Hitachi Transport System

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Financial Section
Integrated Report 2021
Year ended March 31, 2021

Consolidated Financial Statements,
Notes to the Consolidated Financial Statements and
Independent Auditor's 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, 2021	As of March 31, 2020	**As of March 31, 2021**
Assets			
Current assets			
Cash and cash equivalents (Note 7)	¥ **104,815**	¥ 139,021	$ **946,753**
Trade receivables and contract assets (Notes 8, 9, 21 and 27)	**123,681**	115,419	**1,117,162**
Inventories (Note 10)	**1,083**	1,066	**9,782**
Other financial assets (Notes 7 and 27)	**4,378**	5,102	**39,545**
Other current assets	**13,393**	6,801	**120,974**
Total current assets	**247,350**	267,409	**2,234,216**
Non-current assets			
Investments accounted for using the equity method (Note 11)	**6,372**	89,271	**57,556**
Property, plant and equipment (Note 12)	**159,981**	148,232	**1,445,046**
Right-of-use assets (Note 9)	**288,030**	288,441	**2,601,662**
Goodwill (Note 13)	**25,228**	24,112	**227,875**
Intangible assets (Note 13)	**23,824**	24,397	**215,193**
Deferred tax assets (Note 14)	**11,732**	10,123	**105,971**
Other financial assets (Notes 7 and 27)	**18,459**	21,274	**166,733**
Other non-current assets (Note 17)	**6,960**	5,885	**62,867**
Total non-current assets	**540,586**	611,735	**4,882,901**
Total assets	**787,936**	879,144	**7,117,117**
Liabilities			
Current liabilities			
Trade payables (Note 15)	**51,733**	45,410	**467,284**
Short-term debt (Note 27)	**2,152**	3,546	**19,438**
Current portion of long-term debt (Note 27)	**10,320**	10,416	**93,217**
Lease liabilities (Notes 9 and 27)	**30,600**	33,209	**276,398**
Income tax payable	**6,089**	8,232	**55,000**
Other financial liabilities (Note 27)	**24,202**	37,886	**218,607**
Other current liabilities (Notes 16 and 21)	**31,559**	29,062	**285,060**
Total current liabilities	**156,655**	167,761	**1,415,003**
Non-current liabilities			
Long-term debt (Note 27)	**140,303**	150,502	**1,267,302**
Lease liabilities (Notes 9 and 27)	**261,220**	261,031	**2,359,498**
Retirement and severance benefits (Note 17)	**37,071**	34,825	**334,848**
Deferred tax liabilities (Note 14)	**7,467**	10,123	**67,446**
Other financial liabilities (Note 27)	**20,075**	12,299	**181,330**
Other non-current liabilities (Note 16)	**3,038**	3,346	**27,441**
Total non-current liabilities	**469,174**	472,126	**4,237,865**
Total liabilities	**625,829**	639,887	**5,652,868**
Equity			
Equity attributable to stockholders of the parent company			
Common stock (Note 18)	**16,803**	16,803	**151,775**
Retained earnings (Note 18)	**236,311**	220,829	**2,134,505**
Accumulated other comprehensive income (Note 19)	**1,861**	(4,587)	**16,810**
Treasury stock, at cost (Note 18)	**(99,817)**	(184)	**(901,608)**
Total equity attributable to stockholders of the parent company	**155,158**	232,861	**1,401,481**
Non-controlling interests	**6,949**	6,396	**62,768**
Total equity	**162,107**	239,257	**1,464,249**
Total liabilities and equity	¥ **787,936**	¥ 879,144	$ **7,117,117**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		**2021**	
Revenues (Notes 5 and 21)	**¥**	**652,380**	¥	672,286	**$**	**5,892,693**
Cost of sales		**(566,582)**		(588,078)		**(5,117,713)**
Gross profit		**85,798**		84,208		**774,980**
Selling, general and administrative expenses		**(49,087)**		(50,725)		**(443,384)**
Adjusted operating income		**36,711**		33,483		**331,596**
Other income (Note 22)		**10,787**		10,579		**97,435**
Other expenses (Note 22)		**(6,448)**		(9,706)		**(58,242)**
Operating income		**41,050**		34,356		**370,789**
Financial income (Note 23)		**413**		88		**3,730**
Financial expenses (Note 23)		**(44)**		(1,701)		**(397)**
Share of profits of investments accounted for using the equity method (Note 11)		**3,010**		6,864		**27,188**
EBIT (Earnings before interest and taxes)		**44,429**		39,607		**401,310**
Interest income (Note 23)		**1,197**		1,186		**10,812**
Interest expenses (Notes 9 and 23)		**(6,492)**		(6,964)		**(58,640)**
Income before income taxes		**39,134**		33,829		**353,482**
Income taxes (Note 14)		**(15,180)**		(11,344)		**(137,115)**
Net income	**¥**	**23,954**	¥	22,485	**$**	**216,367**
Net income attributable to: Stockholders of the parent company		**22,873**		21,614		**206,603**
Non-controlling interests		**1,081**		871		**9,764**

	Yen				U.S. dollars	
	2021		2020		**2021**	
Earnings per share attributable to stockholders of the parent company						
Basic (Note 24)	**¥**	**240.02**	¥	193.76	**$**	**2.17**
Diluted (Note 24)		-		-		-

Consolidated Statement of Comprehensive Income

	Millions of yen				**Thousands of U.S. dollars**	
	2021		2020		**2021**	
Net income	**¥**	**23,954**	¥	22,485	**$**	**216,367**
Other comprehensive income (OCI)						
Items not to be reclassified into net income						
Net changes in financial assets measured at fair value through OCI (Note 19)		**475**		(49)		**4,290**
Remeasurements of defined benefit plans (Note 19)		**213**		284		**1,924**
Share of OCI of investments accounted for using the equity method (Note 19)		**18**		(93)		**163**
Total items not to be reclassified into net income		**706**		142		**6,377**
Items that can be reclassified into net income						
Foreign currency translation adjustments (Note 19)		**6,274**		(4,344)		**56,671**
Net changes in cash flow hedges (Note 19)		**2**		4		**18**
Share of OCI of investments accounted for using the equity method (Note 19)		**20**		(21)		**181**
Total items that can be reclassified into net income		**6,296**		(4,361)		**56,869**
Other comprehensive income (OCI)		**7,002**		(4,219)		**63,246**
Comprehensive income	**¥**	**30,956**	¥	18,266	**$**	**279,613**
Comprehensive income attributable to: Stockholders of the parent company		**29,211**		17,878		**263,852**
Non-controlling interests		**1,745**		388		**15,762**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

	Millions of yen						
	2021						
	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**	**¥220,829**	**¥ (4,587)**	**¥ (184)**	**¥232,861**	**¥6,396**	**¥239,257**
Changes in equity							
Net income	**-**	**22,873**	**-**	**-**	**22,873**	**1,081**	**23,954**
Other comprehensive income (Note 19)	**-**	**-**	**6,338**	**-**	**6,338**	**664**	**7,002**
Transactions with non-controlling interests (Note 18)	**-**	**181**	**(108)**	**-**	**73**	**(327)**	**(254)**
Dividends (Note 20)	**-**	**(4,299)**	**-**	**-**	**(4,299)**	**(121)**	**(4,420)**
Transfer to retained earnings (Notes 19 and 27)	**-**	**68**	**(68)**	**-**	**-**	**-**	**-**
Acquisition and sales of treasury stock (Note 18)	**-**	**-**	**-**	**(99,633)**	**(99,633)**	**-**	**(99,633)**
Share-based remuneration transactions (Note 26)	**-**	**24**	**-**	**-**	**24**	**-**	**24**
Changes in liabilities for written put options over non-controlling interests (Notes 18, 19 and 27)	**-**	**(3,365)**	**286**	**-**	**(3,079)**	**(744)**	**(3,823)**
Total changes in equity	**-**	**15,482**	**6,448**	**(99,633)**	**(77,703)**	**553**	**(77,150)**
Balance at end of year	**¥16,803**	**¥236,311**	**¥ 1,861**	**¥ (99,817)**	**¥155,158**	**¥6,949**	**¥162,107**

	Millions of yen						
	2020						
	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	¥206,245	¥ (520)	¥ (182)	¥222,346	¥6,603	¥228,949
Changes in equity							
Net income	-	21,614	-	-	21,614	871	22,485
Other comprehensive income (Note 19)	-	-	(3,736)	-	(3,736)	(483)	(4,219)
Transactions with non-controlling interests (Note 18)	-	(6)	(1)	-	(7)	209	202
Dividends (Note 20)	-	(4,686)	-	-	(4,686)	(180)	(4,866)
Transfer to retained earnings (Notes 19 and 27)	-	147	(147)	-	-	-	-
Acquisition and sales of treasury stock (Note 18)	-	-	-	(2)	(2)	-	(2)
Changes in liabilities for written put options over non-controlling interests (Notes 18 and 27)	-	(2,485)	(183)	-	(2,668)	(624)	(3,292)
Total changes in equity	-	14,584	(4,067)	(2)	10,515	(207)	10,308
Balance at end of year	¥16,803	¥220,829	¥ (4,587)	¥ (184)	¥232,861	¥6,396	¥239,257

	Thousands of U.S. dollars						
	2021						
	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	**$151,775**	**$1,994,662**	**$ (41,433)**	**$ (1,662)**	**$2,103,342**	**$ 57,773**	**$2,161,115**
Changes in equity							
Net income	**-**	**206,603**	**-**	**-**	**206,603**	**9,764**	**216,367**
Other comprehensive income (Note 19)	**-**	**-**	**57,249**	**-**	**57,249**	**5,998**	**63,246**
Transactions with non-controlling interests (Note 18)	**-**	**1,635**	**(976)**	**-**	**659**	**(2,954)**	**(2,294)**
Dividends (Note 20)	**-**	**(38,831)**	**-**	**-**	**(38,831)**	**(1,093)**	**(39,924)**
Transfer to retained earnings (Notes 19 and 27)	**-**	**614**	**(614)**	**-**	**-**	**-**	**-**
Acquisition and sales of treasury stock (Note 18)	**-**	**-**	**-**	**(899,946)**	**(899,946)**	**-**	**(899,946)**
Share-based remuneration transactions (Note 26)	**-**	**217**	**-**	**-**	**217**	**-**	**217**
Changes in liabilities for written put options over non-controlling interests (Notes 18, 19 and 27)	**-**	**(30,395)**	**2,583**	**-**	**(27,811)**	**(6,720)**	**(34,532)**
Total changes in equity	**-**	**139,843**	**58,242**	**(899,946)**	**(701,861)**	**4,995**	**(696,866)**
Balance at end of year	**$151,775**	**$2,134,505**	**$ 16,810**	**$ (901,608)**	**$1,401,481**	**$ 62,768**	**$ 1,464,249**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	Millions of yen				Thousands of U.S. dollars	
		2021		2020		**2021**
Cash flows from operating activities:						
Net income	**¥**	**23,954**	¥	22,485	**$**	**216,367**
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation and amortization		**52,159**		52,815		**471,132**
Impairment losses		**1,339**		4,169		**12,095**
Income taxes		**15,180**		11,344		**137,115**
Share of profits of investments accounted for using the equity method		**(3,010)**		(6,864)		**(27,188)**
Gain on sale of investments in associates		**(4,945)**		-		**(44,666)**
Gain on business reorganization		**-**		(1,244)		**-**
Gains on sale of property, plant and equipment		**(2,769)**		(8,371)		**(25,011)**
Interest and dividends income		**(1,270)**		(1,267)		**(11,471)**
Interest expenses		**6,492**		6,964		**58,640**
(Increase) decrease in trade receivables and contract assets		**(4,366)**		16,692		**(39,436)**
Decrease in inventories		**77**		60		**696**
Increase (decrease) in trade payables		**3,084**		(8,303)		**27,857**
Increase in retirement and severance benefits		**1,976**		2,741		**17,848**
Changes in other assets and other liabilities		**(5,203)**		(3,256)		**(46,997)**
Other		**996**		1,145		**8,996**
Subtotal		**83,694**		89,110		**755,975**
Interest and dividends received		**4,145**		3,896		**37,440**
Interest paid		**(6,399)**		(6,880)		**(57,800)**
Income taxes paid		**(26,131)**		(7,922)		**(236,031)**
Net cash provided by operating activities		**55,309**		78,204		**499,585**
Cash flows from investing activities:						
Purchase of property, plant and equipment and intangible assets		**(19,792)**		(12,709)		**(178,773)**
Proceeds from sale of property, plant and equipment and intangible assets		**3,814**		13,105		**34,450**
Proceeds from sale of investments in associates (Note 30)		**87,183**		-		**787,490**
Purchase of subsidiaries' shares (Note 25)		**(1,476)**		(666)		**(13,332)**
Decrease due to a loss of control of subsidiaries (Note 25)		**-**		(384)		**-**
Other		**50**		(508)		**452**
Net cash provided by (used in) investing activities		**69,779**		(1,162)		**630,286**
Cash flows from financing activities:						
Decrease in short-term debt, net (Note 25)		**(1,575)**		(2,075)		**(14,226)**
Repayments of long-term debt (Note 25)		**(10,409)**		(739)		**(94,020)**
Repayments of lease liabilities (Note 25)		**(36,648)**		(37,103)		**(331,027)**
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests		**114**		-		**1,030**
Acquisition of shares of consolidated subsidiaries from non-controlling interests (Note 25)		**(7,541)**		(199)		**(68,115)**
Dividends paid to stockholders of the parent company (Note 20)		**(4,299)**		(4,686)		**(38,831)**
Dividends paid to non-controlling interests		**(121)**		(180)		**(1,093)**
Acquisition of treasury stock (Notes 18 and 30)		**(99,633)**		(2)		**(899,946)**
Other		**(944)**		(723)		**(8,527)**
Net cash used in financing activities		**(161,056)**		(45,707)		**(1,454,756)**
Effect of exchange rate changes on cash and cash equivalents		**1,762**		(726)		**15,915**
Net (decrease) increase in cash and cash equivalents		**(34,206)**		30,609		**(308,969)**
Cash and cash equivalents at beginning of year		**139,021**		108,412		**1,255,722**
Cash and cash equivalents at end of year (Note 7)	**¥**	**104,815**	¥	139,021	**$**	**946,753**

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 (https://www.hitachi-transportsystem.com). The accompanying consolidated financial statements for the year ended March 31, 2021 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 23, 2021.

