

Annual Report 2015

Year ended March 31, 2015



Hitachi Transport System



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

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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 2015. For detailed financial data, readers are directed to the "Financial Section" on Annual Report page of Investor Relations page of our website.

["Financial Section" on Annual Report page of Investor Relations page of our website]

<http://www.hitachi-hb.co.jp/english/ir/annual.html>

Note: The accounting period covers a 12-month period beginning April 1 and ending March 31 the following year. In this Annual Report, "FY2014" refers to the 12-month period ended March 31, 2015 (April 1, 2014 – March 31, 2015).

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 companies' 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.

Years ended March 31

	Millions of yen							Thousands of U.S. dollars*1	
	Japan GAAP							IFRS	
	2009	2010	2011	2012	2013	2014	2015	2015	2015
For the year:									
Service revenues (Revenues)*2	¥352,800	¥331,917	¥368,798	¥553,934	¥547,517	¥624,504	¥677,108	¥678,573	\$5,646,775
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	258,354	258,231	2,148,881
Operating income	14,171	12,724	15,940	23,131	19,535	20,992	21,198	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	\$3,822,801
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	1,656.91	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	—	8,706	72,447
Depreciation and amortization	9,195	9,403	9,646	14,003	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)									
Domestic	3,070	3,230	3,710	5,160	5,640	6,370	6,910	—	—
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 ¥120.17=U.S.\$1, the prevailing exchange rate as of March 31, 2015.

*2 Terms in parentheses are used for IFRS.



Yasuo Nakatani
President and CEO

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.

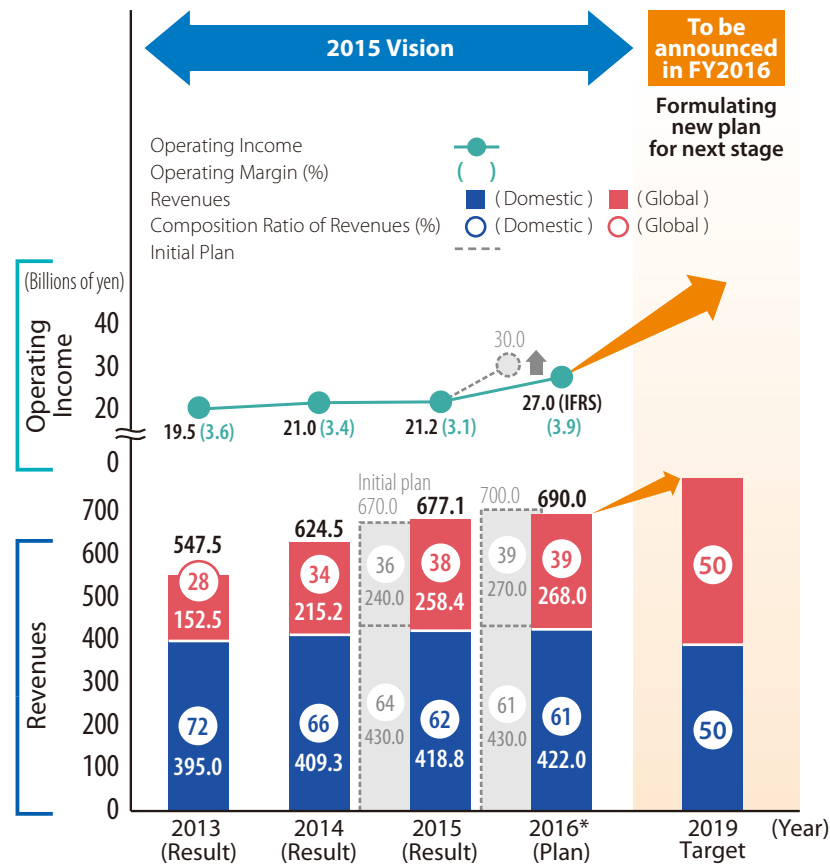
We look forward to your continued support.

Yasuo Nakatani
President and CEO

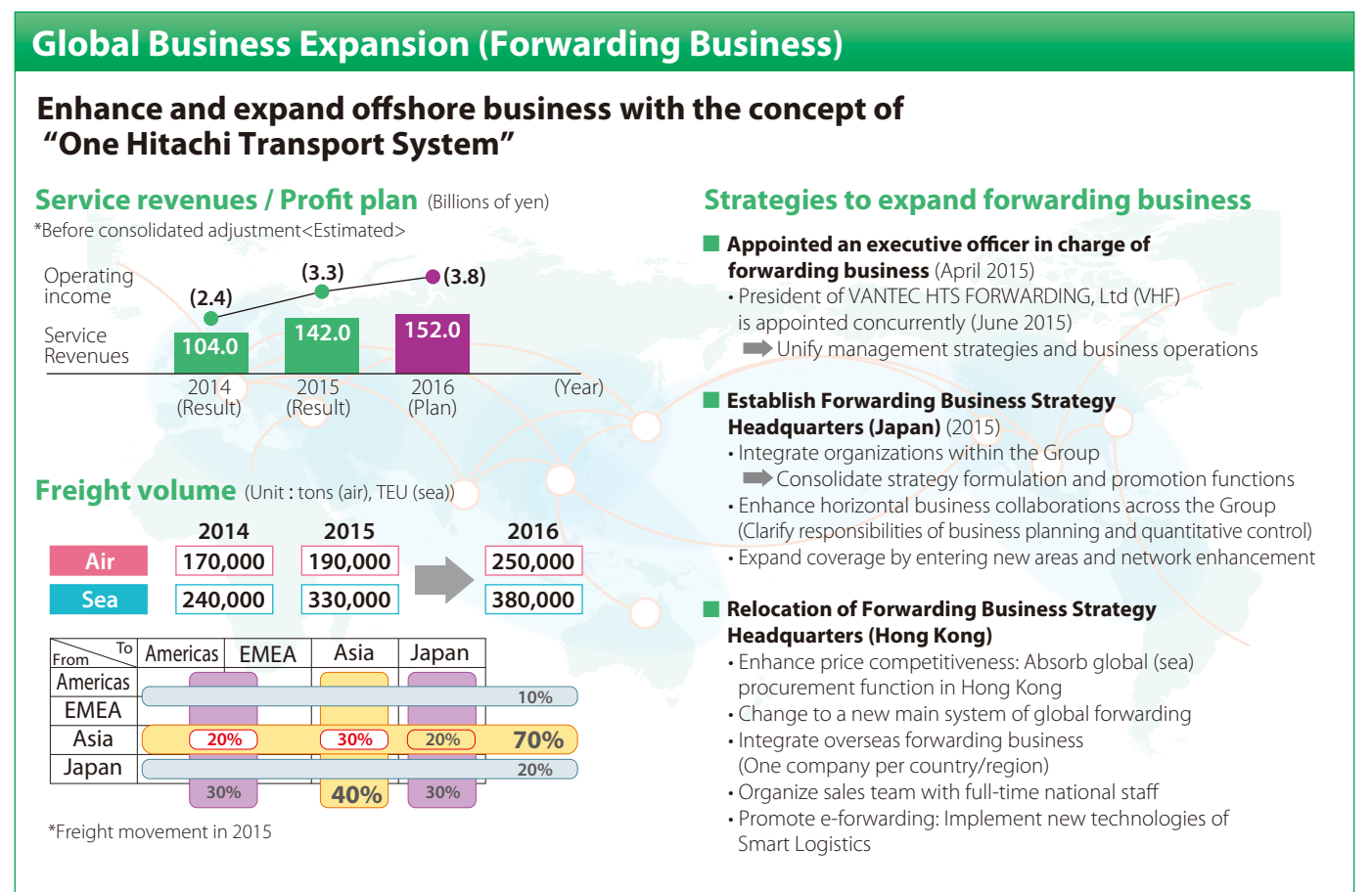
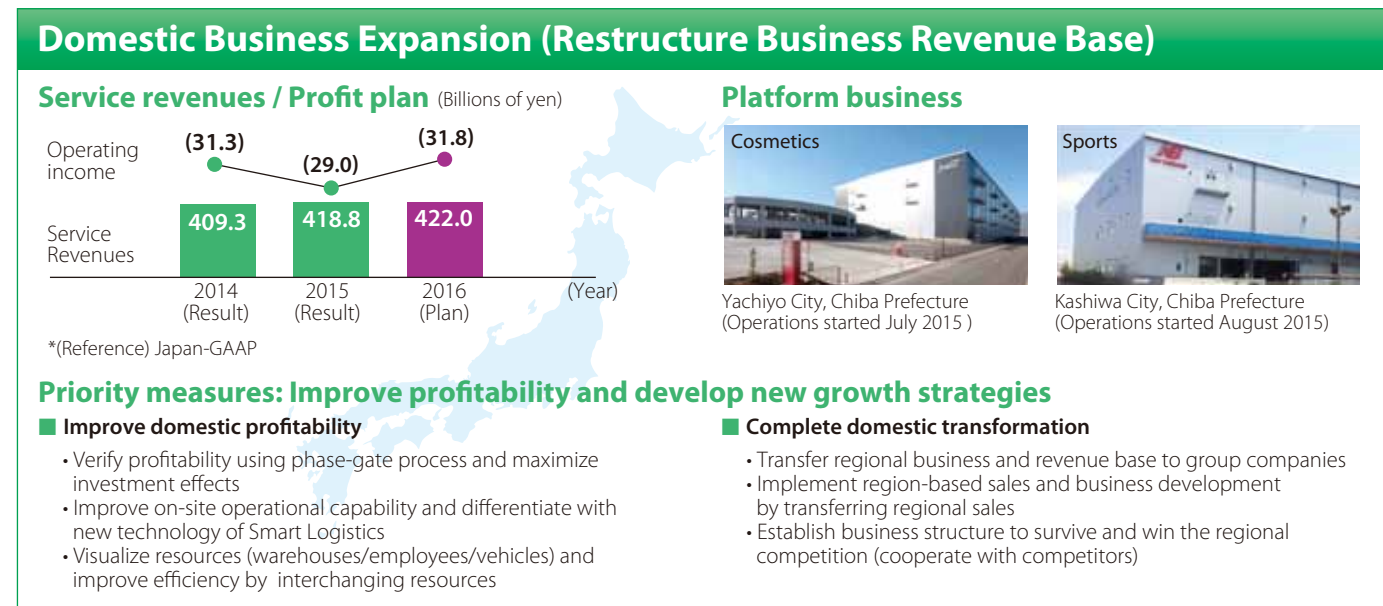
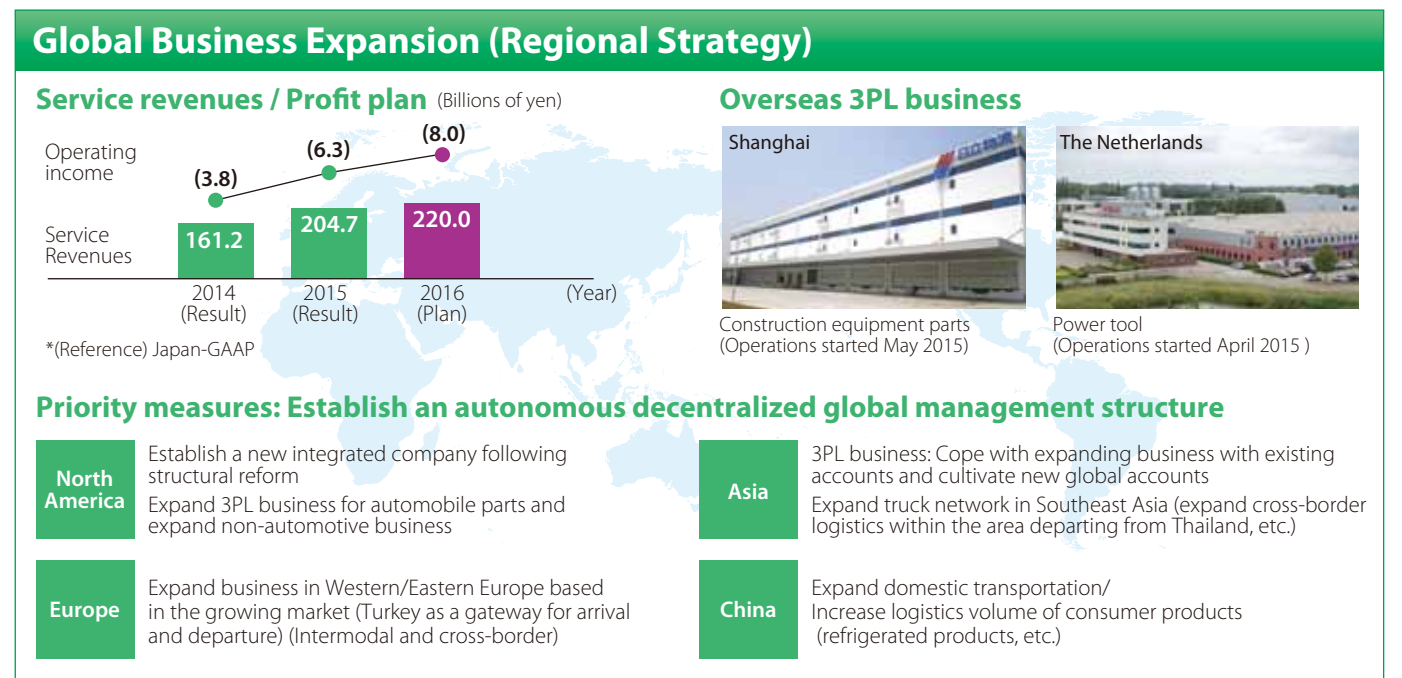
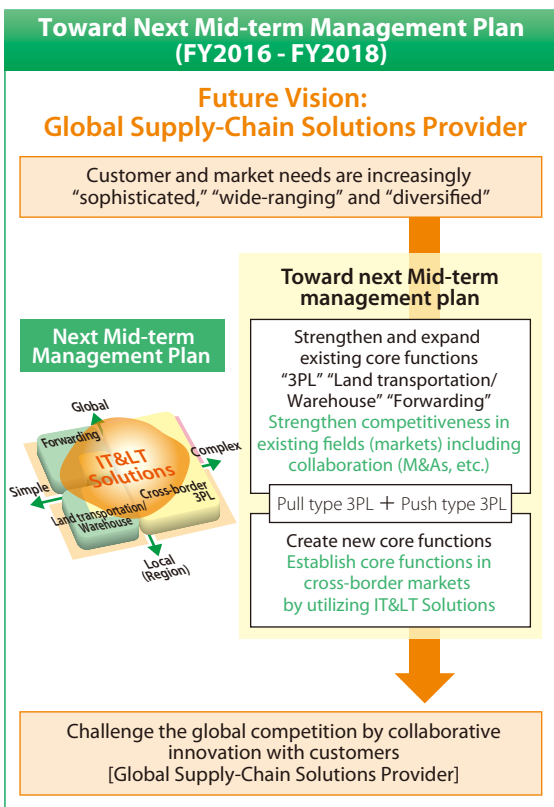
• Safe, secure, green, global and one-stop logistic services with advanced logistics technologies, on-site know-how, and diversified service menu. It is comprehensive logistics services that provide three services together in unity; 3PL accumulated in the Hitachi Transport System Group, heavy machinery construction business, and forwarding business.

