

Summary of Consolidated Financial Results [IFRS] for the Fiscal Year Ended March 31, 2019

April 26, 2019

Listed Company: **Hitachi Transport System, Ltd.** Stock Exchange: First Section of Tokyo
 Code Number: 9086 URL: <http://www.hitachi-transportssystem.com/en/>
 Representative: Yasuo Nakatani, President and Chief Executive Officer
 Person in charge: Isao Takaoka, General Manager of Public Relations Department, Corporate Strategy Office
 Date of the Annual General Meeting of Shareholders (Schedule): June 18, 2019
 Date of the Start of Dividend Payment (Schedule): June 3, 2019
 Date of the Release of Annual Securities Report (Schedule): June 19, 2019
 Creates supplementary materials for annual financial results: Yes
 Briefing held on annual settlement of accounts: Yes (for analysts, institutional investors and press)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Financial Results (Cumulative) (% indicates the percentage change over year)

| | Revenues | | Adjusted operating income ^{*1} | | EBIT ^{*2} | | Income before income taxes | | Net income | | Net income attributable to stockholders of the parent company | |
|----------------|-------------|-----|---|-----|--------------------|-----|----------------------------|-----|-------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| March 31, 2019 | 708,831 | 1.2 | 31,192 | 4.7 | 36,180 | 9.3 | 35,246 | 9.2 | 24,013 | 8.6 | 22,786 | 8.9 |
| March 31, 2018 | 700,391 | 5.3 | 29,803 | 1.1 | 33,093 | 4.9 | 32,262 | 6.2 | 22,108 | 11.0 | 20,916 | 11.8 |

| | Basic earnings per share attributable to stockholders of the parent company | ROE ^{*3} | ROA ^{*4} | Adjusted operating income ratio | EBIT ratio |
|----------------|---|-------------------|-------------------|---------------------------------|------------|
| | Yen | % | % | % | % |
| March 31, 2019 | 204.27 | 10.7 | 3.9 | 4.4 | 5.1 |
| March 31, 2018 | 187.50 | 10.7 | 3.8 | 4.3 | 4.7 |

(Reference) Share of profit of investments accounted for using equity method

April 1, 2018 to March 31, 2019: 6,419 million yen April 1, 2017 to March 31, 2018: 5,557 million yen

*1. [Adjusted operating income] = [Revenues] - [Cost of sales] - [Selling, general and administrative expenses]

*2. EBIT (Earnings Before Interest and Taxes) = [Income before income taxes] - [Interest income] + [Interest expenses]

*3. ROE = [Net income attributable to stockholders of the parent company] / [Total equity attributable to stockholders of the parent company (Average between the end of current fiscal year and the end of previous fiscal year)] × 100

*4. ROA = [Net income attributable to stockholders of the parent company] / [Total assets (Average between the end of current fiscal year and the end of previous fiscal year)] × 100

(2) Consolidated Financial Position

| | Total assets | Total equity | Total equity attributable to stockholders of the parent company | Total equity attributable to stockholders of the parent company ratio | Total equity per share attributable to stockholders of the parent company |
|----------------|--------------|--------------|---|---|---|
| | Million yen | Million yen | Million yen | % | Yen |
| March 31, 2019 | 612,535 | 228,949 | 222,346 | 36.3 | 1,993.25 |
| March 31, 2018 | 564,903 | 208,291 | 204,328 | 36.2 | 1,831.72 |

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financial activities | Cash and cash equivalents at end of year |
|----------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| March 31, 2019 | 37,812 | (13,892) | 21,104 | 108,412 |
| March 31, 2018 | 27,924 | (6,178) | (16,445) | 63,497 |

2. Dividends

| | Dividend per share | | | | | Total dividend (Annual) | Dividend payout ratio (Consolidated) | Dividend ratio of equity attributable to stockholders of the parent company (Consolidated) |
|----------------------------|--------------------|-------------|-------------|-----------|-----------|-------------------------|--------------------------------------|--|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-End | Total | | | |
| March 31, 2018 | Yen — | Yen 18.00 | Yen — | Yen 18.00 | Yen 36.00 | Million yen 4,016 | % 19.2 | % 2.0 |
| March 31, 2019 | — | 19.00 | — | 21.00 | 40.00 | 4,462 | 19.6 | 2.1 |
| March 31, 2020 (Forecasts) | — | 21.00 | — | 22.00 | 43.00 | | 21.8 | |

