(Revised on February 14, 2019)

Summary of Consolidated Financial Results [IFRS] for the Fiscal Year Ended March 31, 2017

April 27, 2017

Listed Company: **Hitachi Transport System, Ltd.** Stock Exchange: First Section of Tokyo
Code Number: 9086 URL: http://www.hitachi-transportsystem.com/en/
Representative: Yasuo Nakatani, President and Chief Executive Officer
Person in charge: Isao Takaoka, General Manager of Public Relations Department, Corporate Strategy Office
Date of the Annual General Meeting of Shareholders (Schedule): June 23, 2017
Date of the Start of Dividend Payment (Schedule): June 6, 2017
Date of the Release of Annual Securities Report (Schedule): June 23, 2017
Creates supplementary materials for annual financial results: Yes
Briefing held on annual settlement of accounts: Yes (for analysts, institutional investors and press)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Financial Results (Cumulative) (% indicates the percentage change over year)

	Revenues		Adjusted operating income *1		EBIT *2		Income before income taxes		Net income		Net income attributable to stockholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	665,377	(2.2)	29,466	4.0	31,555	13.6	30,385	12.9	19,919	28.5	18,703	33.5
March 31, 2016	680,354	0.3	28,320	21.2	27,785	21.9	26,910	22.3	15,502	4.8	14,011	5.7

	Basic earnings per share attributable to stockholders of the parent company	ROE *3	ROA *4	Adjusted operating income ratio	EBIT ratio
	Yen	%	%	%	%
March 31, 2017	167.66	10.3	3.7	4.4	4.7
March 31, 2016	125.60	8.0	3.0	4.2	4.1

(Reference) Share of profit of investments accounted for using equity method
April 1, 2016 to March 31, 2017: 3,741 million yen April 1, 2015 to March 31, 2016: 299 million yen
*1. [Adjusted operating income] = [Revenues] - [Cost of sales] - [Selling, general and administrative expenses]
*2. EBIT (Earnings Before Interest and Taxes) = [Income before income taxes] - [Interest income] + [Interest expenses]
*3. ROE = [Net income attributable to stockholders of the parent company] / [Total equity attributable to stockholders of the parent company (Average between the end of current fiscal year and the end of previous fiscal year)] × 100
*4. ROA = [Net income attributable to stockholders of the parent company] / [Total assets (Average between the end of current fiscal year and the end of previous fiscal year)] × 100

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to stockholders of the parent company	Total equity attributable to stockholders of the parent company ratio	Total equity per share attributable to stockholders of the parent company
	Million yen	Million yen	Million yen	%	Yen
March 31, 2017	549,924	190,919	187,482	34.1	1,680.70
March 31, 2016	464,399	178,552	175,543	37.8	1,573.67

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
March 31, 2017	26,372	(69,004)	55,592	57,483
March 31, 2016	38,820	(10,373)	(16,712)	45,146

2. Dividends

	Dividend per share					Total dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend ratio of equity attributable to stockholders of the parent company (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2016	–	15.00	–	15.00	30.00	3,347	23.9	1.9
March 31, 2017	–	17.00	–	17.00	34.00	3,793	20.3	2.1
March 31, 2018 (Forecasts)	–	18.00	–	18.00	36.00		20.1	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% indicates the percentage change over year)

	Revenues		Adjusted operating income		EBIT		Income before income taxes		Net income		Net income attributable to stockholders of the parent company		Basic earnings per share attributable to stockholders of the parent company
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	330,000	1.6	13,400	(7.6)	14,400	(3.3)	13,800	(3.9)	9,400	(2.4)	8,800	(0.6)	78.89
Full year	680,000	2.2	29,500	0.1	32,100	1.7	30,900	1.7	21,100	5.9	20,000	6.9	179.29

＊Notes

(1) Changes in significant subsidiaries during the term (Change in specified subsidiaries causing changes in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and retrospective restatements
- (a) Changes in accounting policies required by IFRS: None
- (b) Changes other than (a) above: None
- (c) Changes in accounting estimates: None

(3) Number of Shares Issued (Common Stock)
- (a) Number of shares at the end of the term (Including treasury stock)
  - As of March 31, 2017: 111,776,714 shares,
  - As of March 31, 2016: 111,776,714 shares
- (b) Number of treasury stock at the end of the term
  - As of March 31, 2017: 226,728 shares,
  - As of March 31, 2016: 226,306 shares
- (c) Average number of shares during the term
  - Year ended March 31, 2017: 111,550,171 shares,
  - Year ended March 31, 2016: 111,550,516 shares

(Note) Summary of Consolidated Financial Results is outside the scope of audit.

