

Summary of Consolidated Financial Results [IFRS] for the First Quarter Ended June 30, 2020

July 30, 2020

Listed Company: **Hitachi Transport System, Ltd.** Stock Exchange: First Section of Tokyo
 Code Number: 9086 URL: <https://www.hitachi-transportssystem.com/en/>
 Representative: Yasuo Nakatani, President and Chief Executive Officer
 Person in Charge: Tetsuro Taga, General Manager of Public Relations Department, Corporate Strategy Office
 Date of the Release of Quarterly Report (Schedule): August 14, 2020
 Date of the Start of Dividend Payment (Schedule): —
 Creates Supplementary Materials for Quarterly Summaries: Yes
 Briefing Held on Quarterly Settlement of Accounts: Yes (for analysts, institutional investors, and media)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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	%
June 30, 2020	147,322	(13.2)	6,983	(12.1)	10,713	12.8	9,278	17.0	6,392	32.1	6,325	32.6
June 30, 2019	169,746	(2.9)	7,941	7.0	9,495	17.6	7,928	0.7	4,840	(9.4)	4,769	(5.6)

	Basic earnings per share attributable to stockholders of the parent company
June 30, 2020	Yen 56.70
June 30, 2019	42.75

*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]

(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
	Million yen	Million yen	Million yen	%
June 30, 2020	869,423	244,151	237,840	27.4
March 31, 2020	879,144	239,257	232,861	26.5

2. Dividends

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2020	—	21.00	—	22.00	43.00
March 31, 2021	—	—	—	—	—
March 31, 2021 (Forecasts)	—	22.00	—	22.00	44.00

(Note) Revision of the latest dividends forecasts: Yes

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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	%	Yen	
Full year	651,000	(3.2)	31,500	(5.9)	38,550	(2.7)	33,150	(2.0)	22,500	0.1	21,500	(0.5)	192.74	

(Note) Revision of the latest consolidated financial forecasts: Yes

*** 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 and accounting estimates

(a) Changes in accounting policies required by IFRS: None

(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 June 30, 2020: 111,776,714 shares,

As of March 31, 2020: 111,776,714 shares

(b) Number of treasury stock at the end of the term

As of June 30, 2020: 227,854 shares,

As of March 31, 2020: 227,790 shares

(c) Average number of shares during the term

Three months ended June 30, 2020: 111,548,893 shares,

Three months ended June 30, 2019: 111,549,414 shares

(Note) Quarterly financial results are outside the scope of quarterly review 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. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Future Forecast Information including Consolidated Financial Forecasts" on Page 3.
- The supplementary material on quarterly financial results will be posted on the Company's website.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

For the first quarter ended June 30, 2020, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows:

	(Million yen)		
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Y on Y change
Revenues	169,746	147,322	87%
Adjusted operating income	7,941	6,983	88%
EBIT	9,495	10,713	113%
Net income attributable to stockholders of the parent company	4,769	6,325	133%

Revenues and adjusted operating income decreased by 13% and 12% year-on-year to ¥147,322 million and ¥6,983 million, respectively. EBIT and net income attributable to stockholders of the parent company increased by 13% and 33% year-on-year to ¥10,713 million and ¥6,325 million, respectively.

Results by business segment during the period under review are as follows:

【Domestic logistics business】			(Million yen)
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Y on Y change
Revenues	107,275	100,900	94%
Segment profit (Adjusted operating income)	5,707	5,752	101%

Revenues of domestic logistics business decreased by 6% year-on-year to ¥100,900 million due to a decrease in volume resulting from reduced operation at customers’ factories and close of stores as a consequence of the spread of the novel coronavirus infection despite contributions from consolidating PALENET CO., LTD. and Hitachi Transport System East Japan Distribution Services Co., Ltd. and launching new projects.

Segment profit increased by 1% year-on-year to ¥5,752 million due to improved productivity and a reduction in total costs despite a decrease in revenues.

【Global logistics business】			(Million yen)
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Y on Y change
Revenues	58,377	42,820	73%
Segment profit (Adjusted operating income)	1,809	1,061	59%

Revenues of global logistics business decreased by 27% year-on-year to ¥42,820 million due to a decrease in volume resulting from reduced operation at customers’ factories, a volume decrease in forwarding business, and fluctuations of foreign exchange rates as a consequence of the spread of the novel coronavirus infection.