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates the percentage change over year)

| | Revenues | | Adjusted operating income | | EBIT | | Income before income taxes | | Net income | | Net income attributable to stockholders of the parent company | | Basic earnings per share attributable to stockholders of the parent company |
|-----------|-------------|-------|---------------------------|-------|-------------|-------|----------------------------|-------|-------------|-------|---|-------|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | |
| Half year | 346,500 | (1.7) | 14,600 | (1.7) | 15,800 | 6.6 | 15,300 | 6.1 | 10,200 | 17.1 | 9,600 | 15.3 | 86.06 |
| Full year | 700,000 | (1.2) | 31,500 | 1.0 | 35,200 | (2.7) | 34,200 | (3.0) | 23,300 | (3.0) | 22,000 | (3.4) | 197.22 |

* Notes

(1) Changes in significant subsidiaries during the term (Change in specified subsidiaries causing changes in scope of consolidation):
None

(2) Changes in accounting policies, accounting estimates
 (a) Changes in accounting policies required by IFRS: Yes
 (b) Changes other than (a) above: None
 (c) Changes in accounting estimates: None

(3) Number of Shares Issued (Common Stock)
 (a) Number of shares at the end of the term (Including treasury stock)
 As of March 31, 2019: 111,776,714 shares,
 As of March 31, 2018: 111,776,714 shares
 (b) Number of treasury stock at the end of the term
 As of March 31, 2019: 227,265 shares,
 As of March 31, 2018: 226,948 shares
 (c) Average number of shares during the term
 Year ended March 31, 2019: 111,549,634 shares,
 Year ended March 31, 2018: 111,549,885 shares

(Note) Summary of Consolidated Financial Results is outside the scope of an audit by certified public accountants or an audit corporation.

(Note) Explanation on the appropriate use of financial forecasts and other important items

- The financial forecasts shown on this report are estimated based on information available as of the issuing date of this report, and therefore the actual results for the future terms may differ from these forecasted figures due to various unknown factors. For the assumptions for forecasts and cautions regarding the use of the forecasts, please refer to "1. Summary of Operating Results, etc." on Page 2.
- The presentation material and the supplementary material on financial results will be posted on the Company's website.

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1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2019

For the fiscal year ended March 31, 2019, consolidated financial results of the Hitachi Transport System Group (herein called “the Group”) are as follows.

(Million yen)

| | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Y on Y change |
|---|------------------------------|------------------------------|---------------|
| Revenues | 700,391 | 708,831 | 101% |
| Adjusted operating income | 29,803 | 31,192 | 105% |
| EBIT | 33,093 | 36,180 | 109% |
| Net income attributable to stockholders of the parent company | 20,916 | 22,786 | 109% |

Revenues increased by 1% year-on-year to ¥708,831 million, and adjusted operating income, EBIT, and net income attributable to stockholders of the parent company also increased by 5%, 9%, and 9% year-on-year, to ¥31,192 million, ¥36,180 million, and ¥22,786 million respectively.

Results by business segment during the fiscal year are as follows.

【Domestic logistics business】

(Million yen)

| | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Y on Y change |
|--|------------------------------|------------------------------|---------------|
| Revenues | 417,835 | 432,793 | 104% |
| Segment profit (Adjusted operating income) | 21,740 | 22,099 | 102% |

Revenues of domestic logistics business increased by 4% year-on-year to ¥432,793 million due to a steady growth of medical-related and other 3PL projects.

Segment profit increased by 2% year-on-year to ¥22,099 million due to an increase in revenues and improved productivity despite an increase in work costs and the impact of natural disasters.

【Global logistics business】

(Million yen)

| | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Y on Y change |
|--|------------------------------|------------------------------|---------------|
| Revenues | 260,285 | 255,828 | 98% |
| Segment profit (Adjusted operating income) | 6,280 | 7,108 | 113% |

Revenues of global logistics business decreased by 2% year-on-year to ¥255,828 million due to an effect of foreign exchange rates and Nisshin Transportation Co., Ltd. becoming an associate accounted for by the equity method.

