Hitachi Transport System

Annual Report 2014

Year ended March 31, 2014

Smart Logistics

HITACHI
Inspire the Next

Corporate Philosophy

Hitachi Transport System takes a broad and balanced view of the future and is always working to provide environmentally-friendly and high-quality services that will help make the world a better place for mankind and nature.

Logistics Solution

CONTENTS

Forward-looking statements

This annual report contains forward-looking statements that reflect Hitachi Transport System, Ltd. and its Group companies' forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause Hitachi Transport System and its Group companies' actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

7-year Summary

Years ended March 31

	Millions of yen							Thousands of U.S. dollars*1
	2008	2009	2010	2011	2012	2013	**2014**	**2014**
For the year:								
Service revenues	¥338,217	¥352,800	¥331,917	¥368,798	¥553,934	¥547,517	**¥624,504**	**$6,067,859**
Domestic Logistics	243,946	243,646	244,460	256,886	386,448	375,560	**388,765**	**3,777,351**
Global Logistics	76,311	90,885	71,095	93,264	148,610	152,485	**215,193**	**2,090,876**
Operating income	14,002	14,171	12,724	15,940	23,131	19,535	**20,992**	**203,964**
Domestic Logistics	19,056	19,392	19,133	21,815	29,146	27,452	**28,523**	**277,138**
Global Logistics	1,270	1,013	1,286	1,477	2,763	1,123	**2,910**	**28,274**
Net income	7,747	7,000	5,815	6,806	12,563	11,156	**5,433**	**52,789**
At year-end:								
Total assets	¥222,805	¥226,504	¥231,188	¥246,558	¥365,013	¥374,206	**¥427,733**	**$4,155,976**
Net assets	139,952	143,327	148,471	151,066	164,640	174,904	**181,401**	**1,762,544**
Per share data (Yen and U.S. dollars*1):								
Net income	¥ 69.45	¥ 62.75	¥ 52.13	¥ 61.01	¥ 112.62	¥ 100.01	**¥ 48.70**	**$ 0.47**
Net assets	1,236.96	1,268.67	1,302.56	1,325.72	1,404.03	1,517.93	**1,512.16**	**14.69**
Cash dividends	18.00	20.00	20.00	22.00	24.00	25.00	**26.00**	**0.25**
Capital expenditures								
Purchased Assets*2	¥ 12,636	¥ 18,835	¥ 5,302	¥ 7,358	¥ 14,664	¥ 15,187	**¥ 21,622**	**$ 210,086**
Depreciation Expense*3	8,280	9,195	9,403	9,672	14,003	14,958	**16,579**	**161,086**
Leased Assets	27,458	10,658	10,707	28,426	13,966	15,989	**31,087**	**302,050**
Other data:								
Number of employees	9,960	10,416	12,283	14,700	21,104	22,793	**24,425**	–
Total floor space of warehouse (Thousand square meters)	2,620	3,070	3,230	3,710	5,160	5,640	**6,370**	–
Domestic	2,080	2,460	2,600	3,010	3,940	4,260	**4,610**	–
Overseas	540	610	630	700	1,220	1,380	**1,760**	–
Financial ratios (%, Times)								
Operating margin	4.1	4.0	3.8	4.3	4.2	3.6	**3.4**	–
Return on equity	5.7	5.0	4.1	4.6	8.3	6.8	**3.2**	–

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102.92=U.S.$1, the prevailing exchange rate as of March 31, 2014.
*2 Based on fixed assets recorded in the balance sheet
*3 Allocated over the period of the lease (For reference)

To Our Shareholders and Investors

Yasuo Nakatani
President and CEO

Takao Suzuki
Chairman of the Board

We aim to be a competitive global logistics company through growth led by collaborative innovation and structural reform

Our Business Concept and Business Goals

The Hitachi Transport System Group's core business is to provide total B to B support for corporate logistics services. We will promote "Smart Logistics" to differentiate us from our competitors and maximize Group synergy, in order to become a leading company in the logistics industry and a "competitive logistics company that wins the global competition."

Business Performance and Shareholder Returns in the Year under Review

During the business year ended March 31, 2014, the Japanese economy has shown a gradual recovery as economic policies by the government and quantitative and qualitative monetary easing introduced by the Bank of Japan led to weakening yen, rising stock prices and improvement in corporate revenues, and consumer spending also increased due to last-minute demand before consumption tax rise. The global economy also has been showing a sign of recovery despite uncertainty about the future with prolonged debt crisis in Europe and economic slowdown in emerging countries such as China and India. In the logistics industry, the overall business environment continued to be severe due to intensifying competition despite an upward trend of annual gross domestic cargo volume.

Under these conditions, the Group's service revenues amounted to ¥624,504 million (114% year on year) due to steady growth in new contracts in 3PL business as a result of promoting "Smart Logistics" to differentiate from our competitors and increases in service revenues as a result of consolidating companies by share transfer. Operating income amounted to ¥20,992 million (107% year on year) due to a recovery trend in the third and fourth quarters despite the lower-than-expected results in the first quarter due to decreased volume of freight handled of existing customers and increased setup cost associated with increased new contracts. Net income amounted to ¥5,433 million (49% year on year) due to recording extraordinary losses including "Expenses for business structural reform" related to reorganization of domestic subsidiaries, "Amortization of goodwill*", and "Impairment loss on goodwill" related to revised revenue plan in overseas subsidiaries. As a result, we paid an annual dividend of ¥26 per share, up ¥1 from the previous year.

* Represents one-time amortization of goodwill as a result of recording "Valuation loss on affiliates' shares" and "Valuation loss on capital investments in affiliates" as extraordinary losses on a non-consolidated basis based on the review of operating results and financial position of the Company's overseas subsidiaries.

Future Business Strategy

In terms of the business environment going forward, global economy is expected to continue its gradual recovery, but there are still uncertainties about the future of other emerging countries such as China. Japanese economy is also expected to recover gradually due to economic policy by the government despite anticipated backlash after the last-minute demand associated with the consumption tax rise.

Under these circumstances, the Group will pursue "dynamic structural reform" as well as strive to "ensure thorough group management and strengthen corporate governance" and "realize smart logistics and develop a new business model through group synergy."

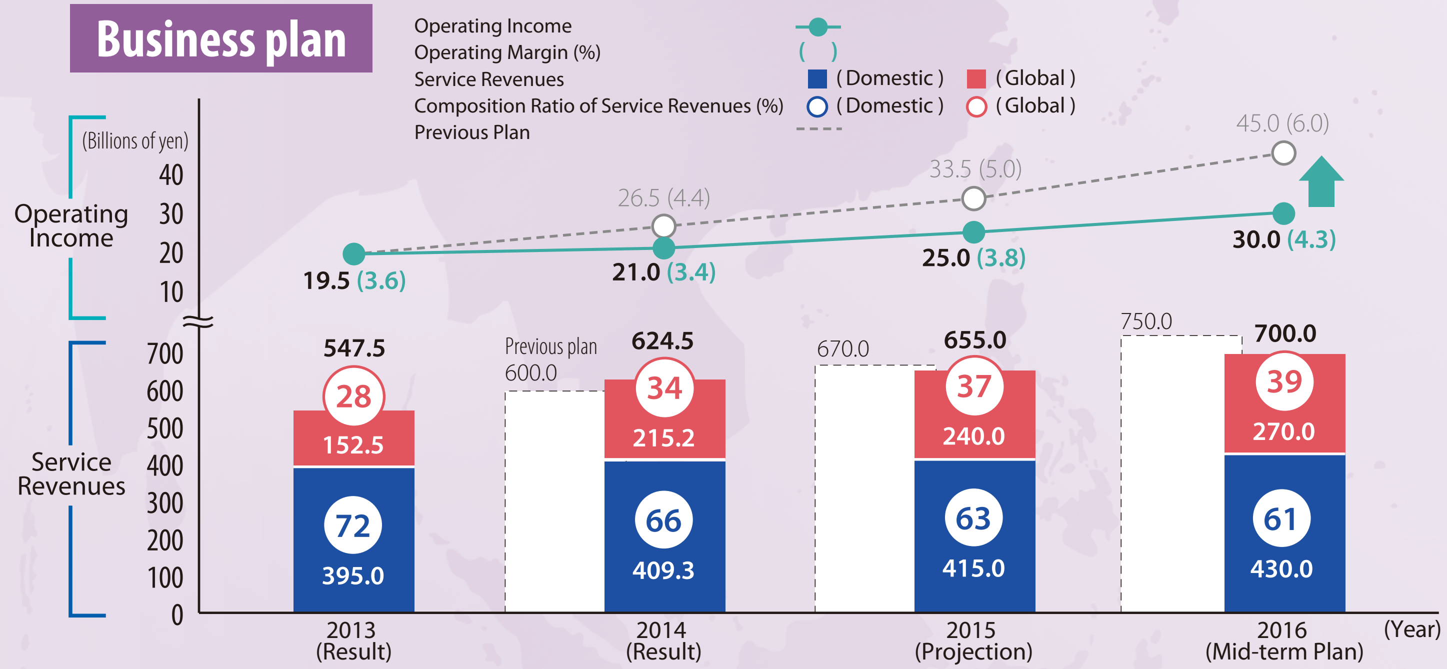
We look forward to your continued support.

Feature: Toward Achieving the 2015 Vision

Vision Competitive logistics company that wins the global competition

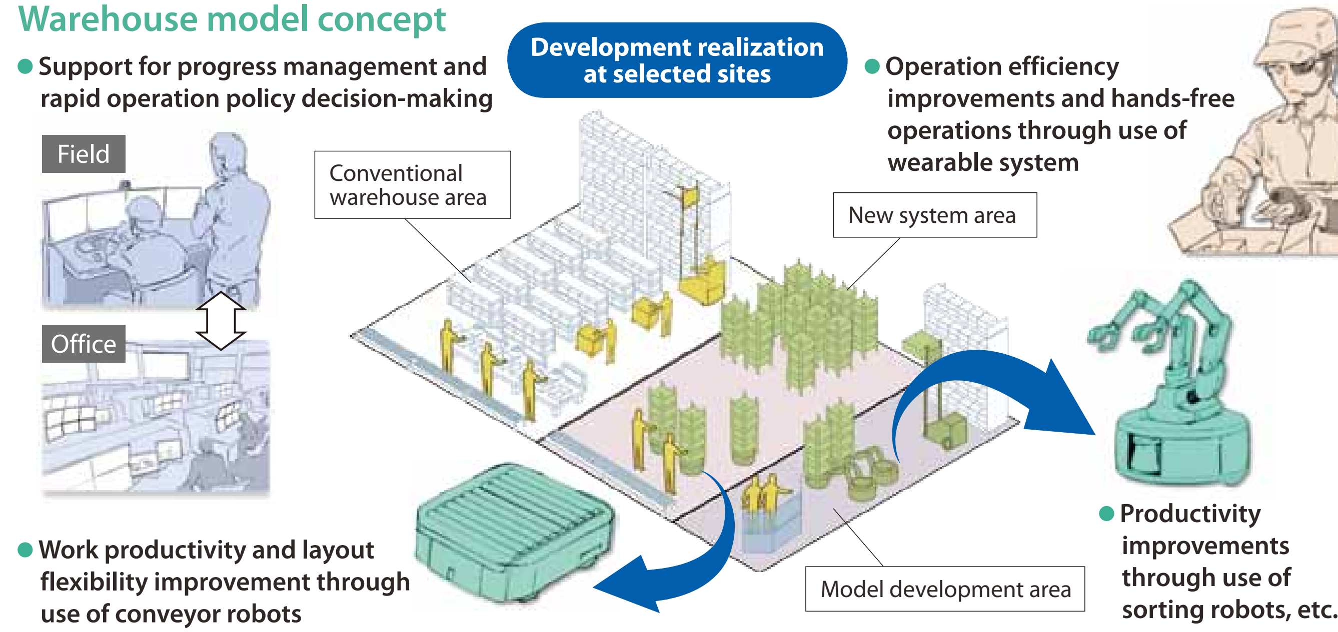
Management policy Growth through collaboration and structural reform

Business plan



Smart Logistics (New Model Development / Realization Plan)

Warehouse model concept

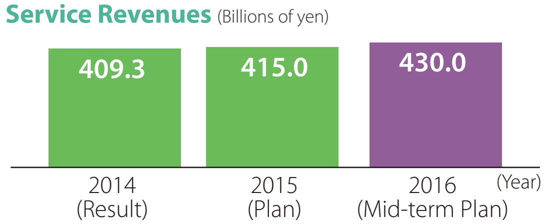


Domestic Business Expansion

Total Personnel: 29,418 people
Vehicles: Approx. 3,000
Number of Sites: 357
Distribution Center Area: 4,610,000m²

Strategy Create services and business models which increase customer satisfaction, producing sustained growth

Service Revenues (Billions of yen)



Priority Measures

- Respond to diversifying customer needs
  - Provide platforms to industry and corporate groups
  - Provide business operations and "value" through new technologies and high-spec logistics
  - Comprehensive, regionally-focused business operations tailored to regional characteristics

Platform business expansion-oriented logistics site reinforcement

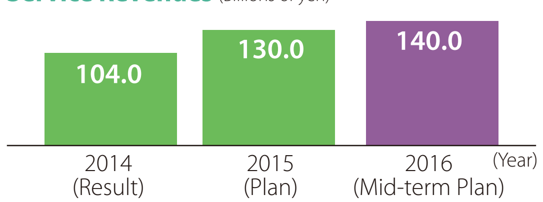
Open dedicated food product distribution center in northern Kanto area

Dedicated food product warehouse with dry and chilled functions
Location .... Gunma Prefecture
Operation .... Early 2015

Forwarding Business

Strategy Enhancement and expansion of One Hitachi Transport System offshore business

Service Revenues (Billions of yen)

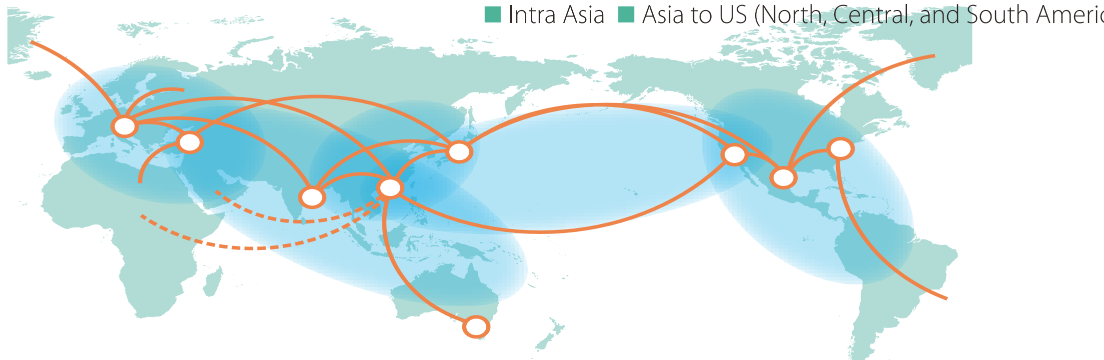


Cargo volume trends and important routes

	2014	2015	2016
Air	170,000 tons	210,000 tons	250,000 tons
Sea	240,000 TEU	300,000 TEU	350,000 TEU

Important routes

■ Intra Asia ■ Asia to US (North, Central, and South America)



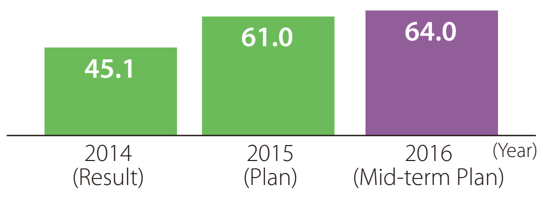
Feature: Toward Achieving the 2015 Vision

Europe

Total Personnel: 4,093 people
Vehicles: Approx. 2,000
Number of Sites: 74
Distribution Center Area: 400,000m²

Strategy Network operation system expansion through strengthening of coordination with M&A partners

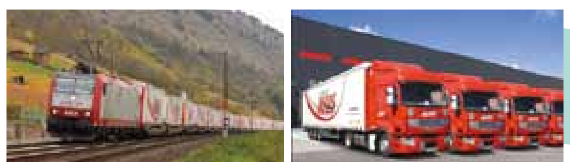
Service Revenues (Billions of yen)

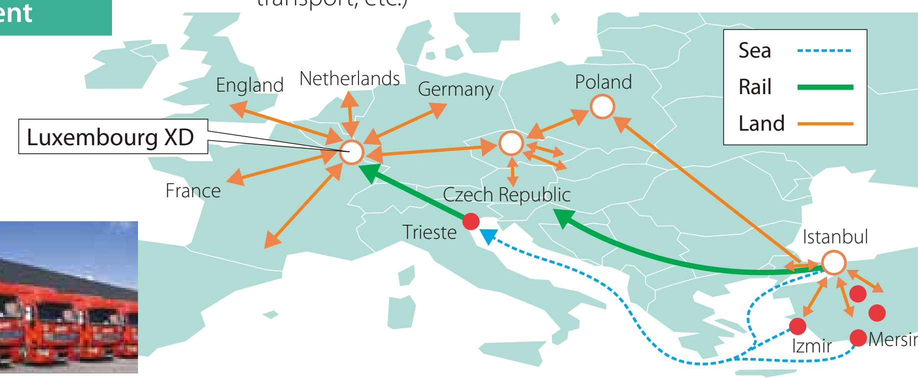


Priority Measures

- Business promotion and expansion of orders through group coordination
- Intermodal expansion and European network logistics sales expansion through enrichment of Luxembourg XD functions
- Eastern Europe: Regional 3PL business expansion and heavy machinery construction business promotion
- Turkey: Domestic business expansion (3PL, intraregional transport, etc.)

