

Summary of Consolidated Financial Results [IFRS] for the Fiscal Year Ended March 31, 2021

April 28, 2021

Listed Company: **Hitachi Transport System, Ltd.** Stock Exchange: First Section of Tokyo
 Code Number: 9086 URL: <https://www.hitachi-transportssystem.com/en/>
 Representative: Yasuo Nakatani, President and Chief Executive Officer
 Person in Charge: Tetsuro Taga, General Manager of Public Relations Department, Corporate Strategy Office
 Date of the Annual General Meeting of Shareholders (Schedule): June 22, 2021
 Date of the Start of Dividend Payment (Schedule): June 2, 2021
 Date of the Release of Annual Securities Report (Schedule): June 23, 2021
 Creates Supplementary Materials for Quarterly Summaries: Yes
 Briefing Held on Quarterly Settlement of Accounts: Yes (for analysts, institutional investors and media)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021	652,380	(3.0)	36,711	9.6	44,429	12.2	39,134	15.7	23,954	6.5	22,873	5.8
March 31, 2020	672,286	(5.2)	33,483	7.3	39,607	9.5	33,829	(4.0)	22,485	(6.4)	21,614	(5.1)

	Basic earnings per share attributable to stockholders of the parent company	ROE ^{*3}	ROA ^{*4}	Adjusted operating income ratio	EBIT ratio
	Yen	%	%	%	%
March 31, 2021	240.02	11.8	2.7	5.6	6.8
March 31, 2020	193.76	9.5	2.4	5.0	5.9

(Reference) Share of profit of investments accounted for using equity method

April 1, 2020 to March 31, 2021: 3,010 million yen April 1, 2019 to March 31, 2020: 6,864 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, 2021	787,936	162,107	155,158	19.7	1,854.01
March 31, 2020	879,144	239,257	232,861	26.5	2,087.52

(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, 2021	55,309	69,779	(161,056)	104,815
March 31, 2020	78,204	(1,162)	(45,707)	139,021

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			
March 31, 2020	Yen —	Yen 21.00	Yen —	Yen 22.00	Yen 43.00	Million yen 4,797	% 22.2	% 2.1
March 31, 2021	—	22.00	—	28.00	50.00	4,193	20.8	2.5
March 31, 2022 (Forecasts)	—	28.00	—	28.00	56.00		22.9	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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	5.8	37,500	2.1	37,200	(16.3)	31,500	(19.5)	21,500	(10.2)	20,500	(10.4)	244.96

* 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
- Changes in accounting policies required by IFRS: None
 - Changes other than (a) above: None
 - Changes in accounting estimates: None
- (3) Number of shares issued (common stock)
- Number of shares at the end of the term (Including treasury stock)
As of March 31, 2021: 111,776,714 shares,
As of March 31, 2020: 111,776,714 shares
 - Number of treasury stock at the end of the term
As of March 31, 2021: 28,088,745 shares,
As of March 31, 2020: 227,790 shares
 - Average number of shares during the term
Year ended March 31, 2021: 95,296,749 shares,
Year ended March 31, 2020: 111,549,164 shares

(Note) Summary of Consolidated Financial Results is outside the scope of an audit 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. Summary of Operating Results, etc." on Page 2.
- The supplementary material on financial results will be posted on the Company's website.

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1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2021

For the fiscal year ended March 31, 2021, consolidated financial results of the Hitachi Transport System Group (herein called “the Group”) are as follows.

(Million yen)

	Year Ended March 31, 2020	Year Ended March 31, 2021	Y on Y change
Revenues	672,286	652,380	97%
Adjusted operating income	33,483	36,711	110%
EBIT	39,607	44,429	112%
Net income attributable to stockholders of the parent company	21,614	22,873	106%

Revenues decreased by 3% year-on-year to ¥652,380 million. Adjusted operating income, EBIT, and net income attributable to stockholders of the parent company increased by 10%, 12%, and 6% year-on-year to ¥36,711 million, ¥44,429 million, and ¥22,873 million, respectively.

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

【Domestic logistics business】

(Million yen)

	Year Ended March 31, 2020	Year Ended March 31, 2021	Y on Y change
Revenues	435,311	421,190	97%
Segment profit (Adjusted operating income)	26,063	25,176	97%

Revenues of domestic logistics business decreased by 3% year-on-year to ¥421,190 million due to a continued decline in volume caused by the spread of COVID-19 despite an increase in revenues as a result of contributions from newly launched projects and consolidation of PALENET CO., LTD. and Hitachi Transport System East Japan Distribution Services Co., Ltd.

