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.

The Most Preferred Global Supply Chain Solutions Provider

Hitachi Transport System's Numbers

Hitachi Transport System Group will deliver values to the global market, as well as focus on safety and environmental initiatives and collaborative innovation of values with our stakeholders.

Human Resources

Total Personnel

48,524 employees

Domestic: 29,244 employees

Overseas: 19,280 employees

Vehicles

Number of vehicles (including leased vehicles)

16,433

Truck*: 3,935
Forklift: 5,827

*1: Including tractors and vans. *2: Including buses and passenger cars, etc.

While we focus on increasing the number of vehicles and improving their performance as the Company’s key management resources, we also accelerate implementation of leading-edge safety technologies and environmental performance.

“Now” and “Future” of the Hitachi Transport System Group in Numbers

Locations

Operational bases

118 companies 776 sites

Domestic: 24 companies 363 sites

Overseas: 94 companies 413 sites

Companies covered in this report

This annual report covers Hitachi Transport System and the HTS Group (108 consolidated subsidiaries and 9 associates accounted for by the equity method).

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.

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-transportsystem.com/en/library/annual/)

Reporting period

The fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016 in general)

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

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

Under the corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” the Hitachi Transport System Group aims to become the most preferred solution provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

In terms of safety, under the philosophy of “Safety is of the highest priority,” and also with corporate slogan of “Safety Management by Walking Around,” our managers and supervisors take the lead in walking around on-site to establish a “Culture of Safety” as well as strengthen and ensure the accident-free environment and safety education, for the purpose of promoting logistics services with high quality and safety. From FY2015, we have installed the collision prevention assist system into our vehicles as our preventive maintenance measures with “Safety technology” to further secure safe driving.

In terms of environmental initiatives, the HTS Group vigorously promotes “Green logistics” and strives to reduce environmental burden by promoting modal shift and round-trip use of containers and aiming at 100% ownership ratio of eco-friendly vehicles. We will continue to strive in the future for a sustainable society by providing ever-better environmentally-friendly services.

In terms of diversity, amid a decline in the labor force due to aging society with low birth rate and acceleration of market globalization, we aim at dynamic engagement of all group employees under the slogan of “Diversity and Inclusion; take advantage of diversity and grow together” through our efforts to create working environment that enables active participation by diversified human resources including women, persons with disabilities, foreign nationals, and seniors.

While the business environment surrounding the Group remains severe for FY2016 due to concerns over sluggish growth of global economy and intensifying competition in the industry, many companies including our customers and competitors are searching for their growth strategy under such uncertain environment. By considering these circumstances as business opportunities (opportunities for new collaborative innovation and value creation) for the Group, we developed and started our new Mid-term Management Plan for FY2016-FY2018 (from April 1, 2016 to March 31, 2019).

Under the new Mid-term Management Plan, based on the basic strategy for our core businesses to “thoroughly enhance 3PL business and increase market share,” “expand forwarding business” and “enhance heavy machinery and plant logistics,” we strive to create “values” by invigorating “collaborative innovation” with our customers and business partners and also to improve the Group’s corporate value by enhancing our “earning ability” and “growth ability” as well as “ability to succeed” these abilities.

We look forward to your continued support.

Yasuo Nakatani, President and CEO
The Services of the Hitachi Transport System Group

Through “3PL business,” “Forwarding business,” “Heavy machinery and Plant logistics business” and “Automobile parts logistics business,” the HTS Group creates “values” by invigorating “collaborative innovation” with customers and business partners and also to improve the Group’s corporate value by enhancing our “earning ability” and “growth ability” as well as “ability to succeed” these abilities.

Meet various needs with land, sea and air transportation and logistics system leveraging our global network.

Provide the best supply chain solution by closely connecting auto parts makers and automobile makers for each other.

Provide high quality logistics services in all logistics processes including material procurement, manufacturing, distribution and recycle.

Provide sequential services for heavy machinery and precision instruments in transportation, installation, setting up and import/export procedures with our wealth of technical skills.

The Strategy

- Thorough enhancement of 3PL business
- Expand Forwarding business
- Expand Heavy machinery and Plant logistics business
- Enhance Automobile parts logistics business

3PL business

Value
Provide high quality logistics services in all logistics processes including material procurement, manufacturing, distribution and recycle.

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

Global

Forwarding business

Value
Meet various needs with land, sea and air transportation and logistics system leveraging our global network.

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

Global

Heavy machinery and Plant logistics business

Value
Provide sequential services for heavy machinery and precision instruments in transportation, installation, setting up and import/export procedures with our wealth of technical skills.

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

Global

Automobile parts logistics business

Value
Provide the best supply chain solution by closely connecting auto parts makers and automobile makers for each other.

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

Global

Other
- Travel agency business
- Information system development business
- Sale and maintenance of automobiles business

Domestic

Domestic

Domestic

Overview of domestic logistics business (Year ended March 31, 2016)

- **Revenues**: ¥405.1 billion
- **Segment profit**: ¥19.7 billion

Revenues of domestic logistics business increased by 2% year-on-year to ¥405,080 million due to factors including a steady increase in the volume of consumer goods and retail products and the operations of new projects launched such as cosmetics, sports goods, retail products, and foods, etc.

Segment profit increased by 40% year-on-year to ¥19,734 million due to the effect of revenues increase and profitability improvement.

Overview of global logistics business (Year ended March 31, 2016)

- **Revenues**: ¥253.1 billion
- **Segment profit**: ¥4.6 billion

Revenues of global logistics business decreased by 2% year-on-year to ¥253,144 million due to sluggish forwarding business between Japan and other countries and China business despite a steady increase in the volume of commodity and retail products in overseas 3PL business.

Segment profit decreased by 5% year-on-year to ¥4,596 million due to impairment losses on goodwill in overseas subsidiaries despite the profitability improvement of 3PL projects in Asia.

FY2015 Topics (Japan)

- **Shin-Yachiyo DC**
  - Yachiyo City, Chiba Prefecture
  - Operations started July 2015
  - Cosmetics, etc.

- **Shin-Shonan DC**
  - Kashima City, Chiba Prefecture
  - Operations started August 2015
  - Sports goods

- **AEON Shikoku LC**
  - Sakaimine City, Kagawa Prefecture
  - Operations started September 2015
  - Food products/daily commodities, etc.

- **Tatebayashi DC**
  - Tatebayashi City, Gunma Prefecture
  - Operations started October 2015
  - Food products/beverages

FY2015 Topics (Overseas)

- **East Shanghai DC**
  - Shanghai City, China
  - Operations started May 2015
  - Construction equipment parts

- **Laredo XD Terminal**
  - Texas, U.S.
  - Operations started August 2015
  - Automobile parts related, etc.

