

**Summary of Consolidated Financial Results  
for the Second Quarter of Fiscal Year Ending March 31, 2020  
(Six Months Ended September 30, 2019)**

[Japanese GAAP]

Company name: Maruzen Showa Unyu Co., Ltd. Listing: Tokyo Stock Exchange, First Section  
 Stock code: 9068 URL: <https://www.maruzenshowa.co.jp/>  
 Representative: Toshiyuki Asai, President  
 Contact: Kazuyuki Honda, General Manager of Accounting Division Tel: +81-45-671-5923  
 Scheduled date of filing of Quarterly Report: November 13, 2019  
 Scheduled date of payment of dividend: December 9, 2019  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2019  
(April 1, 2019 - September 30, 2019)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2019	61,009	7.3	4,229	20.4	4,421	17.1	4,899	75.3
Six months ended Sep. 30, 2018	56,840	4.6	3,511	18.2	3,775	12.5	2,794	15.8

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 4,276 (up 21.0%)  
 Six months ended Sep. 30, 2018: 3,535 (up 4.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	241.83	-
Six months ended Sep. 30, 2018	143.49	137.13

Notes: 1. The Company conducted a 1-for-5 reverse common stock split effective on October 1, 2018. Net income per share and diluted net income per share were calculated as if the reverse stock split had taken place at the beginning of the previous fiscal year.  
 2. Diluted net income per share for the six months ended Sep. 30, 2019 is not presented since there is no dilutive share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	141,023	91,519	63.7	4,432.41
As of Mar. 31, 2019	130,167	86,388	66.3	4,255.43

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 89,789 As of Mar. 31, 2019: 86,272

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	6.00	-	35.00	-
Fiscal year ending Mar. 31, 2020	-	32.50	-	-	-
Fiscal year ending Mar. 31, 2020 (forecasts)	-	-	-	32.50	65.00

Note: Revisions to the most recently announced dividend forecasts: None

The Company conducted a 1-for-5 reverse common stock split effective on October 1, 2018. Year-end dividend for the fiscal year ended March 31, 2019 is based on the number of shares after the reverse stock split. No figures for the total dividend per share is shown. After adjustment to reflect the reverse stock split, total dividends per share for the fiscal year ended March 31, 2019 comes to 65 yen.

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)**

(Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	126,500	8.1	8,400	12.0	8,900	7.0	8,100	36.4	399.84

Note: Revisions to the most recently announced consolidated earnings forecasts: None

**\* Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: 1 (Kokusai Bulk Terminal Co., Ltd.)

Note: For more information, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Consolidated Subsidiaries during the Period” on page 10.

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above:                              | None |
| 3) Changes in accounting-based estimates:   | None |
| 4) Restatements:  | None |

(4) Number of issued shares (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of Sep. 30, 2019:	20,612,844 shares	As of Mar. 31, 2019:	20,612,844 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	355,377 shares	As of Mar. 31, 2019:	339,401 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2019:	20,257,940 shares	Six months ended Sep. 30, 2018:	19,476,692 shares
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Note: The Company conducted a 1-for-5 reverse common stock split effective on October 1, 2018. Average number of shares during the period was calculated as if the reverse stock split had taken place at the beginning of the previous fiscal year.

\* The current quarterly financial report is not subject to quarterly review by certified public accountants and auditing firms.

\* Cautionary statement with respect to forward-looking statements, and other special items

1. Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” on page 4 for forecast assumptions and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2020, the Japanese economy showed signs of slowing recovery, despite continued improvements in corporate earnings and employment environment. The slowdown in recovery is attributable to a temporary decline in consumer spending caused by a persistent and prolonged rainy season and damages caused by a spate of typhoons, as well as a relatively moderate last-minute increase in demand before the consumption tax hike. Meanwhile, the outlook for the global economy remained uncertain in the face of growing geopolitical uncertainties, including the prolonged U.S.-China trade issue, a decelerating Chinese economy, and deteriorated Japan-Korea relations.

