

October 28, 2015

The First Half of FY2015 (Year Ending March 31, 2016) Financial Results Briefing

Ⓢ Hitachi Transport System, Ltd.

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[Summary of Financial Results] Overview, breakdown by group, breakdown of changes in revenues and profits, overseas results by region, deviation factors, quarterly operating income

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[Global Business (Regional Strategy/Forwarding Business)]

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(Unit: billion yen, rounded off to nearest integer, < >: profit ratio (%). (): year-on-year change)

	FY2014 [IFRS]		FY2015 [IFRS]				
	1H		1H		Full-year		
	Results		Results	Y o Y	vs Initial plan	Plan	Y o Y
Revenues	330.0		340.6	103%	100%	690.0	102%
Operating income	<2.5> 8.2		<3.8> 12.9	157%	110%	<3.9> 27.0	126%
Income before income taxes	<2.7> 8.8		<3.3> 11.3	129%	102%	<3.7> 25.7	117%
Net income attributable to equity holders of the parent	<1.2> 3.8		<1.7> 5.8	152%	96%	<2.2> 15.0	113%
ROE <Annualized>	4.4%		6.3%	(+1.9%)	—	7.9%	(+0.5%)

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1H of FY2015 Results (Breakdown by group)



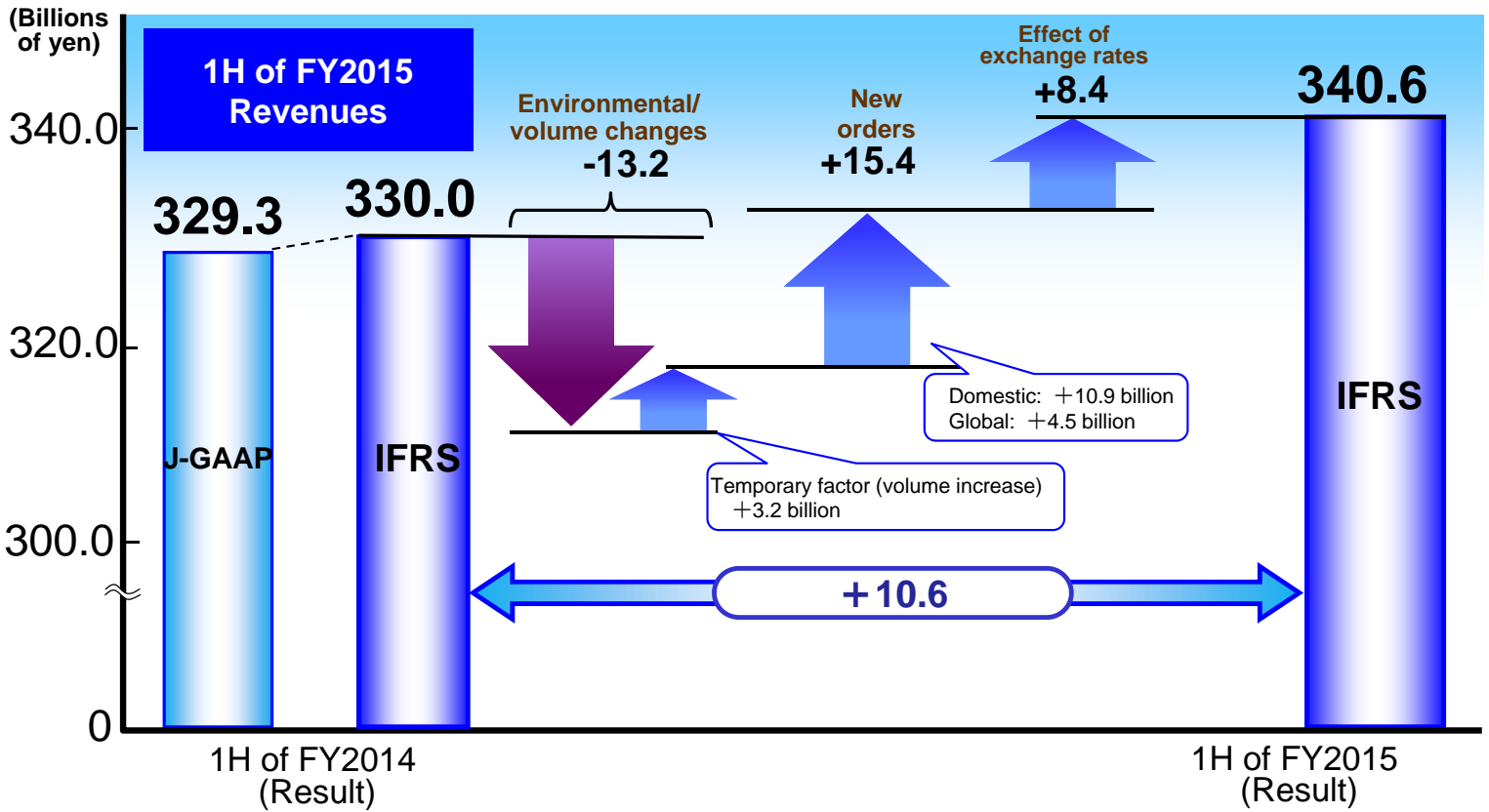
(Unit: 100 million yen, rounded off to nearest integer. < >: composition ratio (%). (): year-on-year change)

