

# Summary of Consolidated Financial Results [IFRS] for the Third Quarter Ended December 31, 2015

January 29, 2016

Listed Company: **Hitachi Transport System, Ltd.**      Stock Exchange: First Section of Tokyo  
 Code Number: 9086      URL: <http://www.hitachi-hb.co.jp/english/>  
 Representative: Yasuo Nakatani, President and Chief Executive Officer  
 Person in charge: Isao Takaoka, General Manager of Public Relations Department, Global Corporate Strategy Office  
 Date of the Release Of Quarterly Report (Schedule): February 12, 2016  
 Date of the Start of Dividend Payment (Schedule): —  
 Creates supplementary materials for quarterly summaries: Yes  
 Briefing held on quarterly settlement of accounts: Yes (For analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

## 1. Consolidated Financial Highlights for the Third Quarter Ended December 31, 2015 (April 1, 2015 to December 31, 2015)

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

	Revenues		Operating income		Income before income taxes		Net income		Net income attributable to stockholders of the parent company		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2015	513,595	1.5	20,715	34.5	19,798	23.6	12,582	34.2	11,451	38.5	10,938	(32.6)
December 31, 2014	505,923	—	15,400	—	16,023	—	9,378	—	8,266	—	16,238	—

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
December 31, 2015	102.65	—	—	—
December 31, 2014	74.10	—	—	—

“Basic earnings per share” and “Diluted earnings per share” are calculated based on “Net income attributable to stockholders of the parent company”.

## (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	%
December 31, 2015	473,064	204,413	191,450	40.5
March 31, 2015	459,386	196,755	184,830	40.2

## 2. Dividends

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2015	—	14.00	—	14.00	28.00
March 31, 2016	—	15.00	—	—	—
March 31, 2016 (Forecasts)	—	—	—	15.00	30.00

(Note) Revision of the latest dividends forecasts: None

## 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% indicates the percentage change over year)

	Revenues		Operating income		Income before income taxes		Net income		Net income attributable to stockholders of the parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	690,000	1.7	27,000	25.8	25,700	16.8	16,800	13.6	15,000	13.2	134.47

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

#### 4. 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 and retrospective restatements
- (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 December 31, 2015: 111,776,714 shares,
    - As of March 31, 2015: 111,776,714 shares
  - (b) Number of treasury stock at the end of the term
    - As of December 31, 2015: 226,286 shares,
    - As of March 31, 2015: 226,016 shares
  - (c) Average number of shares during the term
    - Year ended December 31, 2015: 111,550,552 shares,
    - Year ended December 31, 2014: 111,550,867 shares

(Note) Information regarding the implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law, have not been completed.

(Note) Explanation on the appropriate use of financial forecasts and other important items

- The financial forecasts shown on this report are estimated based on information available as of the issuing date of this report, and therefore the actual results for the future terms may differ from these forecasted figures due to various unknown factors. For the assumptions for forecasts and cautions regarding the use of the forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Future Forecast Information including Consolidated Financial Forecasts" on Page 3.
- The Company plans to post supplementary materials on quarterly financial results on the Company's website promptly after the announcement of the quarterly financial results.
- A conference call for analysts and institutional investors are scheduled to be held on January 29, 2016.

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

## (1) Explanation of Operating Results

For the third quarter ended December 31, 2015, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows.

	(Million yen)		
	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Y on Y change
Revenues	505,923	513,595	102%
Operating income	15,400	20,715	135%
Income before income taxes	16,023	19,798	124%
Net income	9,378	12,582	134%
Net income attributable to stockholders of the parent company	8,266	11,451	139%

Revenues increased by 2% year-on-year to ¥513,595 million, and operating income, income before income taxes, net income, and net income attributable to stockholders of the parent company also increased by 35%, 24%, 34%, and 39% year-on-year, to ¥20,715 million, ¥19,798 million, ¥12,582 million, and ¥11,451 million respectively. Each number showed an increase compared with the previous fiscal year.

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

### 【Domestic logistics business】 (Million yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Y on Y change
Revenues	296,459	302,738	102%
Segment profit (operating income)* <sup>1</sup>	9,763	14,215	146%

Revenues of domestic logistics business increased by 2% year-on-year to ¥302,738 million due to factors including a steady increase in the volume of consumer goods and retail products and the operations of new projects launched such as cosmetics, sporting goods, retail products, and foods, etc.

