

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 5, 2021

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, Managing Executive Officer, and
 Inquiries: General Manager of Accounting Department Yasunori Matsuda TEL 03-3541-5330
 Scheduled date to file Quarterly Securities Report: November 12, 2021
 Scheduled date to commence dividend payments: December 7, 2021
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(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, 2021	94,614	10.5	9,262	31.7	9,952	25.9	6,542	25.9
Six months ended September 30, 2020	85,631	(15.6)	7,033	(35.8)	7,905	(32.5)	5,194	(43.7)

Note: Comprehensive income Six months ended September 30, 2021 ¥6,412 million [1.1%]
 Six months ended September 30, 2020 ¥6,343 million [(13.0)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	99.47		99.19	
Six months ended September 30, 2020	79.02		78.76	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	321,881	212,461	65.9
As of March 31, 2021	322,139	208,290	64.5

Reference: Equity As of September 30, 2021 ¥212,016 million
 As of March 31, 2021 ¥207,747 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2021	–	33.00	–	34.00	67.00
Year ending March 31, 2022	–	34.00			
Year ending March 31, 2022 (Forecast)			–	35.00	69.00

Note: Revisions to the forecasts most recently announced: No

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

	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	200,000	9.6	21,000	15.4	22,400	8.9	15,000	3.1	228.19

Note: Revisions to the forecasts most recently announced: No

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2021
(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 122 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: Yes
Changes in accounting policies due to other reasons: No
Changes in accounting estimates: No
Restatement of prior period financial statements: No
Note: For details, please refer to “Changes in accounting policies” of “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements” on page 122 of the attached documents.

(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, 2021	68,239,892 shares	As of March 31, 2021	68,239,892 shares
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Number of treasury shares at the end of the period

As of September 30, 2021	2,445,437 shares	As of March 31, 2021	2,506,469 shares
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Average number of shares outstanding during the period

Six months ended September 30, 2021	65,768,773 shares	Six months ended September 30, 2020	65,733,493 shares
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Note: The number of treasury shares at the end of the period and the number of treasury shares excluded from the calculation of the average number of shares outstanding during the period include shares of the Company held by a trust whose beneficiaries are Directors (26,900 shares as of September 30, 2021).

* 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, 2022, the Japanese economy continued to experience harsh conditions despite continuing signs of recovery amid the continuing impact of the novel coronavirus disease (COVID-19). Furthermore, although vaccinations are progressing, the outlook for the economy has remained unclear as social and economic activities have been unable to recover completely.

In the logistics industry, the severe business situation has continued due to a chronic labor shortage and intensified competition in addition to rising fuel prices and other factors.

Under these circumstances, the Group's consolidated sales for the six months ended September 30, 2021 were 94,614 million yen, up 10.5% from the same period of the previous fiscal year, mainly due to a recovery in business volume.

Operating profit was 9,262 million yen, up 31.7%, due to the effect of higher sales and efficiency improvement of operations.

Ordinary profit was 9,952 million yen, up 25.9%, following the increase in operating profit.

Profit attributable to owners of parent was 6,542 million yen, up 25.9%.

Business results by segment are as follows.

1) Transportation business

Sales were 42,888 million yen, up 9.8% from the same period of the previous fiscal year, mainly due to a recovery in the volume of cargo handled. Operating profit was 2,089 million yen, up 41.9%, mainly due to the effect of higher sales and improvement of transportation efficiency, despite rising fuel prices.

2) Warehousing business

Sales were 16,635 million yen, up 5.1% from the same period of the previous fiscal year, due to an increase in the volume of cargo stored, which is the result of our ongoing efforts in Japan and overseas to establish or expand warehouses. Operating profit was 3,745 million yen, up 1.0% due to an increase in depreciation, etc., despite the effect of higher sales.

3) Packaging business

Sales were 21,351 million yen, up 16.1% from the same period of the previous fiscal year, mainly due to a recovery in business volume. Operating profit was 1,428 million yen, up 249.7%, mainly due to the effect of higher sales and efficiency improvement of operations.