		Revenues		Operating income			
		1H	Y o Y	1H	Y o Y		
Organic*	Domestic logistics	<58>	1,632	104%	80.3	164%	
	Global logistics	Overseas	<35>	966	111%	24.8	148%
		Forwarding and others	<3>	89	95%	1.0	65%
		Total	<38>	1,056	110%	25.7	141%
		Other (logistics-related businesses, etc.)	<4>	111	100%	11.8	96%
		(Elimination or corporate)	-	-	-	-	-
	Total	<100>	2,799	106%	117.8	148%	
Vantec Group	Domestic logistics	<52>	363	96%	14.1	306%	
	Global logistics	Overseas	<19>	132	89%	3.6	103%
		Forwarding and others	<29>	201	99%	2.5	62%
		Total	<48>	333	95%	6.1	81%
	Total	<100>	696	96%	20.1	166%	
Consolidated adjustment		-	-89	(-15)	-	-	
Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-	-	-9.2	(+0.2)	
Total		<100>	3,406	103%	128.7	157%	

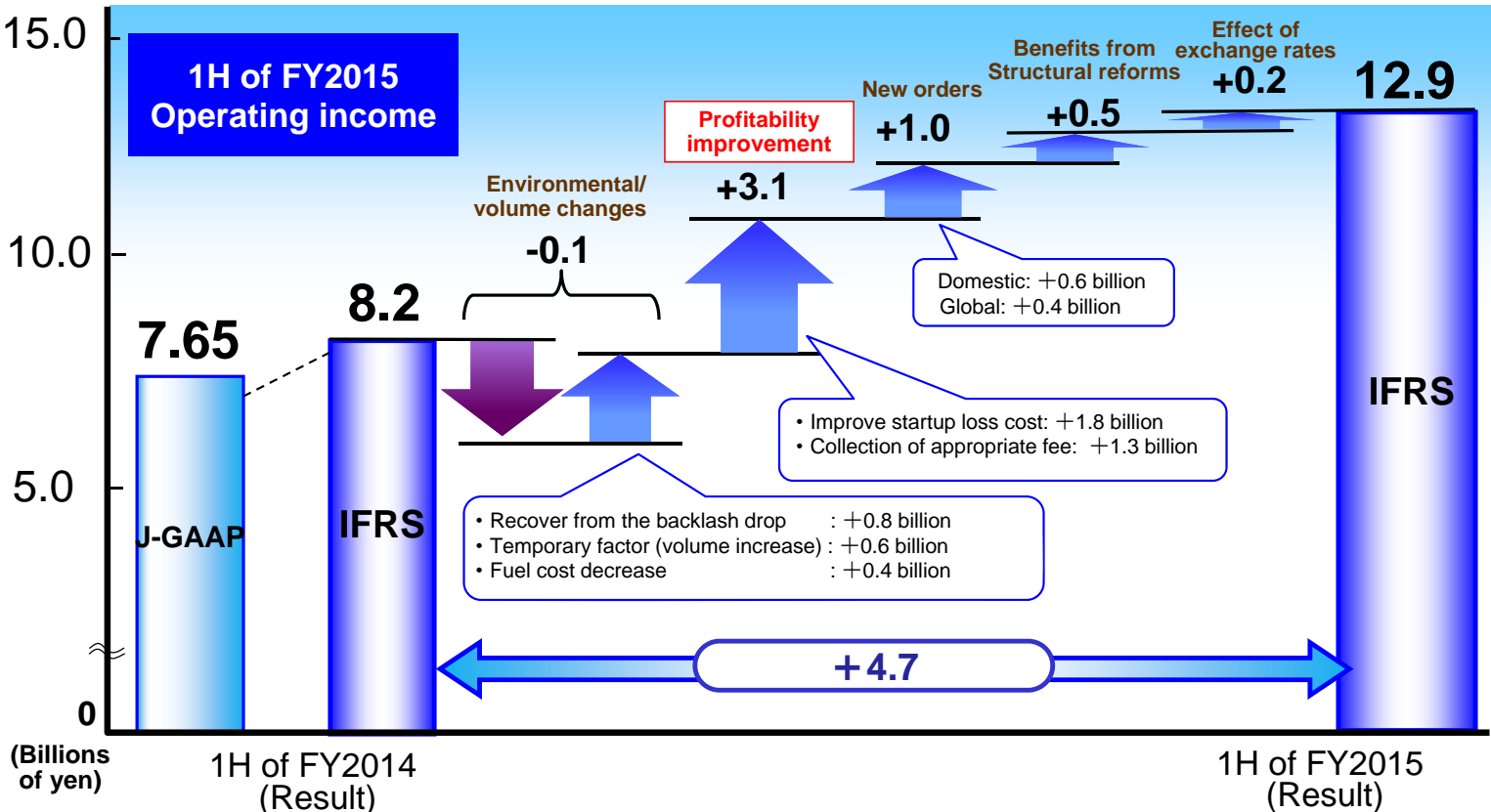
* Hitachi Transport System Group, excluding VANTEC Group

