

(Revised on February 14, 2019)

Summary of Consolidated Financial Results [IFRS] for the Second Quarter Ended September 30, 2017

October 26, 2017

Listed Company: **Hitachi Transport System, Ltd.** Stock Exchange: First Section of Tokyo
 Code Number: 9086 URL: <http://www.hitachi-transportssystem.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 Release of Quarterly Report (Schedule): November 14, 2017
 Date of the Start of Dividend Payment (Schedule): November 27, 2017
 Creates Supplementary Materials for Quarterly Summaries: Yes
 Briefing Held on Quarterly 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 Second Quarter Ended September 30, 2017 (April 1, 2017 to September 30, 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	%
September 30, 2017	343,662	5.9	14,049	(3.1)	15,693	5.4	15,267	6.3	10,028	4.1	9,334	5.4
September 30, 2016	324,650	(4.7)	14,503	11.5	14,896	27.4	14,362	27.0	9,629	48.4	8,856	51.5

	Basic earnings per share attributable to stockholders of the parent company
September 30, 2017	Yen 83.68
September 30, 2016	79.39

*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]

(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
September 30, 2017	Million yen 550,679	Million yen <u>198,742</u>	Million yen <u>195,102</u>	% <u>35.4</u>
March 31, 2017	549,924	<u>190,919</u>	<u>187,482</u>	<u>34.1</u>

2. Dividends

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
March 31, 2017	—	Yen 17.00	Yen —	Yen 17.00	Yen 34.00
March 31, 2018	—	18.00	—	—	—
March 31, 2018 (Forecasts)	—	—	—	18.00	36.00

(Note) Revision of the latest dividends forecasts: None

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	
Full year	690,000	3.7	29,500	0.1	32,100	1.7	30,900	1.7	21,100	5.9	20,000	6.9	179.29

(Note) Revision of the latest consolidated financial forecasts: Yes

*** 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 and accounting estimates

(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 September 30, 2017: 111,776,714 shares,

As of March 31, 2017: 111,776,714 shares

(b) Number of treasury stock at the end of the term

As of September 30, 2017: 226,748 shares,

As of March 31, 2017: 226,728 shares

(c) Average number of shares during the term

Six months ended September 30, 2017: 111,549,928 shares,

Six months ended September 30, 2016: 111,550,283 shares

(Note) Quarterly financial results are outside the scope of quarterly review.

(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. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Future Forecast Information including Consolidated Financial Forecasts" on Page 3.

- The Company plans to post the supplementary material and the presentation material on quarterly financial results on the Company's website promptly after the quarterly financial results briefing.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

For the second quarter ended September 30, 2017, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows:

	(Million yen)		
	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017	Y on Y change
Revenues	324,650	343,662	106%
Adjusted operating income	14,503	14,049	97%
EBIT	14,896	15,693	105%
Net income attributable to stockholders of the parent company	8,856	9,334	105%

Revenues increased by 6% year-on-year to ¥343,662 million. Adjusted operating income decreased by 3% year-on-year to ¥14,049 million, and EBIT and net income attributable to stockholders of the parent company both increased by 5% and 5% year-on-year to ¥15,693 million and ¥9,334 million, respectively.

Results by business segment during the period under review are as follows:

【Domestic logistics business】			(Million yen)
	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017	Y on Y change
Revenues	202,872	205,425	101%
Segment profit (Adjusted operating income)	10,656	10,172	95%

Revenues of domestic logistics business increased by 1% year-on-year to ¥205,425 million due to full-scale operations of new projects launched in the previous fiscal year (retail products and foods, etc.) and the effects of collaborative innovation with business partners.

Segment profit decreased by 5% year-on-year to ¥10,172 million due to upfront investments for the next generation/advanced technologies and working method transformation despite a revenue increase and the effects of productivity enhancements.

【Global logistics business】			(Million yen)
	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017	Y on Y change
Revenues	111,246	127,706	115%
Segment profit (Adjusted operating income)	2,927	3,056	104%

Revenues of global logistics business increased by 15% year-on-year to ¥127,706 million due to the recovery in handling volume in forwarding business especially in overseas, full-scale operations of new projects launched in the previous fiscal year (automobile and apparel-related), and positive impact of foreign exchange rates.