• Logistics Technology

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



* The Company adopted International Financial Reporting Standards ("IFRS") for the consolidated financial statements of Annual Securities Report under the Financial Instruments and Exchange Law from the fiscal year ended March 31, 2015. Therefore, the Company has made the forecasts for the year ending March 31, 2016 based on IFRS.



FY2014 Topics (Japan)



Tsukuba Distribution Center Tsukuba City, Ibaraki Prefecture

Operations started April 2014
Construction equipment parts, etc.



Toyama Phase IV Distribution Center Nakaniikawa county, Toyama Prefecture

Operations started June 2014
Medical supplies, etc.



Kawaguchi XD Kawaguchi City, Saitama Prefecture

Operations started July 2014
Food products, etc.



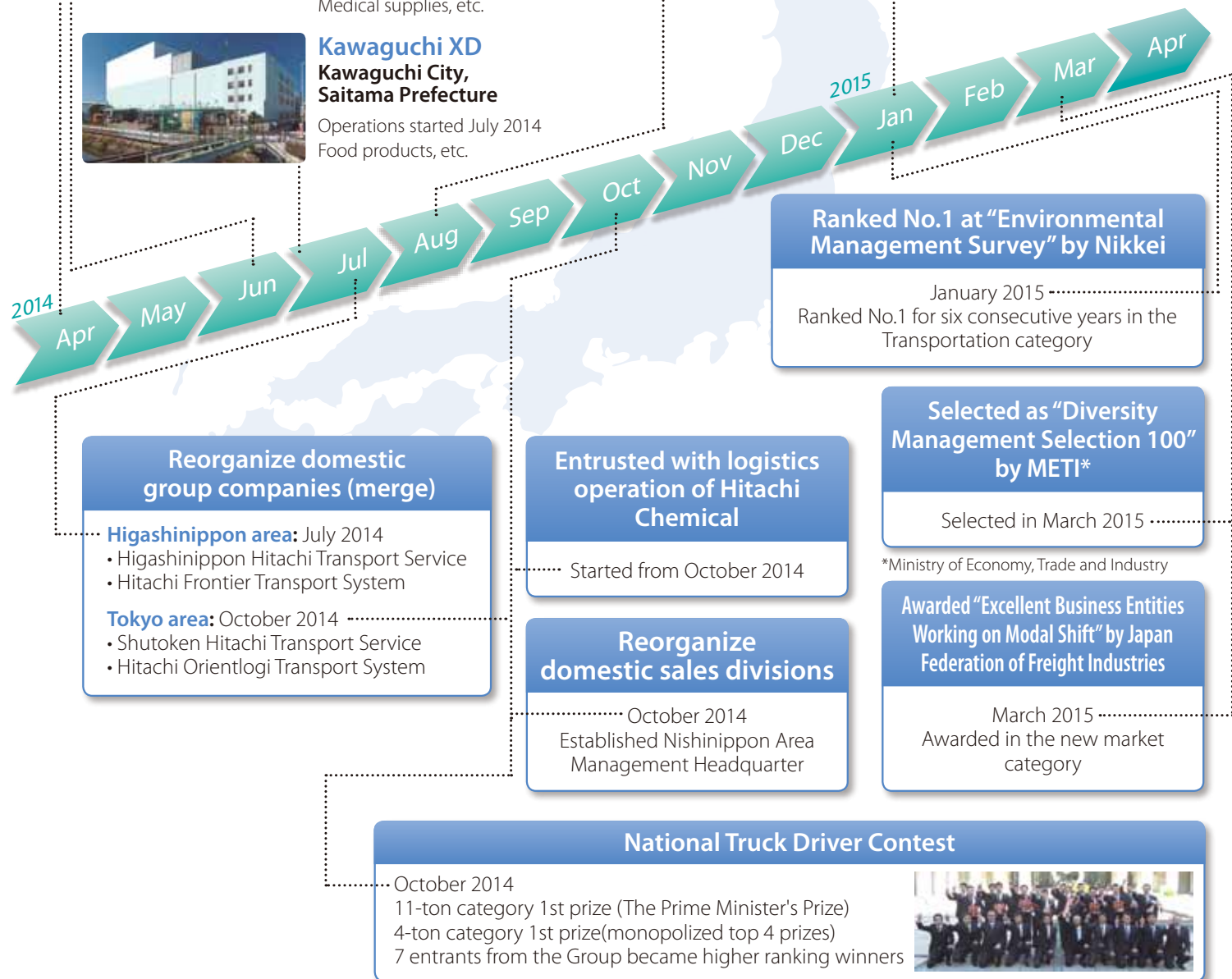
Kakegawa Distribution Center Kakegawa City, Shizuoka Prefecture

Operations started August 2014
Drugstore-related products



Kyotanabe Distribution Center Kyotanabe City, Kyoto Prefecture

Operations started January 2015
Daily commodities/food products, etc.



FY2014 Topics (Overseas)



Kunshan Distribution Center Kunshan City, China

Operations started May 2014
Automobile parts, etc.
Set up education center together.