Segment profit decreased by 3% year-on-year to ¥25,176 million due to a decrease in revenues despite improved productivity and a reduction in total costs.

【Global logistics business】

(Million yen)

	Year Ended March 31, 2020	Year Ended March 31, 2021	Y on Y change
Revenues	219,761	216,258	98%
Segment profit (Adjusted operating income)	6,502	10,340	159%

Revenues of global logistics business decreased by 2% year-on-year to ¥216,258 million as revenues did not return to the level of the previous fiscal year after being affected by the spread of COVID-19 and fluctuations of foreign exchange rates, although showing a recovery trend in each region.

Segment profit increased by 59% year-on-year to ¥10,340 million due to an increase in profitability of domestic and Chinese freight forwarding business between Japan and other countries and the effects of improved productivity and total cost reduction in each region despite a decrease in revenues.

【Other services (logistics related businesses)】

(Million yen)

	Year Ended March 31, 2020	Year Ended March 31, 2021	Y on Y change
Revenues	17,214	14,932	87%
Segment profit (Adjusted operating income)	918	1,195	130%

Revenues of other services decreased by 13% year-on-year to ¥14,932 million due to the effect of exclusion of Hitachi Travel Bureau, Ltd. (currently known as HTB-BCD Travel Limited) from the scope of consolidation.

Segment profit increased by 30% year-on-year to ¥1,195 million due to new orders received in information system development business despite a decrease in revenues.

(2) Summary of Financial Position as of March 31, 2021

Total assets as of March 31, 2021 amounted to ¥787,936 million, a decrease of ¥91,208 million compared with the end of the previous fiscal year. Current assets decreased by ¥20,059 million due to a decrease of ¥34,206 million in cash and cash equivalents despite increases of ¥8,262 million in trade receivables and contract assets and ¥6,592 million in other current assets. Non-current assets decreased by ¥71,149 million due to a decrease of ¥82,899 million in investments accounted for using the equity method despite an increase of ¥11,749 million in property, plant and equipment.

Total liabilities as of March 31, 2021 amounted to ¥625,829 million, a decrease of ¥14,058 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥11,106 million due to a decrease of ¥13,684 million in other financial liabilities. Non-current liabilities decreased by ¥2,952 million due to a decrease of ¥10,199 million in long-term debt despite an increase of ¥7,776 million in other financial liabilities.

Total equity as of March 31, 2021 amounted to ¥162,107 million, a decrease of ¥77,150 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio decreased from 26.5% at the end of the previous fiscal year to 19.7%.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2021

Cash and cash equivalents (herein called “cash”) as of March 31, 2021 was ¥104,815 million, a decrease of ¥34,206 million from March 31, 2020.

Cash flows from each activity for the year ended March 31, 2021 and their significant components are as follows:

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

Net cash used in investing activities was ¥69,779 million, a decrease of ¥70,941 million compared with the fiscal year ended March 31, 2020. This is mainly due to an increase in cash from proceeds from sale of investments in associates of ¥87,183 million, partly offset by a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥19,792million.

Net cash used in financing activities was ¥161,056 million, an increase of ¥115,349 million compared with the fiscal year ended March 31, 2020. This is mainly due to a decrease in cash from acquisition of treasury stock of ¥99,633 million and repayments of lease liabilities of ¥36,648 million.

(4) Outlook for the Future

While the global economy is recovering from the damage inflicted by the global pandemic of COVID-19, it still remains unpredictable, and it is also necessary to pay due attention to the impact of “U.S.-China trade friction,” “geopolitical risk,” “climate change,” and “natural disasters,” 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 will strive to achieve the following targets during the year ending March 31, 2022 which is the last year of the Mid-term Management Plan.

[Consolidated financial forecasts]

(Million yen)

	March 31, 2022	
		Y on Y change
Revenues	690,000	106%
Adjusted operating income	37,500	102%
EBIT	37,200	84%
Net income attributable to stockholders of the parent company	20,500	90%

The supplementary material on financial results will be posted on the Company’s website.

