

Summary of Consolidated Financial Results [IFRS] for the Second Quarter Ended September 30, 2015

October 28, 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): November 13, 2015
 Date of the Start of Dividend Payment (Schedule): November 27, 2015
 Creates supplementary materials for quarterly summaries: Yes
 Briefing held on quarterly settlement of accounts (For analysts and press): Yes

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Highlights for the Second Quarter Ended September 30, 2015 (April 1, 2015 to September 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 stockholders of the parent company		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2015	340,564	3.2	12,873	56.7	11,305	29.1	6,487	42.1	5,845	52.1	5,371	(17.6)
September 30, 2014	330,007	—	8,215	—	8,759	—	4,565	—	3,844	—	6,521	—

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
September 30, 2015	52.40	—	—	—
September 30, 2014	34.46	—	—	—

"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	%
September 30, 2015	469,648	200,515	187,978	40.0
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	—	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 September 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 September 30, 2015: 226,196 shares,
 - As of March 31, 2015: 226,016 shares
 - (c) Average number of shares during the term
 - Year ended September 30, 2015: 111,550,596 shares,
 - Year ended September 30, 2014: 111,550,901 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 the supplementary material and the presentation material on quarterly financial results on the Company's website promptly after the quarterly financial results briefing.

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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, 2015, consolidated financial results of the Hitachi Transport System Group (the “Group”) are as follows.

(Million yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015	Y on Y change
Revenues	330,007	340,564	103%
Operating income	8,215	12,873	157%
Income before income taxes	8,759	11,305	129%
Net income	4,565	6,487	142%
Net income attributable to stockholders of the parent company	3,844	5,845	152%

Revenues increased by 3% year-on-year to ¥340,564 million, and operating income, income before income taxes, net income, and net income attributable to stockholders of the parent company also increased by 57%, 29%, 42%, and 52% year-on-year, to ¥12,873 million, ¥11,305 million, ¥6,487 million, and ¥5,845 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)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015	Y on Y change
Revenues	194,371	198,755	102%
Segment profit (operating income)* ¹	4,905	9,014	184%

Revenues of domestic logistics business increased by 2% year-on-year to ¥198,755 million due to factors including a steady increase in the volume of consumer goods and retail products as a result of a recovery from “a backlash after the last-minute rise in demand before the consumption tax increase” in the six months ended September 30, 2014 and the operations of new projects launched such as cosmetics, sporting goods, foods and commodities, etc.

Segment profit increased by 84% year-on-year to ¥9,014 million due to the effect of revenues increase and profitability improvement.

【Global logistics business】

(Million yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015	Y on Y change
Revenues	124,684	130,954	105%
Segment profit (operating income)* ¹	2,082	2,683	129%

Revenues of global logistics business increased by 5% year-on-year to ¥130,954 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 29% year-on-year to ¥2,683 million due to the effect of revenues increase and the profitability improvement of 3PL projects in Asia and North America.

【Other services (logistics related businesses)】

(Million yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015	Y on Y change
Revenues	10,952	10,855	99%
Segment profit (operating income)* ¹	1,228	1,176	96%

Revenues of other services decreased by 1% year-on-year to ¥10,855 million.

Segment profit decreased by 4% year-on-year to ¥1,176 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 six months ended September 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 September 30, 2015 amounted to ¥469,648 million, an increase of ¥10,262 million compared with the end of the previous fiscal year. Current assets increased by ¥652 million due to an increase of ¥3,187 million in cash and cash equivalents and ¥748 million in other current assets despite a decrease of ¥3,824 million in trade receivables. Non-current assets increased by ¥9,610 million because of an increase of ¥9,414 million in property, plant and equipment.

Total liabilities as of September 30, 2015 amounted to ¥269,133 million, an increase of ¥6,502 million compared with the end of the previous fiscal year. Current liabilities increased by ¥23,824 million due to an increase of ¥25,488 million in current portion of long-term debt despite a decrease of ¥3,417 million in trade payables. Non-current liabilities decreased by ¥17,322 million mainly due to a decrease of ¥18,151 million in long-term debt.

Total equity as of September 30, 2015 amounted to ¥200,515 million, an increase of ¥3,760 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company ratio decreased from 40.2% at the end of the previous fiscal year to 40.0%.