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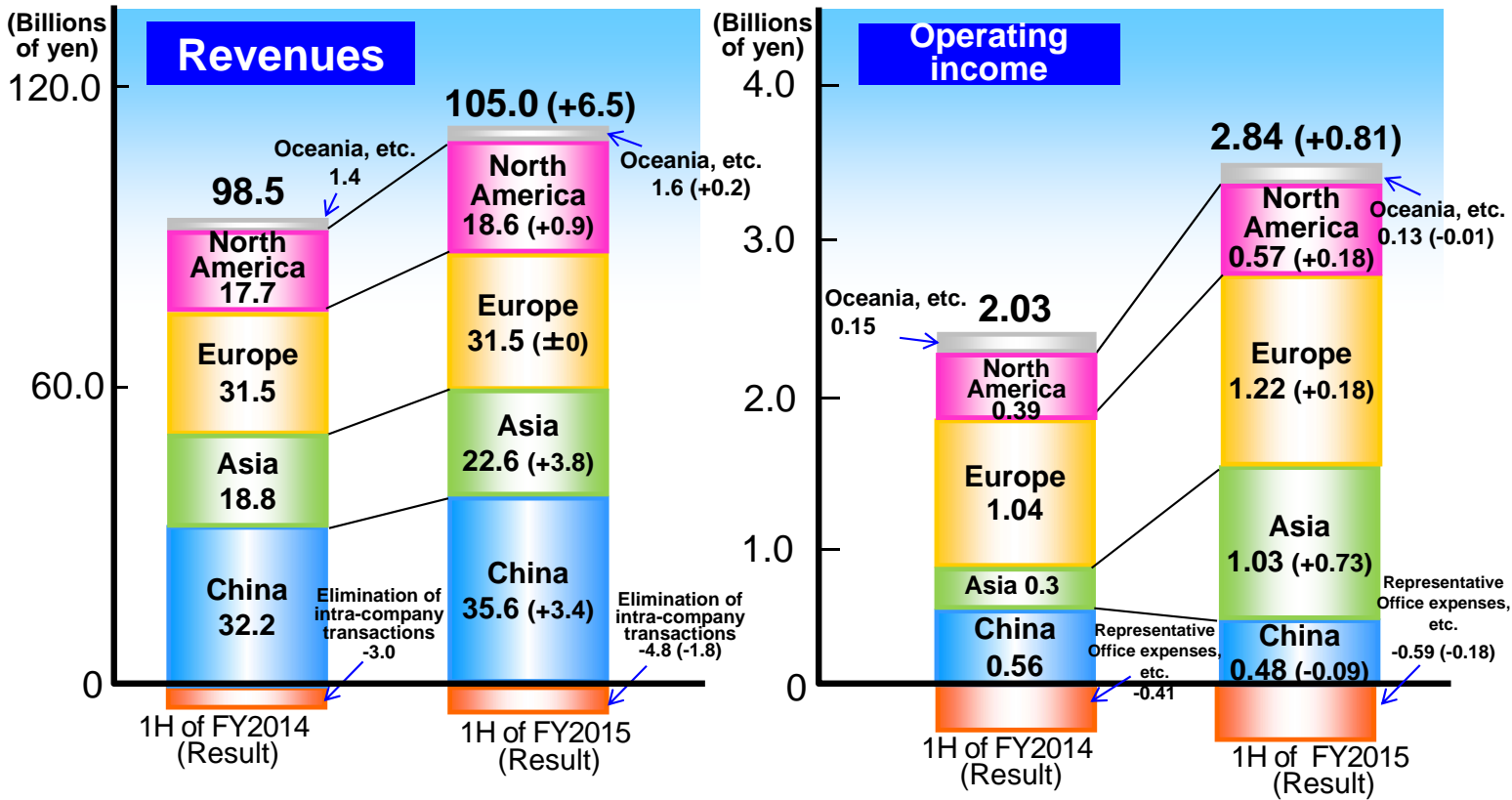
1H of FY2015 Results (Breakdown of change in revenues)



