

Summary of Consolidated Financial Results [IFRS] for the First Quarter Ended June 30, 2015

July 29, 2015

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): August 12, 2015
 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 First Quarter Ended June 30, 2015 (April 1, 2014 to June 30, 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 equity holders of the parent		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2015	169,683	4.9	6,073	64.9	5,854	32.6	3,255	60.9	2,884	89.6	5,633	428.9
June 30, 2014	161,802	—	3,683	—	4,415	—	2,023	—	1,521	—	1,065	—

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
June 30, 2015	25.85	—	—	—
June 30, 2014	13.64	—	—	—

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

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to equity holders of the parent	Total equity attributable to equity holders of the parent ratio
	Million yen	Million yen	Million yen	%
June 30, 2015	459,353	200,799	188,182	41.0
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	—	—	—	—	—
March 31, 2016 (Forecasts)	—	15.00	—	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 equity holders of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	340,000	3.0	11,700	42.4	11,100	26.7	6,900	51.2	6,100	58.7	54.68
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 June 30, 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 June 30, 2015: 226,076 shares,
 - As of March 31, 2015: 226,016 shares
 - (c) Average number of shares during the term
 - Year ended June 30, 2015: 111,550,651 shares,
 - Year ended June 30, 2014: 111,550,935 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 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 July 29, 2015.

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

(1) Explanation of Operating Results

For the first quarter ended June 30, 2015, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows.

	(Million yen)		
	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015	Y on Y change
Revenues	161,802	169,683	105%
Operating income	3,683	6,073	165%
Income before income taxes	4,415	5,854	133%
Net income	2,023	3,255	161%
Net income attributable to equity holders of the parent	1,521	2,884	190%

Revenues increased by 5% year-on-year to ¥169,683 million, and operating income, income before income taxes, net income, and net income attributable to equity holders of the parent also increased by 65%, 33%, 61%, and 90% year-on-year, to ¥6,073million, ¥5,854 million, ¥3,255 million, and ¥2,884 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)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015	Y on Y change
Revenues	95,215	99,146	104%
Segment profit (operating income)* ¹	2,400	4,644	194%

Revenues of domestic logistics business increased by 4% year-on-year to ¥99,146 million owing to factors including an steady increase in the volume of consumer goods and retail products, which was as a result of a recovery from “an decline caused by a rush in demand before the rise in consumption tax” in the same period of the previous fiscal year, and full-scale operation of new projects launched during the previous fiscal year.

Segment profit increased by 94% year-on-year to ¥4,644 million due to the effect of revenues increase and profitability improvement.

【Global logistics business】

(Million yen)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015	Y on Y change
Revenues	61,328	65,468	107%
Segment profit (operating income)* ¹	786	1,132	144%

Revenues of global logistics business increased by 7% year-on-year to ¥65,468 million due to a steady increase in the volume of automobile parts, 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 44% year-on-year to ¥1,132 million due to the effect of revenues increase and the profitability improvement of 3PL projects in Asia.

【Other services (logistics related businesses)】

(Million yen)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015	Y on Y change
Revenues	5,259	5,069	96%
Segment profit (operating income)* ¹	497	297	60%

Revenues of other services decreased by 4% year-on-year to ¥5,069 million.

Segment profit decreased by 40% year-on-year to ¥297 million due to decline in profitability of information system development business.

*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 three months ended June 30, 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 June 30, 2015 amounted to ¥459,353 million, a decrease of ¥33 million compared with the end of the previous fiscal year. Current assets decreased by ¥5,039 million due to a decrease of ¥5,095 million in trade receivables and ¥2,065 million in cash and cash equivalents despite an increase of ¥1,667 million in other current assets. Non-current assets increased by ¥5,006 million because of an increase of ¥4,568 million in property, plant and equipment.

Total liabilities as of June 30, 2015 amounted to ¥258,554 million, a decrease of ¥4,077 million compared with the end of the previous fiscal year. Current liabilities increased by ¥176 million due to an increase of ¥5,178 million in current portion of long-term debt despite a decrease of ¥4,148 million in trade payables. Non-current liabilities decreased by ¥ 4,253 million mainly due to a decrease of ¥ 5,345 million in long-term debt.

Total equity as of June 30, 2015 amounted to ¥200,799 million, an increase of ¥4,044 million compared with the end of the previous fiscal year. Total equity attributable to equity holders of the parent ratio increased from 40.2% at the end of the previous fiscal year to 41.0%.

2) Cash flows

Cash and cash equivalents (herein called “cash”) as of June 30, 2015 was ¥32,479 million, a decrease of ¥2,065 million from March 31, 2015.