- **Hillthorn Warehouse**
  - Tyne and Wear, U.K.
  - Operations started January 2016
  - Automobile parts related, etc.

Reorganized group companies in North America

- **Merged subsidiaries in North America**: July 2015
  - (After merger: VANTEC HITACHI TRANSPORT SYSTEM (USA), INC.)
  - • Vantec World Transport (USA), Inc.
  - • Hitachi Transport System (America), Ltd.

Integrated CDS subsidiary: October 2015

- (After integration: VANTEC HITACHI TRANSPORT SYSTEM (USA), INC.)
  - • CDS Global Logistics Inc.

Reorganized group companies in Hong Kong

- **Business reorganization of CDS Hong Kong subsidiary**: October 2015
  - (Business transferred to: Vantec Hitachi Transport System (Hong Kong) Ltd.)
  - • CDS Group Holdings Limited

Reorganized group companies in Malaysia

- **Business reorganization of CDS Malaysia subsidiary**: January 2016
  - (Business transferred to: Hitachi Transport System (MI) Sdn. Bhd.)
  - • CDS Global Sdn Bhd
Enhance 3PL

Enhance delivery solution

Develop region-based business (Transformation)

Implement smart logistics and standard model (standard 3PL)

Promote Collaborative Innovation and Collaboration with SG Holdings Group

Enhance Forwarding Business

Carry out global expansion strategy under the leadership of Strategic Forwarding Office

Expand Heavy Machinery and Plant Logistics business

Expand Forwarding Business

Implement smart logistics and standard model (standard 3PL)

Opened Kansai II Medical Distribution Center: Hi-Spec & Hi-Value

Distribution 3PL

Modeling the next generation of distribution 3PL

Air freight business strategy

Sea freight business strategy

Freight volume

Provide integrated solution to cover all process from upstream to downstream (pick up/3PL/delivery)

Seamless handling including inventory/cargo tracking informations

Information of Mid-term Management Plan is available on the page of “Mid-term Management Plan” at our website updated on May 12, 2016.

7-year Summary

(As of March 31, 2016)

<table>
<thead>
<tr>
<th></th>
<th>J-GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>For the year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Revenue</td>
<td>$331,917</td>
<td>$368,798</td>
<td>$553,934</td>
<td>$547,517</td>
<td>$624,504</td>
<td>$677,708</td>
<td>$678,573</td>
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<tr>
<td>Domestic logistics</td>
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<td>256,886</td>
<td>386,448</td>
<td>375,560</td>
<td>388,765</td>
<td>397,844</td>
<td>397,954</td>
<td>405,080</td>
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<td>Global logistics</td>
<td>71,095</td>
<td>93,264</td>
<td>148,610</td>
<td>152,485</td>
<td>215,193</td>
<td>258,354</td>
<td>258,231</td>
<td>253,144</td>
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<tr>
<td>Other services</td>
<td>16,362</td>
<td>18,648</td>
<td>18,876</td>
<td>19,472</td>
<td>20,546</td>
<td>20,910</td>
<td>22,388</td>
<td>22,130</td>
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<tr>
<td>Operating income</td>
<td>12,724</td>
<td>15,940</td>
<td>23,131</td>
<td>19,535</td>
<td>20,992</td>
<td>21,198</td>
<td>21,465</td>
<td>28,334</td>
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<td>Domestic logistics</td>
<td>19,133</td>
<td>21,815</td>
<td>29,146</td>
<td>27,452</td>
<td>28,523</td>
<td>26,082</td>
<td>14,071</td>
<td>19,734</td>
</tr>
<tr>
<td>Global logistics</td>
<td>1,286</td>
<td>1,477</td>
<td>2,763</td>
<td>1,123</td>
<td>2,910</td>
<td>5,897</td>
<td>4,848</td>
<td>4,596</td>
</tr>
<tr>
<td>Other services</td>
<td>1,501</td>
<td>2,751</td>
<td>2,246</td>
<td>2,619</td>
<td>2,743</td>
<td>2,883</td>
<td>2,546</td>
<td>4,004</td>
</tr>
<tr>
<td>Operating income</td>
<td>5,815</td>
<td>6,806</td>
<td>12,563</td>
<td>11,156</td>
<td>5,433</td>
<td>10,932</td>
<td>13,250</td>
<td>14,011</td>
</tr>
</tbody>
</table>

| At year-end:          |               |               |               |               |               |               |               |               |
| Total assets          | $231,188      | $246,558      | $365,013      | $374,206      | $427,733      | $450,048      | $459,386      | $464,399      |
| Total equity (Net assets) | 148,471      | 151,066       | 164,640       | 174,904       | 181,401       | 188,935       | 196,735       | 202,292       |
| Net income attributable to shareholders of the parent company (Net income) | 52.13 | 65.01 | 112.62 | 100.01 | 48.70 | 98.00 | 111.78 | 125.60 |
| Equity attributable to shareholders of the parent company (Net income) | 1,302.56 | 1,325.72 | 1,404.03 | 1,517.93 | 1,512.16 | 1,584.16 | 1,656.91 | 1,698.85 |
| Cash dividends         | 20.00         | 22.00         | 24.00         | 25.00         | 26.00         | 28.00         | 28.00         | 30.00         |
| Capital expenditures   | $6,908        | $13,264       | $16,857       | $17,854       | $22,948       | $26,528       | $26,528       | $33,755       |
| Purchased assets       | 5,302         | 7,358         | 14,664        | 15,187        | 21,622        | 13,601        | 13,601        | 22,340        |
| Depreciation and amortization | 9,403        | 9,672         | 14,003        | 14,958        | 16,579        | 18,403        | 18,715        | 19,125        |
| Financial ratios       |               |               |               |               |               |               |               |               |
| Operating margin (%)   | 3.8           | 4.3           | 4.2           | 3.6           | 3.4           | 3.1           | 3.2           | 4.2           |
| ROE (%)                | 4.1           | 4.6           | 8.3           | 6.8           | 3.2           | 6.3           | 7.4           | 7.5           |

| Other data:           |               |               |               |               |               |               |               |               |
| Number of employees   | 12,283        | 14,700        | 21,104        | 22,793        | 24,425        | 24,728        | 24,728        | 24,744        |
| Total floor space of warehouse (Thousand square meters) | 3,230 | 3,710 | 5,160 | 5,640 | 6,370 | 6,910 | 6,910 | 7,090 |
| Domestic              | 2,600         | 3,010         | 3,940         | 4,260         | 4,610         | 5,090         | 5,000         | 4,960         |
| Overseas              | 630           | 700           | 1,220         | 1,380         | 1,760         | 1,910         | 1,910         | 2,130         |

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥112.68=U.S.$1, the prevailing exchange rate as of March 31, 2016.
*2 Terms in parentheses are used for J-GAAP.
*3 From the fiscal year ended March 31, 2016 (IFRS), the Group altered to allocate company-wide expenses to each business segment. The segment information of the fiscal year ended March 31, 2015 (IFRS) had also reflected the alternation above.
*4 Based on tangible and intangible assets accepted
*5 Based on non-current assets recorded

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. As a logistics partner of the Hitachi Group, we carry out our corporate activities in accordance with the framework of the Hitachi CSR Statement and Mission Statement.