Segment profit increased by 4% year-on-year to ¥3,056 million due to a revenues increase despite an increased share of company-wide expenses based on the review of its allocation.

【Other services (logistics related businesses)】			(Million yen)
	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017	Y on Y change
Revenues	10,532	10,531	100%
Segment profit (Adjusted operating income)	920	821	89%

Revenues of other services remained flat year-on-year and were ¥10,531 million.

Segment profit decreased by 11% year-on-year to ¥821 million due to a decrease in volume of automobile maintenance business.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2017 amounted to ¥550,679 million, an increase of ¥755 million compared with the end of the previous fiscal year. Current assets decreased by ¥260 million due to decreases of ¥5,268 million in cash and cash equivalents and ¥1,939 million in other current assets despite an increase of ¥7,582 million in trade receivables. Non-current assets increased by ¥1,015 million because of an increase of ¥1,189 million in other financial assets.

Total liabilities as of September 30, 2017 amounted to ¥351,937 million, a decrease of ¥7,068 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥9,115 million due to decreases of ¥1,946 million in other current liabilities and ¥17,397 million in other financial liabilities despite an increase of ¥9,826 million in current portion of long-term debt. Non-current liabilities increased by ¥2,047 million mainly due to an increase of ¥12,133 million in other financial liabilities despite a decrease of ¥10,552 million in long-term debt.

Total equity as of September 30, 2017 amounted to ¥198,742 million, an increase of ¥7,823 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 34.1% at the end of the previous fiscal year to 35.4%.

2) Cash flows

Cash and cash equivalents (herein called “cash”) as of September 30, 2017 was ¥52,215 million, a decrease of ¥5,268 million from March 31, 2017.

Cash flows from each activity for the six months ended September 30, 2017 and their significant components are as follows:

Net cash provided by operating activities was ¥10,045 million, an increase of ¥2,803 million compared with the six months ended September 30, 2016. This is mainly due to an increase in cash from net income of ¥10,028 million and depreciation and amortization of ¥9,425 million, partly offset by a decrease in cash from increase in trade receivables of ¥5,676 million and decrease in other assets and other liabilities of ¥4,168 million.

Net cash used in investing activities was ¥4,418 million, a decrease of ¥63,565 million compared with the six months ended September 30, 2016. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥5,140 million.

Net cash used in financing activities was ¥11,988 million, a decrease of ¥73,640 million compared with the six months ended September 30, 2016. This is mainly due to a decrease in cash from purchase of shares of consolidated subsidiaries from non-controlling interests of ¥7,484 million, repayments of lease obligations of ¥2,324 million, and dividends paid to stockholders of the parent company of ¥1,896 million.

(3) Explanation of Future Forecast Information including Consolidated Financial Forecasts

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 aims to achieve sustainable growth and improve the Group’s corporate value by ensuring the implementation of the basic strategies of Mid-term Management Plan: “Drive through enhancement of 3PL business and increase market share,” “Enhance forwarding business” and “Enhance Heavy Machinery and Plant Logistics.”

The Group revised the consolidated financial forecasts for the fiscal year ending March 31, 2018, released on April 27, 2017 as below in light of the financial results for the six months ended September 30, 2017 and the latest performance trend.

[Consolidated financial forecasts for the fiscal year ending March 31, 2018]

	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
Previous forecast (A) (Announced on April 27, 2017)	Million yen 680,000	Million yen 29,500	Million yen 32,100	Million yen 30,900	Million yen 21,100	Million yen 20,000	Yen 179.29
Revised forecast (B)	690,000	29,500	32,100	30,900	21,100	20,000	179.29
Changes (B-A)	10,000	0	0	0	0	0	—
Percentage change (%)	1.5	0.0	0.0	0.0	0.0	0.0	—
(Ref.) Consolidated results for the fiscal year ended March 31, 2017	665,377	29,466	31,555	30,385	19,919	18,703	167.66

