Hitachi Transport System

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Financial Section

Annual Report 2019

Year ended March 31, 2019

Consolidated Financial Statements,
Notes to the Consolidated Financial Statements and
Independent Auditors' Report

Hitachi Transport System, Ltd.

Consolidated Financial Statements
Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	**As of March 31, 2019**
Assets			
Current assets			
Cash and cash equivalents (Note 7)	**¥ 108,412**	¥ 63,497	**$ 976,773**
Trade receivables (Note 8)	**-**	135,987	**-**
Trade receivables and contract assets (Notes 8 and 21)	**132,544**	-	**1,194,198**
Inventories (Note 10)	**1,145**	1,711	**10,316**
Other financial assets (Notes 7 and 26)	**4,597**	7,868	**41,418**
Other current assets	**11,965**	11,089	**107,803**
Total current assets	**258,663**	220,152	**2,330,507**
Non-current assets			
Investments accounted for using the equity method (Note 11)	**84,009**	75,349	**756,906**
Property, plant and equipment (Note 12)	**182,400**	175,015	**1,643,391**
Goodwill (Note 13)	**26,212**	27,869	**236,165**
Intangible assets (Note 13)	**28,556**	31,833	**257,284**
Deferred tax assets (Note 14)	**8,083**	8,466	**72,826**
Other financial assets (Note 26)	**18,241**	18,320	**164,348**
Other non-current assets (Note 17)	**6,371**	7,899	**57,402**
Total non-current assets	**353,872**	344,751	**3,188,323**
Total assets	**612,535**	564,903	**5,518,831**
Liabilities			
Current liabilities			
Trade payables (Note 15)	**54,253**	55,078	**488,810**
Short-term debt (Note 26)	**5,850**	10,747	**52,707**
Current portion of long-term debt (Notes 9 and 26)	**5,662**	15,307	**51,014**
Income tax payable	**3,362**	6,782	**30,291**
Other financial liabilities (Note 26)	**24,886**	29,049	**224,218**
Other current liabilities (Notes 16 and 21)	**28,481**	30,829	**256,609**
Total current liabilities	**122,494**	147,792	**1,103,649**
Non-current liabilities			
Long-term debt (Notes 9 and 26)	**191,198**	138,244	**1,722,660**
Retirement and severance benefits (Note 17)	**32,083**	32,077	**289,062**
Deferred tax liabilities (Note 14)	**10,712**	10,897	**96,513**
Other financial liabilities (Note 26)	**22,958**	23,721	**206,847**
Other non-current liabilities (Note 16)	**4,141**	3,881	**37,310**
Total non-current liabilities	**261,092**	208,820	**2,352,392**
Total liabilities	**383,586**	356,612	**3,456,041**
Equity			
Equity attributable to stockholders of the parent company			
Common stock (Note 18)	**16,803**	16,803	**151,392**
Retained earnings (Note 18)	**206,245**	186,373	**1,858,230**
Accumulated other comprehensive income (Note 19)	**(520)**	1,333	**(4,685)**
Treasury stock, at cost (Note 18)	**(182)**	(181)	**(1,640)**
Total equity attributable to stockholders of the parent company	**222,346**	204,328	**2,003,298**
Non-controlling interests	**6,603**	3,963	**59,492**
Total equity	**228,949**	208,291	**2,062,789**
Total liabilities and equity	**¥ 612,535**	¥ 564,903	**$ 5,518,831**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		**2019**	
Revenues (Notes 5 and 21)	¥	**708,831**	¥	700,391	$	**6,386,440**
Cost of sales		**(626,458)**		(620,011)		**(5,644,274)**
Gross profit		**82,373**		80,380		**742,166**
Selling, general and administrative expenses		**(51,181)**		(50,577)		**(461,132)**
Adjusted operating income		**31,192**		29,803		**281,034**
Other income (Note 22)		**3,850**		3,461		**34,688**
Other expenses (Note 22)		**(4,689)**		(3,998)		**(42,247)**
Operating income		**30,353**		29,266		**273,475**
Financial income (Note 23)		**450**		88		**4,054**
Financial expenses (Note 23)		**(1,042)**		(1,818)		**(9,388)**
Share of profits of investments accounted for using the equity method (Note 11)		**6,419**		5,557		**57,834**
EBIT (Earnings before interest and taxes)		**36,180**		33,093		**325,975**
Interest income (Note 23)		**1,075**		1,031		**9,686**
Interest expenses (Note 23)		**(2,009)**		(1,862)		**(18,101)**
Income before income taxes		**35,246**		32,262		**317,560**
Income taxes (Note 14)		**(11,233)**		(10,154)		**(101,207)**
Net income	¥	**24,013**	¥	22,108	$	**216,353**
Net income attributable to: Stockholders of the parent company		**22,786**		20,916		**205,298**
Non-controlling interests		**1,227**		1,192		**11,055**

	Yen				U.S. dollars	
	2019		2018		**2019**	
Earnings per share attributable to stockholders of the parent company						
Basic (Note 24)	¥	**204.27**	¥	187.50	$	**1.84**
Diluted (Note 24)		-		-		-

Consolidated Statement of Comprehensive Income

	Millions of yen				**Thousands of U.S. dollars**	
	2019		2018		**2019**	
Net income	¥	**24,013**	¥	22,108	$	**216,353**
Other comprehensive income (OCI)						
Items not to be reclassified into net income						
Net changes in financial assets measured at fair value through OCI (Note 19)		**(300)**		457		**(2,703)**
Remeasurements of defined benefit plans (Note 19)		**(191)**		(60)		**(1,721)**
Share of OCI of investments accounted for using the equity method (Note 19)		**(14)**		123		**(126)**
Total items not to be reclassified into net income		**(505)**		520		**(4,550)**
Items that can be reclassified into net income						
Foreign currency translation adjustments (Note 19)		**(1,121)**		1,798		**(10,100)**
Net changes in cash flow hedges (Note 19)		**(2)**		-		**(18)**
Share of OCI of investments accounted for using the equity method (Note 19)		**(108)**		5		**(973)**
Total items that can be reclassified into net income		**(1,231)**		1,803		**(11,091)**
Other comprehensive income (OCI)		**(1,736)**		2,323		**(15,641)**
Comprehensive income	¥	**22,277**	¥	24,431	$	**200,712**
Comprehensive income attributable to: Stockholders of the parent company		**21,178**		22,486		**190,810**
Non-controlling interests		**1,099**		1,945		**9,902**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

	Millions of yen						
	2019						
	Equity attributable to stockholders of the parent company						
	Common stock	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company	Non-controlling interests	Total equity
Balance at beginning of year	**¥ 16,803**	**¥ 186,373**	**¥ 1,333**	**¥ (181)**	**¥204,328**	**¥ 3,963**	**¥208,291**
Cumulative effects of changes in accounting policies	**-**	**25**	**-**	**-**	**25**	**-**	**25**
Restated balance	**16,803**	**186,398**	**1,333**	**(181)**	**204,353**	**3,963**	**208,316**
Changes in equity							
Net income	**-**	**22,786**	**-**	**-**	**22,786**	**1,227**	**24,013**
Other comprehensive income (Note 19)	**-**	**-**	**(1,608)**	**-**	**(1,608)**	**(128)**	**(1,736)**
Transactions with non-controlling interests (Note 18)	**-**	**115**	**(4)**	**-**	**111**	**2,130**	**2,241**
Dividends (Note 20)	**-**	**(4,127)**	**-**	**-**	**(4,127)**	**(171)**	**(4,298)**
Transfer to retained earnings (Notes 19 and 26)	**-**	**99**	**(99)**	**-**	**-**	**-**	**-**
Acquisition and sales of treasury stock (Note 18)	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Changes in liabilities for written put options over non-controlling interests (Notes 18 and 26)	**-**	**974**	**(142)**	**-**	**832**	**(418)**	**414**
Total changes in equity	**-**	**19,847**	**(1,853)**	**(1)**	**17,993**	**2,640**	**20,633**
Balance at end of year	**¥16,803**	**¥206,245**	**¥ (520)**	**¥ (182)**	**¥222,346**	**¥6,603**	**¥228,949**

	Millions of yen						
	2018						
	Equity attributable to stockholders of the parent company						
	Common stock	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company	Non-controlling interests	Total equity
Balance at beginning of year	¥ 16,803	¥ 171,633	¥ (774)	¥ (180)	¥187,482	¥ 3,437	¥190,919
Changes in equity							
Net income	-	20,916	-	-	20,916	1,192	22,108
Other comprehensive income (Note 19)	-	-	1,570	-	1,570	753	2,323
Transactions with non-controlling interests (Note 18)	-	9	-	-	9	(122)	(113)
Dividends (Note 20)	-	(3,904)	-	-	(3,904)	(131)	(4,035)
Transfer to retained earnings (Notes 19 and 26)	-	10	(10)	-	-	-	-
Acquisition and sales of treasury stock (Note 18)	-	-	-	(1)	(1)	-	(1)
Changes in liabilities for written put options over non-controlling interests (Notes 18 and 26)	-	(2,291)	547	-	(1,744)	(1,166)	(2,910)
Total changes in equity	-	14,740	2,107	(1)	16,846	526	17,372
Balance at end of year	¥ 16,803	¥ 186,373	¥ 1,333	¥ (181)	¥204,328	¥ 3,963	¥208,291

	Thousands of U.S. dollars						
	2019						
	Equity attributable to stockholders of the parent company						
	Common stock	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company	Non-controlling interests	Total equity
Balance at beginning of year	**$151,392**	**$1,679,187**	**$ 12,010**	**$ (1,631)**	**$1,840,959**	**$ 35,706**	**$1,876,665**
Cumulative effects of changes in accounting policies	**-**	**225**	**-**	**-**	**225**	**-**	**225**
Restated balance	**151,392**	**1,679,413**	**12,010**	**(1,631)**	**1,841,184**	**35,706**	**1,876,890**
Changes in equity							
Net income	**-**	**205,298**	**-**	**-**	**205,298**	**11,055**	**216,353**
Other comprehensive income (Note 19)	**-**	**-**	**(14,488)**	**-**	**(14,488)**	**(1,153)**	**(15,641)**
Transactions with non-controlling interests (Note 18)	**-**	**1,036**	**(36)**	**-**	**1,000**	**19,191**	**20,191**
Dividends (Note 20)	**-**	**(37,184)**	**-**	**-**	**(37,184)**	**(1,541)**	**(38,724)**
Transfer to retained earnings (Notes 19 and 26)	**-**	**892**	**(892)**	**-**	**-**	**-**	**-**
Acquisition and sales of treasury stock (Note 18)	**-**	**-**	**-**	**(9)**	**(9)**	**-**	**(9)**
Changes in liabilities for written put options over non-controlling interests (Notes 18 and 26)	**-**	**8,776**	**(1,279)**	**-**	**7,496**	**(3,766)**	**3,730**
Total changes in equity	**-**	**178,818**	**(16,695)**	**(9)**	**162,114**	**23,786**	**185,900**
Balance at end of year	**$151,392**	**$1,858,230**	**$ (4,685)**	**$ (1,640)**	**$2,003,298**	**$ 59,492**	**$ 2,062,789**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cash flows from operating activities:			
Net income	¥ **24,013**	¥ 22,108	$ **216,353**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	**19,059**	19,030	**171,718**
Impairment losses	**2,045**	1,254	**18,425**
Share of profits of investments accounted for using the equity method	**(6,419)**	(5,557)	**(57,834)**
Gain on business reorganization	**(3,134)**	-	**(28,237)**
Income taxes	**11,233**	10,154	**101,207**
Increase (decrease) in retirement and severance benefits	**225**	863	**2,027**
Interest and dividends income	**(1,482)**	(1,117)	**(13,353)**
Interest expenses	**2,009**	1,862	**18,101**
(Gains) losses on sale of property, plant and equipment	**(44)**	(2,780)	**(396)**
(Increase) decrease in trade receivables and contract assets	**449**	(9,667)	**4,045**
(Increase) decrease in inventories	**389**	(227)	**3,505**
Increase (decrease) in trade payables	**816**	2,738	**7,352**
Increase (decrease) in other assets and other liabilities	**(1,286)**	(2,596)	**(11,587)**
Other	**17**	956	**153**
Subtotal	**47,890**	37,021	**431,480**
Interest and dividends received	**3,937**	2,917	**35,472**
Interest paid	**(1,912)**	(1,748)	**(17,227)**
Income taxes paid	**(12,103)**	(10,266)	**(109,046)**
Net cash provided by operating activities	**37,812**	27,924	**340,679**
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	**(14,948)**	(12,197)	**(134,679)**
Proceeds from sale of property, plant and equipment and intangible assets	**1,491**	5,485	**13,434**
Collection of short-term loan receivable	**3,900**	-	**35,138**
Decrease due to a loss of control of subsidiaries (Note 25)	**(4,466)**	-	**(40,238)**
Other	**131**	534	**1,180**
Net cash used in investing activities	**(13,892)**	(6,178)	**(125,164)**
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net (Note 25)	**(4,775)**	1,834	**(43,022)**
Proceeds from long-term debt (Note 25)	**49,749**	-	**448,230**
Repayments of long-term debt (Note 25)	**(11,490)**	(1,502)	**(103,523)**
Repayments of lease obligations (Note 25)	**(4,964)**	(4,849)	**(44,725)**
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests	**2,528**	-	**22,777**
Purchase of shares of consolidated subsidiaries from non-controlling interests (Note 25)	**(4,963)**	(7,484)	**(44,716)**
Dividends paid to stockholders of the parent company (Note 20)	**(4,127)**	(3,904)	**(37,184)**
Dividends paid to non-controlling interests	**(151)**	(108)	**(1,360)**
Other	**(703)**	(432)	**(6,334)**
Net cash provided by (used in) financing activities	**21,104**	(16,445)	**190,143**
Effect of exchange rate changes on cash and cash equivalents	**(109)**	713	**(982)**
Net increase in cash and cash equivalents	**44,915**	6,014	**404,676**
Cash and cash equivalents at beginning of year (Note 7)	**63,497**	57,483	**572,097**
Cash and cash equivalents at end of year (Note 7)	¥ **108,412**	¥ 63,497	$ **976,773**

See accompanying notes to consolidated financial statements.

1. Nature of Operations

Hitachi Transport System, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The addresses of its registered headquarters and major business offices are disclosed on the Company's website (http://www.hitachi-transportsystem.com). The accompanying consolidated financial statements for the year ended March 31, 2019 comprise the Company, its subsidiaries and its interests in associates and joint ventures (the Group). The Group is principally engaged in the rendering of comprehensive and high-quality logistics services through domestic logistics, global logistics and other services segments.

2. Basis of Presentation

(a) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). As the Company meets the requirements of a "Specified Company applying the Designated International Accounting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No.28, 1976), the Company applies the provision of Article 93 of the Ordinance.

The consolidated financial statements were approved by Yasuo Nakatani, the Company's Representative Executive Officer, President and Chief Executive Officer, and Nobukazu Hayashi, the Company's Chief Financial Officer, Senior Vice President and Executive Officer, on June 19, 2019.

(b) Basis of Measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for derivative assets and liabilities measured at fair value, financial assets and liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI) and assets and liabilities associated with defined benefit plans.

(c) Presentation Currency

The consolidated financial statements are presented in Japanese yen, the functional currency of the Company, and rounded to the nearest million yen.

