

**HITACHI**  
Inspire the Next

未知

に

Annual Report 2018



Hitachi Transport System

挑戦

Taking on the Future

# 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

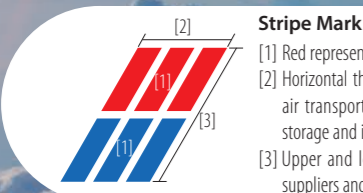
### Taking on the Future

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, 2018 (April 1, 2017 – March 31, 2018 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 (95 consolidated subsidiaries and 12 associates accounted for by the equity method) in principle.

### Forward-looking statements

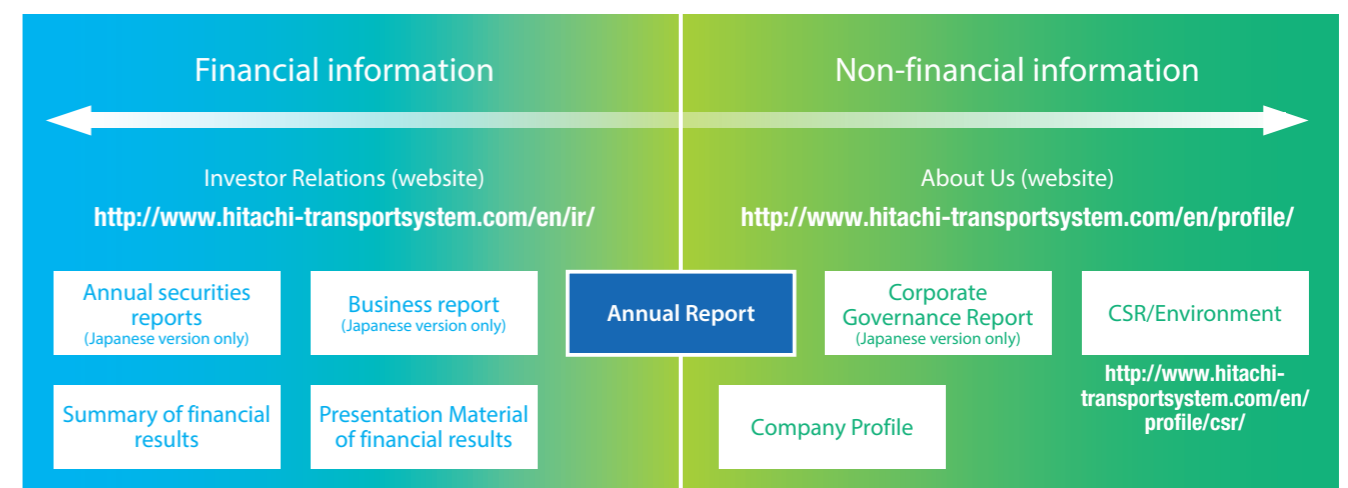
This annual report contains forward-looking statements that reflect Hitachi Transport System, Ltd. and its Group companies’ forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various 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.

The Hitachi Transport System Group will exceed the domain of Smart Logistics and start our new business concept “LOGISTEED” which reflects the Group’s commitment toward our brand slogan “Taking on the Future.”

Toward New Dimensions  
**LOGISTEED**

Please refer to Page 11 for more details.

### The HTS Group’s tools for information disclosure



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# Top Message

—Message from the President—



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

The HTS Group provides services to support companies in building their optimal supply chains. We contribute to building an important social and industrial base by not only transporting, storing and installing products but also coordinating corporate logistics from the beginning to the end. Recently, with a view to a new era of Society 5.0<sup>\*1</sup>, we focus on creating solutions beyond the conventional logistics domain and aim at an innovation of a sustainable supply chain.

The Group has started the Mid-term Management Plan for the period from FY2016 to FY2018, under which we strive to create new values by invigorating collaborative innovation with our customers and business partners and also to improve our corporate value by enhancing our "Earning capability" and "Growing power" as well as "Sustainable capability."

Amid a breakthrough in technologies including "IoT (Internet of Things)," "AI (Artificial Intelligence)," "Robotics" and diversification of services, methods and values in the society such as "Fintech"<sup>\*2</sup> and "Sharing Economy"<sup>\*3</sup>, in FY2017, the second year of the Mid-term Management Plan, we promoted various measures to achieve new innovations by expanding collaborative areas across businesses and industries, with "enhancement of logistics as a function" as our core target. Also, with SG Holdings Group, our capital and business alliance partner, we promoted various collaborative activities from a broader perspective and in wider range of fields and implemented measures to make effective use of each other's resources including night-time use of vehicles and opening satellite locations in logistics centers.

## We will exceed the conventional domain of logistics, bring innovation to the future of business and people's lifestyles, and aim to become the most preferred solutions provider.

As for the business environment surrounding the Group in FY2018, while the global economy continues to be on a growth trend, attention must be paid to concerns over a shift to protectionism/block economies and geopolitical risks, etc. Also, 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<sup>\*4</sup> market. Under these circumstances, the Group has positioned FY2018 as the period to prepare and get ready for the next Mid-term Management Plan, and started the year with a new business concept of "LOGISTEED"<sup>\*5</sup> which reflects the Group's determination to lead the business to a new domain beyond Smart Logistics. Under the open innovation through various partnerships with different industries and research institutions, we will work on establishing digital platform and optimizing SCM<sup>\*6</sup>, operating platform center for EC, and building Smart Logistics center directly connected to a factory, with an aim to evolve into a SCM partner from a logistics partner. In addition, we intend to fulfill our social responsibilities as a carrier by promoting the development of vehicle solution systems for driving management aiming at realization of zero-accident society through joint development with industry-academia-government collaboration. The Group will further promote collaborative innovation and collaboration in logistics and related domains and strive to provide innovation responding to social issues and needs and to create values.

In order to respond to social issues and needs and become a preferred company for all of stakeholders, we believe it is important that we fulfill our responsibilities toward social demands and expectations including those related to environment and proactively work on solutions. Therefore, in FY2017, the Group identified material issues<sup>\*7</sup> to understand social/environmental issues and formulated "CSR objectives" where the Group should address with priority. Through the initiatives in "CSR objectives," we aim to contribute to achieving "Sustainable Development Goals (SDGs<sup>\*8</sup>)" which is the universal goals for the international community to be attained by 2030. Also, under our management priority measures of "Behavior based on corporate ethics," we will promote initiatives focusing on corporate social responsibilities in ESG (Environment, Social and Governance) fields, strive to improve management transparency and efficiency, and carry out business activities by thoroughly pursuing safety and considering environmental issues. Furthermore, we will strive to enhance the Group's organization power by promoting diversity and system standardization toward continued working-style reform, with the aim of enhancing our ability to respond to changes in management environment and improve productivity and pursuing creation of corporate value.

The Group will exceed the conventional domain of logistics, bring innovation to the future of business and people's lifestyles, meet the expectations and trust from all stakeholders, and become the most preferred solutions provider.

We look forward to your continued support.

Yasuo Nakatani, President and CEO

<sup>\*1</sup> Society 5.0: Refers to a new society that follows the hunter-gatherer society, agricultural society, industrial society, and information society and is the concept advocated by the Japanese government in the 5th Science and Technology Basic Plan as a future society that Japan should aspire to. <sup>\*2</sup> Fintech: A coined word combining "finance" and "technology" and referring to financial services utilizing IT. <sup>\*3</sup> Sharing Economy: Social framework whereby products, services and places are used by sharing or exchanging with other people. <sup>\*4</sup> EC: Electronic Commerce <sup>\*5</sup> LOGISTEED: Please see page 11. <sup>\*6</sup> SCM: Supply Chain Management <sup>\*7</sup> Material issues: Refers to issues having both high importance and material impact in terms of the impact on the company's policy, strategy and business and the social interests and influence. <sup>\*8</sup> SDGs (Sustainable Development Goals): Developments goals adopted at the UN Summit in September 2015 that should be addressed globally in 15 years from 2016 to 2030. Please see page 17 for details.

# Our Value Creation

— HTS Group Value Creation —

The HTS Group improve the corporate value by enhancing our “Earning capability” and “Growing power” as well as “Sustainable capability.”

## Services — Businesses & Solutions —

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.



### 3PL business

### Heavy Machinery and Plant Logistics business

### Forwarding business

### Automobile parts logistics 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

#### 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

#### 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

#### 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

## Resources — Bases for Value Creation —

Number of Companies<sup>\*1</sup>/Locations<sup>\*2</sup>

### Locations



**108** companies **731** sites

<Domestic: 26 companies 333 sites/Overseas: 82 companies 398 sites>

Area of Logistics Center<sup>\*2</sup>

### Warehouses



**7.31** Mm<sup>2</sup>

<Domestic: 4.99 Mm<sup>2</sup>/Overseas: 2.31 Mm<sup>2</sup>>

Total Personnel<sup>\*3</sup>

### Human Resources



**47,784**

<Domestic: 29,669 employees/Overseas: 18,115 employees>

Number of vehicles (including leased vehicles)

### Vehicles



**Total: 16,479**

Truck<sup>\*4</sup>: 3,734 Forklift: 5,784  
Trailer: 4,898 Other<sup>\*5</sup>: 2,063

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

\*1 Number of companies includes SAGAWA EXPRESS CO., LTD. \*2 Numbers of sites and warehouse floor space exclude those of SAGAWA EXPRESS CO., LTD.

\*3 Number of employees excludes associates accounted for by the equity method. \*4 Including tractors and vans \*5 Including buses and passenger cars, etc.

# 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.

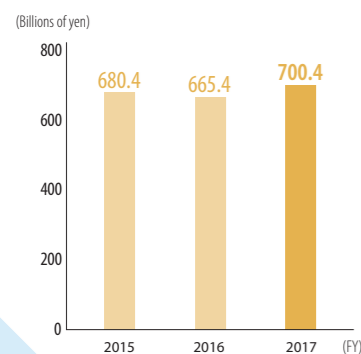
(As of March 31, 2018)

(FY)	J-GAAP							IFRS				
	2008	2009	2010	2011	2012	2013	2014	2014	2015	2016	2017	2017
Millions of yen												
<b>For the year:</b>												
Revenues (Service Revenues) <sup>*2</sup>	¥352,800	¥331,917	¥368,798	¥553,934	¥547,517	¥624,504	¥677,108	¥678,573	¥680,354	¥665,377	¥700,391	\$6,592,536
Domestic logistics	243,646	244,460	256,886	386,448	375,560	388,765	397,844	397,954	405,080	411,796	417,835	3,932,935
Global logistics	90,885	71,095	93,264	148,610	152,485	215,193	258,354	258,231	253,144	231,727	260,285	2,449,972
Other services (logistics related businesses)	18,269	16,362	18,648	18,876	19,472	20,546	20,910	22,388	22,130	21,854	22,271	209,629
Operating income <sup>*6</sup>	14,171	12,724	15,940	23,131	19,535	20,992	21,198	21,465	28,320	29,466	29,803	280,525
Domestic logistics	19,392	19,133	21,815	29,146	27,452	28,523	26,082	14,071	20,333	21,830	21,740	204,631
Global logistics	1,013	1,286	1,477	2,763	1,123	2,910	5,897	4,848	5,652	5,693	6,280	59,111
Other services (logistics related businesses)	1,712	1,501	2,751	2,246	2,619	2,743	2,883	2,546	2,335	1,943	1,783	16,783
Elimination or company-wide expenses <sup>*3</sup>	(7,946)	(9,196)	(10,103)	(11,024)	(11,659)	(13,184)	(13,664)	—	—	—	—	—
Net income attributable to stockholders of the parent company (Net income) <sup>*2</sup>	7,000	5,815	6,806	12,563	11,156	5,433	10,932	13,250	14,011	18,703	20,916	196,875
<b>At year-end:</b>												
Total assets	¥226,504	¥231,188	¥246,558	¥365,013	¥374,206	¥427,733	¥450,048	¥459,386	¥464,399	¥549,924	¥564,903	\$5,317,235
Total equity (Net assets) <sup>*2</sup>	143,327	148,471	151,066	164,640	174,904	181,401	188,935	196,755	202,292	213,919	226,721	2,134,046
Equity attributable to stockholders of the parent company (Stockholders' equity)	141,523	145,303	147,887	156,622	169,327	168,683	176,714	184,830	189,507	201,436	215,090	2,024,567
<b>Per share data (Yen and U.S. dollars<sup>*1</sup>):</b>												
Net income attributable to stockholders of the parent company (Net income) <sup>*2</sup>	¥62.75	¥52.13	¥61.01	¥112.62	¥100.01	¥48.70	¥98.00	¥118.78	¥125.60	¥167.66	¥187.50	\$1.76
Equity attributable to stockholders of the parent company (Net assets) <sup>*2</sup>	1,268.67	1,302.56	1,325.72	1,404.03	1,517.93	1,512.16	1,584.16	1,656.91	1,698.85	1,805.79	1,928.20	18.15
Cash dividends	20.00	20.00	22.00	24.00	25.00	26.00	28.00	28.00	30.00	34.00	36.00	0.34
<b>Capital expenditures</b>												
Capital expenditures <sup>*4</sup>	¥18,835	¥6,908	¥13,264	¥16,857	¥17,854	¥27,948	¥26,528	¥26,528	¥33,755	¥21,961	¥17,355	\$163,357
Purchased assets <sup>*5</sup>	18,835	5,302	7,358	14,664	15,187	21,622	13,601	13,601	22,340	15,670	13,010	122,459
Depreciation and amortization	9,195	9,403	9,672	14,003	14,958	16,579	18,403	18,715	19,125	18,741	19,030	179,123
<b>Financial ratios</b>												
Operating margin (%) <sup>*6</sup>	4.0	3.8	4.3	4.2	3.6	3.4	3.1	3.2	4.2	4.4	4.3	4.3
ROE (%)	5.0	4.1	4.6	8.3	6.8	3.2	6.3	7.4	7.5	9.6	10.0	10.0
<b>Other data:</b>												
Number of employees <sup>*7</sup>	10,416	12,283	14,700	21,104	22,793	24,425	24,728	24,728	24,744	25,274	25,074	25,074
Total floor space of warehouse (Ten-thousand square meters) <sup>*8</sup>	307	323	371	516	564	637	691	691	709	719	731	731
Domestic	246	260	301	394	426	461	500	500	496	497	499	499
Overseas	61	63	70	122	138	176	191	191	213	222	231	231

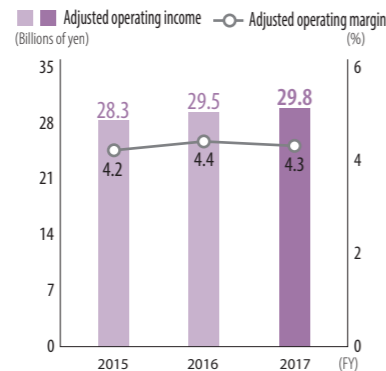
\*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.24=U.S.\$1, the prevailing exchange rate as of March 31, 2018. \*2 Terms in parentheses are used for J-GAAP. \*3 From the FY2015 (IFRS), the Group altered to allocate company-wide expenses to each business segment. The segment information of the FY2014 (IFRS) had also reflected the alternation 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 Only full-time employees (excluding senior employees, part-time or temporary employees). \*8 Excluding SAGAWA EXPRESS CO., LTD.

