FY2016
(Year Ended March 31, 2017)
Financial Results Briefing

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Summary of FY2016 Results
## FY2016 Results

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Results</td>
<td>%</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>680.4</td>
<td>665.4</td>
<td>98%</td>
</tr>
<tr>
<td>*<em>Operating income <em>1</em></em></td>
<td>&lt;4.2&gt;</td>
<td>&lt;4.4&gt;</td>
<td>104%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>&lt;4.1&gt;</td>
<td>&lt;4.7&gt;</td>
<td>114%</td>
</tr>
<tr>
<td><em>(Earnings before interest and tax)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income attributable to stockholders of the parent company</strong></td>
<td>&lt;2.1&gt;</td>
<td>&lt;2.8&gt;</td>
<td>133%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>8.0%</td>
<td>10.3%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Stock price (closing price)</strong></td>
<td>¥1,882</td>
<td>¥2,313</td>
<td>123%</td>
</tr>
<tr>
<td><em>(Mar. 31, 2016)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dividend per share</strong></td>
<td>¥30</td>
<td>¥34</td>
<td>113%</td>
</tr>
<tr>
<td><em>(Mar. 31, 2017)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 Operating income in this document represents “Adjusted operating income.”  
*2 To be resolved at the Board of Directors meeting in late May.
## FY2016 Results (Breakdown by Group)

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

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-year</td>
<td>Y o Y</td>
</tr>
<tr>
<td>Domestic logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;60&gt;</td>
<td>102%</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;8&gt;</td>
<td>263%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;36&gt;</td>
<td>102%</td>
</tr>
<tr>
<td>Others (logistics-related businesses, etc.)</td>
<td>&lt;4&gt;</td>
<td>98%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>102%</td>
</tr>
<tr>
<td>Vantec Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;32&gt;</td>
<td>113%</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;0&gt;</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;32&gt;</td>
<td>48%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>74%</td>
</tr>
<tr>
<td>Consolidated Adjustment/Amortization of customer-related intangible assets of VANTEC Group, etc.</td>
<td>-105</td>
<td>(+88)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;62&gt;</td>
<td>102%</td>
</tr>
<tr>
<td>Global logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;28&gt;</td>
<td>93%</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;7&gt;</td>
<td>87%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;35&gt;</td>
<td>92%</td>
</tr>
<tr>
<td>Others (logistics-related businesses, etc.)</td>
<td>&lt;3&gt;</td>
<td>99%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>98%</td>
</tr>
</tbody>
</table>

✔: % in [ ] reflect changes in the group classification in FY2016 (VHF* transferred to Organic.)

* VANTEC HTS FORWARDING, LTD.
**FY2016 Results (Breakdown of Change in Revenues)**

**Revenues**

(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2015 (Result)</th>
<th>FY2016 (Result)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>-0.7</td>
<td>11.9</td>
</tr>
<tr>
<td>Global</td>
<td>-23.7</td>
<td>9.2</td>
</tr>
<tr>
<td>Other</td>
<td>-0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>-23.7</td>
<td>6.7</td>
</tr>
</tbody>
</table>

**Effect of exchange fluctuation**

- USD: ¥120 → ¥108
- EUR: ¥133 → ¥119
- CNY: ¥19 → ¥16

**Environmental/volume changes**

- Backlash drop from a temporary volume increase: -3.2 billion
- Domestic/Other: -12.9 billion
- Forwarding/overseas: -7.6 billion
- New orders (old definition): +9.3 billion

