

Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2023 [Japan GAAP]

November 14, 2022

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
Inquiries:	Title: Executive Officer, Responsible for PR & IR	Name:	Satoru Kokubo
		Tel.:	(03) 6862-8842

Scheduled Date of Issue of Quarterly Financial Report: November 14, 2022 Scheduled Date of Dividend Paid: December 5, 2022
 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, 2022

(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, 2022	334,804	11.3	13,046	11.5	13,381	11.8	7,983	14.8
Six months ended September 30, 2021	300,762	10.0	11,705	21.4	11,964	22.5	6,955	21.5

(Note) Comprehensive income

Six months ended September 30, 2022: ¥12,086 million (54.8%) Six months ended September 30, 2021: ¥7,807 million (26.6%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2022	53.57	47.43
Six months ended September 30, 2021	47.20	39.20

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	513,024	170,256	30.3	1,041.29
As of March 31, 2022	480,818	160,854	30.5	985.67

(Reference) Equity:

As of September 30, 2022: ¥155,259 million As of March 31, 2022: ¥146,817 million

(Note) During the second quarter ended September 30, 2022, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the fiscal year ended March 31, 2022 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, 2022	–	17.00	–	17.00	34.00
Fiscal year ending March 31, 2023	–	17.00			
Fiscal year ending March 31, 2023 (Forecast)			–	17.00	34.00

(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, 2023 (From April 1, 2022 to March 31, 2023)

(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, 2023	700,000	12.3	26,700	7.8	27,000	3.4	16,000	5.0	107.37

(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): 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, 2022:	157,070,496 shares	As of March 31, 2022:	157,070,496 shares
---------------------------	--------------------	-----------------------	--------------------
 - (b) Treasury shares

As of September 30, 2022:	7,967,692 shares	As of March 31, 2022:	8,117,957 shares
---------------------------	------------------	-----------------------	------------------
 - (c) Average number of shares (Cumulative)

Six months ended September 30, 2022:	149,011,419 shares	Six months ended September 30, 2021:	147,371,289 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, 2022: 335,679 shares; as of March 31, 2022: 338,276 shares) and Performance-linked Stock Compensation Plan for Directors (as of September 30, 2022: 328,221 shares; as of March 31, 2022: 338,607 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, 2023" on page 3.
- The supplementary material on quarterly earnings will be available on the Company's website.

Index to accompanying materials

1. Results of Operations and Financial Condition	2
(1) Results of operations.....	2
(2) Financial condition.....	3
(3) Forecast for the full-term of the fiscal year ending March 31, 2023.....	3
2. Consolidated Financial Statements.....	4
(1) Consolidated balance sheets.....	4
(2) Consolidated statements of (comprehensive) income	6
Consolidated statements of income	
For the six months ended September 30, 2021 and 2022	6
Consolidated statements of comprehensive income	
For the six months ended September 30, 2021 and 2022	7
(3) Consolidated statements of cash flows	8

1. Results of Operations and Financial Condition

(1) Results of operations

In the six-month period of the fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022), amid an economic environment in which measures to stem the spread of COVID-19 have been relaxing and economic and social activities are normalizing, there are signs of economic recovery. However, the outlook at present continues to be unclear, with the resurgence of COVID-19 from July onwards, the protraction of the Ukraine situation, and monetary tightening occurring on a global scale.

The six-month-period performance was as follows.

	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	%
Operating revenue	300,762	334,804	34,041	11.3
Operating profit	11,705	13,046	1,341	11.5
Ordinary profit	11,964	13,381	1,416	11.8
Profit attributable to owners of parent	6,955	7,983	1,027	14.8

(Unit: Millions of Yen)

Despite facing rising electricity tariffs, fuel prices, and purchase prices, along with dwindling demand for COVID-19 related products, as economic and social activities have been normalizing, we are seeing an accompanying recovery in demand, and 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.

Note that effective from the first quarter ended June 30, 2022, a newly changed classification and aggregation method for reportable segments has been applied, and the data used for comparison and analysis of the six months ended September 30, 2022 is based on the newly changed classification.