Training at education center



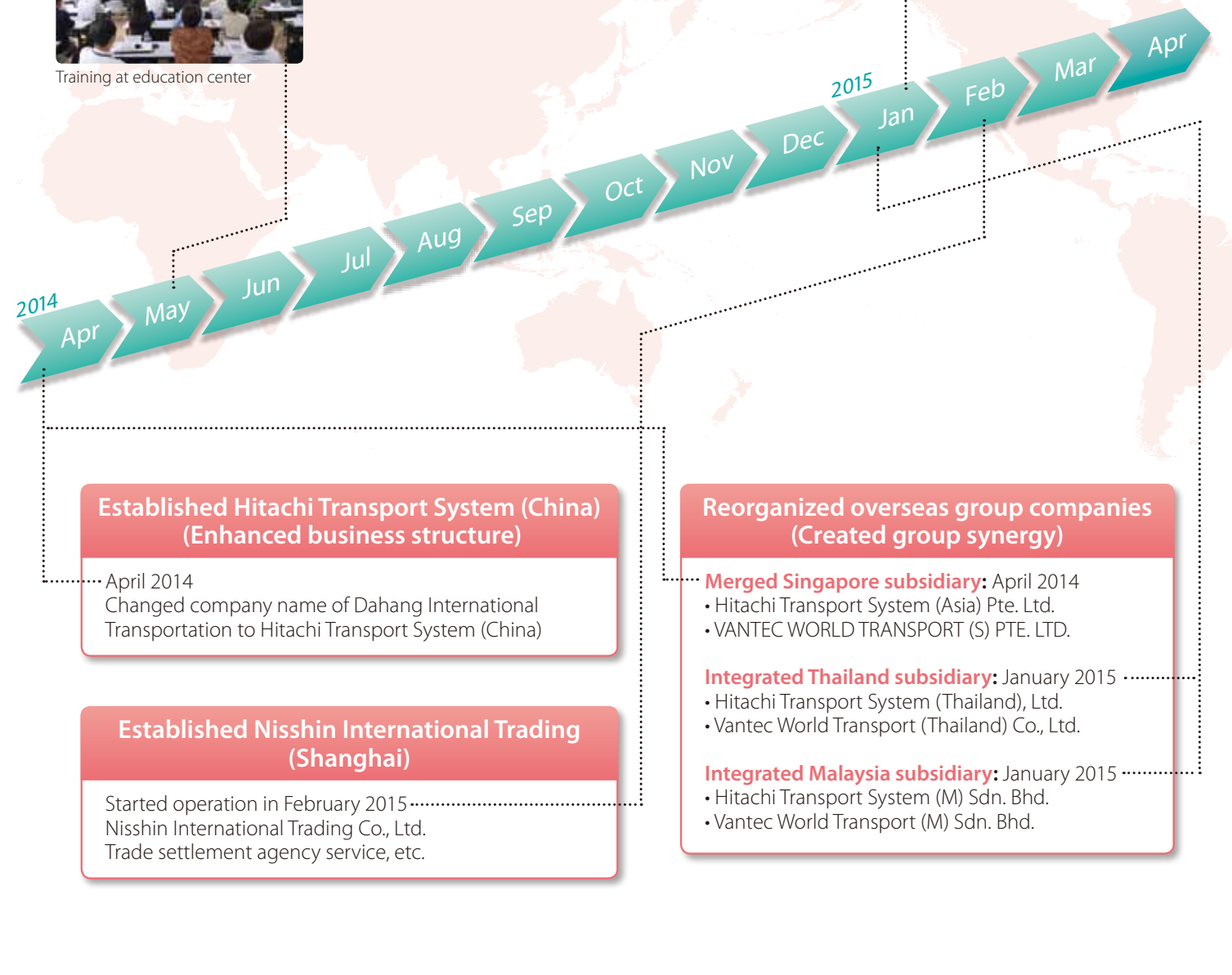
High-speed railways transportation in the UK

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



Consolidated Financial Highlights

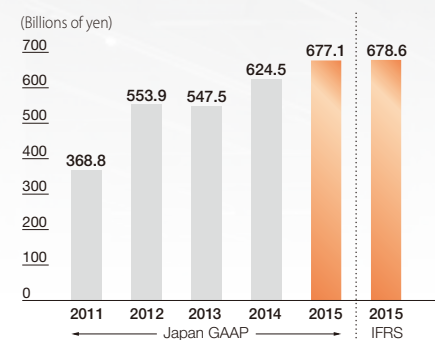
Years ended March 31

	Millions of yen					Thousands of U.S. dollars*1	
	Japan GAAP				IFRS	IFRS	
	2011	2012	2013	2014	2015	2015	2015
For the year:							
Service revenues (Revenues)*2	¥ 368,798	¥ 553,934	¥ 547,517	¥ 624,504	¥ 677,108	¥ 678,573	\$ 5,646,775
Operating income	15,940	23,131	19,535	20,992	21,198	21,465	178,622
Net income (Net income attributable to stockholders of the parent company)*2	6,806	12,563	11,156	5,433	10,932	13,250	110,260
At year-end:							
Total assets	246,558	365,013	374,206	427,733	450,048	459,386	3,822,801
Net assets (Total equity)*2	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	61.01	112.62	100.01	48.70	98.00	118.78	0.99
Net assets (Total equity)*2	1,325.72	1,404.03	1,517.93	1,512.16	1,584.16	1,656.91	13.79
Cash dividends	22.00	24.00	25.00	26.00	28.00	28.00	0.23
Other data:							
Number of employees	14,700	21,104	22,793	24,425	24,728	—	—
Total floor space of warehouse (Thousand square meters)	3,710	5,160	5,640	6,370	6,910	—	—

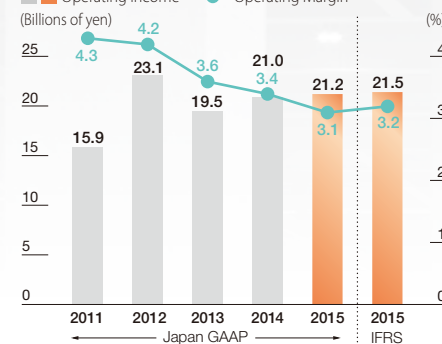
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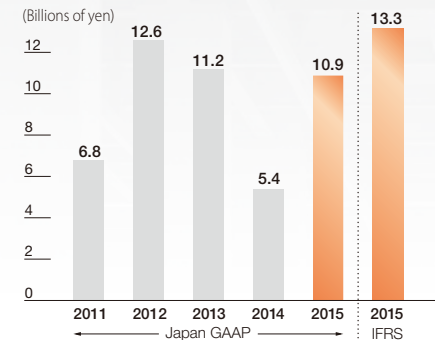
Service Revenues (Revenues)*2



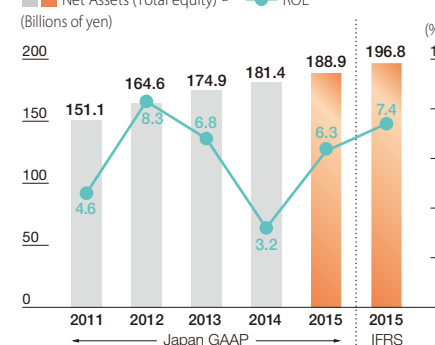
Operating Income / Operating Margin



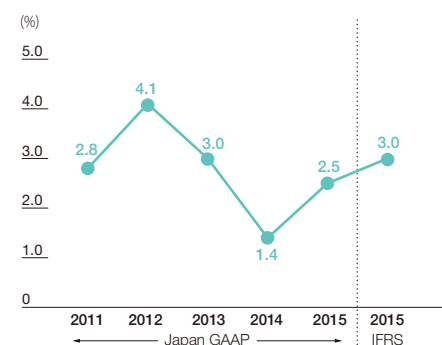
Net Income (Net income attributable to stockholders of the parent company)*2



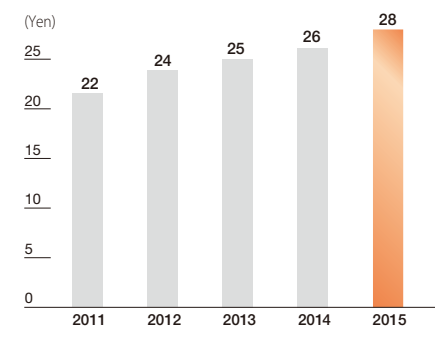
Net Assets (Total equity)*2 / ROE



ROA



Cash Dividends per Share



*2 Terms in parentheses are used for IFRS.

Review of Operations

Results by Segment for the Year Ended March 31, 2015

(Billions of yen)

	Service Revenues (Revenues)*2			Segment Income (Segment Profit)			
	Service Revenue Breakdown (%)	Results (Japan GAAP)	Year on Year (%)	Results (IFRS)	Results (Japan GAAP)	Year on Year (%)	Results (IFRS)
Domestic logistics	59	397.8	102	398.0	26.1	91	26.0
Global logistics	38	258.4	120	258.2	5.9	203	6.3
Other services	3	20.9	102	22.4	2.9	105	2.8
Adjustments	—	—	—	—	(13.7)	—	(13.6)
Total	100	677.1	108	678.6	21.2	101	21.5

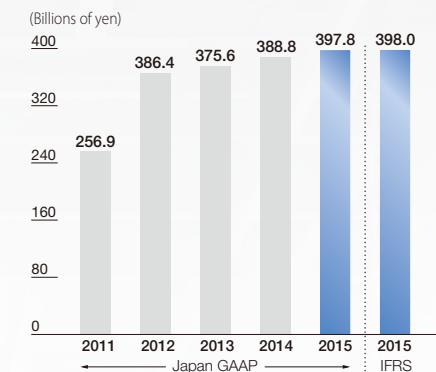
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Domestic Logistics

Years ended March 31

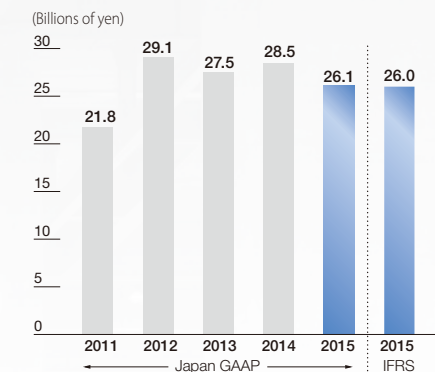
Service Revenues (Revenues)

¥397.8 billion
(102% year on year)



Segment Income (Segment Profit)

¥26.1 billion
(91% year on year)



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 operation, factory logistics, transportation and delivery services)
- Transportation, Installation and Setup of General Cargo, Heavy Machineries and Artworks
- Large Scale Moving such as Factory and Office
- Warehousing and Trunk Room Services
- Collection and Transportation of Industrial Waste

Review of Operations

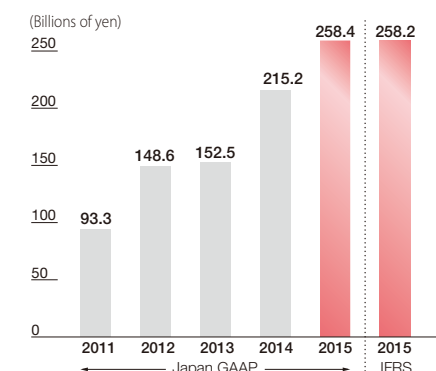
- Even though a commencement of new large-scale projects contributed to increase service revenues, the impacts from the increased initial costs and the rising costs for chartering vehicles and operations reduced segment income.
- Strove to enhance local business base and further improve business efficiency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

Global Logistics

Years ended March 31

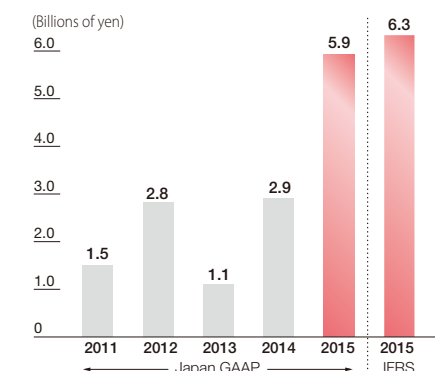
Service Revenues (Revenues)

¥258.4 billion
(120% year on year)



Segment Income (Segment Profit)

¥5.9 billion
(203% year on year)



Main Services

- Third Party Logistics (3PL) Business (International) (Comprehensive contracts for logistics services including customs clearance, international multimodal transportation by surface, ocean and air)
- Overseas Logistics
- Air Cargo Sales Agent Business

Review of Operations

- Service revenues and segment income expanded significantly owing to the factors including the full-scale operation of the projects launched during the previous fiscal year in addition to commencement of new projects, and consolidation of three overseas group companies, as well as the improved profitability of 3PL business in Asia and China.
- Strove to further strengthen and enhance the efficiency of the operational structure within the Group through the consolidations of subsidiaries in Singapore, Thailand, and Malaysia, respectively.

