



ANNUAL REPORT  
2021

For the year ended March 31, 2021

SENKO

### 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, 2020 and March 31, 2021. However, some activities that took place after April 2021 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.



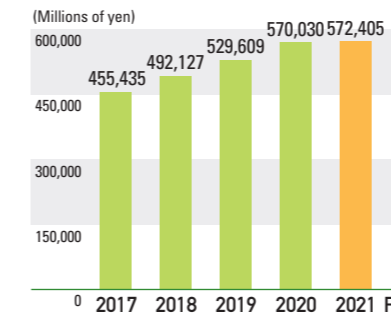
Financial Highlights

		FY2017	FY2018	FY2019	FY2020	FY2021	Thousands of U.S.\$ except per share amounts
Operating revenues	millions of yen	455,435	492,127	529,609	570,030	572,405	5,170,310
Operating profit	millions of yen	17,082	17,087	19,631	20,657	21,520	194,382
Net income attributable to owners of parent	millions of yen	8,951	9,504	11,681	12,081	14,241	128,633
Operating profit margin	(%)	3.8	3.5	3.7	3.6	3.8	—
Net assets per share	yen/US\$	661.61	741.44	785.08	823.61	909.49	8.22
Net income per share	yen/US\$	61.67	62.64	76.90	79.51	93.81	0.85
Cash dividends per share	yen/US\$	22.00	22.00	26.00	26.00	28.00	0.25
Dividend payout ratio	(%)	35.7	35.1	33.8	32.7	29.8	—
Net assets	millions of yen	114,091	118,057	126,895	134,181	145,754	1,316,539
Total assets	millions of yen	285,959	334,973	340,491	356,309	435,261	3,931,542
Equity ratio	(%)	35.1	33.7	35.0	35.1	31.0	—
Return on equity (ROE)	(%)	9.5	8.9	10.1	9.9	11.0	—
Price earnings ratio (PER)	times	11.63	13.22	11.95	10.54	11.17	—
Capital expenditures	millions of yen	17,662	37,625	21,227	18,206	33,321	300,976
Cash flows from operating activities	millions of yen	20,848	24,568	27,022	31,099	31,858	287,761
Cash flows from investing activities	millions of yen	(3,679)	(37,020)	(15,770)	(18,030)	(46,309)	(418,291)
Cash flows from financing activities	millions of yen	(8,627)	9,940	(13,224)	(9,156)	36,758	332,021
Cash and cash equivalents at end of year	millions of yen	26,197	23,796	22,801	27,143	50,371	454,991

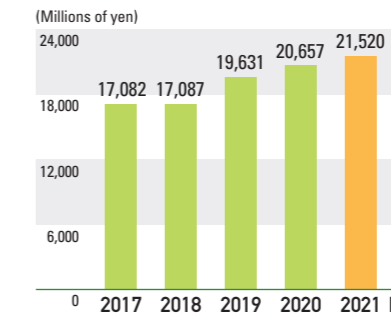
Nonfinancial Highlights

		FY2017	FY2018	FY2019	FY2020	FY2021
Number of Group employees	number	12,889	14,496	17,081	17,644	19,755
Logistics center storage space	millions m <sup>2</sup>	3.22	3.42	3.66	3.87	3.92
Fleet of own trucks	units	5,180	5,914	6,412	6,840	7,538

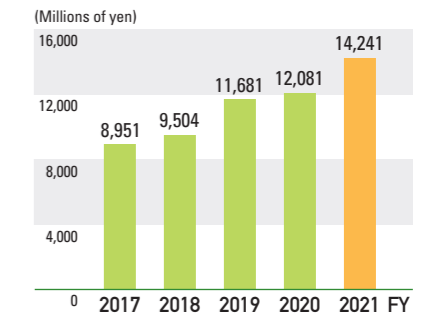
Operating revenues



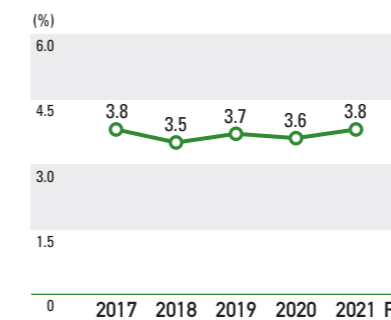
Operating profit



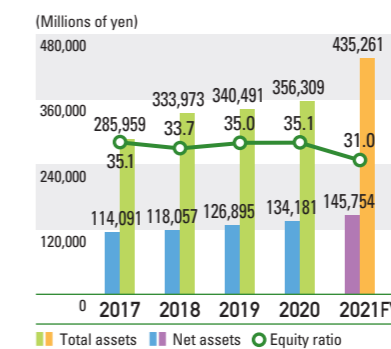
Net income attributable to owners of parent



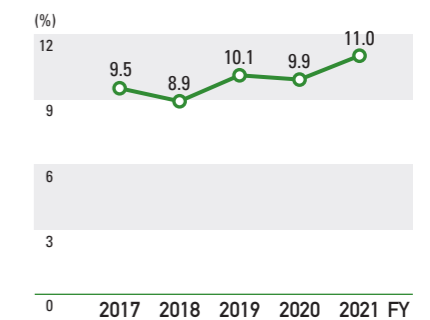
Operating profit margin



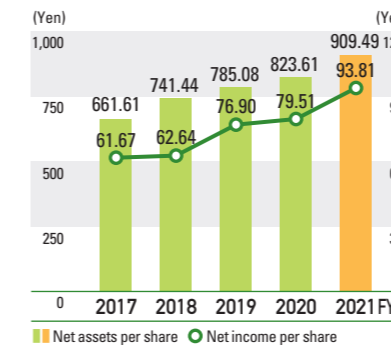
Total assets/Net assets/Equity ratio



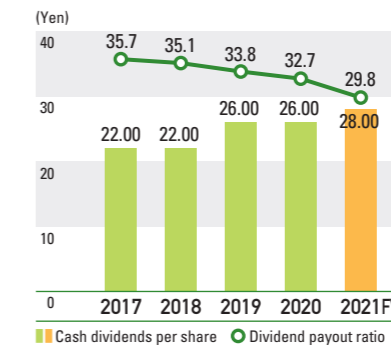
Return on equity (ROE)



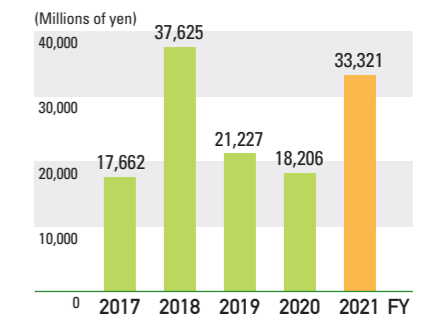
Net assets per share / Net income per share



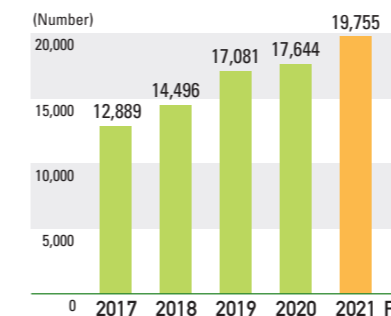
Cash dividends per share / Dividend payout ratio



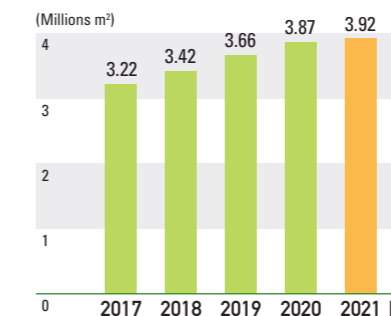
Capital expenditures



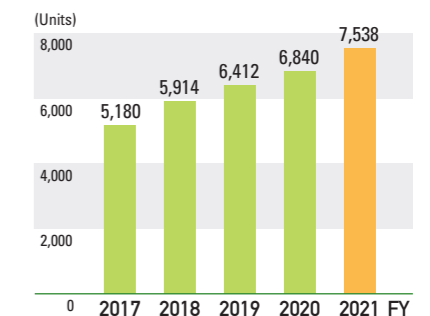
Number of Group employees



Logistics center storage space



Fleet of own trucks





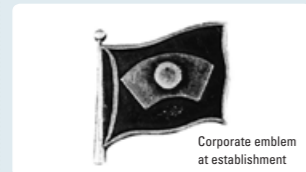
Since being founded in 1916, the Group has always taken up the challenge of transforming in anticipation of the needs of the times.

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~

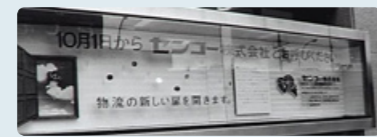
- 1916 Established as Tomita Shokai
- 1946 Established Senko Unyu Shoji Co., Ltd. Changed the corporate name to Senko Transport Co., Ltd.



- 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)



Crefeel Koto

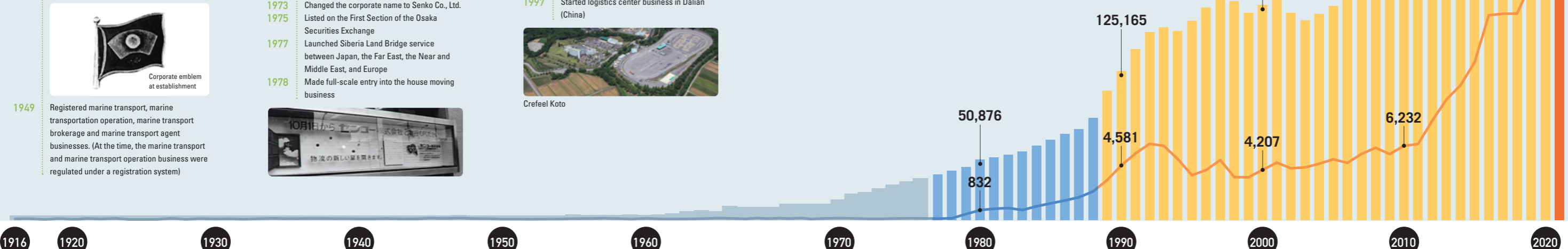
### 2000~

- 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



### 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 Made AST Inc. a subsidiary
- 2013 Opened the KO-SENKO Logistics Center (South Korea) Made Runtec Corporation a subsidiary for full-fledged entry into the low-temperature logistics business
- 2014 Opened the Laem Chabang Logistics Center (Thailand) Made Across Transport Co., Ltd. a subsidiary Made Keihanna Helper Station Co., Ltd. a subsidiary for full entry into the nursing care business
- 2015 Opened Yangon Logistics Center (Myanmar)
- 2016 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
- 2021 Made AZFIT Co., Ltd. a subsidiary expanding our household paper wholesaling operations



### 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.

### 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.



As a corporate Group that supports people's daily lives, we enter the final year of the medium-term business plan intending to move closer to our goal of achieving sustainable growth.



Y. Fukuda

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

### Business Environment during Fiscal Year 2021

During the fiscal year ended March 31, 2021, economic activity gradually resumed, following the lifting of the first state of emergency declared for COVID-19, but a resurgence in the spread of infection led to an extremely challenging business environment.

### Main Activities

Under these circumstances, the Group worked on initiatives to restore and improve earnings throughout the fourth year of the Senko Innovation Plan 2021 (SIP21), our five-year medium-term business plan.

In Logistics, we welcomed UACJ Logistics Corporation, which operates heavyweight cargo transportation and other business operations, and Nagase Logistics Co., Ltd. (whose name has now been changed to SENKO Nagase Logistics Co., Ltd.), which provides storage, transportation, logistics processing, and other services for chemicals, to the Group in December 2020. In logistics centers, SENKO Co., Ltd. began operations at the Tachikawa Logistics Center (Tachikawa City, Tokyo) in July 2020 and the Kurihashi PD Center (Kazo City, Saitama Prefecture) in February 2021. Moreover, Runtec Corporation began operating frozen and refrigerated storage warehouses at Runtec's Moji Branch (Moji Ward, Kitakyushu City) in April and the Meiko Branch (Minato Ward, Nagoya

City) in March 2021. In marine shipping, Senko Line Co., Ltd. launched the new chemical tanker *Nissen Maru* in May, NIPPON MARINE CO., LTD. launched *Kissho*, another new chemical tanker in August, and Senko Line Co., Ltd. launched *Senou Maru*, a new freighter, in March 2021.

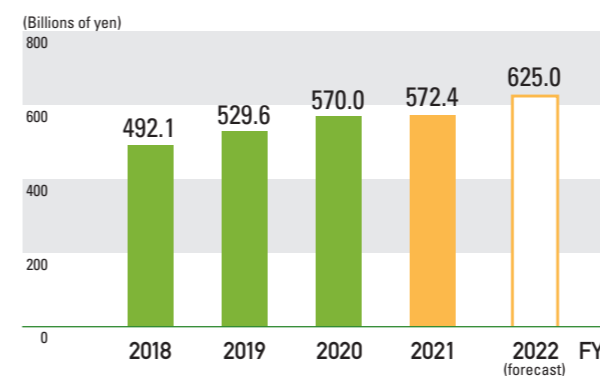
Outside Japan, the Company established a local subsidiary, Senko Logistics (Europe) GmbH, in Düsseldorf, Germany, in July to strengthen systems to develop a European logistics network.

In Trading & Commerce, we welcomed household paper wholesale distributor AZFIT CO., Ltd. to the Group in February 2021, and are aiming for synergistic benefits with the Group company AST CORPORATION, which covers the same type of household paper wholesale operations.

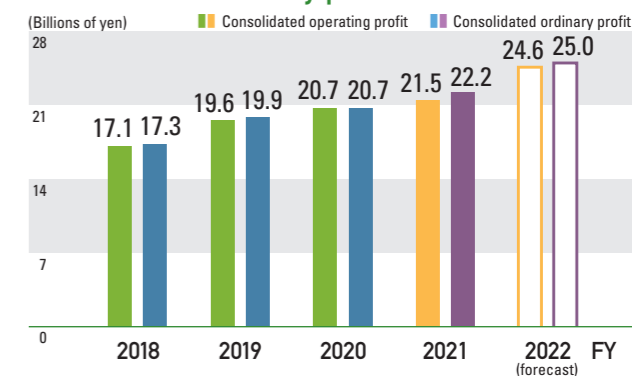
In Others, we welcomed children's daycare center and children's club operator Procure Co., Ltd. to the Group in August and membership-based wholesale and retail business operator TERAUCHI CO., LTD. to the Group in November. Further, VENUS CO., LTD., which operates daycare centers, has opened six new locations; KEIHANNA helper station Co., Ltd., which operates residential nursing homes, has opened two new locations; and Life-eat Co., Ltd., which operates conveyor belt sushi chain restaurants, opened one new location.

Looking at initiatives to reduce our environmental impact, SENKO Co., Ltd. received the Logistics Environmental Conservation Activity Award and the Special Logistics Environment Award in June and the 2020 Award for Excellent

### Consolidated operating revenues (Net sales)



### Consolidated operating profit / Consolidated ordinary profit





## A Message from the President

Business Entities Working on Modal Shift in November from the Japan Association for Logistics and Transport. In December, TOKYO NOHIN DAIKO Co., LTD. received the 2020 MLIT Minister's Award for Companies Contributing to Environmental Conservation in the Transport Industry from Japan's Ministry of Land, Infrastructure, Transport and Tourism.

The Company signed the United Nations Global Compact in October and was registered as a participating company. The Company supports the 10 principles related to protecting human rights, eliminating illegal labor practices, conserving the environment, and preventing corruption, with the goal of contributing to developing a sustainable society as a corporate group that supports people in their daily lives.

