

Summary of Consolidated Financial Results [IFRS] for the Fiscal Year Ended March 31, 2023

May 16, 2023

Company: **LOGISTEED, Ltd.**

URL: <https://www.logisteed.com/en/>

Representative: Hiroaki Takagi, Representative Director, President and COO

Person in Charge: Tetsuro Taga, General Manager of Public Relations Department, Corporate Strategy Office

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Creates Supplementary Materials for Summaries: Yes

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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, 2023	814,310	9.5	45,840	18.5	45,292	54.0	39,968	62.3	27,410	87.5	25,516	88.8
March 31, 2022	743,612	14.0	38,696	5.4	29,417	(33.8)	24,631	(37.1)	14,622	(39.0)	13,513	(40.9)

	Adjusted operating income ratio		EBIT ratio	
	%		%	
March 31, 2023	5.6		5.6	
March 31, 2022	5.2		4.0	

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

April 1, 2022 to March 31, 2023: 811 million yen April 1, 2021 to March 31, 2022: 491 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]

(2) Consolidated Financial Position

	Total assets		Total equity		Total equity attributable to stockholders of the parent company	
	Million yen		Million yen		Million yen	
March 31, 2023	912,109		120,044		110,704	
March 31, 2022	791,878		178,213		170,170	

(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, 2023	122,063		(117,310)		(17,266)		83,792	
March 31, 2022	65,135		(24,877)		(52,511)		94,907	

*** 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

(a) Changes in accounting policies required by IFRS: None

(b) Changes other than (a) above: None

(c) Changes in accounting estimates: None

(Note) Summary of Consolidated Financial Results is outside the scope of an audit by certified public accountants or an audit corporation.

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1. Summary of Operating Results, etc.

(1) Summary of Operating Results for the Fiscal Year Ended March 31, 2023

For the Fiscal Year Ended March 31, 2023, consolidated financial results of the LOGISTEED Group (herein called “the Group”) are as follows.

(Million yen)

	Year Ended March 31, 2022	Year Ended March 31, 2023	Y on Y change
Revenues	743,612	814,310	110%
Adjusted operating income	38,696	45,840	118%
EBIT	29,417	45,292	154%
Net income attributable to stockholders of the parent company	13,513	25,516	189%

Revenues, adjusted operating income, EBIT, and net income attributable to stockholders of the parent company increased by 10%, 18%, 54%, and 89% year-on-year to ¥814,310 million, ¥45,840 million, ¥45,292 million, and ¥25,516 million, respectively.

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

【Domestic logistics business】

(Million yen)

	Year Ended March 31, 2022	Year Ended March 31, 2023	Y on Y change
Revenues	417,162	423,972	102%
Segment profit (Adjusted operating income)	23,678	23,009	97%

Revenues of domestic logistics business increased by 2% year-on-year to ¥423,972 million.

Segment profit decreased by 3% year-on-year to ¥23,009 million mainly due to an increase in costs including temporary costs.

【Global logistics business】

(Million yen)

	Year Ended March 31, 2022	Year Ended March 31, 2023	Y on Y change
Revenues	313,494	375,894	120%
Segment profit (Adjusted operating income)	13,642	21,092	155%

Revenues of global logistics business increased by 20% year-on-year to ¥375,894 million mainly due to contributions from the freight forwarding business, operation of new projects, and the effect of foreign exchange rate fluctuations.

Segment profit increased by 55% year-on-year to ¥21,092 million mainly due to an increase in revenues, improved profitability, and the effect of foreign exchange rate fluctuations.

【Other services (logistics related businesses)】

(Million yen)

	Year Ended March 31, 2022	Year Ended March 31, 2023	Y on Y change
Revenues	12,956	14,444	111%
Segment profit (Adjusted operating income)	1,376	1,739	126%

Revenues of other services increased by 11% year-on-year to ¥14,444 million.

Segment profit increased by 26% year-on-year to ¥1,739 million.

(2) Summary of Financial Position as of March 31, 2023

Total assets as of March 31, 2023 amounted to ¥912,109 million, an increase of ¥120,231 million compared with the end of the previous fiscal year. Current assets decreased by ¥5,788 million due to a decrease of ¥11,115 million in cash and cash equivalents despite an increase of ¥4,008 million in other financial assets. Non-current assets increased by ¥126,019 million due to increases of ¥97,205 million in long-term loans receivable and ¥14,186 million in property, plant and equipment.

