

Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2024 [Japan GAAP]

November 13, 2023

Name of Listed Company: SENKO Group Holdings Co., Ltd. Stock Listed on: 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 14, 2023 Scheduled Date of Dividend Paid: December 4, 2023
 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, 2023

(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, 2023	379,678	13.4	14,771	13.2	14,961	11.8	8,857	11.0
Six months ended September 30, 2022	334,804	11.3	13,046	11.5	13,381	11.8	7,983	14.8

(Note) Comprehensive income

Six months ended September 30, 2023: ¥13,002 million (7.6%) Six months ended September 30, 2022: ¥12,086 million (54.8%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2023	59.20	52.41
Six months ended September 30, 2022	53.57	47.43

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	612,505	194,245	27.9	1,134.85
As of March 31, 2023	581,850	179,103	27.6	1,075.69

(Reference) Equity:

As of September 30, 2023: ¥170,607 million As of March 31, 2023: ¥160,510 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	17.00	–	17.00	34.00
Fiscal year ending March 31, 2024	–	19.00			
Fiscal year ending March 31, 2024 (Forecast)			–	19.00	38.00

(Note) Change in the estimation of dividend for the fiscal year in this period: None

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(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, 2024	780,000	12.0	29,700	16.3	29,700	13.6	17,000	10.8	113.62

(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: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatement: None
- (4) Shares outstanding (Common shares)
- (a) Shares outstanding (including treasury shares)

As of September 30, 2023:	157,070,496 shares	As of March 31, 2023:	157,070,496 shares
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 - (b) Treasury shares

As of September 30, 2023:	6,736,476 shares	As of March 31, 2023:	7,853,758 shares
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 - (c) Average number of shares (Cumulative)

Six months ended September 30, 2023:	149,609,109 shares	Six months ended September 30, 2022:	149,011,419 shares
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- (Note) Starting with the third quarter of the fiscal year ended March 31, 2018, the number of treasury shares at term-end includes Senko shares owned by the trust accounts of Performance-linked Stock Compensation Plan for Employees (as of September 30, 2023: 805,545 shares; as of March 31, 2023: 334,566 shares) and Performance-linked Stock Compensation Plan for Directors (as of September 30, 2023: 788,972 shares; as of March 31, 2023: 316,723 shares). In addition, starting with the fourth quarter of the fiscal year ended March 31, 2023, the number of treasury shares at term-end includes Senko shares owned by the employee shareholding association support trust ESOP (as of September 30, 2023: 4,644,700 shares; as of March 31, 2023: 5,255,100 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, 2024" 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, 2024 (April 1, 2023 to September 30, 2023), although economic activities have been normalizing after the reclassification of COVID-19 to Class 5, the outlook for the economic environment overall continues to be unclear with the protraction of the Ukraine situation, concerns about the future of the Chinese economy, and an increasingly frugal mindset due to the rising price of goods.

The six-month-period performance was as follows.

(Unit: Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	%
Operating revenue	334,804	379,678	44,874	13.4
Operating profit	13,046	14,771	1,724	13.2
Ordinary profit	13,381	14,961	1,579	11.8
Profit attributable to owners of parent	7,983	8,857	874	11.0

Despite facing the impact of declining cargo movements in logistics, along with rising purchase prices and the like, owing to group-wide efforts to expand sales and revise tariffs and prices, along with the effect of promoting M&A, the Group achieved year-on-year increases in operating revenue, operating profit, ordinary profit and profit attributable to owners of parent.

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

Logistics

(Unit: Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	%
Operating revenue	236,591	243,194	6,603	2.8
Segment income	12,387	12,611	224	1.8

Notwithstanding the impact of declining cargo movements, a focus on sales expansion and initiatives to address tariff revisions, together with the effect of promoting M&A, caused operating revenue to increase ¥6,603 million year on year to ¥243,194 million, and segment income rose ¥224 million year on year to ¥12,611 million.

Trading & Commerce

(Unit: Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	%
Operating revenue	77,326	83,022	5,696	7.4
Segment income	1,020	1,082	61	6.0

We strived to revise prices and expand sales while facing rising purchase prices. As a result, operating revenue increased ¥5,696 million year on year to ¥83,022 million, and segment income rose ¥61 million year on year to ¥1,082 million.

