

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

November 12, 2021

Name of Listed Company: SENKO Group Holdings Co., Ltd. Stock Listed on: The First Section of the Tokyo Stock Exchange
Code Number: 9069 URL <https://www.senkogrouphd.co.jp/en/>
Representative: Title: President and Representative Director Name: Yasuhisa Fukuda
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Scheduled Date of Issue of Quarterly Financial Report: November 12, 2021 Scheduled Date of Dividend Paid: December 3, 2021
Quarterly Supplemental Information Materials: Yes
Quarterly Information Meeting: Yes (for analysts)

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

1. Consolidated Operating Results for the Six Months Ended September 30, 2021

(1) Consolidated Operating Results (Cumulative) (Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	300,762	10.0	11,705	21.4	11,964	22.5	6,955	21.5
Six months ended September 30, 2020	273,449	(3.1)	9,641	(6.8)	9,767	(3.8)	5,726	(11.0)

(Note) Comprehensive income

Six months ended September 30, 2021: ¥7,807 million (26.6%) Six months ended September 30, 2020: ¥6,165 million (-3.8%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2021	47.20	39.20
Six months ended September 30, 2020	37.67	34.95

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	453,934	148,400	30.0	939.81
As of March 31, 2021	436,066	146,120	30.9	909.55

(Reference) Equity:

As of September 30, 2021: ¥136,204 million As of March 31, 2021: ¥134,783 million

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

2. Dividends

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

(Note) Change in the estimation of dividend for the fiscal year in this period: Yes

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2022	625,000	9.2	25,200	17.1	25,600	15.2	14,800	3.9	100.42

(Note) Change in the forecast made in this period: Yes

Notes

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries associated with change in scope of consolidation): None
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatement
- (a) Changes due to revision of accounting standards: Yes
- (b) Changes other than in (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None
- (4) Shares outstanding (Common shares)
- (a) Shares outstanding (including treasury shares)
- | | | | |
|---------------------------|--------------------|-----------------------|--------------------|
| As of September 30, 2021: | 152,952,221 shares | As of March 31, 2021: | 152,952,221 shares |
|---------------------------|--------------------|-----------------------|--------------------|
- (b) Treasury shares
- | | | | |
|---------------------------|------------------|-----------------------|------------------|
| As of September 30, 2021: | 8,024,208 shares | As of March 31, 2021: | 4,764,111 shares |
|---------------------------|------------------|-----------------------|------------------|
- (c) Average number of shares (Cumulative)
- | | | | |
|--------------------------------------|--------------------|--------------------------------------|--------------------|
| Six months ended September 30, 2021: | 147,371,289 shares | Six months ended September 30, 2020: | 152,031,426 shares |
|--------------------------------------|--------------------|--------------------------------------|--------------------|
- (Note) Starting with the third quarter of the fiscal year ended March 31, 2018, the number of treasury shares at term-end includes Senko shares owned by the trust accounts of Performance-linked Stock Compensation Plan for Employees (as of September 30, 2021: 338,276 shares; as of March 31, 2021: 341,740 shares) and Performance-linked Stock Compensation Plan for Directors (as of September 30, 2021: 339,226 shares; as of March 31, 2021: 348,873 shares).

Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

Cautionary statement regarding forecasts of operating results and special notes

- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the assumptions used for forecasts and precautions concerning the use of forecasts, please see "Forecast for the full-term of the fiscal year ending March 31, 2022" on page 3.
- The supplementary material on quarterly earnings will be available on the Company's website.

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1. Results of Operations and Financial Condition

(1) Results of operations

In the six-month period of the fiscal year ending March 31, 2022 (April 1, 2021 to September 30, 2021), the economic environment continued to be harsh due to the ongoing spread of the novel coronavirus disease (COVID-19). Although socio-economic activities are increasingly expected to normalize through the vaccination rollout and other measures, the outlook still remains unclear.

The six-month-period performance was as follows.

(Unit: Millions of Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	%
Operating revenue	273,449	300,762	27,313	10.0
Operating profit	9,641	11,705	2,063	21.4
Ordinary profit	9,767	11,964	2,196	22.5
Profit attributable to owners of parent	5,726	6,955	1,228	21.5

Amid signs that cargo volumes are recovering in the Logistics business, we made group-wide efforts to expand sales, improve cost efficiency and enhance productivity, as well as promote M&A, and as a result, consolidated operating revenue, consolidated operating profit, consolidated ordinary profit, and profit attributable to owners of parent all increased year on year.