In the logistics industry, the international transport volumes of both air and ship cargos especially to Asian countries, the key regions for the industry, recorded a more substantial decline due to decreased imports and exports in a decelerating global economy. Should the U.S.-China trade issue intensify and linger, causing the U.S. economy to decelerate and the recovery of the Chinese economy to slow down, the volume of international cargo will likely decline further. With regard to domestic cargo, while the volume of consumer-related cargo remained strong driven mainly by processed food and household products, the volume of production related cargo remained weak due primarily to declines in automotive parts and chemical industrial products. Moreover, issues such as the shortage of truck drivers and price competition among cargo transport companies have persisted, and the fuel price for trucks has remained unstable due to uncertain factors overseas.

Under these circumstances, the Group formulated the Seventh Medium-term Management Plan, a three-year plan starting in the current fiscal year, and has implemented the plan since April 2019. In accordance with the plan and as one of the corporate groups contributing to social infrastructure, the Group is committed to providing stable logistics service while maintaining a high level of “quality,” a key growth driver for the Group since its foundation; and fulfilling its mission as a “logistics partner” for its customers by strengthening its ability to identify and solve issues faced by the customers. The main goals of the medium-term plan include:

- (1) Developing a personnel system and an organizational structure to meet the growing need for diverse talents,
- (2) Promoting mechanization of field work, systemization of clerical work and in-sourcing of transport functions,
- (3) Strengthening “problem-solving oriented businesses” by developing the 3PL business, and
- (4) Further promoting initiatives focused on ESG (Environment, Society and Governance).

With a view to achieving these goals, all directors and employees of the Group will work closely together, in accordance with the Seventh Medium-term Management Plan, to achieve sales and profit targets through a range of measures focused on “1. Enhancing business competitiveness, and 2. Strengthening corporate infrastructure.”

Consequently, the Group’s results of operation for the first half of the current fiscal year were as follows: operating revenue increased by 7.3% year-on-year to 61,009 million yen, operating profit increased by 20.4% year-on-year to 4,229 million yen, ordinary profit increased by 17.1% year-on-year to 4,421 million yen, and profit attributable to owners of parent increased by 75.3% year-on-year to 4,899 million yen.

Business segment performance was as follows.

### Logistics Operations

The freight truck transportation business as a whole recorded an increase in operating revenue. By region, the handling volume of precision equipment and aluminum products decreased and that of housing materials, household products, coal and wood pellet increased in the Kanto region; the handling volume of stainless-steel products decreased in the Chubu region; and the handling volume of chemical products and system equipment increased in the Kansai region.

The harbor transportation business as a whole recorded an increase in operating revenue partly due to the conversion of a company engaged primarily in harbor transportation into a consolidated subsidiary. By region, the

handling volume of precision equipment exports decreased in the Kanto region, and the handling volume of stainless-steel products decreased in the Chubu region.

The warehousing operations business as a whole recorded an increase in operating revenue. By region, the handling volume of wood pellet, household products and housing materials increased in the Kanto region, while that of household products and office furniture increased in the Kansai region.

The railway logistics business recorded an increase in operating revenue, backed by an increased handling volume of housing materials.

Operations related to logistics as a whole recorded an increase in operating revenue. More specifically, ocean transportation revenue increased, driven by an increase in the handling volume of transportation for plant-related projects in the Middle East and that of equipment in Japan; coastal transportation revenue also increased, driven by an increase in the handling volume of coal; and cargo handling work revenue increased, driven by an increase in the handling volume of housing materials.

Overall, operating revenue of the segment increased by 8.3% year-on-year to 51,949 million yen and segment profit (operating profit) increased by 24.4% year-on-year to 3,409 million yen.

### **Yard Operations and Mechanical Cargo Handling**

Operating revenue from yard operations decreased slightly, with an increase in the handling volume of chemical products offset by a decrease in the volume of machine tools and aluminum products. Yard operations and mechanical cargo handling business as a whole recorded a slightly decrease in operating revenue.

