

Summary of Consolidated Financial Results [IFRS] for the Second Quarter Ended September 30, 2021

October 27, 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 Release of Quarterly Report (Schedule): November 12, 2021
 Date of the Start of Dividend Payment (Schedule): November 26, 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 Second Quarter Ended September 30, 2021 (April 1, 2021 to September 30, 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	%
September 30, 2021	360,061	17.5	18,910	22.8	17,463	(26.8)	15,061	(28.4)	9,684	(27.9)	9,082	(31.0)
September 30, 2020	306,436	(10.1)	15,397	(6.8)	23,842	21.7	21,044	26.9	13,438	17.7	13,171	21.0

	Basic earnings per share attributable to stockholders of the parent company
	Yen
September 30, 2021	108.52
September 30, 2020	123.20

*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	%
September 30, 2021	766,128	168,491	161,367	21.1
March 31, 2021	787,936	162,107	155,158	19.7

2. Dividends

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2021	—	22.00	—	28.00	50.00
March 31, 2022	—	28.00	—	—	—
March 31, 2022 (Forecasts)	—	—	—	28.00	56.00

(Note) Revision of the latest dividends forecasts: None

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

(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: None
 - (b) Changes other than (a) above: None
 - (c) Changes in accounting estimates: None
- (3) Number of shares issued (Common stock)
- (a) Number of shares at the end of the term (Including treasury stock)
 - As of September 30, 2021: 84,101,714 shares,
 - As of March 31, 2021: 111,776,714 shares
 - (b) Number of treasury stock at the end of the term
 - As of September 30, 2021: 413,089 shares,
 - As of March 31, 2021: 28,088,745 shares
 - (c) Average number of shares during the term
 - Six months ended September 30, 2021: 83,688,107 shares,
 - Six months ended September 30, 2020: 106,905,414 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 supplementary material on quarterly financial results will be posted on the Company's website.

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

(1) Explanation of Operating Results

For the second quarter ended September 30, 2021, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows:

	(Million yen)		
	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Y on Y change
Revenues	306,436	360,061	117%
Adjusted operating income	15,397	18,910	123%
EBIT	23,842	17,463	73%
Net income attributable to stockholders of the parent company	13,171	9,082	69%

Revenues and adjusted operating income increased by 17% and 23% year-on-year to ¥360,061 million and ¥18,910 million, respectively. EBIT and net income attributable to stockholders of the parent company decreased by 27% and 31% year-on-year to ¥17,463 million and ¥9,082 million, respectively.

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

【Domestic logistics business】			(Million yen)
	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Y on Y change
Revenues	204,960	208,924	102%
Segment profit (Adjusted operating income)	11,029	12,305	112%

Revenues of domestic logistics business increased by 2% year-on-year to ¥208,924 million due to the recovery in handling volume.

Segment profit increased by 12% year-on-year to ¥12,305 million due to an increase in revenues and improved productivity.

【Global logistics business】			(Million yen)
	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Y on Y change
Revenues	94,094	144,537	154%
Segment profit (Adjusted operating income)	3,836	5,945	155%

Revenues of global logistics business increased by 54% year-on-year to ¥144,537 million due to the recovery in handling volume mainly in the forwarding business and automobile-related business.

Segment profit increased by 55% year-on-year to ¥5,945 million due to an increase in revenues and improved productivity in the forwarding business.

【Other services (logistics related businesses)】			(Million yen)
	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Y on Y change
Revenues	7,382	6,600	89%
Segment profit (Adjusted operating income)	532	660	124%

Revenues of other services decreased by 11% year-on-year to ¥6,600 million due to a decrease in projects in the information system development business.

Segment profit increased by 24% year-on-year to ¥660 million.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2021 amounted to ¥766,128 million, a decrease of ¥21,808 million compared with the end of the previous fiscal year. Current assets decreased by ¥12,669 million due to decreases of ¥4,680 million in trade receivables and contract assets and ¥3,246 million in cash and cash equivalents. Non-current assets decreased by ¥9,139 million due to a decrease of ¥8,926 million in right-of-use assets.

Total liabilities as of September 30, 2021 amounted to ¥597,637 million, a decrease of ¥28,192 million compared with the end of the previous fiscal year. Current liabilities decreased by ¥687 million due to decreases of ¥2,495 million in income tax payable and ¥1,882 million in other current liabilities despite an increase of ¥9,833 million in current portion of long-term debt. Non-current liabilities decreased by ¥27,505 million due to decreases of ¥19,973 million in long-term debt and ¥7,904 million in lease liabilities.

Total equity as of September 30, 2021 amounted to ¥168,491 million, an increase of ¥6,384 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 19.7% at the end of the previous fiscal year to 21.1%.

2) Cash flows

Cash and cash equivalents (herein called “cash”) as of September 30, 2021 was ¥101,569 million, a decrease of ¥3,246 million from March 31, 2021.