[URL] <http://www.hitachi-transportssystem.com/en/ir/library/presentations/>

(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 under this vision, strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

2) Medium-to-Long-Term Management Strategies

[Business Environment]

While the environment surrounding the Group is recovering from the damage inflicted by the global pandemic of COVID-19, it still remains unpredictable and is also affected by the impact of “U.S.-China trade friction,” “geopolitical risk,” “climate change,” and “natural disasters.” 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. Also, the supply chain structure has been changing significantly due to technological advancement and social changes including “IoT,” “AI (artificial intelligence),” “Robotics,” “Fintech,” “Sharing economy”, and digitalization.

[Basic Policy]

Under our brand slogan “Taking on the Future” and our business concept “LOGISTEED,” the Hitachi Transport System Group is committed to expand collaborative areas across businesses and industries and create new innovation exceeding the domain of logistics with enhancement of logistics (Smart Logistics) as a function as our core target and aim to create and expand its ecosystem*.

* Ecosystem is a circular system enabling multiple companies across industries and sectors to coexist and co-prosper by forming partnership and interacting with each other to take advantage of respective strengths.

*[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 logistics.

Under the Mid-term Management Plan (LOGISTEED 2021) covering the period from FY2019 through FY2021 (from April 1, 2019 to March 31, 2022), we will use the platform built by digitalization of the Group and its collaborative partners as a hub for the sharing economy which encompasses industry peers and accelerate more open collaborative innovation, in order to realize supply chain based on and originating from our logistics domain.

The Group strives to enhance our new existence value and increase corporate value by changing and evolving to a company by “LOGISTEED” in order to become the most preferred solution provider.

[Priority Measures]

- i. Implement portfolio strategy, including M&A and alliances, to build a solid core domain (Smart Logistics)
- ii. Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains
 - (i) We will enhance the core domain and expand target domains through collaboration with SG Holdings Co., Ltd. in our businesses.
 - (ii) We will enhance collaboration with 3PL business associated with enhancement of the freight forwarding business through collaboration with AIT Corporation and Kintetsu World Express, Inc.
 - (iii) We will create four integrated solutions of “Finance,” “Commerce,” “Information,” and “Logistics” through collaboration with Mitsubishi HC Capital Inc.

- iii. Design supply chain based on and originating from the logistics domain
 - (i) We will realize “Business × Digital transformation” in the core domain.
 - (ii) We will expand “On-site capability of logistics × Platform” through digitalization including collaboration with partners.
 - SCDOS (Supply Chain Design & Optimization Services) that centrally manage and visualize supply chain information and provide support for solving issues
 - SWH (Smart warehouse) that combines automation/technological development and digital technology and standardizes them for customers’ industry
 - SSCV (Smart & Safety Connected Vehicle) that is a service platform to help transporters achieve zero-accidents and improve operational efficiency by making full use of IoT technology
 - Development of platform by industry and region
 - Collaboration to build digital platform to support them
- iv. Implement topline growth strategy
 - (i) Expand value chain surrounding customers and new services in the untapped domains including “Finance” and “Commerce” (VAS (Value Added service) strategy)
 - (ii) Acquire intellectual property rights on and sophisticate 3PL (digital twin/CPS (Cyber Physical System))
 - (iii) Increase resilience of transportation business (business expansion with SSCV and centralized vehicle assignment center)
 - (iv) Accelerate global growth strategy (region-contained business model)
- v. Originate and succeed operation toward the next-generation (hands-on approach)
 - (i) Establishment of solid regional independent operation base led by regional business companies
 - (ii) Serious efforts to “secure, retain and foster human resources” through measures such as “Diversity & Inclusion,” “Working-style reform” and “Education for all employees.”
 - (iii) Promote a sense of “personal ownership” through company-wide bottom-up initiatives in the VC21 activities (increase profitability by KAIZEN, environmental activities, and visualizing organization soundness level)
 - (iv) Evolve “Gemba” power and “visualization” through internal DX (increase resilience of sites)
- vi. Environment/Social/Governance and corporate ethics
 - (i) Implement risk management to increase corporate value and achieve sustainable growth
 - (ii) Initiatives for the SDGs (objectives)
 - “Pursue Next generation Industries and Lifestyles”
 - “Enhance Occupational Safety and Productivity”
 - “Ensure Excellent Quality and Resilience”
 - “Achieve decarbonization in business processes” (medium-to-long- term environmental targets)
 - (iii) We will ensure to bear in mind the notion of “Basics and Ethics.” (Enhance compliance and governance)
 - (iv) We will promote enhancement of “Logistics quality,” “Information security,” “AEO/export management” and “Green logistics,” etc.
 - (v) We will promote preventive maintenance measures under the slogans of “Safety First.”