As a result, operating revenue of the segment decreased by 0.4% year-on-year to 7,441 million yen and segment profit (operating profit) decreased by 4.3% year-on-year to 484 million yen.

### **Other Operations**

Construction revenue increased, helped by increases in the volumes of transportation for machinery relocation and installation in Japan. Other businesses combined recorded an increase in operating revenue.

As a result, operating revenue of the segment increased by 17.3% year-on-year to 1,618 million yen and segment profit (operating profit) increased by 26.9% year-on-year to 335 million yen.

## **(2) Explanation of Financial Position**

### 1) Balance sheet position

The balance of total assets at the end of the second quarter of the current fiscal year increased by 10,856 million yen from the end of the previous fiscal year to 141,023 million yen primarily as a result of the addition of a newly consolidated subsidiary.

Of these, the balance of current assets was 51,652 million yen, down 547 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 3,755 million yen in cash and deposits, which was partly offset by increases of 2,500 million yen in securities and 424 million yen in prepaid expenses. The balance of non-current assets was 89,371 million yen, up 11,403 million yen from the end of the previous fiscal year. This was mainly due to increases of 7,881 million yen in land, 3,073 million yen in buildings and structures, and 1,566 million yen in machinery and equipment.

The balance of current liabilities was 27,989 million yen, down 1,027 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,273 million yen in notes and operating accounts payable-trade. On the other hand, the balance of non-current liabilities was 21,514 million yen, up 6,752 million yen from the end of the previous fiscal year. This was mainly due to increases of 4,972 million yen in long-term borrowings and 1,339 million yen in deferred tax liabilities.

The balance of net assets was 91,519 million yen, up 5,131 million yen from the end of the previous fiscal year. This was mainly due to increases of 4,177 million yen in retained earnings and 1,614 million yen in

non-controlling interests, which were partly offset by a decrease of 609 million yen in valuation difference on available-for-sale securities.

## 2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter of the current fiscal year decreased 155 million yen from the end of the previous fiscal year to 23,741 million yen.

Cash flows for the first half of the current fiscal year and the main factors for changes are described as below.

### Cash flows from operating activities

Net cash provided by operating activities increased 246 million yen year-on-year to 3,903 million yen.

This was mainly due to recording of profit before income taxes of 6,365 million yen and depreciation of 2,002 million yen, which were partly offset by gain on step acquisitions of 2,108 million yen and income taxes paid of 1,585 million yen.

### Cash flows from investing activities

Net cash used in investing activities increased 6,333 million yen year-on-year to 8,394 million yen.

This was mainly due to payments of 6,489 million yen for purchase of shares of subsidiaries resulting in change in scope of consolidation and 1,756 million yen for purchase of property, plant and equipment.

### Cash flows from financing activities

Net cash provided by financing activities increased 5,209 million yen year-on-year to 4,345 million yen.

This was mainly due to proceeds from long-term borrowings of 5,428 million yen, which was partly offset by dividends paid of 721 million yen.

## **(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements**

In Japan, the consumer spending is expected to remain on a modest recovery, while the negative impact of the consumption tax hike will likely be mitigated by the measures aimed at alleviating the burden of the consumption tax. The strong rise in income against a backdrop of a persistent labor shortage is expected to support consumer spending.

However, the global GDP growth is expected to decelerate, and decelerate further depending on the direction of the U.S.-China trade issue and other factors. If that is the case, companies will be more cautious in making investments, and a consequent turmoil in the financial market might impede economic recovery in emerging and developing nations.

Under such operating environments, in the current fiscal year, marking the first year of the Seventh Medium-term Management Plan started in April, the Company is determined to build a platform towards automating transportation and related operations in the future, a provision to counter the labor shortage issue, which has grown worse year by year, and to leverage its know-how in relation to the transportation and delivery network and the quality of safety it has established. Accordingly, the Group strengthens its business and corporate foundations and ultimately expand sales.