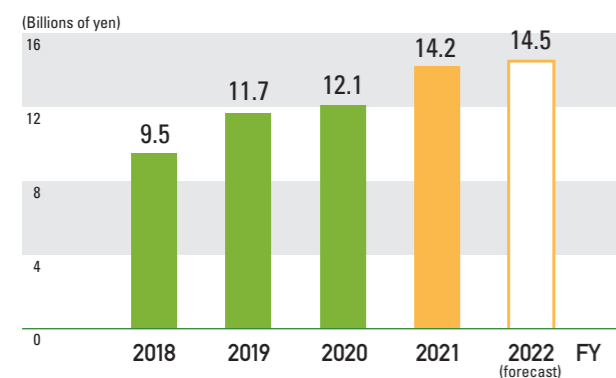
### Performance in Fiscal Year 2021

The fiscal year ended March 31, 2021 was significantly affected by the COVID-19 pandemic. Groupwide initiatives to increase sales, reduce expenses, improve cost efficiency and productivity, as well as to promote M&As, resulted in year-on-year increases in consolidated operating revenue, consolidated operating profit, consolidated ordinary profit, and profit attributable to owners of parent.

### Future Initiatives

Going forward, the outlook for the Japanese economy is expected to remain uncertain, due in part to concerns

### Net Income attributable to owners of parent



over a resurgence of COVID-19.

Given this environment, as a corporate group that supports people in their daily lives, we enter the final year of our medium-term business plan looking to move closer to our goal of achieving sustainable growth.

### Increasing the year-end dividend by ¥2

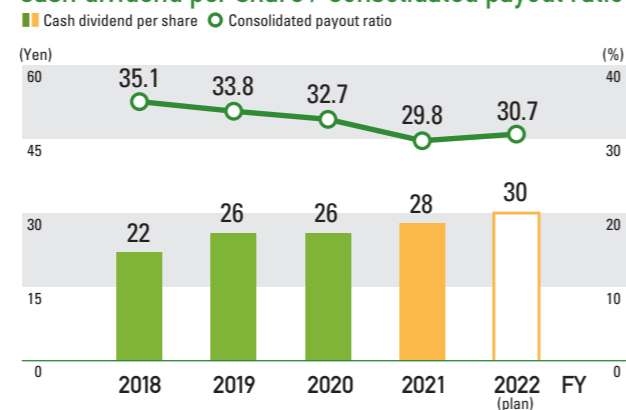
While securing the internal reserves necessary for future business development and to bolster our management structure, the basic policy of the Company is to return profits to shareholders by issuing stable dividends that are linked to business results, with the aim of enhancing returns to shareholders.

Based on this policy, the year-end dividend for the fiscal year ended March 31, 2021 has been set at ¥15 per share. When this is combined with the interim dividend of ¥13 (already declared), the total annual dividend is ¥28.

Regarding the dividend forecast for the fiscal year ending March 31, 2022, based on the forecast of business performance, the Company plans to pay an annual dividend of ¥30 per share (an interim dividend of ¥15, and a year-end dividend of ¥15).

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

### 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.

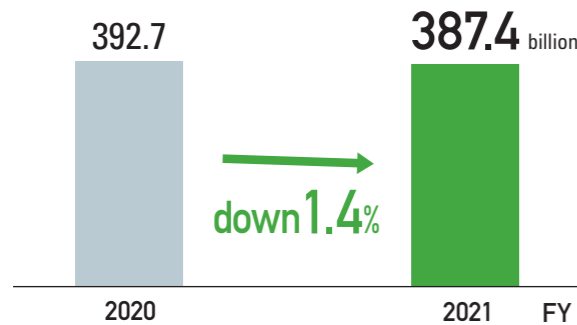
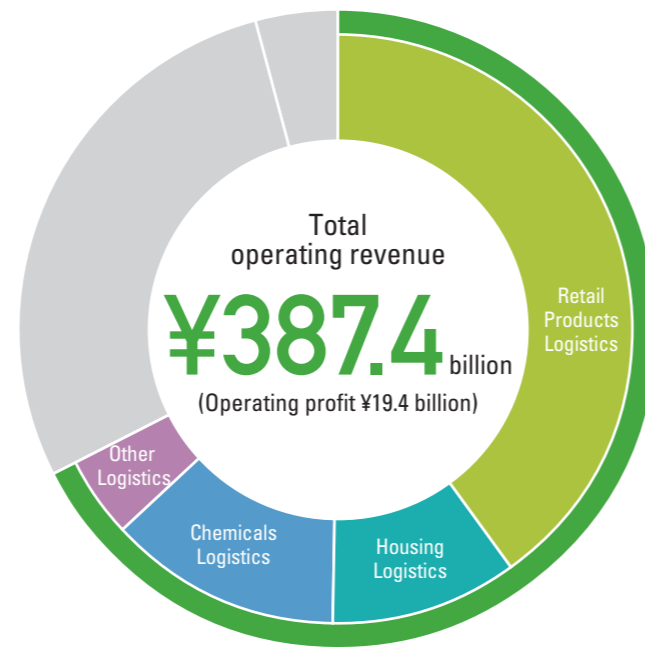




# Logistics

## 67.7%

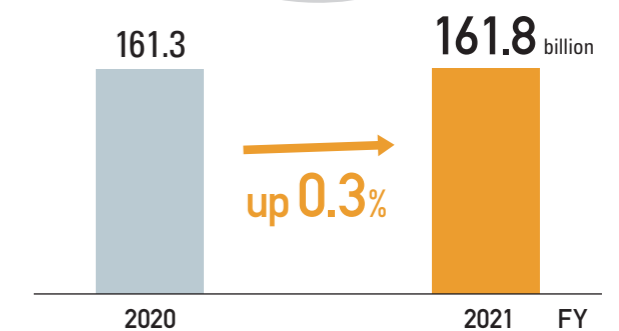
Despite an increase in cargo volume for chain stores, the spread of COVID-19 caused a significant reduction in the amount of housing, chemicals, frozen and refrigerated goods, with operating revenue declining by ¥5,377 million year on year to ¥387,350 million. As a result of initiatives to grow sales, cut expenses, improve costs and productivity, as well as UACJ Logistics Corporation and Senko Nagase Logistics Co., Ltd. becoming consolidated subsidiaries, segment profit rose by ¥1,554 million year on year to ¥19,401 million.



# Trading & Commerce

## 28.3%

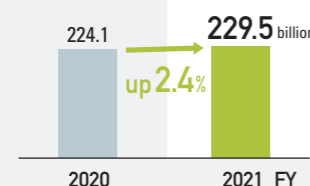
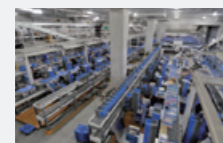
Revenue and profits increased due to rising demand for daily necessities following the increased need for home deliveries and promoting revised selling prices for household paper goods. As a result, operating revenue rose ¥505 million year on year to ¥161,820 million, while segment profit increased by ¥915 million year on year to ¥3,035 million.



## Retail Products Logistics

### 40.1%

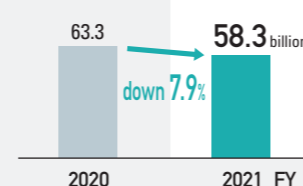
Revenue for the current fiscal year rose ¥5.4 billion to ¥229.5 billion.



## Housing Logistics

### 10.2%

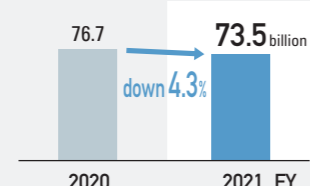
Revenue for the current fiscal year fell by ¥5.0 billion to ¥58.3 billion.



## Chemicals Logistics

### 12.8%

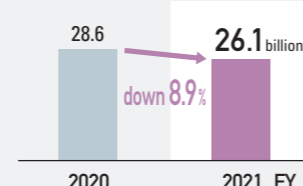
Revenue for the current fiscal year fell by ¥3.3 billion to ¥73.5 billion.



## Other Logistics

### 4.6%

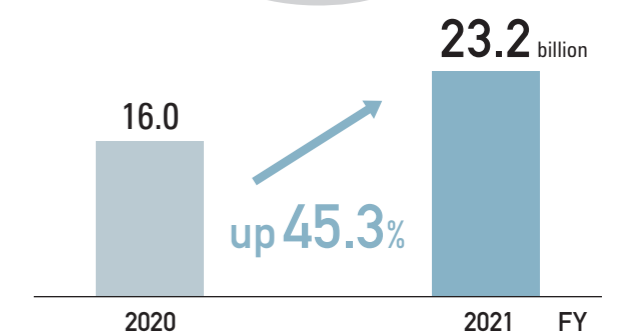
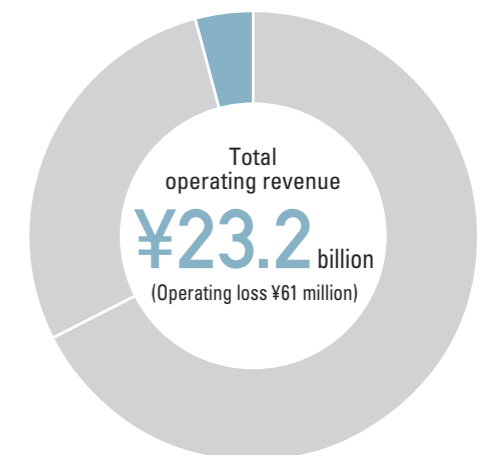
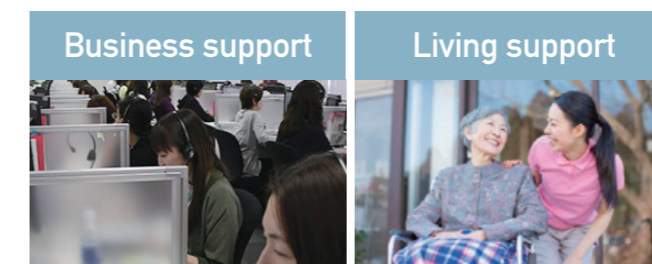
Revenue for the current fiscal year fell by ¥2.5 billion to ¥26.1 billion.



# Others

## 4.0%

Due to the Company making both Procure Co., Ltd. and Terauchi Co., Ltd. consolidated subsidiaries, and other initiatives, revenue increased by ¥7,247 million year on year to ¥23,235 million. However, there was a significant negative impact on profits due to a sharp decline in the number of people using hotels, fitness clubs, daycare centers, and restaurants following the spread of COVID-19. This resulted in a loss for the segment of ¥61 million, a fall of ¥1,481 million over the previous fiscal year.





### Increasing the number of locations in response to rising demand for frozen and refrigerated goods as well as logistics for Internet shopping

Runtec Corporation completed the construction of a two-story warehouse (Moji Branch) for frozen and refrigerated storage in Moji Ward, Kitakyushu City, on April 7, 2020. Equipped with a sheltered dock and 33 truck bays (on both sides of the building), goods can now be handled without being affected by outside temperatures. Environmental friendliness was a focus of the design, and the warehouse is equipped with such features as energy-saving cooling equipment and solar power generation for in-house consumption.



Runtec Corporation's Moji Branch

SENKO Co., Ltd. also began operations of the Tachikawa Logistics Center (Tachikawa City, Tokyo) in July 2020. By providing storage and sorting for major Internet shopping companies, we are responding to the rising demand for e-commerce logistics. Moreover, we will further strengthen our business platform in the Western Tokyo area by also storing, sorting, and making store deliveries for large drugstores that continue to expand operations and their branch network.



Tachikawa Logistics Center

### General wholesaler and retailer Terauchi Co., Ltd. becomes a subsidiary



In November 2020, general wholesaler and retailer Terauchi Co., Ltd. became a member of the Senko Group.

Terauchi is a long-established company in membership-based wholesaling and retailing of clothing and accessory items, branded products, apparel, miscellaneous daily goods, cosmetics, foodstuffs, and a wide range of other items to its one million members. The company also operates 25 stores under the Croissant brand and other brand names for miscellaneous lifestyle goods, as well as online stores.

After becoming part of the Group, we expect Terauchi to be able to generate synergies, such as offering services to members, including nursing homes, nursing care, and child daycare.

### Using M&As to strengthen domestic and overseas logistics systems

SENKO Co., Ltd. made Nagase Logistics Co., Ltd., the leading specialist chemical trading company in Japan, a subsidiary in December 2020. (Nagase Logistics' name has now been changed to SENKO Nagase Logistics Co., Ltd.) By working with the approximately 100 nationwide deposit warehouses owned by Nagase Logistics, the Group will be able to strengthen logistics operations for chemicals.

In April 2021, AirRoad Pty Ltd, an Australian company with a 30+ year track record, became part of the Group. Working together with SENKO's existing locations, AirRoad will expand the Group's logistics business in Australia, where the population is growing every year.

We will continue to use M&As to drive the expansion of our business going forward.



SENKO Nagase Logistics



AirRoad's transporter



### Completion of the chemical tanker *Kissho* Responding to increased volumes for logistics from existing customers

NIPPON MARINE CO., LTD. launched *Kissho*, a new chemical tanker, on August 18, 2020.

*Kissho* was built to strengthen transportation services for existing customers provided by NIPPON MARINE CO., LTD. and to handle new marine transportation operations from SENKO Co., Ltd. This vessel services ports on the Seto Inland Sea, transporting cargoes such as concentrated and fuming sulfuric acid.

Going forward, we will continue to improve our transportation services and further develop the marine transportation business by acquiring new customers.



### Entering the child-raising support business Child daycare center operator Procure Co., Ltd. joins the Senko Group



On August 31, 2020, SENKO Group Holdings Co., Ltd. acquired all of the shares of Procure Co., Ltd., welcoming the company to the Group.

Procure Co., Ltd. operates a domestic network of 54 daycare

centers and clubs for children, mostly around the Tokyo area. Procure has worked to reduce waiting lists for children for childcare facilities and to support women who are raising children to move ahead in society.

Joining the Senko Group will enable Procure Co., Ltd. to open more new child daycare centers, winning new outsourcing contracts for children's clubs, and differentiating the company by improving the quality of childcare and by offering new services. Procure will also work to expand in-house childcare facilities within the Senko Group, to improve the efficiency of operations using those resources, and to secure personnel.

### Further increase in distribution bases in the Western Kanto area

In February 2021, SENKO Co., Ltd. opened the Kurihashi PD Center in Kazo City, Saitama Prefecture. Conveniently located approximately five km from the Kazo Interchange on the Tohoku Expressway, this center will work with neighboring locations to respond to the heavy demand for logistics bases around the Metropolitan Intercity Expressway.

In March 2021, Runtec Corporation began operating the Meiko Branch, situated within Maruha Nichiro Logistics, Inc.'s Nagoya Logistics Center in Minato Ward, Nagoya City. Sited in an advantageous location approximately one km from the Meiko Chuo Interchange of the Isewangan Expressway, the cooling equipment there uses environmentally friendly natural refrigerants, such as ammonia and CO<sub>2</sub>.

Going forward, this center will handle increasingly diverse logistics.



SENKO Co., Ltd. Kurihashi PD Center



Runtec Corporation's Meiko branch

### Household paper wholesaler AZFIT Co., Ltd. becomes a subsidiary of SENKO Group Holdings Co., Ltd.

In February 2021, SENKO Group Holdings Co., Ltd. welcomed AZFIT Co., Ltd., a wholesaler of household paper, to the Group.

AZFIT sells household paper and daily items to drugstores and supermarkets, mainly in the Greater Tokyo Metropolitan area. AZFIT also develops products that use paper and nonwoven fabrics.

The Group company AST CORPORATION is one of the largest specialized trading companies for household paper in Japan, and also has wholesaling operations. The two companies will generate synergies by strengthening product development and price competitiveness by sharing management resources and know-how, as well as bolstering the business platform by opening up sales channels, etc.





**Domestic locations: 633** (As of March 31, 2021)



**Overseas: 64** (As of March 31, 2021)



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



**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 CO<sub>2</sub> 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**



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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

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 13 CLIMATE ACTION
- 17 PARTNERSHIPS FOR THE GOALS

Priority themes for the Senko Group SDGs

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 17 PARTNERSHIPS FOR THE GOALS

- 3 GOOD HEALTH AND WELL-BEING
- 7 AFFORDABLE AND CLEAN ENERGY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

## Initiatives to Reduce Our Environmental Burden

### Introduction of environmentally friendly trucks

The Senko Group is promoting the introduction of environmentally friendly trucks with lower CO<sub>2</sub> and NO<sub>x</sub> emissions, such as electric and hybrid trucks. In FY 2021, we took delivery of the first heavy duty LNG truck for us in the Kansai area. We are responding to customers' requests for low carbon transportation by taking advantage of environmental benefits,



Heavy duty LNG truck introduced to Osaka Senko Transport Co., Ltd.

such as CO<sub>2</sub> emissions reduced by 10% or more, NO<sub>x</sub> emissions reduced by 70% or more. These vehicles emit no black smoke or sulfur oxides, compared with diesel vehicles.