(b) Basis of Measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value, financial instruments measured at fair value through profit or loss (FVTPL), financial instruments measured at fair value through other comprehensive income (FVTOCI), liabilities for written put options over non-controlling interests 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 and reporting of assets, liabilities, revenues and expenses 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 reviewed. The effect of a review of accounting estimates, if any, is recognized in the reporting period in which the estimates are reviewed and in future periods.

As for the impact of COVID-19 during the year ended March 31, 2021, profitability declined due to a decrease in volume resulting from the suspension of certain business operation for automobile-related customers but turned toward a gradual recovery after the second quarter ended September 30, 2020. Accordingly, the Company believes COVID-19 has only a limited impact on the consolidated financial statements in terms of valuation of assets related to such business as of March 31, 2021, but the carrying amount of assets or liabilities may need to be adjusted in future years if a significant change in the situation with regard to the COVID-19 pandemic further increases uncertainty.

Accounting estimates and judgments that could have a material effect on the amounts recognized in the Group's consolidated financial statements are as follows:

(i) Valuation of goodwill

The Group performs an impairment test for goodwill by estimating the recoverable amount every year regardless of whether there is any indication of impairment or when any indication of impairment is identified.

The impairment test compares the carrying amount and recoverable amount of a cash-generating unit, and any excess of the carrying amount of assets allocated to a cash-generating unit over the recoverable amount is recognized as impairment loss.

The recoverable amount is calculated based on certain assumptions about future cash flows, a discount rate, and a growth rate. While these assumptions are determined based on management's best estimate and judgment, the calculation result of the recoverable amount could significantly differ depending on the future business plans and economic conditions, and therefore the Group considers these estimates to be important. When the calculation result of the recoverable amount is significantly different, impairment loss may be recognized in the consolidated financial statements in future years.

Please refer to Note 13. Goodwill and Intangible Assets for the calculation method and sensitivity analysis of the recoverable amount of goodwill.

(ii) Lease term of right-of-use assets

The Group determines the lease term of right-of-use assets by taking into account the periods covered by an option to extend the lease during the non-cancellable period (Extension Option) and an option to terminate the lease (Termination Option). The Extension Option or Termination Option are generally included in the lease contracts related to logistics centers and their fixtures. The lease term is determined based on certain assumptions by comprehensively taking into account the specifications of logistics centers, contractual relationship with customers and business strategies.

As the amount of initial recognition of right-of-use assets and lease liabilities, depreciation of right-of-use assets and interest expense on lease liabilities will vary depending on the estimate of the lease term, the Group considers the estimate to be important. While these assumptions are based on management's best estimate and judgment, lease liabilities will be remeasured if there is a change in the assumptions used to estimate the lease term. When lease liabilities are remeasured, the resulting adjustment is made to the carrying amount of the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

Please refer to Note 9. Leases for notes on lease terms.

(iii) Present value of redemption value of liabilities for written put options over non-controlling interests

The Group recognizes written put options over subsidiaries' shares granted to the holders of non-controlling interests as financial liabilities at present value of redemption 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 present value of redemption value of liabilities for written put options over non-controlling interests is calculated based on the assumptions about future business plans, etc. of the relevant subsidiaries. While these assumptions are determined based on management's best estimate and judgment, the calculation result of the present value of redemption value could significantly differ depending on the future business plans, etc., and therefore the Group considers such estimate to be important. When the calculation result of the present value of redemption value is significantly different, it will affect mainly capital surplus or retained earnings in the consolidated financial statements in future years.

Please refer to Note 27. Financial Instruments and Related Disclosures for the measurement method of present value of redemption value of liabilities for written put options over non-controlling interests.

(e) Changes in Accounting Policies

Not applicable.

(f) Change in Presentation

(i) Consolidated statement of cash flows

"Acquisition of treasury stock" under "Cash flows from financing activities" was included in "Other" for the year ended March 31, 2020 but is presented separately for the year ended March 31, 2021 as the amount became material. To reflect this change in presentation, the consolidated statement of cash flows for the year ended March 31, 2020 was reclassified.

As a result, ¥(725) million which was presented as "Other" under "Cash flows from financing activities" in the consolidated statement of cash flows for the year ended March 31, 2020 was reclassified to "Acquisition of treasury stock" (¥(2) million) and "Other" (¥(723) million).

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

Not applicable.

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 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 Group's consolidated financial statements include the Group's shares of profit or loss and changes in 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 net identifiable 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 short-term 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 the relevant 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 or losses resulting from the currency conversion and settlement are recognized in profit or loss, except where foreign exchange gains or losses 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:

<u>Financial assets measured at amortized cost</u>

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 are 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.

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.

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.

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 present value of redemption 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.

Cash flow hedge is a hedge of a forecast transaction or 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 recognized 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 designated as a 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 also 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 documents the risk management policy as prescribed by IFRS 9 "Financial Instruments," which includes the 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, with changes in the carrying amount due to remeasurement of inventories 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

Property, plant and equipment are measured by the cost model and 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 of major classes of assets:

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 20 years
Tools, furniture and fixtures	2 to 20 years

The residual value, estimated useful lives and the depreciation method 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 of major classes of assets:

Software	3 to 5 years
Customer-related intangible assets	12 to 20 years

The residual value, estimated useful lives and the amortization method 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

The Group assesses whether a contract is, or contains, a lease at inception of the contract. We deem that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts that are or contain a lease, each lease component in the contract is accounted for separately from non-lease components.

Lease term is determined taking into account the periods covered by an option to extend the lease during the non-cancellable period (when the Group is reasonably certain to exercise the option) or by an option to terminate the lease (when the Group is reasonably certain not to exercise the option).

(Lease as a lessee)
Right-of-use assets and lease liabilities are recognized at the commencement date.
The cost of right-of-use assets comprises:

- The amount of the initial measurement of lease liability
- Lease payments made at or before the commencement of the lease less any lease incentives received
- Initial direct costs incurred by the lessee
- Estimated cost to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying assets to the condition required by the terms and conditions of the lease

Right-of-use assets are depreciated using the straight-line method over the shorter of the useful life of the right-of-use asset or the lease term, unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or the cost of the right-of-use asset reflects that the lessee will exercise a purchase option. The estimated useful life of the right-of-use asset is determined in the same way as property, plant and equipment and ranges from two to 31 years. Lease payments are apportioned between the finance charge and the repayment of the outstanding lease liabilities, and the finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of lease liability.

Lease payments of short-term leases are recognized as expenses using the straight-line method over the lease term.

(Lease as a lessor)
A lease as a lessor is classified as finance lease if it transfers substantially all of the risks and rewards incidental to ownership of an underlying asset to the lessee. All other leases are classified as operating leases.

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 calculated 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 its 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 calculated by 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 a pretax discount rate reflecting the time value of money and risks specific to the obligation. 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 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 identify goods or services to be transferred to customers under the contract and identify 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.

(o) Income Taxes

Income taxes consist of current tax expenses and deferred tax expenses which are changes in deferred tax assets and liabilities. They 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 and the tax base of assets and liabilities on the reporting date. 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 differences 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 reverse. 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 each 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 when the Group 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.

(r) Stock compensation

The Company has introduced a performance-linked stock compensation plan as an equity-settled stock compensation plan for executive officers. For the performance-linked stock compensation plan, the services received are measured at the fair value of the Company’s stock on the date of grant and recognized as expenses over the vesting period from the date of grant, with a corresponding increase recognized in retained earnings.

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 ¥110.71 = U.S.$1.00, the approximate exchange rate prevailing at the Tokyo Foreign Exchange Market as of March 31, 2021. 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 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 establishment of logistics systems, information control, inventory control, orders control, processing for distribution, 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.

	Millions of yen						
	Reportable segment						
For the year ended March 31, 2021	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	¥421,190	¥216,258	¥637,448	¥14,932	¥652,380	¥-	¥652,380
Revenues from intersegment transactions or transfers	-	-	-	7,814	7,814	(7,814)	-
Total	¥421,190	¥216,258	¥637,448	¥22,746	¥660,194	¥(7,814)	¥652,380
Segment profit	¥25,176	¥10,340	¥35,516	¥1,195	¥36,711	¥-	¥36,711
Other income							10,787
Other expenses							(6,448)
Financial income							413
Financial expenses							(44)
Share of profits of investments accounted for using the equity method							3,010
Interest income							1,197
Interest expenses							(6,492)
Income before income taxes							¥39,134
Others							
Depreciation and amortization	¥37,005	¥11,722	¥48,727	¥3,432	¥52,159	¥-	¥52,159
Impairment losses (Note 3)	¥285	¥191	¥476	¥-	¥476	¥863	¥1,339

Notes: 1. "Other services" includes information system development and sale and maintenance of motor vehicles, which are excluded from the reportable segments.
2. Company-wide expenses which do not belong to any business segment such as corporate general and administrative expenses incurred in the parent company are allocated to each business segment in accordance with a rational basis.
3. "Adjustments and eliminations" for Impairment losses under Others relates to the impairment loss on equity-method investments in HTB-BCD Travel Limited, mainly engaging in the travel agency service, which is not attributable to any business segments.

	Millions of yen						
For the year ended March 31, 2020	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	¥435,311	¥219,761	¥655,072	¥17,214	¥672,286	¥-	¥672,286
Revenues from intersegment transactions or transfers	-	-	-	13,953	13,953	(13,953)	-
Total	¥435,311	¥219,761	¥655,072	¥31,167	¥686,239	¥(13,953)	¥672,286
Segment profit	¥26,063	¥6,502	¥32,565	¥918	¥33,483	¥-	¥33,483
Other income							10,579
Other expenses							(9,706)
Financial income							88
Financial expenses							(1,701)
Share of profits of investments accounted for using the equity method							6,864
Interest income							1,186
Interest expenses							(6,964)
Income before income taxes							¥33,829
Others							
Depreciation and amortization	¥36,599	¥11,952	¥48,551	¥4,264	¥52,815	¥-	¥52,815
Impairment losses	¥323	¥3,846	¥4,169	¥-	¥4,169	¥-	¥4,169

Notes: 1. "Other services" includes information system development, 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, 2021	Thousands of U.S. dollars						
	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	**$3,804,444**	**$1,953,374**	**$5,757,818**	**$134,875**	**$5,892,693**	**$-**	**$5,892,693**
Revenues from intersegment transactions or transfers	**-**	**-**	**-**	**70,581**	**70,581**	**(70,581)**	**-**
Total	**$3,804,444**	**$1,953,374**	**$5,757,818**	**$205,456**	**$5,963,273**	**$(70,581)**	**$5,892,693**
Segment profit	**$227,405**	**$93,397**	**$320,802**	**$10,794**	**$331,596**	**$-**	**$331,596**
Other income							**97,435**
Other expenses							**(58,242)**
Financial income							**3,730**
Financial expenses							**(397)**
Share of profits of investments accounted for using the equity method							**27,188**
Interest income							**10,812**
Interest expenses							**(58,640)**
Income before income taxes							**$353,482**
Others							
Depreciation and amortization	**$334,252**	**$105,880**	**$440,132**	**$31,000**	**$471,132**	**$-**	**$471,132**
Impairment losses (Note 3)	**$2,574**	**$1,725**	**$4,300**	**$-**	**$4,300**	**$7,795**	**$12,095**

Notes: 1. "Other services" includes information system development, sale and maintenance of motor vehicles, which are excluded from the reportable segments.
2. Company-wide expenses which do not belong to any business segment such as corporate general and administrative expenses incurred in the parent company are allocated to each business segment in accordance with a rational basis.
3. "Adjustments and eliminations" for Impairment losses under Others relates to impairment loss on equity-method investments in HTB-BCD Travel Limited, mainly engaging in the travel agency service, which is not attributable to any business segments.

