

Summary of Consolidated Financial Results [IFRS] for the Fiscal Year Ended March 31, 2022

April 28, 2022

Listed Company: **Hitachi Transport System, Ltd.** Stock Exchange: Prime Market of Tokyo
 Code Number: 9086 URL: <https://www.hitachi-transportssystem.com/en/>
 Representative: Hiroaki Takagi, President and Chief Operating Officer (COO)
 Person in Charge: Tetsuro Taga, General Manager of Public Relations Department, Corporate Strategy Office
 Date of the Annual General Meeting of Shareholders (Schedule): June 23, 2022
 Date of the Start of Dividend Payment (Schedule): June 2, 2022
 Date of the Release of Annual Securities Report (Schedule): June 24, 2022
 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, 2022 (April 1, 2021 to March 31, 2022)

(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, 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)
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

	Basic earnings per share attributable to stockholders of the parent company	ROE ^{*3}	ROA ^{*4}	Adjusted operating income ratio	EBIT ratio
	Yen	%	%	%	%
March 31, 2022	161.47	8.3	1.7	5.2	4.0
March 31, 2021	240.02	11.8	2.7	5.6	6.8

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

April 1, 2021 to March 31, 2022: 491 million yen April 1, 2020 to March 31, 2021: 3,010 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, 2022	791,878	178,213	170,170	21.5	2,033.37
March 31, 2021	787,936	162,107	155,158	19.7	1,854.01

(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, 2022	65,135	(24,877)	(52,511)	94,907
March 31, 2021	55,309	69,779	(161,056)	104,815

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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	—	22.00	—	28.00	50.00	4,193	20.8	2.5
March 31, 2022	—	28.00	—	28.00	56.00	4,697	34.7	2.9
March 31, 2023 (Forecasts)	—	0.00	—	0.00	0.00		—	

(Note) An interim dividend with a record date of September 30, 2022; and a year-end dividend with a record date of March 31, 2023, will not be paid by the Company, conditional upon the completion of the settlement of the tender offer for the Company's common shares and stock acquisition rights by HTSK Co., Ltd. as stated in the "Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender" and "Notice regarding Dividend Distribution (No Dividend)" released on April 28, 2022.

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

The Company's common shares are planned to be delisted through the Transaction including the Tender Offer and a series of procedures scheduled thereafter by HTSK Co., Ltd. as stated in the "Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender" released on April 28, 2022. The consolidated financial forecasts for the year ending March 31, 2023 are not disclosed as it is not calculated on the assumption that the company shares will be delisted.

* 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
- (3) Number of shares issued (common stock)
 - (a) Number of shares at the end of the term (Including treasury stock)
 - As of March 31, 2022: 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 March 31, 2022: 413,230 shares,
 - As of March 31, 2021: 28,088,745 shares
 - (c) Average number of shares during the term
 - Year ended March 31, 2022: 83,688,320 shares,
 - Year ended March 31, 2021: 95,296,749 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 Company's common shares are planned to be delisted through the Transaction including the Tender Offer and a series of procedures scheduled thereafter by HTSK Co., Ltd. as stated in the "Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender" released on April 28, 2022. The consolidated financial forecasts for the year ending March 31, 2023 are not disclosed as it is not calculated on the assumption that the company shares will be delisted.
- 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, 2022

For the fiscal year ended March 31, 2022, consolidated financial results of the Hitachi Transport System Group (herein called “the Group”) are as follows.

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022	Y on Y change
Revenues	652,380	743,612	114%
Adjusted operating income	36,711	38,696	105%
EBIT	44,429	29,417	66%
Net income attributable to stockholders of the parent company	22,873	13,513	59%

Revenues and adjusted operating income increased by 14% and 5% year-on-year to ¥743,612 million and ¥38,696 million, respectively. EBIT and net income attributable to stockholders of the parent company decreased by 34% and 41% year-on-year to ¥29,417 million and ¥13,513 million, respectively.

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

【Domestic logistics business】

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022	Y on Y change
Revenues	421,190	417,162	99%
Segment profit (Adjusted operating income)	25,176	23,678	94%

Revenues of domestic logistics business decreased by 1% year-on-year to ¥417,162 million.

Segment profit decreased by 6 % year-on-year to ¥23,678 million due to the fire at a logistics center of our group company despite the improvement in productivity.