Total liabilities as of March 31, 2023 amounted to ¥792,065 million, an increase of ¥1,784 million compared with the end of the previous fiscal year. Current liabilities increased by ¥48,980 million due to an increase of ¥45,251 million in deposits received. Non-current liabilities increased by ¥129,420 million due to an increase of ¥127,714 million in long-term debt.

Total equity as of March 31, 2023 amounted to ¥120,044 million, a decrease of ¥58,169 million compared with the end of the previous fiscal year due to an increase of ¥221,169 million in treasury stock, at cost and a decrease of ¥16,493 million in common stock despite an increase of ¥147,257 million in capital surplus.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2023

Cash and cash equivalents (herein called “cash”) as of March 31, 2023 was ¥83,792 million, a decrease of ¥11,115 million from March 31, 2022.

Cash flows from each activity for the year ended March 31, 2023 and their significant components are as follows:

Net cash provided by operating activities was ¥122,063 million, an increase of ¥56,928 million compared with the fiscal year ended March 31, 2022. This is mainly due to increases in cash from depreciation and amortization of ¥56,686 million, increase in deposits received of ¥45,223 million, and recording net income of ¥27,410 million despite a decrease in cash from income taxes paid of ¥13,928 million.

Net cash used in investing activities was ¥117,310 million, an increase of ¥92,433 million compared with the fiscal year ended March 31, 2022. This is mainly due to decreases in cash from payments for loans made to the parent company of ¥972 million and purchase of property, plant and equipment and intangible assets of ¥26,374 million.

Net cash used in financing activities was ¥17,266 million, a decrease of ¥35,245 million compared with the fiscal year ended March 31, 2022. This is mainly due to a decrease in cash from acquisition of treasury stock of ¥221,997 million despite an increase in cash through proceeds from long-term debt of ¥198,783 million.

(4) 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 LOGISTEED 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.”

LOGISTEED WAY	Shows the role and the "Way" to move forward of the LOGISTEED Group and consists of “Corporate Philosophy,” “Corporate Vision,” “Guiding Principles,” and “Success Drivers.”
Corporate Philosophy	The LOGISTEED Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.
Corporate Vision (Long-term vision)	The most preferred global supply chain solutions provider
Guiding Principles	Principles for actions to be followed by all employees of the LOGISTEED Group to embody our Corporate Philosophy and Corporate Vision. <ul style="list-style-type: none"> • Compliance: We value “Basics and Ethics.” • Customer Focus: We deliver value to our customers. • Innovation and Excellence: We strive for service excellence through collaborative innovation. • Diversity and Inclusion: We leverage inclusive diversity for holistic growth. • Sustainability: We think and act responsibly as a global citizen.
Success Drivers	“Gemba” Power, multiplied by Visualization <ul style="list-style-type: none"> • 3 Key Goal Indicators: Safety, Quality, and Productivity • 3 Disciplines: Attention to Detail, Uncovering Problems, and Strong Sense of Speed • 3 Attributes: Customer Centricity, Teamwork, and Can Do Spirit

2) Medium-to-Long-Term Management Strategies

[Business Environment]

While the global economy is recovering from the damage inflicted by the global pandemic of COVID-19, the environment surrounding the Group remains uncertain due to geopolitical risk associated with the U.S.-China standoff and the Russian invasion of Ukraine, the rise in global inflation, and ongoing climate change and natural disasters, etc.

Under such circumstances, the Group is required to address changes in business environment, including worsening labor shortages against the backdrop of declining birthrate and aging population in Japan, actualization of geopolitical risk, climate change, and intensifying competition beyond industry boundaries, to maintain resilient global supply chains by solving issues through innovation with IoT/AI, robotics, and DX toward the realization of sustainable society.

[Basic Policy]

Under the brand slogan “Taking on the Future” and our business concept “LOGISTEED,” the Group creates economic value as well as social and environmental values through “pursuit of safety, quality, and productivity” which is a success driver to achieve “LOGISTEED WAY.”

And we will aim to become the “most preferred global supply chain solutions provider” through a strong partnership with Kohlberg Kravis Roberts & Co. L.P. toward our medium-to-long-term vision “LOGISTEED2030.”

*[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.

