	163,999	19,480	13,039	196,518	(6,708)	189,810
Segment assets	2,554,700	463,190	173,739	3,191,629	82,367	3,273,996
Other items						
Depreciation	123,459	2,407	8,022	133,888	9,133	143,021
Impairment loss	1,682	–	257	1,939	–	1,939
Increase in tangible and intangible fixed assets	208,518	2,646	16,650	227,814	21,308	249,122

(1) Products and Services Information

Information for specific products and services is not shown because the same information is in the segment information.

(2) Geographic Segment Information

a. Sales

Sales information by geographic segment is not shown because sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

b. Property, plant and equipment

Property, plant and equipment information by geographic segment is not shown because property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

(3) Information by Major Clients

Information by major clients is not shown because sales to major clients accounted for less than 10% of operating revenue on the consolidated statements of income.

(Information on amortization of goodwill and amortization balance by business segment)

Millions of yen

	2020				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 395	¥ 150	¥ 160	¥ –	¥ 705
Balance at the end of period	4,723	1,759	1,281	–	7,763

Millions of yen

	2019				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 276	¥ 150	¥ 58	¥ –	¥ 484
Balance at the end of period	4,106	1,909	1,431	–	7,446

Thousands of U.S. dollars

	2020				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ 3,630	\$ 1,378	\$ 1,470	\$ –	\$ 6,478
Balance at the end of period	43,398	16,163	11,771	–	71,332

(Information on negative goodwill by business segment)

No significant items to be reported.

Independent Auditor's Report

To the Board of Directors of SENKO Group Holdings Co.,Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of SENKO Group Holdings Co.,Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ohtemae Audit Corporation

Osaka City, Japan

June 25, 2020

古谷 一郎 

Ichiro Furutani

Designated Engagement Partner

Certified Public Accountant

和田 裕之 

Hiroyuki Wada

Designated Engagement Partner

Certified Public Accountant

橋口 健志 

Kenji Hashiguchi

Designated Engagement Partner

Certified Public Accountant

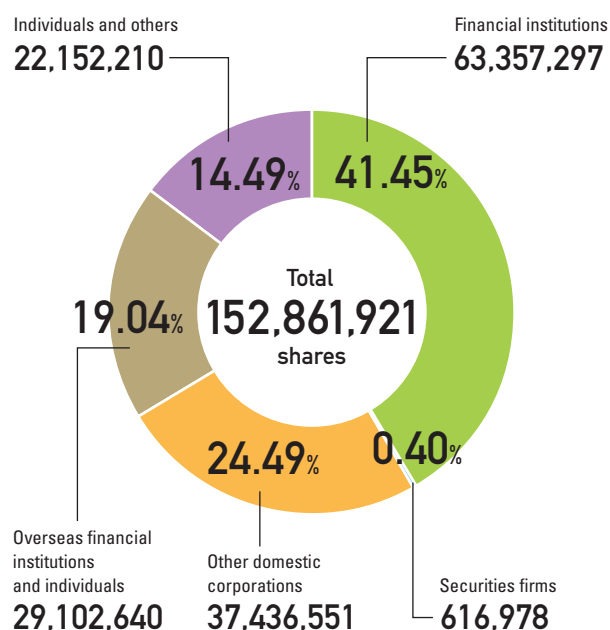
Stock Information (As of March 31, 2020)

Stock Listing	First Section of the Tokyo Stock Exchange
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Shares	152,861,921
Number of Shareholders	8,885
Administrator of Shareholders' Register	Mitsubishi UFJ Trust and Banking Corporation, Osaka Stock Transfer Agent Division 3-6-3, Fushimi Machi, Chuo-ku, Osaka 541-8502, Japan

Major Shareholders

	Number of Shares (thousands)	Percentage Held
Japan Trustee Services Bank, Ltd.	23,277	15.25%
Asahi Kasei Corporation	11,676	7.65%
The Master Trust Bank of Japan, Ltd.	11,207	7.34%
Sekisui Chemical Co., Ltd.	6,785	4.44%
Senko Group Employee's Stockholding	6,294	4.12%
Japan Post Insurance Co., Ltd.	4,485	2.94%
Mitsubishi UFJ Trust and Banking Corporation	4,252	2.79%
Isuzu Motors Ltd.	4,039	2.65%
JP Morgan Chase Bank	3,977	2.61%
State Street Bank and Trust Company	3,941	2.58%

Type of Shareholder



Corporate Data (As of March 31, 2020)

Trade Name	SENKO Group Holdings Co., Ltd.
Capital	26,528 million yen
Established	September 1916
Incorporated	July 1946
Head Office	Shiomi SIF Bldg., 2-8-10 Shiomi, Koto-ku, Tokyo 135-0052, Japan
Representative	Yasuhisa Fukuda, President and Representative Director
Group Employees	17,644
Fleet of Own Trucks	6,840 (including trailers)
Vessels	69
Total Warehouse Space	3,870,000 m ²

Main Group Companies

● Domestic

SENKO Co., Ltd.
Runtec Corporation
Tokyo Nohin Daiko Co., Ltd.
Senko A Line Amano Co., Ltd.
NIPPON MARINE CO., LTD.
ACROSS TRANSPORT CO., LTD.
SENKO SHOJI CO., LTD.
SMILE CORP.
AST CORPORATION

● Overseas

DALIAN TRI-ENTERPRISE LOGISTICS CO., LTD.
SHANGHAI SENKO INTERNATIONAL FREIGHT FORWARDING INC.
GUANGZHOU SENKO LOGISTICS CO., LTD.
Senko International Logistics Pte. Ltd.
SHANGHAI SMILE CORP.
HONG KONG SMILE CORP LIMITED
KOREA SMILE CORP LIMITED
SMILE CORP VIETNAM CO., LTD

SENKO Group Holdings Co., Ltd.

Shiomi SIF Bldg., 2-8-10 Shiomi, Koto-ku, Tokyo Japan

<https://www.senkogrouphd.co.jp/en/>