【Global logistics business】

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022	Y on Y change
Revenues	216,258	313,494	145%
Segment profit (Adjusted operating income)	10,340	13,642	132%

Revenues of global logistics business increased by 45% year-on-year to ¥313,494 million due to an increase in handling volume mainly in the freight forwarding business and automobile-related business.

Segment profit increased by 32% year-on-year to ¥13,642 million due to an increase in revenues and improved productivity in the freight forwarding business.

【Other services (logistics related businesses)】

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022	Y on Y change
Revenues	14,932	12,956	87%
Segment profit (Adjusted operating income)	1,195	1,376	115%

Revenues of other services decreased by 13% year-on-year to ¥12,956 million.

Segment profit increased by 15% year-on-year to ¥1,376 million.

(2) Summary of Financial Position as of March 31, 2022

Total assets as of March 31, 2022 amounted to ¥791,878 million, an increase of ¥3,942 million compared with the end of the previous fiscal year. Current assets increased by ¥2,120 million due to increases of ¥8,181 million in trade receivables and contract assets and ¥6,202 million in other financial assets despite a decrease of ¥9,908 million in cash and cash equivalents. Non-current assets increased by ¥1,822 million due to an increase of ¥9,309 million in property, plant and equipment despite a decrease of ¥ 6,765 million in right-of-use assets.

Total liabilities as of March 31, 2022 amounted to ¥613,665 million, a decrease of ¥12,164 million compared with the end of the previous fiscal year. Current liabilities increased by ¥16,486 million due to increases of ¥9,772 million in current portion of long-term debt and ¥6,485 million in other current liabilities. Non-current liabilities decreased by ¥28,650 million due to decreases of ¥19,917 million in long-term debt and ¥9,877 million in lease liabilities.

Total equity as of March 31, 2022 amounted to ¥178,213 million, an increase of ¥16,106 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 21.5%.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2022

Cash and cash equivalents (herein called “cash”) as of March 31, 2022 was ¥94,907 million, a decrease of ¥9,908 million from March 31, 2021.

Cash flows from each activity for the year ended March 31, 2022 and their significant components are as follows:

Net cash provided by operating activities was ¥65,135 million, an increase of ¥9,826 million compared with the fiscal year ended March 31, 2021. This is mainly due to increases in cash from depreciation and amortization of ¥50,828 million and recording net income of ¥14,622 million despite a decrease in cash from income taxes paid of ¥7,202 million.

Net cash used in investing activities was ¥24,877 million, an increase of ¥94,656 million compared with the fiscal year ended March 31, 2021. This is mainly due to decreases in cash from purchase of property, plant and equipment and intangible assets of ¥20,359 million and payments into time deposits of ¥6,049 million.

Net cash used in financing activities was ¥52,511 million, a decrease of ¥108,545 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥33,758 million and repayments on long-term debt of ¥10,329 million.

(4) Outlook for the Future

The Company’s common shares are planned to be delisted through the Transaction including the Tender Offer and a series of procedures scheduled thereafter by HTSK Co., Ltd. as stated in the “Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender” released on April 28, 2022. The consolidated financial forecasts for the year ending March 31, 2023 are not disclosed as it is not calculated on the assumption that the company shares will be delisted.

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

[URL] <https://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 global economy is recovering from the damage inflicted by the global pandemic of COVID-19, the environment surrounding the Group remains uncertain due to another resurgence of infections caused by new variants, geopolitical risk associated with the U.S.-China standoff and the Russian invasion of Ukraine and the rise in global inflation as well as 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, the spread of COVID-19, 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 Hitachi Transport System Group integrates “HB Way” and “LOGISTEED” and creates economic value as well as social and environmental values.

Under the Mid-term Management Plan covering the period from FY2022 through FY2024 (from April 1, 2022 through March 31, 2025) (LOGISTEED2024), we will promote strengthening of our business and global development and implement priority measures aimed at becoming a “leading 3PL company in Asia” under the slogan “To become a global supply chain strategic partner with DX, Logistics Technology (LT) and ‘Gemba’ Power.”

And then, we aim at “Management vision (To become the most preferred global supply chain solution provider)” beyond that.

