Corporate Philosophy

Hitachi Transport System takes a broad and balanced view of the future and is always working to provide environmentally-friendly and high-quality services that will help make the world a better place for mankind and nature.

Hitachi Transport System makes an unflagging effort to become the leading company of the industry by constantly integrating a global, long-term perspective.

Hitachi Transport System abides by the rules of society as a good corporate citizen, and respects people and the environment with kindness.

Hitachi Transport System is proud to serve as essential link between production and consumption, and lives up to the expectation and trust of customers by providing cordial service while constantly striving to put quality first.

Hitachi Transport System contributes to social development by making full use of ample creativity, innovative technology, and advanced information resources.

Logistics Solution

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Corporate Philosophy

1 7-year Summary
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Editorial Policy
The purpose of this Report is to convey the objectives of Hitachi Transport System, Ltd. Group activities in a clear and concise manner to our stakeholders. Hitachi Transport System, Ltd. begins issuing its Annual Report in a revised format that integrates both Annual and CSR Report components from this Annual Report on.

Forward-looking statements:
This annual report contains forward-looking statements that reflect Hitachi Transport System, Ltd. and its Group companies’ forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause Hitachi Transport System and its Group company’s actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

7-year Summary

Years ended March 31

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<td></td>
<td>Millions of yen</td>
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For the year:
Service revenues (Revenues)*2  ¥352,800 ¥331,917 ¥368,798 ¥553,934 ¥547,517 ¥624,504 ¥677,108 ¥678,573  ¥55,646,775
Domestic Logistics  243,646 244,460 256,886 386,448 375,560 388,765 397,844 397,954 3,311,592
Global Logistics  90,885 71,095 93,264 148,610 152,485 215,193 258,534 258,231 2,184,881
Operating income  14,171 12,724 15,940 23,146 20,992 21,196 21,165 21,465 178,622
Domestic Logistics  19,392 19,133 21,815 29,146 27,452 28,523 26,082 25,965 216,069
Global Logistics  1,013 1,286 1,477 2,763 1,123 2,910 5,897 6,305 52,467
Net income (Net income attributable to stockholders of the parent company)*2  7,000 5,815 6,806 12,563 11,156 5,433 10,932 13,250 110,260
At year-end:
Total assets  ¥226,504 ¥231,188 ¥246,558 ¥365,013 ¥374,206 ¥427,733 ¥450,048 ¥459,386 ¥53,822,801
Net assets (Total equity)*2  143,327 148,471 151,066 164,640 174,904 181,401 188,935 196,755 1,637,305
Per share data (Yen and U.S. dollars*1):
Net income (Net income attributable to stockholders of the parent company)*2  ¥ 62.75 ¥ 52.13 ¥ 61.01 ¥112.62 ¥100.01 ¥ 48.70 ¥ 98.00 ¥118.78 0.99
Net assets (Total equity)*2 1,268.67 1,302.56 1,325.72 1,404.03 1,517.93 1,512.16 1,584.16 1,665.91 13.79
Cash dividends  20.00 20.00 22.00 24.00 25.00 26.00 28.00 28.00 0.23
Capital expenditures, etc.:
Capital expenditures  ¥18,835 ¥ 6,908 ¥13,264 ¥16,857 ¥17,854 ¥27,948 – ¥26,528 ¥220,754
Domestic Logistics  15,402 3,032 6,651 9,200 5,407 16,701 – 14,376 119,631
Global Logistics  1,978 2,028 2,543 4,158 9,602 8,007 – 8,726 74,247
Depreciation and amortization  9,195 9,403 9,646 14,003 14,516 14,958 16,579 – 18,715 155,738
Financial ratios (%, Times):
Operating margin  4.0 3.8 4.3 4.2 3.6 3.4 3.1 3.2 –
Return on equity  5.0 4.1 4.6 8.3 6.8 3.2 6.3 7.4 –
Other data:
Number of employees  10,416 12,283 14,700 21,104 22,793 24,425 24,728 – –
Total floor space of warehouse (Thousand square meters)  3,070 3,230 3,710 5,160 5,640 6,370 6,910 – –
Domestic  2,460 2,600 3,010 3,940 4,260 4,610 5,000 – –
Overseas  610 630 700 1,220 1,380 1,760 1,910 – –

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.1 for U.S. $1, the prevailing exchange rate as of March 31, 2015.
*2 Terms in parentheses are used for IFRS.
First and foremost, I’d like to extend my deepest appreciation to everyone connected to the HTS Group for your ongoing support.

The corporate philosophy of the HTS Group is to do our part for society by providing top-quality services. As a consummate expert in the field of logistics—a critical aspect of social infrastructure that serves to link production and consumption—we focus on manifesting a high level of information capacity, creativity, and innovative technology. With a view to helping to make our society even better, we also consider sincerity in our corporate activities equally important.

As for operations, our goal is to provide optimal service in the areas of logistics quality, information security, AEO/export management, and green logistics—thereby ensuring that we earn the trust of our customers and that they always choose us. In an example of our achievement in this area, the HTS Group clinched first place in the Nikkei Environmental Management Survey for the year ended March 31, 2015, taking the top spot in the transport category six years in a row. We will continue to strive in the future for a sustainable society by providing ever-better environmentally-friendly services.

Our corporate slogans in regards to safety are “Safety is of the highest priority” and “Safety Management by Walking Around.” The goals encapsulated in these words are to boost and maximize safety training and to offer logistics services that are continuously improved upon to ensure the highest quality and safety levels. As an example of the HTS Group’s initiatives to convey our corporate culture of safety and our technologies overseas, we opened a training center at the Kunshan Distribution Center, China in May 2014.

In addition, we also provide support to the local communities in which we operate through our business activities, including training logistics personnel from emerging economies and regions as well as hiring local personnel.

Looking at trends around the globe, though we do need to continue to pay attention to the direction and potential impact of the U.S. government’s efforts to normalize its monetary policy, as well as economic trends in Europe and emerging economies such as China, the general future outlook indicates a steady economic recovery. Thanks to the impact of falling oil prices and government economic policy, the Japanese economy is also poised for a stable, ongoing recovery, as indicated by upward-trending employment and income conditions.

In the midst of this business environment, we at the HTS Group are working to realize our medium-term 2015 Vision—the year ending March 31, 2016 being the final year of the plan—as well as the numerical goals of the new medium-term plan to begin in the year ending March 31, 2017. To achieve our goals, we apply our logistics solutions, developed by way of our Smart Logistics®, along with our IT and LT* solutions with a view to meeting the needs of the market and our customers for: sophisticated, wide-ranging, and diversified. In this capacity, we are a Global Supply-Chain Solutions Provider that takes on the world by creating new value together with our stakeholders. Through highly sincere and transparent management, we conduct our business activities rooted in our basics—and our own unique way to perfection. By these and other means our corporate group works not only to win the trust of our customers but also to do our best to contribute to the building of an affluent society.

We look forward to your continued support.