4) Testing business

Sales were 10,360 million yen, up 3.9% from the same period of the previous fiscal year, mainly due to a recovery in business volume. Operating profit was 1,521 million yen, up 32.9%, due to the effect of higher sales and efficiency improvement 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, 2022 totaled 68,553 million yen, a decrease of 5,989 million yen from the end of the previous fiscal year. The decrease mainly came from decreases of 2,917 million yen in cash and deposits and 2,383 million yen in notes and accounts receivable - trade. Non-current assets totaled 253,328 million yen, an increase of 5,731 million yen from the end of the previous fiscal year. The increase mainly came from an increase of 6,041 million yen in property, plant and equipment due to the establishment and expansion of warehouses in Yorii Town (Saitama Prefecture), Kani City (Gifu Prefecture) and Niigata City (Niigata Prefecture), the acquisition of a building as a leased asset in Inzai City (Chiba Prefecture), and the introduction of testing equipment for a research and development building in Haga Town (Tochigi Prefecture).

As a result, total assets were 321,881 million yen, a decrease of 257 million yen from the end of the previous fiscal year.

2) Liabilities

Current liabilities at the end of the quarter under review totaled 38,657 million yen, a decrease of 7,612 million yen from the end of the previous fiscal year. The decrease mainly came from decreases of 2,957 million yen in electronically recorded obligations - non-operating, 2,264 million yen in accounts payable - other, recorded under other. Non-current liabilities totaled 70,763 million yen, an increase of 3,183 million yen from the end of the previous fiscal year. The increase mainly came from an increase of 3,547 million yen in lease obligations on the building acquired in Inzai City (Chiba Prefecture).

As a result, total liabilities were 109,420 million yen, a decrease of 4,428 million yen from the end of the previous fiscal year.

3) Net assets

Net assets at the end of the quarter under review were 212,461 million yen, an increase of 4,170 million yen from the end of the previous fiscal year. This increase mainly came from an increase of 4,248 million yen in retained earnings.

As a result, the equity ratio at the end of the period under review was 65.9% (64.5% 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 27,471 million yen, a decrease of 2,895 million yen from the end of the previous fiscal year.

Net cash provided by operating activities was 13,438 million yen, an increase of 3,441 million yen from the same period of the previous fiscal year. As main factors of increase, profit before income taxes and cash flow from increase (decrease) in other liabilities rose 2,011 million yen and 1,570 million yen, respectively.

Net cash used in investing activities was 11,894 million yen, a decrease of 447 million yen from the same period of the previous fiscal year. As main factors, purchase of property, plant and equipment fell 154 million yen and proceeds from sale of investment securities rose 91 million yen.

Net cash used in financing activities was 4,332 million yen, a difference of 19,855 million yen compared with net cash provided by financing activities in the same period of the previous fiscal year. This is mainly due to proceeds from issuance of bonds decreasing by 20,000 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 12, 2021.

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, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	31,399	28,482
Notes and accounts receivable - trade	33,380	30,997
Electronically recorded monetary claims - operating	3,704	3,495
Securities	951	871
Raw materials and supplies	408	471
Other	4,713	4,248
Allowance for doubtful accounts	(15)	(13)
Total current assets	74,542	68,553
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	92,114	94,324
Machinery, equipment and vehicles, net	8,298	8,791
Tools, furniture and fixtures, net	1,220	1,164
Land	103,966	104,222
Leased assets, net	92	3,439
Construction in progress	8,236	8,026
Total property, plant and equipment	213,928	219,969
Intangible assets	2,073	2,060
Investments and other assets		
Investment securities	22,191	22,112
Long-term loans receivable	668	623
Deferred tax assets	3,409	3,361
Other	5,399	5,271
Allowance for doubtful accounts	(73)	(71)
Total investments and other assets	31,595	31,298
Total non-current assets	247,596	253,328
Total assets	322,139	321,881

