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, 2022 amounted to ¥791,878 million, an increase of ¥3,942 million compared with the end of the previous fiscal year. Current assets increased by ¥2,330 million due to increases of ¥8,181 million in trade receivables and contract assets mainly due to increases in revenues and ¥6,202 million in other financial assets resulting from payments into Turkish lira-denominated time deposits by our consolidated subsidiary Mars Lojistik Grup Anonim Sirketi despite a decrease of ¥9,908 million in cash and cash equivalents. Non-current assets increased by ¥1,622 million mainly due to an increase of ¥9,369 million in property, plant and equipment resulting from capital expenditures for hazardous materials warehouses built in Otsu City, Shiga Prefecture, and Kashiiwa City, Chiba Prefecture, and renewal of vehicles despite a decrease of ¥6,765 million in right-of-use assets due to recording of depreciation and amortization and loss related to the fire at a logistics center at Masahima Sales Office of Hitachi Transport System West Japan Co., Ltd., our consolidated subsidiary (“Fire at our consolidated subsidiary”).

Total liabilities as of March 31, 2022 amounted to ¥631,665 million, a decrease of ¥12,164 million compared with the end of the previous fiscal year. Current liabilities increased by ¥16,486 million mainly due to increases of ¥9,772 million in current portion of long-term debt resulting from reclassification from long-term debt and of ¥4,485 million in other current liabilities due to recording of provision for damages related to the Fire at our consolidated subsidiary. Non-current liabilities decreased by ¥28,650 million mainly due to decreases of ¥19,917 million in long-term debt resulting from reclassification to current portion of long-term debt and of ¥9,877 million in lease liabilities mainly due to repayments and reversal in relation to the Fire at our consolidated subsidiary. Total equity as of March 31, 2022 amounted to ¥178,213 million, an increase of ¥16,106 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company increased by ¥15,012 million mainly due to a decrease of ¥98,996 million in treasury stock, at cost as a result of cancellation. Total equity attributable to stockholders of the parent company ratio increased from 19.7% as of March 31, 2021 to 21.5%.

Operating Results
Revenues, adjusted operating income
For the fiscal year ended March 31, 2022, revenues increased by 14% year-on-year to ¥743,612 million due to recovery in handling volume. Adjusted operating income increased by 5% year-on-year to ¥38,696 million mainly due to revenues increase, improved productivity, and improved profitability of freight forwarding business. Operating income decreased by 25% year-on-year to ¥30,738 million mainly due to related loss to the Fire at our consolidated subsidiary and decreases in gains from transfer of all shares of SAGAWA EXPRESS CO., LTD. and from sales of fixed assets despite a decrease in COVID-19-related loss.

EBIT (Earnings before interest and taxes)
Earnings before interest and taxes (EBIT) decreased by 34% year-on-year to ¥29,417 million mainly due to decreases in operating income and in share of profits of investments accounted for using the equity method mainly due to transfer of all shares of SAGAWA EXPRESS CO., LTD. as well as foreign exchange loss.

Net income attributable to stockholders of the parent company
Net income attributable to stockholders of the parent company decreased by 41% year-on-year to ¥13,513 million mainly due to a decrease in income before income taxes.

Cash Flows
Cash flows from operating activities
Net cash provided by operating activities was ¥65,135 million, an increase of ¥9,826 million compared with the fiscal year ended March 31, 2021. This is mainly due to increases in cash from depreciation and amortization of ¥50,828 million and recording net income of ¥14,662 million despite a decrease in cash from income taxes paid of ¥7,202 million.

Cash flows from investing activities
Net cash used in investing activities was ¥24,877 million, an increase of ¥94,656 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥20,559 million which consists mostly of capital expenditures for hazardous materials warehouses built in Otsu City, Shiga Prefecture, and Kashiiwa City, Chiba Prefecture, and renewal of vehicles, and payments into time deposits of ¥6,049 million which consists mostly of payments into exchange-rate-protected Turkish lira time deposits by our Turkish subsidiary Mars Lojistik Grup Anonim Sirketi to be eligible for tax exemptions introduced by the Turkish government for valuation gains on foreign currency-denominated assets.

Cash flows from financing activities
Net cash used in financing activities was ¥52,511 million, a decrease of ¥106,545 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥33,758 million and repayments of long-term debt of ¥16,329 million.

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 operations. The details of capital expenditures (based on tangible and intangible assets accepted for the fiscal year ended March 31, 2022) are as follows:

- Domestic logistics: In domestic logistics, we acquired hazardous substances warehouses (Otsu City, Shiga Prefecture, and Kashiiwa City, Chiba Prefecture) as property, plant and equipment in an effort to expand logistics sites.
- Global logistics: We also renewed existing assets and made investments for streamlining and labor-saving. As a result, capital expenditures amounted to ¥16,140 million.
- Other: In other, we renewed existing assets such as vehicles for rental business. As a result, capital expenditures amounted to ¥3,136 million.

Tax Policy
Recognizing that fulfilling tax obligations properly is one of our social responsibilities, the Group has established the internal “Rules of the Group Tax Management”.

1. Compliance with international standards 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 respond 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)

Capital expenditures/Purchased assets (100 million yen)

Cash dividends per share (Yen)/Dividend payout ratio (%)

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

Non-Financial Highlights

Eco-friendly vehicle ownership ratio (%)*2

Workplace accident index: Frequency rate/Severity rate*3

Number of compliance trainings and meetings conducted (times)/Number of whistleblowing reports and consultations (cases)*4

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

We have continued to implement measures to enhance compliance of the entire Group in Japan and overseas. The number of reports/consultations is on the rise due to the spread of the whistleblowing system.

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

*2 ECO-friendly vehicle as follows: hybrid, natural gas, and electric as well as highly fuel-efficient vehicle certified by the government (meeting a specified standard), and low emission vehicles. Total of personal and business vehicles excluding special vehicles. *3 Frequency rate, representing the frequency of accidents resulting in lost workdays, is expressed in terms of the number of accidents or disorders per 1,000 total hours worked by employees. *4 A frequency rate, representing the severity of accidents, is expressed in terms of the number of lost workdays for each case. *5 Number of compliance trainings and meetings are the total for the entire HTS Group including overseas group companies. *6 Female directors are all independent officers.