Cash flows from each activity for the three months ended June 30, 2015 and their significant components are as follows:

Net cash provided by operating activities was ¥4,952 million. This is mainly due to an increase in cash from a decrease in trade receivables of ¥6,078 million, depreciation and amortization of ¥4,755 million and net income of ¥3,255 million, partly offset by a decrease in cash from a decrease in trade payable of ¥4,981 million and income taxes paid of ¥4,302 million.

Net cash used in investing activities was ¥5,870 million. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥6,031 million.

Net cash used in financing activities was ¥1,587 million. This is mainly due to a decrease in cash from increase in short-term debt of ¥1,430 million, dividends paid of ¥1,562 million, and repayments of lease obligations of ¥1,041 million.

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

The global economy is expected to stay on a gradual recovery trend, even though we should pay attentions to outlook of economic conditions in the United States, Europe, China and other emerging countries. As for Japanese economy, as employment and income environment continues to improve, it is also expected to show recovery trend due to the effect of price drop of crude oil and government economic policies.

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 May 11, 2015, which also included the interim forecast.

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 three months ended June 30, 2015, based on the estimated average annual effective tax rate.

3. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	As of March 31, 2015	As of June 30, 2015
(Assets)		
Current assets		
Cash and cash equivalents	34,544	32,479
Trade receivables	127,753	122,658
Inventories	959	1,038
Other financial assets	6,362	6,737
Other current assets	8,817	10,484
Total current assets	178,435	173,396
Non-current assets		
Investments accounted for using the equity method	1,576	1,116
Property, plant and equipment	173,123	177,691
Goodwill	31,437	31,792
Intangible assets	40,582	40,088
Deferred tax assets	8,899	8,787
Other financial assets	16,851	17,676
Other non-current assets	8,483	8,807
Total non-current assets	280,951	285,957
Total assets	459,386	459,353

(Million yen)

	As of March 31, 2015	As of June 30, 2015
(Liabilities)		
Current liabilities		
Trade payables	55,023	50,875
Short-term debt	11,680	13,505
Current portion of long-term debt	24,927	30,105
Income taxes	4,660	3,534
Other financial liabilities	18,983	20,414
Other current liabilities	28,618	25,634
Total current liabilities	143,891	144,067
Non-current liabilities		
Long-term debt	64,267	58,922
Retirement and severance benefits	29,517	29,870
Deferred tax liabilities	13,371	13,250
Other financial liabilities	9,574	10,138
Other non-current liabilities	2,011	2,307
Total non-current liabilities	118,740	114,487
Total liabilities	262,631	258,554
(Equity)		
Equity attributable to equity holders of the parent		
Common stock	16,803	16,803
Capital surplus	9,855	9,855
Retained earnings	150,927	152,249
Accumulated other comprehensive income	7,424	9,454
Treasury stock, at cost	(179)	(179)
Total equity attributable to equity holders of the parent	184,830	188,182
Non-controlling interests	11,925	12,617
Total equity	196,755	200,799
Total liabilities and equity	459,386	459,353

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

(Million yen)

	Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Three Months Ended June 30, 2015 (April 1, 2015 to June 30, 2015)
Revenues	161,802	169,683
Cost of sales	(148,290)	(152,694)
Gross profit	13,512	16,989
Selling, general and administrative expenses	(9,778)	(10,833)
Other income	194	243
Other expenses	(245)	(326)
Operating income	3,683	6,073
Financial income	905	243
Financial expenses	(243)	(533)
Share of profits of investments accounted for using the equity method	70	71
Income before income taxes	4,415	5,854
Income taxes	(2,392)	(2,599)
Net income	2,023	3,255
Attributable to:		
Equity holders of the parent	1,521	2,884
Non-controlling interests	502	371

	Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Three Months Ended June 30, 2015 (April 1, 2015 to June 30, 2015)
Earnings per share attributable to equity holders of the parent		
Basic	¥13.64	¥25.85
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Three Months Ended June 30, 2015 (April 1, 2015 to June 30, 2015)
Net income	2,023	3,255
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	190	381
Share of OCI of investments accounted for using the equity method	—	1
Total items not to be reclassified into net income	190	382
Items that can be reclassified into net income		
Foreign currency translation adjustments	(1,142)	2,001
Net changes in cash flow hedges	24	(3)
Share of OCI of investments accounted for using the equity method	(30)	(2)
Total items that can be reclassified into net income	(1,148)	1,996
Other comprehensive income	(958)	2,378
Comprehensive income	1,065	5,633
Attributable to:		
Equity holders of the parent	802	4,914
Non-controlling interests	263	719