*[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]

【Slogan: Aim to become a global supply chain strategic partner with DX, LT, and “Gemba” Power】

i. Evolve Smart Logistics

- (i) Achieve automation/labor-saving through linkage of systems and machines, improve working environment through DX
- (ii) Enhance and expand functions of three-temperature zone warehouses, hazardous substances warehouses, etc.
- (iii) Enhance the transport business and address driver shortages (2024 issue) and decarbonization through SSCV (digital platform for transportation)

ii. Expand business domains with new added value (accelerate LOGISTEED)

- (i) Solve supply chain issues, propose visualization and optimization through DX
- (ii) Expand new services in boundary domain between manufacturing and logistics, commence Value Added Services (VAS)

- iii. Reinforce and expand overseas business (to become a leading 3PL company in Asia)
 - (i) Invest in focused area
 - North America: Expand shared milkrun and trunk line transportation business, provide integrated logistics for factories
 - Europe: Expand service area of intermodal business, expand business in growing areas and markets in Europe
 - China: Further improve safety, quality, and productivity through automation and labor-saving, and enhance high value-added logistics services
 - Asia: Expand investment and business in India, Thailand, Indonesia, Malaysia, etc., develop cold chains, and enhance local and intraregional network
 - (ii) M&As (freight forwarding, transport business)
- iv. Solidify ESG management base
 - (i) Implement disaster prevention measures and risk management
 - (ii) Accelerate decarbonization activities
 - (iii) Implement sophisticated and ongoing safety/quality control activities
 - (iv) Continue/expand Value Change & Creation (VC) activities
 - (v) Strengthen human resources for global development of DX and LT

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, 2021	As of March 31, 2022
(Assets)		
Current assets		
Cash and cash equivalents	104,815	94,907
Trade receivables and contract assets	123,681	131,862
Inventories	1,083	1,363
Other financial assets	4,378	10,580
Other current assets	13,393	10,758
Total current assets	247,350	249,470
Non-current assets		
Investments accounted for using the equity method	6,372	6,762
Property, plant and equipment	159,981	169,290
Right-of-use assets	288,030	281,265
Goodwill	25,228	25,881
Intangible assets	23,824	21,270
Deferred tax assets	11,732	14,022
Other financial assets	18,459	17,259
Other non-current assets	6,960	6,659
Total non-current assets	540,586	542,408
Total assets	787,936	791,878

(Million yen)

	As of March 31, 2021	As of March 31, 2022
(Liabilities)		
Current liabilities		
Trade payables	51,733	54,561
Short-term debt	2,152	1,114
Current portion of long-term debt	10,320	20,092
Lease liabilities	30,600	31,926
Income tax payable	6,089	5,385
Other financial liabilities	24,202	22,019
Other current liabilities	31,559	38,044
Total current liabilities	156,655	173,141
Non-current liabilities		
Long-term debt	140,303	120,386
Lease liabilities	261,220	251,343
Retirement and severance benefits	37,071	39,436
Deferred tax liabilities	7,467	7,969
Other financial liabilities	20,075	18,435
Other non-current liabilities	3,038	2,955
Total non-current liabilities	469,174	440,524
Total liabilities	625,829	613,665
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	236,311	145,026
Accumulated other comprehensive income	1,861	9,162
Treasury stock, at cost	(99,817)	(821)
Total equity attributable to stockholders of the parent company	155,158	170,170
Non-controlling interests	6,949	8,043
Total equity	162,107	178,213
Total liabilities and equity	787,936	791,878

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

Consolidated Statement of Profit or Loss

(Million yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Revenues	652,380	743,612
Cost of sales	(566,582)	(649,000)
Gross profit	85,798	94,612
Selling, general and administrative expenses	(49,087)	(55,916)
Adjusted operating income	36,711	38,696
Other income	10,787	2,071
Other expenses	(6,448)	(10,029)
Operating income	41,050	30,738
Financial income	413	76
Financial expenses	(44)	(1,888)
Share of profits (losses) of investments accounted for using equity method	3,010	491
Earnings before interest and taxes	44,429	29,417
Interest income	1,197	1,299
Interest expenses	(6,492)	(6,085)
Income before income taxes	39,134	24,631
Income taxes	(15,180)	(10,009)
Net income	23,954	14,622
Attributable to:		
Stockholders of the parent company	22,873	13,513
Non-controlling interests	1,081	1,109

