

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 2, 2018

Company name: NIKKON Holdings Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 9072 URL <http://www.nikon-hd.co.jp>
 Representative: President & Representative Director Masakatsu Kuroiwa
 Director, Executive Officer, and General
 Inquiries: Yasunori Matsuda TEL 03-3541-5330
 Manager of Accounting Department
 Scheduled date to file Quarterly Securities Report: November 12, 2018
 Scheduled date to commence dividend payments: December 4, 2018
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	95,367	4.1	8,849	(1.8)	9,763	0.2	6,564	(6.1)
Six months ended September 30, 2017	91,581	5.2	9,014	4.1	9,740	7.4	6,992	20.5

Note: Comprehensive income Six months ended September 30, 2018 ¥6,245 million [(27.4)%]
 Six months ended September 30, 2017 ¥8,600 million [109.7%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	97.66	97.30
Six months ended September 30, 2017	103.48	103.14

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	287,056	185,765	64.5
As of March 31, 2018	286,013	182,627	63.7

Reference: Equity As of September 30, 2018 ¥185,212 million
 As of March 31, 2018 ¥182,101 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	30.00	—	35.00	65.00
Year ending March 31, 2019	—	32.00			
Year ending March 31, 2019 (Forecast)			—	33.00	65.00

Note: Revisions to the forecasts most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes									
	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	195,000	3.8	19,500	2.6	21,200	2.3	14,600	0.4	217.38

Note: Revisions to the forecasts most recently announced: None

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “Application of special accounting for preparing quarterly consolidated financial statements” of “2.

Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements” on page 12 of the attached documents.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

- (4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2018	68,239,892 shares	As of March 31, 2018	68,239,892 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	1,126,852 shares	As of March 31, 2018	856,202 shares
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Average number of shares during the period

Six months ended September 30, 2018	67,216,831 shares	Six months ended September 30, 2017	67,575,051 shares
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* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of forecasts of financial results, and other special matters

Forward-looking statements, including financial results forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Actual financial and other results may differ substantially from the statements herein due to various factors.

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1. Qualitative information regarding results for the six months

(1) Explanation of operating results

In the first six months of the fiscal year ending March 31, 2019, the Japanese economy remained on a path of mild recovery as corporate earnings, employment situation and income environments improved. However, the outlook remained uncertain due to the labor shortage in companies and the impact of trade friction on the global economy.

In the logistics industry, the severe business situation continues due to chronic labor shortage and rising fuel prices.

Under these circumstances, the Group's consolidated sales were 95,367 million yen, up 4.1% from the same period of the previous fiscal year, due to proactive sales activities and capital investments.

Operating profit was 8,849 million yen, down 1.8%.

Ordinary profit was 9,763 million yen, up 0.2%.

Profit attributable to owners of parent was 6,564 million yen, down 6.1%.

Business results by segment are as follows.

1) Transportation business

Sales were 44,845 million yen, up 3.7% from the same period of the previous fiscal year, due to an increase in the volume of cargo handled. Operating profit was 2,260 million yen, up 1.1%, due to higher efficiency of transportation and a fall in depreciation, despite a rise in fuel prices.

2) Warehousing business

Sales were 14,055 million yen, up 2.7% from the same period of the previous fiscal year, due to an increase in the volume of cargo stored. Operating profit was 3,120 million yen, up 9.4%, due to the rise in sales.

3) Packaging business

Sales were 22,740 million yen, up 6.6% from the same period of the previous fiscal year, due to an increase in business volume. Operating profit was 1,705 million yen, down 5.9%, due to the rise in personnel expenses and subcontract expenses.

4) Testing business

Sales were 10,698 million yen, up 1.6% from the same period of the previous fiscal year, due to an increase in business volume. Operating profit was 1,623 million yen, down 12.2%, due to the rise in personnel expenses resulting from an increase in the number of personnel.

