

# Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

November 8, 2019

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 14, 2019  
 Scheduled date to commence dividend payments: December 10, 2019  
 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, 2019 (from April 1, 2019 to September 30, 2019)

#### (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, 2019	101,416	6.3	10,954	23.8	11,707	19.9	9,226	40.5
Six months ended September 30, 2018	95,367	4.1	8,849	(1.8)	9,763	0.2	6,564	(6.1)

Note: Comprehensive income Six months ended September 30, 2019 ¥7,291 million [16.7%]  
 Six months ended September 30, 2018 ¥6,245 million [(27.4)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	139.94	139.45
Six months ended September 30, 2018	97.66	97.30

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	285,519	190,393	66.5
As of March 31, 2019	294,213	186,900	63.3

Reference: Equity As of September 30, 2019 ¥189,864 million  
 As of March 31, 2019 ¥186,338 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, 2019	—	32.00	—	35.00	67.00
Year ending March 31, 2020	—	38.00			
Year ending March 31, 2020 (Forecast)			—	38.00	76.00

Note: Revisions to the forecasts most recently announced: Yes

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	205,000	3.7	21,500	7.3	23,000	4.5	16,600	12.4	252.16

Note: Revisions to the forecasts most recently announced: Yes

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019  
(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, 2019	68,239,892 shares	As of March 31, 2019	68,239,892 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	2,506,139 shares	As of March 31, 2019	1,943,839 shares
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Average number of shares during the period

Six months ended September 30, 2019	65,928,053 shares	Six months ended September 30, 2018	67,216,831 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, 2020, the Japanese economy remained on a path of mild recovery with an improved employment and personal income environment and solid domestic demand. However, the outlook has become increasingly uncertain due to the drawing out of the US-China trade friction, government policy trends of various countries addressing issues such as the economic slowdown in China, as well as the escalating geopolitical risks among other factors.

In the logistics industry, the severe business situation continues due to chronic labor shortage and intensifying competition.

Under such a business environment, the Group's consolidated sales were 101,416 million yen, up 6.3% from the same period of the previous year as a result of active engagement in capital investment and sales activities including the new construction and extension of warehouses in Nagahama City, Shiga Prefecture; Kikuyo Town, Kumamoto Prefecture; Inabe City, Mie Prefecture; and Thailand.

Operating profit was 10,954 million yen, up 23.8%, due to sales increase and improved efficiency of operations.

Ordinary profit was 11,707 million yen, up 19.9%, mainly due to an increase in operating profit, despite the occurrence of foreign exchange losses.

Profit attributable to owners of parent was 9,226 million yen, up 40.5%, mainly because of the recording of gain on sales of investment securities and gain on sales of non-current assets.

Business results by segment are as follows.

#### 1) Transportation business

Sales were 47,687 million yen, up 6.3% from the same period of the previous fiscal year, due to an increase in the volume of cargo handled. Operating profit was 2,977 million yen, up 31.7%, due mainly to improved transportation efficiency and a fall in fuel prices.

#### 2) Warehousing business

Sales were 15,403 million yen, up 9.6% from the same period of the previous fiscal year, due to an increase in the volume of cargo stored. Operating profit was 3,778 million yen, up 21.1%, due to the rise in sales.

#### 3) Packaging business

Sales were 24,053 million yen, up 5.8% from the same period of the previous fiscal year, due to an increase in business volume. Operating profit was 1,862 million yen, up 9.2%, mainly due to improved efficiency of operations.

#### 4) Testing business

Sales were 11,290 million yen, up 5.5% from the same period of the previous fiscal year, due to an increase in business volume. Operating profit was 2,149 million yen, up 32.4%, due to sales increase and improved efficiency of operations.

### (2) Explanation of financial position

#### 1) Assets

Current assets at the end of the second quarter of the fiscal year ending March 31, 2020 totaled 61,640 million yen, a decrease of 7,760 million yen from the end of the previous fiscal year. The decrease was mainly because of a decrease of 9,034 million yen in securities, a decrease of 909 million yen in notes and accounts receivable - trade, despite an increase of 2,287 million yen in cash and deposits. Non-current assets totaled 223,878 million yen, a decrease of 932 million yen from the end of the previous fiscal year. The decrease was mainly because of a decrease of 3,479 million yen in investment securities more than offsetting an increase of 2,793 million yen in property, plant and equipment.

As a result, total assets were 285,519 million yen, a decrease of 8,693 million yen from the end of the previous fiscal year.

#### 2) Liabilities

Current liabilities at the end of the quarter under review totaled 42,300 million yen, a decrease of 9,157 million yen from the end of the previous fiscal year. The decrease was mainly because of a decrease of 5,899 million yen in electronically recorded obligations - non-operating and a decrease of 1,843 million yen in accounts payable - other, recorded under other. Non-current liabilities totaled 52,824 million yen, a decrease of 3,029 million yen from the end of the previous fiscal year. This decrease mainly came as long-term borrowings and deferred tax liabilities fell 1,935 million yen and 714 million yen, respectively.