(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, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Japan	**¥469,540**	¥483,025	**$4,241,171**
Europe	**60,716**	64,940	**548,424**
China	**35,706**	39,072	**322,518**
Asia	**39,815**	41,839	**359,633**
North America	**39,297**	36,236	**354,954**
Other areas	**7,306**	7,174	**65,992**
Overseas revenues subtotal	**182,840**	189,261	**1,651,522**
Total consolidated revenues	**¥652,380**	¥672,286	**$5,892,693**

The following table shows the balances of non-current assets for each geographic area as of March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	**As of March 31, 2021**
Japan	**¥430,166**	¥420,836	**$3,885,521**
Europe	**30,454**	27,385	**275,079**
Asia	**14,767**	15,280	**133,385**
North America	**15,497**	15,104	**139,978**
Other areas	**9,090**	9,193	**82,106**
Total	**¥499,974**	¥487,798	**$4,516,069**

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

(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 ¥83,135 million ($750,926 thousand) (all segments) and ¥94,908 million (all segments) for the years ended March 31, 2021 and 2020, respectively.

6. Business Combinations

There were no significant business combinations for the years ended March 31, 2021 and 2020.

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, 2021	March 31, 2020	**March 31, 2021**
Cash and cash equivalents	**¥105,609**	¥139,834	**$953,925**
Time deposits with maturities of over 3 months	**(794)**	(813)	**(7,172)**
Cash and cash equivalents in the consolidated statement of financial position	**¥104,815**	¥139,021	**$946,753**

The balances of "Cash and cash equivalents" in the consolidated statement of financial position as of March 31, 2021 and 2020 were equal to the balances of "Cash and cash equivalents" in the consolidated statement of cash flows.

8. Trade Receivables and Contract Assets

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Notes receivable and electronically recorded monetary claims	**¥5,785**	¥5,841	**$52,254**
Accounts receivable	**113,802**	104,285	**1,027,929**
Contract assets	**1,110**	830	**10,026**
Lease receivables	**4,271**	5,806	**38,578**
Allowance for doubtful receivables	**(1,287)**	(1,343)	**(11,625)**
Total trade receivables and contract assets	**¥123,681**	¥115,419	**$1,117,162**

Information on credit risk management is provided in Note 27. 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 its certain consolidated subsidiaries lease buildings and structures and machinery, equipment and vehicles. Amortization of right-of-use assets is included in depreciation expenses.

(i) Lease expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Depreciation of right-of-use assets			
Buildings and structures	**¥30,993**	¥30,649	**$279,948**
Machinery, equipment and vehicles	**3,328**	4,444	**30,061**
Tools, furniture and fixtures	**1,492**	1,944	**13,477**
Other	**415**	1,181	**3,749**
Total	**36,228**	38,218	**327,233**
Finance charge on lease liabilities	**¥5,507**	¥5,944	**$49,743**

(ii) Carrying amount of right-of-use assets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Right-of-use assets			
Buildings and structures	**¥267,001**	¥261,181	**$2,411,715**
Machinery, equipment and vehicles	**13,039**	16,702	**117,776**
Tools, furniture and fixtures	**4,476**	5,758	**40,430**
Other	**3,514**	4,800	**31,741**
Total	**¥288,030**	¥288,441	**$2,601,662**

Right-of-use assets increased ¥44,017 million ($397,588 thousand) and ¥14,384 million during the years ended March 31, 2021 and 2020, respectively.

(iii) Extension and termination option

Certain lease contracts include an extension option and a termination option. Judgement must be applied in assessing whether the Group is reasonably certain to exercise an extension option or not to exercise a termination option. Accordingly, the Group considers all relevant factors that will create economic incentives for the Group to exercise the extension option or not to exercise the termination option.

The Group reassesses the lease term upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group, such as a business decision that directly affects whether or not to exercise the options.

Extension options or termination options are usually included in the Group's lease contracts related to logistics centers and their structures. When the Group is reasonably certain to exercise the extension option of the contract for a logistics center based on the comprehensive consideration of the specifications of the logistics center, contractual relationship with customers and business strategies, the extension period is included in the lease term of such contract up to the useful life of the logistics center.

The period covered by a termination option is included in the lease term only when the Group is reasonably certain not to exercise the option.

(iv) Residual value guarantees

Residual value guarantees are generally included in lease contracts for vehicles and guarantee the residual value of certain vehicles used in the transportation business.

(v) Lease contracts not yet commenced but to which the lessee is committed

The future cash outflows to which the Group is potentially exposed because of lease contracts not yet commenced but to which the Group is committed as of March 31, 2021 and 2020 are ¥5,104 million ($46,102 thousand) and ¥6,012 million, respectively.

Please refer to Note 27. Financial Instruments and Related Disclosures for the maturity analysis of lease liabilities.

(b) Lessor

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

(i) Finance lease

The maturity analysis of undiscounted lease payments receivable related to finance lease contracts is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Within one year	**¥2,159**	¥3,204	**$19,501**
Over one year through two years	**1,630**	2,710	**14,723**
Over two years through three years	**1,192**	2,129	**10,767**
Over three years through four years	**500**	1,649	**4,516**
Over four years through five years	**137**	964	**1,237**
Over five years	**7**	777	**63**
Total	**5,625**	11,433	**50,808**
Unearned finance income	**(327)**	(851)	**(2,954)**
Net investment in the lease	**¥5,298**	¥10,582	**$47,855**

(ii) Operating lease

The maturity analysis of undiscounted lease payments related to operating lease contracts is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Within one year	**¥890**	¥995	**$8,039**
Over one year through two years	**548**	581	**4,950**
Over two years through three years	**287**	382	**2,592**
Over three years through four years	**274**	199	**2,475**
Over four years through five years	**75**	185	**677**
Over five years	**4**	3	**36**
Total	**¥2,078**	¥2,345	**$18,770**

10. Inventories

The components of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Merchandise	**¥472**	¥583	**$4,263**
Work in process	**26**	2	**235**
Raw materials and supplies	**585**	481	**5,284**
Total	**¥1,083**	¥1,066	**$9,782**

11. Investments Accounted for Using the Equity Method

(a) Associates That Are Material

SAGAWA EXPRESS CO., LTD. (SAGAWA EXPRESS) which had been a material associate accounted for using the equity method was excluded from the scope of associates accounted for using the equity method as the Company transferred its shareholding in the company, 20% of total outstanding shares of SAGAWA EXPRESS (excluding treasury stock), to SG Holdings Co., Ltd. (SG Holdings) on September 29, 2020.

The summarized financial statements of SAGAWA EXPRESS are as follows. SAGAWA EXPRESS is not a listed company.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Ownership ratio	-	20%	-
Current assets	**¥-**	¥198,675	**$-**
Non-current assets	-	502,347	-
Current liabilities	-	153,498	-
Non-current liabilities	-	379,322	-
Equity	-	168,202	-
The Group's share of equity	-	33,640	-
Goodwill and consolidation adjustments	-	48,170	-
Carrying amount of the Group's share	**¥-**	¥81,810	**$-**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Revenues	**¥499,809**	¥963,278	**$4,514,579**
Net income	**14,741**	32,497	**133,150**
OCI	**76**	(460)	**686**
Total comprehensive income	**14,817**	32,037	**133,836**
The Group's share:			
Net income	**2,948**	6,499	**26,628**
OCI	**15**	(92)	**135**
Total comprehensive income	**¥2,963**	¥6,407	**$26,764**

As shares of SAGAWA EXPRESS were transferred to SG Holdings on September 29, 2020, the summarized financial statements of SAGAWA EXPRESS for the year ended March 31, 2021 consist of the statements of profit or loss and comprehensive income for the period from April 1, 2020 to September 29, 2020.

Dividends received by the Company from SAGAWA EXPRESS for the years ended March 31, 2021 and 2020 amounted to ¥2,674 million ($24,153 thousand) and ¥2,504 million, respectively.

(b) Associates and Joint Ventures That Are Not Individually Material

The carrying amount of the Group's ownership interests in associates and joint ventures that are not individually material is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Investments in associates	**¥6,337**	¥7,429	**$57,240**
Investments in joint ventures	**35**	32	**316**
Carrying amount of the Group's ownership interests	**¥6,372**	¥7,461	**$57,556**

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.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Financial information on associates			
Net income	**¥59**	¥361	**$533**
OCI	**23**	(22)	**208**
Total comprehensive income	**82**	339	**741**
Financial information on joint ventures			
Net income	**3**	4	**27**
Total comprehensive income	**3**	4	**27**
Total			
Net income	**62**	365	**560**
OCI	**23**	(22)	**208**
Total comprehensive income	**¥85**	¥343	**$768**

The share of losses of associates and joint ventures not recognized as the Group has discontinued recognition of its share of losses of associates and joint ventures accounted for using the equity method is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Unrecognized share of losses of associates and joint ventures (current period)	**¥68**	¥-	**$614**
Unrecognized share of losses of associates and joint ventures (cumulative total)	**68**	-	**614**

12. Property, Plant and Equipment

The following table shows the changes in the net carrying amount, 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, 2019	¥79,060	¥39,421	¥8,729	¥54,793	¥397	¥182,400
Adjustments due to application of IFRS 16	(18,160)	(11,408)	(5,061)	-	-	(34,629)
Restated balance	60,900	28,013	3,668	54,793	397	147,771
Additions	1,744	6,759	1,550	98	5,701	15,852
Sales and disposals	(276)	(1,193)	(47)	(2,083)	(1)	(3,600)
Depreciation	(4,810)	(4,812)	(946)	-	-	(10,568)
Impairment losses	(146)	-	-	-	-	(146)
Reversal of impairment losses	-	-	-	303	-	303
Transfers from construction in progress	3,489	733	101	65	(4,388)	-
Foreign currency translation adjustments	(1,247)	(615)	(123)	(199)	(18)	(2,202)
Other	354	105	262	26	75	822
March 31, 2020	¥60,008	¥28,990	¥4,465	¥53,003	¥1,766	¥148,232
Additions	2,004	6,206	1,553	1,162	10,125	21,050
Sales and disposals	(93)	(1,228)	(200)	(13)	(60)	(1,594)
Depreciation	(4,857)	(5,145)	(1,044)	-	-	(11,046)
Impairment losses	(177)	(16)	(6)	(106)	-	(305)
Transfers from construction in progress	8,465	749	231	33	(9,478)	-
Foreign currency translation adjustments	1,454	958	114	237	44	2,807
Other	206	341	69	208	13	837
March 31, 2021	**¥67,010**	**¥30,855**	**¥5,182**	**¥54,524**	**¥2,410**	**¥159,981**

Net 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, 2020	$542,029	$261,855	$40,331	$478,755	$15,952	$1,338,922
Additions	18,101	56,056	14,028	10,496	91,455	190,136
Sales and disposals	(840)	(11,092)	(1,807)	(117)	(542)	(14,398)
Depreciation	(43,871)	(46,473)	(9,430)	-	-	(99,774)
Impairment losses	(1,599)	(145)	(54)	(957)	-	(2,755)
Transfers from construction in progress	76,461	6,765	2,087	298	(85,611)	-
Foreign currency translation adjustments	13,133	8,653	1,030	2,141	397	25,355
Other	1,861	3,080	623	1,879	117	7,560
March 31, 2021	**$605,275**	**$278,701**	**$46,807**	**$492,494**	**$21,769**	**$1,445,046**

Gross carrying amount	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2019	¥170,868	¥82,601	¥22,749	¥56,740	¥397	¥333,355
March 31, 2020	149,692	66,319	14,836	53,003	1,766	285,616
March 31, 2021	**¥160,411**	**¥68,431**	**¥15,762**	**¥54,630**	**¥2,410**	**¥301,644**

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, 2021	**$1,448,930**	**$618,110**	**$142,372**	**$493,451**	**$21,769**	**$2,724,632**

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, 2019	¥(91,808)	¥(43,180)	¥(14,020)	¥(1,947)	¥-	¥(150,955)
March 31, 2020	(89,684)	(37,329)	(10,371)	-	-	(137,384)
March 31, 2021	**¥(93,401)**	**¥(37,576)**	**¥(10,580)**	**¥(106)**	**¥-**	**¥(141,663)**

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, 2021	**$(843,655)**	**$(339,409)**	**$(95,565)**	**$(957)**	**$-**	**$(1,279,586)**

Depreciation recognized for the years ended March 31, 2021 and 2020 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, 2021 and 2020 are included in "Other expenses" in the consolidated statement of profit or loss. Reversal of impairment losses recorded for the year ended March 31, 2020 is included in "Other income" in the consolidated statement of profit or loss.