(d) Use of Estimates and Judgments

Management of the Company has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues and expenses and assets and liabilities in the preparation of these consolidated financial statements. However, actual results could differ from those estimates due to the nature of the estimates.

Estimates and assumptions are continually evaluated. The effect of a change in accounting estimates, if any, is recognized in the reporting period in which the change was made and in future periods.
Judgments, estimates and assumptions that could have a material effect on the Company's consolidated financial statements are as follows:

- Scope of consolidated subsidiaries and investments accounted for using the equity method (note 3. (a) Basis of Consolidation)
- Significant assumptions used to calculate discounted cash flow projections in impairment testing of goodwill and intangible assets (note 3. (j) Impairment of Non-financial Assets)
- Accounting treatment for leases (note 3. (i) Leases)
- Significant assumptions used to calculate performance projections in fair value measurement of liabilities for written put options over non-controlling interests (note 3. (e) Financial Instruments)

The information regarding uncertainties arising from assumptions and estimates that could result in material adjustments in the subsequent consolidated financial statements is included in the following notes:

- Impairment of financial assets (note 26. (b) Financial Risks)
- Impairment of non-financial assets (note 12. Property, Plant and Equipment and note 13. Goodwill and Intangible Assets)
- Measurement of fair value of defined benefit obligations and plan assets under defined benefit retirement plans (note 3. (k) Retirement and Severance Benefits and note 17. Employee Benefits)
- Recoverability of deferred tax assets (note 14. Deferred Taxes and Income Taxes)
- Fair value of financial instruments (note 26. (c) Fair Value of Financial Instruments)

(e) Changes in Accounting Policies

(i) Adoption of IFRS 9 "Financial Instruments" (amended in July 2014)

Effective April 1, 2018, the Group adopted IFRS 9 "Financial Instruments" (amended in July 2014). Upon the adoption of IFRS 9, the Group applied the transitional provisions and chose to recognize the cumulative effect of the initial application as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2019. The effect of adopting this standard on the Group's financial position and operating results was immaterial.

(ii) Adoption of IFRS 15 "Revenue from Contracts with Customers"

Effective April 1, 2018, the Group adopted IFRS 15 "Revenue from Contracts with Customers." In accordance with the transitional provisions of IFRS 15, the Group adopted the standard retrospectively and chose to recognize the cumulative effect of the initial application as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2019. The effect of adopting this standard on the Group's financial position and operating results was immaterial.

(f) Accounting Standards and Interpretations Issued but Not Yet Adopted by the Group

The following table lists the principal new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that are not yet early adopted by the Group as of March 31, 2019.

IFRSs	Title	Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the Company	Description of new standards and amendments
IFRS 16	Leases	January 1, 2019	Year ending March 31, 2020	Changes in definition of leases and accounting treatment mainly for lessees

As a result of adopting IFRS 16 "Leases," finance leases and operating leases are no longer distinguished, and lessees recognize a right-of-use asset representing the right to use the underlying leased asset and a lease liability representing the obligation to make lease payments for nearly all leases based on a single accounting model. Subsequent to recognition of a right-of-use asset and a lease liability, lessees recognize depreciation of right-of-use assets and interest on lease liabilities. The Group will apply the exemption provision which allows it to elect not to apply the recognition requirements of the standard to short-term leases and leases of low-value assets.

The Group will adopt IFRS 16 from its fiscal year beginning on April 1, 2019 as required by the standard. The Group will apply the modified retrospective approach which requires it to recognize the cumulative effect of initially applying IFRS 16 on the date of initial application and will not restate the comparative figures.

As of June 19, 2019, the Group expects to recognize approximately ¥281 billion ($2,532 million) as right-of-use assets and approximately ¥285 billion ($2,568 million) as lease liabilities on April 1, 2019 as a result of adopting IFRS 16. The most significant impact resulting from recognizing the right-of-use assets and lease liabilities was due to a certain logistics center.

3. Summary of Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is obtained when the Group is exposed, or has rights to variable returns from its involvement with the investee, and the Group has the ability to affect those returns through its power over the investee.

All subsidiaries of the Company are included in the scope of consolidation from the date on which the Group acquires control until the date on which the Group loses control. In preparing the consolidated financial statements, amounts of internal transactions, unrealized profits arising from internal transactions and balances of receivables and payables between consolidated companies are eliminated.
Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Group.

Changes in the Group's ownership interests in subsidiaries without a loss of control are accounted for as equity transactions.
Changes in ownership interests in subsidiaries with a loss of control are accounted for by derecognizing the assets and liabilities, non-controlling interests, equity and accumulated other comprehensive income (AOCI) attributable to the subsidiaries.

(ii) Associates and Joint Ventures
Associates are entities over which the Group has the ability to exercise significant influence over their financial and operational policies, but which are not controlled by the Group. If the Group owns more than 20% but less than 50% of the voting rights of other entity, the Group is considered to have significant influence over the entity. In addition, even when the Group only owns less than 20 % of the voting rights of an entity, if the Group is determined to have significant influence because an associate over which the Group has significant influence with more than 20% of voting rights owns more than 50% of the voting rights of such entity, such entity is included as an associate.
Joint ventures are entities jointly controlled by multiple parties, including the Company, and require unanimous agreement of all parties in deciding financial and operational policies of the entity.

Investments in associates and joint ventures are accounted for using the equity method.
The consolidated financial statements of the Group include changes in profit or loss and other comprehensive income (OCI) of these associates and joint ventures from the date on which the Group obtains significant influence or joint control to the date on which it loses significant influence or joint control. The financial statements of the associates and joint ventures are adjusted, if necessary, when their accounting policies differ from those of the Group.

(b) Business Combinations
Business combinations are accounted for using the acquisition method. Consideration is measured as the sum of the fair value of the consideration transferred at the acquisition date and non-controlling interests in the acquired company. The Company determines, on a transaction by transaction basis, whether to measure non-controlling interests in the acquired company at fair value or by the proportionate share of the fair value of identifiable net assets of the acquired company. Acquisition-related costs are expensed as incurred.

(c) Cash and Cash Equivalents
Cash and cash equivalents are cash on hand, demand deposits, and investments that are readily convertible to cash and subject to an insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition.

(d) Foreign Currency Translation
The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency. Each company in the Group has set its own functional currency and transactions of each company are measured in each functional currency.

(i) Foreign Currency Transactions
Foreign currency transactions are converted into the functional currency using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit

or loss, except where foreign exchange effects relating to financial assets measured at FVTOCI and cash flow hedges are recognized in OCI.

(ii) Foreign Operations

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the corresponding period. Gains or losses derived from translating foreign entities' financial statements are recognized in OCI. When a foreign entity of the Group is disposed of, cumulative foreign currency translation adjustments relating to the foreign entity are reclassified to profit or loss at the time of disposal.

(e) Financial Instruments

(i) Non-derivative Financial Assets

The Group initially recognizes trade and other receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date, on which the Group becomes a party to the agreement.
The classification and measurement model of non-derivative financial assets is summarized as follows:

Financial Assets Measured at Amortized Cost

Financial assets are measured at amortized cost when they meet all of the following requirements:

- The financial asset is held within a business model the objective of which is to hold the asset to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). Subsequent to the initial recognition, the carrying amount of financial assets measured at amortized cost is measured using the effective interest method, less impairment losses, if necessary.

Impairment of Financial Assets Measured at Amortized Cost

The Group performs ongoing evaluation at least on a quarterly basis on allowance for doubtful accounts for expected credit losses related to financial assets measured at amortized cost, trade receivables and other receivables, depending on whether the credit risk has significantly increased since initial recognition.

If the credit risk has significantly increased since initial recognition, allowance for doubtful accounts is measured at expected credit losses that result from all possible default events over the expected life of the financial instrument. If the credit risk has not significantly increased since initial recognition, allowance for doubtful accounts is measured at expected credit losses that result from default events that are possible within the 12 months after the reporting date. However, allowance for doubtful accounts for trade receivables, contract assets and lease receivables is always measured at lifetime expected credit losses.

Whether there has been a significant increase in credit risk is determined based on the change in the risk of default occurring, and the Group defines default as the situation where there is a serious problem in payments of contractual cash flow by a debtor and there is no reasonable expectation that all or part of the financial assets will be recovered.
Whether there has been a change in the risk of default occurring is determined taking into consideration mainly external credit rating and past due information.

Expected credit losses are measured as the probability-weighted present value of the difference between all contractual cash flows related to the financial asset that are due to an entity and all the cash flows that the entity expects to receive. In the event of occurrence of one or more of the events including payment delay, extension of due date, negative evaluation by external credit research agencies and deterioration in financial position and operating results including insolvency, the financial assets are individually assessed as impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience and future collectible amount. For the financial assets that are not impaired, the expected credit losses are measured based on the collective assessment using the provision rates adjusted for current and estimated future economic conditions depending on historical credit loss experience.

For the expected credit losses on financial assets measured at amortized cost, trade receivables, and other receivables, allowance for doubtful accounts is recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in selling, general and administrative expenses in the consolidated statement of profit or loss. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations of recovering all or part of the financial assets and the carrying amounts are directly written off.

FVTPL Financial Assets
The Group classifies equity instruments not designated as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost at initial recognition as FVTPL financial assets. These instruments are subsequently measured at fair value and the subsequent changes in fair value are recognized in profit or loss.

FVTOCI Financial Assets
The Group holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are irrevocably designated as FVTOCI financial assets at initial recognition. They are subsequently measured at fair value, and the subsequent changes in fair value are recognized in OCI. Dividends from FVTOCI financial assets are recognized in profit or loss, unless they are clearly considered to be a return of the investment.

Derecognition of Financial Assets
The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred and the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the Group derecognizes such financial assets when the Group does not hold control over the assets. When FVTOCI financial assets are derecognized, the amount of AOCI is directly reclassified to retained earnings and not recognized in profit or loss.

(ii) Non-derivative Financial Liabilities
The Group initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date, on which the Group becomes a party to the agreement.

The Group derecognizes financial liabilities when extinguished, such as when its contractual obligation is performed or when the liability is discharged, cancelled or expired.

The Group holds bonds, debts, trade payables and other financial liabilities as non-derivative financial liabilities. They are initially measured at fair value (less direct transaction costs), and subsequently measured at amortized cost using the effective interest method.

The Group recognizes written put options over subsidiary’s shares granted to the holders of non-controlling interests as financial liabilities at fair value calculated by discounting future cash flows and deducts the difference between non-controlling interests from capital surplus or retained earnings, with changes subsequent to initial recognition to be recognized in capital surplus or retained earnings.

(iii) Derivatives and Hedge Accounting
The Group uses derivative instruments including forward exchange contracts and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.
The Group accounts for hedging derivatives as follows.

Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in OCI to the extent that the hedge is considered effective. This treatment continues until profit or loss is affected by the variability of future cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss. If non-financial assets or non-financial liabilities are recognized as a result of a forecast transaction designated as a hedged item, the changes in fair value of the derivatives recorded in OCI are directly included in the carrying amount of the assets or liabilities when the assets or liabilities are recognized.

The Group follows the documentation requirements as prescribed by IFRS 9 "Financial Instruments" (amended in July 2014) which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge's inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is effective in offsetting changes in fair values or future cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective, and the ineffective portion is immediately recorded in profit or loss.

(iv) Offsetting Financial Assets and Liabilities
Financial assets and liabilities are offset and reported at net amounts in the consolidated statement of financial position, only when the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(f) Inventories
Inventories are stated at the lower of cost or net realizable value. Changes in the carrying amount due to remeasurement of inventories are recognized in cost of sales.

Cost includes purchase, processing and all other costs incurred during the process until the inventories reach their current location and state. Cost is determined generally by the moving average method for merchandise, finished goods, raw materials and supplies, and by the specific identification method for work in process.

Net realizable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(g) Property, Plant and Equipment
The Group uses the cost method to measure property, plant and equipment. They are stated at cost, less accumulated depreciation and impairment losses. Acquisition cost includes direct costs of acquisition, costs of dismantling, removing and restoration of the assets. Material components that exist in items of property, plant and equipment are recorded as individual items of property, plant and equipment.

Except for non-depreciable assets, such as land, property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives for major classes of assets:

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 15 years
Tools, furniture and fixtures	3 to 30 years

The residual value, estimated useful lives and the method of depreciation of property, plant and equipment are reviewed at fiscal year end, and any changes are accounted for on a prospective basis as a change in accounting estimate.

(h) Goodwill and Other Intangible Assets
(i) Goodwill
Goodwill is recognized as the amount of consideration transferred that is measured at fair value at the acquisition date, including the amount of all non-controlling interests of the acquired entity, in excess of the net amount of identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortized but tested for impairment annually or whenever there is an indication of impairment, and impairment losses are recorded, if necessary. Impairment losses relating to goodwill are not reversed.

(ii) Intangible Assets
Intangible assets are measured by the cost model and stated at cost less accumulated amortization and impairment losses. Individually acquired intangible assets are measured at cost at initial recognition, and cost of intangible assets acquired in business combinations are measured at fair value at the acquisition date. Costs of internally generated intangible assets are fully expensed when incurred, except for those that meet the capitalization

requirements.

Intangible assets with finite useful lives are amortized using the straight-line method over the following estimated useful lives for major classes of assets:

Software	4 to 5 years
Customer-related intangible assets	10 to 20 years

The residual value, estimated useful lives and the method of amortization of intangible assets are reviewed at each fiscal year end, and any changes are accounted for on a prospective basis as a change in accounting estimate.

(i) Leases

Whether or not a contract is a lease, or whether the contract contains a lease is determined by the substance of the contract at the inception of the lease based on whether the right to use a certain asset is substantially transferred, rather than the legal form.

Leases are classified as finance leases when all the risks and benefits of ownership of the assets are transferred substantially to the lessee, and as operating leases in any other cases.

(i) Lessee

Finance leases are capitalized at the lower of fair value of the leased property at the inception of the lease or the present value of minimum lease payments at the inception of the lease. Lease assets are depreciated using the straight-line method over the shorter period of the lease term or the estimated useful lives, except for the cases where it is reasonably certain that the ownership is transferred by the end of the lease term. Lease payments are apportioned between financial expenses and repayments for the outstanding lease obligations, and financial expenses are allocated so as to produce a constant periodic rate of interest on the outstanding lease obligations.

Operating lease payments are recognized as expenses using the straight-line method over the lease term.

(ii) Lessor

For finance leases, net investment in the lease at the inception of the lease is recognized as lease receivables. Lease income is apportioned between the financial income and the collection of the outstanding lease receivables, and the financial income is allocated so as to produce a constant periodic rate of interest on the outstanding net investment in the lease.

Operating lease income is recognized as revenue using the straight-line method over the lease term.

(j) Impairment of Non-Financial Assets

For non-financial assets excluding inventories, deferred tax assets and net defined benefit assets, the Group reviews the presence of an indication of impairment in each reporting period. When there is an indication of impairment, the recoverable amount of the asset is estimated. Irrespective of any indications of impairment, the Group annually estimates the recoverable amounts of goodwill and intangible assets with indefinite useful lives or that are not yet available for use.