Logistics

	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	%
Operating revenue	212,569	236,591	24,021	11.3
Segment income	11,115	12,387	1,271	11.4

(Unit: Millions of Yen)

Amid an apparent recovery in cargo volumes, resulting from the normalizing economic and social activities, despite rising electricity tariffs and fuel prices, we strived to expand sales and revise pricing while reaping the contribution of revenue from M&A. As a result, operating revenue increased ¥24,021 million year on year to ¥236,591 million, and segment income rose ¥1,271 million year on year to ¥12,387 million.

Trading & commerce

	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	%
Operating revenue	71,621	77,326	5,705	8.0
Segment income	1,116	1,020	(95)	(8.5)

(Unit: Millions of Yen)

In addition to the contribution from revenue from household paper wholesale distributor Cartas Co., Ltd., which was made a consolidated subsidiary in the previous fiscal year, we worked on revising prices and expanding sales, as well as improving cost efficiency among other initiatives. However, as a result of decreased demand for packaging used for takeaways and deliveries, and rising purchase prices, among other factors, operating revenue increased by ¥5,705 million year on year to ¥77,326 million and segment income fell ¥95 million year on year to ¥1,020 million.

Life Support

	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	%
Operating revenue	12,953	16,058	3,105	24.0
Segment loss	(523)	(6)	517	–

(Unit: Millions of Yen)

As people's everyday lives have been normalizing, the segment saw a recovery in the number of users and the number of customers visiting stores, new stores were opened, and M&A we conducted in the previous fiscal year also contributed to revenue. As a result, operating revenue increased ¥3,105 million year on year to ¥16,058 million, and segment loss was ¥6 million after an improvement of ¥517 million year on year.

Business Support

(Unit: Millions of Yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	%
Operating revenue	3,614	4,824	1,210	33.5
Segment income	447	460	13	2.9

The segment strived to expand sales and improve cost efficiency while reaping the contribution of revenue from M&A. As a result, operating revenue increased ¥1,210 million year on year to ¥4,824 million, and segment income rose ¥13 million year on year to ¥460 million.

(2) Financial condition

1) Assets, liabilities and net assets

Total assets

Total assets as of September 30, 2022 were ¥513,024 million, ¥32,206 million higher than at the end of the previous fiscal year. Current assets amounted to ¥187,374 million, up ¥16,341 million from the end of the previous fiscal year. This was mainly due to an increase of ¥21,298 million in cash and deposits despite a decrease of ¥5,483 million in trade notes and accounts receivable, and contract assets.

Non-current assets totaled ¥325,649 million, up ¥15,864 million from the end of the previous fiscal year. This was primarily due to increases of ¥10,949 million in property, plant and equipment, ¥912 million in intangible assets, and ¥4,002 million in investments and other assets.

Liabilities

Liabilities as of September 30, 2022 increased ¥22,804 million from the end of the previous fiscal year to ¥342,767 million.

Current liabilities totaled ¥121,133 million, down ¥16,513 million from the end of the previous fiscal year. This was mainly due to decreases of ¥3,814 million in trade notes and accounts payable and ¥13,055 million in short-term borrowings.

Non-current liabilities totaled ¥221,634 million, up ¥39,317 million from the end of the previous fiscal year. This was mainly due to increases of ¥37,245 million in long-term borrowings, ¥982 million in asset retirement obligations, and ¥914 million in deferred tax liabilities.

Net assets

Net assets as of September 30, 2022 rose ¥9,401 million from the end of the previous fiscal year to ¥170,256 million. This was primarily due to increases of ¥5,437 million in retained earnings and ¥2,882 million in foreign currency translation adjustment. The equity ratio as of September 30, 2022 decreased by 0.2 percentage points to 30.3% from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents as of September 30, 2022 increased by ¥21,664 million from the end of the previous fiscal year to ¥63,858 million.

Net cash provided by operating activities amounted to ¥21,246 million. This was mainly due to a decrease in funds due to increase in inventories of ¥1,009 million, and a decrease in funds due to decrease in accrued liabilities of ¥4,327 million, and income taxes paid of ¥5,071 million, despite profit before income taxes of ¥13,418 million, depreciation of ¥10,726 million, and increased funds due to decrease in trade receivables and contract assets of ¥7,024 million.