1H of FY2015 Results (Breakdown of change in operating income)



1H of FY2015 Results (Overseas results by region)

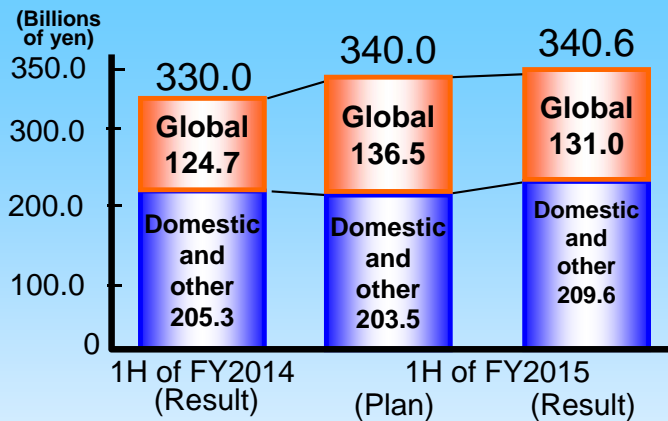


* Amortization of customer-related intangible assets of VANTEC are not deducted from "Operating income" in above.

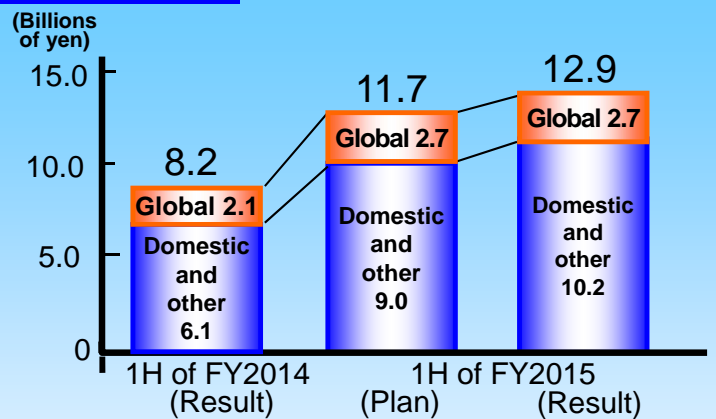
1H of FY2015 Results (Deviation factors)



Revenues



Operating income



+0.6 billion yen over initial plan

*** Global -5.5 billion yen**

Volume increase in overseas business (China, etc.) -4.7
Volume decrease of forwarding from/to Japan -0.8

*** Domestic +6.1 billion yen**

Recover from the backlash drop +1.9
Volume increase (including temporary factors), etc. +4.2