**New orders**

+21.1

**Collaborative innovation**

+2.0

**Changes in existing businesses other than left**

-20.5

**Total**

-15.0

**FY2015 result → FY2016 result**

- 23.7 billion

**Domestic**

+11.9 billion

**Global**

+9.2 billion

**Exchange Fluctuation**

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Global</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backlash drop from a temporary volume increase</td>
<td>-0.7</td>
<td>-23.7</td>
<td>-0.3</td>
<td>-23.7</td>
</tr>
<tr>
<td>Changes in existing businesses other than left</td>
<td>-12.6</td>
<td>-7.6</td>
<td>-2.5</td>
<td>-20.5</td>
</tr>
<tr>
<td>New orders (old definition)</td>
<td>6.2</td>
<td>3.1</td>
<td>3.1</td>
<td>9.3</td>
</tr>
<tr>
<td>subtotal</td>
<td>-7.1</td>
<td>-7.0</td>
<td>-0.3</td>
<td>-14.4</td>
</tr>
<tr>
<td>New orders</td>
<td>11.9</td>
<td>9.2</td>
<td>0.0</td>
<td>21.1</td>
</tr>
<tr>
<td>Collaborative Innovation projects</td>
<td>1.9</td>
<td>0.1</td>
<td>0.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>6.7</td>
<td>-21.4</td>
<td>-0.3</td>
<td>-15.0</td>
</tr>
</tbody>
</table>
Operating income
(Billions of yen)

FY2015 (Result): 28.3
FA2016 (Result): 29.5

Effect of exchange fluctuation:
Domestic: +1.09 billion
Global: +0.33 billion

Environmental/volume changes:
+2.18

New orders:
Collaborative innovation:
+1.42
+0.15

Strategic investments to achieve Mid-term Management Plan:
-1.49

Productivity/profitability improvement:
Structural reforms:
Fuel cost decrease:
Old definition (treated as new orders):
Backlash drop from a temporary volume increase:
Environmental/volume changes:

Investments:
- New technology, structural reforms, etc.: +0.8 billion
- Working method transformation/BCP: +0.5 billion
- Other strategic investments (consulting, etc.): +0.2 billion

Operating income change:
+1.15

FY2016 Results (Breakdown of Change in Operating Income)
**FY2016 Results (Profits by Indicators)**

- **Revenues**: 665.4 (Billions of yen)
- **Operating income**: 29.5
- **Other expenses**: -4.4
- **Other income**: +3.1
- **EBIT**: 31.6

**Cost of sales**: -590.1 billion (YoY: -18.3 billion)

**SG&A**: -45.8 billion (YoY: increased 2.2 billion)

* Corporate expenses increased (Project/working method transformation, etc.)

**Foreign exchange losses**: -0.4, etc.

**Impairment losses (Overseas subsidiaries)**: -2.2 billion

**Financial income/expenses**: +3.7

**Net gain on sales of fixed assets**: +2.2 billion, etc.

* Corporate expenses increased

**Share of profits of investments accounted for using the equity method**: +3.7

**Impairment losses (Overseas subsidiaries)**: -2.2 billion

* Corporate expenses increased (Project/working method transformation, etc.)
## FY2016 Results (Overseas Results by Region)

### Revenues

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015 Result</th>
<th>FY2016 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>37.5</td>
<td>39.9 (+2.4)</td>
</tr>
<tr>
<td>Europe</td>
<td>62.9</td>
<td>60.0 (-2.9)</td>
</tr>
<tr>
<td>Asia</td>
<td>43.1</td>
<td>37.0 (-6.1)</td>
</tr>
<tr>
<td>China</td>
<td>65.3</td>
<td>51.4 (-13.9)</td>
</tr>
</tbody>
</table>

*Consolidated adjustment, etc. (-10.8)

**Excluding effect of exchange fluctuation (-23.7 billion)**

### Operating income

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015 Result</th>
<th>FY2016 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>201.1</td>
<td>186.6 (-14.5)</td>
</tr>
<tr>
<td>North America</td>
<td>44.3 (+6.8)</td>
<td>47.5 (+3.2)</td>
</tr>
<tr>
<td>Europe</td>
<td>7.0</td>
<td>6.23 (+1.15)</td>
</tr>
<tr>
<td>Asia</td>
<td>10.0</td>
<td>7.3 (-2.7)</td>
</tr>
<tr>
<td>China</td>
<td>15.0</td>
<td>10.9 (-4.1)</td>
</tr>
</tbody>
</table>

