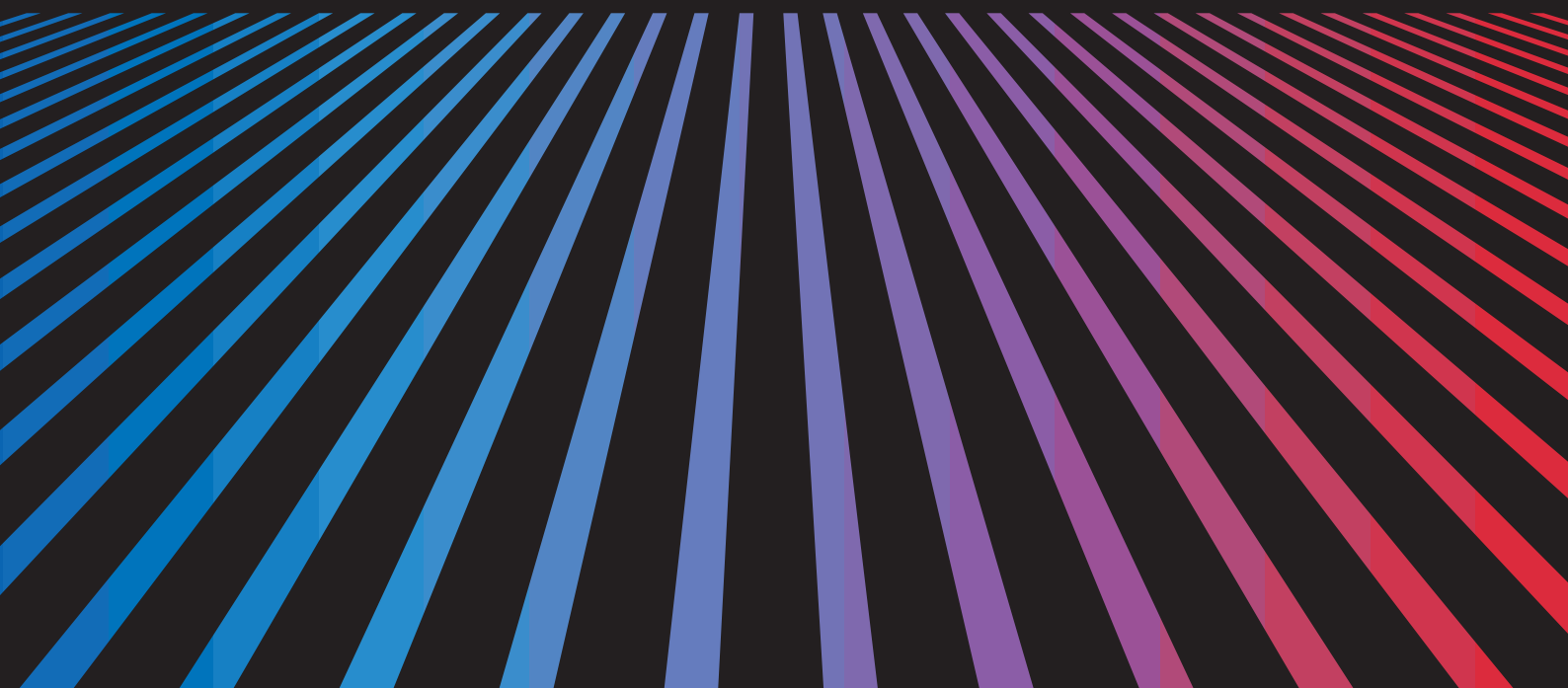


Toward New Dimensions
LOGISTEED

Annual Report 2019



Management Philosophy & Brand

Corporate Philosophy

The Hitachi Transport System Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.

Corporate Vision

The Most Preferred Global Supply Chain Solutions Provider

Guiding Principles

- Compliance** We value “Basics and Ethics”.
- Customer Focus** We deliver value to our customers.
- Innovation and Excellence** We strive for service excellence through collaborative innovation.
- Diversity and Inclusion** We leverage inclusive diversity for holistic growth.
- Sustainability** We think and act responsibly as a global citizen.

Brand Promise

Taking on the Future

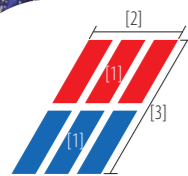
In a world of constant change, we are committed to pioneering new trails, always looking ahead and energizing our society.

We build true trust with our customers, working tenaciously and charting a collaborative future.

We create and deliver innovative solutions, embracing cutting-edge technologies.

And we keep moving forward as one team, fostering mutual respect and releasing individual potential.

Going beyond the conventional domain of logistics, we will bring innovation to the future of business and people's lifestyles.



Stripe Mark

- [1] Red represents “vitality” and blue represents “steadiness.”
- [2] Horizontal three stripes represent “global business” including land, sea and air transportation, and “total logistics system” including transportation, storage and information.
- [3] Upper and lower parts represent “partnership” between our customers/suppliers and the HTS Group.

The Stripe Mark is the symbol of our business strategy. We create and distribute stripe mark badge to further enhance a sense of unity among all HTS Group employees.



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. For detailed financial data, readers are directed to the “Financial Section” on Annual Reports page of Investor Relations page of our website. (<http://www.hitachi-transportssystem.com/en/ir/library/annual/>)

Reporting period

The fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019 in general)

However, recent activities are also reported in this report. “FY” refers to a financial period ended or ending on March 31.

Companies covered in this report

This annual report covers Hitachi Transport System and the HTS Group (84 consolidated subsidiaries and 20 associates accounted for using the equity method) in principle.


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.

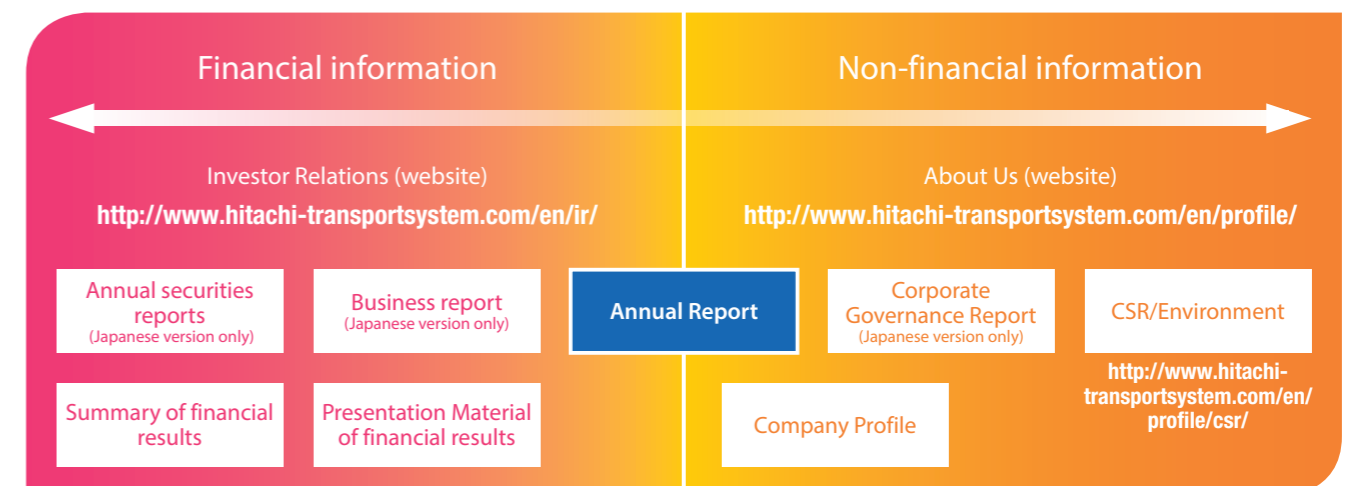
Toward New Dimensions LOGISTEED

[LOGISTEED]: A word that combines LOGISTICS with Exceed, Proceed, Succeed, and Speed. It represents our determination to lead businesses to a new domain beyond the conventional logistics.

Details are available at the Company’s website.

 Hitachi Transport System aims for “LOGISTEED” <http://www.hitachi-transportssystem.com/en/profile/logisteed/>

The HTS Group’s tools for information disclosure



Contents

Corporate Philosophy/Corporate Vision/Guiding Principles/Brand Promise	1
Message from the President	3
HTS Group Management Resources and Value Creation	5
Business Overview by Segment & FY2018 Topics/Group Network	7
Special Feature 1: Mid-term Management Plan – LOGISTEED 2021 –	9
Financial Highlights: The Track Record of 10 Years	15
ESG Data	17
HTS Group CSR Initiatives	19
Special Feature 2: Stakeholder Dialogue	
– Toward integration of sustainability and management –	21
Safety	25
Environment	29
Working Together	33
With our suppliers	34
With our customers	35
With our employees	37
With local communities	39
With our shareholders and investors	41
Board of Directors and Executive Officers	43
Corporate Governance	46
Compliance	50
Risk Management/Information Security	51
Financial Statements	52
Corporate Data	60



First and foremost, I'd like to extend my deepest appreciation to everyone connected to the HTS Group for your ongoing support.

Under the corporate philosophy, the HTS Group aims to become the most preferred solutions provider for all of our stakeholders, including customers, shareholders and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

In FY2018, the final year of the Mid-term Management Plan “Value Creation 2018,” under our business concept “LOGISTEED*1,” we have promoted various measures to create new innovations beyond the conventional logistics domain by expanding collaborative areas across businesses and industries, with enhancement of logistics as a function as our core target. As part of our efforts to strengthen logistics domain, we entered into a capital and business alliance agreement with AIT Corporation with the aim of providing services through more sophisticated cooperation between forwarding and 3PL, and promoted collaborative innovation with SG Holdings Group to expand cross-selling (business enhancement through logistics and delivery business) and asset sharing. We also entered into a business alliance agreement with Uhuru Corporation with an aim to invigorate collaborative innovation with our partners through access to the cutting-edge technologies such as “AI (Artificial Intelligence)” and “IoT (Internet of Things)” beyond the conventional logistics domain.

As the supply chain structure is changing significantly due to technological advancement and social changes, including “IoT,” “AI,” “Robotics,” “Fintech*2,” “Sharing Economy*3” and digitization, the Group, in the new Mid-term Management Plan “LOGISTEED 2021” starting in FY2019, promotes digitalization of the Group and its collaborative partners, and build open platform, in order to realize supply chain based on and originating from our logistics domain.

Under the concept of “LOGISTEED,” we will strengthen the logistics domain, continue evolving in response to changes and aim at further growth and solving social issues.

As for the environment surrounding the Group in FY2019, the first year of the new Mid-term Management Plan, while the global economy continues to be on a moderate growth trend, attention must be paid to the impacts of protectionism and trade friction as well as geopolitical risks and the impact of natural disasters, etc. In Japan, especially in the logistics industry, the business environment is becoming severe due to intensifying competitions across industries caused by labor shortage and expansion of EC*4 market. Under such circumstances, the Group intends to strengthen its core logistics function and carry out collaborative innovation strategies leading to further expansion of the domains through collaboration with various partners. In addition, we will promote our initiatives to design a supply chain based on and originating from our logistics domain by accelerating development and on-site implementation of new Smart Logistics technology and pursuing commercialization and enhancement of “SSCV (Smart & Safety Connected Vehicle)*5” and “EC platform*6.” We believe solid operation is essential to ensure these initiatives are implemented without delay. Therefore, we will promote “personal ownership” activity at full scale through company-wide bottom-up initiatives (VC21)*7 and work on productivity improvement and enhancement of operation capabilities toward the next generation. The Group will change and evolve by strengthening its logistics domain as well as further promoting collaborative innovation in its related domains, with an aim to provide innovation responding to social challenges and customer needs and create values.

In order to meet expectations of all of our stakeholders, including customers and employees, and remain to be a preferred company, we believe it is important to have a viewpoint to fulfill our responsibilities for visible environmental and social issues around the globe and meet expectations and demands. Under the management priority measures of “Take actions in consideration of environment, society and governance as well as corporate ethics,” the Group promotes initiatives focusing on corporate social responsibilities, strives to improve management transparency and efficiency, and carry out business activities by thoroughly pursuing safety and considering environmental issues. During the previous Mid-term Management Plan, we formulated “CSR objectives” to be addressed with priority and strived to disseminate them within and outside the Group. In FY2019, we will further enhance the effectiveness of “CSR objectives” initiatives and contribute to the achievement of “SDGs (Sustainable Development Goals)” by deepening our awareness of its compatibility with our business.

The Group will change and evolve under the concept of “LOGISTEED” and aim to become the most preferred solutions provider.

We look forward to your continued support.

Yasuo Nakatani, President and CEO

*1 LOGISTEED: Please see page 2 for details. *2 Fintech: A coined word combining “finance” and “technology” and referring to financial services utilizing IT. *3 Sharing Economy: Social framework whereby products, services and places are used by sharing or exchanging with other people. *4 EC: Electronic Commerce *5 SSCV (Smart & Safety Connected Vehicle): Please see page 14 for details. *6 EC platform: Please see pages 13 and 36 for details. *7 Promotion of “personal ownership” activities (VC 21): Please refer to *Value Change & Creation 2021* on our website.
http://www.hitachi-transportssystem.com/en/ir/library/presentations/pdf/midtermmanagementplan_190524enR.pdf

Our Resources & Value Creation

— HTS Group Management Resources and Value Creation —

The HTS Group will improve the corporate value by enhancing our “Earning capability” and “Growing power” as well as “Sustainable capability,” with the use of our management resources accumulated over the last 69 years.

Resources — Bases for Value Creation —

Number of Companies*1/Locations*2

Locations

105 companies **740** sites

<Domestic: 27 companies 325 sites/Overseas: 78 companies 415 sites>



Area of Logistics Center*2

Warehouses

7.34Mm²

<Domestic: 5.13 Mm²/Overseas: 2.21 Mm²>



Total Personnel*3

Human Resources

46,295

<Domestic: 29,440 employees/Overseas: 16,855 employees>



Number of vehicles (including leased vehicles)

Vehicles

Total: 16,610

Truck*4: 3,939 Forklift: 5,730
Trailer: 5,188 Other*5: 1,753



*1 Number of companies includes SAGAWA EXPRESS Group and AIT Group.
*2 Numbers of sites and warehouse floor space exclude those of SAGAWA EXPRESS Group and AIT Group.
*3 Number of employees excludes associates accounted for using the equity method.
*4 Including tractors and vans
*5 Including buses and passenger cars, etc.

Services — Businesses & Solutions —

As a domestic 3PL market leader*, we provide comprehensive logistics services excellent in safety, quality, and productivity by taking advantage of our extensive network in Japan and overseas as well as abundant experience and know-how as a pioneer.

*Source: “3PL White Paper 2018” in September 2018 issue of monthly magazine LOGI-BIZ.

3PL business

Value

We provide the optimal logistics services for each stage of supply chain from material procurement and production to sales, distribution, after-sales service and recycling.

Menu

- Procurement logistics services
- Production logistics services
- Distribution logistics services
- Reverse logistics services
- Collaborative logistics services within the same industry



Heavy Machinery and Plant Logistics business

Value

We provide sequential service including transportation, installation, setting up and import/export procedures for heavy machinery and precision instruments in a safe and reliable manner with our sophisticated technologies and know-how accumulated since our establishment.

Menu

- Plant-related transport
- Machinery and equipment transport
- Railway-related equipment transport
- Precision instruments transport
- Various research equipment transport



Forwarding business

Value

We provide safe and high-quality transportation services seamlessly and efficiently leveraging our global network and expertise.

Menu

- International air transport services
- International ocean freight transport services
- International truck transport services
- International railway transport services



Automobile parts logistics business

Value

VANTEC CORPORATION with a global network and other overseas subsidiaries with experiences in automobile parts logistics provide high quality services efficiently using their strong response capability and abundant know-how.

Menu

- Procurement logistics services
- Production logistics services
- Distribution logistics services
- Collaborative logistics services

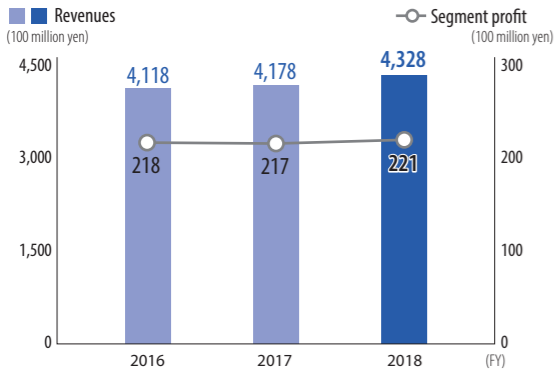


- Other services (logistics related businesses)
- Travel agency business
 - Information system development business
 - Sale and maintenance of automobiles business

Review of Operations

—Business Overview by Segment & FY2018 Topics—

Domestic logistics business (FY2018)



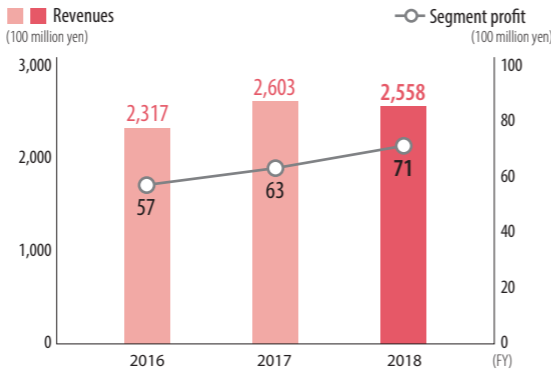
● **Revenues** (YoY) **+4%**

Revenues of domestic logistics business increased by 4% year-on-year to ¥432,793 million due to a steady growth of medical-related and other 3PL projects.

● **Segment profit** (YoY) **+2%**

Segment profit increased by 2% year-on-year to ¥22,099 million due to an increase in revenues and improved productivity despite an increase in work costs and the impact of natural disasters.

Global logistics business (FY2018)



● **Revenues** (YoY) **-2%**

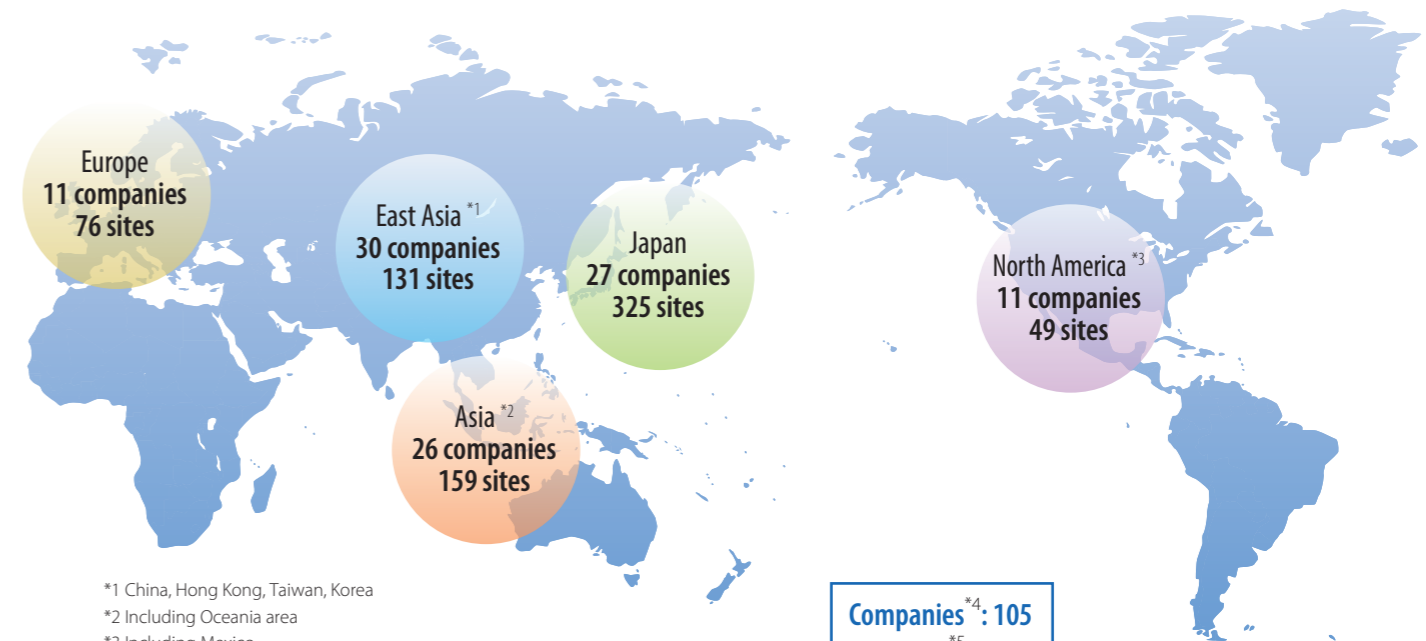
Revenues of global logistics business decreased by 2% year-on-year to ¥255,828 million due to an effect of foreign exchange rates and Nisshin Transportation Co., Ltd. becoming an associate accounted for using the equity method.

● **Segment profit** (YoY) **+13%**

Segment profit increased by 13% year-on-year to ¥7,108 million due to improved profitability of unprofitable projects.

Group Network — Network Extending to 29 Countries and Regions —

(As of March 31, 2019)



*1 China, Hong Kong, Taiwan, Korea
 *2 Including Oceania area
 *3 Including Mexico
 *4 Number of companies includes SAGAWA EXPRESS Group and AIT Group.
 *5 Number of sites excludes SAGAWA EXPRESS Group and AIT Group.

Companies^{*4}: 105
Locations^{*5}: 740

FY2018 Topics

Collaborative innovation

• **May 2018:** Started collaboration with Dai Nippon Printing Co., Ltd. and Toshiba Tec Corporation for the next-generation logistics service using electronic tags

• **Oct. 2018:** Concluded capital and business alliance agreement with AIT Corporation
 > Share exchange between AIT and Nisshin Transportation
 > Enhance forwarding business



• **Oct. 2018:** Concluded a business alliance agreement with Uhuru Corporation

• **Dec. 2018:** Concluded business alliance agreement with Hitachi Capital Corporation
 > Realize new innovations through "Finance, Commerce, Logistics, and Information"

• **Dec. 2018:** Started 3D print service in collaboration with DMM.com and SAGAWA EXPRESS CO., LTD.

Service expansion

• **May 2018:** Acquired license of bonded logistics center (PLB*) in Indonesia
 * Pusat Logistik Berikat

• **Oct. 2018:** Opened Nilai Cold Warehouse (Negeri Sembilan, Malaysia)



• **Sep. 2018:** Acquired a patent for "Image inspection recognition device" jointly with our group company Hitachi Distribution Software Co., Ltd.