(2) Explanation of financial position

1) Assets

Current assets at the end of the second quarter of the fiscal year ending March 31, 2019 totaled 68,929 million yen, a decrease of 3,677 million yen from the end of the previous fiscal year. The decrease mainly came as securities, cash and cash equivalents, and notes and accounts receivable - trade fell 1,595 million yen, 1,178 million yen and 1,161 million yen, respectively. Non-current assets totaled 218,127 million yen, an increase of 4,721 million yen from the end of the previous fiscal year. The increase mainly came as property, plant and equipment rose 6,196 million yen, while investment securities fell 1,289 million yen.

As a result, total assets were 287,056 million yen, an increase of 1,043 million yen from the end of the previous fiscal year.

2) Liabilities

Current liabilities at the end of the quarter under review totaled 53,472 million yen, an increase of 658 million yen from the end of the previous fiscal year. This increase mainly came as electronically recorded obligations - non-operating rose 3,892 million yen, while accounts payable - other fell 2,937 million yen. Non-current liabilities totaled 47,818 million yen, a decrease of 2,753 million yen from the end of the previous fiscal year. This decrease mainly came as long-term loans payable and deferred tax liabilities fell 1,900 million yen and 449 million yen, respectively.

As a result, total liabilities were 101,291 million yen, a decrease of 2,094 million yen from the end of the previous fiscal year.

3) Net assets

Net assets at the end of the quarter under review totaled 185,765 million yen, an increase of 3,138 million yen from the end of the previous fiscal year. This increase mainly came as retained earnings rose 4,203 million yen, while valuation difference on available-for-sale securities fell 974 million yen.

As a result, the equity ratio at the end of the period under review was 64.5% (63.7% at the end of the previous fiscal year).

4) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the quarter under review were 26,283 million yen, a decrease of 2,019 million yen from the end of the previous fiscal year.

Net cash provided by operating activities was 10,491 million yen, an increase of 182 million yen from the same period of the previous fiscal year. As main factors of increase, cash flow from increase and decrease in net defined benefit liability, cash flow from increase and decrease in notes and accounts receivable - trade rose 1,091 million yen and 624 million yen, respectively, and income taxes paid fell 472 million yen. As a main factor of decrease, cash flow from increase and decrease in other liabilities fell 1,843 million yen.

Net cash used in investing activities was 7,507 million yen, a decrease of 5,684 million yen from the same period of the previous fiscal year. As a main factor of increase, payments into time deposits rose 4,900 million yen. As main factors of decrease, the purchase of property, plant and equipment and the purchase of shares in subsidiaries resulting in a change in scope of consolidation fell 3,620 million yen and 934 million yen, respectively, and proceeds from withdrawal of time deposits rose 5,829 million yen.

Net cash used in financing activities totaled 5,205 million yen, an increase of 838 million yen from the same period of the previous fiscal year. The increase mainly came as the purchase of treasury shares rose 788 million yen.

(3) Explanation of forward-looking statements, including forecasts of consolidated financial results

As for the forecast of consolidated financial results, there is no change to the forecasts announced on May 11, 2018.

The forecasts are based on information available to the Company on the announcement date of this material, actual financial results may differ from the statements herein due to various factors.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	17,755	16,577
Notes and accounts receivable - trade	33,032	31,871
Electronically recorded monetary claims - operating	3,249	3,358
Securities	14,105	12,510
Merchandise and finished goods	4	5
Raw materials and supplies	366	509
Other	4,102	4,105
Allowance for doubtful accounts	(10)	(10)
Total current assets	72,606	68,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	73,694	73,564
Machinery, equipment and vehicles, net	8,649	8,099
Tools, furniture and fixtures, net	1,293	1,302
Land	88,717	90,844
Leased assets, net	368	311
Construction in progress	3,005	7,801
Total property, plant and equipment	175,727	181,924
Intangible assets	1,918	1,852
Investments and other assets		
Investment securities	27,760	26,471
Long-term loans receivable	129	114
Deferred tax assets	3,090	3,034
Other	4,864	4,814
Allowance for doubtful accounts	(84)	(84)
Total investments and other assets	35,760	34,351
Total non-current assets	213,406	218,127
Total assets	286,013	287,056