Yasuo Nakatani
President and CEO
To Achieve FY2015 Targets / Toward Next Mid-term Management Plan

Global Business Expansion (Regional Strategy)

- **Service revenues / Profit plan (Billions of yen)**
  - Operating income
    - 2014 (Result): 42.0
    - 2015 (Result): 46.8
    - 2016 (Plan): 54.0
  - Service Revenues
    - 2014 (Result): 641.8
    - 2015 (Result): 729.0
    - 2016 (Plan): 816.0

- **Priority measures: Establish an autonomous decentralized global management structure**
  - Establish a new integrated company following structural reform
  - Expand 3PL business for automobile parts and expand non-automotive business
  - Create new core functions: Establish core functions across border markets by utilizing IT&LT solutions

- **Global Business Expansion (Forwarding Business)**
  - Enhance and expand offshore business with the concept of “One Hitachi Transport System”

- **Strategies to expand forwarding business**
  - Appointed an executive officer in charge of forwarding business (April 2015)
  - Establish Forwarding Business Headquarters (Japan) (2015)
  - Relocation of Forwarding Business Headquarters (Hong Kong)

Domestic Business Expansion (Restructure Business Revenue Base)

- **Service revenues / Profit plan (Billions of yen)**
  - Operating income
    - 2014 (Result): 31.8
    - 2015 (Result): 33.1
    - 2016 (Plan): 39.0
  - Service Revenues
    - 2014 (Result): 418.8
    - 2015 (Result): 426.8
    - 2016 (Plan): 430.0

- **Priority measures: Improve profitability and develop new growth strategies**
  - Improve domestic profitability
  - Complete domestic transformation

To Achieve FY2015 Targets / Toward Next Mid-term Management Plan

Future Vision: Global Supply-Chain Solutions Provider

Customer and market needs are increasingly “sophisticated,” “wide-ranging” and “diversified”

Challenge the global competition by collaborative innovation with customers (Global Supply-Chain Solutions Provider)

Next Mid-term Management Plan

- Strengthen and expand existing core functions (DB, ”land transportation,” Warehouse “Forwarding”) strengthen competitiveness in existing fields (markets) including collaboration (M&A, etc.)

Create new core functions: Establish core functions across border markets by utilizing IT&LT solutions

To be Achieved in FY2016
- Formulate new plan for next stage

To be Achieved in FY2017
- Complete domestic transformation
- Establish business structure to survive and win the regional competition (cooperate with competitors)

Strategies to expand forwarding business

- Appointed an executive officer in charge of forwarding business (April 2015)
- Establish Forwarding Business Headquarters (Japan) (2015)
- Relocation of Forwarding Business Headquarters (Hong Kong)
Topics

FY2014 Topics (Japan)

Tsukuba Distribution Center
Tsukuba City, Ibaraki Prefecture
Operations started April 2014
Construction equipment parts, etc.

Kakegawa Distribution Center
Kakegawa City, Shizuoka Prefecture
Operations started August 2014
Drugstore-related products

Toyama Phase IV Distribution Center
Nakanikawa county, Toyama Prefecture
Operations started June 2014
Medical supplies, etc.

Kawaguchi XD
Kawaguchi City, Saitama Prefecture
Operations started July 2014
Food products, etc.

Kyotanabe Distribution Center
Kyotanabe City, Kyoto Prefecture
Operations started January 2015
Daily commodities, food products, etc.

FY2014 Topics (Overseas)

Kunshan Distribution Center
Kunshan City, China
Operations started May 2014
Automobile parts, etc.

High-speed railways transportation in the UK
For IEP* of UK Department for Transport
Started transportation in January 2015
*IEP (Intercity Express Programme)

East Java Logistics Center (Phase I)
Djawa Timur, Indonesia
Operations started January 2015
Daily commodities related

Higashinippon area:
July 2014
• Higashinippon Hitachi Transport Service
• Hitachi Frontier Transport System

Tokyo area:
October 2014
• Shutoken Hitachi Transport Service
• Hitachi Orientlogi Transport System

Nisshin International Trading Co., Ltd.
Trade settlement agency service, etc.
Started from October 2014

Kakegawa Distribution Center
Kakegawa City, Shizuoka Prefecture
Operations started August 2014
Drugstore-related products

Kyotanabe Distribution Center
Kyotanabe City, Kyoto Prefecture
Operations started January 2015
Daily commodities, food products, etc.

Kawaguchi XD
Kawaguchi City, Saitama Prefecture
Operations started July 2014
Food products, etc.

National Truck Driver Contest
October 2014
11-ton category 1st prize (The Prime Minister’s Prize)
4-ton category 1st prize (monopolized top 4 prizes)
7 entrants from the Group became higher ranking winners

Reorganize domestic group companies (merge)
Hiwashinnipon area: July 2014
• Higashinippon Hitachi Transport Service
• Hitachi Frontier Transport System

Tokyo area: October 2014
• Shutoken Hitachi Transport Service
• Hitachi Orientlogi Transport System

October 2014
Established Nishinippon Area Management Headquarters

Reorganize domestic sales divisions
October 2014
Established Nishinippon Area Management Headquarters

March 2015
Awarded in the new market category

April 2014
Charged company name of Dahang International Transportation to Hitachi Transport System (China)

National Truck Driver Contest
October 2014
11-ton category 1st prize (The Prime Minister’s Prize)
4-ton category 1st prize (monopolized top 4 prizes)
7 entrants from the Group became higher ranking winners

Awarded “Excellent Business Entities Working on Modal Shift” by Japan Federation of Freight Industries

September 2015
Awarded in the new market category

Established Nishinippon International Trading (Shanghai)
Started operation in February 2015
Nishin International Trading Co., Ltd.
Trade settlement agency service, etc.

Established Hitachi Transport System (China)
(Enhanced business structure)

Reorganized overseas group companies (Created group synergy)

Merged Singapore subsidiary: April 2014
• Hitachi Transport System (Asia) Pte. Ltd.
• VANTEC WORLD TRANSPORT (S) PTE. LTD.

Integrated Thailand subsidiary: January 2015
• Hitachi Transport System (Thailand), Ltd.
• Vantec World Transport (Thailand) Co., Ltd.

Integrated Malaysia subsidiary: January 2015
• Hitachi Transport System (M) Sdn. Bhd.
• Vantec World Transport (M) Sdn. Bhd.

Established Hitachi Transport System (China)
(Enhanced business structure)

Merged Singapore subsidiary: April 2014
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• Hitachi Transport System (Thailand), Ltd.
• Vantec World Transport (Thailand) Co., Ltd.

Integrated Malaysia subsidiary: January 2015
• Hitachi Transport System (M) Sdn. Bhd.
• Vantec World Transport (M) Sdn. Bhd.

November 2014
1st prize in the category of logistics service

March 2015
Awarded in the new market category

April 2014
Charged company name of Dahang International Transportation to Hitachi Transport System (China)

Established Nishinippon International Trading (Shanghai)
Started operation in February 2015
Nishin International Trading Co., Ltd.
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• Vantec World Transport (M) Sdn. Bhd.
Consolidated Financial Highlights

Results by Segment for the Year Ended March 31, 2015 (Billions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Service Revenues (Revenues)*2</th>
<th>Net Income (Net income attributable to stockholders)*2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic logistics</td>
<td>¥397.8 billion (102% year on year)</td>
<td>¥26.1 billion (91% year on year)</td>
</tr>
<tr>
<td>Global logistics</td>
<td>¥258.4 billion (120% year on year)</td>
<td>¥5.9 billion (203% year on year)</td>
</tr>
</tbody>
</table>

*2 Terms in parentheses are used for IFRS.

Review of Operations

Main Services
- Third Party Logistics (3PL) Business (Domestic) (Comprehensive contracts for logistics services including logistics system integration, information control, inventory control, order control, value added services, distribution center operations, factory logistics, ABC services, and JIT services)
- Overseas Logistics
  - Air Cargo Sales Agent Business

Review of Operations
- Review of Operations
  - Even though a commencement of new large-scale projects contributed to increase service revenues, the impacts from the increased initial costs and rising costs for chartering vehicles and operations reduced segment income.
  - Strove to enhance local business base and further improve business efficiency through mergers of consolidated subsidiaries in Brazil and Tokyo, respectively.