• **Dec. 2018:** Opened Kashiwa Platform Center (Kashiwa City, Chiba Prefecture)



2018

Apr / May / Jun / Jul / Aug / Sep / Oct / Nov / Dec / 2019 / Jan / Feb / Mar / Apr

Branding

• **Apr. 2018:** Started new business concept "LOGISTEED"
 • **Oct. 2018:** Launched a special site for the group introduction movie and SSCV*
 • **Feb. 2019:** Launched YouTube official channel

Toward New Dimensions
LOGISTEED

* Smart & Safety Connected Vehicle

Commendations/Recognition from outside the Company

• **Jun. 2018:** The 19th Logistics Environment Awards*1 "Logistics Environmental Impact Mitigation Technology Development Award"



• **Aug. 2018:** Japan Packaging Contest 2018*2 "Large-sized Equipment Packaging Award"



• **Sep. 2018:** The 33rd National Forklift Driving Contest*3 General category 2nd prize



• **Oct. 2018:** The 50th National Truck Driver Contest*4 11-ton/Female category 1st prize



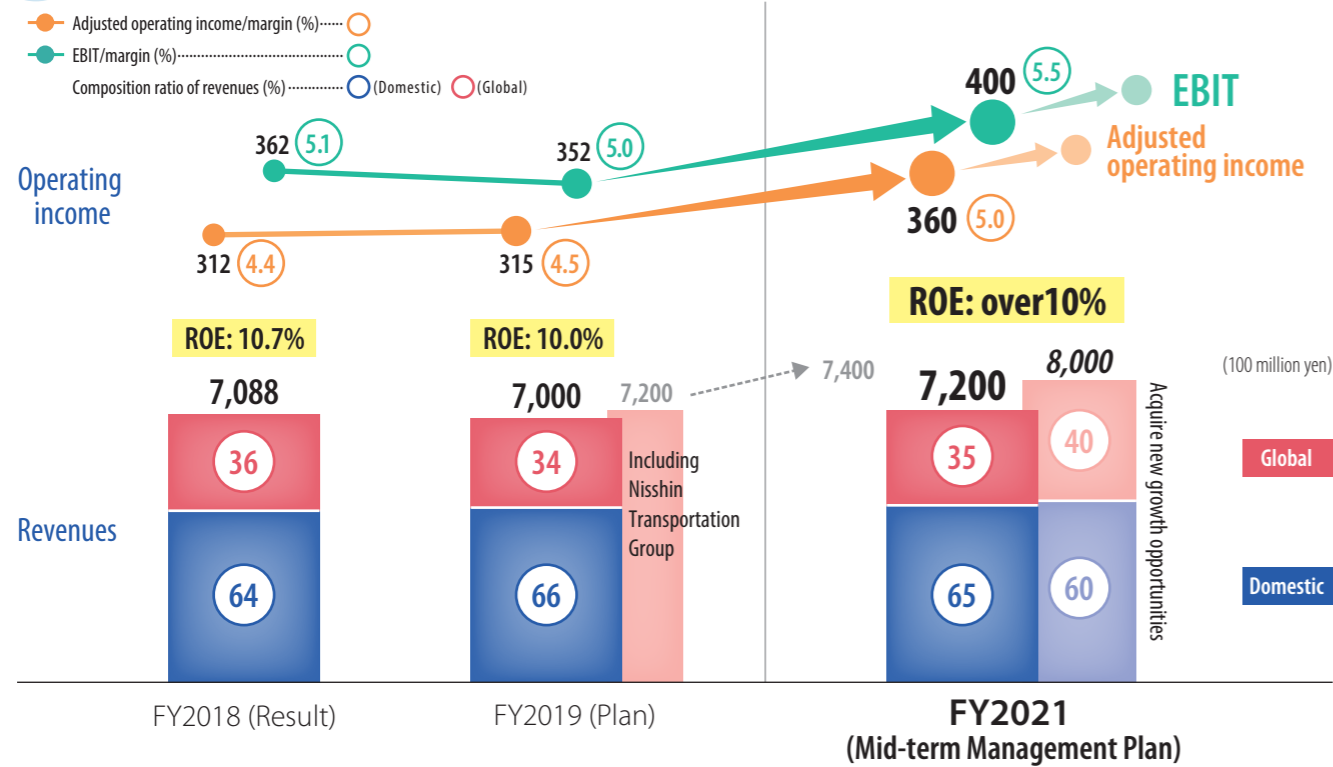
• **Oct. 2018:** Acquired "Eruboshi (L Star) Certification (Stage 2)" based on the Act on Promotion of Women's Participation and Advancement in the Workplace by the Japanese Ministry of Health, Labour and Welfare

• **Nov. 2018:** 2018 Excellent Business Entities Working on Modal Shift: Award for Excellent Business Entities*1 (Effective use category)

*1 Hosted by Japan Association for Logistics and Transport *2 Hosted by Japan Packaging Institute *3 Hosted by the Land Transportation Safety & Health Association *4 Hosted by the Japan Trucking Association

Special Feature 1 Mid-term Management Plan – LOGISTEED 2021 –

Numerical Targets

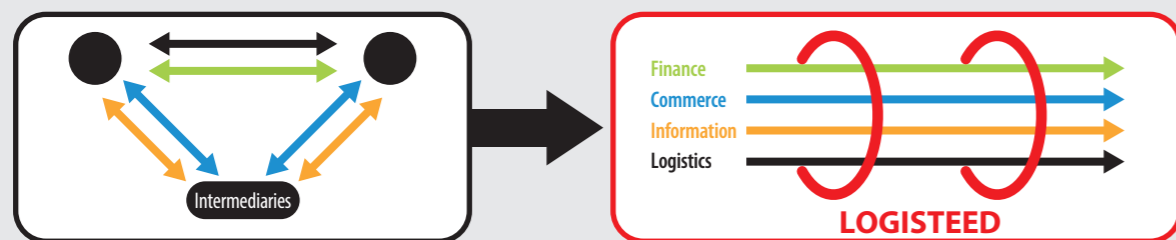


Priority Measures

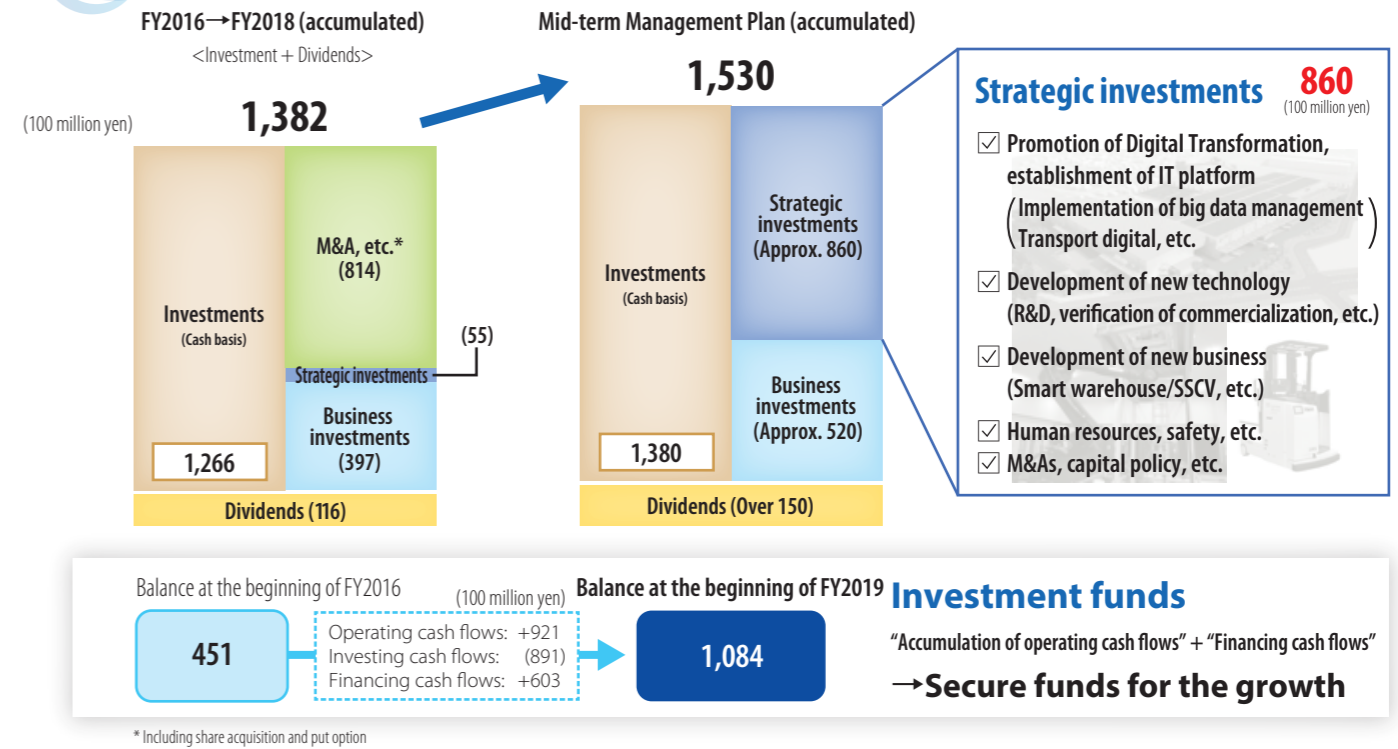
Change and Evolution toward LOGISTEED

- Build a solid core domain (Smart Logistics)
- Collaborative innovation strategy aiming at further expansion of domains
- Supply chain based on and originating from Logistics
 - ✓ Digital transformation × Business
 - ✓ Logistics “Gemba” power × Platform
- Succession of hands-on approach
- Environment/Society/Governance

Consolidate four flows through LOGISTEED



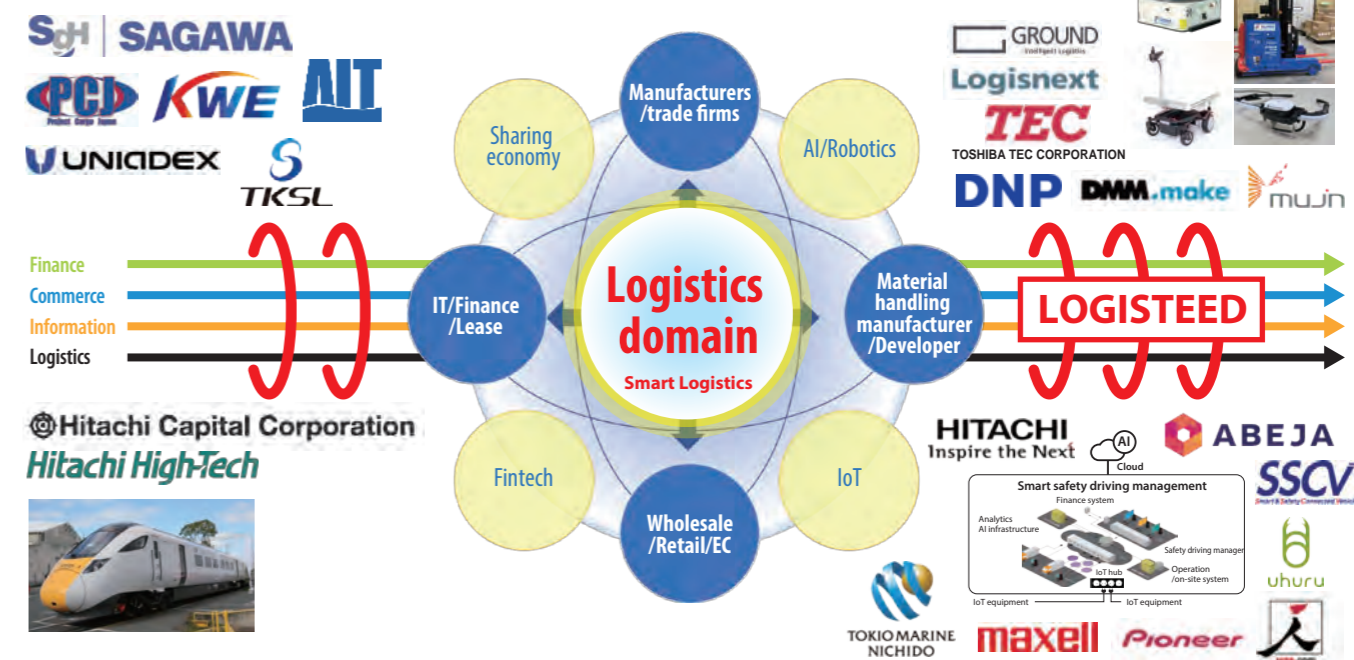
Strategic Investment for Change and Evolution into “LOGISTEED”



Future Vision:

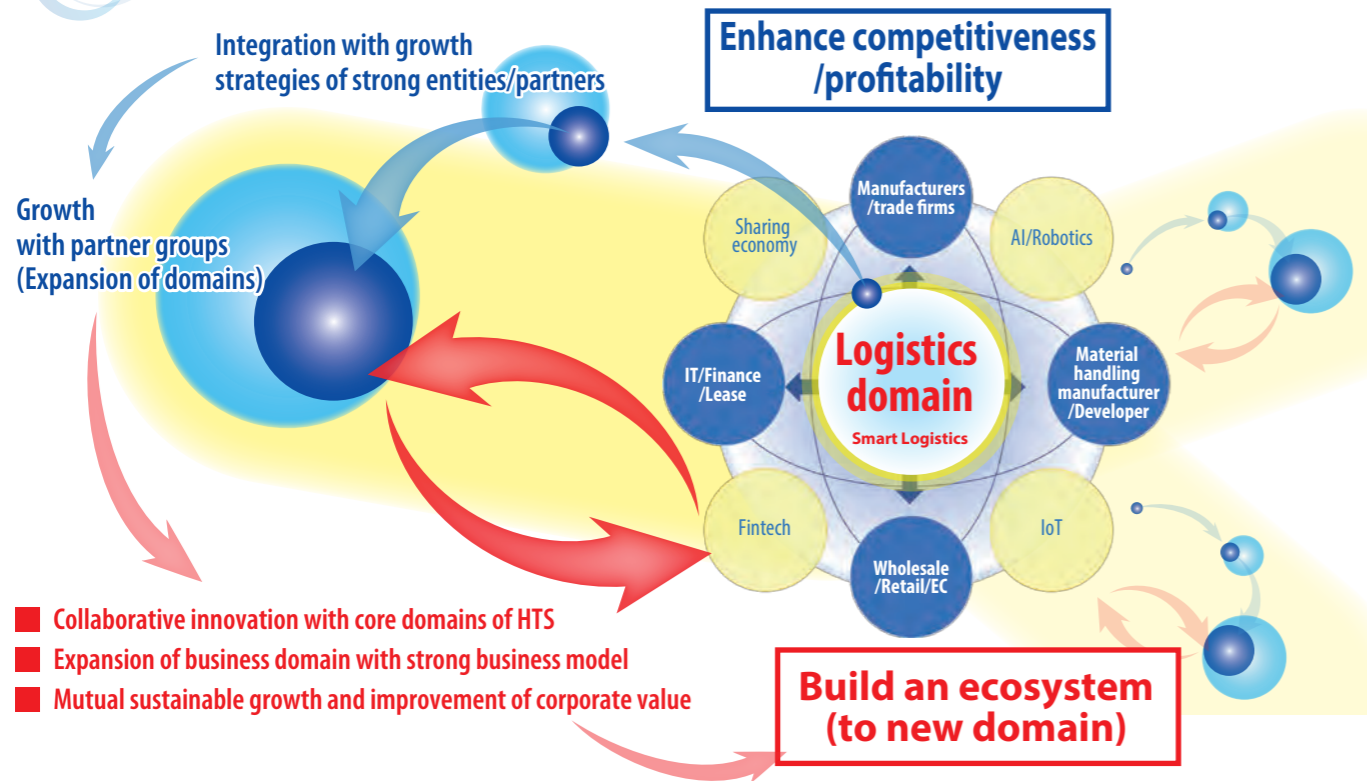
Global Supply Chain Solutions Provider

Integrate four flows for better supply chain

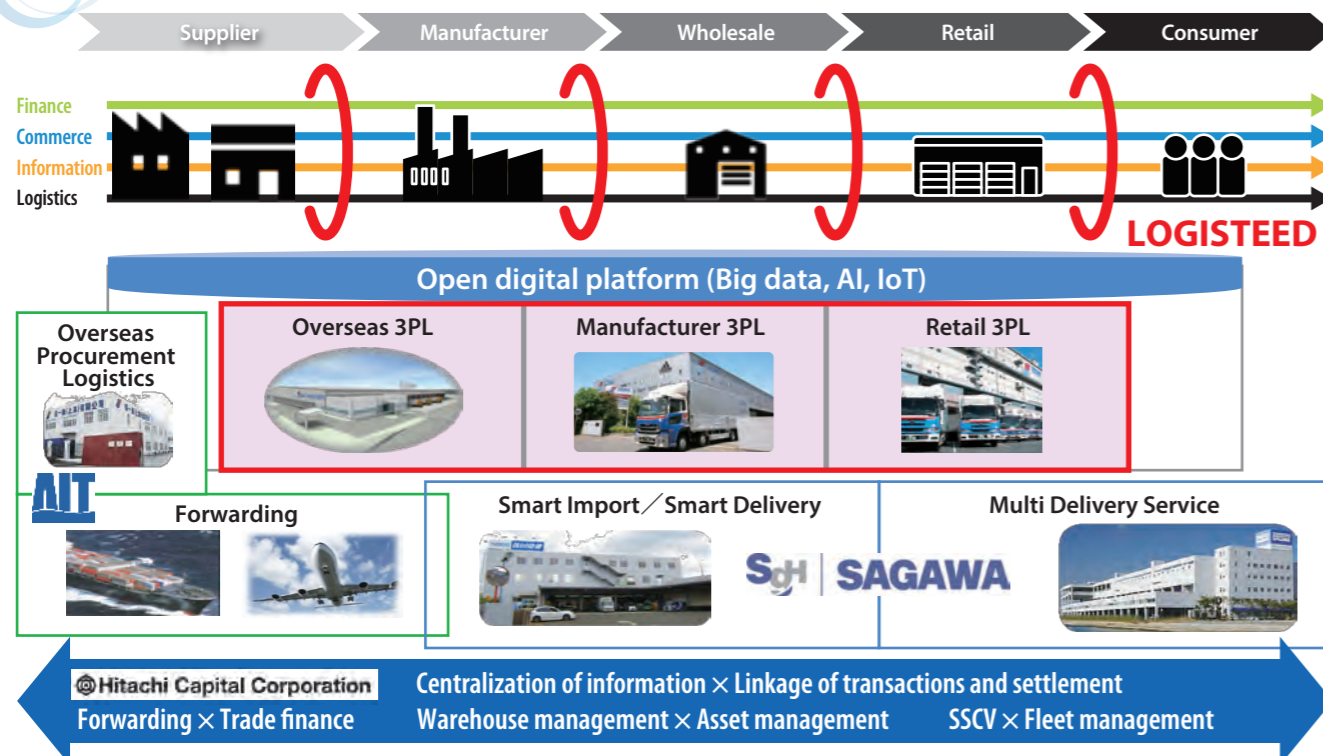


Initiatives to Enhance the Core Domain/Acquire New Growth Opportunities

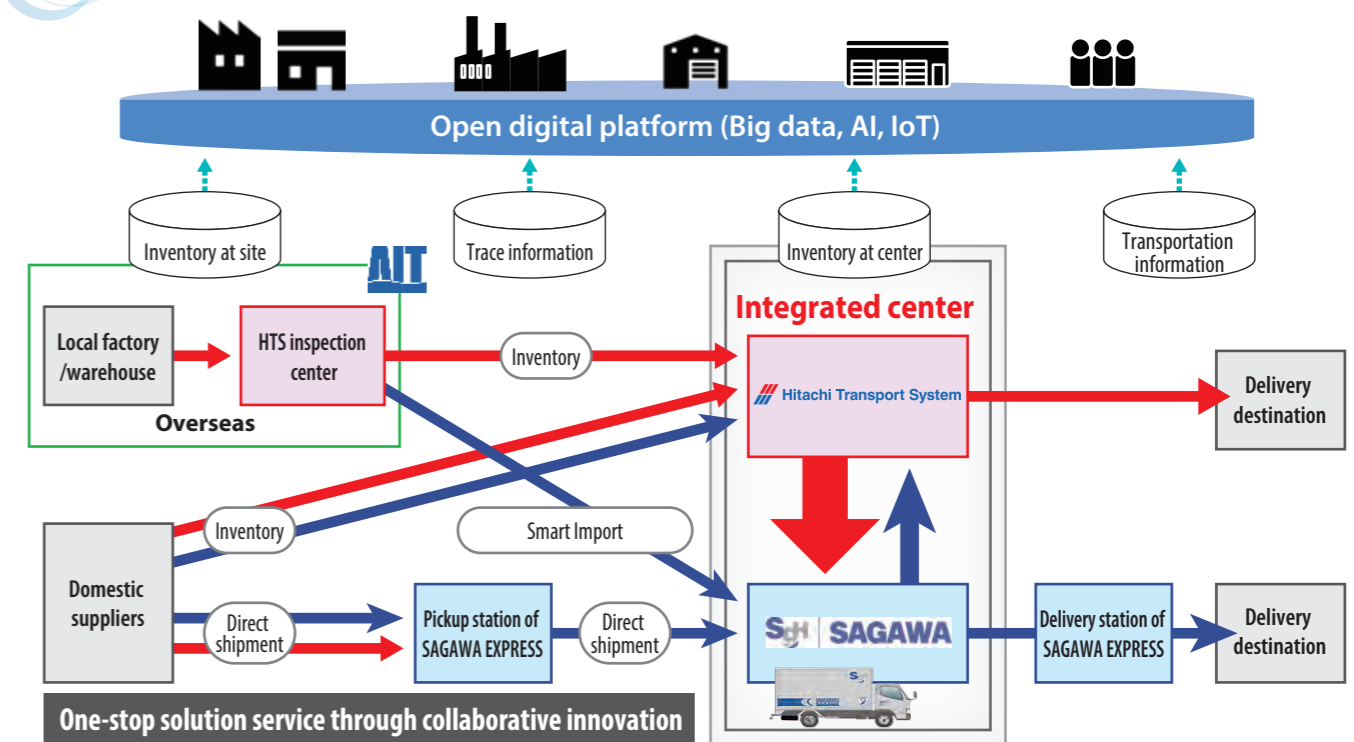
From Enhancing the Core Domain to Ecosystem



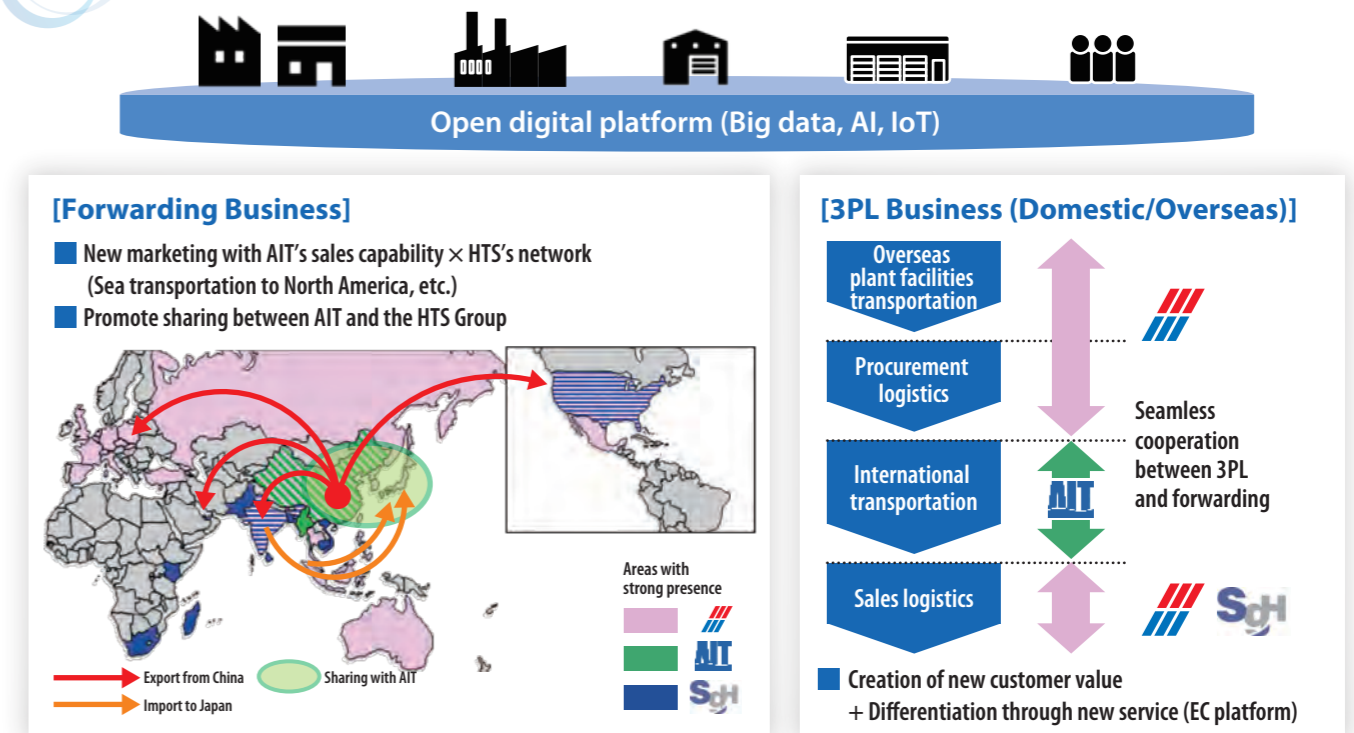
Design Supply Chain Based on and Originating from the Logistics Domain