### Promoting energy savings by replacing lights



Kita Kanto Logistics Center almost completely upgraded to LED lighting

At logistics centers, we are accelerating our transition to high-efficiency LED lighting, reducing electricity consumption by approximately 75% compared with mercury lights. When these savings are translated to equivalent CO<sub>2</sub>, the result is an annualized saving of 360 t-CO<sub>2</sub>. In FY 2021, we promoted the full-scale shift to LED lighting at many large sites, and we are working to make more efficient and effective use of electric power.

### Using the roofs of logistics centers to develop the solar power business

To promote the spread of renewable energy, the Senko Group began a solar power generation business in FY 2014 that is now supplying electricity to electric power companies. In FY 2021, 618 kW of solar power generation equipment for use inhouse was installed at Runtec Corporation's Moji Branch, together with a large storage battery with a capacity of 60 kWh, enabling clean energy to be used both when it is raining and at night. In FY 2022, SENKO Co., Ltd. plans to implement the first large installation of solar power generation equipment for inhouse use (power output: 1,051 kW), at the Gifu Hashima PD Center, and we are accelerating the use of renewable energy at our logistics centers.



Runtec Corporation's Moji Branch, which began operations in April 2020

Power output (from FY 2020)

**UP 618 kW**

From 22 sites across Japan

We are now generating **17,100 kW**

\*Based on figures confirmed by the Ministry of Economy, Trade and Industry

## Initiatives to Preserve Biodiversity



Expanding environmental tree planting at Senko Group logistics centers



Eelgrass

Since fiscal year 2020, the Senko Group has been helping to preserve biodiversity. In FY 2021, environmental tree planting began: saplings have been planted in the grounds of logistics centers at seven Senko branches and ten Group companies. These initiatives preserve green spaces for future generations and improve workplace communications as well as contribute to local communities.

The Group has also endorsed the Osaka Bay Regeneration Project, a joint initiative with local environmental conservation groups. As part of this project, we are cooperating in the cultivation of eelgrass, which is then returned to the sea to provide habitats for marine life. In FY 2021, 70 eelgrass cultivation kits were distributed to the homes of employees.

## Environmental Targets and Achievements

### CO<sub>2</sub> Reduction Initiatives and Results

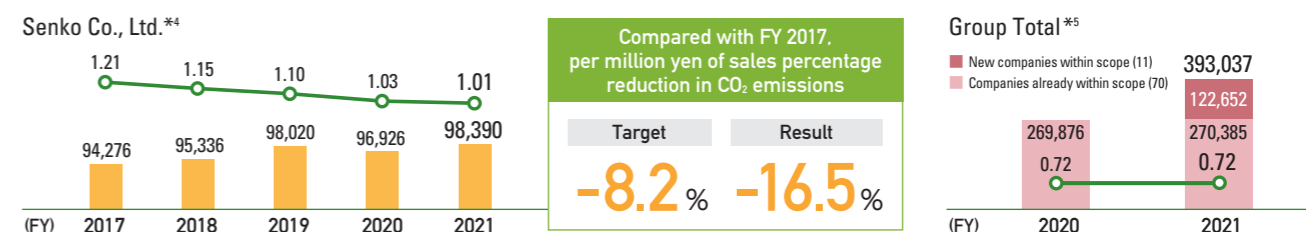
The Senko Group tracks the amount of energy used and the CO<sub>2</sub> emissions generated by business activities, adjusting environmental protection measures as they are required. Today, we are continuing with initiatives to reduce our environmental burden. We aim to achieve the CO<sub>2</sub> reduction target of the five-year medium-term business plan that started in FY 2018: a reduction of more than 8,310 metric tons over five years for Senko Co., Ltd.

#### Senko Group's CO<sub>2</sub> emissions by source

	INPUT		OUTPUT		
	Electricity used (10,000 kWh)	Fuel consumed*1 (kl)	Electricity (t-CO <sub>2</sub> )	Fuel (t-CO <sub>2</sub> )	Total (t-CO <sub>2</sub> )
SENKO Co., Ltd. (including Senko Line Co., Ltd.)	7,290	24,160	34,210	64,180	98,390
Group (excluding SENKO Co., Ltd.)	7,925	95,567	37,794	256,853	294,647
<b>Total</b>	<b>15,215</b>	<b>119,727</b>	<b>72,004</b>	<b>321,033</b>	<b>393,037</b>

\*1 Fuel consumption, crude oil (kl) conversion basis

#### Senko Group CO<sub>2</sub> emissions



\*2 Emissions are total of Scope 1 and 2 \*3 Net sales are calculated using mainstay businesses corresponding to Scope 1 and Scope 2 \*4 Including Senko Line Co., Ltd. (spun off as a separate company in April 2018) \*5 53 logistics companies including SENKO Co., Ltd., Senko Line Co., Ltd., Senko Group Holdings Co., Ltd. + 6 trading and commerce companies + 22 other companies = 81 in total

#### FY 2021 CO<sub>2</sub> reduction targets and results (SENKO Co., Ltd. and 80 group companies) \*Includes Senko Group Holdings Co., Ltd. (units: t)

	FY 2021 CO <sub>2</sub> reduction target	Results (achieved)
SENKO Co., Ltd. (including Senko Line Co., Ltd.)	1,782	1,711 (96%)
Group (excluding SENKO Co., Ltd.)	1,475	1,584 (107%)
<b>Total</b>	<b>3,257</b>	<b>3,295 (101%)</b>

	Priority implementation items	CO <sub>2</sub> reduction amount				
		Company category		Total		
		SENKO Co., Ltd. (including Senko Line Co., Ltd.)	Group (excluding SENKO Co., Ltd.)			
Own Efforts	Electricity Savings	1. Switch to electric power companies with low CO <sub>2</sub> emission coefficients 2. Upgrade to energy-efficient plants and equipment (LED lighting / air conditioning) 3. Use renewable energy from solar power, etc.		1,000	417	1,417
	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		603	1,014	1,617
	Recycling-Based Society	1. Promote recycling of wooden pallets and waste plastic 2. Promote use of retreaded tires		108	153	261
<b>Total</b>		<b>1,711</b>	<b>1,584</b>	<b>3,295</b>		
Recycled CO <sub>2</sub> Products for Customers	Green Logistics	1. Promote modal shifts 2. Propose improved efficiency that is environmentally friendly (larger vehicles, shared transportation, consolidation of locations)		884	125	1,009
				Modal shift rate 75%		

## Senko Group Safety Policy

Safety Philosophy	<p><b>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.</b></p> <ol style="list-style-type: none"> <li>1 We can and must prevent all accidents and disasters.</li> <li>2 Managers are responsible for the safety of employees.</li> <li>3 Every employee must believe in “eliminating all accidents.”</li> <li>4 Safety ensures high quality and high productivity.</li> </ol>
Basic Approach	<ul style="list-style-type: none"> <li>● 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.</li> <li>● 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.</li> <li>● 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.</li> </ul>
Priority Measures	<ol style="list-style-type: none"> <li>1 We comply with relevant laws and regulations and fulfill our social responsibilities.</li> <li>2 We thoroughly carry out risk assessment and reduce all safety risks.</li> <li>3 We prevent health problems by enhancing health management system and promoting independent health.</li> <li>4 We actively disclose information on safety and health activities.</li> </ol>

## Achievement of Safety Goals (FY 2021)

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

	FY 2021 goals	FY 2021 achievements
Vehicle accident frequency rate	0.30 or lower	0.57
Occupational accident frequency rate	0.92 or lower	1.77

### 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 2021 achievements: 0.59/0.51 (Logistics Group, 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 2021 achievements: 1.85/1.60 (Logistics Group, 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.

## Intragroup Health and Safety Initiatives



Local managers experiencing face-to-face training

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

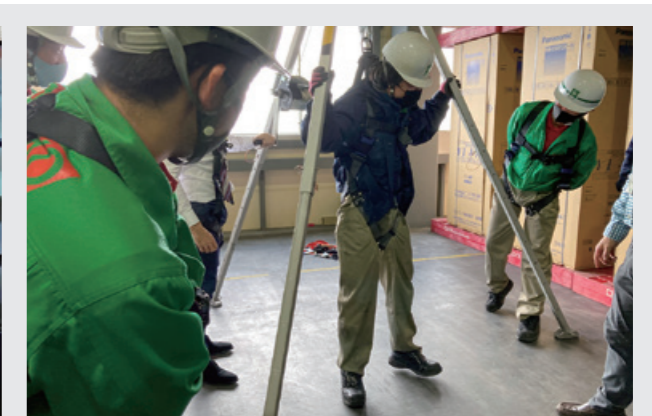
## Nationwide Management System for Hazardous Materials

People in charge of hazardous materials have been assigned to locations all over Japan. During the COVID-19 pandemic, these employees used remote meetings to share information on hazardous materials and to increase understanding of these materials. They also educate and train, while working to raise awareness of safety and quality in relation to hazardous materials, so that in the event of an emergency, our response is effective and damage is minimized.

In response to revised laws and regulations, specialized education is provided quickly, with a focus on ensuring a safer workplace.



Communication meeting conducted remotely



Special training for preventing equipment from falling over



Oil leak response training



Practicing the correct way to fit devices to prevent from falling over

## Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) for Four 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 4, 2021 for the fourth 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.



### Accepting change and new challenges to become even more focused on health management

## Major Health Management Initiatives

### Promoting activities that build health for life

#### ●Holding health courses and seminars

In FY 2021, we used online tools to deliver mental health training courses to new deputy/assistant managers, health literacy courses to female employees and managers, and lifestyle-related illness seminars to employees concerned about their health.



ChaReco health app

#### ●Using our proprietary health app

In May 2021, we began promoting new health initiatives that can be carried out even during the COVID-19 pandemic, using the Senko Group's proprietary ChaReco (*challenge and recording*) app. This app not only tracks steps, but also records information to raise the awareness of the user (such as body weight, diet, sleep, alcohol consumption, smoking, and exercise) and assist them in improving their lifestyle habits.

#### ●Promoting a healthy mind and body through sports

In addition to judo, golf, swimming, *kendo*, and *go*, new clubs for women's tennis and athletics have been launched. We are working hard with the men's tennis club to practice on the four tennis courts recently built in the Tokyo head office building.



Tennis club practice

### The Senko Group's health promotion system

Twenty-two healthcare professionals (public health nurses, registered nurses) have been assigned to the main areas of the country, working with 102 health promotion coordinators to support the health of employees in many ways.



Nursing staff stationed around the country

In FY 2021, we appointed two supervising industrial physicians (Doctors Kobayashi and Odagami) to oversee the 78 industrial physicians and nurses, enabling us to develop more effective Company-wide health policies and programs. Last fiscal year in particular, when the introduction of COVID-19 countermeasures was required, we established in-house standards to help us achieve a better balance between the health of employees and our business activities.

### Group company health management given high marks

In the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program, Senko Information System Co., Ltd. was recognized in the large corporation category. In the SME category, Toyohashi Senko Transport Co., Ltd. and Harcob Co., Ltd. were recognized for the third consecutive year, in addition to six other companies: Fuji Senko Transport Co., Ltd., Hanshin Senko Transport Co., Ltd., Esaka Logistics Service Co., Ltd., Hanshin Transportation Co., Ltd., Tokai Senko Transport Co., Ltd., Tokyo Nohin Daiko Co., Ltd.

Going forward, we will continue to support and expand initiatives that promote the health of employees, and to win further recognition for Group companies.

## Companies Recognized in the SME Category of the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2021

Despite the difficulty in staging events, like those held in previous years, due to the COVID-19 pandemic, these companies took a more multi-layered approach to health management, devising programs that could be implemented under strict conditions to prevent infections.

#### Tokyo Nohin Daiko Co., Ltd.

##### Making visible the fat and sugar content of foods



Making visible the fat and sugar contained in food and drinks

To raise the health awareness of employees, a display was created to make visible the amount of fat contained in food, and the amount of sugar contained in beverages. This display is next to the application desk for periodic health checks. Drivers were also issued with smart watches for health management.

#### Tokai Senko Transport Co., Ltd.

##### Three-month weight measurement challenge



Presentation of achievement awards

A new three-month program was held for measuring body weight. By making employees aware of their weight through daily measurements, we encouraged them to pay more attention to eating food and snacks, as well as exercise. For those employees who measured their weight for the whole three-month period, an award ceremony was held to recognize their achievement.

#### Toyohashi Senko Transport Co., Ltd.

##### Strict infection-prevention countermeasures

We carefully executed a range of initiatives, such as holding morning meetings and health exercises with social distancing; setting up anti-spray sheets to prevent infection; taking the temperature of drivers at the reception counter; and promoting challenges to encourage disinfection and to discourage smoking.

#### Harcob Co., Ltd.

##### Strengthening existing initiatives



Using a thermal camera

We have worked to reinforce existing programs, such as introducing fixed days off and two days per month where overtime is prohibited. In addition, with the objective of managing health during the COVID-19 pandemic, we deployed thermal cameras that are able to recognize faces and measure body temperatures.

### Health Check Statistics

Item	Results		FY 2021 Evaluation
	FY 2020	FY 2021	
(a) Stress check test ratio	96.2	95.2	Satisfactory
(b) Smoking ratio	34.5	34.2	Good
(c) Ratio of checkups where health issues were found	54.4	62.9	Not satisfactory
(d) Ratio of regular exercisers	47.3	46.3	Satisfactory
(e) Ratio of those getting enough sleep	54.7	62.9	Excellent
(f) Ratio of those maintaining a healthy weight	64.0	62.3	Not satisfactory
(g) Blood pressure	72.5	69.1	Not satisfactory
(h) Blood sugar level	78.0	79.0	Good
(i) Liver function	72.3	68.8	Not satisfactory
(j) Lipids	81.8	83.0	Good
(k) Renal function	91.9	93.2	Good
Number of people eligible (as of March 31, 2021)	4,431	5,132	—

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

- (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  $\gamma$ -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)

## Encouraging Regional/Social Contribution Activities

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

In FY 2017, the Senko Group established the Social Contribution Activities Commendation program, which gives awards for outstanding achievements, after being nominated by Group companies. In FY 2020, examinations by the Social Contribution Promotions Committee resulted in two teams being selected for performance awards.



Runtec Corporation

### Traffic Safety Workshop for Protecting the Lives of Local Children (conducted at schools)

As well as holding traffic safety workshops for children conducted by Senko Group logistics companies at elementary schools around the country, Runtec Corporation has taken the additional step of visiting and assessing dangerous locations beforehand, then giving specific explanations about them during workshops. These initiatives has been positively received by schools and local communities as an important way to protect children, and they have even received coverage on television.

● Assessing dangerous locations beforehand



● Giving easily understood explanations about traffic safety



Saitama Senko Logiservice Co., Ltd.

### Giving explanations regarding the workplace and offering work experience to younger people for self-reliant employment

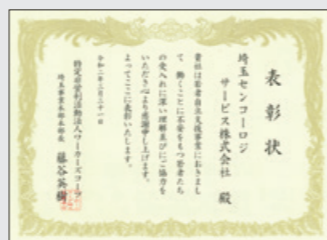
Saitama Senko Logiservice Co., Ltd. is partnering with the NPO Fukaya Youth Support Station to help young people aged 15 to 39 who are neither employed nor in education by giving them explanations about our workplaces and offering them work experience, in order to support self-reliant employment.

As a result of this initiative, eight people were hired across multiple areas, helping alleviate the social problem of participation in society by those who struggle to find work.