[Priority Measures]

Collaborative innovation with partners to enhance capability

- (i) High value-added solutions to optimize the entire SCM
- (ii) Improve customer convenience and efficiency through DX
- (iii) Enhance overseas value chain with a consistent approach
- (iv) Engage in projects to make advance investment
- (v) Promote strategic M&As
- (vi) Solidify position as a platform provider
- (vii) Solidify ESG management base

2. Consolidated Financial Statements and Major Notes

(1) Consolidated Statement of Financial Position

(Million yen)

	As of March 31, 2022	As of March 31, 2023
(Assets)		
Current assets		
Cash and cash equivalents	94,907	83,792
Trade receivables and contract assets	131,862	132,036
Inventories	1,363	1,329
Other financial assets	10,580	14,588
Other current assets	10,758	11,937
Total current assets	249,470	243,682
Non-current assets		
Investments accounted for using the equity method	6,762	7,319
Property, plant and equipment	169,290	183,476
Right-of-use assets	281,265	287,658
Goodwill	25,881	30,120
Intangible assets	21,270	20,795
Long-term loans receivable	71	97,276
Deferred tax assets	14,022	16,126
Other financial assets	17,188	17,880
Other non-current assets	6,659	7,777
Total non-current assets	542,408	668,427
Total assets	791,878	912,109

(Million yen)

	As of March 31, 2022	As of March 31, 2023
(Liabilities)		
Current liabilities		
Trade payables	54,561	52,188
Short-term debt	1,114	36
Current portion of long-term debt	20,092	830
Lease liabilities	31,926	35,095
Income tax payable	5,385	6,990
Deposits received	1,520	46,771
Other financial liabilities	20,499	40,089
Other current liabilities	38,044	40,122
Total current liabilities	173,141	222,121
Non-current liabilities		
Long-term debt	120,386	248,100
Lease liabilities	251,343	256,125
Retirement and severance benefits	39,436	35,964
Deferred tax liabilities	7,969	9,643
Other financial liabilities	18,435	11,590
Other non-current liabilities	2,955	8,522
Total non-current liabilities	440,524	569,944
Total liabilities	613,665	792,065
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	310
Capital surplus	—	147,257
Retained earnings	145,026	168,856
Accumulated other comprehensive income	9,162	16,271
Treasury stock, at cost	(821)	(221,990)
Total equity attributable to stockholders of the parent company	170,170	110,704
Non-controlling interests	8,043	9,340
Total equity	178,213	120,044
Total liabilities and equity	791,878	912,109

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

Consolidated Statement of Profit or Loss

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Revenues	743,612	814,310
Cost of sales	(649,000)	(702,364)
Gross profit	94,612	111,946
Selling, general and administrative expenses	(55,916)	(66,106)
Adjusted operating income	38,696	45,840
Other income	2,071	11,287
Other expenses	(10,029)	(12,991)
Operating income	30,738	44,136
Financial income	76	643
Financial expenses	(1,888)	(298)
Share of profits of investments accounted for using equity method	491	811
Earnings before interest and taxes	29,417	45,292
Interest income	1,299	1,046
Interest expenses	(6,085)	(6,370)
Income before income taxes	24,631	39,968
Income taxes	(10,009)	(12,558)
Net income	14,622	27,410
Attributable to:		
Stockholders of the parent company	13,513	25,516
Non-controlling interests	1,109	1,894

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Earnings per share attributable to stockholders of the parent company		
Basic	¥772,084,928.54	¥1,506,971,603.20
Diluted	—	—

(Note) The Company has executed a share consolidation at a ratio of 4,781,654 shares to one share effective February 28, 2023. Basic earnings per share attributable to stockholders of the parent company are calculated assuming the share consolidation had been implemented on April 1, 2021.

Consolidated Statement of Comprehensive Income

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net income	14,622	27,410
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(747)	68
Remeasurements of defined benefit plans	52	1,529
Share of OCI of investments accounted for using the equity method	(1)	1
Total items not to be reclassified into net income	(696)	1,598
Items that can be reclassified into net income		
Foreign currency translation adjustments	8,133	6,002
Net changes in cash flow hedges	8	(12)
Share of OCI of investments accounted for using the equity method	118	62
Total items that can be reclassified into net income	8,259	6,052
Other comprehensive income	7,563	7,650
Comprehensive income	22,185	35,060
Attributable to:		
Stockholders of the parent company	20,516	32,603
Non-controlling interests	1,669	2,457

(3) Consolidated Statement of Changes in Equity

(Million yen)