Collaborative Innovation Strategy with SG Holdings

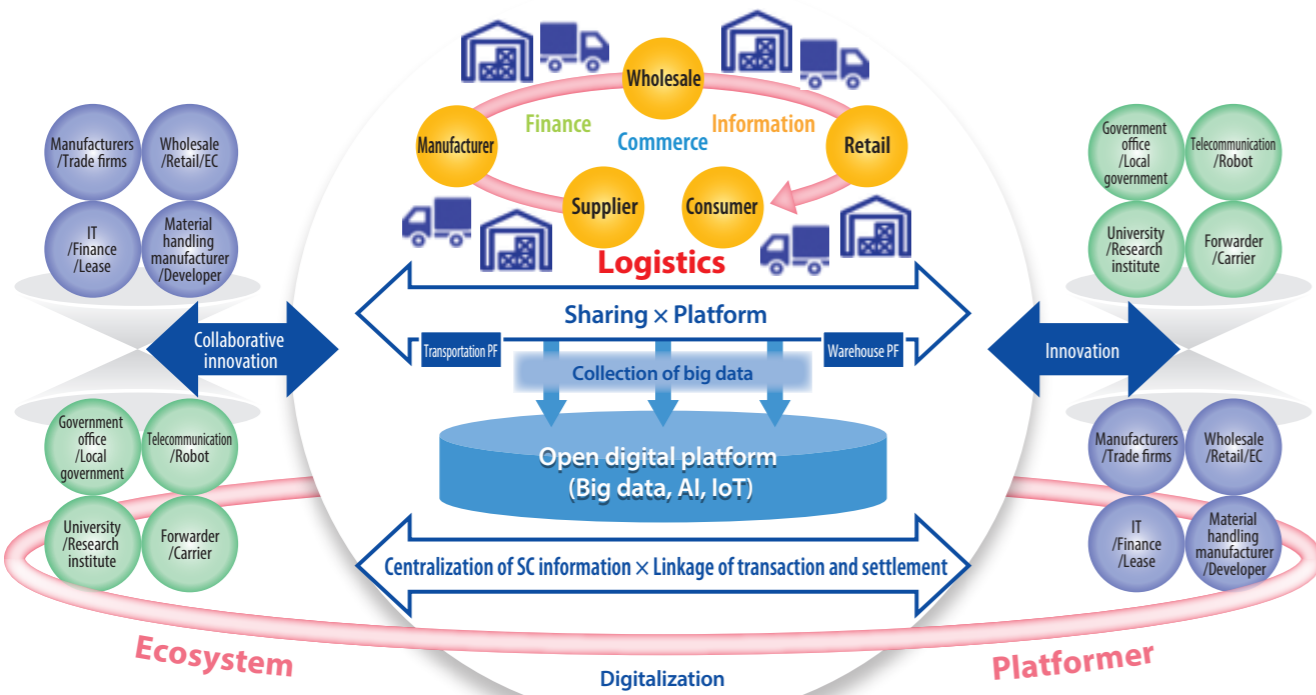


Collaborative Innovation Strategy with AIT



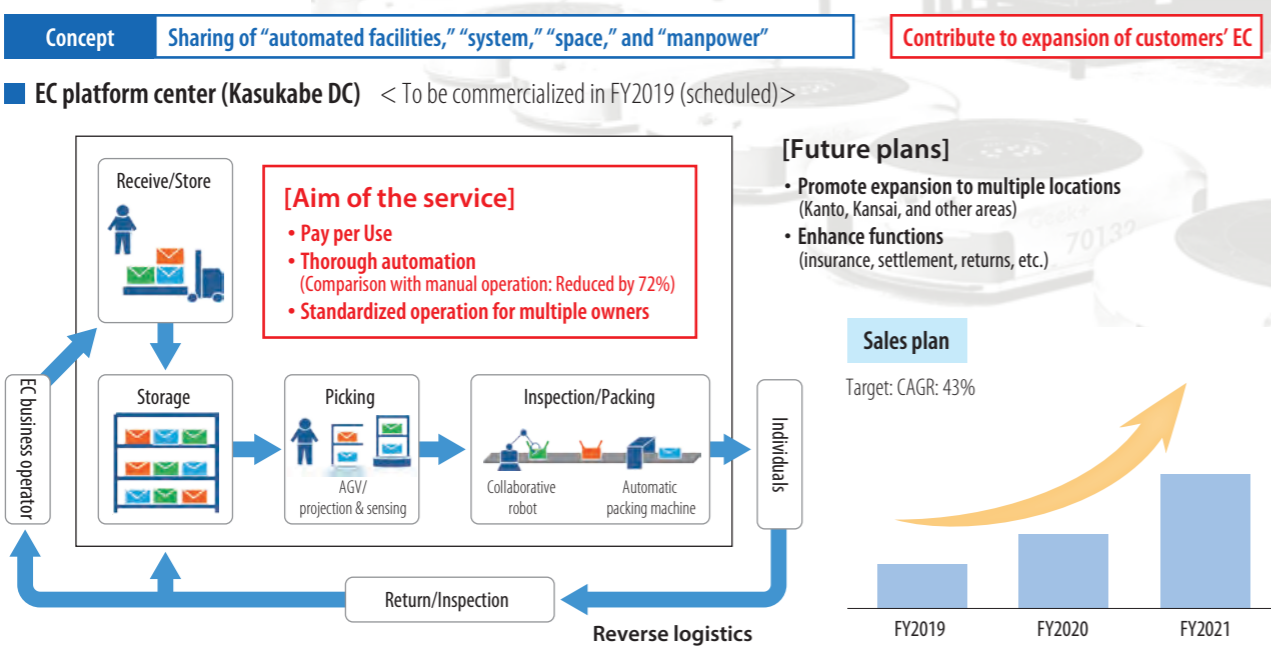
Initiatives to Enhance the Core Domain/Acquire New Growth Opportunities

Resolve Social Issues with Innovation → New Growth Opportunities



EC Platform (Evolution of Smart Warehouse)

— Expand “Logistics ‘Gemba’ power × Platform” through digitalization —

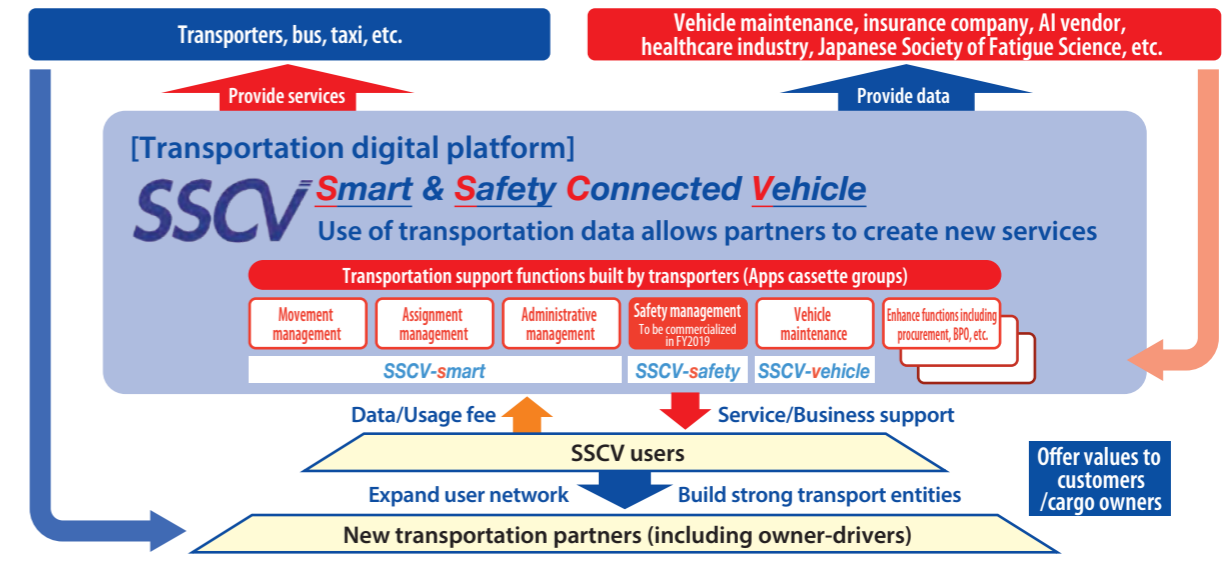


EC platform (Japanese version only): <http://www.hitachi-transportssystem.com/jp/sw/>

Platform for Safety and Security **SSCV**

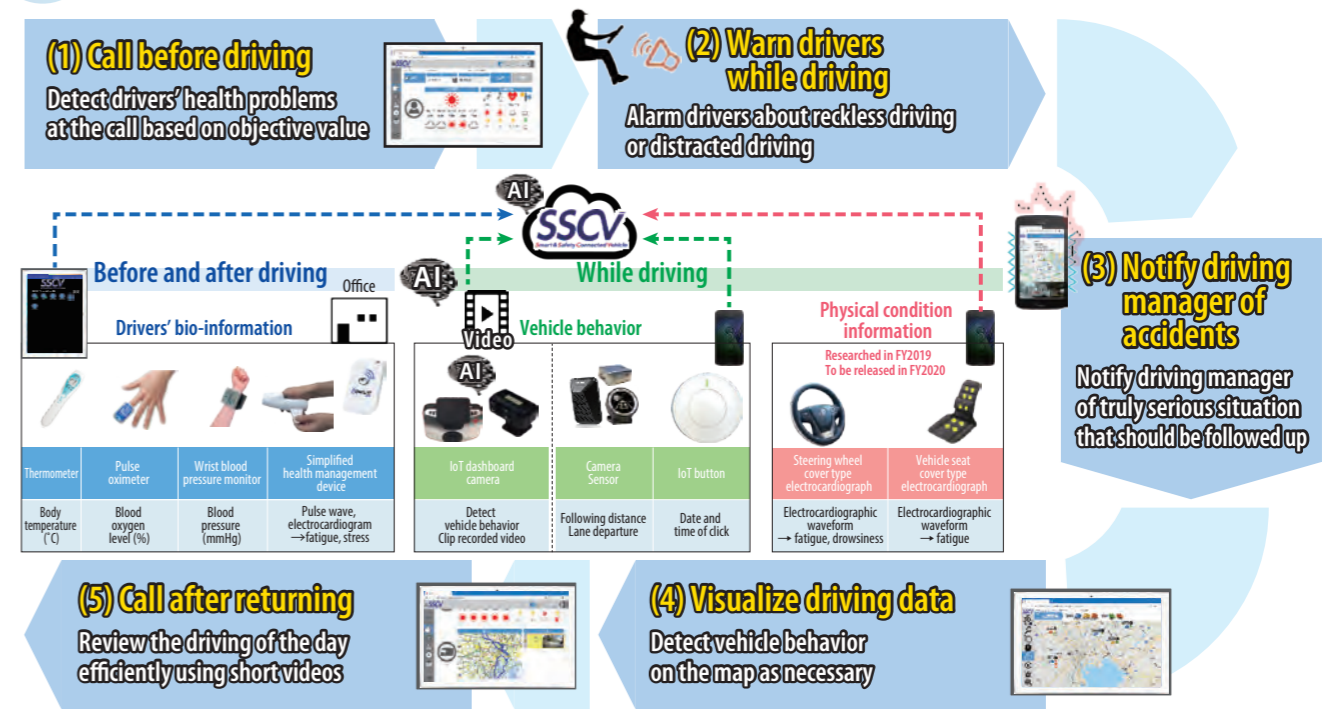
— Protect drivers from car accidents by making full use of IoT technology and support small- and medium-sized transport partners —

“SSCV-safety (safety management)” to be commercialized in FY2019.
Integrate “SSCV-smart (vehicle movement/assignment/administrative management)” and “SSCV-vehicle (vehicle maintenance)”
to establish a transportation digital platform



SSCV (Japanese version only): <http://www.hitachi-transportssystem.com/jp/sscv/>

SSCV-safety Service Lineup



Details of the Mid-term Management Plan are available at the Company's website.
<http://www.hitachi-transportssystem.com/en/ir/library/presentations/2019.html>

Highlights

—Financial Highlights: The Track Record of 10 Years—

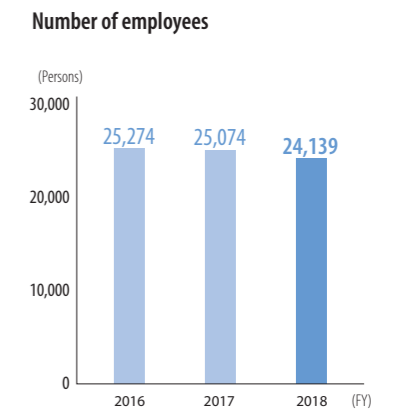
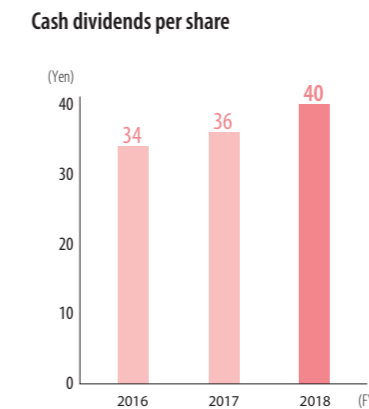
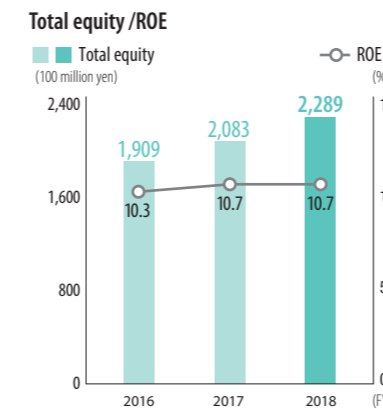
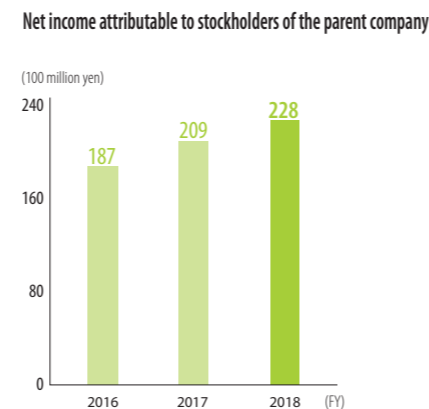
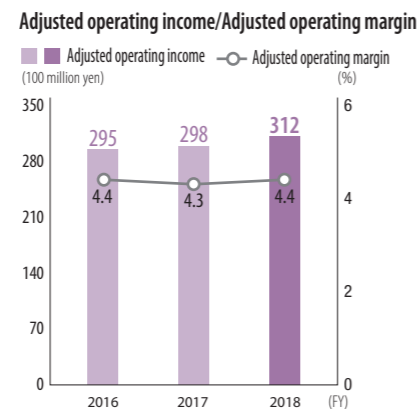
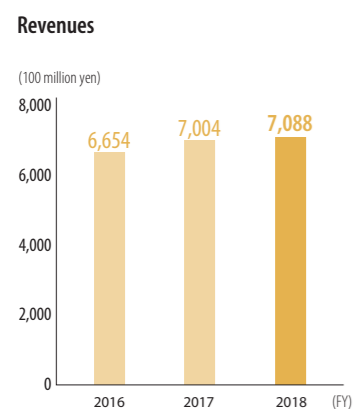
We will create values to meet all of our stakeholders' expectations through steady implementation of growth strategy and continuous self-transformation.

Some figures have been revised since certain accounting treatments for M&A, etc. were not in compliance with IFRS. For details, please see: http://www.hitachi-transportssystem.com/en/ir/topics/pdf/20190214_Amendment.pdf

(FY)	J-GAAP						IFRS					
	2009	2010	2011	2012	2013	2014	2014	2015	2016	2017	2018	2018
(As of March 31, 2019)												
Millions of yen												
For the year:												
Revenues (Service Revenues) ²	¥331,917	¥368,798	¥553,934	¥547,517	¥624,504	¥677,108	¥678,573	¥680,354	¥665,377	¥700,391	¥708,831	\$6,386,440
Domestic logistics	244,460	256,886	386,448	375,560	388,765	397,844	397,954	405,080	411,796	417,835	432,793	3,899,387
Global logistics	71,095	93,264	148,610	152,485	215,193	258,354	258,231	253,144	231,727	260,285	255,828	2,304,964
Other services (logistics related businesses)	16,362	18,648	18,876	19,472	20,546	20,910	22,388	22,130	21,854	22,271	20,210	182,088
Operating income ⁶	12,724	15,940	23,131	19,535	20,992	21,198	21,465	28,320	29,466	29,803	31,192	281,034
Domestic logistics	19,133	21,815	29,146	27,452	28,523	26,082	14,071	20,333	21,830	21,740	22,099	199,108
Global logistics	1,286	1,477	2,763	1,123	2,910	5,897	4,848	5,652	5,693	6,280	7,108	64,042
Other services (logistics related businesses)	1,501	2,751	2,246	2,619	2,743	2,883	2,546	2,335	1,943	1,783	1,985	17,884
Elimination or company-wide expenses ³	(9,196)	(10,103)	(11,024)	(11,659)	(13,184)	(13,664)	—	—	—	—	—	—
Net income attributable to stockholders of the parent company (Net income) ²	5,815	6,806	12,563	11,156	5,433	10,932	13,250	14,011	18,703	20,916	22,786	205,298
At year-end:												
Total assets	¥231,188	¥246,558	¥365,013	¥374,206	¥427,733	¥450,048	¥459,386	¥464,399	¥549,924	¥564,903	¥612,535	\$5,518,831
Total equity (Net assets) ⁷	148,471	151,066	164,640	174,904	181,401	188,935	176,726	178,552	190,919	208,291	228,949	2,062,789
Equity attributable to stockholders of the parent company (Stockholders' equity)	145,303	147,887	156,622	169,327	168,683	176,714	173,720	175,543	187,482	204,328	222,346	2,003,298
Per share data (Yen and U.S. dollars¹):												
Net income attributable to stockholders of the parent company (Net income) ²	¥52.13	¥61.01	¥112.62	¥100.01	¥48.70	¥98.00	¥118.78	¥125.60	¥167.66	¥187.50	¥204.27	\$1.84
Equity attributable to stockholders of the parent company (Net assets) ⁷	1,302.56	1,325.72	1,404.03	1,517.93	1,512.16	1,584.16	1,557.32	1,573.67	1,680.70	1,831.72	1,993.25	17.96
Cash dividends	20.00	22.00	24.00	25.00	26.00	28.00	28.00	30.00	34.00	36.00	40.00	0.36
Share price at year-end	1,317	1,166	1,505	1,500	1,676	1,817	1,817	1,882	2,313	2,990	3,285	29.60
Capital expenditures												
Capital expenditures ⁴	¥6,908	¥13,264	¥16,857	¥17,854	¥27,948	¥26,528	¥26,528	¥33,755	¥21,961	¥17,355	¥27,559	\$248,302
Purchased assets ⁵	5,302	7,358	14,664	15,187	21,622	13,601	13,601	22,340	15,670	13,010	17,760	160,014
Depreciation and amortization	9,403	9,672	14,003	14,958	16,579	18,403	18,715	19,125	18,741	19,030	19,059	171,718
Financial ratios												
Operating margin (%) ⁶	3.8	4.3	4.2	3.6	3.4	3.1	3.2	4.2	4.4	4.3	4.4	4.4
ROE (%)	4.1	4.6	8.3	6.8	3.2	6.3	8.0	8.0	10.3	10.7	10.7	10.7
Other data:												
Number of employees (excluding senior employees, part-time or temporary employees)	12,283	14,700	21,104	22,793	24,425	24,728	24,728	24,744	25,274	25,074	24,139	24,139
Total floor space of warehouse (Ten-thousand square meters) ⁷	323	371	516	564	637	691	691	709	719	731	734	734
Domestic	260	301	394	426	461	500	500	496	497	499	513	513
Overseas	63	70	122	138	176	191	191	213	222	231	221	221

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.99=U.S.\$1, the prevailing exchange rate as of March 31, 2019. *2 Terms in parentheses are used for J-GAAP. *3 From the FY2015 (IFRS), the Group altered to allocate company-wide expenses to each business segment. The segment information of the FY2014 (IFRS) had also reflected the alteration above.

*4 Based on tangible and intangible assets accepted. *5 Based on non-current assets recorded. *6 In order to present business conditions more appropriately, the HTS Group started to use "Adjusted operating income" as a major indicator from FY2016 and also presented "Adjusted operating income" for FY2015. *7 Excluding SAGAWA EXPRESS Group and AIT Group.



ESG Data

Category/Item	Scope			FY2016	FY2017	FY2018
	HTS	Domestic group	Overseas group			
Environment						
Environmental Management						
Coverage of environmental management system (ISO14001) (percentage of certification acquisition)	●	●		Head office acquired "Eco Stage 2" (equivalent to ISO14001) and implemented it in domestic group companies		
Number of non-compliance with environmental laws and regulations (environmental compliance)	●			0	0	0
Attendance rate of environmental e-learning courses	●	●		99.4%	99.8%	99.8%
Reduction of Environmental Load by Products and Services						
Eco-friendly vehicle ownership ratio	●	●		100%	100%	100%
Greenhouse Gas (GHG)						
Reduction target for CO ₂ emission intensity (increase vehicle fuel efficiency)	●	●		Compared to FY2014: -2%	Compared to FY2014: -3%	Compared to FY2014: -4%
Results of reduction in CO ₂ emission intensity (increase vehicle fuel efficiency)	●	●		Compared to FY2014: +1.1%	Compared to FY2014: +2.5%	Compared to FY2014: +3.2%
CO ₂ reduction by modal shift (t-CO ₂)*1	●	●		Modal shift to railway transport for precision instruments from Aichi Prefecture to other areas in Japan 25.4t (Comparison with truck transport: -86%)*4	Modal shift to sea transport for recycled resources waste from Kanto area to Hokkaido and Kyushu 320t (Comparison with truck transport: -50%)*4	Modal shift to railway transport for household medicine from Toyama area to other areas in Japan 45.8t (Comparison with truck transport: -79%)*4
CO ₂ emissions suppressed with LED lighting fixtures (t-CO ₂)	●	●		227	1,300	2,730
Total GHG emissions (Scope 1) (t-CO ₂)	●	●		46,891	44,290	43,906
Total GHG emissions (Scope 1&2) (t-CO ₂)	●	●		135,690	132,122	129,261
Total GHG emissions (Scope 3) (t-CO ₂)	●	●	●	563,622 (partial tally)	Please refer to page 31 for details.	Currently tallying
Air/Chemicals						
Emissions of NOx, SOx and other significant air emissions	●	●		Since 1992, we purchased only the vehicles equipped with measures against NOx and SOx to comply with emission regulations		
Energy						
Target related to energy (reduce "electricity consumption per floor space" of "building")	●	●		Compared to FY2014: -2%	Compared to FY2014: -3%	Compared to FY2014: -4%
Results related to energy (reduce "electricity consumption per floor space" of "building")	●	●		Compared to FY2014: -0.7%	Compared to FY2014: -1.0%	Compared to FY2014: +0.9%
Total energy input/consumption (amount used) (Gj)	●	●		2,417,036	2,454,703	2,462,590
Waste/Recycling						
Total waste emissions (t)	●	●		34,564	33,304	30,527
Waste emission reduction target (reduce copying paper consumption)	●	●		YoY: -1%	YoY: -1%	YoY: -1%
Results of waste emission reduction (reduce copying paper consumption)	●	●		YoY: -2.9%	YoY: -2.4%	YoY: -2.4%
Emissions of hazardous waste (total volume) (t)	●	●		Although we do not keep track of the exact amount of PCB, other waste oil and polluted mud because their amount is low, we manage them properly in accordance with laws.		
Amount of non-recycled waste (t)	●	●		206	133	121
Amount of recycled waste (recycled amount: total) (t)	●	●		34,358	33,171	30,406
Green Purchasing						
Green purchasing rate	●	●		88.3%	90.0%	88.3%
Water						
Input of water resources (m ³)	●	●		337,765	333,803	340,129
Social						
Employee Basic Data						
Number of employees	●	●		1,886	1,781	1,571
Male	●	●		1,602	1,498	1,309
Female	●	●		284	283	262
Total personnel**4/senior employees, part-time or temporary employees	●	●	●	47,939/22,665	47,784/22,710	46,295/22,156
Domestic	●	●		29,513	29,669	29,440
Overseas		●		18,426	18,115	16,855
Average age (years)	●			40.5	41.1	41.6
Service years (average service years per full-time employee) (years)	●			16.9	17.3	17.6
Number of employee turnover (full-time employee only, excluding those retired or transferred to group companies) (persons)	●			43	32	41
Diversity						
Number of female new graduates hired (persons)	●			Joined on April 1, 2017: 9	Joined on April 1, 2018: 10	Joined on April 1, 2019: 11
Ratio of female new graduates hired	●			Joined on April 1, 2017: 33.3%	Joined on April 1, 2018: 33.3%	Joined on April 1, 2019: 47.8%
Number of female experienced workers hired (persons)	●			5	9	9
Number of female managers (persons)	●			19	19	26
Number of foreign employees (persons)	●			31	38	48
Number of foreign managers (persons)	●			1	1	3
Ratio of persons with disabilities hired (as of June each year)	●	●		2.30%	2.35%	2.46%
Re-employment of the elderly**5	●			100%	100%	100%