Corporate Social Responsibility (CSR) at the Hitachi Transport System Group

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.



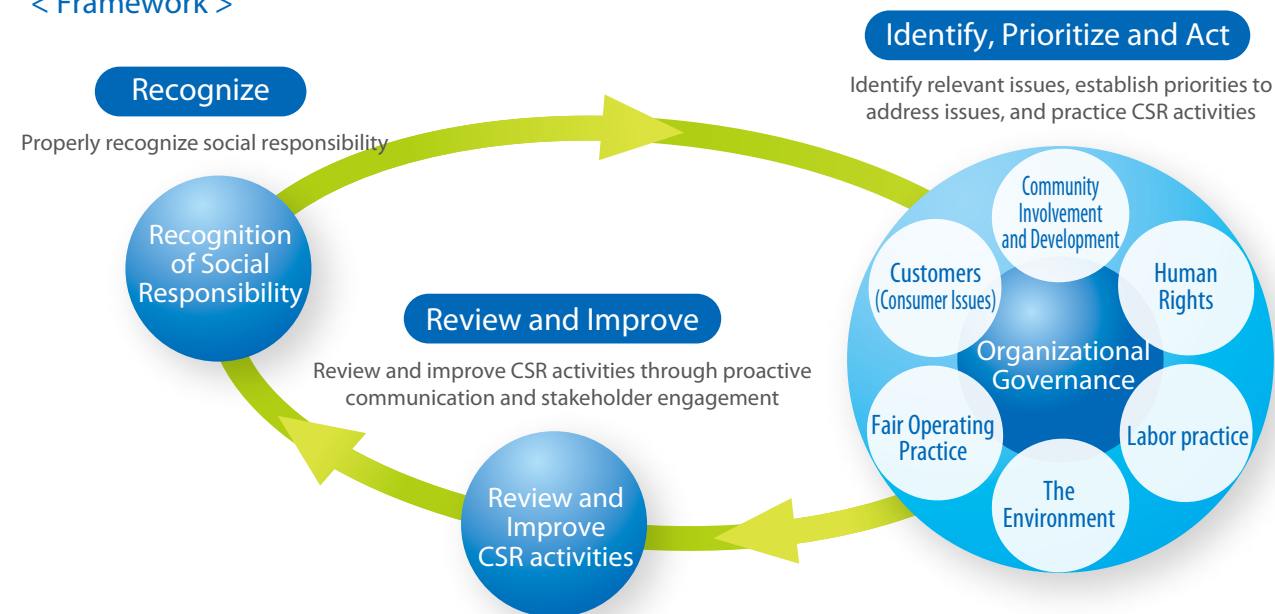
Hitachi Group CSR Policy

<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 >



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

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/rules, and implementing KYT*
2. Increase observation/guidance on forklift techniques known as pointing/verbal announcement
3. Boost improvement of facilities by risk assessment utilizing the latest technologies
4. Enhance safety awareness using safety announcements
5. Contain unsafe 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. Check and test plans for heavy equipment operations

HTS Group 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.



Safety Day morning meeting in progress

* KYT: Kiken Yochi ("danger anticipation") Training

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.



Calendar

Poster

▶ 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.

Bolstering Safety and Quality Training

Training Safety Specialist Supervisors

As part of a series of initiatives to boost on-site operations, we offer an ongoing safety specialist supervisor training program comprised of both on site and group training. Participants are trained in how to correct employees and provide appropriate guidance, as well as develop strategies and policies.

In the year ended March 31, 2015, 6 individuals were trained in the 15 group of trainees. There have been a total of 57 participants since 2006.



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.



Safety training at the Logistics Skills Development Center

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.



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.

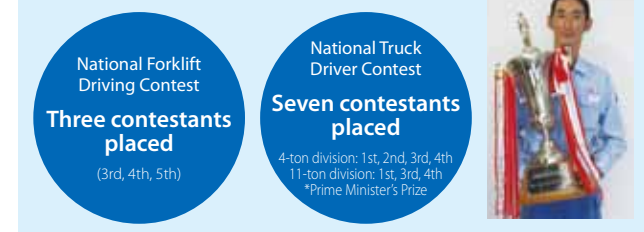
Contestants with excellent records in the HTS Group contests compete first in prefectural competitions, from which they move on to the National Truck Driver Contest and National Forklift Driving Contest if successful. The HTS Group also holds these contests both at home and overseas, helping to raise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

• FY2014 Results



National Forklift Driving Contest



National Truck Driver Contest: 4-ton division

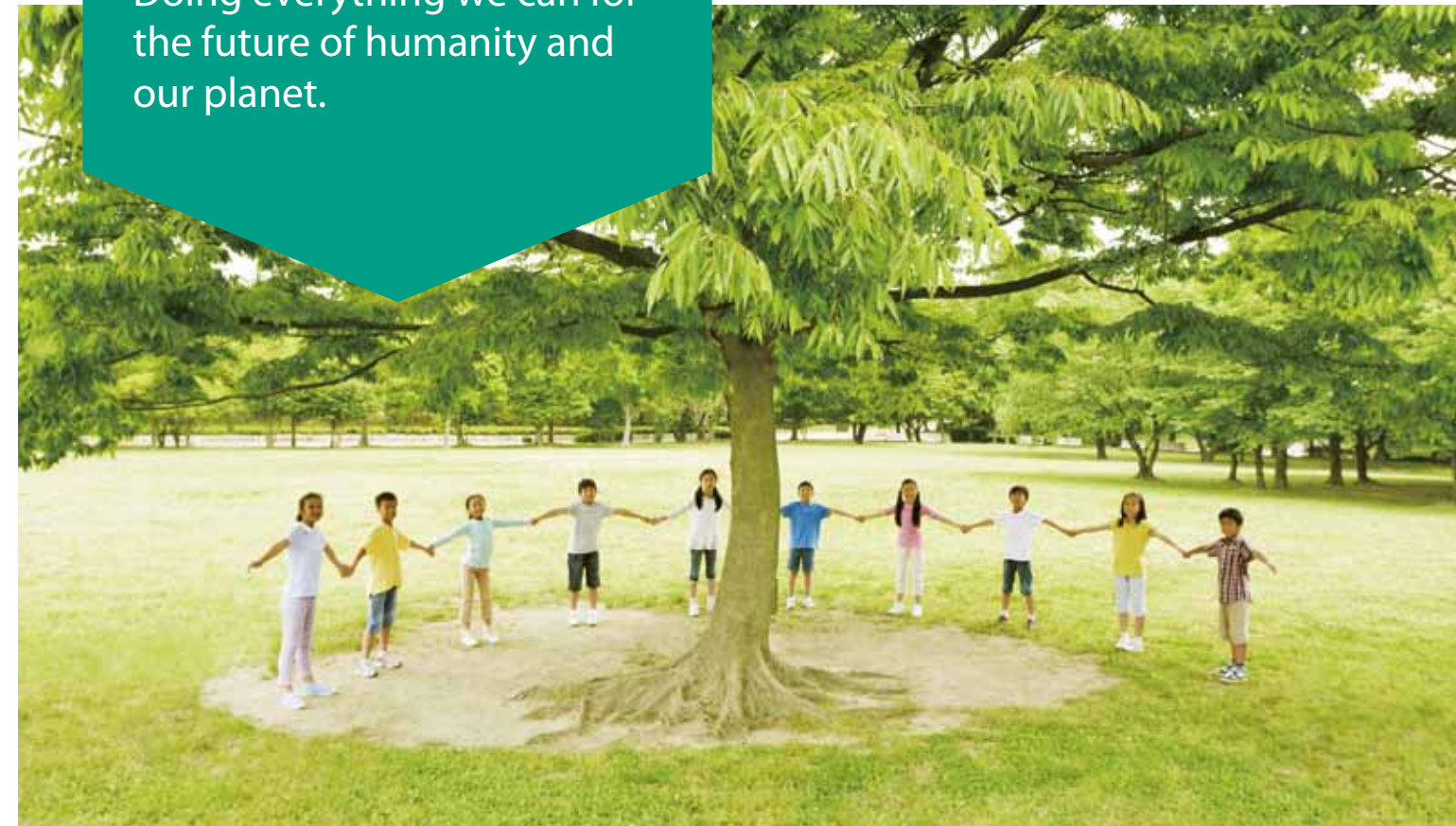


National Truck Driver Contest: 11-ton division



The Environment

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



Environmental Initiatives

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

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

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 (construction completed in April 2014, floor space=52,700m²) integrates thirteen different types of machinery parts in one location, cutting down on the number of trips taken between locations. The facility also saves energy through a switch to an LED lighting system, resulting in the reduction of 750 tons of CO₂ emissions annually on vehicles and construction.



Tsukuba Distribution Center

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 designed to put a stop to global warming.

• Implementing energy-saving lighting systems at overseas locations

At the Kuala Lumpur Logistics Center (built October 2013, floor space=31,600 m²) and the East Java Logistics Center (Phase I) (established January 2015, floor space= 25,000 m²), more than 80% of lighting is comprised of electrode-less lamps and LED lighting respectively. The result is annual reduction of 148 tons of CO₂ compared to conventional fluorescent systems and mercury lamps.



The "Green Curtain" initiative

As part of our summer-season electricity saving and energy-cutting initiatives every year, we have introduced the "Green Curtain" initiative throughout the HTS Group.

FY2014
Six
locations

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.

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 58 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.



Eco Stage I Certification

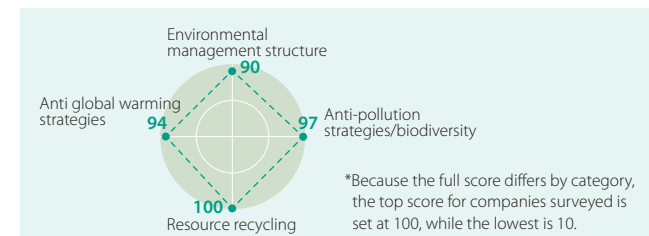
Acquiring Environmental Management Certification

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 ever-higher level of environmental management, we continuously train new experts in a systematic manner.

No. of certifications		As of March 31, 2015
Certification name	Certifying organization	Total
Logistics environment managers	Japan Association for Logistics and Transport	10
Green logistics managers	Japan Institute of Logistics Systems	1

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. Assessing 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.



*Green Curtain Initiative: By placing hanging plants such as *goya* in windows and on walls, indoor temperatures are cut by three to five degrees Celsius due to the heat-dispersing effect of the leaves and the shade that the plants provide.

