

Consolidated Financial Results
for the Third Quarter Ended December 31, 2018 [Japan GAAP]

February 7, 2019

The Sumitomo Warehouse Co., Ltd.

Securities code:	9303
Stock exchange listings:	Tokyo
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Quarterly statement filing date (as planned):	February 13, 2019
Dividend payable date (as planned):	—
Supplemental material of quarterly results:	None
Convening briefing of quarterly results:	None

1. Consolidated financial results for the third quarter ended December 31, 2018 (April 1, 2018- December 31, 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	%
Nine months ended December 31, 2018	139,474	6.6	6,555	(14.6)	9,004	(9.2)	4,023	(40.1)
Nine months ended December 31, 2017	130,799	9.2	7,673	9.7	9,911	9.2	6,718	11.3

Note: Comprehensive income:

Nine months ended December 31, 2018: (5,765) million yen; —%
 Nine months ended December 31, 2017: 22,505 million yen; 174.7%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2018	46.25	46.12
Nine months ended December 31, 2017	75.98	75.78

* 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 December 31, 2018	320,157	182,036	54.9
As of March 31, 2018	342,086	193,593	54.2

Note: Owner’s equity

As of December 31, 2018: 175,762 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 December 31, 2018 : 88,186,615 shares

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

Number of treasury stock:

As of December 31, 2018 : 2,623,132 shares

As of March 31, 2018 : 932,794 shares

Average number of shares:

Third quarter ended December 31, 2018 : 87,003,835 shares

Third quarter ended December 31, 2017 : 88,424,844 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

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 December 31, 2018
Assets		
Current assets		
Cash and deposits	45,905	33,701
Notes and accounts receivable-trade	20,824	22,792
Real estate for sale	35	30
Work in process	77	22
Other	4,844	5,842
Allowance for doubtful accounts	(129)	(123)
Total current assets	<u>71,558</u>	<u>62,265</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	71,777	71,095
Machinery, equipment and vehicles, net	3,673	2,889
Vessels, net	6,401	4,737
Tools, furniture and fixtures, net	765	821
Land	57,517	60,554
Construction in progress	390	4,485
Other, net	692	600
Total property, plant and equipment	<u>141,219</u>	<u>145,184</u>
Intangible assets		
Goodwill	2,145	71
Leasehold right	7,102	5,702
Software	1,399	1,409
Other	1,470	269
Total intangible assets	<u>12,118</u>	<u>7,453</u>
Investments and other assets		
Investment securities	108,463	97,413
Long-term loans receivable	506	497
Net defined benefit asset	190	103
Deferred tax assets	1,409	397
Other	6,893	7,115
Allowance for doubtful accounts	(273)	(273)
Total investments and other assets	<u>117,190</u>	<u>105,253</u>
Total non-current assets	<u>270,527</u>	<u>257,891</u>
Total assets	<u>342,086</u>	<u>320,157</u>

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,966	14,481
Current portion of bonds	7,000	7,000
Short-term loans payable	17,948	16,476
Income taxes payable	1,953	1,724
Provision for bonuses	1,644	1,081
Other	6,875	6,712
Total current liabilities	48,387	47,475
Non-current liabilities		
Bonds payable	33,000	33,000
Long-term loans payable	28,800	22,782
Deferred tax liabilities	26,642	23,187
Provision for directors' retirement benefits	38	48
Net defined benefit liability	2,755	2,869
Long-term deposits received	7,924	7,956
Other	943	800
Total non-current liabilities	100,105	90,645
Total liabilities	148,492	138,120
Net assets		
Shareholders' equity		
Capital stock	14,922	14,922
Capital surplus	15,491	15,483
Retained earnings	99,353	100,410
Treasury stock	(1,231)	(3,577)
Total shareholders' equity	128,537	127,239
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,132	44,882
Foreign currency translation adjustment	3,571	2,696
Remeasurements of defined benefit plans	1,006	943
Total accumulated other comprehensive income	56,710	48,523
Share acquisition rights	248	288
Non-controlling interests	8,097	5,984
Total net assets	193,593	182,036
Total liabilities and net assets	342,086	320,157

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

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Operating revenue		
Warehouse income	17,800	19,264
Harbor transportation income	26,814	28,651
International transportation income	28,087	30,249
Land transportation income	22,519	25,433
Shipping income	19,368	19,170
Rent income of warehouse and logistics facilities	4,061	4,168
Rent income of real estate	7,328	7,442
Other	4,817	5,093
Total operating revenue	130,799	139,474
Operating cost		
Cost of sales	79,946	87,306
Personal expenses	15,513	16,440
Rent expenses	7,614	8,170
Taxes and dues	1,505	1,606
Depreciation	5,260	5,201
Other	5,906	6,543
Total operating cost	115,746	125,269
Operating gross profit	15,052	14,205
Selling, general and administrative expenses		
Salaries and allowances and welfare expenses	3,986	4,168
Provision for bonuses	192	176
Retirement benefit expenses	194	158
Amortization of goodwill	268	188
Other	2,736	2,957
Total selling, general and administrative expenses	7,378	7,649
Operating income	7,673	6,555
Non-operating income		
Interest and dividend income	2,143	2,423
Share of profit of entities accounted for using equity method	290	207
Other	253	274
Total non-operating income	2,687	2,906
Non-operating expenses		
Interest expenses	283	330
Other	166	127
Total non-operating expenses	449	457
Ordinary income	9,911	9,004

