

Consolidated Financial Results
for the Second Quarter Ended September 30, 2018 [Japan GAAP]

November 6, 2018

The Sumitomo Warehouse Co., Ltd.

Securities code: 9303
 Stock exchange listings: Tokyo
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 Dividend payable date (as planned): December 3, 2018
 Supplemental material of quarterly results: Yes
 Convening briefing of quarterly results: Yes

1. Consolidated financial results for the second quarter ended September 30, 2018 (April 1, 2018-September 30, 2018)

Figures are rounded down to the nearest million yen, except per share figures.

(1) Consolidated operating results (%) : year-on-year change)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	90,040	4.3	3,943	(20.9)	5,317	(13.4)	1,703	(60.1)
Six months ended September 30, 2017	86,302	8.2	4,987	7.9	6,143	5.1	4,265	11.1

Note: Comprehensive income:

Six months ended September 30, 2018: (1,103) million yen ; — %

Six months ended September 30, 2017: 11,520 million yen ; — %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2018	19.52	19.46
Six months ended September 30, 2017	47.91	47.79

* The Company conducted a 1-for-2 reverse stock split on its common shares (a consolidation of every two shares into one share, “share consolidation”) on October 1, 2018. Therefore, Net income per share is calculated on the assumption that “share consolidation” was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	332,647	191,008	55.4
As of March 31, 2018	342,086	193,593	54.2

Note: Owner's equity

As of September 30, 2018: 184,386 million yen

As of March 31, 2018: 185,247 million yen

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	8.00	—	8.50	16.50
Year ending March 31, 2019	—	8.50			
Year ending March 31, 2019 (Forecast)			—	27.50	—

Note: Correction of dividend forecast from the most recent dividend forecast: None

* Dividend per share for the fiscal year ending March 31, 2019 consists of ¥13.00 for ordinary dividend and ¥14.50 for special dividend.

* The Company conducted “share consolidation” on October 1, 2018. Therefore, Dividend per share for the year ending March 31, 2019 (forecast) reflects such “share consolidation” and Total Dividend per share states “—”. Without taking into account such “share consolidation”, Fiscal-year-end Dividend per share for the year ending March 31, 2019 (forecast) would be ¥13.75 and Total Dividend per share for the year ending March 31, 2019 (forecast) would be ¥22.25 (Dividend per share would be an increase of ¥5.75 compared with the last fiscal year). See “Explanation for the proper use of forecasts and other special instructions” for details.

3. Consolidated forecasts for the year ending March 31, 2019 (April 1, 2018-March 31, 2019)

(%: year-on-year change)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	182,000	3.6	8,950	(13.1)	11,400	(10.1)	6,800	(18.6)	77.92

Note: Correction of financial forecast from the most recent financial forecast: None

* Net income per share in the consolidated forecasts for the year ending March 31, 2019 reflects the effect of “share consolidation”. See “Explanation for the proper use of forecasts and other special instructions” for details.

4. Other

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from change in subsidiaries)
: None

(2) Applying of specific accounting of the consolidated quarterly financial statements: Yes

(3) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard: None

2) Changes in accounting policies other than ones based on revisions of accounting standard: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of issued and outstanding shares (common stock)

Number of issued and outstanding shares (including treasury stock):

As of September 30, 2018 : 88,186,615 shares

As of March 31, 2018 : 88,186,615 shares

Number of treasury stock:

As of September 30, 2018 : 910,630 shares

As of March 31, 2018 : 932,794 shares

Average number of shares:

Second quarter ended September 30, 2018 : 87,262,685 shares

Second quarter ended September 30, 2017 : 89,017,653 shares

*The Company conducted “share consolidation” on October 1, 2018. Accordingly, the number of issued and outstanding shares and the number of treasury stocks at September 30, 2018 and March 31, 2018 and the average number of shares for the second quarter ended September 30, 2018 and 2017 have been calculated on the assumption that such “share consolidation” was conducted at the beginning of the previous fiscal year.

* Status of quarterly reviewing processes

This Financial Results is not subject to review based on the Japanese Financial Instruments and Exchange Act.

* Explanation for the proper use of forecasts and other special instructions

1. The forecasts are based on information currently available and certain assumptions judged to be reasonable. The Company's actual results may differ materially from the forecasts as a result of numerous factors outside of Company's control.
2. At the 141th General shareholders' meeting held on June 27, 2018, "share consolidation" on October 1, 2018 was approved. The Company also changed the share trading unit from 1,000 shares to 100 shares on the same date. Without taking into account such "share consolidation", Dividends forecast and consolidated forecasts for the year ending March 31, 2019 would be as follows:
 - (1) Dividends forecast for the year ending March 31, 2019

Dividend per share for the second quarter	¥8.50 (Note 1)
Dividend per share for the fiscal year end	¥13.75 (Note 2)
 - (2) Consolidated forecasts for the year ending March 31, 2019 (full-year)

Net income per share for the year ending March 31, 2019	¥38.96
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Note 1: Dividend per share for the second quarter will be paid according to the number of shares prior to the "share consolidation".