Net cash used in investing activities totaled ¥17,841 million. This was mainly due to purchase of property, plant and equipment of ¥13,802 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥4,050 million.

Net cash provided by financing activities totaled ¥17,271 million. This was mainly due to proceeds from long-term borrowings of ¥42,647 million, despite net decrease in short-term borrowings of ¥16,327 million, repayments of long-term borrowings of ¥3,192 million, repayments of finance lease obligations of ¥3,034 million, and dividends paid of ¥2,540 million.

(3) Forecast for the full-term of the fiscal year ending March 31, 2023

No revisions have been made to the forecast of consolidated operating results for the fiscal year ending March 31, 2023, announced in "Summary of Financial Statements for the Fiscal Year Ended March 31, 2022" on May 13, 2022.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: Millions of Yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	45,093	66,391
Trade notes and accounts receivable, and contract assets	91,893	86,410
Electronically recorded monetary claims - operating	3,543	3,869
Merchandise and finished goods	14,183	14,865
Work in process	95	75
Raw materials and supplies	845	1,227
Other	15,411	14,600
Allowance for doubtful accounts	(34)	(66)
Total current assets	171,033	187,374
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	91,096	94,021
Land	90,313	92,871
Other, net	50,229	55,695
Total property, plant and equipment	231,639	242,588
Intangible assets		
Goodwill	12,104	12,087
Other	11,949	12,878
Total intangible assets	24,054	24,966
Investments and other assets		
Investment securities	17,957	18,293
Long-term loans receivable	279	236
Retirement benefit asset	7,703	8,134
Guarantee deposits	14,388	16,696
Deferred tax assets	5,115	5,143
Other	9,066	10,161
Allowance for doubtful accounts	(418)	(571)
Total investments and other assets	54,091	58,093
Total non-current assets	309,784	325,649
Deferred assets		
Business commencement expenses	0	0
Total deferred assets	0	0
Total assets	480,818	513,024

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Trade notes and accounts payable	50,675	46,860
Electronically recorded obligations - operating	9,076	9,623
Current portion of bonds payable	24	–
Short-term borrowings	36,335	23,280
Lease obligations	4,632	5,334
Income taxes payable	5,052	4,424
Provision for bonuses	6,585	7,349
Provision for bonuses for directors (and other officers)	427	211
Provision for loss on disaster	416	292
Other	24,420	23,757
Total current liabilities	137,646	121,133
Non-current liabilities		
Bonds payable	40,000	40,000
Convertible-bond-type bonds with share acquisition rights	22,081	22,067
Long-term borrowings	86,746	123,991
Lease obligations	15,970	16,318
Provision for retirement benefits for directors (and other officers)	573	560
Provision for special repairs	196	257
Provision for share awards	336	330
Retirement benefit liability	7,050	6,893
Asset retirement obligations	950	1,933
Deferred tax liabilities	5,120	6,035
Other	3,291	3,246
Total non-current liabilities	182,317	221,634
Total liabilities	319,963	342,767
Net assets		
Shareholders' equity		
Share capital	28,479	28,479
Capital surplus	31,545	31,447
Retained earnings	91,737	97,174
Treasury shares	(8,159)	(8,005)
Total shareholders' equity	143,602	149,096
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,472	1,572
Deferred gains or losses on hedges	70	121
Foreign currency translation adjustment	755	3,637
Remeasurements of defined benefit plans	916	831
Total accumulated other comprehensive income	3,215	6,163
Share acquisition rights	388	366
Non-controlling interests	13,648	14,629
Total net assets	160,854	170,256
Total liabilities and net assets	480,818	513,024

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

(For the six months ended September 30, 2021 and 2022)

(Unit: Millions of Yen)

	Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)
Operating revenue	300,762	334,804
Operating costs	259,440	285,927
Operating gross profit	41,321	48,876
Selling, general and administrative expenses	29,616	35,829
Operating profit	11,705	13,046
Non-operating income		
Interest income	61	49
Dividend income	99	120
Foreign exchange gains	–	257
Other	1,136	1,251
Total non-operating income	1,298	1,679
Non-operating expenses		
Interest expenses	601	723
Other	437	621
Total non-operating expenses	1,039	1,344
Ordinary profit	11,964	13,381
Extraordinary income		
Subsidy income	248	206
Gain on sale of non-current assets	52	120
Gain on bargain purchase	–	92
Total extraordinary income	300	419
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	243	206
Loss on office withdrawal	–	112
Loss on retirement of non-current assets	83	64
Loss on COVID-19 impact	243	–
Loss on disaster	8	–
Total extraordinary losses	579	382
Profit before income taxes	11,685	13,418
Income taxes - current	3,972	4,437
Income taxes - deferred	337	460
Total income taxes	4,310	4,898
Profit	7,374	8,520
Profit attributable to non-controlling interests	419	536
Profit attributable to owners of parent	6,955	7,983

(Consolidated statements of comprehensive income)
(For the six months ended September 30, 2021 and 2022)

(Unit: Millions of Yen)

	Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)
Profit	7,374	8,520
Other comprehensive income		
Valuation difference on available-for-sale securities	119	99
Deferred gains or losses on hedges	(46)	63
Foreign currency translation adjustment	292	2,858
Remeasurements of defined benefit plans, net of tax	67	(85)
Share of other comprehensive income of entities accounted for using equity method	–	630
Total other comprehensive income	432	3,566
Comprehensive income	7,807	12,086
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,353	10,931
Comprehensive income attributable to non- controlling interests	453	1,155

(3) Consolidated statements of cash flows

(Unit: Millions of Yen)

	Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	11,685	13,418
Depreciation	9,337	10,726
Amortization of goodwill	493	646
Increase (decrease) in allowance for doubtful accounts	(3)	169
Decrease (increase) in retirement benefit asset	(322)	(430)
Increase (decrease) in retirement benefit liability	(125)	(242)
Increase (decrease) in provision for bonuses	488	638
Increase (decrease) in provision for share awards	(1)	(5)
Increase (decrease) in provision for loss on disaster	(46)	(124)
Interest and dividend income	(161)	(170)
Foreign exchange losses (gains)	73	(257)
Interest expenses	601	723
Loss (gain) on sale of non-current assets	(35)	(114)
Loss on tax purpose reduction entry of non-current assets	243	206
Subsidy income	(248)	(206)
Gain on bargain purchase	–	(92)
Loss on retirement of non-current assets	83	64
Loss on office withdrawal	–	112
Decrease (increase) in trade receivables and contract assets	(83)	7,024
Decrease (increase) in inventories	354	(1,009)
Increase (decrease) in accrued liabilities	(2,583)	(4,327)
Increase (decrease) in accrued consumption taxes	(2,333)	(8)
Decrease (increase) in consumption taxes refund receivable	1,389	1,618
Other	(1,093)	(1,663)
Subtotal	17,711	26,694
Subsidies received	248	206
Interest and dividends received	200	140
Interest paid	(594)	(723)
Income taxes paid	(5,394)	(5,071)
Net cash provided by (used in) operating activities	12,170	21,246
Cash flows from investing activities		
Payments into time deposits	(934)	(1,419)
Proceeds from withdrawal of time deposits	965	1,942
Purchase of property, plant and equipment	(15,913)	(13,802)
Proceeds from sale of property, plant and equipment	171	464
Payments of guarantee deposits	(618)	(1,277)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,174)	(4,050)
Other	(344)	303
Net cash provided by (used in) investing activities	(21,849)	(17,841)

	Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,797)	(16,327)
Proceeds from long-term borrowings	10,677	42,647
Repayments of long-term borrowings	(1,858)	(3,192)
Repayments of finance lease obligations	(2,473)	(3,034)
Proceeds from issuance of bonds	10,000	–
Redemption of bonds	(24)	(24)
Purchase of treasury shares	(3,630)	(0)
Dividends paid	(2,228)	(2,540)
Dividends paid to non-controlling interests	(147)	(236)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(244)	(11)
Other	(12)	(8)
Net cash provided by (used in) financing activities	8,259	17,271
Effect of exchange rate change on cash and cash equivalents	174	987
Net increase (decrease) in cash and cash equivalents	(1,245)	21,664
Cash and cash equivalents at beginning of period	50,371	42,193
Cash and cash equivalents at end of period	49,126	63,858