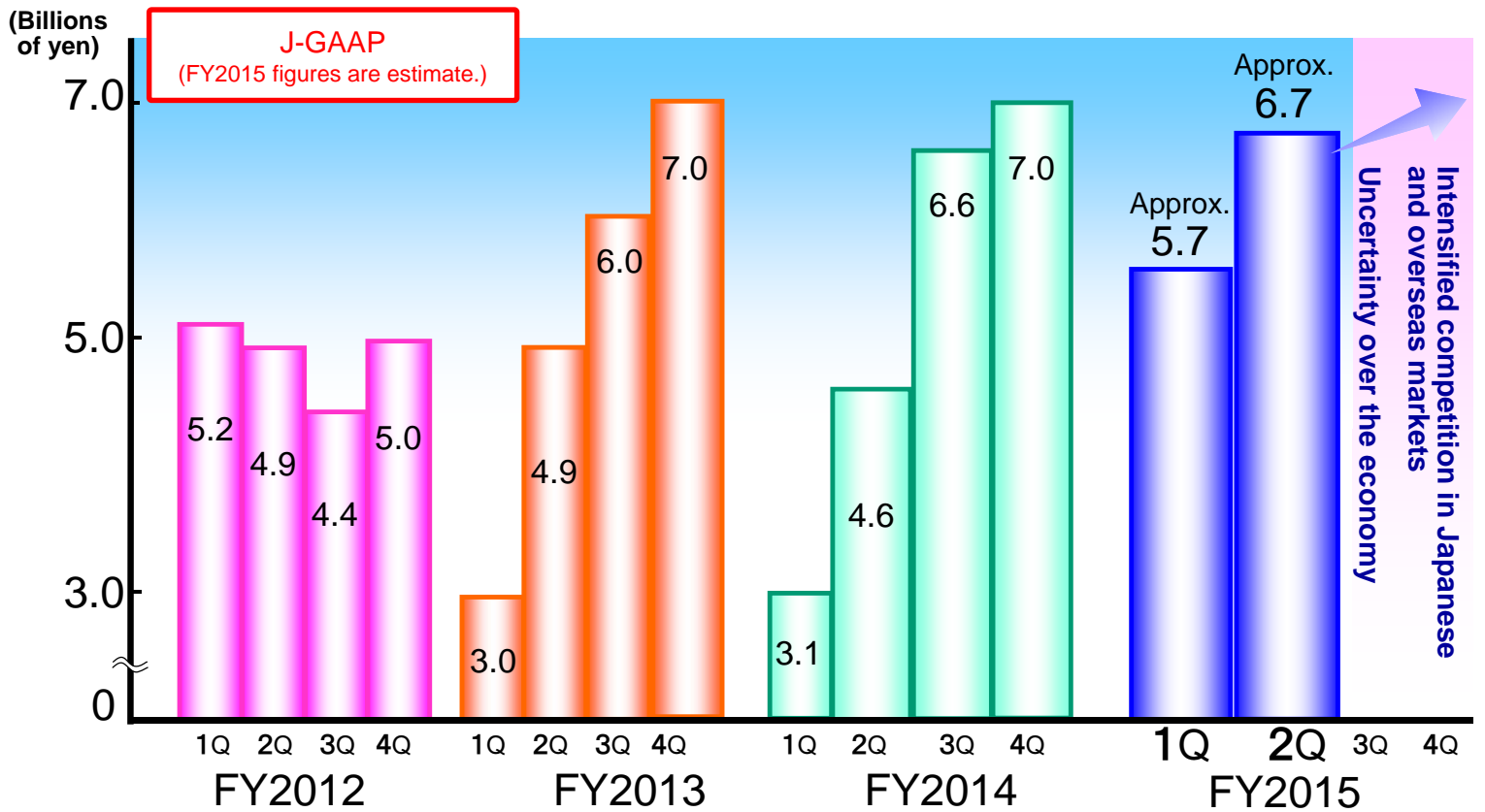
+1.2 billion yen over initial plan

*** Global ±0 billion yen**

Improve profitability of overseas 3PL business (Asia/North America), etc. +0.3
Volume decrease of forwarding from/to Japan -0.3

*** Domestic +1.2 billion yen**

Profitability improvement/recover from the backlash drop, etc. +0.6
Temporary volume increase +0.6



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FY2015 Plans

Plan

Revenues: 690 billion yen Operating Income: 27 billion yen

*Figures announced on May 11, 2015 remain unchanged.

Secure execution of priority measures: Aim to achieve FY2015 plan

1. Improve domestic profitability (prevent unprofitable projects, etc.)

- * Enhance project management
- * Ensure phase-gate process

2. Complete structural reforms (Phase1: complete in FY2015)

- * Promote domestic transformation
- * Restructure organizations/group companies, eliminate and integrate overseas locations

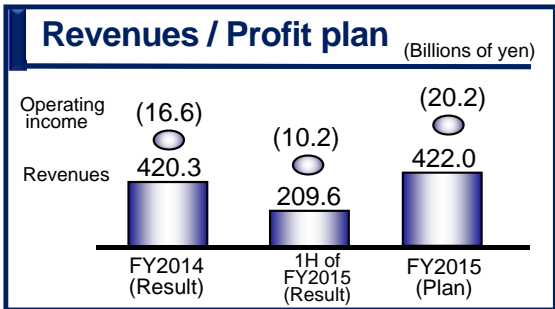
3. Improve global profitability

- * Enhance forwarding business
- * Cultivate global accounts


4. Realize and accelerate implementation of smart logistics

- * Develop new businesses and transform existing businesses with new technologies