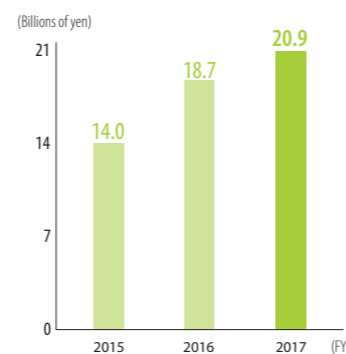
## Revenues



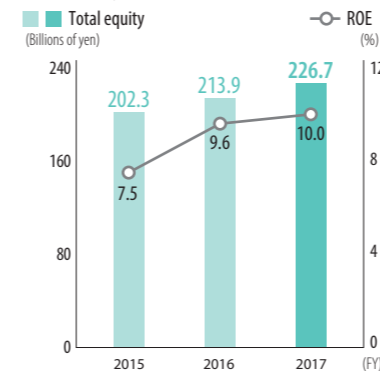
## Adjusted operating income/Adjusted operating margin



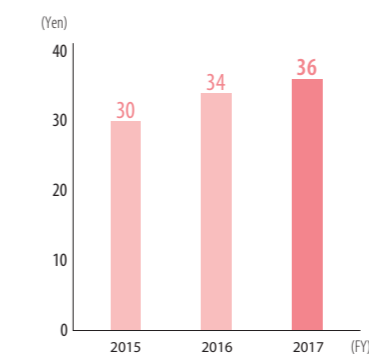
## Net income attributable to stockholders of the parent company



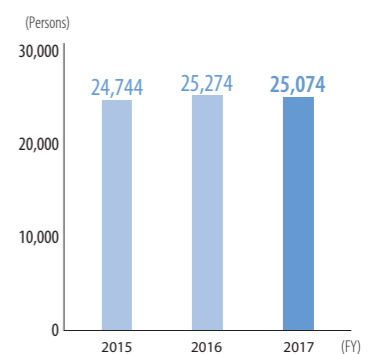
## Total equity / ROE



## Cash dividends per share



## Number of employees



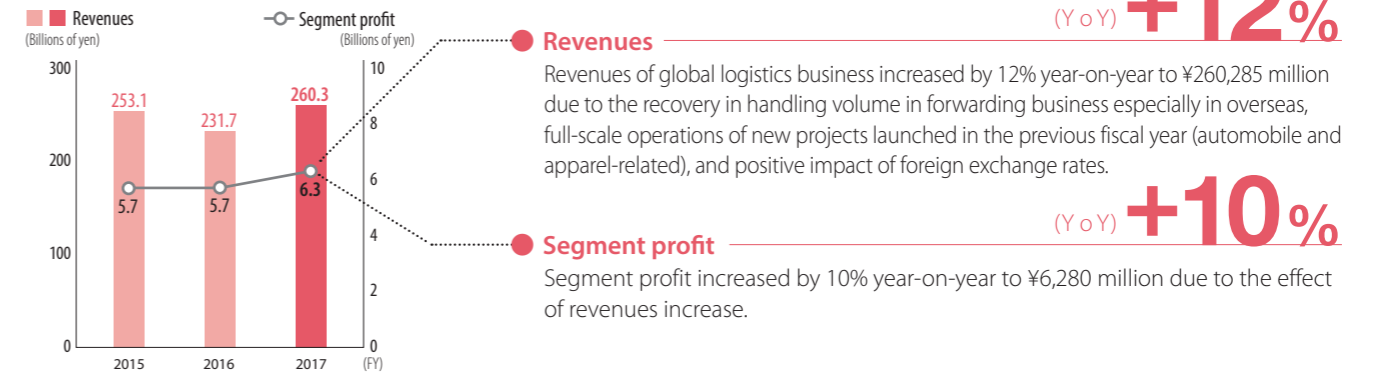
# Review of Operations

—Business Overview by Segment & FY2017 Topics—

## Domestic logistics business (FY2017)



## Global logistics business (FY2017)



## FY2017 Topics

### Introduction of AGV

May 2017: Introduced AGV<sup>\*1</sup> at Tsuchiura Phase II DC<sup>\*2</sup> in Ibaraki Prefecture

▲Tsuchiura Phase II DC    ▲AGV operation area

\*1 AGV: Automated Guided Vehicle \*2 DC: Distribution Center

### Collaboration for auto-tracking transport robot

Sep. 2017: Concluded a collaboration agreement for operation of auto-tracking transport robot in logistics warehouses

▲Auto-tracking transport robot (in operation)

### Introduced a multi-axle trailer

Nov. 2017: Newly introduced a multi-axle trailer

▲Multi-axle trailer

### Opened Kansai II Medical DC

Feb. 2018: Opened Kansai II Medical DC in Hyogo Prefecture

▲Kansai II Medical DC    ▲Rotary piece sorters

### Cooperated with a verification experiment using electronic tags

Feb. 2018: Cooperated with a verification experiment of information sharing system for supply chains using electronic tags (conducted by the Ministry of Economy, Trade and Industry)

▲Making electronic tags    ▲Reading electronic tags

### Business alliance (basic agreement) with Hitachi Capital

Mar. 2018: Concluded a basic agreement on business alliance to realize new innovation through "Finance, Commerce, Logistics, and Information" with Hitachi Capital

### Opened SAGAWA EXPRESS's sales office

Apr. 2018: Opened SAGAWA EXPRESS's sales office within HTS Group's logistics center

2017

Apr → May → Jun → Jul → Aug → Sep → Oct → Nov → Dec → 2018

Jan → Feb → Mar → Apr

### Branding

Apr. 2017: Developed Brand Promise  
 Aug. 2017: Published Brand advertisement  
 Mar. 2018: Renewed company brochure

### Headquarters relocation

Aug. 2017: Relocated headquarters to Kyobashi, Chuo-ku, Tokyo

### Short TV show/ TVCM

From Oct. 2017: Broadcasting on TV Tokyo

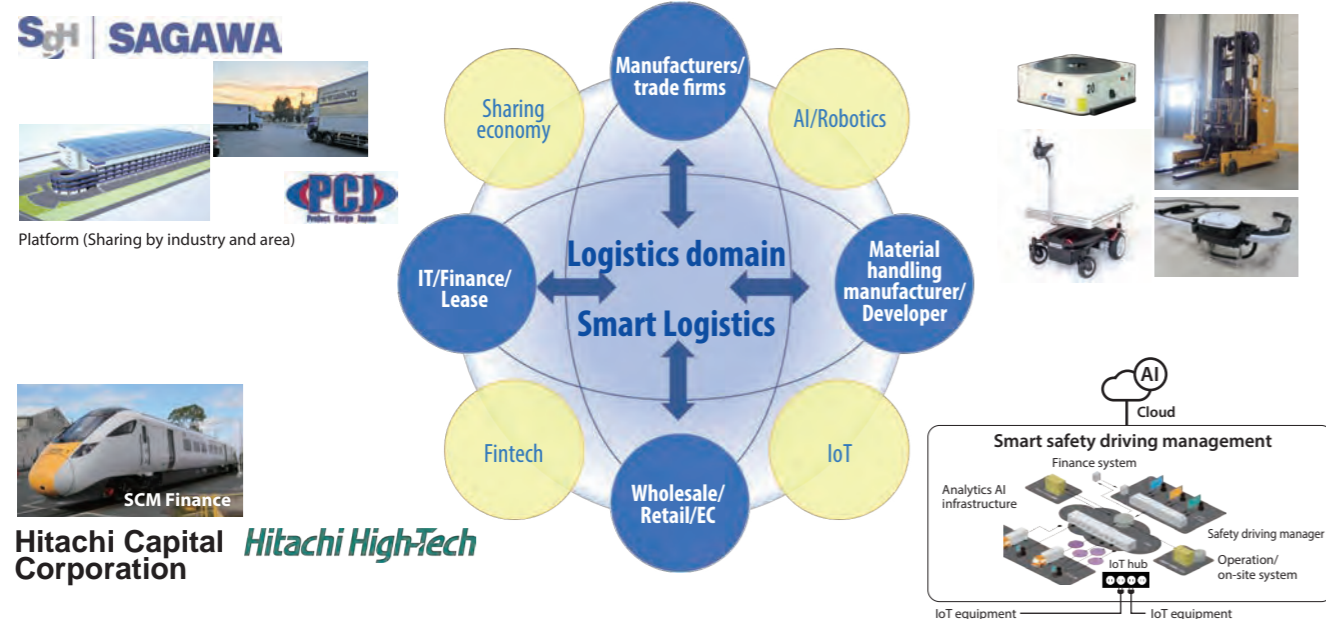
### Commendations/Recognition from outside the Company, etc.

- Feb. – Jun. 2017: Participated in the Advisory Committee for the Comprehensive Physical Distribution Policy Outline (Ministry of Land, Infrastructure, Transport and Tourism) as a committee member.
- Jun. 2017: Received "Logistics Environmental Impact Mitigation Technology Development Award" of "The 18th Logistics Environment Awards"<sup>\*1</sup>
- Aug. 2017: Received "Appropriate Packaging Award" of "Japan Packaging Contest 2017"<sup>\*2</sup>
- Sep. 2017: Employees of the Group won the 1st prize (The Minister of Health, Labour and Welfare Award) and 2nd prize of "The 32nd National Forklift Diving Contest"<sup>\*3</sup>
- Nov. 2017: Received the Award for Excellent Business Entities (new market category) of "2017 Excellent Business Entities Working on Modal Shift"<sup>\*1</sup>

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

▲Open-top container uniquely developed by HTS  
 ▲National Forklift Diving Contest

## Future Vision: Global Supply Chain Solutions Provider



Aim to expand innovative collaboration across business/industry to achieve new innovation, with "enhancement of logistics as function" as a core

### FY2018 Mid-term Management Plan

Revenues: ¥710 billion

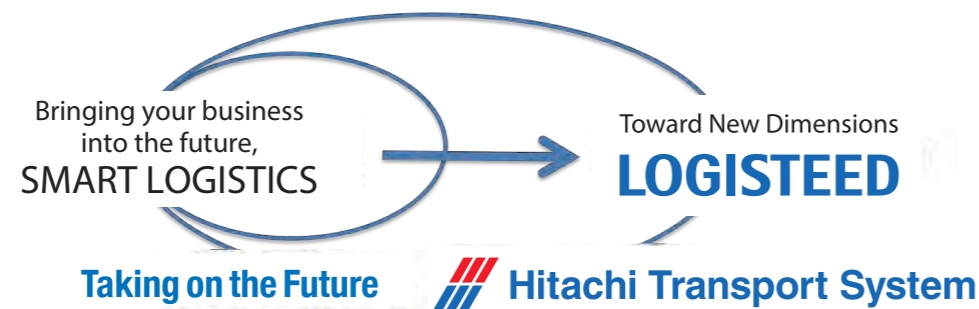
Adjusted operating income: ¥31 billion

EBIT: ¥34.7 billion

ROE: 9.6%

The Hitachi Transport System Group will exceed the domain of Smart Logistics and start our new business concept "LOGISTEED" which reflects the Group's commitment toward our brand slogan "Taking on the Future."

[LOGISTEED]: LOGISTICS + Exceed, Proceed, Succeed & Speed  
LOGISTEED is a concept representing our determination to lead businesses to new domain beyond the conventional logistics.

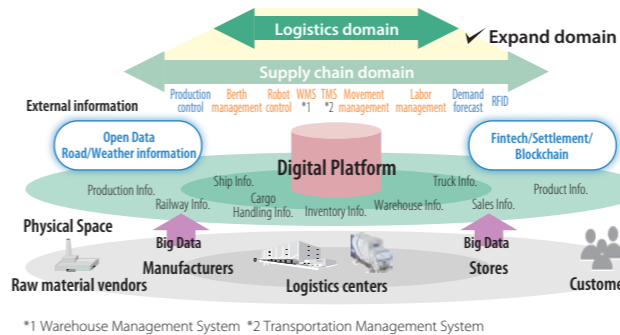


"LOGISTEED" is introduced on our website.  
<http://www.hitachi-transportssystem.com/en/profile/logisteed/>

## Sales Strategy

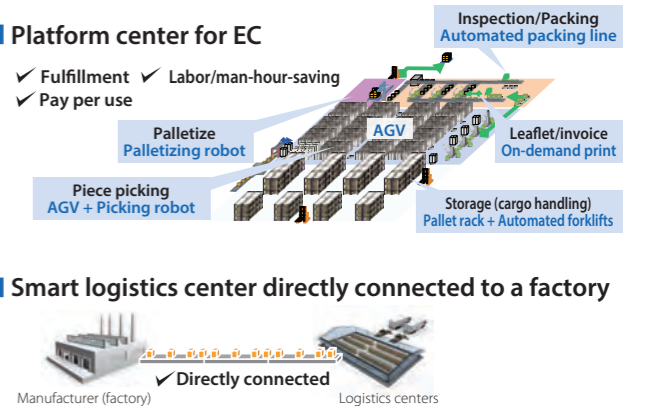
Evolve into a SCM partner from a logistics partner

### Establish digital platform and optimize SCM



### Platform center for EC

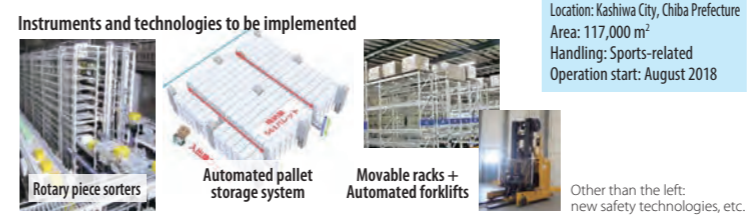
- ✓ Fulfillment
- ✓ Labor/man-hour-saving
- ✓ Pay per use