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,573	10,872
Electronically recorded obligations - operating	3,962	4,171
Short-term loans payable	3,800	3,800
Current portion of bonds	10,000	10,000
Lease obligations	118	113
Income taxes payable	3,379	3,020
Provision for bonuses	3,627	3,861
Provision for directors' bonuses	186	101
Notes payable - facilities	383	671
Electronically recorded obligations - non-operating	863	4,756
Other	14,918	12,102
Total current liabilities	52,813	53,472
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	26,200	24,300
Lease obligations	284	228
Deferred tax liabilities	6,633	6,184
Net defined benefit liability	5,113	5,079
Provision for directors' retirement benefits	276	264
Other	2,063	1,762
Total non-current liabilities	50,572	47,818
Total liabilities	103,385	101,291
Net assets		
Shareholders' equity		
Capital stock	11,316	11,316
Capital surplus	12,332	12,332
Retained earnings	148,112	152,315
Treasury shares	(1,716)	(2,489)
Total shareholders' equity	170,044	173,475
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,437	12,462
Foreign currency translation adjustment	(777)	(235)
Remeasurements of defined benefit plans	(603)	(490)
Total accumulated other comprehensive income	12,056	11,736
Share acquisition rights	321	354
Non-controlling interests	204	199
Total net assets	182,627	185,765
Total liabilities and net assets	286,013	287,056

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	91,581	95,367
Cost of sales	77,861	81,705
Gross profit	13,719	13,662
Selling, general and administrative expenses	4,704	4,813
Operating profit	9,014	8,849
Non-operating income		
Interest income	39	50
Dividend income	286	315
Rent income	49	42
Share of profit of entities accounted for using equity method	268	296
Foreign exchange gains	45	69
Miscellaneous income	182	268
Total non-operating income	871	1,041
Non-operating expenses		
Interest expenses	103	84
Miscellaneous expenses	43	42
Total non-operating expenses	146	127
Ordinary profit	9,740	9,763
Extraordinary income		
Gain on sales of non-current assets	337	50
Gain on revision of retirement benefit plan	189	—
Total extraordinary income	526	50
Extraordinary losses		
Loss on sales of non-current assets	2	37
Loss on retirement of non-current assets	46	89
Impairment loss	0	0
Other	0	—
Total extraordinary losses	48	127
Profit before income taxes	10,217	9,687
Income taxes	3,221	3,120
Profit	6,996	6,566
Profit attributable to non-controlling interests	3	2
Profit attributable to owners of parent	6,992	6,564

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	6,996	6,566
Other comprehensive income		
Valuation difference on available-for-sale securities	1,000	(974)
Foreign currency translation adjustment	375	571
Remeasurements of defined benefit plans, net of tax	236	112
Share of other comprehensive income of entities accounted for using equity method	(8)	(30)
Total other comprehensive income	1,604	(320)
Comprehensive income	8,600	6,245
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,608	6,244
Comprehensive income attributable to non-controlling interests	(7)	1

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	10,217	9,687
Depreciation	4,561	4,640
Increase (decrease) in provision for bonuses	171	230
Increase (decrease) in provision for directors' bonuses	(94)	(84)
Increase (decrease) in allowance for doubtful accounts	(5)	0
Increase (decrease) in provision for loss on disaster	(2)	—
Increase (decrease) in net defined benefit liability	(960)	130
Increase (decrease) in provision for directors' retirement benefits	(26)	(11)
Interest and dividend income	(326)	(365)
Interest expenses	103	84
Share of loss (profit) of entities accounted for using equity method	(268)	(296)
Loss (gain) on sales of non-current assets	(334)	(13)
Gain on revision of retirement benefit plan	(189)	—
Decrease (increase) in notes and accounts receivable - trade	567	1,192
Decrease (increase) in other assets	(268)	(198)
Increase (decrease) in notes and accounts payable - trade	60	(484)
Increase (decrease) in other liabilities	617	(1,225)
Other, net	(208)	(49)
Subtotal	13,615	13,236
Interest and dividend income received	762	834
Interest expenses paid	(102)	(85)
Income taxes paid	(3,966)	(3,494)
Net cash provided by (used in) operating activities	10,308	10,491
Cash flows from investing activities		
Payments into time deposits	(177)	(5,078)
Proceeds from withdrawal of time deposits	522	6,351
Purchase of securities	(999)	(497)
Purchase of property, plant and equipment	(11,794)	(8,173)
Proceeds from sales of property, plant and equipment	408	101
Purchase of intangible assets	(42)	(57)
Purchase of investment securities	(194)	(16)
Payments of loans receivable	(92)	(23)
Collection of loans receivable	88	47
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(934)	—
Purchase of shares of subsidiaries and associates	—	(163)
Payments for investments in capital of subsidiaries and associates	(160)	—
Other, net	185	0
Net cash provided by (used in) investing activities	(13,192)	(7,507)