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Domestic 3PL business



**Food products/
daily commodities**

➢ Sakaide City, Kagawa Prefecture
(phased startup from September 2015)



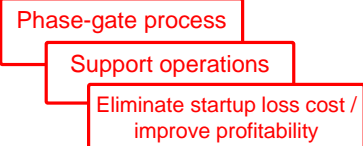
**Food products/
Beverages etc**

➢ Tatebayashi City, Gunma Prefecture
(started full operation from October 2015)

Priority measures: Improve profitability and develop new growth strategies

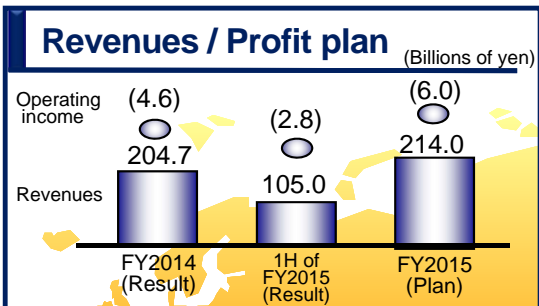
■ Improve domestic profitability

- * Ensure phase-gate process by PM(Project Management) office
[Phase-gate process targets: 37 cases (as of Oct. 2015)]
- * Improve on-site operation and differentiate with new technology of Smart Logistics
- * Visualize and interchange resources, improve efficiency by consolidating back office functions

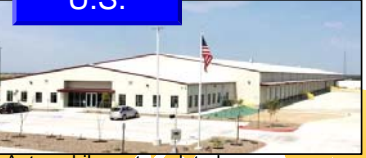


■ Complete domestic transformation

- * Transfer regional business and revenue base to group companies, etc.




Overseas 3PL business



U.S.

➢ Automobile parts related
(Operations started August 2015)

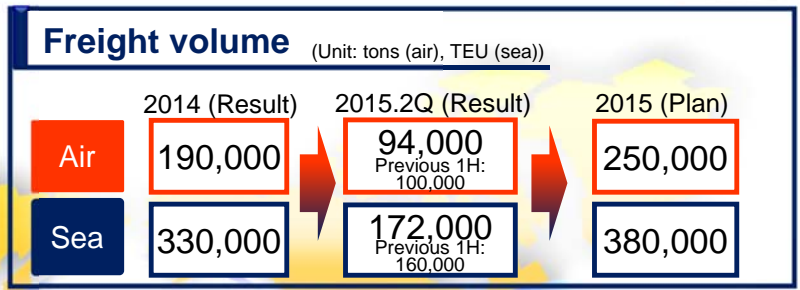
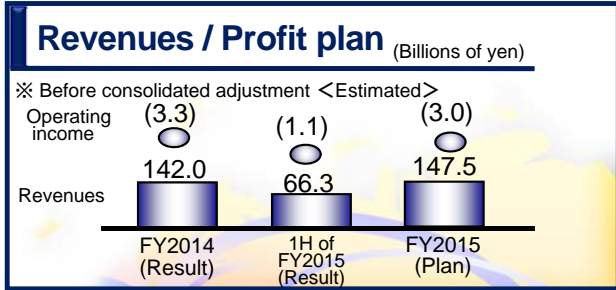


U.K.

➢ Automobile parts related
(Operations to be started in the 2nd half of FY2015)

Priority measures: Establish an autonomous decentralized global management structure

- | | |
|----------------------|---|
| North America | Stabilize a new integrated company in North America
Expand cross-border logistics mainly in automobile parts between the U.S. and Mexico, and Milk-run business |
| Europe | Expand Intermodal logistics and cross-border business (Turkey as a gateway for arrival and departure)
Further expansion of automobile related business (U.K., etc.) |
| Asia | Expand 3PL business: utilize domestic 3PL management know-how and technology
Expand cross-border logistics within the area departing from Thailand and Vietnam (develop new routes, start consolidated delivery) |
| China | Expand domestic transportation/Increase logistics volume of consumer products (refrigerated products, etc.) |



Priority measures: Enhance and expand offshore business with the concept of "One Hitachi Transport System"

Establish Forwarding Business Strategy Headquarters (October 2015)