(Note) Explanation on the appropriate use of financial forecasts and other important items

・The financial forecasts shown on this report are estimated based on information available as of the issuing date of this report, and therefore the actual results for the future terms may differ from these forecasted figures due to various unknown factors. For the assumptions for forecasts and cautions regarding the use of the forecasts, please refer to “1. Summary of Operating Results, etc.” on Page 2.

・The Company plans to post the supplementary material and the presentation material on financial results on the Company’s website promptly after the financial results briefing.

Table of Contents

1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2017

For the fiscal year ended March 31, 2017, consolidated financial results of the Hitachi Transport System Group (herein called "the Group") are as follows.

(Million yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017	Y on Y change
Revenues	680,354	665,377	98%
Adjusted operating income	28,320	29,466	104%
EBIT	27,785	31,555	114%
Net income attributable to stockholders of the parent company	14,011	18,703	133%

Revenues decreased by 2% year-on-year to ¥665,377 million, and adjusted operating income, EBIT, and net income attributable to stockholders of the parent company increased by 4%, 14%, and 33% year-on-year, to ¥29,466 million, ¥31,555 million, and ¥18,703 million respectively.

Results by business segment during the fiscal year are as follows.

【Domestic logistics business】 (Million yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017	Y on Y change
Revenues	405,080	411,796	102%
Segment profit (Adjusted operating income)*	20,333	21,830	107%

Revenues of domestic logistics business increased by 2% year-on-year to ¥411,796 million due to commencement of new retail products and food service-related operations and full-scale operations of new project launched in the previous fiscal year despite a decrease in the handling volume caused by changes in customers' external environment.

Segment profit increased by 7% year-on-year to ¥21,830 million due to the effect of revenues increase and improvement in operating efficiency and productivity.

【Global logistics business】 (Million yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017	Y on Y change
Revenues	253,144	231,727	92%
Segment profit (Adjusted operating income)*	5,652	5,693	101%

Revenues of global logistics business decreased by 8% year-on-year to ¥231,727 million due to an appreciation of yen despite a revenues increase from operation of new projects in commodities, automobile, and apparel-related.

Segment profit increased by 1% year-on-year to ¥5,693 million due mainly to steady growth of intermodal business in Europe and the effect of overall business structural reform, despite a negative impact of foreign exchange rates.

【Other services (logistics related businesses)】 (Million yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017	Y on Y change
Revenues	22,130	21,854	99%
Segment profit (Adjusted operating income)*	2,335	1,943	83%

Revenues of other services remained flat year-on-year and were ¥21,854 million.

Segment profit decreased by 17% year-on-year to ¥1,943 million.

* From the fiscal year ended March 31, 2017, segment profit represents "Adjusted operating income" instead of "Operating income."

The segment information for the fiscal year ended March 31, 2016 reflects this alternation. (Please refer to Page 17 for the details.)

(2) Summary of Financial Position as of March 31, 2017

Total assets as of March 31, 2017 amounted to ¥549,924 million, an increase of ¥85,525 million compared with the end of the previous fiscal year. Current assets increased by ¥20,012 million due to increases of ¥12,337 million in cash and cash equivalents, ¥6,692 million in trade receivables and ¥3,897 million in other current assets despite a decrease of ¥3,266 million in other financial assets. Non-current assets increased by ¥65,513 million because of an increase of ¥70,339 million in investments accounted for using the equity method despite decreases of ¥4,272 million in intangible assets and ¥1,475 million in goodwill.