As of today, the Company has made no revisions to the full-year earnings forecast for the fiscal year ending March 31, 2020, which was announced on August 5, 2019.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	13,196	9,441
Notes and operating accounts receivable-trade	26,630	25,821
Securities	8,999	11,499
Supplies	143	203
Prepaid expenses	613	1,038
Other	2,617	3,648
Allowance for doubtful accounts	(2)	(1)
Total current assets	52,199	51,652
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,880	26,953
Machinery and equipment, net	2,088	3,654
Vehicles.net	1,221	1,302
Tools, furniture and fixtures, net	101	159
Leased assets, net	546	556
Land	20,440	28,321
Construction in progress	127	724
Other	-	0
Total property, plant and equipment	48,406	61,673
Intangible assets		
Goodwill	1,224	2,766
Other	1,016	1,043
Total intangible assets	2,241	3,809
Investments and other assets		
Investment securities	20,466	16,899
Long-term loans receivable	399	397
Deferred tax assets	383	456
Retirement benefit asset	106	126
Other	6,006	6,050
Allowance for doubtful accounts	(42)	(40)
Total investments and other assets	27,320	23,889
Total non-current assets	77,967	89,371
Total assets	130,167	141,023

	(Millions of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and operating accounts payable-trade	12,314	11,041
Short-term borrowings	9,207	9,662
Accounts payable-other	978	1,160
Income taxes payable	1,539	1,417
Accrued consumption taxes	687	485
Accrued expenses	1,996	1,850
Provision for bonuses	1,524	1,581
Provision for bonuses for directors (and other officers)	2	2
Provision for loss on disaster	31	161
Other	734	625
Total current liabilities	29,016	27,989
Non-current liabilities		
Bonds payable	400	400
Long-term borrowings	10,432	15,404
Deferred tax liabilities	2,279	3,619
Provision for retirement benefits for directors (and other officers)	38	81
Retirement benefit liability	153	464
Asset retirement obligations	717	751
Other	740	794
Total non-current liabilities	14,762	21,514
Total liabilities	43,779	49,503
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,117	10,117
Capital surplus	9,879	9,879
Retained earnings	61,616	65,794
Treasury shares	(606)	(627)
Total shareholders' equity	81,006	85,163
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,514	4,904
Foreign currency translation adjustment	(230)	(265)
Remeasurements of defined benefit plans	(17)	(12)
Total accumulated other comprehensive income	5,265	4,626
Non-controlling interests	116	1,730
Total net assets	86,388	91,519
Total liabilities and net assets	130,167	141,023



**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Six-month Period)**

	(Millions of yen)	
	First six months of FY3/19 (Apr. 1, 2018 - Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 - Sep. 30, 2019)
Operating revenue	56,840	61,009
Operating cost	51,338	54,312
Operating gross profit	5,502	6,696
Selling, general and administrative expenses	1,990	2,467
Operating profit	3,511	4,229
Non-operating income		
Interest income	4	3
Dividend income	252	271
Share of profit of entities accounted for using equity method	75	17
Miscellaneous income	40	88
Total non-operating income	372	380
Non-operating expenses		
Interest expenses	81	79
Litigation settlement	-	58
Miscellaneous expenses	27	49
Total non-operating expenses	108	187
Ordinary profit	3,775	4,421
Extraordinary income		
Gain on sales of non-current assets	43	29
Subsidy income	14	-
Gain on step acquisitions	-	2,108
Total extraordinary income	58	2,137
Extraordinary losses		
Loss on sales and retirement of non-current assets	36	35
Loss on valuation of investment securities	8	-
Loss on tax purpose reduction entry of non-current assets	14	-
Loss on disaster	59	157
Total extraordinary losses	118	193
Profit before income taxes	3,714	6,365
Income taxes-current	1,173	1,442
Income taxes-deferred	(261)	5
Total income taxes	912	1,448
Profit	2,802	4,917
Profit attributable to non-controlling interests	7	18
Profit attributable to owners of parent	2,794	4,899