Intermodal business expansion and group network enhancement



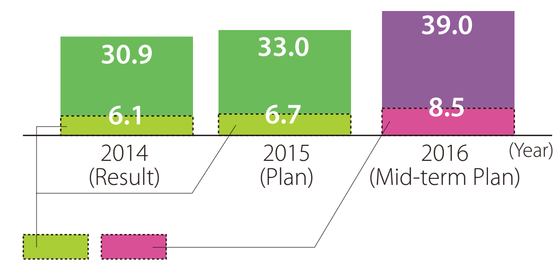


North America

Total Personnel: 2,142 people
Vehicles: Approx. 3,000
Number of Sites: 49
Distribution Center Area: 190,000m²

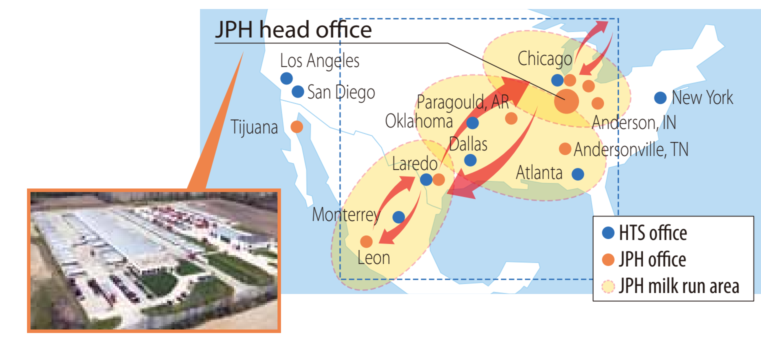
Strategy Business expansion through M&A partner growth and group company fusion

Service Revenues (Billions of yen)



Priority Measures

- NAFTA pipeline and Mexico business segment expansion



Mexico business expansion (automobile parts logistics)

Number of Sites 10
Distribution Center Area ... Approx. 43,000m²

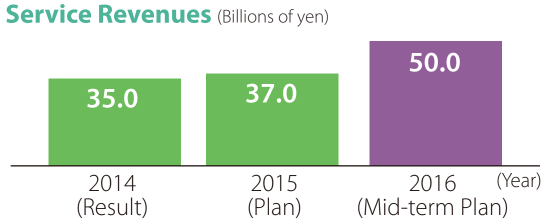
*Numbers of total personnel, sites, vehicles, and distribution center area are as of March 31, 2014
*Numbers of total personnel include part timers, temporary employees and personnel of equity method affiliate
*Numbers of vehicles are the estimated total for trucks, tractors, and trailers

Asia

Total Personnel: 7,743 people
Vehicles: Approx. 1,000
Number of Sites: 127
Distribution Center Area: 590,000m²

Strategy Respond to market growth and accelerated deployment of global accounts within regions

Service Revenues (Billions of yen)



Priority Measures

- India: Expanded smart logistics sales and further coordination with automobile related logistics
- Myanmar: Expansion into Thilawa industrial park
- Vietnam: Heavy machinery construction business sales expansion and business development
- Thailand / Malaysia: Cross-border 3PL and cold chain expansion : Expansion of orders from global accounts
- Indonesia: Expansion of orders from Japanese companies and local conglomerates

Handling of Japanese global accounts

Build 3PL distribution center in Indonesia

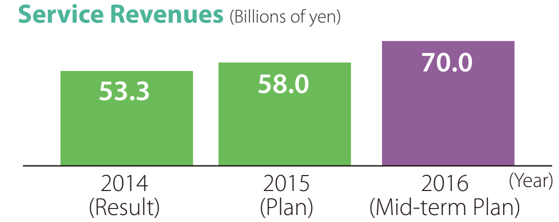
Provide Japanese level of service to daily commodities customers
Location .... Surabaya City
Operation .... January 2015

China

Total Personnel: 5,385 people
Vehicles: Approx. 100
Number of Sites: 149
Distribution Center Area: 570,000m²

Strategy Japanese-style 3PL development and forwarding business enhancement

Service Revenues (Billions of yen)



Priority Measures

- Expansion of orders from global accounts (retail, manufacturers, automobile parts, etc.)
- Expansion of orders from the Hitachi Group (coordination with Smart Transformation PJ)
- Business deployment into inland areas

Steadily open new sites to handle new projects

Build parts distribution center in Kunshan

Dedicated parts distribution center for major Japanese manufacturers
Location .... Kunshan City
Operation .... August 2014

Topics

Global Logistics

China (Logistics Site)
Tianjin Distribution Center
Tianjin City
Operations started October 2013
Daily commodities

Myanmar (New Company)
NISSHIN (MYANMAR) CO., LTD.
Yangon
Inspection operations started April 2013
Global logistics,
internal warehouse operations, etc.

Hong Kong (M&A)
CDS Freight Holding Ltd.
Hong Kong
Acquired July 2013
Forwarding business

USA (M&A)
James J. Boyle & Co.
San Francisco
Acquired May 2013
Forwarding business

Russia (New Company)
VANTEC HTS LOGISTICS (RUS), LLC
Saint Petersburg
Operations started June 2013
Warehouse storage, shipping business, etc.

Malaysia (Logistics Site)
Kuala Lumpur Logistics Center
Bangi, Selangor
Operations started October 2013
Retail, appliances, food products, etc.

Indonesia (New Company)
PT Hitachi Transport System Indonesia
Jakarta
Operations started October 2013
3PL business

Turkey (M&A)
Mars Logistics Group Inc.
Istanbul
Acquired October 2013
Intermodal business, forwarding business

Hong Kong / Taiwan (Reorganization)
Vantec Hitachi Transport System (Hong Kong) Ltd.
Vantec Hitachi Transport System (Taiwan) Ltd.
Reorganized November 2013
Creation of synergy with the Vantec Group

Singapore (Reorganization)
Hitachi Transport System (Asia) Pte. Ltd.
Reorganized April 2014
Creation of synergy with the Vantec Group

2013
APR MAY JUN JUL AUG SEP OCT NOV DEC
2014
JAN FEB MAR APR

Domestic Logistics

Technical Center
Matsudo City, Chiba Prefecture (inside HTS Group training center)
Opened September 2013
Testing facility

Shin-Fuji Distribution Center
Fuji City, Shizuoka Prefecture
Operations started October 2013
Food products, daily commodities, etc.

Chukyo Distribution Center (Phase II)
Kasugai City, Aichi Prefecture
Operations started January 2014
Retail, daily commodities, electrical products, etc.

Kawagoe Distribution Center
Kawagoe City, Saitama Prefecture
Operations started March 2014
Food products, daily commodities, etc.

Atsugi Distribution Center
Aiko county, Kanagawa Prefecture
Operations started January 2014
Automobile parts, etc.

Tsukuba Distribution Center
Tsukuba City, Ibaraki Prefecture
Operations started April 2014
Construction equipment parts, etc.

Sagamihara Distribution Center
Sagamihara City, Kanagawa Prefecture
Operations started January 2014
Precision instruments, cosmetics, etc.

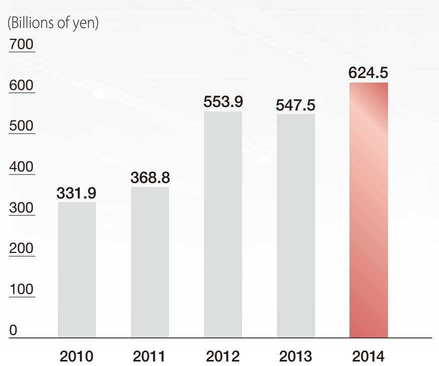
Consolidated Financial Highlights

Years ended March 31

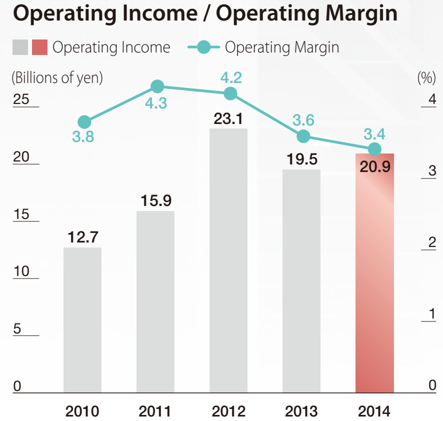
	Millions of yen					Thousands of U.S. dollars*
	2010	2011	2012	2013	2014	2014
For the year:						
Service revenues	¥ 331,917	¥ 368,798	¥ 553,934	¥ 547,517	¥ **624,504**	**$ 6,067,859**
Operating income	12,724	15,940	23,131	19,535	**20,992**	**203,964**
Net income	5,815	6,806	12,563	11,156	**5,433**	**52,789**
At year-end:						
Total assets	231,188	246,558	365,013	374,206	**427,733**	**4,155,976**
Net assets	148,471	151,066	164,640	174,904	**181,401**	**1,762,544**
Per share data (Yen and U.S. dollars*):						
Net income	52.13	61.01	112.62	100.01	**48.70**	**0.47**
Net assets	1,302.56	1,325.72	1,404.03	1,517.93	**1,512.16**	**14.69**
Cash dividends	20.00	22.00	24.00	25.00	**26.00**	**0.25**
Other data:						
Number of employees	12,283	14,700	21,104	22,793	**24,425**	**–**
Total floor space of warehouse (Thousand square meters)	3,230	3,710	5,160	5,640	**6,370**	**–**

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102.92=U.S.$1, the prevailing exchange rate as of March 31, 2014.

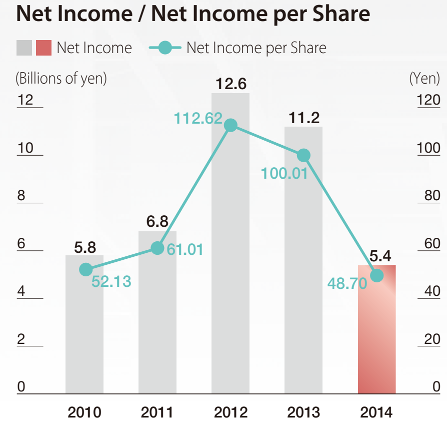
Service Revenues



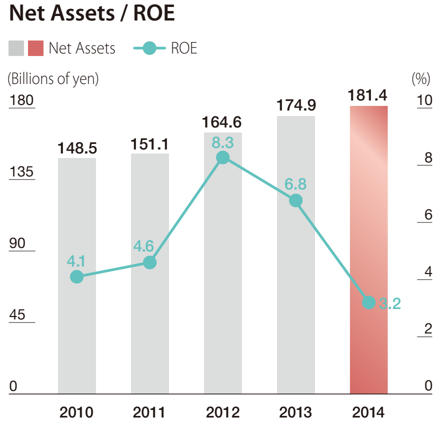
Operating Income / Operating Margin



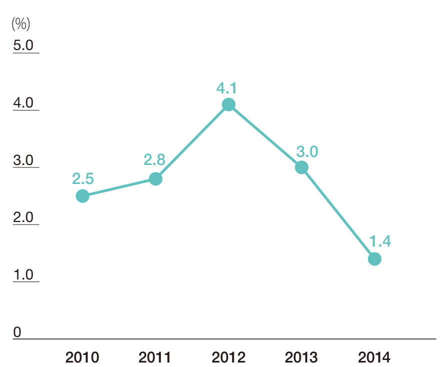
Net Income / Net Income per Share



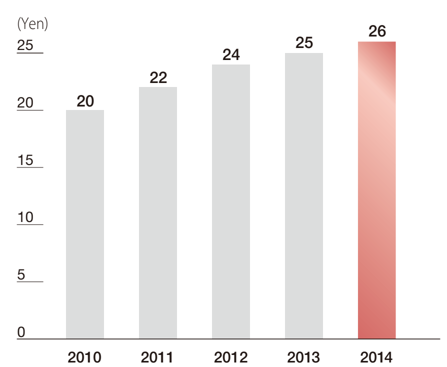
Net Assets / ROE



Return on Assets (ROA)



Cash Dividends per Share



Review of Operations

Results by Segment for the Year Ended March 31, 2014 (Billions of yen)

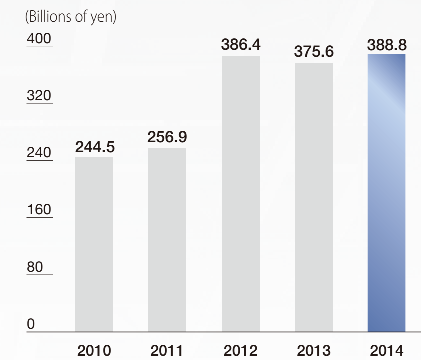
	Service Revenues			Operating Income	
	Service Revenue Breakdown (%)	Results	Year on Year (%)	Results	Year on Year (%)
Domestic logistics	62	388.8	104	28.5	104
Global logistics	34	215.2	141	2.9	259
Other services	3	20.5	106	2.7	105
Adjustments	–	–	–	(13.2)	–
Total	100	624.5	114	21.0	107

Domestic Logistics

Years ended March 31

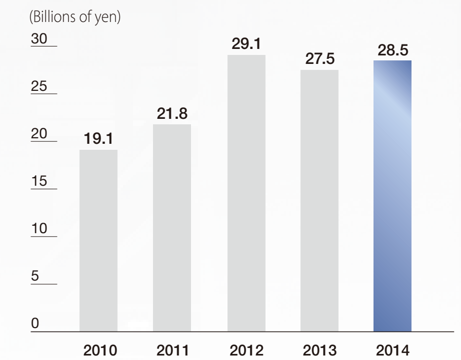
Service Revenues

¥388.8 billion
(104% year on year)



Operating Income

¥28.5 billion
(104% year on year)



Main Services

- Third Party Logistics (3PL) Business (Domestic) (Comprehensive contracts for logistics services including logistics system integration, information control, inventory control, order control, value added services, distribution center operation, factory logistics, transportation and delivery services)
- Transportation, Installation and Setup of General Cargo, Heavy Machineries and Artworks
- Large Scale Moving such as Factory and Office
- Warehousing and Trunk Room Services
- Collection and Transportation of Industrial Waste

Review of Operations

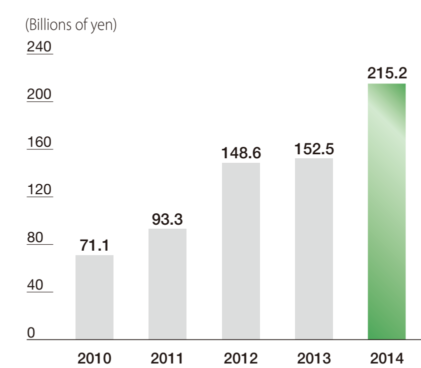
- Hitachi Frontier Transport System Co., Ltd. started a full-scale operation under the new system and launched the platform business in the cable industry.
- Showed a steady growth due to a number of new projects in retail and daily commodity sector and last-minute demand before consumption tax rise, despite an increase in setup cost associated with new contracts and a decrease in volume in automobile-related sector.
- Established a technical center in Chiba as a testing facility for logistics techniques and logistics facilities in Shizuoka, Aichi, Kanagawa, and Saitama.

Global Logistics

Years ended March 31

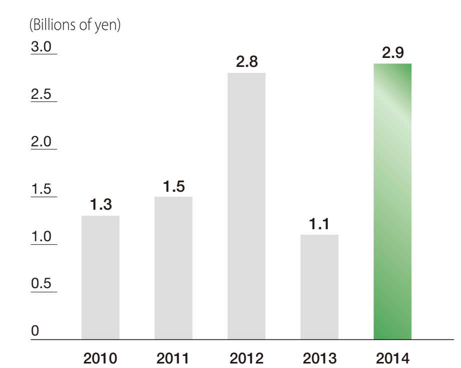
Service Revenues

¥215.2 billion
(141% year on year)



Operating Income

¥2.9 billion
(259% year on year)



Main Services

- Third Party Logistics (3PL) Business (International) (Comprehensive contracts for logistics services including customs clearance, international multimodal transportation by surface, ocean and air)
- Overseas Logistics
- Air Cargo Sales Agent Business

Review of Operations

- Accepted the transfer of the shares of James J. Boyle & Co. in the U.S. with an advantage in air freight, CDS Freight Holding Ltd. in Hong Kong with an advantage in sea freight, and Mars Logistics Group Inc., a logistics company in Turkey with an advantage in international intermodal transportation, in order to enhance forwarding business by expanding offshore business (trilateral) and strengthening procurement capability.
- Started new companies in Russia and Indonesia and established logistics facilities in Malaysia and China to start up new projects for customers with the globalization plan in retail, daily commodity and automobile-related sector.
- Reorganized consolidated subsidiaries in Hong Kong and Taiwan to strengthen operating system and improve efficiency.