- * Structural reforms of forwarding business to and from Japan
- * Consolidate strategy formulation and promotion functions
- * Enhance horizontal business collaborations across the Group
- * Enhance network and enter new areas
- * Promote integration of overseas forwarding business (North America/Hong Kong: October 2015)
- * Lead implementation and development of a new main system for global forwarding

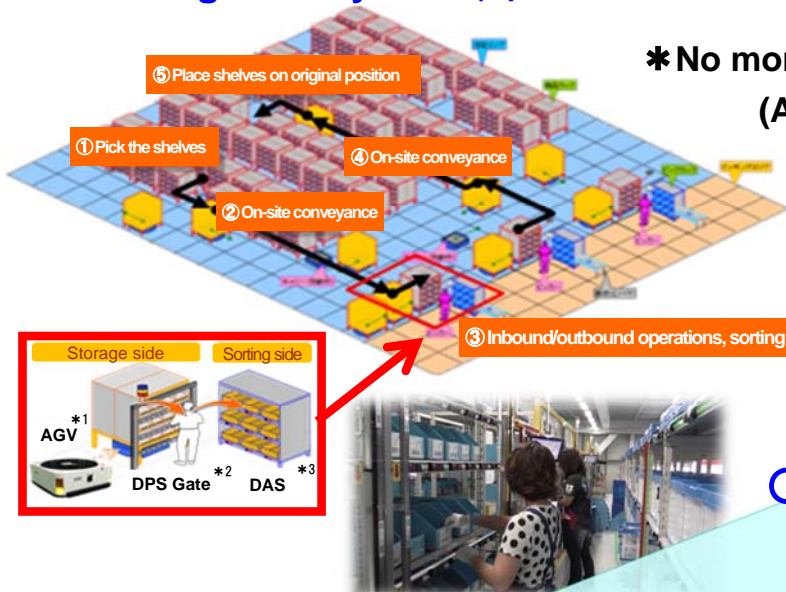


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Promote Smart Logistics (Using New Technologies)

○ Picking AGV System (Operations started on April 2015)

The AGV is "Racrew" commercialized by Hitachi, Ltd. ("Racrew" is a registered trademark of Hitachi, Ltd. in Japan.)



*** No more walking, searching, or making mistakes
(AGV conveys storage shelf)**



* The Picking Station

○ Intelligent automated cart

(To be introduced in the second half of FY2015)

*** Automated conveyance for receiving and shipping from warehouse and replenishment/combinative operations**

○ Glove style scanner and tablet

(introduced in FY2015)

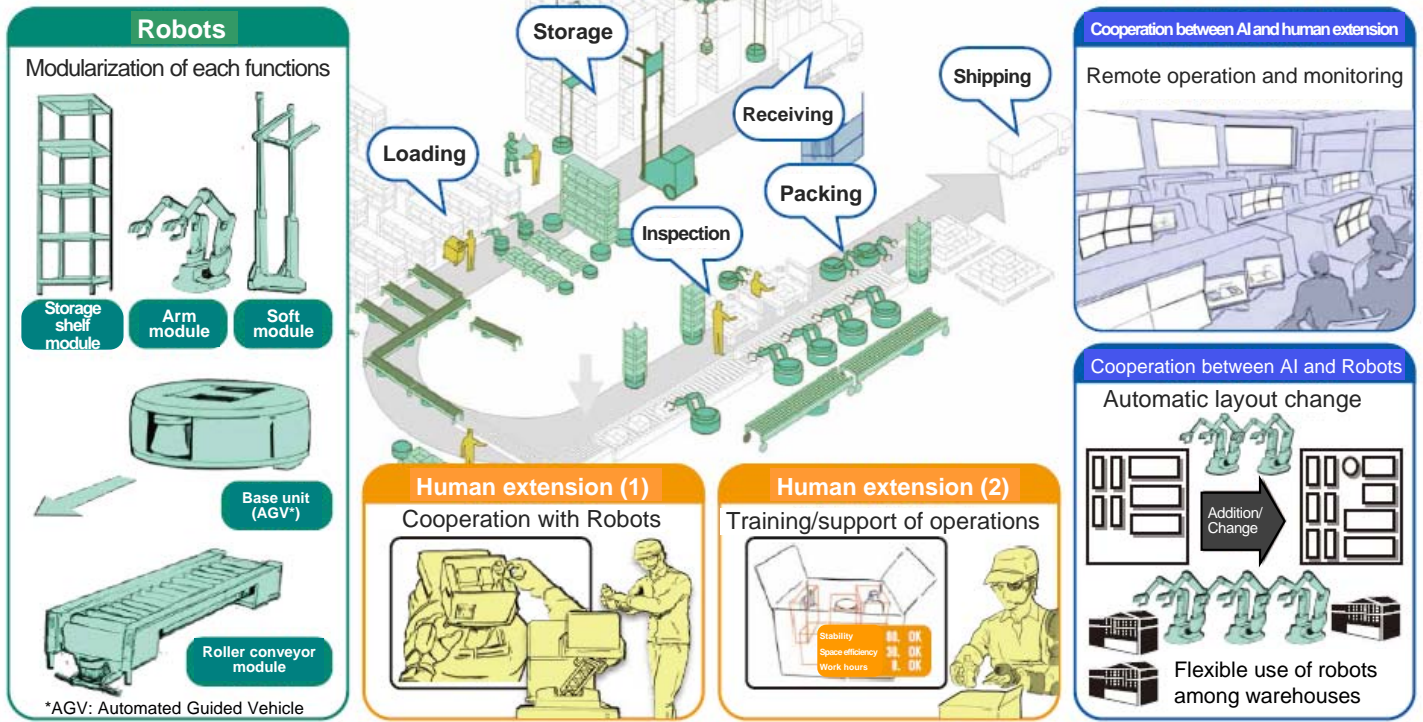
- * Hands-free (make both hands available)
- * Improve operational efficiency



