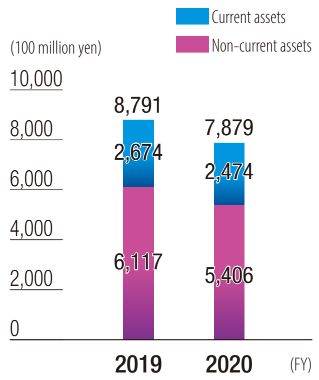
Key Management Indicators: MD&A
(Management's Discussion and Analysis of Financial Position, Financial Results, and Cash Flows)

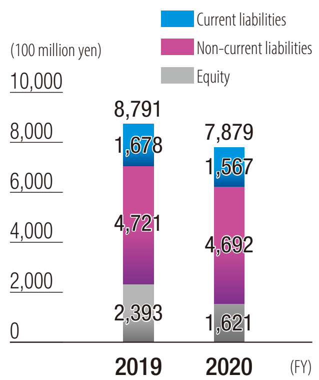
Financial position

Total assets as of March 31, 2021 amounted to ¥787,936 million, a decrease of ¥91,208 million compared with the end of the previous fiscal year. Current assets decreased by ¥20,059 million mainly due to a decrease of ¥34,206 million in cash and cash equivalents, despite increases of ¥8,262 million in trade receivables and contract assets thanks to a sharp rise of volume in the freight forwarding business in the three months ended March 31, 2021 and of ¥6,592 million in other current assets mainly due to income tax refunds receivable associated with withholding tax on dividends between group companies. Non-current assets decreased by ¥71,149 million mainly due to a decrease of ¥82,899 million in investments accounted for using the equity method as SAGAWA EXPRESS CO., LTD. was excluded from the scope of the equity method after the Company transferred shares of the company to SG Holdings Co., Ltd., despite an increase of ¥11,749 million in property, plant and equipment mainly due to capital expenditures for East Japan II Medical DC and renewal of vehicles.
Total liabilities as of March 31, 2021 amounted to ¥625,829 million, a decrease of ¥14,058 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥11,106 million mainly due to a decrease of ¥13,684 million in other financial liabilities because of reclassification of liabilities for written put options over non-controlling interests to non-current liabilities as a result of the review of exercise date of the option and also because of exercise of the option. Non-current liabilities decreased by ¥2,952 million mainly due to a decrease of ¥10,199 million in long-term debt as a result of the reclassification to current portion of long-term debt, despite an increase of ¥7,776 million in other financial liabilities mainly due to reclassification of liabilities for written put options over non-controlling interests from current liabilities as a result of the review of exercise date of the option.
Total equity as of March 31, 2021 amounted to ¥162,107 million, a decrease of ¥77,150 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company decreased by ¥77,703 million mainly due to an increase of ¥99,633 million in treasury stock, at cost as a result of acquisition of treasury stock in relation to the partial amendment to the capital and business alliance with SG Holdings Co., Ltd. and SAGAWA EXPRESS CO., LTD. Total equity attributable to stockholders of the parent company ratio decreased from 26.5% as of March 31, 2020 to 19.7%.

Assets



Liabilities/Equity



Operating results

Revenues, adjusted operating income

For the fiscal year ended March 31, 2021, although there were some contributions from newly launched projects and the impact of COVID-19 was tapering off in each region, revenues did not return to the previous fiscal year level because of the effect of exchange fluctuation and decreased by 3% year-on-year to ¥652,380 million. Adjusted operating income increased by 10% year-on-year to ¥36,711 million mainly due to an increase in profitability of domestic and Chinese freight forwarding business between Japan and other countries and the effects of improved productivity and total cost reduction in each region despite a decrease in revenues. Operating income increased by 19% year-on-year to ¥41,050 million mainly due to an increase in other income resulting from transfer of all shares of SAGAWA EXPRESS CO., LTD. despite losses due to COVID-19.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT) increased by 12% year-on-year to ¥44,429 million mainly due to an increase in operating income despite a decrease in share of profits of investments accounted for using the equity method mainly due to transfer of all shares of SAGAWA EXPRESS CO., LTD.

Net income attributable to stockholders of the parent company

Net income attributable to stockholders of the parent company increased by 6% year-on-year to ¥22,873 million mainly due to an increase in income before income taxes.

