

Summary of Consolidated Financial Results [IFRS] for the First Quarter Ended June 30, 2021

July 30, 2021

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 13, 2021
 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, 2021 (April 1, 2021 to June 30, 2021)

(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, 2021	178,096	20.9	10,234	46.6	9,580	(10.6)	8,296	(10.6)	4,998	(21.8)	4,824	(23.7)
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

	Basic earnings per share attributable to stockholders of the parent company
	Yen
June 30, 2021	57.64
June 30, 2020	56.70

*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, 2021	774,403	164,543	157,623	20.4
March 31, 2021	787,936	162,107	155,158	19.7

2. Dividends

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2021	—	22.00	—	28.00	50.00
March 31, 2022	—	—	—	—	—
March 31, 2022 (Forecasts)	—	28.00	—	28.00	56.00

(Note) Revision of the latest dividends forecasts: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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	%	Million yen	%
Full year	690,000	5.8	37,500	2.1	37,200	(16.3)	31,500	(19.5)	21,500	(10.2)	20,500	(10.4)	244.96	—

(Note) Revision of the latest consolidated financial forecasts: None

*** 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, 2021: 104,800,928 shares,
 - As of March 31, 2021: 111,776,714 shares
 - (b) Number of treasury stock at the end of the term
 - As of June 30, 2021: 21,113,122 shares,
 - As of March 31, 2021: 28,088,745 shares
 - (c) Average number of shares during the term
 - Three months ended June 30, 2021: 83,687,896 shares,
 - Three months ended June 30, 2020: 111,548,893 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	3
(3) Explanation of Future Forecast Information including Consolidated Financial Forecasts.....	3
2. Summary of Condensed Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	4
(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income	6
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	8
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	9
(5) Summary of Notes to the Quarterly Consolidated Financial Statements	10
(Notes on Going Concern Assumptions)	10
(Additional Information)	10
(Segment Information)	11

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

(1) Explanation of Operating Results

For the first quarter ended June 30, 2021, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows:

	(Million yen)		
	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Y on Y change
Revenues	147,322	178,096	121%
Adjusted operating income	6,983	10,234	147%
EBIT	10,713	9,580	89%
Net income attributable to stockholders of the parent company	6,325	4,824	76%

Revenues and adjusted operating income increased by 21% and 47% year-on-year to ¥178,096 million and ¥10,234 million, respectively. EBIT and net income attributable to stockholders of the parent company decreased by 11% and 24% year-on-year to ¥9,580 million and ¥4,824 million, respectively.

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

【Domestic logistics business】			(Million yen)
	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Y on Y change
Revenues	100,900	104,589	104%
Segment profit (Adjusted operating income)	5,752	6,826	119%

Revenues of domestic logistics business increased by 4% year-on-year to ¥104,589 million due to the recovery in handling volume.

Segment profit increased by 19% year-on-year to ¥6,826 million due to an increase in revenues and improved productivity.

【Global logistics business】			(Million yen)
	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Y on Y change
Revenues	42,820	70,447	165%
Segment profit (Adjusted operating income)	1,061	3,236	305%

Revenues of global logistics business increased by 65% year-on-year to ¥70,447 million due to the recovery in handling volume mainly in the forwarding business and automobile-related business.

Segment profit increased by 205% year-on-year to ¥3,236 million due to an increase in revenues and improved productivity in the forwarding business.

【Other services (logistics related businesses)】			(Million yen)
	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Y on Y change
Revenues	3,602	3,060	85%
Segment profit (Adjusted operating income)	170	172	101%

Revenues of other services decreased by 15% year-on-year to ¥3,060 million due to a decrease in projects in the information system development business.

Segment profit increased by 1% year-on-year to ¥172 million.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of June 30, 2021 amounted to ¥774,403 million, a decrease of ¥13,533 million compared with the end of the previous fiscal year. Current assets decreased by ¥7,052 million due to decreases of ¥5,016 million in trade receivables and contract assets and ¥2,925 million in cash and cash equivalents. Non-current assets decreased by ¥6,481 million due to decreases of ¥4,026 million in right-of-use assets and ¥1,143 million in property, plant and equipment.

Total liabilities as of June 30, 2021 amounted to ¥609,860 million, a decrease of ¥15,969 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥11,185 million due to decreases of ¥5,343 million in other current liabilities and ¥3,199 million in income tax payable. Non-current liabilities decreased by ¥4,784 million due to a decrease of ¥4,221 million in lease liabilities.