Category/Item	Scope			FY2016	FY2017	FY2018
	HTS	Domestic group	Overseas group			
Social						
Job Creation						
Number of new graduates hired (persons)	●			Joined on April 1, 2017: 29	Joined on April 1, 2018: 34	Joined on April 1, 2019: 24
Retention status of new graduates hired (persons)	●			Joined on April 1, 2014: 56 Remained as of April 1, 2017: 51	Joined on April 1, 2015: 51 Remained as of April 1, 2018: 47	Joined on April 1, 2016: 38 Remained as of April 1, 2019: 35
Retention rate of new graduates hired	●			91.1%	92.2%	92.1%
Number of experienced workers hired (persons)	●			10	19	20
Work-life Balance						
Number of those who took maternity leave (persons)	●			4	12	11
Number of those who took childcare leave (persons)	●			9	16	14
Of those, number of male employees	●			4	3	4
Ratio of those who returned to work after childcare leave	●			100%	94.4%	100%
Number of those who took nursing care leave (persons)	●			1	0	2
Number of paid leave taken (days)	●			17.4	17.4	18.5
Rate of paid leave taken	●			72.5%	72.5%	78.0%
Employees' overtime hours (hours/months)	●			32.8	32.2	30.2
Occupational Health and Safety						
Frequency rate of workplace accidents	●			0.0	0.0	0.0
Severity rate of workplace accidents	●			0.0	0.0	0.0
Number of traffic accidents defined in Article 2 of the Transportation Safety Management Regulation (incidents)	●	●	●	1	1	0
Social Contribution						
Total expenditure for social contribution (millions of yen) *7	●			12.0	9.0	18.0
Open Innovation						
Number of visitors to R&D Center (persons)	●			150*8	1,336	573
Governance						
Corporate Governance						
Number of directors/female (persons)	●			8/1	8/2	8/2
Outside Director	●			6/1	6/2	6/2
Independent Officer	●			4/1	4/2	4/2
Number of executive officers/female (persons)	●			18/0	16/0	15/0
Compliance						
Number of compliance training conducted *9	●	●		39(1)	25(3)	24(9)
Number of compliance meeting held	●	●	●	4	4	8
Number of whistle-blowing reports/consultations (cases)	●	●	●	19	17	42
Risk Management						
Areas which conducted BCP simulation trainings and number of attendees (persons)	●	●		Total of Tokyo, Kansai, Chugoku, Kyushu area: 55*10	Kyushu area: 22 Saitama area: 20	Kansai area: 31
Overseas sites which conducted BCP Caravan and number of attendees (persons)*11			●	—	China area: 6 Thailand area: 8	Indonesia area: 23*10
Information Security						
Number of participants of information security education program (persons)	●	●	●	35,581	36,508	37,497
Rate of targeted threat emails for simulation trainings opened	●	●		4.3%	8.0%	0.7%
Number of sites which obtained third-party certifications for information security	●	●		ISO27001: 34 departments and locations Privacy mark: 13 group companies	ISMS: 35 departments and locations Privacy mark: 13 group companies	ISMS: 36 departments and locations Privacy mark: 13 group companies
Number of sites which conducted information security audit	●	●		798	767	782
Intellectual Properties						
Number of patent applications	●	●	●	19	15	17
Number of patents held	●	●	●	28	27	31

*1 Specific case *2 Please refer to page 26 of Annual Report 2017 for details. *3 Please refer to page 28 of Annual Report 2018 for details. *4 Excluding employees of associates accounted for using the equity method. *5 Only those who requested *6 Covers 8 group companies (excluding YANTEC Group): Hitachi Transport System East Japan Co., Ltd., Hitachi Transport System Kanto Co., Ltd., Hitachi Transport System Metropolitan Co., Ltd., Hitachi Transport System South Kanto Co., Ltd., Hitachi Transport System Central Japan Co., Ltd., Hitachi Transport System West Japan Co., Ltd., Hitachi Transport System Kyushu Co., Ltd., and Hitachi Transport System Direx Co., Ltd. *7 Includes donation and matching gifts *8 From July 2016 to March 2017 *9 Includes e-learning for all employees of domestic group companies: number shown in () *10 Includes attendees via video conference system *11 Started from FY2017

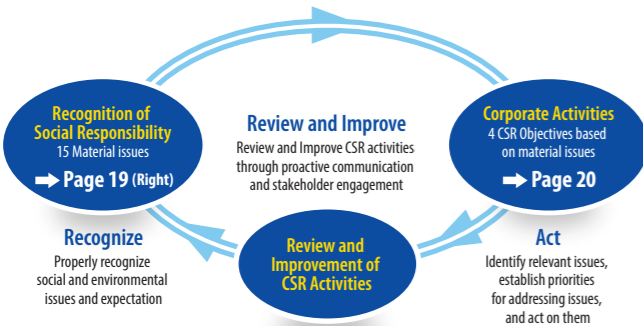
HTS Group CSR Initiatives

At the HTS Group, we are all about treating 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.

Basic CSR Policy

Under our Corporate Philosophy, the HTS Group strives to promote integration of CSR and management through communication with our various stakeholders, with the aim of realizing a sustainable society. In implementing a cycle of the Basic CSR Policy as a guideline, we will proactively disclose ESG (Environment, Social and Governance) information and collaborate with various stakeholders for the aim of achieving SDGs.

HTS Group Basic CSR Policy



Basic CSR Policy

<http://www.hitachi-transportssystem.com/en/profile/csr/management/>

HTS Group's Contribution to SDGs

SDGs (Sustainable Development Goals) are 17 universal goals for the international community to be attained by 2030. The HTS Group is fully aware of the importance of achieving the SDGs. Among 17 goals of SDGs, the following eight goals are especially relevant to our CSR objectives. We will work to do our part in achieving these SDGs as we move into high gear to reach our CSR objectives.

SDGs especially relevant to CSR objectives

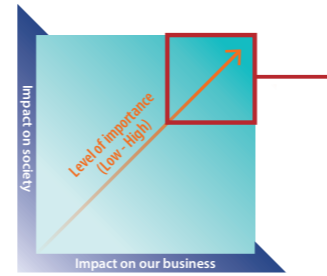


CSR Promotion Structure



Material Issues and CSR Objectives

We identified material issues as CSR issues highly important to the HTS Group and recognized them as our social responsibility that we should fulfil in order to accurately recognize social and environmental issues and expectations. To decide specific activities, we developed four CSR objectives that we should address with priority based on material issues and the viewpoint of CSV (Creating Shared Value), and then set specific activity themes and key performance indicators (KPIs) (Refer to page 20).



15 material issues of the HTS Group

- Social**
Safe and healthy work environment (occupational Health and Safety)/Social and environmental responsibility in supply chains (socially responsible procurement)/New technologies (creating/utilizing innovations and cutting-edge technologies)/Diversity and employee development/Job creation (promoting employment in the local community)/Dialog with employees (labor-management relations, collective bargaining) / Respect for human rights (addressing global human rights issues)/ Quality and safety (service quality and safety)/Environmentally and socially responsible logistics services
 - Environment**
Carbon (low carbon)/Stopping pollution/Renewable energy (use of clean energy)
 - Governance**
Compliance/governance/BCP* (including climate change adaptation)/ Information disclosure (operational transparency)
- * BCP: Business Continuity Plan
A plan designed to ensure that core functions are not interrupted (or are rapidly reinstated) in the event of major disaster scenarios.

HTS Group's Stakeholders

The HTS Group manages and maintains its business activities through interaction with our broad array of stakeholders including customers, shareholders, local communities, and local administrations.



CSR Objectives of the HTS Group – Initiatives and Key Performance Indicators (KPIs)

In FY2018, the HTS Group identified key activities for the CSR objectives to be started in FY2019 and relevant KPIs, based on which we will strengthen our initiatives using PDCA cycle.

Related SDGs	CSR objectives	Key activities	Initiatives	KPIs	Reference
8, 9, 11, 12, 17	1 Pursue Next-generation Industries and Lifestyles	(1) Promote total optimization of supply chain by making full use of advanced technologies (2) Respond to local logistics needs and issues while further boosting response capability	Enhancement of logistics platform Development of trainings that promptly meet business needs Expansion of high-quality logistics services Optimization/management of supply chains Promotion of transportation of social infrastructure-related equipment	Type of SSCV-safety functions Increase of EC platform centers Number of cases of manufacturing/sales control support (demand forecast) Expansion of use case of blockchain technology Number of attendees of data scientist training course Storage and transportation/delivery conforming to GDP* On-site implementation of RFID system Execution of transportation of social infrastructure-related equipment	Page 14 Pages 13, 36 Page 36 Website*1 Page 36 Page 35
5, 8, 17	2 Enhance Occupational Safety and Productivity	(1) Secure safety in operation and transportation (2) Minimize workload at logistics sites (3) Promote diversity of the workplace	Enhancement of occupational Health and Safety management Strengthening of transport safety management Promotion of automation/labor saving in logistics centers Systematic development of female employees Support for career formulation of female employees Encouragement for male employees to take childcare leave Reduction of overtime hours Encouragement to take annual paid leave Development of OPEX designers Implementation of social contribution activities for local community	Workplace accident index/ frequency rate, severity rate Number of traffic accidents (those defined in Article 2 of the Transportation Safety Management Regulation) Expansion of the use of automated/labor-saving equipment Ratio of female managers Suggestion of various role models/career path and hosting of networking events with female managers Manager-level training to encourage active participation of women in the workplace Rate of childcare leave taken by male employees Rate of childbirth leave for prospective fathers taken Implementation of measures to reduce overtime hours Implementation of measures to take annual paid leave Number of OPEX designers developed Activities based on the social contribution activity guideline	Page 18 Pages 18, 26/Website Page 36 Page 17/Website Website Pages 18, 37 Pages 18, 37 Pages 18, 37 Page 37 Pages 18, 39, 40
9, 11, 13, 17	3 Ensure Excellent Quality and Resilience	(1) Pursue high quality logistics services (2) Consideration for disposal and emission (3) Contribution to disaster recovery assistance	Enhancement of compliance framework Boosting information security level/ management structure Strengthening of BCP system Enhancement of domestic and overseas procurement compliance Reduction of air pollutants Promotion of resource recycling Protection of forest timber resources Strengthening of BCP system Implementation of social contribution activities for local community	Implementation of measures to enhance compliance Rate of attendance for information security training course Rate of targeted threat emails for simulation trainings opened Number of training implemented Number of places visited by overseas BCP Caravan Implementation of procurement compliance education for persons in charge of procurement in Japan and overseas Ownership ratio of vehicles in compliance with environmental standards Recycling rate Number of non-compliance with environmental laws and regulations Reduction of water consumption intensity per floor space Green purchasing rate Rate of reducing copy paper consumption Dissemination of behavioral standard in the event of a disaster to employees Activities based on the social contribution activity guideline	Pages 18, 50 Pages 18, 51 Pages 18, 51 Pages 18, 51 Page 34 Pages 17, 30 Pages 17, 32 Page 17 Page 17/Website Page 17 Page 17 Pages 18, 51 Pages 18, 39, 40
7, 17	4 Realize Low-carbon Business Processes	(1) Increase energy efficiency (2) Introduce renewable energy (3) Strengthen environmental management	Reduction of electricity consumption in "buildings" Increase of vehicle fuel efficiency Promotion of introducing double-trailer trucks Promotion of joint use of logistics and transportation equipment Development of new customers/routes for modal shift Proactive promotion of streamlining transportation through establishing platform, integrated delivery sites, and container round use Shift to eco-friendly vehicles with better environmental performance Ongoing eco-friendly driving training Performance of internal environmental audit Development of voluntary environmental activities in each site Review of the environmental management system Enhancement of overseas environmental management Promotion of continuous improvement by the environmental management system Promotion of employees' understanding through education and enlightenment activities to raise their environmental awareness	Number of sites with LED lighting fixtures Electricity consumption per floor space in "buildings" (Compared to FY2018) Number of energy-saving inspections conducted Increase of vehicle fuel efficiency by vehicle type (Compared to FY2018) Support of introducing double-trailer trucks Implementation of joint use of logistics and transportation equipment Development of new customers/routes Implement new shared transportation Maintenance of 100% ownership ratio of eco-friendly vehicles Ownership ratio of the advanced eco-friendly vehicles Implementation of eco-friendly driving training in each site Performance of internal environmental audit Promotion of environmental activities in each site Consideration of the design of the environmental management system Detailed investigation of material environment-related laws and holding environmental meeting with overseas group companies Continuous implementation of "Eco Stage 2" obtained by the head office to other domestic offices Attendance rate of environmental e-learning courses Communication of environmental-related information to employees Clean-up activities outside the Company and the Light-Down Campaign Environmental advertisement and disclosure of environmental information	Pages 17, 30 Pages 17, 30 Website Page 30/Website Page 30/Website Page 30 Pages 17, 31/Website Page 30/Website Pages 17, 30 Page 30 Page 32 Website Page 32/Website Page 31 Pages 31, 32 Pages 17, 32 Pages 17, 32 Page 32 Website Page 32/Website

Website: CSR/Environment <http://www.hitachi-transportssystem.com/en/profile/csr/>

Website*1: Mid-term Management Plan "LOGISTEED 2021" http://www.hitachi-transportssystem.com/en/ir/library/presentations/pdf/midtermmanagementplan_190524enR.pdf

Website*2: Medical/Pharmaceutical Platform <http://www.hitachi-transportssystem.com/en/3pl/joint/case1.html>

*GDP: Good Distribution Practice

Special Feature 2 Stakeholder Dialogue

Through dialogue with external experts having deep insights about stakeholders and their trend, we hope to help our stakeholders understand our initiatives and also improve corporate value by understanding expectations and evaluation from society and using it for our future activities.



Toward integration of sustainability and management

In order for the HTS Group to grow sustainably with a society, what role should we play and what values should we create? What does society expect from us and how should we meet them? In January 2019, we invited three external experts to the head office for a discussion with our executives with an aim to gain an external perspective and reconsider the CSR promotion integrated with management.

External experts we invited	Prof. Ken Kusunoki*	Professor, School of International Corporate Strategy, Hitotsubashi University Business School		
	Ms. Shizuko Ohmi*	Vice President, Head of ESG Department, Amundi Japan Ltd.		
	Mr. Peter David Pedersen*	Representative Director, NELIS		
Facilitator	Mr. Takehiko Mizukami*	Cre-en Inc.		
Attendees from the Company	Seiki Sato	Senior Vice President and Executive Officer	Kazuhisa Hatakeyama	Vice President and Executive Officer
	Yasushi Hagiwara	Vice President and Executive Officer	Hiromoto Fujitani	Vice President and Executive Officer

* Names of organizations and positions are as of the date of the discussion.

Corporate value and social value will have “trade-on” relation in the long run

Sato: The HTS Group is now on the brink of a major transition amid significant environmental changes in the logistics industry. In 2016, we took a new step under the strategic capital and business alliance with SG Holdings Co., Ltd., and we must continue to be a company that values collaborative innovation and collaboration with various customers and business partners toward sustainable development. To this end, we believe it is important to obtain opinions of various stakeholders, and I hope to hear various opinions in today’s discussion.

Ms. Ohmi: Investors are increasingly focusing on corporate sustainability in making investment decisions. Recently, responsible investments considering ESG (Environment, Social and Governance) are expanding globally. Such investment aims at increasing long-term corporate value by encouraging ESG initiatives through active discussions with the investee companies. Under such circumstance, we are extremely interested in your integrated strategy planned in the new Mid-term Management Plan.

Prof. Kusunoki: My area of expertise is companies’ competitive strategies, and the major premise is the fact that “the most important thing for a company is long-term profit.” It means “making profit over a long period” and it may sound contradictory to ESG initiatives, but actually it is not. A company can make profit over a long period because

it provides something valuable, which indicates customer satisfaction. A company can protect jobs, give consideration to employees and meet shareholder expectations as long as it makes profit. A company can also make a big contribution to society in the form of tax payment.

Mr. Pedersen: Quite often, corporate profit and value provided to society are considered to be in a “trade-off” relation, but it is important to know that they will have a “trade-on” relation in the long run. If a company makes profit in an appropriate and sustainable manner and has a good impact on society, it will raise its brand value and attract talented human resources and capital. Then, the company can make further growth and get involved in solving material issues in the market and society. Creating such relationship of upward spiral is what we call a sustainability strategy.

Prof. Kusunoki: I agree. A shortcut for a company to make profit is to force employees, customers or suppliers to bear the burden. However, such method will work only for a short time and it will certainly trigger a backlash. In this sense, “trade-off” is merely a short-sighted approach. Instead, I want to emphasize that “A company should improve its earning power and pursue long-term profit to be able to provide values for society.”

How to play an active role in solving social issues

Ms. Ohmi: From investors’ standpoint, I’m concerned that quite a few companies develop a solid three-year management plan but they won’t announce their longer-term vision. In fact, it is very important to have a long-term vision to support strategies. Especially because ESG initiatives cannot be explained with the short-term cost and return, it is difficult to set goals for ESG initiatives without medium-to-long-term vision.

Hatakeyama: The HTS Group is also generally operating under the three-year Mid-term Management Plan, and one of our issues is that we don’t have a sufficiently workable long-term initiatives such as a ten-year plan. However, there are some movements not based on short-term profitability, such as investments in robotics-related research by logistics engineering division in preparation for labor shortage that is expected to become increasingly serious in five or ten years.

Fujitani: Recently, we have been working on work environment improvement in logistics centers nationwide. In specific, we are installing air conditioners in old warehouses, and this may be considered as one of the initiatives not based on the conventional short-term interests. Although installing air conditioners does not directly lead to profit growth, providing comfortable work environment is essential to increase satisfaction of people who work there.

Ms. Ohmi: I think such effort is important, considering securing labor force has been increasingly difficult. A company that cannot retain employees cannot grow sustainably, and employee satisfaction is one of the elements of supporting sustainability. If a company can visualize an increase in engagement of employees, it will increase the chance of securing skilled human resources.



Seiki Sato, Senior Vice President and Executive Officer



Ms. Shizuko Ohmi, Amundi Japan Ltd.



Prof. Ken Kusunoki, Hitotsubashi University Business School

Prof. Kusunoki: I hope that the HTS Group will become aware of initiatives from the viewpoint of CSV (Creating Shared Value) beyond CSR. While CSR is the cost that a company should pay as its responsibility, CSV that addresses social issues through business is an investment to generate long-term profit. Companies do not commit to anything unless it makes a profit from it, but if they expect profit, they will invest sufficient resources in it.

To challenge new domains beyond logistics

Hatakeyama: Currently, the HTS Group has started a new challenge that goes beyond the conventional logistics field under our business concept of “LOGISTEED.” For further growth of the Group from a long-term perspective, it is essential to acquire functions that we did not have so far through collaboration beyond our existing business domains, including manufacturing, retail, IT and finance.

Fujitani: Our view is that a border of logistics will disappear in the future. In fact, we are seeing unprecedented movements such that major retailers having logistics functions entered into the logistics market. As we face such situation, we want to venture into a new realm by keeping logistics as our core domain, instead of simply protecting what we already have.

Mr. Pedersen: I believe such idea is symbolized by your future vision of “Global Supply Chain Solutions Provider.” The important thing is that the idea of “sustainability” is vital for it. The world is moving against the background of the conclusion of the Paris Agreement*1 and adoption of SDGs. In the future society, companies placing little emphasis on sustainability will never be recognized as excellent companies. Companies must run business based on the “sampo yoshi (three-way satisfaction)” concept, here meaning that companies must consider sustainability of its own, its customers and society. Companies must have such standard.

Ms. Ohmi: I think you might want to explain in more detail about the new values represented by “LOGISTEED.” Your new marketing strategy of “Evolve into a SCM*2 partner from a logistics partner” is also difficult to understand for outside parties. If you can clarify the strategy with a timeline, by showing, for example, the differences from the existing strategy, what is needed, and where to invest, investors will be able to see your competitiveness.

Sato: The HTS Group is a leading domestic company in 3PL and has “Gemba” power (on-site capability) and

Mr. Pedersen: I think the traditional CSR needs to be reframed. There are increasing expectations for companies’ innovative role in solving social issues. While it was all about eliminating negative values through compliance and risk management, companies will now have to create positive values aggressively from their main business.

technologies acquired through our experience in various industries and products over the years. One of our strengths is that we can provide systems in any process of a supply chain including warehouse management, transportation and delivery. However, the environment surrounding the logistics industry is rapidly changing, and as new technologies and players come out, it’s becoming difficult to maintain our current advantage toward the future. We want to break such situation and address various issues of a supply chain beyond the conventional logistics to pursue the next big leap. We set a concept of “LOGISTEED” with such hope. During the new Mid-term Management Plan, we will have specific plans through backcasting and carry them out.

Prof. Kusunoki: If you don’t want “LOGISTEED” to be just a fancy slogan but integrate it into daily behavior, I suggest you declare “things that you will not do.” For example, “the HTS Group aims at “LOGISTEED” beyond the conventional logistics company. So, we will not do such things as...” Good business knows that it’s not possible to make all customers happy and that it’s important to choose what to do and what not to do. This also means to clarify the areas on which the management resources will be focused, which will foster better understanding of “LOGISTEED” within and outside the Company.

Fujitani: It is very helpful to have a standard of “not to do.” It is not easy to declare such things as we do business with many customers. However, I understand that we have to commit ourselves to promote whatever we need to do with unwavering will.

*1 Paris Agreement: Framework for international initiatives to deal with climate change starting in 2020 which was agreed at the 21st Conference of Parties to the United Nations Framework Convention on Climate Change (COP21) held in Paris in December 2015.

*2 SCM: Supply Chain Management



Kazuhisa Hatakeyama, Vice President and Executive Officer



Hiromoto Fujitani, Vice President and Executive Officer



Mr. Peter David Pedersen, NELIS

Strive to deepen activities based on four CSR objectives

Mr. Pedersen: To incorporate sustainability into a business strategy, there are certain innovation filters to pass. Such filters vary depending on industries, but I believe there are filters unique to the HTS Group in relation to four CSR objectives (refer to page 20) such as “low-carbon” or “resilience.” It is important to clarify such filters first.

Prof. Kusunoki: Among the four CSR objectives, the primary objective in terms of your main business is “Pursue Next-generation Industries and Lifestyles.” If you can further clarify and work on it with clear KPIs, you should be able to have a big impact on society.

Mr. Pedersen: To “Pursue Next-generation Industries and Lifestyles,” you will need to focus on not only domestic but also international logistics needs. For example, you cannot ignore potential in the African or emerging markets where population continues to grow remarkably. For another objective of “Realize Low-carbon Business Processes,” measures beyond your operation are required, and therefore you need to figure out how to involve customers

as “Global Supply Chain Solutions Provider.” Another important fact is that the international society is already moving from “low-carbon” to “decarbonization.”

Ms. Ohmi: As the HTS Group has been working on green logistics, I believe you can gain a competitive advantage in environmental fields. You can offer customers high added value if you can demonstrate “how much of CO₂ emission by a supply chain can be reduced by engaging the HTS Group for logistics services.” In order to show your strengths to investors easily, I want you to make that kind of effort. In addition, as mentioned in “Enhance Occupational Safety and Productivity,” matters related to people are also very important. Automation and labor saving may be measures against labor shortage, but I think using machines wherever possible can also contribute to increasing human value. It may be worth considering to appeal how the Group focuses on human resources including their upskilling as well as productivity improvement.

Raise awareness within the Company and promote sustainability as “personal ownership”

Ms. Ohmi: Under the future vision of “Global Supply Chain Solutions Provider,” the HTS Group has various plans related to robotics, AI, Fintech and Sharing Economy, and already proceeded with some projects through various alliance. I think one of the issues to be addressed in the future is to clearly show those projects with a timeline, define KPIs and announce them along with financial guidelines.

Mr. Pedersen: In order to integrate sustainability with management, you have to obtain deep understanding within the Company. I suggest that you seek honest opinions about what the HTS Group can do under a big picture toward future and share ideas within the Company. If such efforts help raise awareness as a team and continue to improve the quality each year, it is wonderful. I hope that people in various positions within the Company will voluntarily get involved in these efforts and embark on innovation journey.

Sato: The HTS Group is now promoting activities called “VC 21 (Value Change & Creation 21)*3” aiming at

improvement of profitability and organization power in all domestic group companies. Of these activities, we put emphasis on “promotion of ‘personal ownership,’” and we are starting to see some results as we continue these efforts. I think we should promote CSR and CSV steadily in relation to these initiatives.

Prof. Kusunoki: In order to share common awareness within the Company, the management may need to take the lead and keep sending a message that “the HTS Group continues to provide values to society under the concept of ‘LOGISTEED.’” I believe company-wide initiatives will succeed because of such persistent efforts.

Hatakeyama: I completely agree. If we keep telling them over and over, employees will start thinking “what we should do.” And we hope to improve their motivation from there. Also, all these opinions from you reminded us of the importance of long-term sustainability strategy, so we will keep that in mind. Thank you very much for joining us today.



Mr. Takehiko Mizukami, Cre-en Inc.