Expenditures related to items of property, plant and equipment under construction are included 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, 2021 and 2020 are ¥5,414 million ($48,903 thousand) and ¥8,454 million, respectively.

13. Goodwill and Intangible Assets

(a) Changes

The following table shows the changes in the net carrying amount, 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, 2019	¥26,212	¥19,687	¥4,979	¥3,890	¥28,556
Internal developments	-	-	1,492	-	1,492
Purchases	-	-	884	4	888
Amortization	-	(2,204)	(1,568)	(199)	(3,971)
Impairment losses	(2,313)	(1,438)	-	-	(1,438)
Disposals	-	-	(125)	(107)	(232)
Foreign currency translation adjustments	(270)	(160)	(25)	(444)	(629)
Other	483	(38)	(273)	42	(269)
March 31, 2020	¥24,112	¥15,847	¥5,364	¥3,186	¥24,397
Internal developments	-	-	1,873	–	1,873
Purchases	-	-	1,069	13	1,082
Amortization	-	(2,060)	(1,842)	(190)	(4,092)
Disposals	-	-	(63)	(12)	(75)
Foreign currency translation adjustments	414	268	8	378	654
Other	702	(32)	(12)	29	(15)
March 31, 2021	**¥25,228**	**¥14,023**	**¥6,397**	**¥3,404**	**¥23,824**

	Thousands of U.S. dollars				
		Intangible assets			
Net carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
March 31, 2020	$217,794	$143,140	$48,451	$28,778	$220,369
Internal developments	-	-	16,918	-	16,918
Purchases	-	-	9,656	117	9,773
Amortization	-	(18,607)	(16,638)	(1,716)	(36,961)
Disposals	-	-	(569)	(108)	(677)
Foreign currency translation adjustments	3,739	2,421	72	3,414	5,907
Other	6,341	(289)	(108)	262	(135)
March 31, 2021	**$227,875**	**$126,664**	**$57,782**	**$30,747**	**$215,193**

	Millions of yen				
		Intangible assets			
Gross carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
April 1, 2019	¥33,810	¥41,442	¥22,236	¥4,646	¥68,324
March 31, 2020	33,744	41,175	21,860	3,916	66,951
March 31, 2021	**¥35,058**	**¥41,693**	**¥23,062**	**¥4,397**	**¥69,152**

	Thousands of U.S. dollars				
		Intangible assets			
Gross carrying amount	Goodwill	Customer-related intangible assets	Software	Other	Total
March 31, 2021	**$316,665**	**$376,597**	**$208,310**	**$39,716**	**$624,623**

	Millions of yen				
		Intangible assets			
Accumulated amortization and impairment losses	Goodwill	Customer-related intangible assets	Software	Other	Total
April 1, 2019	¥(7,598)	¥(21,755)	¥(17,257)	¥(756)	¥(39,768)
March 31, 2020	(9,632)	(25,328)	(16,496)	(730)	(42,554)
March 31, 2021	**¥(9,830)**	**¥(27,670)**	**¥(16,665)**	**¥(993)**	**¥(45,328)**

	Thousands of U.S. dollars				
		Intangible assets			
Accumulated amortization and impairment losses	Goodwill	Customer-related intangible assets	Software	Other	Total
March 31, 2021	**$(88,791)**	**$(249,932)**	**$(150,528)**	**$(8,969)**	**$(409,430)**

Of intangible assets, the net carrying amount of assets under finance lease as of March 31, 2021 and 2020 are ¥18 million ($163 thousand) and ¥74million, respectively, and they are included in software.

Amortization expenses recognized for the years ended March 31, 2021 and 2020 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, 2020 is 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, 2021 and 2020.

The net carrying amount of internally generated intangible assets as of March 31, 2021 and 2020 amounted to ¥4,136 million ($37,359 thousand) and ¥3,574 million, respectively, and they are included in software.

Research and development expenses recognized for the years ended March 31, 2021 and 2020 are ¥670 million ($6,052 thousand) and ¥647 million, respectively, and they are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

(b) Impairment Test on Goodwill

As a general rule, the Group considers a CGU to be 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-tern 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, 2021**	As of March 31, 2020	**As of March 31, 2021**	Growth rate	Discount rate
VANTEC CORPORATION, domestic logistics operations	**¥6,140**	¥6,140	**$55,460**	1.0%	4.8%
VANTEC HTS FORWARDING, LTD.	**¥5,065**	¥5,065	**$45,750**	1.0%	10.0%
Mars Lojistik Grup Anonim Sirketi	**¥3,995**	¥3,680	**$36,085**	2.0%	10.9%

For VANTEC HTS FORWARDING, LTD., the significant assumptions used in estimating the value in use are the estimated future cash flows based on the business plan, the terminal growth rate and the discount rate. Also, the business plan is affected mainly by the number of orders, handling volume and market growth rates. VANTEC HTS FORWARDING, LTD. did not recognize impairment losses as the total discounted future cash flows to be generated from this group of CGUs exceeded the carrying amount but may recognize impairment loss if the discount rate, which is a major assumption used for the impairment test, rises by 0.4%.

For other material goodwill, since the recoverable amount of the groups of CGUs 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 major assumptions change within a reasonable range.

(c) Impairment Losses

For the year ended March 31, 2021

The Group did not recognize impairment losses for goodwill and customer-related intangible assets for the year ended March 31, 2021.

For the year ended March 31, 2020

The Group recognized impairment losses for goodwill and customer-related intangible assets related to the global logistics business of VANTEC CORPORATION because future cash flows originally assumed in the business plans could no longer be expected. The recoverable amounts were calculated based on value in use by discounting future cash flows at a pretax discount rate of 10.0%. As a result, impairment losses recognized on goodwill and customer-related intangible assets amounted to ¥2,313 million and ¥1,438 million, respectively, representing the total outstanding balance of goodwill and unamortized customer-related assets in the global logistics business of VANTEC CORPORATION. The impairment losses are included in the global logistics business.

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
	2021	2020	**2021**
Income taxes			
Current tax expense	**¥19,430**	¥13,965	**$175,504**
Deferred tax expense			
Temporary differences originated and reversed	**(4,017)**	(3,238)	**(36,284)**
Changes in realizability of deferred tax assets	**(233)**	617	**(2,105)**
Total deferred tax expense	**(4,250)**	(2,621)	**(38,389)**
Total	**15,180**	11,344	**137,115**
Deferred taxes recognized in OCI			
Net changes in financial assets measured at fair value through OCI	**179**	(91)	**1,617**
Remeasurements of defined benefit plans	**85**	122	**768**
Foreign currency translation adjustments	**(4)**	(119)	**(36)**
Net changes in cash flow hedges	**1**	2	**9**
Share of OCI of investments accounted for using the equity method	**6**	(41)	**54**
Total	**¥267**	¥(127)	**$2,412**

The Company and its domestic subsidiaries are principally subject to national corporate tax, inhabitant tax and business tax, and the combined statutory income tax rate calculated based on them for the years ended March 31, 2021 and 2020 is 30.6%. Overseas subsidiaries of the Company are subject to corporate taxes and other taxes in their locations.

The Company and its certain domestic subsidiaries apply the consolidated taxation system.

Reconciliations between the combined statutory income tax rate and the average effective income tax rate for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Combined statutory income tax rate	**30.6%**	30.6%
Non-deductible expenses for tax purposes	**2.5**	2.0
Impairment of goodwill	**-**	2.1
Changes in realizability of deferred tax assets	**(0.6)**	1.8
Differences in tax rates applied to overseas subsidiaries	**(0.3)**	(0.7)
Gain on sale of equity method investment and reversal of deferred tax liabilities related to undistributed profits due to the sale	**6.1**	-
Other, net	**0.5**	(2.3)
Average effective income tax rate	**38.8%**	33.5%

Changes in deferred tax assets and liabilities are as follows:

	Millions of yen			
	March 31, 2020	Recognized in profit or loss	Recognized in OCI (Note)	March 31, 2021
Deferred tax assets				
Lease liabilities	¥76,970	¥5,829	¥ -	¥82,799
Accrued bonuses	2,829	303	-	3,132
Retirement and severance benefits	9,855	1,178	(486)	10,547
Depreciation	1,871	(82)	-	1,789
Other	3,933	769	406	5,108
Total deferred tax assets	95,458	7,997	(80)	103,375
Deferred tax liabilities				
Right-of-use assets	(74,362)	(7,008)	-	(81,370)
Deferred profit on sale of properties	(6,071)	131	-	(5,940)
Valuation differences due to business combinations	(4,421)	584	(52)	(3,889)
Net defined benefit assets	(969)	(681)	401	(1,249)
FVTOCI financial assets	(935)	-	(179)	(1,114)
Depreciation	(2,557)	789	(50)	(1,818)
Other	(6,143)	2,438	(25)	(3,730)
Total deferred tax liabilities	(95,458)	(3,747)	95	(99,110)
Net deferred tax assets	¥-	¥4,250	¥15	¥4,265

(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, 2019	Adjustments due to the application of IFRS 16	Restated balance	Recognized in profit or loss	Recognized in OCI (Note)	March 31, 2020
Deferred tax assets						
Lease liabilities	¥-	¥84,139	¥84,139	¥(7,169)	¥ -	¥76,970
Accrued bonuses	2,790	-	2,790	39	-	2,829
Retirement and severance benefits	8,945	-	8,945	921	(11)	9,855
Depreciation	1,665	-	1,665	206	-	1,871
Other	3,729	-	3,729	615	(411)	3,933
Total deferred tax assets	17,129	84,139	101,268	(5,388)	(422)	95,458
Deferred tax liabilities						
Right-of-use assets	-	(82,448)	(82,448)	8,086	-	(74,362)
Deferred profit on sale of properties	(6,630)	-	(6,630)	559	-	(6,071)
Valuation differences due to business combinations	(5,631)	-	(5,631)	1,175	35	(4,421)
Net defined benefit assets	(1,043)	-	(1,043)	16	58	(969)
FVTOCI financial assets	(1,048)	-	(1,048)	-	113	(935)
Depreciation	(2,079)	-	(2,079)	(562)	84	(2,557)
Other	(3,327)	(1,691)	(5,018)	(1,265)	140	(6,143)
Total deferred tax liabilities	(19,758)	(84,139)	(103,897)	8,009	430	(95,458)
Net deferred tax assets (liabilities)	¥(2,629)	¥-	¥(2,629)	¥2,621	¥8	¥-

(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, 2020	Recognized in profit or loss	Recognized in OCI (Note)	March 31, 2021
Deferred tax assets				
Lease liabilities	$695,240	$52,651	$-	$747,891
Accrued bonuses	25,553	2,737	-	28,290
Retirement and severance benefits	89,016	10,640	(4,390)	95,267
Depreciation	16,900	(741)	-	16,159
Other	35,525	6,946	3,667	46,139
Total deferred tax assets	862,235	72,234	(723)	933,746
Deferred tax liabilities				
Right-of-use assets	(671,683)	(63,301)	-	(734,983)
Deferred profit on sale of properties	(54,837)	1,183	-	(53,654)
Valuation differences due to business combinations	(39,933)	5,275	(470)	(35,128)
Net defined benefit assets	(8,753)	(6,151)	3,622	(11,282)
FVTOCI financial assets	(8,445)	-	(1,617)	(10,062)
Depreciation	(23,096)	7,127	(452)	(16,421)
Other	(55,487)	22,021	(226)	(33,692)
Total deferred tax liabilities	(862,235)	(33,845)	858	(895,222)
Net deferred tax assets	$0	$38,389	$135	$38,524

(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 and 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 ¥31,469 million ($284,247 thousand) and ¥21,002 million for the years ended March 31, 2021 and 2020, 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.

Future deductible temporary differences and net operating loss carryforwards for which deferred tax assets are not recognized are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Future deductible temporary differences	**¥4,268**	¥2,289	**$38,551**
Net operating loss carryforwards	**849**	997	**7,669**
Tax credit carryforwards	**28**	25	**253**
Total	**¥5,145**	¥3,311	**$46,473**

Net operating loss carryforwards for which deferred tax assets are not recognized will expire as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Within five years	**¥65**	¥90	**$587**
Over five years through ten years	**496**	533	**4,480**
Over ten years	**288**	374	**2,601**
Total	**¥849**	¥997	**$7,669**

15. Trade Payables

The components of trade payables are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Notes payable and electronically recorded monetary obligations	**¥1,780**	¥1,946	**$16,078**
Accounts payable	**49,953**	43,464	**451,206**
Total	**¥51,733**	¥45,410	**$467,284**

16. Provisions

The components and changes in the balance of provisions included in “Other current liabilities” and “Non-current liabilities” for the year ended March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	Asset retirement obligations	
April 1, 2020	¥2,739	$24,740
Additions	22	199
Utilized for intended purpose	(269)	(2,430)
Unwinding of discounts	32	289
Change in scope of consolidation	9	81
Others	1	9
March 31, 2021	**2,534**	**22,889**
Current liabilities	**12**	**108**
Non-current liabilities	**¥2,522**	**$22,780**

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, 2021, however, the expected amount or timing may change due to factors including future business plans.