Segment profit increased by 13% year-on-year to ¥7,108 million due to improved profitability of unprofitable projects.

【Other services (logistics related businesses)】

(Million yen)

| | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Y on Y change |
|--|------------------------------|------------------------------|---------------|
| Revenues | 22,271 | 20,210 | 91% |
| Segment profit (Adjusted operating income) | 1,783 | 1,985 | 111% |

Revenues of other services decreased by 9% year-on-year to ¥20,210 million.

Segment profit increased by 11% year-on-year to ¥1,985 million due to an increase in profit from vehicle and equipment sales and leasing business.

(2) Summary of Financial Position as of March 31, 2019

Total assets as of March 31, 2019 amounted to ¥612,535 million, an increase of ¥47,632 million compared with the end of the previous fiscal year. Current assets increased by ¥38,511 million due to an increase of ¥44,915 million in cash and cash equivalents. Non-current assets increased by ¥9,121 million because of increases of ¥8,660 million in investments accounted for using equity method and ¥7,385 million in property, plant and equipment despite a decrease of ¥3,277 million in intangible assets.

Total liabilities as of March 31, 2019 amounted to ¥383,586 million, an increase of ¥26,974 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥25,298 million due to decreases of ¥9,645 million in current portion of long-term debt, ¥4,897 million in short-term debt and ¥4,163 million in other financial liabilities. Non-current liabilities increased by ¥52,272 million mainly due to an increase of ¥52,954 million in long-term debt.

Total equity as of March 31, 2019 amounted to ¥228,949 million, an increase of ¥20,658 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 36.2% at the end of the previous fiscal year to 36.3%.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2019

Cash and cash equivalents (herein called “cash”) as of March 31, 2019 was ¥108,412 million, an increase of ¥44,915 million from March 31, 2018.

Cash flows from each activity for the year ended March 31, 2019 and their significant components are as follows:

Net cash provided by operating activities was ¥37,812 million, an increase of ¥9,888 million compared with the fiscal year ended March 31, 2018. This is mainly due to an increase in cash from net income of ¥24,013 million and depreciation and amortization of ¥19,059 million, partly offset by a decrease in cash from share of profits of investments accounted for using the equity method of ¥6,419 million.

Net cash used in investing activities was ¥13,892 million, an increase of ¥7,714 million compared with the fiscal year ended March 31, 2018. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥14,948 million.

Net cash provided by financing activities was ¥21,104 million, an increase of ¥37,549 million compared with the fiscal year ended March 31, 2018. This is mainly due to an increase in cash from proceeds from long-term debt of ¥49,749 million, partly offset by a decrease in cash from repayments of long-term debt of ¥11,490 million, repayments of lease obligations of ¥4,964 million, and purchase of shares of consolidated subsidiaries from non-controlling interests of ¥4,963 million.

(4) Outlook for the Future

While the global economy shows a moderate growth trend, attention must still be paid to the impact of protectionism and trade friction as well as geopolitical risks and the impact of natural disasters, etc. In Japan, especially in the logistics industry, the business environment is becoming severe due to intensifying competitions across industries caused by labor shortage and expansion of EC market.

Under these circumstances, the Group will strive to achieve the following targets during the year ending March 31, 2020 which is the first year of the Mid-term Management Plan.

- Forecasts for the fiscal year ending March 31, 2020

| | |
|--|---------------|
| Revenues: | ¥700 billion |
| Adjusted operating income: | ¥31.5 billion |
| EBIT: | ¥35.2 billion |
| Net income attributable to stockholders of the parent company: | ¥22.0 billion |

The supplementary material and the presentation material on financial results will be posted on the Company's website.

[URL] <http://www.hitachi-transportssystem.com/en/ir/library/presentations/>

(5) Basic Policy of Management

1) Basic Policy of Management

Under the corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” the Hitachi Transport System Group aims to become the most preferred solution provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

2) Medium-to-Long-Term Management Strategies

[Basic Policy]

Under our brand slogan “Taking on the Future” and our business concept “LOGISTEED,” the Hitachi Transport System Group is committed to expand collaborative areas across businesses and industries and create new innovation exceeding the domain of logistics with enhancement of logistics (Smart Logistics) as a function as our core target.