In performing impairment testing, individual assets are grouped into the smallest identifiable group of assets that generates cash flows independently from each other.
The recoverable amount is measured as the higher of the value in use or the fair value less costs to sell. Value in use is calculated by discounting the estimated future cash flows using a discount rate which reflects the time value of money and risks specific to the asset. If the carrying amount of the asset or asset allocated to a cash-generating unit (CGU) exceeds its recoverable amount, the excess is recognized as an impairment loss.

Impairment losses relating to goodwill are not reversed. For other assets, the Group determines whether there is an indication that impairment losses previously recognized may no longer exist or have decreased. If there is an indication of reversal of impairment losses, and the estimated recoverable amount for the asset or the CGU exceeds the carrying amount, the previously recognized impairment loss is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if the impairment had not been recognized.

(k) Retirement and Severance Benefits

The Company and certain consolidated subsidiaries have defined benefit pension plans and severance lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

Differences in remeasurement of the net amount of defined benefit asset or liability are fully recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost is recognized immediately in profit or loss.

The net amount of defined benefit asset or liability is calculated as the present value of defined benefit obligations less the fair value of plan assets, and recognized as assets or liabilities in the consolidated statement of financial position.

Certain consolidated subsidiaries have defined contribution pension plans. A defined contribution pension plan is a retirement benefit plan in which the employer makes a certain amount of contributions to third party entities and does not have legal or constructive obligations for any payment beyond the contributions. Contributions made to defined contribution pension plans are expensed in the period when the employees rendered their services.

(l) Provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

In case that the time value of money is material, the amount of a provision is measured by discounting estimated future cash flows using the pretax discount rate reflecting the time value of money and risks specific to the obligation to the present value. Unwinding of the discount over time is recognized as financial expenses.

(m) Equity

(i) Common Stock and Capital Surplus

For shares issued by the Company, the issue price is recorded in common stock and capital surplus, and expenses incurred in direct relation to the issuance are deducted from capital surplus.

(ii) Treasury Stock

When treasury stock is acquired, the acquisition cost is recognized as a deduction from equity. When treasury stock is sold or disposed of, the difference between the carrying amount and consideration at the time of sale or disposal is recognized in capital surplus.

(n) Revenue Recognition

The Group has applied IFRS 15 “Revenue from Contracts with Customers” from the year ended March 31, 2019 and recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation

The Group offers comprehensive logistics services to meet its customers’ needs, and with respect to contracts with customers, it recognizes that the characteristics inherent in the contract exist and that the economic substance is reflected in the contract, as well as identifying goods or services to be transferred to customers under the contract and identifying performance obligations to be accounted for individually.

The transaction price is calculated as the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services promised to customers. The contracts with customers do not include significant financing components.

The Group does not have contracts that require allocation of the transaction price to the performance obligations. However, in the event the Group enters into such contracts in future, revenue is recognized by allocating goods or services underlying each performance obligation in proportion to the relative stand-alone selling price.

Provided that a performance obligation meets the requirements, revenue is recognized when or as the control of underlying goods or services is transferred to the customer.

In accordance with the transitional provisions of IFRS 15, the Group recognized the cumulative effect of the initial application of the standard as of April 1, 2018 and it elected not to restate the comparative figures. The accounting policies applied in comparative years are as follows.

The Group is principally engaged in the rendering of logistics services. Revenue is generally recognized when services are rendered, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.
Revenue is measured at fair value of the consideration received or receivable less discounts and taxes such as consumption taxes.

(o) Income Taxes

Income taxes consist of current tax expenses and deferred tax expenses, which are changes in deferred tax assets and liabilities. These expenses are recognized in profit or loss, except for items recognized directly in equity or OCI and items arising from business combinations.
Current tax expenses are measured at the amount which is expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that are enacted or substantially enacted at the reporting date.
Deferred tax assets and liabilities are recognized on temporary differences between the carrying amount on the reporting date and the tax base of assets and liabilities. Deferred tax assets and liabilities are not recognized for future taxable temporary differences arising from initial recognition of goodwill, temporary differences arising from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable profit or loss; and future taxable temporary difference arising from investments in subsidiaries and associates where the Group is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and OCI in the period that includes the enactment date.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which unused tax losses, unused tax credits and future deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the fiscal year and reduced to the extent that it is no longer probable that the tax benefits will be realized.

Deferred tax assets and liabilities are offset where the Group currently has a legally enforceable right to set off the deferred tax assets and liabilities, and income taxes are levied by the same taxation authority on the same taxable entity, or income taxes are levied on different taxable entities but these entities intend to settle the deferred tax assets and liabilities on a net basis or these deferred tax assets and liabilities will be realized simultaneously.

(p) Earnings per Share

Basic earnings per share (EPS) for net income attributable to stockholders of the parent company is calculated by dividing net income attributable to stockholders of the parent company by the weighted average number of ordinary shares outstanding adjusted for treasury stock during the period. Diluted EPS for net income attributable to stockholders of the parent company is not calculated as there are no potential dilutive ordinary shares.

(q) Government Grants

Government grants are recognized at fair value when the Group meets all requirements incidental to government grants and there is reasonable assurance that the Group will receive the government grants. Government grants for the acquisition of assets are recognized as deferred revenue and regularly recognized in profit or loss over the useful lives of the relevant assets.

4. 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 ¥110.99 = U.S.$1.00, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2019. 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.

5. Segment Information

(a) Reportable Segments

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

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

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

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

The accounting policies of the reported business segments are substantially consistent with those of the Group described in note 3. “Summary of Significant Accounting Policies.” Profit (loss) in reportable segments is based on adjusted operating income. Intersegment transactions are those that take place between companies and are based on market prices. The Executive Committee of the Company does not use the information on assets and liabilities allocated to business segments.

For the year ended March 31, 2019	Millions of yen						
	Reportable segment			Other services (Note 1)	Total	Adjustments and eliminations (Note 2)	Amount recorded in the consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	**¥432,793**	**¥255,828**	**¥688,621**	**¥20,210**	**¥708,831**	**¥-**	**¥708,831**
Revenues from intersegment transactions or transfers	**-**	**-**	**-**	**12,025**	**12,025**	**(12,025)**	**-**
Total	**¥432,793**	**¥255,828**	**¥688,621**	**¥32,235**	**¥720,856**	**¥(12,025)**	**¥708,831**
Segment profit	**¥22,099**	**¥7,108**	**¥29,207**	**¥1,985**	**¥31,192**	**¥-**	**¥31,192**
Other income							**3,850**
Other expenses							**(4,689)**
Financial income							**450**
Financial expenses							**(1,042)**
Share of profits of investments accounted for using the equity method							**6,419**
Interest income							**1,075**
Interest expenses							**(2,009)**
Income before income taxes							**¥35,246**
Others							
Depreciation and amortization	**¥8,859**	**¥7,887**	**¥16,746**	**¥2,313**	**¥19,059**	**¥-**	**¥19,059**
Impairment losses	**¥29**	**¥2,016**	**¥2,045**	**¥-**	**¥2,045**	**¥-**	**¥2,045**

(Notes) 1 “Other services” includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded from the reportable segments.

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

For the year ended March 31, 2018	Millions of yen						
	Reportable segment			Other services (Note 1)	Total	Adjustments and eliminations (Note 2)	Amount recorded in the consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	¥417,835	¥260,285	¥678,120	¥22,271	¥700,391	¥-	¥700,391
Revenues from intersegment transactions or transfers	-	-	-	10,505	10,505	(10,505)	-
Total	¥417,835	¥260,285	¥678,120	¥32,776	¥710,896	¥(10,505)	¥700,391
Segment profit	¥21,740	¥6,280	¥28,020	¥1,783	¥29,803	¥-	¥29,803
Other income							3,461
Other expenses							(3,998)
Financial income							88
Financial expenses							(1,818)
Share of profits of investments accounted for using the equity method							5,557
Interest income							1,031
Interest expenses							(1,862)
Income before income taxes							¥32,262
Others							
Depreciation and amortization	¥9,981	¥6,775	¥16,756	¥2,274	¥19,030	¥-	¥19,030
Impairment losses	¥136	¥1,118	¥1,254	¥-	¥1,254	¥-	¥1,254

(Notes) 1 “Other services” includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded from the reportable segments.

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

	Thousands of U.S. dollars						
	Reportable segment						
For the year ended March 31, 2019	Domestic logistics	Global logistics	Subtotal	Other services (Note 1)	Total	Adjustments and eliminations (Note 2)	Amount recorded in the consolidated financial statements
Revenues							
Revenues from outside customers	**$3,899,387**	**$2,304,964**	**$6,204,352**	**$182,088**	**$6,386,440**	**$-**	**$6,386,440**
Revenues from intersegment transactions or transfers	**-**	**-**	**-**	**108,343**	**108,343**	**(108,343)**	**-**
Total	**$3,899,387**	**$2,304,964**	**$6,204,352**	**$290,432**	**$6,494,783**	**$(108,343)**	**$6,386,440**
Segment profit	**$199,108**	**$64,042**	**$263,150**	**$17,884**	**$281,034**	**$-**	**$281,034**
Other income							**34,688**
Other expenses							**(42,247)**
Financial income							**4,054**
Financial expenses							**(9,388)**
Share of profits of investments accounted for using the equity method							**57,834**
Interest income							**9,686**
Interest expenses							**(18,101)**
Income before income taxes							**$317,560**
Others							
Depreciation and amortization	**$79,818**	**$71,060**	**$150,878**	**$20,840**	**$171,718**	**$-**	**$171,718**
Impairment losses	**$261**	**$18,164**	**$18,425**	**$-**	**$18,425**	**$-**	**$18,425**

(Notes) 1 "Other services" includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded from the reportable segments.

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

(b) Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Japan	**¥499,932**	¥492,428	**$4,504,298**
Europe	**67,974**	68,901	**612,434**
China	**48,474**	49,881	**436,742**
Asia	**45,612**	45,378	**410,956**
North America	**40,310**	37,506	**363,186**
Other Areas	**6,529**	6,297	**58,825**
Overseas Revenues Subtotal	**208,899**	207,963	**1,882,143**
Total Consolidated Revenues	**¥708,831**	¥700,391	**$6,386,440**

The following table shows the balances of non-current assets for each geographic area as of March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	**As of March 31, 2019**
Japan	**¥180,520**	¥179,694	**$1,626,453**
Europe	**24,656**	24,773	**222,146**
Asia	**15,154**	15,152	**136,535**
North America	**13,098**	12,212	**118,011**
Other Areas	**6,597**	7,249	**59,438**
Total	**¥240,025**	¥239,080	**$2,162,582**

Non-current assets are classified based on the location of the assets and exclude financial instruments, deferred tax assets and net defined benefit asset.

(c) Significant Customer Information

The customer group that accounts for more than 10% of the Group's revenues is the Hitachi, Ltd. Group and revenues from the Hitachi, Ltd. Group amounted to ¥102,043 million ($919,389 thousand) (all segments) and ¥105,076 million (all segments) for the years ended March 31, 2019 and 2018, respectively.

6. Business Combinations

There were no significant business combinations for the years ended March 31, 2019 and 2018.

7. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Cash and cash equivalents	**¥109,177**	¥64,133	**$983,665**
Time deposits with maturities of over 3 months	**(765)**	(636)	**(6,893)**
Cash and cash equivalents in the consolidated statement of financial position	**¥108,412**	¥63,497	**$976,773**

The balances of cash and cash equivalents in the consolidated statement of financial position as of March 31, 2019 and 2018 were equal to the balances of "cash and cash equivalents" in the consolidated statement of cash flows.

8. Trade Receivables, Trade Receivables and Contract Assets

The components of trade receivables, trade receivables and contract assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Notes receivable and electronically recorded monetary claims	**¥5,276**	¥6,290	**$47,536**
Accounts receivable	**119,509**	122,638	**1,076,755**
Contract assets	**1,089**	-	**9,812**
Lease receivables	**7,204**	7,556	**64,907**
Allowance for doubtful receivables	**(534)**	(497)	**(4,811)**
Total Trade Receivables	**-**	135,987	**-**
Total Trade Receivables and Contract Assets	**¥132,544**	¥-	**$1,194,198**

Information on credit risk management is provided in note 26. Financial Instruments and Related Disclosures. Information on lease receivables that are expected to be collected over one year after the reporting period is provided in note 9. Leases.

9. Leases

(a) Lessee

The Company and certain consolidated subsidiaries lease buildings and machinery, equipment and vehicles, etc. under finance leases or operating leases.

Depreciation of assets under finance leases is included in depreciation expense.

The following table shows the undiscounted amounts, present value of future minimum lease payments under finance leases and the adjustments as of March 31, 2019 and 2018.

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2019		March 31, 2018		**March 31, 2019**	
	Future minimum lease payments	**Present value of future minimum lease payments**	Future minimum lease payments	Present value of future minimum lease payments	**Future minimum lease payments**	**Present value of future minimum lease payments**
Within one year	**¥5,777**	**¥4,908**	¥5,052	¥4,245	**$52,050**	**$44,220**
Over one year through five years	**16,308**	**13,626**	13,982	11,378	**146,932**	**122,768**
Over five years	**19,766**	**16,736**	18,215	14,831	**178,088**	**150,788**
Total	**41,851**	**¥35,270**	37,249	¥30,454	**377,070**	**$317,776**
Finance charges	**(6,581)**		(6,795)		**(59,294)**	
Present value of total minimum lease payments	**¥35,270**		¥30,454		**$317,776**	

The following table shows the future minimum lease payments under non-cancelable operating leases as of March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Within one year	**¥22,391**	¥20,461	**$201,739**
Over one year through five years	**53,204**	52,448	**479,359**
Over five years	**¥28,091**	¥27,844	**$253,095**

Total operating lease expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Minimum lease payments	**¥47,800**	¥44,691	**$430,669**

(b) Lessor

Certain consolidated subsidiaries of the Company lease machinery, equipment and vehicles, etc. under finance leases or operating leases.

The following table shows the undiscounted amounts and present value of minimum lease payments receivable under finance leases and the adjustments as of March 31, 2019 and 2018.

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2019		March 31, 2018		**March 31, 2019**	
	Gross investment in lease	**Present value of minimum lease payments receivable**	Gross investment in lease	Present value of minimum lease payments receivable	**Gross investment in lease**	**Present value of minimum lease payments receivable**
Within one year	**¥2,581**	**¥2,406**	¥2,494	¥2,295	**$23,254**	**$21,678**
Over one year through five years	**4,951**	**4,721**	5,382	5,127	**44,608**	**42,535**
Over five years	**52**	**35**	99	81	**469**	**315**
Total	**7,584**	**¥7,162**	7,975	¥7,503	**68,330**	**$64,528**
Unearned financial income	**(380)**		(419)		**(3,424)**	
Net investment in the lease	**7,204**		7,556		**64,907**	
Unguaranteed residual value	**(42)**		(53)		**(378)**	
Present value of minimum lease payments receivable	**¥7,162**		¥7,503		**$64,528**	

The following table shows the future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Within one year	**¥476**	¥408	**$4,289**
Over one year through five years	**1,120**	880	**10,091**
Over five years	**¥27**	¥0	**$243**

10. Inventories

The components of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Merchandise	**¥665**	¥909	**$5,992**
Work in process	**15**	16	**135**
Raw materials and supplies	**465**	786	**4,190**
Total	**¥1,145**	¥1,711	**$10,316**

11. Investments Accounted for Using the Equity Method

(a) Associates that are material

SAGAWA EXPRESS CO., LTD. (“SAGAWA EXPRESS”) is a material associated company accounted for using the equity method.