● Workplace explanations



● Work experience



## Regional Revitalization

Senko School Farm Tottori Co., Ltd. Selected as an outstanding case study that works on regional revitalization

Senko School Farm Tottori Co., Ltd. is setting up a *Nijisseiki nashi* (Japanese apple pears) ownership system to recruit nashi orchardists over a wide area, while simultaneously promoting the tourist industry. The company is creating an outstanding case study that shows the potential of farming and fishing villages in a region which there has been a decline in farms producing nashi, its specialty product. (*Nijisseiki* is the name of a nashi variety for which the area is famous.) This widely supported system has been given high marks and selected by the Chugoku-Shikoku Regional Agricultural Administration Office of the Ministry of Agriculture, Forestry and Fisheries, as an outstanding case study that works on regional revitalization and income improvements by achieving the potential of farming and fishing villages. This program is part of initiatives that help to create "a strong agricultural and fisheries industry," and "beautiful farming and fishing villages full of vitality."

This program was selected for several reasons: the number of participants is increasing every year, and there are plans to continue activities that will contribute to the region.



Awarding ceremony



Interviewed by the media after the ceremony

- (1) Slowed the decline in the cultivated area of *Nijisseiki nashi* and contributed to the restoration of nashi farmland
- (2) Contributed to the region by combining accommodations at local hot springs with a hands-on nashi harvesting, which has been accepted under a system for purchasing tax-deductible regional products
- (3) Leads to the development of new farmers

## Collaborations with Local Communities

Continuation of Campaign to Deliver Picture Books to Children



Children at Kitanakamoto Nursery School



Residents of the *Seikazoku no ie* daycare center

The Campaign to Deliver Picture Books to Children is a continuation of an initiative that began after the Tohoku Earthquake, and originally targeted children from that region. In FY 2021, it was held between October 22 and December 4. The Group as a whole donated 1,499 books, a significant increase over the 508 books in the previous fiscal year.

Picture books filled with memories of the past are distributed with care to facilities such as nursery schools and elderly care homes. Children picked out favorite books from a lot of picture books, and comments included, "It was very helpful because the school is new and there was a shortage." We are looking forward to children reading these books.

Going forward, we will continue to deliver picture books as part of the Senko Group's CSR activities.

Operation of trucks vinyl wrapped with decorative PR materials for Minamata tourism

As part of a PR campaign to boost tourism in Minamata, Minami Kyushu Senko Co., Ltd. is operating trucks wrapped with illustrations from manga artist Hisashi Eguchi, who comes from Minamata, and photographs of local tourist spots, such as Yunoko Beach and the rose garden in Eco Park Minamata.

The launch ceremony was held at Minamata on September 12, 2020, and was attended by about 60 people, including those involved in this initiative. The wrapped trucks will travel across the country. While attending to their duties with even greater professionalism, the drivers hope that this initiative will help promote their home region.



Nationwide PR for Minamata using vinyl wraps on trucks

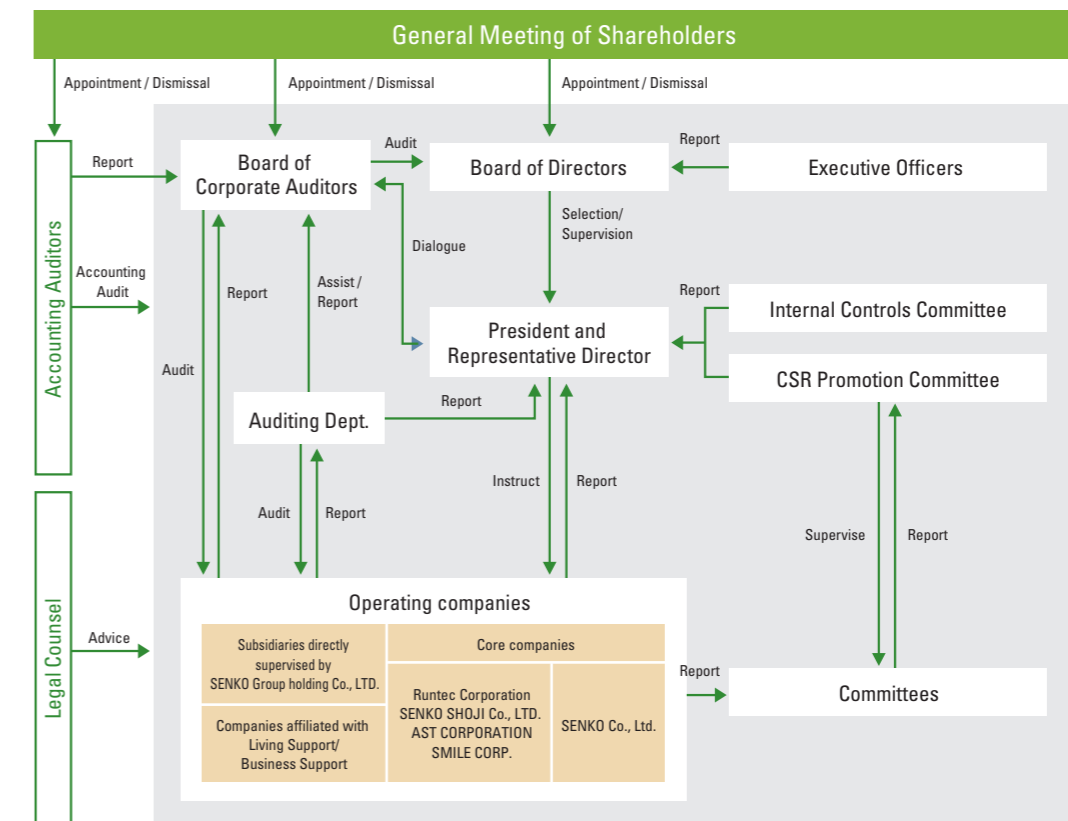
President and Representative Director	Yasuhisa Fukuda	Responsible for Logistics Senior Manager of Business Development Department President and Representative Director, SENKO Co., Ltd.
Directors Managing Executive Officer	Noburo Sasaki	General Manager of Business Support Promotion HQ
	Kenichi Shiraki	General Manager of Living Support Business Promotion HQ Chairman and Director, Terauchi Co., Ltd.
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.
	Toshio Takanashi	Responsible for International Business
Outside Directors	Hiroko Ameno	Director (part-time), Senko Co., Ltd.
	Yasuyuki Sugiura	
	Yoko Araki	
	Fumiko Okuno	
Full-time Corporate Auditors	Masanobu Uenaka	Corporate Auditor, SENKO Co., Ltd.
	Masami Washida	Corporate Auditor, SENKO Co., Ltd.
Outside Corporate Auditors	Yasushi Matsutomo	
Part-time Corporate Auditor (Outside Corporate Auditor)	Yoshiro Okano	

## 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.

**4** The Company has concluded an audit contract with Grant Thornton Taiyo LLC as the accounting auditor, under the terms of the Companies Act and the Financial Instruments and Exchange Act, and will receive guidance in relation to accounting. Three certified public accountants executed the audit, with seven other certified public accountants and six individuals who have passed certified public accountant exams assisting, for a total of 16 people.

**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	Performance-based pay (bonuses)	Performance-based stock compensation	Restricted Stock Compensation	
Directors (excludes Outside Directors)	200	100	58	25	15	8
Corporate Auditors (excludes Outside Corporate Auditors)	43	32	11	—	—	2
Outside Officers	51	37	14	—	—	5

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).

<b>1</b> Laws and Regulations	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.
<b>2</b> Sharp Increases in the Price of Crude Oil	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.
<b>3</b> Occurrence of a Serious Accident	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.
<b>4</b> Occurrence of a Disaster, etc.	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.
<b>5</b> IT System Failure	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 Ibari Earthquake.
<b>6</b> Management of Customer Information	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.
<b>7</b> M&A and capital alliances	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.
<b>8</b> Overseas business growth	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.

## 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.

- 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.
- 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.
- 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.



# 2021

## Financial Information

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## Financial Review

The fiscal year ended March 31, 2021 was significantly affected by the COVID-19 pandemic, but as a result of Groupwide initiatives to grow sales, reduce expenses, improve cost efficiency and productivity, as well as promoting M&As, consolidated operating revenue, consolidated operating profit, consolidated ordinary profit, and profit attributable to owners of parent all increased year on year.

	2021		2020		Difference (Billions of yen)	Growth rate (%)
	Operating revenues (Billions of yen)	Component ratio (%)	Operating revenues (Billions of yen)	Component ratio (%)		
Logistics	¥ 387.4	67.7	¥ 392.7	68.9	¥ (5.4)	(1.4)
Retail product	229.5	40.1	222.6	39.1	5.4	2.4
Housing	58.3	10.2	63.2	11.1	(5.0)	(7.9)
Chemicals	73.5	12.8	76.6	13.4	(3.3)	(4.3)
Other	26.1	4.6	30.2	5.3	(2.5)	(8.9)
Trading & Commerce	161.8	28.3	161.3	28.3	0.5	0.3
Others	23.2	4.0	16.0	2.8	7.2	45.3
<b>Total</b>	<b>572.4</b>	<b>100.0</b>	<b>570.0</b>	<b>100.0</b>	<b>2.4</b>	<b>0.4</b>

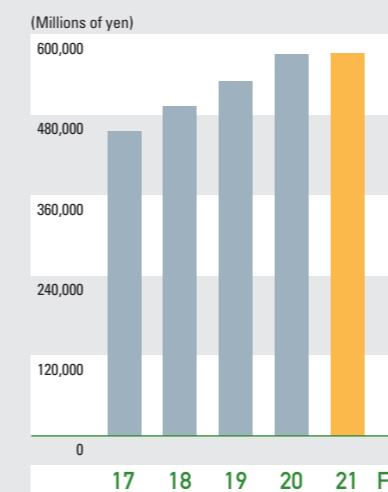
### Logistics

Despite an increase in cargo volume for chain stores, such as discount retailers and drugstores, the COVID-19 pandemic caused a sharp fall in the volumes for housing, chemicals, and frozen and refrigerated goods for school lunches and restaurants, with operating revenue declining by ¥5,377 million year on year to ¥387,350 million. For profits, as a result of sales growth initiatives, reduced expenses, cost and productivity improvements, and UACJ Logistics Corporation and Senko Nagase Logistics Co., Ltd. becoming consolidated subsidiaries, segment profit rose by ¥1,554 million year on year to ¥19,401 million.

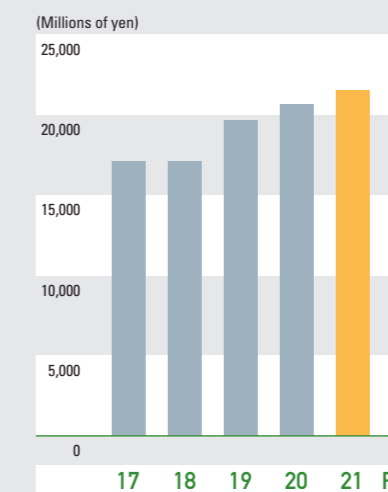
### Trading & Commerce

Sales increased due to rising demand for daily necessities following increased requirements for home deliveries and promoting adjustments to the selling prices of household paper items. As a result, operating revenue rose ¥505 million year on year to ¥161,820 million, while segment profit increased by ¥915 million year on year to ¥3,035 million.

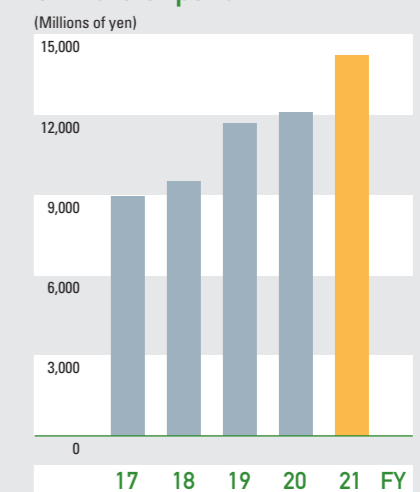
### Operating revenues



### Operating profit



### Net income attributable to owners of parent





Others

Due primarily to the Company making Procure Co., Ltd. and Terauchi Co., Ltd. consolidated subsidiaries, and taking other measures, operating revenue increased by ¥7,247 million year on year to ¥23,235 million. However, the spread of COVID-19 had a negative impact on profits due to a considerable decline in the number of customers using hotels, fitness clubs, daycare centers, and restaurants. This resulted in a loss for the segment of ¥61 million, a deterioration of ¥1,481 million over the previous fiscal year.

Assets, Liabilities and Net Assets

Total assets

Total assets as of March 31, 2021 were ¥435,260 million, rising by ¥78,952 million over the end of the previous fiscal year. Current assets came to ¥163,891 million, up ¥39,680 million from the end of the previous fiscal year. This was mainly a reflection of increases of ¥24,051 million in cash and cash equivalents, ¥8,327 million in trade accounts and notes receivable, and ¥4,621 million in merchandise and finished goods. Non-current assets were ¥271,369 million, up ¥39,984 million. This was the result of a decline of ¥2,611 million in investments and other assets, an increase in property, plant and equipment of ¥38,576 million, and an increase in intangible assets of ¥4,020 million.

Liabilities

Liabilities as of March 31, 2021 increased ¥67,379 million from the end of the previous fiscal year to ¥289,506 million. Current liabilities totaled ¥133,715 million, up ¥22,076 million from the end of the previous fiscal year. This was mainly due to increases of ¥3,397 million in trade notes and accounts payable, ¥2,027 million in electronically recorded obligations—operating, ¥7,070 million in current portion of bonds payable, and ¥10,009 million in current portion of convertible bonds with share acquisition rights, despite a decrease of ¥7,215 million in short-term borrowings. Non-current liabilities totaled ¥155,791 million, up ¥45,302 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥12,952 million in bonds payable, ¥12,089 million in convertible bonds with share acquisition rights, and ¥19,048 million in long-term borrowings.

Net assets

Net assets as of March 31, 2021 rose ¥11,573 million from the end of the previous fiscal year to ¥145,754 million. This was primarily due to increases of ¥10,301 million in retained earnings, ¥2,429 million in reassessing defined benefit plans, and ¥1,977 million in non-controlling interests, despite a decrease of ¥3,986 million in the purchase of treasury shares. As of March 31, 2021 the equity ratio was 31.0%, a decrease of 4.1 percentage points from the end of the previous fiscal year.

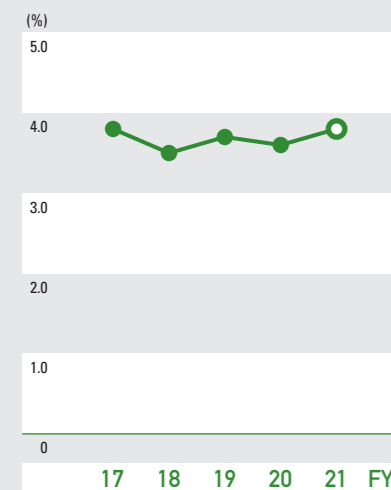
Capital Expenditures and Depreciation

Capital expenditures in the fiscal year under review increased ¥15,115 million, or 83.0%, to ¥33,321 million compared with the previous fiscal year. The Company opened logistics centers in Fukuoka, Tokyo, Saitama, and Aichi in the fiscal year under review. As a result, the total warehouse space as of March 31, 2021 grew by 50,000 m<sup>2</sup> from the end of the previous fiscal year to 3,920,000 m<sup>2</sup>. Depreciation in the fiscal year under review increased ¥1,854 million, or 11.9%, to ¥17,415 million compared with the previous fiscal year.

