

(Revised on February 14, 2019)

## Summary of Consolidated Financial Results [IFRS] for the First Quarter Ended June 30, 2018

July 26, 2018

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): August 10, 2018  
 Date of the Start of Dividend Payment (Schedule): —  
 Creates Supplementary Materials for Quarterly Summaries: Yes  
 Briefing Held on Quarterly Settlement of Accounts: Yes (for analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

### 1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

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

	Revenues		Adjusted operating income <sup>*1</sup>		EBIT <sup>*2</sup>		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	%
June 30, 2018	174,772	3.5	7,422	13.1	8,074	1.8	7,876	2.2	5,343	3.1	5,050	5.6
June 30, 2017	168,851	5.2	6,564	(2.4)	7,932	21.9	7,707	22.9	5,181	37.9	4,784	45.5

	Basic earnings per share attributable to stockholders of the parent company
June 30, 2018	Yen 45.27
June 30, 2017	42.89

\*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
	Million yen	Million yen	Million yen	%
June 30, 2018	557,802	<u>211,631</u>	<u>207,698</u>	<u>37.2</u>
March 31, 2018	564,903	<u>208,291</u>	<u>204,328</u>	<u>36.2</u>

### 2. Dividends

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2018	—	18.00	—	18.00	36.00
March 31, 2019	—	—	—	—	—
March 31, 2019 (Forecasts)	—	19.00	—	20.00	39.00

(Note) Revision of the latest dividends forecasts: None

### 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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	710,000	1.4	31,000	4.0	34,700	4.9	33,600	4.1	22,900	3.6	21,500	2.8	192.74

(Note) Revision of the latest consolidated financial forecasts: None

**\* 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: Yes
  - (b) Changes other than (a) above: None
  - (c) Changes in accounting estimates: None

(Note) For details, please refer to “2. Summary of Condensed Quarterly Consolidated Financial Statements and Major Notes (5) Summary of Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on Page 10.

- (3) Number of Shares Issued (Common Stock)
- (a) Number of shares at the end of the term (Including treasury stock)
    - As of June 30, 2018: 111,776,714 shares,
    - As of March 31, 2018: 111,776,714 shares
  - (b) Number of treasury stock at the end of the term
    - As of June 30, 2018: 226,978 shares,
    - As of March 31, 2018: 226,948 shares
  - (c) Average number of shares during the term
    - Three months ended June 30, 2018: 111,549,753 shares,
    - Three months ended June 30, 2017: 111,549,943 shares

(Note) Quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit corporation.

(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 supplementary materials on quarterly financial results on the Company's website promptly after the announcement of the quarterly financial results.

## Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review .....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Future Forecast Information including Consolidated Financial Forecasts.....	3
2. Summary of Condensed Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	4
(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income .....	6
(3) Condensed Quarterly Consolidated Statement of Changes in Equity .....	8
(4) Condensed Quarterly Consolidated Statement of Cash Flows .....	9
(5) Summary of Notes to the Quarterly Consolidated Financial Statements .....	10
(Notes on Going Concern Assumptions) .....	10
(Changes in Accounting Policies).....	10
(Segment Information) .....	10

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

### (1) Explanation of Operating Results

For the first quarter ended June 30, 2018, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows:

	(Million yen)		
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Y on Y change
Revenues	168,851	174,772	104%
Adjusted operating income	6,564	7,422	113%
EBIT	7,932	8,074	102%
Net income attributable to stockholders of the parent company	4,784	5,050	106%

Revenues increased by 4% year-on-year to ¥174,772 million, and adjusted operating income, EBIT, and net income attributable to stockholders of the parent company also increased by 13%, 2%, and 6% year-on-year, to ¥7,422 million, ¥8,074 million, and ¥5,050 million respectively.

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

【Domestic logistics business】			(Million yen)
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Y on Y change
Revenues	101,624	105,129	103%
Segment profit (Adjusted operating income)	4,793	5,363	112%

Revenues of domestic logistics business increased by 3% year-on-year to ¥105,129 million due to full-scale operation of medical-related projects and a steady increase in handling volume.

Segment profit increased by 12% year-on-year to ¥5,363 million due to an increase in revenues and improved productivity despite an increase in work costs.

【Global logistics business】			(Million yen)
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Y on Y change
Revenues	62,292	64,807	104%
Segment profit (Adjusted operating income)	1,399	1,813	130%

Revenues of global logistics business increased by 4% year-on-year to ¥64,807 million due to automobile parts-related projects launched in the previous fiscal year and positive impact of foreign exchange rates.