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,799	8,918
Electronically recorded obligations - operating	5,521	5,612
Short-term borrowings	3,843	2,826
Lease obligations	67	213
Income taxes payable	4,186	3,247
Provision for bonuses	3,785	3,934
Provision for bonuses for directors (and other officers)	183	111
Notes payable - facilities	242	376
Electronically recorded obligations - non-operating	6,470	3,513
Other	12,168	9,901
Total current liabilities	46,269	38,657
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	15,033	14,121
Lease obligations	34	3,581
Deferred tax liabilities	5,570	5,478
Retirement benefit liability	5,088	5,092
Provision for retirement benefits for directors (and other officers)	395	385
Other	1,457	2,102
Total non-current liabilities	67,579	70,763
Total liabilities	113,848	109,420
Net assets		
Shareholders' equity		
Share capital	11,316	11,316
Capital surplus	12,332	12,332
Retained earnings	180,131	184,379
Treasury shares	(6,187)	(6,035)
Total shareholders' equity	197,593	201,992
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,295	10,441
Foreign currency translation adjustment	(187)	(491)
Remeasurements of defined benefit plans	46	74
Total accumulated other comprehensive income	10,154	10,024
Share acquisition rights	320	227
Non-controlling interests	222	216
Total net assets	208,290	212,461
Total liabilities and net assets	322,139	321,881

(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, 2020	Six months ended September 30, 2021
Net sales	85,631	94,614
Cost of sales	73,822	80,430
Gross profit	11,808	14,183
Selling, general and administrative expenses	4,774	4,921
Operating profit	7,033	9,262
Non-operating income		
Interest income	42	36
Dividend income	272	344
Rental income	41	37
Share of profit of entities accounted for using equity method	186	170
Compensation income	302	–
Miscellaneous income	384	233
Total non-operating income	1,229	823
Non-operating expenses		
Interest expenses	96	92
Foreign exchange losses	83	17
Bond issuance costs	97	–
Miscellaneous expenses	80	23
Total non-operating expenses	357	133
Ordinary profit	7,905	9,952
Extraordinary income		
Gain on sale of non-current assets	37	63
Gain on sale of investment securities	3	3
Total extraordinary income	40	67
Extraordinary losses		
Loss on sale of non-current assets	1	11
Loss on retirement of non-current assets	8	55
Loss on sale of investment securities	–	4
Impairment losses	0	–
Total extraordinary losses	10	71
Profit before income taxes	7,936	9,948
Income taxes	2,736	3,402
Profit	5,200	6,545
Profit attributable to non-controlling interests	5	3
Profit attributable to owners of parent	5,194	6,542

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	5,200	6,545
Other comprehensive income		
Valuation difference on available-for-sale securities	1,012	145
Foreign currency translation adjustment	42	(373)
Remeasurements of defined benefit plans, net of tax	101	27
Share of other comprehensive income of entities accounted for using equity method	(13)	66
Total other comprehensive income	1,143	(133)
Comprehensive income	6,343	6,412
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,331	6,411
Comprehensive income attributable to non-controlling interests	12	0

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	7,936	9,948
Depreciation	5,094	5,245
Increase (decrease) in provision for bonuses	87	158
Increase (decrease) in provision for bonuses for directors (and other officers)	(116)	(71)
Increase (decrease) in allowance for doubtful accounts	0	(4)
Increase (decrease) in retirement benefit liability	285	(15)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	(9)
Interest and dividend income	(314)	(381)
Interest expenses	96	92
Share of loss (profit) of entities accounted for using equity method	(186)	(170)
Loss (gain) on sale of non-current assets	(35)	(52)
Loss (gain) on sale of investment securities	(3)	0
Decrease (increase) in trade receivables	2,979	2,522
Decrease (increase) in other assets	(193)	505
Increase (decrease) in trade payables	(565)	(789)
Increase (decrease) in other liabilities	(1,500)	69
Other, net	(309)	(429)
Subtotal	13,255	16,617
Interest and dividends received	507	874
Interest paid	(96)	(92)
Income taxes paid	(3,668)	(3,961)
Net cash provided by (used in) operating activities	9,997	13,438
Cash flows from investing activities		
Payments into time deposits	(642)	(614)
Proceeds from withdrawal of time deposits	587	657
Purchase of securities	(279)	(225)
Proceeds from sale of securities	433	497
Purchase of property, plant and equipment	(12,416)	(12,261)
Proceeds from sale of property, plant and equipment	40	122
Purchase of intangible assets	(109)	(85)
Purchase of investment securities	(25)	(126)
Proceeds from sale of investment securities	3	95
Loan advances	(100)	(90)
Proceeds from collection of loans receivable	166	130
Other, net	-	6
Net cash provided by (used in) investing activities	(12,342)	(11,894)

