

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 4, 2022

Company name: NIKKON Holdings Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 9072 URL <http://www.nikkon-hd.co.jp>
 Representative: President & Representative Director Masakatsu Kuroiwa
 Director, Managing Executive Officer, and
 Inquiries: Yasunori Matsuda TEL 03-3541-5330
 General Manager of Accounting Department
 Scheduled date to file Quarterly Securities Report: November 11, 2022
 Scheduled date to commence dividend payments: December 6, 2022
 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, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022	103,751	9.7	8,895	(4.0)	10,303	3.5	7,010	7.2
Six months ended September 30, 2021	94,614	10.5	9,262	31.7	9,952	25.9	6,542	25.9

Note: Comprehensive income Six months ended September 30, 2022 ¥8,519 million [32.9%]
 Six months ended September 30, 2021 ¥6,412 million [1.1%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	108.06	107.80
Six months ended September 30, 2021	99.47	99.19

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	351,011	222,597	63.3
As of March 31, 2022	339,475	219,035	64.4

Reference: Equity As of September 30, 2022 ¥222,065 million
 As of March 31, 2022 ¥218,478 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, 2022	–	34.00	–	35.00	69.00
Year ending March 31, 2023	–	48.00			
Year ending March 31, 2023 (Forecast)			–	48.00	96.00

Note: Revisions to the forecasts most recently announced: No

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	217,000	9.5	20,200	3.5	22,300	3.3	15,400	4.5	238.66

Note: Revisions to the forecasts most recently announced: Yes

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2022
(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, 2022	65,739,892 shares	As of March 31, 2022	68,239,892 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	1,418,646 shares	As of March 31, 2022	2,723,278 shares
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Average number of shares outstanding during the period

Six months ended September 30, 2022	64,878,030 shares	Six months ended September 30, 2021	65,768,773 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 treasury shares of the Company held by a trust whose beneficiaries are Directors (26,900 shares as of September 30, 2022).

* 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, 2023, while the Japanese economy showed signs of recovery due to the easing of restrictions on movement as a result of COVID-19 pandemic as well as the effects of various policies, the outlook for the economy remains uncertain due to such factors as the sharp rise in resource and crude oil prices due to the situation in Ukraine and the rapid depreciation of the yen.

In the logistics industry, the severe business situation has continued due to rise in crude oil prices, a chronic labor shortage and intensified competition.

Under these circumstances, the Group's consolidated sales for the six months ended September 30, 2022 were 103,751 million yen, up 9.7% from the same period of the previous fiscal year, mainly due to a recovery in business volume.

Operating profit was 8,895 million yen, down 4.0%, mainly due to the effects of higher fuel and personnel expenses.

Ordinary profit was 10,303 million yen, up 3.5%, mainly due to the recording of foreign exchange gains.

Profit attributable to owners of parent was 7,010 million yen, up 7.2%.

Business results by segment are as follows.

1) Transportation business

Sales were 47,220 million yen, up 10.1% from the same period of the previous fiscal year, mainly due to a recovery in the volume of cargo handled. Operating profit was 2,145 million yen, up 2.7%, mainly due to the effect of higher sales and improvement of transportation efficiency, despite rising fuel prices.

2) Warehousing business

Sales were 18,691 million yen, up 12.4% 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 4,293 million yen, up 14.6%, mainly due to the effect of higher sales.

3) Packaging business

Sales were 23,874 million yen, up 11.8% from the same period of the previous fiscal year, mainly due to a recovery in business volume. Operating profit was 1,107 million yen, down 22.5%, mainly due to the effects of higher personnel expenses and outsourcing expenses.

4) Testing business

Sales were 10,198 million yen, down 1.6% from the same period of the previous fiscal year, due to the suspension and delay of testing business caused by COVID-19. Operating profit was 825 million yen, down 45.8%, mainly due to the effects of higher personnel expenses and outsourcing expenses.

(2) Explanation of financial position

1) Assets

Current assets at the end of the second quarter of the fiscal year ending March 31, 2023 totaled 78,898 million yen, an increase of 4,242 million yen from the end of the previous fiscal year. This increase mainly came from an increase of 4,666 million yen in cash and deposits. Non-current assets totaled 272,113 million yen, an increase of 7,293 million yen from the end of the previous fiscal year. The increase mainly came from an increase of 7,919 million yen in property, plant and equipment due to purchase of warehouses (in Kitakami City, Iwate Prefecture, Iwanuma City, Miyagi Prefecture, Oura Town, Gunma Prefecture, Atsugi City, Kanagawa Prefecture, Hino Town, Shiga Prefecture, Suzuka City, Mie Prefecture, and Shime Town, Fukuoka Prefecture), and business sites (in Atsugi City, Kanagawa Prefecture, and Shime Town, Fukuoka Prefecture).

As a result, total assets were 351,011 million yen, an increase of 11,536 million yen from the end of the previous fiscal year.