*1. AGV: Automated Guided Vehicle
*2. DPS: Digital Picking System
*3. DAS: Digital Assort System

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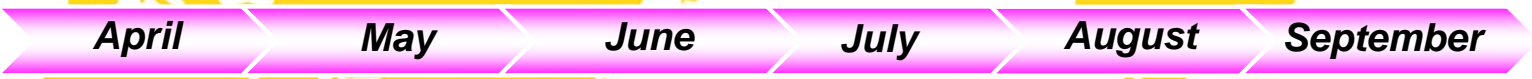
Distribution warehouse with “Efficiency” and “Flexibility”



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FY2015 Topics

<p>New picking system</p> <ul style="list-style-type: none"> ➢ May 2015 ➢ Full scale introduction of a new picking system using automated guided vehicle "Racrew" 	<p>Shin-Yachiyo DC</p>  <ul style="list-style-type: none"> ➢ Yachiyo City, Chiba Prefecture ➢ Operations started July 2015 ➢ Cosmetics, etc. 	<p>Shin-Shonan DC</p>  <ul style="list-style-type: none"> ➢ Kashiwa City, Chiba Prefecture ➢ Operations started August 2015 ➢ Sports goods 	<p>AEON Shikoku LC</p>  <ul style="list-style-type: none"> ➢ Sakaide City, Kagawa Prefecture ➢ Operations started September 2015 ➢ Food products/daily commodities, etc.
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<p>East Shanghai DC</p>  <ul style="list-style-type: none"> ➢ Shanghai City, China ➢ Operations started May 2015 ➢ Construction equipment parts 	<p>"2015 Japan Excellence Awards" by Frost & Sullivan</p> <ul style="list-style-type: none"> ➢ June 2015 ➢ Received the highest award in three logistics categories <p>Reorganized group companies in North America</p> <ul style="list-style-type: none"> ➢ Merged subsidiaries: July 2015 • Vantec World Transport (USA), Inc. • Hitachi Transport System (America), Ltd. ➢ Integrated CDS subsidiary: October 2015 	<p>Laredo XD Terminal</p>  <ul style="list-style-type: none"> ➢ Texas, U.S. ➢ Operations started August 2015 ➢ Automobile parts related, etc. 	<p>National Forklift Driving Contest</p> <ul style="list-style-type: none"> ➢ September 2015 ➢ General category: 1st prize (dominated top 3 prizes) (The Minister of Health, Labour and Welfare Award) ➢ Women's category: 1st prize (won 1st and 4th) (The Minister of Health, Labour and Welfare Award) <p>National Truck Driver Contest</p> <ul style="list-style-type: none"> ➢ October 2015 ➢ Women's category: 1st prize ➢ Trailer category: 2nd and 3rd prize ➢ 4-ton category: 4th prize
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Future Vision: Global Supply-Chain Solutions Provider

■ **Drive thorough enhancement of 3PL business and increase market share**

- Enhance Line-haul trucking and delivery capability
- Enhance cross-border logistics/Intermodal logistics

■ Enhance Forwarding Business
 ■ Enhance Heavy Machinery and Plant Logistics