Our CSR Implementation Policy

<Hitachi CSR Statement and Mission>

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

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

<Framework>

Projects

We determine which issues should be addressed, and implement them in accordance with order of priority.

Awareness of Social Responsibility

Awareness

Accurate awareness of social responsibility

Verification and Improvement

We verify efficacy and carry out improvements on CSR initiatives through information disclosure and dialogue with our stakeholders.

Review and Improve CSR activities

Awareness of Social Responsibility

Accurate awareness of social responsibility

Veriﬁcation and Improvement

We verify efficacy and carry out improvements on CSR initiatives through information disclosure and dialogue with our stakeholders.

Review and Improve CSR activities

Awareness of Social Responsibility
Safety

Safety is our number one priority

Bringing safety and peace of mind to our customers

Policy on Safety and Quality Initiatives

Slogan
Safety Management by Walking Around

Our goals are to create a corporate culture of safety, to act based on the concept that protecting health and 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 making the rounds at our on-site facilities.

Transport Safety Management System*

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

Adoption of Safety Technology

The HTS Group has adopted the Mobileye* collision prevention system for our existing fleet of about 500 trucks and tractors.

Using a camera installed on the front window glass, this system assesses the amount of time remaining before a collision will occur with objects such as vehicles in front, pedestrians, cars in other lanes, etc., displaying an icon along with a buzzer to warn drivers. This system works to ensure safer driving.

Safety Projects

Risk assessment represents an important methodology at work sites presenting various dangers, both hidden and otherwise.

By making the rounds at the workplace, we nip dangers in the bud and work to prevent accidents before they happen.

*This system incorporates a high-performance image processing semiconductor developed by Mobileye of Israel.
Boosting Safety and Quality Assurance Training

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 conducting training sessions continuously since 2006 to educate safety supervisors in accurate implementation of techniques such as driving, inspection, and more.

In FY2015, we trained five employees working to be vehicle supervisors and five working to be on-site supervisors, for a total of ten. Since 2006, we have trained more than 67 employees in this way.

Interview

Takahiro Iida

Labor Safety, Corporate Quality Promotion & Environment Policy

Head office group

Takahiro Iida

As a member of the HTS Group, I strive to create a workplace environment where all employees can enjoy peace of mind as they work. I was delighted to acquire knowledge, techniques, and understanding during the safety supervisor training session.

From this point onward, I am committed to being aware of the fact that people are always looking to me and that I need to set an example as a model supervisor—and also to be the type of supervisor that is good and kind to everybody.

Heavy Cargo Engineering Practical Training

To ensure safe and successful transport, as well as inbound operations and installation of heavy cargo including railway cars, power generating plants, industrial machinery, etc., and of precision equipment such as scientific and medical equipment—we need to boost both our technology and technique. To make this happen, we re-create scenarios at dedicated facilities (technical skill centers) approximating actual situations, providing regular training tailored to the skill levels and experience of the workers involved.

Travelling Forklift Training Programs

The forklift is a highly convenient piece of machinery, but it can cause serious accidents if driven or operated inappropriately.

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

Holding Internal Forklift Competitions at Overseas Locations

As of FY2013, the HTS Group locations in China and Thailand have held forklift competitions for local employees. Japanese supervisors are sent to these events to boost the globalization of HTS’s culture of corporate safety in general as well as to impart safety/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.

Sending Contestants to Non-HTS Forklift and Trucking Competitions

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

In FY2015 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 as far as we possibly can.

30th National Forklift Driving Contest: double victory in general/women’s categories

The HTS Group sent a total of nineteen contestants to this competition. Contestants strive for the highest score of a total of three categories: academic knowledge, inspection skills, and driving technique.

HTS dominated the regular division, taking the top three spots, as well as the top spot and 4th place in the women’s category. Our results were truly remarkable this year.

47th National Truck Driver Contest: victory in the women’s category

The HTS Group sent eighteen contestants to this competition, where contestants strive for the highest score in both the academic knowledge and skill competitions (driving and inspection). The HTS Group contestants prevailed in the women’s category, and also placed well in the trailer and 4-ton categories.

FY2015 Results

National Forklift Driving Contest

Five

contestants placed

General category: 1st, 2nd, and 3rd place

Women’s category: 1st

Women’s category: 1st

National Truck Driver Contest

Four

contestants placed

Women’s category: 1st

Women’s category: 1st

Women’s category: 1st

*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. The Prime Minister’s Prize goes to the highest-scoring contestant.
Environmental Management

Cutting CO₂ emissions with LED lighting equipment

The HTS Group is building environmentally-friendly distribution centers, along with introducing LED equipment, with a view to cutting CO₂ emissions. In FY2015, we installed the equipment fully at the following new distribution centers, cutting CO₂ by a total of 400 tons annually.

- Yasuki Distribution Center (Expanded May 2015, floor space=4,780 m²)
- AEON Shikoku LC (Opened September 2015, floor space=28,000 m²)
- Tatebayashi Distribution Center (Opened October 2015, floor space=14,830 m²)
- East Java II Distribution Center (Opened February 2016, floor space=48,600 m²)

In addition, the AEON Shikoku LC and Tatebayashi Distribution Center are equipped with cutting-edge refrigerated warehouse space, reducing not only energy load from lighting but also from heating.

Safety Initiatives Business & Strategy Environmental Initiatives

We work to ensure proper observance of the relevant laws by spreading knowledge of environmental laws and ordinances within the HTS Group.

- Strategies for reducing fluorocarbon emissions

The Law Concerning the Recovery and Destruction of Fluorocarbons was revised in April 2015 and renamed the Fluorocarbon Emissions Reduction Act. While the original law required appropriate processing of fluorocarbon waste generated by commercial-use heating and air conditioning systems, refrigeration equipment, etc., the new law requires inspections and record-keeping as well as calculation of leakage rates, etc. In Japan, based on materials issued by the national government, we have compiled and introduced a manual to facilitate quick and easy comprehension and operations on the part of coordinators. Following this manual, we inform employees of items to observe with a view to implementing thorough controls, including such measures as keeping a ledger, making inspections, etc.

Boosting Environmental Management Overseas

Environmental supervisor meeting overseas

The Overseas Environmental Supervisors Conference, attended by supervisors from our four major areas of operation around the world (North America, Europe, China, and the rest of Asia), is held twice annually. The purpose is to share information on gas emissions regulations from countries around the world toward the shared objective of raising management criteria globally.