17. Employee Benefits

(a) Retirement and Severance Benefits

The Company and its 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 employees' salary levels, service years and points corresponding to job positions and groups. Additional termination benefits may be paid to employees in case of their early retirement.

The main defined benefit corporate pension plans are managed by the HTS Group Corporate Pension Fund. The Company and its certain consolidated subsidiaries make contributions to the HTS Group Corporate Pension Fund to provide for expenses to operate business related to benefit payments. The bylaws of the HTS Group Corporate Pension Fund stipulates that the amount of contributions shall be recalculated every five years with the end of the relevant fiscal year as a record date in accordance with provisions of the Japanese Defined Benefit Corporate Pension Plan Act in order to maintain the fiscal balance into the future. The contributions are reviewed taking into account basic assumptions for the Fund's finance, including expected interest rates, mortality rates, and withdrawal rate. The operation of pension plans such as payments of contributions and management of pension funds are managed by trust banks and insurance companies, etc.

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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Defined benefit obligations at beginning of year	**¥50,474**	¥47,442	**$455,912**
Service cost	**3,072**	2,820	**27,748**
Interest cost	**310**	230	**2,800**
Actuarial gains or losses	**1,078**	(335)	**9,737**
Prior service cost	**680**	3,180	**6,142**
Benefits paid	**(2,418)**	(2,515)	**(21,841)**
Change in scope of consolidation	**344**	(1,045)	**3,107**
Other	**(136)**	697	**(1,228)**
Defined benefit obligations at end of year	**¥53,404**	¥50,474	**$482,377**

For the years ended March 31, 2021 and 2020, prior service cost mainly represents an increase in present value of defined benefit plan obligations at the Company's certain domestic consolidated subsidiaries associated with the revision of the defined benefit plans primarily to introduce a point system based on job positions and groups and review the benefit curve. Prior service cost is recognized in "Other expenses" in the consolidated statement of profit or loss.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Fair value of plan assets at beginning of year	**¥18,929**	¥18,725	**$170,978**
Interest income	**140**	98	**1,265**
Return on plan assets (excluding interest income)	**1,376**	71	**12,429**
Employers' contributions	**519**	515	**4,688**
Employees' contributions	**7**	8	**63**
Benefits paid	**(610)**	(650)	**(5,510)**
Change in scope of consolidation	**168**	(553)	**1,517**
Other	**(143)**	715	**(1,292)**
Fair value of plan assets at end of year	**¥20,386**	¥18,929	**$184,139**

The components of actuarial gains or losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Arising from changes in financial assumptions	**¥1,106**	¥(500)	**$9,990**
Arising from changes in demographic assumptions	**(12)**	2	**(108)**
Other	**¥ (16)**	¥163	**$(145)**

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, 2021	March 31, 2020	**March 31, 2021**
Present value of funded defined benefit obligations	**¥16,385**	¥15,816	**$147,999**
Fair value of plan assets	**(20,386)**	(18,929)	**(184,139)**
Sub-total	**(4,001)**	(3,113)	**(36,139)**
Present value of unfunded defined benefit obligations	**37,019**	34,658	**334,378**
Net asset and liability in the consolidated statement of financial position	**33,018**	31,545	**298,239**
Net defined benefit assets (other non-current assets)	**(4,053)**	(3,280)	**(36,609)**
Retirement and severance benefits	**¥37,071**	¥34,825	**$334,848**

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) are as follows:

	March 31, 2021	March 31, 2020
Discount rate	**0.5%**	0.6%

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, 2021	March 31, 2020	**March 31, 2020**
0.5% increase	**¥(2,648)**	¥(2,543)	**$(23,918)**
0.5% decrease	**¥ 2,819**	¥ 2,713	**$ 25,463**

The sensitivity analysis is based on an assumption that all other variables are held constant, but 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, 2021	March 31, 2020
Duration	**12.5 Years**	12.8 Years

For the year ending March 31, 2022, the Company and its certain consolidated subsidiaries expect to make a contribution of ¥468 million ($4,227 thousand) to the defined benefit pension plan.

The fair value of plan assets as of March 31, 2021 and 2020 is as follows:

	Millions of yen		
	March 31, 2021		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Life insurance general accounts	**¥-**	**¥12,325**	**¥12,325**
Commingled funds	**-**	**5,594**	**5,594**
Other	**134**	**2,333**	**2,467**
Total	**¥134**	**¥20,252**	**¥20,386**

	Millions of yen		
	March 31, 2020		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Life insurance general accounts	¥-	¥11,978	¥11,978
Commingled funds	-	4,557	4,557
Other	174	2,220	2,394
Total	¥174	¥18,755	¥18,929

	Thousands of U.S. dollars		
	March 31, 2021		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Life insurance general accounts	**$-**	**$111,327**	**$111,327**
Commingled funds	**-**	**50,528**	**50,528**
Other	**1,210**	**21,073**	**22,283**
Total	**$1,210**	**$182,928**	**$184,139**

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, 2021, commingled funds are allocated to 40% in listed stocks, 56% in bonds and 4% in other assets. As of March 31, 2020, commingled funds are allocated to 36% in listed stocks, 60% in bonds and 4% in other assets.

The Group's management policy for plan assets is to secure stable returns in 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, 2021 and 2020 are ¥935 million ($8,445 thousand) and ¥954 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, 2021 and 2020 were ¥161,061 million ($1,454,801 thousand) and ¥166,089 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	
	2021	2020
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 Companies Act of Japan requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of capital reserve and earned reserves included in 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 Companies Act of Japan 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 holders of non-controlling interests as financial liabilities at present value of redemption 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 present value of redemption value of financial liabilities is disclosed in Note 27. Financial Instruments and related disclosures.

(c) *Treasury stock*

The following table shows changes in treasury stock during the years ended March 31, 2021 and 2020.

	Number of shares	
	2021	2020
Balance at beginning of year	**227,790**	227,265
Acquisition of treasury stock	**27,860,955**	525
Balance at end of year	**28,088,745**	227,790

Treasury stock acquired during the year ended March 31, 2021 consists mostly of 27,675,000 shares (¥98,994 million ($894,174 thousand)) acquired pursuant to the resolution at the Board of Directors meeting held on September 24, 2020. The acquisition cost of treasury stock includes costs directly attributable to the acquisition (net of tax).

As a result, the number and carrying amount of treasury stock as of March 31, 2021 are 28,088,745 shares and ¥99,817 million ($901,608 thousand), respectively.

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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net changes in financial assets measured at FVTOCI			
Balance at beginning of year	**¥1,903**	¥2,126	**$17,189**
OCI	**454**	(49)	**4,101**
Changes in liabilities for written put options over non-controlling interests	**4**	-	**36**
Reclassified into retained earnings	**(12)**	(174)	**(108)**
Balance at end of year	**2,349**	1,903	**21,218**
Remeasurements of defined benefit plans			
Balance at beginning of year	**(1,837)**	(2,170)	**(16,593)**
OCI	**166**	306	**1,499**
Reclassified into retained earnings	**(39)**	27	**(352)**
Balance at end of year	**(1,710)**	(1,837)	**(15,446)**
Foreign currency translation adjustments			
Balance at beginning of year	**(4,620)**	(553)	**(41,731)**
OCI	**5,678**	(3,883)	**51,287**
Net transfer to non-controlling interests	**(108)**	(1)	**(976)**
Changes in liabilities for written put options over non-controlling interests	**282**	(183)	**2,547**
Balance at end of year	**1,232**	(4,620)	**11,128**
Net changes in cash flow hedges			
Balance at beginning of year	**2**	(2)	**18**
OCI	**2**	4	**18**
Balance at end of year	**4**	2	**36**
Share of OCI of investments accounted for using the equity method			
Balance at beginning of year	**(35)**	79	**(316)**
OCI	**38**	(114)	**343**
Reclassified into retained earnings	**(17)**	-	**(154)**
Balance at end of year	**(14)**	(35)	**(126)**
Total accumulated other comprehensive income			
Balance at beginning of year	**(4,587)**	(520)	**(41,433)**
OCI	**6,338**	(3,736)	**57,249**
Net transfer to non-controlling interests	**(108)**	(1)	**(976)**
Reclassified into retained earnings	**(68)**	(147)	**(614)**
Changes in liabilities for written put options over non-controlling interests	**286**	(183)	**2,583**
Balance at end of year	**¥1,861**	¥(4,587)	**$16,810**

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred tax effect on each component of OCI for the years ended March 31, 2021 and 2020.

	Millions of yen		
	2021		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Net changes in financial assets measured at FVTOCI	¥654	¥(179)	¥475
Remeasurements of defined benefit plans	298	(85)	213
Foreign currency translation adjustments	6,270	4	6,274
Net changes in cash flow hedges	6	(2)	4
Share of OCI of investments accounted for using the equity method	44	(6)	38
Total	7,272	(268)	7,004
Reconciliation of OCI to profit or loss:			
Net changes in cash flow hedges	(3)	1	(2)
Total	(3)	1	(2)
OCI, net of reclassification adjustments:			
Net changes in financial assets measured at FVTOCI	654	(179)	475
Remeasurements of defined benefit plans	298	(85)	213
Foreign currency translation adjustments	6,270	4	6,274
Net changes in cash flow hedges	3	(1)	2
Share of OCI of investments accounted for using the equity method	44	(6)	38
Total	¥7,269	¥(267)	7,002
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Net changes in financial assets measured at FVTOCI			21
Remeasurements of defined benefit plans			47
Foreign currency translation adjustments			596
Total			664
OCI, net of reclassification adjustments, attributable to stockholders of the parent company:			
Net changes in financial assets measured at FVTOCI			454
Remeasurements of defined benefit plans			166
Foreign currency translation adjustments			5,678
Net changes in cash flow hedges			2
Share of OCI of investments accounted for using the equity method			38
Total			¥6,338

	Millions of yen		
	2020		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Net changes in financial assets measured at FVTOCI	¥(140)	¥91	¥(49)
Remeasurements of defined benefit plans	406	(122)	284
Foreign currency translation adjustments	(4,462)	119	(4,343)
Net changes in cash flow hedges	2	(0)	2
Share of OCI of investments accounted for using the equity method	(155)	41	(114)
Total	(4,349)	129	(4,220)
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	(1)	-	(1)
Net changes in cash flow hedges	4	(2)	2
Total	3	(2)	1
OCI, net of reclassification adjustments:			
Net changes in financial assets measured at FVTOCI	(140)	91	(49)
Remeasurements of defined benefit plans	406	(122)	284
Foreign currency translation adjustments	(4,463)	119	(4,344)
Net changes in cash flow hedges	6	(2)	4
Share of OCI of investments accounted for using the equity method	(155)	41	(114)
Total	¥(4,346)	¥127	(4,219)
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Remeasurements of defined benefit plans			(22)
Foreign currency translation adjustments			(461)
Total			(483)
OCI, net of reclassification adjustments, attributable to stockholders of the parent company:			
Net changes in financial assets measured at FVTOCI			(49)
Remeasurements of defined benefit plans			306
Foreign currency translation adjustments			(3,883)
Net changes in cash flow hedges			4
Share of OCI of investments accounted for using the equity method			(114)
Total			¥(3,736)

	Thousands of U.S. dollars		
	2021		
	Before tax	**Tax effect**	**After tax**
OCI arising during the year:			
Net changes in financial assets measured at FVTOCI	**$5,907**	**$(1,617)**	**$4,290**
Remeasurements of defined benefit plans	**2,692**	**(768)**	**1,924**
Foreign currency translation adjustments	**56,634**	**36**	**56,671**
Net changes in cash flow hedges	**54**	**(18)**	**36**
Share of OCI of investments accounted for using the equity method	**397**	**(54)**	**343**
Total	**65,685**	**(2,421)**	**63,264**
Reconciliation of OCI to profit or loss:			
Net changes in cash flow hedges	**(27)**	**9**	**(18)**
Total	**(27)**	**9**	**(18)**
OCI, net of reclassification adjustments:			
Net changes in financial assets measured at FVTOCI	**5,907**	**(1,617)**	**4,290**
Remeasurements of defined benefit plans	**2,692**	**(768)**	**1,924**
Foreign currency translation adjustments	**56,634**	**36**	**56,671**
Net changes in cash flow hedges	**27**	**(9)**	**18**
Share of OCI of investments accounted for using the equity method	**397**	**(54)**	**343**
Total	**$65,658**	**$(2,412)**	**63,246**
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Net changes in financial assets measured at FVTOCI			**190**
Remeasurements of defined benefit plans			**425**
Foreign currency translation adjustments			**5,383**
Total			**5,998**
OCI, net of reclassification adjustments, attributable to stockholders of the parent company:			
Net changes in financial assets measured at FVTOCI			**4,101**
Remeasurements of defined benefit plans			**1,499**
Foreign currency translation adjustments			**51,287**
Net changes in cash flow hedges			**18**
Share of OCI of investments accounted for using the equity method			**343**
Total			**$57,249**

20. Dividends

Dividends paid for the years ended March 31, 2021 and 2020 are as follows:

Resolution	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 21, 2019	Ordinary shares	¥2,343	¥21	March 31, 2019	June 3, 2019
The Board of Directors on October 29, 2019	Ordinary shares	¥2,343	¥21	September 30, 2019	November 26, 2019
The Board of Directors on May 22, 2020	Ordinary shares	¥2,454	¥22	March 31, 2020	June 4, 2020
The Board of Directors on October 27, 2020	Ordinary shares	¥1,841	¥22	September 30, 2020	November 30, 2020
The Board of Directors on December 25, 2020	Ordinary shares	¥4	¥22	September 30, 2020	November 30, 2020

Resolution	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, 2020	Ordinary shares	$22,166	$0.20	March 31, 2020	June 4, 2020
The Board of Directors on October 27, 2020	Ordinary shares	$16,629	$0.20	September 30, 2020	November 30, 2020
The Board of Directors on December 25, 2020	Ordinary shares	$36	$0.20	September 30, 2020	November 30, 2020

(Note) The total amount of dividends resolved at the Board of Directors meeting held on December 25, 2020 represents dividends of ¥4 million ($36 thousand) for the Company's shares held by the trust as the performance-linked stock compensation plan for executive officers.