SAGAWA EXPRESS is engaged in a wide range of transportation businesses including door-to-door delivery services in Japan. The Group has been promoting collaborative innovation and collaboration to realize seamless general logistics services with SG Holdings Co., Ltd., a corporate group which is comprised mainly of SAGAWA EXPRESS. In addition, SAGAWA EXPRESS is not a listed company.

The summary financial statements of SAGAWA EXPRESS is as follows.

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Ownership ratio	**20%**	20%	**20%**
Current assets	**¥215,081**	¥196,025	**$1,937,841**
Non-current assets	**114,045**	95,572	**1,027,525**
Current liabilities	**143,333**	127,933	**1,291,405**
Non-current liabilities	**41,573**	43,108	**374,565**
Equity	**144,220**	120,556	**1,299,396**
The Group’s share of equity	**28,844**	24,111	**259,879**
Goodwill and consolidation adjustments	**49,063**	49,919	**442,049**
The Group’s share of the aggregated carrying amounts	**¥77,907**	¥74,030	**$701,928**

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2019	2018	**2019**
Revenues	**¥913,291**	¥815,251	**$8,228,588**
Net income	**30,368**	25,995	**273,610**
OCI	**(67)**	604	**(604)**

Total comprehensive income	**30,301**	26,599	**273,007**
The Group's share:			
Net income	**6,074**	5,199	**54,726**
OCI	**(13)**	124	**(117)**
Total comprehensive income	**¥6,061**	¥5,323	**$54,609**

Dividends received by the Company from SAGAWA EXPRESS for the years ended March 31, 2019 and 2018 amounted to ¥2,184 million ($19,677 thousand) and ¥1,630 million, respectively.

(b) Associates and joint ventures that are not individually material

The Group's share of the aggregated carrying amounts of investments in associates and joint ventures that are not individually material is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Investments in associates	**¥6,074**	¥1,294	**$54,726**
Investments in joint ventures	**28**	25	**252**
The Group's share of the aggregated carrying amounts	**¥6,102**	¥1,319	**$54,978**

Financial information on associates and joint ventures that are not individually material is as follows. These amounts represent the Group's share of ownership interests per ownership percentage.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Financial information on associates			
Net income	**¥342**	¥356	**$3,081**
OCI	**(109)**	6	**(982)**
Total comprehensive income	**233**	362	**2,099**
Financial information on joint ventures			
Net income	**3**	2	**27**
Total comprehensive income	**3**	2	**27**
Total			
Net income	**345**	358	**3,108**
OCI	**(109)**	6	**(982)**
Total comprehensive income	**¥236**	¥364	**$2,126**

12. Property, Plant and Equipment

The following table shows the changes in the net carrying amounts, and the gross carrying amount and accumulated depreciation and impairment losses of property, plant and equipment.

	Millions of yen					
Net carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2017	¥82,341	¥31,933	¥9,713	¥52,778	¥755	¥177,520
Additions	3,118	5,818	2,929	1,132	1,822	14,819
Sales and disposals	(783)	(963)	(107)	(1,581)	-	(3,434)
Depreciation	(6,013)	(5,863)	(2,493)	-	-	(14,369)
Impairment losses	(46)	-	(22)	-	-	(68)
Transfers from construction in progress	1,319	694	176	-	(2,189)	-
Foreign currency translation adjustments	345	505	(16)	67	6	907
Other	(109)	1,470	(1,695)	(10)	(16)	(360)
March 31, 2018	¥80,172	¥33,594	¥8,485	¥52,386	¥378	¥175,015
Additions	4,166	13,188	3,303	1	2,817	23,475
Sales and disposals	(470)	(1,911)	(197)	(183)	(6)	(2,767)
Depreciation	(5,996)	(6,121)	(2,469)	-	-	(14,586)
Transfers from construction in progress	208	1,227	61	1,203	(2,699)	-
Foreign currency translation adjustments	229	(516)	(56)	(3)	(23)	(369)
Other	751	(40)	(398)	1,389	(70)	1,632
March 31, 2019	**¥79,060**	**¥39,421**	**¥8,729**	**¥54,793**	**¥397**	**¥182,400**

	Thousands of U.S. dollars					
Net carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
March 31, 2018	$722,335	$302,676	$76,448	$471,988	$3,406	$1,576,854
Additions	37,535	118,822	29,759	9	25,381	211,506
Sales and disposals	(4,235)	(17,218)	(1,775)	(1,649)	(54)	(24,930)
Depreciation	(54,023)	(55,149)	(22,245)	-	-	(131,417)
Transfers from construction in progress	1,874	11,055	550	10,839	(24,318)	-
Foreign currency translation adjustments	2,063	(4,649)	(505)	(27)	(207)	(3,325)
Other	6,766	(360)	(3,586)	12,515	(631)	14,704
March 31, 2019	**$712,316**	**$355,176**	**$78,647**	**$493,675**	**$3,577**	**$1,643,391**

Gross carrying amount	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2017	¥167,621	¥71,322	¥24,366	¥54,725	¥755	¥318,789
March 31, 2018	168,596	75,526	23,201	54,333	378	322,034
March 31, 2019	**¥170,868**	**¥82,601**	**¥22,749**	**¥56,740**	**¥397**	**¥333,355**

Gross carrying amount	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
March 31, 2019	**$1,539,490**	**$744,220**	**$204,964**	**$511,217**	**$3,577**	**$3,003,469**

Accumulated depreciation and impairment losses	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2017	¥(85,280)	¥(39,389)	¥(14,653)	¥(1,947)	-	¥ (141,269)
March 31, 2018	(88,424)	(41,932)	(14,716)	(1,947)	-	(147,019)
March 31, 2019	**¥(91,808)**	**¥(43,180)**	**¥(14,020)**	**¥(1,947)**	**-**	**¥(150,955)**

Accumulated depreciation and impairment losses	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
March 31, 2019	**$(827,174)**	**$(389,044)**	**$(126,318)**	**$(17,542)**	**-**	**$(1,360,077)**

The following table shows the net carrying amount of assets under finance leases included in the net carrying amount of each item of property, plant and equipment.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Buildings and structures	**¥18,160**	¥17,615	**$163,618**
Machinery, equipment and vehicles	**11,408**	7,600	**102,784**
Tools, furniture and fixtures	**5,061**	5,007	**45,599**
Total	**¥34,629**	¥30,222	**$312,001**

The amount of depreciation recognized for the years ended March 31, 2019 and 2018 are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.
Impairment losses recognized for the year ended March 31, 2018 is included in other expenses in the consolidated statement of profit or loss.

Expenditures related to items of property, plant and equipment under construction are stated in construction in progress in the above tables.

The amounts of additions to property, plant and equipment that have been committed but not executed as of March 31, 2019 and 2018 are ¥2,204 million ($19,858 thousand) and ¥2,092 million, respectively.

13. Goodwill and Intangible Assets

The following table shows the changes in the net carrying amounts, and the gross carrying amount and accumulated amortization and impairment losses of goodwill and intangible assets.

	Millions of yen				
		Intangible assets			
Net carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
April 1, 2017	¥28,067	¥25,663	¥4,519	¥4,584	¥34,766
Internal developments	-	-	1,413	-	1,413
Purchases	-	-	1,079	3	1,082
Amortization	-	(2,529)	(1,797)	(223)	(4,549)
Impairment losses	(238)	(880)	-	(68)	(948)
Disposals	-	-	(84)	(24)	(108)
Foreign currency translation adjustments	40	371	(81)	(118)	172
Other	-	(47)	5	47	5
March 31, 2018	¥27,869	¥22,578	¥5,054	¥4,201	¥31,833
Internal developments	-	-	1,534	-	1,534
Purchases	-	-	2,478	5	2,483
Amortization	-	(2,350)	(1,807)	(216)	(4,373)
Impairment losses	(1,672)	(344)	-	-	(344)
Disposals	-	-	(100)	(37)	(137)
Foreign currency translation adjustments	28	(172)	(108)	(85)	(365)
Other	(13)	(25)	(2,072)	22	(2,075)
March 31, 2019	**¥26,212**	**¥19,687**	**¥4,979**	**¥3,890**	**¥28,556**

	Thousands of U.S. dollars				
		Intangible assets			
Net carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
March 31, 2018	$251,095	$203,424	$45,536	$37,850	$286,810
Internal developments	-	-	13,821	-	13,821
Purchases	-	-	22,326	45	22,371
Amortization	-	(21,173)	(16,281)	(1,946)	(39,400)
Impairment losses	(15,064)	(3,099)	-	-	(3,099)
Disposals	-	-	(901)	(333)	(1,234)
Foreign currency translation adjustments	252	(1,550)	(973)	(766)	(3,289)
Other	(117)	(225)	(18,668)	198	(18,695)
March 31, 2019	**$236,165**	**$177,376**	**$44,860**	**$35,048**	**$257,284**

	Millions of yen				
		Intangible assets			
Gross carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
April 1, 2017	¥33,841	¥41,398	¥21,330	¥4,979	¥67,707
March 31, 2018	33,782	41,823	22,407	4,826	69,056
March 31, 2019	**¥33,810**	**¥41,442**	**¥22,236**	**¥4,646**	**¥68,324**

	Thousands of U.S. dollars				
		Intangible assets			
Gross carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
March 31, 2019	**$304,622**	**$373,385**	**$200,342**	**$41,860**	**$615,587**

	Millions of yen				
		Intangible assets			
Accumulated amortization and impairment losses	Goodwill	Customer-related intangible assets	Software	Other	Total
April 1, 2017	¥(5,774)	¥(15,735)	¥(16,811)	¥(395)	¥ (32,941)
March 31, 2018	(5,913)	(19,245)	(17,353)	(625)	(37,223)
March 31, 2019	**¥(7,598)**	**¥(21,755)**	**¥(17,257)**	**¥(756)**	**¥(39,768)**

	Thousands of U.S. dollars				
		Intangible assets			
Accumulated amortization and impairment losses	Goodwill	Customer-related intangible assets	Software	Other	Total
March 31, 2019	**$(68,457)**	**$(196,009)**	**$(155,482)**	**$(6,811)**	**$(358,303)**

Of intangible assets, the net carrying amounts of assets under finance lease as of March 31, 2019 and 2018 are ¥125 million ($1,126 thousand) and ¥228 million, respectively, and they are included in software.

Amortization expenses recognized for the years ended March 31, 2019 and 2018 are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.
Impairment losses recognized for the years ended March 31, 2019 and 2018 are included in other expenses in the consolidated statement of profit or loss. There are no reversals of impairment losses for the years ended March 31, 2019 and 2018.

The net carrying amounts of internally generated intangible assets as of March 31, 2019 and 2018 amounted to ¥3,984 million ($35,895 thousand) and ¥3,898 million, respectively, and they are included in software.

Research and development expenses recognized for the years ended March 31, 2019 and 2018 are ¥707 million ($6,370 thousand) and ¥764 million, respectively, and they are included in selling, general and administrative expenses in the consolidated statement of profit or loss.

The amount of additions to intangible assets that have been committed but not executed as of March 31, 2019 and 2018 are ¥272 million ($2,451 thousand) and ¥299 million, respectively.

As a general rule, the Group determines a CGU which is a business unit that is managed for internal reporting purposes. The recoverable amount per CGU is calculated based on value in use. Value in use is mainly calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Estimated future cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the CGU belongs.

Significant goodwill of the Group is as follows:

	Millions of yen		Thousands of U.S. dollars		
Group of CGUs	**As of March 31, 2019**	As of March 31, 2018	**As of March 31, 2019**	Growth rate	Discount rate
VANTEC CORPORATION, domestic logistics operations	**¥6,140**	¥6,140	**$55,320**	1.3%	4.8%
VANTEC HTS FORWARDING, LTD.	**¥5,065**	¥5,065	**$45,635**	1.4%	7.7%
Mars Lojistik Grup Anonim Sirketi	**¥3,834**	¥4,017	**$34,544**	2.6%	10.9%

There is a possibility that VANTEC HTS FORWARDING, LTD. may recognize impairment loss if the discount rate, which is a major assumption used for the impairment test, rises by 1.3%.
Since the recoverable amount of the groups of CGUs for the other significant goodwill sufficiently exceeds the carrying amount, the Group considers that it is unlikely that the recoverable amount of the group of CGUs would fall below the carrying amount even if the primary assumptions changed within a reasonable range.

Impairment losses recognized for the years ended March 31, 2019 and 2018 are included in other expenses in the consolidated statement of profit or loss.

For the year ended March 31, 2019, the Group recognized impairment losses for customer-related intangible assets related to Hitachi Transport System Vantec (Thailand), Ltd., because future cash flows originally assumed in the business plans could no longer be expected and the customer-related intangible assets were written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting the future cash flows at a pretax discount rate (14.0%). The impairment losses are included in the global logistics business. Consequently, impairment losses recognized on customer-related intangible assets amounted to ¥344 million ($3,099 thousand).

For the year ended March 31, 2019, the Group recognized impairment losses for goodwill mainly related to VANTEC CORPORATION, global logistics operations, because future cash flows originally assumed in the business plans could no longer be expected and the goodwill was written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting the future cash flows at a pretax discount rate (10.2%). The impairment losses are included in the global logistics business. Consequently, impairment losses recognized on goodwill amounted to ¥1,251 million ($11,271 thousand).

For the year ended March 31, 2018, the Group recognized impairment losses for customer-related intangible assets related to JJB Link Logistics Co. Limited, Flyjac logistics Pvt. Ltd. and Hitachi Transport System Vantec (Thailand), Ltd., because future cash flows originally assumed in the business plans could no longer be expected and the customer-related intangible assets were written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting the future cash flows at a pretax discount rate (14.0 to 17.0%). The impairment losses are included in the global logistics business. Consequently, impairment losses recognized on customer-related intangible assets amounted to ¥880 million.

For the year ended March 31, 2018, the Group recognized impairment losses for goodwill related to Flyjac logistics Pvt. Ltd. and Hitachi Transport System Vantec (Thailand), Ltd., because future cash flows originally assumed in the business plans could no longer be expected and the goodwill was written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting the future cash flows at a pretax discount rate (14.0 to 17.0%). The impairment losses are included in the global logistics business. Consequently, impairment losses recognized on goodwill amounted to ¥238 million.

14. Deferred Taxes and Income Taxes

The components of income taxes recognized in the consolidated statement of profit or loss and deferred taxes recognized in the consolidated statement of comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2018**	**2019**
Income taxes			
Current tax expense	**¥10,718**	¥11,184	**$96,567**
Deferred tax expense			
Temporary differences originated and reversed	**787**	(1,708)	**7,091**
Changes in realizability of deferred tax assets	**(272)**	678	**(2,451)**
Total deferred tax expense	**515**	(1,030)	**4,640**
Total	**11,233**	10,154	**101,207**
Deferred taxes recognized in OCI			
Net changes in financial assets measured at fair value through OCI	**(119)**	190	**(1,072)**
Remeasurements of defined benefit plans	**(121)**	2	**(1,090)**
Net changes in cash flow hedges	**(0)**	-	**(0)**
Share of OCI of investments accounted for using the equity method	**(6)**	56	**(54)**
Total	**¥(246)**	¥248	**$(2,216)**

The Company and its domestic subsidiaries are principally subject to national corporate tax, inhabitant tax and business tax, and the combined statutory income tax rates calculated based on them for the years ended March 31, 2019 and 2018 are 30.6% and 30.9%, respectively. Overseas subsidiaries of the Company are subject to corporate taxes and other taxes in their locations.