(100 million yen)

	FY2019	FY2020
Revenues	6,723	6,524
Adjusted operating income	335	367
Operating income	344	411
Earnings before interest and taxes (EBIT)	396	444
Income before income taxes	338	391
Net income attributable to stockholders of the parent company	216	229

Cash flows

Cash flows from operating activities

Net cash provided by operating activities was ¥55,309 million, a decrease of ¥22,895 million compared with the fiscal year ended March 31, 2020. This is mainly due to a decrease in cash from income taxes paid of ¥26,131 million despite increases in cash from depreciation and amortization of ¥52,159 million and recording net income of ¥23,954 million.

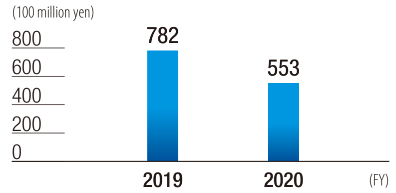
Cash flows from investing activities

Net cash provided by investing activities was ¥69,779 million, an increase in cash of ¥70,941 million compared with the fiscal year ended March 31, 2020. This is mainly due to an increase in cash resulting from proceeds from sale of investments in associates of ¥87,183 million in relation to the partial amendment to the capital and business alliance with SG Holdings Co., Ltd. and SAGAWA EXPRESS CO., LTD., partly offset by a decrease in cash mainly due to purchase of property, plant and equipment and intangible assets of ¥19,792 million which consists mostly of capital expenditures for East Japan II Medical DC and renewal of vehicles, etc.

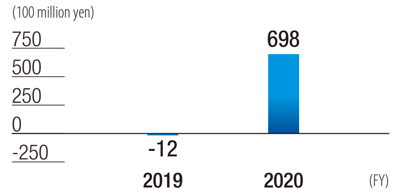
Cash flows from financing activities

Net cash used in financing activities was ¥161,056 million, an increase of ¥115,349 million compared with the fiscal year ended March 31, 2020. This is mainly due to a decrease in cash from acquisition of treasury stock of ¥99,633 million in relation to the partial amendment to the capital and business alliance with SG Holdings Co., Ltd. and SAGAWA EXPRESS CO., LTD. and repayments of lease liabilities of ¥36,648 million.

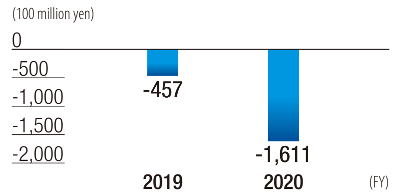
Cash flows from operating activities



Cash flows from investing activities



Cash flows from financing activities



Outline of capital expenditures

The Group (HTS and its consolidated subsidiaries) carefully selected and executed investments to expand logistics sites and renewed vehicles as part of ordinary business operation. The details of capital expenditures (based on tangible and intangible assets accepted; amounts exclude consumption taxes, etc.) for the fiscal year ended March 31, 2021 are as follows:
In domestic logistics, we acquired MFLP Yachiyo DC (Yachiyo City, Chiba Prefecture) and ESR Noda DC (Noda City, Chiba Prefecture) as right-of-use assets in an effort to expand logistics sites. We also renewed existing assets and made investments for streamlining and labor-saving. As a result, capital expenditures totaled ¥51,213 million.
In global logistics, we renewed existing assets, mainly vehicles. As a result, capital expenditures amounted to ¥11,489 million.
In other, we renewed existing assets such as vehicles for rental business, and capital expenditures amounted to ¥3,231 million.

Details of capital expenditures

(100 million yen)

	FY2019	FY2020
Domestic logistics	188	512
Global logistics	74	115
Other	44	32
Company-wide	17	22
Total	322	681

Tax policy

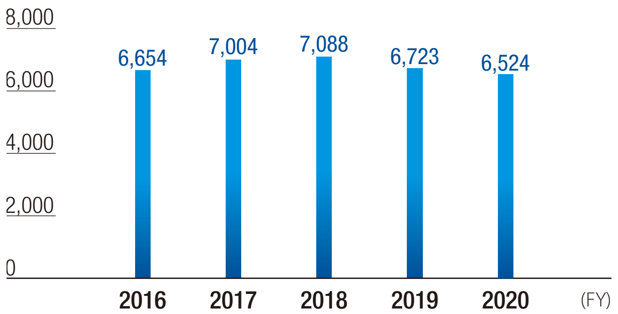
Recognizing that fulfilling tax obligations properly is one of our social responsibilities, the Group has established the "Rules of Global Tax Management."