## Domestic Business (Strategic Bases Development)

### Industry-based platform

**Sports & Shoes Platform Town**  
Platform Town by consolidating/optimally allocating sports and shoes sites concentrating in Tokatsu area in Chiba Prefecture



Enhance operations and human resource management by implementing WVS<sup>\*3</sup> (mobilization of human resources)

\*3 Warehouse Visualized System

### Area-based platform

- Area General Center**  
[Customers] (Dedicated → General)  
Center for accommodating multiple customers
- [Area selection] (Center of gravity of delivery → Focus on employees)  
Area selection for securing labor force
- [Standardization] (Tailor-made operation → Standardized operation)  
Standardizing operation/system among multiple customers
- [Sharing] (Exclusive → Sharing)  
Resource sharing (facilities/operators/systems/vehicles)
- [Collaborative innovation with SG Holdings Group]  
Establishing SAGAWA EXPRESS's terminal on the same site

## Overseas Business

Survive in each region with unique business model

### Europe

- Expand intermodal business from Turkey (Develop to Northern Europe and Central Asia)



### North America

- Expand transportation network (Canada – U.S. – Mexico)
- Start operation of next-generation center (Non-Auto field)



### Asia

- Expand cross-border logistics within the region (Thailand – Laos – Vietnam)
- Expand cold chain (Start operation of new chilled warehouse)



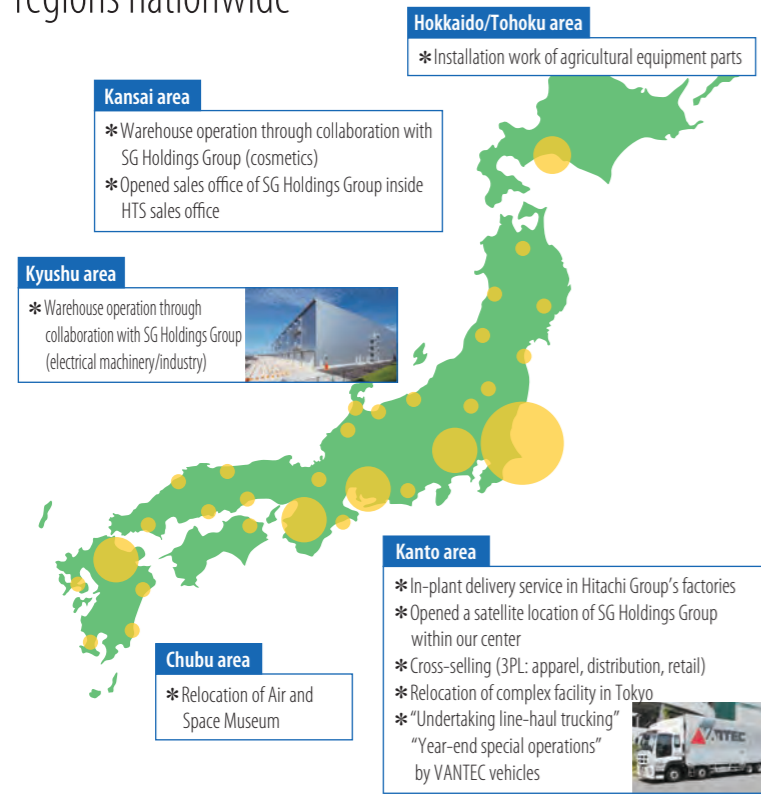
### China

- Expand inland business (Xian, Chongqing, Chengdu)
- Belt and Road (Intercontinental railway transport)



### Collaborative Innovation Strategy (Collaboration with SG Holdings)

Generate collaborative innovation projects in various regions nationwide



Promote collaboration in cross-selling projects

#### Expand solution business

- Sales approach to SG Holdings' customers (LCM\* support of information equipment, etc.)

\*Life Cycle Management

Mutual use of facilities (promote sharing)

#### Opened SAGAWA EXPRESS's sales office within HTS Group site

##### Overview of logistics center

Location: Otokuni-gun, Kyoto Prefecture  
Schedule: Operations started in April 2018

<Effects>

- (1) Having SAGAWA's sales office on the same site allows flexible shipping lead time
- (2) Improve utilization rate of HTS Group's facilities



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

### Collaborative Innovation Strategy (joint development through industry-academia-government collaboration)

Develop vehicle solution system for safe driving

#### Roles in joint development

HTS	<ul style="list-style-type: none"> <li>• Gather driving information in truck operation, conduct fatigue measurement and assess accident risk</li> <li>• Put the accident risk assessment/prediction method developed by the joint development into practical use and commercialize it as a service</li> </ul>
Hitachi Capital Auto Lease Corporation	<ul style="list-style-type: none"> <li>• Examine the definition of accident risk and safety measures</li> </ul>
RIKEN	<ul style="list-style-type: none"> <li>• Examine accident risk assessment/prediction method based on fatigue mechanism</li> </ul>
Kansai University of Welfare Sciences	<ul style="list-style-type: none"> <li>• Measure driver's fatigue, examine objective assessment method</li> </ul>
Hitachi, Ltd.	<ul style="list-style-type: none"> <li>• Analyze driving information and fatigue measurement using AI, develop accident risk assessment technology based on fatigue science</li> </ul>

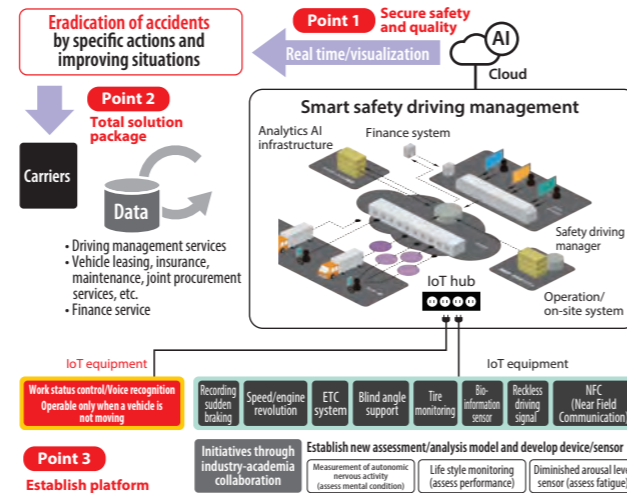
#### Future development

- (1) Utilize IoT to realize zero-accidents and reduce loss costs
- (2) Establish advanced driving management system/safety education system
- (3) Provide total solution package including vehicle leasing/insurance/maintenance/joint procurement function (Collaborate with Hitachi Capital: New innovation through "Finance, Commerce, Logistics, and Information")

#### Future vision

- Reduce cost and increase the number of vehicles by sharing procurement function
- Contribute to maintenance business through predictive analytics
- Implement the system as standard equipment through collaborative innovation with truck manufacturers
- Expand sales to bus/taxi industries

#### Smart safety driving management system



### Continue to Work on Working-style Reform

#### Diversity & inclusion

- Create working environment enabling diversified human resources to demonstrate their abilities (Promote active participation by female workers, improve treatment of elderly employees, etc.)
- Utilize diversified human resources (Promote work-at-home system/work at satellite office)

#### Standardize systems (improve workers' treatment, etc.)

- Standardize systems including operation at group companies and on-site level (Wage system, working system, etc.)

#### Improve on-site environment including logistics centers, etc.

- Establish and invigorate systems and activities relating to health (hygiene) management for the entire Group (Establish basic policy for health management, etc.)

#### Education for all employees

- Enhance business operation capabilities through a unified training system within the Group (Review training for on-site workers and offer training for necessary knowledge)

"Secure, retain and foster human resources" and "Improve productivity," continue to work on working-style reform reflecting revisions of laws and regulations

### Initiatives toward ESG Management

#### Environment (Promoting green logistics)

- Comply with environmental laws
- Enhance environmental management
- Reduce environmental load (Use of double-trailer trucks etc.)



Introduce LED lighting

#### Social

- Coexist with local communities
- Enhance safety and quality (safety caravan in domestic and overseas, etc.)



Traffic and road safety classroom (Turkey)

#### Corporate governance

- Ensure to bear in mind the notion of "Basics and Ethics" (Enhance compliance and governance)

### HTS Group CSR objectives

- FY2017: Identified material issues (key 15 items) and formulated 4 objectives



Please refer to "TOPICS – Toward Integration of CSR and Management" (Pages 18-20) for more details.

For the details of the Mid-term Management Plan and priority measures in FY2018, please refer to "Management Plan" on our website. <http://www.hitachi-transportssystem.com/en/ir/corporate/vision/>



## Special Feature 2 Aim at Realization of "Zero-Accident Society"

—Smart safety driving management system by industry-academia-government joint development—

In April 2018, the HTS Group started the joint development for "the development of accident risk assessment/prediction method based on fatigue science in the logistics truck driving management." Through the open innovation such as industry-academia-government collaboration, we aim to realize "zero-accident society" by developing "smart safety driving management system" utilizing IoT and AI.

### Reduce truck accident risk

"Prevent accidents and protect people" is one of the social issues that should be addressed by all industries including logistics. While the Group's domestic vehicle accident rate is lower than the national average, the Group has focused on driver's fatigue level and conducted its own analysis of correlation between biological information/driving records, etc. and "Hiyari-Hatto" (near-miss)/accidents since 2016, to further reduce the rate ("zero-accident"). In order to further expand those initiatives, we plan to adopt insights from external specialists of "fatigue science" and "accident risk assessment/prediction" and utilize AI data analysis, in order to develop "smart safety driving management system" which contributes to safety driving with higher accuracy and put it into practical use and then develop it into a platform. We work on the joint development with Hitachi Capital Auto Lease Corporation, RIKEN<sup>\*1</sup>, Kansai University of Welfare Sciences, and Hitachi, Ltd.<sup>\*2</sup>

\*1 RIKEN Center for Biosystems Dynamics Research

\*2 Please refer to page 13 for the respective role of each company in the joint development

### Issue a real-time "warning" with higher accuracy

Previously, the measurement of drivers' fatigue was based on the measurement at the call before driving and drivers' self-reported condition, etc. The joint development is developing the technology which uses AI to detect the drivers' fatigue level and issues a real-time warning about potential risks of serious accident with high accuracy to both the driver and the driving manager by measuring and accumulating real-time biological information, including autonomic nerve, of the driver and comprehensively assessing such information as well as driving behavior information. As this system is highly unique, we are applying for a patent for the business model. We will provide this system as a vehicle solution which brings a number of economic benefits such as "reduction in loss costs" and "reduction in insurance premium" due to reduction in accidents and "reduction in workload of driving manager" in addition to securing "safety" and "quality" which is one of the top priorities for logistics provider.

### Accelerate the development toward early practical application and commercialization

Currently, we are working on the development of an original IoT device to enhance the accuracy of measuring drivers' biological information while driving through industry-academia collaboration with multiple research institutions and

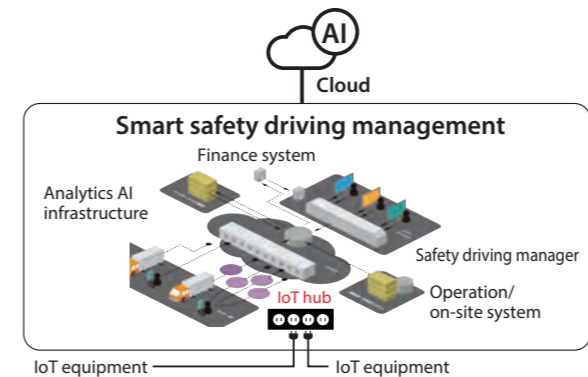
companies. Also, based on the premise of inviting a number of participants into "smart safety driving management system" as "IoT hub," we ensure to pursue the compatibility of the system with not only measurement devices for biological information and driving behaviors but also other companies' systems and Cloud. The joint development is accelerating its research with an aim to start practical application and commercialize

in FY2019, with a plan for the first half of FY2018 to focus on enhancing measurement accuracy of biological information while driving and accumulating driving behavioral data such as recorded information of "Hiyari-Hatto" (near-miss) and a plan for the second half of FY2018 to refine the data analysis by AI.

### As a "Platform for safety and security"

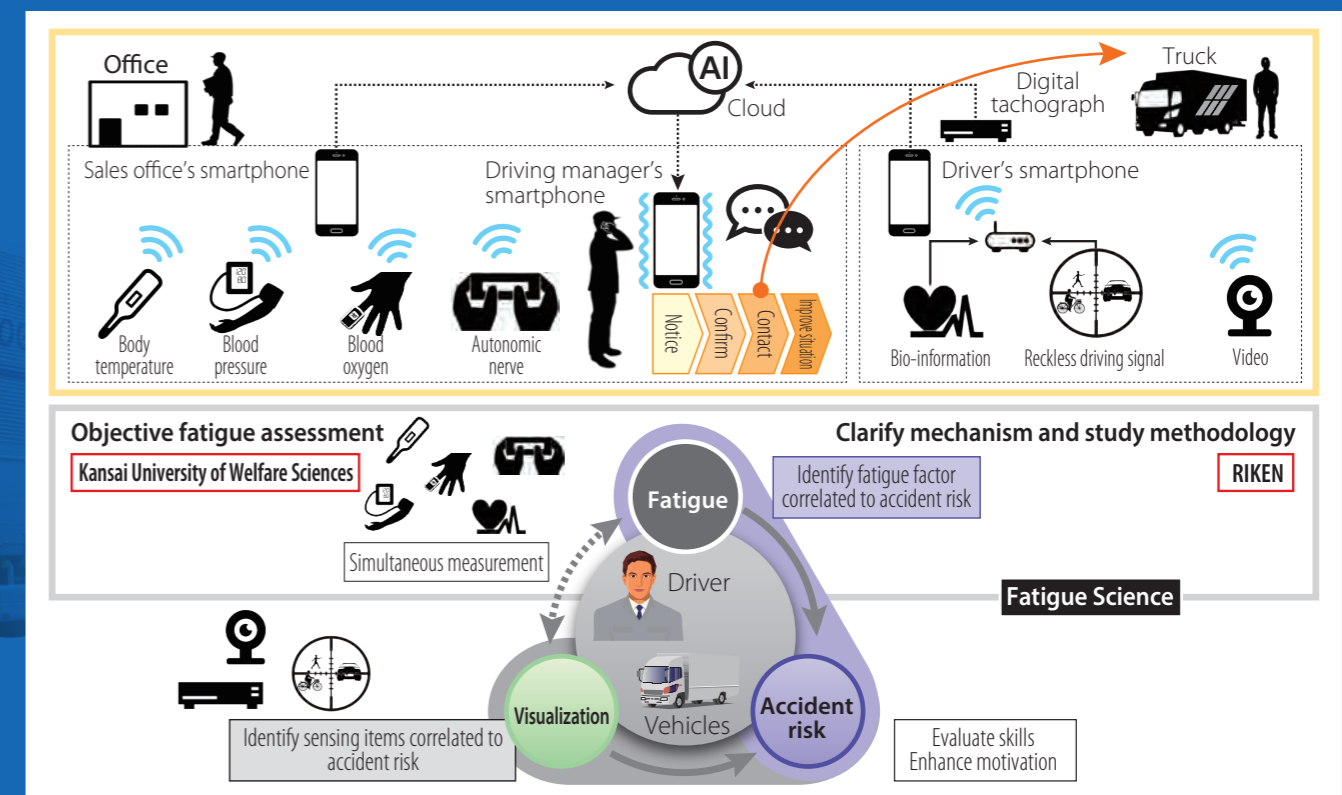
We will invite a number of stakeholders to participate in the "smart safety driving management system" so as to accumulate more data, refine AI and reduce costs as we aim to expand the ecosystem as a "platform for safety and security" into a lifeline to support lifestyle. As a step to increase users, we will first introduce the system to trucks owned by the Group's domestic companies, and then to trucks of our partner transport companies and Hitachi Capital Group's vehicles for lease. In addition to the logistics industry, we also plan to introduce the system to the bus/taxi industry by offering as a total solution package including vehicle leasing, insurance, maintenance and joint procurement function through collaboration with Hitachi Capital Group. We present our desire to protect drivers to society through the joint development of "smart safety driving management system," and we will expand it to overseas market to reduce accident risk in the global supply chain in the medium- to-long term.