The Company and certain domestic subsidiaries applied the consolidated taxation system from the year ended March 31, 2019.

Reconciliations between the combined statutory income tax rate and the average effective income tax rate for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
Combined statutory income tax rate	**30.6%**	30.9%
Non-deductible expenses for tax purposes	**1.7**	0.9
Impairment of goodwill	**1.5**	0.2
Changes in realizability of deferred tax assets	**(0.8)**	2.1
Differences in tax rates applied to overseas subsidiaries	**0.0**	(1.8)
Other, net	**(1.1)**	(0.8)
Average effective income tax rate	**31.9%**	31.5%

Changes in deferred tax assets and liabilities are as follows:

	Millions of yen			
	March 31, 2018	Recognized in profit or loss	Recognized in OCI (note)	**March 31, 2019**
Deferred tax assets				
Accrued bonuses	¥2,721	¥69	¥ -	**¥2,790**
Retirement and severance benefits	9,829	(1,115)	231	**8,945**
Depreciation	1,477	188	-	**1,665**
Other	3,728	380	(379)	**3,729**
Total deferred tax assets	17,755	(478)	(148)	**17,129**
Deferred tax liabilities				
Deferred profit on sale of properties	(7,070)	440	-	**(6,630)**
Valuation differences due to business combinations	(6,367)	702	34	**(5,631)**
Net defined benefit asset	(1,102)	72	(13)	**(1,043)**
FVTOCI financial assets	(1,188)	-	140	**(1,048)**
Depreciation	(1,733)	(335)	(11)	**(2,079)**
Other	(2,726)	(916)	315	**(3,327)**
Total deferred tax liabilities	(20,186)	(37)	465	**(19,758)**
Net deferred tax assets (liabilities)	¥(2,431)	¥(515)	¥317	**¥(2,629)**

(Note) The difference between the total amount recognized in OCI and deferred taxes recognized in OCI is due to fluctuations in exchange rates.

	Millions of yen			
	April 1, 2017	Recognized in profit or loss	Recognized in OCI (note)	March 31, 2018
Deferred tax assets				
Accrued bonuses	¥2,822	¥(101)	¥-	¥2,721
Retirement and severance benefits	9,710	141	(22)	9,829
Depreciation	2,057	(580)	-	1,477
Other	3,143	987	(402)	3,728
Total deferred tax assets	17,732	447	(424)	17,755
Deferred tax liabilities				
Deferred profit on sale of properties	(6,846)	(224)	-	(7,070)
Valuation differences due to business combinations	(7,107)	807	(67)	(6,367)
Net defined benefit asset	(1,089)	(50)	37	(1,102)
FVTOCI financial assets	(1,017)	-	(171)	(1,188)
Depreciation	(2,460)	586	141	(1,733)
Other	(2,501)	(536)	311	(2,726)
Total deferred tax liabilities	(21,020)	583	251	(20,186)
Net deferred tax assets (liabilities)	¥(3,288)	¥1,030	¥(173)	¥(2,431)

(Note) The difference between the total amount recognized in OCI and deferred taxes recognized in OCI is due to fluctuations in exchange rates.

	Thousands of U.S. dollars			
	March 31, 2018	Recognized in profit or loss	Recognized in OCI (note)	**March 31, 2019**
Deferred tax assets				
Accrued bonuses	$24,516	$622	$-	**$25,137**
Retirement and severance benefits	88,558	(10,046)	2,081	**80,593**
Depreciation	13,308	1,694	-	**15,001**
Other	33,589	3,424	(3,415)	**33,598**
Total deferred tax assets	159,969	(4,307)	(1,333)	**154,329**
Deferred tax liabilities				
Deferred profit on sale of properties	(63,699)	3,964	-	**(59,735)**
Valuation differences due to business combinations	(57,366)	6,325	306	**(50,734)**
Net defined benefit asset	(9,929)	649	(117)	**(9,397)**
FVTOCI financial assets	(10,704)	-	1,261	**(9,442)**
Depreciation	(15,614)	(3,018)	(99)	**(18,731)**
Other	(24,561)	(8,253)	2,838	**(29,976)**
Total deferred tax liabilities	(181,872)	(333)	4,190	**(178,016)**
Net deferred tax assets (liabilities)	$(21,903)	$(4,640)	$2,856	**$(23,687)**

(Note) The difference between the total amount recognized in OCI and deferred taxes recognized in OCI is due to fluctuations in exchange rates.

Deferred tax liabilities are not recognized for temporary differences where the Group is able to control the timing of reversal of the temporary differences while it is unlikely that the temporary difference will reverse in the foreseeable future. Temporary differences related to investments in subsidiaries and associates for which deferred tax liabilities are not recognized are ¥21,823 million ($196,621 thousand) and ¥19,940 million for the years ended March 31, 2019 and 2018, respectively. Unrecognized deferred tax liabilities are not calculated because it is impracticable.

In assessing the realizability of deferred tax assets, the Group considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning. As a result of the assessment, the Group has not recorded deferred tax assets for certain future deductible temporary differences and net operating loss carryforwards.

Deductible future temporary differences and net operating loss carryforwards for unrecognized deferred tax assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Deductible future temporary differences	**¥2,189**	¥2,490	**$19,722**
Net operating loss carryforwards	**1,192**	1,302	**10,740**
Total	**¥3,381**	¥3,792	**$30,462**

Net operating loss carryforwards for unrecognized deferred tax assets will expire as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Within five years	**¥31**	¥71	**$279**
Over five years through ten years	**334**	395	**3,009**
Over ten years	**827**	836	**7,451**
Total	**¥1,192**	¥1,302	**$10,740**

15. Trade Payables

The components of trade payables are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Notes payable and electronically recorded monetary obligations	**¥2,649**	¥2,722	**$23,867**
Accounts payable	**51,604**	52,356	**464,943**
Total	**¥54,253**	¥55,078	**$488,810**

16. Provisions

The components and changes in the balance of provisions included in other current and non-current liabilities for the year ended March 31, 2019 are as follows:

	Millions of yen	
	Asset retirement obligations	Provision for loss on contracts
April 1, 2018	¥2,029	¥1,070
Additions	708	-
Utilized for intended purpose	(8)	(167)
Unwinding of discounts	30	9
Change in scope of consolidation	(176)	-
Others	(146)	-
March 31, 2019	**2,437**	**912**
Current liabilities	**58**	**-**
Non-current liabilities	**¥2,379**	**¥912**

	Thousands of U.S. dollars	
	Asset retirement obligations	Provision for loss on contracts
April 1, 2018	$18,281	$9,641
Additions	6,379	-
Utilized for intended purpose	(72)	(1,505)
Unwinding of discounts	270	81
Change in scope of consolidation	(1,586)	-
Others	(1,315)	-
March 31, 2019	**21,957**	**8,217**
Current liabilities	**523**	**-**
Non-current liabilities	**$21,434**	**$8,217**

The Group recognizes asset retirement obligations in the amount of expected future expenditures based on the third party estimates to prepare for its obligations to restore logistics centers and other facilities used by the Group to their original states. The timing of outflow of economic benefits is principally expected to be later than one year from March 31, 2019, however, the expected amount or timing may change due to factors including future business plans.

Provision for loss on contracts is provided for the expected future losses regarding the lease agreements for logistics centers used by the Group whereby the future costs to fulfill the contractual obligations are expected to exceed the economic benefits to be received. The expected timing of outflows of economic benefits is within six years from the end of the fiscal year ended March 31, 2019, but the expected amount or timing is subject to change due to factors including future business plans.

17. Employee Benefits

(a) Retirement and Severance Benefits

The Company and certain consolidated subsidiaries have funded defined benefit corporate pension plans and unfunded severance lump-sum payment plans as the defined benefit plans.

The benefits of the defined benefit corporate pension plans and unfunded severance lump-sum payment plans are calculated based on factors such as salary levels and service years of employees. Additional termination benefits may be paid to the employees in case of their early retirement.

The Company and certain consolidated subsidiaries have contract-type pension plans under the pension bylaws. The Company and certain consolidated subsidiaries make contributions to the Hitachi Transport System Corporate Pension Fund to provide for required expenses, taking into consideration various factors including the funded status of pension assets, cash flows and actuarial calculations, etc.

Pursuant to the Japanese Defined Benefit Corporate Pension Plan Act, the bylaws of the Hitachi Transport System Corporate Pension Fund stipulate that the amount of contributions at the end of the fiscal year as a record date every five years shall be recalculated for the purpose of maintaining financial balance into the future. Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) of pension financing are reviewed to recalculate the appropriate level of contribution. The pension system is managed by entering into agreements with trust banks and insurance companies, etc. on payment of contributions and management of pension funds.

Certain consolidated subsidiaries have adopted defined contribution pension plans and have enrolled in the Smaller Enterprise Retirement Allowance Mutual Aid System.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Defined benefit obligations at beginning of year	**¥47,922**	¥46,471	**$431,769**
Service cost	**2,922**	2,807	**26,327**
Interest cost	**274**	308	**2,469**
Actuarial gains or losses	**353**	376	**3,180**
Benefits paid	**(3,056)**	(2,186)	**(27,534)**
Change in scope of consolidation	**(431)**	-	**(3,883)**
Other	**(542)**	146	**(4,883)**
Defined benefit obligations at end of year	**¥47,442**	¥47,922	**$427,444**

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Fair value of plan assets at beginning of year	**¥19,393**	¥18,787	**$174,727**
Interest income	**114**	128	**1,027**
Return on plan assets (excluding interest income)	**41**	318	**369**
Employers' contributions	**528**	565	**4,757**
Benefits paid	**(852)**	(544)	**(7,676)**
Change in scope of consolidation	**(236)**	-	**(2,126)**
Other	**(263)**	139	**(2,370)**
Fair value of plan assets at end of year	**¥18,725**	¥19,393	**$168,709**

The components of actuarial gains or losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Arising from changes in financial assumptions	**¥251**	¥88	**$2,261**
Arising from changes in demographic assumptions	**(18)**	108	**(162)**
Other	**¥120**	¥180	**$1,081**

The amounts related to the defined benefit plan recognized in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Present value of funded defined benefit obligations	**¥15,448**	¥16,177	**$139,184**
Fair value of plan assets	**(18,725)**	(19,393)	**(168,709)**
Sub-total	**(3,277)**	(3,216)	**(29,525)**
Present value of unfunded defined benefit obligations	**31,994**	31,745	**288,260**
Net asset and liability in the consolidated statement of financial position	**28,717**	28,529	**258,735**
Net defined benefit asset (Other non-current assets)	**(3,366)**	(3,548)	**(30,327)**
Retirement and severance benefits	**¥32,083**	¥32,077	**$289,062**

The Company and all consolidated subsidiaries measure the defined benefit obligations and plan assets at the end of the fiscal year. Major assumptions used in the actuarial calculations (weighted average) of defined benefit obligations are as follows:

	March 31, 2019	March 31, 2018
Discount rate	**0.5%**	0.6%

As of March 31, 2019 and 2018, an increase or decrease of 0.5% in the discount rate would have affected the defined benefit obligations as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
0.5% increase	**¥(2,508)**	¥(2,516)	**$(22,597)**
0.5% decrease	**¥2,646**	¥2,691	**$23,840**

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.
The weighted average duration (expected average maturity) of defined benefit obligations is as follows:

	March 31, 2019	March 31, 2018
Duration	**12.9 Years**	13.2 Years

For the year ending March 31, 2020, the Company and certain consolidated subsidiaries expect to make a contribution of ¥506 million to the defined benefit pension plan.

The fair values of plan assets invested as of March 31, 2019 and 2018 are as follows:

	Millions of yen		
	March 31, 2019		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Life insurance general accounts	**¥-**	**¥11,932**	**¥11,932**
Commingled funds	**-**	**4,869**	**4,869**
Other	**132**	**1,792**	**1,924**
Total	**¥132**	**¥18,593**	**¥18,725**

	Millions of yen		
	March 31, 2018		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Life insurance general accounts	¥-	¥12,212	¥12,212
Commingled funds	-	5,052	5,052
Other	202	1,927	2,129
Total	¥202	¥19,191	¥19,393

	Thousands of U.S. dollars		
	March 31, 2019		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Life insurance general accounts	**$-**	**$107,505**	**$107,505**
Commingled funds	**-**	**43,869**	**43,869**
Other	**1,189**	**16,146**	**17,335**
Total	**$1,189**	**$167,520**	**$168,709**

For life insurance general accounts, insurance companies provide guarantees for certain expected interest rates and principals.

Commingled funds represent pooled institutional investments. As of March 31, 2019, commingled funds are allocated to 38% in listed stocks, 61% in bonds and 1% in other assets. As of March 31, 2018, they are allocated to 38% in listed stocks, 59% in bonds and 3% in other assets.

The Group's management policy for plan assets is to secure stable returns for the mid to long-term for ensuring future payments of defined benefit obligations pursuant to internal regulations. The target rate of returns and the investment ratio by investment assets are established within the acceptable risk range every fiscal year, and plan assets are managed according to such ratio. When the investment ratio is reviewed, the Group considers introducing plan assets that are closely related to changes in defined benefit obligations.

In the event an unexpected situation arises in the market environment, temporary weight adjustments of risk assets are allowed in accordance with the internal regulations.

Contributions to defined contribution plans recognized as an expense in profit or loss by certain consolidated subsidiaries for the years ended March 31, 2019 and 2018 are ¥992 million ($8,938 thousand) and ¥1,025 million, respectively.

(b) Employee Benefit Expenses

The aggregated amounts of employee benefit expenses recognized in the consolidated statement of profit or loss for the years ended March 31, 2019 and 2018 were ¥169,185 million ($1,524,327 thousand) and ¥169,217 million, respectively.

18. Equity

(a) Common Stock

The following table shows changes in the total number of authorized shares and issued shares outstanding of the Company during the year:

	Number of shares	
	2019	2018
Total number of authorized shares	**292,000,000**	292,000,000
Issued shares outstanding		
Balance at beginning of year	**111,776,714**	111,776,714
Changes during the year	**-**	-
Balance at end of year	**111,776,714**	111,776,714

All shares issued by the Company are non-par value common stock and fully paid up.

(b) Surplus

(i) Retained Earnings

The Japanese Company Law ("JCL") requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in capital reserve and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders' meeting.

The amount available for dividends by the Company under the JCL is calculated based on the amount of retained earnings, etc. in the Company's accounting books prepared in accordance with generally accepted accounting principles in Japan.

(ii) Written Put Options over Non-Controlling Interests

The Group recognizes written put options over subsidiary's shares granted to the holders of non-controlling interests as financial liabilities at fair value calculated by discounting future cash flows and deducts the difference between non-controlling interests from capital surplus or retained earnings, with changes subsequent to initial recognition to be recognized in capital surplus or retained earnings.
The fair value of financial liabilities is disclosed in note 26. "Financial Instruments and related disclosures".

(iii) Treasury Stock

The following table shows changes in treasury stock for the years ended March 31, 2019 and 2018.