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Proceeds from long-term borrowings	130	–
Repayments of long-term borrowings	(1,935)	(1,928)
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	–	0
Proceeds from issuance of bonds	20,000	–
Dividends paid	(2,497)	(2,234)
Dividends paid to non-controlling interests	(5)	(6)
Other, net	(167)	(162)
Net cash provided by (used in) financing activities	15,522	(4,332)
Effect of exchange rate change on cash and cash equivalents	(2)	(107)
Net increase (decrease) in cash and cash equivalents	13,174	(2,895)
Cash and cash equivalents at beginning of period	30,820	30,366
Cash and cash equivalents at end of period	43,994	27,471

(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 profit before income taxes for the quarter by the estimated effective tax rate. The Company rationally estimates effective tax rate based on projected profit before income taxes during the fiscal year, including the quarter under review, after applying tax effect accounting.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result, for domestic transport transactions, whose revenue was primarily recognized at the commencement of transport, the Company and its domestic consolidated subsidiaries shall judge the obligation as fulfilled when the cargo is inspected by the customer or when the cargo arrives, and recognize revenue at this time.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance. However, the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the first six months of the current fiscal year, net sales decreased by 158 million yen, cost of sales decreased by 114 million yen, while gross profit, operating profit, ordinary profit and profit before income taxes each decreased by 44 million yen. There is no impact on the opening balance of retained earnings.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

Segment information

I. Six months ended September 30, 2020

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	39,066	15,830	18,388	9,969	83,254	2,376	85,631
Intersegment sales or transfers	115	164	236	1	518	1,038	1,556
Total	39,182	15,994	18,625	9,971	83,773	3,414	87,187
Segment profit	1,472	3,709	408	1,144	6,735	368	7,103

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	6,735
Profit in the "Others" category	368
Other adjustments (Note)	(69)
Operating profit in the consolidated statements of income	7,033

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

3. Information regarding impairment losses on non-current assets and goodwill, etc. for each reportable segment
Information is omitted because of immateriality.

II. Six months ended September 30, 2021

1. Information regarding net sales and profit or loss by reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Transportation business	Warehousing business	Packaging business	Testing business	Total		
Net sales							
Automobiles	11,592	4,023	8,397	10,028	34,042	714	34,756
Automotive parts	9,622	4,616	4,559	283	19,082	787	19,869
Housing	7,464	1,436	3,750	–	12,651	70	12,722
Agricultural machinery	2,448	840	493	8	3,791	65	3,856
Food and beverages	1,005	1,208	357	–	2,570	100	2,670
Newspapers and publications	2,294	0	0	–	2,294	–	2,294
Others	8,461	4,509	3,793	39	16,803	1,639	18,443
Revenue from contracts with customers	42,888	16,635	21,351	10,360	91,236	3,377	94,614
Sales to external customers	42,888	16,635	21,351	10,360	91,236	3,377	94,614
Intersegment sales or transfers	137	146	208	11	503	1,277	1,780
Total	43,026	16,782	21,560	10,371	91,740	4,654	96,394
Segment profit	2,089	3,745	1,428	1,521	8,785	554	9,339

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	8,785
Profit in the “Others” category	554
Other adjustments (Note)	(77)
Operating profit in the consolidated statements of income	9,262

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

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

Information is omitted because of immateriality.

4. (Matters relating to changes in reportable segments)

As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

For the six months ended September 30, 2021, as a result of this change, net sales decreased by 128 million yen for the Transportation business, net sales decreased by 8 million yen for the Packaging business, and net sales decreased by 21 million yen for Others, compared with the figures obtained by the previous method.