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

Logistics

(Unit: Millions of Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	%
Operating revenue	188,068	208,540	20,471	10.9
Segment income	8,559	10,883	2,323	27.2

Amid an apparent recovery in cargo volumes, which declined drastically due to the impact of the spread of COVID-19 in the corresponding period of the previous fiscal year, we strived to expand sales, improve cost efficiency and enhance productivity while reaping the contribution of revenue from M&A we conducted in the previous fiscal year. As a result, operating revenue increased ¥20,471 million year on year to ¥208,540 million, and segment income rose ¥2,323 million year on year to ¥10,883 million.

Trading & commerce

(Unit: Millions of Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	%
Operating revenue	77,534	75,010	(2,523)	(3.3)
Segment income	1,461	1,372	(88)	(6.1)

In addition to making household paper wholesale distributor AZFIT CO., Ltd. a consolidated subsidiary in April, we worked on expanding sales, improving cost efficiency among other initiatives. However, in part as a result of applying the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, and in part due to rising purchase prices in fuel sales, among other factors, operating revenue decreased by ¥2,523 million year on year to ¥75,010 million and segment income fell ¥88 million year on year to ¥1,372 million.

Others

(Unit: Millions of Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	%
Operating revenue	7,846	17,211	9,364	119.4
Segment loss	(26)	(106)	(79)	—

In addition to making membership-based general wholesale and retail business operator TERAUCHI CO., LTD. a consolidated subsidiary in January 2021, we worked on expanding sales, improving cost efficiency among other initiatives. However, in part due to the continued impact of the spread of COVID-19, operating revenue rose ¥9,364 million year on year to ¥17,211 million while segment loss was ¥106 million, a deterioration of ¥79 million year on year.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of September 30, 2021 were ¥453,934 million, ¥17,868 million higher than at the end of the previous fiscal year.

Current assets totaled ¥163,945 million, up ¥54 million from the end of the previous fiscal year. This was mainly due to increases of ¥535 million in trade notes and accounts receivable, and contract assets as well as ¥749 million in electronically recorded monetary claims - operating, despite a decrease of ¥1,142 million in cash and deposits.

Non-current assets totaled ¥289,989 million, up ¥17,813 million from the end of the previous fiscal year. This was primarily due to increases of ¥14,427 million in property, plant and equipment and ¥3,205 million in intangible assets.

Liabilities

Liabilities as of September 30, 2021 increased ¥15,587 million from the end of the previous fiscal year to ¥305,533 million.

Current liabilities totaled ¥128,306 million, down ¥5,408 million from the end of the previous fiscal year. This was mainly due to decreases of ¥1,390 million in income taxes payable and ¥4,796 million in other current liabilities, despite an increase of ¥568 million in electronically recorded obligations - operating.

Non-current liabilities totaled ¥177,227 million, up ¥20,996 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥9,976 million in bonds payable, ¥7,927 million in long-term borrowings, ¥1,701 million in long-term lease obligations and ¥1,540 million in other non-current liabilities.

Net assets

Net assets as of September 30, 2021 rose ¥2,280 million from the end of the previous fiscal year to ¥148,400 million. This was primarily due to increases of ¥4,743 million in retained earnings and ¥878 million in non-controlling interests, despite a decrease of ¥3,498 million in purchase of treasury shares. The equity ratio as of September 30, 2021 decreased by 0.9 percentage points to 30.0% from the end of the previous fiscal year.

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

2) Cash flows

Cash and cash equivalents as of September 30, 2021 decreased by ¥1,245 million from the end of the previous fiscal year to ¥49,126 million.

Net cash provided by operating activities amounted to ¥12,170 million. This was mainly due to profit before income taxes of ¥11,685 million and depreciation of ¥9,337 million, despite a decrease in cash due to a decrease in accrued liabilities of ¥2,583 million and income taxes paid of ¥5,394 million.

Net cash used in investing activities totaled ¥21,849 million. This was mainly due to purchase of property, plant and equipment of ¥15,913 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥5,174 million.

Net cash provided by financing activities totaled ¥8,259 million. This was mainly due to proceeds from long-term borrowings of ¥10,677 million and proceeds from issuance of bonds of ¥10,000 million, despite net decrease in short-term borrowings of ¥1,797 million, repayments of long-term borrowings of ¥1,858 million, repayments of finance lease obligations of ¥2,473 million, purchase of treasury shares of ¥3,630 million and dividends paid of ¥2,228 million.

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

Considering the consolidated operating results for the six months ended September 30, 2021 and the current circumstances, we have revised our full-year forecast of consolidated operating results for the fiscal year ending March 31, 2022 announced on May 14, 2021, as follows.

For details, please refer to "Notice Regarding Revision to Full-Year Forecast of Consolidated Operating Results and Dividends of Surplus (Interim Dividend and Increased Dividend)," which was announced today.