Segment profit increased by 30% year-on-year to ¥1,813 million due to an increase in revenues and improved profitability of unprofitable projects.

【Other services (logistics related businesses)】			(Million yen)
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Y on Y change
Revenues	4,935	4,836	98%
Segment profit (Adjusted operating income)	372	246	66%

Revenues of other services decreased by 2% year-on-year to ¥4,836 million.

Segment profit decreased by 34% year-on-year to ¥246 million due to completion of a project in the information system development business.

## (2) Explanation of Financial Position

### 1) Assets, Liabilities and Net Assets

Total assets as of June 30, 2018 amounted to ¥557,802 million, a decrease of ¥7,101 million compared with the end of the previous fiscal year. Current assets decreased by ¥6,299 million due to decreases of ¥2,942 million in trade receivables and contract assets and ¥1,255 million in other financial assets. Non-current assets decreased by ¥802 million because of a decrease of ¥1,204 million in investments accounted for using the equity method despite an increase of ¥444 million in intangible assets.

Total liabilities as of June 30, 2018 amounted to ¥346,171 million, a decrease of ¥10,441 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥9,158 million due to decreases of ¥4,922 million in other current liabilities, ¥3,567 million in income tax payable and ¥3,204 million in trade payables, despite an increase of ¥2,226 million in other financial liabilities. Non-current liabilities decreased by ¥1,283 million due to decreases of ¥1,081 million in other financial liabilities and ¥288 million in deferred tax liabilities.

Total equity as of June 30, 2018 amounted to ¥211,631 million, an increase of ¥3,340 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 36.2% at the end of the previous fiscal year to 37.2%.

### 2) Cash flows

Cash and cash equivalents (herein called “cash”) as of June 30, 2018 was ¥62,571 million, a decrease of ¥926 million from March 31, 2018.

Cash flows from each activity for the three months ended June 30, 2018 and their significant components are as follows:

Net cash provided by operating activities was ¥6,890 million, an increase of ¥7,146 million compared with the three months ended June 30, 2017. This is mainly due to an increase in cash from net income of ¥5,343 million and depreciation and amortization of ¥4,730 million, partly offset by a decrease in cash from decrease in trade payables of ¥3,087 million.

Net cash used in investing activities was ¥3,263 million, an increase of ¥657 million compared with the three months ended June 30, 2017. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥3,564 million.

Net cash used in financing activities was ¥4,449 million, an increase of ¥1,074 million compared with the three months ended June 30, 2017. This is mainly due to a decrease in cash from dividends paid to stockholders of the parent company of ¥2,008 million, purchase of shares of consolidated subsidiaries from non-controlling interests of ¥1,099 million, and repayments of lease obligations of ¥1,080 million.

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

While the global economy continues to show a growth trend, attention must still be paid to a shift to protectionism/block economies and an impact of trade friction as well as geopolitical risks, etc. In Japan, especially in the logistics industry, the business environment is becoming severe due to intensifying competitions across industries caused by labor shortage and expansion of EC market.

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 thorough enhancement of 3PL business and increase market share,” “Enhance forwarding business” and “Enhance Heavy Machinery and Plant Logistics.”

No revision is made to the consolidated financial forecasts for the fiscal year ending March 31, 2019 (April 1, 2018 through March 31, 2019), released on April 27, 2018.

The Hitachi Transport System Group will exceed the domain of smart logistics, and we have started our new business concept “LOGISTEED” which reflects the Group’s commitment toward our brand slogan “Taking on the Future.”

\*[LOGISTEED]: A word that combines LOGISTICS with Exceed, Proceed, Succeed and Speed. It represents our determination to lead businesses to a new domain beyond the conventional domain of logistics

## 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, 2018	As of June 30, 2018
(Assets)		
Current assets		
Cash and cash equivalents	63,497	62,571
Trade receivables and contract assets	135,987	133,045
Inventories	1,711	1,293
Other financial assets	7,868	6,613
Other current assets	11,089	10,331
Total current assets	220,152	213,853
Non-current assets		
Investments accounted for using the equity method	75,349	74,145
Property, plant and equipment	175,015	175,086
Goodwill	27,869	27,986
Intangible assets	31,833	32,277
Deferred tax assets	8,466	8,321
Other financial assets	18,320	18,666
Other non-current assets	7,899	7,468
Total non-current assets	344,751	343,949
Total assets	564,903	557,802

(Million yen)