Total liabilities as of March 31, 2017 amounted to ¥359,005 million, an increase of ¥73,158 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥10,831 million due to decreases of ¥30,381 million in current portion of long-term debt and ¥3,553 million in short-term debt despite increases of ¥15,324 million in other financial liabilities, ¥4,144 million in other current liabilities and ¥2,894 million in trade payables. Non-current liabilities increased by ¥83,989 million due to increases of ¥100,248 million in long-term debt despite a decrease of ¥15,620 million in other financial liabilities and ¥1,061 million in deferred tax liabilities.

Total equity as of March 31, 2017 amounted to ¥190,919 million, an increase of ¥12,367 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio decreased from 37.8% at the end of the previous fiscal year to 34.1%.

(3) Summary of Cash Flows for the Fiscal Year ended March 31, 2017

Cash and cash equivalents (herein called "cash") as of March 31, 2017 was ¥57,483 million, an increase of ¥12,337 million from March 31, 2016.

Cash flows from each activity for the year ended March 31, 2017 and their significant components are as follows:

Net cash provided by operating activities was ¥26,372 million, a decrease of ¥12,448 million compared with the fiscal year ended March 31, 2016. This mainly reflected cash inflows due to net income of ¥19,919 million, depreciation and amortization of ¥18,741 million, income taxes of ¥10,466 million and increase in trade payables of ¥3,620 million, and cash outflows due to income taxes paid of ¥13,681 million, increase in trade receivables of ¥7,942 million, share of profits of investments accounted for using the equity method of ¥3,741 million, and losses on sale of property, plant and equipment of ¥2,151 million.

Net cash used in investing activities was ¥69,004 million, an increase of ¥58,631 million compared with the fiscal year ended March 31, 2016. This mainly reflected cash outflows due to acquisition of investments accounted for using the equity method of ¥66,843 million and purchase of property, plant and equipment and intangible assets of ¥12,517 million, and cash inflows due to proceeds from sale of property, plant and equipment, and intangible assets of ¥6,248 million and proceeds from withdrawal of deposits of ¥3,500 million.

Net cash provided by financing activities was ¥55,592 million, an increase of ¥72,304 million compared with the fiscal year ended March 31, 2016. This mainly reflected cash inflows due to proceeds from long-term debt of ¥124,511 million, and cash outflows due to repayments of long-term debt of ¥55,325 million, repayments of lease obligations of ¥4,672 million, dividends paid to stockholders of the parent company of ¥3,569 million, decrease in short-term debt of ¥3,002 million, and purchase of shares of consolidated subsidiaries from non-controlling interests of ¥2,137 million.

(4) Outlook for the next fiscal year

In the global economy, there is an increasing concern over a shift from the current policy to promote free trade to protectionism/block economies, and Japanese companies are also showing signs of future strategy shift.

In the Japanese economy, the business environment, especially for logistics industry, is becoming severe as changes in consumption behavior represented by expanding EC market in addition to continuing concerns over labor shortage led to increasing needs for high-frequency, high-mix, small-lot delivery and the resulting cost increase to secure labor force to handle such delivery.

Under these circumstances, the Group will strive to achieve the following targets during the year ending March 31, 2018 which is the second year of the Mid-term Management Plan.

- Forecasts for the fiscal year ending March 31, 2018

Revenues:	¥680 billion
Adjusted operating income:	¥29.5 billion
EBIT:	¥32.1 billion
Net income attributable to stockholders of the parent company:	¥20.0 billion

(5) Basic Policy of Management

1) Basic Policy of Management

Under the corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” the Hitachi Transport System Group aims to become the most preferred solution provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

2) Medium-to-Long-Term Management Strategies

[Basic Policy]

The Hitachi Transport System Group started Mid-term Management Plan (FY2016-FY2018) “Value Creation 2018” in April 2016. Under the Mid-term Management Plan, based on the basic strategy for our core businesses to “Drive thorough enhancement of 3PL business and increase market share,” “Enhance forwarding business” and “Enhance Heavy Machinery and Plant Logistics,” we strive to create “values” by invigorating “collaborative innovation” with our customers and business partners and also to improve the Group’s corporate value by enhancing our “earning capability” and “growing power” as well as “sustainable capability” these abilities.