Dividends whose record date falls in the year ended March 31, 2021 but the effective date falls in the next fiscal year are as follows:

Resolution	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 20, 2021	Ordinary shares	¥2,348	Retained earnings	¥28	March 31, 2021	June 2, 2021

Resolution	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 20, 2021	Ordinary shares	$21,209	Retained earnings	$0.25	March 31, 2021	June 2, 2021

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
	2021	2020	**2021**
Japan	**¥471,915**	¥487,237	**$4,262,623**
North America	**41,744**	42,331	**377,057**
Europe	**62,770**	66,024	**566,977**
Asia	**38,992**	40,242	**352,199**
China	**41,080**	41,574	**371,060**
Oceania and other	**4,697**	4,028	**42,426**
Adjustment	**(8,818)**	(9,150)	**(79,650)**
Total	**¥652,380**	¥672,286	**$5,892,693**

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, distribution center operation, factory logistics, and transportation and delivery. 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			
	2021		2020	
	April 1	**March 31**	April 1	March 31
Receivables arising from contracts with customers	**¥114,589**	**¥122,571**	¥131,455	¥114,589
Contract assets	**830**	**1,110**	1,089	830
Total	**115,419**	**123,681**	132,544	115,419
Contract liabilities	**¥1,193**	**¥1,105**	¥1,223	¥1,193

	Thousands of U.S. dollars	
	2021	
	April 1	**March 31**
Receivables arising from contracts with customers	**$1,035,037**	**$1,107,136**
Contract assets	**7,497**	**10,026**
Total	**1,042,535**	**1,117,162**
Contract liabilities	**$10,776**	**$9,981**

The amount of revenue recognized during the year ended March 31, 2021 which was included in the opening balance of contract liabilities is immaterial. Furthermore, the amount of revenue recognized during the year ended March 31, 2021 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 major components of other income and expenses for the years ended March 31, 2021 and 2020 are as follows:

(a) Other Income

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Gain on sale of property, plant and equipment	**¥2,970**	¥8,621	**$26,827**
Government subsidy	**1,574**	115	**14,217**
Gain on sale of investments in associates	**4,945**	-	**44,666**
Gain on business reorganization	**-**	1,244	**-**
Other	**1,298**	599	**11,724**
Total	**¥10,787**	¥10,579	**$97,435**

(i) Gain on sale of property, plant and equipment

Gain on sale of property, plant and equipment for the years ended March 31, 2021 and 2020 represents a gain recognized from sale of land for business use, etc. by the Company and its certain consolidated subsidiaries mainly to improve asset efficiency.

(ii) Government subsidy

Government subsidy for the year ended March 31, 2021 consists mostly of subsidy granted by national and local governments in connection with the impact of COVID-19.

(iii) Gain on sale of investments in associates

During the year ended March 31, 2021, the Company transferred all shares of SAGAWA EXPRESS, which had been a material associate accounted for using the equity method, to SG Holdings. As a result, the ratio of the Company's equity interest in SAGAWA EXPRESS decreased from 20% to 0% resulting in a loss of significant influence over the company, and accordingly the application of the equity method was discontinued. Gain on sale of investments in associates recognized as a result of such treatment was ¥4,945 million ($44,666 thousand).

(iv) Gain on business reorganization

Gain on business reorganization for the year ended March 31, 2020 was recognized in connection with the transfer of 70% of shares of our consolidated subsidiary Hitachi Travel Bureau Ltd. (currently HTB-BCD Travel Ltd.) to BCD Travel Asia B.V., which resulted in a loss of control of Hitachi Travel Bureau Ltd. (currently HTB-BCD Travel Ltd.) and its subsidiaries.

(Change in presentation)

"Government subsidy" which was included in "Other" for the year ended March 31, 2020 is presented separately for the year ended March 31, 2021 as the amount became material. To reflect this change in presentation, Notes to the consolidated financial statements for the year ended March 31, 2020 were reclassified.

As a result, ¥714 million which was presented as "Other" in the Notes to the consolidated financial statements for the year ended March 31, 2020 was reclassified to "Government subsidy" (¥115 million) and "Other" (¥599 million).

(b) Other Expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Loss on sale of property, plant and equipment	**¥(197)**	¥(250)	**$(1,779)**
Loss on disposal of property, plant and equipment	**(609)**	(487)	**(5,501)**
Impairment losses	**(1,339)**	(4,169)	**(12,095)**
Loss due to COVID-19	**(1,631)**	-	**(14,732)**
Loss on revision of retirement benefit plan	**(828)**	(3,180)	**(7,479)**
Business structural reform expenses	**(487)**	(666)	**(4,399)**
Other	**(1,357)**	(954)	**(12,257)**
Total	**¥(6,448)**	¥(9,706)	**$(58,242)**

(i) Impairment losses

Please refer to Note 13. Goodwill and Intangible Assets for impairment losses for the year ended March 31, 2020. Impairment loss for the year ended March 31, 2021 mainly relates to investments in HTB-BCD Travel Ltd. mainly engaging in travel agency service. As the future cash flows assumed in the year ended March 31, 2020 is no longer expected because the company's business environment changed due to COVID-19, the carrying amount was reduced to its recoverable amount and impairment loss on investments accounted for using the equity method was recognized in the amount of ¥863 million ($7,795 thousand). Impairment losses were recognized for the total outstanding balance of investments in HTB-BCD Travel Limited accounted for using the equity method during the year ended March 31, 2021. The recoverable amounts were calculated based on value in use by discounting future cash flows at a pretax discount rate (10.5%).

(ii) Loss due to COVID-19

Loss due to COVID-19 for the year ended March 31, 2021 mainly relates to fixed costs (e.g. labor cost, depreciation) incurred at certain locations of customers and the Group due to suspensions in operations in response to various COVID-19-related requests by national and local governments during the period of such suspended operations.

(iii) Loss on revision of retirement benefit plan

Loss on revision of retirement benefit plan for the year ended March 31, 2020 and 2021 was recognized as certain domestic consolidated subsidiaries revised their defined benefit plans and the resulting increase in the present value of defined benefit obligations was recognized as past service costs.

(iv) Business structural reform expenses

Business structural reform expenses were mainly special severance payments for the year ended March 31, 2020 and 2021.

23. Financial Income and Expenses

Interest income and expenses for the years ended March 31, 2021 and 2020 are mostly related to financial assets and liabilities measured at amortized cost. Please refer to Note 9. Leases for interest cost related to lease liabilities included in interest expenses for the years ended March 31, 2021 and 2020.

The main components of financial income and expenses excluding interest income and interest expenses for the years ended March 31, 2021 and 2020 are as follows:

(a) Financial Income

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Dividends income	**¥73**	¥81	**$659**
Exchange gains	**337**	-	**3,044**
Other	**3**	7	**27**
Total	**¥413**	¥88	**$3,730**

(b) Financial Expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Exchange loss	**¥-**	¥(1,666)	**$-**
Other	**(44)**	(35)	**(397)**
Total	**¥(44)**	¥(1,701)	**$(397)**

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, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net income attributable to stockholders of the parent company	**¥22,873**	¥21,614	**$206,603**

	Number of shares (in thousands)	
	2021	2020
Weighted average number of ordinary shares	**95,297**	111,549

	Yen		U.S. dollars
	2021	2020	**2021**
Basic EPS attributable to stockholders of the parent company	**¥240.02**	¥193.76	**$2.17**

(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) Purchase of Subsidiaries' Shares

"Purchase of subsidiaries' shares" in cash flows from investing activities for the year ended March 31, 2020 represents changes in cash and cash equivalents as a result of obtaining control of PALENET Co., LTD.

"Purchase of subsidiaries' shares" in cash flows from investing activities for the year ended March 31, 2021 represents changes in cash and cash equivalents as a result of obtaining control of Hitachi Transport System East Japan Distribution Services Co., Ltd.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Consideration paid	**¥(1,506)**	¥(1,597)	**$(13,603)**
Consideration paid in cash and cash equivalents	**(1,506)**	(1,597)	**(13,603)**
Cash and cash equivalents of subsidiaries over which control was obtained	**30**	931	**271**
Changes in cash and cash equivalents associated with obtaining control	**¥(1,476)**	¥(666)	**$(13,332)**

(b) 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, 2020 represents changes in cash and cash equivalent due to a loss of control of Hitachi Travel Bureau Ltd. and its subsidiaries.

Changes in cash and cash equivalents due to a loss of control and details of assets and liabilities as of the date of loss of control are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Consideration received	**¥-**	¥2,583	**$-**
Consideration received in cash and cash equivalents	**-**	2,583	**-**
Cash and cash equivalents of subsidiaries over which control was lost	**-**	(2,967)	**-**
Changes in cash and cash equivalents associated with a loss of control	**¥-**	¥(384)	**$-**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Assets			
Current assets (Note)	**¥-**	¥7,746	**$-**
Non-current assets	**-**	954	**-**
Liabilities			
Current liabilities	**-**	5,488	**-**
Non-current liabilities	**¥-**	¥754	**$-**

(Note) "Current assets" include cash and cash equivalents of subsidiaries over which control was lost.

(c) Changes in Liabilities Arising From Financing Activities

Changes in liabilities arising from financing activities during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen					
	Short-term debt	Bonds (Note)	Long-term debt (Note)	Lease liabilities	Liabilities for written put options over non-controlling interests	Total
April 1, 2019	¥5,850	¥59,730	¥101,860	¥35,270	¥13,053	¥215,763
Adjustments due to application of IFRS 16				281,224		281,224
Restated balance	5,850	59,730	101,860	316,494	13,053	496,987
Changes arising from cash flows	(2,075)	-	(739)	(37,103)	(169)	(40,086)
Non-cash changes						
Newly recognized lease liabilities	-	-	-	14,396	-	14,396
Changes in fair value	-	-	-	-	2,926	2,926
Other	(229)	33	34	453	366	657
March 31, 2020	¥3,546	¥59,763	¥101,155	¥294,240	¥16,176	¥474,880
Changes arising from cash flows	(1,575)	-	(10,409)	(36,648)	(7,174)	(55,806)
Non-cash changes						
Newly recognized lease liabilities	-	-	-	44,017	-	44,017
Cancellation of lease contracts	-	-	-	(10,132)	-	(10,132)
Changes in fair value	-	-	-	-	3,036	3,036
Other	181	32	82	343	788	1,426
March 31, 2021	**¥2,152**	**¥59,795**	**¥90,828**	**¥291,820**	**¥12,826**	**¥457,421**

(Note) Including current portion.

	Thousands of U.S. dollars					
	Short-term debt	Bonds (Note)	Long-term debt (Note)	Lease liabilities	Liabilities for written put options over non-controlling interests	Total
March 31, 2020	$32,030	$539,816	$913,693	$2,657,754	$146,111	$4,289,405
Changes arising from cash flows	(14,226)	-	(94,020)	(331,027)	(64,800)	(504,074)
Non-cash changes						
Newly recognized lease liabilities	-	-	-	397,588	-	397,588
Cancellation of lease contracts	-	-	-	(91,518)	-	(91,518)
Changes in fair value	-	-	-	-	27,423	27,423
Other	1,635	289	741	3,098	7,118	12,880
March 31, 2021	**$19,438**	**$540,105**	**$820,414**	**$2,635,896**	**$115,852**	**$4,131,704**

(Note) Including current potion.