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Six-month Period)**

	(Millions of yen)	
	First six months of FY3/19 (Apr. 1, 2018 - Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 - Sep. 30, 2019)
Profit	2,802	4,917
Other comprehensive income		
Valuation difference on available-for-sale securities	740	(609)
Foreign currency translation adjustment	(30)	(34)
Remeasurements of defined benefit plans, net of tax	11	4
Share of other comprehensive income of entities accounted for using equity method	11	(1)
Total other comprehensive income	733	(641)
Comprehensive income	3,535	4,276
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,527	4,259
Comprehensive income attributable to non-controlling interests	7	17

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY3/19 (Apr. 1, 2018 - Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 - Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	3,714	6,365
Depreciation	1,716	2,002
Amortization of goodwill	107	290
Loss (gain) on step acquisitions	-	(2,108)
Interest and dividend income	(256)	(274)
Interest expenses	81	79
Share of loss (profit) of entities accounted for using equity method	(75)	(17)
Loss (gain) on sales and retirement of non-current assets	(7)	5
Loss (gain) on valuation of investment securities	8	-
Decrease (increase) in trade receivables	(134)	1,376
Decrease (increase) in inventories	(41)	34
Increase (decrease) in trade payables	(372)	(1,501)
Loss on tax purpose reduction entry of non-current assets	14	-
Loss on disaster	59	157
Increase (decrease) in accrued consumption taxes	123	(200)
Subsidy income	(14)	-
Decrease (increase) in other current assets	(203)	(373)
Other, net	(52)	(523)
Subtotal	4,667	5,314
Interest and dividend received	361	276
Interest paid	(104)	(84)
Income taxes paid	(1,276)	(1,585)
Subsidies received	14	-
Payments associated with disaster loss	(5)	(18)
Net cash provided by (used in) operating activities	3,656	3,903
Cash flows from investing activities		
Proceeds from sales of securities	500	-
Purchase of property, plant and equipment	(2,474)	(1,756)
Proceeds from sales of property, plant and equipment	45	31
Purchase of intangible assets	(28)	(106)
Purchase of investment securities	(21)	(17)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(6,489)
Loan advances	(13)	(9)
Other, net	(67)	(46)
Net cash provided by (used in) investing activities	(2,060)	(8,394)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5)	490
Proceeds from long-term borrowings	5,741	5,428
Repayments of long-term borrowings	(5,804)	(520)
Dividends paid	(632)	(721)
Other, net	(161)	(330)
Net cash provided by (used in) financing activities	(863)	4,345
Effect of exchange rate change on cash and cash equivalents	(15)	(9)
Net increase (decrease) in cash and cash equivalents	717	(155)
Cash and cash equivalents at beginning of period	20,710	23,896
Cash and cash equivalents at end of period	21,427	23,741

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Changes in Consolidated Subsidiaries during the Period**

From the first quarter of the current fiscal year, the Company included Kokusai Bulk Terminal Co., Ltd., which had been an equity-method affiliate of the Company, in the scope of consolidation as a result of the additional acquisition of its shares.

## Segment and Other Information

### Segment information

#### I. First six months of FY3/19 (Apr. 1, 2018 - Sep. 30, 2018)

##### 1. Information related to operating revenue and profit or loss for each reportable segment (Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Logistics Operations	Yard Operations and Mechanical Cargo Handling	Total				
Operating revenue							
External sales	47,987	7,473	55,460	1,379	56,840	-	56,840
Inter-segment sales and transfers	-	-	-	243	243	(243)	-
Total	47,987	7,473	55,460	1,623	57,084	(243)	56,840
Segment profit	2,741	505	3,246	264	3,511	-	3,511

Notes: 1. "Other" is a business segment not included in any of the reportable segments and provides construction, security, industrial waste disposal, real estate, insurance agency, vehicle maintenance and other services.