*[LOGISTEED]: A word that combines LOGISTICS with Exceed, Proceed, Succeed, and Speed.
It represents our determination to lead businesses to a new domain beyond the conventional logistics.

As the supply chain structure is changing significantly due to technological advancement and social changes, including “IoT,” “AI (artificial intelligence),” “Robotics,” “FinTech,” “Sharing economy,” and digitalization, the Group, in the new Mid-term Management Plan commencing in the fiscal year ending March 31, 2020, will promote digitalization of the Group and its collaborative partners and build open platform, in order to realize supply chain based on and originating from our logistics domain.

The Group strives to enhance our new existence value and increase corporate value by changing and evolving to a company represented by “LOGISTEED” in order to become the most preferred solution provider.

[Priority Measures]

- i. Implement portfolio strategy to build a solid core domain (Smart Logistics)
- ii. Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains
 - (i) We will enhance the core domain and expand target domains through collaboration with SG Holdings Co., Ltd.
 - (ii) We will shift the domain in the forwarding business through collaboration with Kintetsu World Express, Inc. and AIT Corporation (from core to edge).
 - (iii) We will create integrated solutions of “Finance,” “Commerce,” “Information,” and “Logistics” through collaboration with Hitachi Capital Corporation.
- iii. Design supply chain based on and originating from the logistics domain
 - (i) We will realize “Digital transformation × Business” in the core domain.
 - Develop new Smart Logistics technology and accelerate its on-site application
 - (ii) We will expand “On-site capability of logistics × Platform” through digitalization including collaboration with partners.
 - Platform for safety and security (SSCV)
 - Platform in the expanding EC business (ECPF)
 - Development of platform by industry and region
 - Collaboration to build digital platform to support them

iv. Originate and succeed operation toward the next-generation

- Establishment of solid regional independent operation base led by regional business companies
- “Secure, retain and foster human resources” through measures such as “Diversity & Inclusion,” “Working-style reform” and “Education for all employees.”
- Promotion of personal ownership through company-wide bottom-up initiatives (VC21 activities)

v. Take actions in consideration of environment, society and governance as well as corporate ethics

- We will promote CSR objectives of “Pursue Next-generation Industries and Lifestyles,” “Enhance Occupational Safety and Productivity,” “Ensure Excellent Quality and Resilience” and “Realize Low-carbon Business Processes.”
- We will ensure to bear in mind the notion of “Basics and Ethics.” (Enhance compliance and governance)
- We will promote enhancement of “Logistics quality,” “Information security,” “AEO/export management” and “Green logistics,” etc.
- We will promote preventive maintenance measures under the slogans of “Safety First.”

2. Basic Stance on Accounting Standard Selection

The Group adopted IFRS voluntarily for its consolidated financial statements contained in the Annual Securities Report for the fiscal year ended March 31, 2015, with the aim to respond to globalization, establish the unified performance evaluation criteria of the Group, standardize operations and improve management efficiency.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Statement of Financial Position

(Million yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---|----------------------|----------------------|
| (Assets) | | |
| Current assets | | |
| Cash and cash equivalents | 63,497 | 108,412 |
| Trade receivables and contract assets | 135,987 | 132,544 |
| Inventories | 1,711 | 1,145 |
| Other financial assets | 7,868 | 4,597 |
| Other current assets | 11,089 | 11,965 |
| Total current assets | 220,152 | 258,663 |
| Non-current assets | | |
| Investments accounted for using the equity method | 75,349 | 84,009 |
| Property, plant and equipment | 175,015 | 182,400 |
| Goodwill | 27,869 | 26,212 |
| Intangible assets | 31,833 | 28,556 |
| Deferred tax assets | 8,466 | 8,083 |
| Other financial assets | 18,320 | 18,241 |
| Other non-current assets | 7,899 | 6,371 |
| Total non-current assets | 344,751 | 353,872 |
| Total assets | 564,903 | 612,535 |