Segment profit increased by 46% year-on-year to ¥14,215 million due to the profitability improvement in addition to the effect of revenues increase.

### 【Global logistics business】 (Million yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Y on Y change
Revenues	193,458	194,927	101%
Segment profit (operating income)* <sup>1</sup>	3,951	4,919	125%

Revenues of global logistics business increased by 1% year-on-year to ¥194,927 million due to a steady increase in the volume of commodity and retail products in overseas 3PL business and effect of foreign exchange rate even though overall forwarding business between Japan and other countries was sluggish.

Segment profit increased by 25% year-on-year to ¥4,919 million due to the profitability improvement of 3PL projects in Asia.

### 【Other services (logistics related businesses)】 (Million yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Y on Y change
Revenues	16,006	15,930	100%
Segment profit (operating income)* <sup>1</sup>	1,686	1,581	94%

Revenues of other services was ¥15,930 million.

Segment profit decreased by 6% year-on-year to ¥1,581 million due to a downturn in travel agency business and information system development business as compared to the nine months ended December 31, 2014.

\*1 From the three months ended June 30, 2015, the Group altered to allocate company-wide expenses to each business segment. The segment information of the nine months ended December 31, 2014 had also reflected the alternation above. (Please refer to Page12 for the details.)

## (2) Explanation of Financial Position

### 1) Assets, Liabilities and Net Assets

Total assets as of December 31, 2015 amounted to ¥473,064 million, an increase of ¥13,678 million compared with the end of the previous fiscal year. Current assets increased by ¥1,732 million due to an increase of ¥1,349 million in other current assets and ¥599 million in cash and cash equivalents despite a decrease of ¥871 million in trade receivables. Non-current assets increased by ¥11,946 million because of an increase of ¥12,011 million in property, plant and equipment.

Total liabilities as of December 31, 2015 amounted to ¥268,651 million, an increase of ¥6,020 million compared with the end of the previous fiscal year. Current liabilities increased by ¥28,862 million due to an increase of ¥30,804 million in current portion of long-term debt despite a decrease of ¥5,499 million in trade payables. Non-current liabilities decreased by ¥22,842 million mainly due to a decrease of ¥24,153 million in long-term debt.

Total equity as of December 31, 2015 amounted to ¥204,413 million, an increase of ¥7,658 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio increased from 40.2% at the end of the previous fiscal year to 40.5%.

### 2) Cash flows

Cash and cash equivalents (herein called “cash”) as of December 31, 2015 was ¥35,143 million, an increase of ¥599 million from March 31, 2015.

Cash flows from each activity for the nine months ended December 31, 2015 and their significant components are as follows:

Net cash provided by operating activities was ¥17,549 million. This is mainly due to an increase in cash from depreciation and amortization of ¥14,386 million, net income of ¥12,582 million and income taxes of ¥7,216 million, partly offset by income taxes paid of ¥8,251 million and a decrease in trade payables of ¥6,111 million.

Net cash used in investing activities was ¥12,902 million. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥14,673 million.

Net cash used in financing activities was ¥3,696 million. This is mainly due to an increase in cash from increase in short-term debt, net of ¥3,980 million, dividends paid to stockholders of the parent company of ¥3,235 million and repayments of lease obligations of ¥3,047 million.

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

While the global economy is expected to stay on a gradual recovery trend, there are concerns over the risk of economic downturn due to factors including the movement toward the reduction of monetary easing in the United States and uncertain economic situation in China and other emerging countries in Asia. In Japan, the economy is expected to recover gradually due to the effect of price drop of crude oil and government economic policies as employment and income environment continues to improve, but it may be affected by downturn of overseas economies and exchange rates.

On the other hand, the competition in the logistics industry, especially in the 3PL market which is the Group’s core business, is becoming more severe.

Under these circumstances, in order to respond to the market and customer needs that are increasingly “sophisticated,” “wide-ranging” and “diversified,” the Group utilizes “Logistics solutions” developed through Smart Logistics and “IT & LT Solutions,” and aims to become “a Global Supply-Chain Solutions Provider that challenges the global competition by collaborative innovation with customers” and “a competitive logistics company that wins the regional competition and the global competition” and strives

to achieve the target of consolidated financial forecasts for the fiscal year ending March 31, 2016 and realize sustainable business growth.

No revisions is made to the consolidated financial forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 through March 31, 2016), released on October 28, 2015.