Domestic Logistics

<table>
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<tr>
<th>Years ended March 31</th>
<th>Service Revenues (Revenues)*2</th>
<th>Segment Income (Segment Profit)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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Global Logistics

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<td>¥258.4 billion</td>
<td>¥5.9 billion</td>
</tr>
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</table>
The HTS Group treats people and nature with great respect. In this connection, our fundamental policy is to do our part to help create an affluent society through fair business practices, as we boost our value for all of our stakeholders. Revised in the year ended March 31, 2014 by Hitachi, Ltd., the Hitachi CSR Statement and Mission was extended to the entire Hitachi Group in 2014. This development represents a revised framework of the original Hitachi Group CSR Initiative Policy.

Hitachi Group CSR Policy

**Hitachi CSR Statement and Mission**

Through communication with our broad array of stakeholders, we work to gain an accurate picture of social and environmental expectations of global society. Our goal is to achieve a sustainable society by incorporating this information into management.

- CSR and environmental projects contribute to the resolution of social issues
- Governance facilitating sustainable operations
- Communication to bolster mutual communication between stakeholders

**< Framework >**

- **Recognize**
  - Properly recognize social responsibility

- **Review and Improve**
  - Review and improve CSR activities through proactive communication and stakeholder engagement
  - Identify, Prioritize and Act
  - Identify relevant issues, establish priorities to address issues, and practice CSR activities

**Safety**

At HTS, it is a basic tenet of our corporate philosophy

**Safety Initiatives**

- Policy on Safety and Quality Initiatives
- HTS Group Safety Day
- Safety Initiatives
- Bolstering Safety and Quality Training
- The HTS Group Truck Driver Contest/Forklift Driver Contest
- Participation in Non-HTS Competitions
Safety Initiatives

Bringing the utmost in safety and peace of mind to customers

Policy on Safety and Quality Initiatives

We ask all of our employees to keep the following in mind as they implement the initiatives described below: 1) ensure that safety and health are top priorities, and 2) earn customer trust by boosting logistics quality.

2015 HTS Group Safety and Quality Initiative Policy

• Safety and Quality Slogan
  Safety Management by Walking Around

• HTS Group Integrated Initiatives
  Eliminating Disasters on the Job (Completion of HTS Group Priority Safety Management Program)

  1. Educate employees about frequently-occurring accidents/risks, and implementing KYT*
  2. Increase observation/guidance on forklift techniques known as pointing/verbal announcements
  3. Boost improvements of facilities by risk assessment utilizing the latest technologies
  4. Enhance safety awareness using safety announcements
  5. Control usual actions through training programs for inexperienced individuals
  6. Boost physical health maintenance for drivers and machinery operators
  7. Bolster control systems for operations (driving performance assessment and feedback)
  8. Develop and train for heavy equipment operators

Safety Initiatives

As the number of new hires increases at our new workplaces, we have created special posters and calendars designed to remind employees of safety issues and prevent similar accidents from re-occurring.

Safety Training by Hands-on Exposure to Danger

In this program, participants handle a diverse array of cargo, ranging from small to large, and from light to heavy weight items. Accidents that occur in relation to heavy cargo can pose a threat to one’s life directly. By holding regular safety training sessions that provide participants with hands-on experience with dangerous processes, we help eliminate hazardous actions as well as failure to confirm circumstances prior to operations.

Drawing on this training, we are also engaged in high-speed railway equipment transport operations for the U.K.

Conveying our Corporate Culture of Safety

To convey HTS’s special corporate culture of safety to our locations abroad, we dispatch a special training unit called our “Safety Caravan,” under which we send safety supervisors abroad to train our overseas employees in safety. We also offer training programs in Japan for overseas employees, also featuring a special safety curriculum.

Safety Day

As part of initiatives to prevent recurrence of accidents, and to ensure that we never neglect the feelings of those involved in accidents or their families, we have named July 1 the HTS Group Safety Day.

On this day, in morning meetings at each of our departments, we pledge to keep operations safe, as one way of reminding employees that safety comes before all else.

Further, at the beginning of the April and October terms, we hold a special Safety Day morning meeting in place of the regular morning meeting with a view to eliminating accidents and incidents on the job. At this time our top management offers a safety message to all of our employees.

Interview

Shinichi Isono
Safety Management Center
Safety and Quality Dept.
VANTEC CORPORATION

Forklift operations were the focus of our safety specialist supervisor training session, a specialized program that took approximately three months. In addition to gaining knowledge and technical skills, participants acquired training methodology to put into use as supervisors.

The duty and responsibility of safety specialist supervisors is to help protect other employees and foster a pleasant workplace. By raising awareness of safety throughout our group, our goal is to forge a workplace where safe operations are the norm.

Forklift operation training in progress

Calendar Poster

Safety Day morning meeting in progress

* KYT: Kiken Yochi (“danger anticipation”) Training

Further, in May 2014, we established a training institute at the Kunshan Logistics Center, China. The goals of the facility are to spread our corporate culture of safety and boost safety technologies via safety and quality training—including on forklift operations.
Raising skill levels and safety awareness

The HTS Group Truck Driver Contest/ Forklift Driver Contests

We hold the HTS Group Truck Driver and Forklift Driver contests to boost awareness of safety issues, and specifically to improve observance of laws and regulations as well as driving and inspection skills. About 200 contestants participate, including from our affiliate companies, where they get the opportunity to demonstrate the skills gained in their daily studies and training.

Contestants with excellent records in the HTS Group contests compete first in prefectural competitions, from which they move on to the National Truck Driver Contest and National Forklift Driving Contest if successful. The HTS Group also holds these contests both at home and overseas, helping to raise awareness of safety around the world.

Participation in Non-HTS Competitions

Each year, the HTS Group participates in the National Truck Driver Contest and the National Forklift Driving Contest for the purpose of acquiring specialized knowledge, improving driving skills, and boosting awareness of safety issues.

In the year ended March 31, 2015, we at the HTS Group carried on our tradition of sending contestants who had won out in prefectural contests to the national competitions—with excellent results. Three of our contestants placed in the 29th National Forklift Driving Contest. At the 46th National Truck Driver Contest, our contestants won the 11-ton division, claimed the Prime Minister’s Prize, and also took the top four spots of the 4-ton division. In total, seven of our contestants placed in top positions. Through these and other initiatives, we will continue to work to boost safety awareness and prevent all manner of accidents by respecting driver rules and regulations as well as acquiring specialized knowledge of driving skills, vehicle structure, and more.

The Environment

Doing everything we can for the future of humanity and our planet.

Environmental Initiatives

- Stepping Global Warming/Saving Electricity
- Stepping Up Environmental Management at Overseas Locations
- Acquiring Third Party Certification
- Acquiring Environmental Management Certification
- HTS Claims Top Spot in Nikkei Environmental Management Survey for Six Consecutive Years
- HTS wins 12th Excellent Business Entities Working on Modal Shift (New Development Division)
- Promoting Round-Trip Use of Containers
- Making Effective Use of Oceangoing Containers for Domestic Transport
- Implementing a Modal Shift in International Transport
- Global Warming Containment Initiatives

* National Truck Driver Contest: An event organized by the Japan Trucking Association, in which 12 contestants compete for the title of Number One Truck Driver in Japan. The Prime Minister’s Prize goes to the top contestant.

* National Forklift Driving Contest: An event organized by the Land Transportation Safety and Health Association, this contest is designed to achieve even better safety and effectively prevent on-the-job accidents.