### Share value with various stakeholders as "IoT hub"



Please refer to "Collaborative Innovation Strategy (industry-academia-government collaboration)" (page 13) for details.

### Structure of smart safety driving management system



## Interview

### Aim to become a "platform provider" of safety and security

"Smart safety driving management system" enables us to utilize "on-site capability" and "big data," which the Group accumulated as a 3PL leading company, for "solutions" specialized in the Group's CSR objectives, creating new values with a number of stakeholders and contributing to achieving SDGs. Also, as these initiatives have potential not only to manage driving of trucks and cars but also to provide safety and security in wide range of situations, the Group aims to become a "platform provider" of safety and security, challenges new fields, and bring new future to business and people's lifestyle.

Vice President and Executive Officer,  
General Manager, Corporate Strategy Office  
General Manager, Collaborative Innovation Project Team  
General Manager, Structural Reform Project Team

Seiki Sato



## 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.

### 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.



### HTS Group Value Creation

The HTS Group, in its Mid-term Management Plan "Value Creation 2018", promoted initiatives for "integration of CSR and management" in order to strengthen initiatives to solve issues and create "values" through "collaborative innovation." Through these initiatives, we aim to carry out effective CSR activities that provide solutions to social issues and become the most preferred solutions provider for all of our stakeholders.



## HTS Group and "Sustainable Development Goals"

### Sustainable Development Goals (SDGs)

SDGs were unanimously adopted by 193 UN member nations in September 2015 as the universal goals for the international community to be attained by 2030. 17 goals consisting of 169 targets focus on three elements of economy, society and environment. Its major characteristic is its universality as both developing and developed countries are subjected to the agenda, with the slogan of "leave no one behind." Amid such a situation, companies are facing increasing expectations from the society to contribute to SDGs, and therefore working on SDGs will lead to creation of common value for the company and stakeholders.



### HTS Group's Contribution to SDGs

The HTS Group is fully aware of the importance of achieving the SDGs, the universal goals for the international community. Among 17 goals of SDGs, the following eight goals are especially relevant to our CSR objectives\* developed in FY2017. We will work with various stakeholders to do our part in achieving these SDGs as we move into high gear to reach our CSR objectives.

\* Please refer to pages 19-20 for CSR objectives.



# TOPICS – Toward Integration of CSR and Management

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. To this end, we identified material issues, developed CSR focused sectors and clarified the source of our competitiveness (core competence) in FY2017. Based on these, we confirmed once again the "HTS Group Basic CSR Policy" as follows.

Going forward, we will work on integrating CSR and management under this basic policy. As part of this cycle, we will also promote active disclosure of ESG (Environment, Social and Governance) information and contribute to achievement of SDGs in cooperation with our various stakeholders.

## HTS Group Basic CSR Policy



## Recognition of Social Responsibility: Identification of Material Issues

We identified 15 material issues as CSR issues that are important to the HTS Group at present and in future in order to accurately recognize social and environmental issues and expectations. We will recognize these material issues identified as our social responsibility, and strive to promote CSR and integrate CSR and management.

### Identification process

#### Step 1: Understood issues

With reference to global common standards including Global Reporting Initiative (GRI) guideline, ISO26000, UN Global Compact, SDGs and priority issues in transportation sector by ESG rating agencies, we created a list of 73 items of relevant environmental, social and economic issues.

#### Step 2: Prioritized issues

We evaluated "impact on society" and "impact on our business" of the 73 issues on the list on a scale of one to five through workshops with external experts and mapped them in a matrix. Then, we categorized items with high impact into 15 proposed material issues.

#### Step 3: Validated and identified

After those 15 proposed material issues were assessed and examined for adequacy by CSR Promotion Committee members and the management, taking into consideration opinions of external experts, they were identified as the Group's material issues with an approval of the Executive Committee.

### 15 material issues of the HTS Group

#### Social

Safe and healthy work environment (occupational safety and health)/ 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.



## Corporate Activities: Development of CSR Objectives

In promoting integration of CSR and management, we developed four CSR objectives to be addressed preferentially based on the material issues identified and from the perspective of CSV\* (Creating shared value).

In FY 2018, we will establish and examine specific subject of activities and Key Performance Indicators (KPIs) in order to build a foundation for a PDCA cycle.

\* CSV (Creating shared value): Refers to practices that balance activities to create economic benefits with solutions to social issues, or management strategies to achieve them

### HTS Group CSR Objectives

The HTS Group is committed to supporting supply chains, which are the foundation of society and industry, through our logistics and related businesses. Working to meet the wants and needs of people today, we will move forward to take the lead in enabling supply chains to solve various social and environmental problems with an eye to creating a sustainable society.

**We will focus on four objectives to drive innovation forward in supply chains with an eye to creating a sustainable society**



\* The chart on the left shows the CSR objectives and core competencies as well as the relationship between each objective and SDGs that are most closely related thereto.

### Core Competencies

We believe that strengthening our core competencies is crucial to implementing initiatives that will enable us to realize our four CSR objectives. Our three core competencies, advanced technologies, personnel/organization/global network, and open innovation, are all interwoven with one another. Enhancing each core competency will create the synergy that will enable us to reach out four CSR objectives.

#### Open innovation

We will actively work on cross-industrial and cross-sectoral cooperation. We will always take the initiative in developing new technologies through open innovation.

#### Personnel/organization/global network

We will create new value through collaboration with a wide variety of people and organizations based on trust. As a group, we recognize social issues and share a long-term view from a broad perspective.

#### Advanced technologies

Using advanced technologies allow us to improve efficiency by automation and labor saving, enhance occupational safety, promote diversity in the workplace, ensure high quality and resilience, consider environment and advance into new fields.

### Four CSR objectives

#### 1 Pursue Next-generation Industries and Lifestyles

With the power of logistics, we will develop businesses to support the realization of the next-generation sustainable industries and social infrastructure in various areas across the globe.

- Promote total optimization of supply chain by making full use of advanced technologies
- Respond to local logistics needs and issues while further boosting response capability

Closely related SDGs



#### 2 Enhance Occupational Safety and Productivity

We will work on realizing further occupational safety and enhancing productivity in logistics sites across the globe.

- Secure safety in operation and transportation
- Minimize workload at logistics sites
- Promote diversity of the workplace

Closely related SDGs



#### 3 Ensure Excellent Quality and Resilience\*

We will pursue quality of the next-generation logistics that meets the social expectation and resilience against disaster and climate change.

- Pursue high quality logistics services
- Reduce wastes and emissions
- Contribute to disaster recovery assistance

Closely related SDGs



\* Defined as "the capability of a people or things to recover quickly from difficult conditions such as shock and injury" or "the ability to return to its original form after being bent, stretched or compressed." Enhancement of resilience to emergencies including climate change, disasters and financial crisis is one of the big themes of CSR.

#### 4 Realize Low-carbon Business Processes

While we steadily proceed with initiatives to enhance efficiency of energy and resources, we will also work on decarbonizing\* from the long-term perspective.

- Increase energy efficiency
- Introduce renewable energy
- Strengthen environmental management

Closely related SDGs



\* Reduce the emission of greenhouse gases including CO<sub>2</sub> to virtually zero. Decarbonization requires one step further than "low carbonization" focusing on reduction of emissions.

## Review and Improvement of CSR Activities: Information Disclosure and Communication

We will review and improve CSR activities through disclosure of ESG information and dialogues with stakeholders based on CSR objectives. By repeating a cycle of basic policy for CSR promotion, we will promote effective CSR activities toward a resolution of social issues and facilitate integration of CSR and management.

### <CSR Promotion Structure>

In order to promote the group-wide CSR activities, the HTS Group sets up "CSR Promotion Committee," chaired by Executive, General Manager of CSR Promotion Office and holds meetings regularly.



# Safety

Safety is our number one priority

- Bringing Safety and Peace of Mind to Our Customers
- Adoption of Safety Technology
- Safety Caravan Activity
- Boosting Safety and Quality Assurance Training and System
- Boosting Safety Techniques and Safety Awareness

## Bringing Safety and Peace of Mind to Our Customers

Forklift equipped with dashboard camera

Approx. 900

(As of March 31, 2018)

### Policy on Safety and Quality Initiatives

Slogan


**Safety Management by Walking Around  
Stop and Remove Unsafe Conditions**

Our goals are to create a corporate culture of safety, to act based on the concept that safety comes before all else, and to work not only for a safe, accident-free environment, but also to create a culture of corporate safety where managers and supervisors take the lead in safety management by walking around our on-site facilities.

### Transport Safety Management\*

The HTS Group and our partner companies work as an integrated unit to ensure safety in transport, assigning priority to the subject of safety awareness.

\* 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 Safety Day

In order to prevent recurrence of tragic accidents, we have named July 1 the HTS Group Safety Day. On this day, in morning meetings at all sites, our employees pledge to keep operations safe.



### Holding Morning Safety Pledge

"Morning safety pledge" is held three times a year, in which the top management personally sends message to raise safety awareness of employees.



Message from President Nakatani



Message from General Manager of Labor Safety Management Office

### 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 FY2017, Hitachi Transport System Vantec (Thailand), Ltd., made a presentation as a representative of overseas group companies on its effort to build safe working environment based on the Thai culture and laws and regulations.



Presentation by Hitachi Transport System Vantec (Thailand)



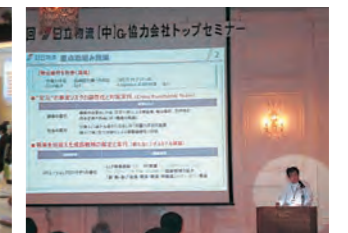
Presentation by each site

### Top Seminar

The HTS Group runs its business with transport partner companies. Each company holds a top seminar semiannually for mutual information sharing.



Top seminar in Higashinippon Area Management Headquarters



Top seminar in Chubu Area Headquarters

## Adoption of Safety Technology

### Dashboard Camera

In addition to all trucks it owns, the HTS Group has also installed dashboard cameras in forklifts (approximately 900 as of March 31, 2018) so as to be used for daily activities to secure safety including confirmation with finger pointing and calling during operation.



Dashboard cameras for trucks



Dashboard cameras for forklifts

## Safety Caravan Activity

Number of Safety Supervisor

**82 persons**

(Total: from FY2006 to FY2017)

### » Global Expansion of Safety Management

We send Safety Caravans to overseas group companies to enhance safety/quality and safety technologies and ensure safety management on a global basis.



Forklift training (Taiwan)



Training for drivers (Myanmar)

In November 2017, a training center was established in VANTEC LOGISTICS MEXICO S.A. DE C.V. We ensure to reduce accidents by giving employees trainings and instructions before assigned to actual operation and assigning them to work according to their skill.



Education at the training center (Mexico)



### » Ensure Work Safety

We provide appropriate education to employees with little experience at the logistics site according to their experience by offering trainings for new employees and visualizing their work experiences (by wearing a patch, etc.)



Giving warning at the morning meeting



Wearing a patch corresponding to experience

### » Awareness-raising Activities

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



Safety education calendar

## Boosting Safety and Quality Assurance Training and System

### » Safety Supervisor Training

As an initiative to improve on-site operations, safety measures include identifying potentially dangerous spots, implementing improvements to any problems, safety training on operations, and more. Additionally, starting with group training, we have been conducting training sessions continuously since 2006 to educate safety supervisors in accurate implementation of techniques such as driving, inspection, and more. In FY2017, we trained four employees mainly working to be vehicle supervisors and on-site supervisors. Since 2006, we have trained 82 employees in this way.

# Interview

At the safety supervisor training, I learned "attitude, knowledge and skill" as "a person who builds working environment where all members of the HTS Group can work with a sense of security." From now on, I will keep in mind that I need to be "a person who identifies with the on-site operation and makes it a safe workplace," be committed to safety activities, and share the spirit to clarify risks with an awareness of safety at workplace and constantly work on improvement with my colleagues. I will also continue making efforts to become a missionary to pass down safety from the past into the future in the HTS Group.

Labor Safety, Corporate Quality Promotion & Environment Policy Dept., Hitachi Transport System West Japan Co., Ltd. **Takashi Waki**



## Boosting Safety Techniques and Safety Awareness

### » Safety Training (Practical Training and Experiential Sessions)

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



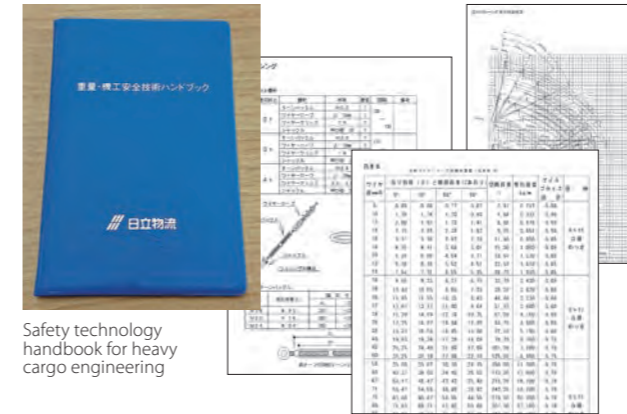
Blind spot experience for forklifts



Practical training of six-wheel cart

### » Preventive Maintenance for Heavy Cargo Engineering

We distribute "Safety technology handbook for heavy cargo engineering" to all employees engaged in inbound operations and installation of precision equipment such as medical and scientific equipment as well as transport of heavy cargo including power generating plants, railway cars and industrial machinery. Employees use this handbook to ensure preventive maintenance such as selection of equipment and strength calculation at the site.