Note 2: The amount has been calculated without taking into account such "share consolidation".

Note 3: The total annual dividend per share for the year ending March 31, 2019 without taking into account such "share consolidation" is projected to be ¥22.25.

Consolidated Financial Results

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	45,905	38,374
Notes and accounts receivable-trade	20,824	21,362
Real estate for sale	35	33
Work in process	77	23
Other	4,844	5,560
Allowance for doubtful accounts	(129)	(118)
Total current assets	71,558	65,235
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	71,777	72,071
Machinery, equipment and vehicles, net	3,673	2,990
Vessels, net	6,401	4,833
Tools, furniture and fixtures, net	765	829
Land	57,517	60,485
Construction in progress	390	2,001
Other, net	692	615
Total property, plant and equipment	141,219	143,827
Intangible assets		
Goodwill	2,145	76
Leasehold right	7,102	5,712
Software	1,399	1,513
Other	1,470	240
Total intangible assets	12,118	7,542
Investments and other assets		
Investment securities	108,463	108,193
Long-term loans receivable	506	498
Net defined benefit asset	190	162
Deferred tax assets	1,409	384
Other	6,893	7,075
Allowance for doubtful accounts	(273)	(272)
Total investments and other assets	117,190	116,041
Total non-current assets	270,527	267,411
Total assets	342,086	332,647

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,966	12,965
Current portion of bonds	7,000	7,000
Short-term loans payable	17,948	16,908
Income taxes payable	1,953	2,729
Provision for bonuses	1,644	1,920
Other	6,875	6,946
Total current liabilities	48,387	48,470
Non-current liabilities		
Bonds payable	33,000	33,000
Long-term loans payable	28,800	22,337
Deferred tax liabilities	26,642	26,194
Provision for directors' retirement benefits	38	44
Net defined benefit liability	2,755	2,829
Long-term deposits received	7,924	7,945
Other	943	816
Total non-current liabilities	100,105	93,168
Total liabilities	148,492	141,638
Net assets		
Shareholders' equity		
Capital stock	14,922	14,922
Capital surplus	15,491	15,484
Retained earnings	99,353	99,573
Treasury stock	(1,231)	(1,201)
Total shareholders' equity	128,537	128,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,132	52,342
Foreign currency translation adjustment	3,571	2,300
Remeasurements of defined benefit plans	1,006	964
Total accumulated other comprehensive income	56,710	55,607
Share acquisition rights	248	303
Non-controlling interests	8,097	6,318
Total net assets	193,593	191,008
Total liabilities and net assets	342,086	332,647

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

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Operating revenue		
Warehouse income	11,777	12,729
Harbor transportation income	17,757	18,282
International transportation income	18,131	19,226
Land transportation income	14,783	16,273
Shipping income	13,039	12,407
Rent income of warehouse and logistics facilities	2,707	2,787
Rent income of real estate	4,887	4,955
Other	3,217	3,377
Total operating revenue	86,302	90,040
Operating cost		
Cost of sales	52,601	55,814
Personal expenses	10,262	10,845
Rent expenses	5,001	5,392
Taxes and dues	1,011	1,102
Depreciation	3,486	3,464
Other	3,930	4,310
Total operating cost	76,294	80,929
Operating gross profit	10,008	9,110
Selling, general and administrative expenses		
Salaries and allowances and welfare expenses	2,470	2,559
Provision for bonuses	382	385
Retirement benefit expenses	132	109
Amortization of goodwill	177	184
Other	1,857	1,927
Total selling, general and administrative expenses	5,020	5,166
Operating income	4,987	3,943
Non-operating income		
Interest and dividend income	1,110	1,294
Share of profit of entities accounted for using equity method	185	126
Other	176	252
Total non-operating income	1,471	1,673
Non-operating expenses		
Interest expenses	191	221
Other	124	78
Total non-operating expenses	315	299
Ordinary income	6,143	5,317

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Extraordinary income		
Gain on sales of non-current assets	319	11
Gain on sales of investment securities	—	2,616
Penalty income	—	165
Total extraordinary income	319	2,793
Extraordinary losses		
Loss on retirement of non-current assets	44	159
Impairment loss	—	5,029
Loss on disaster	—	66
Total extraordinary losses	44	5,255
Profit before income taxes	6,419	2,855
Income taxes-current	1,881	2,750
Income taxes-deferred	(25)	464
Total income taxes	1,856	3,215
Profit (loss)	4,562	(359)
Profit (loss) attributable to non-controlling interests	297	(2,062)
Profit attributable to owners of parent	4,265	1,703