FY2014 Results

- National Forklift Driving Contest: Three contestants placed
- National Truck Driver Contest: Seven contestants placed
Environmental Initiatives

Environmental Management

Stopping Global Warming/ Saving Electricity

Curbing CO2 emissions through construction of new distribution centers

By building distribution centers that integrate multiple locations in one place, HTS strives for a dual goal: to boost logistics efficiency and cut CO2 emissions.

- Tsukuba Distribution Center
  Tsukuba Distribution Center (constructed and completed in April 2014; floor space = 25,000 m²) integrates between different types of heavy parts in one location, cutting down on the number of trips taken between locations. The facility also saves energy through a switch to LED lighting systems, resulting in the reduction of 756 tons of CO2 emissions annually on vehicles and construction.

Energy-saving equipment

The HTS Group is building environmentally-friendly distribution centers, along with introducing energy-saving equipment.

We are also setting up energy-saving facilities including LED lighting at our overseas locations, which further contributes to initiatives throughout the HTS Group.

- Implementing energy-saving lighting systems at overseas locations
  At the Rabus Lumps Logistics Center (built October 2013; floor space = 25,000 m² and the bar area) Logistics Center (Phase I) (established January 2015; floor space = 2,000 m²), more than 80% of lighting is composed of electrode-less lamps and LED lighting respectively. The results in annual reduction of 45 tons of CO2 emissions from conventional fluorescent systems and incandescent lamps.

Acquiring Third Party Certification

The HTS Group seeks third party certification in Green Management.

Our Headquarter Green Logistics Promotion Department launched the "Eco Stage I" program in February 2012, which was revised subsequently in February 2015. Further, as of the end of March 2015, we have earned "Green Management Certification" at 5% of our truck transport divisions and 14 of our warehouses. Building on these initiatives, we work for environmental conservation—and to slow the global warming process—on an ongoing basis.

Acquiring Environmental Management Certification

With a view to fostering experts in the environmental field at each of our different locations and devising environmental strategies in the field of logistics in general, HTS actively seeks certification from expert institutions outside the company. To achieve an even higher level of environmental management, we continuously train new experts in a systematic manner.

HTS Claims Top Spot in Nikkei Environmental Management Survey for Six Consecutive Years

The Nikkei Environmental Management Survey is conducted annually by the Nikkei Inc. Assuring both environmental strategies and corporate management, it ranks companies demonstrating superior environmental management initiatives. The HTS Group clinched first place in the survey for the year ended March 31, 2015, taking the top spot in the transport category six years in a row. We’re also taking steps to garner further recognition in the future on our environmental management structure and anti-global warming strategies.

Stepping Up Environmental Management at Overseas Locations

Deliberations on overseas environmental strategies by management

Every year the HTS Group holds managerial-level meetings led by executive officers and our local subsidiary presidents for the purpose of deliberating on HTS Group overseas environmental strategies. Through this series of meetings, we work to ensure strict managerial guidance on environmental management at our overseas locations and better understanding of environmental management.

Implementing Green Logistics

HTS wins 12th Excellent Business Entities Working on Modal Shift* (New Development Division)

The Modal Shift is a significant component of our strategies to reduce environmental load. In March 2015, the Japan Association for Logistics and Transport recognized our modal shift initiatives, continuing HTS with the top prize in the New Development Division for both the rail and ship categories. We are committed to the modal shift as a means of achieving a sustainable society and boosting environmentally-friendly services on an ongoing basis.

- Prize-winning scheme 1: Rail
  Conventional transport scheme

  • Prize-winning scheme 2: Shipping
    Conventional transport scheme
Environmental Initiatives

Accomplishing our green logistics policy

Promoting Round-Trip Use* of Containers

Matching up different cargo owners

HTS has successfully implemented a new service involving the round-trip use of oceangoing containers of different cargo owners, specifically importers in Tochigi City and exporters in Koga City. Instead of returning import containers to container yards, the containers are re-used for exports by exporters located in close proximity. This service helps resolve a shortage of vehicles and cut CO2 emissions by reducing distances traveled.

Transfer of oceangoing containers for domestic use

Cargo was conventionally transported between Tochigi City and Urayasu City by truck, but the HTS Group is now making effective use of import containers post cargo-unloading.

Under this system, once import containers are unloaded at Tochigi City, the empty containers are loaded with domestic cargo, and then unloaded once again at Urayasu City. At the end of the cycle the empty containers are returned to the container yards. This system helps to ameliorate a shortage of truck drivers, and also serves to cut CO2 emissions.

Implementing a Modal Shift in International Transport

The Marx Logistics Group, based in Istanbul, Turkey, incorporates all three transport modes of land, sea, and air, as works to build an intermodal transport* amongst the EU countries. As of 2012, utilizing dedicated containers, the Group implements a combination of trucking, shipping, and rail modes to help cut environmental load on an international scale. Compared to trucking, this transport mode cuts annual CO2 emissions by 9,168 tons, and contributes to lower CO2 emissions around the world.

Global Warming Containment Initiatives

Making the shift to eco-friendly vehicles and eco-friendly driving

At the HTS Group, we have a policy of instituting eco-friendly cars (highly fuel-efficient, low-pollution vehicles), as well as encouraging eco-friendly driving. We also require our transport affiliates to take similar initiatives.

Making Effective Use of Oceangoing Containers for Domestic Transport

Transfer of oceangoing containers for domestic use

Cargo was conventionally transported between Tochigi City and Urayasu City by truck, but the HTS Group is now making effective use of import containers post cargo-unloading.

Under this system, once import containers are unloaded at Tochigi City, the empty containers are loaded with domestic cargo, and then unloaded once again at Urayasu City. At the end of the cycle the empty containers are returned to the container yards. This system helps to ameliorate a shortage of truck drivers, and also serves to cut CO2 emissions.

Trucking Information Control System

We at the HTS Group employ the Truck Information Control System (TICS) – a system that we developed – to manage our trucks, passenger vehicles, forklifts, etc. The system covers not only asset management, but also enables us to track performance and fuel efficiency for individual vehicles. The information garnered, which is reported at meetings company-wide, helps to cut environmental load including CO2 emissions. The system also has a feature that allows us to follow up on regular vehicle inspections, and reduce instances of delayed or skipped inspections caused by human error.
Working Together

At HTS, we know that communication is all about taking the perspective of the other party.

With our shareholders and investors

- Information Disclosure
- General Shareholders’ Meeting
- Communication with Shareholders and Stakeholders

With our customers

- Transporting Railway Cars to the U.K.: Birthplace of the Railway
- Achieving High Efficiency of Operations with New Smart Logistics Technologies
- New Distribution Center Launched Using Large-Scale Automated Facilities

With our employees

- Promoting Diversity
- Promoting Utilization of Women in the Workplace
- Hiring and Training Global Personnel
- Encouraging Employment of People with Disabilities
- Employee Skill Development through Training Systems
- Health Management and Occupational Health
- Human Rights Training

With local communities

- Internships and “Experience the Workplace” Programs
- HTS Road Safety Classroom
- HTS Group Magokoro (Sincere Heart) Fund
- Doing Our Part for Overseas Communities
- Disaster Relief
- Blood Drives
- Community Cleanup Projects

With our shareholders and investors

Through information disclosed by a variety of channels to our shareholders and investors, we facilitate two-way communication. We work hard to provide information useful to our shareholders and investors from their unique perspectives.

Information Disclosure

HTS discloses information of information pertaining to operations and finances, in such publications as Summary of financial results, Presentation Material of financial results, Annual securities reports, as well as Japanese and English annual reports.