Forecast of consolidated operating results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Operating revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	Million yen 625,000	Million yen 24,600	Million yen 25,000	Million yen 14,500	Yen 97.85
Revised forecast (B)	625,000	25,200	25,600	14,800	100.42
Amount of change (B - A)	—	600	600	300	
Change (%)	—	2.4	2.4	2.1	
Actual results for the fiscal year ended March 31, 2021	572,405	21,520	22,230	14,240	93.81

(Reference) Fundamental policy for distribution of earnings and dividends for the current fiscal year

While securing internal reserves necessary for future business development and management structure reinforcement, the basic policy of the Company is to return profits to shareholders by implementing stable dividends and dividends that are linked to business results with the aim of enhancing the return to its shareholders. In accordance with this policy, we have revised the interim dividend for the fiscal year ending March 31, 2022, considering the steady progress in consolidated earnings during the six-month period ended September 30, 2021, to increase from the forecast of dividend most recently announced. Accordingly, the Company plans to pay an annual dividend of ¥32.00 per share by increasing ¥2.00 (interim dividend of ¥17.00, year-end dividend of ¥15.00).

	Dividend per share		
	September 30	March 31	Total
Previous forecast	¥15.00	¥15.00	¥30.00
Revised forecast		¥15.00	¥32.00
Current dividend per share	¥17.00		
Previous dividend per share (fiscal year ended March 31, 2021)	¥13.00	¥15.00	¥28.00

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	52,530	51,387
Trade notes and accounts receivable	82,689	–
Trade notes and accounts receivable, and contract assets	–	83,225
Electronically recorded monetary claims - operating	2,519	3,269
Merchandise and finished goods	12,990	12,690
Work in process	316	188
Raw materials and supplies	651	743
Other	12,221	12,474
Allowance for doubtful accounts	(28)	(34)
Total current assets	163,891	163,945
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	80,201	83,515
Land	81,628	86,939
Other, net	47,723	53,526
Total property, plant and equipment	209,554	223,981
Intangible assets		
Goodwill	9,979	11,663
Other	8,034	9,556
Total intangible assets	18,014	21,219
Investments and other assets		
Investment securities	17,398	17,739
Long-term loans receivable	507	495
Retirement benefit asset	5,471	5,793
Guarantee deposits	13,086	13,401
Deferred tax assets	4,902	4,498
Other	3,647	3,263
Allowance for doubtful accounts	(407)	(404)
Total investments and other assets	44,606	44,787
Total non-current assets	272,175	289,989
Deferred assets		
Business commencement expenses	0	0
Total deferred assets	0	0
Total assets	436,066	453,934

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	44,383	44,293
Electronically recorded obligations - operating	8,586	9,155
Current portion of bonds payable	7,118	7,118
Current portion of convertible-bond-type bonds with share acquisition rights	10,009	10,004
Short-term borrowings	22,036	21,513
Lease obligations	4,253	4,794
Income taxes payable	5,377	3,987
Provision for bonuses	6,247	6,790
Provision for bonuses for directors (and other officers)	420	208
Provision for loss on disaster	68	25
Other	25,211	20,415
Total current liabilities	133,715	128,306
Non-current liabilities		
Bonds payable	30,024	40,000
Convertible-bond-type bonds with share acquisition rights	22,108	22,095
Long-term borrowings	74,887	82,814
Lease obligations	14,881	16,582
Provision for retirement benefits for directors (and other officers)	260	266
Provision for special repairs	98	133
Provision for share awards	149	148
Retirement benefit liability	7,103	6,910
Asset retirement obligations	869	888
Other	5,847	7,387
Total non-current liabilities	156,230	177,227
Total liabilities	289,946	305,533
Net assets		
Shareholders' equity		
Share capital	26,564	26,564
Capital surplus	29,806	29,584
Retained earnings	81,211	85,955
Treasury shares	(4,638)	(8,136)
Total shareholders' equity	132,944	133,967
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,759	1,897
Deferred gains or losses on hedges	32	(14)
Foreign currency translation adjustment	57	296
Remeasurements of defined benefit plans	(10)	56
Total accumulated other comprehensive income	1,839	2,237
Share acquisition rights	410	391
Non-controlling interests	10,926	11,805
Total net assets	146,120	148,400
Total liabilities and net assets	436,066	453,934

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the six months ended September 30, 2020 and 2021)

(Unit: Millions of Yen)