Corporate Governance

Basic Policy and Organizational Structure

Our corporate governance philosophy is that, along with efforts to increase management transparency and efficiency, we must improve corporate value and achieve sustainable development through business activity based on compliance and ethical conduct. We will follow these ideas as we establish a healthy, highly transparent corporate governance system that will enable us to nimbly respond to changes in the business environment. As part of this effort, the Company has been using a management committee system in which management oversight and business execution functions are separate. Under the system, substantial authorities related to business execution are delegated from the Board of Directors to executive officers, who make prompt decision making about business restructuring and strategic investments. Executive Committee meeting consisting of all executive officers is held twice a month in general to discuss material subjects which have impacts on the Company and the entire Group and clarify responsibilities and authorities of the executive officers.

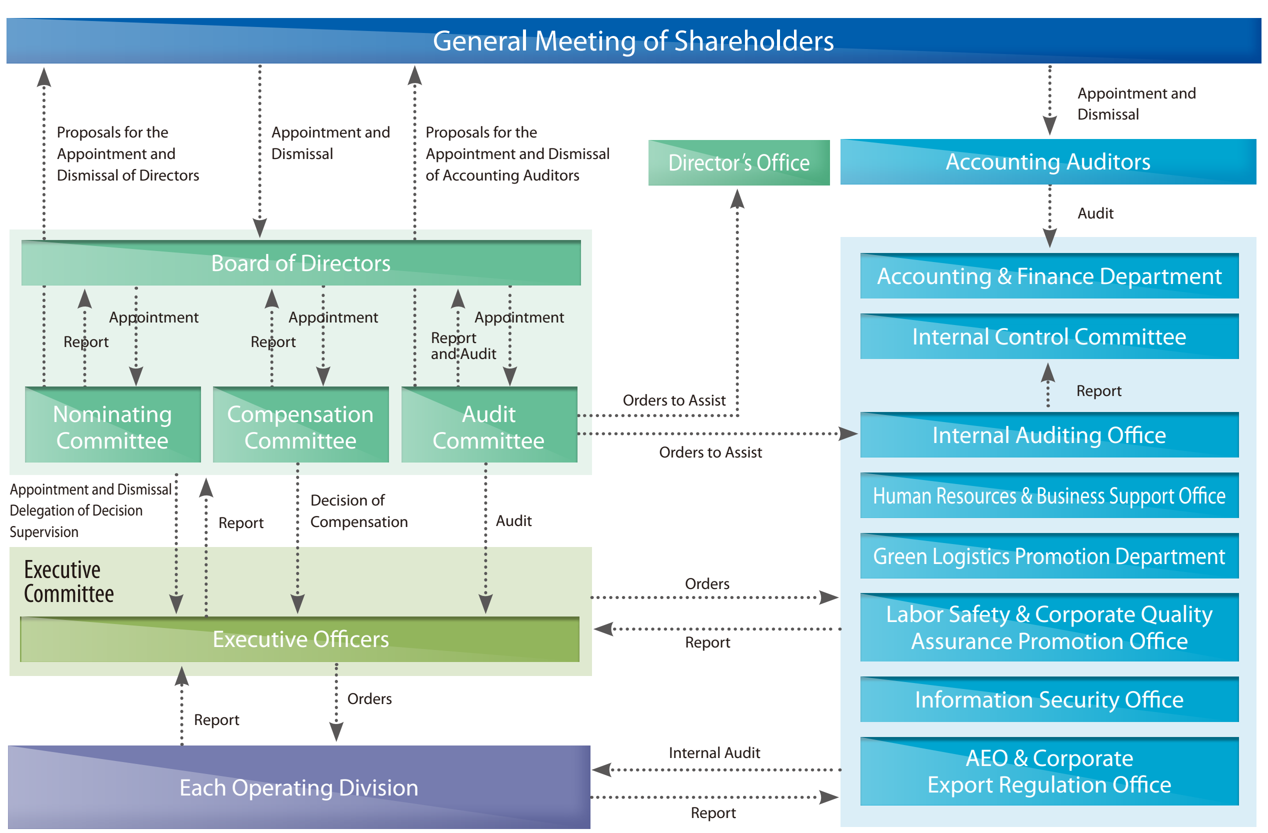
Three committees, Nominating Committee, Audit Committee, and Compensation Committee are set up within the Board of Directors, with majority of members consisting of outside directors, to segregate duties and strengthen oversight function. Director's Office is set up as a specialized division to support duties of the Committees and the Board of Directors, consisting of employees who do not report to executive officers. In order to ensure independence of employees in Director's Office from executive officers, Audit Committee receives a report about personnel relocation of Directors Office in advance, and may request to change to the executive officer in charge of human resources, if necessary.

Relationship between the Company and Outside Directors

There are five outside directors in the Company. There are transactions in the amount of 13,707 million yen (for transportation and commissioned work during the year ended March 31, 2014) between Hitachi, Ltd. where Shinjiro Iwata and Yutaka Saito belong, and the Company. There are no conflicts of interest stipulated in Article 74, Paragraph 2, Item 3 of the Ordinance for Enforcement of the Companies Act between the five outside directors and the Company.

The Company invite outside directors with extensive experience and knowledge of management to bring in outside objective opinions in order to enhance corporate governance and to improve transparency and ensure objectivity in management. To assess independence of outside directors objectively, the Company established our own "Independence Standards for Outside Directors" by reference to the Listing Regulations of Tokyo Stock Exchange, Inc. and the independence standard of proxy advisors, and outside directors to whom none of the standards applied will be appointed as independent officer without the possibility of any conflict of interest with general shareholders. (Tsunetoshi Harada, Mitsudo Urano, and Emiko Magoshi are registered as independent officers as stipulated in the regulations of Tokyo Stock Exchange, Inc.) Those who did not meet these requirements may be invited as outside director if they meet the requirements of outside directors under the Companies Act and have knowledge and experience that could contribute to the Company as outside director.

Corporate Governance Structure



(Independent Standards for Outside Directors)

(a) A director, corporate auditor, accounting advisor, executive officer, corporate officer, manager and any other person equivalent thereto of a corporation or organization that holds 10% or more of the outstanding shares of the Company, either directly or indirectly, as of the end of the previous fiscal year (collectively, "Related Party"), or those who had been a Related Party in the last five years.
(b) A Related Party of subsidiaries of corporation or organization described in (a).
(c) A Related Party of a corporation or organization where 10% or more of its outstanding shares are owned, either directly or indirectly, by the Company as of the end of the previous fiscal year.
(d) A Related Party of a company whose transaction volume with the Company accounts for 2% or more of the Company's consolidated service revenues for the previous fiscal year, or those who had been a Related Party in the last five years of such company.
(e) A Related Party of a business partner that receives payments from the Company and its consolidated subsidiaries that account for 2% or more of such company's consolidated service revenues for the previous fiscal year, or those who had been a Related Party in the last five years of such business party.
(f) A Related Party of a financial institution from which the Company borrows the amount that accounts for 2% or more of the Company's consolidated total assets, or those who had been a Related Party in the last five years of such financial institution.
(g) A consultant, or accounting or legal professional who receives cash or other economic benefits equal to 10 million yen or more per year (average annual amount if the payment covers multiple fiscal years) in the last five years in addition to Director's remuneration from the Company.
(h) A person who received donation or financial assistance equal to 10 million yen or more per year from the Company during the previous fiscal year, or those who belong to the recipient organization.
(i) A Related Party of a company that accepts director(s) or auditor(s) from the Company or its consolidated subsidiaries, or its parent company or consolidated subsidiaries.
(j) Spouses or relatives by blood or affinity within the second degree of kinship of those described in (a) through (i) (excluding those who are not in an important position such as officer).
(k) Spouses or relatives by blood or affinity within the second degree of kinship of an executive director, executive officer, corporate officer, or manager or employees of the Company or its consolidated subsidiaries ("Executive"), or those who had been an Executive in the last ten years, and a Related Party of the Company or its consolidated subsidiaries.

Compensation of Directors and Executive Officers

The compensation level of directors and executive officers are determined at the level appropriate for the ability and responsibilities required for the post based on the policies established by the Compensation Committee, taking into account the other companies' compensation level.

The compensation of directors consists of monthly salary and year-end benefit. The monthly salary is decided by reflecting the full-time or part-time status and position. The amount of year-end benefit is predetermined as approximately 10% of the annual compensation, which is calculated based on the monthly salary, but subject to reduction depending on the Company's performance. The director's compensation is not paid to directors who also serve as an executive officer.

The compensation of executive officers consists of monthly salary and performance fee. The monthly salary is decided by adjusting a basic amount set according to the relevant position to reflect the results of an assessment. The base amount of the performance fee is determined as approximately 30% of the annual compensation, and the amount to be paid is determined according to the performance and responsible role within a certain range.

During the year ended March 31, 2014, the total of ¥116 million was paid to eight directors, of which ¥30 million was paid to four outside directors. Also, the total of ¥540 million was paid to 18 executive officers.

Internal Control System

The Audit Committee has authority to audit execution of duties by directors and executive officers and to establish overall system regarding internal control at the Board of Directors. It also ensures to improve trustworthiness of financial reporting by establishing internal control system over financial information and complying with internal control reporting system over financial reporting prescribed by the Financial Instruments and Exchange Act.

Our compliance measures include establishment of basic policy and regulation and establishment of whistleblower system and compliance audit system as well as activities to raise awareness such as compliance education, in order to improve the awareness within the Group, comply with laws and regulations and internal rules and ensure corporate ethics.

Our efforts regarding risk management include promotion of proactive program such as development of BCP for the major earthquakes and super-flues.

Information security measures include establishing internal regulations, internal audit and in-house trainings to ensure the proper handling of information assets such as client or personal information obtained during the course of logistics services. We also obtained ISMS certification*1 and PrivacyMark*2 in order to enhance information security base.

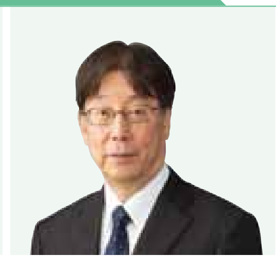
*1 ISMS (ISO/IEC 27001:2005): The system to certify that a company's security management system regarding information security meets certain criteria.
*2 PrivacyMark: The system to assess companies that take appropriate measures to protect personal information in compliance with Japan Industrial Standards, and grant the right to display "PrivacyMark" in the course of the business activities.

Board of Directors and Executive Officers

(As of June 24, 2014)

Board of Directors

Takao Suzuki
Chairman of the Board



Shinjiro Iwata
Outside Director

Mitsudo Urano
Outside Director

Yutaka Saito
Outside Director

Tsunetoshi Harada
Outside Director

Emiko Magoshi
Outside Director

Kenji Ohno
Board Director

Kazuki Terada
Board Director

Yasuo Nakatani
Board Director

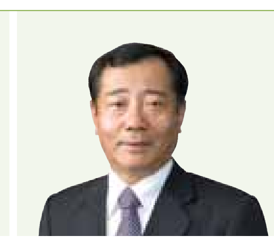
*Outside directors and directors are listed in Japanese alphabetical order.

Executive Officers

Yasuo Nakatani
Representative Executive Officer
President and Chief Executive Officer

Kazuki Terada
Representative Executive Officer
Executive Vice President and Executive Officer

Yoshihiko Mogami
Senior Vice President and
Executive Officer



Takashi Jinguji
Senior Vice President and
Executive Officer

Masataka Kashiwa
Vice President and
Executive Officer

Kunio Iida
Vice President and
Executive Officer

Kazuhisa Hatakeyama
Vice President and
Executive Officer

Hidetoshi Maekawa
Vice President and
Executive Officer

Shibanori Kitoh
Vice President and
Executive Officer

Shinya Hannya
Vice President and
Executive Officer

Executive Officers

Nobukazu Hayashi / Shunsuke Yonekura / Kazumasa Sendouda
Kazunori Urayama / Toru Watanabe / Kazuya Fukumoto
Hiromoto Fujitani / Katsutoshi Kashimura

Corporate Social Responsibility

The Group places a high value on CSR and promotes activities based on the following policies in order to increase satisfaction of stakeholders. By stepping up our key business concept of "Smart Logistics" in the global logistics market, we offer ideal solutions for our customers—and consistently strive to bolster corporate value through sincere and transparent CSR management.

HTS is an expert in the field of logistics—a critical aspect of social infrastructure linking production and consumption. In this important role, we are proud to offer cordial service that comes from the heart, and to work continuously to develop safety strategies to ensure the utmost in safety and environmental protection.

a) Commitment to Corporate Social Responsibility (CSR)
b) Contribution to society through our Business
c) Disclosure of Information and Stakeholder Engagement
d) Corporate Ethics and Human Right
e) Environmental Conservation
f) Corporate Citizenship Activities
g) Working Environment
h) Responsible Partnership with Business Partners

Safety

Our approach to safety is simple: to put safety above all else—a slogan that encapsulates our range of safety-related initiatives, including enhancing safety training and putting forth logistics services that incorporate the highest standards of both safety and quality. One example of how we pass on the HTS corporate culture of safety is our "Safety Caravan," a training program by which HTS instructors are dispatched to other countries to train our national staff in safety measures.

● Bolstering Safety Instruction at Overseas Locations

To convey HTS's special corporate culture of safety to our locations abroad, we dispatch a special training unit called our "Safety Caravan," under which we send safety supervisors abroad to train our overseas employees in safety (the program has had over 1,000 participants in seven countries). We also offer training programs in Japan for overseas employees, also featuring a special safety curriculum.

Safety Caravan instructors explain how to use the handlift, at Hitachi Transport System (Australia) Pty. Ltd.

Environment

As we consider environmental effect of logistics business, our specific activities for environmental conservation include expanded implementation of eco-friendly vehicles, expansion of the modal shift*1, promotion of Platform Business, promotion of resource circulation, implementation of environmentally friendly equipment. We also obtained Green Management certification*2, and proactively promote eco-friendly green logistics.

● Stepping up Transfer of Import Containers for Domestic Use

Since June 2013, we have utilized import containers taken to Tochigi City in transport to Urayasu City (domestic transport), boosting transport efficiency.

An import container for domestic transport

Society

As part of our corporate citizenship activities, we host community beautification activity, traffic safety class and futsal games and also promote Matching Program*3 with the aim to contribute community, traffic safety and education of youth.

● Overseas

HTS sent daily commodities to a child welfare center located in the suburbs of Kuala Lumpur, capital of Malaysia.