	Number of shares	
	2019	2018
Balance at beginning of year	**226,948**	226,728
Acquisition of treasury stock	**317**	310
Disposal of treasury stock	**-**	90
Balance at end of year	**227,265**	226,948

19. Accumulated Other Comprehensive Income (AOCI) and Other Comprehensive Income (OCI)

Components of AOCI, net of related tax effects, presented in the consolidated statement of changes in equity for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net changes in financial assets measured at FVTOCI			
Balance at beginning of year	**¥2,525**	¥2,078	**$22,750**
OCI	**(300)**	457	**(2,703)**
Reclassified into retained earnings	**(99)**	(10)	**(892)**
Balance at end of year	**2,126**	2,525	**19,155**
Remeasurements of defined benefit plans			
Balance at beginning of year	**(1,958)**	(1,868)	**(17,641)**
OCI	**(207)**	(90)	**(1,865)**
Net transfer from (to) non-controlling interests	**(5)**	-	**(45)**
Balance at end of year	**(2,170)**	(1,958)	**(19,551)**
Foreign currency translation adjustments			
Balance at beginning of year	**565**	(1,057)	**5,091**
OCI	**(977)**	1,075	**(8,803)**
Net transfer from (to) non-controlling interests	**1**	-	**9**
Changes in liabilities for written put options over non-controlling interests	**(142)**	547	**(1,279)**
Balance at end of year	**(553)**	565	**(4,982)**
Net changes in cash flow hedges			
Balance at beginning of year	**-**	-	**-**
OCI	**(2)**	-	**(18)**
Balance at end of year	**(2)**	-	**(18)**

Share of OCI of investments accounted for using the equity method			
Balance at beginning of year	**201**	73	**1,811**
OCI	**(122)**	128	**(1,099)**
Balance at end of year	**79**	201	**712**
Total accumulated other comprehensive income			
Balance at beginning of year	**1,333**	(774)	**12,010**
OCI	**(1,608)**	1,570	**(14,488)**
Net transfer from (to) non-controlling interests	**(4)**	-	**(36)**
Reclassified into retained earnings	**(99)**	(10)	**(892)**
Changes in liabilities for written put options over non-controlling interests	**(142)**	547	**(1,279)**
Balance at end of year	**¥(520)**	¥1,333	**$(4,685)**

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred income tax effect per components of OCI for the years ended March 31, 2019 and 2018.

	Millions of yen		
	2019		
	Before tax	**Tax effect**	**After tax**
OCI arising during the year:			
Net changes in financial assets measured at FVTOCI	**¥(419)**	**¥119**	**¥(300)**
Remeasurements of defined benefit plans	**(312)**	**121**	**(191)**
Foreign currency translation adjustments	**(1,124)**	**-**	**(1,124)**
Net changes in cash flow hedges	**(2)**	**0**	**(2)**
Share of OCI of investments accounted for using the equity method	**(50)**	**6**	**(44)**
Total	**(1,907)**	**246**	**(1,661)**
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	**3**	**-**	**3**
Net changes in cash flow hedges	**(0)**	**0**	**(0)**
Share of OCI of investments accounted for using the equity method	**(78)**	**-**	**(78)**
Total	**(75)**	**0**	**(75)**
OCI, net of reclassification adjustments:			
Net changes in financial assets measured at FVTOCI	**(419)**	**119**	**(300)**
Remeasurements of defined benefit plans	**(312)**	**121**	**(191)**
Foreign currency translation adjustments	**(1,121)**	**-**	**(1,121)**
Net changes in cash flow hedges	**(2)**	**0**	**(2)**
Share of OCI of investments accounted for using the equity method	**(128)**	**6**	**(122)**
Total	**¥(1,982)**	**¥246**	**(1,736)**
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Remeasurements of defined benefit plans			**16**
Foreign currency translation adjustments			**(144)**
Total			**(128)**
OCI, net of reclassification adjustments, attributable to stockholders of the parent company:			
Net changes in financial assets measured at FVTOCI			**(300)**
Remeasurements of defined benefit plans			**(207)**
Foreign currency translation adjustments			**(977)**
Net changes in cash flow hedges			**(2)**
Share of OCI of investments accounted for using the equity method			**(122)**
Total			**¥(1,608)**

	Millions of yen		
	2018		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Net changes in financial assets measured at FVTOCI	¥647	¥(190)	¥457
Remeasurements of defined benefit plans	(58)	(2)	(60)
Foreign currency translation adjustments	1,795	-	1,795
Share of OCI of investments accounted for using the equity method	184	(56)	128
Total	2,568	(248)	2,320
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	3	(0)	3
Total	3	(0)	3
OCI, net of reclassification adjustments:			
Net changes in financial assets measured at FVTOCI	647	(190)	457
Remeasurements of defined benefit plans	(58)	(2)	(60)
Foreign currency translation adjustments	1,798	(0)	1,798
Share of OCI of investments accounted for using the equity method	184	(56)	128
Total	¥2,571	¥(248)	2,323
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Remeasurements of defined benefit plans			30
Foreign currency translation adjustments			723
Total			753
OCI, net of reclassification adjustments, attributable to stockholders of the parent company:			
Net changes in financial assets measured at FVTOCI			457
Remeasurements of defined benefit plans			(90)
Foreign currency translation adjustments			1,075
Share of OCI of investments accounted for using the equity method			128
Total			¥1,570

	Thousands of U.S. dollars		
	2019		
	Before tax	**Tax effect**	**After tax**
OCI arising during the year:			
Net changes in financial assets measured at FVTOCI	**$(3,775)**	**$1,072**	**$(2,703)**
Remeasurements of defined benefit plans	**(2,811)**	**1,090**	**(1,721)**
Foreign currency translation adjustments	**(10,127)**	**-**	**(10,127)**
Net changes in cash flow hedges	**(18)**	**0**	**(18)**
Share of OCI of investments accounted for using the equity method	**(450)**	**54**	**(396)**
Total	**(17,182)**	**2,216**	**(14,965)**
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	**27**	**-**	**27**
Net changes in cash flow hedges	**(0)**	**0**	**(0)**
Share of OCI of investments accounted for using the equity method	**(703)**	**-**	**(703)**
Total	**(676)**	**0**	**(676)**
OCI, net of reclassification adjustments:			
Net changes in financial assets measured at FVTOCI	**(3,775)**	**1,072**	**(2,703)**
Remeasurements of defined benefit plans	**(2,811)**	**1,090**	**(1,721)**
Foreign currency translation adjustments	**(10,100)**	**-**	**(10,100)**
Net changes in cash flow hedges	**(18)**	**0**	**(18)**
Share of OCI of investments accounted for using the equity method	**(1,153)**	**54**	**(1,099)**
Total	**$(17,857)**	**$2,216**	**(15,641)**
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Remeasurements of defined benefit plans			**144**
Foreign currency translation adjustments			**(1,297)**
Total			**(1,153)**
OCI, net of reclassification adjustments, attributable to stockholders of the parent company:			
Net changes in financial assets measured at FVTOCI			**(2,703)**
Remeasurements of defined benefit plans			**(1,865)**
Foreign currency translation adjustments			**(8,803)**
Net changes in cash flow hedges			**(18)**
Share of OCI of investments accounted for using the equity method			**(1,099)**
Total			**$(14,488)**

20. Dividends

Dividends paid on common stock for the years ended March 31, 2019 and 2018 are as follows:

Decision	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 23, 2017	Ordinary shares	¥1,896	¥17	March 31, 2017	June 6, 2017
The Board of Directors on October 25, 2017	Ordinary shares	¥2,008	¥18	September 30, 2017	November 27, 2017
The Board of Directors on May 22, 2018	Ordinary shares	¥2,008	¥18	March 31, 2018	June 4, 2018
The Board of Directors on October 25, 2018	Ordinary shares	¥2,119	¥19	September 30, 2018	November 26, 2018

Decision	Type of shares	Cash dividends (Thousands of U.S. dollars)	Cash dividends per share (U.S. dollars)	Record date	Effective date
The Board of Directors on May 22, 2018	Ordinary shares	$18,092	$0.16	March 31, 2018	June 4, 2018
The Board of Directors on October 25, 2018	Ordinary shares	$19,092	$0.17	September 30, 2018	November 26, 2018

The dividends on common stock whose record date falls in the year ended March 31, 2019 and the effective date falls in the next fiscal year are as follows:

Decision	Type of shares	Cash dividends (Millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 21, 2019	Ordinary shares	¥2,343	Retained earnings	¥21	March 31, 2019	June 3, 2019

Decision	Type of shares	Cash dividends (Thousands of U.S. dollars)	Appropriation from	Cash dividends per share (U.S. dollars)	Record date	Effective date
The Board of Directors on May 21, 2019	Ordinary shares	$21,110	Retained earnings	$0.19	March 31, 2019	June 3, 2019

21. Revenue

(a) Disaggregation of Revenue

Revenue of the Group is generated mainly from contracts with customers and the details of revenue disaggregated by location are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	**2019**
Japan	**¥506,439**	**$4,562,925**
North America	**45,201**	**407,253**
Europe	**69,421**	**625,471**
Asia	**44,514**	**401,063**
China	**51,316**	**462,348**
Oceania and other	**3,804**	**34,273**
Adjustment	**(11,864)**	**(106,893)**
Total	**¥708,831**	**$6,386,440**

The Group operates logistics businesses with main focuses on the 3PL business, Forwarding business and Automobile business in each location.

In the 3PL business, the Group provides comprehensive logistics services, including establishment of domestic logistics systems, information control, inventory control, orders control, processing for distribution, logistics center operation, factory logistics, and transportation. If the contract stipulates that a performance obligation is satisfied at a point in time when stored goods are delivered, etc., the Group recognizes revenue when the work is completed and stored goods are delivered. If the contract stipulates provision of service over a certain period, the Group recognizes revenue based on the time elapsed. The 3PL business operates in all locations, the payment conditions are those applied in arm's length transactions, and there are no material transactions with installment payments, etc.

In the Forwarding business, the Group provides comprehensive logistics services, including international intermodal transportation by land, sea and air. For sea transportation, the Group recognizes revenue based on the progress in terms of distance to the destination and term. Forwarding business operates in all locations, the payment conditions are those applied in arm's length transactions, and there are no material transactions with installment payments, etc.

In the Automobile business, the Group provides supply chain management in the automobile parts logistics such as transportation between multiple companies, storage, factory logistics, information control and inventory control. If the contract stipulates that a performance obligation is satisfied at a point in time when stored goods are delivered, etc., the Group recognizes revenue when the work is completed and stored goods are delivered. If the contract stipulates provision of service over a certain period, the Group recognizes revenue based on the time elapsed. The Automobile business operates in all locations except Oceania and other, the payment conditions are those applied in arm's length transactions, and there are no material transactions with installment payments, etc.

(b) Information on Outstanding Contract Balances

The details of outstanding contract balances arising from contracts with customers are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	April 1, 2018	**March 31, 2019**
Receivables arising from contracts with customers	**¥131,455**	¥134,834	**$1,184,386**
Contract assets	**1,089**	1,153	**9,812**
Total	**132,544**	135,987	**1,194,198**
Contract liabilities	**¥1,223**	¥1,307	**$11,019**

The amount of revenue recognized during the year ended March 31, 2019, which was included in the opening balance of contract liabilities is immaterial. Furthermore, the amount of revenue recognized during the year ended March 31, 2019 from performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

Receivables arising from contracts with customers and contract assets are included in "Trade receivables and contract assets," and contract liabilities are included in "Other current liabilities" in the consolidated statement of financial position.

(c) ***Transaction Price Allocated to the Remaining Performance Obligations***

In the 3PL business, the Group generally issues invoices to customers on a monthly basis for the amount incurred consisting of the fixed amount and the variable amount determined by multiplying handling volume by the unit price provided in the contract. They correspond directly to the value of logistics service transferred to customers. Therefore, in the 3PL business, the Group is entitled to receive consideration from customers at an amount directly corresponding to the logistics services provided and recognizes revenue for the amount it is entitled to bill. Accordingly, the Group applied the practical expedient and omitted the disclosure of the information on the remaining performance obligations. In the Forwarding business and the Automobile business, there are no individual transactions with an expected contract period exceeding one year, and therefore the Group applied the practical expedient and omitted the disclosure of the information on the remaining performance obligations.

22. Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2019 and 2018 are as follows:

(a) Other Income

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net gain on sales of fixed assets	**¥196**	¥2,869	**$1,766**
Gain on business reorganization	**3,134**	-	**28,237**
Other	**520**	592	**4,685**
Total	**¥3,850**	¥3,461	**$34,688**

During the year ended March 31, 2019, the Company and AIT Corporation ("AIT") executed a share exchange with the Company's subsidiary Nisshin Transportation Co., Ltd. ("Nisshin Transportation") as a wholly-owned subsidiary and AIT as a wholly-owning parent company, effective March 1, 2019. As a result, the Company lost control of Nisshin Transportation and its subsidiaries, and AIT, Nisshin Transportation and its subsidiaries became associates accounted for using the equity method. Gain on business reorganization of ¥3,134 million ($28,237 thousand) represents a gain resulting from measuring the investment in Nisshin Transportation and its subsidiaries at fair value on the date of the loss of control, and the details are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	**2019**
Fair value of consideration received	**¥5,160**	**$46,491**
Carrying amount of derecognized investment in subsidiaries	**(2,026)**	**(18,254)**
Gain on business reorganization	**¥3,134**	**$28,237**

(b) Other Expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net loss on sales of fixed assets	**¥(152)**	¥(89)	**$(1,369)**
Net loss on disposal of fixed assets	**(361)**	(249)	**(3,253)**
Impairment losses	**(2,045)**	(1,254)	**(18,425)**
Business structural reform expenses	**(828)**	(452)	**(7,460)**
Provision for loss on contract	**-**	(1,070)	**-**
Other	**(1,303)**	(884)	**(11,740)**
Total	**¥(4,689)**	¥(3,998)	**$(42,247)**

Business structural reform expenses for the year ended March 31, 2019 consist of special severance payments and office relocation expenses amounting to ¥517 million ($4,658 thousand) and ¥311 million ($2,802 thousand), respectively.

Business structural reform expenses for the year ended March 31, 2018 consist of special severance payments amounting to ¥452 million.