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Earnings per share attributable to stockholders of the parent company		
Basic	¥240.02	¥161.47
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Million yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Net income	23,954	14,622
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	475	(747)
Remeasurements of defined benefit plans	213	52
Share of OCI of investments accounted for using the equity method	18	(1)
Total items not to be reclassified into net income	706	(696)
Items that can be reclassified into net income		
Foreign currency translation adjustments	6,274	8,133
Net changes in cash flow hedges	2	8
Share of OCI of investments accounted for using the equity method	20	118
Total items that can be reclassified into net income	6,296	8,259
Other comprehensive income	7,002	7,563
Comprehensive income	30,956	22,185
Attributable to:		
Stockholders of the parent company	29,211	20,516
Non-controlling interests	1,745	1,669

(3) Consolidated Statement of Changes in Equity

(Million yen)

Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)							
					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	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

(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 year	16,803	145,026	9,162	(821)	170,170	8,043	178,213

(4) Consolidated Statement of Cash Flows

(Million yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Net income	23,954	14,622
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	52,159	50,828
Impairment losses	1,339	4
Income taxes	15,180	10,009
Share of profits (losses) of investments accounted for using equity method	(3,010)	(491)
Loss by fire	—	7,294
Insurance proceeds	(50)	(429)
Gain on sale of investments in associates	(4,945)	—
Gain on sale of property, plant and equipment	(2,769)	(219)
Interest and dividends income	(1,270)	(1,375)
Interest expenses	6,492	6,085
(Increase) decrease in trade receivables and contract assets	(4,366)	(3,816)
(Increase) decrease in inventories	77	(256)
Increase (decrease) in trade payables	3,084	2,276
Increase (decrease) in retirement and severance benefits	1,976	2,283
Decrease in other assets and liabilities	(5,203)	(11,733)
Other	996	1,743
Subtotal	83,644	76,825
Interest and dividends received	4,145	1,571
Interest paid	(6,399)	(5,987)
Fire-related payments	—	(501)
Insurance proceeds received	50	429
Income taxes paid	(26,131)	(7,202)
Net cash provided by operating activities	55,309	65,135
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(19,792)	(20,359)
Proceeds from sale of property, plant and equipment and intangible assets	3,814	760
Proceeds from sale of investments in associates	87,183	14
Purchase of investments in subsidiaries	(1,476)	—
Payments into time deposits	(572)	(6,049)
Other	622	757
Net cash provided by (used in) investing activities	69,779	(24,877)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Decrease in short-term debt, net	(1,575)	(1,165)
Repayments on long-term debt	(10,409)	(10,329)
Repayments on lease liabilities	(36,648)	(33,758)
Proceeds from sale of interests in subsidiaries to non-controlling interests	114	—
Payments for acquisition of interests in subsidiaries from non-controlling interests	(7,541)	(1,792)
Dividends paid to stockholders of the parent company	(4,299)	(4,696)
Dividends paid to non-controlling interests	(121)	(174)
Acquisition of treasury stock	(99,633)	(1)
Other	(944)	(596)
Net cash used in financing activities	(161,056)	(52,511)
Effect of exchange rate changes on cash and cash equivalents	1,762	2,345
Net increase (decrease) in cash and cash equivalents	(34,206)	(9,908)
Cash and cash equivalents at beginning of year	139,021	104,815
Cash and cash equivalents at end of year	104,815	94,907

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

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 March 31, 2022. 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, 2023.

(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.

This fire destroyed or burned rental properties and our own machinery and equipment, etc., resulting in decreases in right-of-use assets of ¥8,992 million, in lease liabilities of ¥9,142 million, in property, plant and equipment of ¥71 million, and in intangible assets of ¥1 million in the consolidated statement of financial position during the fiscal year ended March 31, 2022. Various costs arising from alternative transportation of ¥672 million were recorded as cost of sales, and provision for loss by fire and loss on disposal of fixed assets for property, plant and equipment destroyed or burned of ¥7,294 million were recorded as loss by fire in other expenses. Provision for loss by fire includes loss related to rental properties, including costs to dismantle and remove buildings burned, and the payments to customers and other affected parties that can be reasonably estimated. Insurance money related to the fire the amount of which is fixed of ¥352 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 responsibility of 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, 2023.