(Million yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|--|----------------------|----------------------|
| (Liabilities) | | |
| Current liabilities | | |
| Trade payables | 55,078 | 54,253 |
| Short-term debt | 10,747 | 5,850 |
| Current portion of long-term debt | 15,307 | 5,662 |
| Income tax payable | 6,782 | 3,362 |
| Other financial liabilities | 29,049 | 24,886 |
| Other current liabilities | 30,829 | 28,481 |
| Total current liabilities | 147,792 | 122,494 |
| Non-current liabilities | | |
| Long-term debt | 138,244 | 191,198 |
| Retirement and severance benefits | 32,077 | 32,083 |
| Deferred tax liabilities | 10,897 | 10,712 |
| Other financial liabilities | 23,721 | 22,958 |
| Other non-current liabilities | 3,881 | 4,141 |
| Total non-current liabilities | 208,820 | 261,092 |
| Total liabilities | 356,612 | 383,586 |
| (Equity) | | |
| Equity attributable to stockholders of the parent company | | |
| Common stock | 16,803 | 16,803 |
| Retained earnings | 186,373 | 206,245 |
| Accumulated other comprehensive income | 1,333 | (520) |
| Treasury stock, at cost | (181) | (182) |
| Total equity attributable to stockholders of the parent company | 204,328 | 222,346 |
| Non-controlling interests | 3,963 | 6,603 |
| Total equity | 208,291 | 228,949 |
| Total liabilities and equity | 564,903 | 612,535 |

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

(Million yen)

| | Year ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|---|--|--|
| Revenues | 700,391 | 708,831 |
| Cost of sales | (620,011) | (626,458) |
| Gross profit | 80,380 | 82,373 |
| Selling, general and administrative expenses | (50,577) | (51,181) |
| Adjusted operating income | 29,803 | 31,192 |
| Other income | 3,461 | 3,850 |
| Other expenses | (3,998) | (4,689) |
| Operating income | 29,266 | 30,353 |
| Financial income | 88 | 450 |
| Financial expenses | (1,818) | (1,042) |
| Share of profits of investments accounted for using the equity method | 5,557 | 6,419 |
| Earnings before interest and taxes | 33,093 | 36,180 |
| Interest income | 1,031 | 1,075 |
| Interest expenses | (1,862) | (2,009) |
| Income before income taxes | 32,262 | 35,246 |
| Income taxes | (10,154) | (11,233) |
| Net income | 22,108 | 24,013 |
| Attributable to: | | |
| Stockholders of the parent company | 20,916 | 22,786 |
| Non-controlling interests | 1,192 | 1,227 |

| | Year ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|---|--|--|
| Earnings per share attributable to stockholders of the parent company | | |
| Basic | ¥187.50 | ¥204.27 |
| Diluted | — | — |

Consolidated Statement of Comprehensive Income

(Million yen)

| | Year ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|--|--|--|
| Net income | 22,108 | 24,013 |
| Other comprehensive income (OCI) | | |
| Items not to be reclassified into net income | | |
| Net changes in financial assets measured at fair value through OCI | 457 | (300) |
| Remeasurements of defined benefit plans | (60) | (191) |
| Share of OCI of investments accounted for using the equity method | 123 | (14) |
| Total items not to be reclassified into net income | 520 | (505) |
| Items that can be reclassified into net income | | |
| Foreign currency translation adjustments | 1,798 | (1,121) |
| Net changes in cash flow hedges | — | (2) |
| Share of OCI of investments accounted for using the equity method | 5 | (108) |
| Total items that can be reclassified into net income | 1,803 | (1,231) |
| Other comprehensive income (OCI) | 2,323 | (1,736) |
| Comprehensive income | 24,431 | 22,277 |
| Attributable to: | | |
| Stockholders of the parent company | 22,486 | 21,178 |
| Non-controlling interests | 1,945 | 1,099 |

(3) Consolidated Statement of Changes in Equity

(Million yen)

| Year ended March 31, 2018 (April 1, 2017 to March 31, 2018) | | | | | | | |
|---|--------------|-------------------|--|-------------------------|---|---------------------------|--------------|
| | | | | | Total equity attributable to stockholders of the parent company | Non-controlling interests | Total equity |
| | Common stock | Retained earnings | Accumulated other comprehensive income | Treasury stock, at cost | | | |
| Balance at beginning of year | 16,803 | 171,633 | (774) | (180) | 187,482 | 3,437 | 190,919 |
| Changes in equity | | | | | | | |
| Net income | | 20,916 | | | 20,916 | 1,192 | 22,108 |
| Other comprehensive income | | | 1,570 | | 1,570 | 753 | 2,323 |
| Transactions with non-controlling interests | | 9 | | | 9 | (122) | (113) |
| Dividends | | (3,904) | | | (3,904) | (131) | (4,035) |
| Transfer to retained earnings | | 10 | (10) | | — | — | — |
| Acquisition and sales of treasury stock | | | | (1) | (1) | | (1) |
| Changes in liabilities for written put options over non-controlling interests | | (2,291) | 547 | | (1,744) | (1,166) | (2,910) |
| Total changes in equity | — | 14,740 | 2,107 | (1) | 16,846 | 526 | 17,372 |
| Balance at end of year | 16,803 | 186,373 | 1,333 | (181) | 204,328 | 3,963 | 208,291 |