As a result, total liabilities were 95,125 million yen, a decrease of 12,186 million yen from the end of the previous fiscal year.

#### 3) Net assets

Net assets at the end of the quarter under review were 190,393 million yen, an increase of 3,493 million yen from the end of the previous fiscal year. This increase mainly came from an increase of 6,883 million yen in retained earnings, despite a decrease of 1,552 million yen in valuation difference on available-for-sale securities and an increase of 1,418 million yen in treasury shares.

As a result, the equity ratio at the end of the period under review was 66.5% (63.3% 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 18,684 million yen, a decrease of 6,547 million yen from the end of the previous fiscal year.

Net cash provided by operating activities was 12,191 million yen, an increase of 1,699 million yen from the same period of the previous fiscal year. The main factor contributing to the increase was an increase of 3,793 million yen in profit before income taxes while factors providing a decreasing effect were increases of 826 million yen in gain on sales of non-current assets, 940 million yen in gain on sales of investment securities, and 715 million yen in income taxes paid.

Net cash used in investing activities was 12,745 million yen, an increase of 5,237 million yen from the same period of the previous fiscal year. The main factors contributing to the increase were an increase of 6,690 million yen in purchase of property, plant and equipment and a decrease of 5,881 million yen in proceeds from withdrawal of time deposits, while factors providing a decreasing effect included a decrease of 4,749 million yen in payments into time deposits and increases of 1,489 million yen in proceeds from sales of investment securities and 944 million yen in proceeds from sales of property, plant and equipment.

Net cash used in financing activities totaled 6,087 million yen, an increase of 882 million yen from the same period of the previous fiscal year. The increase mainly came as the purchase of treasury shares rose 685 million yen.

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

As for the full-year forecast of consolidated financial results, revisions have been made to the forecasts announced on May 10, 2019. For details, please refer to “Notice of Revisions to Financial Result Forecasts and Dividend Forecasts” released today (Japanese only).

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, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	16,940	19,227
Notes and accounts receivable - trade	33,389	32,480
Electronically recorded monetary claims - operating	3,711	3,697
Securities	10,276	1,241
Merchandise and finished goods	5	9
Raw materials and supplies	429	543
Other	4,663	4,456
Allowance for doubtful accounts	(15)	(17)
Total current assets	69,401	61,640
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	84,936	86,018
Machinery, equipment and vehicles, net	8,540	8,684
Tools, furniture and fixtures, net	1,422	1,458
Land	91,226	92,338
Leased assets, net	262	241
Construction in progress	3,921	4,363
Total property, plant and equipment	190,310	193,104
Intangible assets	1,937	1,816
Investments and other assets		
Investment securities	23,542	20,062
Long-term loans receivable	533	885
Deferred tax assets	3,646	3,587
Other	4,942	4,524
Allowance for doubtful accounts	(100)	(101)
Total investments and other assets	32,563	28,957
Total non-current assets	224,811	223,878
Total assets	294,213	285,519

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,330	11,370
Electronically recorded obligations - operating	4,401	4,233
Short-term borrowings	3,905	3,905
Lease obligations	115	110
Income taxes payable	3,927	3,970
Provision for bonuses	3,860	4,085
Provision for bonuses for directors (and other officers)	196	100
Notes payable - facilities	1,585	974
Electronically recorded obligations - non-operating	8,266	2,366
Other	13,868	11,183
Total current liabilities	51,458	42,300
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	22,616	20,681
Lease obligations	172	152
Deferred tax liabilities	5,332	4,617
Retirement benefit liability	5,699	5,574
Provision for retirement benefits for directors (and other officers)	303	339
Other	1,728	1,459
Total non-current liabilities	55,853	52,824
Total liabilities	107,312	95,125
Net assets		
Shareholders' equity		
Share capital	11,316	11,316
Capital surplus	12,332	12,332
Retained earnings	158,372	165,256
Treasury shares	(4,767)	(6,186)
Total shareholders' equity	177,253	182,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,291	8,739
Foreign currency translation adjustment	(375)	(891)
Remeasurements of defined benefit plans	(831)	(701)
Total accumulated other comprehensive income	9,084	7,145
Share acquisition rights	354	320
Non-controlling interests	208	208
Total net assets	186,900	190,393
Total liabilities and net assets	294,213	285,519