Yasushi Hagiwara, Vice President and Executive Officer

*3 VC21 (Value Change & Creation 21): For details, please visit our website. http://www.hitachi-transportssystem.com/en/ir/library/presentations/pdf/midtermmanagementplan_190524enR.pdf

Safety

Each employee strives to provide safe and secure services

Safety Slogan "Safety First"

All employees and partner companies work together to promote safety activities. To achieve that, managers and supervisors must always keep in mind that "safety is the basic practice of our daily operation" and keep improving every day with firm resolve.



Forklifts equipped with dashboard camera



Approx. 1,900

(As of March 31, 2019)

Bringing Safety and Peace of Mind to Our Customers

Transport Safety Management*

The HTS Group promotes everyday safe driving and ensures safe transportation by establishing a safety management system together with its transport partner companies.

* Transport Safety Management System (Ministry of Land, Infrastructure, Transport and Tourism)
The goal of this system is to bolster transport safety by building and consistently improving a safety management system.

Transport Safety Management
<http://www.hitachi-transportssystem.com/en/profile/csr/safety/#section3>

HTS Group Morning Meeting of Safety

In order to prevent recurrence of tragic accidents, the HTS Group is holding "morning meeting of safety" at all sites in April and October from FY2019.



Top Seminar

The HTS Group considers its transport partner companies are important partners. Each group company holds a top seminar semiannually by inviting management from partner companies for mutual information sharing.



Top seminar in VANTEC Group

Top seminar in Higashinippon Area



Top seminar in Chubu Area

Top seminar in Kyushu Area

Bolstering On-Site Operations (Presentation Meeting of Smart Logistics)

We are working on further bolstering of on-site operations of the entire HTS Group by having each site make a presentation on their efforts for "improvement of on-site operations" to share and expand the best practice of operational safety of the Group. In FY2018, as a representative of overseas group companies, VANTEC SUMISO LOGISTICS (WUHAN) CO., LTD. made a presentation about their efforts for safety and quality to increase trusts from customers.



Presentation by VANTEC SUMISO LOGISTICS (WUHAN) CO., LTD.

At the presentation meeting

Adoption of Safety Technology

Installing dashboard cameras on forklifts

In addition to all trucks it owns in Japan, the HTS Group has also installed dashboard cameras in forklifts (approximately 1,900 as of March 31, 2019) so as to be used for daily activities to secure safety including confirmation with finger pointing and calling during operation. We are also installing dashboard cameras in overseas group companies.



Dashboard cameras for trucks

Dashboard cameras for forklifts

Back monitor

We installed a back monitor in approx. 3,900 vehicles including those of transport partner companies to ensure safety of the surrounding area by double-checking both by sight and monitor.



Boosting Safety Knowledge and Driving Skill

Sending Contestants to Non-HTS Forklift and Trucking Competitions

Each year, the HTS Group sends contestants in the National Truck Driver Contest*1 and the National Forklift Driving Contest*2 for the purpose of acquiring specialized knowledge, improving driving skills, and boosting awareness of safety issues.

Again in FY2018, contestants winning out at prefectural-level preliminary contests around the country competed in the national contests and achieved excellent results.

Through these projects, we are working to improve safety awareness not only amongst drivers but all employees, and also to prevent accidents.

50th National Truck Driver Contest

 **Won the 1st prize in 2 categories of "11-ton" and "female drivers"**

The HTS Group sent 14 contestants to this competition, where contestants strive for the highest score in both the academic knowledge and skill competitions (inspection and driving). They achieved magnificent results by winning higher rankings in all categories, including 3rd and 4th in the 4-ton category and 3rd in the Trailer category, in addition to two winners in the 11-ton and female drivers categories.



Prime Minister Abe awarded a trophy (Left) 11-ton category winner (Right) Female drivers category winner

33rd National Forklift Driving Contest

The HTS Group sent 13 contestants to this competition, where contestants strive for the total score of three categories of academic knowledge, inspection skills and driving technique, and won the 2nd prize.



2nd prize winner Inspection competition

*1 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.
 *2 National Forklift Driving Contest:
 An event organized by the Land Transportation Safety & Health Association, this contest is designed to achieve even better safety and to effectively prevent on-the-job accidents.

Safety Training (Practical Training and Experiential Sessions)

At the HTS Group, we envision a full range of scenarios in workplaces and implement appropriate on-site training sessions based on these, covering both practical training and experiential sessions.



Safety practical training for cutter Experiential sessions for carts

Safety Training for New Employees

The HTS Group conducts lectures and practical trainings for new employees to acquire safety knowledge when join the Company.



Hand cart training Forklift inspection training

Practical Training and Instruction for Heavy Cargo Engineering

For safe transportation, installation and setting up of large instruments such as railway cars, power plants and industrial machinery, and precision equipment such as laboratory and medical equipment, it is crucial to make a careful plan and follow through the plan at the site. We closely examine the plan and give on-site instructions to ensure safe operation.



Preliminary meeting (Poland) Training sessions (Indonesia)

Awareness-raising Activities

We post calendars with easy-to-understand illustrations in workplaces to educate and remind employees.



Safety education calendar

Creating Educational Videos/Trainings

We create educational videos for safe operation and conduct trainings to all employees.



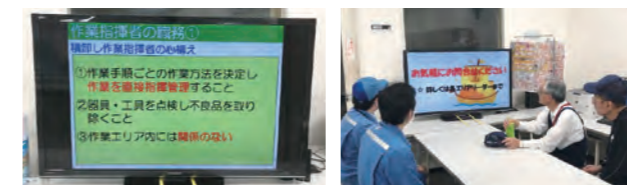
Sample image of the training video



The screen showing how to use a cart
 1. Push, 2. Pull, 3. Lateral push

Digital Signage

We installed digital signage at various locations at the logistics site and repeatedly display the description, causes, and measures of accidents using videos to raise the safety awareness of all employees.



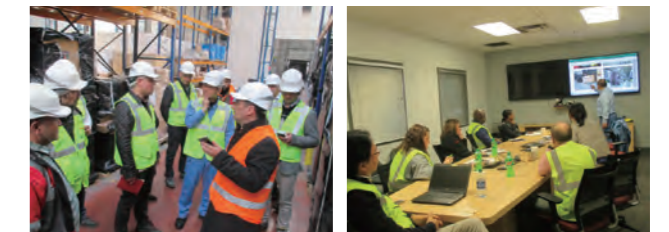
Overseas Safety Activities

Overseas Expansion of Safety Management

In order to promote safety activities in the same way as in Japan and raise awareness of safety management, we send Safety Caravans led by Japanese instructors to overseas and engage in improvement activities together with local staff. We work to improve issues at relevant sites and provide ongoing support regarding safety.



Training for drivers (Thailand) Training for warehouse staff (Taiwan)



Safety patrol (Turkey) Debriefing session after safety patrol (the U.S.)

Overseas Safety Caravans
 (including dispatch of safety supervisors)
Sent to 13 sites (FY2018)

Internal Forklift Competitions at Overseas Locations

From FY2013, the HTS Group overseas locations have held forklift competition for local employees. Japanese supervisors are sent to these events to boost the globalization of HTS's culture of corporate safety in general as well as to impart safety technologies. These competitions also serve the purpose of helping individuals to be more aware of their own growth trajectory through healthy competition between local employees.



Hitachi Transport System (China), Ltd. forklift competition winner Hitachi Transport System (China), Ltd. forklift competition contestants

Environment

Doing all we can for the future of the planet and humanity

Environmental Policy

- 1. Reduce environmental load generated at all our places of business**
Reduce consumption of electricity, gasoline and LP gas and recycle waste, etc.
- 2. Provide logistics/services with less environmental load**
Contribute to customers through CO₂ emission reduction and resource recycling.
- 3. Improve Eco-Mind level and enhance Eco-Management system**
Increase global environmental awareness. Observe environmental laws/ordinances and company regulations.
- 4. Promote symbiosis with nature and environmental communications**
Preserve biodiversity and ecosystem. Maintain environmental collaboration with customers and local communities.



Reduce Environmental Load Generated at Sites

The HTS Group is working to reduce environmental load generated at our sites by actively introducing eco-friendly vehicles and energy-saving devices for the realization of low-carbon business processes.

Initiatives to Prevent Global Warming at Sites

Energy saving and global warming countermeasures implemented in buildings

The energy consumed by the HTS Groups includes electricity (73.5%) and fuel (26.5%), and we are taking the following measures for energy saving and global warming (see the chart on the right).

Introduction of LED lighting fixtures

In FY2018, in Japan, we introduced LED lighting in new five sites including Kashiwa Platform Center (Chiba Prefecture) and replaced fluorescent lights in other 18 sites, resulting in reduction of 2,730 tons of CO₂ emission. In overseas, we also introduced LED lighting in new sites including Nilai Cold Warehouse in Malaysia (picture on the right). We will replace existing fluorescent/mercury lights with LED lighting in all sites.

Energy saving and global warming countermeasures of vehicles

The HTS Group strives to reduce CO₂ emission generated by vehicle fuel through such initiatives as the introduction of the advanced eco-friendly vehicles, promotion of eco-friendly driving, and improvement of transportation including modal shift.

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

The HTS Group had promoted a shift to eco-friendly vehicles (highly fuel-efficient, low-pollution vehicles), and achieved the eco-friendly vehicle ownership ratio of 100% at the end of FY2016, except for some special vehicles.

We will further promote a shift to advanced eco-friendly vehicles with better environmental performance and encourage eco-friendly driving, etc. with a view to reducing environmental load.

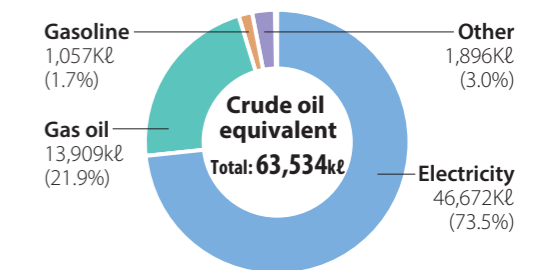


Large truck

Using Double-trailer Trucks to Reduce Environmental Load

Vantec Central Logistics Corporation, our group company, introduced two sets of 21-meter long double-trailer trucks in February 2019 and plans to start operation between Fuji City, Shizuoka and Nantan City, Kyoto as a "Project to promote CO₂ emissions reduction in the transport sector" which is a joint project of the Ministry of the Environment and the Ministry of Land, Infrastructure, Transport and Tourism. The company will verify safety, driving management and productivity through actual operation and expand the use of such trucks.

CO₂ emissions suppressed with LED lighting fixtures

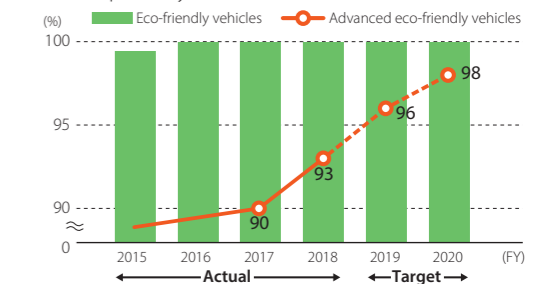


Breakdown of energy consumption by the HTS Group (crude oil equivalent) (Total consumption by buildings and vehicles in FY2018)



Nilai Cold Warehouse in Malaysia

HTS Group eco-friendly vehicle ownership ratio (Japan only, as of March 31, 2019)



Note 1: Totals shown are personal and business vehicles combined (excludes special vehicles)
Note 2: Eco-friendly vehicles are as follows: hybrid, natural gas and electric, as well as highly fuel-efficient vehicles certified by the government (vehicles meeting a specified standard), and low emissions vehicles.

Providing Logistics Services with Less Environmental Load

The HTS Group has incorporated energy saving and modal shift into its logistics services to provide optimum solutions to customers and proposes reduction of environmental load in overall supply chain.

Reduction of Environmental Load by Sharing Facilities Integrating Logistics and Delivery

HTS and SAGAWA EXPRESS CO., LTD. are promoting collaboration using customer bases of both companies. Through opening SAGAWA's satellite locations in HTS's logistics centers, we aim to reduce environmental load by reducing the number of delivery trucks and travel distance, and to save labor by streamlining workload in a warehouse. In FY2018, we implemented this collaboration in Kashiwa City, Chiba Prefecture and Oyamazaki, Kyoto Prefecture, and were able to reduce 78.4 tons of CO₂ emission a year. Currently, both companies are implementing similar collaborations in other areas.



HTS Group Oyamazaki AE sales office (top left: sales office of SAGAWA EXPRESS)



Expanding Recyclables Transport

The HTS Group provides logistics services for recycled materials such as waste plastics segregated from wastes.

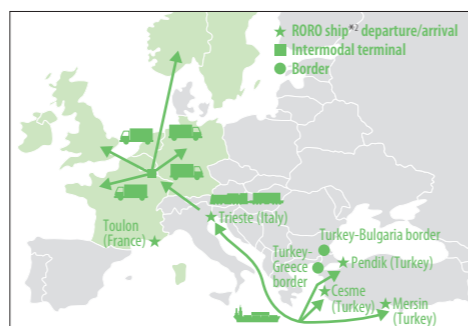
We are expanding this service by increasing new-type containers developed by HTS (patented) to more than 100 and by developing new routes. While sea contamination by waste plastics has become a big issue, we contribute to solving environmental issues by providing logistics services with less environmental load to the recycling industry.



Promotion of Overseas Intermodal*1

The HTS Group has introduced special containers to promote modal shift overseas and reduce CO₂ emission globally.

Our Turkish group company Mars Logistics Group Inc. is focusing on unique cross-border transportation, which includes sea transportation from Turkish sites such as Istanbul to Italy, rail transportation from Italy to Luxembourg, and truck transportation from Luxembourg to major cities in EU.



*1 Intermodal: Multimodal transportation combining trucks, ships, railroad, etc.

*2 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

We also provide other environment-friendly logistics services. For details, please visit our website. <http://www.hitachi-transportssystem.com/en/solution/reverse/>

Boosting of Environmental Awareness and Environmental Management Level

The HTS Group utilizes management systems to understand and monitor actual data and conducts research on important environmental laws and regulations in overseas for the purpose of managing environmental load and legal compliance. In FY2019, we will start reviewing the management systems with the aim of improving the management level, raising employees' awareness and reducing environmental load.

Japan: Use of the Management System

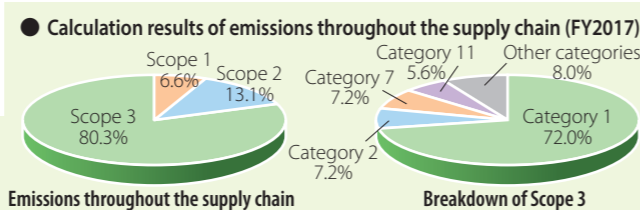
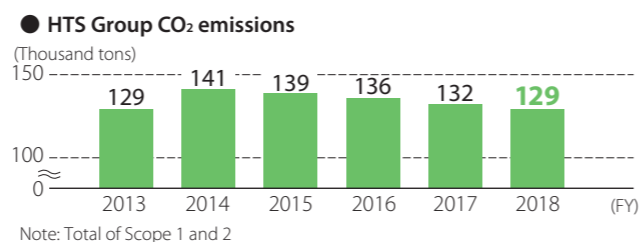
Management systems currently in use

- Industrial waste management system (251 sites)
Manifest management (Waste Management and Public Cleansing Act)
- Environmental load research system (285 sites)
Usage of energy including electricity and fuel (Act on Rationalizing Energy Use, etc.)
- Vehicle management system (544 sites)
Usage of vehicle fuel, travel distance, registration information (Act on Rationalizing Energy Use, Automobile NOx/PM Act, etc.)

Calculation and Disclosure of Greenhouse Gas Emissions in the Entire Supply Chain

We have calculated "Scope 3" (*) in addition to "Scope 1" and "Scope 2" since FY2017 (see chart on the right). We will promote global warming preventive measures by reducing CO₂ emissions throughout the entire supply chain.

(*)
• Scope 1: Direct emissions from in-house energy (fuel, etc.) use (e.g. CO₂ released by company vehicles)
• Scope 2: Indirect emissions from the use of energy supplied by other companies (e.g. CO₂ released by a third party power plant due to electricity use in the company's facility)
• Scope 3: Indirect emissions by supply chain other than Scope 1 and 2 (total of 15 categories including transportation outsourcing and business trip of employees)



For details of the categories, please visit our website. <http://www.hitachi-transportssystem.com/en/profile/csr/environment/plan.html>

Attendance rate of e-learning course for raising environmental awareness



Boosting of the Management Level through Continuing Training and Conferences

- Continuing training for waste management personnel
Recycling rate (FY2018: 99%)
- Holding environmental promotion conference (in Japan and overseas)
Japan: Environmental promotion conference (biannual)/overseas: Environment officers meeting (biannual)

Promotion of Voluntary Operation Improvement at Sites

- Reducing power consumption by improving operation of facilities
Conduct annual inspection of facilities and equipment according to a checklist at each site (FY2018: conducted at 141 domestic sites)
- Raising environmental awareness by establishing eco-oriented themes
Establish eco-oriented themes related to daily activities voluntarily at each site (FY2018: established at 192 domestic sites)

Third-party Certification Initiatives

The HTS Group seeks third-party certification in Green Management. Our Green Logistics Promotion Department has acquired the "Eco Stage" certification. In FY2017, we have upgraded the certification level to "Eco Stage II" which is equivalent to ISO14001. In addition, as of the end of March 2019, we have earned "Green Management Certification" at 40 of our truck transport sites and eight of our warehouses. Building on these initiatives, we are committed to ongoing reduction of environmental load.



Eco Stage II Certification



Green Management Certification

Coexisting with Nature and Boosting Communication on the Environment

The HTS Group strives to promote voluntary eco-friendly activities by each employee through ongoing education and various researches aiming at development of logistics.

Boosting Communication on the Environment

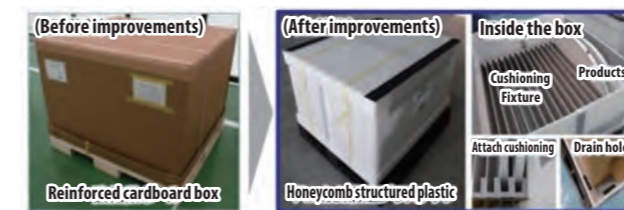
Environmental communication initiatives include cleanup projects in areas surrounding our offices and facilities, and turning off lights as well as ongoing education to employees.

● Posting education articles in the company magazine

General knowledge of environment, initiatives within the Group companies and various topics are posted in the company magazine to raise an awareness of employees and their families about environment and to encourage them to actively participate in environmental initiatives.

● Commendations/recognition

- Received the Award for Excellent Business Entities (Effective use category) of "2018 Excellent Business Entities Working on Modal Shift*1"
- "Reusable box for train parts" received "Large-sized Equipment Packaging Award" in "Japan Packaging Contest 2018*2"



- "Modal shift of precision equipment transportation" received "Logistics Environmental Impact Mitigation Technology Development Award" in the "19th Logistics Environment Awards*1"

*1 Hosted by Japan Association for Logistics and Transport
*2 Hosted by Japan Packaging Institute

Raising Environmental Awareness

● Environmental e-learning

Every year, e-learning* to learn on computer is provided mainly for domestic employees, in order to facilitate employees' understanding of global warming, resources recycling and ecosystem integrity (attendance rate: 99% in FY2018). In addition, e-learning for code of conduct contains programs about environment to disseminate the importance of environment as business ethics to employees.

* The term "e-learning" refers to a method of learning using the Internet.

● Continuing training for eco-friendly driving

Each site appoints an eco-driving promotion manager and strives to reduce CO₂ emission by improving fuel efficiency through eco-friendly driving. By FY2018, we completed eco-friendly driving training for the total of 1,944 drivers, consisting of 204 eco-friendly driving promotion managers and 1,740 employee drivers.

Environmental Disclosure

● Participation in Environmental Reporting Platform Development Pilot Project by the Ministry of the Environment

As part of the ESG management initiatives, we attended the environmental information registration support program organized by the Ministry of the Environment and registered in a simplified format in FY2018.



Working Together

The crux of our communications:
taking the perspective of each individual

— Working together with our suppliers —

The HTS Group developed the HTS Group Procurement Policy and is promoting procurement CSR in order to ensure fair procurement transactions in the supply chain and to strengthen partnership with our suppliers. In addition, we provide continuing procurement compliance education to employees including e-learning to ensure fair procurement activities.

HTS Group Procurement Policy

• Partnership Policy

At Hitachi Transport System we fully realize the value of developing trusting relationships with our valued suppliers.

• Our Open-door Policy

Regardless of whether a supplier is a domestic or overseas company, we do our utmost to insure free competition.

• Selection of Suppliers Policy

We evaluate and select suppliers based upon criteria such as quality, price, lead time, quality of management, technical standards and abilities.

• Our Policy for Sharing Information and Maintaining Confidentiality

We are willing to offer necessary information to suppliers. At the same time, we realize that supplier's offers supply us with confidential or sensitive information. We always endeavor to maintain and keep such information strictly confidential.

Promotion of Procurement CSR

What HTS Gr. Ask Our Valued Suppliers to Promote



General CSR activities

- | | |
|---|--|
| (1) Vigorous promotion of CSR activities, and | (2) Contribution to society and community. |
|---|--|



CSR Activities for The Environment

- | | |
|---|--|
| (1) Management of hazardous chemicals in products, | (2) Management of hazardous chemicals used in manufacturing, |
| (3) Establishing and applying an environmental management system, | (4) Minimization of environmental pollution (water, soil, air), |
| (5) Obtaining permission for environment/administrative approval, | (6) Resource and energy saving by reusing, reducing and recycling (3R)*, |
| (7) Reduction of greenhouse gas emissions, | (8) Waste reduction, and |
| (9) Disclosure of environmental preservation activities. | |

* 3R: Reduce, Reuse, and Recycle



CSR Activities for Corporate Ethics

- | | |
|--|--|
| (1) Prohibition of corruption, bribes, etc., | (2) Prohibition of abuse of a superior bargaining position, |
| (3) Prohibition of offering or accepting inappropriate profit and advantage, | (4) Prohibition of impediment to free competition, |
| (5) Provision of accurate information on products and services, | (6) Using appropriate export procedures, |
| (7) Disclosure of appropriate company information, and | (8) Prompt detection of mistakes, wrongdoings and injustice. |



CSR Activities for Production

- | | |
|----------------------------------|---|
| (1) Ensuring product safety, and | (2) Establishing and applying a quality assurance system. |
|----------------------------------|---|



CSR Activities for Information Security

- | | |
|---|--|
| (1) Defense against threats on the computer network, | (2) Prevention of leakage of personal information, and |
| (3) Prevention of leakage of confidential information of customers and third-parties. | |



CSR Activities for Occupational Health and Safety

- | | |
|---|--|
| (1) Applying safety measures for equipment and instruments, | (2) Safe activities in the workplace, |
| (3) Hygiene in the workplace, | (4) Applying appropriate measures for occupational injuries and illnesses, |
| (5) Emergency responses, | (6) Consideration to physically demanding work, |
| (7) Health and safety of facilities, and | (8) Employee health management. |



CSR Activities for Human Rights and Labor

- | | |
|--|---------------------------------------|
| (1) Prohibition of forced labor, | (2) Prohibition of inhuman treatment, |
| (3) Prohibition of child labor, | (4) Prohibition of discrimination, |
| (5) Paying appropriate wages, | (6) Regulating working hours, and |
| (7) Respecting rights to freedom of association. | |

Procurement Compliance Education

- Provision of e-learning, etc. on a regular basis to those engaging in procurement with procurement authority in domestic and overseas group companies (Domestic: 21 companies, overseas: 38 companies)



— Working together with our customers —

Support for Customers Embarking on Logistics Reform

- Operation of logistics center for EC of health foods and cosmetics -

In August 2018, HTS opened a logistics center for EC of health foods and cosmetics in Musashimurayama City, Tokyo.

While we used to have only one logistics center in western Japan, we newly opened a site in eastern Japan for BtoC business to realize the logistics reform of our customers. With products stored in Kanto, we were able to shorten delivery lead-time for customers located in Chubu region and to the north, and contribute to reduction of shipping costs. We will next work on optimization of the customers' overall supply chain, including promoting BtoB business with two sites and streamlining production logistics from manufacturing plants.