*Representative Office Expenses, etc. (-1.09(+0.64))

**Excluding effect of exchange fluctuation (-1.11 billion)**

### Summary of all regions

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015 Result</th>
<th>FY2016 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>100.0</td>
<td>92.2 (+7.8)</td>
</tr>
<tr>
<td>Europe</td>
<td>2.38</td>
<td>2.38</td>
</tr>
<tr>
<td>Asia</td>
<td>2.07</td>
<td>1.72 (-0.35)</td>
</tr>
<tr>
<td>China</td>
<td>0.69</td>
<td>0.93 (+0.24)</td>
</tr>
</tbody>
</table>

*Representative Office Expenses, etc. (-1.73)

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FY2016 Results (Reasons for Deviation from the Plan)

**Revenues**

<table>
<thead>
<tr>
<th></th>
<th>Plan (initial)</th>
<th>Plan (revised in 3Q)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>255.0</td>
<td>240.0</td>
<td>231.7</td>
</tr>
<tr>
<td>Domestic and other</td>
<td>430.0</td>
<td>430.0</td>
<td>433.7</td>
</tr>
</tbody>
</table>

-19.6 billion yen (-4.6 billion yen) over initial plan

* Global -23.3 billion yen (-8.3 billion yen)
  - Effect of exchange fluctuation -7.7, overseas business (China, etc.) -9.8
  - Volume decrease of forwarding from/to Japan -5.8
* Domestic and other +3.7 billion yen (+3.7 billion yen)
  - New projects/Volume increase, etc. +3.7

**Operating income**

<table>
<thead>
<tr>
<th></th>
<th>Plan (initial)</th>
<th>Plan (revised in 3Q)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>6.2</td>
<td>6.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Domestic and other</td>
<td>21.8</td>
<td>22.8</td>
<td>23.8</td>
</tr>
</tbody>
</table>

+1.5 billion yen (+0.5 billion yen) over initial plan

* Global -0.5 billion yen (-0.5 billion yen)
  - Effect of exchange fluctuation -0.4, overseas business -0.1
* Domestic and other +2.0 billion yen (+1.0 billion yen)
  - Improved operating efficiency and productivity/profitability +2.0
### FY2016: Trend of New orders/New startups

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New startups</td>
<td>12</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Domestic</td>
<td>12</td>
<td>3</td>
<td>-9</td>
</tr>
<tr>
<td>Global</td>
<td>24</td>
<td>21</td>
<td>-3</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>21</td>
<td>-3</td>
</tr>
<tr>
<td>New orders</td>
<td>14</td>
<td>10</td>
<td>-4</td>
</tr>
<tr>
<td>Domestic</td>
<td>14</td>
<td>10</td>
<td>-4</td>
</tr>
<tr>
<td>Global</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>14</td>
<td>-8</td>
</tr>
</tbody>
</table>

**Reference** Total amount of orders received

<Including new projects (both new and old definition), one-time project (Heavy Machinery and Plant Logistics, etc.) and small scale projects>

#### Total amount of orders is approx. 80% of FY2015
- As multiple renewals of existing major customers (maintenance projects) during the same period resulted in diversified sales resource
- Decrease in overseas/forwarding orders

#### Steady increase of orders in regions due to enhanced region-based sales efforts
- Orders over ¥10 million (results of FY2016): 11 (recurring: 9/one-time: 2)
- Orders under ¥10 million (results of FY2016): 1,735 (recurring: 165/one-time: 1,570)
FY2016 Topics

**Cikarang DC**
- West Java, Indonesia
- Operations started Apr. 2016
- Daily commodities related

**Mito Platform Center**
- Hitachinaka City, Ibaraki Prefecture
- Operations started May 2016
- Electrical machinery and equipment, etc.