2. Summary of Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of March 31, 2017	As of September 30, 2017
(Assets)		
Current assets		
Cash and cash equivalents	57,483	52,215
Trade receivables	125,600	133,182
Inventories	1,466	1,518
Other financial assets	7,086	6,399
Other current assets	13,227	11,288
Total current assets	204,862	204,602
Non-current assets		
Investments accounted for using the equity method	71,518	71,947
Property, plant and equipment	177,520	177,447
Goodwill	28,067	28,503
Intangible assets	34,766	33,944
Deferred tax assets	8,193	8,123
Other financial assets	16,858	18,047
Other non-current assets	8,140	8,066
Total non-current assets	345,062	346,077
Total assets	549,924	550,679

(Million yen)

	As of March 31, 2017	As of September 30, 2017
(Liabilities)		
Current liabilities		
Trade payables	51,786	51,814
Short-term debt	8,557	9,943
Current portion of long-term debt	5,644	15,470
Income tax payable	7,253	6,241
Other financial liabilities	<u>46,523</u>	<u>29,126</u>
Other current liabilities	31,347	29,401
Total current liabilities	<u>151,110</u>	<u>141,995</u>
Non-current liabilities		
Long-term debt	149,914	139,362
Retirement and severance benefits	31,187	31,897
Deferred tax liabilities	11,481	11,416
Other financial liabilities	<u>12,741</u>	<u>24,874</u>
Other non-current liabilities	2,572	2,393
Total non-current liabilities	<u>207,895</u>	<u>209,942</u>
Total liabilities	<u>359,005</u>	<u>351,937</u>
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	<u>171,633</u>	<u>175,442</u>
Accumulated other comprehensive income	<u>(774)</u>	<u>3,038</u>
Treasury stock, at cost	(180)	(181)
Total equity attributable to stockholders of the parent company	<u>187,482</u>	<u>195,102</u>
Non-controlling interests	<u>3,437</u>	<u>3,640</u>
Total equity	<u>190,919</u>	<u>198,742</u>
Total liabilities and equity	549,924	550,679

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

Condensed Quarterly Consolidated Statement of Profit or Loss

(Million yen)

	Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Revenues	324,650	343,662
Cost of sales	(287,944)	(304,965)
Gross profit	36,706	38,697
Selling, general and administrative expenses	(22,203)	(24,648)
Adjusted operating income	14,503	14,049
Other income	1,227	438
Other expenses	(931)	(668)
Operating income	14,799	13,819
Financial income	76	72
Financial expenses	(811)	(417)
Share of profits of investments accounted for using the equity method	832	2,219
Earnings before interest and tax	14,896	15,693
Interest income	341	450
Interest expenses	(875)	(876)
Income before income taxes	14,362	15,267
Income taxes	(4,733)	(5,239)
Net income	9,629	10,028
Attributable to:		
Stockholders of the parent company	8,856	9,334
Non-controlling interests	773	694

	Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Earnings per share attributable to stockholders of the parent company		
Basic	¥79.39	¥83.68
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Net income	9,629	10,028
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(357)	226
Share of OCI of investments accounted for using the equity method	(9)	(21)
Total items not to be reclassified into net income	(366)	205
Items that can be reclassified into net income		
Foreign currency translation adjustments	(8,080)	3,758
Net changes in cash flow hedges	36	—
Share of OCI of investments accounted for using the equity method	(119)	(13)
Total items that can be reclassified into net income	(8,163)	3,745
Other comprehensive income	(8,529)	3,950
Comprehensive income	1,100	13,978
Attributable to:		
Stockholders of the parent company	1,791	12,434
Non-controlling interests	(691)	1,544

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)							
					Total equity attributable to stockholders of the parent company	Non-controlling interests	Total equity
	Common stock	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost			
Balance at beginning of period	16,803	157,362	1,558	(180)	175,543	3,009	178,552
Changes in equity							
Net income	—	8,856	—	—	8,856	773	9,629
Other comprehensive income	—	—	(7,065)	—	(7,065)	(1,464)	(8,529)
Dividends	—	(1,673)	—	—	(1,673)	(59)	(1,732)
Acquisition and sales of treasury stock	—	—	—	(0)	(0)	—	(0)
<u>Changes in liabilities for written put options over non-controlling interests</u>	<u>—</u>	<u>2,803</u>	<u>(1,008)</u>	<u>—</u>	<u>1,795</u>	<u>478</u>	<u>2,273</u>
Total changes in equity	—	9,986	(8,073)	(0)	1,913	(272)	1,641
Balance at end of period	16,803	167,348	(6,515)	(180)	177,456	2,737	180,193