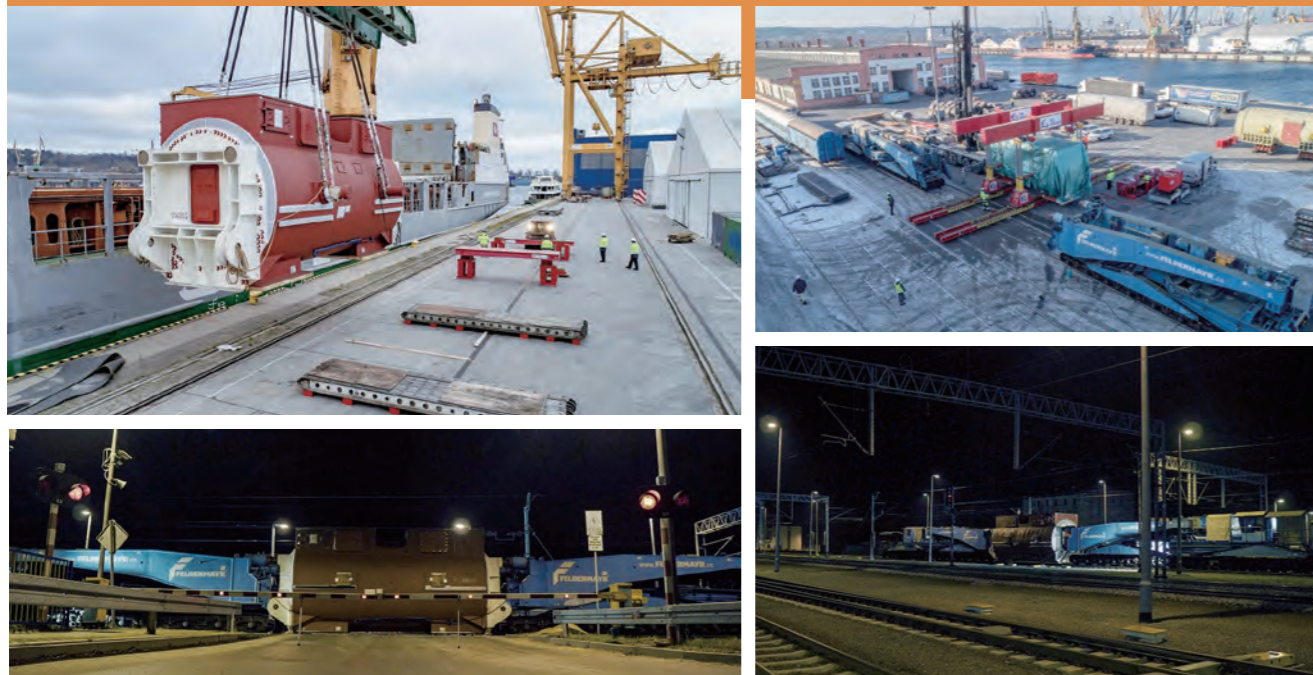


Meticulous Plan, That Required Checking Dimensions Down to the Millimeter, Results in Success

- Transportation of gas turbine generator to Zeran Combined-Cycle Power Plant in Poland -

Mitsubishi Hitachi Power Systems, Ltd. received the contract to supply power generating equipment to the site of Zeran Combined-Cycle Power Plant (Owner: PGNiG Termika SA, Poland) located in the suburbs of Warsaw, Poland. HTS undertook the transportation for the major part of the cargo, including the heaviest unit among the equipment supplied-gas turbine generator. It was transported by rail from Gdynia port in Poland directly to the power plant premises. Over the numerous surveys and checks, the various physical restrictions (such as bridges, lines over the railroad, station building, etc.) were taken into deep consideration when creating the safest possible transportation plan. Due to the severe limitations of some of the obstacles, extreme attention had to be paid to every detail of the generator: not only the overall dimensions, but the location and dimensions of protruding parts, down to the millimeter - even the tiniest bolts, had to be taken into account. Maintaining this detail-oriented approach, the transportation over the whole route of 560 kilometer was successfully completed within 10 days.

As a solutions provider, HTS Group continues to deliver best services and values that meet customer demands at all times.



Number of newly introduced automated forklift-type AGV



2 units in FY2018

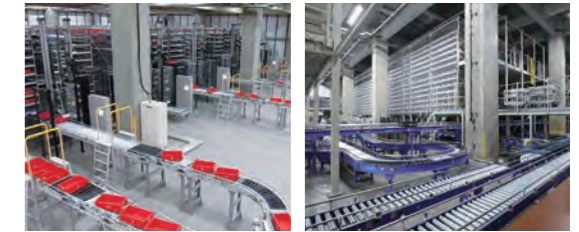
(5 units in total, of which, 3 are under verification: As of March 31, 2019)

Implementing New Technology and Labor-saving Technology Verified at "R&D Center" into Practical Use on Logistics Site

The HTS Group puts new Smart Logistics technology, which was verified at the "R&D Center" opened in July 2016, into practical use on site to promote automation and labor saving and accelerate realization of the next-generation logistics center.

Accelerating On-site Implementation of New Technologies and Labor-saving Technologies

- **Rotary piece sorters ①**
Sorted pieces for shipment in trays are temporarily stored in a rotary piece sorter, and these trays are automatically dispatched at an appropriate timing in necessary order. The sorters went into operation in May and November 2018 and are used in three sites.
- **Automated forklift-type AGV ②**
AGV is used in the daytime and nighttime, and in the nighttime, it is interfaced with movable racks to store and relocate goods received in the entire warehouse. As of March 31, 2019, two AGVs are in operation.
- **High-density storage system ③**
The system receives/dispatches goods automatically in addition to its high density storage capacity. It went into operation at the logistics center in Kashiwa City, Chiba Prefecture, in November 2018.



① Rotary piece sorters



② Automated forklift-type AGV*

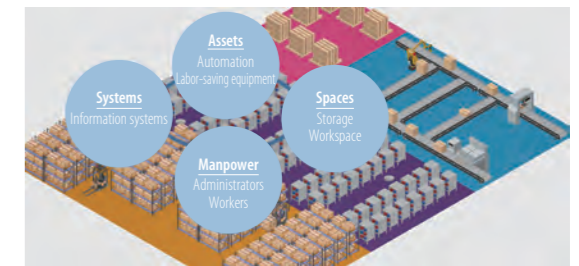


③ High-density storage system

* AGV: Automated Guided Vehicle

Support EC Business Expansion with Sharing and Pay-per-use Service – EC Platform –

- Establish a pay-per-use platform center where multiple customers share assets (automation/labor-saving equipment), systems (information systems), spaces (storage/workspace) and manpower (administrators/workers) in a logistics center.
- Aim at minimization of manual process man-hours by developing additional labor-saving systems including labor-saving equipment such as AGV picking system and automatic packing machine, product inspection using image recognition technology and auto-cushioning material filling.



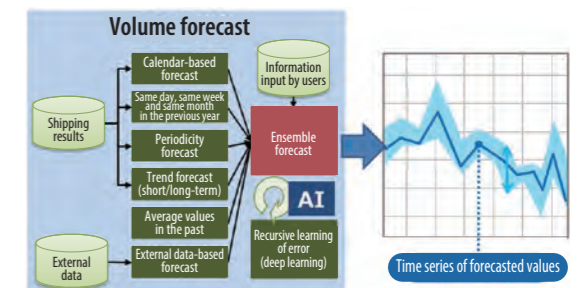
Details of EC platform are available on our website (Japanese version only). <http://www.hitachi-transportssystem.com/jp/sw/>

Challenge to New Domains

Utilize Artificial Intelligence and Develop Supply Chain Solutions

The HTS Group is working on establishing volume forecasting technology using AI and developing new solutions utilizing forecasting technology in order to improve operational efficiency and become a global supply chain solutions provider.

- **Volume (demand) forecast**
We aim at improving operational efficiency by linking high-accuracy volume forecast using AI with manpower planning tool.
- **Inventory control**
We aim at contributing to supply-chain optimization with the calculation of standard inventory and development of order plans suitable for the customer's supply chain.
- **Development of data scientists**
We strive to foster data scientists having high data analysis skill within the company.



Please refer to the movie for details of new smart logistics technology. http://www.hitachi-transportssystem.com/en/solution/smartlogistics/en_smart_movie06.html



37.9% in FY2019

(47.8% in non-consolidated basis)

— Working together with our employees —

HTS Group Diversity

For the HTS Group, diversity means that employees of different gender, nationality, generation, skill, and career, having various attributes, individuality and values can fully demonstrate their potential and create new ideas and businesses using their diversified ways of thinking. In 2012, we established the Diversity Promotion Center with the aim of creating a pleasant workplace where various human resources of the entire Group can play an active role.

Recognition from Outside the Company

In acknowledgement of the Center's various initiatives and achievements, HTS



was chosen by the Ministry of Economy, Trade and Industry (METI) as one of the nation's "Diversity Management Selection 100" in 2015. In October 2018, we received "Eruboshi (L Star) Certification (Stage 2)" from the Ministry of Health, Labour and Welfare as a company which made excellent efforts for the promotion of women's active participation and advancement in the workplace. In addition, domestic group companies across the country were also evaluated for their similar efforts and received "Excellent company in which women shine in Ibaraki," etc.

Promotion of Working-style Reform

We manage work hours by managing PC logs and encourage employees and the managers to change their mindset as part of our active initiatives to address long working hours and encourage employees to take annual paid leave. We also strive to improve work efficiency and promote man-hour/labor saving through operational reforms. At logistics centers, automated guided vehicles and automated forklifts are gradually introduced to promote labor saving. In addition, we will strive to further promote working-style reform, including conducting the study of safety driving support technology focusing on driver's fatigue.

Creating a Workplace Where Employees Can Work in Good Health with a Sense of Security

It is of utmost importance for companies that employees can always work in good health with a sense of security. In order to improve mental and physical health of all employees of the entire Group, the HTS Group will provide employees with health education and consultation for maintenance and improvement of their health, and promote health support in cooperation with industrial health staffs such as industrial physicians.

Creating a Workplace Full of Smiles and Vibrance

The HTS Group creates a people-oriented workplace where employees stay and get together through communication full of smiles and vibrance. We design a community "Logistics OPEX: Operational Excellence" where employees enjoy repeating learning and improvement through deep discussion for managers and workers to discuss and appreciate their experiences and ideas side by side and create a workplace full of smiles and vibrance. Some of the employees who participated in the community said, "Now I can talk to my boss easily," "I think my workplace has become cheerful" and "I got the hang of my work."

Currently, we are promoting activities to develop human resources who utilize Logistics OPEX in each site to further spread it within the Company.

Posted on YouTube: Logistics OPEX (Japanese version only) <https://www.youtube.com/watch?v=280aq1B4AXo>

Boosting Understanding of Diversity

With an aim of "respecting differences between individuals and allowing all to reach their potential in the workplace," we incorporate factors that may promote better understanding of employees about diversity in training by rank and strive to raise awareness of the entire Group.

Support for Balancing Work and Childrearing/Nursing Care

The HTS Group believes that it is essential to establish a workplace where employees can maintain a work-life balance even when they face a serious life event. We have a system to provide assistance for a work-life balance of employees that goes beyond the legal requirements to ensure that they can continue to work with a sense of security while raising their children or caring for their family members.

By facilitating employees' understanding through provision of necessary information, we will strive to develop an environment and work climate that allows diversified work styles.

Creating a Pleasant Workplace

We are installing a ventilating and air conditioning system in logistics centers and sales offices across the country. In addition, we install the wireless LAN system in staff lounges and improved powder room interior to create a comfortable and employee-friendly working environment.



Internships ("Experience the Workplace" Programs)

The HTS Group provides college students with opportunities to learn about the logistics sector as social infrastructure and the HTS Group's businesses through internship programs sponsored by logistics industry groups, overseas internship and workplace experience in the frontline of data science and other various workplaces. We are making efforts to give diverse students, irrespective of gender and nationality, a better understanding of the HTS Group's business.

Encouraging Employment of Persons with Disabilities

The HTS Group implements a variety of group-wide initiatives on hiring persons with disabilities, including taking on personnel for practical training from special needs schools and cooperating with the support office of universities. We also prepare the work environment by setting up labor-saving equipment especially geared toward persons with disabilities and creating barrier-free environment. We will continue to hire persons with disabilities as well as to tailor the work environment to these individuals.

Training Upcoming Generations of Employees

The HTS Group has established the HTS Group College as an educational system for all of our employees, designed to draw out the strengths of each individual through practical and specialized training courses. In addition to training by rank, on-site operations, and manager-level training, we also institute general training for all employees to enhance their basic skills and encourage communication. Furthermore, we have developed training systems including our Managerial Personnel Training, which serves to train the next generation of managers, and our 3PL (Third Party Logistics) Professional Course, which works with backbone employees on 3PL projects. These personnel development programs are implemented to continuously solidify our business base.

3PL Professional Course

We determine training themes and curriculum considering business needs to provide the best training.

"3PL Professional Course" offers knowledge of new technologies as well as tips for sales, key points of each process and analytical methods by seasoned in-house lecturers. The course aims at teaching knowledge readily applicable to practical situations by conducting group discussions among participants using knowledge and analytical methods learned.



Human Rights Education

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 our employees to acquire accurate understanding of human rights, including providing training in accordance with employee rank, at meetings and workshops. By acquiring correct knowledge of human rights, we work to boost individual awareness of human rights.

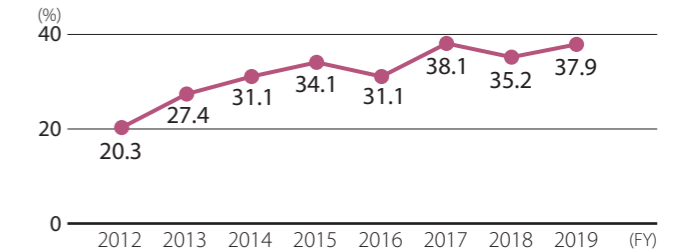


Approx. 20 countries and regions

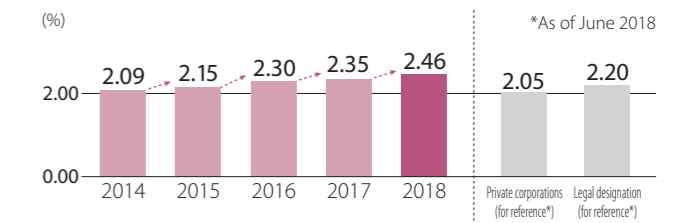
(Total: from FY2014 to FY2018)

Ratio of female employees in new graduates hired in the HTS Group

In recent years, we are working to increase the hire rate for new graduate females and thereby secure more female personnel.



Ratio of persons with disabilities hired



Overseas Training Program

Overseas training program has been in place since 1989 with the aim of providing young employees with opportunities to gain overseas experience and of fostering global human resources. For the HTS Group, whose corporate vision is to become "the most preferred global supply chain solutions provider," it is critical to foster human resources with global thinking and high expertise who can contribute to our business across different cultures and values. Trainees who have completed one-year training are required to report in English on issues they faced regarding the theme they addressed, the improvement recommendations implemented and the result, proposals to the Company based on their local experience, and their future action plan. Trainees also exchange their opinions each other. The number of countries and regions to which employees were sent under the overseas training program in the last five years reached approx. 20.



— Together with local communities —

The HTS Group operates according to the basic principle of “Objectives of Social Contribution Activities” developed in FY2018.

Objectives of Social Contribution Activities

- Our corporate philosophy is to deliver high-quality services that will help make the world a better place for people and nature for generations to come. To achieve this goal, we are committed to providing logistics infrastructure and services that are essential for the improvement of industries and people's lifestyles, through our businesses.
- The HTS Group is working on social contribution activities in the same way we conduct our business to establish the foundation of an affluent, sustainable society.

Details of “Objectives of Social Contribution Activities” are available on our website.
<http://www.hitachi-transportssystem.com/en/profile/csr/stakeholder/contribution.html>

Initiative through Traffic and Road Safety Class

The HTS Group has offered traffic and road safety class to prevent our children—who are our future—from getting involved in road accidents and teach them the importance of life.

Activity of a group company in Turkey

In May 2018, Mars Logistics Group Inc., our Turkish group company, held a traffic and road safety class. In the class, we used the rear deck of the truck as a classroom, prepared creative learning tools such as quizzes using a tablet terminal and a worksheet on which children can put stickers on so that children can develop a better understanding about road signs while having fun.



Approximately 1,000 children participated

Internships and “Experience the Workplace” Programs

HTS offers internships and “Experience the Workplace” Programs in Japan and overseas to give young students a deep understanding of the logistics industry.



Logistics center tour in Thailand



Logistics center tour in Kashiwa City, Chiba Prefecture

Human Resource Development through Events

U.S.: Cooperation in SCRCAC* Science Day

The HTS Group cooperates in “Hitachi Celebrates Science Day,” an event with the purpose of getting local children who need economic support interested in science and mathematics.

- Vantec Hitachi Transport System (USA), Inc.
- James J. Boyle & Co.

* SCRCAC: Southern California Regional Community Action Committee
 A social contribution committee consisting of Hitachi Group companies in North America. The HTS Group participates as a logistics partner.

Turkey: Hosting logistics contest

In cooperation with Logistics Association, we hold the “Logistics Case Study Competition” targeting university and professional school students.

This event has been held since 2003 in order to get the attention of students to the logistics industry, and approximately 1,000 students participated in FY2018.

- Mars Logistics Group Inc.



Held in July 2018

Initiatives for Environmental Protection

We participate in tree-planting projects for the environmental protection.

- Flyjac Logistics Pvt. Ltd. (India)
- VANTEC LOGISTICS MEXICO S.A. DE C.V.
- VANTEC AMATA LOGISTICS (THAILAND) CO., LTD.



Tree-planting activity in Mexico

Sports Initiatives

HTS contributes to regional vitalization and cooperates with sound development of young people through sports.

HTS Futsal Tournament

HTS has held its annual Futsal Tournament at the futsal field located next to the logistics center at Noda City, Chiba Prefecture since FY2006.



Held in March 2019

Track and Field Class

The HTS Track and Field Club, our symbol sport, is based in Matsudo City, Chiba Prefecture and cooperates with track and field class hosted by the Matsudo City Education Committee.

Social Welfare Activities by Employees

Activities through internal volunteer organization

Employees conduct activities of donating foodstuffs and toys to local communities.

- Vantec Hitachi Transport System (USA), Inc.
- James J. Boyle & Co. (U.S.)
- VANTEC EUROPE LIMITED (U.K.)

Czech: Activities through an employee charity fund

In our Czech group company, we donate to those who need economic assistance regularly through the charity fund established by volunteer employees. The company continues support activities with employees by contributing twice the amount of employee donation.

- ESA s.r.o.

Overview of the HTS Group Magokoro (Sincere Heart) Fund

As part of its social contribution activities, the HTS Group established a social action program called the “Magokoro (Sincere Heart) program, where our group's employees and officers make contributions to fields related to our business in 2008. Through a system where funds donated by employees are matched by the Company, employees and the Company engage in activities together.

FY2018 Initiatives

<Traffic and Road Safety>

- Gifts: 8,000 sets of reflector for bicycle to Noda City Office, Chiba Prefecture and others
- 711 eco-friendly bags with a reflector to the Traffic Policy Council of Shiga Prefecture

- Financial support: Traffic Accident Orphans Association (public interest incorporated foundation)

<Regional Social Action/Social Welfare>

- Gifts: 53 wheelchairs to 18 municipalities around the country
- A welfare vehicle to each of the Council of Social Welfare in Kakegawa City, Shizuoka Prefecture and “SELP Ujina,” an association of people with disability in Hiroshima Prefecture

- Financial support: JAPAN PARA ICE HOCKEY ASSOCIATION (general incorporated association)

<Environmental Protection>

- Financial support: National Land Afforestation Promotion Organization (Green Fund) (public corporation)
- Organization for Industrial, Spiritual and Cultural Advancement (OISCA) (“Kodomo-no-Mori” Program) (public interest incorporated foundation)



Children in a school we support in Mongolia (OISCA “Kodomo-no-Mori” Program)

- Afforestation support: Additional one hectare of land (“HTS Magokoro Fund” forest) afforested (total of 10 hectares), in collaboration with NPO Afforestation Network



HTS “Magokoro Fund” forest (the Khorchin Mongol region desert, China)

— Working together with our shareholders and investors —

In order to ensure sustainable growth and boost corporate value over the medium-to-long term, we recognize the importance of fair and highly transparent information disclosure in a timely and appropriate manner as well as active dialog with our shareholders and investors. To this end, we have in place an IR system to facilitate communication with both our shareholders and investors.

HTS compiles an IR report detailing information disclosure criteria and methodology, dialog with our shareholders and investors, etc., which is posted on our company's Website.

IR policy
<http://www.hitachi-transportssystem.com/en/ir/policy/>

Information Disclosure

HTS discloses information pertaining to operations, finances, and publications including our summary of financial results, presentation materials of financial results, annual securities reports, notice of convocation of the annual general meeting of shareholders, business reports, and annual reports.

We have made the recorded video of the financial results briefing available on our website from FY2018 and also posted ESG data and materials used in IR seminars for individual investors as part of our efforts toward proactive information disclosure.

Investor Relations
<http://www.hitachi-transportssystem.com/en/ir/>

Holding General Shareholders' Meeting

To encourage attendance of as many shareholders as possible, in principle we avoid the dates when most other Japanese companies hold their meetings.

In order to facilitate smooth exercise of voting rights, HTS offers electromagnetic means which allows shareholders to exercise their rights using PCs and smartphones, uses the electronic voting platform for institutional investors, and post English translation of the notice of convocation and voting results of the annual general meeting of shareholders on our website.

Basic Shareholder Return Policy

Our basic policy of dividends is to seek to maintain stable distribution linked to business performance, while considering medium-to-long-term business expansion and securing internal reserves to strengthen corporate structure.

Dividends	(Dividend per share)		
	Interim	Year-end	Annual
FY2018	¥19	¥21	¥40
FY2017	¥18	¥18	¥36
FY2016	¥17	¥17	¥34

Communication with Shareholders and Investors

HTS communicates with our shareholders and investors through a variety of means, including briefings for securities analysts and institutional investors, telephone conferences, small-scale meetings, overseas road shows, individual meetings, and more.

In FY2018, HTS increased its participation in small-scale meetings organized by brokerage houses, and also offered a logistics center tour for institutional investors with a view to giving them an experience of new technologies.

FY2018 Initiatives

- Results briefings (twice)
- Top executive meeting (once)
- Small-scale meetings (three times)
- Telephone conferences (twice)
- Overseas road shows (twice)
- Conferences in Japan (twice)
- Logistics center tour (once)
- IR seminars for individual investors (twice)
- Individual meetings (including ESG investment interview), etc.



Logistics center tour for institutional investors with a view to giving them an experience of new technologies



Results briefings

[Reference] FY2018 IR schedule (results)

IR activities	FY2018											
	1st quarter			2nd quarter			3rd quarter			4th quarter		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Account settlements	●			●			●			●		
Results briefings	●						●					
Telephone conferences				●						●		
Small-scale meetings	Quiet period			Quiet period	●	●	●	●	Quiet period	●	●	
Annual securities report/Quarterly report	Quiet period		●	●	●	●	●	●	●	●	●	●
For foreign investors	Conferences in Japan					●						●
	Overseas road shows					●	●					●
IR seminars for individual investors						●					●	
Individual meetings		↔		↔		↔		↔		↔		↔
Tour				●								

Disclosed Information

- Summary of financial results
- Presentation Materials of financial results and summary (include Q & A)
- Videos of financial results briefings
- Presentation material of the Mid-term Management Plan
- Small-scale meeting materials
- Materials of IR seminars for individual investors
- ESG data
- Annual securities reports
- Notice of convocation of the annual general meeting of shareholders
- Business reports
- Annual Report
- Stock/Stock price Information
- YouTube official channel
- Special sites (SSCV, EC platform), etc.



<Earnings summary information>



<Various publications>

Special sites for SSCV and EC platform are available on our website (Japanese version only).