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, 2020	As of March 31, 2021
(Assets)		
Current assets		
Cash and cash equivalents	139,021	104,815
Trade receivables and contract assets	115,419	123,681
Inventories	1,066	1,083
Other financial assets	5,102	4,378
Other current assets	6,801	13,393
Total current assets	267,409	247,350
Non-current assets		
Investments accounted for using the equity method	89,271	6,372
Property, plant and equipment	148,232	159,981
Right-of-use assets	288,441	288,030
Goodwill	24,112	25,228
Intangible assets	24,397	23,824
Deferred tax assets	10,123	11,732
Other financial assets	21,274	18,459
Other non-current assets	5,885	6,960
Total non-current assets	611,735	540,586
Total assets	879,144	787,936

(Million yen)

	As of March 31, 2020	As of March 31, 2021
(Liabilities)		
Current liabilities		
Trade payables	45,410	51,733
Short-term debt	3,546	2,152
Current portion of long-term debt	10,416	10,320
Lease liabilities	33,209	30,600
Income tax payable	8,232	6,089
Other financial liabilities	37,886	24,202
Other current liabilities	29,062	31,559
Total current liabilities	167,761	156,655
Non-current liabilities		
Long-term debt	150,502	140,303
Lease liabilities	261,031	261,220
Retirement and severance benefits	34,825	37,071
Deferred tax liabilities	10,123	7,467
Other financial liabilities	12,299	20,075
Other non-current liabilities	3,346	3,038
Total non-current liabilities	472,126	469,174
Total liabilities	639,887	625,829
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	220,829	236,311
Accumulated other comprehensive income	(4,587)	1,861
Treasury stock, at cost	(184)	(99,817)
Total equity attributable to stockholders of the parent company	232,861	155,158
Non-controlling interests	6,396	6,949
Total equity	239,257	162,107
Total liabilities and equity	879,144	787,936

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

Consolidated Statement of Profit or Loss

(Million yen)

	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Revenues	672,286	652,380
Cost of sales	(588,078)	(566,582)
Gross profit	84,208	85,798
Selling, general and administrative expenses	(50,725)	(49,087)
Adjusted operating income	33,483	36,711
Other income	10,579	10,787
Other expenses	(9,706)	(6,448)
Operating income	34,356	41,050
Financial income	88	413
Financial expenses	(1,701)	(44)
Share of profits (losses) of investments accounted for using equity method	6,864	3,010
Earnings before interest and taxes	39,607	44,429
Interest income	1,186	1,197
Interest expenses	(6,964)	(6,492)
Income before income taxes	33,829	39,134
Income taxes	(11,344)	(15,180)
Net income	22,485	23,954
Attributable to:		
Stockholders of the parent company	21,614	22,873
Non-controlling interests	871	1,081

	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Earnings per share attributable to stockholders of the parent company		
Basic	¥193.76	¥240.02
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Million yen)

	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net income	22,485	23,954
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(49)	475
Remeasurements of defined benefit plans	284	213
Share of OCI of investments accounted for using the equity method	(93)	18
Total items not to be reclassified into net income	142	706
Items that can be reclassified into net income		
Foreign currency translation adjustments	(4,344)	6,274
Net changes in cash flow hedges	4	2
Share of OCI of investments accounted for using the equity method	(21)	20
Total items that can be reclassified into net income	(4,361)	6,296
Other comprehensive income	(4,219)	7,002
Comprehensive income	18,266	30,956
Attributable to:		
Stockholders of the parent company	17,878	29,211
Non-controlling interests	388	1,745

(3) Consolidated Statement of Changes in Equity

(Million yen)

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)							
	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	206,245	(520)	(182)	222,346	6,603	228,949
Changes in equity							
Net income		21,614			21,614	871	22,485
Other comprehensive income			(3,736)		(3,736)	(483)	(4,219)
Transactions with non-controlling interests		(6)	(1)		(7)	209	202
Dividends		(4,686)			(4,686)	(180)	(4,866)
Transfer to retained earnings		147	(147)		—		—
Acquisition and sales of treasury stock				(2)	(2)		(2)
Changes in liabilities for written put options over non-controlling interests		(2,485)	(183)		(2,668)	(624)	(3,292)
Total changes in equity	—	14,584	(4,067)	(2)	10,515	(207)	10,308
Balance at end of year	16,803	220,829	(4,587)	(184)	232,861	6,396	239,257