We have also set up an IR Information section on our Website to disclose information quickly and accurately. In addition, for foreign investors, we offer English-language materials including translated Summary of financial results and Presentation Material of financial results.

Disclosed Information

- Summary of financial results
- Presentation Material of financial results
- Annual securities reports
- Japanese Annual Report
- English Annual Report
- Share prices
- General shareholders’ meeting, etc.

General Shareholders’ Meeting

HTS held its 55th Regular General Shareholders’ Meeting on June 24th, 2014. To encourage attendance by as many shareholders as possible, in principle we avoid the dates when general shareholders’ meetings are typically held.

Communication with Shareholders and Stakeholders

HTS communicates with our shareholders and investors through a variety of means, including briefings for securities analysts and institutional investors, conferences in Japan sponsored by security companies, individual meetings, and more.

FY2014 Initiatives

- Results briefings (twice)
- Conference in Japan (once)
- Distribution center tour (once)
- Individual meetings
- Telephone conferences, etc.
Transporting Railway Cars to the U.K: Birthplace of the Railway

In July 2012, Hitachi, Ltd. officially secured a contract with the U.K. Department for Transport for a national project to replace the country’s deteriorating high-speed railways, under which the company will deliver a total of 866 cars. With parts procured in Europe, the cars will be assembled in Japan and transported to the U.K., partly or wholly completed.

In turn, the HTS Group put together a dedicated team—as well as a detailed transport plan—for the purpose of carrying out this large-scale Hitachi Group project. Collaborating with municipal governments, shipping companies, and other related parties, and making safety the first priority, above all else we worked to optimize governments, shipping companies, and other related parties, and making safety the first priority, above all else we worked to optimize safety procedures. The first shipment left Kasado Works bound for the U.K. in January 2015. Shipments will continue through 2018, the final year of the parts delivery plan.

Major Project Initiatives

• Project management by Super HIGLOS (our global logistics information system)

  Contract support
  Manage orders/deliveries for approximately 100 European suppliers.

  Standardization of parts ledger sheets
  Raise efficiency by standardizing parts labels and packing lists.

  Tax-free controls
  Manage in one place data required for tax-free re-entry into U.K.

  Boost traceability
  Achieve logistics visibility by using a maximum of 11 trace criteria.

• Development of special fixtures used in transport to boost safety and efficiency

• Global procurement scheme by way of collaboration between Hitachi Group companies

This project requires management of a huge number of materials and parts that must be procured over national borders. Owing to the expertise of three Hitachi Group companies, we have drawn up an integrated-package service scheme that provides full support for procurement, payments—and logistics operations.

Achieving High Efficiency of Operations with New Smart Logistics Technologies

HTS implements joint research on new logistics technology and business models together with Hitachi, Ltd. with a view to setting ourselves apart from the competition as well as innovation on operations by Smart Logistics. In the year ended March 31, 2015, we verified our development results using a model warehouse with the objective of applying these results to our customer distribution center.

In an example of a concrete development, we now employ a new type of picking system utilizing Razrview*, a small-sized, low-floor automated guided vehicle commercialized by Hitachi, Ltd. Use of this device has been launched at Kanto region distribution centers. It is now being gradually introduced to other distribution centers as a means of both improving picking efficiency and reducing worker strain.

New Distribution Center Launched Using Large-Scale Automated Facilities

HTS has launched a new distribution center equipped with large-scale automation features in the Shizuoka region. To achieve this goal, a project team was launched roughly one year prior to launch. The project has been divided into sub-sections: warehouse automation and efficient design (automated warehousing, automated warehousing using folding containers, automated case sorting, incorporation of intelligent carts), IT system design, transport design planning, as well as safety and quality. The goal from the start was to establish a cutting-edge distribution center.

Working together with our customers, we will continue to maintain top quality in our work as well as implementing a variety of improvement measures with a view to providing even better services.

New Picking System Overview

Attributes
• Boosts productivity of inbound/outbound operations sorting by automation
• Also cuts worker load by automation

Role of Hitachi Group companies in global large-scale project

Sales
Hitachi, Ltd. (overseas companies)

Operations
HTS (Logistics)
Hitachi Capital (Payments)
Hitachi High-Technologies (Procurement control)

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HTS (Logistics)
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Hitachi High-Technologies (Procurement control)

With our customers
At the HTS Group, we want to let our employees truly shine

We engage in a variety of initiatives to achieve this goal, including fostering a diverse employee base as well as an amenable working environment—one where each of our employees can develop their skills and talents.

Promoting Diversity
The Diversity Promotion Center was created in 2012 in response to such factors as labor shortages due to Japan’s aging population combined with a declining birth rate as well as the globalization of the market, and with a view to enhancing the sum total capacity of the HTS Group. Through the Center, we strive to employ a wide range of personnel and to create a diversified corporate culture. This includes more effective employment of women, persons with disabilities, foreign nationals, seniors, etc.

Further, in recognition of the Center’s great results, it was chosen by the Ministry of Economy, Trade and Industry as one of the nation’s “Diversity Management Selection 100” in March 2015.

Promoting Utilization of Women in the Workplace
HTS sets numerical goals for the more efficient and effective use of women, offering managerial position training for women as well as training by employee rank to reach these goals. Further, in addition to lecture-series training including executives and male employees in general, we strive to improve the work environment for women on many aspects. This includes more effective employment of women, persons with disabilities, foreign nationals, seniors, etc.

Furthermore, in recognition of the Center’s great results, it was chosen by the Ministry of Economy, Trade and Industry as one of the nation’s “Diversity Management Selection 100” in March 2015.

Hiring and Training Global Personnel
In order that we can address our globally expanding business, we set numerical goals for the percentage of our workforce comprised of foreign nationals, and take a proactive approach to hiring capable workers from other countries. In this way we seek to diversify our employee base.

- No. of foreign national hires
- Percentage of foreign national hires and goals

**Overseas Training Program**
This program, in place since 1988, was initiated with a view to turning out global personnel capable of working successfully on the international stage. Through this program, HTS has sent more than 210 people to train overseas, where they acquire not only language skills but also better understanding of other cultures, along with business acumen that serves them not only in Japan but in other countries as well. As of FY2013, we doubled the number of overseas trainees sent abroad each year, a move designed to facilitate our globalization process even further.

- No. of trainees sent overseas

**Training in Japan for our Overseas Staff**
HTS selects employees from our numerous overseas subsidiary locations to train in Japan. Such programs are effectively tailored to the trainees to produce optimal results: for example to train future leaders at our overseas locations. Japanese managers are also chosen to participate alongside our overseas employees with a view to boosting awareness of the issues and global network building.

- No. of Management Development Program attendees

**The Foreign Technical Intern Training Program**
The Foreign Technical Intern Training Program was established in accordance with the Immigration Control Law to assist developing countries. Since the year ended March 31, 2014, HTS has taken on ten Filipino interns for a dual purpose: to help raise awareness of diversity within our company and as a form of international cooperation. From the year ending March 31, 2016, we will also begin accepting Indonesian interns.

**Encouraging Employment of Persons with Disabilities**
Working with various types of special needs schools and other entities, the HTS Group implements a variety of initiatives on hiring persons with disabilities on an ongoing basis.

**Percentage of employees hired as new graduates who left the company within three years**

**Employee Skill Development through Training Systems**
The HTS College® provides training in 3PL (system logistics), heavy cargo inbound and installation operations, warehouse site management and operations; fostering a corporate culture of safety; boosting service levels, and more. We strive to help employees improve upon the knowledge and skills they need as employees of a logistics company.

