This document is a translation of the Japanese financial statements and is not in conformity with accounting principles of the United States.

SENKO Group Holdings Co., Ltd.

Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2019 [Japan GAAP]

February 8, 2019

Name of Listed Company: SENKO Group Holdings Co., Ltd. Stock Listed on: The First Section of the Tokyo Stock Exchange
Code Number: 9069 URL http://www.senkogrouphd.co.jp/en/
Representative: Title: President Name: Yasuhisa Fukuda
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Scheduled Date of Issue of Quarterly Financial Report: February 14, 2019 Scheduled Date of Dividend Paid: −
Quarterly Supplemental Information Materials: None
Scheduled Date of Quarterly Information Meeting: None

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

1. Consolidated Operating Results for the Nine Months Ended December 31, 2018

(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	%
Nine months ended December 31, 2018	400,565	7.4	15,794	18.3	16,065	19.3	9,552	28.5
Nine months ended December 31, 2017	373,008	8.5	13,346	(6.5)	13,466	(6.7)	7,435	(2.7)

(Note) Comprehensive income

Nine months ended December 31, 2018: ¥9,510 million (–10.0%) Nine months ended December 31, 2017: ¥10,562 million (10.3%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2018	62.88	58.32
Nine months ended December 31, 2017	49.03	45.46

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	342,836	125,749	34.4	777.61
As of March 31, 2018	333,972	118,056	33.7	741.44

(Reference) Shareholders' equity:

As of December 31, 2018: ¥118,070 million As of March 31, 2018: ¥112,643 million

2. Dividends

	Annual dividend				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	–	11.00	–	11.00	22.00
Fiscal year ending March 31, 2019	–	13.00	–		
Fiscal year ending March 31, 2019 (Forecast)				13.00	26.00

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

3. Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(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, 2019	530,000	7.7	19,300	12.9	19,300	11.5	11,500	21.0	75.70

(Note) Change in the forecast made in this period: None

Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries associated with change in scope of consolidation): Yes

Newly included: 1 company (Company name) M-Senko Logistics Co., Ltd.

(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 December 31, 2018:	152,861,921 shares	As of March 31, 2018:	152,861,921 shares

(b) Treasury shares

As of December 31, 2018:	1,024,460 shares	As of March 31, 2018:	937,015 shares

(c) Average number of shares (Cumulative)

Nine months ended December 31, 2018:	151,918,117 shares	Nine months ended December 31, 2017:	151,662,782 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 December 31, 2018: 351,500 shares; as of March 31, 2018: 349,900 shares) and Performance-linked Stock Compensation Plan for Directors (as of December 31, 2018: 353,000 shares; as of March 31, 2018: 210,200 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, 2019” on page 3.

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1. Results of Operations and Financial Condition

(1) Results of operations

In the nine-month period of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 2018), the Japanese economy has been on a path of recovery due to factors that include improvement in the employment and income environment as well as corporate earnings. The overseas economy continued to mount a modest recovery on the whole, although it continues to have an unclear outlook due to concerns regarding the broadening trade friction between the United States and China and the effects that could result from the UK leaving the EU.

In the logistics industry where our core business lies, freight volume has been firm particularly for consumer-related and production-related cargo.

In this environment, the Senko Group has been working to expand its business areas, upgrade its operating system and strengthen its earnings capacity, as the second year of “Senko Innovation Plan 2021 (SIP21)” five-year medium-term business plan.

The following provides an outline of our main activities in the nine-month period.