2. The adjustment of negative 243 million yen is elimination of inter-segment transactions.

3. Total of segment profit is equal to operating profit as shown on the quarterly consolidated statement of income.

#### II. First six months of FY3/20 (Apr. 1, 2019 - Sep. 30, 2019)

##### 1. Information related to operating revenue and profit or loss for each reportable segment (Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Logistics Operations	Yard Operations and Mechanical Cargo Handling	Total				
Operating revenue							
External sales	51,949	7,441	59,390	1,618	61,009	-	61,009
Inter-segment sales and transfers	-	-	-	262	262	(262)	-
Total	51,949	7,441	59,390	1,880	61,271	(262)	61,009
Segment profit	3,409	484	3,893	335	4,229	-	4,229

Notes: 1. "Other" is a business segment not included in any of the reportable segments and provides construction, security, industrial waste disposal, real estate, insurance agency, vehicle maintenance and other services.

2. The adjustment of negative 262 million yen is elimination of inter-segment transactions.

3. Total of segment profit is equal to operating profit as shown on the quarterly consolidated statement of income.

## Business Combinations

### Business Combination through Acquisition

The Board of Directors of the Company approved a resolution on April 26, 2019 to acquire additional shares of Kokusai Bulk Terminal Co., Ltd., our equity-method affiliate. The contract for this transaction was signed on the same day, and subsequently the shares were acquired on June 21, 2019. Accordingly, Kokusai Bulk Terminal Co., Ltd. became our consolidated subsidiary.

#### (1) Overview of business combination

##### 1) Name of acquired company, business domain and scale

Name:	Kokusai Bulk Terminal Co., Ltd.		
Business domain:	Harbor transportation, warehousing operations, processing of agricultural and mineral products, coastal transportation, cargo freight and shipping service, and others		
Size of business (FY3/19):	Capital stock:	1,800 million yen	
	Operating revenue:	4,377 million yen	
	Ordinary profit:	792 million yen	

##### 2) Primary reasons for business combination

The Company is determined to strengthen its business competitiveness and corporate foundation so that we can fulfill a mission of “a logistic partner” for our customers by continuing to provide stable logistic services as well as by maintaining “quality,” as a company that plays an important role to support the social infrastructure. For the past few years, the labor shortage urged us to focus on enlarging equipment industry type logistic service such as tank-terminal and bulk-terminal businesses operated by our group companies. We have resolved to make the additional acquisition of the shares of Kokusai Bulk Terminal because making this company a consolidated subsidiary will allow us to have stronger logistic bases and expand logistic service.

##### 3) Acquisition date

June 21, 2019 (acquisition date of shares)

April 1, 2019 (deemed acquisition date)

##### 4) Legal form of acquisition

Acquisition of shares with cash as consideration

##### 5) Name of the acquired company after acquisition

There is no change in the company's name.

##### 6) Percentage of voting rights acquired

Voting rights held immediately before acquisition:	35.52%
Voting rights additionally acquired on the acquisition date:	50.10%
Voting rights after acquisition:	85.62%

##### 7) Basis for choosing the acquiring company

The Company acquired the business with all consideration paid in cash.

#### (2) Period of results of operations of the acquired company included in the quarterly consolidated statement of income for the first half of the current fiscal year

From April 1, 2019 to September 30, 2019

#### (3) Acquisition cost and its details

Fair value of common stock held immediately before the business combination		4,713 million yen
Consideration for additional acquisition	Cash	6,647 million yen
		11,360 million yen

#### (4) Difference between the acquisition cost of the acquired company and the sum of the costs of each transaction that has resulted in the acquisition

Gain on step acquisitions: 2,108 million yen

#### (5) Details of major acquisition-related costs

Advisory fees, etc.: 48 million yen

## (6) Total amounts and breakdowns of assets received and liabilities assumed on the acquisition date

(Millions of yen)

Current assets	320
Non-current assets	13,560
Total assets	13,880
Current liabilities	705
Non-current liabilities	2,002
Total liabilities	2,708

## (7) Amount of goodwill, reason for recognition, and its amortization method and period

- 1) Amount of goodwill: 1,831 million yen
- 2) Reason for recognition: Goodwill has been recognized to represent excess earning power expected in the future.
- 3) Amortization method and period: Goodwill will be amortized using the straight-line method over five years.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*