[Priority Measures]

Amid a breakthrough in technologies including “IoT,” “AI (Artificial Intelligence),” “Robotics” and diversification of services, methods and values in the society such as “FinTech” and “Sharing Economy,” we will promote various measures to achieve new innovations by expanding collaborative areas across businesses and industries, with “enhancement of logistics as a function” as our core target.

i. Enhance our core 3PL business

(i) Enhance domestic 3PL business

a. We will enhance delivery solution. (expand “B to B” business to “B to B to C” business)

b. We will accelerate the development of region-based business under the leadership of regional business companies.

c. We will implement new smart logistics technologies to improve on-site operation and differentiation.

d. We will establish and implement standard 3PL model to expand industry-based Platform Business (medical, automotive, distribution and daily commodities, etc.)

(ii) Enhance overseas 3PL business.

[Asia] We will expand existing account business and cultivate new global accounts by expanding truck network (expand cross-border logistics within the area departing from Thailand, etc.)

[North America] We will expand 3PL business of automobile parts and Non-Auto field by enhancing NAFTA transportation network.

[Europe] We will expand business in Western/Eastern Europe with intermodal and cross-border transportation based in the growing market, and develop new transportation business connecting Europe and Central Asia.

[China] We will expand domestic truck transportation business and increase logistics volume of consumer products. (refrigerated products, etc.)

ii. Expand forwarding business

(i) We will improve profitability and enhance offshore business through globally-unified management.

a. We will develop 3PL supplemental forwarding service. (Brush up forwarding system and connect with 3PL.)

b. We will enhance price competitiveness by sorting out offshore routes and selection and concentration of carriers.

iii. Enhance Heavy Machinery and Plant Logistics

We will strengthen the Company’s own resources, including expansion of project cargo network and asset implementation, and deepen collaborative innovation with partners, with the aim of increasing domestic and overseas orders of social infrastructure-related business such as electricity/energy, transportation, and industrial/production equipment.

iv. Promote collaborative innovation and collaboration to realize seamless general logistics service

(i) Promote collaborative innovation and collaboration with SG Holdings

(ii) Promote vertical and horizontal collaboration in logistics/supply chain

v. Emphasize Corporate Social Responsibility (CSR) and enhance corporate value

(i) We will continue to work on working method transformation.

“Secure and retain human resources” and “Improve productivity” through measures such as “Standardize systems (improve workers’ treatment)” and “Improve on-site environment including logistics centers,” “Diversity” and “Education for all employees.”

(ii) We will promote preventive maintenance measures under the slogans “Safety is of the highest priority” and “Safety management by walking around.”

(iii) We will promote CSR activities focusing on pillars of “logistics quality,” “Information security,” “AEO/export management” and “Green logistics.”

(iv) We will promote social contribution activities through business activities such as training logistics personnel from emerging economies/regions as well as hiring local personnel.

(v) We will ensure to bear in mind the notion of “Basics and Ethics.” (Enhance compliance and governance)

(6) Business and Other Risks

1) Tightening of public regulations

As a provider of general logistics services, we are regulated by the business laws governing logistics, which includes truck transportation, warehousing and customs clearance. While we make it our principle to keep to the straight and narrow and work together to promote compliance management, we may be required to incur further costs to comply with tighter environmental and safety regulations. Accordingly, this may adversely affect our performance and financial position.

2) Major fluctuations in commercial relations

Our core business is “third party logistics (3PL: comprehensive logistics services),” and when we receive contracts for logistics operations from customers, we may make prior capital investment in distribution centers, plant and equipment, information systems and suchlike. For investments, we formulate a detailed business revenues and expenditures plan and implement phase-gate process management to ensure careful investment decisions, but if, for example, the customer’s performance deteriorated or the customer became insolvent due to factors such as worsening of economic conditions in Japan and overseas, we may be prevented from recovering our invested funds and this may inhibit future growth and reduce profitability. Accordingly, this may adversely affect our performance and financial position.