To expand its business areas, SENKO Co., Ltd. commenced operations of Higashi Fuji PD Center (Fuji City, Shizuoka Prefecture) in April, Nagareyama Logistics Center (Nagareyama City, Chiba Prefecture) in May, Koga PD Center (Koga City, Ibaraki Prefecture) and Kazo PD Center Warehouse No. 2 (Kazo City, Saitama Prefecture) in August, and Koto Warehouse (Higashi Omi City, Shiga Prefecture) in November.
The Kazo PD Center Warehouse No. 2 is the first three-temperature-zone center operated jointly by SENKO Co., Ltd. and Runtec Corporation.
In April, Runtec Corporation commenced operations of its Osaka Branch Nanko Center (Osaka City), expanded its Fukuoka Branch Center (Kasuya County, Fukuoka Prefecture), and opened Keihin Branch Kawasaki FAZ Center (Kawasaki City) in December.
Outside Japan, in May SHANGHAI SENKO INTERNATIONAL FREIGHT FORWARDING INC. commenced operations of its Qingpu Logistics Center (Shanghai, China), and in November SINOTRANS SENKO INTERNATIONAL COLD LOGISTICS CO., LTD. commenced operations of its Beijing Logistics Center (Beijing, China).
In Thailand, M-Senko Logistics Co., Ltd., a joint venture with MK Restaurant Group Public Company Limited, a major restaurant chain conglomerate, started business operations in July. Moreover, we have been working to strengthen operations in the ASEAN region, having made Thailand-based Best Global Logistics Co., Ltd., which engages in the business of air and marine transport and other such operations, a Group company in September.

To upgrade the operating system, we have been actively moving ahead with labor-saving and mechanization initiatives in our distribution centers by adopting the latest technologies such as robotic arms and unmanned forklifts. Aiming to accelerate such labor-saving and mechanization initiatives, we set up the AI Project and the Robotics Project in April to promote R&D and other such endeavors and established innovatech studio Co., Ltd. in July to develop next-generation technologies and engage in system sales.
Moreover, having succeeded SENKO Co., Ltd.’s marine shipping business, Senko Line Co., Ltd. started business operations in April, and aims to expand the marine shipping business.
With respect to our modal shift, in June we received the Logistics Environment Grand Prix Award (the highest Logistics Environment Award) and three Logistics Environment Special Awards from the Japan Association for Logistics and Transport in recognition of our initiatives that include switching from the previous use of trucks to the use of railroads and marine vessels for long-distance transport. In November, we received four Awards for Excellent Business Entities Working on Modal Shift.

To strengthen the earnings capacity, we worked on streamlining back office operations, improving productivity at distribution sites and other initiatives.

The nine-month-period performance was as follows.

(Unit: Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Change	%
Operating revenue	373,008	400,565	27,557	7.4
Operating profit	13,346	15,794	2,447	18.3
Ordinary profit	13,466	16,065	2,599	19.3
Profit attributable to owners of parent	7,435	9,552	2,117	28.5

Consolidated operating revenue for the nine-month period ended December 31, 2018 of the current fiscal year increased 7.4% year on year to ¥400,565 million. This result mainly reflected effects of expanding sales and revising the freight charges, year-on-year differences arising with respect to ANZEN YUSO CO., LTD. and OKUMURA CO., LTD. which became consolidated subsidiaries in the previous fiscal year, as well as the effects of making operating companies of living support services (KEIHANNA helper station Co., Ltd., VENUS CO., LTD., BLUE EARTH JAPAN Co., Ltd., etc.) and M-Senko Logistics Co., Ltd. into consolidated subsidiaries in April and in July, respectively.

On the profit front, despite factors that include higher costs largely stemming from rises in outsourcing costs and increases in fuel prices, consolidated operating profit increased to ¥15,794 million, up 18.3% year on year, and consolidated ordinary profit increased to ¥16,065 million, up 19.3% year on year. The upturn in profits was largely attributable to positive effects on profits brought about by expanding sales, revising freight charges and making entities into consolidated subsidiaries, and furthermore due to the decrease in the amount amortized for actuarial differences in accounting for retirement benefit obligations. Profit attributable to owners of parent increased to ¥9,552 million, up 28.5% year on year, partially as a result of having made Runtec Corporation and other entities into wholly owned subsidiaries.