2) Cash flows

Cash and cash equivalents (herein called “cash”) as of September 30, 2015 was ¥37,731 million, an increase of ¥3,187 million from March 31, 2015.

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

Net cash provided by operating activities was ¥14,592 million. This is mainly due to an increase in cash from depreciation and amortization of ¥9,600 million, net income of ¥6,487 million and a decrease in trade receivables of ¥3,061 million, partly offset by income taxes paid of ¥4,397 million and a decrease in trade payables of ¥3,954 million.

Net cash used in investing activities was ¥9,469 million. This is mainly due to a decrease in cash from purchase of property, plant and equipment and intangible assets of ¥10,383 million.

Net cash used in financing activities was ¥2,135 million. This is mainly due to an increase in cash from increase in short-term debt of ¥2,318 million, repayments of lease obligations of ¥2,001 million, and dividends paid of ¥1,562 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 May 11, 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 six months ended September 30, 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 September 30, 2015
(Assets)		
Current assets		
Cash and cash equivalents	34,544	37,731
Trade receivables	127,753	123,929
Inventories	959	1,066
Other financial assets	6,362	6,796
Other current assets	8,817	9,565
Total current assets	178,435	179,087
Non-current assets		
Investments accounted for using the equity method	1,576	1,091
Property, plant and equipment	173,123	182,537
Goodwill	31,437	31,475
Intangible assets	40,582	41,202
Deferred tax assets	8,899	8,425
Other financial assets	16,851	16,957
Other non-current assets	8,483	8,874
Total non-current assets	280,951	290,561
Total assets	459,386	469,648

(Million yen)

	As of March 31, 2015	As of September 30, 2015
(Liabilities)		
Current liabilities		
Trade payables	55,023	51,606
Short-term debt	11,680	13,872
Current portion of long-term debt	24,927	50,415
Income tax payable	4,660	5,378
Other financial liabilities	18,983	19,838
Other current liabilities	28,618	26,606
Total current liabilities	143,891	167,715
Non-current liabilities		
Long-term debt	64,267	46,116
Retirement and severance benefits	29,517	29,855
Deferred tax liabilities	13,371	12,437
Other financial liabilities	9,574	10,884
Other non-current liabilities	2,011	2,126
Total non-current liabilities	118,740	101,418
Total liabilities	262,631	269,133
(Equity)		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Capital surplus	9,855	9,616
Retained earnings	150,927	155,210
Accumulated other comprehensive income	7,424	6,528
Treasury stock, at cost	(179)	(179)
Total equity attributable to stockholders of the parent company	184,830	187,978
Non-controlling interests	11,925	12,537
Total equity	196,755	200,515
Total liabilities and equity	459,386	469,648

(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, 2014 (April 1, 2014 to September 30, 2014)	Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Revenues	330,007	340,564
Cost of sales	(301,429)	(305,805)
Gross profit	28,578	34,759
Selling, general and administrative expenses	(19,870)	(21,747)
Other income	364	689
Other expenses	(857)	(828)
Operating income	8,215	12,873
Financial income	965	473
Financial expenses	(547)	(2,197)
Share of profits of investments accounted for using the equity method	126	156
Income before income taxes	8,759	11,305
Income taxes	(4,194)	(4,818)
Net income	4,565	6,487
Net income attributable to:		
Stockholders of the parent company	3,844	5,845
Non-controlling interests	721	642

	Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Earnings per share attributable to stockholders of the parent company		
Basic	¥34.46	¥52.40
Diluted	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Net income	4,565	6,487
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	124	155
Share of OCI of investments accounted for using the equity method	—	2
Total items not to be reclassified into net income	124	157
Items that can be reclassified into net income		
Foreign currency translation adjustments	1,819	(1,296)
Net changes in cash flow hedges	47	21
Share of OCI of investments accounted for using the equity method	(34)	2
Total items that can be reclassified into net income	1,832	(1,273)
Other comprehensive income (OCI)	1,956	(1,116)
Comprehensive income	6,521	5,371
Comprehensive income attributable to:		
Stockholders of the parent company	5,649	4,954
Non-controlling interests	872	417