(Million yen)

| Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) | | | | | | | |
|---|--------------|-------------------|--|-------------------------|---|---------------------------|--------------|
| | | | | | Total equity attributable to stockholders of the parent company | Non-controlling interests | Total equity |
| | Common stock | Retained earnings | Accumulated other comprehensive income | Treasury stock, at cost | | | |
| Balance at beginning of year | 16,803 | 186,373 | 1,333 | (181) | 204,328 | 3,963 | 208,291 |
| Cumulative effects of changes in accounting policies | | 25 | | | 25 | | 25 |
| Restated balance | 16,803 | 186,398 | 1,333 | (181) | 204,353 | 3,963 | 208,316 |
| Changes in equity | | | | | | | |
| Net income | | 22,786 | | | 22,786 | 1,227 | 24,013 |
| Other comprehensive income | | | (1,608) | | (1,608) | (128) | (1,736) |
| Transactions with non-controlling interests | | 115 | (4) | | 111 | 2,130 | 2,241 |
| Dividends | | (4,127) | | | (4,127) | (171) | (4,298) |
| Transfer to retained earnings | | 99 | (99) | | — | — | — |
| Acquisition and sales of treasury stock | | | | (1) | (1) | | (1) |
| Changes in liabilities for written put options over non-controlling interests | | 974 | (142) | | 832 | (418) | 414 |
| Total changes in equity | — | 19,847 | (1,853) | (1) | 17,993 | 2,640 | 20,633 |
| Balance at end of year | 16,803 | 206,245 | (520) | (182) | 222,346 | 6,603 | 228,949 |

(4) Consolidated Statement of Cash Flows

(Million yen)

| | Year ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|--|--|--|
| Cash flows from operating activities | | |
| Net income | 22,108 | 24,013 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 19,030 | 19,059 |
| Impairment losses | 1,254 | 2,045 |
| Share of profits of investments accounted for using the equity method | (5,557) | (6,419) |
| Gain on business reorganization | — | (3,134) |
| Income taxes | 10,154 | 11,233 |
| Increase in retirement and severance benefits | 863 | 225 |
| Interest and dividends income | (1,117) | (1,482) |
| Interest expenses | 1,862 | 2,009 |
| Gain on sale of property, plant and equipment | (2,780) | (44) |
| (Increase) decrease in trade receivables and contract assets | (9,667) | 449 |
| (Increase) decrease in inventories | (227) | 389 |
| Increase in trade payables | 2,738 | 816 |
| Decrease in other assets and liabilities | (2,596) | (1,286) |
| Other | 956 | 17 |
| Subtotal | 37,021 | 47,890 |
| Interest and dividends received | 2,917 | 3,937 |
| Interest paid | (1,748) | (1,912) |
| Income taxes paid | (10,266) | (12,103) |
| Net cash provided by operating activities | 27,924 | 37,812 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (12,197) | (14,948) |
| Proceeds from sale of property, plant and equipment and intangible assets | 5,485 | 1,491 |
| Collection of short-term loans receivable | — | 3,900 |
| Decrease by a loss of control of a subsidiary | — | (4,466) |
| Other | 534 | 131 |
| Net cash used in investing activities | (6,178) | (13,892) |