Safety technology handbook for heavy cargo engineering

### » Internal Forklift Competitions at Overseas Locations

From FY2013, the HTS Group overseas locations have held forklift competition for local employees. Following China and Thailand, the competition was held in Indonesia in FY2017. These events boost the globalization of HTS's culture of corporate safety in general as well as to impart safety/quality and 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.



Forklift competition in Indonesia



### » Sending Contestants to Non-HTS Forklift and Trucking Competitions

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

In FY2017 as well, contestants winning out at prefectural-level preliminary contests around the country competed in the national contests.

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

#### ● 32nd National Forklift Driving Contest



Won the Minister of Health, Labour and Welfare Award

The HTS Group sent 8 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 1st prize (of the Minister of Health, Labour and Welfare Award) and the 2nd place, showing truly remarkable results.



Inspection competition



1st- and 2nd-prize winners

#### ● 49th National Truck Driver Contest

150 professional drivers, who won out at prefectural-level preliminary contests with approximately 1,500 drivers participated around the country, competed for the highest scores in both the academic knowledge and skill competitions (inspection and driving) to be the best in Japan. 11 employees from the HTS Group companies entered this competition, and HTS successfully won the 3rd place in the female category and the 5th place in the trailer category.



Skill competition



Winners

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

\*2 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.

# Environment

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

- Environmental Management
- Promoting Green Logistics

## Environmental Management

### » Putting an End to Global Warming/Saving Energy

#### ● Restrain CO<sub>2</sub> emissions with LED lighting equipment

The HTS Group is working on CO<sub>2</sub> reduction by adopting low-power consumption LED lighting facilities in logistics centers, etc. every year. In FY2017, we installed LED lighting thoroughly at the following new logistics centers, etc. and were able to suppress CO<sub>2</sub> emissions by a total of 1,300 tons annually compared with the case using fluorescent light.

#### 1) Adoption in new logistics centers

[Japan]

- Metropolitan Region Chemical Center (Launched February 2017, total floor space=29,300 m<sup>2</sup>)
- Kansai II Medical DC (Launched February 2018, total floor space=44,500 m<sup>2</sup>)

[Overseas]

- Pomona DC, U.S. (Launched February 2017, total floor space=18,400 m<sup>2</sup>)

#### 2) Renewal of lighting facilities in the existing distribution centers

- Kakegawa DC (Renewed September 2017)
- Chukyo DC Phase I (Renewed December 2017)
- Nishi-Osaka DC (Renewed December 2017)
- Shizuoka-Higashi DC (Renewed February 2018)
- Takasaki DC (Renewed March 2018)

#### 3) Relocation of the head office building (August 2017)

We relocated our head office to a building located in Kyobashi, Chuo-ku, Tokyo, equipped with the latest air conditioning system and LED lighting equipment.

We will continue to work on full installation of LED lighting equipment in new buildings and replacement of fluorescent lights and mercury lamps (approximately 150,000) in the existing domestic facilities to LED lighting equipment gradually.

### » Observance of the Law

We are engaged in various initiatives to ensure compliance with the environmental laws and regulations.

#### ● Japan: Use of the Management System

We utilize the following management system to ensure compliance.

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

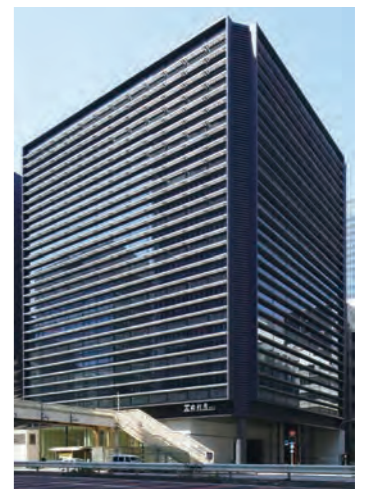
CO<sub>2</sub> emissions suppressed with LED lighting equipment  
**1,300 tons**  
(FY2017)



Kansai II Medical DC



Pomona DC, U.S.



Head office building in Kyobashi, Chuo-ku, Tokyo

● **Japan: Continuing training for waste management personnel**  
Trainings covering laws and regulations and administrative practice are continuously held for all personnel in charge of waste management in sites to maintain and enhance the management level.

● **Overseas: Holding overseas compliance meeting**  
In an annual compliance meeting targeting responsible persons such as presidents of overseas subsidiaries, we deliberate the status of environmental management and issues to ensure thorough compliance in overseas subsidiaries.

60 sites

(As of March 31, 2018)



Eco Stage II Certification



Green Management Certification

### » 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. From FY2017, we are working to upgrade the certification level from "Eco Stage I" to "Eco Stage II" which is equivalent to ISO14001. In addition, as of the end of March 2018, we have earned "Green Management Certification" at 53 of our truck transport sites and seven of our warehouses. We will continue to take advantage of these certification system to reduce environmental load.

### » 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 of the Company and group companies and various topics are posted in the monthly company magazine to raise an awareness of employees and their families about environment and to encourage them to actively participate in environmental initiatives.

### » Raising Environmental Awareness

#### ● Environmental e-Learning

Every year, e-learning\* to learn on computer with images and sound is provided mainly for domestic employees, in order to facilitate employees' understanding of global warming, resources recycling and ecosystem integrity (FY2017: 10,620 employees). In addition, e-learning for code of conduct contains programs about environment to disseminate the importance of environment as business ethics to employees.

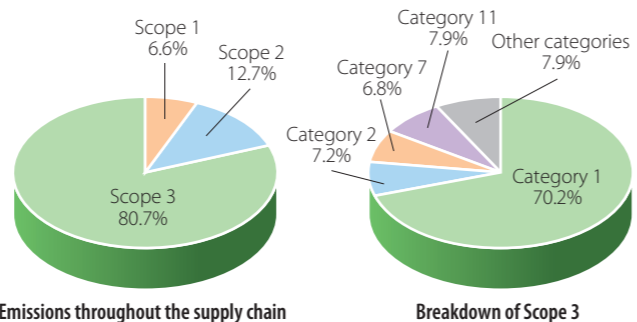
\* The term "e-learning" refers to a method of learning using the Internet.

### » Calculation and Disclosure of CO<sub>2</sub> Emissions in the Entire Supply Chain

Following the conclusion of Paris Agreement\*, etc., business operators are now required to work on reduction of CO<sub>2</sub> emissions by not only the operator itself but also its entire supply chain. Accordingly, we calculated "Scope 3"(\*) in FY2017 in addition to "Scope 1" and "Scope 2" disclosed in FY2016 (see chart on the right). We will promote global warming preventive measures by reducing CO<sub>2</sub> emissions throughout the entire supply chain.

\* 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.

#### ■ Calculation results of emissions throughout the supply chain (FY2016)



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

- (\*)
- Scope 1: Direct emissions from in-house energy (fuel, etc.) use (e.g. CO<sub>2</sub> released by company vehicles)
- Scope 2: Indirect emissions from the use of energy supplied by other companies (e.g. CO<sub>2</sub> 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)

## Promoting Green Logistics

100%

(As of March 31, 2018)

### » Global Warming Prevention Initiatives

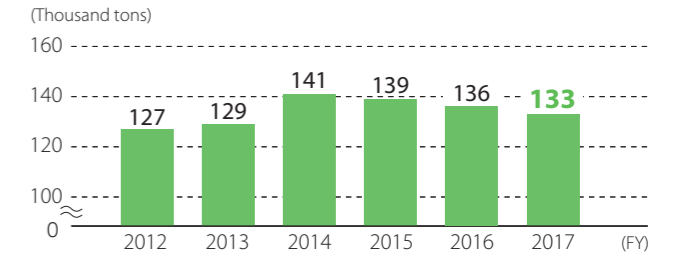
#### ● Reduction of CO<sub>2</sub> emissions

To reduce CO<sub>2</sub> emissions, the HTS Group makes various efforts including replacing lights for buildings to LED lighting and installing solar panels on the roof. We will keep working on CO<sub>2</sub> reduction.

#### ● 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 eco-friendly vehicles with better environmental performance and encourage eco-friendly driving, etc. with a view to reducing environmental load.

#### ■ HTS Group CO<sub>2</sub> emissions



Note: Total of Scope 1 and 2

#### ● Adding eco-vehicles to the fleet (Japan)



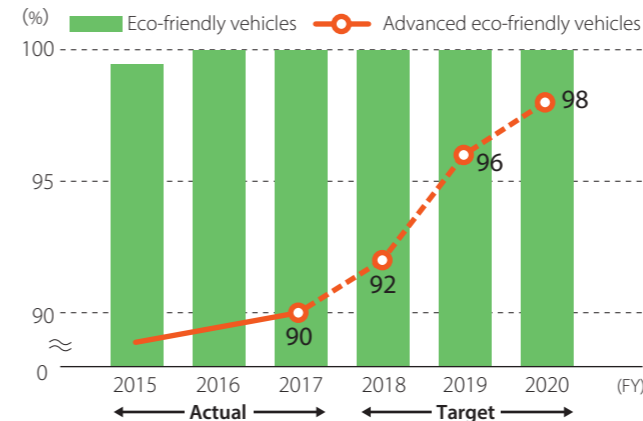
Electric car



Large truck (compliant with post new long-term regulation\*)

\* Post new long-term regulation: Regulations enacted by the Ministry of Land, Infrastructure, Transport and Tourism of Japan in 2008 to further reduce NOx (nitrogen oxide) and PM (particulate matter) released from new trucks, buses and cars

#### ■ HTS Group eco-friendly vehicle ownership ratio (Japan only, as of March 31, 2018)

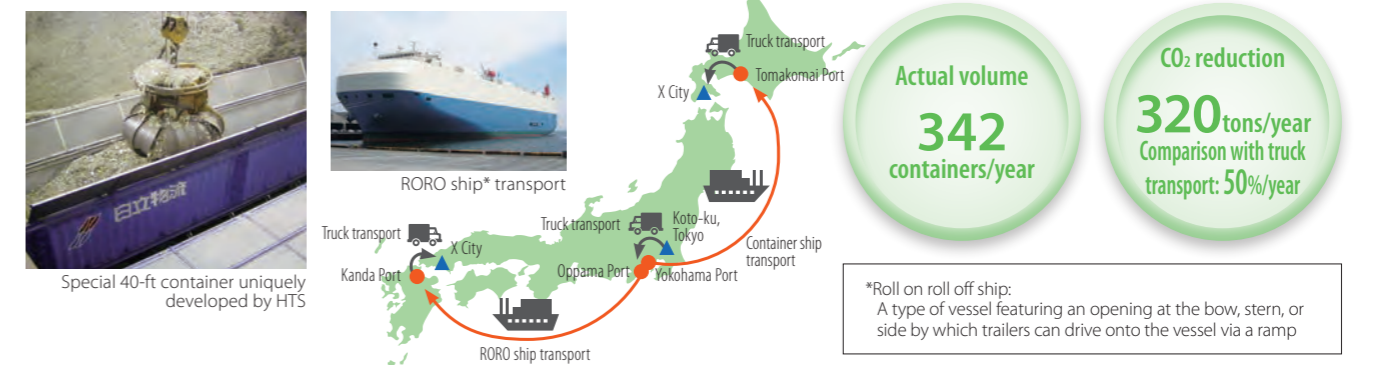


Note 1: Totals shown are personal and business vehicles combined (excludes special vehicles)  
 Note 2: Eco-friendly vehicles are as follows: hybrid, natural gas and electric, as well as highly fuel-efficient vehicles certified by the government (vehicles meeting a specified standard), and low emissions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

### » Promotion of Modal Shift to Vessel for Transportation of Recycled Resources Waste

The HTS Group promotes modal shift to large-volume and efficient marine transport for recycled resources such as shredder dust with growing needs. Specifically, we transport it from Kanto area to Hokkaido and Kyushu using special 40-ft containers developed by HTS. This special containers are designed with openable roof so as to be able to discharge the contents all at once, realizing efficient handling and transportation.

This approach was evaluated as pioneer technological development to reduce environmental load in the logistics field and received the 18th Logistics Environment Awards "Logistics Environmental Impact Mitigation Technology Development Award" sponsored by Japan Association for Logistics and Transport in June 2017.