## 2. Matters Related to Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Term

Not applicable.

### (2) Changes in Accounting Policies and Accounting Estimates

The significant accounting policies adopted for the quarterly consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2015.

The Group calculated income tax expenses for the nine months ended December 31, 2015, based on the estimated average annual effective tax rate.

### 3. Summary of Condensed Quarterly Consolidated Financial Statements

#### (1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of March 31, 2015	As of December 31, 2015
(Assets)		
Current assets		
Cash and cash equivalents	34,544	35,143
Trade receivables	127,753	126,882
Inventories	959	1,403
Other financial assets	6,362	6,573
Other current assets	8,817	10,166
Total current assets	178,435	180,167
Non-current assets		
Investments accounted for using the equity method	1,576	1,152
Property, plant and equipment	173,123	185,134
Goodwill	31,437	31,387
Intangible assets	40,582	40,491
Deferred tax assets	8,899	8,954
Other financial assets	16,851	16,948
Other non-current assets	8,483	8,831
Total non-current assets	280,951	292,897
Total assets	459,386	473,064

(Million yen)

	As of March 31, 2015	As of December 31, 2015
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Trade payables	55,023	49,524
Short-term debt	11,680	15,408
Current portion of long-term debt	24,927	55,731
Income tax payable	4,660	4,504
Other financial liabilities	18,983	22,535
Other current liabilities	28,618	25,051
Total current liabilities	143,891	172,753
<b>Non-current liabilities</b>		
Long-term debt	64,267	40,114
Retirement and severance benefits	29,517	30,196
Deferred tax liabilities	13,371	12,838
Other financial liabilities	9,574	10,761
Other non-current liabilities	2,011	1,989
Total non-current liabilities	118,740	95,898
<b>Total liabilities</b>	<b>262,631</b>	<b>268,651</b>
<b>(Equity)</b>		
<b>Equity attributable to stockholders of the parent company</b>		
Common stock	16,803	16,803
Capital surplus	9,855	9,630
Retained earnings	150,927	159,143
Accumulated other comprehensive income	7,424	6,053
Treasury stock, at cost	(179)	(179)
Total equity attributable to stockholders of the parent company	184,830	191,450
Non-controlling interests	11,925	12,963
<b>Total equity</b>	<b>196,755</b>	<b>204,413</b>
<b>Total liabilities and equity</b>	<b>459,386</b>	<b>473,064</b>



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

(Million yen)

	Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Revenues	505,923	513,595
Cost of sales	(460,067)	(460,879)
Gross profit	45,856	52,716
Selling, general and administrative expenses	(29,958)	(32,504)
Other income	545	1,573
Other expenses	(1,043)	(1,070)
Operating income	15,400	20,715
Financial income	1,274	655
Financial expenses	(914)	(1,817)
Share of profits of investments accounted for using the equity method	263	245
Income before income taxes	16,023	19,798
Income taxes	(6,645)	(7,216)
Net income	9,378	12,582
Net income attributable to:		
Stockholders of the parent company	8,266	11,451
Non-controlling interests	1,112	1,131

	Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Earnings per share attributable to stockholders of the parent company		
Basic	¥74.10	¥102.65
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net income	9,378	12,582
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	174	245
Share of OCI of investments accounted for using the equity method	—	1
Total items not to be reclassified into net income	174	246
Items that can be reclassified into net income		
Foreign currency translation adjustments	6,607	(1,876)
Net changes in cash flow hedges	41	21
Share of OCI of investments accounted for using the equity method	38	(35)
Total items that can be reclassified into net income	6,686	(1,890)
Other comprehensive income (OCI)	6,860	(1,644)
Comprehensive income	16,238	10,938
Comprehensive income attributable to:		
Stockholders of the parent company	14,244	10,134
Non-controlling interests	1,994	804

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

(Million yen)

Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)								
						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 period	16,803	12,732	140,707	4,232	(179)	174,295	12,468	186,763
Changes in equity								
Net income			8,266			8,266	1,112	9,378
Other comprehensive income				5,978		5,978	882	6,860
Transactions with non-controlling interests		(2,882)		57		(2,825)	(2,043)	(4,868)
Dividends			(3,012)			(3,012)	(59)	(3,071)
Transfer to retained earnings			(26)	26		—		—
Acquisition and sales of treasury stock					(0)	(0)		(0)
Total changes in equity	—	(2,882)	5,228	6,061	(0)	8,407	(108)	8,299
Balance at end of period	16,803	9,850	145,935	10,293	(179)	182,702	12,360	195,062