1. **Compliance with international standard of tax rules and tax regulations**
   Group companies observe international standards of tax rules, such as OECD Transfer Pricing Guidelines and Action Plan on Base Erosion and Profit Shifting (BEPS) and conduct operations in accordance with tax rules of each jurisdiction, all relevant laws and regulations in the territories in which they operate.
2. **Managing its tax affairs efficiently, continuously, and proactively**
   Consistent with their roles as socially responsible organizations, the aims of Group companies are to manage their tax affairs efficiently, continuously, and proactively while maximizing shareholder value.
3. **Building up a sincere and good relationship with tax authorities**
   Group companies develop and sustain good relations with tax authorities in countries where they operate.
4. **Enhancement of risk management**
   Group companies have to correspond to the diversification of taxation issues and the tax audits carried out by authorities, and report to relevant departments as soon as such issues start.

Key Management Indicators: Financial and Non-Financial Highlights

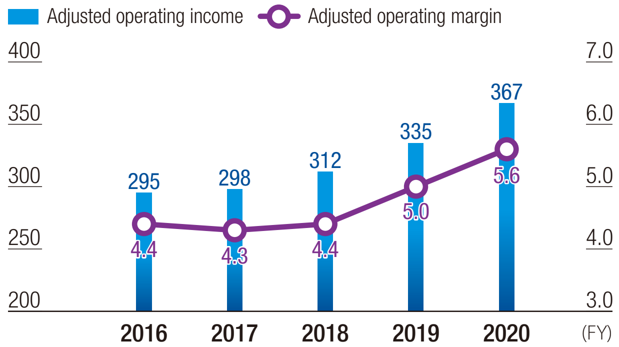
Financial Highlights

Revenues (100 million yen)



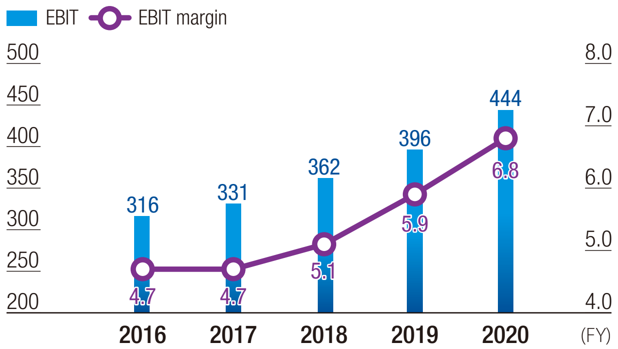
Revenues showed positive growth since FY2017 but decreased in FY2019 due to a decrease in volume of automobile parts and freight forwarding business and in FY2020 due to the spread of COVID-19.

Adjusted operating income (100 million yen)/Adjusted operating margin (%)



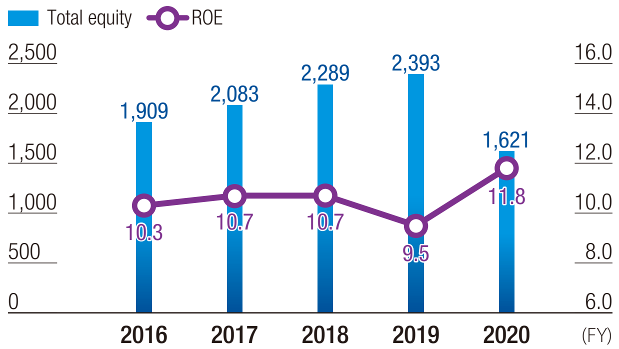
Adjusted operating income has been increasing since FY2013 and also increased in FY2020 due to improved profitability of freight forwarding business and the effects of improved productivity and total cost reduction despite the impact of COVID-19.

EBIT (100 million yen)/EBIT margin (%)



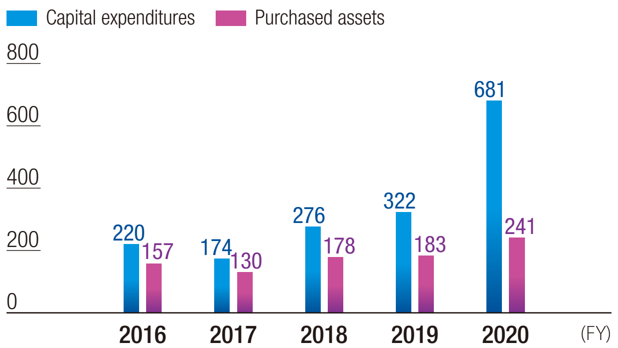
EBIT has been increasing since FY2013 and also increased in FY2020 due to sales of investments in associates and fixed assets despite a decrease in share of profits of investments accounted for using the equity method.