Cash flows from each activity for the six months ended September 30, 2021 and their significant components are as follows:

Net cash provided by operating activities was ¥35,056 million, an increase of ¥5,696 million compared with the six months ended September 30, 2020. This is mainly due to an increase in cash from depreciation and amortization of ¥25,036 million and income taxes of ¥5,377 million, partly offset by a decrease in cash from interest paid of ¥3,116 million.

Net cash used in investing activities was ¥8,729 million, an increase of ¥86,680 million compared with the six months ended September 30, 2020. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥8,974 million.

Net cash used in financing activities was ¥29,791 million, a decrease of ¥109,589 million compared with the six months ended September 30, 2020. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥16,473 million and repayments on long-term debt of ¥10,204 million.

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

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.

Against such a backdrop, under the business concept of “LOGISTEED,” the Group will strive to strengthen our core logistics function through collaborative innovation with various partners and also execute collaborative innovation strategies leading to further expansion of our domains.

No revision is made to the consolidated financial forecasts, released on April 28, 2021.

*[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.

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

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

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, 2021	As of September 30, 2021
(Assets)		
Current assets		
Cash and cash equivalents	104,815	101,569
Trade receivables and contract assets	123,681	119,001
Inventories	1,083	1,187
Other financial assets	4,378	4,714
Other current assets	13,393	8,210
Total current assets	247,350	234,681
Non-current assets		
Investments accounted for using the equity method	6,372	6,517
Property, plant and equipment	159,981	161,207
Right-of-use assets	288,030	279,104
Goodwill	25,228	25,283
Intangible assets	23,824	23,583
Deferred tax assets	11,732	11,919
Other financial assets	18,459	17,237
Other non-current assets	6,960	6,597
Total non-current assets	540,586	531,447
Total assets	787,936	766,128

(Million yen)

	As of March 31, 2021	As of September 30, 2021
(Liabilities)		
Current liabilities		
Trade payables	51,733	47,708
Short-term debt	2,152	1,813
Current portion of long-term debt	10,320	20,153
Lease liabilities	30,600	30,077
Income tax payable	6,089	3,594
Other financial liabilities	24,202	22,946
Other current liabilities	31,559	29,677
Total current liabilities	156,655	155,968
Non-current liabilities		
Long-term debt	140,303	120,330
Lease liabilities	261,220	253,316
Retirement and severance benefits	37,071	38,626
Deferred tax liabilities	7,467	7,406
Other financial liabilities	20,075	19,030
Other non-current liabilities	3,038	2,961
Total non-current liabilities	469,174	441,669
Total liabilities	625,829	597,637
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	236,311	143,649
Accumulated other comprehensive income	1,861	1,736
Treasury stock, at cost	(99,817)	(821)
Total equity attributable to stockholders of the parent company	155,158	161,367
Non-controlling interests	6,949	7,124
Total equity	162,107	168,491
Total liabilities and equity	787,936	766,128

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

Condensed Quarterly Consolidated Statement of Profit or Loss

(Million yen)

	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Revenues	306,436	360,061
Cost of sales	(267,177)	(313,850)
Gross profit	39,259	46,211
Selling, general and administrative expenses	(23,862)	(27,301)
Adjusted operating income	15,397	18,910
Other income	9,518	822
Other expenses	(3,415)	(1,774)
Operating income	21,500	17,958
Financial income	57	53
Financial expenses	(658)	(749)
Share of profits of investments accounted for using the equity method	2,943	201
Earnings before interest and taxes	23,842	17,463
Interest income	475	775
Interest expenses	(3,273)	(3,177)
Income before income taxes	21,044	15,061
Income taxes	(7,606)	(5,377)
Net income	13,438	9,684
Attributable to:		
Stockholders of the parent company	13,171	9,082
Non-controlling interests	267	602

	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Earnings per share attributable to stockholders of the parent company		
Basic	¥123.20	¥108.52
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Net income	13,438	9,684
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	265	(481)
Remeasurements of defined benefit plans	(112)	(66)
Share of OCI of investments accounted for using the equity method	14	1
Total items not to be reclassified into net income	167	(546)
Items that can be reclassified into net income		
Foreign currency translation adjustments	1,515	293
Net changes in cash flow hedges	(1)	—
Share of OCI of investments accounted for using the equity method	(14)	55
Total items that can be reclassified into net income	1,500	348
Other comprehensive income	1,667	(198)
Comprehensive income	15,105	9,486
Attributable to:		
Stockholders of the parent company	14,655	8,986
Non-controlling interests	450	500