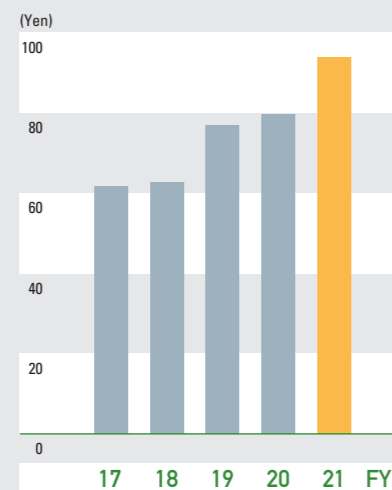
Cash Flows

Cash and cash equivalents at the end of the fiscal year increased by ¥23,228 million year on year to ¥50,371 million. Net cash provided by operating activities came to ¥31,858 million. This was mainly due to outlays of ¥4,483 million associated with an increase in negative goodwill, and ¥6,822 million in income taxes paid, despite profit before income taxes of ¥22,602 million, depreciation and amortization of ¥17,419 million, and impairment losses of ¥3,053 million. Net cash used in investing activities came to ¥46,309 million. This was mainly due to purchases of property, plant and equipment of ¥33,618 million and purchases of the shares of subsidiaries arising from a change in the scope of consolidation of ¥11,386 million. Net cash provided by investing activities came to ¥36,757 million. This was mainly due to proceeds from long-term borrowings of ¥21,566 million and proceeds from issuing bonds of ¥42,110 million, despite repayments of long-term borrowings of ¥14,510 million, repayments of finance lease obligations of ¥4,465 million, the purchase of treasury shares of ¥4,312 million and a dividends payout of ¥3,967 million.

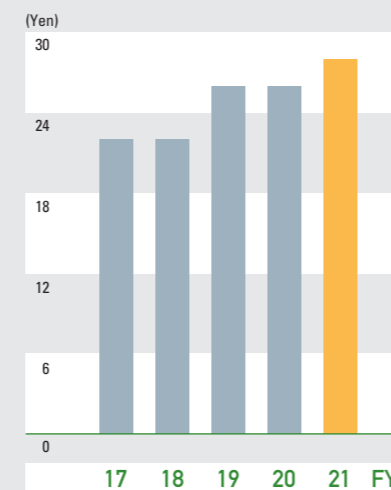
Operating profit margin



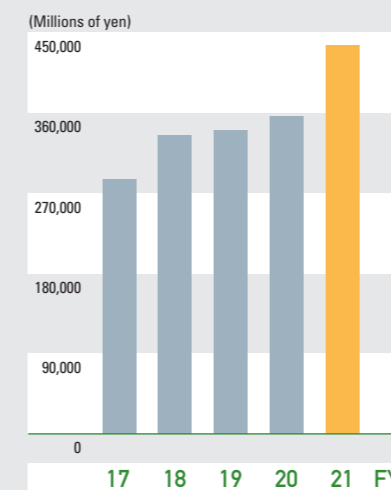
Net income per share



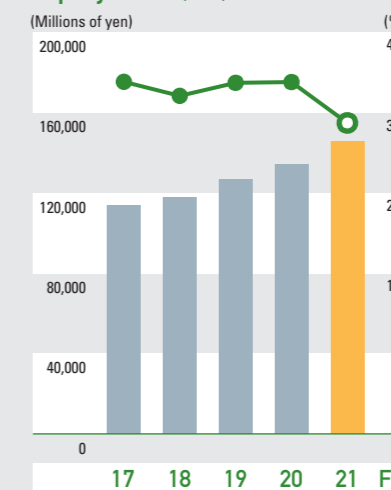
Cash dividends per share



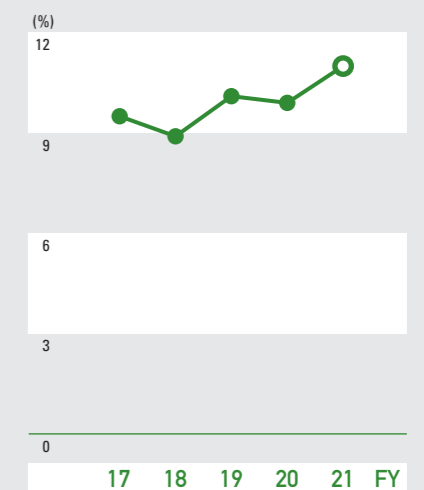
Total assets



Net assets (■) Equity ratio (○)



ROE





## Consolidated Balance Sheets

SENKO Group Holdings Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 50,372	¥ 27,143	\$ 454,991
Trade accounts and notes receivable	85,209	77,013	769,659
Less : allowance for doubtful accounts	(29)	(22)	(262)
Inventories	13,959	9,616	126,086
Prepaid expenses and other current assets	14,380	10,461	129,889
<b>Total current assets</b>	<b>163,891</b>	<b>124,211</b>	<b>1,480,363</b>
<b>Investments in and long-term loans receivable to non-consolidated subsidiaries</b>	<b>9,719</b>	<b>16,283</b>	<b>87,788</b>
<b>Investment securities (Notes 9 and 14)</b>	<b>8,211</b>	<b>5,764</b>	<b>74,167</b>
<b>Property and equipment, at cost (Notes 11 and 14)</b>	<b>365,539</b>	<b>309,561</b>	<b>3,301,770</b>
Less : accumulated depreciation	(155,985)	(138,583)	(1,408,951)
<b>Net property and equipment</b>	<b>209,554</b>	<b>170,978</b>	<b>1,892,819</b>
<b>Deferred tax assets (Note 18)</b>	<b>4,937</b>	<b>5,997</b>	<b>44,594</b>
<b>Net defined benefit assets</b>	<b>5,471</b>	<b>2,094</b>	<b>49,417</b>
<b>Other assets</b>	<b>33,478</b>	<b>30,269</b>	<b>302,394</b>
<b>Deferred assets:</b>			
Business commencement expenses	0	713	0
<b>Total deferred assets</b>	<b>0</b>	<b>713</b>	<b>0</b>
<b>Total assets</b>	<b>¥ 435,261</b>	<b>¥ 356,309</b>	<b>\$ 3,931,542</b>

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term loans (Note 12)	¥ 18,408	¥ 15,091	\$ 166,272
Current portion of long-term debt (Note 12)	20,756	14,210	187,481
Lease obligations	4,254	3,674	38,425
Trade accounts and notes payable	52,971	47,545	478,466
Accrued expenses	14,227	12,039	128,507
Accrued income taxes	5,378	3,745	48,577
Other current liabilities	17,721	15,335	160,067
<b>Total current liabilities</b>	<b>133,715</b>	<b>111,639</b>	<b>1,207,795</b>
<b>Long-term debt, less current portion (Note 12)</b>	<b>127,021</b>	<b>82,931</b>	<b>1,147,331</b>
<b>Lease obligations</b>	<b>14,882</b>	<b>13,913</b>	<b>134,423</b>
<b>Net defined benefit liabilities (Note 13)</b>	<b>7,104</b>	<b>7,060</b>	<b>64,168</b>
<b>Other long-term liabilities</b>	<b>6,785</b>	<b>6,585</b>	<b>61,286</b>
<b>Contingent liabilities (Note 15)</b>			
<b>Net assets (Note 16):</b>			
Shareholders' equity			
Common stock:			
Authorized—294,999,000 shares			
Issued—152,952,221 shares in 2021 and 152,861,921 shares in 2020	26,565	26,529	239,951
Capital surplus	29,806	29,770	269,226
Retained earnings	81,204	70,902	733,484
Less : Treasury stock, at cost—4,764,111 shares in 2021 and 898,113 shares in 2020	(4,638)	(652)	(41,893)
<b>Total Shareholders' equity</b>	<b>132,937</b>	<b>126,549</b>	<b>1,200,768</b>
Accumulated other comprehensive income :			
Net unrealized holdings gain on securities	1,760	779	15,897
Gain (loss) on deferred hedges	32	14	289
Translation adjustments	57	256	515
Remeasurements of defined benefit plans	(10)	(2,439)	(90)
<b>Total accumulated other comprehensive income :</b>	<b>1,839</b>	<b>(1,390)</b>	<b>16,611</b>
Stock acquisition rights (Note 17)	410	432	3,703
Non-controlling interests	10,568	8,590	95,457
<b>Total net assets</b>	<b>145,754</b>	<b>134,181</b>	<b>1,316,539</b>
<b>Total liabilities and net assets</b>	<b>¥ 435,261</b>	<b>¥ 356,309</b>	<b>\$ 3,931,542</b>

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Operating revenues</b>	¥ 572,405	¥ 570,030	\$ 5,170,310
<b>Operating costs and expenses:</b>			
Operating costs of revenues	500,654	503,687	4,522,211
Selling, general and administrative expenses	50,231	45,686	453,717
	550,885	549,373	4,975,928
<b>Operating profit</b>	21,520	20,657	194,382
<b>Other income (expenses):</b>			
Interest and dividend income	220	254	1,987
Interest expenses	(1,171)	(1,100)	(10,577)
Others, net	2,033	(163)	18,363
	1,082	(1,009)	9,773
<b>Income before income taxes</b>	22,602	19,648	204,155
<b>Income taxes (Note 18):</b>			
Current	8,195	7,010	74,022
Deferred	(314)	102	(2,836)
	7,881	7,112	71,186
<b>Net income</b>	14,721	12,536	132,969
<b>Net income attributable to non-controlling interests</b>	(480)	(455)	(4,336)
<b>Net income attributable to owners of parent</b>	¥ 14,241	¥ 12,081	\$ 128,633
<b>Per share of common stock</b>	Yen		U.S. dollars
Net income	¥ 93.81	¥ 79.51	\$ 0.85
Diluted net income	78.40	73.75	0.71
Cash dividends applicable to the year	28.00	26.00	0.25

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Net income</b>	¥ 14,721	¥ 12,536	\$ 132,969
<b>Other comprehensive income (Note 7):</b>			
Net unrealized holdings gain (loss) on securities	1,025	(560)	9,258
Gain (loss) on deferred hedges	18	21	163
Translation adjustments	(355)	199	(3,206)
Remeasurements of defined benefit plans	2,429	(1,519)	21,940
<b>Total other comprehensive income</b>	3,117	(1,859)	28,155
<b>Comprehensive income</b>	¥ 17,838	¥ 10,677	\$ 161,124
<b>Total comprehensive income attributable to:</b>			
Owners of parent	¥ 17,476	¥ 10,078	\$ 157,854
Non-controlling interests	¥ 362	¥ 599	\$ 3,270

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, 2021 and 2020

	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
<b>Balance at March 31, 2019</b>	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)
<b>Balance at March 31, 2020</b>	152,861	¥ 26,529	¥ 29,770	¥ 70,902	¥ (652)	¥ 779	¥ 14	¥ 256	¥ (2,439)	¥ 432	¥ 8,590	¥ 134,181
Net income attributable to owners of parent	–	–	–	14,241	–	–	–	–	–	–	–	14,241
Issuance of new stock	–	36	36	–	–	–	–	–	–	–	–	72
Cash dividends	–	–	–	(3,971)	–	–	–	–	–	–	–	(3,971)
Purchases of treasury stock	–	–	–	–	(4,312)	–	–	–	–	–	–	(4,312)
Retirement of treasury stock	–	–	(1)	–	326	–	–	–	–	–	–	325
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	–	32	–	–	–	–	–	–	–	32
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	1	–	–	–	–	–	–	–	–	1
Other changes	–	–	–	–	–	981	18	(199)	2,429	(22)	1,978	5,185
<b>Balance at March 31, 2021</b>	152,861	¥ 26,565	¥ 29,806	¥ 81,204	¥ (4,638)	¥ 1,760	¥ 32	¥ 57	¥ (10)	¥ 410	¥ 10,568	¥ 145,754

	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	
<b>Balance at March 31, 2020</b>	\$ 239,626	\$ 268,901	\$ 640,430	\$ (5,889)	\$ 7,036	\$ 126	\$ 2,312	\$ (22,030)	\$ 3,902	\$ 77,590	\$ 1,212,004	
Net income attributable to owners of parent	–	–	128,633	–	–	–	–	–	–	–	128,633	
Issuance of new stock	325	325	–	–	–	–	–	–	–	–	650	
Cash dividends	–	–	(35,868)	–	–	–	–	–	–	–	(35,868)	
Purchases of treasury stock	–	–	–	(38,949)	–	–	–	–	–	–	(38,949)	
Retirement of treasury stock	–	(9)	–	2,945	–	–	–	–	–	–	2,936	
Adjustment of retained earnings for newly consolidated subsidiaries	–	–	289	–	–	–	–	–	–	–	289	
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	9	–	–	–	–	–	–	–	–	9	
Other changes	–	–	–	–	8,861	163	(1,797)	21,940	(199)	17,867	46,835	
<b>Balance at March 31, 2021</b>	\$ 239,951	\$ 269,226	\$ 733,484	\$ (41,893)	\$ 15,897	\$ 289	\$ 515	\$ (90)	\$ 3,703	\$ 95,457	\$ 1,316,539	

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 22,602	¥ 19,648	\$ 204,155
Adjustments for:			
Depreciation and amortization	17,420	15,565	157,348
Impairment loss	3,053	211	27,576
Gain (loss) on sales of investment securities	—	(11)	—
Loss on valuation of shares of subsidiaries and associates	—	190	—
Insurance income	—	(144)	—
Settlement money	—	118	—
Litigation settlement money	—	55	—
Loss (gain) on extinguishment of tie-in shares	—	(51)	—
Gain on termination of retirement benefit plan	—	(46)	—
Gain on sales of property and equipment	(432)	(52)	(3,902)
Loss on disposals of property and equipment	311	159	2,809
Loss on reduction of property and equipment	337	565	3,044
Subsidy income	(313)	(579)	(2,827)
Amortization of goodwill	798	—	7,208
Gain on bargain purchase	(4,483)	—	(40,493)
Reversal of provision for asset retirement obligations	(349)	—	(3,152)
Amortization of business commencement expenses	561	—	5,067
Increase (decrease) in allowance for doubtful accounts	(79)	—	(714)
Loss (gain) on liquidation of subsidiaries	—	356	—
Loss on return of subsidiaries	—	238	—
Gain on reversal of tax purpose reduction entry of non-current assets	—	(238)	—
Decrease (increase) in accrued retirement benefits	(3,377)	(139)	(30,503)
Increase (decrease) in net defined benefit liabilities	2,472	(671)	22,329
Increase (decrease) in accrued bonuses to employees	571	176	5,158
Increase (decrease) in provision for share-based remuneration	(121)	271	(1,093)
Increase (decrease) in provision for loss on disaster	68	(103)	614
Interest and dividends income	(220)	(254)	(1,987)
Foreign currency exchange loss (gain)	(109)	67	(985)
Interest expenses	1,171	1,100	10,577
Decrease (increase) in trade receivables	(1,539)	(2,866)	(13,901)
Decrease (increase) in inventories	(682)	131	(6,160)
Increase (decrease) in trade payables	1,947	1,572	17,585
Increase (decrease) in accrued consumption taxes	552	2,318	4,986
Decrease (increase) in consumption taxes refund receivable	(1,774)	545	(16,024)
Other	510	882	4,607
<b>Subtotal</b>	<b>38,895</b>	<b>39,013</b>	<b>351,322</b>
Proceeds from subsidy income	313	579	2,827
Settlement payment	—	(106)	—
Loss on return of subsidiaries	—	(238)	—
Interest and dividends income received	623	594	5,627
Interest expenses paid	(1,151)	(1,097)	(10,396)
Income tax paid	(6,822)	(7,646)	(61,619)
<b>Net cash provided by operating activities</b>	<b>31,858</b>	<b>31,099</b>	<b>287,761</b>
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(2,069)	(2,738)	(18,688)
Proceeds from withdrawal of time deposits	1,803	3,934	16,286
Payments for purchases of fixed assets	(33,618)	(17,449)	(303,658)
Proceeds from sales of fixed assets	1,455	1,182	13,141
Payments for purchase of shares of newly consolidated subsidiaries	(11,387)	—	(102,854)
Payments for guarantee deposits	(987)	(2,043)	(8,915)
Other	(1,506)	(916)	(13,603)
<b>Net cash used in investing activities</b>	<b>(46,309)</b>	<b>(18,030)</b>	<b>(418,291)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term loans, net	335	212	3,026
Proceeds from long-term debt	21,566	5,210	194,797
Repayment of long-term debt	(14,510)	(6,978)	(131,063)
Repayments of finance lease obligations	(4,465)	(3,925)	(40,330)
Proceeds from issuance of corporate bond	42,110	—	380,363
Proceeds from issuing shares to non-controlling shareholders	—	803	—
Payments for purchase of shares of usual consolidated subsidiaries	—	(152)	—
Purchases of treasury stock	(4,312)	—	(38,949)
Sales of treasury stock	106	—	957
Dividends paid	(3,968)	(3,964)	(35,841)
Dividends paid to non-controlling interests	(169)	—	(1,526)
Other	65	(362)	587
<b>Net cash provided by (used in) financing activities</b>	<b>36,758</b>	<b>(9,156)</b>	<b>332,021</b>
Effect of exchange rate changes on cash and cash equivalents	(157)	46	(1,418)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>22,150</b>	<b>3,959</b>	<b>200,073</b>
Cash and cash equivalents at beginning of year	27,143	22,802	245,172
Net increase in cash and cash equivalents of newly consolidated subsidiaries	1,079	315	9,746
Net increase in cash due to merger non-consolidated subsidiaries	—	67	—
Cash and cash equivalents at end of year	¥ 50,372	¥ 27,143	\$ 454,991

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, 2021, which was ¥110.71 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 by 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	Tools, furniture and fixtures	2 to 20 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 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 is amortized over a period of 5 years by the straight-line method. If the useful economic 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 | Significant accounting estimates

Items that were recorded in the consolidated financial statements as accounting estimates for the fiscal year ended March 31, 2021 and that may have a material impact on the consolidated financial statements for the following fiscal year and beyond are as follows.