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

Logistics

Operating revenue grew 8.3% year on year to ¥283,706 million in this segment. This was mainly attributable to higher revenues generated by large facilities newly opened, expansion of sales of daily-use items, food products, apparel, and chemical products, effects of revising the freight charges, year-on-year differences related to the timing of consolidation of ANZEN YUSO CO., LTD., and making M-Senko Logistics Co., Ltd. into a consolidated subsidiary.

Trading & commerce

Operating revenue grew 1.8% year on year to ¥108,094 million in this segment. This was attributable to higher revenues mainly from trade operations and sales of petroleum products, and also due to year-on-year differences related to the timing of consolidation of OKUMURA CO., LTD.

Others

Operating revenue rose 79.7% year on year to ¥8,764 million in this segment. This was mainly attributable to higher revenues due to the consolidation of operating companies of living support services.

(2) Financial condition

Assets, liabilities and net assets

Total assets

Total assets as of December 31, 2018 were ¥342,836 million, ¥8,864 million higher than at the end of the previous fiscal year.
Current assets amounted to ¥121,374 million, up ¥7,225 million from the end of the previous fiscal year. This mainly reflected increases of ¥5,252 million in notes and operating accounts receivable, ¥1,192 million in securities and ¥735 million in merchandise and finished goods.
Non-current assets totaled ¥221,423 million, up ¥1,656 million from the end of the previous fiscal year. This was primarily due to increases of ¥3,031 million in property, plant and equipment and ¥425 million in intangible assets, despite a decrease of ¥1,799 million in investments and other assets.

Liabilities

Liabilities as of December 31, 2018 increased ¥1,171 million from the end of the previous fiscal year to ¥217,087 million.
Current liabilities totaled ¥107,000 million, up ¥951 million from the end of the previous fiscal year. This was mainly due to increases of ¥904 million in notes and operating accounts payable-trade and ¥3,329 million in short-term loans payable, despite decreases of ¥2,114 million in income taxes payable and ¥1,233 million in provision for bonuses.
Non-current liabilities totaled ¥110,086 million, up ¥219 million from the end of the previous fiscal year. This was primarily due to an increase of ¥3,359 million in long-term lease obligations, despite a decrease in long-term loans payable of ¥2,805 million.

Net assets

Net assets as of December 31, 2018 rose ¥7,692 million from the end of the previous fiscal year to ¥125,749 million. This was mainly attributable to increases of ¥5,593 million in retained earnings and ¥2,213 million in non-controlling interests. The equity ratio as of December 31, 2018 increased by 0.7 percentage points to 34.4% from the end of the previous fiscal year.

(3) Forecast for the full-term of the fiscal year ending March 31, 2019

No revisions have been made to the forecast of consolidated operating results for the fiscal year ending March 31, 2019, announced in “Summary of Financial Statements for the Fiscal Year Ended March 31, 2018” on May 10, 2018.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	24,995	24,967
Notes and operating accounts receivable	70,526	75,779
Securities	–	1,192
Merchandise and finished goods	7,293	8,028
Work in process	351	855
Raw materials and supplies	536	637
Other	10,460	9,920
Allowance for doubtful accounts	(16)	(8)
Total current assets	114,148	121,374
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,045	64,933
Land	59,613	59,238
Other, net	45,411	38,931
Total property, plant and equipment	160,071	163,102
Intangible assets		
Goodwill	6,522	6,631
Other	4,225	4,541
Total intangible assets	10,747	11,172
Investments and other assets		
Investment securities	22,642	20,225
Long-term loans receivable	3,709	3,006
Net defined benefit asset	3,658	4,126
Guarantee deposits	12,118	12,937
Deferred tax assets	4,317	3,472
Other	3,718	4,031
Allowance for doubtful accounts	(1,216)	(651)
Total investments and other assets	48,947	47,148
Total non-current assets	219,766	221,423
Deferred assets		
Business commencement expenses	57	38
Total deferred assets	57	38
Total assets	333,972	342,836