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)							
					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 year	16,803	236,311	1,861	(99,817)	155,158	6,949	162,107
Changes in equity							
Net income		13,513			13,513	1,109	14,622
Other comprehensive income			7,003		7,003	560	7,563
Transactions with non-controlling interests		(8)	15		7	(22)	(15)
Dividends		(4,696)			(4,696)	(174)	(4,870)
Transfer to retained earnings		1	(1)		—		—
Acquisition and sales of treasury stock				(1)	(1)		(1)
Cancellation of treasury stock		(99,080)		98,994	(86)		(86)
Share-based remuneration transactions		66		3	69		69
Changes in liabilities for written put options over non-controlling interests		(1,081)	284		(797)	(379)	(1,176)
Total changes in equity	—	(91,285)	7,301	98,996	15,012	1,094	16,106
Balance at end of period	16,803	145,026	9,162	(821)	170,170	8,043	178,213

(Million yen)

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)								
					Total equity attributable to stockholders of the parent company	Non-controlling interests	Total equity	
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income				Treasury stock, at cost
Balance at beginning of year	16,803	—	145,026	9,162	(821)	170,170	8,043	178,213
Changes in equity								
Net income			25,516			25,516	1,894	27,410
Other comprehensive income				7,087		7,087	563	7,650
Issuance of new shares	68,600	68,267				136,867		136,867
Capital reduction	(85,093)	85,093				—		—
Dividends			(2,348)			(2,348)	(260)	(2,608)
Transfer to retained earnings			(58)	58		—		—
Acquisition and sales of treasury stock			984		(221,389)	(220,405)		(220,405)
Cancellation of treasury stock		(194)			194	—		—
Share-based remuneration transactions			(91)		26	(65)		(65)
Changes in liabilities for written put options over non-controlling interests		(5,909)	(173)	(36)		(6,118)	(900)	(7,018)
Total changes in equity	(16,493)	147,257	23,830	7,109	(221,169)	(59,466)	1,297	(58,169)
Balance at end of period	310	147,257	168,856	16,271	(221,990)	110,704	9,340	120,044

(4) Consolidated Statement of Cash Flows

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Net income	14,622	27,410
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	50,828	56,686
Impairment losses	4	394
Income taxes	10,009	12,558
Share of profits (losses) of investments accounted for using equity method	(491)	(811)
Loss by fire	7,294	9,566
Insurance proceeds	(429)	(1,144)
Gain on sale of property, plant and equipment	(219)	(8,574)
Interest and dividends income	(1,375)	(1,132)
Interest expenses	6,085	6,370
(Increase) decrease in trade receivables and contract assets	(3,816)	4,185
(Increase) decrease in inventories	(256)	80
Increase (decrease) in trade payables	2,276	(4,424)
Increase (decrease) in deposits received	(242)	45,223
Increase (decrease) in retirement and severance benefits	2,283	(3,538)
Decrease in other assets and liabilities	(11,491)	(668)
Other	1,743	2,281
Subtotal	76,825	144,462
Interest and dividends received	1,571	1,289
Interest paid	(5,987)	(5,962)
Fire-related payments	(501)	(4,942)
Insurance proceeds received	429	1,144
Income taxes paid	(7,202)	(13,928)
Net cash provided by operating activities	65,135	122,063
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(20,359)	(26,374)
Proceeds from sale of property, plant and equipment and intangible assets	760	11,488
Payments for loans to the parent company	—	(97,200)
Proceeds from sale of investments in associates	14	—
Purchase of investments in subsidiaries	—	(3,796)
Payments into time deposits	(6,049)	(24,560)
Proceeds from withdrawal of time deposits	954	23,461
Payments for acquisition of businesses	—	(107)
Other	(197)	(222)
Net cash used in investing activities	(24,877)	(117,310)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Decrease in short-term debt, net	(1,165)	(1,187)
Proceeds from long-term debt	—	198,783
Repayments of long-term debt	(10,329)	(90,118)
Repayments of lease liabilities	(33,758)	(36,026)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,792)	—
Dividends paid to stockholders of the parent company	(4,696)	(2,348)
Dividends paid to non-controlling interests	(174)	(260)
Acquisition of treasury stock	(1)	(221,997)
Proceeds from issuance of shares	—	136,720
Other	(596)	(833)
Net cash used in financing activities	(52,511)	(17,266)
Effect of exchange rate changes on cash and cash equivalents	2,345	1,398
Net increase (decrease) in cash and cash equivalents	(9,908)	(11,115)
Cash and cash equivalents at beginning of period	104,815	94,907
Cash and cash equivalents at end of period	94,907	83,792

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None

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

Changes during the year ended March 31, 2023 are mainly due to increases in common stock of ¥68,600 million and capital surplus of ¥68,267 million as a result of issuance of class shares through third-party allotment based on the resolution at the Board of Directors' meeting held on January 25, 2023.