Third-Party Certification Initiatives

The HTS Group seeks third-party certification in Green Management. Our Headquarter Green Logistics Promotion Department has acquired the ‘Eco Stage I’ certification. In addition, as of the end of March 2016, we have earned ‘Green Management Certification’ at 52 of our truck transport divisions and 13 of our warehouses. Building on these initiatives, we are committed to ongoing reduction of environmental load.

Boosting Communication on the Environment

Environmental communication initiatives include cleanup projects in areas surrounding our offices and facilities.

- Hitachi Environment Month (June) projects

In FY2015, as a member of the Hitachi Group, the HTS Group conducted a regional cleanup at 36 of our locations. Our plan is to continue to move forward with these projects and in this way to do our part for society in general.
Global Warming Prevention Initiatives

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

At the HTS Group, we have a policy of instituting eco-friendly cars (highly fuel-efficient, low-pollution vehicles), as well as encouraging eco-friendly driving. We also require our transport affiliates to take similar steps. The HTS Group’s eco-friendly vehicle percentage stood at 90% on FY2015. Our goal is 100% for FY2016 with a view to even greater reduction of environmental load.

HTS Group eco-friendly car ownership ratio

(Japan only, as of March 31, 2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>66</td>
</tr>
<tr>
<td>FY 2011</td>
<td>73</td>
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<tr>
<td>FY 2012</td>
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<td>FY 2013</td>
<td>90</td>
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<tr>
<td>FY 2014</td>
<td>90</td>
</tr>
<tr>
<td>FY 2015</td>
<td>100</td>
</tr>
</tbody>
</table>

Note 1: Totals shown are personal and business vehicles combined (excludes government vehicles meeting a specified standard), low emissions vehicles, and biocombustible vehicles.

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

Adding eco-cars to the fleet (Japan)

Eco-friendly cars deployed at overseas group company (Malaysia)

Modal Shift to Railway in Precision Instrument Sector

We have instituted a partial modal shift from trucking to railway for destinations around the nation for a precision instruments manufacturer based in Koshigaya, Chiba—a first such initiative for the precision instrument sector. Preliminary testing was carried out on factors such as vibration and temperature levels by taking measurements during the transport process. Actual transport was launched for the Hokkaido and Kyushu regions as of August 2015. At present this modal shift has been expanded to the Chugoku and Shikoku regions. These initiatives not only contribute to reducing environmental load and help to resolve a shortage of vehicles, they also boost the Group’s transport prowess overall by securing new transport modes.

Round-trip Use of Oceangoing Containers via Inland Depot

HTS has successfully implemented a new service involving the round-trip use *1 of oceangoing containers of different cargo sizes, specifically importers based in Tochigi City, Tochigi Prefecture and exporters based in Kacu City, Satama Prefecture. Normally, this system is only possible where import-export timing is effectively coordinated. Using the inland depot *2 located in Koga City, Ibaraki Prefecture, however, empty containers used for imports are temporarily stored here and subsequently used for export purposes—resolving import-export timing discrepancies. This system results in a high success rate, helping to eliminate problems with vehicle shortages and at the same time to cut CO2 emissions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual volume</th>
<th>CO2 reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>66 containers</td>
<td>78.3 tons</td>
</tr>
<tr>
<td>FY 2011</td>
<td>73 containers</td>
<td>78.3 tons</td>
</tr>
<tr>
<td>FY 2012</td>
<td>66 containers</td>
<td>78.3 tons</td>
</tr>
<tr>
<td>FY 2013</td>
<td>90 containers</td>
<td>78.3 tons</td>
</tr>
<tr>
<td>FY 2014</td>
<td>90 containers</td>
<td>78.3 tons</td>
</tr>
<tr>
<td>FY 2015</td>
<td>100 containers</td>
<td>78.3 tons</td>
</tr>
</tbody>
</table>

Note 3: Measured by the Japanese government as a response to the Rieger CO2 Emissions Reduction Law

Eco-friendly driving class (practical脱离)

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

Round-trip Use of Oceangoing Containers via Inland Depot

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual volume</th>
<th>CO2 reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2015-March 2016</td>
<td>40 containers</td>
<td>2.4 t/month (20 containers)</td>
</tr>
</tbody>
</table>

Note 1: Round-trip use

A transport method where export cargo owners employ empty containers previously returned from import cargo owners, virtually eliminating the transport of empty containers.

Note 2: Inland depot

The inland depot is a commodity depot situated in locations other than ports and airports, providing services such as cargo collection and distribution, customs procedures, and storage. At the present time, where many communities are concerned, these locations are primarily involved in collection and distribution of containers, container loading and unloading, and partial storage and empty container management. Ordinarily, containers are managed by individual shipping companies.

Actual volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2015-March 2016</td>
<td>10 containers</td>
</tr>
</tbody>
</table>

CO2 reduction

<table>
<thead>
<tr>
<th>Year</th>
<th>CO2 reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2015-March 2016</td>
<td>1.2 tons</td>
</tr>
</tbody>
</table>

Note 4: Vanning,

A transport method where export cargo owners employ empty containers previously returned from import cargo owners, virtually eliminating the transport of empty containers.

Note 5: De-vanning

The act of unloading cargo from containers.

Note 6: Loading of cargo onto containers

The act of loading cargo onto containers.

Round-trip Use of Oceangoing Containers via Inland Depot

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual volume</th>
<th>CO2 reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2015-March 2016</td>
<td>10 containers</td>
<td>2.4 t/month (20 containers)</td>
</tr>
</tbody>
</table>
Working Together

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

---

In order to boost corporate value over the middle and long term and ensure sustainable growth, we believe in the importance of disclosing information in a fair and transparent manner as appropriate and at appropriate times, and also of active dialog with our shareholders and investors. To this end, we have in place an IR system of proper 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.

See the following Web page on IR policy:

HTS discloses information pertaining to operations and finances, in such publications as our earnings summaries, results briefings, asset securities reports, as well as Japanese and English annual reports. We have also set up an IR Information section on our Website to disclose investment information to our shareholders quickly and accurately with a view to facilitating investment decisions.

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Information Disclosure

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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.
Super-heavy cargo successfully transported by rail to Poland-based thermal power plant

Drawing on our technological prowess as well as our extensive global networks, the HTS Group delivered a complete set of heavy machinery for a thermal power plant construction project in Poland secured by our customer Mitsubishi Hitachi Power Systems, Ltd. Due to the fact that the power plant was located in inland Poland, transport of the super-heavy (440-ton) plant equipment in particular required repeated surveys of local conditions and in-depth discussions with the parties involved. Utilizing rail transport for the first time in Europe, we at the HTS Group drew up meticulously detailed engineering plans to deliver the equipment to the designated location. In the future, our specialized staff will continue to work closely with customers to put together service packages designed to yield economical, streamlined transport.