(Million yen)

Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)							
	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	220,829	(4,587)	(184)	232,861	6,396	239,257
Changes in equity							
Net income		22,873			22,873	1,081	23,954
Other comprehensive income			6,338		6,338	664	7,002
Transactions with non-controlling interests		181	(108)		73	(327)	(254)
Dividends		(4,299)			(4,299)	(121)	(4,420)
Transfer to retained earnings		68	(68)		—		—
Acquisition and sales of treasury stock				(99,633)	(99,633)		(99,633)
Share-based remuneration transactions		24			24		24
Changes in liabilities for written put options over non-controlling interests		(3,365)	286		(3,079)	(744)	(3,823)
Total changes in equity	—	15,482	6,448	(99,633)	(77,703)	553	(77,150)
Balance at end of year	16,803	236,311	1,861	(99,817)	155,158	6,949	162,107

(4) Consolidated Statement of Cash Flows

(Million yen)

	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Net income	22,485	23,954
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	52,815	52,159
Impairment losses	4,169	1,339
Income taxes	11,344	15,180
Share of profits (losses) of investments accounted for using equity method	(6,864)	(3,010)
Gain on sale of investments in associates	—	(4,945)
Gain on business reorganization	(1,244)	—
Gain on sale of property, plant and equipment	(8,371)	(2,769)
Balance at end of period	(1,267)	(1,270)
Interest expenses	6,964	6,492
(Increase) decrease in trade receivables and contract assets	16,692	(4,366)
(Increase) decrease in inventories	60	77
Increase (decrease) in trade payables	(8,303)	3,084
Increase (decrease) in retirement and severance benefits	2,741	1,976
Decrease in other assets and liabilities	(3,256)	(5,203)
Other	1,145	996
Subtotal	89,110	83,694
Interest and dividends received	3,896	4,145
Interest paid	(6,880)	(6,399)
Income taxes paid	(7,922)	(26,131)
Net cash provided by operating activities	78,204	55,309
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(12,709)	(19,792)
Proceeds from sale of property, plant and equipment and intangible assets	13,105	3,814
Proceeds from sale of investments in associates	—	87,183
Purchase of investments in subsidiaries	(666)	(1,476)
Decrease by a loss of control of a subsidiary	(384)	—
Other	(508)	50
Net cash provided by (used in) investing activities	(1,162)	69,779

	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Cash flows from financing activities		
Decrease in short-term debt, net	(2,075)	(1,575)
Repayments on long-term debt	(739)	(10,409)
Repayments on lease liabilities	(37,103)	(36,648)
Proceeds from sale of interests in subsidiaries to non-controlling interests	—	114
Payments for acquisition of interests in subsidiaries from non-controlling interests	(199)	(7,541)
Dividends paid to stockholders of the parent company	(4,686)	(4,299)
Dividends paid to non-controlling interests	(180)	(121)
Acquisition of treasury stock	(2)	(99,633)
Other	(723)	(944)
Net cash used in financing activities	(45,707)	(161,056)
Effect of exchange rate changes on cash and cash equivalents	(726)	1,762
Net increase (decrease) in cash and cash equivalents	30,609	(34,206)
Cash and cash equivalents at beginning of year	108,412	139,021
Cash and cash equivalents at end of year	139,021	104,815

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(Notes in the Event of Significant Changes in Shareholders' Equity)

The major change the year ended March 31, 2021 represents the acquisition of treasury stock of 27,675 thousand shares (¥98,994 million) based on the resolution at the Board of Directors meeting held on September 24, 2020. The acquisition cost of treasury stock includes direct acquisition cost (net of tax).

As a result, the number of treasury stock as of March 31, 2021 was 28,089 thousand shares with book value of ¥99,817 million.