| | Year ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|--|--|--|
| Cash flows from financing activities | | |
| Increase (decrease) in short-term debt, net | 1,834 | (4,775) |
| Proceeds from long-term debt | — | 49,749 |
| Repayments of long-term debt | (1,502) | (11,490) |
| Repayments of lease obligations | (4,849) | (4,964) |
| Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests | — | 2,528 |
| Purchase of shares of consolidated subsidiaries from non-controlling interests | (7,484) | (4,963) |
| Dividends paid to stockholders of the parent company | (3,904) | (4,127) |
| Dividends paid to non-controlling interests | (108) | (151) |
| Other | (432) | (703) |
| Net cash provided by (used in) financing activities | (16,445) | 21,104 |
| Effect of exchange rate changes on cash and cash equivalents | 713 | (109) |
| Net increase in cash and cash equivalents | 6,014 | 44,915 |
| Cash and cash equivalents at beginning of year | 57,483 | 63,497 |
| Cash and cash equivalents at end of year | 63,497 | 108,412 |

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

1. Adoption of IFRS 9 “Financial Instruments” (amended in July 2014)

Effective April 1, 2018, the Group adopted IFRS 9 “Financial Instruments” (amended in July 2014). The Group adopted IFRS 9 in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018. The adoption of this standard has no material impact on the Group’s financial position and operating results.

2. Adoption of IFRS 15 “Revenue from Contracts with Customers”

Effective April 1, 2018, the Group adopted IFRS 15 “Revenue from Contracts with Customers.” The Group adopted IFRS 15 retrospectively in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018. The adoption of this standard has no material impact on the Group’s financial position and operating results.

(Notes to Consolidated Statement of Profit or Loss)

1. Other income

(Million yen)

| | Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|-------------------------------------|--|--|
| Net gain on sales of fixed assets | 2,869 | 196 |
| Net gain on business reorganization | — | 3,134 |
| Other | 592 | 520 |
| Total | 3,461 | 3,850 |

Net gain on business reorganization for the year ended March 31, 2019 is related to a loss of control due to share exchange.

2. Other expenses

(Million yen)

| | Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|--------------------------------------|--|--|
| Net loss on sales of fixed assets | (89) | (152) |
| Net loss on disposal of fixed assets | (249) | (361) |
| Impairment losses | (1,254) | (2,045) |
| Business structural reform expenses | (452) | (828) |
| Provision for loss on contracts | (1,070) | — |
| Other | (884) | (1,303) |
| Total | (3,998) | (4,689) |

Business structural reform expenses were mainly special severance payments and amounted to ¥452 million for the year ended March 31, 2018.

Business structural reform expenses consist of special severance payments of ¥517 million and office relocation expense of ¥311 million for the year ended March 31, 2019.

For the year ended March 31, 2019, the Group recognized impairment losses for goodwill related to the global logistics business of VANTEC CORPORATION because future cash flows originally assumed in the business plans could no longer be expected and their net carrying amounts were written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting future cash flows at a pretax discount rate (10.2%). The impairment losses are included in global logistics business. Consequently, impairment losses recognized on goodwill amounted to ¥1,251 million.

3. Financial income

(Million yen)

| | Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|------------------|--|--|
| Dividends income | 86 | 407 |
| Other | 2 | 43 |
| Total | 88 | 450 |

4. Financial expenses

(Million yen)

| | Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|---------------|--|--|
| Exchange loss | (1,810) | (1,042) |
| Other | (8) | — |
| Total | (1,818) | (1,042) |

(Segment Information)

The business segments of the Group are business units for which the Group is able to obtain separate financial information and for which operating performance is evaluated regularly by the Executive Committee of the Company, the highest decision-making authority, to decide on the allocation of management resources and assess performance.

The Company's operations are divided into domestic logistics business, global logistics business and other service businesses. Consolidated subsidiaries conduct their business as autonomous business units and their operations are periodically reviewed by the Executive Committee of the Company. Each subsidiary develops comprehensive strategies and conducts business activities.

Consequently, business segments of the Group consist of the Company's businesses mentioned above and other services provided by consolidated subsidiaries. The Group's reporting segments have been designated as domestic logistics and global logistics in order to provide appropriate information about the business activities and the business environment, by combining a number of business segments that are similar in terms of economic and service characteristics.

For domestic logistics, the Group provides comprehensive logistics services that include the establishment of a logistics system, control of information, inventories and sales orders, value-added services, distribution center operation, factory logistics, and transportation and delivery. For global logistics, the Group provides comprehensive logistics services that include customs clearance and international intermodal transportation by land, sea and air.