**Chiba-chuo DC**
- Chiba City, Chiba Prefecture
- Food service related

**Canton ILC*1**
- Mississippi, the U.S.
- Automobile related
  - *1 Integrated Logistics Center

**Pomona DC**
- California, the U.S.
- Apparel products

**Tsuchiura Phase II DC**
- Kasumigaura City, Ibaraki Prefecture
- Operations started Jan. 2017
- Medical related

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**Collaborative Innovation Project with SG Holdings Group**

- Oct. 2016: Launched cross-border trucking transport service in Southeast Asia
- Oct. 2016: Launched China–Japan integrated shipping service ‘Smart Import’ for apparel
- Mar. 2017: Joint use of Shonan DC was certified as an integrated and efficient plan under the “Revised Act on Advancement of Integration and Streamlining of Distribution Business”

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**Enhancement and expansion of transportation through consolidation of container drayage**

- Nov. 2016
- Consolidated container drayage operations of VHF*2, Nisshin Transportation and Yabuki Kaiun in Port of Tokyo

**VHF*2** began new temperature-controlled transportation service

- Mar. 2017

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**Commendations and others**

- Sep. 2016: National Forklift Driving Contest (3rd prize in General category)
- Oct. 2016: National Truck Driver Contest (Prime Minister’s Prize, etc.)
- Mar. 2017: Selected as a “Semi-Nadeshiko Brand” company
- Mar. 2017: The President of Turkey subsidiary earned award of merit from Luxembourg
- Mar. 2017: Opened a branch of an Indian subsidiary in UAE

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**Opened a Location for Research and Development (R&D Center)**

- Jul. 2016
- Tokyo
- Dedicated R&D facility

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**Strategic Capital and Business Alliance with SG Holdings and SAGAWA EXPRESS**

- May 2016
- SAGAWA EXPRESS became our equity-method affiliate
- HTS became an equity-method affiliate of Hitachi and SG Holdings

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**Renewal of the corporate website**

- Jun. 2016 (Japanese and English)

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**The 3rd, 4th and 5th issue of unsecured bonds**

- Sep. 2016
- Total issue amount ¥30 billion

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Global Network

- **Companies**: 113
- **Locations**: 770
- **Distribution Center**: 7.19
- **Employees**: 47,939

**JAPAN**
- 25 Companies
- 363 sites
- 4.97 Mm²
- 29,513 persons

**EUROPE**
- 12 Companies
- 78 sites
- 0.46 Mm²
- 4,528 persons

**EAST ASIA**
- 37 Companies
- 140 sites
- 0.64 Mm²
- 2,863 persons

**ASIA**
- 28 Companies
- 141 sites
- 0.75 Mm²
- 7,914 persons

**NORTH AMERICA**
- 11 Companies
- 48 sites
- 0.38 Mm²
- 3,121 persons

With a network more than 29 countries/territories worldwide

*3: Including Mexico

*1: China, Hong Kong, Taiwan, Korea

*2: Including Oceania area

* Number of companies is included SAGAWA EXPRESS.
* Number of sites and warehouse floor space are excepted SAGAWA EXPRESS.
* Number of employees is excepted associates accounted for by the equity method.

* Million m²
FY2017 Plan
## FY2017 Plan (Summary)

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Plan</td>
<td>%</td>
</tr>
<tr>
<td>Revenues</td>
<td>665.4</td>
<td>680.0</td>
<td>102%</td>
</tr>
<tr>
<td>Operating income</td>
<td>&lt;4.4&gt;</td>
<td>&lt;4.3&gt;</td>
<td>100%</td>
</tr>
<tr>
<td>EBIT (Earnings Before Interest and Tax)</td>
<td>&lt;4.7&gt;</td>
<td>&lt;4.7&gt;</td>
<td>102%</td>
</tr>
<tr>
<td>Net income attributable to stockholders of the parent company</td>
<td>&lt;2.8&gt;</td>
<td>&lt;2.9&gt;</td>
<td>107%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.3%</td>
<td>10.0%</td>
<td>-</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>(*) ¥34</td>
<td>¥36</td>
<td>-</td>
</tr>
</tbody>
</table>