26. Stock Compensation

(a) Outline of Performance-Linked Stock Compensation Plan

The Company has introduced a performance-linked stock compensation plan ("Plan") as a compensation plan for executive officers.

The plan is an incentive plan linked to the achievement level of the Company's performance target for the evaluation period of three consecutive business years. The standard points (1 point = 1 share), calculated by dividing the standard amount predetermined for each position by the Company's stock price (average of closing price on each day of March) before the commencement of the evaluation period in the trust, will be granted, and the number of the Company's common stock, determined by multiplying the standard points by the share grant ratio reflecting the performance evaluation, will be granted after the evaluation period.

The ratio of the Company's TSR to TOPIX growth rate and consolidated ROE (the ratio of net income to equity attributable to stockholders of the parent company) are used as performance evaluation indicators, with a 50% weight given to each indicator for all positions. Performance evaluation is performed and finalized after the three-year evaluation period by the Compensation Committee based on the share grant ratio calculated based on the achieved results.

This plan is accounted for as equity-settled stock compensation. There is no exercise price for this plan as stocks are granted as compensation.

(b) Measurement Basis of Fair Value and Fair Value

The fair value of the standard points on the grant date is calculated using the Monte-Carlo simulations based on the assumptions below. Dividend forecasts are incorporated into the measurement of fair value.

	2021
Expected volatility	**27.10%**
Expected dividend yield	**1.60%**
Risk-free interest rate	**(0.176)%**

	Yen	U.S. dollars
	2021	
Stock price on the grant date	**¥2,751**	**$25**

(Note) Expected volatility is calculated based on the historical daily stock prices of the period corresponding to the evaluation period.

The number of points as of March 31, 2021 is as follows:

	Points
	2021
Outstanding at April 1	**-**
Granted	**56,608**
Exercised	**-**
Outstanding at March 31	**56,608**
Exercisable at March 31	**-**

	Yen	U.S. dollars
	2021	
Weighted average fair value	**¥2,650**	**$24**

(c) Stock Compensation Expense

Stock compensation expense under this plan amounted to ¥24 million ($217 thousand) for the year ended March 31, 2021 and is included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

27. 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, 2021 and 2020 are 19.7% and 26.5%, respectively.

The Company is not subject to material capital requirements except for the general rules such as the Companies Act of Japan.

(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 makes 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.

a. Interest rate risk

The Group raises funds through interest bearing liabilities (borrowings and bonds). Interest bearing liabilities with floating interest rates are exposed to fluctuation risk of interest rate.

Sensitivity analysis for interest rate

The sensitivity analysis for interest rate for the years ended March 31, 2021 and 2020 shown below indicates the impact on income before income taxes in the consolidated statement of profit or loss of a 1% increase in the interest rates on financial instruments (floating-rate financial assets and liabilities measured at amortized cost) held by the Group as of March 31, 2021 and 2020 while all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Impact on income before income taxes	**¥191**	¥369	**$1,725**

b. 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 for the years ended March 31, 2021 and 2020 shows the impact on income before income taxes in the consolidated statement of profit or loss of a 1% appreciation of currencies other than the functional currency against the functional currency regarding the foreign-currency denominated financial instruments held by the Group as of March 31, 2021 and 2020.

The impact is calculated assuming all other variables are held constant, and the impact of translating financial instruments denominated in the functional currency and assets, liabilities, income, and expenses of foreign operations into Japanese yen is not included.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	**March 31, 2021**
Impact on income before income taxes	**¥131**	¥78	**$1,183**

(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 management 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.

Changes in allowance for doubtful accounts for trade receivables and contract assets and other receivables during the years ended March 31, 2021 and 2020 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, 2020	¥133	¥1,210	¥1,343	¥-	¥56	¥56
Increase (provision)	70	99	169	-	-	-
Decrease (write off)	(12)	(78)	(90)	-	(7)	(7)
Other (Note)	(47)	(88)	(135)	-	(1)	(1)
March 31, 2021	**¥144**	**¥1,143**	**¥1,287**	**¥-**	**¥48**	**¥48**

(Note) Other includes exchange differences.

	Millions of yen					
	Trade receivables and contract assets			Other receivables		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
April 1, 2019	¥207	¥327	¥534	¥-	¥80	¥80
Increase (provision)	87	973	1,060	-	-	-
Decrease (write off)	(27)	(67)	(94)	-	(21)	(21)
Other (Note)	(134)	(23)	(157)	-	(3)	(3)
March 31, 2020	¥133	¥1,210	¥1,343	¥-	¥56	¥56

(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, 2020	$1,201	$10,929	$12,131	$-	$506	$506
Increase (provision)	632	894	1,527	-	-	-
Decrease (write off)	(108)	(705)	(813)	-	(63)	(63)
Other (Note)	(425)	(795)	(1,219)	-	(9)	(9)
March 31, 2021	**$1,301**	**$10,324**	**$11,625**	**$-**	**$434**	**$434**

(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 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, 2019	¥132,742	¥336	¥133,078	¥4,096	¥306	¥4,402
March 31, 2020	¥115,252	¥1,510	¥116,762	¥3,762	¥201	¥3,963
March 31, 2021	**¥123,730**	**¥1,238**	**¥124,968**	**¥2,806**	**¥70**	**¥2,876**

	Thousands of U.S. dollars					
	Trade receivables and contract assets			Other receivables		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2021	**$1,117,605**	**$11,182**	**$1,128,787**	**$25,345**	**$632**	**$25,978**

Excluding that from guarantee obligations, the Group's maximum exposure to the credit risk without considering collateral held equals the financial assets' carrying amount, net of impairment, in the consolidated statement of financial position.

(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 their carrying amount agrees with the contractual cash flows and they all mature in less than one year.

	Millions of yen				
	March 31, 2021				
	Carrying amount	Contractual cash flows	Within one year	Over one year through five years	Over five years
Short-term debt	**¥2,152**	**¥2,179**	**¥2,179**	**¥-**	**¥-**
Long-term debt					
Bonds (Note)	**59,795**	**63,105**	**10,275**	**11,074**	**41,756**
Long-term debt (Note)	**90,828**	**92,058**	**550**	**61,393**	**30,115**
Lease liabilities	**291,820**	**343,708**	**35,685**	**92,897**	**215,126**
Other financial liabilities					
Liabilities for written put options over non-controlling interests	**12,826**	**12,869**	**2,075**	**10,794**	**-**
Installment payables	**¥13,015**	**¥13,289**	**¥4,699**	**¥8,590**	**¥-**

(Note) Including current portion.

	Millions of yen				
	March 31, 2020				
	Carrying amount	Contractual cash flows	Within one year	Over one year through five years	Over five years
Short-term debt	¥3,546	¥3,606	¥3,606	¥ -	¥ -
Long-term debt					
Bonds	59,763	63,387	282	11,091	52,014
Long-term debt	101,155	102,698	10,660	51,823	40,215
Lease liabilities	294,240	346,800	38,516	98,152	210,132
Other financial liabilities					
Liabilities for written put options over non-controlling interests	16,176	16,187	15,278	909	-
Installment payables	¥16,059	¥16,413	¥5,747	¥10,625	¥41

	Thousands of U.S. dollars				
	March 31, 2021				
	Carrying amount	Contractual cash flows	Within one year	Over one year through five years	Over five years
Short-term debt	**$19,438**	**$19,682**	**$19,682**	**$-**	**$-**
Long-term debt					
Bonds (Note)	**540,105**	**570,003**	**92,810**	**100,027**	**377,166**
Long-term debt (Note)	**820,414**	**831,524**	**4,968**	**554,539**	**272,017**
Lease liabilities	**2,635,896**	**3,104,580**	**322,329**	**839,102**	**1,943,149**
Other financial liabilities					
Liabilities for written put options over non-controlling interests	**115,852**	**116,241**	**18,743**	**97,498**	**-**
Installment payables	**$117,559**	**$120,034**	**$42,444**	**$77,590**	**$-**

(Note) Including current portion.

The weighted average interest rates for short-term debt, long-term debt and installment payables for the year ended March 31, 2021 are 1.5%, 0.3% and 1.4%, respectively, with maturities ranging from 2021 to 2028.

The details on each bond issued are provided below.

			Millions of yen		Thousands of U.S. dollars			
Issuer	Name of bond	Issued	**March 31, 2021**	March 31, 2020	**March 31, 2021**	Interest rate (%)	Security	Maturity
The Company	Unsecured Bond #3	September 28, 2016	**¥9,994**	¥9,985	**$90,272**	0.100	Unsecured	September 28, 2021
The Company	Unsecured Bond #4	September 28, 2016	**9,970**	9,965	**90,055**	0.330	Unsecured	September 28, 2026
The Company	Unsecured Bond #5	September 28, 2016	**9,959**	9,955	**89,956**	0.750	Unsecured	September 26, 2031
The Company	Unsecured Bond #6	September 4, 2018	**9,969**	9,963	**90,046**	0.250	Unsecured	September 4, 2025
The Company	Unsecured Bond #7	September 4, 2018	**9,960**	9,955	**89,965**	0.405	Unsecured	September 4, 2028
The Company	Unsecured Bond #8	September 4, 2018	**¥9,943**	¥9,940	**$89,811**	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 discounting future cash flows of receivables classified by certain period by an interest rate adjusted for the period up to maturity and the credit risk, and is classified as Level 2.

Other financial assets

Derivative assets are measured at fair value based on non-distressed quoted prices, prices in inactive markets, or models using observable interest rates and yield curves and forward and spot rates for foreign currencies and commodities, and they are classified as Level 2.

The fair value of lease receivables is calculated by discounting future cash flows by an interest rate adjusted for credit risk and is classified as Level 2.

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 stock 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 in securities or other relevant information including observable interest rates, yield curves, credit spreads or default rates are used to determine fair value, and they 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 of future cash flows 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 future cash flows discounted at the rate reflecting the time to maturity and credit risk. Installment payables are classified as Level 2.

The present value of redemption value of liabilities for written put options over non-controlling interests is calculated by discounting future cash flows by an interest rate adjusted for the period until the time of exercising the option and the credit risk, and is classified as Level 3.

(ii) Financial instruments measured at amortized cost

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

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2021		March 31, 2020		**March 31, 2021**	
	Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value	**Carrying amount**	**Estimated fair value**
Assets						
Trade receivables						
Accounts receivable	**¥112,556**	**¥112,553**	¥103,007	¥102,999	**$1,016,674**	**$1,016,647**
Lease receivables	**4,230**	**4,274**	5,741	5,839	**38,208**	**38,605**
Other financial assets						
Lease receivables	**1,027**	**1,112**	4,776	5,098	**9,276**	**10,044**
Other accounts receivable	**3,161**	**3,161**	3,271	3,271	**28,552**	**28,552**
Guarantee deposits	**10,713**	**10,713**	10,821	10,821	**96,766**	**96,766**
Liabilities						
Long-term debt (Note)						
Bonds	**59,795**	**60,358**	59,763	60,112	**540,105**	**545,190**
Long-term debt	**90,828**	**90,927**	101,155	100,943	**820,414**	**821,308**
Other financial liabilities						
Installment payables	**¥13,015**	**¥13,260**	¥16,059	¥16,361	**$117,559**	**$119,772**

(Note) Long-term debt is included in Current portion of long-term debt and Long-term debt in the consolidated statement of financial position.

(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, 2021	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL financial assets				
Derivative assets	**¥-**	**¥5**	**¥-**	**¥5**
Other financial assets	**-**	**-**	**203**	**203**
FVTOCI financial assets:				
Equity securities	**¥2,813**	**¥-**	**¥3,717**	**¥6,530**

March 31, 2020	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL financial assets				
Derivative assets	¥-	¥3	¥-	¥3
Other financial assets	-	-	206	206
FVTOCI financial assets:				
Equity securities	¥2,261	¥-	¥3,692	¥5,953

March 31, 2021	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL financial assets				
Derivative assets	**$-**	**$45**	**$-**	**$45**
Other financial assets	**-**	**-**	**1,834**	**1,834**
FVTOCI financial assets:				
Equity securities	**$25,409**	**$-**	**$33,574**	**$58,983**

The following tables present changes in Level 3 financial instruments measured at fair value on a recurring basis for the years ended March 31, 2021 and 2020.