**Health Management and Occupational Health**
Working with health insurance associations and industrial doctors, we strive to help our employees both maintain and improve their physical and mental health.

**Human Rights Training**
As the process of globalization continues, it has become critically important to deepen understanding of the concepts of co-existence and co-prosperity—that is, to develop a mutual appreciation of a range of values and different cultures.

At the HTS Group, we create opportunities for each of our individual employees to acquire accurate understanding of human rights, including providing training in accordance with employee rank, at meetings and workshops, e-learning* sessions for all employees, and more.

**Pleasant Working Enivironment Indices**

**The Management Development Program in progress**

*EAP (Employee Assistance Program): EAP services include surveying employee stress levels and offering feedback on each individual. Through this process, statistics are gathered for specific work sites. This information is used to help individuals to live the most effective, and to build the dynamism of the organization as a whole.

• Stress coping training

• Implement initiatives to reduce total work hours

• Institute health maintenance programs

[936x104] *[e-learning]: A method of training using the Internet.

• Adopt EAP*/offcer stress coping training* to improve work environments

[936x104] *HTS College: A system designed to efficiently impart the knowledge and skills related to the logistics business required for employees of the HTS Group, modeled after a two-year college-level curriculum.

[936x104] *EMP (Employee Assistance Program): EAP services include surveying employee stress levels and offering feedback on each individual. Through this process, statistics are gathered for specific work sites. This information is used to help individuals to live the most effective, and to build the dynamism of the organization as a whole.

* Stress coping training: This method is used to help employees to systematically understand stress, encouraging them to consider the different aspects of stress and how to approach it, as well as how to handle stress.


**CSR at the Hitachi Transport System Group**
Annual Report 2015
Working with upcoming generations

Internships and “Experience the Workplace” Programs

HTS believes it is important to actively take on interns. The purpose of our internship program is to give young students a sense of what the workplace is like, as well as helping them to get to know the importance of the logistics industry in society. These programs help young people to understand social systems and their individual relationships with society.

HTS Road Safety Classroom

To help prevent our children—who are our future—from getting involved in road accidents, we offer the “HTS Road Safety Classroom” for elementary school students living near Matsudo City, Chiba Prefecture, using our HTS-owned driving course. Using props such as balloons and dolls with 11-ton, 4-ton, and 2-ton trucks, we help the children to learn about such dangers as vehicle blind spots, and also teach them how not to be hit by vehicles—including taking care not to dart out in front of cars. To ensure a lasting impression on the students, this is all done in a fun way.

HTS Group Magokoro (Sincere Heart) Fund

HTS Group domestic companies participate in a social action program called the “Magokoro (Sincere Heart) program, where our employees and executives can make charitable donations as they wish. Since 2008, the program has contributed to traffic safety, environmental preservation, and social action.

Disaster Relief

In December of 2014, Malaysia was hit by severe flooding, particularly the east coast of the Malay Peninsula, resulting in a total of maximum of 160,000 people temporarily evacuated. The disaster was the nation’s worst in ten years. HTS (Malaysia) made a total of five deliveries of relief supplies provided by our customers. In Japan, we collected funds to assist areas of Hiroshima City, Hiroshima Prefecture hit by torrential rains in August 2014.

Blood Drives

The HTS Group conducts blood drives in other countries including China, Vietnam, Indonesia, Turkey, as well as in Japan. We will continue to work to secure and maintain stable blood supplies into the future.

Community Cleanup Projects

Our domestic locations take an active approach to cleanup projects around location vicinities.
**Corporate Governance**

**Basic Policy and Organizational Structure**

Our corporate governance philosophy is that, along with efforts to increase management transparency and efficiency, we must improve corporate value and achieve sustainable development through business activity based on compliance and ethical conduct. We will follow these ideas as we establish a healthy, highly transparent corporate governance system that will enable us to nimbly respond to changes in the business environment. As part of this effort, the Company has been using Nominating Committee, etc. System in which management oversight and business execution functions are separate. Under the system, substantial authorities related to business execution are delegated from the Board of Directors to executive officers, who make prompt decision making about business restructuring and strategic investments. Executive Committee meeting consisting of all executive officers is held twice a month in general to discuss material subjects which have impacts on the Company and the entire Group and clarify the responsibilities and authorities of the executive officers. These committees, Nominating Committee, Audit Committee, and Compensation Committee are set up within the Board of Directors, with majority of members consisting of outside directors, to segregate duties and strengthen oversight function. Director’s Office is set up as a specialized division to support duties of the Committees and the Board of Directors, consisting of employees who do not report to executive officers. In order to ensure independence of employees in Director’s Office from executive officers, Audit Committee receives a report about personnel relocation of Directors Office in advance, and may request to change to the executive officer in charge of human resources, if necessary.

**Relationship between the Company and Outside Directors**

There are six outside directors in the Company. They are in transactions in the amount of ¥987 million yen (for transportation and commissioned work during the year ended March 31, 2015) between Hitachi, Ltd. where Mitsuaki Nishiyama belongs, Juko Nakajima and Hiroki Hori who formerly belonged, and the Company. There are no conflicts of interest stipulated in Article 74, Paragraph 2, Item 3 of the Ordinance for Enforcement of the Companies Act between the six outside directors and the Company. The Company invite outside directors with extensive experience and knowledge of management to bring in outside directors’ opinions in order to enhance corporate governance and to improve transparency and ensure objectivity in management. To assess independence of outside directors, objectively, the Company established our own “Independence Standards for Outside Directors” by reference to the Listing Regulations of Tokyo Stock Exchange, Inc. and the independence standard of proxy advisors, and outside director to whom none of the independence standards applies is appointed as independent director without the possibility of any conflict of interest with general shareholders. (Tsuneshi Harada, Mitsuaki Urno, and Emiko Moguchi are registered as independent directors as stipulated in the regulations of Tokyo Stock Exchange, Inc.) Those who do not meet these requirements may be invited as outside director if they meet the requirements of outside directors under the Companies Act and have knowledge and experience that could contribute to the Company as outside director.

**Corporate Governance Structure**

[Diagram of corporate governance structure]

**Compensation of Directors and Executive Officers**

The compensation level of directors and executive officers are determined at the level appropriate for the ability and responsibilities required for the post based on the policies established by the Compensation Committee, taking into account the other companies’ compensation level.

The compensation of directors consists of monthly salary and year-end benefit. The monthly salary is decided by reflecting the full-time or part-time status and position. The amount of year-end benefit is predetermined as approximately 10% of the annual compensation, which is calculated based on the monthly salary, but subject to reduction depending on the Company's performance. The director’s compensation is not paid to directors who also serve as an executive officer.

The compensation of executive officers consists of monthly salary and performance fee. The monthly salary is decided by adjusting a basic amount set ascertain to the relevant position to reflect the results of an assessment. The base amount of the performance fee is determined as approximately 10% of the annual compensation, and the amount to be paid is determined according to the performance and responsible role within a certain range.

During the year ended March 31, 2015, the total of ¥129 million was paid to eight directors, of which ¥40 million was paid to six outside directors. Also, the total of ¥197 million was paid to 18 executive officers.

**Internal Control System**

The Audit Committee has authority to audit execution of duties by directors and executive officers and to establish overall system regarding internal control at the Board of Directors. It also ensures to improve trustworthiness of financial reporting by establishing internal control system over financial information and complying with internal control reporting system over financial reporting prescribed by the Financial Instruments and Exchange Act.