* To be resolved at the Board of Directors meeting in late May.
**FY2017 Plan (Revenues)**

Revenues (Plan)

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2016 (Result)</th>
<th>FY2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>665.4</td>
<td>680.0</td>
</tr>
</tbody>
</table>

**Effect of exchange fluctuation**
-11.9

**Environmental/volume changes**
-1.5

**New orders**
+13.0

**Collaborative innovation**
+15.0

**Revenues (Plan)**

- **USD:** ¥105
- **EUR:** ¥110
- **CNY:** ¥15

**Positive:** Receive maintenance/additional orders in regions
**Negative:** Decrease in volume, incorporating business risks

- **FY2017 Plan (Revenues):**
  - Collaborative innovation: +15.0
  - New orders: +13.0
  - Environmental/volume changes: -1.5
  - Effect of exchange fluctuation: -11.9
  - Positive: Receive maintenance/additional orders in regions
  - Negative: Decrease in volume, incorporating business risks

- FY2017 Plan (Collaborative innovation): +28.0

- **FY2017 Plan (Revenues):**
  - Full-year contribution/finalized startups: +6.5 billion
  - Contribution from new orders: +6.5 billion

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FY2017 Plan (Operating Income)

Operating income (plan)

(Billions of yen)

FY2016 (Result)  29.5

-0.6  Effect of exchange fluctuation

-0.5  Environmental/volume changes, etc.

+1.2  New orders

-2.1  Operating income

FY2017 (Plan)  29.5

+1.0  New Structural reforms/productivity improvement

+1.0  Collaborative innovation

-0.5  Positive: Receive maintenance/additional orders in regions

Recovery from backlash of strategic investment in FY2016

Negative: Decrease in volume, incorporating business risks, etc.

[Future-oriented upfront investment]

-0.5  Positive: Receive maintenance/additional orders in regions

Recovery from backlash of strategic investment in FY2016

Negative: Decrease in volume, incorporating business risks, etc.

±0

Share of profits of investments accounted for using the equity method, etc.
## Priority Measures

### [Environment surrounding logistics industry]

- Labor shortage
- Expansion of EC
- Response to long working hours
- IoT
- Volume decrease, office consolidation, idle warehouses due to changes in customer situations (market, competitiveness, etc.)
- Review of logistics in response to changes in capital or reorganization
- Acceleration of labor shortage due to decreasing workforce and working method transformation
- Business continuity issues arising from shrinking population and underpopulation in local areas
- Commoditization of 3PL
- Rise of Logistics 4.0, etc.

### Actualize “current” business risks and implement measures (Cross Functional Team)

<table>
<thead>
<tr>
<th>Business risk</th>
<th>Changes in customers</th>
<th>Changes in society</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Volume decrease, office consolidation, idle warehouses due to changes in customer situations (market, competitiveness, etc.)</td>
<td>• Acceleration of labor shortage due to decreasing workforce and working method transformation</td>
<td>• Business continuity issues arising from shrinking population and underpopulation in local areas</td>
</tr>
</tbody>
</table>

### Develop and execute a far-sighted growth strategy (develop new business model)

<table>
<thead>
<tr>
<th>Growth strategy</th>
<th>Promoting items</th>
</tr>
</thead>
</table>
| Evolve to solution provider      | • Accelerate LLP business development  
• PF business (packaging by area/industry)  
• Expand collaborative innovation to horizontal & vertical axis of supply chain  
• Collaboration with alliances in “manufacturing/sales/distribution” and “finance/commerce/logistics/information” related companies |
Develop new business model

LLP strategy
“Offer high-level LLP with consulting capability (brain) and business power (physical) (visualize horizontal business collaboration)”

[Logistic planning: Hypothesis verification, overhead view]
[Logistic operation: Business operation, new technologies]
[KPI: Visualize data, objective assessment]
[Continue cost improvement: Eternal PDCA, establish overall SCM]

Platform center for EC
[Share man-hour/labor-saving facilities][Standardized WMS for EC]
[Establish EC site][Back office]
[Collaborative innovation with SG Holdings (smart delivery)]