	Six months ended September 30, 2020 (April 1, 2020–September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021–September 30, 2021)
Operating revenue	273,449	300,762
Operating costs	240,422	259,440
Operating gross profit	33,026	41,321
Selling, general and administrative expenses	23,384	29,616
Operating profit	9,641	11,705
Non-operating income		
Interest income	27	61
Dividend income	94	99
Other	1,122	1,136
Total non-operating income	1,244	1,298
Non-operating expenses		
Interest expenses	552	601
Other	565	437
Total non-operating expenses	1,118	1,039
Ordinary profit	9,767	11,964
Extraordinary income		
Subsidy income	–	248
Gain on sale of non-current assets	452	52
Gain on sale of investment securities	35	–
Total extraordinary income	488	300
Extraordinary losses		
Loss on COVID-19 impact	337	243
Loss on tax purpose reduction entry of non-current assets	44	243
Loss on retirement of non-current assets	42	83
Loss on disaster	–	8
Loss on valuation of investment securities	277	–
Loss on office withdrawal	60	–
Impairment losses	37	–
Total extraordinary losses	798	579
Profit before income taxes	9,457	11,685
Income taxes - current	3,332	3,972
Income taxes - deferred	230	337
Total income taxes	3,562	4,310
Profit	5,894	7,374
Profit attributable to non-controlling interests	167	419
Profit attributable to owners of parent	5,726	6,955

(Consolidated statements of comprehensive income)
(For the six months ended September 30, 2020 and 2021)

(Unit: Millions of Yen)

	Six months ended September 30, 2020 (April 1, 2020–September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021–September 30, 2021)
Profit	5,894	7,374
Other comprehensive income		
Valuation difference on available-for-sale securities	631	119
Deferred gains or losses on hedges	(11)	(46)
Foreign currency translation adjustment	(547)	292
Remeasurements of defined benefit plans, net of tax	198	67
Total other comprehensive income	271	432
Comprehensive income	6,165	7,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,126	7,353
Comprehensive income attributable to non-controlling interests	39	453

(3) Consolidated statements of cash flows

(Unit: Millions of Yen)

	Six months ended September 30, 2020 (April 1, 2020–September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021–September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	9,457	11,685
Depreciation	8,337	9,337
Amortization of goodwill	339	493
Increase (decrease) in allowance for doubtful accounts	(52)	(3)
Decrease (increase) in retirement benefit asset	(38)	(322)
Increase (decrease) in retirement benefit liability	(332)	(125)
Increase (decrease) in provision for share awards	(271)	(1)
Increase (decrease) in provision for bonuses	590	488
Increase (decrease) in provision for loss on disaster	–	(46)
Interest and dividend income	(122)	(161)
Foreign exchange losses (gains)	(1)	73
Interest expenses	552	601
Subsidy income	–	(248)
Loss on tax purpose reduction entry of non-current assets	44	243
Impairment losses	37	–
Loss (gain) on sale of non-current assets	(434)	(35)
Loss on retirement of non-current assets	42	83
Loss (gain) on sale of investment securities	(35)	0
Decrease (increase) in trade receivables	3,860	–
Decrease (increase) in trade receivables and contract assets	–	(83)
Decrease (increase) in inventories	(1,659)	354
Increase (decrease) in accrued liabilities	(2,947)	(2,583)
Increase (decrease) in accrued consumption taxes	(985)	(2,333)
Decrease (increase) in consumption taxes refund receivable	(535)	1,389
Other	(275)	(1,094)
Subtotal	15,567	17,711
Interest and dividends received	347	200
Interest paid	(568)	(594)
Subsidies received	–	248
Income taxes paid	(4,684)	(5,394)
Net cash provided by (used in) operating activities	10,662	12,170
Cash flows from investing activities		
Payments into time deposits	(991)	(934)
Proceeds from withdrawal of time deposits	834	965
Purchase of property, plant and equipment	(8,970)	(15,913)
Proceeds from sale of property, plant and equipment	1,294	171
Purchase of investment securities	(292)	(83)
Proceeds from sale of investment securities	75	41
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(776)	(5,174)
Payments of guarantee deposits	(487)	(618)
Other	(839)	(302)
Net cash provided by (used in) investing activities	(10,153)	(21,849)

	Six months ended September 30, 2020 (April 1, 2020–September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021–September 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,110)	(1,797)
Proceeds from long-term borrowings	13,161	10,677
Repayments of long-term borrowings	(9,097)	(1,858)
Repayments of finance lease obligations	(2,098)	(2,473)
Proceeds from issuance of bonds	20,000	10,000
Purchase of treasury shares	(311)	(3,630)
Proceeds from sale of treasury shares	106	6
Dividends paid	(1,983)	(2,228)
Dividends paid to non-controlling interests	(164)	(147)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(244)
Other	169	(42)
Net cash provided by (used in) financing activities	15,671	8,259
Effect of exchange rate change on cash and cash equivalents	(210)	174
Net increase (decrease) in cash and cash equivalents	15,969	(1,245)
Cash and cash equivalents at beginning of period	27,142	50,371
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,078	–
Cash and cash equivalents at end of period	44,190	49,126