Life Support

(Unit: Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	%
Operating revenue	16,058	23,095	7,036	43.8
Segment income (loss)	(6)	624	630	—

Owing to the contribution of revenue from M&A and initiatives such as price revisions, operating revenue increased ¥7,036 million year on year to ¥23,095 million, and segment income rose ¥630 million year on year to ¥624 million.

Business Support

(Unit: Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	%
Operating revenue	4,824	6,514	1,689	35.0
Segment income	460	896	435	94.5

We strived to expand sales and achieve recovery in the hotel business among other initiatives. As a result, operating revenue increased ¥1,689 million year on year to ¥6,514 million, and segment income rose ¥435 million year on year to ¥896 million.

Manufacturing

(Unit: Millions of Yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	%
Operating revenue	—	23,694	23,694	—
Segment income	—	321	321	—

Results for CHUO KAGAKU CO., LTD., which is a manufacturer of food packaging and containers and was made a consolidated subsidiary during the previous fiscal year, were operating revenue of ¥23,694 million and operating profit of ¥321 million.

With the inclusion of CHUO KAGAKU CO., LTD. into the scope of consolidation, we added the Manufacturing segment in the fourth quarter of the fiscal year ended March 31, 2023. As a result, year-on-year changes are not presented.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of September 30, 2023 were ¥612,505 million, ¥30,654 million higher than at the end of the previous fiscal year. Current assets amounted to ¥214,322 million, up ¥12,549 million from the end of the previous fiscal year. This was mainly due to increases of ¥6,855 million in cash and deposits and ¥5,044 million in trade notes and accounts receivable, and contract assets. Non-current assets totaled ¥398,182 million, up ¥18,105 million from the end of the previous fiscal year. This was primarily due to increases of ¥11,703 million in property, plant and equipment, ¥2,842 million in intangible assets, and ¥3,559 million in investments and other assets.

Liabilities

Liabilities as of September 30, 2023 increased ¥15,513 million from the end of the previous fiscal year to ¥418,260 million.

Current liabilities totaled ¥154,834 million, down ¥10,522 million from the end of the previous fiscal year. This was mainly due to decreases of ¥8,966 million in short-term borrowings and ¥5,230 million in other current liabilities, despite increases of ¥1,777 million in trade notes and accounts payable, ¥926 million in lease liabilities, and ¥624 million in provision for bonuses.

Non-current liabilities totaled ¥263,425 million, up ¥26,035 million from the end of the previous fiscal year. This was mainly due to increases of ¥24,387 million in long-term borrowings, ¥1,024 million in long-term lease liabilities, and ¥734 million in deferred tax liabilities.

Net assets

Net assets as of September 30, 2023 rose ¥15,141 million from the end of the previous fiscal year to ¥194,245 million. This was primarily due to increases of ¥6,220 million in retained earnings, ¥1,079 million in treasury shares, ¥2,107 million in foreign currency translation adjustment, and ¥5,059 million in non-controlling interests. The equity ratio as of September 30, 2023 increased by 0.3 percentage points to 27.9% from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents as of September 30, 2023 increased by ¥6,765 million from the end of the previous fiscal year to ¥62,912 million.

Net cash provided by operating activities amounted to ¥22,049 million. This was mainly due to a decrease in funds due to increase in trade receivables and contract assets of ¥4,469 million and income taxes paid of ¥5,024 million, despite profit before income taxes of ¥15,036 million, depreciation of ¥12,979 million, and amortization of goodwill of ¥695 million.

Net cash used in investing activities totaled ¥24,801 million. This was mainly due to purchase of property, plant and equipment of ¥21,843 million, payments of guarantee deposits of ¥1,258 million, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,593 million.

Net cash provided by financing activities totaled ¥8,360 million. This was mainly due to proceeds from long-term borrowings of ¥30,629 million, despite net decrease in short-term borrowings of ¥7,708 million, repayments of long-term borrowings of ¥7,423 million, repayments of finance lease liabilities of ¥4,195 million, and dividends paid of ¥2,630 million.