Profit (loss) in reporting segments is based on adjusted operating income. Intersegment transactions are those that take place between companies and are based on market prices. The Executive Committee of the Company does not use the information on assets and liabilities allocated to business segments.

For the year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Million yen)

| | Reporting segment | | | Other services ¹ | Total | Adjustments and eliminations ² | Amount recorded in consolidated financial statements |
|---|--------------------|------------------|----------|-----------------------------|---------|---|--|
| | Domestic logistics | Global logistics | Subtotal | | | | |
| Revenues | | | | | | | |
| Revenues from outside customers | 417,835 | 260,285 | 678,120 | 22,271 | 700,391 | — | 700,391 |
| Revenues from intersegment transactions or transfers | — | — | — | 10,505 | 10,505 | (10,505) | — |
| Total | 417,835 | 260,285 | 678,120 | 32,776 | 710,896 | (10,505) | 700,391 |
| Segment profit | 21,740 | 6,280 | 28,020 | 1,783 | 29,803 | — | 29,803 |
| Other income | | | | | | | 3,461 |
| Other expenses | | | | | | | (3,998) |
| Financial income | | | | | | | 88 |
| Financial expenses | | | | | | | (1,818) |
| Share of profits of investments accounted for using the equity method | | | | | | | 5,557 |
| Interest income | | | | | | | 1,031 |
| Interest expenses | | | | | | | (1,862) |
| Income before income taxes | | | | | | | 32,262 |
| Others | | | | | | | |
| Depreciation and Amortization | 9,981 | 6,775 | 16,756 | 2,274 | 19,030 | — | 19,030 |
| Impairment losses | 136 | 1,118 | 1,254 | — | 1,254 | — | 1,254 |

Note: 1. "Other services" includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded from the reporting segments.

2. Company-wide expenses which do not belong to any business segment such as corporate general administration expenses incurred in the parent company are allocated to each business segment in accordance with a rational basis.

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

| | Reporting segment | | | Other services ¹ | Total | Adjustments and eliminations ² | Amount recorded in consolidated financial statements |
|---|--------------------|------------------|----------------|-----------------------------|----------------|---|--|
| | Domestic logistics | Global logistics | Subtotal | | | | |
| Revenues | | | | | | | |
| Revenues from outside customers | 432,793 | 255,828 | 688,621 | 20,210 | 708,831 | — | 708,831 |
| Revenues from intersegment transactions or transfers | — | — | — | 12,025 | 12,025 | (12,025) | — |
| Total | 432,793 | 255,828 | 688,621 | 32,235 | 720,856 | (12,025) | 708,831 |
| Segment profit | 22,099 | 7,108 | 29,207 | 1,985 | 31,192 | — | 31,192 |
| Other income | | | | | | | 3,850 |
| Other expenses | | | | | | | (4,689) |
| Financial income | | | | | | | 450 |
| Financial expenses | | | | | | | (1,042) |
| Share of profits of investments accounted for using the equity method | | | | | | | 6,419 |
| Interest income | | | | | | | 1,075 |
| Interest expenses | | | | | | | (2,009) |
| Income before income taxes | | | | | | | 35,246 |
| Others | | | | | | | |
| Depreciation and Amortization | 8,859 | 7,887 | 16,746 | 2,313 | 19,059 | — | 19,059 |
| Impairment losses | 29 | 2,016 | 2,045 | — | 2,045 | — | 2,045 |

Note: 1. “Other services” includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded from the reporting segments.

2. Company-wide expenses which do not belong to any business segment such as corporate general administration expenses incurred in the parent company are allocated to each business segment in accordance with a rational basis.

(Per Share Information)

The basis for computations of basic earnings per share (EPS) attributable to stockholders of the parent company for the years ended March 31, 2018 and 2019 is as follows.

| | Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018) | Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019) |
|---|--|--|
| Net income attributable to stockholders of the parent company (Million yen) | 20,916 | 22,786 |
| Weighted average number of common stock (Thousand shares) | 111,550 | 111,550 |
| Basic EPS attributable to stockholders of the parent company (Yen) | 187.50 | 204.27 |

(Note) Diluted EPS attributable to stockholders of the parent company is not presented as there are no dilutive shares.

(Significant Subsequent Events)

Not applicable