Total equity (100 million yen)/ROE (%)



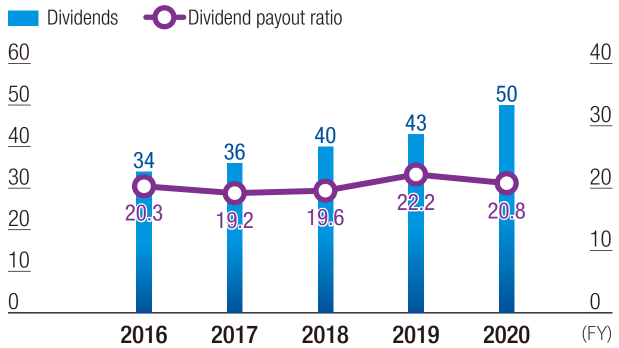
ROE remained flat since reaching 10% in FY2016 but increased in FY2020 due to a decrease in equity attributable to stockholders of the parent company as a result of the acquisition of approximately ¥98.8 billion of treasury stock.

Capital expenditures/Purchased assets (100 million yen)



Capital expenditures including lease*1 remained at around ¥20 billion to ¥30 billion and purchased assets*2 remained at around ¥13 billion to ¥20 billion. They increased in FY2020 due to an effort to expand business sites in Japan through capital expenditures including lease and purchased assets.

Cash dividends per share (Yen)/Dividend payout ratio

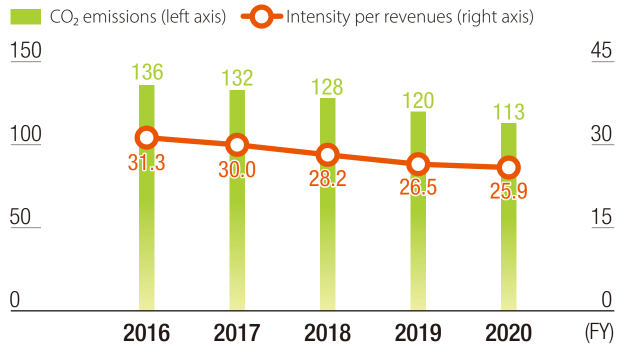


We have continued to increase dividends every year since FY2010. We seek profit distribution linked to business performance while considering medium-to-long-term business expansion and securing internal reserves to strengthen corporate structure.

*1 Based on tangible and intangible assets accepted *2 Based on non-current assets recorded

Non-Financial Highlights

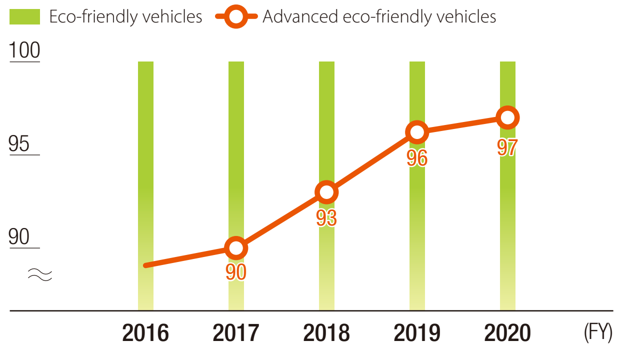
CO_2 emissions (thousand tons-CO_2)/Intensity per revenues (tons-CO_2/100 million yen)



CO_2 emissions and its intensity per revenues both decreased due to the introduction of the advanced eco-friendly vehicles, promotion of eco-friendly driving, and efforts to reduce the use of electricity and fuel.

Scope: HTS, domestic group companies (total of Scope 1 and 2)

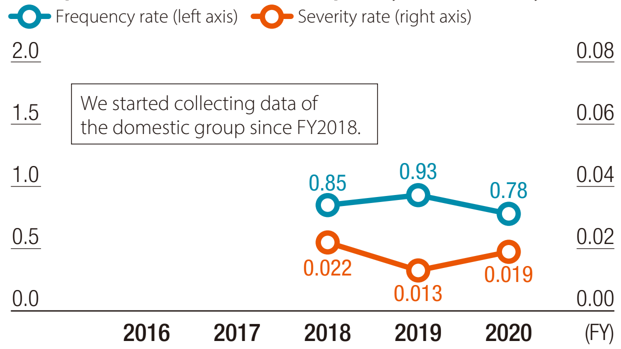
Eco-friendly vehicle ownership ratio (%)*1



We are promoting the systematic introduction of advanced eco-friendly vehicles. We have maintained 100% of the eco-friendly vehicle ownership ratio since FY2016.