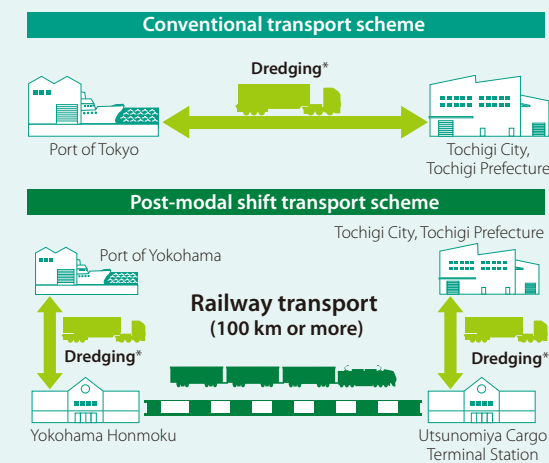
Implementing Green Logistics

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, conferring 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



Making effective use of railways

HTS enacted a modal shift for a portion of the Tokyo Port-Tochigi oceangoing container dredge route, cutting the route short at the Port of Yokohama and switching to rail from that point.

Railway transport is well-known and well-regarded in general for its advantages over long distances. With the modal shift, we utilize railroad transport for medium distances of 100 km or more, which reduces environmental load and helps resolve the issue of a shortage of trucks. This system also ensures stable cargo supply for consigners.

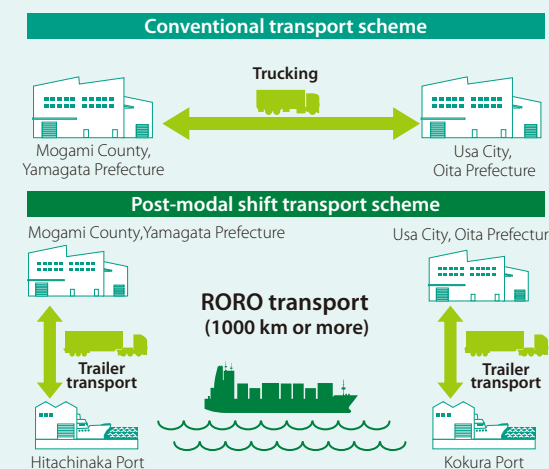
Cargo volumes

Forty
20-foot
containers/
month

CO₂ reduction

3.7 tons
CO₂ reduction/
month (44.7%)

• Prize-winning scheme 2: Shipping



Making effective use of the RORO ship

HTS has effected a shift from conventional direct trucking routes from Yamagata Prefecture to Oita Prefecture to a route combining trailer transport on the Pacific side of Japan to Ibaraki Prefecture, followed by 1,000 km-plus of transport by RORO ship* from Ibaraki to Fukuoka.

In addition to reducing environmental load, this system boosts transport efficiency through the use of oversized vehicles—raising transport capacity by new-and-innovative means of transport.

Cargo volumes

6 times
monthly/twenty-
ton trailers

CO₂ reduction

4.0 tons
CO₂ reduction/
month (31.1%)

* Excellent Business Entities Working on Modal Shift
Awarded to service providers actively engaged in modal shift initiatives, this prize is designed to broadly inform the public of the significance of the modal shift.

* Dredging:
Transport of containers by land. Containers transported from overseas are transported to their final destination without unloading the contents. This enables both time-efficient and low-cost cargo delivery.

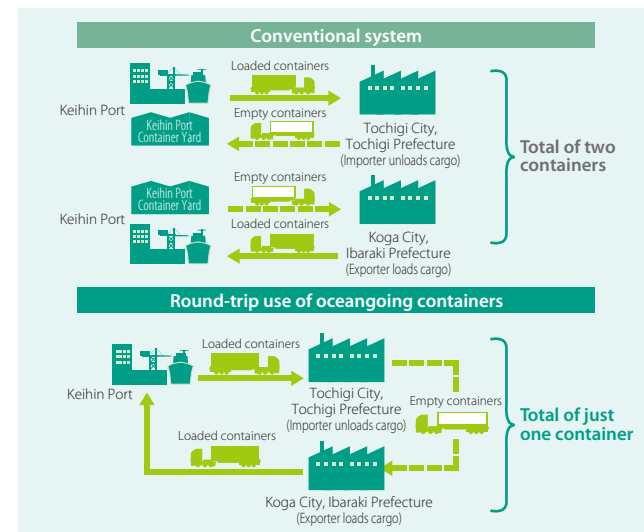
* RORO ship:
Roll on roll off ship: A type of vessel featuring an opening at the bow, stern, or side by which trailers can drive onto the vessel via a ramp

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 based in Tochigi City and exporters based 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 to resolve a shortage of vehicles and cut CO₂ emissions by reducing distances travelled.

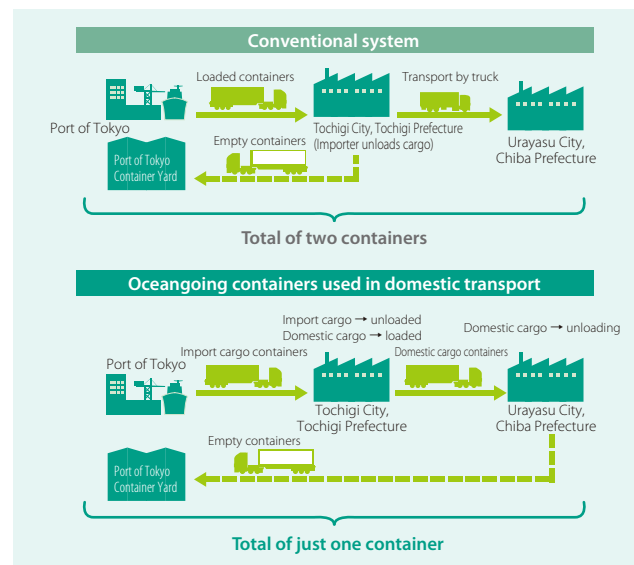


Making Effective Use of Oceangoing Containers for Domestic Transport

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.

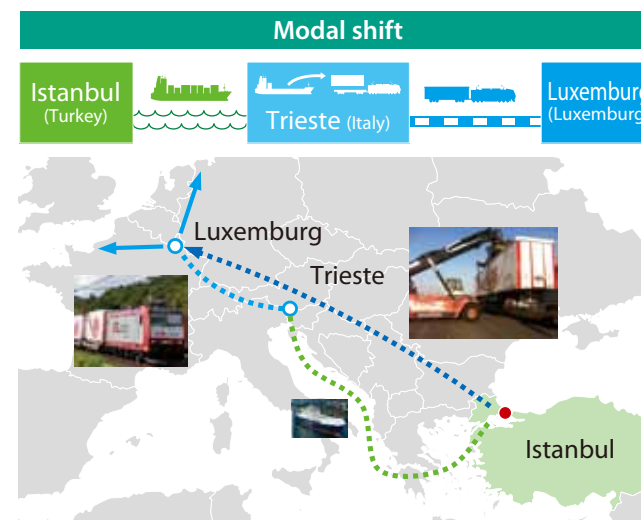
Under this system, once import containers are unloaded at Tochigi City, the empty containers are loaded with domestic cargo, and then unloaded once again at Urayasu City. At the end of the cycle the empty containers are returned to the container yards. This system helps to ameliorate a shortage of truck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



Implementing a Modal Shift in International Transport

The Mars 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 9,368 tons, and contributes to lower CO₂ emissions around the world.



* Round-trip use: A transport method where export cargo owners employees empty containers previously used by import cargo owners, virtually eliminating the transport of empty containers.

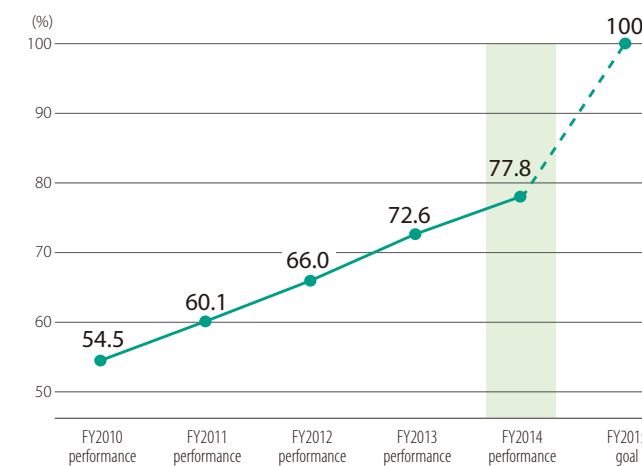
* Intermodal transport: "Intermodal transport" means the combination of multiple methods of transport such as railway, truck, ship, and air, without modifying individual cargo loads.

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.

HTS Group percentage of eco-friendly cars (in Japan, as of March 31, 2015)



Note 1: Totals shown are personal and business vehicles combined.

Note 2: Eco-friendly vehicles are as follows: hybrid, natural gas, electric, and LPG vehicles, as well as highly fuel efficient vehicles certified by the government (vehicles meeting a specified standard), low emissions vehicles, and biofuel vehicles.



Eco-friendly vehicles (natural gas, high fuel efficiency, low 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.



TICS operations performance input screen



TICS: Truck Inspection Control System screen



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 investment 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.

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.

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

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.



HTS Website
Top page (for shareholders and investors)



Japanese
Annual Report



English
Annual Report

FY2014 Initiatives

- Results briefings (twice)
- Conference in Japan (once)
- Distribution center tour (once)
- Individual meetings
- Telephone conferences, etc.



Results briefing

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 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 using a maximum of 11 trace criteria

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



Completed car transport platform (MPB*)



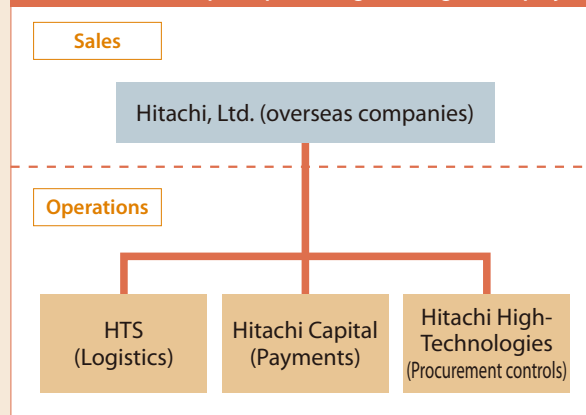
Semi-completed car transport platform

* MPB: Multi Purpose Bogie

• 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. Drawing on 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.