Contributing to equipment specification determinations by detailed preliminary route surveys

Starting even before the customer’s equipment design phase, we conduct fine-tuned surveys of transport routes including any physical or legal limitations to transport. The purpose is to determine the maximum transport weight and dimensions and make recommendations on equipment utilized.

Devising transport guidelines by way of fine-tuned engineering

We drew up plans for the optimal transport plan incorporating our superior performance and technology: know-how on railway transport of generator equipment—a first in Europe—and long-distance transport by public road of other heavy equipment.

Total management by the HTS Group network

Assigning a group of specialized HTS staff from Japan and Europe to the project, we provided total management by way of our Group network to integrate the entire transport process spanning outbound operations to delivery at the power plant.

ه Moving forward with advanced operations with new Smart Logistics technologies

The HTS Group applies joint research results achieved together with the Hitachi Group—as well as new technologies on the market—to on-site operations, for the purpose of boosting efficiency and operational innovation. In FY2015, we moved forward with implementation of new technologies and trial runs, focusing on such key concepts as automation, hands-free/ wearable devices, optimization, and visibility.

Automation: We are stepping up automation using robots and other equipment to reduce the need for manual manpower on inbound/outbound operations, service, and distribution processing.

• HTS has installed Racrew, a small-scale, low-floor automated vehicle, with a view to reducing the manpower required for picking.
• We implement collaborative operations testing incorporating the use of multiple robots to achieve cutting-edge operational efficiency.

Hands-free/wearable technology: We apply numerous wearable devices (goggles, scanners, voice systems) to improve flexibility and efficiency of picking operations. Additionally, we have implemented trial runs featuring our powered suits, designed to reduce the manpower required for cargo operations.

Optimization: We design and implement optimal logistics operations utilizing various types of simulations.

Visibility: Utilizing the Smart Logistics Cockpit, we devise strategies to improve logistical center visibility as well as facilitate dialogue and collaboration. The goal is highly efficient, optimized center operations.

We will continue to work with the Hitachi Group and cutting-edge partner companies with a view to innovative next-generation operations.

Foodstuff Platform Center Launched

In October 2015, HTS launched a foodstuffs platform center for the northern Kanto region (Tatebayashi City, Gunma Prefecture). This Center offers one-stop logistics services designed to accommodate increases in production capacity, in tandem with the growth of our customers’ business. To accommodate both finished products and food ingredients, the Center is equipped with chilled warehousing space (4CA2/2 C) and dry warehouse space, the structure of which complies with the stipulations of the Food Sanitation Act.

The facility features storage equipment that makes optimal use of the warehouse ceiling height, as well as inbound/outbound berths for the north and south directions. It is also highly efficient and effective on inbound/outbound product cargo operations from plants, as well as on supplying to plants.

Leading up to the opening of the Center, we held repeated deliberations with our customer over a period of more than a year with a view to boosting our customers’ logistics performance including deliveries to the entire Kanto region as well as to the Koshimizu region. Issues covered included operational flow, types of operations, storage layout, delivery systems structure, and more. In the future, in order to accommodate our customers’ sophisticated and diverse needs, we are working to maintain logistical quality—and at the same time to make ongoing improvements—to aspects such as operations and deliveries.
Recognizing the importance of diversity, the HTS Group has taken various initiatives to foster a diverse and inclusive work environment. This includes the establishment of the Diversity Promotion Center in 2012. In acknowledgement of the Center's various initiatives, HTS was chosen by the Ministry of Economy, Trade, and Industry as one of the nation's "Top 100 Diversity-Promoting Companies" in March 2015.

The Diversity Promotion Center was created in 2012 in response to such factors as labor shortages due to Japan's aging population combined with a declining birth rate as well as the globalization of the market, and with a view to enhancing the sum total capacity of the HTS Group by efficiently utilizing women, persons with disabilities, foreign nationals, seniors, and more.

Moving Forward with More Employment Opportunities for Women

As of FY2015, the HTS Group hired 201 women, boosting the female personnel rate to 34.1%. 

The HTS Group hire rate for women (new graduates) in FY2015 was 31.1%, while the national average was 27.4%. 

Training Upcoming Generations of Employees

The HTS Group has established the HTS College as an educational system for all of its 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, the HTS Group also institute general training for all employees to impart them with the HTS Group philosophy.

Overall, the HTS Group has implemented the diversity promotion strategy, aiming to foster a diverse and inclusive work environment that values and respects the diversity of its employees.

Encouraging Employment of Persons with Disabilities

The HTS Group selects employees from our numerous overseas subsidiaries and locations to train in Japan. To ensure optimal training content, subject matter and curriculum are tailored to the specific business needs of the given location. One example is our Management Development Program, which is conducted together with Japanese managers. At this training, attendees from various countries are divided into teams that devise action plans following the training. A follow-up session is held a year later. The program fosters broad and deep networks to facilitate our global business and also boosts collaboration.

Training in Japan for our Overseas Staff

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Overseas Training Program

The program, in place since 1999, was initiated with a view to providing overseas experience for young employees, amongst other objectives. Through the present time, HTS has sent more than 250 people to train overseas, where they acquire not only language skills but also better understanding of other cultures, along with business acumen that serves them not only in Japan but in other countries as well. The program has expanded to more destinations around the world, to a total of nineteen countries over the past five years. As of the second half of FY2015, we have changed the system to one where interested employees request to be included in the program, so that we are able to send out the most enthusiastic younger employees at an earlier stage.

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Overall, the HTS Group has implemented the diversity promotion strategy, aiming to foster a diverse and inclusive work environment that values and respects the diversity of its employees.
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-round growth.

Internships and “Experience the Workplace” Programs

HTS believes it is important to actively take on interns. The purpose of our internship program is to give young students a sense of what the workplace is like, as well as preparing them for the important roles they will play in supporting the regional economy. We also offer “Experience the workplace” opportunities for younger children of elementary school and junior high school age, who hold the keys to the future of our society. These programs help young people to understand social systems as well as their individual relationships with society in general.

The HTS Road Safety Classroom

To help prevent our children—who are our future—from getting involved in road accidents, we have offered the HTS Road Safety Classroom for elementary school students living near Matsudo City, Chiba Prefecture since FY2007.

In FY2015, the event was held in May and June, covering such topics as the dangers of truck blind spots and how not to be hit by vehicles—including taking care not to dart out in front of cars. To ensure a lasting impression on the students, the teaching is done in a fun way.

We are committed to holding this event on an on-going basis with the goal of eliminating traffic and vehicle accidents completely.