SSCV: <http://www.hitachi-transportssystem.com/jp/sscv/>

EC platform: <http://www.hitachi-transportssystem.com/jp/swh/>

Board of Directors and Executive Officers



Sayoko Izumoto

Mitsudo Urano

Koji Tanaka

Hiroshi Maruta

Yasuo Nakatani

Takashi Jinguji

Emiko Magoshi

Tetsu Fusayama

Outside Directors (As of June 18, 2019)

Koji Tanaka

Chairman of the Board Outside Director

- 1974 Hitachi, Ltd.
- 1997 Senior Manager, Power Electric Machine Design Division, Hitachi Works, Hitachi, Ltd.
- 2000 Senior Manager, Corporate Strategic Planning Office, Hitachi, Ltd.
General Manager, Strategic Products Division, Semiconductor Manufacturing Systems Group, Hitachi, Ltd.
- 2001 Deputy General Manager, Group Strategy Division, Hitachi High-Technologies Corporation
- 2002 President & Chief Executive Officer, Life Science Group, Hitachi, Ltd.
- 2005 Deputy General Manager, Hitachi Works, Executive Vice President of Power Systems Group, Hitachi, Ltd.
- 2006 General Manager, Hitachi Works, Power Systems Group, Hitachi, Ltd.
- 2007 Vice President and Executive Officer, General Manager, Hitachi Works, Executive Vice President of Power Systems Group, Hitachi, Ltd.
- 2009 President & Chief Executive Officer, Power Systems Group, General Manager of Renewable Energy & Smart Grid Division, Hitachi, Ltd.
- 2011 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.
- 2014 Outside Director, Hitachi Metals, Ltd.
- 2016 Director, Hitachi Chemical Company, Ltd.
- 2017 CEO, Nuclear Energy Business Unit, Hitachi, Ltd.
- 2018 Advisor, Hitachi, Ltd. (currently in office)
President, The Hitachi Global Foundation
Outside Director, Hitachi Transport System, Ltd. (currently in office)
Director, Hitachi Chemical Company, Ltd. (currently in office)
Director, Hitachi Construction Machinery Co., Ltd. (currently in office)

Mitsudo Urano

Outside Director Independent Officer
Nominating Committee Chairman Compensation Committee Chairman

- 1971 Nippon Reizo Co., Ltd. (currently known as NICHIREI CORPORATION)
- 1995 General Manager, Low Temperature Logistics Planning Division, NICHIREI CORPORATION
- 1999 Director and General Manager, Strategic Planning Division, NICHIREI CORPORATION
- 2001 Representative Director and President, NICHIREI CORPORATION
- 2005 Representative Director and President, Nichirei Foods Inc.
- 2007 Director and Chairman, Nichirei Foods Inc.
Representative Director and Chairman, NICHIREI CORPORATION
- 2011 Outside Director, Yokogawa Electric Corporation (currently in office)
- 2013 Advisor, NICHIREI CORPORATION
Outside Director, Resona Holdings, Inc. (currently in office)
Outside Director, HOYA CORPORATION (currently in office)
- 2014 Outside Director, Hitachi Transport System, Ltd. (currently in office)

Sayoko Izumoto

Outside Director Independent Officer
Audit Committee Member Compensation Committee Member

- 1976 Tohatsu Awoki & Co. (currently known as Deloitte Touche Tohmatsu LLC)
- 1995 Partner, Tohatsu & Co.
- 2001 Council Member, The Japanese Institute of Certified Public Accountants Headquarters
- 2007 Member, Business Accounting Council, Financial Services Agency
- 2008 Member, Technical Committee: Post-Retirement Benefits, Accounting Standards Board of Japan
- 2010 Executive Board Member, The Japanese Institute of Certified Public Accountants Headquarters
- 2015 Member, Information and Communications Council, Ministry of Internal Affairs and Communications (currently in office)
- 2016 Established Izumoto Certified Public Accountant Office (currently in office)
- 2017 Member, Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications (currently in office)
External Audit and Supervisory Board Member, Freund Corporation (currently in office)
Member of the Audit and Supervisory Board (Outside), DAICHI SANKYO COMPANY, LIMITED (currently in office)
Outside Director, Hitachi Transport System, Ltd. (currently in office)

Tetsu Fusayama

Outside Director Independent Officer
Nominating Committee Member Audit Committee Member

- 1979 Public Prosecutor, Tokyo District Public Prosecutors Office
- 2005 Director-General, Criminal Affairs Department, Nagoya High Public Prosecutors Office
- 2006 Director-General, Public Security Department, Tokyo High Public Prosecutors Office
- 2008 Public Prosecutor, Supreme Public Prosecutors Office
Chief Prosecutor, Saga District Public Prosecutors Office
- 2010 Chief Prosecutor, Nagano District Public Prosecutors Office
Chief Prosecutor, Fukuoka District Public Prosecutors Office
- 2012 Registered as attorney-at-law with the Dai-ichi Tokyo Bar Association /Attorney-at-Law, Otani Law Office
- 2013 Founder and Partner, Tokyo Excel Law Firm
- 2014 Chairman, Appeal Committee, Japan Football Association (currently in office)
Established Fusayama Law Office (currently in office)
- 2016 Outside Director, Hitachi Transport System, Ltd. (currently in office)

Emiko Magoshi

(Name on Official Family Registry: Emiko Yamamoto)

Outside Director Independent Officer
Nominating Committee Member

- 1989 Representative Director, Interlink Inc.
- 1991 Common Instructor, Faculty of Foreign Studies, Sophia University
- 1996 Assistant Professor, Faculty of Modern Culture, Tokyo Junshin Women's College
- 2001 Professor, Faculty of Modern Culture, Tokyo Junshin Women's College
- 2002 Professor, College of Business Management and Graduate School of Business Administration, J. F. Oberlin University (currently in office)
- 2003 President, Transcultural Management Society (currently in office)
- 2007 Visiting Professor, University of Tsukuba
Public member, Tokyo Metropolitan Government Labor Relations Commission
- 2014 Outside Director, Hitachi Transport System, Ltd. (currently in office)
Member, Science Council of Japan (currently in office)
- 2016 Director, AXA Life Insurance Co., Ltd.
- 2019 Director, AXA Holdings Japan Co., Ltd. (currently in office)
Vice President, J. F. Oberlin University (currently in office)

Hiroshi Maruta

Outside Director
Audit Committee Chairman

- 1978 Hitachi, Ltd.
- 1999 Deputy General Manager, Finance Department, Hitachi, Ltd.
President & CEO, Hitachi Investment Management, Ltd.
- 2004 Senior Manager of Finance Department II, Hitachi, Ltd.
Senior Vice President and Chief Financial Officer, Hitachi America, Ltd.
Executive Vice President and Chief Financial Officer, Hitachi America, Ltd.
- 2009 General Manager, Finance Division, Hitachi Plant Technologies, Ltd.
- 2011 Director, Vice President and Executive Officer in charge of Management Strategy, Group Strategy and Finance, Hitachi Plant Technologies, Ltd.
- 2012 Director, Senior Vice President and Executive Officer in charge of Management Strategy, Group Strategy, Finance and Hitachi Smart Transformation Project, Hitachi Plant Technologies, Ltd.
Representative Director, Senior Vice President and Executive Officer, Hitachi Plant Technologies, Ltd.
- 2013 General Manager, Finance Group, Infrastructure Systems Company, Hitachi, Ltd.
- 2014 Group CFO, Infrastructure Systems Group, Hitachi, Ltd.
- 2015 Outside Director, Hitachi Transport System, Ltd. (currently in office)

Directors (As of June 18, 2019)

Takashi Jinguji

Director

- 1979 Hitachi Transport System, Ltd.
- 2001 General Manager, General Affairs Department, First Metropolitan Area Headquarters, Hitachi Transport System, Ltd.
- 2004 General Manager, Kanagawa Division, First Metropolitan Area Headquarters, Hitachi Transport System, Ltd.
- 2006 Deputy General Manager, First Metropolitan Area Headquarters, Hitachi Transport System, Ltd.
- 2008 Executive Officer (Chief Executive for Asia), Hitachi Transport System, Ltd.
President, Hitachi Transport System (Asia) Pte. Ltd.
- 2011 Vice President and Executive Officer, Hitachi Transport System, Ltd.
- 2012 Executive, Nishinippon Area Headquarters, Hitachi Transport System, Ltd.
- 2013 Senior Vice President and Executive Officer, Hitachi Transport System, Ltd.
General Manager, Global Corporate Strategy Office, Hitachi Transport System, Ltd.
General Manager, AEO & Corporate Export Regulation Office, Hitachi Transport System, Ltd.
Deputy General Manager, UC Project Department, Hitachi Transport System, Ltd.
- 2014 General Manager, Global Corporate Strategy Office, Hitachi Transport System, Ltd.
- 2015 President, VANTEC HTS FORWARDING, LTD. (currently in office)
General Manager, Strategic Forwarding Office, Hitachi Transport System, Ltd.
- 2016 General Manager, Global Business Management Office, Hitachi Transport System, Ltd.
Director, Hitachi Transport System, Ltd. (currently in office)
- 2019 Director, AIT Corporation (currently in office)
Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi Transport System, Ltd. (currently in office)

Yasuo Nakatani

Director
Nominating Committee Member Compensation Committee Member

- 1978 Hitachi Transport System, Ltd.
- 1999 Seconded to Hitachi Transport System (America), Ltd.
- 2003 General Manager, 2nd Sales Division, International Sales Headquarters, Hitachi Transport System, Ltd.
- 2004 General Manager, 1st Sales Division, International Sales Headquarters, Hitachi Transport System, Ltd.
- 2005 Deputy General Manager, International Sales Headquarters, Hitachi Transport System, Ltd.
- 2006 Executive Officer, Hitachi Transport System, Ltd.
General Manager, International Sales Headquarters, Hitachi Transport System, Ltd.
- 2007 General Manager, Global Business Office, Hitachi Transport System, Ltd.
Deputy General Manager, Global Sales Development Headquarters, Hitachi Transport System, Ltd.
- 2008 Chief Executive for North America, Hitachi Transport System, Ltd.
President, Hitachi Transport System (America), Ltd.
- 2010 Vice President and Executive Officer, Hitachi Transport System, Ltd.
- 2012 Senior Vice President and Executive Officer, Hitachi Transport System, Ltd.
General Manager, Global Corporate Strategy Office, Hitachi Transport System, Ltd.
General Manager, AEO & Corporate Export Regulation Office, Hitachi Transport System, Ltd.
Deputy General Manager, UC Project Department, Hitachi Transport System, Ltd.
- 2013 Representative Executive Officer, Executive Vice President, Hitachi Transport System, Ltd.
Representative Executive Officer, President and Chief Executive Officer and Director, Hitachi Transport System, Ltd. (currently in office)

Board of Directors and Executive Officers

Executive Officers (As of June 18, 2019)



Yasuo Nakatani (*)

Representative Executive Officer
President and Chief Executive Officer



Takashi Jinguji (*)

Representative Executive Officer
Executive Vice President and Executive Officer

President, VANTEC HTS FORWARDING, LTD.



Kunio Iida

Senior Vice President and Executive Officer

Executive, Nishinippon Area Management Headquarters



Seiki Sato

Senior Vice President and Executive Officer

General Manager, Corporate Strategy Office
General Manager, Collaborative Innovation Project Team



Nobukazu Hayashi

Senior Vice President and Executive Officer

General Manager, Financial Strategy Office



Ichiro Iino

Vice President and Executive Officer

General Manager, Global Business Management Headquarters
Chief Executive for Asia
General Manager, AEO & Corporate Export Regulation Office



Yasushi Hagiwara

Vice President and Executive Officer

General Manager, Human Resources & Business Support Office
General Manager, CSR Promotion Office
General Manager, Information Security Office



Kazuhisa Hatakeyama

Vice President and Executive Officer

Executive, Higashinippon Area Management Headquarters
Executive, Higashinippon Area Management Headquarters
(President, Hitachi Transport System South Kanto Co., Ltd.)



Hiromoto Fujitani

Vice President and Executive Officer

General Manager, Business Management Headquarters
General Manager, Logistics Solution Business Development Headquarters, Business Management Headquarters
General Manager, Project Management Office

Yuichi Kuroume Executive Officer

General Manager, Heavy Cargo Transport and Engineering Headquarters
Deputy General Manager, Corporate Strategy Office

Kiyoshi Nagao Executive Officer

Executive, Chubu Area Headquarters, Nishinippon Area Management Headquarters

Hitoshi Honda Executive Officer

Deputy General Manager, Financial Strategy Office

Kazuhisa Sakaguchi Executive Officer

Executive, Nishinippon Area Headquarters, Nishinippon Area Management Headquarters

Kazuhiro Nishikawa Executive Officer

Executive, Metropolitan Area Headquarters, Higashinippon Area Management Headquarters
(President, Hitachi Transport System Kanto Co., Ltd.)

Tetsuji Mimura Executive Officer

General Manager, Business Development Headquarters, Business Management Headquarters

Hiroaki Takagi Executive Officer

Chief Executive for China
(President, Hitachi Transport System (China), Ltd.)

Riichiro Hirano Executive Officer

Chief Executive for Europe
(President, Hitachi Transport System (Europe) B.V.)

Shunsuke Yonekura Executive Officer

General Manager, Information and Communication Technology Strategy Headquarters, Business Management Headquarters

* Concurrently serve as Board Director
(Listed in Japanese alphabetical order by title.)

Profile of Board of Directors and Executive Officers are available at the Company's website.
<http://www.hitachi-transportssystem.com/en/ir/corporate/officer/>

Corporate Governance

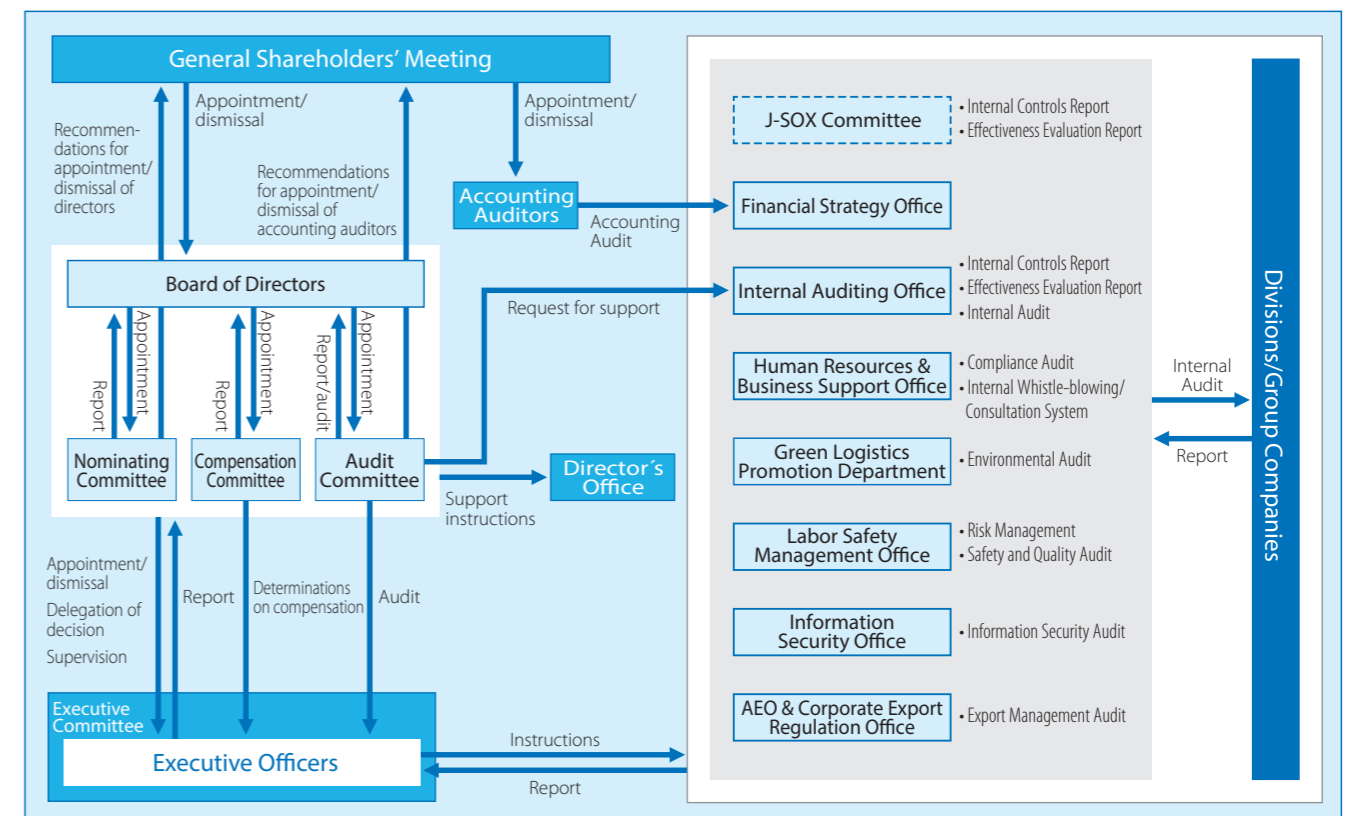
Basic Views

At the HTS group, we consider corporate governance to be key to realizing even greater financial health and transparency, as well as ensuring that our business is carried out with compliance and in accordance with correct corporate ethics. By extension, the crux of corporate governance lies in boosting corporate value and sustainable development. Rooted in our corporate philosophy, we have adopted a corporate governance structure capable of responding deftly to changes in the business environment as well as boosting operational transparency and efficiency—namely a company with a Nominating Committee, etc. System. This means that we have effectively separated our corporate management and our business implementation—a setup that largely transfers business decision-making rights from our board of directors to our executive officers. The result is rapid decision-making and implementation on initiatives such as restructuring and strategic investment. In addition, because we believe that considering the subjective opinions of outside directors facilitates both monitoring of the Board of Directors and transparency of management, we have also established three committees overseeing nomination, auditing, and compensation respectively.

Measures to Enhance Corporate Governance Implemented in the Past

Year	Measures	Purpose
2003	Transitioned to a Company with Committees (established Nominating Committee, Audit Committee and Compensation Committee)	To strengthen management supervision function of the Board of Directors
2014	Developed Criteria for Independence of Outside Directors	To secure independence of directors
	Appointed a female director	To diversify the Board of Directors
2015	Transitioned to a Company with a Nominating Committee, etc. System	To comply with the amended Companies Act
	Responded to the Corporate Governance Code Established Corporate Governance Guidelines of Hitachi Transport System	To strengthen governance
2016	Evaluated the effectiveness of the Board of Directors	To strengthen functions of the Board of Directors
2017	Appointed the second female director	To diversify the Board of Directors

The Current Corporate Governance System and Internal Control System



HTS's Organization Design

By using a Company with a Nominating Committee, etc. 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 once 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.

Board of Directors

Attendance record of Board of Directors meetings and Committee meetings in FY2018

Name	Registration	Current positions and Assignments in the Company*2	Number of attendances for the Board of Directors meetings during FY2018
Independent Officer Sayoko Izumoto	2017	Outside Director Audit Committee 16/16 Compensation Committee 5/5	14/14
Independent Officer Mitsudo Urano	2014	Outside Director Nominating Committee Chairman 8/8 Compensation Committee Chairman 5/5	14/14
Koji Tanaka	2018	Chairman of the Board, Outside Director	12/12 ¹
Independent Officer Tetsu Fusayama	2016	Outside Director Nominating Committee 6/6*1 Audit Committee 16/16	14/14
Independent Officer Emiko Magoshi	2014	Outside Director Nominating Committee 8/8	14/14
Hiroshi Maruta	2015	Outside Director Audit Committee Chairman 16/16	14/14
Takashi Jinguji	2016	Representative Executive Officer Executive Vice President and Executive Officer	14/14
Yasuo Nakatani	2013	Representative Executive Officer President and Chief Executive Officer Nominating Committee 8/8 Compensation Committee 5/5	14/14

*1 Shows the attendance record since his appointment at the 59th Regular General Shareholders' Meeting held on June 19, 2018.

*2 The colored frames indicate respective Committees with the upper part showing the name of the Committee to which a director belongs and the lower part showing his/her attendance records.

(1) Board of Directors

• Primary role: Determines the Company's basic management policy and supervises execution of duties by directors and executive officers (also passes a resolution by focusing on specific discussions on the Mid-term Management Plan and fiscal budget in addition to matters to be resolved stipulated by laws and regulations, the Articles of Incorporation and the Board of Directors regulations)

(2) Nominating Committee

• Primary role: Elects candidates for director (elects appropriate candidates, considering all relevant factors including their past performance and personality)

(3) Audit Committee

• Primary role: Performs audit of execution of duties by directors and executive officers and prepares an audit report (performs audit of execution of duties by directors and executive officers from the viewpoint of legal compliance and appropriate performance of duties in cooperation with independent auditors and internal audit department, with an aim of establishing a high-quality corporate governance system to maintain social trust)

(4) Compensation Committee

• Primary role: Determines compensation, etc. of directors and executive officers (determines the compensation level, etc. for each position commensurate with the ability and responsibilities required of the Company's directors and executive officers and the Company's performance, taking into consideration the compensation level of other companies)

Relationship between HTS and outside directors

There are no special interests involved between six outside directors appointed at the HTS 60th Regular General Shareholders' Meeting held June 18th, 2019 and HTS, as stipulated under the Companies Act Clause 74, Section 2-3.

With a view to boosting our corporate governance—and ensuring better transparency and subjectivity—HTS appoints outside directors with subjective opinions, extensive experience in and knowledge of management, and more. Further, to objectively assess the neutrality of outside directors, we have established neutrality criteria for outside directors based on neutrality criteria employed by entities such as the Tokyo Stock Exchange Securities Listing Regulations, proxy advisory firms, and more. Outside directors who are qualified to be independent under the criteria are considered independent officers; specifically, they hold no risk of conflict of interest with general shareholders. (Sayoko Izumoto, Mitsudo Urano, Tetsu Fusayama, and Emiko Magoshi are registered as independent officers in accordance with Tokyo Stock Exchange regulations.) The criteria for independence of outside directors are noted on the HTS Website.

Criteria for Independence of Outside Directors
<http://www.hitachi-transportssystem.com/en/profile/csr/management/governance.html#section1>

Analysis and evaluation of effectiveness of the entire Board of Directors, and the result

(1) Matters to be discussed by the Board of Directors and the structure

The Board of Directors allocate its time for discussion to management strategy (37%), corporate governance (26%) and business operation and other (37%), based on the annual plan. Regarding the long-term perspectives which have been an issue since FY2017, since the executive officers explained the outline in an early stage, the Board of Directors was able to exchange opinions in advance. Based on this, the Mid-term Management Plan up to FY2021 was developed, but the Board still needs to further discuss long-term issues such as investment including M&A and business portfolio review. In order to improve the effectiveness of the Board of Directors, HTS held a brainstorming by independent outside directors only in the training center for the first time in March 2019. The participants recognized the importance of specific initiatives to supervise executive officers (Executive Committee) to whom significant authorities are delegated as well as information sharing by on-site visit, etc. They also confirmed that not only the Nominating Committee but also the Board of Directors should proactively get involved in the development of next senior management members.

(2) Composition of the Board of Directors and effectiveness commensurate with its role

HTS has four independent outside directors (including two female directors) out of total eight directors. The Board of Directors as a whole consists of a wide variety of persons who have high expertise and insights including former CEO of other company, CPA, those with a background in the corporate accounting/finance field, business scholar and lawyer. In FY2018, the Nominating Committee, the Audit Committee and the Compensation Committee held meetings eight times, 16 times and five times, respectively. In FY2017, it was decided that the chairs of the Board of Directors and each Committee should be selected from non-executive outside directors and that in FY2018 the chairs of the Nominating Committee and the Compensation Committee should be selected from independent outside directors, which further increased the neutrality. The self-assessment on the effectiveness by each Committee is as follows.

• **Nominating Committee:** Regarding the appointment and dismissal of CEO, which is one of the important roles of the Board of Directors, we, as the Nominating Committee, conducted discussions on "process of reappointment of President and Chief Executive Officer" three times, and based on the final resolution, we confirmed that there was no objection to the reappointment of the current president for FY2019.

• **Audit Committee:** The executive officers continued to quickly respond to recommendations by the Audit Committee, and we believe the effectiveness is being maintained. Audit in collaboration among three parties (the Audit Committee, the internal audit department and the independent auditor) is functioning effectively in identifying risks and improving audit quality through information sharing, and the effectiveness and efficiency of audit is essentially being maintained. However, although the consolidated financial statements for FY2014 (April 1, 2014 to March 31, 2015) and thereafter were issued an "unqualified opinion" by the independent auditor, because it was found in January 2019 that certain accounting treatments for

M&A did not comply with IFRS, we restated the consolidated financial statements for FY2014 and thereafter at the closing of the quarterly consolidated financial statements for the third quarter ended December 31, 2018. We recommended the executive officers to improve the internal control process for account closing under IFRS and requested the independent auditor to further improve the audit quality management. In FY2019, we will verify the progress of each improvement measure to prevent recurrence of erroneous accounting treatments under IFRS which is increasingly becoming complicated, and continue our efforts to "strengthen audit collaboration among three parties" and to "improve audit quality." In order to verify the effective function of the Board of Directors which is the core of the governance of 84 domestic and overseas group companies, the Audit Committee verified through its own audit as well as regular reporting of audit activities from statutory auditors of group companies and audit reports from the Internal Auditing Office, and continued to convey requests for each corrective measure to executive officers. We also conducted an "evaluation of the statutory auditor system of the HTS Group companies" based on the statutory auditor reports in FY2018, and used the evaluation results to demand the executive officers to take necessary corrective measures to improve the activity level of the statutory auditors. As a result, it was decided that the statutory auditor system in subsidiaries will be strengthened in FY2019 by increasing the number of full-time statutory auditors. As for the sustainable increase of corporate value required by the Corporate Governance Code, a business assessment scheme requested by the Audit Committee using ROIC*1 as KPI*2 based on WACC*3 is incorporated into the budget process, and the management focusing on capital efficiency is becoming to take root.