23. Financial Income and Expenses

Interest income and expenses for the years ended March 31, 2019 and 2018 are principally from financial assets and liabilities measured at amortized cost.
The main components of financial income and expenses excluding interest income and interest expenses for the years ended March 31, 2019 and 2018 are as follows:

(a) Financial Income

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Dividends income	**¥407**	¥86	**$3,667**
Other	**43**	2	**387**
Total	**¥450**	¥88	**$4,054**

(b) Financial Expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Exchange loss	**¥(1,042)**	¥(1,810)	**$(9,388)**
Other	**-**	(8)	**-**
Total	**¥(1,042)**	¥(1,818)	**$(9,388)**

24. Earnings Per Share (EPS)

The basis for computations of basic EPS attributable to stockholders of the parent company for the years ended March 31, 2019 and 2018 is as follows:

	Number of shares (Thousands)	
	2019	2018
Weighted average number of common stock	**111,550**	111,550

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net income attributable to stockholders of the parent company	**¥22,786**	¥20,916	**$205,298**

	Yen		U.S. dollars
	2019	2018	**2019**
Basic EPS attributable to stockholders of the parent company	**¥204.27**	¥187.50	**$1.84**

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

25. Supplementary Cash Flow Information

(a) Decrease Due to a Loss of Control of Subsidiaries

"Decrease due to a loss of control of subsidiaries" in cash flows from investing activities for the year ended March 31, 2019 represents changes in cash and cash equivalents associated with a loss of control of Nisshin Transportation Co., Ltd. and its subsidiaries. The details are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	**2019**
Consideration received in cash and cash equivalents	**¥-**	**$-**
Cash and cash equivalents of subsidiaries over which control was lost	**(4,466)**	**(40,238)**
Changes in cash and cash equivalents associated with a loss of control	**¥(4,466)**	**$(40,238)**

The details of assets and liabilities of Nisshin Transportation Co., Ltd. and its subsidiaries as of the date of loss of control are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	**2019**
Assets		
Current assets	**¥8,946**	**$80,602**
Non-current assets	**1,465**	**13,199**
Liabilities		
Current liabilities	**7,934**	**71,484**
Non-current liabilities	**¥529**	**$4,766**

(b) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen					
	Short-term debt	Bonds	Long-term debt	Lease obligations	Liabilities for written put options over non-controlling interests	Total
April 1, 2017	¥8,557	¥29,851	¥94,794	¥30,913	¥23,000	¥187,115
Changes arising from cash flows	1,834	-	(1,502)	(4,849)	(7,401)	(11,918)
Non-cash changes						
Newly recognized lease obligations	-	-	-	4,348	-	4,348
Changes in fair value	-	-	-	-	1,428	1,428
Other	356	18	(64)	42	1,403	1,755
March 31, 2018	¥10,747	¥29,869	¥93,228	¥30,454	¥18,430	¥182,728
Changes arising from cash flows	(4,775)	29,834	8,425	(4,964)	(5,088)	23,432
Non-cash changes						
Newly recognized lease obligations	-	-	-	9,799	-	9,799
Changes in fair value	-	-	-	-	35	35
Other	(122)	27	207	(19)	(324)	(231)
March 31, 2019	**¥5,850**	**¥59,730**	**¥101,860**	**¥35,270**	**¥13,053**	**¥215,763**

	Thousands of U.S. dollars					
	Short-term debt	Bonds	Long-term debt	Lease obligations	Liabilities for written put options over non-controlling interests	Total
March 31, 2018	$96,829	$269,114	$839,968	$274,385	$166,051	$1,646,347
Changes arising from cash flows	(43,022)	268,799	75,908	(44,725)	(45,842)	211,118
Non-cash changes						
Newly recognized lease obligations	-	-	-	88,287	-	88,287
Changes in fair value	-	-	-	-	315	315
Other	(1,099)	243	1,865	(171)	(2,919)	(2,081)
March 31, 2019	**$52,707**	**$538,157**	**$917,740**	**$317,776**	**$117,605**	**$1,943,986**

26. Financial Instruments and Related Disclosures

(a) *Capital Management*

The Group manages its capital under the policy of maintaining an appropriate level of assets, liabilities and capital for current and future business operations, as well as optimizing the efficiency of capital utilization throughout the business operations.

The Group uses the total equity attributable to stockholders of the parent company ratio as an important indicator in capital management. The target is set in the mid-term management plan and is regularly monitored. The total equity attributable to stockholders of the parent company ratio as of March 31, 2019 and 2018 are 36.3% and 36.2%, respectively.

The Company is not subject to material capital requirements except for the general rules such as the JCL.

(b) *Financial Risks*

The Group is engaged in business activities world-wide, and exposed to various risks such as interest rate risk, currency exchange risk and credit risk. The Group carries out risk management in accordance with certain policies to avoid or mitigate these risks.

(i) *Market Risks*

The Group carries out risk management to mitigate market risks arising in the ordinary course of business. In managing risks, the Group strives to avoid risks by preventing incidence from the underlying cause of such risks, and make efforts to mitigate them in case the risks cannot be avoided. The Group may use derivative transactions to avoid risks described below. Stocks included in investments in securities mainly consist of stocks of the Group's business partners and are exposed to fluctuation risk of market prices.

(i) Interest Rate Risk

The Group raises funds through interest bearing liabilities (borrowings and bonds). Interest bearing liabilities with variable interest rates are exposed to fluctuation risk of interest rate. For certain long-term debt with variable interest rates, derivative transactions (interest rate swaps) are used as hedging instruments for each contract to avoid the fluctuation risk of interest and to fix interest payments.

Sensitivity analysis for interest rate

The sensitivity analysis for interest rate shown below indicates the impact on income before income taxes in the consolidated statement of profit or loss, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, FVTPL financial assets and liabilities and derivative assets and liabilities) held by the Group as of March 31, 2019 and 2018, while all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Impact on income before income taxes	**¥741**	¥228	**$6,676**

(ii) Currency Exchange Risk

The Group is engaged in global logistics services and exposed to currency exchange risk for foreign-currency denominated transactions. In order to hedge fluctuation risks of foreign currencies, the Group uses forward exchange contracts.

Sensitivity analysis for currency exchange rate

The sensitivity analysis for major currency exchange rates shown below indicates the impact on income before income taxes in the consolidated statement of profit or loss, if the Japanese yen, the Company's functional currency, depreciated by 1% on the foreign-currency denominated financial instruments held by the Group as of March 31, 2019 and 2018, while all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	**March 31, 2019**
Impact on income before income taxes	**¥91**	¥41	**$820**

(ii) Credit Risk

The Group extends credit to customers mainly as trade and other receivables and is exposed to credit risk that the Group may incur a loss due to customers' default on contractual obligations. For the control of credit risk of customers, the Group conducts periodic credit checks of customers including the customers' financial conditions and credit ratings by third party rating agencies, and establishes credit limits according to the credit risk. No exposure of significant concentration of credit risk is present in a single customer or customer group as the Group's trade and other receivables consist of receivables with a number of customers in diverse industries and regions. In addition, credit risk arising from financial activities such as deposits, currency transactions and other financial instruments is limited as the Group mainly trades with internationally-recognized financial institutions rated A or higher.

The following table presents the aging of trade and other receivables past due but not impaired as of March 31, 2018.

	Millions of yen
	March 31, 2018
Past due within 30 days	¥1,509
Past due between 31 and 90 days	1,501
Past due between 91 days and 1 year	665
Past due over 1 year	6
Total	¥3,681

(Note) There is no property held as collateral or other credit enhancements for trade and other receivables presented above.

The changes in the balance of allowance for doubtful receivables for the year ended March 31, 2018 is as follows:

	Millions of yen
	2018
Balance at beginning of year	¥539
Increase for the year (provision)	415
Decrease for the year (write off)	(90)
Other (Note)	(153)
Balance at end of year	¥711

(Note) Other includes foreign currency translation differences.

Changes in allowance for doubtful accounts for trade receivables and contract assets and other receivables during the year ended March 31, 2019 are as follows. Other receivables include mainly financial assets measured at amortized cost such as other accounts receivable.

	Millions of yen					
	Trade receivables and contract assets			Other receivables		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	¥200	¥297	¥497	¥6	¥208	¥214
Increase for the year (provision)	43	156	199	-	7	7
Decrease for the year (write off)	(26)	(55)	(81)	-	(50)	(50)
Other (Note)	(10)	(71)	(81)	(6)	(85)	(91)
March 31, 2019	**¥207**	**¥327**	**¥534**	**¥-**	**¥80**	**¥80**

(Note) Other includes exchange differences.

	Thousands of U.S. dollars					
	Trade receivables and contract assets			Other receivables		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	$1,802	$2,676	$4,478	$54	$1,874	$1,928
Increase for the year (provision)	387	1,406	1,793	-	63	63
Decrease for the year (write off)	(234)	(496)	(730)	-	(450)	(450)
Other (Note)	(90)	(640)	(730)	(54)	(766)	(820)
March 31, 2019	**$1,865**	**$2,946**	**$4,811**	**$-**	**$721**	**$721**

(Note) Other includes exchange differences

The total of the carrying amount of trade receivables and contract assets and other receivables, subject to recognition of allowance for doubtful accounts, is as follows. There are no significant changes in these total of the carrying amount which have a significant impact on the changes in allowance for doubtful accounts.

	Millions of yen					
	Trade receivables and contract assets			Other receivables		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	¥136,185	¥299	¥136,484	¥5,111	¥385	¥5,496
March 31, 2019	**¥132,742**	**¥336**	**¥133,078**	**¥4,096**	**¥306**	**¥4,402**

	Thousands of U.S. dollars					
	Trade receivables and contract assets			Other receivables		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2018	$1,227,002	$2,694	$1,229,696	$46,049	$3,469	$49,518
March 31, 2019	**$1,195,982**	**$3,027**	**$1,199,009**	**$36,904**	**$2,757**	**$39,661**

The Group's maximum exposure to the credit risk, excluding that from guarantee obligations, equals the financial assets' carrying amount after impairment in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from guarantee obligations is the outstanding amount of guarantee obligations disclosed in note 30. Contingencies.

(iii) Liquidity Risk

The Group's financial liabilities including trade payables and long-term debt are exposed to liquidity risk. The Group's ordinary policy on financing activities is to maintain liquidity at the appropriate level to conduct current and future business activities and secure funding flexibly and efficiently. In order to optimize capital efficiency, the Group promotes cash control through a centralized cash management system.

The following tables present the maturities of non-derivative financial liabilities held by the Group.
Trade payables are not included in the tables since the carrying amounts agree with the contractual cash flows and they all mature in less than one year.

	Millions of yen				
	March 31, 2019				
	Carrying amount	Contractual cash flows	Within one year	Over one year through five years	Over five years
Short-term debt	**¥5,850**	**¥5,956**	**¥5,956**	**¥ -**	**¥ -**
Long-term debt					
Bonds	**59,730**	**63,668**	**281**	**11,101**	**52,286**
Lease obligations	**35,270**	**41,851**	**5,777**	**16,308**	**19,766**
Long-term debt	**101,860**	**103,742**	**1,013**	**42,383**	**60,347**
Other financial liabilities					
Liabilities for written put options over non-controlling interests	**13,053**	**13,069**	**2,350**	**10,719**	**-**
Installment payables	**¥17,074**	**¥17,476**	**¥5,991**	**¥11,381**	**¥104**

	Millions of yen				
	March 31, 2018				
	Carrying amount	Contractual cash flows	Within one year	Over one year through five years	Over five years
Short-term debt	¥10,747	¥10,877	¥10,877	¥-	¥-
Long-term debt					
Bonds	29,869	31,328	118	10,457	20,753
Lease obligations	30,454	37,249	5,052	13,982	18,215
Long-term debt	93,228	95,074	11,297	32,312	51,465
Other financial liabilities					
Liabilities for written put options over non-controlling interests	18,430	18,464	7,625	10,839	-
Installment payables	¥17,534	¥17,851	¥6,025	¥11,605	¥221

	Thousands of U.S. dollars				
	March 31, 2019				
	Carrying amount	Contractual cash flows	Within one year	Over one year through five years	Over five years
Short-term debt	**$52,707**	**$53,662**	**$53,662**	**$-**	**$-**
Long-term debt					
Bonds	**538,157**	**573,637**	**2,532**	**100,018**	**471,087**
Lease obligations	**317,776**	**377,070**	**52,050**	**146,932**	**178,088**
Long-term debt	**917,740**	**934,697**	**9,127**	**381,863**	**543,716**
Other financial liabilities					
Liabilities for written put options over non-controlling interests	**117,605**	**117,749**	**21,173**	**96,576**	**-**
Installment payables	**$153,834**	**$157,456**	**$53,978**	**$102,541**	**$937**

Guarantee obligations disclosed in note 30. Contingencies are not included in the tables above.

The weighted average interest rates for short-term debt, long-term debt and installment payables are 1.8%, 0.3% and 1.5%, respectively, with maturities ranging from 2019 to 2028.

The details on each bond issued are provided below.

Issuer	Name of bond	Issued	Millions of yen		Interest rate (%)	Security	Maturity
			March 31, 2019	March 31, 2018			
The Company	Unsecured Bond #3	September 28, 2016	**¥9,977**	¥9,967	0.100	Unsecured	September 28, 2021
The Company	Unsecured Bond #4	September 28, 2016	**9,960**	9,955	0.330	Unsecured	September 28, 2026
The Company	Unsecured Bond #5	September 28, 2016	**9,951**	9,947	0.750	Unsecured	September 26, 2031
The Company	Unsecured Bond #6	September 4, 2018	**9,956**	-	0.250	Unsecured	September 4, 2025
The Company	Unsecured Bond #7	September 4, 2018	**9,950**	-	0.405	Unsecured	September 4, 2028
The Company	Unsecured Bond #8	September 4, 2018	**¥9,936**	¥-	0.980	Unsecured	September 3, 2038

Issuer	Name of bond	Issued	Thousands of U.S. dollars March 31, 2019	March 31, 2018	Interest rate (%)	Security	Maturity
The Company	Unsecured Bond #3	September 28, 2016	**$89,891**	$93,816	0.100	Unsecured	September 28, 2021
The Company	Unsecured Bond #4	September 28, 2016	**89,738**	93,703	0.330	Unsecured	September 28, 2026
The Company	Unsecured Bond #5	September 28, 2016	**89,657**	93,628	0.750	Unsecured	September 26, 2031
The Company	Unsecured Bond #6	September 4, 2018	**89,702**	-	0.250	Unsecured	September 4, 2025
The Company	Unsecured Bond #7	September 4, 2018	**89,648**	-	0.405	Unsecured	September 4, 2028
The Company	Unsecured Bond #8	September 4, 2018	**$89,522**	$-	0.980	Unsecured	September 3, 2038

(c) Fair Value of Financial Instruments

(i) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and liabilities. Information on the classification under the fair value hierarchy is set forth in "(iii) Financial Instruments Measured at Fair Value in Consolidated Statement of Financial Position".

Cash and cash equivalents, Short-term debt and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Trade receivables

For accounts receivable, notes receivable and electronically recorded monetary claims that are settled in short term, the carrying amount approximates their fair value. The fair value of lease receivables is calculated by a certain period of the lease term to maturity using present value of lease receivables discounted at the rate reflecting the time to maturity and the credit risk. Lease receivables are classified as Level 2.

Other financial assets

The carrying amount of other accounts receivable approximates the fair value because they are settled in the short term. The fair value of marketable securities is estimated using the quoted share prices and classified as Level 1. In the absence of an active market for investments in securities, quoted prices for similar investment in securities, non-distressed quoted prices for identical or similar investment securities or other relevant information including observable interest rates, yield curves, credit spreads or default rates are used to determine fair value, and these are classified as Level 2. If significant inputs for fair value measurement are unobservable, the Group uses price information provided by financial institutions to evaluate such investments and classifies them as Level 3. The information provided is verified with the income approach using the Group's own valuation model, or the market approach using comparisons with prices of similar securities. The fair value of guarantee deposits is calculated by contract based on the present value of future cash flows discounted at the rate reflecting the credit risk according to the contract period. Guarantee deposits are classified as Level 3.

Long-term debt

The fair value of long-term debt is calculated based on its quoted market prices or present value discounted at the market interest rates applicable to the similar contractual terms. Long-term debt is classified as Level 2.