(Notes to Consolidated Statement of Profit or Loss)

1. Other income

(Million yen)

	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Net gain on sales of fixed assets	2,970	298
Government subsidy	1,574	476
Insurance proceeds	50	429
Gain on sale of investments in associates	4,945	—
Other	1,248	868
Total	10,787	2,071

1) Net gain on sales of fixed assets

Net gain on sales of fixed assets for the fiscal year ended March 31, 2021 and 2022 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 and 2022 consists mostly of subsidy granted by national and local governments in connection with the impact of COVID-19.

3) Insurance proceeds

Insurance proceeds for the year ended March 31, 2022 consists mostly of insurance money of ¥352 million received in relation to the fire at the Company's consolidated subsidiary.

4) 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.

2. Other expenses

(Million yen)

	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Net loss on sales of fixed assets	(197)	(78)
Net loss on disposal of fixed assets	(609)	(543)
Impairment losses	(1,339)	(4)
Loss by fire	—	(7,294)
Loss on revision of retirement benefit plan	(828)	(1,493)
Business structural reform expenses	(487)	(308)
Loss due to COVID-19	(1,631)	—
Other	(1,357)	(309)
Total	(6,448)	(10,029)

1) Impairment losses

Impairment loss for the year ended March 31, 2021 mainly related to investments in HTB-BCD Travel Ltd. mainly engaging in travel agency service. As the future cash flows assumed were 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 loss was recognized for the total outstanding balance of investments accounted for using the equity method of HTB-BCD Travel Ltd. 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 by fire

Loss by fire for the year ended March 31, 2022 consists of provision for loss by fire and loss on disposal of fixed assets for property, plant and equipment destroyed or burned. Provision for loss by fire includes loss related to rental properties, including costs to dismantle and remove buildings burned, and the payments to customers and other affected parties that can be reasonably estimated.

3) Loss on revision of retirement benefit plan

Loss on revision of retirement benefit plan for the year ended March 31, 2021 and 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.

4) Business structural reform expenses

Business structural reform expenses were mainly special severance payments for the year ended March 31, 2021 and 2022.

5) 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. Financial income

(Million yen)

	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Dividends income	73	76
Foreign exchange gain	337	—
Other	3	—
Total	413	76

4. Financial expenses

(Million yen)

	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Exchange loss	—	(1,575)
Other	(44)	(313)
Total	(44)	(1,888)

(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, 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 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	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.

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 ³	—	4	4	—	4	—	4

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.

(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, 2021 and 2022 is as follows.

	Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Net income attributable to stockholders of the parent company (Million yen)	22,873	13,513
Weighted average number of common stock (Thousand shares)	95,297	83,688
Basic EPS attributable to stockholders of the parent company (Yen)	240.02	161.47

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

(Significant Subsequent Events)

(Tender Offer)

The Company, at the board of directors' meeting held April 28 2022, resolved to express its opinion supporting the Tender Offer by HTSK Co., Ltd. (the "Tender Offer") for the common shares of the Company, if the Tender Offer is commenced and to recommend that the Company's shareholders tender their Shares in the Tender Offer.

The above-mentioned board resolution was made on the assumption that the Tender Offeror intends to acquire all the Company Shares and that the Company Shares are planned to be delisted through the Transaction including the Tender Offer and a series of procedures scheduled thereafter.

1. Overview of the Tender Offeror

[1] Name	HTSK Co., Ltd
[2] Location	Meiji Yasuda Life Insurance Building 11F, 2-1-1 Marunouchi, Chiyoda-ku, Tokyo
[3] Name and Title of Representative	Steven Codispoti, Representative Director
[4] Type of Business	Trade and any other business incidental or related to trade
[5] Amount of Capital	5,000 yen
[6] Date of Foundation	April 21, 2022
[7] Major Shareholders and Shareholding Ratio	HTSK Holdings Co., Ltd. (shareholding ratio: 100.00%)
[8] Relationship between the Company and the Tender Offeror	
Capital Relationship	N/A
Personal Relationship	N/A
Transaction Relationship	N/A
Status as a Related Party	N/A

2. Overview of Tender Offer

(1) April 28, 2022

It is anticipated that the Tender Offer will begin around the end of September 2022.

(2) Purchase Price

Common Stock JPY8,913 per share

(3) Number of shares to be purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
50,401,606 Shares	22,443,900 Shares	- shares