2) Liabilities

Current liabilities at the end of the quarter under review totaled 55,734 million yen, an increase of 11,367 million yen from the end of the previous fiscal year. This increase mainly came from an increase of 12,100 million yen in short-term borrowings due to transfer from long-term borrowings, partially offset by a decrease of 1,500 million yen in accounts payable - other recorded under other. Non-current liabilities totaled 72,679 million yen, a decrease of 3,393 million yen from the end of the previous fiscal year. The decrease mainly came from decreases of 3,011 million yen in long-term borrowings due to new loans and transfer to short-term borrowings and 458 million yen in deferred tax liabilities.

As a result, total liabilities were 128,414 million yen, an increase of 7,973 million yen from the end of the previous fiscal year.

3) Net assets

Net assets at the end of the quarter under review were 222,597 million yen, an increase of 3,562 million yen from the end of the previous fiscal year. The increase mainly came from a decrease of 3,356 million yen in treasury shares and an increase of 2,434 million yen in foreign currency translation adjustment, partially offset by decreases of 1,280 million yen in retained earnings and 981 million yen in valuation difference on available-for-sale securities.

As a result, the equity ratio at the end of the period under review was 63.3% (64.4% 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 34,067 million yen, an increase of 4,909 million yen from the end of the previous fiscal year.

The following is the status and factors of each of the cash flow categories during the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities was 12,593 million yen, a decrease of 844 million yen from the same period of the previous fiscal year. The decrease mainly came from decreases of 1,390 million yen in cash flow from decrease (increase) in trade receivables and 395 million yen in cash flow from decrease (increase) in other assets, partially offset by an increase of 602 million yen in depreciation and a decrease of 674 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 12,538 million yen, an increase of 643 million yen from the same period of the previous fiscal year. This increase mainly came from increases of 483 million yen in purchase of property, plant and equipment and 334 million yen in purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities was 4,062 million yen, an increase of 8,394 million yen from the same period of the previous fiscal year. The increase mainly came from an increase of 10,000 million yen in proceeds from long-term borrowings and a decrease of 1,017 million yen in repayments of long-term borrowings, partially offset by an increase of 2,656 million yen in purchase of treasury shares.

(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 13, 2022. For details, please refer to “Notice of Revisions to Financial Result Forecasts” released today (Japanese only).

The forecasts are based on information available to the Company on the announcement date of this material, and 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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	30,227	34,893
Notes and accounts receivable - trade	35,110	34,566
Electronically recorded monetary claims - operating	3,545	3,542
Securities	456	145
Raw materials and supplies	531	559
Other	4,797	5,207
Allowance for doubtful accounts	(12)	(15)
Total current assets	74,655	78,898
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	103,224	113,485
Machinery, equipment and vehicles, net	8,825	8,335
Tools, furniture and fixtures, net	1,323	1,427
Land	110,792	115,126
Leased assets, net	180	139
Construction in progress	7,981	1,732
Total property, plant and equipment	232,328	240,247
Intangible assets	2,173	2,460
Investments and other assets		
Investment securities	20,911	19,519
Long-term loans receivable	559	511
Deferred tax assets	3,485	3,497
Other	5,390	5,924
Allowance for doubtful accounts	(29)	(48)
Total investments and other assets	30,317	29,404
Total non-current assets	264,819	272,113
Total assets	339,475	351,011

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,537	11,282
Electronically recorded obligations - operating	6,200	6,490
Short-term borrowings	1,823	13,923
Lease liabilities	85	69
Income taxes payable	3,645	3,220
Provision for bonuses	3,977	4,101
Provision for bonuses for directors (and other officers)	196	108
Notes payable - facilities	489	687
Electronically recorded obligations - non-operating	3,929	4,454
Other	12,482	11,395
Total current liabilities	44,367	55,734
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term borrowings	13,210	10,198
Lease liabilities	88	53
Deferred tax liabilities	5,138	4,679
Retirement benefit liability	5,696	5,817
Provision for retirement benefits for directors (and other officers)	435	405
Other	1,502	1,524
Total non-current liabilities	76,072	72,679
Total liabilities	120,440	128,414
Net assets		
Shareholders' equity		
Share capital	11,316	11,316
Capital surplus	12,332	12,332
Retained earnings	190,340	189,060
Treasury shares	(6,609)	(3,252)
Total shareholders' equity	207,380	209,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,621	8,640
Foreign currency translation adjustment	1,807	4,242
Remeasurements of defined benefit plans	(330)	(273)
Total accumulated other comprehensive income	11,098	12,609
Share acquisition rights	227	210
Non-controlling interests	328	321
Total net assets	219,035	222,597
Total liabilities and net assets	339,475	351,011