(Unit: Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	37,418	38,323
Electronically recorded obligations-operating	7,189	7,508
Current portion of bonds	48	48
Short-term loans payable	29,351	32,680
Lease obligations	3,073	3,164
Income taxes payable	4,509	2,394
Provision for bonuses	4,625	3,392
Provision for directors' bonuses	197	233
Provision for loss on disaster	–	230
Other	19,634	19,023
Total current liabilities	106,048	107,000
Non-current liabilities		
Bonds payable	17,168	17,120
Convertible bond-type bonds with share acquisition rights	10,039	10,032
Long-term loans payable	63,232	60,427
Lease obligations	7,342	10,702
Provision for directors' retirement benefits	159	173
Provision for special repairs	82	78
Net defined benefit liability	6,901	6,593
Asset retirement obligations	819	915
Other	4,120	4,042
Total non-current liabilities	109,866	110,086
Total liabilities	215,915	217,087
Net assets		
Shareholders' equity		
Capital stock	26,528	26,528
Capital surplus	29,730	30,006
Retained earnings	54,968	60,562
Treasury shares	(590)	(697)
Total shareholders' equity	110,637	116,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,775	1,238
Deferred gains or losses on hedges	(61)	(25)
Foreign currency translation adjustment	334	215
Remeasurements of defined benefit plans	(42)	243
Total accumulated other comprehensive income	2,005	1,671
Share acquisition rights	373	424
Non-controlling interests	5,040	7,253
Total net assets	118,056	125,749
Total liabilities and net assets	333,972	342,836

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the nine months ended December 31, 2017 and 2018)

(Unit: Millions of Yen)

	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018–December 31, 2018)
Operating revenue	373,008	400,565
Operating cost	333,647	355,840
Operating gross profit	39,361	44,725
Selling, general and administrative expenses	26,014	28,931
Operating profit	13,346	15,794
Non-operating income		
Interest income	74	94
Dividend income	132	142
Other	1,198	1,394
Total non-operating income	1,405	1,631
Non-operating expenses		
Interest expenses	730	834
Other	555	526
Total non-operating expenses	1,286	1,360
Ordinary profit	13,466	16,065
Extraordinary income		
Subsidy income	88	1,268
Gain on sales of non-current assets	369	346
Gain on sales of investment securities	66	178
Gain on liquidation of subsidiaries and associates	–	79
Reversal of allowance for doubtful accounts for subsidiaries and associates	–	43
Delinquency charges	157	–
Total extraordinary income	682	1,916
Extraordinary losses		
Loss on reduction of non-current assets	101	1,256
Loss on valuation of shares of subsidiaries and associates	–	585
Provision for loss on disaster	–	204
Loss on liquidation of subsidiaries	–	168
Loss on office withdrawal	311	133
Loss on retirement of non-current assets	117	86
Loss on disaster	–	31
Total extraordinary losses	529	2,468
Profit before income taxes	13,619	15,514
Income taxes-current	3,649	4,650
Income taxes-deferred	920	976
Total income taxes	4,570	5,627
Profit	9,049	9,886
Profit attributable to non-controlling interests	1,613	334
Profit attributable to owners of parent	7,435	9,552

(Consolidated statements of comprehensive income)

(For the nine months ended December 31, 2017 and 2018)

(Unit: Millions of Yen)

	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018–December 31, 2018)
Profit	9,049	9,886
Other comprehensive income		
Valuation difference on available-for-sale securities	738	(548)
Deferred gains or losses on hedges	10	35
Foreign currency translation adjustment	39	(148)
Remeasurements of defined benefit plans, net of tax	724	285
Total other comprehensive income	1,513	(376)
Comprehensive income	10,562	9,510
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,879	9,221
Comprehensive income attributable to non-controlling interests	1,682	288