## 1. Recoverability of deferred tax assets

(1) Amount recorded in the financial statements for the consolidated fiscal year ended March 31, 2021

Amount (Unit: million yen)	
Deferred tax assets	4,936

(2) Information on the details of significant accounting estimates related to the items identified

With regard to future deductible temporary differences, the Group determines the recoverability of deferred tax assets according to taxable income based on future earnings capacity, tax planning, and other methods.

Estimates of future taxable income are based on the Group's business plan, and take into account the impact of COVID-19 and other external factors.

These estimates may be affected by uncertainties in the economic situation and the business conditions of the Company, and in the event that actual timings and amounts differ from the estimates, they could have a material impact on amounts recognized in the financial statements for the following fiscal year and beyond. In addition, if the effective tax rate changes because of revisions to the tax system, this could have a material impact on amounts recognized in the financial statements for the following fiscal year and beyond.

## 2. Impairment losses

(1) Amount recorded in the financial statements for the consolidated fiscal year ended March 31, 2021

Amount (Unit: million yen)	
Impairment loss	3,053
Property, plant and equipment	209,554
Intangible assets	17,174

(2) Information on the details of significant accounting estimates related to the items identified

For non-current assets for which there are indications of impairment and where the total undiscounted future cash flows of the asset or asset group in question are lower than book value, the Group writes down book value to the recoverable value and records the amount written down as an impairment loss.

In addition, when considering whether an impairment loss should be recognized, or when estimating future cash flows for the calculation of value in use, the Group makes certain assumptions, including some related to the timing of the resolution of the COVID-19 crisis.

For this reason, if the COVID-19 crisis shows no sign of resolution and market conditions deteriorate markedly, the Group may make a downward revision to the business plans on which its estimates are based, and an additional impairment loss may be recorded in the consolidated financial statements for the fiscal year ending March 31, 2022.

# 04 | 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 26, 2021)
- 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)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, 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 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.

## 05 | Changes in presentation

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company began to apply ASBJ Statement No. 31, “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements in the fiscal year ended March 31, 2021, and the consolidated financial statements provide notes on significant accounting estimates.

However, in accordance with the transitional arrangements set out in the proviso to paragraph 11 of said standard, no notes are provided for details relating to previous fiscal years.

## 06 | 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 341,000 shares valued at ¥289 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 348,000 shares valued at ¥302 million (\$2,728 thousand) for the current consolidated fiscal year.

#### (Accounting estimates following the spread of COVID-19)

The spread of COVID-19 has had certain effects on the business of the Group, and it is assumed that these effects will continue for a period of time beyond April 2021. Accordingly, we have created accounting estimates for impairment accounting of non-current assets, and for recoverability of deferred tax assets, and other items.

Moreover, because these assumptions are significantly affected by a variety of factors, such as the timing with which the COVID-19 crisis is resolved, results based on actual figures in the future may differ from these assumptions and estimates.

## 07 | Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized holdings gain (loss) on securities:			
Amount recognized in the period under review	¥ 1,215	¥ (800)	\$ 10,975
Amount of recycling	240	(11)	2,167
Before income tax effect adjustments	1,455	(811)	13,142
Amount of income tax effect	(430)	251	(3,884)
Net unrealized holdings gain (loss) on securities	1,025	(560)	9,258
Gain (loss) on deferred hedges:			
Amount recognized in the period under review	26	31	235
Before income tax effect adjustments	26	31	235
Amount of income tax effect	(8)	(10)	(72)
Gain (loss) on deferred hedges	18	21	163
Translation adjustments:			
Amount recognized in the period under review	(355)	199	(3,206)
Remeasurements of defined benefit plans:			
Amount recognized in the period under review	2,899	(2,534)	26,185
Amount of recycling	571	350	5,158
Before income tax effect adjustments	3,470	(2,184)	31,343
Amount of income tax effect	(1,041)	665	(9,403)
Remeasurements of defined benefit plans	2,429	(1,519)	21,940
Total other comprehensive income	¥ 3,117	¥ (1,859)	\$ 28,155

## (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

2021	Book value	Market value	Difference
(1) Cash and cash equivalents	¥ 52,530	¥ 52,530	¥ -
(2) Trade accounts and notes receivable	85,210	85,210	-
(3) Investment securities	7,710	7,710	-
(4) Long-term loans receivable (including current portion)	308		
Less allowance for doubtful accounts *1	(38)		
	270	264	(6)
<b>Total assets</b>	<b>¥ 145,720</b>	<b>¥ 145,714</b>	<b>¥ (6)</b>
(1) Trade accounts and notes payable	¥ 52,971	¥ 52,971	¥ -
(2) Short-term loans	18,408	18,408	-
(3) Bond	37,142	36,371	(771)
(4) Convertible bond	32,119	31,526	(593)
(5) Long-term debt (including current portion)	78,516	78,676	160
(6) Lease obligations (including current portion)	19,136	18,794	(342)
<b>Total liabilities</b>	<b>¥ 238,292</b>	<b>¥ 236,746</b>	<b>¥ (1,546)</b>
<b>Derivatives *2</b>	<b>¥ 58</b>	<b>¥ 58</b>	<b>¥ -</b>

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
<b>Total assets</b>	<b>¥ 113,978</b>	<b>¥ 114,001</b>	<b>23</b>
(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)
<b>Total liabilities</b>	<b>¥ 177,364</b>	<b>¥ 176,731</b>	<b>¥ (633)</b>
<b>Derivatives *2</b>	<b>¥ 33</b>	<b>¥ 33</b>	<b>¥ -</b>

Thousands of U.S. dollars

2021	Book value	Market value	Difference
(1) Cash and cash equivalents	\$ 474,483	\$ 474,483	\$ -
(2) Trade accounts and notes receivable	769,668	769,668	-
(3) Investment securities	69,641	69,641	-
(4) Long-term loans receivable (including current portion)	2,782		
Less allowance for doubtful accounts *1	(343)		
	2,439	2,385	(54)
<b>Total assets</b>	<b>\$ 1,316,231</b>	<b>\$ 1,316,177</b>	<b>\$ (54)</b>
(1) Trade accounts and notes payable	\$ 478,466	\$ 478,466	\$ -
(2) Short-term loans	166,272	166,272	-
(3) Bond	335,490	328,525	(6,965)
(4) Convertible bond	290,118	284,762	(5,356)
(5) Long-term debt (including current portion)	709,204	710,649	1,445
(6) Lease obligations (including current portion)	172,848	169,760	(3,088)
<b>Total liabilities</b>	<b>\$ 2,152,398</b>	<b>\$ 2,138,434</b>	<b>\$ (13,964)</b>
<b>Derivatives *2</b>	<b>\$ 524</b>	<b>\$ 524</b>	<b>\$ -</b>

\*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 8"

#### (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 10"

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted shares	¥ 9,688	¥ 12,378	\$ 87,508

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

2021	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	¥ 52,530	¥ –	¥ –	¥ –
Trade accounts and notes receivable	84,239	971	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	1	–	–	–
(2) Bond	–	–	–	–
(3) Other	–	–	–	–
Long-term loans receivable	6	243	8	51
<b>Total</b>	<b>¥ 136,776</b>	<b>¥ 1,214</b>	<b>¥ 8</b>	<b>¥ 51</b>

2020	Millions of yen			
	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
<b>Total</b>	<b>¥ 105,581</b>	<b>¥ 1,803</b>	<b>¥ 1,217</b>	<b>¥ 220</b>

2021	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and cash equivalents	\$ 474,483	\$ –	\$ –	\$ –
Trade accounts and notes receivable	760,897	8,771	–	–
Investment securities	–	–	–	–
Other securities with maturity period				
(1) Government bond, local government bond	9	–	–	–
(2) Bond	–	–	–	–
(3) Other	–	–	–	–
Long-term loans receivable	54	2,195	72	461
<b>Total</b>	<b>\$ 1,235,443</b>	<b>\$ 10,966</b>	<b>\$ 72</b>	<b>\$ 461</b>

## 09 | Investment Securities

The carrying amounts of investment securities at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Marketable securities	¥ 7,710	¥ 5,285	\$ 69,642
Non-marketable securities	501	479	4,525
	¥ 8,211	¥ 5,764	\$ 74,167

The following is a summary of marketable securities included in investment securities, at March 31, 2021 and 2020.

2021	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	¥ 3,531	¥ 4,084	¥ 55	¥ 7,560
Bond and Others	147	5	2	150
	¥ 3,678	¥ 4,089	¥ 57	¥ 7,710

2020	Millions of yen			
	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

2021	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
Equity security	\$ 31,894	\$ 36,890	\$ 497	\$ 68,287
Bond and Others	1,328	45	18	1,355
	\$ 33,222	\$ 36,935	\$ 515	\$ 69,642

## 10 | 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

Hedge accounting method	Type of contracts	Item hedged	Millions of yen			
			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	¥ 16	¥ –	¥ (0)
		Buy				
		U.S. dollar	Trade accounts payable	¥ 1,320	¥ –	¥ 41
	Euro	Trade accounts payable	375	–	6	
	Chinese yuan	Trade accounts payable	259	–	12	
	<b>Total</b>		<b>¥ 1,970</b>	<b>¥ –</b>	<b>¥ 59</b>	

Millions of yen

Hedge accounting method	Type of contracts	Item hedged	2020		
			Contract amounts	Over 1 year out of contract amounts	Market value
	Forward exchange contracts				
	Sell				
	U.S. dollar	Trade accounts receivable	¥ 0	¥ –	¥ 0
	Buy				
Designated transactions for forward exchange contracts	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

Thousands of U.S. dollars

Hedge accounting method	Type of contracts	Item hedged	2021		
			Contract amounts	Over 1 year out of contract amounts	Market value
	Forward exchange contracts				
	Sell				
Designated transactions for forward exchange contracts	U.S. dollar	Trade accounts receivable	\$ 145	\$ –	\$ (0)
	Buy				
	U.S. dollar	Trade accounts payable	\$ 11,923	\$ –	\$ 370
	Euro	Trade accounts payable	3,387	–	54
	Chinese yuan	Trade accounts payable	2,339	–	108
	Total		\$ 17,794	\$ –	\$ 532

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	2021		
			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	¥ 6,700	¥ 6,000	¥ –

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	¥ –

Thousands of U.S. dollars

Hedge accounting method	Type of contracts	Item hedged	2021		
			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	\$ 60,518	\$ 54,169	\$ –

## 11 | Property and Equipment

At March 31, 2021 and 2020, property and equipment at cost consisted of the following:

Millions of yen

Thousands of U.S. dollars

	2021	2020	2021
Land	¥ 81,629	¥ 61,669	\$ 737,323
Buildings and structures	169,355	145,107	1,529,717
Machinery and equipment, vehicle and vessels	77,661	67,912	701,481
Tools, furniture and fixtures	10,384	9,334	93,795
Construction in Progress	6,484	6,294	58,567
Lease assets	20,026	19,245	180,887
	¥ 365,539	¥ 309,561	\$ 3,301,770

## 12 | Short-term Loans and Long-term Debt

At March 31, 2021 and 2020, short-term loans consisted of the following:

Millions of yen

Thousands of U.S. dollars

	2021	2020	2021
0.25% to 1.62% unsecured loans from banks	¥ 18,408	¥ 15,091	\$ 166,272

At March 31, 2021 and 2020, long-term debt consisted of the following:

Millions of yen

Thousands of U.S. dollars

	2021	2020	2021
0.50% bond due 2021	¥ 7,000	¥ 7,000	\$ 63,228
0.10% bond due 2022	72	120	650
0.48% bond due 2027	10,000	10,000	90,326
0.34% bond due 2025	10,000	–	90,326
0.06% bond due 2030	10,000	–	90,326
0.26% bond due 2021	70	–	632
Convertible bond due 2022	10,010	10,020	90,416
Convertible bond due 2025	22,109	–	199,703
0.21% to 2.78% loans from banks and insurance companies: Unsecured	78,516	70,001	709,205
	147,777	97,141	1,334,812
Less current portion	(20,756)	(14,210)	(187,481)
	¥ 127,021	¥ 82,931	\$ 1,147,331

On March 28, 2017, the Company issued ¥10,050 million (\$90,778 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 (\$8.40) per share.

On March 18, 2021, the Company issued ¥22,110 million (\$199,710 thousand) of zero coupon convertible bond with stock acquisition rights due in 2025. The stock acquisition rights are exercisable during the period from March 4, 2025 at a conversion price of ¥1,218 (\$11.00) per share.

The annual maturities of long-term debt at March 31, 2021 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 20,756	\$ 187,481
2023	11,322	102,267
2024	10,069	90,949
2025	33,467	302,294
2026	20,169	182,179
There after	51,994	469,641

At March 31, 2021, the Company has committed line and overdraft contracts with 32 banks aggregating ¥79,035 million (\$713,892 thousand).

Of the total credit limit, ¥18,088 million (\$163,382 thousand) was used as the above short-term and long-term borrowing, and the rest ¥60,947 million (\$550,510 thousand) was unused.