\*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

# Working Together

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



- Working together with our suppliers
- Working together with our customers
- Working together with our employees
- Together with local communities
- Working together with our shareholders and investors

## — 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 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

- |   |  |   |
|---|--|---|
|   | <b>General CSR activities</b>  |   |
|   | (1) Vigorous promotion of CSR activities, and  | (2) Contribution to society and community.  |
|  | <b>CSR Activities for The Environment</b>  |   |
|   | (1) Management of hazardous chemicals in products,<br>(3) Establishing and applying an environmental management system,<br>(5) Obtaining permission for environment/administrative approval,<br>(7) Reduction of greenhouse gas emissions,<br>(9) Disclosure of environmental preservation activities. | (2) Management of hazardous chemicals used in manufacturing,<br>(4) Minimization of environmental pollution (water, soil, air),<br>(6) Resource and energy saving by reusing, reducing and recycling (3R)*,<br>(8) Waste reduction, and |
|   |  | * 3R: Reduce, Reuse, and Recycle  |
|  | <b>CSR Activities for Corporate Ethics</b>   |   |
|   | (1) Prohibition of corruption, bribes, etc.,<br>(3) Prohibition of offering or accepting inappropriate profit and advantage,<br>(5) Provision of accurate information on products and services,<br>(7) Disclosure of appropriate company information, and  | (2) Prohibition of abuse of a superior bargaining position,<br>(4) Prohibition of impediment to free competition,<br>(6) Using appropriate export procedures,<br>(8) Prompt detection of mistakes, wrongdoings and injustice.           |
|  | <b>CSR Activities for Production</b>   |   |
|   | (1) Ensuring product safety, and   | (2) Establishing and applying a quality assurance system.   |
|  | <b>CSR Activities for Information Security</b>   |   |
|   | (1) Defense against threats on the computer network,<br>(3) Prevention of leakage of confidential information of customers and third-parties.  | (2) Prevention of leakage of personal information, and  |
|  | <b>CSR Activities for Occupational Health and Safety</b>   |   |
|   | (1) Applying safety measures for equipment and instruments,<br>(3) Hygiene in the workplace,<br>(5) Emergency responses,<br>(7) Health and safety of facilities, and   | (2) Safe activities in the workplace,<br>(4) Applying appropriate measures for occupational injuries and illnesses,<br>(6) Consideration to physically demanding work,<br>(8) Employee health management.                               |
|  | <b>CSR Activities for Human Rights and Labor</b>   |   |
|   | (1) Prohibition of forced labor,<br>(3) Prohibition of child labor,<br>(5) Paying appropriate wages,<br>(7) Respecting rights to freedom of association.   | (2) Prohibition of inhuman treatment,<br>(4) Prohibition of discrimination,<br>(6) Regulating working hours, and  |



— Working together with our customers —

Heavy cargo transportation supported by technical capabilities accumulated over the years and planning skill focusing on details

- Transportation of gas turbines for Tunghsiao GTCC\* Power Plant in Taiwan -

In anticipation of significant increase in electric power demand with the economic growth in Taiwan, it was decided to build a new power plant (Tunghsiao Power Plant) in Miaoli County, located approximately 150 km southwest of Taipei. Mitsubishi Hitachi Power Systems, Ltd. supplied its cutting-edge gas turbine to the new plant, playing a large role in the project.

HTS, making all-out efforts with the entire group, sought a safe and optimal solution for the transportation of a set of gas turbine, the order which our customer Mitsubishi Hitachi Power Systems received, to the plant. In planning the transportation, we faced quite a few challenges including features of the products and strict transportation requirements by Taiwan, but after repeated trial and error and examinations with our customer and with close coordination with all parties involved, we were able to put together a transportation plan with special attention to details and successfully delivered the product as planned.

With our engineering capability accumulated over the years and persistence as a heavy cargo transporter, we will continue to offer optimum and safe transportation services that satisfy our customers.



\* GTCC: Gas turbine combined cycle

Logistics support for customers advancing overseas

- Operation of distribution center for an apparel company -

In line with our customer's business expansion in the West Coast in the U.S., we opened a distribution center "Pomona DC" to handle apparel products in California in February 2017. We integrated operation of our customer's two group companies in this new center and realized flexible and efficient operation.

In September 2017, we added EC service function to a distribution center for retail stores in Sydney, Australia. Integrating the storage for inventories for retail stores and EC has contributed to shorter working lead time and lower transportation costs. We will continue our efforts to offer safe and high-quality logistics services to customers advancing overseas.



■ Pomona DC (U.S.)

Total floor space:	Approx. 18,400 m <sup>2</sup>
Loading docks:	27 docks
Number of workers:	120

■ Sydney DC (Australia)

Total floor space:	Approx. 20,250 m <sup>2</sup>
Loading docks:	15 docks
Number of workers:	50

Putting new technology and labor saving technology verified at "R&D Center" into practical use on site

Number of newly introduced "Racrew," storage shelf conveyance robot

**80 units in FY2017**

(Total 105 units: as of March 31, 2018)

The HTS Group plans to put 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 realize the next-generation logistics center.

» New Technologies and Labor-saving Technologies

• Practical use of "Racrew\*" on site ①

We are accelerating practical use of "Racrew" on site. We introduced 30 units in a medical distribution center in May 2017 and additional 50 units in an apparel distribution center in March 2018 (75 units in total), releasing workers from walking and saving labor in picking operation. We will keep on introducing "Racrew."

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



① Picking using a storage shelf conveyance robot "Racrew"

• Depalletizing robot ②

We developed a robot that identifies boxes randomly stacked on a pallet with the Masterless system<sup>1</sup> and move them to a conveyer with the Teaching-less system<sup>2</sup>. We are now conducting its field test in a distribution center for retail stores.



② Depalletizing robot



③ Gate-type RFID reader

• Utilization of RFID<sup>3</sup> ③

For efficient inbound and outbound inspection and inventory count, we test accuracy of reading in actual logistics sites and verify operations. We also participate in demonstration experiment of "Information sharing system for supply chain using electronic tag," a project outsourced by New Energy and Industrial Technology Development Organization (NEDO).



④ Automated forklift-type AGV

• Automated forklift-type AGV ④

We are testing actual operation of both the daytime operation to convey inbound goods in the mixed environment with manned forklifts aiming at labor saving, and the night-time operation to collect empty boxes in the unattended environment aiming at streamlining warehouse management, in distribution centers respectively.

<sup>1</sup> Masterless: Basic information such as size or storage spot is not required.  
<sup>2</sup> Teaching-less: There is no need to have a robot recognize necessary moves in advance  
<sup>3</sup> RFID (Radio Frequency Identification): Contactless automatic recognition technology that reads information via radio waves

Use of artificial intelligence technology

We use artificial intelligence technology and conduct research and development of supporting systems in various fields to improve work efficiency and strengthen collaboration with customers.

• Demand forecast

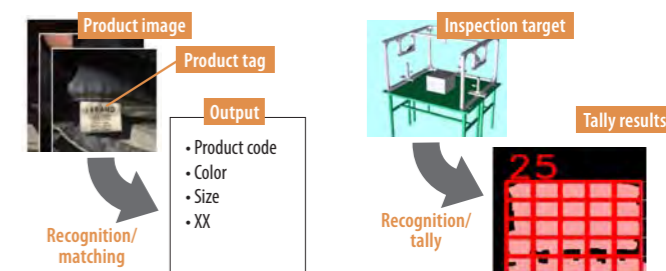
We use warehouse data as well as external data including weather conditions to forecast shipment volume and necessary man-hour with high accuracy. Currently, we are conducting on-site tests in conjunction with an inventory management tool (chart on the right (1)) and a manpower planning tool.



(1) Inventory management tool with volume forecast function

• Image inspection/tally

We develop a technology that recognizes goods without barcode (chart on the right (2)) and volume (chart on the right (3)) by using image recognition.



(2) Inspection system using character recognition

(3) Inspection/tally system using exterior information

• Calculation of optimum inventory and automated ordering

We cooperate with customers to optimize the entire supply chain.

Please refer to the movie for details of smart logistics technology.  
[http://www.hitachi-transportssystem.com/en/solution/smartlogistics/en\\_smart\\_movie06.html](http://www.hitachi-transportssystem.com/en/solution/smartlogistics/en_smart_movie06.html)

— Working together with our employees —

HTS Group Diversity

The Diversity Promotion Center was established in 2012. In order to respond to labor shortages due to Japan's aging population combined with a declining birth rate and the globalization of the market, the HTS Group will enhance its collective strengths encouraging active participation of diversified human resources including female employees, persons with disabilities, foreign nationals and seniors, and creating a pleasant work place.

» 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 March 2015. HTS was also recognized again, as in FY2010, by the Ministry of Health, Labour and Welfare as a company that supports child-rearing, with the logo that appears right. In addition, HTS was selected as "Semi-Nadeshiko Brand" in selection of "Nadeshiko Brands" by METI and the Tokyo Stock Exchange in FY2016.



» Promotion of Working-style Reform

The "Employee Relations and HR Policy/Programs Group" was established in FY2016 to promote changes in awareness of employees and managers. We are also working on measures to correct long working hours and introduce flexible working method. As part of such measures, we introduced a "work-at-home system" in FY2016, and expanded its target to those in management position for reasons other than childcare or nursing care in FY2017. We also introduced "satellite working system" on a trial basis using external offices or other convenient offices, with the aim of making it a permanent system for employees in management position and those caring for children or family members.

Interview

Interview with female manager using the work-at-home system

Manager, Director's Office,  
Hitachi Transport System, Ltd.  
Aya Kimura



Currently, I'm using the work-at-home system as a measure to balance work and care of my four-year-old child.

Using the system makes me conscious of effective time management more than ever as well as "selection and scheduling of tasks fit for work at office or home" and "output of myself." So, I feel this is really the first step of "Working-style Reform."

While I am very pleased that many female workers continue working after having children in HTS, I often hear that they have difficulties managing time. Actually, I used to be one of them, but now I can feel that using this system is producing good results for both business and in private life and I am very grateful.

I will value cooperation with relevant parties so that more employees can use these support systems effectively in the future.

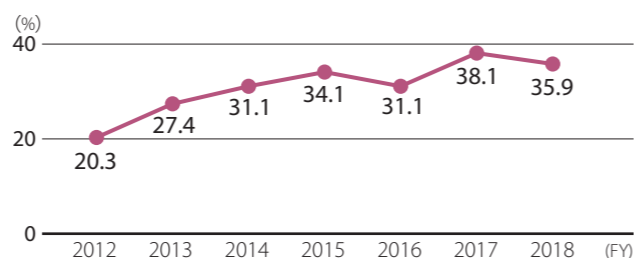
» Boosting Understanding of Diversity

From FY2015, the HTS Group has been holding a lecture series for executives and managers to boost familiarity with the subject of diversity as well as facilitate organizational initiatives in this regard.



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

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



» Support for Balancing Work and Childrearing

Active participation of female workers is essential for a global company to promote diversity and we believe it is critical to create an environment where female workers can balance their work and childrearing.

HTS puts in place systems whereby employees can take maternity leave, childcare leave or short working hour system for a longer period than that specified by law to ensure that female workers can work with peace of mind after marriage and childbirth.

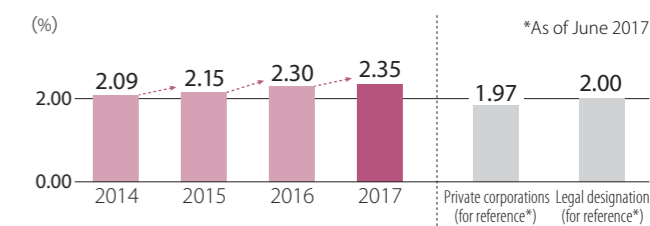
In FY2017, we also introduced systems to provide certain allowances including "additional child allowance" and "support fund for balancing childrearing and work" in an effort to create an environment which makes it easy for employees working while raising their children to demonstrate their ability.

Please visit our website for more information on promotion of diversity.  
<http://www.hitachi-transportssystem.com/en/profile/csr/stakeholder/diversity.html>

» Encouraging Employment of Persons with Disabilities

The HTS Group implements a variety of 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.

■ Percentages of persons with disabilities hired



Training upcoming generations of employees

The HTS Group has established the HTS 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 impart them with the HTS Group philosophy. In addition, we have developed training systems for select employees 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. In particular, "3PL Professional Course" offers knowledge of securing safety that is critical for site operation and knowledge of new technologies to selected employees of the HTS Group. In addition, employees with abundant experiences, as in-house lecturers, pass down their knowledge and technique to strengthen sales and on-site operations. The programs focus on learning readiness for practical situations through discussions among participants about topics based on the actual cases.



» Overseas Training Program

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. To this end, overseas training program has been in place since 1989 with a view to providing opportunities of overseas business activities and cross-cultural experiences for young employees. The program has expanded to many destinations around the world, to a total of 19 countries and regions over the past five years.



» Managerial Personnel Training

From FY2015, we have shifted focus to training a new generation of managers in our Managerial Personnel Training program. This six-month program is attended by managers selected based on a special assessment. Attendees learn the various frameworks forming the foundation of managerial strategy development, financial analysis methodology, etc. The trainees then address managerial issues currently faced by the HTS Group through discussions with executives and surveys, hypotheses, verification, and group work. Following the training, the attendees then provided recommendations "as managers" to executives including the President.

» 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, and by way of e-learning. By acquiring correct knowledge of human rights, we work to boost individual awareness of human rights.

— Together with local communities —

The HTS Group corporate philosophy is all about treating people and nature with respect. To this end we take an active stance on appropriate and proactive communication with various aspects of society to facilitate a win-win scenario of all-around growth.

» 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 2017, Mars Logistics Group Inc., our Turkish group company, visited eight elementary schools to hold 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.



Explaining road signs on the rear deck of the truck with a customized cover sheet for the use as a classroom



Approximately 1,000 children from eight elementary schools participated

● The HTS Traffic and Road Safety Class

In May 2017, we held the “HTS Traffic and Road Safety Class” in our automobile test course in Matsudo City, Chiba Prefecture, for neighboring elementary school children. Its aim was to teach children potential danger around vehicles and on the roads and raise their awareness of traffic and road safety through explanation by our safety instructor and experiments using a truck of blind spot, gap between inner wheels and braking distance.



Experience of blind spot at the driver's seat



Experiment of braking distance

» Sports Initiatives

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

● HTS Futsal Tournament

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



Held in March 2018

● 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.



Held in April 2017

» Activities of overseas group companies

● Thailand: HTS Group joint CSR activities

We planted saplings and released young carp in the river near the dam in Kabin Buri District, Prachinburi Province for the conservation of the environment and ecosystems.

- Hitachi Transport System Vantec (Thailand), Ltd.
- Eternity Grand Logistics Public Co., Ltd.
- VANTEC AMATA LOGISTICS (THAILAND) CO., LTD.



Planting saplings



Ceremonial photograph after activity

● 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 through anatomy and observation with microscope.

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

\* 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.

● U.S.: Activities through internal volunteer organization

Employees continue activities of donating foodstuffs and toys to local communities in various areas.

- James J. Boyle & Co.

● 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 FY2017.

- Mars Logistics Group Inc.



Held in June 2017

» 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 employees and executives 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.

FY2017 Initiatives

<Traffic and Road Safety>

- Gifts: HTS donated 6,200 sets of reflector for bicycle to Koto Ward Office and others  
HTS donated 900 LED light key chains to Okayama Prefectural Government
- Financial support: Traffic Accident Orphans Association (public interest incorporated foundation)

<Regional Social Action/Social Welfare>

- Gifts: We donated 48 wheelchairs to 13 municipalities around the country and a welfare vehicle to each of the welfare facilities in Koto Ward, Tokyo and Takaishi City, Osaka.
- Financial support: Japan Ice Sledge Hockey Association

<Environmental Conservation>

- 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)



Putting up a signboard in a school we support (“Kodomo-no-Mori” Program/Sri Lanka)

- Afforestation support: Additional one hectare of land (“HTS Magokoro Fund” forest) afforested in the Khorchin Mongol region desert, in collaboration with NPO Afforestation Network

» Internships and “Experience the Workplace” Programs

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



Workplace experience at Hitachi Collabonext Transport System Co., Ltd.