• **Compensation Committee:** In deciding compensation of executive officers, we introduced multifaceted evaluation by increasing benchmarks to be considered, and we confirmed that we will need to discuss the fix/variable ratio in the total compensation and stock-based compensation. We will work on specific measures to improve the quality of our meeting including time of the meeting.

(3) Holding, planning and actual operation of the Board of Directors

In FY2018, the Board of Directors held 14 meetings. The frequency based on the general rule to hold the meeting on a monthly basis is appropriate, and the annual plan reflecting opinions of directors is also well-balanced. As for actual operation, the advance briefing on certain agendas is sometimes only handouts provided immediately before a meeting, and therefore we requested the secretariat to provide more detailed advance briefing. At the Board of Directors meeting, directors exchange their opinions from various angles freely and vigorously.

*1 ROIC: Return on Invested Capital
*2 KPI: Key Performance Indicator
*3 WACC: Weighted Average Cost of Capital

Executive Committee

- Deliberates on important issues related to business implementation
- Comprised entirely of executive officers or individuals appointed by the company president
- Executive Committee meeting held once a month in principle (additional sessions held as necessary)
- Total of 18 executive officers (as of April 1, 2019)

Compliance

Initiatives to Enhance Compliance Base

In order to ensure management in compliance with laws and regulations, the HTS Group has put in place a system to clarify compliance functions and set a compliance basic policy to be observed by all officers and employees, to ensure thorough compliance with laws and regulations, company rules, and corporate ethics.

We have also established "HTS Group Code of Conduct" defining how all officers and employees should act in their daily operations as it is vital for us not only to comply with laws but also to act in accordance with corporate ethics in order to meet trust and expectations of the society. Furthermore, we ensure thorough compliance to foster a corporate culture that values corporate ethics and compliance by actively providing compliance trainings and awareness projects, including e-learning, company-wide group seminars and compliance meetings.

HTS Group compliance reference card

Since 2016, we have been distributing the HTS Group compliance reference card to all officers and employees of the HTS Group to promote awareness of "HTS Group Code of Conduct." It contains a summary of the code of conduct, flowcharts to be used as a reference in difficult situations regarding compliance, and other things that will help officers and employees to take appropriate actions.

In 2018, the contents of the card were carefully selected and revised to be simpler, and easier to read and understand. The card is translated into 20 languages and distributed to all of overseas officers and employees.

List of Compliance Pledges

1. I observe laws and regulations for workplace safety, health, working conditions, company regulations, etc.
2. I do not engage in harassment.
3. I do not engage in actions that cause harm to personal character such as slander, privacy infringement, etc.
4. I observe the various rules related to information security, and I do not engage in illegal acquisition of confidential or personal information, nor in leaking information outside of the company.
5. I do not engage in actions that could be suspected of bribery and corruption by maintaining prudent relationships with customers and transaction partners.
6. I do not engage in illegal actions that impede fair and free competition including cartels and bid-rigging.
7. I observe export-import related laws and regulations, and the HTS Environmental Policy.

Hitachi Transport System Group Compliance Reference Card

The HTS Group is in pursuit of great social value. We will take actions based on the HTS Group Code of Conduct (established in 2016), and build a corporate culture that does not tolerate any violations regardless of circumstances. The HTS Group strives for increasing trust and confidence of society.

January 2019
Hitachi Transport System, Ltd.
President and CEO Yasuo Nakatani

Compliance Checklist

1. Do you observe laws and regulations?
2. Do you observe the HTS Group Code of Conduct?
3. Do you observe the company's image?
4. Can it be known to your family and friends?
5. Is there a problem if disclosed externally to common government agencies, the mass media, etc.?

Hitachi Transport System, Ltd. or group companies will respond according to the content of reports.

Intranet, e-mail and sealed letters

Contact point within the company:

How to report by intranet: There is a page on the Intranet Compliance page for directly making reports.

How to report by e-mail: Send an e-mail to the following address with "[Compliance] In-company Reporting System" in the title. E-mail address:

Please use the above address or e-mail address if you have any inquiries about the system. Personal information on reports will be handled in accordance with the Hitachi Transport System Privacy Policy (<http://www.hitachi-transportssystem.com/en/privacy>). Please report once you have understood and agree with the Policy.

Reports are accepted not only in Japanese, but also in other languages.



Compensation Committee's Policy and Process for Determining the Amount of Compensation, etc. of Directors and Executive Officers

(1) Decision-making on policy

In accordance with the Companies Act as pertains to a company with a Nominating Committee, etc. System, the Compensation Committee determines compensation levels for individual directors and executive officers.

(2) Basic policy

The Compensation Committee deliberates and determines compensation level, etc. for each position commensurate with the ability and responsibilities required of HTS officers and the Company's performance, taking into consideration the compensation level of other companies.

(3) Director compensation, etc.

Director compensation levels are comprised of a combination of a monthly salary and an end-of-term bonus (full-time directors only). The monthly salary reflects executive-level performance and whether or not the individual is full or part-time. The end-of-term bonus is determined as the base amount predetermined at approximately 10% of the individual's annual income based on the monthly salary with an adjustment reflecting the Company's performance, subject to the Compensation Committee's deliberation. Directors who also serve as executive officers do not receive additional compensation as directors.

For compensation, etc. for FY2018, the Compensation Committee deliberated and determined compensation, etc. for each director on June 19, 2018 and the end-of-term bonus for each director on May 21, 2019 in accordance with the policy for determining compensation, etc. for directors, etc. established by the Compensation Committee on December 26, 2017.

(4) Executive officer compensation, etc.

Executive officer compensation levels are comprised of a combination of a monthly salary and a performance-linked compensation, and determined by reflecting executive's performance review in a base amount commensurate with his/her position. Performance-linked compensation is determined as the base amount set at roughly 30% to 40% of annual income with an adjustment reflecting the performance evaluation with reference to year-on-year comparison of revenues and adjusted operating income* and the results of the business operation under his/her responsibility, subject to the Compensation Committee's deliberation. We clarified our responsibility toward improvement of shareholder value by setting adjusted operating income having strong correlation with market capitalization as one of the determinant factors.

For compensation, etc. for FY2018, the Compensation Committee deliberated and determined compensation, etc. for each executive officer on March 30, 2018 and performance-linked compensation for each executive officer on May 21, 2019 in accordance with the policy for determining compensation, etc. for executive officers established by the Compensation Committee on December 26, 2017.

* FY2018 (results)	Revenues: ¥708,831 million (1% increase YoY)
	Adjusted operating income: ¥31,192 million (5% increase YoY)
FY2018 (plan)	Revenues: ¥710,000 million (1% increase YoY)
	Adjusted operating income: ¥31,000 million (4% increase YoY)

Internal Controls

Based on the relevant laws and ordinances, we have established an Audit Committee to supervise the work of our directors and executive officers, while our Board of Directors implements comprehensive systems related to internal controls.

The HTS Group has set up an Internal Controls Committee, through which internal controls related to financial reporting are documented and also assessed for effectiveness throughout the HTS Group. By adhering to internal control reporting systems on financial reporting as stipulated in the Financial Instruments and Exchange Act, our financial reporting earns the optimal trust level.

Complying with the Corporate Governance Code

HTS is compliant with all principles established in the Corporate Governance Code as of the end of FY2018 except for "Principle 1.4 Cross-shareholdings," whose assessment result is "Explain." The reason why we do not implement this principle and the current status of our cross-shareholdings are as follows.

[Principle 1.4: Cross-shareholdings]
(Policies regarding cross-shareholdings)
HTS does not hold cross-shareholdings in principle, unless it is for a medium-to-long-term sustainable growth of the Company and improvement of corporate value.

Under such policy, of 26 issues we hold, we sold all shares of 14 issues in March 2016, one issue in October 2016 and one issue in June 2017, and we purchased one issue in March 2019, resulting in a total of 11 issues of shareholding as of March 31, 2019. As of March 31, 2019, the amount of cross-shareholdings accounted for less than 1% of total assets, which is insignificant on the balance sheet. In addition, the Board of Directors evaluates every year whether to continue holding those shares from the viewpoint of the criteria for investment assessment (ROE, dividend payout ratio and impairment risk, etc. of individual issue) and the criteria for business assessment (revenues from direct transactions with HTS, credit information by a third party agency and compliance, etc.). Going forward, we will make decisions based on more clear comparison with capital cost. (Exercise of voting rights)
HTS exercises its voting rights from the perspective of its medium-to-long-term sustainable growth and improvement of corporate value.

"Corporate Governance Guidelines" are available on our website.

<http://www.hitachi-transportssystem.com/en/profile/csr/management/governance.html#section7>

Risk Management

Initiatives to Strengthen BCP System

The HTS Group has devised BCPs 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, we have BCPs mainly assuming large-scale natural disasters that threaten our business continuity. As an initiative to enhance the effectiveness of the BCPs, in FY2018, a disaster prevention headquarter training (desktop simulation) in Kansai area was conducted in February 2019, which was postponed from the first half due to damages caused by Typhoon No. 21. In the first half of FY2017, based on the lessons learned from the Kumamoto Earthquakes, we replenished the stockpile for disaster to cover any shortfall across the Group and established six backup warehouses to be used as alternative sites if disaster occurs around the country.

In overseas, the HTS Group sends BCP Caravan from Japan to our major sites in North America, Europe, China, and other parts of Asia to establish and develop risk management system. In addition, we gather information on developments such as large-scale-disasters, terrorism, etc., from information sources such as the Foreign Ministry as well as major communications companies, to alert our staff stationed or traveling overseas of imminent dangers. At the same time we have instituted emergency contact systems based on the information from our overseas locations.



Overseas BCP Caravan in Indonesia



Training session in Kansai area

Information Security

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 personal information provided to us by customers.

In FY2018, following the amendment of "JIS Q 15001 Personal Information Protection Management Systems – Requirements," we revised our internal rules and confirmed the management and operation status of personal information.

We are also striving to further strengthen governance across the HTS Group and working on e-learning education and simulation trainings for targeted threat emails for all employees, responses to GDPR*1 in EU and personal information protection in Japan and overseas.

Acquisition and Maintenance of Third-party Certification

HTS has obtained and maintained third party certification, specifically the Privacy Mark*2 and ISMS*3 (ISO/IEC 27001) (Information Security Management System), to give our stakeholders a sense of security and peace of mind with regard to protection of personal information and information security.

Third party certifications



*1 GDPR (General Data Protection Regulation):
A regulation established by EU to protect personal data and privacy, which imposes severe restrictions on the handling of personal data (processing and transfer) by companies and organizations.

*2 Privacy mark:
The JIPDEC grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.

*3 ISMS (ISO/IEC 27001):
International standard of information security management system. The certification is granted based on the assessment of the initiatives for information security implemented by an organization.

Financial Statements

Consolidated Statement of Financial Position	53
Consolidated Statement of Profit or Loss	55
Consolidated Statement of Comprehensive Income	56
Consolidated Statement of Changes in Equity	57
Consolidated Statement of Cash Flows	59

For details, please see the Financial Section on our website.
<http://www.hitachi-transportssystem.com/en/ir/library/annual/>

Consolidated Statement of Financial Position

Hitachi Transport System, Ltd. and subsidiaries

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	¥ 108,412	¥ 63,497	\$ 976,773
Trade receivables	–	135,987	–
Trade receivables and contract assets	132,544	–	1,194,198
Inventories	1,145	1,711	10,316
Other financial assets	4,597	7,868	41,418
Other current assets	11,965	11,089	107,803
Total current assets	258,663	220,152	2,330,507
Non-current assets			
Investments accounted for using the equity method	84,009	75,349	756,906
Property, plant and equipment	182,400	175,015	1,643,391
Goodwill	26,212	27,869	236,165
Intangible assets	28,556	31,833	257,284
Deferred tax assets	8,083	8,466	72,826
Other financial assets	18,241	18,320	164,348
Other non-current assets	6,371	7,899	57,402
Total non-current assets	353,872	344,751	3,188,323
Total assets	¥ 612,535	¥ 564,903	\$ 5,518,831

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
Liabilities			
Current liabilities			
Trade payables	¥ 54,253	¥ 55,078	\$ 488,810
Short-term debt	5,850	10,747	52,707
Current portion of long-term debt	5,662	15,307	51,014
Income tax payable	3,362	6,782	30,291
Other financial liabilities	24,886	29,049	224,218
Other current liabilities	28,481	30,829	256,609
Total current liabilities	122,494	147,792	1,103,649
Non-current liabilities			
Long-term debt	191,198	138,244	1,722,660
Retirement and severance benefits	32,083	32,077	289,062
Deferred tax liabilities	10,712	10,897	96,513
Other financial liabilities	22,958	23,721	206,847
Other non-current liabilities	4,141	3,881	37,310
Total non-current liabilities	261,092	208,820	2,352,392
Total liabilities	¥ 383,586	¥ 356,612	\$ 3,456,041
Equity			
Equity attributable to stockholders of the parent company			
Common stock	¥ 16,803	¥ 16,803	\$ 151,392
Retained earnings	206,245	186,373	1,858,230
Accumulated other comprehensive income	(520)	1,333	(4,685)
Treasury stock, at cost	(182)	(181)	(1,640)
Total equity attributable to stockholders of the parent company	222,346	204,328	2,003,298
Non-controlling interests	6,603	3,963	59,492
Total equity	228,949	208,291	2,062,789
Total liabilities and equity	¥ 612,535	¥ 564,903	\$ 5,518,831

Consolidated Statement of Profit or Loss

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Revenues	¥ 708,831	¥ 700,391	\$ 6,386,440
Cost of sales	(626,458)	(620,011)	(5,644,274)
Gross profit	82,373	80,380	742,166
Selling, general and administrative expenses	(51,181)	(50,577)	(461,132)
Adjusted operating income	31,192	29,803	281,034
Other income	3,850	3,461	34,688
Other expenses	(4,689)	(3,998)	(42,247)
Operating income	30,353	29,266	273,475
Financial income	450	88	4,054
Financial expenses	(1,042)	(1,818)	(9,388)
Share of profits of investments accounted for using the equity method	6,419	5,557	57,834
EBIT (Earnings before interest and taxes)	36,180	33,093	325,975
Interest income	1,075	1,031	9,686
Interest expenses	(2,009)	(1,862)	(18,101)
Income before income taxes	35,246	32,262	317,560
Income taxes	(11,233)	(10,154)	(101,207)
Net income	¥ 24,013	¥ 22,108	\$ 216,353
Net income attributable to:			
Stockholders of the parent company	22,786	20,916	205,298
Non-controlling interests	1,227	1,192	11,055
	Yen		U.S. dollars
	2019	2018	2019
Earnings per share attributable to stockholders of the parent company			
Basic	¥ 204.27	¥ 187.50	\$ 1.84
Diluted	-	-	-

Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income	¥ 24,013	¥ 22,108	\$ 216,353
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI	(300)	457	(2,703)
Remeasurements of defined benefit plans	(191)	(60)	(1,721)
Share of OCI of investments accounted for using the equity method	(14)	123	(126)
Total items not to be reclassified into net income	(505)	520	(4,550)
Items that can be reclassified into net income			
Foreign currency translation adjustments	(1,121)	1,798	(10,100)
Net changes in cash flow hedges	(2)	-	(18)
Share of OCI of investments accounted for using the equity method	(108)	5	(973)
Total items that can be reclassified into net income	(1,231)	1,803	(11,091)
Other comprehensive income (OCI)	(1,736)	2,323	(15,641)
Comprehensive income	¥ 22,277	¥ 24,431	\$ 200,712
Comprehensive income attributable to:			
Stockholders of the parent company	21,178	22,486	190,810
Non-controlling interests	1,099	1,945	9,902

Consolidated Statement of Changes in Equity

Hitachi Transport System, Ltd. and subsidiaries

For the year ended March 31, 2019

	Millions of yen						
	2019						
	Equity attributable to stockholders of the parent company					Non-controlling interests	Total equity
Common stock	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	¥ 186,373	¥ 1,333	¥ (181)	¥ 204,328	¥ 3,963	¥ 208,291
Cumulative effects of changes in accounting policies	–	25	–	–	25	–	25
Restated balance	16,803	186,398	1,333	(181)	204,353	3,963	208,316
Changes in equity							
Net income	–	22,786	–	–	22,786	1,227	24,013
Other comprehensive income	–	–	(1,608)	–	(1,608)	(128)	(1,736)
Transactions with non-controlling interests	–	115	(4)	–	111	2,130	2,241
Dividends	–	(4,127)	–	–	(4,127)	(171)	(4,298)
Transfer to retained earnings	–	99	(99)	–	–	–	–
Acquisition and sales of treasury stock	–	–	–	(1)	(1)	–	(1)
Changes in liabilities for written put options over non-controlling interests	–	974	(142)	–	832	(418)	414
Total changes in equity	–	19,847	(1,853)	(1)	17,993	2,640	20,633
Balance at end of year	¥ 16,803	¥ 206,245	¥ (520)	¥ (182)	¥ 222,346	¥ 6,603	¥ 228,949

For the year ended March 31, 2018

	Millions of yen						
	2018						
	Equity attributable to stockholders of the parent company					Non-controlling interests	Total equity
Common stock	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	¥ 171,633	¥ (774)	¥ (180)	¥ 187,482	¥ 3,437	¥ 190,919
Changes in equity							
Net income	–	20,916	–	–	20,916	1,192	22,108
Other comprehensive income	–	–	1,570	–	1,570	753	2,323
Transactions with non-controlling interests	–	9	–	–	9	(122)	(113)
Dividends	–	(3,904)	–	–	(3,904)	(131)	(4,035)
Transfer to retained earnings	–	10	(10)	–	–	–	–
Acquisition and sales of treasury stock	–	–	–	(1)	(1)	–	(1)
Changes in liabilities for written put options over non-controlling interests	–	(2,291)	547	–	(1,744)	(1,166)	(2,910)
Total changes in equity	–	14,740	2,107	(1)	16,846	526	17,372
Balance at end of year	¥ 16,803	¥ 186,373	¥ 1,333	¥ (181)	¥ 204,328	¥ 3,963	¥ 208,291

For the year ended March 31, 2019

	Thousands of U.S. dollars						
	2019						
	Equity attributable to stockholders of the parent company					Non-controlling interests	Total equity
Common stock	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	\$ 151,392	\$ 1,679,187	\$ 12,010	\$ (1,631)	\$ 1,840,959	\$ 35,706	\$ 1,876,665
Cumulative effects of changes in accounting policies	–	225	–	–	225	–	225
Restated balance	151,392	1,679,413	12,010	(1,631)	1,841,184	35,706	1,876,890
Changes in equity							
Net income	–	205,298	–	–	205,298	11,055	216,353
Other comprehensive income	–	–	(14,488)	–	(14,488)	(1,153)	(15,641)
Transactions with non-controlling interests	–	1,036	(36)	–	1,000	19,191	20,191
Dividends	–	(37,184)	–	–	(37,184)	(1,541)	(38,724)
Transfer to retained earnings	–	892	(892)	–	–	–	–
Acquisition and sales of treasury stock	–	–	–	(9)	(9)	–	(9)
Changes in liabilities for written put options over non-controlling interests	–	8,776	(1,279)	–	7,496	(3,766)	3,730
Total changes in equity	–	178,818	(16,695)	(9)	162,114	23,786	185,900
Balance at end of year	\$ 151,392	\$ 1,858,230	\$ (4,685)	\$ (1,640)	\$ 2,003,298	\$ 59,492	\$ 2,062,789

Consolidated Statement of Cash Flows

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities:			
Net income	¥ 24,013	¥ 22,108	\$ 216,353
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	19,059	19,030	171,718
Impairment losses	2,045	1,254	18,425
Share of profits of investments accounted for using the equity method	(6,419)	(5,557)	(57,834)
Gain on business reorganization	(3,134)	–	(28,237)
Income taxes	11,233	10,154	101,207
Increase (decrease) in retirement and severance benefits	225	863	2,027
Interest and dividends income	(1,482)	(1,117)	(13,353)
Interest expenses	2,009	1,862	18,101
(Gains) losses on sale of property, plant and equipment	(44)	(2,780)	(396)
(Increase) decrease in trade receivables and contract assets	449	(9,667)	4,045
(Increase) decrease in inventories	389	(227)	3,505
Increase (decrease) in trade payables	816	2,738	7,352
Increase (decrease) in other assets and other liabilities	(1,286)	(2,596)	(11,587)
Other	17	956	153
Subtotal	47,890	37,021	431,480
Interest and dividends received	3,937	2,917	35,472
Interest paid	(1,912)	(1,748)	(17,227)
Income taxes paid	(12,103)	(10,266)	(109,046)
Net cash provided by operating activities	37,812	27,924	340,679
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	(14,948)	(12,197)	(134,679)
Proceeds from sale of property, plant and equipment and intangible assets	1,491	5,485	13,434
Collection of short-term loan receivable	3,900	–	35,138
Decrease due to a loss of control of subsidiaries	(4,466)	–	(40,238)
Other	131	534	1,180
Net cash used in investing activities	(13,892)	(6,178)	(125,164)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(4,775)	1,834	(43,022)
Proceeds from long-term debt	49,749	–	448,230
Repayments of long-term debt	(11,490)	(1,502)	(103,523)
Repayments of lease obligations	(4,964)	(4,849)	(44,725)
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests	2,528	–	22,777
Purchase of shares of consolidated subsidiaries from non-controlling interests	(4,963)	(7,484)	(44,716)
Dividends paid to stockholders of the parent company	(4,127)	(3,904)	(37,184)
Dividends paid to non-controlling interests	(151)	(108)	(1,360)
Other	(703)	(432)	(6,334)
Net cash provided by (used in) financing activities	21,104	(16,445)	190,143
Effect of exchange rate changes on cash and cash equivalents	(109)	713	(982)
Net increase in cash and cash equivalents	44,915	6,014	404,676
Cash and cash equivalents at beginning of year	63,497	57,483	572,097
Cash and cash equivalents at end of year	¥ 108,412	¥ 63,497	\$ 976,773

Corporate Data (As of March 31, 2019)

Corporate Data

Corporate name: Hitachi Transport System, Ltd.
Head office: 2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan
Founded: February 1950 (Established: August 1959)
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, Logistics 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.

Stock Information

Number of shares outstanding

111,776,714 shares

Number of shares per unit

100 shares

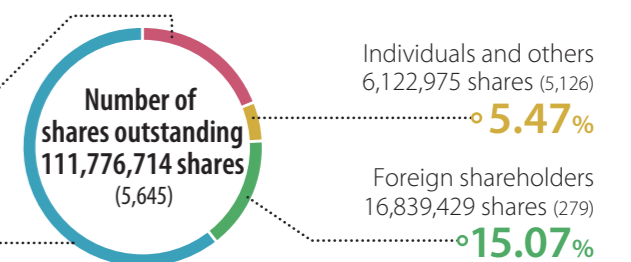
Composition of shareholders

Financial institutions, securities companies
21,190,157 shares (67)

18.96%

Other corporations
67,624,153 shares (173)

60.50%



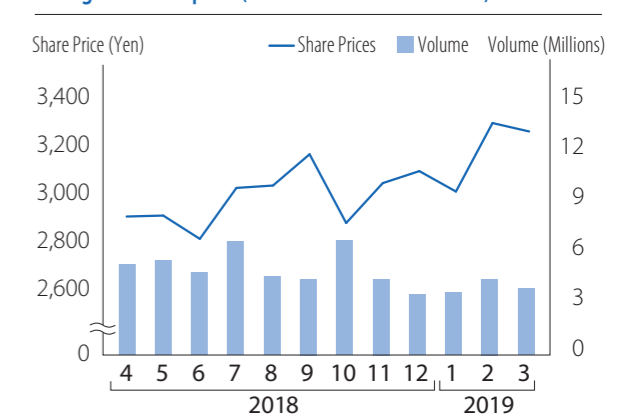
* Numbers inside parentheses are number of shareholders.

Major shareholders (top 10)

Name of shareholder	Number of shares held (thousands)	Percentage of shares held
Hitachi, Ltd.	33,471	30.01 %
SG Holdings Co., Ltd.	32,349	29.00
Japan Trustee Services Bank, Ltd. (Trust Account)	5,709	5.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,447	3.99
National Mutual Insurance Federation of Agricultural Cooperatives	2,733	2.45
JP MORGAN CHASE BANK 380684	1,739	1.56
Hitachi Transport System, Ltd. Employees' Shareholding Association	1,349	1.21
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,313	1.18
GOLDMAN SACHS INTERNATIONAL	1,266	1.14
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 (227,265 shares).

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



 **Hitachi Transport System, Ltd.**

2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan Tel: +81-3-6263-2800

<http://www.hitachi-transportssystem.com/en/>



FY2018 Edition (issued in September 2019)