Total equity as of June 30, 2021 amounted to ¥164,543 million, an increase of ¥2,436 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 19.7% at the end of the previous fiscal year to 20.4%.

2) Cash flows

Cash and cash equivalents (herein called “cash”) as of June 30, 2021 was ¥101,890 million, a decrease of ¥2,925 million from March 31, 2021.

Cash flows from each activity for the three months ended June 30, 2021 and their significant components are as follows:

Net cash provided by operating activities was ¥11,360 million, a decrease of ¥719 million compared with the three months ended June 30, 2020. This is mainly due to a decrease in cash from income taxes paid of ¥5,262 million, partly offset by an increase in cash from depreciation and amortization of ¥12,730 million and decrease in trade receivables and contract assets of ¥5,188 million.

Net cash used in investing activities was ¥2,566 million, a decrease of ¥4,553 million compared with the three months ended June 30, 2020. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥2,961 million.

Net cash used in financing activities was ¥12,032 million, a decrease of ¥1,509 million compared with the three months ended June 30, 2020. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥8,712 million and dividends paid to stockholders of the parent company of ¥2,348 million.

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

While the global economy is recovering from the damage inflicted by the global pandemic of COVID-19, it still remains unpredictable, and it is also necessary to pay due attention to the impact of “U.S.-China trade friction,” “geopolitical risk,” “climate change,” and “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.

Against such a backdrop, under the business concept of “LOGISTEED,” the Group will strive to strengthen our core logistics function through collaborative innovation with various partners and also execute collaborative innovation strategies leading to further expansion of our domains.

No revision is made to the consolidated financial forecasts, released on April 28, 2021.

<p>*[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.</p>

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, 2021	As of June 30, 2021
(Assets)		
Current assets		
Cash and cash equivalents	104,815	101,890
Trade receivables and contract assets	123,681	118,665
Inventories	1,083	1,169
Other financial assets	4,378	5,080
Other current assets	13,393	13,494
Total current assets	247,350	240,298
Non-current assets		
Investments accounted for using the equity method	6,372	6,417
Property, plant and equipment	159,981	158,838
Right-of-use assets	288,030	284,004
Goodwill	25,228	25,288
Intangible assets	23,824	23,639
Deferred tax assets	11,732	12,116
Other financial assets	18,459	17,119
Other non-current assets	6,960	6,684
Total non-current assets	540,586	534,105
Total assets	787,936	774,403

(Million yen)

	As of March 31, 2021	As of June 30, 2021
(Liabilities)		
Current liabilities		
Trade payables	51,733	47,417
Short-term debt	2,152	1,549
Current portion of long-term debt	10,320	10,240
Lease liabilities	30,600	30,761
Income tax payable	6,089	2,890
Other financial liabilities	24,202	26,397
Other current liabilities	31,559	26,216
Total current liabilities	156,655	145,470
Non-current liabilities		
Long-term debt	140,303	140,303
Lease liabilities	261,220	256,999
Retirement and severance benefits	37,071	37,411
Deferred tax liabilities	7,467	7,308
Other financial liabilities	20,075	19,341
Other non-current liabilities	3,038	3,028
Total non-current liabilities	469,174	464,390
Total liabilities	625,829	609,860
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	236,311	213,735
Accumulated other comprehensive income	1,861	1,950
Treasury stock, at cost	(99,817)	(74,865)
Total equity attributable to stockholders of the parent company	155,158	157,623
Non-controlling interests	6,949	6,920
Total equity	162,107	164,543
Total liabilities and equity	787,936	774,403

(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, 2020 (April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Revenues	147,322	178,096
Cost of sales	(128,598)	(154,604)
Gross profit	18,724	23,492
Selling, general and administrative expenses	(11,741)	(13,258)
Adjusted operating income	6,983	10,234
Other income	3,791	492
Other expenses	(1,775)	(294)
Operating income	8,999	10,432
Financial income	307	46
Financial expenses	(36)	(1,003)
Share of profits of investments accounted for using the equity method	1,443	105
Earnings before interest and taxes	10,713	9,580
Interest income	232	375
Interest expenses	(1,667)	(1,659)
Income before income taxes	9,278	8,296
Income taxes	(2,886)	(3,298)
Net income	6,392	4,998
Attributable to:		
Stockholders of the parent company	6,325	4,824
Non-controlling interests	67	174