*1 Modal shift : An action to shift arterial freight transport from trucks to railroad or coastal shipping that are energy-saving and low-pollution and capable of mass transport
*2 Green Management : The system to certify truck operators that take environment conservation measures of a certain level or higher
*3 Matching Program : The program whereby any donations made by employees are matched by the Company for the same amount and for the same purpose

Consolidated Balance Sheet

Hitachi Transport System, Ltd. and subsidiaries

As of March 31, 2014 and 2013

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 2) 2014
Current assets:			
Cash (Notes 4 and 5)	¥ 17,397	¥ 13,425	$ 169,034
Deposit to the parent company (Notes 3, 4 and 5)	16,597	22,269	161,261
Trade receivables: (Notes 3, 5 and 8)			
Accounts and notes	111,269	97,024	1,081,121
Investments in leases (Note 16)	5,903	5,532	57,355
Merchandise	564	362	5,480
Work in process	71	112	690
Raw materials and supplies	556	398	5,402
Deferred tax assets (Note 9)	4,728	4,805	45,939
Other current assets (Note 5)	12,809	9,148	124,456
Less allowance for doubtful receivables	(857)	(740)	(8,327)
Total current assets	169,037	152,335	1,642,412
Property and equipment:			
Land (Note 7)	51,822	52,338	503,517
Buildings and structures (Note 7)	153,867	142,762	1,495,016
Machinery, equipment and vehicles	55,557	45,927	539,808
Tools, furniture and fixtures	16,424	14,299	159,580
Leased assets	18,128	12,763	176,137
Construction in progress	2,724	2,498	26,467
	298,522	270,587	2,900,525
Less accumulated depreciation	(139,315)	(130,280)	(1,353,624)
Property and equipment, net	159,207	140,307	1,546,901
Intangible assets:			
Goodwill	29,911	26,329	290,624
Customer-related intangible assets	35,681	28,752	346,687
Other intangible assets	6,098	6,210	59,250
Total intangible assets	71,690	61,291	696,560
Investments and other assets:			
Investments in securities (Notes 4, 5 and 6)	2,624	2,780	25,496
Investments in affiliates	1,340	1,120	13,020
Investments in jointly controlled entities	15	19	146
Net defined benefit asset (Note 10)	3,701	-	35,960
Deferred tax assets (Note 9)	7,721	4,478	75,019
Other assets	12,515	11,995	121,599
Less allowance for doubtful receivables	(117)	(119)	(1,137)
Total investments and other assets	27,799	20,273	270,103
Total assets	¥ 427,733	¥ 374,206	$ 4,155,976

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 2) 2014
Current liabilities:			
Short-term bank loans (Notes 5 and 7)	¥ 11,392	¥ 9,393	$ 110,688
Current portion of long-term debt (Notes 3, 5 and 7)	15,271	31,366	148,377
Lease obligations (Notes 3 and 7)	2,633	2,245	25,583
Trade payables (Note 5)			
Accounts and notes	50,072	42,741	486,514
Accrued expenses	19,391	18,164	188,408
Income taxes payable (Note 9)	6,106	4,451	59,328
Other current liabilities (Note 5)	22,310	12,520	216,770
Total current liabilities	127,175	120,880	1,235,668
Non-current liabilities			
Long-term debt (Notes 3, 5 and 7)	62,354	39,732	605,849
Lease obligations (Notes 3 and 7)	9,745	6,243	94,685
Deferred tax liabilities (Note 9)	15,101	13,737	146,726
Accrued retirement and severance benefits (Note 10)	–	16,608	–
Accrued retirement benefits for directors	506	619	4,916
Net defined benefit liability (Note 10)	29,906	–	290,575
Other non-current liabilities (Note 5)	1,545	1,483	15,012
Total non-current liabilities	119,157	78,422	1,157,763
Total liabilities	246,332	199,302	2,393,432
Commitments and contingencies (Note 12)			
Net assets (Note 11)**:**			
Shareholders' equity:			
Common stock			
Authorized 292,000,000 shares in 2014 and 2013			
Issued 111,776,714 shares in 2014 and 2013	16,803	16,803	163,263
Additional paid-in capital	13,428	13,428	130,470
Retained earnings	139,313	139,115	1,353,605
Treasury stock at cost— 225,746 shares in 2014			
and 225,346 shares in 2013	(179)	(178)	(1,739)
Total shareholders' equity	169,365	169,168	1,645,599
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on other securities	215	200	2,089
Deferred gains (losses) on hedges	(30)	(49)	(291)
Foreign currency translation adjustments	2,418	8	23,494
Remeasurements of defined benefit plans	(3,285)	–	(31,918)
Total accumulated other comprehensive income	(682)	159	(6,627)
Minority interests	12,718	5,577	123,572
Total net assets	181,401	174,904	1,762,544
Total liabilities and net assets	¥ 427,733	¥ 374,206	$ 4,155,976

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Service revenues (Note 3)	¥ 624,504	¥ 547,517	$ 6,067,859
Cost of services	563,046	489,239	5,470,715
Gross profit	61,458	58,278	597,143
Selling, general and administrative expenses (Note 13)	40,466	38,743	393,179
Operating income	20,992	19,535	203,964
Other income (expenses):			
Interest income (Note 3)	214	137	2,079
Interest expenses (Note 3)	(988)	(853)	(9,600)
Dividends income	72	70	700
Equity in earnings of affiliated companies	220	186	2,138
Others, net (Note 14)	(5,021)	1,418	(48,785)
Income before income taxes and minority interests	15,489	20,493	150,496
Income taxes (Note 9)	(9,657)	(8,910)	(93,830)
Income before minority interests	5,832	11,583	56,665
Minority interests	(399)	(427)	(3,877)
Net income	¥ 5,433	¥ 11,156	$ 52,789

	Yen		U.S. dollars (Note 2)
	2014	2013	2014
Net income per share (Note 15)	¥ 48.70	¥ 100.01	$ 0.47

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Income before minority interests	¥ 5,832	¥ 11,583	$ 56,665
Other comprehensive income			
Net unrealized holding gains (losses) on other securities	15	140	146
Deferred gains (losses) on hedges	19	(7)	185
Foreign currency translation adjustments	2,979	4,474	28,945
Remeasurements of defined benefit plans, net of tax	559	-	5,431
Share of other comprehensive income of affiliates accounted for by equity method	139	153	1,351
Total other comprehensive income (Note 19)	3,711	4,760	36,057
Total comprehensive income	¥ 9,543	¥ 16,343	$ 92,723
Comprehensive income attributable to shareholders of the parents	8,408	15,364	81,695
Comprehensive income attributable to minority interests	1,135	979	11,028

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2014 and 2013

	Millions of yen									
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at March 31, 2012	¥ 16,803	¥ 13,428	¥ 130,618	¥ (178)	¥ 60	¥ (42)	¥ (4,067)	¥ –	¥ 8,018	¥ 164,640
Net income	–	–	11,156	–	–	–	–	–	–	11,156
Cash dividends	–	–	(2,789)	–	–	–	–	–	–	(2,789)
Decrease in treasury stock, net	–	–	–	(0)	–	–	–	–	–	(0)
Adjustments due to changes in the fiscal period of consolidated subsidiaries	–	–	130	–	–	–	–	–	–	130
Net changes during the year	–	–	–	–	140	(7)	4,075	–	(2,441)	1,767
Balance at March 31, 2013	16,803	13,428	139,115	(178)	200	(49)	8	–	5,577	174,904
Cumulative effect of changes in accounting policies	–	–	(2,446)	–	–	–	–	(3,816)	(470)	(6,732)
Restated balance at April 1, 2013	16,803	13,428	136,669	(178)	200	(49)	8	(3,816)	5,107	168,172
Net income	–	–	5,433	–	–	–	–	–	–	5,433
Cash dividends	–	–	(2,789)	–	–	–	–	–	–	(2,789)
Decrease in treasury stock, net	–	0	–	(1)	–	–	–	–	–	(1)
Net changes during the year	–	–	–	–	15	19	2,410	531	7,611	10,586
Balance at March 31, 2014	¥ 16,803	¥ 13,428	¥ 139,313	¥ (179)	¥ 215	¥ (30)	¥ 2,418	¥ (3,285)	¥ 12,718	¥ 181,401

	Thousands of U.S. dollars (Note 2)									
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at March 31, 2013	$ 163,263	$ 130,470	$1,351,681	$ (1,729)	$ 1,943	$ (476)	$ 78	$ –	$ 54,188	$1,699,417
Cumulative effect of changes in accounting policies	–	–	(23,766)	–	–	–	–	(37,077)	(4,567)	(65,410)
Restated balance at April 1, 2013	163,263	130,470	1,327,915	(1,729)	1,943	(476)	78	(37,077)	49,621	1,634,007
Net income	–	–	52,789	–	–	–	–	–	–	52,789
Cash dividends	–	–	(27,099)	–	–	–	–	–	–	(27,099)
Decrease in treasury stock, net	–	0	–	(10)	–	–	–	–	–	(10)
Net changes during the year	–	–	–	–	146	185	23,416	5,159	73,951	102,857
Balance at March 31, 2014	$ 163,263	$ 130,470	$1,353,605	$ (1,739)	$ 2,089	$ (291)	$ 23,494	$ (31,918)	$ 123,572	$ 1,762,544

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 15,489	¥ 20,493	$ 150,496
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	16,603	14,990	161,319
Impairment losses on long-lived assets	56	34	544
Impairment loss on goodwill	1,028	–	9,988
Amortization of goodwill	4,141	1,503	40,235
Increase in accrued retirement and severance benefits	–	673	–
Increase (Decrease) in accrued retirement benefits for directors	(113)	13	(1,098)
Increase in net defined benefit liability	1,093	–	10,620
Decrease in other allowance	(98)	(121)	(952)
Interest income and dividends	(286)	(207)	(2,779)
Interest expenses	988	853	9,600
Gain on sales of property and equipment	(783)	(1,274)	(7,608)
Gain on sales of investment securities	(45)	(167)	(437)
(Increase) Decrease in trade receivables	(4,739)	6,047	(46,045)
(Increase) Decrease in inventories	(245)	329	(2,380)
Increase (Decrease) in trade payables	1,169	(4,972)	11,358
Other, net	538	(432)	5,227
Subtotal	34,796	37,762	338,088
Receipts of interest income and dividends	444	228	4,314
Interest expenses paid	(1,009)	(848)	(9,804)
Income taxes paid	(8,542)	(12,453)	(82,997)
Net cash provided by operating activities	25,689	24,689	249,602
Cash flows from investing activities:			
Deposit in time deposits	(209)	(24)	(2,031)
Withdrawal from time deposits	61	6,520	593
Purchase of property and equipment	(15,307)	(16,308)	(148,727)
Proceeds from sales of property and equipment	2,904	1,733	28,216
Purchase of investments in securities	(7)	(3)	(68)
Proceeds from sales of investments in securities	199	313	1,934
Placement of deposit	–	(2,500)	–
Refund of deposit	2,500	–	24,291
Payments for acquisition of subsidiaries' stock	(573)	(5,457)	(5,567)
Payments for acquisition of investments in newly consolidated subsidiaries (Note 4)	(13,528)	(818)	(131,442)
Proceeds from acquisition of investments in newly consolidated subsidiaries	–	222	–
Other, net	(635)	(437)	(6,170)
Net cash used in investing activities	(24,595)	(16,759)	(238,972)
Cash flows from financing activities:			
Decrease in short-term bank loans, net	(1,479)	(1,649)	(14,370)
Proceeds from long-term debt	33,287	1,639	323,426
Repayment of long-term debt	(26,418)	(2,543)	(256,685)
Redemption of bonds	(2,000)	–	(19,433)
Repayment of lease obligations	(2,588)	(2,186)	(25,146)
Dividends paid to shareholders	(2,789)	(2,789)	(27,099)
Dividends paid to minority shareholders of subsidiaries	(50)	(50)	(486)
Other, net	(1)	56	(10)
Net cash used in financing activities	(2,038)	(7,522)	(19,802)
Effect of exchange rate changes on cash and cash equivalents	1,506	1,242	14,633
Net increase in cash and cash equivalents	562	1,650	5,461
Cash and cash equivalents at beginning of year	33,052	31,081	321,143
Increase in cash and cash equivalents resulting from changes in fiscal period of consolidated subsidiaries	–	321	–
Cash and cash equivalents at end of year (Note 4)	¥ 33,614	¥ 33,052	$ 326,603

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Hitachi Transport System, Ltd. and subsidiaries

1. Basis of Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements of Hitachi Transport System, Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Companies prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Financial Services Agency as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory consolidated financial statements prepared in Japanese is not presented in the accompanying consolidated financial statements.

(b) Principles of Consolidation and Accounting for Investments in Affiliates

The accompanying consolidated financial statements include the accounts of the Company and any companies controlled directly or indirectly by the Company. The number of consolidated subsidiaries was 121 (23 domestic and 98 foreign) as of March 31, 2014.

Any significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. The number of affiliates accounted for by the equity method was 10 as of March 31, 2014.

(c) Fiscal Period of Consolidated Subsidiaries

In preparation of the consolidated financial statements, 28 consolidated subsidiaries with a fiscal year-end of December 31 prepared financial statements provisionally closed as of the consolidated closing date.

(d) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Companies consider all highly liquid investments with insignificant risk of changes in value which have original maturities of three months or less when purchased to be cash equivalents.

(e) Short-term Investments and Investments in Securities

The Companies account for securities in accordance with "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of following three categories and accounted for as follows:

(1) Securities that the Companies hold with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.

(2) Securities that the Companies have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.

(3) Securities classified as neither trading securities nor held-to-maturity securities are classified as other securities and measured at fair value, with either unrealized holding gains or losses excluded from earnings and reported as net unrecognized holding gains (losses), net of tax effect in a separate component of net assets until realized. In cases where any significant decline in the fair value is assessed to be other than temporary, the cost of other securities is devaluated by the impaired amount and the loss is included in earnings.

Other securities without fair values are carried at cost. In computing realized gains or losses, cost of other securities is principally determined by the moving-average method.

(f) Inventories

The Companies account for inventories in accordance with "Accounting Standard for Measurement of Inventories" ("Accounting Standard No. 9" issued by the Accounting Standard Board of Japan ("ASBJ") on July 5, 2006). This standard requires that inventories held for sale in the ordinary course of business be carried on the balance sheet at the acquisition cost, however, in the case that the net selling value declines below the acquisition cost at the end of the period, this standard requires that inventories be carried in the balance sheet at the net selling value.

(g) Property and Equipment

Property and equipment are stated at cost and have been depreciated over the estimated useful lives of the respective assets including those for rent, by the straight-line method.

The depreciation method of leased assets under finance lease with transfer of ownership is the same method used for property and equipment. Leased assets under finance lease without transfer of ownership have been depreciated over the lease term of the respective assets.

(h) Goodwill and Intangible Assets

Goodwill have been amortized by the straight-line method over 20 years.

Customer-related intangible assets which were identified in business combinations have been amortized by the straight-line method over their useful lives (7 to 20 years).

Internal use software has been amortized by the straight-line method over its five year useful life.

(i) Impairment of Long-lived Assets

The Company accounts for fixed assets in accordance with "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council and "Guidance for the Application of Accounting Standard for Impairment of Fixed Assets" issued by the ASBJ. Under these standard and guidance, an impairment loss is recognized when the carrying amount of an asset or an asset group exceeds undiscounted future net cash flows expected to be generated by the asset or the asset group. The impairment loss is measured by the amount by which the carrying amount of the asset exceeds its recoverable amount being higher of discounted future net cash flows or net realizable value.

Under the Company's policy, units based on location are considered asset groups for impairment analysis. With respect to non-performing assets, if future use is not determined, such assets are regarded as an independent asset group. Impairment loss on these assets is recorded at the carrying amount of each asset in excess of its estimated fair value. The estimated fair value of these assets is measured by the respective net selling prices. The selling prices are based on appraisal value.

(j) Allowance for Doubtful Accounts Receivables

Allowance for doubtful receivables is provided for the estimated future bad debt losses based on the past credit loss transactions and the assessment of the collectability of individual receivables.

(k) Retirement and Severance Benefits

The Company accounts for its obligations to pay retirement and severance benefits to employees in accordance with "Accounting Standards for Retirement and Severance Benefits" issued by the ASBJ. Under this standard, an accrual for retirement and severance benefits for employees is provided based on the projected benefit obligations and the fair value of the pension assets, as adjusted for unrecognized actuarial gains or losses. In determining retirement benefit obligations, the Company attributes expected benefit to periods in benefit formula basis. Actuarial gain or loss is amortized from the year following the year in which actuarial gain or loss is incurred by the straight-line method over periods (9 to 25 years) which are shorter than the average remaining years of service of the employees. Prior service cost is being amortized from the year in which it incurred by the straight-line method over period (9 to 16 years) which are shorter than the average remaining years of service of the employees.

(l) Revenue and Expense Recognition

Finance lease transactions

Revenues and the related costs for the finance lease transactions are recognized upon the receipts of lease payments.

(m) Foreign Currency Translation

The Company accounts for foreign currency transactions and translation of the financial statements of its foreign subsidiaries in accordance with "Accounting Standards for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date or, if only the relation between a foreign currency transaction and related firm forward exchange contracts meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", those covered by firm forward exchange contracts can be translated at such contract rates. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the rates of exchange in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expenses are translated at an average of exchange rates in effect during the year; and a comprehensive adjustment resulting from translation of assets, liabilities and stockholder's equity is included in minority interests and net assets is reported as "Foreign currency translation adjustments", a separate component of net assets.

(n) Derivative and Hedge Accounting

The Company accounts for derivative financial instruments in accordance with "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principal, derivative financial instruments are measured at fair value, with unrealized gains or losses included in earnings. Hedging transactions, which meet certain criteria of hedge accounting as provided in "Accounting Standards for Financial Instruments", are accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a separate component of net assets until gains or losses relating to the hedge objects are recognized. In addition, qualified interest rate swap transactions are accounted using the special method as allowed under the standard. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to underlying borrowings and debentures.

The following summarizes hedging derivative financial instruments used by the Companies and hedged objects.

(1) Hedging instrument	Interest rate swap contracts
Hedged object	Interest on long-term debt
(2) Hedging instrument	Forward foreign exchange contracts
Hedged object	Foreign currency trade payables

In accordance with internal regulations which determine the authorization rules for derivative transactions, the Companies use forward foreign exchange contracts to hedge exchange rate fluctuation risk on hedged items and interest rate swap exchange contracts to hedge interest rate fluctuation risk on hedged items.

The evaluation of hedge effectiveness is based on a comparison between the cumulative fluctuations of cash flows or fluctuations in rates on hedged items and hedging instruments. The evaluation is executed on a half-year basis. Interest rate swaps meet the conditions for the application of special method of accounting so that an evaluation of hedge effectiveness is omitted as permitted by "Accounting Standards for Financial Instruments".

(o) Income Taxes

Deferred income taxes are accounted for under the asset and liability method in accordance with "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. Under the asset and liability method of the standards, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statements carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the amount that is not considered to be recoverable.