3) Global expansion

As a company that provides global 3PL operations at the global level, we have business facilities in key overseas regions. The operation of these overseas business sites entails the following risks, and if any of these risks materialized, this may pose a problem for the execution of global logistics operations. Accordingly, this may adversely affect our performance and financial position.

i. Political and legislative change
ii. Severe economic fluctuations
iii. Delay in the development of logistics infrastructure
iv. Severe fluctuations in foreign exchange rates
v. Social disruption caused by terrorist attack, war or other factors

4) Cost rise

In the truck transportation business, if fuel costs rise due to oil price movements or vehicle charter costs rise due to shortage of vehicles and drivers, transportation and delivery costs may increase sharply, but since it is difficult to pass cost increases on to customers straight away, there is the risk that the profit margins of the truck transportation business will deteriorate. Accordingly, this may adversely affect our performance and financial position.

5) Major accidents

We utilize trucks and other vehicles to transport a wide variety of customer goods, which is why, in all of our business activities, we are ever mindful of traffic safety and, among other things, implement comprehensive service management, reinforce safety training, and fit digital tachograph equipment and collision prevention assist system to all our trucks. However, if a serious traffic accident occurred, this may damage customer confidence and our reputation and we may be suspended using vehicles, trading or otherwise by the regulatory authorities. Accordingly, this may adversely affect our performance and financial position.

6) Serious disaster

Given that we operate logistics centers and handle customer products and information about product management, we work to provide manuals and develop backup systems in case of disaster. However, if a situation such as power outage or the blockage of transportation routes occurred as a result of an earthquake, storm or flood damage, or other natural disaster, this may slow down logistics operations. Accordingly, this may adversely affect our performance and financial position. Accordingly, this may adversely affect our performance and financial position.

7) Information leaks

We handle information about customers and other sensitive matters when undertaking logistics operations. While we endeavor to manage information by providing training to our employees on areas such as compliance and comprehensive personal data management, if a situation such as an information leak or the loss of data occurred, this may damage our reputation and we may also receive a compensation claim from our customers. Accordingly, this may adversely affect our performance and financial position.

8) M&A and capital and business alliance, etc.

We may execute M&A and form a capital and business alliance to achieve sustainable growth. We make these decisions based on the risk assessment in advance through thorough examination of the candidate’s financial situation and the contents of the contract. However, subsequent changes in business environment may lead to a decision that the benefit originally expected cannot be recovered or dissolution/amendment of the capital and business alliance, resulting in recording impairment loss of goodwill or investment accounted for using the equity method, which may adversely affect our performance and financial position.

9) Interest rate fluctuation

We procure funds for business development through borrowings. We manage interest rate fluctuation risk associated with borrowings with floating interest rates by adjusting the ratio of borrowings with fixed/floating interest rates. However, we cannot avoid all risks, and in case of a higher-than-expected rise in interest rates, the resulting increase in funding cost may adversely affect our performance and financial position.

10) Securing Human Resources

Securing human resources is critical in our logistics business, and it is important for our sustainable growth to continuously hire human resources necessary to carry out our business plan and retain them by providing comfortable working environment and training system. However, failing to do so may adversely affect our performance and financial position.

2. Basic Stance on Accounting Standard Selection

The Group adopted IFRS voluntarily for its consolidated financial statements contained in the Annual Securities Report for the fiscal year ended March 31, 2015, with the aim to respond to globalization, establish the unified performance evaluation criteria of the Group, standardize operations and improve management efficiency.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Statement of Financial Position

(Million yen)

	As of March 31, 2016	As of March 31, 2017
(Assets)		
Current assets		
Cash and cash equivalents	45,146	57,483
Trade receivables	118,908	125,600
Inventories	1,114	1,466
Other financial assets	10,352	7,086
Other current assets	9,330	13,227
Total current assets	184,850	204,862
Non-current assets		
Investments accounted for using the equity method	1,179	71,518
Property, plant and equipment	177,153	177,520
Goodwill	29,542	28,067
Intangible assets	39,038	34,766
Deferred tax assets	7,900	8,193
Other financial assets	16,504	16,858
Other non-current assets	8,233	8,140
Total non-current assets	279,549	345,062
Total assets	464,399	549,924