	As of March 31, 2018	As of June 30, 2018
(Liabilities)		
Current liabilities		
Trade payables	55,078	51,874
Short-term debt	10,747	11,010
Current portion of long-term debt	15,307	15,353
Income tax payable	6,782	3,215
Other financial liabilities	<u>29,049</u>	<u>31,275</u>
Other current liabilities	30,829	25,907
Total current liabilities	<u>147,792</u>	<u>138,634</u>
Non-current liabilities		
Long-term debt	138,244	138,255
Retirement and severance benefits	32,077	32,292
Deferred tax liabilities	10,897	10,609
Other financial liabilities	<u>23,721</u>	<u>22,640</u>
Other non-current liabilities	3,881	3,741
Total non-current liabilities	<u>208,820</u>	<u>207,537</u>
Total liabilities	<u>356,612</u>	<u>346,171</u>
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	<u>186,373</u>	<u>190,005</u>
Accumulated other comprehensive income	<u>1,333</u>	<u>1,071</u>
Treasury stock, at cost	(181)	(181)
Total equity attributable to stockholders of the parent company	<u>204,328</u>	<u>207,698</u>
Non-controlling interests	<u>3,963</u>	<u>3,933</u>
Total equity	<u>208,291</u>	<u>211,631</u>
Total liabilities and equity	564,903	557,802

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

## Condensed Quarterly Consolidated Statement of Profit or Loss

(Million yen)

	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Revenues	168,851	174,772
Cost of sales	(149,950)	(154,728)
Gross profit	18,901	20,044
Selling, general and administrative expenses	(12,337)	(12,622)
Adjusted operating income	6,564	7,422
Other income	177	194
Other expenses	(147)	(342)
Operating income	6,594	7,274
Financial income	68	52
Financial expenses	(238)	(509)
Share of profits of investments accounted for using the equity method	1,508	1,257
Earnings before interest and taxes	7,932	8,074
Interest income	218	261
Interest expenses	(443)	(459)
Income before income taxes	7,707	7,876
Income taxes	(2,526)	(2,533)
Net income	5,181	5,343
Attributable to:		
Stockholders of the parent company	4,784	5,050
Non-controlling interests	397	293

	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Earnings per share attributable to stockholders of the parent company		
Basic	¥42.89	¥45.27
Diluted	—	—



Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Net income	5,181	5,343
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	183	223
Share of OCI of investments accounted for using the equity method	(6)	3
Total items not to be reclassified into net income	177	226
Items that can be reclassified into net income		
Foreign currency translation adjustments	2,087	(539)
Net changes in cash flow hedges	—	1
Share of OCI of investments accounted for using the equity method	(19)	(10)
Total items that can be reclassified into net income	2,068	(548)
Other comprehensive income	2,245	(322)
Comprehensive income	7,426	5,021
Attributable to:		
Stockholders of the parent company	6,473	4,843
Non-controlling interests	953	178

## (3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

Three Months Ended June 30, 2017 (April 1, 2017 to June 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	<u>171,633</u>	<u>(774)</u>	(180)	<u>187,482</u>	<u>3,437</u>	<u>190,919</u>
Changes in equity							
Net income	—	4,784	—	—	4,784	397	5,181
Other comprehensive income	—	—	1,689	—	1,689	556	2,245
Transactions with non-controlling interests	—	9	—	—	9	(122)	(113)
Dividends	—	(1,896)	—	—	(1,896)	(50)	(1,946)
Transfer to retained earnings	—	1	(1)	—	—	—	—
Acquisition and sales of treasury stock	—	—	—	(1)	(1)	—	(1)
Changes in liabilities for written put options over non-controlling interests	—	(1,001)	486	—	(515)	(740)	(1,255)
Total changes in equity	—	<u>1,897</u>	<u>2,174</u>	(1)	<u>4,070</u>	<u>41</u>	<u>4,111</u>
Balance at end of period	16,803	<u>173,530</u>	<u>1,400</u>	(181)	<u>191,552</u>	<u>3,478</u>	<u>195,030</u>

Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(Million yen)

Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)							
					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	<u>186,373</u>	<u>1,333</u>	(181)	<u>204,328</u>	<u>3,963</u>	<u>208,291</u>
Cumulative effects of changes in accounting policies	—	25	—	—	25	—	25
Restated balance	16,803	<u>186,398</u>	<u>1,333</u>	(181)	<u>204,353</u>	<u>3,963</u>	<u>208,316</u>
Changes in equity							
Net income	—	5,050	—	—	5,050	293	5,343
Other comprehensive income	—	—	(207)	—	(207)	(115)	(322)
Dividends	—	(2,008)	—	—	(2,008)	(125)	(2,133)
Acquisition and sales of treasury stock	—	—	—	(0)	(0)	—	(0)
Changes in liabilities for written put options over non-controlling interests	—	565	(55)	—	510	(83)	427
Total changes in equity	—	<u>3,607</u>	<u>(262)</u>	(0)	<u>3,345</u>	<u>(30)</u>	<u>3,315</u>
Balance at end of period	16,803	<u>190,005</u>	<u>1,071</u>	(181)	<u>207,698</u>	<u>3,933</u>	<u>211,631</u>