Other financial liabilities

Derivative liabilities are measured at fair value based on non-distressed quoted prices, prices in inactive markets, or models using observable interest rates and yield curves, forward and spot rates for foreign currencies and commodities, and they are classified as Level 2. The fair value of installment payables is calculated by a certain period of the installment term to maturity using the present value of the payable discounted at the rate reflecting the time to maturity and credit risk. Installment payables are classified as Level 2. The fair value of liabilities for written put options over non-controlling interests is calculated by discounting future cash flows and is classified as Level 3.

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and fair values of the financial instruments measured at amortized cost are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets						
Trade receivables						
Accounts receivable	**¥119,019**	**¥119,018**	¥122,174	¥122,164	**$1,072,340**	**$1,072,331**
Lease receivables	**7,162**	**7,288**	7,523	7,813	**64,528**	**65,664**
Other financial assets						
Other accounts receivable	**3,611**	**3,611**	7,085	7,085	**32,534**	**32,534**
Guarantee deposits	**11,595**	**11,595**	11,505	11,505	**104,469**	**104,469**
Liabilities						
Long-term debt						
Bonds	**59,730**	**60,673**	29,869	30,095	**538,157**	**546,653**
Lease obligations	**35,270**	**40,631**	30,454	35,871	**317,776**	**366,078**
Long-term debt	**101,860**	**102,172**	93,228	92,849	**917,740**	**920,551**
Other financial liabilities						
Installment payables	**¥17,074**	**¥17,444**	¥17,534	¥17,809	**$153,834**	**$157,167**

(iii) Financial Instruments Measured at Fair Value in Consolidated Statement of Financial Position

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the significant input with the lowest level in the fair value measurement as a whole.

Transfers between fair value hierarchy levels are deemed to have occurred at the beginning of each quarter.

The following tables present financial assets and liabilities that are measured at fair value on a recurring basis.

March 31, 2019	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL financial assets				
Other financial assets	**¥-**	**¥-**	**¥226**	**¥226**
FVTOCI financial assets:				
Equity securities	**2,759**	**-**	**3,231**	**5,990**
Liabilities				
FVTPL financial liabilities:				
Derivative liabilities	**-**	**2**	**-**	**2**
Liabilities for written put options over non-controlling interests	**¥-**	**¥-**	**¥13,053**	**¥13,053**

March 31, 2018	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL financial assets				
Other financial assets	¥-	¥-	¥285	¥285
FVTOCI financial assets:				
Equity securities	2,568	-	3,536	6,104
Liabilities				
FVTPL financial liabilities:				
Derivative liabilities	-	5	-	5
Liabilities for written put options over non-controlling interests	¥-	¥-	¥18,430	¥18,430

March 31, 2019	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL financial assets				
Other financial assets	**$-**	**$-**	**$2,036**	**$2,036**
FVTOCI financial assets:				
Equity securities	**24,858**	**-**	**29,111**	**53,969**
Liabilities				
FVTPL financial liabilities:				
Derivative liabilities	**-**	**18**	**-**	**18**
Liabilities for written put options over non-controlling interests	**$-**	**$-**	**$117,605**	**$117,605**

The following tables present the changes in Level 3 financial instruments measured at fair value on a recurring basis for the years ended March 31, 2019 and 2018.

2019	Millions of yen		
	FVTPL financial assets	FVTOCI financial assets	Total
Balance at beginning of year (April 1, 2018)	**¥285**	**¥3,536**	**¥3,821**
Purchases	**10**	**8**	**18**
Sales / redemption	**(69)**	**(162)**	**(231)**
OCI (Note)	**-**	**(140)**	**(140)**
Other	**-**	**(11)**	**(11)**
Balance at end of year (March 31, 2019)	**¥226**	**¥3,231**	**¥3,457**

(Note) Included in "Net changes in financial assets measured at fair value through OCI" in the consolidated statement of comprehensive income.

2018	Millions of yen		
	FVTPL financial assets	FVTOCI financial assets	Total
Balance at beginning of year (April 1, 2017)	¥311	¥3,363	¥3,674
Purchases	-	-	-
Sales / redemption	(15)	(14)	(29)
OCI (Note)	-	186	186
Other	(11)	1	(10)
Balance at end of year (March 31, 2018)	¥285	¥3,536	¥3,821

(Note) Included in "Net changes in financial assets measured at fair value through OCI" in the consolidated statement of comprehensive income.

2019	Thousands of U.S. dollars		
	FVTPL financial assets	FVTOCI financial assets	Total
Balance at beginning of year (April 1, 2018)	**$2,568**	**$31,859**	**$34,427**
Purchases	**90**	**72**	**162**
Sales / redemption	**(622)**	**(1,460)**	**(2,081)**
OCI (Note)	**-**	**(1,261)**	**(1,261)**
Other	**-**	**(99)**	**(99)**
Balance at end of year (March 31, 2019)	**$2,036**	**$29,111**	**$31,147**

(Note) Included in "Net changes in financial assets measured at fair value through OCI" in the consolidated statement of comprehensive income.

The balance of liabilities for written put options over non-controlling interests classified as Level 3 as of April 1, 2018 and March 31, 2019 was ¥18,430 million ($166,051 thousand) and ¥13,053 million ($117,605 thousand), respectively. The changes during the year consist mainly of decrease by settlement (¥5,088 million ($45,842 thousand)) and changes in fair value and foreign exchange rates.
The balance of liabilities for written put options over non-controlling interests classified as Level 3 as of April 1, 2017 and March 31, 2018 was ¥23,000 million and ¥18,430 million, respectively. The changes during the year consist mainly of decrease by settlement (¥7,401 million) and changes in fair value and foreign exchange rates.

(iv) Fair Value of Principal FVTOCI Financial Assets

The following is a list of principal equity instruments designated as FVTOCI and their fair values.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2019	
Principal FVTOCI financial assets	Fair value	
WORLD TRADE CENTER BUILDING, INC.	**¥1,892**	**$17,047**
Fukuyama Transporting Co., Ltd.	**853**	**7,685**
AEON Financial Service Co., Ltd.	**534**	**4,811**
AEON CO., LTD.	**463**	**4,172**
SENKON LOGISTICS CO., LTD.	**323**	**2,910**
YABUKI KAIUN KAISHA, LTD.	**272**	**2,451**
PALENET Co., LTD.	**161**	**1,451**
Nuclear Fuel Transport Company, Ltd.	**154**	**1,388**
OKAMURA CORPORATION	**139**	**1,252**
Moonstar Company	**129**	**1,162**
Sawai Pharmaceutical Co., Ltd.	**¥128**	**$1,153**

	Millions of yen
	March 31, 2018
Principal FVTOCI financial assets	Fair value
WORLD TRADE CENTER BUILDING, INC.	¥1,878
Fukuyama Transporting Co., Ltd.	940
AEON Financial Service Co., Ltd.	579
PALENET Co., LTD.	430
SENKON LOGISTICS CO., LTD.	373
YABUKI KAIUN KAISHA, LTD.	257
OKAMURA CORPORATION	174
Toyota Tsusho Corporation	154
Nuclear Fuel Transport Company, Ltd.	151
Moonstar Company	¥125

(v) Derecognition of FVTOCI Financial Assets

Accumulated gains and losses on valuation of investments in securities recognized as FVTOCI financial assets are reclassified into retained earnings when the relevant assets are derecognized during the fiscal year. The net gain or loss reclassified, net of taxes, for the years ended March 31, 2019 and 2018 were gains of ¥99 million ($892 thousand) and ¥10 million, respectively.

During the year ended March 31, 2018, marketable securities classified as FVTOCI financial assets were derecognized as a result of reviewing particular business relations. During the year ended March 31, 2019, marketable securities held by Nisshin Transportation Co., Ltd. and classified as FVTOCI financial assets were derecognized as a result of loss of control in Nisshin Transportation Co., Ltd.

The details of FVTOCI financial assets that were derecognized for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Fair value at the time of derecognition	**¥174**	¥54	**$1,568**
Accumulated gain/loss at the time of derecognition	**¥142**	¥10	**$1,279**

(vi) Dividend income

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Investments derecognized during the year	**¥4**	¥3	**$36**
Investments held as of the end of the year	**403**	83	**3,631**
Total	**¥407**	¥86	**$3,667**

(d) Derivatives and Hedging Activities

(i) Cash Flow Hedge

Foreign Currency Risk

Changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted transactions denominated in a foreign currency are recognized as changes in OCI. The amount recognized in OCI is subsequently reclassified into profit or loss when exchange gains or losses on the hedged assets or liabilities are recognized.

Interest Rate Risk

Changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debt are recognized in OCI. AOCI is subsequently reclassified to interest expense over the period in which the interest on the debt affects profit or loss.

As of March 31, 2019, the period during which future cash flows designated as hedged item are expected to arise and the period during which those cash flows are expected to affect profit or loss are from April 2019 to August 2019.

The fair value of hedging instruments as of March 31, 2019 is as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedge						
Forward exchange contracts	**¥-**	**¥2**	¥-	¥-	**$-**	**$18**
Total	**¥-**	**¥2**	¥-	¥-	**$-**	**$18**

The fair values of derivative liabilities not applying hedge accounting as of March 31, 2018 is ¥5 million.

The amounts recognized in the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the years ended March 31, 2019 and 2018, related to cash flow hedges are detailed in the following tables. There were no derivative transactions designated as a cash flow hedge which, as a result of evaluation of hedge effectiveness, were considered ineffective.

Gain (Loss) Recognized in OCI – Effective Portion of Derivatives Designated as Hedging Instruments

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Forward exchange contracts	**¥(2)**	¥-	**$(18)**
Total	**¥(2)**	¥-	**$(18)**

27. Pledged Assets

Assets pledged as collateral and secured liabilities are not applicable for the year ended March 31, 2019 and 2018.

28. Principal Subsidiaries

The Company's consolidated financial statements include the following subsidiaries listed below.

As of March 31, 2019

Name of subsidiary	Business location	Description of principal business	Ownership ratio (%)
Hitachi Transport Direx Co., Ltd.	Nishi-ku, Sapporo, Hokkaido	Domestic logistics	94.9
Hitachi Transport System East Japan Co., Ltd.	Hitachi, Ibaraki	Domestic logistics	100.0
Hitachi Transport System Kanto Co., Ltd.	Omiya-ku, Saitama, Saitama	Domestic logistics	100.0
Hitachi Transport System Metropolitan Co., Ltd.	Kashiwa, Chiba	Domestic logistics	100.0
Hitachi Transport System South Kanto Co., Ltd.	Naka-ku, Yokohama, Kanagawa	Domestic logistics	100.0
Hitachi Transport System Central Japan Co., Ltd.	Naka-ku, Nagoya, Aichi	Domestic logistics	100.0
Hitachi Transport System West Japan Co., Ltd.	Konohana-ku, Osaka, Osaka	Domestic logistics	100.0
Hitachi Transport System Kyushu Japan Co., Ltd.	Hisayama-machi, Fukuoka	Domestic logistics	100.0
Hitachi Collabonext Transport System Co., Ltd.	Koto-ku, Tokyo	Domestic logistics	90.0
Hitachi Finenext Transport System Co., Ltd.	Chuo-ku, Tokyo	Domestic logistics	90.0
VANTEC CORPORATION	Kawasaki-ku, Kawasaki, Kanagawa	Domestic logistics and global logistics	100.0
VANTEC HTS FORWARDING, LTD.	Chuo-ku, Tokyo	Global logistics	100.0
Hitachi Travel Bureau Ltd.	Chuo-ku, Tokyo	Travel agency	100.0
Hitachi Distribution Software Co., Ltd.	Koto-ku, Tokyo	Information system development	75.0
Hitachi Auto Service Co., Ltd.	Taito-ku, Tokyo	Automobile sale and inspection service	60.0
Vantec Hitachi Transport System (USA), Inc.	Torrance, U.S.A.	Global logistics	100.0
James J. Boyle & Co.	Monterey Park, U.S.A.	Global logistics	96.3
Hitachi Transport System (Europe) B.V.	Waardenburg, The Netherlands	Global logistics	100.0
Mars Lojistik Grup Anonim Sirketi	Istanbul, Turkey	Global logistics	80.0
Vantec Hitachi Transport System (Hong Kong) Ltd.	Hong Kong, China	Global logistics	100.0
Hitachi Transport System (Asia) Pte. Ltd.	Singapore	Global logistics	100.0
Hitachi Transport System (M) Sdn. Bhd.	Selangor, Malaysia	Global logistics	51.7
ESA s.r.o.	Kladno, Czech Republic	Global logistics	100.0
Hitachi Transport System Vantec (Thailand), Ltd.	Samutprakarn, Thailand	Global logistics	50.1
Vantec Hitachi Transport System (Taiwan) Ltd.	Taipei, Taiwan	Global logistics	83.2
J.P. Holding Company, Inc.	Anderson, U.S.A.	Global logistics	87.8
Flyjac Logistics Pvt. Ltd.	Mumbai, India	Global logistics	100.0
Hitachi Transport System (China), Ltd.	Shanghai, China	Global logistics	100.0
Eternity Grand Logistics Public Co., Ltd.	Samutprakarn, Thailand	Global logistics	74.5
Other 55 subsidiaries			

29. Related Party Transactions

(a) Related Party Transactions

The material transactions between the Group and its related parties are as follows.

For the year ended March 31, 2019		Millions of yen			
Type	Name	Description of transactions	Transaction amount	Account	Ending balance
Associate	Hitachi, Ltd.	Service revenues	**¥14,196**	Accounts receivable	**¥3,920**
				Electronically recorded monetary claims	**3**
				Contract assets	**¥26**

Note: Transaction terms and policies to determine transaction terms

1. The Company proposes the fees for commissioned work and transportation by considering the fare which has been notified to the Ministry of Land, Infrastructure, Transport and Tourism, market prices and total costs. The fees are determined through price negotiation for each period.

For the year ended March 31, 2018		Millions of yen			
Type	Name	Description of transactions	Transaction amount	Account	Ending balance
Associate	Hitachi, Ltd.	Service revenues	¥14,696	Accounts receivable	¥4,958
				Electronically recorded monetary claims	¥12

Note: Transaction terms and policies to determine transaction terms

1. The Company proposes the fees for commissioned work and transportation by considering the fare which has been notified to the Ministry of Land, Infrastructure, Transport and Tourism, market prices and total costs. The fees are determined through price negotiation for each period.

For the year ended March 31, 2019		Thousands of U.S. dollars			
Type	Name	Description of transactions	Transaction amount	Account	Ending balance
Associate	Hitachi, Ltd.	Service revenues	**$127,903**	Accounts receivable	**$35,318**
				Electronically recorded monetary claims	**27**
				Contract assets	**$234**

Note: Transaction terms and policies to determine transaction terms

1. The Company proposes the fees for commissioned work and transportation by considering the fare which has been notified to the Ministry of Land, Infrastructure, Transport and Tourism, market prices and total costs. The fees are determined through price negotiation for each period.

(b) Directors' Remuneration

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Short-term employee benefits	**¥616**	¥635	**$5,550**

30. Contingencies

(a) Guarantee Obligations

The Company and its certain subsidiaries provide debt guarantees to third parties. The outstanding balance of guarantee obligations as of March 31, 2019 was ¥128 million ($1,153 thousand).

31. Subsequent Events

Not applicable

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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 statement of financial position as at March 31, 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended and notes to the consolidated financial statements.

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 International Financial Reporting Standards, 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

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 4.

Ernst & Young ShinNihon LLC

June 19, 2019
Tokyo, Japan

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