Segment profit decreased 41% year-on-year to ¥1,061 million due to a decrease in revenues.

【Other services (logistics related businesses)】			(Million yen)
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Y on Y change
Revenues	4,094	3,602	88%
Segment profit (Adjusted operating income)	425	170	40%

Revenues of other services decreased by 12% year-on-year to ¥3,602 million due to the effect of exclusion of Hitachi Travel Bureau, Ltd. (currently known as HTB-BCD Travel Ltd.) from the scope of consolidation.

Segment profit decreased by 60% year-on-year to ¥170 million due to a decrease in revenues.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of June 30, 2020 amounted to ¥869,423 million, a decrease of ¥9,721 million compared with the end of the previous fiscal year. Current assets decreased by ¥16,220 million due to decreases of ¥8,359 million in cash and cash equivalents and ¥9,184 million in trade receivables and contract assets. Non-current assets increased by ¥6,499 million due to an increase of ¥5,445 million in property, plant and equipment despite a decrease of ¥1,326 million in investments accounted for using the equity method.

Total liabilities as of June 30, 2020 amounted to ¥625,272 million, a decrease of ¥14,615 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥16,081 million due to decreases of ¥6,488 million in income tax payable and ¥5,109 million in trade payables. Non-current liabilities increased by ¥1,466 million due to increases of ¥1,309 million in lease liabilities and ¥474 million in retirement and severance benefits.

Total equity as of June 30, 2020 amounted to ¥244,151 million, an increase of ¥4,894 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 26.5% at the end of the previous fiscal year to 27.4%.

2) Cash flows

Cash and cash equivalents (herein called “cash”) as of June 30, 2020 was ¥130,662 million, a decrease of ¥8,359 million from March 31, 2020.

Cash flows from each activity for the three months ended June 30, 2020 and their significant components are as follows:

Net cash provided by operating activities was ¥12,079 million, a decrease of ¥3,547 million compared with the three months ended June 30, 2019. This is mainly due to a decrease in cash from income taxes paid of ¥10,509 million, partly offset by an increase in cash from depreciation and amortization of ¥13,096 million and decrease in trade receivables and contract assets of ¥10,514 million.

Net cash used in investing activities was ¥7,119 million, an increase of ¥7,259 million compared with the three months ended June 30, 2019. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥8,232 million and acquisition of subsidiary’s shares of ¥1,771 million, partly offset by an increase in cash from proceeds from sale of property, plant and equipment and intangible assets of ¥2,908 million.

Net cash used in financing activities was ¥13,541 million, an increase of ¥765 million compared with the three months ended June 30, 2019. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥10,022 million and dividends paid to stockholders of the parent company of ¥2,454 million.

(3) Explanation of Future Forecast Information including Consolidated Financial Forecasts

There are growing concerns over global economic slowdown due to the spread of the novel coronavirus infection. Under such circumstance, the Company did not previously disclose the consolidated financial forecasts for the fiscal year ending March 31, 2021 as it was difficult to reasonably assess the impact of the novel coronavirus infection. However, we decided to disclose the forecasts as shown below based on the consolidated financial results for the first quarter ended June 30, 2020 and the information and forecasts currently available.

[Consolidated financial forecasts]	(Million yen)	
	Year ending March 31, 2021	Y on Y change
Revenues	651,000	97%
Adjusted operating income	31,500	94%
EBIT	38,550	97%
Net income attributable to stockholders of the parent company	21,500	99%

In calculating the consolidated financial forecasts for the fiscal year ending March 31, 2021, we assume that a gradual resumption of economic activities would decelerate a decline in revenues gradually in and after the second quarter ending September 30, 2020.