Our compliance measures include establishment of basic policy and regulation and establishment of whistleblower system and complaint audit system as well as activities to raise awareness such as compliance education, in order to improve the awareness within the Group, comply with laws and regulations and internal rules and ensure corporate ethics.

Our efforts regarding large-scale disasters include promotion of proactive program such as development of BCP for the major earthquakes and super flu.

Information security measures include establishing internal regulations, internal audit and in-house trainings to ensure the proper handling of information assets such as client or personal information obtained during the course of logistics services. We also obtained ISO 27001* and Privacy Mark* in order to enhance information security base.

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*ISO27001: Certification given by the International Organization for Standardization (ISO) to entities meeting specified standards on information security management systems.
*Privacy Mark: The Super Information Processing Development Corporation grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.
Building the foundations of CSR initiatives

Securing thorough compliance

At HTS, in order to ensure that management and employees observe the relevant laws and ordinances throughout our group, we have created a compliance program rooted in a fundamental compliance policy. By implementing this program and also aggressively training and educating employees on the relevant national laws, internal bylaws, and corporate ethics, we work not only to ensure observance of the regulations, but also to foster a group-wide high-level corporate culture of ethics.

Internal whistle-blowing/consultation system

To help prevent illegal actions and/or inappropriate actions in the group, we have established an internal whistle-blowing and consultation system. The system is designed to detect any problems early on and to rectify them.

Risk management

The HTS Group has devised BCP’s in preparation for natural disasters, mainly on scenarios of large-scale earthquakes, floods, tsunami, and infectious disease, spanning information-gathering and dissemination systems as well as emergency contact networks.

In Japan, our BCPs are mainly concerned with large earthquakes and pandemic influenza scenarios. As a means of raising BCP efficiency, in the year ended March 31, 2015 Headquarters collaborated with our Nagoya and Osaka regions on disaster prevention measures with regard to the projected Nankai Trough Earthquake scenario, including theoretical simulation training for disaster prevention personnel. In addition, we have also drawn up BCPs for our overseas locations.

In particular, we also raise awareness of security on the part of each individual employee, through education and training programs that address new risk issues such as targeted-attack e-mail and SNS information leaks, in addition to conventional security training.

In addition, we boost internal rules and employee training at overseas group locations, in order to strengthen information security on the global level.

Acquisition and maintenance of third-party certification

HTS encourages third party certification and maintenance of this certification—specifically ISO27001 (information security management system) and the Privacy Mark—to give our stakeholders a sense of security and peace of mind with regard to personal and classified information.

Our Privacy Mark certification was renewed for the fourth time in May 2015.

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Third party certification

(As of March 2015)

Board of Directors and Executive Officers (As of June 23, 2015)

Board of Directors

Junzo Nakajima
Chairman of the Board
Outside Director

Mitsudo Urano
Outside Director

Mitsuaki Nishiyama
Outside Director

Tsunetoshi Harada
Outside Director

Emiko Magoshi
Outside Director

Hiroshi Maruta
Outside Director

Yasuo Nakatani
Board Director

Executive Officers

Yasuo Nakatani
Representative Executive Officer
President and Chief Executive Officer

Yoshihiko Mogami
Senior Vice President and Executive Officer

Takashi Jingui
Senior Vice President and Executive Officer

Kunio Iida
Senior Vice President and Executive Officer

Hideyoshi Maekawa
Vice President and Executive Officer

Kazuhisa Hatakeyama
Senior Vice President and Executive Officer

Shibanori Kohdou
Senior Vice President and Executive Officer

Shinya Hanniya
Senior Vice President and Executive Officer

Nobuaki Hayashi
Vice President and Executive Officer

Kazunori Urayama
Vice President and Executive Officer

Executive Officers

Teiichi Watanabe / Kazuya Fukumoto / Hiromoto Fujitani / Katutoshi Kashihara / Toshimi Tokioka / Yasuhiro Hagiwara / Fumio Komamura / Setsu Sato / Kyoshi Nagao

Board of Directors and Executive Officers

Annual Report 2015

CSR Management

Building the foundations of CSR initiatives

Securing thorough compliance

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(As of March 2015)
## Consolidated Statement of Financial Position

**Hitachi Transport System, Ltd. and subsidiaries**

### ASSETS

<table>
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<th></th>
<th>As of March 31, 2015</th>
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<th>Transition date As of April 1, 2013</th>
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<td>Current assets</td>
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<td>Cash and cash equivalents</td>
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<td>¥ 33,614</td>
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<td>Inventories</td>
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<td>Other current assets</td>
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<td>Total current assets</td>
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<table>
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<th>Non-current assets</th>
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<tbody>
<tr>
<td>Investments accounted for using the equity method</td>
<td>1,576</td>
<td>1,394</td>
<td>1,140</td>
<td>13,115</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>173,123</td>
<td>162,071</td>
<td>145,807</td>
<td>1,440,651</td>
</tr>
<tr>
<td>Goodwill</td>
<td>31,437</td>
<td>30,568</td>
<td>26,068</td>
<td>261,604</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>40,582</td>
<td>42,579</td>
<td>36,138</td>
<td>337,705</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>8,899</td>
<td>9,220</td>
<td>8,857</td>
<td>74,053</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>16,851</td>
<td>15,683</td>
<td>14,988</td>
<td>140,226</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>8,483</td>
<td>9,112</td>
<td>8,280</td>
<td>70,592</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>280,951</td>
<td>270,627</td>
<td>240,688</td>
<td>2,337,946</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥ 459,386</td>
<td>¥ 434,796</td>
<td>¥ 388,266</td>
<td>$ 3,822,801</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2015</th>
<th>As of March 31, 2014</th>
<th>Transition date As of April 1, 2013</th>
<th>As of March 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>¥ 55,023</td>
<td>¥ 49,952</td>
<td>¥ 42,833</td>
<td>$ 457,876</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>11,680</td>
<td>11,392</td>
<td>9,393</td>
<td>97,196</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>24,927</td>
<td>14,181</td>
<td>31,039</td>
<td>207,431</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>4,660</td>
<td>6,106</td>
<td>4,461</td>
<td>38,778</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>18,983</td>
<td>22,446</td>
<td>12,225</td>
<td>157,968</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>28,618</td>
<td>24,641</td>
<td>22,096</td>
<td>238,146</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>143,891</td>
<td>126,718</td>
<td>123,037</td>
<td>1,197,395</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>64,267</td>
<td>64,468</td>
<td>39,286</td>
<td>534,801</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>29,517</td>
<td>29,905</td>
<td>28,621</td>
<td>245,627</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>13,371</td>
<td>14,454</td>
<td>12,965</td>
<td>111,267</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>9,574</td>
<td>8,588</td>
<td>8,243</td>
<td>79,670</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,011</td>
<td>1,900</td>
<td>1,895</td>
<td>16,735</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>118,740</td>
<td>119,315</td>
<td>91,010</td>
<td>968,100</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥ 262,631</td>
<td>¥ 246,033</td>
<td>¥ 214,047</td>
<td>$ 2,185,496</td>
</tr>
</tbody>
</table>

### Equity

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity attributable to stockholders of the parent company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>¥ 16,803</td>
<td>¥ 16,803</td>
<td>¥ 16,803</td>
<td>$ 139,827</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>9,855</td>
<td>12,732</td>
<td>13,004</td>
<td>82,009</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>150,927</td>
<td>140,707</td>
<td>138,149</td>
<td>1,255,946</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>7,424</td>
<td>4,232</td>
<td>1,372</td>
<td>61,779</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(179)</td>
<td>(179)</td>
<td>(178)</td>
<td>(1,490)</td>
</tr>
<tr>
<td>Total equity attributable to stockholders of the parent company</td>
<td>194,830</td>
<td>174,295</td>
<td>165,180</td>
<td>1,538,071</td>
</tr>
</tbody>
</table>

| Non-controlling interests |                      |                      |                                   |                      |
| Total equity            | 196,755              | 186,763              | 174,219                           | 1,637,365            |
| Total liabilities and equity | ¥ 459,386      | ¥ 434,796            | ¥ 388,266                         | $ 3,822,801          |
# Consolidated Statement of Profit or Loss