Other Sports Initiatives

As our symbol sport, track and field holds special significance for HTS. The HTS Track and Field Club collaborates with the Matsudo City Education Committee to help render local communities more energetic and to revitalize the world of sports.

HTS Futsal Championship

HTS holds its annual Futsal Championship at the futsal field located next to the distribution center at Noda City, Chiba Prefecture. The purpose of this special event is dual: to infuse the local community with more dynamism, and also to help young people to grow by giving them a sense of the importance—and the fun—of sports, what it means to have a dream, developing consideration for others, and much more.

The HTS Group domestic companies participate in a co-existence with nature and preserving ecosystems. Participants planted mangrove trees and released small fish into the ocean.

We plan to continue to carry out these kinds of activities as group company projects.

Participating group companies:

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

Overview of the HTS Group Magokoro (Sincere Heart) Fund

The HTS Group domestic companies participate in a social action program called the “Magokoro” (Sincere Heart) program, where our employees and executives can make charitable donations as they wish.

Since 2008, the program has contributed to traffic safety, environmental preservation, and social action.

To help prevent our employees, the program employs a matching component where funds donated by employees are matched by the company.

Overseas Support Activities

In October 2015, the HTS Group held a joint social action project along the Sattahip coastline, Chonburi Province, Thailand. The goals of the event, based on the concept of “Growing Together,” included boosting co-existence with nature and preserving ecosystems. Participants planted mangrove trees and released small fish into the ocean.

The HTS Group has contributed together with other member corporations to deep well repair/water supply projects in Myanmar’s central and region.

The repair of the dilapidated wells, critical in enabling the local people to obtain the quantity of safe water they need in order to live their lives, was carried out over the period of July-December 2015. The repairs resulted in greater water supply and better quality water for ten villages of the Mتهاggai region and approximately 10,000 people.

Other Projects

- Vision Testing

Unfortunately, many people in India lose their sight due to glaucoma and other vision issues. To address this problem, Flyjac Logistics Pvt. Ltd. conducts vision testing for low-income individuals at elementary schools in five cities including Chennai. The company also offers eyeglasses for those who need them.

- Toy Donations

VANCET HITACHI TRANSPORT SYSTEM (USA), INC. employees donated toys to local children as Christmas presents.

- Disaster Relief

In September 2015, HTS donated to the Japan Red Cross Society as heavy rain disaster relief for damage caused by Typhoon No. 18, etc.

- Blood Drives

The HTS Group conducts blood drives in other countries including China, The Philippines, Indonesia, and India, as well as in Japan.

- Collection Volunteers

Under this project, items such as used stamps and clothing collected from employee families are donated.

- Community Cleanup Projects

Our domestic locations take an active approach to cleanup projects around location vicinities as well as regular cleanups on our location grounds.
CSR Management

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.


Board of Directors

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

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 bi-monthly in principle (additional sessions held as necessary)

Relationship between HTS and outside directors

Amongst six outside directors appointed at the HTS 57th Regular General Shareholders’ Meeting held June 24th, 2016 were Shingo Iwata and Hiroshi Manuta, currently and originally of Hitachi, Ltd respectively. Business volume between HTS and Hitachi, Ltd. amounts to ¥8,304 billion (consolidated fiscal year transport and outsourcing). There are no special interests involved between these six outside directors 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 our own 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 not disqualified under our criteria are considered independent officers; specifically, they hold no risk of conflict of interest with general shareholders.

(Mitsudo Urano, Tsunetoshi Harada, 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.


Internal Controls

Based on the relevant laws and ordinances, we have established an Audit Committee to supervise the work of our directors and executive officers, while our Board of Directors implements comprehensive systems related to internal controls. The HTS group has set up an Internal Controls Committee, through which internal controls related to financial reporting are documented and also assessed for effectiveness throughout the HTS Group. By adhering to internal control reporting systems on financial reporting as stipulated in the Financial Instruments and Exchange Act, our financial reporting earns the optimal trust level.

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 15% 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.
  Directors who also serve as executive officers do not receive additional compensation as directors.
- 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 feed in accordance with position. Performance-based compensation is set at the level of roughly 30% of the individual’s 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

At the HTS Group, in order to ensure that management and employees observe the relevant laws and ordinances throughout our group—encompassing both executives and regular employees—we have created a compliance system that involves both a basic policy and a full compliance program. We also aggressively train employees throughout our group and educate them on the relevant national laws, internal bylaws, and corporate ethics. Taking a proactive approach on observation of laws by way of group-wide e-learning as well as training targeting all of our employees plus awareness projects, we strive not only for observation of the relevant laws and regulations, but also to foster a high-level corporate culture of ethics.

Internal whistle-blowing system

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

The HTS Group has devised BCPs in preparation for natural disasters, mainly on scenarios of large-scale earthquakes, floods, tsunamis, 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. In FY2015, Headquarters worked with Higashinippon Area Management Headquarters along with group companies to implement a desktop business continuity simulation involving a large earthquake scenario with epicenter in the metropolitan region.

In March 2016, HTS was presented with the Best Practice award of the BCAO Award*1 2015 for our fuel procurement BCP launched in March 2015. The project encompasses stockpiling of light oil fuel for the Metropolitan, Chubu, and Kansai areas utilizing fuel sales company storage tanks. It also involves dedicated-contact tank lorries to be utilized for deliveries in emergency scenarios.

Overseas, the HTS Group has drawn up BCPs for our locations in North America, Europe, China, and other parts of Asia focusing on pandemic influenza. 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 travelling overseas of eminent dangers. At the same time we have instituted emergency contact systems based at our overseas locations.

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

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

Acquisition and maintenance of third-party certification

HTS encourages third party certification and maintenance of this certification—specifically ISO27001*3 (information security management system) and the Privacy Mark*4—to give our stakeholders a sense of security and peace of mind with regard to personal and classified information.