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 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	220,829	(4,587)	(184)	232,861	6,396	239,257
Changes in equity							
Net income		13,171			13,171	267	13,438
Other comprehensive income			1,484		1,484	183	1,667
Transactions with non-controlling interests		105	(105)		—	(93)	(93)
Dividends		(2,454)			(2,454)	(111)	(2,565)
Transfer to retained earnings		11	(11)		—	—	—
Acquisition and sales of treasury stock				(99,632)	(99,632)		(99,632)
Share-based remuneration transactions		9			9		9
Changes in liabilities for written put options over non-controlling interests		(262)	144		(118)	(288)	(406)
Total changes in equity	—	10,580	1,512	(99,632)	(87,540)	(42)	(87,582)
Balance at end of period	16,803	231,409	(3,075)	(99,816)	145,321	6,354	151,675

(Million yen)

Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 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	236,311	1,861	(99,817)	155,158	6,949	162,107
Changes in equity							
Net income		9,082			9,082	602	9,684
Other comprehensive income			(96)		(96)	(102)	(198)
Dividends		(2,348)			(2,348)	(136)	(2,484)
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		57		3	60		60
Changes in liabilities for written put options over non-controlling interests		(374)	(28)		(402)	(189)	(591)
Total changes in equity	—	(92,662)	(125)	98,996	6,209	175	6,384
Balance at end of period	16,803	143,649	1,736	(821)	161,367	7,124	168,491

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Net income	13,438	9,684
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	25,939	25,036
Impairment losses	131	—
Income taxes	7,606	5,377
Share of profits (losses) of investments accounted for using the equity method	(2,943)	(201)
Gain on sale of investments in associates	(4,945)	—
Gain on sale of property, plant and equipment	(2,729)	(57)
Interest and dividends income	(529)	(828)
Interest expenses	3,273	3,177
(Increase) decrease in trade receivables and contract assets	7,582	4,873
(Increase) decrease in inventories	(183)	(108)
Increase (decrease) in trade payables	(3,883)	(2,479)
Increase (decrease) in retirement and severance benefits	1,364	1,565
Decrease in other assets and liabilities	(4,251)	(6,791)
Other	256	842
Subtotal	40,126	40,090
Interest and dividends received	3,324	914
Interest paid	(3,230)	(3,116)
Income taxes paid	(10,860)	(2,832)
Net cash provided by operating activities	29,360	35,056
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(10,855)	(8,974)
Proceeds from sale of property, plant and equipment and intangible assets	3,155	385
Proceeds from sale of investments in associates	87,183	14
Purchase of investments in subsidiaries	(1,771)	—
Other	239	(154)
Net cash (used in) provided by investing activities	77,951	(8,729)
Cash flows from financing activities		
Decrease in short-term debt, net	(858)	(350)
Repayments on long-term debt	(10,206)	(10,204)
Repayments of lease liabilities	(19,005)	(16,473)
Proceeds from sale of interests in subsidiaries to non-controlling interests	114	—
Payments for acquisition of interests in subsidiaries from non-controlling interests	(6,815)	—
Dividends paid to stockholders of the parent company	(2,454)	(2,348)
Dividends paid to non-controlling interests	(111)	(136)
Acquisition of treasury stock	(99,632)	(1)
Other	(413)	(279)
Net cash used in financing activities	(139,380)	(29,791)
Effect of exchange rate changes on cash and cash equivalents	412	218
Net decrease in cash and cash equivalents	(31,657)	(3,246)
Cash and cash equivalents at beginning of period	139,021	104,815
Cash and cash equivalents at end of period	107,364	101,569

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

(Notes on Going Concern Assumptions)

None

(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 September 30, 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 third quarter ending December 31, 2021.

(Segment Information)

Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(Million yen)

	Reporting segment			Other services ¹	Total	Adjustments and eliminations ²	Amount recorded in consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	204,960	94,094	299,054	7,382	306,436	—	306,436
Revenues from intersegment transactions or transfers	—	—	—	7,337	7,337	(7,337)	—
Total	204,960	94,094	299,054	14,719	313,773	(7,337)	306,436
Segment profit	11,029	3,836	14,865	532	15,397	—	15,397
Other income							9,518
Other expenses							(3,415)
Financial income							57
Financial expenses							(658)
Share of profits of investments accounted for using the equity method							2,943
Interest income							475
Interest expenses							(3,273)
Income before income taxes							21,044

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

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

Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(Million yen)

	Reporting segment			Other services ¹	Total	Adjustments and eliminations ²	Amount recorded in consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	208,924	144,537	353,461	6,600	360,061	—	360,061
Revenues from intersegment transactions or transfers	—	—	—	8,450	8,450	(8,450)	—
Total	208,924	144,537	353,461	15,050	368,511	(8,450)	360,061
Segment profit	12,305	5,945	18,250	660	18,910	—	18,910
Other income							822
Other expenses							(1,774)
Financial income							53
Financial expenses							(749)
Share of profits of investments accounted for using the equity method							201
Interest income							775
Interest expenses							(3,177)
Income before income taxes							15,061

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