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Revenues</td>
<td>¥ 678,573</td>
<td>¥ 625,466</td>
</tr>
<tr>
<td></td>
<td>$ 5,646,775</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(814,941)</td>
<td>(563,728)</td>
</tr>
<tr>
<td></td>
<td>(5,117,259)</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥ 53,532</td>
<td>¥ 51,738</td>
</tr>
<tr>
<td></td>
<td>$ 529,517</td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(40,274)</td>
<td>(38,176)</td>
</tr>
<tr>
<td></td>
<td>(335,142)</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>732</td>
<td>6,091</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(2,625)</td>
<td>(9,965)</td>
</tr>
<tr>
<td></td>
<td>(21,844)</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>21,465</td>
<td>15,590</td>
</tr>
<tr>
<td></td>
<td>178,622</td>
<td></td>
</tr>
<tr>
<td>Financial income</td>
<td>1,476</td>
<td>513</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(1,264)</td>
<td>(1,660)</td>
</tr>
<tr>
<td></td>
<td>(10,181)</td>
<td></td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>329</td>
<td>275</td>
</tr>
<tr>
<td></td>
<td>2,738</td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>22,006</td>
<td>14,718</td>
</tr>
<tr>
<td></td>
<td>183,124</td>
<td></td>
</tr>
<tr>
<td>Earnings per share attributable to stockholders of the parent company</td>
<td>¥ 14,789</td>
<td>¥ 5,711</td>
</tr>
<tr>
<td></td>
<td>$ 123,067</td>
<td></td>
</tr>
<tr>
<td>Total changes in equity</td>
<td>– (272)</td>
<td>(279)</td>
</tr>
<tr>
<td></td>
<td>(551)</td>
<td></td>
</tr>
</tbody>
</table>

# Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Revenues</td>
<td>¥ 72,117</td>
<td>¥ 60,057</td>
</tr>
<tr>
<td></td>
<td>$ 329,581</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥ 118,784</td>
<td>¥ 124,807</td>
</tr>
<tr>
<td></td>
<td>$ 1,539,027</td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>22,006</td>
<td>14,718</td>
</tr>
<tr>
<td></td>
<td>183,124</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to stockholders of the parent company</td>
<td>¥ 14,789</td>
<td>¥ 5,711</td>
</tr>
<tr>
<td></td>
<td>$ 123,067</td>
<td></td>
</tr>
<tr>
<td>Earnings per share attributable to stockholders of the parent company</td>
<td>¥ 118.78</td>
<td>¥ 47.85</td>
</tr>
<tr>
<td></td>
<td>$ 0.99</td>
<td></td>
</tr>
</tbody>
</table>

# Consolidated Statement of Changes in Equity

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 5,338</td>
<td>¥ 5,338</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>– (2,789)</td>
<td>– (2,789)</td>
</tr>
<tr>
<td></td>
<td>– (2,393)</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>– (2,789)</td>
<td>– (2,789)</td>
</tr>
<tr>
<td></td>
<td>(2,393)</td>
<td></td>
</tr>
<tr>
<td>Acquisition and sales of treasury stock</td>
<td>– (1)</td>
<td>– (5)</td>
</tr>
<tr>
<td></td>
<td>– (6)</td>
<td></td>
</tr>
<tr>
<td>Total changes in equity</td>
<td>(272)</td>
<td>2,558</td>
</tr>
<tr>
<td></td>
<td>2,860</td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>¥ 16,803</td>
<td>¥ 13,004</td>
</tr>
<tr>
<td></td>
<td>$ 109,430</td>
<td></td>
</tr>
</tbody>
</table>

# Financial Statements

**Annual Report 2015**

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**Annual Report 2015**

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**Corporate Data**

*As of March 31, 2015*

**Corporate name**: Hitachi Transport System, Ltd.

**Head office**: 7-2-18, Toyosu, Koto-ku, Tokyo 135-8372, Japan

**Founded**: February 1950

**Paid-in capital**: ¥116,802 million

**Main Businesses**
- 3PL Business (Integrated logistics services for corporate customers)
  - Logistics System Building, Information Control, Inventory Control, Orders Control, Processing for Distributions, Distribution Center Operation, Factory Logistics, Transportation
  - Customs Clearance, International Nonstop Delivery through Land/Ocean/Air Transportation
- Transportation, Installation and Setting of General Cargo, Heavy Machines, and Artworks
- Factory and Office Moving
- Warehousing and Truck Room Services
- Collection and Transportation of Industrial Waste
- Logistics Consulting, etc.

**Main Subsidiaries & Affiliates**

*As of March 31, 2015*

- Flyjac Logistics Pvt. Ltd.
- PT Berdiri Matahari Logistik
- Hitachi Transport System (Asia) Pte. Ltd.
- ESA s. r. o.
- Hitachi Sistema de Transporte Mexico, S. A. de C.V.
- Hitachi Transport System (America), Ltd.
- VANTEC HTS FORWARDING, LTD.
- Hitachi Finenext Transport System Co., Ltd.
- Hitachi Freeway Transport System Co., Ltd.
- VANTEX CORPORATION
- VANTEX HTS FORWARDING, LTD.
- Noshih Transportation Co., Ltd.
- Project Cargo Japan Inc.
- Hitachi Collaborative Transport System Co., Ltd.
- Hitachi Finexnet Transport System Co., Ltd.
- Hitachi Transport System (Korea), Ltd.
- CDS Freight Holding Ltd.
- Vantec Hitachi Transport System (Hong Kong) Ltd.
- Hitachi Transport System (Shanghai Pudong) Co., Ltd.

**Number of subsidiaries**
- 111,776,714 shares

**Number of shareholders**
- 102 shares

**Stock Information**

*As of March 31, 2015*

- Number of shares outstanding: 111,776,714 shares
- Number of shares per unit: 102 shares

**Major shareholders**

- Hitachi, Ltd. 59,452 53.30 %
- FUKUYAMA TRANSPORTING CO., LTD. 1,038 0.93
- CBNY-GOVERNMENT OF NORWAY 1,126 1.01
- JP MORGAN CHASE BANK 385093 1,687 1.51
- The Master Trust Bank of Japan, Ltd. 18,870 0.17
- The National Mutual Insurance Federation of Agricultural Cooperatives 12,000 0.11
- Japan Trustee Services Bank, Ltd. 1,927 0.17
- JPMORGAN CHASE BANK 35593 1,687 0.15
- Hitachi Transport System, Ltd. Employees’ Shareholding Association 1,552 0.14
- CERIT-GOVERNMENT OF NORWAY 1,126 0.11
- POKUPNO TRANSPORTING, LTD. 1,075 0.10

**Note**: The percentage of shares held is calculated based on the number of shares excluding treasury stock (123,391,648 shares).

**Changes in share price (as of the end of the month) and volume**

<table>
<thead>
<tr>
<th>Month</th>
<th>Share Price (¥)</th>
<th>Volume</th>
<th>Volume (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014.6.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014.7.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014.8.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014.9.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014.10.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014.11.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014.12.</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>