(p) Treasury Stock

The Company accounts for treasury stocks in accordance with the revised "Accounting Standards for Treasury Shares and Appropriation of Legal Reserve" issued by the ASBJ. Under this standard, treasury stock is recorded at cost as a deduction of net assets. When the Company reissues the treasury stock, the difference between the issuance price and the cost of the treasury stock is credited or charged to additional paid-in capital.

(q) Net Income per Share

The Company computes and discloses net income per share under the revised "Accounting Standard for Earnings per Share" issued by the ASBJ. Under this standard, basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common shares outstanding during the respective years. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(r) Accounting for Leases

The Company accounts for lease transaction in accordance with the ASBJ Statement No. 13, "Accounting Standard for Lease Transactions".

This standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations on the balance sheet. It also requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

(s) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(t) Changes in Accounting Policies

(1) Change in depreciation method of property and equipment

The Company and some its domestic subsidiaries changed the depreciation method for property and equipment other than assets for leasing by the real estate business and building except for leasehold improvement from the decline-balance method to the straight-line method.

As part of our efforts to achieve the Companies' Mid-term Management Plan (Vision 2015), the Companies intend to take in major customers with leveling domestic production and volume as a response to a shift to global production system and also to increase the ratio of customers in retail and consumer products sectors; as a result, the Companies expect the fluctuation of the volume the Companies handle will be reduced. In addition, the Companies are also promoting the expansion of the platform business that enables efficient operation through joint storage and delivery targeting multiple customers in the same industry, which the Companies expect to stabilize facility utilization by reducing the risk of vacancy and obsolescence of facility. As majority of new facilities in Japan for these purposes went into full-scale operation during the year ended March 31, 2014, the Company determined to change the depreciation method of property and equipment to the straight-line method in order to reflect the Group's usage status more properly. In line with this change, the use of the residual value of certain property and equipment as reminder value based on the reviewed value upon disposal was under review.

As a result of this change, depreciation expenses increased by ¥265 million ($2,575 thousand), operating income decreased by ¥258 million ($2,507 thousand) and income before income taxes and minority interests decreased by ¥265 million ($2,575 thousand).

(2) Application of accounting standard for retirement benefits

Effective April 1, 2013, the Company has applied the Accounting Standard for Retirement Benefits (the ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "ASBJ Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (the ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "ASBJ Guidance No. 25")) as of the beginning of year ended March 31, 2014. Accordingly, the Company changed its accounting method to record retirement benefit obligations net of plan assets as net defined benefit liability, and recorded unrecognized actuarial gains (losses) and unrecognized prior service costs as net defined benefit liability. Besides, in reviewing the calculation method of retirement benefit obligations and service costs, the Company changed the method of attributing expected benefit to periods from the straight-line basis to benefit formula basis.

In accordance with the transitional treatment stipulated in the article 37 of the ASBJ Statement No. 26, the impact of recording retirement benefit obligations net of plan assets as net defined benefit liability was recorded in remeasurements of defined benefit plans in accumulated other comprehensive income. In addition, the impact of change in the calculation method of retirement benefit obligations and prior service costs was recorded in retained earnings.

As a result, net defined benefit liability of ¥28,617 million ($278,051 thousand) and net defined benefit asset of ¥2,423 million ($23,543 thousand) were recorded, and accumulated other comprehensive income decreased by ¥3,816 million ($37,077 thousand) and retained earnings decreased by ¥2,446 million ($23,766 thousand) as of April 1, 2013. The impact of this change on operating income and income before income taxes and minority interests for the year ended March 31, 2014 was insignificant.

Please refer to Note 15. "Per Share Information" for the impact on per share amount.

(u) Accounting Standards Issued but Not Yet Adopted

- ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (September 13, 2013)
- ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements" (September 13, 2013)
- ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" (September 13, 2013)
- ASBJ Statement No. 2, "Accounting Standard for Earnings Per Share" (September 13, 2013)
- ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (September 13, 2013)
- ASBJ Guidance No. 4, "Guidance on Accounting Standard for Earnings Per Share" (September 13, 2013)

(1) Overview

Above listed accounting standards and its guidance were revised mainly (a) treatment of changes in a parent's equity in subsidiaries those a parent continues to control in case of additional acquisition of subsidiary's shares, (b) treatment of acquisition-related expenses, (c) presentation of net income and change in terminology from minority interests to non-controlling interests and (d) treatment of tentative accounting treatment.

(2) Expected date of adoption

The Company expects to adopt these accounting standards and its guidance effective April 1, 2014.

(3) Impact of adopting of these accounting standards and its guidance

The Company is currently evaluating the impact of adopting these accounting standards and its guidance at the time of preparation of the consolidated financial statements.

2. Basis of Translation of the Consolidated Financial Statements

The accompanying consolidated financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥102.92 = U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2014. This translation should not be construed as a representation that the amounts shown have been or could be converted into U.S. dollars at such a rate.

3. Balances and Transactions with Related Party

(a) Related party transactions between the Company and its related company

(1) Transactions with the Parent company of the Company

For the year ended March 31, 2014

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (Millions of yen)
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	458,791	Manufacture and sale of electron, electricity, machine, and tool	Directly owned: 53.3% Indirectly owned: 5.7%	Service revenues Lease of land and warehouse, purchase of equipment Deposits with Hitachi Group cash pooling system and directors	Service revenues	13,707	Trade receivables	4,480
							Interest expenses	119	Current portion of long-term debt	10,000
									Long-term debt	30,000
							Net (decrease) increase in deposit to the parent company	7,804	Deposit to the parent company	13,033
							Interest income	18		

(NOTE) The Company proposes the fees for commissioned work and transportation work by considering the fare which has been notified to the Ministry of Land, Infrastructure and Transport, the market price and the total cost. The fees are determined in the same manner as terms and conditions of transactions with third parties through price negotiation for each period.

(NOTE) Interest rates on deposit to and borrowings from the cash pooling system which the Company entered into contract with the parent company are decided in a rational manner with market interest rates taken into account.

For the year ended March 31, 2013

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (Millions of yen)
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	458,791	Manufacture and sale of electron, electricity, machine, and tool	Directly owned: 53.3% Indirectly owned: 5.7%	Service revenues Lease of land and warehouse, purchase of equipment Deposits with Hitachi Group cash pooling system and directors	Service revenues	15,765	Trade receivables	4,983
							Interest expenses	96	Current portion of long-term debt	20,000
									Long-term debt	10,000
							Net (decrease) increase in deposit to the parent company	1,713	Deposit to the parent company	20,819
							Interest income	33		

(NOTE) The Company proposes the fees for commissioned work and transportation work by considering the fare which has been notified to the Ministry of Land, Infrastructure and Transport, the market price and the total cost. The fees are determined in the same manner as terms and conditions of transactions with third parties through price negotiation for each period.

(NOTE) Interest rates on deposit to and borrowings from the cash pooling system which the Company entered into contract with the parent company are decided in a rational manner with market interest rates taken into account.

For the year ended March 31, 2014

Attribution	Name	Address	Capital stock (Thousands of U.S. dollars)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Thousands of U.S. dollars)	Account title	Balance at year-end (Thousands of U.S. dollars)
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	4,457,744	Manufacture and sale of electron, electricity, machine, and tool	Directly owned: 53.3% Indirectly owned: 5.7%	Service revenues Lease of land and warehouse, purchase of equipment Deposits with Hitachi Group cash pooling system and directors	Service revenues	133,181	Trade receivables	43,529
							Interest expenses	1,156	Current portion of long-term debt	97,163
									Long-term debt	291,489
							Net (decrease) increase in deposit to the parent company	75,826	Deposit to the parent company	126,632
							Interest income	175		

(2) Transactions with subsidiaries of the Parent company of the Company

For the year ended March 31, 2014

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (Millions of yen)
Currently has a common parent company	Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	Credit of commercial equipment, lease sale	–	Lease transaction of warehouse and equipment	Lease transactions	5,560	Lease obligations due within one year	1,499
									Lease obligations over one year	6,723

(NOTE) The fees of lease transactions are determined in the same manner as terms and conditions of transactions with third parties by considering the market price and the total cost.

For the year ended March 31, 2013

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (Millions of yen)
Currently has a common parent company	Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	Credit of commercial equipment, lease sale	–	Lease transaction of warehouse and equipment	Lease transactions	1,299	Lease obligations due within one year	1,070
									Lease obligations over one year	2,932

(NOTE) The fees of lease transactions are determined in the same manner as terms and conditions of transactions with third parties by considering the market price and the total cost.

For the year ended March 31, 2014

Attribution	Name	Address	Capital stock (Thousands of U.S. dollars)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Thousands of U.S. dollars)	Account title	Balance at year-end (Thousands of U.S. dollars)
Currently has a common parent company	Hitachi Capital Corporation	Minato-ku, Tokyo	96,998	Credit of commercial equipment, lease sale	–	Lease transaction of warehouse and equipment	Lease transactions	54,023	Lease obligations due within one year	14,565
									Lease obligations over one year	65,323

(b) Related party transactions between the Company's subsidiaries and its related company

Transactions with subsidiaries of the Parent company of the Company

For the year ended March 31, 2014

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (Millions of yen)
Currently has a common parent company	Hitachi Capital Auto Lease Corporation	Minato-ku, Tokyo	300	Lease enterprise of a car	–	Purchase of vehicles by installment	Installment purchase	4,897	Current portion of long-term debt	2,153
							Interest expense	79	Long-term debt	3,834

(NOTE) Prices for installment purchases of vehicles are determined by considering the market price and the total cost through price negotiation. Interest rates related installment purchases are decided in a rational manner with market interest rates taken into account.

For the year ended March 31, 2013

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (Millions of yen)
Currently has a common parent company	Hitachi Capital Auto Lease Corporation	Minato-ku, Tokyo	300	Lease enterprise of a car	–	Purchase of vehicles by installment	Installment purchase	3,961	Current portion of long-term debt	1,746
							Interest expense	78	Long-term debt	3,468

(NOTE) Prices for installment purchases of vehicles are determined by considering the market price and the total cost through price negotiation. Interest rates related installment purchases are decided in a rational manner with market interest rates taken into account.

For the year ended March 31, 2014

Attribution	Name	Address	Capital stock (Thousands of U.S. dollars)	Business line	Ownership of voting rights	Business relation	Nature of transaction	Transaction amount (Thousands of U.S. dollars)	Account title	Balance at year-end (Thousands of U.S. dollars)
Currently has a common parent company	Hitachi Capital Auto Lease Corporation	Minato-ku, Tokyo	2,915	Lease enterprise of a car	–	Purchase of vehicles by installment	Installment purchase	47,581	Current portion of long-term debt	20,919
							Interest expense	768	Long-term debt	37,252

4. Supplementary Cash Flow Information

(a) Reconciliations between consolidated balance sheet captions and "Cash and cash equivalents" are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash	¥ 17,397	¥ 13,425	$ 169,034
Deposit to the parent company	16,597	22,269	161,261
Time deposits with over three months maturity and others	(380)	(2,642)	(3,692)
Cash and cash equivalents	¥ **33,614**	¥ 33,052	$ **326,603**

(b) Assets acquired and liabilities assumed through business combinations:

(1) The following is the summary of assets acquired and liabilities assumed through the acquisition shares of James J. Boyle & Co. and its subsidiaries for the year ended March 31, 2014, related acquisition costs and net disbursements:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Current assets	¥ 3,857	$ 37,476
Non-current assets	2,645	25,700
Goodwill	1,636	15,896
Current liabilities	(2,835)	(27,546)
Non-current liabilities	(282)	(2,740)
Minority interests	(867)	(8,424)
Acquisition cost	4,154	40,361
Less: Cash and cash equivalents acquired	(1,195)	(11,611)
Net disbursements due to the acquisition	¥ 2,959	$ 28,750

(2) The following is the summary of assets acquired and liabilities assumed through the acquisition shares of Mars Lojistik Grup Anonim Sirketi and its subsidiaries for the year ended March 31, 2014, related acquisition costs and net disbursements:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Current assets	¥ 5,601	$ 54,421
Non-current assets	10,963	106,520
Goodwill	4,475	43,480
Current liabilities	(2,760)	(26,817)
Non-current liabilities	(1,857)	(18,043)
Minority interests	(5,854)	(56,879)
Acquisition cost	10,568	102,682
Less: Cash and cash equivalents acquired	(639)	(6,209)
Net disbursements due to the acquisition	¥ 9,929	$ 96,473

(c) Non-cash investing and financing activities:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Capitalized lease assets	¥ 6,330	¥ 2,667	$ 61,504

5. Financial Instruments

Effective from the year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008). Information on financial instruments for the years ended March 31, 2014 and 2013 required pursuant to the revised accounting standards is as follows.

(a) Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies' policy is to limit its investment of assets to depositing funds in the parent company and its subsidiaries and affiliates and making short-term deposits. In addition, the Companies raise funds through bank borrowings. Derivatives are employed to hedge against the risks described below; the Companies do not engage in speculative transactions.

(2) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable, which are claimable assets, involve credit risks on the part of customers.

The Companies hold shares, which are investments in equity securities, primarily for the purpose of maintaining business relationships with other companies. Such equity securities are subject to market price fluctuation risk.

Notes and accounts payable, which are trade liabilities, are payable within one year.

Due to the development of global logistics, certain claimable assets and liabilities are denominated in foreign currencies and consequently entail exchange rate fluctuation risk.

As for borrowings, the Companies utilize short-term bank loans primarily to fund operating transactions. The Companies utilize long-term debt (in principle, within five years) mainly to provide long-term working capital. Floating-rate debts are subject to interest rate fluctuation risk, but for certain long-term debts, the Company minimizes the risk of fluctuations in interest payments by fixing payment interest rates, employing interest rate swap transactions to hedge individual contracts.

Trade liabilities and debts are subject to liquidity risk.

With regard to derivative transactions, forward foreign exchange contracts are used to hedge exchange rate fluctuation risk on foreign currency trade payables, and interest rate swap transactions are used to hedge the risk of fluctuations in interest payment.

(3) Policies and systems for risk management

(i) Management of credit risk (the risk that a business partner will default on its business transactions)

In line with Credit Management Policy with regard to claimable assets, the administrative department of each operating division periodically monitors the credit situation of major clients, managing due dates and balances, as it seeks to gain an early understanding of any worsening in their financial or other conditions that might result in collection difficulties, thereby reducing such potential. Consolidated subsidiaries also conduct credit risk management in this manner, in accordance with the Company's Credit Management Policy.

To reduce counterparty risk when utilizing derivative transactions, the Company conducts such transactions with highly rated financial institutions.

As of March 31, 2014 and 2013, the maximum amount of credit risk is indicated by the amount of financial assets with credit risks in the balance sheet.

(ii) Management of market risk (the risk of exchange and interest rate fluctuations)

The Company employs forward foreign exchange contracts to hedge market risk on certain foreign currency claimable assets and liabilities. Furthermore, interest rate swap transactions are used to hedge the risk of fluctuations in interest payments on borrowings.

The Companies regularly check the market value of other securities, as well as the financial conditions of their issuers. The Companies review the status of their holdings of bonds other than those held to maturity on an ongoing basis, taking into consideration of their relationships with the corporate business partners. Derivative Transaction Management Policy establish transaction limits and other items concerning derivative transactions. The Accounting and Finance Department conducts derivative transactions in accordance with these Derivative Transaction Management Policy, booking the transactions and confirming these transactions with transaction counterparties. Transaction results are reported to the Board of Executive Officers and General Manager of the Accounting and Finance Department. Consolidated subsidiaries also manage derivative transactions in accordance with the Company's Derivative Transaction Management Policy.

(iii) Management of liquidity risk associated with fund procurement (the risk of being unable to execute payments on due dates)

Based on the reports the Accounting and Finance Department receives from each department, it prepares and updates cash flow plans on a timely basis. The department ensures on-hand liquidity by maintaining funds on hand equivalent to one month of consolidated service revenues, thereby managing liquidity risk.

(4) Supplemental information on fair values of financial instruments

The fair value of financial instruments is based on their market value. The fair value of financial instruments that has no available market value is determined by using a rational method of calculation. However, as variables are inherent in these value calculations, the values may be different from those calculated by using different assumptions. Also, in the note entitled "(b) Fair values of financial instruments" market risk related to derivative financial instruments is not included in the notional amounts of those instruments.

(b) Fair values of financial instruments

Book values and fair values as of March 31, 2014 and 2013 and differences between the two are as follows. Instruments of which fair values are not readily determinable are not included in the table below:

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Cash	¥ 17,397	¥ 17,397	¥ –	$ 169,034	$ 169,034	$ –
(2) Accounts and notes	111,269			1,081,121		
Allowance for doubtful receivables (*1)	(833)			(8,094)		
Trade receivables	110,436	110,434	2	1,073,028	1,073,008	19
(3) Deposit to the parent company	16,597	16,597	–	161,261	161,261	–
(4) Other securities	2,094	2,094	–	20,346	20,346	–
Liabilities						
(1) Trade payables	¥ (50,072)	¥ (50,072)	¥ –	$ (486,514)	$ (486,514)	$ –
(2) Short-term bank loans	(11,392)	(11,392)	–	(110,688)	(110,688)	–
(3) Long-term bank loans	(65,471)	(65,255)	216	(636,135)	(634,036)	2,099
Derivative transactions (*2)	¥ (11)	¥ (11)	¥ –	$ (107)	$ (107)	$ –

(*1) The allowance for doubtful receivables is deducted from "Accounts and notes".
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis.