We also reduced the amount of common stock, capital reserves, and retained earnings reserve based on the resolution at the Board of Directors' meeting held on January 25, 2023, which resulted in a decrease in common stock of ¥85,093 million and an increase in capital surplus of ¥85,093 million.

In addition, at the Board of Directors' meeting and Annual General Meeting of Shareholders held on February 28, 2023, we acquired common stock of the Company (the "Company Shares") owned by Hitachi, Ltd. ("Hitachi"), which was our major and largest shareholder, resulting in an increase in treasury stock of ¥221,984 million.

As a result, the carrying amount of common stock, capital surplus and treasury stock as of March 31, 2023 was ¥310 million, ¥147,257 million and ¥221,990 million, respectively. Please refer to "(Additional Information) (Change in the Parent Company and Largest Shareholder who is a Major Shareholder) and (Issuance of Class Shares through Third-Party Allotment, Partial Amendment to the Articles of Incorporation, and Reduction in the Amount of Common Stock, Capital Reserves and Retained Earnings Reserves)."

(Additional Information)

(Impact of the spread of the novel coronavirus infection)

We believe COVID-19 has only a limited impact in terms of valuation of the Group's assets as of March 31, 2023. 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 in or after the fiscal year ending March 31, 2024.

(Fire at our consolidated subsidiary)

On November 29, 2021, a fire broke out at a logistics center at Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd., one of our consolidated subsidiaries, and was put out on December 4, 2021.

Provision for loss by fire as of March 31, 2023 was ¥11,221 million and included loss related to rental properties such as costs to dismantle and remove buildings burned, and the payments to customers and other affected parties that can be reasonably estimated. Changes in “Provision for loss by fire” and “Other payables” included in “Other current liabilities” and “Other non-current liabilities” during the year ended March 31, 2023 are shown in the table below.

(Million yen)

	Provision for loss by fire	Other payables
Balance at beginning of year (April 1, 2022)	6,423	295
Increase during the period	8,370	1,020
Decrease due to intended use	(2,285)	(2,483)
Reclassified to other payables	(1,288)	1,288
Balance at end of period (March 31, 2023)	11,221	120
Current liabilities	5,637	120
Non-current liabilities	5,584	—

In addition, during the year ended March 31, 2023, the Company recorded ¥329 million of various costs arising from alternative transportation in cost of sales, and ¥9,566 million of additional recognition of provision for loss by fire as “Loss by fire” in other expenses. Insurance money related to the fire the amount of which is fixed of ¥1,076 million was recorded as insurance proceeds in other income, but the impact of the insurance money still in processing on the Company’s consolidated financial statements in the future periods is not yet to be determined at this point.

The Company is now discussing the payments, etc. related to the fire with the relevant parties, and because some of the effects stated above were calculated based on the best estimate using the information available to us at this point, in the case where it becomes necessary to review the accounting estimates as the discussion progresses, it may have an impact on the Company’s consolidated financial statements in or after the fiscal year ending March 31, 2024.

(Note) On April 1, 2023, Hitachi Transport System West Japan Co., Ltd. changed its corporate name to LOGISTEED West Japan, Ltd.

(Change in the Parent Company and Largest Shareholder who is a Major Shareholder)

At the Board of Directors' meetings held on April 28, 2022 and October 27, 2022, the Company resolved to express its opinion supporting the tender offer by HTSK Co., Ltd. for the Company Shares (the "Tender Offer") and to recommend that the Company's shareholders tender their shares in the Tender Offer.

The Tender Offer ended on November 29, 2022 and was completed as stated in "Announcement of Results of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Change in the Parent Company and Largest Shareholder who is a Major Shareholder" dated November 30, 2022.

As a result, HTSK Co., Ltd. became a new parent company and the largest shareholder who is a major shareholder of the Company. In connection with the foregoing, HTSK Holdings Co., Ltd., a parent company of HTSK Co., Ltd. as of the commencement date of the settlement of the Tender Offer, also own the Company Shares through HTSK Co., Ltd., and thus fall under the Company's parent company.