# 13 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
	2021	2020	2021
Benefits obligation at the beginning of the year	¥ 24,589	¥ 25,439	\$ 222,103
Service cost	1,037	1,076	9,367
Interest cost	53	55	479
Accrued actuarial differences	1,342	137	12,122
Retirement benefits paid	(1,936)	(1,814)	(17,488)
Decrease on termination of retirement benefit plan	—	(277)	—
Increase due to change of consolidated subsidiary	824	—	7,443
Others	(90)	(27)	(813)
Benefits obligation at the end of the year	¥ 25,819	¥ 24,589	\$ 233,213

### 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
	2021	2020	2021
Fair value of plan assets at the beginning of the year	¥ 19,623	¥ 21,557	\$ 177,247
Expected return on plan assets	491	539	4,435
Accrued actuarial differences	4,240	(2,373)	38,298
Contribution by employers	572	578	5,167
Retirement benefits paid	(739)	(678)	(6,675)
Fair value of plan assets at the end of the year	¥ 24,187	¥ 19,623	\$ 218,472

### 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
	2021	2020	2021
Benefits obligation under the funded benefit plan	¥ 19,266	¥ 18,970	\$ 174,022
Fair value of plan assets	(24,187)	(19,623)	(218,471)
	(4,921)	(653)	(44,449)
Benefits obligation under the unfunded benefit plan	6,554	5,619	59,200
Net amounts of assets and liabilities on the consolidated balance sheets	1,633	4,966	14,751
Net defined benefit assets	5,471	2,094	49,417
Net defined benefit liabilities	7,104	7,060	64,168
Net amounts of assets and liabilities on the consolidated balance sheets	¥ 1,633	¥ 4,966	\$ 14,751

### d. Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 1,037	¥ 1,076	\$ 9,367
Interest cost	53	55	479
Expected return on plan assets	(491)	(539)	(4,436)
Recognized actuarial differences	571	340	5,158
Retirement benefit costs for the defined benefit plan	¥ 1,170	¥ 932	\$ 10,568
Gain on termination of retirement benefit plan	—	(46)	—

### 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
	2021	2020	2021
Recognized actuarial differences	¥ 3,470	¥ (2,184)	\$ 31,343
Total	3,470	(2,184)	31,343

### 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
	2021	2020	2021
Unrecognized actuarial differences	¥ (147)	¥ (3,617)	\$ (1,328)
Total	(147)	(3,617)	(1,328)

### g. Items concerning plan assets

#### (i) Main items of plan assets

	2021	2020
Bonds	24%	28%
Stocks	56%	51%
Others	20%	21%
Total	100%	100%

Note 40% and 45% of total pension assets are in a "Retirements Benefit Trust" for the defined benefit pension plans as of March 31, 2021 and 2020, 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

	2021	2020
Discount rate		
Defined benefit pension plans	0.44%	0.31%
Retirements lump-sum plans	0.21%	0.14%
Expected rate of return on plan assets	2.50%	2.50%

## (2) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Contributions to defined contribution plan by the Company and its consolidated subsidiaries	¥1,130	¥ 980	\$10,207

## 14 | Pledged Assets

The following assets were pledged as collateral as at March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land	¥ 5,724	¥ 3,904	\$ 51,703
Buildings	2,455	1,650	22,175
Structures	—	20	—
Ship	1,149	1,249	10,378
Others	10	10	90
	¥ 9,338	¥ 6,833	\$ 84,346
Fixed mortgages	¥ 2,600	¥ —	\$ 23,485

The maximum value of fixed mortgages in relation to said assets for the fiscal year ended March 31, 2021, was ¥2,600 million (\$23,485 thousand).

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt, including current portion	¥ 4,188	¥ 4,954	\$ 37,829
Short-term debt, including current portion	¥ 180	¥ —	\$ 1,626

## 15 | Contingent Liabilities

At March 31, 2021 and 2020, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Guarantees of some obligations	¥ —	¥ 77	\$ —
Buyback obligations associated with securitization of receivables	354	448	3,197
Recourse obligation associated with securitization of guarantee deposits	25	25	226
Trade notes endorsed	90	94	813
	¥ 469	¥ 644	\$ 4,236

## 16 | 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, 2021, included the Company's legal reserve of ¥1,506 million (\$13,603 thousand).

## 17 | Stock Option Plans

The stock option plans of the Company approved by the shareholders in accordance with the Japan Companies Act at March 31, 2021 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 (30th)	5 operating officers 3 assistant directors 6 executives of the subsidiaries 18 operating officers of the subsidiaries 21 assistant directors of the subsidiaries	60,000 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, 2021. 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, 2020	Granted	Forfeited	Vested	At March 31, 2021	At March 31, 2020	Vested	Exercised	Forfeited	At March 31, 2021
2007 Stock options (1st)	-	-	-	-	-	19,000	-	3,000	-	16,000
2007 Stock options (2nd)	-	-	-	-	-	4,000	-	-	-	4,000
2008 Stock options (4th)	-	-	-	-	-	22,000	-	5,000	-	17,000
2008 Stock options (5th)	-	-	-	-	-	4,000	-	-	-	4,000
2009 Stock options (6th)	-	-	-	-	-	25,000	-	4,000	-	21,000
2009 Stock options (7th)	-	-	-	-	-	15,000	-	-	-	15,000
2010 Stock options (8th)	-	-	-	-	-	29,000	-	4,000	-	25,000
2010 Stock options (9th)	-	-	-	-	-	24,000	-	2,000	-	22,000
2011 Stock options (10th)	-	-	-	-	-	41,000	-	5,000	-	36,000
2011 Stock options (11th)	-	-	-	-	-	66,000	-	6,000	-	60,000
2012 Stock options (12th)	-	-	-	-	-	43,000	-	6,000	-	37,000
2012 Stock options (13th)	-	-	-	-	-	71,000	-	6,000	-	65,000
2013 Stock options (15th)	-	-	-	-	-	39,000	-	-	-	39,000
2013 Stock options (16th)	-	-	-	-	-	67,000	-	5,000	-	62,000
2014 Stock options (18th)	-	-	-	-	-	32,000	-	-	-	32,000
2014 Stock options (19th)	-	-	-	-	-	64,000	-	6,000	-	58,000
2015 Stock options (20th)	-	-	-	-	-	37,000	-	-	-	37,000
2015 Stock options (21st)	-	-	-	-	-	56,000	-	3,000	-	53,000
2016 Stock options (22nd)	-	-	-	-	-	26,000	-	-	-	26,000
2016 Stock options (23rd)	-	-	-	-	-	38,000	-	2,000	-	36,000
2017 Stock options (25th)	-	-	-	-	-	17,000	-	-	-	17,000
2017 Stock options (26th)	-	-	-	-	-	74,000	-	3,000	-	71,000
2018 Stock options (27th)	-	-	-	-	-	16,000	-	-	-	16,000
2018 Stock options (28th)	-	-	-	-	-	82,000	-	3,000	-	79,000
2019 Stock options (29th)	-	-	-	-	-	24,000	-	-	-	24,000
2019 Stock options (30th)	-	-	-	-	-	61,000	-	1,000	-	60,000

## 18 | 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, 2021 and 30.6 % for the years ended March 31, 2020.

(1) Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liabilities	¥ 2,338	¥ 3,214	\$ 21,118
Accrued bonuses to employees	2,377	2,035	21,471
Loss carry forward *1	1,457	469	13,161
Impairment losses	1,624	691	14,669
Accrued enterprise tax	407	301	3,676
Social insurance premium	335	297	3,026
Asset retirement obligations	282	363	2,547
Loss on revaluation of golf club membership	117	115	1,057
Other	1,726	1,749	15,590
Gross deferred tax assets	10,663	9,234	96,315
Valuation allowance relating to carry-forward of unused tax losses *2	(942)	(187)	(8,509)
Valuation allowance relating to total future deductible temporary differences, etc.	(1,955)	(1,178)	(17,659)
Less: valuation allowance *1	(2,897)	(1,365)	(26,168)
Total deferred tax assets	7,766	7,869	70,147
Deferred tax liabilities:			
Reserve for reduction in costs of fixed assets	(732)	(733)	(6,612)
Asset retirement obligations	(130)	(130)	(1,174)
Net unrealized holdings gain on other securities	(1,231)	(545)	(11,119)
Other	(3,967)	(767)	(35,833)
Gross deferred tax liabilities	(6,060)	(2,175)	(54,738)
Net deferred tax assets	¥ 1,706	¥ 5,694	\$ 15,409

\*1 The main factor behind material changes in the amount deducted from deferred tax assets (valuation allowance) was the increase in the valuation allowance relating to carry-forward of unused tax losses.

\*2 Value of carry-forward of unused tax losses and related deferred tax assets by carry-forward expiration date

2021	Millions of yen						
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Carry-forward of unused tax losses *3	¥ 21	¥ 34	¥ 29	¥ 18	¥ 84	¥ 1,271	¥ 1,457
Valuation allowance	21	34	29	-	75	783	942
Deferred tax assets	-	-	-	18	9	488	*4 515

2020	Millions of yen						
	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Carry-forward of unused tax losses *3	¥ 8	¥ 1	¥ 7	¥ 8	¥ 27	¥ 418	¥ 469
Valuation allowance	8	1	7	8	10	153	187
Deferred tax assets	-	-	-	-	17	265	*4 282

Thousands of U.S. dollars

2021	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Carry-forward of unused tax losses *3	\$ 190	\$ 307	\$ 262	\$ 163	\$ 759	\$ 11,480	\$ 13,161
Valuation allowance	190	307	262	—	678	7,072	8,509
Deferred tax assets	—	—	—	163	81	4,408	** 4,652

\*3 Carry-forward of unused tax losses is the amount shown after the application of the statutory effective tax rate.

\*4 Deferred tax assets are deemed recoverable because we believe there is a high probability that future taxable income will be generated.

(Changes in presentation)

Due to the increased importance in financial terms of carry-forward of unused tax losses in the fiscal year ended March 31, 2021, we have added details in accordance with the notes (Note 8) to "Accounting Standard for Tax Effect Accounting" (excluding the total value of valuation allowances) and Note 9 of the same, set out in paragraphs 3 to 5 of ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (February 16, 2018).

As a result, the -¥1,364 million (\$12,320 thousand) shown for "Valuation allowance" in the previous fiscal year has been reclassified as "Valuation allowance relating to carry-forward of unused tax losses" of -¥186 million (\$1,680 thousand), and "Valuation allowance relating to total future deductible temporary differences, etc." of -¥1,177 million (-\$10,631 thousand).

Due to its rising importance in financial terms, "Retained earnings at overseas subsidiaries," which was included in the "Other" section of deferred tax liabilities for the previous fiscal year, has been broken out as a separate item for the fiscal year ended March 31, 2021. In order to reflect these changes, the notes to the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the -¥336 million (-\$3,035 thousand) shown for the "Other" section of deferred tax liabilities in the previous fiscal year has been reclassified as "Retained earnings at overseas subsidiaries" of -¥130 million (-\$1,174 thousand), and "Other" of -¥206 million (-\$1,861 thousand).

Due to its declining importance in financial terms, "Loss on valuation of shares of subsidiaries and associates," which was broken out as a separate item for the previous fiscal year, is included in the "Other" section of deferred tax assets for the fiscal year ended March 31, 2021. In order to reflect these changes, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the ¥298 million (\$2,692 thousand) shown as a "Loss on valuation of shares of subsidiaries and associates" in deferred tax assets in the previous fiscal year has been included in the "Other" total of ¥1,748 million (\$15,789 thousand) under deferred tax assets.

(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, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Adjustment:		
Non-deductible expenses	1.3	1.9
Inhabitants' per capita taxes	1.3	1.5
Non-taxable dividends income	(0.6)	(1.7)
Changes in valuation allowance	6.8	0.1
Negative goodwill	(6.1)	—
Other	1.6	3.8
Income tax rate as a percentage of income before income taxes and non-controlling interests	34.9%	36.2%

(Changes in presentation)

Due to its reduced importance in financial terms, "Special income tax deductions," which was broken out as a separate item for the previous fiscal year, is included in "Other" for the fiscal year ended March 31, 2021. In order to reflect these changes, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the -0.0% shown for "Special income tax deductions" in the previous fiscal year has been reclassified as 3.8% in "Other."

## 19 | Business Combination Related

### I. Terauchi Co., Ltd.

#### (1) Summary of business combination

##### a. Name and business details of acquired company

Name of the acquired company  
Terauchi Co., Ltd. ("Terauchi")  
Business details

Membership-based wholesaler and retailer of ornaments, apparel, and miscellaneous goods, etc., as well as retail of miscellaneous daily goods

##### b. Reason for carrying out the business combination

We believe that making Terauchi part of the Group will generate a variety of synergies, such as offering services provided by the Living Support business to Terauchi's members, including nursing homes, nursing care, and day care, as well as providing the extensive range of products handled by Terauchi to employees and customers of the Senko Group.

##### c. Date of business combination

November 30, 2020 (Deemed acquisition date: December 31, 2020)

##### d. Legal form of the business combination

Stock acquisition

##### e. Name of the controlling entity after the business combination

The name remains unchanged.

##### f. Ratio of voting rights acquired

100.0%

##### g. Main reason for the decision to acquire the company

As the payment of the consideration was designated in cash, it was decided that the Company would be the acquirer, paying the relevant consideration in cash.

#### (2) Period of the acquired company's financial results included in the consolidated statements of income

From January 1, 2021 to March 31, 2021

#### (3) Acquisition cost of the acquired company and breakdown

	Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	¥ 7,000	\$ 63,228
Details and amount of main expenses related to the acquisition	20	181
Acquisition cost	¥ 7,020	\$ 63,409

#### (4) Amount of gain on bargain purchase and cause of occurrence

##### a. Amount of gain on bargain purchase

¥3,311 million (\$29,907 thousand)

##### b. Cause of occurrence

Because the acquisition cost was lower than the market value of net assets at the time of the combination, the difference was recognized as a gain on bargain purchase.

#### (5) Amounts of assets and liabilities acquired on the day of the business combination, and breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,776	\$ 52,172
Non-current assets	8,205	74,113
Total assets	¥13,981	\$126,285
Current liabilities	¥ 1,602	\$ 14,471
Long-term liabilities	2,069	18,688
Total liabilities	¥ 3,671	\$ 33,159

#### (6) Rough estimate of the impact on consolidated financial statements for the fiscal year ended March 31, 2021, and the calculation method used for the estimate, assuming that the business combination had been completed on the first day of the consolidated fiscal year

Because the calculation of a rough estimate for the fiscal year ended March 31, 2021, is difficult, it is not presented here.

## II. UACJ Logistics Corporation

### (1) Summary of business combination

#### a. Name and business details of acquired company

Name of the acquired company  
UACJ Logistics Corporation (“UACJ Logistics”)  
Business details  
Transportation, materials sales, maintenance, warehousing

#### b. Reason for carrying out the business combination

The Company believes that by making UACJ Logistics a subsidiary, it will be able to collaborate further with Senko A Line Amano Co., Ltd., which specializes in heavy cargo transportation, to expand the business and improve productivity, while securing and strengthening the transportation capabilities of the Group and increasing transactions with UACJ Group.

#### c. Date of business combination

December 1, 2020 (Deemed acquisition date: December 31, 2020)

#### d. Legal form of the business combination

Stock acquisition

#### e. Name of the controlling entity after the business combination

The name remains unchanged.

#### f. Ratio of voting rights acquired

66.7%

#### g. Main reason for the decision to acquire the company

The Company acquired 66.7% of the voting rights of said company by offering cash for the shares.

### (2) Period of the acquired company's financial results included in the consolidated statements of income

From January 1, 2021 to March 31, 2021

### (3) Acquisition cost of the acquired company and breakdown

		Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	Cash	¥ 3,102	\$ 28,019
Details and amount of main expenses related to the acquisition	Advisory remuneration/fees, etc.	23	208
Acquisition cost		¥ 3,125	\$ 28,227

### (4) Goodwill, reason for recognizing goodwill, amortization method and amortization period

#### a. Amount of goodwill

¥2,237 million (\$20,206 thousand)

#### b. Reason for recognizing goodwill

Goodwill is attributable mainly to the excess earnings power expected from UACJ Logistics's business.

#### c. Method and period of amortization of goodwill

Straight-line method over 10 years.

### (5) Amounts of assets and liabilities acquired on the day of the business combination, and breakdown

		Millions of yen	Thousands of U.S. dollars
Current assets		¥ 2,851	\$ 25,752
Non-current assets		642	5,799
Total assets		¥ 3,493	\$ 31,551
Current liabilities		¥ 2,086	\$ 18,842
Long-term liabilities		111	1,003
Total liabilities		¥ 2,197	\$ 19,845

### (6) Rough estimate of the impact on consolidated financial statements for the fiscal year ended March 31, 2021, and the calculation method used for the estimate, assuming that the business combination had been completed on the first day of the consolidated fiscal year

	Millions of yen	Thousands of U.S. dollars
Operating revenues	¥ 9,489	\$ 85,710
Operating income	423	3,821
Ordinary income	433	3,911
Income before income taxes	442	3,992
Net income	200	1,807
	yen	U.S. dollars
Net income per share	¥ 1	\$ 0

#### (Calculation method used for rough estimate)

The rough estimate of the impact is deemed to be represented by the operating revenue and profit and loss information calculated on the assumption that the business combination was completed on the first day of the fiscal year.

No audit certification has been received for this rough estimate.

## III. Nagase Logistics Co., Ltd.

### (1) Summary of business combination

#### a. Name and business details of acquired company

Name of the acquired company  
Nagase Logistics Co., Ltd. (“Nagase Logistics”)  
Business details  
Warehousing, consigned freight forwarding, etc.