	Millions of yen		
	2013		
	Book value	Fair value	Difference
Assets			
(1) Cash	¥ 13,425	¥ 13,425	¥ –
(2) Accounts and notes	97,024		
Allowance for doubtful receivables (*1)	(704)		
Trade receivables	96,320	96,319	1
(3) Deposit to the parent company	22,269	22,269	–
(4) Other securities	2,246	2,246	–
Liabilities			
(1) Trade payables	¥ (42,741)	¥ (42,741)	¥ –
(2) Short-term bank loans	(9,393)	(9,393)	–
(3) Long-term bank loans	(58,229)	(58,381)	(152)
Derivative transactions (*2)	¥ (13)	¥ (13)	¥ –

(*1) The allowance for doubtful receivables is deducted from "Accounts and notes".
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis.

Method of calculating the fair value of financial instruments and information related to other securities and derivative transactions.

Assets:

(1) Cash, trade receivables and deposit to the parent company

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(2) Other securities

The fair values of equity securities are determined by their prices on stock exchanges as of the year-end date.

Liabilities:

(1) Trade payables and short-term bank loans

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(2) Long-term bank loans

The fair value of long-term bank loans is determined by discounting the total amount of principal and interest by the assumed interest rate on new borrowings of the same type at year-end date. As stated in Note 1. "Basis of Presentation and Summary of Significant Accounting Policies", exceptional accounting is employed on interest rate swaps on long-term bank loans with floating interest rates. As these swaps are accounted for by combining those with the hedged interest payments, the fair value of the total amount of principal and interest of the long-term bank loans hedged by the interest rate swaps is calculated by applying a rationally estimated discount rate on new borrowings of the same type at year-end date.

Financial instruments for which fair value is not readily determinable:

The fair value of unlisted equity securities, of which book value was ¥980 million ($9,522 thousand) and ¥971 million as of March 31, 2014 and 2013 respectively, is not readily determinable.

Redemption schedules for receivables with maturity dates as of March 31, 2014 and 2013 are summarized as follows:

	Millions of yen			
	2014			
	Within one year	Over one year through five years	Over five years through ten years	Over ten years
Cash	¥ 17,126	¥ –	¥ –	¥ –
Trade receivables	110,323	939	7	–
Deposit to the parent company	16,597	–	–	–
Total	¥ 144,046	¥ 939	¥ 7	¥ –

	Thousands of U.S. dollars			
	2014			
	Within one year	Over one year through five years	Over five years through ten years	Over ten years
Cash	$ 166,401	$ –	$ –	$ –
Trade receivables	1,071,930	9,124	68	–
Deposit to the parent company	161,261	–	–	–
Total	$ 1,399,592	$ 9,124	$ 68	$ –

	Millions of yen			
	2013			
	Within one year	Over one year through five years	Over five years through ten years	Over ten years
Cash	¥ 13,267	¥ –	¥ –	¥ –
Trade receivables	96,144	875	5	–
Deposit to the parent company	22,269	–	–	–
Total	¥ 131,680	¥ 875	¥ 5	¥ –

6. Investments in Securities

The Company accounts for investments in securities in accordance with "Accounting Standards for Financial Instruments", as discussed in note 1(e). As of March 31, 2014 and 2013, the Companies had no trading securities and held-to-maturity securities.

(a) The following is a summary of acquisition cost basis, unrealized holding gains or losses and aggregate fair value of other securities by major security type as of March 31, 2014 and 2013.

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost basis	Unrealized holding gains (losses)	Aggregate fair value	Acquisition cost basis	Unrealized holding gains (losses)	Aggregate fair value
	2014			2014		
Other securities with gross unrealized holding gains:						
Equity securities	¥ 1,326	¥ 390	¥ 1,716	$ 12,884	$ 3,789	$ 16,673
Subtotal	¥ 1,326	¥ 390	¥ 1,716	$ 12,884	$ 3,789	$ 16,673
Other securities with gross unrealized holding losses:						
Equity securities	¥ 438	¥ (60)	¥ 378	$ 4,256	$ (583)	$ 3,673
Subtotal	¥ 438	¥ (60)	¥ 378	$ 4,256	$ (583)	$ 3,673
Total	¥ 1,764	¥ 330	¥ 2,094	$ 17,140	$ 3,206	$ 20,346

	Millions of yen		
	Acquisition cost basis	Unrealized holding gains (losses)	Aggregate fair value
	2013		
Other securities with gross unrealized holding gains:			
Equity securities	¥ 1,364	¥ 386	¥ 1,750
Subtotal	¥ 1,364	¥ 386	¥ 1,750
Other securities with gross unrealized holding losses:			
Equity securities	¥ 544	¥ (48)	¥ 496
Subtotal	¥ 544	¥ (48)	¥ 496
Total	¥ 1,908	¥ 338	¥ 2,246

(b) Sales of securities classified as other securities and the aggregate gains and losses for the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Proceeds of sales	Gain on sales	Loss on sales	Proceeds of sales	Gain on sales	Loss on sales
	2014			2014		
Equity securities	¥ 199	¥ 45	¥ –	$ 1,934	$ 437	$ –
Total	¥ 199	¥ 45	¥ –	$ 1,934	$ 437	$ –

	Millions of yen		
	Proceeds of sales	Gain on sales	Loss on sales
	2013		
Equity securities	¥ 313	¥ 168	¥ 1
Total	¥ 313	¥ 168	¥ 1

(c) Impairment loss of ¥2 million ($19 thousand) was recognized on other securities for the year ended March 31, 2014.

7. Short-term Bank Loans and Long-term Debt

(a) Short-term bank loans as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term bank loans with a weighted-average interest rate of 1.3% in 2014 and 1.7% in 2013	¥ 11,392	¥ 9,393	$ 110,688
Total	¥ 11,392	¥ 9,393	$ 110,688

(b) Long-term debt as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans from banks with an interest rate of 0.2% in 2014 and 0.1% in 2013	¥ 11,139	¥ 26,064	$ 108,230
Loans from banks with an interest rate of 0.4% in 2014 and 2013	54,332	32,165	527,905
Unsecured bonds due March 2014 with an interest rate of 1.19%	–	2,000	–
Installment accounts payable	10,842	9,435	105,344
Guarantee deposits received	1,312	1,434	12,748
Less current portion	(15,271)	(31,366)	(148,377)
Total	¥ 62,354	¥ 39,732	$ 605,849

As of March 31, 2014, lease obligations and current portion of lease obligations on the balance sheet were ¥9,745 million ($94,685 thousand) and ¥2,633 million ($25,583 thousand), respectively.

The aggregate annual maturities of long-term debt for periods following March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 11,139	$ 108,230
Over one year through two years	21,004	204,081
Over two years through three years	31,285	303,974
Over three years through four years	988	9,600
Over four years through five years	1,055	10,251
Total	¥ 65,471	$ 636,135

The aggregate annual maturities of installment accounts payable for periods following March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 4,132	$ 40,148
Over one year through two years	3,002	29,168
Over two years through three years	2,112	20,521
Over three years through four years	1,176	11,426
Over four years through five years	408	3,964
Over five years	12	117
Total	¥ 10,842	$ 105,344

The aggregate annual maturities of lease obligations for periods on the balance sheet following March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 2,633	$ 25,583
Over one year through two years	2,250	21,862
Over two years through three years	1,854	18,014
Over three years through four years	1,291	12,544
Over four years through five years	844	8,201
Over five years	3,506	34,065
Total	¥ 12,378	$ 120,268

(c) As of March 31, 2014 and 2013 the carrying amounts of assets pledged as collateral for long-term debt and other liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥ 688	¥ 953	$ 6,685
Buildings and structures	203	590	1,972

8. Notes Receivable with Maturity Date of March 31

Notes receivable with maturity date of March 31 are accounted for assuming they were settled on the maturity date.

As March 31, 2013 was not a business day of financial institutions, the following notes receivable were accounted for assuming they were settled on March 31, 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable - trade	¥ –	¥ 259	$ –

9. Income Taxes

Amendment of deferred tax assets and liabilities due to change in statutory tax rate

As a result of the promulgation of "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) on March 31, 2014, the statutory effective tax rate applied to the calculation of deferred tax assets and liabilities as of March 31, 2014 was changed from 38.0% to 35.7% for temporary difference expected to be reversed during the year beginning on April 1, 2014.

As a result, net deferred tax assets after offsetting deferred tax liabilities decreased by ¥286 million ($2,779 thousand) and income taxes – deferred recorded for the year ended March 31, 2014 increased by¥268 million ($2,604 thousand) and deferred gains (losses) on hedges decreased by ¥1 million ($10 thousand).

Income tax expense attributable to income from operations for the years ended March 31, 2014 and 2013 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current	¥ (10,154)	¥ (8,861)	$ (98,659)
Deferred	497	(49)	4,829
Total	¥ (9,657)	¥ (8,910)	$ (93,830)

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2014 and 2013 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued bonuses	¥ 2,610	¥ 2,758	$ 25,360
Provision for retirement and severance benefits	–	6,143	–
Net defined benefit liability	10,449	–	101,525
Depreciation	2,432	2,212	23,630
Other, net	5,283	5,178	51,331
Valuation allowance	(2,725)	(1,874)	(26,477)
Total deferred tax assets	18,049	14,417	175,369
Deferred tax liabilities:			
Reserve for fixed assets reduction	(4,918)	(4,936)	(47,785)
Valuation difference on business combination	(11,114)	(10,375)	(107,987)
Prepaid pension expenses	–	(332)	–
Net defined benefit asset	(1,321)	–	(12,835)
Net unrealized holding gain on other securities	(135)	(162)	(1,312)
Depreciation	(2,342)	(1,332)	(22,756)
Other, net	(941)	(1,770)	(9,143)
Total deferred tax liabilities	(20,771)	(18,907)	(201,817)
Net deferred tax assets (liabilities)	¥ (2,722)	¥ (4,490)	$ (26,448)

(Note) Net deferred tax assets and liabilities are included in the following items on the consolidated balance sheet as of March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets - Deferred tax assets	¥ 4,728	¥ 4,805	$ 45,939
Investments and other assets – Deferred tax assets	7,721	4,478	75,019
Current liabilities – Other current liabilities	(70)	(36)	(680)
Non-current liabilities - Deferred tax liabilities	(15,101)	(13,737)	(146,726)

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for the consolidated financial statements purposes for the years ended March 31, 2014 and 2013:

	2014	2013
Statutory tax rate	38.0%	38.0%
Non-deductible expenses	2.9%	1.1%
Per capita inhabitant tax	1.6%	1.0%
Unrealized gains on deficit of subsidiaries for tax purposes	3.3%	1.7%
Amortization of goodwill	10.2%	2.7%
Impairment loss on goodwill	2.5%	–
Additional taxes for prior years	2.3%	–
Amendment of deferred tax assets and liabilities due to tax rate change	1.7%	–
Other	(0.2%)	(1.0%)
Effective tax rate	62.3%	43.5%

10. Retirement and Severance Benefits

Year ended March 31, 2014

Overview of the pension plan adopted by the Company:

The Company and its domestic consolidated subsidiaries have funded defined benefit corporate pension plans and unfunded lump-sum retirement payment plans. Certain consolidated subsidiaries are enrolled in defined contribution pension plans and the Smaller Enterprises Retirement Allowance Mutual Aid System. Further, certain consolidated subsidiaries have adopted simplified method to calculate net defined benefit liability and retirement benefit costs for their defined benefit corporate pension plans and lump-sum retirement payment plans.

In addition to the above plans, the Company may provide additional termination benefits to employees in connection with their termination of employment.

(a) Defined benefit plans

(1) Changes in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 38,973	$ 378,673
Cumulative effect of changes in accounting policies	4,206	40,867
Restated balance at April 1, 2013	43,179	419,539
Service cost	2,528	24,563
Interest cost	368	3,576
Actuarial loss	439	4,265
Retirement benefits paid	(2,166)	(21,045)
Prior service cost	106	1,030
Decrease by transfer	(866)	(8,414)
Other	502	4,878
Balance at March 31, 2014	¥ 44,090	$ 428,391

(2) Changes in plan assets

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 16,985	$ 165,031
Expected return on plan assets	329	3,197
Actuarial loss	461	4,479
Contributions by the employer	1,537	14,934
Retirement benefits paid	(689)	(6,695)
Decrease by transfer	(860)	(8,356)
Other	122	1,185
Balance at March 31, 2014	¥ 17,885	$ 173,776

(3) Reconciliation of retirement benefit obligations and plan assets with net defined benefit liability and asset on the consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
Funded retirement benefit obligations	¥ 14,613	$ 141,984
Plan assets at fair value	(17,885)	(173,776)
	(3,272)	(31,792)
Unfunded retirement benefit obligations	29,477	286,407
Net amount of liability and asset on the consolidated balance sheet	26,205	254,615
Net defined benefit liability	29,906	290,575
Net defined benefit asset	(3,701)	(35,960)
Net amount of liability and asset on the consolidated balance sheet	¥ 26,205	$ 254,615

(4) The components of retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 2,528	$ 24,563
Interest cost	368	3,576
Expected return on plan assets	(329)	(3,197)
Amortization of actuarial losses (gains)	951	9,240
Amortization of prior service cost	59	573
Special severance payments	761	7,394
Loss on withdrawal from employee's pension fund	444	4,314
Loss on settlement of retirement plan	57	554
Total retirement benefit expenses for the year ended March 31, 2014	¥ 4,839	$ 47,017

(5) Remeasurements of defined benefit plans

Breakdown of remeasurements of defined benefit plans, before tax

	Millions of yen	Thousands of U.S. dollars
Prior service cost	¥ (47)	$ (457)
Actuarial losses (gains)	973	9,454
Total	¥ 926	$ 8,997

(6) The accumulated remeasurements of defined benefit plans

Breakdown of the accumulated remeasurements of defined benefit plans, before tax

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ 282	$ 2,740
Unrecognized actuarial losses (gains)	4,744	46,094
Total	¥ 5,026	$ 48,834

(7) Plan assets

Plan assets consisted of the following components:

	2014
Bonds	16 %
Equity securities	12
Life insurance general account	60
Other	12
Total	100 %

Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and estimated future rates of return on various plan assets, also based on current and expected allocation of plan assets.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 were as follows:

	2014
Discount rate	Mainly 1.0%
Long-term expected rate of return on plan assets	Mainly 2.1%

(b) Defined contribution pension plans

Contributions to the defined contribution pension plans were ¥683 million ($6,636 thousand) for the year ended March 31, 2014.

Year ended March 31, 2013

Overview of the pension plan adopted by the Company:

The Company and its domestic consolidated subsidiaries have lump-sum retirement payment plans and defined benefit corporate pension plans. Certain domestic consolidated subsidiaries are enrolled in the Smaller Enterprises Retirement Allowance Mutual Aid System; others are enrolled in Employee's Pension Fund through multi-employer plans.

In addition to the above plans, the Company may provide additional termination benefits to employees in connection with their termination of employment.

The funded status of the Companies' pension plans as of March 31, 2013 are summarized as follows:

	Millions of yen
	2013
Projected benefit obligation	¥ (38,973)
Plan assets at fair value	16,985
Funded status	(21,988)
Unrecognized actuarial losses	6,018
Unrecognized prior service cost	235
Net amount recognized in the consolidated balance sheet	¥ (15,735)
Amounts recognized in the consolidated balance sheet consist of:	
Other assets	¥ 873
Accrued retirement and severance benefits	(16,608)

Net periodic benefit cost for the above plans of the Companies for the year ended March 31, 2013 consisted of the following components:

	Millions of yen
	2013
Service cost, net of participant contributions	¥ 1,977
Interest cost	476
Expected return on plan assets for the period	(257)
Amortization of net actuarial losses	1,207
Amortization of prior service cost	(128)
Other	572
Loss on settlement of retirement plan	130
Net periodic pension cost	¥ 3,977

In addition to the above retirement benefit expense, the Companies recognized special retirement payments of ¥12 million for the years ended March 31, 2013.

Actuarial assumptions and the basis used in accounting for the Companies' plans as of March 31, 2013 are principally as follows:

	2013
Discount rate	0.5 –1.6 %
Expected rate of return on plan assets	2.0 %
Amortization period of prior service cost	9 –16 years
Amortization periods of actuarial gains (losses)	9 –25 years

11. Legal Reserve and Dividends

The Japanese Commercial Code (JCC) requires an amount of equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until total of capital surplus and legal reserve equals 25% of stated capital. In addition to reduction of a deficit and transfer to stated capital, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting to the extent that the amount of total capital surplus and legal reserve exceeds 25% of stated capital.