(Million yen)

	As of March 31, 2016	As of March 31, 2017
(Liabilities)		
Current liabilities		
Trade payables	48,892	51,786
Short-term debt	12,110	8,557
Current portion of long-term debt	36,025	5,644
Income tax payable	6,512	7,253
Other financial liabilities	31,199	46,523
Other current liabilities	27,203	31,347
Total current liabilities	161,941	151,110
Non-current liabilities		
Long-term debt	49,666	149,914
Retirement and severance benefits	31,254	31,187
Deferred tax liabilities	12,542	11,481
Other financial liabilities	28,361	12,741
Other non-current liabilities	2,083	2,572
Total non-current liabilities	123,906	207,895
Total liabilities	285,847	359,005
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	157,362	171,633
Accumulated other comprehensive income	1,558	(774)
Treasury stock, at cost	(180)	(180)
Total equity attributable to stockholders of the parent company	175,543	187,482
Non-controlling interests	3,009	3,437
Total equity	178,552	190,919
Total liabilities and equity	464,399	549,924

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

(Million yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Revenues	680,354	665,377
Cost of sales	(608,408)	(590,126)
Gross profit	71,946	75,251
Selling, general and administrative expenses	(43,626)	(45,785)
Adjusted operating income	28,320	29,466
Other income	5,215	3,118
Other expenses	(5,201)	(4,377)
Operating income	28,334	28,207
Financial income	89	103
Financial expenses	(937)	(496)
Share of profits of investments accounted for using the equity method	299	3,741
Earnings before interest and taxes	27,785	31,555
Interest income	736	762
Interest expenses	(1,611)	(1,932)
Income before income taxes	26,910	30,385
Income taxes	(11,408)	(10,466)
Net income	15,502	19,919
Attributable to:		
Stockholders of the parent company	14,011	18,703
Non-controlling interests	1,491	1,216

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Earnings per share attributable to stockholders of the parent company		
Basic	¥125.60	¥167.66
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Million yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net income	15,502	19,919
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	190	(171)
Remeasurements of defined benefit plans	(1,520)	374
Share of OCI of investments accounted for using the equity method	2	(18)
Total items not to be reclassified into net income	(1,328)	185
Items that can be reclassified into net income		
Foreign currency translation adjustments	(5,326)	(2,653)
Net changes in cash flow hedges	43	36
Share of OCI of investments accounted for using the equity method	(63)	(58)
Total items that can be reclassified into net income	(5,346)	(2,675)
Other comprehensive income (OCI)	(6,674)	(2,490)
Comprehensive income	8,828	17,429
Attributable to:		
Stockholders of the parent company	8,192	16,846
Non-controlling interests	636	583

(3) Consolidated Statement of Changes in Equity

(Million yen)

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

	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	149,335	7,761	(179)	173,720	3,006	176,726
Changes in equity							
Net income	–	14,011	–	–	14,011	1,491	15,502
Other comprehensive income	–	–	(5,819)	–	(5,819)	(855)	(6,674)
Transactions with non-controlling interests	–	(225)	(54)	–	(279)	294	15
Dividends	–	(3,235)	–	–	(3,235)	(70)	(3,305)
Transfer to retained earnings	–	5	(5)	–	–	–	–
Acquisition and sales of treasury stock	–	–	–	(1)	(1)	–	(1)
Changes in liabilities for written put options over non-controlling interests	–	(2,529)	(325)	–	(2,854)	(875)	(3,711)
Total changes in equity	–	8,027	(6,203)	(1)	1,823	3	1,826
Balance at end of year	16,803	157,362	1,558	(180)	175,543	3,009	178,552

(Million yen)