— 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. From FY2017, we started to disclose small-scale meeting materials as explanatory material of financial results summary.

We have also set up an IR Information section on our Website to disclose investment information to our shareholders quickly and accurately with a view to facilitating investment decisions.

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

Disclosed Information

- Summary of financial results
- Presentation Materials of financial results and summary (includes Q & A)
- Small-scale meeting materials
- Annual securities reports
- Notice of convocation of the annual general meeting of shareholders
- Business reports
- Annual Report
- Stock/Stock price Information

» 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
FY2017	¥18	¥18	¥36
FY2016	¥17	¥17	¥34
FY2015	¥15	¥15	¥30

» 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.

We worked on further enhancement of communication by holding conferences in Japan for foreign investors and increasing participation in IR seminars for individual investors in FY2017.

FY2017 Initiatives

- Results briefings (twice)
- Top executive meeting (once)
- Small-scale meetings (twice)
- Telephone conferences (twice)
- Overseas road shows (twice)
- Conferences in Japan (three times)
- R&D Center tour (once)
- IR seminars for individual investors (twice)
- Individual meetings, etc.



IR seminar for individual investors (March 16, 2018)  
 \* Hosted by the Securities Analysts Association of Japan



Results briefing (October 26, 2017)  
 \* The first results briefing since the relocation of head office to Chuo-ku (Kyobashi), Tokyo

FY2017 IR schedule (results)

IR activities	FY2017											
	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		●	Quiet period	●		Quiet period	●		Quiet period	●	
For foreign investors	Conferences in Japan					●	●					●
	Overseas road shows					●	Europe				●	Asia
IR seminars for individual investors						●	Osaka					●
Individual meetings		↔			↔			↔			↔	
Tour									●			●

Company website: Investor Relations page

<Earnings summary information>

<Various publications>

# Corporate Governance

## Status of corporate governance

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 compliancy 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.

In accordance with the Corporate Governance Code established by the Tokyo Stock Exchange, Inc. in 2015 (“the Code”), we at HTS have devised our own Corporate Governance Guidelines. These are noted on our corporate Website. We are compliant with all principles mentioned in the Code, as detailed in our Corporate Governance Report.

 Corporate Governance Guidelines  
<http://www.hitachi-transportssystem.com/en/profile/csr/pdf/c.g.guidelines.pdf>

### Board of Directors

- Determines issues relating to management policy and executive officer duties, etc.
- Oversees performance of directors and executive officers
- Board of Directors meeting held monthly in principle (additional sessions held as necessary) (Held 13 times in FY2017)
- Three committees have been established consisting of a majority of outside directors.
  - (1) Nominating Committee: Determines director candidates (Held 6 times in FY2017)
  - (2) Audit Committee: Performs audits of directors and executive officers’ business implementation (Held 16 times in FY2017)
  - (3) Compensation Committee: Determines compensation levels of directors and executive officers (Held 4 times in FY2017)

### Executive Committee


- Deliberates on important issues related to business implementation
- Comprised entirely of executives or individuals appointed by the company president
- Executive Committee meeting held monthly in principle (additional sessions held as necessary)



## Relationship between HTS and outside directors

There are no special interests involved between six outside directors appointed at the HTS 59th Regular General Shareholders’ Meeting held June 19th, 2018 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 independence standards for outside directors are noted on the HTS Website.

 The independence standards for outside directors  
<http://www.hitachi-transportssystem.com/en/profile/csr/management/governance.html#section1>

## 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 resolved at the Board of Directors meeting.

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.



To further improve internal awareness of the whistle-blowing system, posters for dissemination were prepared in 19 languages and posted in each office. We updated its content in May 2018 to ensure that employees are well informed about the system.

## Policy on determining director and executive officer compensation

- 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.
- Fundamental policy  
 In light of compensation criteria of other companies, HTS has in place compensation criteria in line with the level of responsibility required of HTS executives.
- Director compensation  
 Director compensation levels are comprised of a combination of a monthly salary and an end-of-term bonus. The monthly salary reflects executive-level performance, and whether or not the individual is full or part-time. The end-of-term bonus, meanwhile, stands at approximately 10% of the individual’s annual income based on the monthly salary. Depending on company performance, however it may be less than this amount at certain times.

- Executive officer compensation  
 Executive officer compensation levels are comprised of a combination of a monthly salary and an end-of-term bonus. The monthly salary is determined in consideration of a base amount fixed in accordance with position. Performance-based compensation is set at the level of roughly 30% to 40% of annual income. A portion of executive officer income is therefore determined in accordance with performance and category of work overseen.

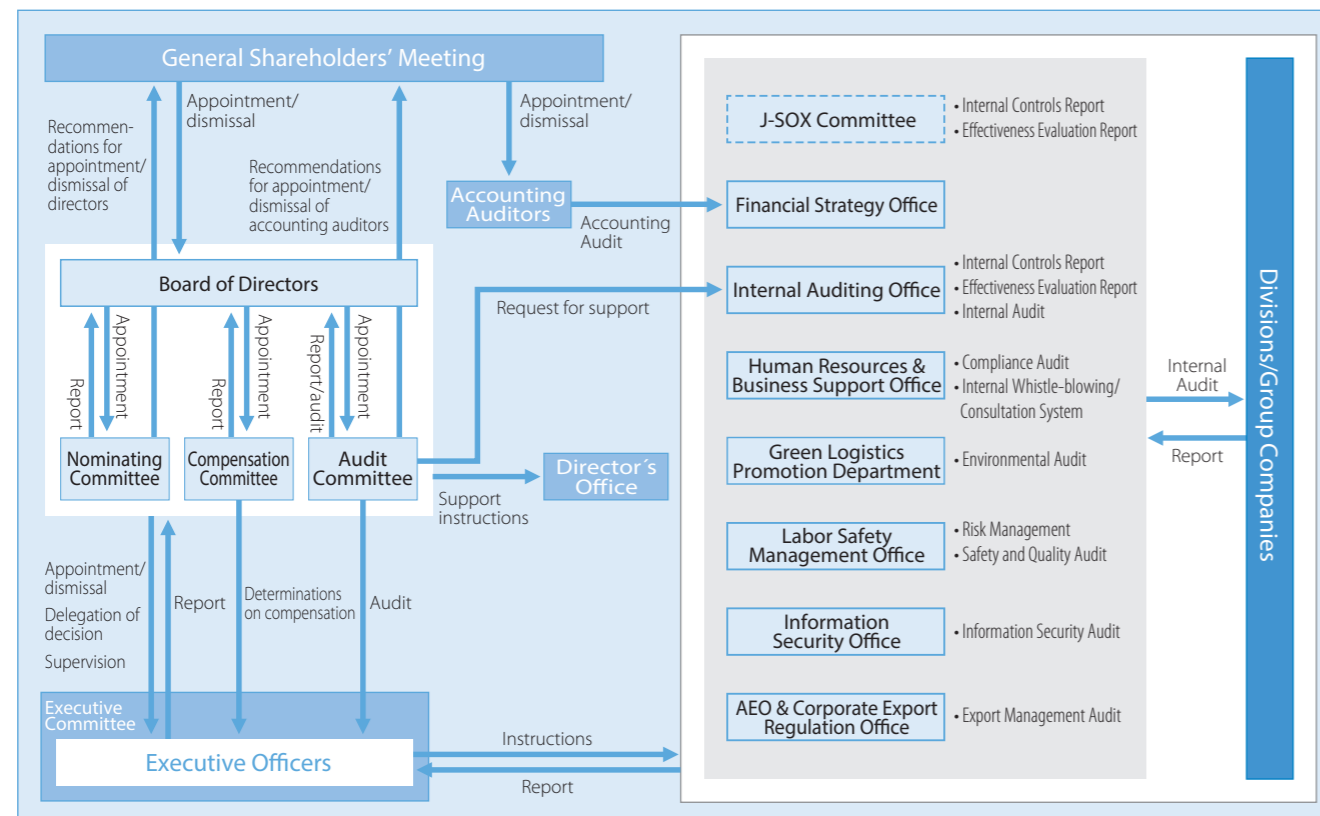
## Bolstering the Foundations of CSR Initiatives

### Compliance

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 executives 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 executives 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.

### Internal whistle-blowing system

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



## Risk Management

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, our BCPs are mainly concerned with large earthquakes and pandemic influenza scenarios. As an initiative to improve the effectiveness of BCP, in FY2017, a disaster prevention headquarter training (desktop simulation) was conducted at each headquarters and group company. (September: Kyushu, March: Tokyo metropolitan area)

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 eminent dangers. At the same time we have instituted emergency contact systems based on the information from our overseas locations.



Training session in Kyushu



Training session in Tokyo metropolitan area

## 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 FY2017, following the enactment of the Amended Act on the Protection of Personal Information, we revised the company rules and operation manuals. In addition, we are working on strengthening group-wide governance and provide various trainings every year, including group training for new employees, e-learning for all employees and simulation trainings as a countermeasure against targeted threat emails.

### Acquisition and maintenance of third-party certification

HTS has obtained and maintained third party certification, specifically the Privacy Mark<sup>\*1</sup> and ISMS<sup>\*2</sup> (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



<sup>\*1</sup> Privacy mark:  
The JIPDEC grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.

<sup>\*2</sup> ISMS (ISO/IEC 27001):  
Certification given by the International Organization for Standardization (ISO) to entities meeting specified criteria on information security management systems.

## Board of Directors and Executive Officers (As of June 19, 2018)

### Board of Directors

<b>Koji Tanaka</b> Chairman of the Board Outside Director	<b>Sayoko Izumoto</b> Outside Director	<b>Mitsudo Urano</b> Outside Director	<b>Tetsu Fusayama</b> Outside Director
<b>Emiko Magoshi</b> Outside Director	<b>Hiroshi Maruta</b> Outside Director	<b>Takashi Jinguji</b> Board Director	<b>Yasuo Nakatani</b> Board Director

### Executive Officers

<b>Yasuo Nakatani</b> <sup>(*)</sup> Representative Executive Officer President and Chief Executive Officer	<b>Kunio Iida</b> Senior Vice President and Executive Officer	<b>Takashi Jinguji</b> <sup>(*)</sup> Senior Vice President and Executive Officer	<b>Ichiro Iino</b> Vice President and Executive Officer
<b>Seiki Sato</b> Vice President and Executive Officer	<b>Kazuhisa Hatakeyama</b> Vice President and Executive Officer	<b>Nobukazu Hayashi</b> Vice President and Executive Officer	<b>Hiromoto Fujitani</b> Vice President and Executive Officer
<b>Katsutoshi Kashimura</b> Executive Officer	<b>Yuichi Kuroume</b> Executive Officer	<b>Hiroaki Takagi</b> Executive Officer	<b>Yasushi Hagiwara</b> Executive Officer
<b>Kiyoshi Nagao</b> Executive Officer	<b>Kazuhiro Nishikawa</b> Executive Officer		
<b>Riichiro Hirano</b> Executive Officer			

<sup>\*</sup> 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/>

# Financial Statements

## Consolidated Statement of Financial Position

Hitachi Transport System, Ltd. and subsidiaries

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	¥ 63,497	¥ 57,483	\$ 597,675
Trade receivables .....	135,987	125,600	1,279,998
Inventories .....	1,711	1,466	16,105
Other financial assets .....	7,868	7,086	74,059
Other current assets .....	11,089	13,227	104,377
<b>Total current assets</b> .....	<b>220,152</b>	<b>204,862</b>	<b>2,072,214</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method .....	75,349	71,518	709,234
Property, plant and equipment .....	175,015	177,520	1,647,355
Goodwill .....	27,869	28,067	262,321
Intangible assets .....	31,833	34,766	299,633
Deferred tax assets .....	8,466	8,193	79,688
Other financial assets .....	18,320	16,858	172,440
Other non-current assets .....	7,899	8,140	74,351
<b>Total non-current assets</b> .....	<b>344,751</b>	<b>345,062</b>	<b>3,245,021</b>
<b>Total assets</b>	<b>¥ 564,903</b>	<b>¥ 549,924</b>	<b>\$ 5,317,235</b>

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables .....	¥ 55,078	¥ 51,786	\$ 518,430
Short-term debt .....	10,747	8,557	101,158
Current portion of long-term debt .....	15,307	5,644	144,079
Income tax payable .....	6,782	7,253	63,837
Other financial liabilities .....	21,425	23,628	201,666
Other current liabilities .....	30,829	31,347	290,183
<b>Total current liabilities</b> .....	<b>140,168</b>	<b>128,215</b>	<b>1,319,352</b>
<b>Non-current liabilities</b>			
Long-term debt .....	138,244	149,914	1,301,242
Retirement and severance benefits .....	32,077	31,187	301,930
Deferred tax liabilities .....	10,897	11,481	102,570
Other financial liabilities .....	12,915	12,636	121,564
Other non-current liabilities .....	3,881	2,572	36,530
<b>Total non-current liabilities</b> .....	<b>198,014</b>	<b>207,790</b>	<b>1,863,837</b>
<b>Total liabilities</b>	<b>¥ 338,182</b>	<b>¥ 336,005</b>	<b>\$ 3,183,189</b>
<b>Equity</b>			
<b>Equity attributable to stockholders of the parent company</b>			
Common stock .....	¥ 16,803	¥ 16,803	\$ 158,161
Capital surplus .....	3,409	8,272	32,088
Retained earnings .....	193,864	176,842	1,824,774
Accumulated other comprehensive income .....	1,195	(301)	11,248
Treasury stock, at cost .....	(181)	(180)	(1,704)
<b>Total equity attributable to stockholders of the parent company</b> .....	<b>215,090</b>	<b>201,436</b>	<b>2,024,567</b>
<b>Non-controlling interests</b>	<b>11,631</b>	<b>12,483</b>	<b>109,479</b>
<b>Total equity</b>	<b>226,721</b>	<b>213,919</b>	<b>2,134,046</b>
<b>Total liabilities and equity</b>	<b>¥ 564,903</b>	<b>¥ 549,924</b>	<b>\$ 5,317,235</b>