On May 1, 2006, a new Corporate Law (the "Law") became effective, which reformed and replaced the JCC with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ended on or after May 1, 2006.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of threshold that the JCC provided. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2014 and 2013 represent dividends and paid out during those periods and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥13.00 ($0.13) per share approved at the Board of Directors' meeting held on May 26, 2014, aggregating ¥1,450 million ($14,089 thousand) in respect of the year ended March 31, 2014.

12. Commitments and Contingencies

Commitments and contingencies as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Guarantees on employees' housing loans	¥ 0	¥ 1	$ 0
Guarantees of bank loans for a third party entity	90	108	874
Total	¥ 90	¥ 109	$ 874

13. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Employees' salaries, wages and other payroll costs	¥ 24,071	¥ 22,410	$ 233,881
Depreciation and amortization	1,905	1,989	18,510
Rent expense	1,559	1,785	15,148

14. Other Income (Expenses) - Others

Other income (expenses) - others for the years ended March 31, 2014 and 2013 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gain on sales of property and equipment	¥ 819	¥ 1,280	$ 7,958
Compensation income	48	–	466
Gain on sales of investment securities	45	168	437
Exchange gains (losses)	(619)	562	(6,014)
Gain on step acquisitions	–	45	–
Loss on disposal of property and equipment	(263)	(303)	(2,555)
Expenses for business structural reform (*1)	(1,125)	–	(10,931)
Amortization of goodwill (*2)	(2,286)	–	(22,211)
Impairment loss on goodwill (*3)	(1,028)	–	(9,988)
Loss on withdrawal from employee's pension fund	(444)	–	(4,314)
Loss on termination of retirement plan	(57)	(130)	(554)
Loss from changes in equity	(50)	(14)	(486)
Loss on liquidation of subsidiaries	–	(82)	–
Other income	526	385	5,111
Other expenses	(587)	(493)	(5,703)
Total	¥ (5,021)	¥ 1,418	$ (48,785)

(*1) Expenses for business structural reform include expenses for office relocation and consolidation of ¥436 million ($4,236 thousand) and special severance payments of ¥689 million ($6,695 thousand).

(*2) Amortization of goodwill is calculated in accordance with the provisions of article 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No. 7, January 12, 2011).

(*3) As a result of reviewing the profit plan of Eternity Grand Logistics Public Co., Ltd. and its 4 consolidated subsidiaries, the Company recorded impairment loss on goodwill of ¥1,028 million ($9,988 thousand) for the year ended March 31, 2014. The related fair values were estimated based on future cash flows discounted by 13.0%.

15. Per Share Information

The Company calculates net income per share in accordance with "Accounting Standard for Earnings per Share" issued by the Accounting Standards Board of Japan as described note 1(q). The Company has no potentially dilutive securities for the years ended March 31, 2014 and 2013.

Net assets per share computed for the years ended March 31, 2014 and 2013 are as follows:

	Number of shares (thousand)	
	2014	2013
The number of common shares used in calculation of net assets per share at year end	111,551	111,551

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total net assets	¥ 181,401	¥ 174,904	$ 1,762,544
Exclusion from total net assets	12,718	5,577	123,572
(Of which, minority interests)	(12,718)	(5,577)	(123,572)
Net assets attributable to common shares at March 31	168,683	169,327	1,638,972

	Yen		U.S. dollars
	2014	2013	2014
Net assets per share	¥ 1,512.16	¥ 1,517.93	$ 14.69

As described in Note 1. "Basis of Presentation and Summary of Significant Accounting Policies (t) Changes in Accounting Policies", the Group adopted accounting standard for retirement benefits and related guidance and complied with the transitional treatment stipulated in the article 37 of the Statement No. 26. As a result, net assets per share decreased by ¥51.38($0.50) as of March 31, 2014. The impact of this change on net income per share was insignificant.

Net income per share computed for the years ended March 31, 2014 and 2013 are as follows:

	Number of shares (thousand)	
	2014	2013
Weighted average number of shares on which basic net income per share is calculated	111,551	111,551

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income	¥ 5,433	¥ 11,156	$ 52,789

	Yen		U.S. dollars
	2014	2013	2014
Net income per share	¥ 48.70	¥ 100.01	$ 0.47

16. Leases

Finance leases

For the years ended March 31, 2014 and 2013, certain key information about such lease contracts, if they had been capitalized or if they had been accounted for as direct financing leases or sales-type leases, is as follows.

(a) Lessee

(1) Acquisition costs, accumulated depreciation and net balance of leased assets as of March 31, 2014 and 2013, if they had been capitalized:

	Millions of yen			Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net balance	Net balance
	2014			2014
Machinery, equipment and vehicles	¥ 5,346	¥ 4,592	¥ 754	$ 7,326
Tools, furniture and fixtures	21	17	4	39
Others	58	48	10	97
Total	¥ 5,425	¥ 4,657	¥ 768	$ 7,462

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net balance
	2013		
Machinery, equipment and vehicles	¥ 6,436	¥ 5,059	¥ 1,377
Tools, furniture and fixtures	157	135	22
Others	188	164	24
Total	¥ 6,781	¥ 5,358	¥ 1,423

(2) Future lease payments, if they had been capitalized:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year	¥ 418	¥ 698	$ 4,061
Over one year	421	840	4,091
Total	¥ 839	¥ 1,538	$ 8,152

(3) Comparison of lease expense with depreciation and interest expense, if they had been capitalized:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease expense	¥ 772	¥ 908	$ 7,501
Depreciation	653	764	6,345
Interest expense	28	41	272

(b) Lessor

(1) The net investment in lease is summarized as follows:

Current assets

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gross lease receivables	¥ 4,778	¥ 4,696	$ 46,424
Estimated residual values	1,554	1,260	15,099
Unearned interest income	(429)	(424)	(4,168)
Investments in lease, current	¥ 5,903	¥ 5,532	$ 57,355

(2) Maturities of investments in lease are as follows:

Current assets

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Within one year	¥ 2,274	¥ 2,042	$ 22,095
Over one year through two years	1,474	1,456	14,322
Over two years through three years	1,070	1,054	10,396
Over three years through four years	695	652	6,753
Over four years through five years	333	299	3,236
Over five years	57	29	554
Total	¥ 5,903	¥ 5,532	$ 57,355

(3) Acquisition costs, accumulated depreciation and net balance of leased assets as of March 31, 2014 and 2013 included in equipment held for lease:

	Millions of yen			Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net balance	Net balance
	2014			2014
Machinery, equipment and vehicles	¥ –	¥ –	¥ –	$ –
Tools, furniture and fixtures	–	–	–	–
Total	¥ –	¥ –	¥ –	$ –

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net balance
	2013		
Machinery, equipment and vehicles	¥ 190	¥ 145	¥ 45
Tools, furniture and fixtures	7	7	0
Total	¥ 197	¥ 152	¥ 45

(4) Future lease payments to be received, if they had been accounted for as direct financing leases or sales-type leases:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Within one year	¥ –	¥ 22	$ –
Over one year	–	–	–
Total	¥ –	¥ 22	$ –

(5) Comparison of lease income and depreciation with interest income, if they had been accounted for as direct financing leases or sales-type leases:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Lease income	¥ 22	¥ 57	$ 214
Depreciation	19	48	185
Interest income	1	3	10

(c) Methods of calculating the amount equivalent to depreciation and interest

The amount equivalent to depreciation is calculated using the straight-line method over the lease term with no residual value. The amount equivalent to interest is the difference between the total lease amount and the acquisition costs of the lease assets, and is calculated using the interest method to allocate for each fiscal year over the lease term.

Operating leases

Lessee

Future lease payments:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Within one year	¥ 20,165	¥ 14,769	$ 195,929
Over one year	88,271	83,861	857,666
Total	¥ 108,436	¥ 98,630	$ 1,053,595

Lessor

Future lease payments to be received:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Within one year	¥ 128	¥ 145	$ 1,244
Over one year	213	212	2,070
Total	¥ 341	¥ 357	$ 3,313

17. Segment Information

(a) Overview of reporting segments

The Companies' reporting segments are composed of those individual business units for which separate financial information is available, about which the Board of Directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated, allowing them to be examined periodically.

The Company divides its operations into domestic logistics business, global logistics business and other businesses. Consolidated subsidiaries conduct their business as autonomous business units. These businesses are regularly taken into consideration by the Company's Executive Committee, which draws up overall strategies for each, under which they conduct their business operations.

Consequently, the service-specific business segments of the Companies mainly comprise the abovementioned segments and consolidated subsidiaries. Reporting segments have been designated as domestic logistics and global logistics in order to provide appropriate information about the segments' operating activities and management environments and by combining operating segments that are similar in terms of economic and service characteristics.

Domestic logistics comprises comprehensive logistics services, including the establishment of a logistics system; control of information, inventories and orders; value-added services; distribution center operation; factory logistics; and transportation and delivery. Global logistics involves comprehensive logistics services that include customs clearance and international intermodal transportation by land, sea and air.

(b) Methods of calculating sales revenues, income or losses, assets, liabilities and other items by reporting segment

Methods of accounting for reported business segments are in principal the same as those indicated in Note 1. "Basis of Presentation and Summary of Significant Accounting Policies".

Income or losses of reporting segments are based on operating income.

Intersegment transactions are those that take place between companies and are based on market prices. Assets of reporting segments are not listed, as the Executive Committee does not use information on operating segment assets.

(Change in depreciation method of property and equipment)

As described in Note 1. "Basis of Presentation and Summary of Significant Accounting Policies (t) Changes in Accounting Policies", the Company and some of its domestic consolidated subsidiaries changed the depreciation method for property and equipment other than assets for leasing by the real estate business and buildings except for leasehold improvement from the declining-balance method to the straight-line method effective April 1, 2013. In line with this change, the use of the residual value of certain property and equipment as reminder value based on the reviewed value upon disposal was under review.

As a result of this change, segment income in "Domestic logistics", "Global logistics" and "Other services" decreased by ¥207 million ($2,011 thousand), ¥41 million ($398 thousand) and ¥40 million ($389 thousand), respectively, compared to using the conventional methods, whereas "Adjustments and eliminations" increased by ¥30 million ($291 thousand).

(Application of accounting standard for retirement benefits)

As described in Note 1. "Basis of Presentation and Summary of Significant Accounting Policies (t) Changes in Accounting Policies", the Group changed the calculation method of retirement benefit obligations and service costs effective April 1, 2013, and the calculation method of retirement benefit obligations and service costs for segment information was also changed. The impact of this change on segment income was insignificant.

(c) Reporting segments information of service revenues, income (losses), and other items by reporting segment as of and for the years ended March 31, 2014 and 2013 is summarized as follows:

		Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Service revenues	Domestic logistics	¥ 388,765	¥ 375,834	$ 3,777,351
	Global logistics	215,193	152,491	2,090,876
	Other services (*1)	30,954	29,014	300,758
	Subtotal	634,912	557,339	6,168,986
	Adjustments	(10,408)	(9,822)	(101,127)
	Total	¥ 624,504	¥ 547,517	$ 6,067,859
Segment income	Domestic logistics	¥ 28,523	¥ 27,452	$ 277,138
	Global logistics	2,910	1,123	28,274
	Other services (*1)	2,743	2,619	26,652
	Subtotal	34,176	31,194	332,064
	Adjustments (*2)	(13,184)	(11,659)	(128,099)
	Total	¥ 20,992	¥ 19,535	$ 203,964
Depreciation	Domestic logistics	¥ 8,678	¥ 8,925	$ 84,318
	Global logistics	5,664	3,999	55,033
	Other services (*1)	1,833	1,683	17,810
	Subtotal	16,175	14,607	157,161
	Adjustments	404	351	3,925
	Total	¥ 16,579	¥ 14,958	$ 161,086
Amortization of goodwill	Domestic logistics	¥ 665	¥ 685	$ 6,461
	Global logistics	1,180	809	11,465
	Other services (*1)	10	9	97
	Subtotal	1,855	1,503	18,024
	Adjustments	–	–	–
	Total	¥ 1,855	¥ 1,503	$ 18,024

(*1) The "Other services" includes information system development, service, sale and maintenance of motor vehicles, and travel agency service.

(*2) Adjustments for segment income include ¥3 million ($29 thousand) of elimination of inter-segment transactions for the year ended March 31, 2014, and ¥13,181 million ($128,070 thousand) and ¥11,659 million of company-wide expenses that are not allocated to the reporting segments for the years ended March 31, 2014 and 2013, respectively. Company-wide expenses are mainly corporate general administrative expenses incurred in the parent company.

Related information for the years ended March 31, 2014 and 2013 is summarized as follows:

(a) Service revenues and property and equipment by geographical areas

		Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Service revenues	Japan	¥ 467,212	¥ 453,031	$ 4,539,565
	Europe	45,896	25,643	445,939
	North America	33,669	21,835	327,138
	Other	77,727	47,008	755,218
	Total	¥ 624,504	¥ 547,517	$ 6,067,859

		Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Property and equipment	Japan	¥ 126,732	¥ 118,225	$ 1,231,364
	Europe	12,596	7,164	122,386
	North America	7,899	6,230	76,749
	Other	11,980	8,688	116,401
	Total	¥ 159,207	¥ 140,307	$ 1,546,901

(b) Sales for major customers

This information is omitted, as no sales revenues derived from any external customer amounted to 10% or more of revenues in the consolidated statement of income.

(c) Impairment losses on fixed assets by reporting segments

		Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Impairment losses	Domestic logistics	¥ –	¥ 19	$ –
	Global logistics	1,084	15	10,532
	Other services	–	–	–
	Subtotal	1,084	34	10,532
	Intersegment elimination and corporate items	–	–	–
	Total	¥ 1,084	¥ 34	$ 10,532

(d) Amortization of goodwill and unamortized balances by reporting segment

		Millions of yen 2014	2013	Thousands of U.S. dollars 2014
Amortization of goodwill	Domestic logistics	¥ 665	¥ 685	$ 6,461
	Global logistics	3,466	809	33,677
	Other services	10	9	97
	Subtotal	4,141	1,503	40,235
	Intersegment elimination and corporate items	–	–	–
	Total	¥ 4,141	¥ 1,503	$ 40,235
Unamortized balances of goodwill	Domestic logistics	¥ 3,281	¥ 3,510	$ 31,879
	Global logistics	12,426	7,774	120,735
	Other services (*1)	9	19	87
	Subtotal	15,716	11,303	152,701
	Intersegment elimination and corporate items (*2)	14,195	15,026	137,923
	Total	¥ 29,911	¥ 26,329	$ 290,624
Amortization of negative goodwill	Domestic logistics	¥ 25	¥ 25	$ 243
	Global logistics	–	–	–
	Other services	–	–	–
	Subtotal	25	25	243
	Intersegment elimination and corporate items	–	–	–
	Total	¥ 25	¥ 25	$ 243
Unamortized balances of negative goodwill	Domestic logistics	¥ 13	¥ 38	$ 126
	Global logistics	–	–	–
	Other services	–	–	–
	Subtotal	13	38	126
	Intersegment elimination and corporate items	–	–	–
	Total	¥ 13	¥ 38	$ 126

(*1) Unamortized balance of goodwill in the "Other services" is related to the sale and maintenance of motor vehicles.

(*2) The balances here represent unamortized balances of the goodwill which are not allocable to the reportable segments as they relate to multiple reporting segments. Although the unamortized balances of those goodwill have not been allocated to the reporting segments, related amortization costs have been allocated to each reporting segment based on a reasonable method.

18. Derivative Financial Instruments

(a) Derivative financial instruments to which hedge accounting is not applied

(1) Interest-related transactions

	Millions of yen — 2014: Notional amounts Total	Notional amounts Maturing over one year	Fair value	Unrealized gains (losses)
Interest-related transactions:				
Interest rate swap contracts (Receive/floating and pay/fixed)	¥ 144	¥ 144	¥ 133	¥ (11)
Total	¥ 144	¥ 144	¥ 133	¥ (11)

	Millions of yen — 2013: Notional amounts Total	Notional amounts Maturing over one year	Fair value	Unrealized gains (losses)
Interest-related transactions:				
Interest rate swap contracts (Receive/floating and pay/fixed)	¥ 154	¥ 154	¥ 137	¥ (17)
Total	¥ 154	¥ 154	¥ 137	¥ (17)

	Thousands of U.S. dollars — 2014: Notional amounts Total	Notional amounts Maturing over one year	Fair value	Unrealized gains (losses)
Interest-related transactions:				
Interest rate swap contracts (Receive/floating and pay/fixed)	$ 1,399	$ 1,399	$ 1,292	$ (107)
Total	$ 1,399	$ 1,399	$ 1,292	$ (107)

The fair value was calculated on the basis of information obtained from third party financial institutions.

(b) Derivative financial instrument applied hedge accounting

(1) Currency-related transactions

The Company has applied deferral hedge accounting for forward exchange contracts to hedge risks of exchange rate fluctuation on foreign currency trade payables. The notional amounts and estimated fair values are described below.