(3) Forecast for the full-term of the fiscal year ending March 31, 2024

Considering the consolidated operating results for the six months ended September 30, 2023 and the current circumstances, we have revised our full-year forecast of consolidated operating results for the fiscal year ending March 31, 2024 announced on May 12, 2023, 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, 2024 (from April 1, 2023 to March 31, 2024)

	Operating revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	Million yen 790,000	Million yen 29,000	Million yen 29,000	Million yen 16,700	Yen 111.92
Revised forecast (B)	780,000	29,700	29,700	17,000	113.62
Amount of change (B - A)	(10,000)	700	700	300	
Change (%)	(1.3)	2.4	2.4	1.8	
Actual results for the fiscal year ended March 31, 2023	696,288	25,535	26,151	15,341	102.90

(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 addition, under this policy, the Company aims to pay dividends with a payout ratio of 40% by the final fiscal year of the medium-term business plan (April 2022 to March 2027).

In accordance with this policy, we will pay a dividend of ¥19.00 per share for the interim dividend for the fiscal year ending March 31, 2024, an increase of ¥2.00 from the dividend forecast most recently announced, considering the steady progress in consolidated operating results during the six months ended September 30, 2023. Accordingly, the forecast of the total annual dividend for the fiscal year ending March 31, 2024, including the year-end dividend of ¥19.00, is ¥38.00 per share.

(Yen)

	Dividend per share		
	September 30	March 31	Total
Forecasted dividend		19.00	38.00
Current dividend per share	19.00		
Previous dividend per share (fiscal year ended March 31, 2023)	17.00	17.00	34.00

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	58,583	65,439
Trade notes and accounts receivable, and contract assets	97,197	102,241
Electronically recorded monetary claims - operating	4,476	5,164
Merchandise and finished goods	20,197	20,875
Work in process	909	837
Raw materials and supplies	3,136	3,107
Other	17,332	16,725
Allowance for doubtful accounts	(59)	(70)
Total current assets	201,773	214,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	111,914	116,116
Land	114,478	118,493
Other, net	64,218	67,706
Total property, plant and equipment	290,612	302,315
Intangible assets		
Goodwill	11,727	13,366
Other	13,553	14,756
Total intangible assets	25,280	28,122
Investments and other assets		
Investment securities	20,248	21,939
Long-term loans receivable	541	420
Retirement benefit asset	10,207	10,742
Guarantee deposits	17,034	18,172
Deferred tax assets	5,571	5,618
Other	11,360	11,630
Allowance for doubtful accounts	(780)	(780)
Total investments and other assets	64,184	67,744
Total non-current assets	380,077	398,182
Total assets	581,850	612,505

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	56,058	57,835
Electronically recorded obligations - operating	11,091	11,570
Short-term borrowings	40,543	31,576
Lease liabilities	6,892	7,818
Income taxes payable	5,113	5,220
Provision for bonuses	7,544	8,168
Provision for bonuses for directors (and other officers)	420	245
Provision for loss on disaster	170	106
Other	37,521	32,291
Total current liabilities	165,357	154,834
Non-current liabilities		
Bonds payable	40,000	40,000
Convertible-bond-type bonds with share acquisition rights	22,054	22,040
Long-term borrowings	124,292	148,680
Lease liabilities	25,022	26,046
Provision for retirement benefits for directors (and other officers)	608	573
Provision for special repairs	256	322
Provision for share awards	494	—
Retirement benefit liability	8,479	8,723
Asset retirement obligations	2,044	2,598
Deferred tax liabilities	7,973	8,707
Other	6,163	5,731
Total non-current liabilities	237,389	263,425
Total liabilities	402,747	418,260
Net assets		
Shareholders' equity		
Share capital	28,479	28,479
Capital surplus	31,318	31,288
Retained earnings	101,984	108,205
Treasury shares	(7,712)	(6,633)
Total shareholders' equity	154,070	161,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,668	2,313
Deferred gains or losses on hedges	(2)	73
Foreign currency translation adjustment	3,082	5,189
Remeasurements of defined benefit plans	1,690	1,690
Total accumulated other comprehensive income	6,439	9,267
Share acquisition rights	366	351
Non-controlling interests	18,226	23,286
Total net assets	179,103	194,245
Total liabilities and net assets	581,850	612,505

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the six months ended September 30, 2022 and 2023)

(Unit: Millions of Yen)