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)								
						Total equity attributable to equity holders of the parent	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			1,521			1,521	502	2,023
Other comprehensive income				(719)		(719)	(239)	(958)
Transactions with non – controlling interests		(87)				(87)	(232)	(319)
Dividends to equity holders of the parent			(1,450)			(1,450)	(31)	(1,481)
Transfer to retained earnings			1	(1)		–		–
Acquisition and sales of treasury stock					(0)	(0)		(0)
Total changes in equity	–	(87)	72	(720)	(0)	(735)	0	(735)
Balance at end of period	16,803	12,645	140,779	3,512	(179)	173,560	12,468	186,028

(Million yen)

Three Months Ended June 30, 2015 (April 1, 2015 to June 30, 2015)								
						Total equity attributable to equity holders of the parent	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			2,884			2,884	371	3,255
Other comprehensive income				2,030		2,030	348	2,378
Dividends to equity holders of the parent			(1,562)			(1,562)	(27)	(1,589)
Acquisition and sales of treasury stock					(0)	(0)		(0)
Total changes in equity	–	–	1,322	2,030	(0)	3,352	692	4,044
Balance at end of period	16,803	9,855	152,249	9,454	(179)	188,182	12,617	200,799

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Three Months Ended June 30, 2015 (April 1, 2015 to June 30, 2015)
Cash flows from operating activities		
Net income	2,023	3,255
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,539	4,755
Share of profits of investments accounted for using the equity method	(70)	(71)
Income taxes	2,392	2,599
Increase (decrease) in retirement and severance benefits	(251)	332
Interest and dividend income	(170)	(241)
Interest paid	243	371
Gain on sale of property, plant and equipment	(41)	(148)
Decrease (increase) in trade receivables	735	6,078
Decrease (increase) in inventories	(183)	(61)
Increase (decrease) in trade payables	(1,369)	(4,981)
Increase (decrease) in other assets and liabilities	(750)	(3,043)
Other	18	413
Subtotal	7,116	9,258
Interest and dividend income received	231	326
Interest paid	(219)	(330)
Income taxes paid	(5,833)	(4,302)
Net cash provided by operating activities	1,295	4,952
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,902)	(6,031)
Proceeds from sale of property, plant and equipment, and intangible assets	196	480
Other	(333)	(319)
Net cash used in investing activities	(7,039)	(5,870)
Cash flows from financing activities		
Increase in short-term debt, net	728	1,430
Payments on long-term debt	(278)	(343)
Repayments of lease obligations	(779)	(1,041)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(112)	—
Dividends paid	(1,450)	(1,562)
Dividends paid to holders of non-controlling interests	(31)	(27)
Other	(0)	(44)
Net cash used in financing activities	(1,922)	(1,587)
Effect of exchange rate changes on cash and cash equivalents	(176)	440
Net increase in cash and cash equivalents	(7,842)	(2,065)
Cash and cash equivalents at beginning of period	33,614	34,544
Cash and cash equivalents at end of period	25,772	32,479

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

(Notes on Going Concern Assumptions)

None

(Segment information)

Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)

(Million yen)

	Reporting segment			Other services ¹	Subtotal	Adjustments and eliminations	Amount recorded in condensed quarterly consolidated financial statements
	Domestic logistics	Global logistics	Total				
Revenues							
Revenues from outside customers	95,215	61,328	156,543	5,259	161,802	—	161,802
Revenues from intersegment transactions or transfers	—	—	—	2,456	2,456	(2,456)	—
Total	95,215	61,328	156,543	7,715	164,258	(2,456)	161,802
Segment profit	2,400	786	3,186	497	3,683	—	3,683
Financial income							905
Financial expenses							(243)
Share of profits of investments accounted for using the equity method							70
Income before income taxes							4,415

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

Three Months Ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(Million yen)

	Reporting segment			Other services ¹	Subtotal	Adjustments and eliminations	Amount recorded in condensed quarterly consolidated financial statements
	Domestic logistics	Global logistics	Total				
Revenues							
Revenues from outside customers	99,146	65,468	164,614	5,069	169,683	—	169,683
Revenues from intersegment transactions or transfers	—	—	—	2,493	2,493	(2,493)	—
Total	99,146	65,468	164,614	7,562	172,176	(2,493)	169,683
Segment profit	4,644	1,132	5,776	297	6,073	—	6,073
Financial income							243
Financial expenses							(533)
Share of profits of investments accounted for using the equity method							71
Income before income taxes							5,854

Note: 1. The “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 three months ended June 30, 2014 had also reflected the alternation above.