## (4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Net income	5,181	5,343
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,704	4,730
Share of profits of investments accounted for using the equity method	(1,508)	(1,257)
Income taxes	2,526	2,533
Increase in retirement and severance benefits	367	240
Interest and dividends income	(280)	(312)
Interest expenses	443	459
Gain on sale of property, plant and equipment	(39)	(29)
Decrease in trade receivables and contract assets	3,485	2,830
(Increase) decrease in inventories	(64)	425
Decrease in trade payables	(2,845)	(3,087)
Decrease in other assets and liabilities	(6,974)	(2,550)
Other	54	124
Subtotal	5,050	9,449
Interest and dividends received	2,015	2,765
Interest paid	(342)	(397)
Income taxes paid	(6,979)	(4,927)
Net cash provided by (used in) operating activities	(256)	6,890
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(2,844)	(3,564)
Proceeds from sale of property, plant and equipment and intangible assets	120	123
Other	118	178
Net cash used in investing activities	(2,606)	(3,263)
Cash flows from financing activities		
Increase in short-term debt, net	219	318
Repayments on long-term debt	(421)	(303)
Repayments of lease obligations	(1,118)	(1,080)
Dividends paid to stockholders of the parent company	(1,896)	(2,008)
Dividends paid to non-controlling interests	(67)	(125)
Purchase of shares of consolidated subsidiaries from non-controlling interests	—	(1,099)
Other	(92)	(152)
Net cash used in financing activities	(3,375)	(4,449)
Effect of exchange rate changes on cash and cash equivalents	605	(104)
Net decrease in cash and cash equivalents	(5,632)	(926)
Cash and cash equivalents at beginning of period	57,483	63,497
Cash and cash equivalents at end of period	51,851	62,571

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

(Notes on Going Concern Assumptions)

None

(Changes in Accounting Policies)

1. Adoption of IFRS 9 “Financial Instruments” (amended in July 2014)

Effective April 1, 2018, the Group adopted IFRS 9 “Financial Instruments” (amended in July 2014). The Group adopted IFRS 9 in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018. The adoption of this standard has no material impact on the Group’s financial position and operating results.

2. Adoption of IFRS 15 “Revenue from Contracts with Customers”

Effective April 1, 2018, the Group adopted IFRS 15 “Revenue from Contracts with Customers.” The Group adopted IFRS 15 retrospectively in accordance with the transition method and recognized the cumulative effect of initial adoption of the standard as an adjustment to the balance of retained earnings as of April 1, 2018. The adoption of this standard has no material impact on the Group’s financial position and operating results.

(Segment Information)

Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(Million yen)

	Reporting segment			Other services <sup>1</sup>	Total	Adjustments and eliminations <sup>2</sup>	Amount recorded in consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	101,624	62,292	163,916	4,935	168,851	—	168,851
Revenues from intersegment transactions or transfers	—	—	—	2,518	2,518	(2,518)	—
Total	101,624	62,292	163,916	7,453	171,369	(2,518)	168,851
Segment profit	4,793	1,399	6,192	372	6,564	—	6,564
Other income							177
Other expenses							(147)
Financial income							68
Financial expenses							(238)
Share of profits of investments accounted for using the equity method							1,508
Interest income							218
Interest expenses							(443)
Income before income taxes							7,707

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.

Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(Million yen)

	Reporting segment			Other services <sup>1</sup>	Total	Adjustments and eliminations <sup>2</sup>	Amount recorded in consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	105,129	64,807	169,936	4,836	174,772	—	174,772
Revenues from intersegment transactions or transfers	—	—	—	2,588	2,588	(2,588)	—
Total	105,129	64,807	169,936	7,424	177,360	(2,588)	174,772
Segment profit	5,363	1,813	7,176	246	7,422	—	7,422
Other income							194
Other expenses							(342)
Financial income							52
Financial expenses							(509)
Share of profits of investments accounted for using the equity method							1,257
Interest income							261
Interest expenses							(459)
Income before income taxes							7,876

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.