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	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	157,362	1,558	(180)	175,543	3,009	178,552
Changes in equity							
Net income	–	18,703	–	–	18,703	1,216	19,919
Other comprehensive income	–	–	(1,857)	–	(1,857)	(633)	(2,490)
Dividends	–	(3,569)	–	–	(3,569)	(96)	(3,665)
Acquisition and sales of treasury stock	–	–	–	(0)	(0)	–	(0)
Changes in liabilities for written put options over non-controlling interests	–	(863)	(475)	–	(1,338)	(59)	(1,397)
Total changes in equity	–	14,271	(2,332)	(0)	11,939	428	12,367
Balance at end of year	16,803	171,633	(774)	(180)	187,482	3,437	190,919

(4) Consolidated Statement of Cash Flows

(Million yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Net income	15,502	19,919
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	19,125	18,741
Impairment losses	2,117	2,190
Reversals of impairment losses	—	(461)
Share of profits of investments accounted for using the equity method	(299)	(3,741)
Income taxes	11,408	10,466
Increase (decrease) in retirement and severance benefits	1,793	(43)
Interest and dividends income	(817)	(849)
Interest expenses	1,611	1,932
Gain on sale of property, plant and equipment	(3,965)	(2,151)
(Increase) decrease in trade receivables	6,152	(7,942)
Increase in inventories	(174)	(356)
Increase (decrease) in trade payables	(5,688)	3,620
Increase (decrease) in other assets and liabilities	1,713	(1,840)
Other	(1,022)	1,377
Subtotal	47,456	40,862
Interest and dividends received	1,004	1,081
Interest paid	(1,610)	(1,890)
Refund of settlement paid	587	—
Income taxes paid	(8,617)	(13,681)
Net cash provided by operating activities	38,820	26,372
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(17,614)	(12,517)
Proceeds from sale of property, plant and equipment, and intangible assets	11,244	6,248
Placement of deposit	(3,500)	—
Proceeds from withdrawal of deposits	—	3,500
Acquisition of investments accounted for using the equity method	—	(66,843)
Other	(503)	608
Net cash used in investing activities	(10,373)	(69,004)

(Million yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	1,462	(3,002)
Proceeds from long-term debt	11,039	124,511
Repayments of long-term debt	(21,371)	(55,325)
Repayments of lease obligations	(4,128)	(4,672)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(57)	(2,137)
Dividends paid to stockholders of the parent company	(3,235)	(3,569)
Dividends paid to non-controlling interests	(61)	(88)
Other	(361)	(126)
Net cash provided by (used in) financing activities	(16,712)	55,592
Effect of exchange rate changes on cash and cash equivalents	(1,133)	(623)
Net increase in cash and cash equivalents	10,602	12,337
Cash and cash equivalents at beginning of year	34,544	45,146
Cash and cash equivalents at end of year	45,146	57,483

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)
None

(Notes to Consolidated Statement of Profit or Loss)
1. Other income

(Million yen)

	Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net gain on sales of fixed assets	4,148	2,271
Reversals of impairment losses	―	461
Refund of settlement paid	587	―
Compensation income	16	13
Other	464	373
Total	5,215	3,118

2. Other expenses

(Million yen)

	Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net loss on sales of fixed assets	(183)	(120)
Net loss on disposal of fixed assets	(235)	(401)
Impairment losses	(2,117)	(2,190)
Business structural reform expenses	(2,137)	(996)
Other	(529)	(670)
Total	(5,201)	(4,377)

Business structural reform expenses were mainly special severance payments and amounted to ¥1,840 million and ¥868 million for the year ended March 31, 2016 and 2017, respectively.

For the year ended March 31, 2016, impairment losses for idle land and buildings etc. were recognized as there is no plan to utilize them and the market price fell below the acquisition cost. Idle assets are grouped individually. Recoverable amounts are measured at fair value based on real estate appraisal less expected costs of disposal. Impairment losses are included in the domestic logistics business. Consequently, impairment losses recognized on property, plant and equipment amounted to ¥683 million.

For the year ended March 31, 2016, the Group recognized impairment losses for goodwill related to Flyjac Logistics Pvt. Ltd. because future cash flow originally assumed in the business plans could no longer be expected and the goodwill was written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting the future cash flow at a pretax discount rate (16.0%). The impairment losses are included in global logistics business. Consequently, impairment losses recognized on goodwill amounted to ¥966 million.