Role of Hitachi Group companies in global large-scale project



Achieving High Efficiency of Operations with New Smart Logistics Technologies

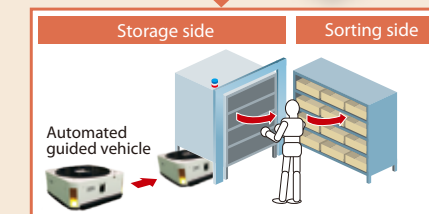
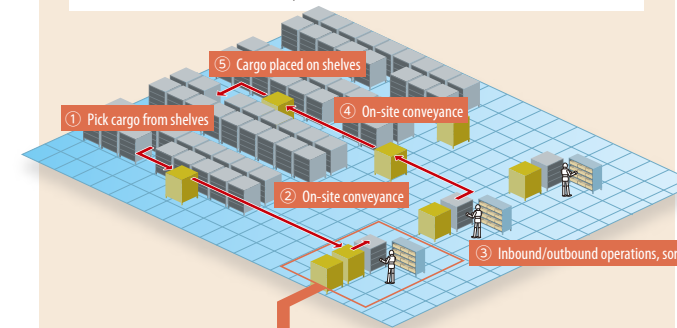
HTS implements joint research on new logistics technology and business models together with Hitachi, Ltd. with a view to setting ourselves apart from the competition as well as innovation on operations by Smart Logistics. In the year ended March 31, 2015, we verified our development results using a model 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 Racrew*, 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 Picking System Overview

Attributes

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



Automated guided vehicle conveys loaded shelves



The picking station

*Racrew is a registered trademark of Hitachi, Ltd. in Japan.

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.

■ Kakegawa Distribution Center



Warehouse site space	approx. 40,000 sq. meters
Storage capacity	approx. 15,500 pallets
No. of employees	170

As of January 2015



Automated warehouse



Folding-container automated warehouse



Automated case sorting system



Intelligent carts

With our employees

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

We engage in a variety of initiatives to achieve this goal, including forging 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

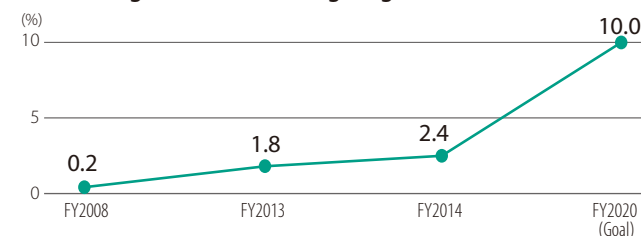
The Diversity Promotion Center was created in 2012 in response to such factors as labor shortages due to Japan's aging population combined with a declining birth rate as well as the globalization of the market, and with a view to enhancing the sum total capacity of the HTS Group. Through the Center, 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 enabling them to have both a career and a family based on our excellent standards, which actually exceed criteria stipulated by the law. We also hold special support seminars to help women get back to work after giving birth.

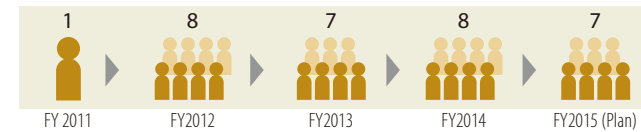
Percentage of women managers/goals



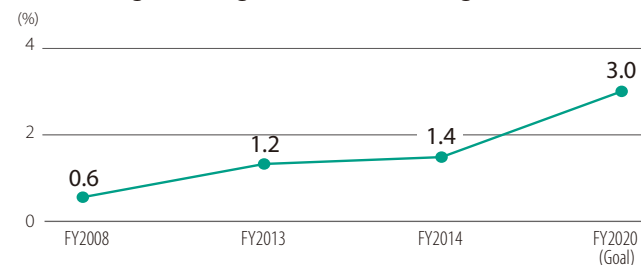
Hiring and Training Global Personnel

In order that we can address our globally expanding business, we set numerical goals for the percentage of our work force 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



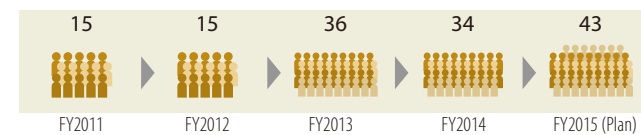
Percentage of foreign national hires and goals



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

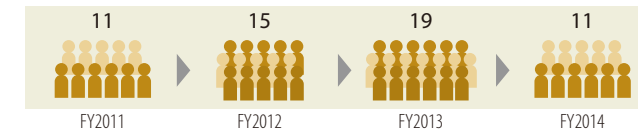


Training in Japan for our Overseas Staff

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, or to boost specialization such as knowledge of logistics. One example is our Management Development Program*, which fosters up-and-coming 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 Management Development Program in progress

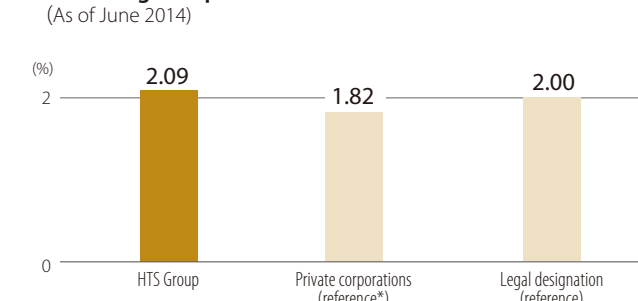
The Foreign Technical Intern Training Program

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.

Percentages of persons with disabilities hired



*Private company employment rate figures provided by the Ministry of Health, Labor and Welfare

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.

Major Initiatives

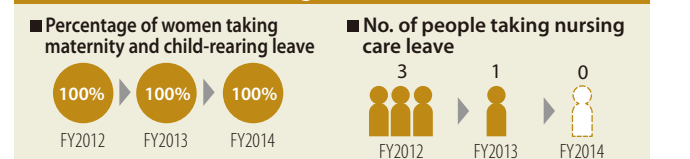
- Institute health maintenance programs
- Implement initiatives to reduce total work hours
- Adopt EAPs*/offer stress coping training* to improve work environments

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 Environment Indices



* One male employee also took child-rearing leave in 2014.

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



* 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 two-year college-level curriculum.

* EAP (Employee Assistance Program): EAP services include surveying employee stress levels and obtaining feedback on each individual. Through this process, statistics are gathered for specific work sites. This information is used both to help individuals to be their most effective, and to boost 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.

* e-learning: A method of training using the Internet.

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 including its cutting-edge position. We also offer “experience the workplace” opportunities for younger children of elementary school and junior high school age, who will be responsible for the future of our society. These programs help young people to understand social systems and their individual relationships with society.



At the Saitama Sales Office



Vantec Amata Logistics (Thailand)



Hitachi Auto Service maintenance plant

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.

FY2014 2nd year students, Kai-no-hana Elementary School, Matsudo City
2nd year students, Negiuchi Elementary School, Matsudo City



Kids learn to avoid getting hit by vehicles



Blind spot training

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.

Designed to foster and support generosity amongst our employees, the program employs a matching component where funds donated by employees are matched by the company.

FY2014 Initiatives

Traffic and Road Safety

- Gift: HTS contributed 165 picture-card sets used for storytelling sessions on road safety (distributed to 13 municipalities around the country).
- Financial support: Traffic Accident Orphans Association (a public interest incorporated foundation)

Regional Social Action/Social Welfare

- Gift: We presented 98 wheelchairs to 19 municipalities around the country, plus 2,600 reflective stickers to Kyoto Prefecture municipalities.
- Financial support: Japan Ice Sledge Hockey Association
Think the Earth “Wasurenai” (Not Forgotten) Fund

Environmental Conservation

- Financial support: National Land Afforestation Promotion Organization (“Green Fund” for the Great East Japan Earthquake) (public corporation)
Organization for Industrial, Spiritual, and Cultural Advancement-International (OISCA) (“Kodomo-no-Mori”) (public interest incorporated foundation)
Hiroshima Prefecture Afforestation Organization (public corporation)
- Afforestation support: One hectare of land (“HTS Magokoro Fund Forest”) afforested in the Khorchin Mongol region desert, in collaboration with afforestation networks (One hectare of land has been afforested every year under this program since 2008)



Presenting picture story

Doing Our Part for Overseas Communities

Vantec Indonesia gave a gift of writing implements to the Wanakarta Elementary School, located in their local area, in February 2014.



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.

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 responsibilities and authorities of the executive officers.

Three 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. There are transactions in the amount of 9,987 million yen (for transportation and commissioned work during the year ended March 31, 2015) between Hitachi, Ltd. where Mitsuki Nishiyama belongs, Junzo Nakajima and Hiroshi Maruta 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 objective 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 directors to whom none of the standards applied will be appointed as independent officer without the possibility of any conflict of interest with general shareholders. (Tsunetoshi Harada, Mitsudo Urano, and Emiko Magoshi are registered as independent officers as stipulated in the regulations of Tokyo Stock Exchange, Inc.) Those who did 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.

(Independent Standards for Outside Directors)

- A director, corporate auditor, accounting advisor, executive officer, corporate officer, manager and any other person equivalent thereto of a corporation or organization that holds 10% or more of the outstanding shares of the Company, either directly or indirectly, as of the end of the previous fiscal year (collectively, "Related Party"), or those who had been a Related Party in the last five years.
- A Related Party of subsidiaries of corporation or organization described in (a).
- A Related Party of a corporation or organization where 10% or more of its outstanding shares are owned, either directly or indirectly, by the Company as of the end of the previous fiscal year.
- A Related Party of a company whose transaction volume with the Company accounts for 2% or more of the Company's consolidated service revenues for the previous fiscal year, or those who had been a Related Party in the last five years of such company.
- A Related Party of a business partner that receives payments from the Company and its consolidated subsidiaries that account for 2% or more of such company's consolidated service revenues for the previous fiscal year, or those who had been a Related Party in the last five years of such business party.
- A Related Party of a financial institution from which the Company borrows the amount that accounts for 2% or more of the Company's consolidated total assets, or those who had been a Related Party in the last five years of such financial institution.
- A consultant, or accounting or legal professional who receives cash or other economic benefits equal to 10 million yen or more per year (average annual amount if the payment covers multiple fiscal years) in the last five years in addition to Director's remuneration from the Company.
- A person who received donation or financial assistance equal to 10 million yen or more per year from the Company during the previous fiscal year, or those who belong to the recipient organization.
- A Related Party of a company that accepts director(s) or auditor(s) from the Company or its consolidated subsidiaries, or its parent company or consolidated subsidiaries.
- Spouses or relatives by blood or affinity within the second degree of kinship of those described in (a) through (i) (excluding those who are not in an important position such as officer).
- Spouses or relatives by blood or affinity within the second degree of kinship of an executive director, executive officer, corporate officer, or manager or employees of the Company or its consolidated subsidiaries ("Executive"), or those who had been an Executive in the last ten years, and a Related Party of the Company or its consolidated subsidiaries.

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 according to the relevant position to reflect the results of an assessment. The base amount of the performance fee is determined as approximately 30% 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 ¥597 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 compliance 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.