(Million yen)

Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)								
						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 period	16,803	9,855	150,927	7,424	(179)	184,830	11,925	196,755
Changes in equity								
Net income			11,451			11,451	1,131	12,582
Other comprehensive income				(1,317)		(1,317)	(327)	(1,644)
Transactions with non-controlling interests		(225)		(54)		(279)	294	15
Dividends			(3,235)			(3,235)	(60)	(3,295)
Acquisition and sales of treasury stock					(0)	(0)		(0)
Total changes in equity	—	(225)	8,216	(1,371)	(0)	6,620	1,038	7,658
Balance at end of period	16,803	9,630	159,143	6,053	(179)	191,450	12,963	204,413

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

(Million yen)

	Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Cash flows from operating activities		
Net income	9,378	12,582
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	13,870	14,386
Impairment losses	17	—
Share of profits of investments accounted for using the equity method	(263)	(245)
Income taxes	6,645	7,216
Increase (decrease) in retirement and severance benefits	(240)	704
Interest and dividend income	(435)	(647)
Interest expenses	914	1,193
Gain on sale of property, plant and equipment	(54)	(512)
(Increase) decrease in trade receivables	(10,001)	146
Increase in inventories	(7)	(443)
Increase (decrease) in trade payables	769	(6,111)
Increase (decrease) in other assets and other liabilities	1,762	(2,385)
Other	1,404	255
Subtotal	23,759	26,139
Interest and dividends received	639	799
Interest paid	(887)	(1,138)
Income taxes paid	(10,095)	(8,251)
Net cash provided by operating activities	13,416	17,549
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(17,332)	(14,673)
Proceeds from sale of property, plant and equipment and intangible assets	614	2,394
Other	(415)	(623)
Net cash used in investing activities	(17,133)	(12,902)
Cash flows from financing activities		
Increase in short-term debt, net	4,334	3,980
Proceeds from long-term debt	390	—
Repayments of long-term debt	(923)	(1,011)
Repayments of lease obligations	(2,569)	(3,047)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(4,661)	(57)
Dividends paid to stockholders of the parent company	(3,012)	(3,235)
Dividends paid to non-controlling interests	(59)	(60)
Other	(0)	(266)
Net cash used in financing activities	(6,500)	(3,696)
Effect of exchange rate changes on cash and cash equivalents	1,092	(352)
Net increase (decrease) in cash and cash equivalents	(9,125)	599
Cash and cash equivalents at beginning of period	33,614	34,544
Cash and cash equivalents at end of period	24,489	35,143

## (5) Summary of Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

None

(Segment Information)

Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)

(Million yen)

	Reporting segment			Other services <sup>1</sup>	Total	Adjustments and eliminations	Amount recorded in condensed quarterly consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	296,459	193,458	489,917	16,006	505,923	—	505,923
Revenues from intersegment transactions or transfers	—	—	—	7,862	7,862	(7,862)	—
Total	296,459	193,458	489,917	23,868	513,785	(7,862)	505,923
Segment profit	9,763	3,951	13,714	1,686	15,400	—	15,400
Financial income							1,274
Financial expenses							(914)
Share of profits of investments accounted for using the equity method							263
Income before income taxes							16,023

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

Nine Months Ended December 31, 2015 (April 1, 2015 to December 31, 2015)

(Million yen)

	Reporting segment			Other services <sup>1</sup>	Total	Adjustments and eliminations	Amount recorded in condensed quarterly consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	302,738	194,927	497,665	15,930	513,595	—	513,595
Revenues from intersegment transactions or transfers	—	—	—	8,156	8,156	(8,156)	—
Total	302,738	194,927	497,665	24,086	521,751	(8,156)	513,595
Segment profit	14,215	4,919	19,134	1,581	20,715	—	20,715
Financial income							655
Financial expenses							(1,817)
Share of profits of investments accounted for using the equity method							245
Income before income taxes							19,798

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

The Group has not allocate company-wide expenses which do not belong to business segment such as corporate general administration expenses incurred in the parent company to each business segment. However, from the three months ended June 30, 2015, the Group altered to allocate them to each business segment in accordance with the rational basis corresponding to a change of revenue structure.

The segment information of the nine months ended December 31, 2014 had also reflected the alternation above.