#### b. Reason for carrying out the business combination

By making Nagase Logistics part of the Group, the Company seeks to strengthen its structure for storing and transporting chemical products, leading to further growth for existing businesses. The Company believes that by building relationships with the NAGASE Group, which is developing its business in Japan and overseas, it can enhance its presence in the chemical distributions industry and expand its trade area.

#### c. Date of business combination

December 1, 2020 (Deemed acquisition date: December 31, 2020)

#### d. Legal form of the business combination

Stock acquisition

#### e. Name of the controlling entity after the business combination

Senko Nagase Logistics Co., Ltd.

#### f. Ratio of voting rights acquired

85.0%

#### g. Main reason for the decision to acquire the company

The Company acquired 85.0% of the voting rights of said company by offering cash for the shares.

### (2) Period of the acquired company's financial results included in the consolidated statements of income

From January 1, 2021 to March 31, 2021

### (3) Acquisition cost of the acquired company and breakdown

		Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	Cash	¥ 1,810	\$ 16,350
Details and amount of main expenses related to the acquisition	Advisory remuneration/fees, etc.	15	135
Acquisition cost		¥ 1,825	\$ 16,485

### (4) Amount of gain on bargain purchase and cause of occurrence

#### a. Amount of gain on bargain purchase

¥151 million (\$1,364 thousand)

#### b. Cause of occurrence

Because the acquisition cost was lower than the market value of net assets at the time of the combination, the difference was recognized as a gain on bargain purchase.

### (5) Amounts of assets and liabilities acquired on the day of the business combination, and breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 530	\$ 4,787
Non-current assets	4,690	42,363
<b>Total assets</b>	<b>¥ 5,220</b>	<b>\$ 47,150</b>
Current liabilities	¥ 2,073	\$ 18,725
Long-term liabilities	840	7,587
<b>Total liabilities</b>	<b>¥ 2,913</b>	<b>\$ 26,312</b>

### (6) Rough estimate of the impact on consolidated financial statements for the fiscal year ended March 31, 2021, and the calculation method used for the estimate, assuming that the business combination had been completed on the first day of the consolidated fiscal year

Because the calculation of a rough estimate for the fiscal year ended March 31, 2021, is difficult, it is not presented here.

	Millions of yen	Thousands of U.S. dollars
Operating revenues	¥ 2,052	\$ 18,535
Operating income	46	415
Ordinary income	59	533
Income before income taxes	55	497
Net income	33	298

	yen	U.S. dollars
Net income per share	¥ 0	\$ 0

#### (Calculation method used for rough estimate)

The rough estimate of the impact is deemed to be represented by the operating revenue and profit and loss information calculated on the assumption that the business combination was completed on the first day of the fiscal year.

No audit certification has been received for this rough estimate.

## IV. AZFIT Co., Ltd.

### (1) Summary of business combination

#### a. Name and business details of acquired company

Name of the acquired company  
AZFIT Co., Ltd. ("AZFIT")

Business details

Wholesaling, planning and sales of household paper, miscellaneous daily goods, and office products

#### b. Reason for carrying out the business combination

By making AZFIT part of the Group, the Company aims to generate synergies by enabling AZFIT and Group company AST CORPORATION, which is engaged in similar household paper wholesale operations, to enhance their product development capability and price competitiveness through the sharing of management resources and know-how, as well as strengthening the business platform by opening up sales routes, etc. Furthermore, we will seek to enhance earnings capacity by using the Group's logistics know-how to make the logistics operations more efficient.

#### c. Date of business combination

February 2, 2021 (Deemed acquisition date: March 31, 2021)

#### d. Legal form of the business combination

Stock acquisition

#### e. Name of the controlling entity after the business combination

The name remains unchanged.

#### f. Ratio of voting rights acquired

80.0%

#### g. Main reason for the decision to acquire the company

The Company acquired 80.0% of the voting rights of said company by offering cash for the shares.

### (2) Period of the acquired company's financial results included in the consolidated statements of income

The company's date of acquisition is deemed to be March 31, 2021, and because the financial statements are for the period ended March 31, which is the account settlement date of the acquired company, the performance of the acquired company is not included.

### (3) Acquisition cost of the acquired company and breakdown

	Millions of yen	Thousands of U.S. dollars
Consideration for the acquisition	¥ 2,320	\$ 20,956
Details and amount of main expenses related to the acquisition	29	262
<b>Acquisition cost</b>	<b>¥ 2,349</b>	<b>\$ 21,218</b>

### (4) Amount of gain on bargain purchase and cause of occurrence

#### a. Amount of gain on bargain purchase

¥989 million (\$8,933thousand)

#### b. Cause of occurrence

Because the acquisition cost was lower than the market value of net assets at the time of the combination, the difference was recognized as a gain on bargain purchase.

### (5) Amounts of assets and liabilities acquired on the day of the business combination, and breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,647	\$ 51,007
Non-current assets	3,476	31,397
<b>Total assets</b>	<b>¥ 9,123</b>	<b>\$ 82,404</b>
Current liabilities	¥ 2,515	\$ 22,717
Long-term liabilities	2,473	22,338
<b>Total liabilities</b>	<b>¥ 4,988</b>	<b>\$ 45,055</b>

### (6) Rough estimate of the impact on consolidated financial statements for the fiscal year ended March 31, 2021, and the calculation method used for the estimate, assuming that the business combination had been completed on the first day of the consolidated fiscal year

Because the calculation of a rough estimate for the fiscal year ended March 31, 2021, is difficult, it is not presented here.

## 20 | 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 1 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
	2021	2020	2021
Balance at the beginning of the term	¥ 1,145	¥ 1,011	\$ 10,342
Increase due to acquisition of a consolidated subsidiary	3	—	27
Increase due to acquisition of fixed assets	86	159	777
Increase in amount as a result of changes in accounting estimates (related to asset retirement obligations)	—	1	—
Reconciliation associated with the passage of time	13	14	117
Decrease due to settlement	(9)	(40)	(81)
Decrease caused by lapse of performance obligations for asset retirement obligations	(369)	—	(3,333)
<b>Balance at the end of the term</b>	<b>¥ 869</b>	<b>¥ 1,145</b>	<b>\$ 7,849</b>

### 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.



# 21 | 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 living support, food service and outsourcing 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

	2021					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	¥ 387,350	¥ 161,820	¥ 23,235	¥ 572,405	¥ –	¥ 572,405
Intersegment	4,580	11,684	10,060	26,324	(26,324)	–
Total operating revenues	391,930	173,504	33,295	598,729	(26,324)	572,405
Segment income (loss)	19,402	3,036	(62)	22,376	(856)	21,520
Segment assets	318,064	65,646	44,196	427,906	7,355	435,261
Other items						
Depreciation	15,050	232	1,131	16,413	1,007	17,420
Impairment loss	262	–	2,791	3,053	–	3,053
Increase in tangible and intangible fixed assets	26,438	743	10,836	38,017	1,351	39,368

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

Thousands of U.S. dollars

	2021					
	Distribution	Trading & Commerce	Others	Total	Adjustments and eliminations	Consolidated
Operating revenues:						
Customers	\$ 3,498,780	\$ 1,461,657	\$ 209,873	\$ 5,170,310	\$ –	\$ 5,170,310
Intersegment	41,369	105,537	90,868	237,774	(237,774)	–
Total operating revenues	3,540,149	1,567,194	300,741	5,408,084	(237,774)	5,170,310
Segment income (loss)	175,251	27,423	(560)	202,114	(7,732)	194,382
Segment assets	2,872,947	592,955	399,205	3,865,107	66,435	3,931,542
Other items						
Depreciation	135,940	2,096	10,216	148,252	9,096	157,348
Impairment loss	2,366	–	25,210	27,576	–	27,576
Increase in tangible and intangible fixed assets	238,804	6,711	97,877	343,392	12,203	355,595

### (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

	2021				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ 431	¥ 150	¥ 217	¥ –	¥ 798
Balance at the end of period	6,854	1,609	2,227	–	10,690

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

Thousands of U.S. dollars

	2021				
	Distribution	Trading & Commerce	Others	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$3,893	\$1,355	\$1,960	\$ –	\$7,208
Balance at the end of period	61,909	14,533	20,116	–	96,558

(Gain on bargain purchase by reporting segment)

In the Logistics segment, there was a gain on bargain purchase arising primarily from the acquisition of shares in Senko Nagase Logistics Co., Ltd. The gain on bargain purchase recorded for the fiscal year ended March 31, 2021, as a result of this event was ¥151 million (\$13,644 thousand).

In the Trading & Commerce segment, there was a gain on bargain purchase arising primarily from the acquisition of shares in AZFIT Co., Ltd. The gain on bargain purchase recorded for the fiscal year ended March 31, 2021, as a result of this event was ¥989 million (\$8,933 thousand).

In the Others segment, there was a gain on bargain purchase arising primarily from the acquisition of shares in Terauchi Co., Ltd. The gain on bargain purchase recorded for the fiscal year ended March 31, 2021, as a result of this event was ¥3,311 million (\$29,907 thousand).

Furthermore, because the gains on bargain purchase are part of extraordinary income, they are not included in the profits of the above segments.



## 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 consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

### 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

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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.

### Other Matter

The consolidated financial statements of the Group for the year ended March 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on June 25, 2020.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment of non-current assets

#### Key Audit Matter Description

The Group has developed Logistics, Trading & Commerce, and Others segments, and hold significant non-current assets.

Due to the decline in profitability caused by factors such as the impact of COVID-19, the Group recorded an impairment loss of 2,778 million yen on the asset group of the hotel business in Others segment.

The Group compares the total value of undiscounted future cash flows from the asset group to its carrying value and decides whether an impairment loss needs to be recognized. However, because the future cash flows used for this decision are significantly affected by the assumptions and judgments of management, such as the number of users, revenue per customer, and the timing with which the COVID-19 pandemic is resolved, the degree of uncertainty is high.

In addition, when measuring impairment losses the Group uses the appraisal value estimated by a real estate appraiser, but such real estate appraisal



values incorporate assumptions and judgments such as occupancy rates, revenue per customer, and the impact of COVID-19.

As explained above, the decision as to whether to recognize an impairment loss on non-current assets in the hotel business and the measurement of the same is mediated through the assumptions and judgments of management and experts, and it is important in financial terms. Therefore, we deemed it necessary to include this issue as a key audit matter.

How the matter was addressed in the audit

When considering impairment losses on non-current assets in the hotel business, the main audit procedures that we performed were as follows.

- We assessed the effectiveness of the design of internal controls related to the impairment of non-current assets. When conducting the assessment, we primarily focused on the inspection of the business plans on which the calculation of future cash flows is based, and on the controls related to approvals.
- When deciding whether an impairment loss needs to be recognized, we considered the feasibility of the undiscounted future cash flows on which the calculation is based by asking questions to management and others, and inspecting relevant materials regarding the key assumptions made in relation to the number of users, revenue per customer, and the timing which the COVID-19 pandemic is resolved.
- When measuring an impairment loss, the Group uses the appraisal value estimated by a real estate appraiser. Therefore, we assessed the competence, capabilities, and objectivity of the expert and considered the relevance and reasonableness of key assumptions used in the analysis such as occupancy rates, revenue per customer, and the impact of COVID-19.

#### Gain on bargain purchase

##### Key Audit Matter Description

In the consolidated income statement for the fiscal year ended March 31, 2021, the Group recorded a gain on bargain purchase of 4,483 million yen.

When a business combination is accounted under the acquisition method of accounting, the market values of the identifiable assets and liabilities of the

company being acquired are to be measured at the time of the business combination. In cases where the acquisition price is higher than the market value of net assets acquired, the difference is recorded as goodwill. Otherwise, when the acquisition price is lower, the difference is recorded as a gain on bargain purchase.

In order to properly account all identifiable assets and liabilities and assign a market value to them, expert investigation and valuation are required. However, in cases where the identification of assets and liabilities is not exhaustive, or where a market value for them is inappropriate, an incorrect amount might be recorded for a gain on bargain purchase. Furthermore, because profit is recorded at the time a gain on bargain purchase occurs, the impact on profit and loss is significant.

As explained above, the amount recorded for gain on bargain purchase was particularly important in the consolidated income statement for the fiscal year ended March 31, 2021, and scrutinizing its validity was complicated. Therefore, we deemed it necessary to include this issue as a key audit matter.

How the matter was addressed in the audit

When scrutinizing the validity of the amount recorded for gain on bargain purchase, the main audit procedures we performed were as follows.

- To analyze the factors behind the gain on bargain purchase in relation to the business combination, we asked management questions about the process by which the acquisition price was determined, and inspected documents such as minutes of Board of Directors meetings, contracts, and financial investigation reports
- Because the Group uses the appraisal value estimated by a real estate appraiser to assess the market value of the property, plant and equipment of the company being acquired, we assessed the competence, capabilities, and objectivity of the expert.
- We confirmed whether the identification of assets and liabilities owned by the company being acquired was exhaustive, and whether market values to them are appropriate, by inspecting financial investigation reports drawn up by an expert.



**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' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 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 whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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.

*Tomohiro Ohki* 

Tomohiro Ohki  
Designated Engagement Partner  
Certified Public Accountant

*Iwao Arai* 

Iwao Arai  
Designated Engagement Partner  
Certified Public Accountant

*Hideyasu Kodama* 

Hideyasu Kodama  
Designated Engagement Partner  
Certified Public Accountant

*Grant Thornton Taiyo LLC*

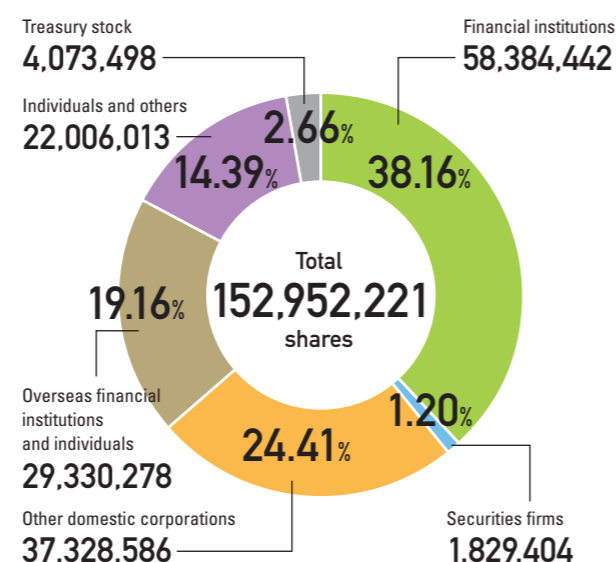
Grant Thornton Taiyo LLC  
Tokyo, Japan  
6, August, 2021

**Stock Information** (As of March 31, 2021)

Stock Listing	First Section of the Tokyo Stock Exchange
Stock Code	9069
Authorized Shares	294,999,000
Outstanding Shares	152,952,221
Number of Shareholders	8,567
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
Custody Bank of Japan	21,440	14.40%
Asahi Kasei Corporation	11,676	7.84%
The Master Trust Bank of Japan, Ltd.	10,921	7.34%
Sekisui Chemical Co., Ltd.	6,785	4.56%
Senko Group Employee's Stockholding	6,521	4.38%
Mitsubishi UFJ Trust and Banking Corporation	4,252	2.86%
Isuzu Motors Ltd.	4,039	2.71%
JP Morgan Chase Bank	3,638	2.44%
Japan Post Insurance Co., Ltd.	3,620	2.43%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,439	2.31%

**Type of Shareholder**

**Corporate Data** (As of March 31, 2021)

Trade Name	SENKO Group Holdings Co., Ltd.
Capital	26,564 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	19,755
Fleet of Own Trucks	7,538 (including trailers)
Vessels	69
Total Warehouse Space	3,920,000 m <sup>2</sup>

**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***

Shiomi SIF Bldg., 2-8-10 Shiomi, Koto-ku, Tokyo Japan  
<https://www.senkogrouphd.co.jp/en/>



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