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 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			3,844			3,844	721	4,565
Other comprehensive income				1,805		1,805	151	1,956
Transactions with non-controlling interests		(2,756)		57		(2,699)	(2,169)	(4,868)
Dividends			(1,450)			(1,450)	(50)	(1,500)
Transfer to retained earnings			1	(1)		—		—
Acquisition and sales of treasury stock					(0)	(0)		(0)
Total changes in equity	—	(2,756)	2,395	1,861	(0)	1,500	(1,347)	153
Balance at end of period	16,803	9,976	143,102	6,093	(179)	175,795	11,121	186,916

(Million yen)

Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 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			5,845			5,845	642	6,487
Other comprehensive income				(891)		(891)	(225)	(1,116)
Transactions with non-controlling interests		(239)		(5)		(244)	244	—
Dividends			(1,562)			(1,562)	(49)	(1,611)
Acquisition and sales of treasury stock					(0)	(0)		(0)
Total changes in equity	—	(239)	4,283	(896)	(0)	3,148	612	3,760
Balance at end of period	16,803	9,616	155,210	6,528	(179)	187,978	12,537	200,515

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Net income	4,565	6,487
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	9,142	9,600
Impairment losses	17	—
Share of profits of investments accounted for using the equity method	(126)	(156)
Income taxes	4,194	4,818
Increase (decrease) in retirement and severance benefits	(334)	363
Interest and dividend income	(306)	(469)
Interest expenses	547	791
Gain on sale of property, plant and equipment	(48)	(460)
(Increase) decrease in trade receivables	(3,348)	3,061
Increase in inventories	(21)	(100)
Increase (decrease) in trade payables	519	(3,954)
Increase (decrease) in other assets and other liabilities	2,052	(1,547)
Other	715	801
Subtotal	17,568	19,235
Interest and dividends received	512	546
Interest paid	(568)	(792)
Income taxes paid	(5,943)	(4,397)
Net cash provided by operating activities	11,569	14,592
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(13,662)	(10,383)
Proceeds from sale of property, plant and equipment and intangible assets	490	1,825
Other	(291)	(911)
Net cash used in investing activities	(13,463)	(9,469)
Cash flows from financing activities		
Increase (decrease) in short-term debt, net	(233)	2,318
Proceeds from long-term debt	390	—
Repayments of long-term debt	(591)	(678)
Repayments of lease obligations	(1,751)	(2,001)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(4,661)	—
Dividends paid to stockholders of the parent company	(1,450)	(1,562)
Dividends paid to non-controlling interests	(50)	(49)
Other	(0)	(163)
Net cash used in financing activities	(8,346)	(2,135)
Effect of exchange rate changes on cash and cash equivalents	155	199
Net increase (decrease) in cash and cash equivalents	(10,085)	3,187
Cash and cash equivalents at beginning of period	33,614	34,544
Cash and cash equivalents at end of period	23,529	37,731

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

(Notes on Going Concern Assumptions)

None

(Segment Information)

Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)

(Million yen)

	Reporting segment			Other services ¹	Total	Adjustments and eliminations	Amount recorded in condensed quarterly consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	194,371	124,684	319,055	10,952	330,007	—	330,007
Revenues from intersegment transactions or transfers	—	—	—	5,200	5,200	(5,200)	—
Total	194,371	124,684	319,055	16,152	335,207	(5,200)	330,007
Segment profit	4,905	2,082	6,987	1,228	8,215	—	8,215
Financial income							965
Financial expenses							(547)
Share of profits of investments accounted for using the equity method							126
Income before income taxes							8,759

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.

Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 2015)

(Million yen)

	Reporting segment			Other services ¹	Total	Adjustments and eliminations	Amount recorded in condensed quarterly consolidated financial statements
	Domestic logistics	Global logistics	Subtotal				
Revenues							
Revenues from outside customers	198,755	130,954	329,709	10,855	340,564	—	340,564
Revenues from intersegment transactions or transfers	—	—	—	5,521	5,521	(5,521)	—
Total	198,755	130,954	329,709	16,376	346,085	(5,521)	340,564
Segment profit	9,014	2,683	11,697	1,176	12,873	—	12,873
Financial income							473
Financial expenses							(2,197)
Share of profits of investments accounted for using the equity method							156
Income before income taxes							11,305

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 six months ended September 30, 2014 had also reflected the alternation above.