(Additional Information)

(Impact of the spread of the novel coronavirus infection)

As for the impact of the novel coronavirus infection, profitability for the first quarter ended June 30, 2020 declined at certain business for automobile-related customers, etc. due to a decrease in volume resulting from the customers' reduced operation, and the profitability turned toward a gradual recovery in and after the second quarter ended September 30, 2020. Accordingly, we believe COVID-19 has only a limited impact on the consolidated financial statements in terms of valuation of assets related to this business as of March 31, 2021. However, if a significant change in the situation regarding the spread of COVID-19 further increases uncertainty, we may need to review the carrying amount of assets or liabilities after the year ending March 31, 2022.

(Partial amendment to the Strategic Capital and Business Alliance with SG Holdings Co., Ltd. and SAGAWA EXPRESS CO., LTD.)

The Company and SG Holdings Co., Ltd. and its subsidiary SAGAWA EXPRESS CO., LTD. (the Company and SG Holdings Co., Ltd. and SAGAWA EXPRESS CO., LTD. are collectively referred to as "Companies") have concluded a capital and business alliance agreement in March 2016 ("Capital and Business Alliance"), based on which the Company acquired 20% of the outstanding shares (excluding treasury stock) of SAGAWA EXPRESS CO., LTD. in May 2016 and has discussed and considered the possibility of the Companies' management integration based on the achievements through the Capital and Business Alliance.

After much discussion, the Companies reached the conclusion that the maximization of their corporate value can be achieved by individually promoting their own growth strategy while further enhancing the business aspects based on daily collaborative innovation and collaboration activities. The Company resolved the partial amendment to the Capital and Business Alliance at the Board of Directors meeting on September 24, 2020 to acquire a part of the Company's shares held by SG Holdings Co., Ltd. and transfer all shares of SAGAWA EXPRESS CO., LTD. held by the Company to SG Holdings Co., Ltd., which were agreed on by the Companies. It was also decided to defer the discussion aimed at the management integration for the moment.

The partial amendment to the Capital and Business Alliance allows the Group to accelerate the initiatives toward the supply chain optimization, which the Group is currently promoting together with various collaborative innovation partners, especially in overseas and create and expand its ecosystem including flexible use of treasury stock.

(Notes to Consolidated Statement of Profit or Loss)

1. Other income

(Million yen)

	Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net gain on sales of fixed assets	8,621	2,970
Government subsidy	115	1,574
Gain on sale of investments in associates	—	4,945
Net gain on business reorganization	1,244	—
Other	599	1,298
Total	10,579	10,787

1) Net gain on sales of fixed assets

Net gain on sales of fixed assets for the fiscal year ended March 31, 2020 and 2021 consists mostly of a gain recognized in the sale of land held for business use by the Company and its certain consolidated subsidiaries for the purpose of improving asset efficiency.

2) Government subsidy

Government subsidy for the year ended March 31, 2021 consists mostly of subsidy granted by national and local governments in connection with the impact of COVID-19.

3) Gain on sale of investments in associates

During the year ended March 31, 2021, we transferred all shares of our equity method associate SAGAWA EXPRESS CO., LTD. to SG Holdings Co, Ltd. As a result, the ratio of our equity interest in SAGAWA EXPRESS decreased from 20% to 0% resulting in a loss of significant influence over SAGAWA EXPRESS, and accordingly we suspended the application of the equity method. Gain on sale of investments in associates recognized as a result of such treatment was ¥4,945 million.

4) Net gain on business reorganization

Net gain on business reorganization for the year ended March 31, 2020 was recognized in connection with the transfer of 70% of shares of our consolidated subsidiary Hitachi Travel Bureau Ltd. (currently HTB-BCD Travel Limited) to BCD Travel Asia B.V., which resulted in a loss of control of Hitachi Travel Bureau, Ltd. and its subsidiaries (currently HTB-BCD Travel Limited).

2. Other expenses

(Million yen)

	Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net loss on sales of fixed assets	(250)	(197)
Net loss on disposal of fixed assets	(487)	(609)
Impairment losses	(4,169)	(1,339)
Loss due to COVID-19	—	(1,631)
Loss on revision of retirement benefit plan	(3,180)	(828)
Business structural reform expenses	(666)	(487)
Other	(954)	(1,357)
Total	(9,706)	(6,448)

1) Impairment losses

For the year ended March 31, 2020, the Group recognized impairment losses of ¥2,313 million for goodwill and ¥1,438 million for customer-related assets mainly in the global logistics business of VANTEC CORPORATION because future cash flows originally assumed in the business plans could no longer be expected and their net carrying amounts were written down to the recoverable amounts. Impairment losses were recognized for the total outstanding balance of goodwill and unamortized customer-related assets in the global logistics business of VANTEC CORPORATION in the year ended March 31, 2020. The recoverable amounts were calculated based on value in use by discounting future cash flows at a pretax discount rate (10.0%). Please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements (Segment Information)" on Page 17 for reportable segments.