(Million yen)

Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)							
					Total equity attributable to stockholders of the parent company	Non-controlling interests	Total equity
	Common stock	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost			
Balance at beginning of period	16,803	171,633	(774)	(180)	187,482	3,437	190,919
Changes in equity							
Net income	—	9,334	—	—	9,334	694	10,028
Other comprehensive income	—	—	3,100	—	3,100	850	3,950
Transactions with non-controlling interests	—	9	—	—	9	(122)	(113)
Dividends	—	(1,896)	—	—	(1,896)	(78)	(1,974)
Transfer to retained earnings	—	4	(4)	—	—	—	—
Acquisition and sales of treasury stock	—	—	—	(1)	(1)	—	(1)
<u>Changes in liabilities for written put options over non-controlling interests</u>	<u>—</u>	<u>(3,642)</u>	<u>716</u>	<u>—</u>	<u>(2,926)</u>	<u>(1,141)</u>	<u>(4,067)</u>
Total changes in equity	—	3,809	3,812	(1)	7,620	203	7,823
Balance at end of period	16,803	175,442	3,038	(181)	195,102	3,640	198,742

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Net income	9,629	10,028
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,269	9,425
Reversals of impairment losses	(461)	—
Share of profits of investments accounted for using the equity method	(832)	(2,219)
Income taxes	4,733	5,239
Increase in retirement and severance benefits	48	655
Interest and dividend income	(407)	(516)
Interest expenses	875	876
Gain on sale of property, plant and equipment	(552)	(110)
Increase in trade receivables	(1,883)	(5,676)
Increase in inventories	(213)	(17)
Decrease in trade payables	(1,734)	(1,066)
Decrease in other assets and liabilities	(5,138)	(4,168)
Other	707	464
Subtotal	14,041	12,915
Interest and dividend received	515	2,214
Interest paid	(890)	(842)
Income taxes paid	(6,424)	(4,242)
Net cash provided by operating activities	7,242	10,045
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,903)	(5,140)
Proceeds from sale of property, plant and equipment, and intangible assets	1,641	549
Proceeds from withdrawal of deposits	3,500	—
Acquisition of investments accounted for using the equity method	(66,843)	—
Other	622	173
Net cash used in investing activities	(67,983)	(4,418)
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	(314)	770
Proceeds from long-term debt	119,312	—
Repayments on long-term debt	(50,886)	(814)
Repayments of lease obligations	(2,548)	(2,324)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(2,085)	(7,484)
Dividends paid to stockholders of the parent company	(1,673)	(1,896)
Dividends paid to holders of non-controlling interests	(68)	(95)
Other	(86)	(145)
Net cash provided by (used in) financing activities	61,652	(11,988)
Effect of exchange rate changes on cash and cash equivalents	(1,813)	1,093
Net decrease in cash and cash equivalents	(902)	(5,268)
Cash and cash equivalents at beginning of period	45,146	57,483
Cash and cash equivalents at end of period	44,244	52,215

(5) Summary of Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None

(Segment information)

Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 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	202,872	111,246	314,118	10,532	324,650	—	324,650
Revenues from intersegment transactions or transfers	—	—	—	5,100	5,100	(5,100)	—
Total	202,872	111,246	314,118	15,632	329,750	(5,100)	324,650
Segment profit	10,656	2,927	13,583	920	14,503	—	14,503
Other income							1,227
Other expenses							(931)
Financial income							76
Financial expenses							(811)
Share of profits of investments accounted for using the equity method							832
Interest income							341
Interest expenses							(875)
Income before income taxes							14,362

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 a rational basis.

Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 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	205,425	127,706	333,131	10,531	343,662	—	343,662
Revenues from intersegment transactions or transfers	—	—	—	5,120	5,120	(5,120)	—
Total	205,425	127,706	333,131	15,651	348,782	(5,120)	343,662
Segment profit	10,172	3,056	13,228	821	14,049	—	14,049
Other income							438
Other expenses							(668)
Financial income							72
Financial expenses							(417)
Share of profits of investments accounted for using the equity method							2,219
Interest income							450
Interest expenses							(876)
Income before income taxes							15,267

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 a rational basis.