2021	Millions of yen		
	FVTPL financial assets	FVTOCI financial assets	Total
Balance at April 1, 2020	**¥206**	**¥3,692**	**¥3,898**
Purchases	**10**	**-**	**10**
Sales/redemption	**(6)**	**(23)**	**(29)**
OCI (Note)	**-**	**63**	**63**
Other	**(7)**	**(15)**	**(22)**
Balance at March 31, 2021	**¥203**	**¥3,717**	**¥3,920**

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

2020	Millions of yen		
	FVTPL financial assets	FVTOCI financial assets	Total
Balance at April 1, 2019	¥226	¥3,231	¥3,457
Purchases	17	-	17
Sales/redemption	(39)	(5)	(44)
OCI (Note)	-	250	250
Change in scope of consolidation	7	284	291
Transfer due to business combination	-	(179)	(179)
Other	(5)	111	106
Balance at March 31, 2020	¥206	¥3,692	¥3,898

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

2021	Thousands of U.S. dollars		
	FVTPL financial assets	FVTOCI financial assets	Total
Balance at April 1, 2020	**$1,861**	**$33,348**	**$35,209**
Purchases	**90**	**-**	**90**
Sales/redemption	**(54)**	**(208)**	**(262)**
OCI (Note)	**-**	**569**	**569**
Other	**(63)**	**(135)**	**(199)**
Balance at March 31, 2021	**$1,834**	**$33,574**	**$35,408**

(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 as of April 1, 2020 and March 31, 2021 was ¥16,176 million ($146,111 thousand) and ¥12,826 million ($115,852 thousand), respectively.

The balance of liabilities for written put options over non-controlling interests as of April 1, 2019 and March 31, 2020 was ¥13,053 million and ¥16,176 million, respectively.

Liabilities for written put options over non-controlling interests are not included in the table above.

(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, 2021	
Principal FVTOCI financial assets	Fair value	
WORLD TRADE CENTER BUILDING, INC.	**¥2,121**	**$19,158**
Fukuyama Transporting Co., Ltd.	**913**	**8,247**
AEON CO., LTD.	**660**	**5,962**
SENKON LOGISTICS CO., LTD.	**398**	**3,595**
AEON Financial Service Co., Ltd.	**352**	**3,179**
YABUKI KAIUN KAISHA, LTD.	**302**	**2,728**
Logicom Co., Ltd.	**273**	**2,466**
Nuclear Fuel Transport Company, Ltd.	**171**	**1,545**
OKAMURA CORPORATION	**156**	**1,409**
Sawai Pharmaceutical Co., Ltd. (Note)	**107**	**966**
Moonstar Company	**106**	**957**

(Note) Shares of Sawai Pharmaceutical Co., Ltd. were transferred to SAWAI GROUP HOLDINGS CO., Ltd. on April 1, 2021.

	Millions of yen
	March 31, 2020
Principal FVTOCI financial assets	Fair value
WORLD TRADE CENTER BUILDING, INC.	¥2,135
Fukuyama Transporting Co., Ltd.	774
AEON CO., LTD.	480
SENKON LOGISTICS CO., LTD.	320
YABUKI KAIUN KAISHA, LTD.	289
AEON Financial Service Co., Ltd.	274
Logicom Co., Ltd.	246
Nuclear Fuel Transport Company, Ltd.	158
Sawai Pharmaceutical Co., Ltd.	115
Moonstar Company	115
OKAMURA CORPORATION	104

(v) Derecognition of FVTOCI financial assets

Accumulated gains and losses on valuation of investments in securities classified as FVTOCI financial assets are reclassified into retained earnings when the relevant assets are derecognized during the fiscal year.

Net gain of ¥12 million ($108 thousand), net of taxes, was reclassified for the year ended March 31, 2021 mainly due to sales of shares as a result of reviewing business relations.

Net gain of ¥174 million, net of taxes, was reclassified for the year ended March 31, 2020 mainly due to a step acquisition resulting from making PALENET Co., LTD., whose changes in the value of ownership interest were recognized in other comprehensive income, a consolidated subsidiary in the year ended March 31, 2020.

The details of FVTOCI financial assets that were derecognized for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Fair value at the time of derecognition	**¥84**	¥5	**$759**
Accumulated gains/losses at the time of derecognition	**¥38**	¥4	**$343**

(vi) Dividend income

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Investments derecognized during the year	**¥4**	¥0	**$36**
Investments held as of the end of the year	**69**	81	**623**
Total	**¥73**	¥81	**$659**

(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.

As of March 31, 2021, 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 2021 to September 2021.

The fair value of hedging instruments as of March 31, 2021 is as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2021		March 31, 2020		March 31, 2021	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedge Forward exchange contracts	**¥5**	**¥-**	¥3	¥-	**$45**	**$-**

The amounts recognized in the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the years ended March 31, 2021 and 2020, 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

Derivatives	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Forward exchange contracts	**¥6**	¥2	**$54**

Gain (loss) recycled from OCI to profit or loss – effective portion of derivatives designated as hedging instruments

Derivatives	Consolidated statement of profit or loss	Millions of yen		Thousands of U.S. dollars
		2021	2020	**2021**
Forward exchange contracts	Financial income and expenses	**¥3**	¥(4)	**$27**

28. Pledged Assets

There are no assets pledged as collateral and secured liabilities for the years ended March 31, 2021 and 2020.

29. Principal Subsidiaries

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

As of March 31, 2021			
Name of subsidiary	Business location	Description of principal business	Ownership ratio (%)
Hitachi Transport Direx Co., Ltd.	Nishi-ku, Sapporo, Hokkaido	Domestic logistics	100.0
Hitachi Transport System East Japan Co., Ltd.	Hitachi, Ibaraki	Domestic logistics	100.0
Hitachi Transport System Metropolitan Co., Ltd.	Kashiwa, Chiba	Domestic logistics	100.0
Hitachi Transport System Kanto Co., Ltd.	Omiya-ku, Saitama, Saitama	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, Kasuya-gun, 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	Nishi-ku, Yokohama, Kanagawa	Domestic logistics and global logistics	100.0
VANTEC HTS FORWARDING, LTD.	Chuo-ku, Tokyo	Global logistics	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
PALENET Co., LTD.	Nishi-ku, Yokohama, Kanagawa	Development, manufacturing, sale and rental business of cargo handling materials and equipment	80.0
Hitachi Transport System East Japan Distribution Services Co., Ltd.	Hitachi, Ibaraki	Packing, trading of wood, and processing and sale of wood products	100.0
Vantec Hitachi Transport System (USA), Inc.	Torrance, U.S.A.	Global logistics	100.0
J.P. Holding Company, Inc.	Anderson, U.S.A.	Global logistics	87.8
James J. Boyle & Co.	Monterey Park, U.S.A.	Global logistics	100.0
Hitachi Transport System (Europe) B.V.	Waardenburg, The Netherlands	Global logistics	100.0
ESA s.r.o.	Kladno, Czech Republic	Global logistics	100.0
Mars Lojistik Grup Anonim Sirketi	Istanbul, Turkey	Global logistics	90.0
Vantec Hitachi Transport System (Hong Kong) Ltd.	Hong Kong, China	Global logistics	100.0
Hitachi Transport System (China), Ltd.	Shanghai, China	Global logistics	100.0
Hitachi Transport System (Asia) Pte. Ltd.	Singapore	Global logistics	100.0
Flyjac Logistics Pvt. Ltd.	Mumbai, India	Global logistics	100.0
Other 55 subsidiaries			

30. 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, 2021			Millions of yen		
Type	Name	Description of transactions	Transaction amount	Account	Ending balance
Associate and major shareholder	Hitachi, Ltd.	Service revenues (Note 1)	**¥13,932**	Accounts receivable	**¥3,113**
				Contract assets	**541**
Associate and major shareholder	SG Holdings	Acquisition of treasury stock (Note 2)	**69,755**	-	**-**
		Sales of associate's shares (Note 3)	**¥87,458**	-	**¥-**

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, and the fees are determined through price negotiation for each period.
2. Pursuant to the resolution at the Board of Directors meeting held on September 24, 2020, a part of the Company's shares was acquired through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange on September 25, 2020.
3. The selling price of the associate's shares was determined based on the share transfer agreement with SG Holdings.

For the year ended March 31, 2020			Millions of yen		
Type	Name	Description of transactions	Transaction amount	Account	Ending balance
Associate	Hitachi, Ltd.	Service revenues (Note 1)	¥13,940	Accounts receivable	¥3,708
				Electronically recorded monetary claims	7
				Contract assets	¥224

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, and the fees are determined through price negotiation for each period.

For the year ended March 31, 2021			Millions of yen		
Type	Name	Description of transactions	Transaction amount	Account	Ending balance
Associate	Hitachi, Ltd.	Service revenues (Note 1)	**$125,842**	Accounts receivable	**$28,119**
				Contract assets	**4,887**
Associate	SG Holdings	Acquisition of treasury stock (Note 2)	**630,070**	-	**-**
		Sales of associate's shares (Note 3)	**$789,974**	-	**$-**

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, and the fees are determined through price negotiation for each period.
2. Pursuant to the resolution at the Board of Directors meeting held on September 24, 2020, a part of the Company's shares was acquired through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange on September 25, 2020.
3. The selling price of the associate's shares was determined based on the share transfer agreement with SG Holdings.

SG Holdings which was our associate and major shareholder as of March 31, 2020 ceased to be our associate as a result of the partial sale of the Company's shares.

(b) Directors' Compensation

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Short-term employee benefits	**¥746**	¥700	**$6,738**
Stock compensation	**24**	-	**217**
Total	**¥770**	¥700	**$6,955**

31. Contingencies

Not applicable.

32. Subsequent Events

(a) Cancellation of Treasury Stock

The Company resolved at the Board of Directors meeting held on May 20, 2021 to cancel its treasury stock as detailed below based on provisions of Article 178 of the Companies Act and executed the cancellation on June 4, 2021.

(i) Type of treasury stock cancelled: Common shares of the Company
(ii) Number of shares cancelled: 6,975,786 shares (6.2% of the total number of issued shares outstanding before the cancellation)
(iii) Total number of issued shares outstanding after the cancellation: 104,800,928 shares

(Additional Information)

(Partial Amendment to the Strategic Capital and Business Alliance with SG Holdings and SAGAWA EXPRESS)

The Company and SG Holdings and its subsidiary SAGAWA EXPRESS (the Company and SG Holdings and SAGAWA EXPRESS are collectively referred to as "Companies") concluded a capital and business alliance agreement in March 2016 ("Capital and Business Alliance"), based on which the Company acquired 20% of the outstanding shares (excluding treasury stock) of SAGAWA EXPRESS in May 2016 and has discussed and considered the possibility of the Companies' management integration based on the achievements through the Capital and Business Alliance.

After much discussion, the Companies reached the conclusion that the maximization of their corporate value can be achieved by individually promoting their own growth strategies while further enhancing the business aspects based on daily collaborative innovation and collaboration activities. The Company resolved the partial amendment to the Capital and Business Alliance at the Board of Directors meeting held on September 24, 2020 to acquire a part of the Company's shares held by SG Holdings and transfer all shares of SAGAWA EXPRESS held by the Company to SG Holdings, which were agreed on by the Companies. It was also decided to defer the discussion aimed at the management integration for the moment.

The partial amendment to the Capital and Business Alliance allows the Group to create and expand its ecosystem including flexible use of treasury stock.

Independent Auditor's Report

The Board of Directors
Hitachi Transport System, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hitachi Transport System, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill related to VANTEC HTS FORWARDING, LTD	
Description of Key Audit Matter	Auditor's response
As described in Note 13 "Goodwill and Intangible Assets" to the consolidated financial statements, a significant portion of goodwill recognized by the Company is related to VANTEC HTS FORWARDING, LTD in the forwarding business in the amount of ¥5,065 million as of March 31, 2021.	To assess the valuation of goodwill related to VANTEC HTS FORWARDING, LTD, we performed the following audit procedures, among others:

The Company performs an impairment test for cash-generating unit (CGU) to which goodwill belongs and did not recognize an impairment loss as the recoverable amount of the CGU exceeded the carrying amount. 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-tern average growth rate of the market to which the CGU belongs. The significant assumptions used in estimating the value in use are the estimated future cash flows based on the business plan, the terminal growth rate and the discount rate. The business plan is affected mainly by the number of orders, handling volume and market growth rates. Auditing valuation of goodwill related to VANTEC HTS FORWARDING, LTD is complex as it involves uncertainties related to the significant assumptions and management's subjective judgment and requires expertise in estimating recoverable amount as well as professional judgment. Therefore, we determined this matter to be a key audit matter.	• We compared the estimated future cash flows with the business plan approved by management to evaluate consistency. In addition, we compared the Company's business plan for past years with actual results to evaluate the effectiveness of management's estimation process. • We involved valuation specialists from our network firm in assessing the valuation method, the terminal growth rate and the discount rate in used in the calculation of value in use. • We compared the number of orders and handling volume used in estimating the business plan with those of prior years and number of orders estimated by the Company's customers to evaluate the consistency of the estimates. • We inquired of management about the market growth rate used in estimating the business plan and compared it to the market forecast and other available external information to evaluate the consistency of the estimates. • We performed a sensitivity analysis on the terminal growth rate and the discount rate and evaluated the management's assessment of significant assumptions uncertainties.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committeeis responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・ Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

・ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.

・ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 23, 2021

/s/ Masayuki Aida
Masayuki Aida
Designated Engagement Partner
Certified Public Accountant

/s/ Chiho Muto
Chiho Muto
Designated Engagement Partner
Certified Public Accountant

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