Impairment loss for the year ended March 31, 2021 mainly relates to investments in HTB-BCD Travel Ltd. mainly engaging in travel agency service. As the future cash flows assumed in the year ended March 31, 2020 is no longer expected because the company's business environment changed due to COVID-19, we reduced the carrying amount to its recoverable amount and recorded impairment loss on investments accounted for using the equity method of ¥863 million. Impairment losses were recognized for the total outstanding balance of investments accounted for using the equity method of HTB-BCD Travel Limited in the year ended March 31, 2021. The recoverable amounts were calculated based on value in use by discounting future cash flows at a pretax discount rate (10.5%). please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements (Segment Information)" on Page 18 for reportable segments

2) Loss due to COVID-19

Loss due to COVID-19 for the year ended March 31, 2021 mainly relates to fixed costs (e.g. labor cost, depreciation) incurred at certain locations of our customers and the Group which were shut down in response to various COVID-19-related requests by national and local governments during the period of such shutdown.

3) Loss on revision of retirement benefit plan

Loss on revision of retirement benefit plan for the year ended March 31, 2020 and 2021 was recognized as certain domestic consolidated subsidiaries revised their defined benefit plans and the resulting increase in the present value of defined benefit obligations was recognized as past service costs.

4) Business structural reform expenses

Business structural reform expenses were mainly special severance payments for the year ended March 31, 2020 and 2021.

3. Financial income

(Million yen)

	Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Dividends income	81	73
Foreign exchange gain	—	337
Other	7	3
Total	88	413

4. Financial expenses

(Million yen)

	Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Exchange loss	(1,666)	—
Other	(35)	(44)
Total	(1,701)	(44)

(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 reportable 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 reportable 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, 2020 (April 1, 2019 to March 31, 2020)

(Million yen)

	Reportable 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	435,311	219,761	655,072	17,214	672,286	—	672,286
Revenues from intersegment transactions or transfers	—	—	—	13,953	13,953	(13,953)	—
Total	435,311	219,761	655,072	31,167	686,239	(13,953)	672,286
Segment profit	26,063	6,502	32,565	918	33,483	—	33,483
Other income							10,579
Other expenses							(9,706)
Financial income							88
Financial expenses							(1,701)
Share of profits of investments accounted for using the equity method							6,864
Interest income							1,186
Interest expenses							(6,964)
Income before income taxes							33,829
Others							
Depreciation and Amortization	36,599	11,952	48,551	4,264	52,815	—	52,815
Impairment losses	323	3,846	4,169	—	4,169	—	4,169

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

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable 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	421,190	216,258	637,448	14,932	652,380	—	652,380
Revenues from intersegment transactions or transfers	—	—	—	7,814	7,814	(7,814)	—
Total	421,190	216,258	637,448	22,746	660,194	(7,814)	652,380
Segment profit	25,176	10,340	35,516	1,195	36,711	—	36,711
Other income							10,787
Other expenses							(6,448)
Financial income							413
Financial expenses							(44)
Share of profits(losses) of investments accounted for using the equity method							3,010
Interest income							1,197
Interest expenses							(6,492)
Income before income taxes							39,134
Others							
Depreciation and Amortization	37,005	11,722	48,727	3,432	52,159	—	52,159
Impairment losses ³	285	191	476	—	476	863	1,339

Note: 1. “Other services” includes information system development, service, sale and maintenance of motor vehicles which are excluded from the reportable 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.

3. Adjustments and eliminations of Impairment losses in Others relate to impairment loss on investments accounted for using the equity method in HTB-BCD Travel Limited mainly engaging in travel agency service which is not related to any business segment.

(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, 2020 and 2021 is as follows.

	Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net income attributable to stockholders of the parent company (Million yen)	21,614	22,873
Weighted average number of common stock (Thousand shares)	111,549	95,297
Basic EPS attributable to stockholders of the parent company (Yen)	193.76	240.02

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

(Significant Subsequent Events)

Not applicable