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Repayments of long-term loans payable	(2,036)	(1,900)
Purchase of treasury shares	(0)	(788)
Cash dividends paid	(2,229)	(2,358)
Dividends paid to non-controlling interests	(5)	(8)
Other, net	(95)	(149)
Net cash provided by (used in) financing activities	(4,366)	(5,205)
Effect of exchange rate change on cash and cash equivalents	63	201
Net increase (decrease) in cash and cash equivalents	(7,186)	(2,019)
Cash and cash equivalents at beginning of period	35,027	28,302
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	211	—
Cash and cash equivalents at end of period	28,052	26,283

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

No such events occurred.

(Notes on significant changes in the amount of shareholders' equity)

No such events occurred.

(Application of special accounting for preparing quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying income before income taxes for the quarter by the estimated effective tax rate. The Company rationally estimates effective tax rate based on projected income before income taxes of consolidated subsidiaries during the fiscal year, including the quarter under review, after applying tax effect accounting.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

(Segment information, etc.)

Segment information

I. Six months ended September 30, 2017

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Transportation business	Warehousing business	Packaging business	Testing business	Total		
Net sales							
Sales to external customers	43,227	13,679	21,335	10,525	88,767	2,813	91,581
Intersegment sales or transfers	179	166	183	10	540	717	1,257
Total	43,407	13,846	21,518	10,536	89,307	3,530	92,838
Segment profit	2,237	2,852	1,812	1,848	8,751	144	8,895

Note: The "Others" category consists of business that is not included in reportable segments. It includes customs clearance business and automobile repair business, etc.

2. Differences between total amounts of profit or loss for reportable segments and amounts in the consolidated statements of income and main details of these differences

(Matters relating to difference adjustments)

(Millions of yen)

Profit	Amount
Reportable segments total	8,751
Profit in the "Others" category	144
Other adjustments (Note)	119
Operating profit in the consolidated statements of income	9,014

Note: Other adjustments is the difference resulting from the elimination of operating and non-operating transactions.

3. Information regarding impairment loss on non-current assets and goodwill, etc. for each reportable segment

Information is omitted because of immateriality.

II. Six months ended September 30, 2018

1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Transportation business	Warehousing business	Packaging business	Testing business	Total		
Net sales							
Sales to external customers	44,845	14,055	22,740	10,698	92,339	3,027	95,367
Intersegment sales or transfers	159	175	171	0	507	1,036	1,543
Total	45,004	14,231	22,911	10,699	92,846	4,063	96,910
Segment profit	2,260	3,120	1,705	1,623	8,710	180	8,891

Note: The “Others” category consists of business that is not included in reportable segments. It includes customs clearance business and automobile repair business, etc.

2. Differences between total amounts of profit or loss for reportable segments and amounts in the consolidated statements of income and main details of these differences

(Matters relating to difference adjustments)

(Millions of yen)

Profit	Amount
Reportable segments total	8,710
Profit in the “Others” category	180
Other adjustments (Note)	(41)
Operating profit in the consolidated statements of income	8,849

Note: Other adjustments is the difference resulting from the elimination of operating and non-operating transactions.

3. Information regarding impairment loss on non-current assets and goodwill, etc. for each reportable segment

Information is omitted because of immateriality.