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Extraordinary income		
Gain on sales of non-current assets	326	69
Gain on sales of investment securities	—	2,616
Penalty income	—	165
Total extraordinary income	326	2,851
Extraordinary losses		
Loss on retirement of non-current assets	52	183
Impairment loss	—	5,029
Compensation expenses	170	—
Loss on disaster	—	116
Total extraordinary losses	222	5,329
Profit before income taxes	10,016	6,526
Income taxes-current	2,648	3,608
Income taxes-deferred	177	774
Total income taxes	2,825	4,383
Profit	7,190	2,142
Profit (loss) attributable to non-controlling interests	472	(1,881)
Profit attributable to owners of parent	6,718	4,023

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	7,190	2,142
Other comprehensive income		
Valuation difference on available-for-sale securities	15,159	(7,288)
Deferred gains or losses on hedges	13	—
Foreign currency translation adjustment	66	(431)
Remeasurements of defined benefit plans, net of tax	75	(62)
Share of other comprehensive income of entities accounted for using equity method	0	(125)
Total other comprehensive income	15,315	(7,908)
Comprehensive income	22,505	(5,765)
(Comprehensive income attributable to)		
Owners of parent	21,953	(4,163)
Non-controlling interests	552	(1,602)

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	10,016	6,526
Depreciation	5,544	5,528
Impairment loss	—	5,029
Amortization of goodwill	268	188
Increase (decrease) in provision	(569)	(558)
Interest and dividend income	(2,143)	(2,423)
Interest expenses	283	330
Share of loss (profit) of entities accounted for using equity method	(290)	(207)
Loss (gain) on sales of non-current assets	(326)	(69)
Loss on retirement of non-current assets	52	183
Loss (gain) on sales of investment securities	—	(2,616)
Decrease (increase) in notes and accounts receivable-trade	(1,261)	(2,014)
Increase (decrease) in notes and accounts payable-trade	313	1,526
Other, net	951	(369)
Subtotal	12,837	11,052
Interest and dividend income received	2,219	2,645
Interest expenses paid	(313)	(328)
Income taxes paid	(3,425)	(3,826)
Net cash provided by (used in) operating activities	11,318	9,543
Cash flows from investing activities		
Payments into time deposits	(9,123)	(2,910)
Proceeds from withdrawal of time deposits	7,854	5,340
Purchase of property, plant and equipment	(3,129)	(10,454)
Proceeds from sales of property, plant and equipment	1,261	89
Purchase of intangible assets	(939)	(558)
Purchase of investment securities	(29)	(33)
Proceeds from sales of investment securities	—	3,013
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(143)	—
Other, net	88	(313)
Net cash provided by (used in) investing activities	(4,162)	(5,827)
Cash flows from financing activities		
Increase in short-term loans payable	2,542	2,023
Decrease in short-term loans payable	(6,494)	(1,871)
Proceeds from long-term loans payable	5,150	1,580
Repayments of long-term loans payable	(7,592)	(9,222)
Purchase of treasury stock	(3,167)	(2,399)
Cash dividends paid	(2,803)	(2,850)
Other, net	(110)	(616)
Net cash provided by (used in) financing activities	(12,477)	(13,357)
Effect of exchange rate change on cash and cash equivalents	(4)	(47)
Net increase (decrease) in cash and cash equivalents	(5,326)	(9,689)
Cash and cash equivalents at beginning of period	24,559	31,299
Cash and cash equivalents at end of period	19,233	21,609

(4) Segment information

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

Nine months ended December 31, 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	104,011	19,368	7,419	130,799	—	130,799
Intersegment transfers	453	220	297	971	(971)	—
Total	104,464	19,589	7,716	131,770	(971)	130,799
Segment income (loss)	7,610	(69)	3,743	11,284	(3,610)	7,673

Notes: 1. Adjustment in segment income (loss) of ¥ (3,610) million includes company-wide expenses of ¥ (3,667) 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.

Nine months ended December 31, 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	112,769	19,170	7,533	139,474	—	139,474
Intersegment transfers	388	406	307	1,103	(1,103)	—
Total	113,158	19,577	7,841	140,577	(1,103)	139,474
Segment income (loss)	7,725	(1,202)	3,750	10,273	(3,717)	6,555

Notes: 1. Adjustment in segment income (loss) of ¥ (3,717) million includes company-wide expenses of ¥ (3,690) 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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