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

Third party certifications

- ISO27001: 38 departments and locations
- Privacy mark: 5 group companies

*1 BCP: Business Continuity Plan
*2 The Business Continuity Advancement Organization (BCAO) Award
*3 ISO27001: Certification given by the International Organization for Standardization (ISO) to entities meeting specific criteria on information security management systems.
*4 Privacy Mark: The JIPDEC grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.
### Consolidated Statement of Financial Position

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

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2016</th>
<th>As of March 31, 2015</th>
<th>As of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 45,146</td>
<td>¥ 34,544</td>
<td>¥ 400,657</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>118,908</td>
<td>127,753</td>
<td>1,055,272</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,114</td>
<td>959</td>
<td>9,886</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>10,352</td>
<td>6,362</td>
<td>91,871</td>
</tr>
<tr>
<td>Other current assets</td>
<td>9,330</td>
<td>8,817</td>
<td>82,801</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>184,850</td>
<td>178,435</td>
<td>1,640,486</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>1,179</td>
<td>1,576</td>
<td>10,463</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>177,153</td>
<td>173,123</td>
<td>1,572,178</td>
</tr>
<tr>
<td>Goodwill</td>
<td>29,542</td>
<td>31,437</td>
<td>262,176</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>39,038</td>
<td>40,582</td>
<td>346,450</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>7,900</td>
<td>8,899</td>
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<tr>
<td>Other financial assets</td>
<td>16,504</td>
<td>16,851</td>
<td>146,466</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>8,233</td>
<td>8,483</td>
<td>73,065</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>279,549</td>
<td>280,951</td>
<td>2,480,911</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥ 464,399</td>
<td>¥ 459,386</td>
<td>¥ 4,121,397</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2016</th>
<th>As of March 31, 2015</th>
<th>As of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>¥ 48,892</td>
<td>¥ 55,023</td>
<td>¥ 433,901</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>12,110</td>
<td>17,680</td>
<td>107,472</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>36,023</td>
<td>24,927</td>
<td>319,711</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>6,512</td>
<td>4,660</td>
<td>57,792</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>24,688</td>
<td>18,983</td>
<td>219,098</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>27,203</td>
<td>28,618</td>
<td>241,418</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>155,430</td>
<td>143,891</td>
<td>1,379,395</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>49,666</td>
<td>64,267</td>
<td>440,770</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>31,254</td>
<td>29,517</td>
<td>277,370</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>12,542</td>
<td>13,371</td>
<td>111,306</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>11,132</td>
<td>9,574</td>
<td>98,793</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,083</td>
<td>2,011</td>
<td>18,486</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>106,677</td>
<td>118,740</td>
<td>946,723</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>¥ 262,107</td>
<td>¥ 262,631</td>
<td>¥ 2,326,118</td>
</tr>
</tbody>
</table>

#### Equity

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2016</th>
<th>As of March 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity attributable to stockholders of the parent company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>¥ 16,803</td>
<td>¥ 16,803</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>9,630</td>
<td>9,855</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>161,708</td>
<td>150,927</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>1,546</td>
<td>7,424</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(180)</td>
<td>(178)</td>
</tr>
<tr>
<td><strong>Total equity attributable to stockholders of the parent company</strong></td>
<td>189,507</td>
<td>184,830</td>
</tr>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>12,785</td>
<td>11,925</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>202,292</td>
<td>196,755</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>¥ 464,399</td>
<td>¥ 459,386</td>
</tr>
</tbody>
</table>
Consolidated Statement of Profit or Loss
Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2016 and 2015

Millions of yen Thousands of U.S. dollars

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥ 680,354</td>
<td>¥ 678,573</td>
<td>$ 6,037,930</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(608,408)</td>
<td>(614,941)</td>
<td>(5,399,432)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>71,946</td>
<td>63,632</td>
<td>638,498</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(43,626)</td>
<td>(40,274)</td>
<td>(387,167)</td>
</tr>
<tr>
<td>Other income</td>
<td>5,215</td>
<td>732</td>
<td>46,282</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(5,201)</td>
<td>(2,624)</td>
<td>(46,157)</td>
</tr>
<tr>
<td>Operating income</td>
<td>28,334</td>
<td>21,465</td>
<td>251,455</td>
</tr>
<tr>
<td>Financial income</td>
<td>825</td>
<td>1,476</td>
<td>7,322</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(2,548)</td>
<td>(1,264)</td>
<td>(22,613)</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>299</td>
<td>329</td>
<td>2,654</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>26,910</td>
<td>22,006</td>
<td>238,818</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(11,408)</td>
<td>(7,217)</td>
<td>(101,242)</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 15,502</td>
<td>¥ 14,789</td>
<td>$ 137,575</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders of the parent company</td>
<td>14,011</td>
<td>13,250</td>
<td>124,343</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,491</td>
<td>1,532</td>
<td>13,232</td>
</tr>
<tr>
<td>Earnings per share attributable to stockholders of the parent company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥ 125.60</td>
<td>¥ 118.78</td>
<td>$ 1.11</td>
</tr>
<tr>
<td>Diluted</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Consolidated Statement of Comprehensive Income
Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2016 and 2015

Millions of yen Thousands of U.S. dollars

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>¥ 15,502</td>
<td>¥ 14,789</td>
<td>$ 137,575</td>
</tr>
<tr>
<td>Other comprehensive income (OCI)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items not to be reclassified into net income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes in financial assets measured at fair value through OCI</td>
<td>190</td>
<td>421</td>
<td>1,686</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(1,520)</td>
<td>(851)</td>
<td>(13,490)</td>
</tr>
<tr>
<td>Share of OCI of investments accounted for using the equity method</td>
<td>2</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>Total items not to be reclassified into net income</td>
<td>(1,328)</td>
<td>(430)</td>
<td>(11,786)</td>
</tr>
<tr>
<td>Items that can be reclassified into net income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(5,326)</td>
<td>3,438</td>
<td>(47,267)</td>
</tr>
<tr>
<td>Net changes in cash flow hedges</td>
<td>43</td>
<td>63</td>
<td>382</td>
</tr>
<tr>
<td>Share of OCI of investments accounted for using the equity method</td>
<td>(63)</td>
<td>72</td>
<td>(559)</td>
</tr>
<tr>
<td>Total items that can be reclassified into net income</td>
<td>(5,346)</td>
<td>3,573</td>
<td>(47,444)</td>
</tr>
<tr>
<td>Other comprehensive income (OCI)</td>
<td>(6,674)</td>
<td>3,143</td>
<td>(59,230)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>¥ 8,828</td>
<td>¥ 17,932</td>
<td>$ 78,346</td>
</tr>
<tr>
<td>Comprehensive income attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders of the parent company</td>
<td>8,192</td>
<td>16,367</td>
<td>72,701</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>636</td>
<td>1,565</td>
<td>5,644</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity

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

For the year ended March 31, 2016

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Excluded other comprehensive income</th>
<th>Treasury stock at cost</th>
<th>Treasury stock at cost attributable to the parent company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at beginning of year</strong></td>
<td>¥ 16,803</td>
<td>¥ 9,855</td>
<td>¥ 150,927</td>
<td>¥ 7,424</td>
<td>(¥ 179)</td>
<td>¥ 184,830</td>
<td>¥ 11,925</td>
<td>¥ 196,755</td>
</tr>
<tr>
<td><strong>Changes in equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>–</td>
<td>–</td>
<td>14,011</td>
<td>–</td>
<td>–</td>
<td>14,011</td>
<td>1,491</td>
<td>15,502</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(¥ 5,819)</td>
<td>(¥ 5,819)</td>
<td>(¥ 6,674)</td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>–</td>
<td>(225)</td>
<td>–</td>
<td>(54)</td>
<td>–</td>
<td>(279)</td>
<td>294</td>
<td>15</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>（3,235）</td>
<td>–</td>
<td>–</td>
<td>（3,235）</td>
<td>（70）</td>
<td>（3,305）</td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>–</td>
<td>–</td>
<td>5</td>
<td>–</td>
<td>–</td>
<td>5</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition and sales of treasury stock</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total changes in equity</strong></td>
<td>–</td>
<td>–</td>
<td>（225）</td>
<td>–</td>
<td>–</td>
<td>10,781</td>
<td>（5,878）</td>
<td>4,677</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>¥ 16,803</td>
<td>¥ 9,630</td>
<td>¥ 161,708</td>
<td>¥ 1,546</td>
<td>¥ (180)</td>
<td>¥ 189,507</td>
<td>¥ 12,785</td>
<td>¥ 202,292</td>
</tr>
</tbody>
</table>

For the year ended March 31, 2015

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Excluded other comprehensive income</th>
<th>Treasury stock at cost</th>
<th>Treasury stock at cost attributable to the parent company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at beginning of year</strong></td>
<td>¥ 16,803</td>
<td>¥ 12,732</td>
<td>¥ 140,707</td>
<td>¥ 4,232</td>
<td>(¥ 179)</td>
<td>¥ 174,295</td>
<td>¥ 12,468</td>
<td>¥ 186,763</td>
</tr>
<tr>
<td><strong>Changes in equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>–</td>
<td>–</td>
<td>13,250</td>
<td>–</td>
<td>–</td>
<td>13,250</td>
<td>1,539</td>
<td>14,789</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,117</td>
<td>–</td>
<td>3,117</td>
<td>26</td>
<td>3,143</td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>–</td>
<td>(2,877)</td>
<td>–</td>
<td>57</td>
<td>–</td>
<td>（2,820）</td>
<td>（2,048）</td>
<td>（4,868）</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>3,012</td>
<td>–</td>
<td>–</td>
<td>3,012</td>
<td>60</td>
<td>3,072</td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>（18）</td>
<td>–</td>
<td>（18）</td>
<td>–</td>
<td>（18）</td>
</tr>
<tr>
<td>Acquisition and sales of treasury stock</td>
<td>–</td>
<td>–</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td>0</td>
<td>–</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total changes in equity</strong></td>
<td>–</td>
<td>–</td>
<td>（2,877）</td>
<td>–</td>
<td>–</td>
<td>10,220</td>
<td>3,192</td>
<td>13,414</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>¥ 16,803</td>
<td>¥ 9,630</td>
<td>¥ 161,708</td>
<td>¥ 1,546</td>
<td>¥ (180)</td>
<td>¥ 189,507</td>
<td>¥ 12,785</td>
<td>¥ 202,292</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Cash Flows

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

For the years ended March 31, 2016 and 2015

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Excluded other comprehensive income</th>
<th>Treasury stock at cost</th>
<th>Treasury stock at cost attributable to the parent company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at beginning of year</strong></td>
<td>$ 149,121</td>
<td>$ 87,460</td>
<td>$ 1,339,430</td>
<td>$ 65,886</td>
<td>$ (1,589)</td>
<td>$ 1,640,309</td>
<td>$ 105,831</td>
<td>$ 1,746,140</td>
</tr>
<tr>
<td><strong>Changes in equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>–</td>
<td>–</td>
<td>124,343</td>
<td>–</td>
<td>–</td>
<td>124,343</td>
<td>13,232</td>
<td>137,575</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>（51,642）</td>
<td>–</td>
<td>（51,642）</td>
<td>（7,588）</td>
<td>（59,230）</td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>–</td>
<td>（1,997）</td>
<td>–</td>
<td>（479）</td>
<td>–</td>
<td>（2,476）</td>
<td>2,609</td>
<td>133</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>28,710</td>
<td>–</td>
<td>–</td>
<td>28,710</td>
<td>621</td>
<td>29,331</td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>–</td>
<td>–</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>44</td>
<td>–</td>
<td>44</td>
</tr>
<tr>
<td>Acquisition and sales of treasury stock</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>（9）</td>
<td>–</td>
<td>（9）</td>
<td>–</td>
<td>（9）</td>
</tr>
<tr>
<td><strong>Total changes in equity</strong></td>
<td>–</td>
<td>–</td>
<td>（1,997）</td>
<td>95,678</td>
<td>32,165</td>
<td>124,843</td>
<td>41,587</td>
<td>166,430</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>$ 149,121</td>
<td>$ 85,463</td>
<td>$ 1,345,108</td>
<td>$ 13,720</td>
<td>$ (1,597)</td>
<td>$ 1,681,816</td>
<td>$ 113,963</td>
<td>$ 1,795,279</td>
</tr>
</tbody>
</table>
Stock Information (As of March 31, 2016)

- Number of shares outstanding: 111,776,714 shares
- Number of shares per unit: 100 shares
- Percentage of shares held: 60.53%

Corporate Data/Group Network

Corporate Data (As of March 31, 2016)

- Corporate name: Hitachi Transport System, Ltd.
- Head office: 7-2-18, Toyo, Koto-ku, Tokyo 135-8372, Japan
- Founding date: 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, Distribution Center Operation, Factory Logistics, Transportation, Customs Clearance, International Nonstop Delivery through Land/Ocean/Air Transportation
- Transportation, Installation and Setting of General Cargo, Heavy Machineries, and Artworks
- Factoy and Office Moving
- Warehousing and Trunk Room Services
- Collection and Transportation of Industrial Waste
- Logistics Consulting, etc.

Main Subsidiaries & Affiliates (As of June 24, 2016)

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 Collaborate Transport System Co., Ltd.
- Hitachi Finexnet 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 Sistemas 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 Vanitec (Thailand), Ltd.
- Eternity Grand Logistics Public Company Limited
- PT Berdeni Matalara Logistik
- Hitachi Transport System (Vietnam) Co., Ltd
- Nisshin International Trading Co., Ltd.
- Vanitec Hitachi Transport System (Hong Kong) Ltd.
- CDS Freight Holding Ltd.
- Vanitec Hitachi Transport System (Taiwan) LTD.
- Hitachi Transport System (Korea), Ltd.
- Hitachi Transport System (Australia) Pty. Ltd.

Network extending to 29 countries and regions (As of March 31, 2016)

- Domestic: 118 Operational Bases: 776
- Overseas: 13 companies 73 sites
- Europe
- China, etc.: 40 companies 151 sites
- Japan
- Asia: 30 companies 144 sites
- North America: 11 companies 45 sites

Note: The percentage of shares held is calculated based on the number of shares excluding treasury stock (526,406 shares).