Meanwhile, Hitachi, which was the largest shareholder who is a major shareholder of the Company, resolved at the Board of Directors' meeting held on February 28, 2023 and the Shareholders' Meeting held on February 28, 2023 to transfer 33,471,578 shares (consolidated into seven shares at the share consolidation on February 28, 2023) that were a part of the Company Shares it owned to the Company, and the Company acquired treasury stock (the "Acquisition of Treasury Stock") with the settlement completed on March 1, 2023. As a result of the completion of the Tender Offer and the Acquisition of Treasury Stock, Hitachi is no longer the largest shareholder who is a major shareholder of the Company.

Also at the extraordinary shareholders' meeting held on March 31, 2023, a shareholder proposal for share transfer was approved. As a result, one share out of eight shares of the Company Shares owned by HTSK Co., Ltd. was transferred to HTSK Holdings Co., Ltd.

(Note) On April 1, 2023, HTSK Co., Ltd. changed its corporate name to LOGISTEED Group, Ltd. and HTSK Holdings Co., Ltd. changed its corporate name to LOGISTEED Holdings, Ltd.

(Share consolidation and delisting)

In light of the result of the tender offer by HTSK Co., Ltd. for the Company Shares, the Company, at the request of HTSK Co., Ltd., submitted to the extraordinary shareholders' meeting held on February 2, 2023 the proposal for consolidation of the Company Shares at a ratio of 4,781,654 shares to one share (the "Share Consolidation") to make HTSK Co., Ltd. and Hitachi the only shareholders of the Company, and the proposal was approved. As a result, the Company Shares met the delisting criteria of the Tokyo Stock Exchange, Inc., and accordingly, the Company Shares were designated as securities to be delisted for the period from February 2, 2023 through February 23, 2023 and delisted on February 24, 2023.

(Issuance of Class Shares through Third-Party Allotment, Partial Amendment to the Articles of Incorporation, and Reduction in the Amount of Common Stock, Capital Reserves and Retained Earnings Reserves)

On January 25, 2023, the Company resolved, at the Board of Directors' meeting held on January 25, 2023, to [1] issue Class A shares and Class B shares (collectively, the "Class Shares") through third-party allotment to HTSK Co., Ltd. (the "Scheduled Allottee") (the "Capital Increase through Third-Party Allotment"), [2] partially amend the Articles of Incorporation including establishment of provisions concerning the Class Shares (the "Amendment to the Articles of Incorporation"), and [3] reduce the amount of stated capital, capital reserves, and retained earnings reserves after the Capital Increase through Third-Party Allotment (the "Capital Reduction, etc.").

All of the Capital Increase through Third-Party Allotment, the Amendment to the Articles of Incorporation and the Capital Reduction, etc. were implemented on March 1, 2023.

(Change of organization)

Effective March 1, 2023, the Company transitioned to a Company with an Audit and Supervisory Board Member.

(Conclusion of loan agreement and drawdown and repayment of loans)

To raise necessary funds to make loans to HTSK Co., Ltd., repay existing debt and pay consideration to acquire treasury stock, the Company entered into a syndicated loan agreement with the borrowing limit of ¥270,000 million on February 24, 2023 with Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, SBI Shinsei Bank, Limited, The Bank of Yokohama, Ltd. and The Norinchukin Bank. (the “Agreement”).

On March 1, 2023, the Company borrowed a term loan of ¥200,000 million under the Agreement and repaid all of the outstanding balance of term loans of ¥70,000 million as of March 1, 2023, under the syndicated loan agreements on September 20, 2016 and September 25, 2018.

On April 3, 2023, the Company also borrowed a term loan of ¥20,000 million under the Agreement.

Of the borrowing limit, ¥50,000 million will be borrowed under a commitment line agreement, and undrawn commitment under the commitment line agreement as of March 31, 2023 is as follows.

	(Million yen)
	As of March 31, 2023
Maximum amount under commitment line	50,000
Outstanding balance of borrowings	—
Balance (undrawn commitment)	50,000

The agreement is subject to financial covenants concerning maintaining profit, net assets, etc., and in case of a violation of any of the covenants, the Company may forfeit the benefit of time, which may affect the Company’s funding. The Company is in compliance with the financial covenants as of March 31, 2023.