Scope: HTS, domestic group companies

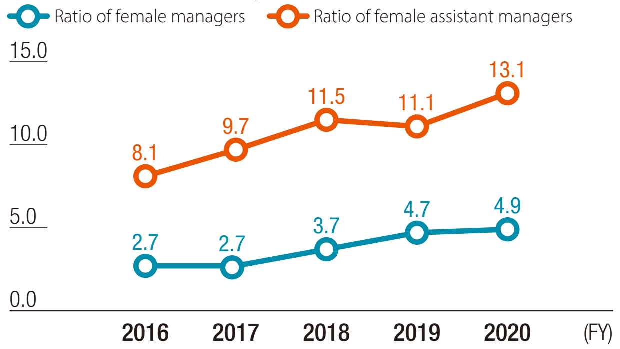
Workplace accident index: Frequency rate/Severity rate*2



In FY2020, the "severity rate" representing the severity of workplace accidents slightly increased, but the "frequency rate" representing the frequency of accidents decreased as a result of adopting safety technology.

Scope: HTS, domestic group companies

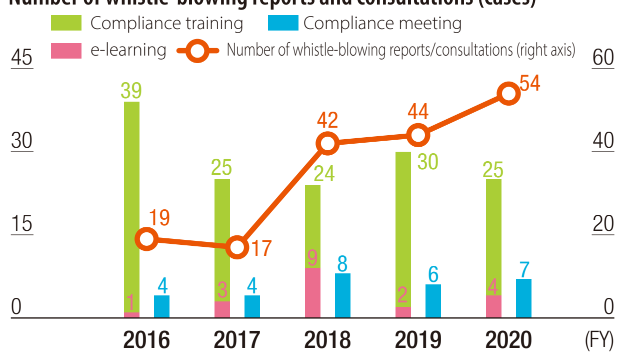
Ratio of female managers (%)



The ratios of female managers and candidates for the next managers are on the rise due to our systematic efforts to develop female employees.

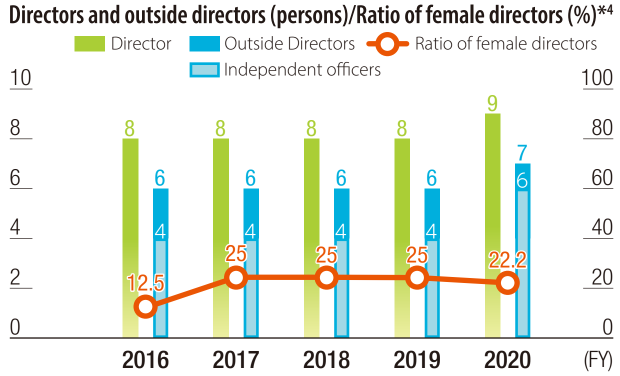
Scope: HTS

Number of compliance trainings and meetings conducted (times)/Number of whistle-blowing reports and consultations (cases)*3



We continue to implement measures to enhance compliance of the entire Group in Japan and overseas. Also, the number of reports/consultations has increased due to the appropriate development and operation of the whistle-blowing system.

Directors and outside directors (persons)/Ratio of female directors (%)*4



The Board of Directors, which is the supervisory body of management, invites outside directors in order to proactively incorporate outside opinions. Also, we have promoted female directors to ensure diversity. Scope: HTS

*1 Eco-friendly vehicles are as follows: hybrid, natural gas, and electric as well as highly fuel-efficient vehicles certified by the government (vehicles meeting a specified standard), and low emissions vehicles. Total of personal and business vehicles excluding special vehicles. *2 A frequency rate, representing the frequency of accidents resulting in lost workdays, is expressed in terms of the number of injuries or deaths resulting from workplace accidents for each one million total hours worked by employees. A severity rate, representing the severity of accidents, is expressed in terms of the number of lost workdays for each 1,000 total hours worked by employees. *3 Compliance trainings and e-learning programs are provided to all employees of HTS and its domestics group companies. Number of compliance meetings and whistle-blowing reports/consultations is the total for the entire HTS Group including overseas group companies. *4 Female directors are all independent officers.