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)	4,562	(359)
Other comprehensive income		
Valuation difference on available-for-sale securities	7,260	255
Deferred gains or losses on hedges	8	—
Foreign currency translation adjustment	(288)	(841)
Remeasurements of defined benefit plans, net of tax	50	(41)
Share of other comprehensive income of entities accounted for using equity method	(72)	(116)
Total other comprehensive income	6,957	(744)
Comprehensive income	11,520	(1,103)
(Comprehensive income attributable to)		
Owners of parent	11,201	600
Non-controlling interests	319	(1,703)

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	6,419	2,855
Depreciation	3,672	3,680
Impairment loss	—	5,029
Amortization of goodwill	177	184
Increase (decrease) in provision	255	271
Interest and dividend income	(1,110)	(1,294)
Interest expenses	191	221
Share of loss (profit) of entities accounted for using equity method	(185)	(126)
Loss (gain) on sales of non-current assets	(319)	(11)
Loss on retirement of non-current assets	44	159
Loss (gain) on sales of investment securities	—	(2,616)
Decrease (increase) in notes and accounts receivable-trade	(960)	(693)
Increase (decrease) in notes and accounts payable-trade	211	118
Other, net	(45)	(466)
Subtotal	8,349	7,310
Interest and dividend income received	1,198	1,546
Interest expenses paid	(198)	(231)
Income taxes paid	(1,735)	(2,034)
Net cash provided by (used in) operating activities	7,614	6,591
Cash flows from investing activities		
Payments into time deposits	(5,209)	(1,083)
Proceeds from withdrawal of time deposits	5,567	3,987
Purchase of property, plant and equipment	(2,379)	(6,956)
Proceeds from sales of property, plant and equipment	1,252	16
Purchase of intangible assets	(685)	(478)
Purchase of investment securities	(328)	(21)
Proceeds from sales of investment securities	—	3,013
Collection of loans receivable	19	20
Other, net	105	(226)
Net cash provided by (used in) investing activities	(1,655)	(1,728)
Cash flows from financing activities		
Increase in short-term loans payable	1,512	1,252
Decrease in short-term loans payable	(2,546)	(1,322)
Proceeds from long-term loans payable	350	1,000
Repayments of long-term loans payable	(5,726)	(8,432)
Purchase of treasury stock	(3,165)	(1)
Cash dividends paid	(1,517)	(1,482)
Other, net	(53)	(142)
Net cash provided by (used in) financing activities	(11,147)	(9,130)
Effect of exchange rate change on cash and cash equivalents	(79)	(240)
Net increase (decrease) in cash and cash equivalents	(5,267)	(4,507)
Cash and cash equivalents at beginning of period	24,559	31,299
Cash and cash equivalents at end of period	19,291	26,792

(4) Segment information

Information related to operating revenue and income (loss) by reportable segment

Six months ended September 30, 2017

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount in consolidated quarterly statements of income (Note 2)
	Logistics	Shipping	Real estate	Total		
Operating revenue						
Operating revenue to outside customers	68,307	13,039	4,955	86,302	—	86,302
Intersegment transfers	317	111	197	625	(625)	—
Total	68,624	13,150	5,152	86,928	(625)	86,302
Segment income (loss)	5,050	(49)	2,503	7,504	(2,516)	4,987

Notes: 1. Adjustment in segment income (loss) of ¥ (2,516) million includes company-wide expenses of ¥ (2,509) million, which are not allocated to the respective reportable segments. Company-wide expenses consist mainly of the expenses not assignable to neither of the reportable segments for administrative departments of the Company and some of its consolidated subsidiaries.

2. Segment income (loss) is adjusted to coincide with operating income as recorded on the consolidated quarterly statements of income.

Six months ended September 30, 2018

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount in consolidated quarterly statements of income (Note 2)
	Logistics	Shipping	Real estate	Total		
Operating revenue						
Operating revenue to outside customers	72,615	12,407	5,017	90,040	—	90,040
Intersegment transfers	263	278	202	743	(743)	—
Total	72,879	12,685	5,219	90,784	(743)	90,040
Segment income (loss)	4,896	(802)	2,432	6,526	(2,582)	3,943

Notes: 1. Adjustment in segment income (loss) of ¥ (2,582) million includes company-wide expenses of ¥ (2,543) million, which are not allocated to the respective reportable segments. Company-wide expenses consist mainly of the expenses not assignable to neither of the reportable segments for administrative departments of the Company and some of its consolidated subsidiaries.

2. Segment income (loss) is adjusted to coincide with operating income as recorded on the consolidated quarterly statements of income.

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