**(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, 2018	Six months ended September 30, 2019
Net sales	95,367	101,416
Cost of sales	81,705	85,408
Gross profit	13,662	16,008
Selling, general and administrative expenses	4,813	5,054
Operating profit	8,849	10,954
Non-operating income		
Interest income	50	57
Dividend income	315	364
Rental income	42	46
Share of profit of entities accounted for using equity method	296	277
Foreign exchange gains	69	—
Miscellaneous income	268	324
Total non-operating income	1,041	1,070
Non-operating expenses		
Interest expenses	84	88
Foreign exchange losses	—	129
Miscellaneous expenses	42	99
Total non-operating expenses	127	317
Ordinary profit	9,763	11,707
Extraordinary income		
Gain on sales of non-current assets	50	849
Gain on sales of investment securities	—	940
Total extraordinary income	50	1,790
Extraordinary losses		
Loss on sales of non-current assets	37	9
Loss on retirement of non-current assets	89	6
Impairment loss	0	0
Other	—	0
Total extraordinary losses	127	16
Profit before income taxes	9,687	13,480
Income taxes	3,120	4,248
Profit	6,566	9,231
Profit attributable to non-controlling interests	2	5
Profit attributable to owners of parent	6,564	9,226



**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	6,566	9,231
Other comprehensive income		
Valuation difference on available-for-sale securities	(974)	(1,552)
Foreign currency translation adjustment	571	(498)
Remeasurements of defined benefit plans, net of tax	112	129
Share of other comprehensive income of entities accounted for using equity method	(30)	(19)
Total other comprehensive income	(320)	(1,940)
Comprehensive income	6,245	7,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,244	7,287
Comprehensive income attributable to non-controlling interests	1	3

### (3) Consolidated statements of cash flows

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	9,687	13,480
Depreciation	4,640	4,969
Increase (decrease) in provision for bonuses	230	226
Increase (decrease) in provision for bonuses for directors (and other officers)	(84)	(96)
Increase (decrease) in allowance for doubtful accounts	0	3
Increase (decrease) in retirement benefit liability	130	70
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(11)	35
Interest and dividend income	(365)	(421)
Interest expenses	84	88
Share of loss (profit) of entities accounted for using equity method	(296)	(277)
Loss (gain) on sales of non-current assets	(13)	(839)
Loss (gain) on sales of investment securities	—	(940)
Decrease (increase) in trade receivables	1,192	823
Decrease (increase) in other assets	(198)	348
Increase (decrease) in trade payables	(484)	(126)
Increase (decrease) in other liabilities	(1,225)	(2,073)
Other, net	(49)	176
Subtotal	13,236	15,447
Interest and dividends received	834	1,041
Interest paid	(85)	(88)
Income taxes paid	(3,494)	(4,209)
Net cash provided by (used in) operating activities	10,491	12,191
Cash flows from investing activities		
Payments into time deposits	(5,078)	(328)
Proceeds from withdrawal of time deposits	6,351	470
Purchase of securities	(497)	(817)
Proceeds from sales of securities	—	822
Purchase of property, plant and equipment	(8,173)	(14,864)
Proceeds from sales of property, plant and equipment	101	1,046
Purchase of intangible assets	(57)	(50)
Purchase of investment securities	(16)	(72)
Proceeds from sales of investment securities	—	1,489
Loan advances	(23)	(492)
Collection of loans receivable	47	52
Purchase of shares of subsidiaries and associates	(163)	—
Other, net	0	(0)
Net cash provided by (used in) investing activities	(7,507)	(12,745)

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Proceeds from short-term borrowings	—	181
Repayments of short-term borrowings	—	(171)
Repayments of long-term borrowings	(1,900)	(1,946)
Proceeds from issuance of commercial papers	—	5,000
Redemption of commercial papers	—	(5,000)
Purchase of treasury shares	(788)	(1,474)
Dividends paid	(2,358)	(2,320)
Dividends paid to non-controlling interests	(8)	(7)
Other, net	(149)	(348)
Net cash provided by (used in) financing activities	(5,205)	(6,087)
Effect of exchange rate change on cash and cash equivalents	201	(147)
Net increase (decrease) in cash and cash equivalents	(2,019)	(6,788)
Cash and cash equivalents at beginning of period	28,302	25,231
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	241
Cash and cash equivalents at end of period	26,283	18,684

#### (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 during the fiscal year, including the quarter under review, after applying tax effect accounting.

(Segment information, etc.)

Segment information

I. 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.

II. Six months ended September 30, 2019

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	47,687	15,403	24,053	11,290	98,435	2,981	101,416
Intersegment sales or transfers	140	176	207	2	526	1,038	1,564
Total	47,827	15,580	24,261	11,292	98,961	4,019	102,981
Segment profit	2,977	3,778	1,862	2,149	10,767	235	11,002

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	10,767
Profit in the "Others" category	235
Other adjustments (Note)	(48)
Operating profit in the consolidated statements of income	10,954

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.