	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)
Operating revenue	334,804	379,678
Operating costs	285,927	320,046
Operating gross profit	48,876	59,632
Selling, general and administrative expenses	35,829	44,860
Operating profit	13,046	14,771
Non-operating income		
Interest income	49	109
Dividend income	120	138
Foreign exchange gains	257	363
Other	1,251	1,156
Total non-operating income	1,679	1,767
Non-operating expenses		
Interest expenses	723	1,071
Other	621	505
Total non-operating expenses	1,344	1,577
Ordinary profit	13,381	14,961
Extraordinary income		
Gain on sale of investment securities	–	153
Subsidy income	206	92
Surrender value of insurance policies	–	84
Gain on sale of non-current assets	120	76
Gain on bargain purchase	92	–
Total extraordinary income	419	407
Extraordinary losses		
Loss on retirement of non-current assets	64	99
Loss on tax purpose reduction entry of non-current assets	206	92
Expenses related to commemoration for entity establishment	–	75
Compensation expenses	–	64
Loss on office withdrawal	112	–
Total extraordinary losses	382	332
Profit before income taxes	13,418	15,036
Income taxes - current	4,437	4,993
Income taxes - deferred	460	503
Total income taxes	4,898	5,497
Profit	8,520	9,538
Profit attributable to non-controlling interests	536	681
Profit attributable to owners of parent	7,983	8,857

(Consolidated statements of comprehensive income)
(For the six months ended September 30, 2022 and 2023)

(Unit: Millions of Yen)

	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)
Profit	8,520	9,538
Other comprehensive income		
Valuation difference on available-for-sale securities	99	682
Deferred gains or losses on hedges	63	82
Foreign currency translation adjustment	2,858	2,191
Remeasurements of defined benefit plans, net of tax	(85)	(5)
Share of other comprehensive income of entities accounted for using equity method	630	512
Total other comprehensive income	3,566	3,463
Comprehensive income	12,086	13,002
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,931	11,685
Comprehensive income attributable to non- controlling interests	1,155	1,317

(3) Consolidated statements of cash flows

(Unit: Millions of Yen)

	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	13,418	15,036
Depreciation	10,726	12,979
Amortization of goodwill	646	695
Increase (decrease) in allowance for doubtful accounts	169	8
Decrease (increase) in retirement benefit asset	(430)	(534)
Increase (decrease) in retirement benefit liability	(242)	20
Increase (decrease) in provision for bonuses	638	538
Increase (decrease) in provision for share awards	(5)	(494)
Interest and dividend income	(170)	(247)
Foreign exchange losses (gains)	(257)	(363)
Interest expenses	723	1,071
Loss (gain) on sale of non-current assets	(114)	(70)
Loss on tax purpose reduction entry of non-current assets	206	92
Subsidy income	(206)	(92)
Loss (gain) on sale of investment securities	(12)	(153)
Surrender value of insurance policies	–	(84)
Gain on bargain purchase	(92)	–
Loss on retirement of non-current assets	64	99
Expenses related to commemoration for entity establishment	–	75
Compensation expenses	–	64
Loss on office withdrawal	112	–
Decrease (increase) in trade receivables and contract assets	7,024	(4,469)
Decrease (increase) in inventories	(1,009)	(572)
Increase (decrease) in accrued liabilities	(4,327)	471
Other	(165)	3,426
Subtotal	26,694	27,499
Subsidies received	206	92
Interest and dividends received	140	539
Interest paid	(723)	(1,056)
Income taxes paid	(5,071)	(5,024)
Cash flows from operating activities	21,246	22,049
Cash flows from investing activities		
Payments into time deposits	(1,419)	(1,826)
Proceeds from withdrawal of time deposits	1,942	1,847
Purchase of property, plant and equipment	(13,802)	(21,843)
Proceeds from sale of property, plant and equipment	464	158
Purchase of intangible assets	(301)	(313)
Purchase of investment securities	(247)	(668)
Payments of guarantee deposits	(1,277)	(1,258)
Proceeds from refund of guarantee deposits	1,208	162
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,050)	(1,593)
Other	(355)	535
Cash flows from investing activities	(17,841)	(24,801)

	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(16,327)	(7,708)
Proceeds from long-term borrowings	42,647	30,629
Repayments of long-term borrowings	(3,192)	(7,423)
Repayments of finance lease liabilities	(3,034)	(4,195)
Dividends paid	(2,540)	(2,630)
Dividends paid to non-controlling interests	(236)	(444)
Other	(43)	132
Cash flows from financing activities	17,271	8,360
Effect of exchange rate change on cash and cash equivalents	987	1,157
Net increase (decrease) in cash and cash equivalents	21,664	6,765
Cash and cash equivalents at beginning of period	42,193	56,147
Cash and cash equivalents at end of period	63,858	62,912