	Millions of yen — 2014: Notional amounts Total	Notional amounts Maturing over one year	Fair value
Currency-related transactions:			
Forward exchange contracts			
Buy: EUR	¥ –	¥ –	¥ –
Total	¥ –	¥ –	¥ –

	Millions of yen — 2013: Notional amounts Total	Notional amounts Maturing over one year	Fair value
Currency-related transactions:			
Forward exchange contracts			
Buy: EUR	¥ 99	¥ –	¥ 103
Total	¥ 99	¥ –	¥ 103

	Thousands of U.S. dollars		
	Notional amounts		Fair value
	Total	Maturing over one year	
	2014		
Currency-related transactions:			
Forward exchange contracts			
Buy: EUR	$ –	$ –	$ –
Total	$ –	$ –	$ –

The fair value was calculated on the basis of information obtained from third party financial institutions.

(2) Interest-related transactions

The Company has applied hedge accounting for interest swap contracts to hedge risks of changes of floating interest rate on long-term debt. The notional amount is ¥20,000 million ($194,326 thousand) and ¥25,000 million at March 31, 2014 and 2013, respectively. As discussed in Note 1(n), qualified interest rate swap transactions are accounted for using the special method. Therefore, the fair value of long-term debt in Note 5(b) includes the fair value of the interest swap contracts.

19. Other Comprehensive Income

Reclassification adjustments and tax effects regarding other comprehensive income for the years ended March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized holding gain on other securities			
Amount arising during the year	¥ 37	¥ 425	$ 360
Reclassification adjustments for gains and losses included in net income	(45)	(147)	(437)
Amount before tax effect	(8)	278	(78)
Tax effect	23	(138)	223
Net unrealized holding gain on other securities	¥ 15	¥ 140	$ 146
Deferred gains (losses) on hedges			
Amount arising during the year	¥ 10	¥ (14)	$ 97
Adjustment of acquisition cost	(15)	-	(146)
Reclassification adjustments for gains and losses included in acquisition costs of assets	36	3	350
Amount before tax effect	31	(11)	301
Tax effect	(12)	4	(117)
Deferred gains (losses) on hedges	¥ 19	¥ (7)	$ 185
Foreign currency translation adjustments			
Amount arising during the year	¥ 2,965	¥ 4,393	$ 28,809
Reclassification adjustments for gains and losses included in net income	14	81	136
Foreign currency translation adjustments	¥ 2,979	¥ 4,474	$ 28,945
Remeasurements of defined benefit plans			
Amount arising during the year	¥ (84)	¥ –	$ (816)
Reclassification adjustments for gains and losses included in net income	1,010	–	9,813
Amount before tax effect	926	–	8,997
Tax effect	(367)	–	(3,566)
Remeasurements of defined benefit plans	¥ 559	¥ –	$ 5,431
Share of other comprehensive income of companies accounted for by the equity method			
Amount arising during the year	¥ 138	¥ 198	$ 1,341
Reclassification adjustments	1	(45)	10
Share of other comprehensive income of companies accounted for by the equity method	¥ 139	¥ 153	$ 1,351
Total other comprehensive income	¥ 3,711	¥ 4,760	$ 36,057

20. Business Combinations

(Business combination by acquisition)

(a) Overview of business combination

(1) Name and business of the acquired company

James J. Boyle & Co. – Forwarding businesses

(2) Principal reasons for business combination

With its management goals for the year ending March 31, 2016 of "consolidated revenues of ¥750 billion and consolidated operating income of ¥45 billion", the Group is striving for business expansion and, as part of the growth strategies, especially focusing on the expansion of global business through network enhancement.

Amid such circumstances, we concluded that the addition of James J. Boyle & Co. Group to the Group would enhance our forwarding business and expand network, which could contribute to expansion of global business. Specifically, we expect that the addition of enhanced custom business (air cargo), which is the strength of James J. Boyle & Co., to the 3PL management capabilities and truck transportation capacity of the Company's existing group companies in North America will improve the quality of our service and promote the business expansion in the North American region. Furthermore, JJB Link Logistics Co. Limited and Multiplus Logistics China Limited have strong procurement power of air transportation space between India, Middle and Near East, and Africa in and out of Shanghai and Hong Kong. Thus, we concluded that the addition of JJB Link Logistics Co. Limited to the Group will enable us to share the procurement power within the Group and establish a new route for Middle and Near East and Africa which had been untouched so far.

(3) Date of the business combination

May 15, 2013

(4) Legal form of business combination and name of the entity after business combination

Name of the entity after business combination – James J. Boyle & Co.

Legal form of business combination – acquisition of shares

(5) Share of voting rights acquired

87.4%

(6) Main grounds for determination of an acquirer in the business combination

The Companies acquired shares in James J. Boyle & Co. and its two consolidated subsidiaries for cash consideration.

(b) Period for inclusion of acquired company's operating performance in the consolidated financial statements

From April 1, 2013 to March 31, 2014

(c) Acquisition price and details

	Millions of yen	Thousands of U.S. dollars
Cash consideration for acquisition	¥ 3,846	$ 37,369
Expense amount owing directly to acquisition (mainly advisory fees)	308	2,993
Cost of acquisition	¥ 4,154	$ 40,361

(d) Amount of goodwill recognized, its sources, and its amortization method and term

(1) Amount of goodwill recognized

¥1,636 million ($15,896 thousand)

(2) Sources of goodwill

As the acquisition costs exceed the net value of assets acquired and liabilities assumed, that excess is recorded as goodwill.

(3) Goodwill amortization method and term

Straight-line method over 20 years

(e) A breakdown of the amounts of principal assets received and liabilities assumed on the date of the business combination is provided below

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 3,857	$ 37,476
Non-current assets	2,645	25,700
Total assets	6,502	63,175
Current liabilities	2,835	27,546
Non-current liabilities	282	2,740
Total liabilities	¥ 3,117	$ 30,286

(f) The amounts allocated to intangible assets other than goodwill, breakdown by component and the weighted average amortization period by component

(1) Amounts allocated to intangible assets other than goodwill and breakdown by component
Amount allocated to intangible assets - ¥2,589 million ($25,155 thousand)
Breakdown by component:
Customer-related intangible assets - ¥2,553 million ($24,806 thousand)
Marketing- related intangible assets - ¥36 million ($350 thousand)

(2) Weighted average amortization period by component
The weighted average amortization period of intangible assets is 14 years.
Breakdown by component:
Customer-related intangible assets – 14 years
Marketing- related intangible assets – 3 years

(Business combination by acquisition)

(a) Overview of business combination

(1) Name and business of the acquired company
Mars Lojistik Grup Anonim Sirketi – Land transportation businesses and Forwarding businesses

(2) Principal reasons for business combination
Turkey is expected to show high economic growth since it is a high potential market as a stopping point to Europe, Russia, Africa and Middle East and it has abundant labor force. To achieve one of the Group's growth strategy, "expansion of global business by strengthening network", the Group concluded that addition of Mars Lojistik Grup Anonim Sirketi to the Group will aim for further expansion of the global business through entry to Turkish market, business expansion in Europe and business development in the Middle East and North Africa.

(3) Date of the business combination
October 1, 2013

(4) Legal form of business combination and name of the entity after business combination
Name of the entity after business combination – Mars Lojistik Grup Anonim Sirketi
Legal form of business combination – acquisition of shares

(5) Share of voting rights acquired
51.0%

(6) Main grounds for determination of an acquirer in the business combination
The Companies acquired shares in Mars Lojistik Grup Anonim Sirketi for cash consideration.

(b) Period for inclusion of acquired company's operating performance in the consolidated financial statements
From October 1, 2013 to March 31, 2014

(c) Acquisition price and details

	Millions of yen	Thousands of U.S. dollars
Cash consideration for acquisition	¥ 10,237	$ 99,466
Expense amount owing directly to acquisition (mainly advisory fees)	331	3,216
Cost of acquisition	¥ 10,568	$ 102,682

(d) Amount of goodwill recognized, its sources, and its amortization method and term

(1) Amount of goodwill recognized
¥4,475 million ($43,480 thousand)

(2) Sources of goodwill
As the acquisition costs exceed the net value of assets acquired and liabilities assumed, that excess is recorded as goodwill.

(3) Goodwill amortization method and term
Straight-line method over 20 years

(e) A breakdown of the amounts of principal assets received and liabilities assumed on the date of the business combination is provided below

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,601	$ 54,421
Non-current assets	10,963	106,520
Total assets	16,564	160,941
Current liabilities	2,760	26,817
Non-current liabilities	1,857	18,043
Total liabilities	¥ 4,617	$ 44,860

(f) Approximate amount of impact on the consolidated statement of income for the year ended March 31, 2014 assuming that the business combination was completed on April 1, 2013.

	Millions of yen	Thousands of U.S. dollars
Sales	¥ 12,515	$ 121,599
Operating income	1,054	10,241
Income before income taxes and minority interests	1,002	9,736
Net income	¥ 384	$ 3,731

	Yen	U.S. dollars
Net income per share	¥ 3.44	$ 0.03

Approximate amount of impact were calculated as the difference between sales and profit and loss information calculated assuming that the business combination was completed on April 1, 2013 and those recorded in the acquired company's consolidated statements of income. This approximate amount of impact has not been audited.

(g) The amounts allocated to intangible assets other than goodwill, breakdown by component and the weighted average amortization period by component

(1) Amounts allocated to intangible assets other than goodwill and breakdown by component
Amount allocated to intangible assets - ¥6,542 million ($63,564 thousand)
Breakdown by component:
Customer-related intangible assets - ¥6,496 million ($63,117 thousand)
Marketing- related intangible assets - ¥46 million ($447 thousand)

(2) Weighted average amortization period by component
The weighted average amortization period of intangible assets is 16 years.
Breakdown by component:
Customer-related intangible assets – 16 years
Marketing- related intangible assets – 3 years

Report of Independent Auditors

Hitachi Transport System, Ltd. and subsidiaries

Independent Auditor's Report

The Board of Directors
Hitachi Transport System, Ltd.

We have audited the accompanying consolidated financial statements of Hitachi Transport System, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Transport System, Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 24, 2014
Tokyo, Japan

Information

Corporate Data

(As of March 31, 2014)

Corporate name Hitachi Transport System, Ltd.

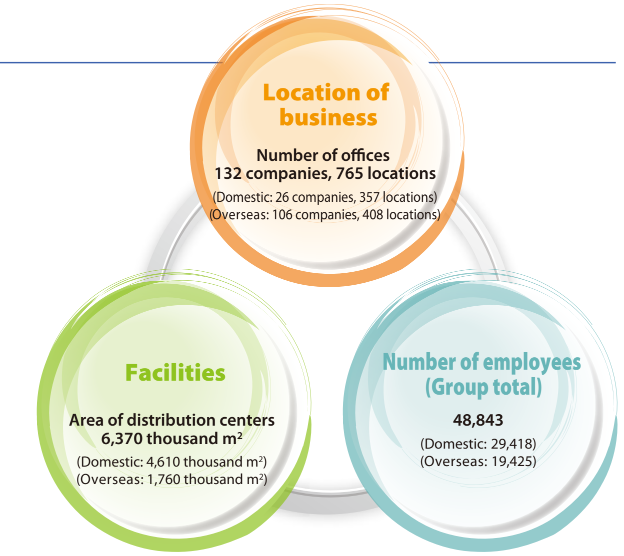
Head office 7-2-18, Toyo, Koto-ku, Tokyo 135-8372, Japan

Founded February 1950

Paid-in capital ¥16,802 million

Main businesses

- 3PL Business [integrated logistics services for corporate customers]
  (Logistics System Building, Information Control, Inventory Control, Orders Control, Processing for Distribution, Distribution Center Operation, Factory Logistics, Transportation, Customs Clearance, International Nonstop Delivery through Land/Ocean/Air Transportation)
- Transportation, Installation and Setting of General Cargo, Heavy Machineries, and Artworks
- Factory and Office Moving
- Warehousing and Trunk Room Services
- Collection and Transportation of Industrial Waste
- Logistics Consulting, etc.



Main Subsidiaries & Affiliates

(As of March 31, 2014)

Domestic

Higashinippon Hitachi Transport Service Co., Ltd.
Kanto Hitachi Transport Service Co., Ltd.
Shutoken Hitachi Transport Service Co., Ltd.
Minamikanto Hitachi Transport Service Co., Ltd.
Chubu Hitachi Transport Service Co., Ltd.
Nishinippon Hitachi Transport Service Co., Ltd.
Kyushu Hitachi Transport Service Co., Ltd.
Hitachi Transport Direx Co., Ltd.
Hitachi Collabonext Transport System Co., Ltd.
Hitachi Finenext Transport System Co., Ltd.
VANTEC CORPORATION
VANTEC HTS FORWARDING, LTD.
Nisshin Transportation Co., Ltd.
Project Cargo Japan, Inc.
Hitachi Distribution Software Co., Ltd.
Hitachi Auto Service Co., Ltd.
Hitachi Travel Bureau, Ltd.

Overseas

Hitachi Transport System (America), Ltd.
J.P. Holding Company, Inc.
Hitachi Sistema de Transporte Mexico, S. A .de C.V.
James J.Boyle & Co.
Hitachi Transport System (Europe) B.V.
ESA s. r. o.
Mars Logistics Group Inc.
VANTEC HTS LOGISTICS (RUS), LLC
Hitachi Transport System (Asia) Pte. Ltd.
Hitachi Transport System (Malaysia) Sdn.Bhd.
Hitachi Transport System (Thailand), Ltd.
Eternity Grand Logistics Public Company Limited
PT Berdiri Matahari Logistik
PT Hitachi Transport System Indonesia
Hitachi Transport System (Vietnam) Co., Ltd.
NISSHIN (MYANMAR) CO., LTD.
Flyjac Logistics Pvt. Ltd.
Hitachi Transport System (China), Ltd.
Vantec Hitachi Transport System (Hong Kong) Ltd.
CDS Freight Holding Ltd.
Vantec Hitachi Transport System (Taiwan) Ltd.
Hitachi Transport System (Korea), Ltd.
Hitachi Transport System (Australia) Pty. Ltd.

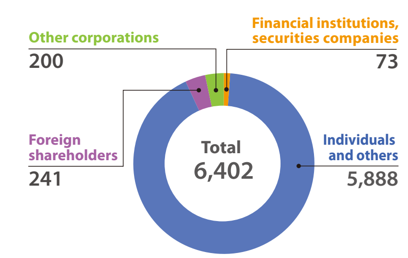
Stock Information

(As of March 31, 2014)

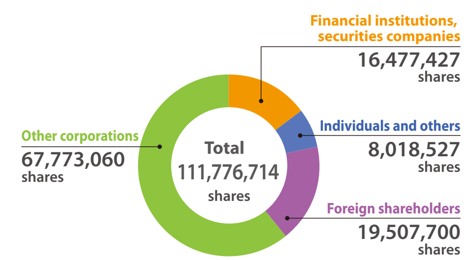
Number of shares outstanding 111,776,714 shares

Number of shares per unit 100 shares

Number of shareholders



Composition of shareholders

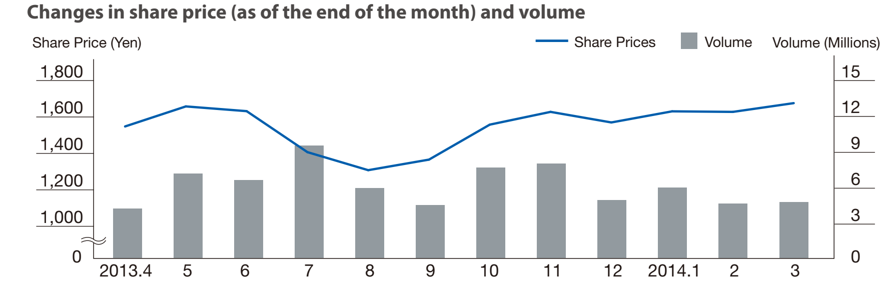


Major shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of shares held
Hitachi, Ltd.	59,452	53.30 %
Hitachi Urban Investment, Ltd.	6,368	5.71
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,210	2.87
Japan Trustee Services Bank, Ltd. (Trust Account)	3,099	2.77
National Mutual Insurance Federation of Agricultural Cooperatives	2,793	2.50
Hitachi Transport System, Ltd. Employees' Shareholding Association	1,565	1.40
JP MORGAN CHASE BANK 385093	1,319	1.18
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,247	1.11
FUKUYAMA TRANSPORTING CO., LTD.	1,038	0.93
STATE STREET BANK AND TRUST COMPANY	1,006	0.90

Note: The percentage of shares held is calculated based on the number of shares excluding treasury stock (225,746 shares).

Changes in share price (as of the end of the month) and volume



Hitachi Transport System, Ltd.

Head Office
7-2-18, Toyo, Koto-ku, Tokyo 135-8372, Japan
Tel: +81-3-5634-0333
Fax: +81-3-5634-0299
http://www.hitachi-hb.co.jp/english/

VEGETABLE OIL INK

Printed in Japan