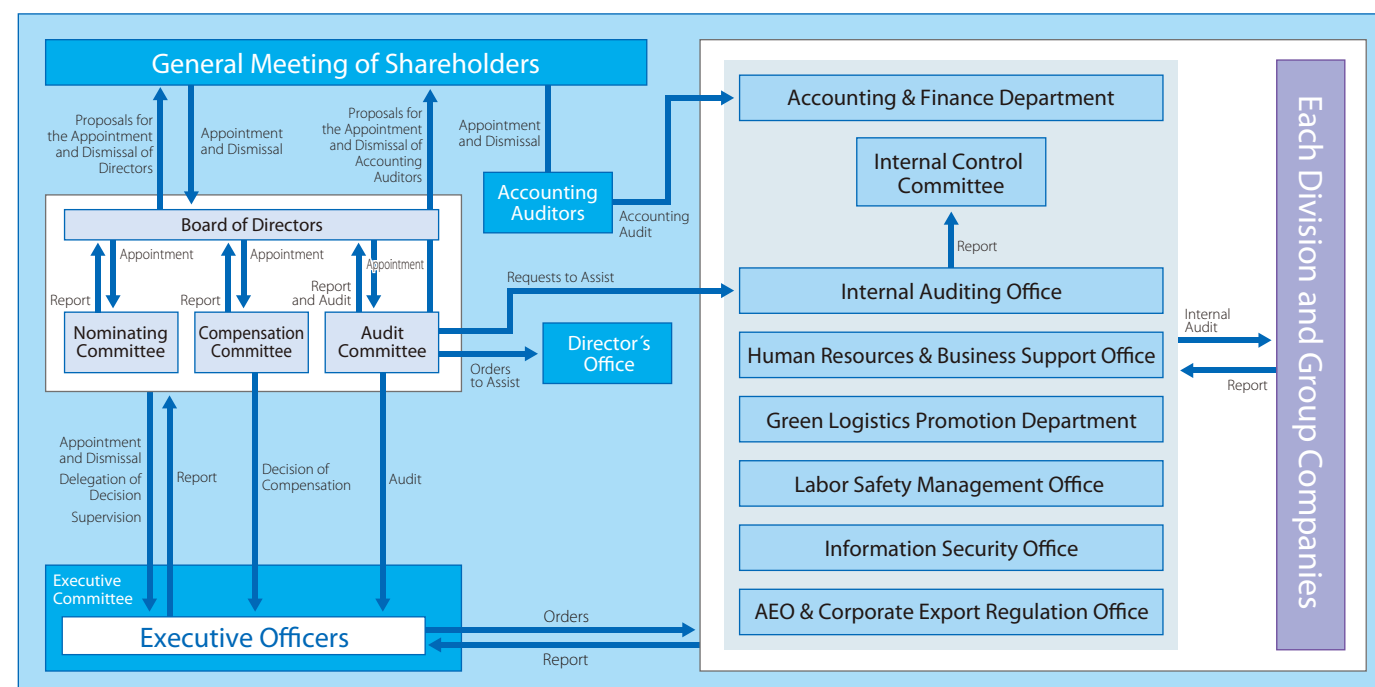
Our efforts regarding large-scale disasters include promotion of proactive program such as development of BCP for the major earthquakes and super-flu.

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 PrivacyMark* in order to enhance information security base.

* ISO27001: Certification given by the International Organization for Standardization (ISO) to entities meeting specified standards on information security management systems.

* Privacy Mark: The Japan Information Processing Development Corporation grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.

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

(As of June 23, 2015)

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 whistleblowing 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 North America, Europe, China, and other parts of Asia focusing on pandemic influenza and other infectious diseases.



Company-wide disaster prevention headquarter training

In addition, projections indicate that the supply of truck fuel indispensable to the HTS Group's business activities could be interrupted in the event of a large-scale disaster, and our current in-house fuel tank reserves are not likely to provide sufficient fuel for the perpetuation of our business activities and/or recovery efforts under such conditions. To compensate

for this deficit and counter the associated risk, in the Metropolitan, Chubu, and Kansai areas, we contract with fuel sales companies to stockpile light oil fuel using the company's storage tanks. We also hold exclusivity contracts for emergency-use delivery tank lorries.



Tank lorries under exclusivity contract

Boosting information security initiatives

In initiatives to boost information security initiatives, the HTS Group as a whole works to maintain and bolster security levels to protect both business information and customer information provided to us by customers.

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.

Third party certification (As of March 2015)


ISO27001: 38 departments and locations

Privacy mark: 5 group companies



* BCP: Business Continuity Plan
A plan designed to ensure that core functions are not interrupted (or are rapidly reinstated) in the event of a large-scale disaster.

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	

*Outside directors are listed in Japanese alphabetical order.

Executive Officers

 Yasuo Nakatani Representative Executive Officer President and Chief Executive Officer	 Yoshihiko Mogami Senior Vice President and Executive Officer	 Takashi Jinguji Senior Vice President and Executive Officer	 Kunio Iida Senior Vice President and Executive Officer	 Hidetoshi Maekawa Vice President and Executive Officer
 Kazuhisa Hatakeyama Vice President and Executive Officer	 Shibunori Kitoh Vice President and Executive Officer	 Shinya Hannya Vice President and Executive Officer	 Nobukazu Hayashi Vice President and Executive Officer	 Kazunori Urayama Vice President and Executive Officer

Executive Officers

Toru Watanabe / Kazuya Fukumoto / Hiromoto Fujitani / Katsutoshi Kashimura / Toshimi Tokieda / Yasushi Hagiwara / Fumio Komamura / Seiki Sato / Kiyoshi Nagao

Consolidated Statement of Financial Position

Hitachi Transport System, Ltd. and subsidiaries

ASSETS	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2015	As of March 31, 2014	Transition date As of April 1, 2013	As of March 31, 2015
Current assets				
Cash and cash equivalents	¥ 34,544	¥ 33,614	¥ 33,057	\$ 287,459
Trade receivables	127,753	116,399	101,897	1,063,102
Inventories	959	1,084	707	7,980
Other financial assets	6,362	6,075	7,289	52,942
Other current assets	8,817	6,997	4,628	73,371
Total current assets	178,435	164,169	147,578	1,484,855
Non-current assets				
Investments accounted for using the equity method	1,576	1,394	1,140	13,115
Property, plant and equipment	173,123	162,071	145,807	1,440,651
Goodwill	31,437	30,568	26,068	261,604
Intangible assets	40,582	42,579	36,138	337,705
Deferred tax assets	8,899	9,220	8,857	74,053
Other financial assets	16,851	15,683	14,398	140,226
Other non-current assets	8,483	9,112	8,280	70,592
Total non-current assets	280,951	270,627	240,688	2,337,946
Total assets	¥ 459,386	¥ 434,796	¥ 388,266	\$ 3,822,801

Liabilities	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2015	As of March 31, 2014	Transition date As of April 1, 2013	As of March 31, 2015
Current liabilities				
Trade payables	¥ 55,023	¥ 49,952	¥ 42,833	\$ 457,876
Short-term debt	11,680	11,392	9,393	97,196
Current portion of long-term debt	24,927	14,181	31,039	207,431
Income tax payable	4,660	6,106	4,451	38,778
Other financial liabilities	18,983	22,446	12,225	157,968
Other current liabilities	28,618	24,641	23,096	238,146
Total current liabilities	143,891	128,718	123,037	1,197,395
Non-current liabilities				
Long-term debt	64,267	64,468	39,286	534,801
Retirement and severance benefits	29,517	29,905	28,621	245,627
Deferred tax liabilities	13,371	14,454	12,965	111,267
Other financial liabilities	9,574	8,588	8,243	79,670
Other non-current liabilities	2,011	1,900	1,895	16,735
Total non-current liabilities	118,740	119,315	91,010	988,100
Total liabilities	¥ 262,631	¥ 248,033	¥ 214,047	\$ 2,185,496
Equity				
Equity attributable to stockholders of the parent company				
Common stock	¥ 16,803	¥ 16,803	¥ 16,803	\$ 139,827
Capital surplus	9,855	12,732	13,004	82,009
Retained earnings	150,927	140,707	138,149	1,255,946
Accumulated other comprehensive income	7,424	4,232	1,372	61,779
Treasury stock, at cost	(179)	(179)	(178)	(1,490)
Total equity attributable to stockholders of the parent company	184,830	174,295	169,150	1,538,071
Non-controlling interests	11,925	12,468	5,069	99,234
Total equity	196,755	186,763	174,219	1,637,305
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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Revenues	¥ 678,573	¥ 625,466	\$ 5,646,775
Cost of sales	(614,941)	(563,728)	(5,117,259)
Gross profit	63,632	61,738	529,517
Selling, general and administrative expenses	(40,274)	(38,176)	(335,142)
Other income	732	793	6,091
Other expenses	(2,625)	(8,765)	(21,844)
Operating income	21,465	15,590	178,622
Financial income	1,476	513	12,283
Financial expenses	(1,264)	(1,660)	(10,518)
Share of profits of investments accounted for using the equity method	329	275	2,738
Income before income taxes	22,006	14,718	183,124
Income taxes	(7,217)	(9,007)	(60,057)
Net income	¥ 14,789	¥ 5,711	\$ 123,067
Net income attributable to:			
Stockholders of the parent company	13,250	5,338	110,260
Non-controlling interests	1,539	373	12,807

	Yen		U.S. dollars
	2015	2014	2015
Earnings per share attributable to stockholders of the parent company			
Basic	¥ 118.78	¥ 47.85	\$ 0.99
Diluted	-	-	-

Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income	¥ 14,789	¥ 5,711	\$ 123,067
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI	421	69	3,503
Remeasurements of defined benefit plans	(851)	73	(7,082)
Total items not to be reclassified into net income	(430)	142	(3,578)
Items that can be reclassified into net income			
Foreign currency translation adjustments	3,438	3,224	28,609
Net changes in cash flow hedges	63	34	524
Share of OCI of investments accounted for using the equity method	72	138	599
Total items that can be reclassified into net income	3,573	3,396	29,733
Other comprehensive income (OCI)	3,143	3,538	26,155
Comprehensive income	¥ 17,932	¥ 9,249	\$ 149,222
Comprehensive income attributable to:			
Stockholders of the parent company	16,367	8,207	136,199
Non-controlling interests	1,565	1,042	13,023

Consolidated Statement of Changes in Equity

Hitachi Transport System, Ltd. and subsidiaries

For the year ended March 31, 2015

	Millions of yen							
	2015							
	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	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	¥ 16,803	¥ 12,732	¥ 140,707	¥ 4,232	¥ (179)	¥ 174,295	¥ 12,468	¥ 186,763
Changes in equity								
Net income	-	-	13,250	-	-	13,250	1,539	14,789
Other comprehensive income	-	-	-	3,117	-	3,117	26	3,143
Transactions with non-controlling interests	-	(2,877)	-	57	-	(2,820)	(2,048)	(4,868)
Dividends	-	-	(3,012)	-	-	(3,012)	(60)	(3,072)
Transfer to retained earnings	-	-	(18)	18	-	-	-	-
Acquisition and sales of treasury stock	-	0	-	-	0	0	-	0
Total changes in equity	-	(2,877)	10,220	3,192	0	10,535	(543)	9,992
Balance at end of year	¥ 16,803	¥ 9,855	¥ 150,927	¥ 7,424	¥ (179)	¥ 184,830	¥ 11,925	¥ 196,755