## Consolidated Statement of Profit or Loss

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Revenues .....	¥ 700,391	¥ 665,377	\$ 6,592,536
Cost of sales .....	(620,011)	(590,126)	(5,835,947)
Gross profit .....	80,380	75,251	756,589
Selling, general and administrative expenses .....	(50,577)	(45,785)	(476,064)
Adjusted operating income .....	29,803	29,466	280,525
Other income .....	3,461	3,118	32,577
Other expenses .....	(3,998)	(4,377)	(37,632)
Operating income .....	29,266	28,207	275,471
Financial income .....	88	103	828
Financial expenses .....	(1,818)	(496)	(17,112)
Share of profits of investments accounted for using the equity method .....	5,557	3,741	52,306
EBIT (Earnings before interest and taxes) .....	33,093	31,555	311,493
Interest income .....	1,031	762	9,704
Interest expenses .....	(1,862)	(1,932)	(17,526)
Income before income taxes .....	32,262	30,385	303,671
Income taxes .....	(10,154)	(10,466)	(95,576)
Net income .....	¥ 22,108	¥ 19,919	\$ 208,095
<b>Net income attributable to:</b>			
Stockholders of the parent company .....	20,916	18,703	196,875
Non-controlling interests .....	1,192	1,216	11,220

Earnings per share attributable to stockholders of the parent company	Yen		U.S. dollars
	2018	2017	2018
Basic .....	¥ 187.50	¥ 167.66	\$ 1.76
Diluted .....	–	–	–

## Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net income .....	¥ 22,108	¥ 19,919	\$ 208,095
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI .....	457	(171)	4,302
Remeasurements of defined benefit plans .....	(60)	374	(565)
Share of OCI of investments accounted for using the equity method .....	123	(18)	1,158
Total items not to be reclassified into net income .....	520	185	4,895
Items that can be reclassified into net income			
Foreign currency translation adjustments .....	1,798	(2,653)	16,924
Net changes in cash flow hedges .....	–	36	–
Share of OCI of investments accounted for using the equity method .....	5	(58)	47
Total items that can be reclassified into net income .....	1,803	(2,675)	16,971
Other comprehensive income (OCI) .....	2,323	(2,490)	21,866
Comprehensive income .....	¥ 24,431	¥ 17,429	\$ 229,960
Comprehensive income attributable to:			
Stockholders of the parent company .....	22,486	16,846	211,653
Non-controlling interests .....	1,945	583	18,308



## Consolidated Statement of Changes in Equity

Hitachi Transport System, Ltd. and subsidiaries

For the year ended March 31, 2018

	Millions of yen							
	2018							
	Equity attributable to stockholders of the parent company							Non-controlling interests
Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
<b>Balance at beginning of year</b>	¥ 16,803	¥ 8,272	¥ 176,842	¥ (301)	¥ (180)	¥ 201,436	¥ 12,483	¥ 213,919
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	-	(4,863)	-	(64)	-	(4,927)	(2,666)	(7,593)
Dividends	-	-	(3,904)	-	-	(3,904)	(131)	(4,035)
Transfer to retained earnings	-	-	10	(10)	-	-	-	-
Acquisition and sales of treasury stock	-	-	-	-	(1)	(1)	-	(1)
<b>Total changes in equity</b>	-	(4,863)	17,022	1,496	(1)	13,654	(852)	12,802
<b>Balance at end of year</b>	¥ 16,803	¥ 3,409	¥ 193,864	¥ 1,195	¥ (181)	¥ 215,090	¥ 11,631	¥ 226,721

For the year ended March 31, 2017

	Millions of yen							
	2017							
	Equity attributable to stockholders of the parent company							Non-controlling interests
Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
<b>Balance at beginning of year</b>	¥ 16,803	¥ 9,630	¥ 161,708	¥ 1,546	¥ (180)	¥ 189,507	¥ 12,785	¥ 202,292
Changes in equity								
Net income	-	-	18,703	-	-	18,703	1,216	19,919
Other comprehensive income	-	-	-	(1,857)	-	(1,857)	(633)	(2,490)
Transactions with non-controlling interests	-	(1,358)	-	10	-	(1,348)	(789)	(2,137)
Dividends	-	-	(3,569)	-	-	(3,569)	(96)	(3,665)
Acquisition and sales of treasury stock	-	-	-	-	(0)	(0)	-	(0)
<b>Total changes in equity</b>	-	(1,358)	15,134	(1,847)	(0)	11,929	(302)	11,627
<b>Balance at end of year</b>	¥ 16,803	¥ 8,272	¥ 176,842	¥ (301)	¥ (180)	¥ 201,436	¥ 12,483	¥ 213,919

For the year ended March 31, 2018

	Thousands of U.S. dollars							
	2018							
	Equity attributable to stockholders of the parent company							Non-controlling interests
Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
<b>Balance at beginning of year</b>	\$ 158,161	\$ 77,861	\$ 1,664,552	\$ (2,833)	\$ (1,694)	\$ 1,896,047	\$ 117,498	\$ 2,013,545
Changes in equity								
Net income	-	-	196,875	-	-	196,875	11,220	208,095
Other comprehensive income	-	-	-	14,778	-	14,778	7,088	21,866
Transactions with non-controlling interests	-	(45,774)	-	(602)	-	(46,376)	(25,094)	(71,470)
Dividends	-	-	(36,747)	-	-	(36,747)	(1,233)	(37,980)
Transfer to retained earnings	-	-	94	(94)	-	-	-	-
Acquisition and sales of treasury stock	-	-	-	-	(9)	(9)	-	(9)
<b>Total changes in equity</b>	-	(45,774)	160,222	14,081	(9)	128,520	(8,020)	120,501
<b>Balance at end of year</b>	\$ 158,161	\$ 32,088	\$ 1,824,774	\$ 11,248	\$ (1,704)	\$ 2,024,567	\$ 109,479	\$ 2,134,046

## Consolidated Statement of Cash Flows

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Cash flows from operating activities:</b>			
Net income	¥ 22,108	¥ 19,919	\$ 208,095
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	19,030	18,741	179,123
Impairment losses	1,254	2,190	11,803
Reversal of impairment losses	-	(461)	-
Share of profits of investments accounted for using the equity method	(5,557)	(3,741)	(52,306)
Income taxes	10,154	10,466	95,576
Increase (decrease) in retirement and severance benefits	863	(43)	8,123
Interest and dividends income	(1,117)	(849)	(10,514)
Interest expenses	1,862	1,932	17,526
(Gains) losses on sale of property, plant and equipment	(2,780)	(2,151)	(26,167)
(Increase) decrease in trade receivables	(9,667)	(7,942)	(90,992)
(Increase) decrease in inventories	(227)	(356)	(2,137)
Increase (decrease) in trade payables	2,738	3,620	25,772
Increase (decrease) in other assets and other liabilities	(2,596)	(1,840)	(24,435)
Other	956	1,377	8,998
<b>Subtotal</b>	<b>37,021</b>	<b>40,862</b>	<b>348,466</b>
Interest and dividends received	2,917	1,081	27,457
Interest paid	(1,748)	(1,890)	(16,453)
Income taxes paid	(10,266)	(13,681)	(96,630)
<b>Net cash provided by operating activities</b>	<b>27,924</b>	<b>26,372</b>	<b>262,839</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment and intangible assets	(12,197)	(12,517)	(114,806)
Proceeds from sale of property, plant and equipment and intangible assets	5,485	6,248	51,628
Proceeds from withdrawal of deposit	-	3,500	-
Purchase of investments accounted for using the equity method	-	(66,843)	-
Other	534	608	5,026
<b>Net cash used in investing activities</b>	<b>(6,178)</b>	<b>(69,004)</b>	<b>(58,151)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term debt, net	1,834	(3,002)	17,263
Proceeds from long-term debt	-	124,511	-
Repayments of long-term debt	(1,502)	(55,325)	(14,138)
Repayments of lease obligations	(4,849)	(4,672)	(45,642)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(7,484)	(2,137)	(70,444)
Dividends paid to stockholders of the parent company	(3,904)	(3,569)	(36,747)
Dividends paid to non-controlling interests	(108)	(88)	(1,017)
Other	(432)	(126)	(4,066)
<b>Net cash provided by (used in) financing activities</b>	<b>(16,445)</b>	<b>55,592</b>	<b>(154,791)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>713</b>	<b>(623)</b>	<b>6,711</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,014</b>	<b>12,337</b>	<b>56,608</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>57,483</b>	<b>45,146</b>	<b>541,067</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 63,497</b>	<b>¥ 57,483</b>	<b>\$ 597,675</b>

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

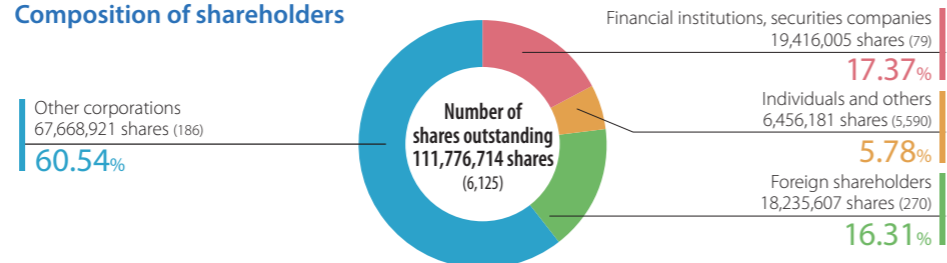
**Number of shares outstanding**

111,776,714 shares

**Number of shares per unit**

100 shares

**Composition of shareholders**



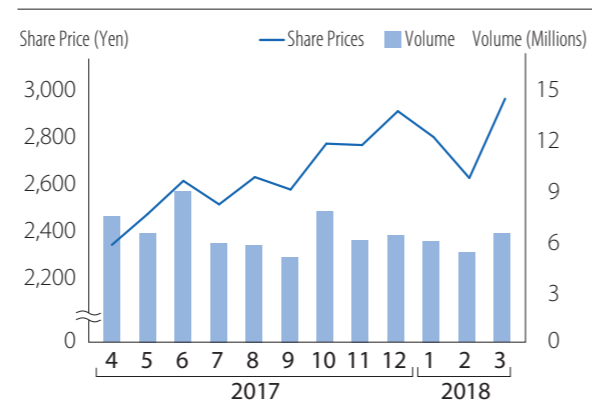
\* Numbers inside parentheses are number of shareholders.

**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)	5,871	5.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,145	2.82
National Mutual Insurance Federation of Agricultural Cooperatives	2,893	2.59
JP MORGAN CHASE BANK 380684	1,883	1.69
Hitachi Transport System, Ltd. Employees' Shareholding Association	1,388	1.24
GOVERNMENT OF NORWAY	1,223	1.10
FUKUYAMA TRANSPORTING CO., LTD.	1,038	0.93
JP MORGAN CHASE BANK 385166	983	0.88

Note: The percentage of shares held is calculated based on the number of shares excluding treasury stock (226,948 shares).

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



Main Subsidiaries & Associates

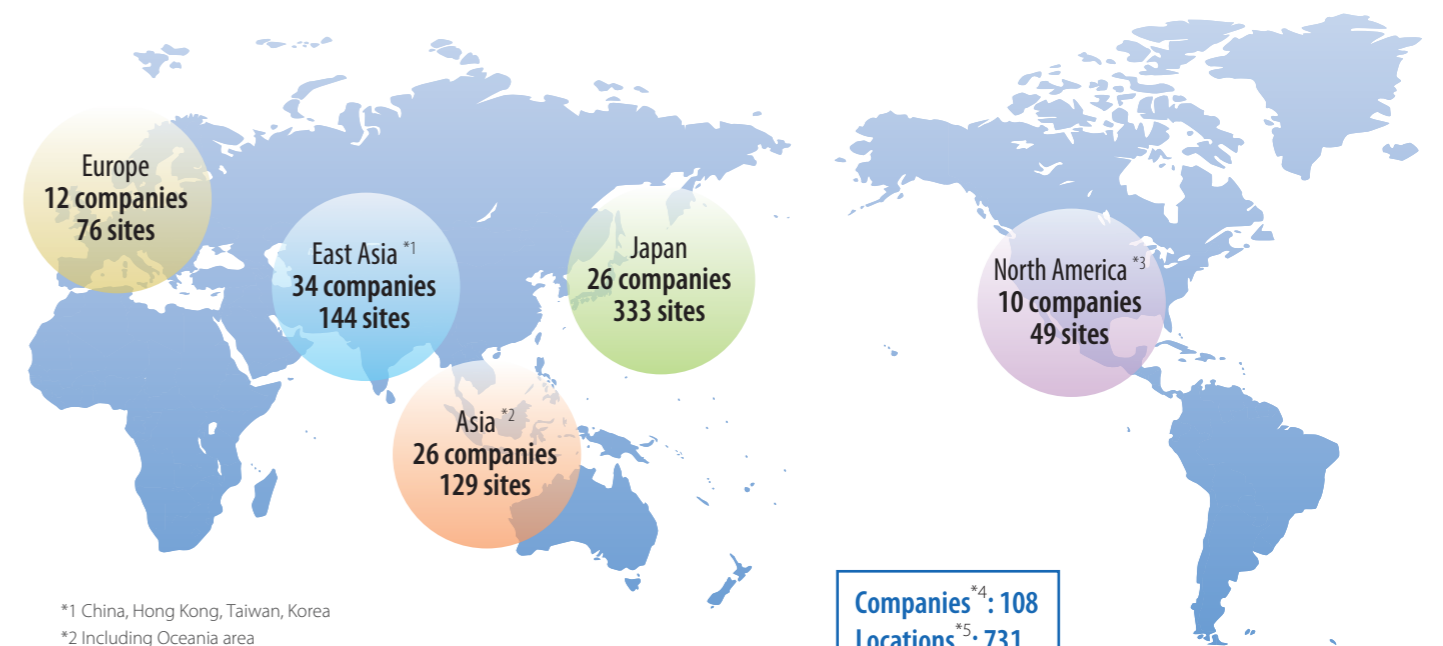
**Domestic**

- 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.
- Hitachi Transport Direx Co., Ltd.
- Hitachi Collabonext Transport System Co., Ltd.
- Hitachi Finenext Transport System Co., Ltd.
- VANTEC CORPORATION
- VANTEC HTS FORWARDING, LTD.
- Nisshin Transportation Co., Ltd.
- Project Cargo Japan, Inc.
- Hitachi Distribution Software Co., Ltd.
- Hitachi Auto Service Co., Ltd.
- Hitachi Travel Bureau, Ltd.

**Overseas**

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

Network Extending to 29 Countries and Regions



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

**Companies<sup>\*4</sup>: 108**  
**Locations<sup>\*5</sup>: 731**

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