For the year ended March 31, 2017, the Group recognized impairment losses for goodwill and customer-related intangible assets related to JJB Link Logistics Co. Limited because future cash flow originally assumed in the business plans could no longer be expected and their net carrying amounts were written down to the recoverable amounts. The recoverable amounts were calculated based on value in use by discounting future cash flow at a pretax discount rate (14.9%). The impairment losses are included in global logistics business. Consequently, impairment losses recognized on goodwill and customer-related intangible assets amounted to ¥782 million and ¥1,003 million, respectively.

3. Financial income

(Million yen)

	Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Dividends income	81	87
Other	8	16
Total	89	103

4. Financial expenses

(Million yen)

	Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Exchange loss	(902)	(456)
Other	(35)	(40)
Total	(937)	(496)

(Segment Information)

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

The Company's operations are divided into domestic logistics business, global logistics business and other service businesses. Consolidated subsidiaries conduct their business 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 consolidated subsidiaries. The Group's reporting segments have been designated as domestic logistics and global logistics in order to provide appropriate information about the business activities and the business environment, by combining a number of business segments that are similar in terms of economic and service characteristics.

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

Profit (loss) in reporting segments is based on adjusted operating income. Intersegment transactions are those that take place between companies and are based on market prices. The Executive Committee of the Company does not use the information on assets and liabilities allocated to business segments.

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Million yen)

	Reporting segment			Other services[1]	Total	Adjustments and eliminations[2]	Amount recorded in consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	405,080	253,144	658,224	22,130	680,354	—	680,354
Revenues from intersegment transactions or transfers	—	—	—	11,023	11,023	(11,023)	—
Total	405,080	253,144	658,224	33,153	691,377	(11,023)	680,354
Segment profit	20,333	5,652	25,985	2,335	28,320	—	28,320
Other income							5,215
Other expenses							(5,201)
Financial income							89
Financial expenses							(937)
Share of profits of investments accounted for using the equity method							299
Interest income							736
Interest expenses							(1,611)
Income before income taxes							26,910
Others							
Depreciation and Amortization	9,806	7,178	16,984	2,141	19,125	—	19,125
Impairment losses	748	1,369	2,117	—	2,117	—	2,117

Note: 1. "Other services" includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded in the reporting 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 the rational basis.

For the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Million yen)

	Reporting segment			Other services[1]	Total	Adjustments and eliminations[2]	Amount recorded in consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	411,796	231,727	643,523	21,854	665,377	—	665,377
Revenues from intersegment transactions or transfers	—	—	—	10,599	10,599	(10,599)	—
Total	411,796	231,727	643,523	32,453	675,976	(10,599)	665,377
Segment profit	21,830	5,693	27,523	1,943	29,466	—	29,466
Other income							3,118
Other expenses							(4,377)
Financial income							103
Financial expenses							(496)
Share of profits of investments accounted for using the equity method							3,741
Interest income							762
Interest expenses							(1,932)
Income before income taxes							30,385
Others							
Depreciation and Amortization	9,807	6,824	16,631	2,110	18,741	—	18,741
Impairment losses	—	2,190	2,190	—	2,190	—	2,190

Note: 1. “Other services” includes information system development, service, sale and maintenance of motor vehicles, and travel agency service, which are excluded in the reporting segments.

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

From the fiscal year ended March 31, 2017, segment profit represents “Adjusted operating income” instead of “Operating income.”

This change was based on the judgment by the management that “Adjusted operating income,” which reflects the results of business activities excluding gains and losses arising from business reorganization and structural reform, is appropriate to manage progress and results toward achievement of the target.

The segment information of the fiscal year ended March 31, 2016 reflects this alternation.

(Per Share Information)

The basis for computations of basic earnings per share (EPS) attributable to stockholders of the parent company for the years ended March 31, 2016 and 2017 is as follows.

	Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net income attributable to stockholders of the parent company (Million yen)	14,011	18,703
Weighted average number of common stock (Thousand shares)	111,551	111,550
Basic EPS attributable to stockholders of the parent company (Yen)	125.60	167.66

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

(Significant Subsequent Events)

Not applicable