For the year ended March 31, 2014

	Millions of yen							
	2014							
	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	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	¥ 16,803	¥ 13,004	¥ 138,149	¥ 1,372	¥ (178)	¥ 169,150	¥ 5,069	¥ 174,219
Changes in equity								
Net income	-	-	5,338	-	-	5,338	373	5,711
Other comprehensive income	-	-	-	2,869	-	2,869	669	3,538
Transactions with non-controlling interests	-	(272)	-	-	-	(272)	(279)	(551)
Dividends	-	-	(2,789)	-	-	(2,789)	(50)	(2,839)
Transfer to retained earnings	-	-	9	(9)	-	-	-	-
Changes due to business combinations	-	-	-	-	-	-	6,686	6,686
Acquisition and sales of treasury stock	-	0	-	-	(1)	(1)	-	(1)
Total changes in equity	-	(272)	2,558	2,860	(1)	5,145	7,399	12,544
Balance at end of year	¥ 16,803	¥ 12,732	¥ 140,707	¥ 4,232	¥ (179)	¥ 174,295	¥ 12,468	¥ 186,763

For the year ended March 31, 2015

	Thousands of U.S. dollars							
	2015							
	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	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	\$ 139,827	\$ 105,950	\$ 1,170,900	\$ 35,217	\$ (1,490)	\$ 1,450,404	\$ 103,753	\$ 1,554,157
Changes in equity								
Net income	-	-	110,260	-	-	110,260	12,807	123,067
Other comprehensive income	-	-	-	25,938	-	25,938	216	26,155
Transactions with non-controlling interests	-	(23,941)	-	474	-	(23,467)	(17,043)	(40,509)
Dividends	-	-	(25,064)	-	-	(25,064)	(499)	(25,564)
Transfer to retained earnings	-	-	(150)	150	-	-	-	-
Acquisition and sales of treasury stock	-	0	-	-	0	0	-	0
Total changes in equity	-	(23,941)	85,046	26,562	0	87,667	(4,519)	83,149
Balance at end of year	\$ 139,827	\$ 82,009	\$ 1,255,946	\$ 61,779	\$ (1,490)	\$ 1,538,071	\$ 99,234	\$ 1,637,305

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash flows from operating activities:			
Net income	¥ 14,789	¥ 5,711	\$ 123,067
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	18,715	16,982	155,738
Impairment losses	261	3,501	2,172
Share of profits of investments accounted for using the equity method	(329)	(275)	(2,738)
Income taxes	7,217	9,007	60,057
Increase (decrease) in retirement and severance benefits	(374)	1,064	(3,112)
Interest and dividend income	(557)	(509)	(4,635)
Interest expenses	1,264	1,022	10,518
Losses on sale of property, plant and equipment	0	1,911	0
Increase in trade receivables	(8,583)	(5,376)	(71,424)
(Increase) decrease in inventories	87	(303)	724
Increase in trade payables	3,395	1,040	28,252
Increase (decrease) in other assets and other liabilities	6,643	(84)	55,280
Other	841	975	6,998
Subtotal	43,369	34,666	360,897
Interest and dividends received	768	668	6,391
Interest paid	(1,287)	(1,043)	(10,710)
Income taxes paid	(10,584)	(8,508)	(88,075)
Net cash provided by operating activities	32,266	25,783	268,503
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	(20,069)	(15,397)	(167,005)
Proceeds from sale of property, plant and equipment and intangible assets	813	2,904	6,765
Proceeds from withdrawal of deposits	-	2,500	-
Payments for acquisition of subsidiaries' shares	-	(12,727)	-
Other	(630)	(664)	(5,243)
Net cash used in investing activities	(19,886)	(23,384)	(165,482)
Cash flows from financing activities:			
Decrease in short-term debt, net	(204)	(1,474)	(1,698)
Proceeds from long-term debt	10,712	33,287	89,140
Repayments of long-term debt	(11,279)	(28,422)	(93,859)
Repayments of lease obligations	(3,561)	(3,240)	(29,633)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(4,661)	(573)	(38,787)
Dividends paid to stockholders of the parent company	(3,012)	(2,789)	(25,064)
Dividends paid to non-controlling interests	(60)	(50)	(499)
Other	(0)	(1)	(0)
Net cash used in financing activities	(12,065)	(3,262)	(100,399)
Effect of exchange rate changes on cash and cash equivalents	615	1,420	5,118
Net increase in cash and cash equivalents	930	557	7,739
Cash and cash equivalents at beginning of year	33,614	33,057	279,720
Cash and cash equivalents at end of year	¥ 34,544	¥ 33,614	\$ 287,459

Corporate Data

(As of March 31, 2015)

Corporate name Hitachi Transport System, Ltd.
Head office 7-2-18, Toyo, Koto-ku, Tokyo 135-8372, Japan
Founded February 1950
Paid-in capital ¥16,802 million

Main businesses

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

Main Subsidiaries & Affiliates

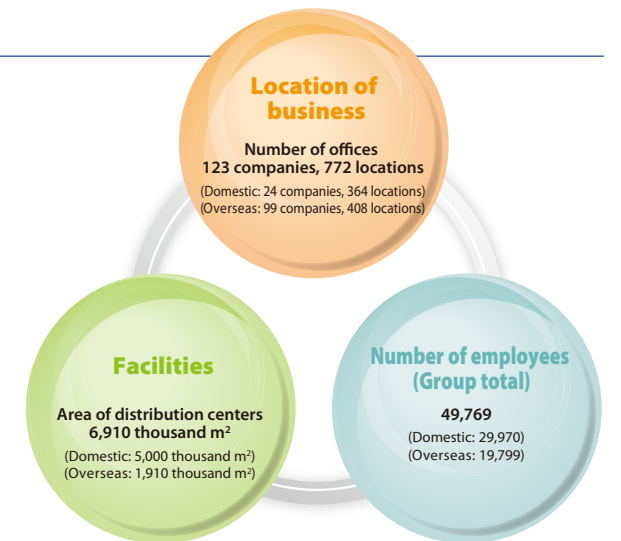
(As of March 31, 2015)

Domestic

Higashinippon Hitachi Transport Service Co., Ltd.
 Kanto Hitachi Transport Service Co., Ltd.
 Shutoken Hitachi Transport Service Co., Ltd.
 Minamikanto Hitachi Transport Service Co., Ltd.
 Chubu Hitachi Transport Service Co., Ltd.
 Nishinippon Hitachi Transport Service Co., Ltd.
 Kyushu Hitachi Transport Service Co., Ltd.
 Hitachi Transport Direx Co., Ltd.
 Hitachi Collabonext Transport System Co., Ltd.
 Hitachi Finenext Transport System Co., Ltd.
 VANTEC CORPORATION
 VANTEC HTS FORWARDING, LTD.
 Nisshin Transportation Co., Ltd.
 Project Cargo Japan, Inc.
 Hitachi Distribution Software Co., Ltd.
 Hitachi Auto Service Co., Ltd.
 Hitachi Travel Bureau, Ltd.

Overseas

Hitachi Transport System (America), Ltd.
 J.P. Holding Company, Inc.
 Hitachi Sistema de Transporte Mexico, S. A .de C.V.
 James J.Boyle & Co.
 Hitachi Transport System (Europe) B.V.
 ESA s. r. o.
 Mars Logistics Group Inc.
 VANTEC HTS LOGISTICS (RUS), LLC
 Hitachi Transport System (Asia) Pte. Ltd.
 Hitachi Transport System (M) Sdn. Bhd.
 Hitachi Transport System Vantec (Thailand), Ltd.
 Eternity Grand Logistics Public Company Limited
 PT Berdiri Matahari Logistik
 PT Hitachi Transport System Indonesia
 Hitachi Transport System (Vietnam) Co., Ltd.
 NISSHIN (MYANMAR) CO., LTD.
 Flyjac Logistics Pvt. Ltd.
 Hitachi Transport System (China), Ltd.
 Hitachi Transport System (Shanghai Pudong) Co., Ltd.
 Nisshin International Trading Co., Ltd.
 Vantec Hitachi Transport System (Hong Kong) Ltd.
 CDS Freight Holding Ltd.
 Vantec Hitachi Transport System (Taiwan) Ltd.
 Hitachi Transport System (Korea), Ltd.
 Hitachi Transport System (Australia) Pty. Ltd.

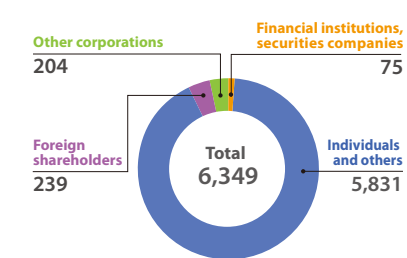


Stock Information

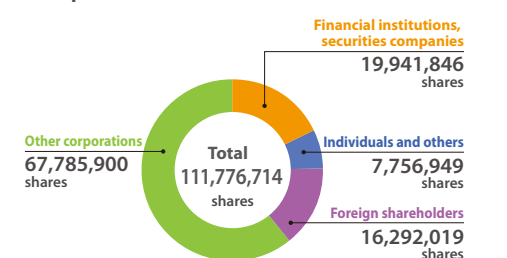
(As of March 31, 2015)

Number of shares outstanding 111,776,714 shares
Number of shares per unit 100 shares

Number of shareholders



Composition of shareholders

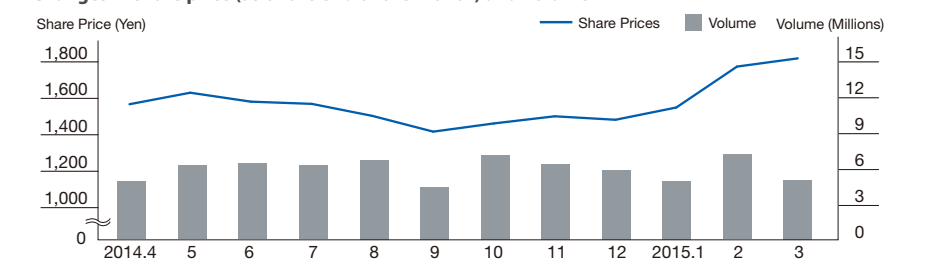


Major shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of shares held
Hitachi, Ltd.	59,452	53.30 %
Hitachi Urban Investment, Ltd.	6,368	5.71
Japan Trustee Services Bank, Ltd. (Trust Account)	4,160	3.73
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,291	2.95
National Mutual Insurance Federation of Agricultural Cooperatives	2,793	2.50
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,927	1.73
JP MORGAN CHASE BANK 385093	1,687	1.51
Hitachi Transport System, Ltd. Employees' Shareholding Association	1,552	1.39
CBNY-GOVERNMENT OF NORWAY	1,126	1.01
FUKUYAMA TRANSPORTING CO., LTD.	1,038	0.93

Note: The percentage of shares held is calculated based on the number of shares excluding treasury stock (226,016 shares).

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



 **Hitachi Transport System, Ltd.**

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