(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, 2021	Six months ended September 30, 2022
Net sales	94,614	103,751
Cost of sales	80,430	89,156
Gross profit	14,183	14,595
Selling, general and administrative expenses	4,921	5,699
Operating profit	9,262	8,895
Non-operating income		
Interest income	36	43
Dividend income	344	338
Rental income	37	37
Share of profit of entities accounted for using equity method	170	262
Foreign exchange gains	–	584
Miscellaneous income	233	295
Total non-operating income	823	1,561
Non-operating expenses		
Interest expenses	92	104
Foreign exchange losses	17	–
Miscellaneous expenses	23	48
Total non-operating expenses	133	153
Ordinary profit	9,952	10,303
Extraordinary income		
Gain on sale of non-current assets	63	30
Gain on sale of investment securities	3	–
Total extraordinary income	67	30
Extraordinary losses		
Loss on sale of non-current assets	11	3
Loss on retirement of non-current assets	55	101
Loss on sale of investment securities	4	–
Total extraordinary losses	71	104
Profit before income taxes	9,948	10,229
Income taxes	3,402	3,235
Profit	6,545	6,994
Profit (loss) attributable to non-controlling interests	3	(16)
Profit attributable to owners of parent	6,542	7,010

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	6,545	6,994
Other comprehensive income		
Valuation difference on available-for-sale securities	145	(981)
Foreign currency translation adjustment	(373)	2,310
Remeasurements of defined benefit plans, net of tax	27	57
Share of other comprehensive income of entities accounted for using equity method	66	137
Total other comprehensive income	(133)	1,524
Comprehensive income	6,412	8,519
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,411	8,521
Comprehensive income attributable to non-controlling interests	0	(2)

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	9,948	10,229
Depreciation	5,245	5,847
Increase (decrease) in provision for bonuses	158	112
Increase (decrease) in provision for bonuses for directors (and other officers)	(71)	(88)
Increase (decrease) in allowance for doubtful accounts	(4)	21
Increase (decrease) in retirement benefit liability	(15)	115
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(9)	(30)
Interest and dividend income	(381)	(382)
Interest expenses	92	104
Share of loss (profit) of entities accounted for using equity method	(170)	(262)
Loss (gain) on sale of non-current assets	(52)	(27)
Loss (gain) on sale of investment securities	0	–
Decrease (increase) in trade receivables	2,522	1,132
Decrease (increase) in other assets	505	110
Increase (decrease) in trade payables	(789)	36
Increase (decrease) in other liabilities	69	(960)
Other, net	(429)	(484)
Subtotal	16,617	15,473
Interest and dividends received	874	512
Interest paid	(92)	(104)
Income taxes paid	(3,961)	(3,287)
Net cash provided by (used in) operating activities	13,438	12,593
Cash flows from investing activities		
Payments into time deposits	(614)	(649)
Proceeds from withdrawal of time deposits	657	995
Purchase of securities	(225)	–
Proceeds from sale of securities	497	365
Purchase of property, plant and equipment	(12,261)	(12,745)
Proceeds from sale of property, plant and equipment	122	33
Purchase of intangible assets	(85)	(420)
Purchase of investment securities	(126)	(14)
Proceeds from sale of investment securities	95	4
Loan advances	(90)	(7)
Proceeds from collection of loans receivable	130	74
Other, net	6	(176)
Net cash provided by (used in) investing activities	(11,894)	(12,538)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	–	10,000
Repayments of long-term borrowings	(1,928)	(911)
Purchase of treasury shares	(0)	(2,657)
Proceeds from sale of treasury shares	0	0
Dividends paid	(2,234)	(2,294)
Dividends paid to non-controlling interests	(6)	(5)
Other, net	(162)	(69)
Net cash provided by (used in) financing activities	(4,332)	4,062
Effect of exchange rate change on cash and cash equivalents	(107)	792
Net increase (decrease) in cash and cash equivalents	(2,895)	4,909
Cash and cash equivalents at beginning of period	30,366	29,157
Cash and cash equivalents at end of period	27,471	34,067

(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)

The Company acquired 1,207,400 treasury shares for ¥2,656 million based on a resolution of the Board of Directors meeting held on May 13, 2022.

In addition, 2,500,000 treasury shares were cancelled in accordance with a resolution of the Board of Directors meeting held on May 13, 2022. As a result, retained earnings and treasury shares decreased by ¥5,986 million each.

(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)

No such events occurred.

(Segment information, etc.)

Segment information

I. 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.

II. Six months ended September 30, 2022

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	12,598	4,646	9,957	9,886	37,089	325	37,414
Automotive parts	11,053	5,051	4,756	247	21,108	1,102	22,211
Housing	7,824	1,699	3,934	–	13,458	88	13,547
Agricultural machinery	2,468	781	459	13	3,723	53	3,777
Food and beverages	935	1,207	387	–	2,530	33	2,564
Newspapers and publications	2,290	0	–	–	2,290	–	2,290
Others	10,050	4,998	4,377	50	19,478	1,590	21,069
Revenue from contracts with customers	47,220	18,386	23,874	10,198	99,679	3,194	102,874
Other revenue	–	305	–	–	305	571	877
Sales to external customers	47,220	18,691	23,874	10,198	99,985	3,766	103,751
Intersegment sales or transfers	193	144	162	9	510	1,565	2,075
Total	47,414	18,836	24,036	10,208	100,495	5,331	105,827
Segment profit	2,145	4,293	1,107	825	8,372	636	9,008

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	8,372
Profit in the “Others” category	636
Other adjustments (Note)	(113)
Operating profit in the consolidated statements of income	8,895

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.