	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Earnings per share attributable to stockholders of the parent company		
Basic	¥56.70	¥57.64
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Net income	6,392	4,998
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	57	(558)
Remeasurements of defined benefit plans	—	(66)
Share of OCI of investments accounted for using the equity method	4	2
Total items not to be reclassified into net income	61	(622)
Items that can be reclassified into net income		
Foreign currency translation adjustments	1,113	605
Net changes in cash flow hedges	(2)	(1)
Share of OCI of investments accounted for using the equity method	(13)	50
Total items that can be reclassified into net income	1,098	654
Other comprehensive income	1,159	32
Comprehensive income	7,551	5,030
Attributable to:		
Stockholders of the parent company	7,316	4,878
Non-controlling interests	235	152

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(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

(Million yen)

Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)							
					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	236,311	1,861	(99,817)	155,158	6,949	162,107
Changes in equity							
Net income		4,824			4,824	174	4,998
Other comprehensive income			54		54	(22)	32
Dividends		(2,348)			(2,348)	(113)	(2,461)
Acquisition and sales of treasury stock				(1)	(1)		(1)
Cancellation of treasury stock		(24,975)		24,953	(22)		(22)
Share-based remuneration transactions		33			33		33
Changes in liabilities for written put options over non-controlling interests		(110)	35		(75)	(68)	(143)
Total changes in equity	—	(22,576)	89	24,952	2,465	(29)	2,436
Balance at end of period	16,803	213,735	1,950	(74,865)	157,623	6,920	164,543

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Net income	6,392	4,998
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	13,096	12,730
Impairment losses	131	—
Income taxes	2,886	3,298
Share of profits (losses) of investments accounted for using the equity method	(1,443)	(105)
Gain on sale of property, plant and equipment	(2,690)	(32)
Interest and dividends income	(280)	(421)
Interest expenses	1,667	1,659
(Increase) decrease in trade receivables and contract assets	10,514	5,188
(Increase) decrease in inventories	(54)	(85)
Increase (decrease) in trade payables	(5,653)	(2,770)
Increase (decrease) in retirement and severance benefits	248	346
Decrease in other assets and liabilities	(4,011)	(7,953)
Other	239	761
Subtotal	21,042	17,614
Interest and dividends received	3,068	516
Interest paid	(1,522)	(1,508)
Income taxes paid	(10,509)	(5,262)
Net cash provided by operating activities	12,079	11,360
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(8,232)	(2,961)
Proceeds from sale of property, plant and equipment and intangible assets	2,908	325
Proceeds from sale of investments in associates	—	14
Purchase of investments in subsidiaries	(1,771)	—
Other	(24)	56
Net cash used in investing activities	(7,119)	(2,566)
Cash flows from financing activities		
Decrease in short-term debt, net	(674)	(624)
Repayments on long-term debt	(103)	(105)
Repayments of lease liabilities	(10,022)	(8,712)
Proceeds from sale of interests in subsidiaries to non-controlling interests	114	—
Payments for acquisition of interests in subsidiaries from non-controlling interests	(117)	—
Dividends paid to stockholders of the parent company	(2,454)	(2,348)
Dividends paid to non-controlling interests	(97)	(113)
Other	(188)	(130)
Net cash used in financing activities	(13,541)	(12,032)
Effect of exchange rate changes on cash and cash equivalents	222	313
Net decrease in cash and cash equivalents	(8,359)	(2,925)
Cash and cash equivalents at beginning of period	139,021	104,815
Cash and cash equivalents at end of period	130,662	101,890

(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)

We believe COVID-19 has only a limited impact in terms of valuation of the Group's assets as of June 30, 2021. However, if a significant change in the situation regarding the spread of COVID-19 further increases uncertainty, we may need to review the carrying amount of assets or liabilities after the second quarter ending September 30, 2021.

(Segment Information)

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

(Million yen)

	Reportable 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, service, sale and maintenance of motor vehicles which are excluded from the reportable 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, 2021 (April 1, 2021 to June 30, 2021)

(Million yen)

	Reportable 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	104,589	70,447	175,036	3,060	178,096	—	178,096
Revenues from intersegment transactions or transfers	—	—	—	3,128	3,128	(3,128)	—
Total	104,589	70,447	175,036	6,188	181,224	(3,128)	178,096
Segment profit	6,826	3,236	10,062	172	10,234	—	10,234
Other income							492
Other expenses							(294)
Financial income							46
Financial expenses							(1,003)
Share of profits of investments accounted for using the equity method							105
Interest income							375
Interest expenses							(1,659)
Income before income taxes							8,296

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