(Notes to Consolidated Statement of Profit or Loss)

1. Other income

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net gain on sales of fixed assets	298	8,624
Insurance proceeds	429	1,144
Government subsidy	476	300
Other	868	1,219
Total	2,071	11,287

1) Net gain on sales of fixed assets

Net gain on sales of fixed assets for the year ended March 31, 2022 and 2023 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) Insurance proceeds

Insurance proceeds received in relation to the fire at the Company's consolidated subsidiary were ¥352 million and ¥1,076 million for the years ended March 31, 2022 and 2023, respectively.

3) Government subsidy

Government subsidy for the year ended March 31, 2022 and 2023 consists mostly of subsidy granted by national and local governments in connection with the impact of COVID-19.

2. Other expenses

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net loss on sales of fixed assets	(78)	(50)
Net loss on disposal of fixed assets	(543)	(692)
Impairment losses	(4)	(394)
Loss by fire	(7,294)	(9,566)
Cost for corporate name change	—	(689)
Business structural reform expenses	(308)	(230)
Loss on revision of retirement benefit plan	(1,493)	—
Other	(309)	(1,370)
Total	(10,029)	(12,991)

1) Loss by fire

Loss by fire for the year ended March 31, 2022 consists of loss on disposal of fixed assets for property, plant and equipment destroyed or burned by the fire at the Company's consolidated subsidiary, loss related to rental properties including costs to dismantle and remove buildings burned, and the payments to customers and other affected parties. Loss by fire for the year ended March 31, 2023 consists of the payments to customers and other affected parties.

Loss related to rental properties including costs to dismantle and remove buildings burned and the payments to customers and other affected parties include the amount reasonably estimated as provision for loss by fire.

2) Business structural reform expenses

Business structural reform expenses were mainly special severance payments for the year ended March 31, 2022 and 2023.

3) Loss on revision of retirement benefit plan

Loss on revision of retirement benefit plan for the year ended March 31, 2022 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.

3. Financial income

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Dividends income	76	86
Foreign exchange gain	—	545
Other	—	12
Total	76	643

4. Financial expenses

(Million yen)

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Exchange loss	(1,575)	—
Other	(313)	(298)
Total	(1,888)	(298)

(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 Officers' 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 Officers' 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, distribution processing, 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 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 Officers' Committee of the Company does not use the information on assets and liabilities allocated to business segments.

For the Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	417,162	313,494	730,656	12,956	743,612	—	743,612
Revenues from intersegment transactions or transfers	—	—	—	17,215	17,215	(17,215)	—
Total	417,162	313,494	730,656	30,171	760,827	(17,215)	743,612
Segment profit	23,678	13,642	37,320	1,376	38,696	—	38,696
Other income							2,071
Other expenses							(10,029)
Financial income							76
Financial expenses							(1,888)
Share of profits of investments accounted for using the equity method							491
Interest income							1,299
Interest expenses							(6,085)
Income before income taxes							24,631
Others							
Depreciation and amortization	34,431	12,896	47,327	3,501	50,828	—	50,828
Impairment losses	—	4	4	—	4	—	4

Note: 1. "Other services" includes information system development, 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.

For the Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	423,972	375,894	799,866	14,444	814,310	—	814,310
Revenues from intersegment transactions or transfers	—	—	—	20,829	20,829	(20,829)	—
Total	423,972	375,894	799,866	35,273	835,139	(20,829)	814,310
Segment profit	23,009	21,092	44,101	1,739	45,840	—	45,840
Other income							11,287
Other expenses							(12,991)
Financial income							643
Financial expenses							(298)
Share of profits of investments accounted for using the equity method							811
Interest income							1,046
Interest expenses							(6,370)
Income before income taxes							39,968
Others							
Depreciation and amortization	36,362	16,256	52,618	4,068	56,686	—	56,686
Impairment losses	384	10	394	—	394	—	394

Note: 1. “Other services” includes information system development, 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.

(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, 2022 and 2023 is as follows.

	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net income attributable to stockholders of the parent company (Million yen)	13,513	25,516
Weighted average number of common stock (Thousand shares)	17	16
Basic EPS attributable to stockholders of the parent company (Yen)	772,084,928.54	1,506,971,603.20

(Note) 1. The Company has executed a share consolidation at a ratio of 4,781,654 shares to one share effective February 28, 2023. Basic earnings per share attributable to stockholders of the parent company are calculated assuming the share consolidation had been implemented on April 1, 2021.

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

(Significant Subsequent Events)

Not applicable