The supplementary material on financial results will be posted on the Company's website.
[URL] <https://www.hitachi-transportssystem.com/en/ir/library/presentations/>

2. Summary of Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of March 31, 2020	As of June 30, 2020
(Assets)		
Current assets		
Cash and cash equivalents	139,021	130,662
Trade receivables and contract assets	115,419	106,235
Inventories	1,066	1,190
Other financial assets	5,102	4,497
Other current assets	6,801	8,605
Total current assets	267,409	251,189
Non-current assets		
Investments accounted for using the equity method	89,271	87,945
Property, plant and equipment	148,232	153,677
Right-of-use assets	288,441	289,943
Goodwill	24,112	25,097
Intangible assets	24,397	24,314
Deferred tax assets	10,123	10,277
Other financial assets	21,274	21,158
Other non-current assets	5,885	5,823
Total non-current assets	611,735	618,234
Total assets	879,144	869,423

(Million yen)

	As of March 31, 2020	As of June 30, 2020
(Liabilities)		
Current liabilities		
Trade payables	45,410	40,301
Short-term debt	3,546	2,931
Current portion of long-term debt	10,416	10,414
Lease liabilities	33,209	33,060
Income tax payable	8,232	1,744
Other financial liabilities	37,886	38,736
Other current liabilities	29,062	24,494
Total current liabilities	167,761	151,680
Non-current liabilities		
Long-term debt	150,502	150,413
Lease liabilities	261,031	262,340
Retirement and severance benefits	34,825	35,299
Deferred tax liabilities	10,123	9,993
Other financial liabilities	12,299	12,229
Other non-current liabilities	3,346	3,318
Total non-current liabilities	472,126	473,592
Total liabilities	639,887	625,272
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	220,829	224,759
Accumulated other comprehensive income	(4,587)	(3,538)
Treasury stock, at cost	(184)	(184)
Total equity attributable to stockholders of the parent company	232,861	237,840
Non-controlling interests	6,396	6,311
Total equity	239,257	244,151
Total liabilities and equity	879,144	869,423

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

(Million yen)

	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Revenues	169,746	147,322
Cost of sales	(149,194)	(128,598)
Gross profit	20,552	18,724
Selling, general and administrative expenses	(12,611)	(11,741)
Adjusted operating income	7,941	6,983
Other income	1,468	3,791
Other expenses	(583)	(1,775)
Operating income	8,826	8,999
Financial income	55	307
Financial expenses	(598)	(36)
Share of profits of investments accounted for using the equity method	1,212	1,443
Earnings before interest and taxes	9,495	10,713
Interest income	315	232
Interest expenses	(1,882)	(1,667)
Income before income taxes	7,928	9,278
Income taxes	(3,088)	(2,886)
Net income	4,840	6,392
Attributable to:		
Stockholders of the parent company	4,769	6,325
Non-controlling interests	71	67

	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Earnings per share attributable to stockholders of the parent company		
Basic	¥42.75	¥56.70
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Net income	4,840	6,392
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(34)	57
Share of OCI of investments accounted for using the equity method	(97)	4
Total items not to be reclassified into net income	(131)	61
Items that can be reclassified into net income		
Foreign currency translation adjustments	(1,983)	1,113
Net changes in cash flow hedges	1	(2)
Share of OCI of investments accounted for using the equity method	13	(13)
Total items that can be reclassified into net income	(1,969)	1,098
Other comprehensive income	(2,100)	1,159
Comprehensive income	2,740	7,551
Attributable to:		
Stockholders of the parent company	2,855	7,316
Non-controlling interests	(115)	235

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 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	206,245	(520)	(182)	222,346	6,603	228,949
Changes in equity							
Net income		4,769			4,769	71	4,840
Other comprehensive income			(1,914)		(1,914)	(186)	(2,100)
Transactions with non-controlling interests		(6)	(1)		(7)	(19)	(26)
Dividends		(2,343)			(2,343)	(117)	(2,460)
Acquisition and sales of treasury stock				(0)	(0)		(0)
Changes in liabilities for written put options over non-controlling interests		322	(92)		230	(15)	215
Total changes in equity	—	2,742	(2,007)	(0)	735	(266)	469
Balance at end of period	16,803	208,987	(2,527)	(182)	223,081	6,337	229,418

(Million yen)

Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)							
					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	220,829	(4,587)	(184)	232,861	6,396	239,257
Changes in equity							
Net income		6,325			6,325	67	6,392
Other comprehensive income			991		991	168	1,159
Transactions with non-controlling interests		91			91	(95)	(4)
Dividends		(2,454)			(2,454)	(97)	(2,551)
Transfer to retained earnings		(6)	6		—		—
Acquisition and sales of treasury stock				(0)	(0)		(0)
Share-based remuneration transactions		5			5		5
Changes in liabilities for written put options over non-controlling interests		(31)	52		21	(128)	(107)
Total changes in equity	—	3,930	1,049	(0)	4,979	(85)	4,894
Balance at end of period	16,803	224,759	(3,538)	(184)	237,840	6,311	244,151

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Net income	4,840	6,392
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	12,877	13,096
Impairment losses	162	131
Share of profits of investments accounted for using the equity method	(1,212)	(1,443)
Income taxes	3,088	2,886
Increase in retirement and severance benefits	(429)	248
Interest and dividends income	(368)	(280)
Interest expenses	1,882	1,667
Gain on sale of property, plant and equipment	(1,215)	(2,690)
Decrease in trade receivables and contract assets	9,681	10,514
(Increase) decrease in inventories	(127)	(54)
Decrease in trade payables	(8,539)	(5,653)
Decrease in other assets and liabilities	(1,503)	(4,011)
Other	(80)	239
Subtotal	19,057	21,042
Interest and dividends received	2,898	3,068
Interest paid	(1,792)	(1,522)
Income taxes paid	(4,537)	(10,509)
Net cash provided by operating activities	15,626	12,079
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(2,884)	(8,232)
Proceeds from sale of property, plant and equipment and intangible assets	3,184	2,908
Acquisition of subsidiary's shares	—	(1,771)
Other	(160)	(24)
Net cash provided by (used in) investing activities	140	(7,119)
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	(491)	(674)
Repayments on long-term debt	(203)	(103)
Repayments of lease liabilities	(9,393)	(10,022)
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests	—	114
Purchase of shares of consolidated subsidiaries from non-controlling interests	(30)	(117)
Dividends paid to stockholders of the parent company	(2,343)	(2,454)
Dividends paid to non-controlling interests	(117)	(97)
Other	(199)	(188)
Net cash used in financing activities	(12,776)	(13,541)
Effect of exchange rate changes on cash and cash equivalents	(180)	222
Net increase (decrease) in cash and cash equivalents	2,810	(8,359)
Cash and cash equivalents at beginning of period	108,412	139,021
Cash and cash equivalents at end of period	111,222	130,662

(5) Summary of Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None

(Additional Information)

(Impact of the spread of the novel coronavirus infection)

As for the impact of the novel coronavirus infection, profitability for the first quarter ended June 30, 2020 declined at certain business for automobile-related customers, etc. due to a decrease in volume resulting from the customers' reduced operation, but there is no material change in our assumption from the fiscal year ended March 31, 2020 that the profitability will turn towards a gradual recovery in and after the second quarter ending September 30, 2020. However, we may need to review the carrying amount of assets and liabilities in and after the second quarter if the uncertainty further increased.

(Segment Information)

Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 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	107,275	58,377	165,652	4,094	169,746	—	169,746
Revenues from intersegment transactions or transfers	—	—	—	3,645	3,645	(3,645)	—
Total	107,275	58,377	165,652	7,739	173,391	(3,645)	169,746
Segment profit	5,707	1,809	7,516	425	7,941	—	7,941
Other income							1,468
Other expenses							(583)
Financial income							55
Financial expenses							(598)
Share of profits of investments accounted for using the equity method							1,212
Interest income							315
Interest expenses							(1,882)
Income before income taxes							7,928

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.

Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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	100,900	42,820	143,720	3,602	147,322	—	147,322
Revenues from intersegment transactions or transfers	—	—	—	3,434	3,434	(3,434)	—
Total	100,900	42,820	143,720	7,036	150,756	(3,434)	147,322
Segment profit	5,752	1,061	6,813	170	6,983	—	6,983
Other income							3,791
Other expenses							(1,775)
Financial income							307
Financial expenses							(36)
Share of profits of investments accounted for using the equity method							1,443
Interest income							232
Interest expenses							(1,667)
Income before income taxes							9,278

Note: 1. "Other services" includes information system development, and service, sale and maintenance of motor vehicles, 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.