Global business (forwarding business connecting to new business model)
“Expand service menu as a solutions provider”
[Transportation (Freight Forwarding)] [SCM Finance] [Trading] [Smart Import]

<Response to diversified supply chain> (Pursue volume ⇒ Pursue opportunities for collaborative innovation/connecting)

<Forwarding system as SCM solution> (Brush up system and connect with 3PL system)
# Financial Results of Domestic Business

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (Billions of yen)</th>
<th>Operating income/margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>388.8</td>
<td>17.31 *1</td>
</tr>
<tr>
<td>FY2014</td>
<td>398.0</td>
<td>14.07</td>
</tr>
<tr>
<td>FY2015</td>
<td>405.1</td>
<td>20.33</td>
</tr>
<tr>
<td>FY2016</td>
<td>411.8</td>
<td>21.83</td>
</tr>
<tr>
<td>FY2017</td>
<td>423.6</td>
<td>22.20 *2</td>
</tr>
</tbody>
</table>

*1: Rough estimate after IFRS and allocation of company-wide expenses

*2: Before excluding headquarters relocation cost

---

### Notes
- *1: Rough estimate after IFRS and allocation of company-wide expenses
- *2: Before excluding headquarters relocation cost
Achieve integrated labor-saving operations by automating conveyance operations before and after Racrew* processes

* "Racrew" is a registered trademark of Hitachi, Ltd. in Japan.
Financial Results of Overseas Business (Local Currency Basis)

Operating Income:
- FY2013: 1.0 billion yen
- FY2014: 2.2 times
- FY2015: 2.6 times
- FY2016: 3.1 times
- FY2017: 3.2 times

- Exchange fluctuation: +12.3 billion yen (M&A: +21.3 billion yen)
- Exchange fluctuation: -23.7 billion yen
- Exchange fluctuation: -11.9 billion yen

Revenues:
- FY2013: 120% of FY2013
- FY2014: 119% of FY2013
- FY2015: 114% of FY2013
- FY2016: 120% of FY2013
- FY2017: 130% of FY2013

Compared with FY2013 as the base (estimated under the current standard excluding effect of exchange fluctuation)

(Billions of yen)
Overseas Business Strategy

Europe
- Expand automobile business (automobile parts/ agricultural machinery)
- Enhance Bridge Turkey Project (transportation between Europe and Central Asia)
- Reorganize/strengthen locations in Benelux countries (including M&A)

Asia
- Expand CBT business*¹ (innovative collaboration with SG Holdings, etc.)
- Deal with GST*² in India (strengthen/improve locations/network)
- Expand business in Middle East

North America
- Enhance truck transport capability/network (including M&A)
- Improve operating efficiency and productivity/profitability (Canton ILC/ Pomona DC)
- Expand Mexico business mainly in automobile related logistics

China
- Expand master loader business from China
- Advance into inland area
- Strengthen/expand information equipment solution business

Toward sustainable growth within the region

*¹ Cross-border truck business  *² Goods and Services Tax in India

“Belt and Road” Initiative of Hitachi Transport System
Heavy Machinery and Plant Logistics Strategy

Partnership
- Expand location network in Middle East area
  - Project management using existing area network
    + Flyjac (Dubai office)
  - Focus on projects within the region

Strategic investment
- Domestic: Advance into new field through asset investment
  (Multi-axle trailer, etc.)
- Overseas: Capital alliance/M&A
  (Deepen collaborative innovation with heavy-lift cargo transport company)

Plant 3PL
- Railway business model in the U.K.
- SCM Finance
  (Collaborative solutions with finance/commercial companies)
- Recycle resource logistics and reverse 3PL business

Engineering
- Technology investment for super heavy-lift transportation
  (Ship response analysis/intensity calculation analysis/3D analysis, etc.)
### Collaborative Innovation Project with SG Holdings

**Promote collaborative innovation and collaboration to realize seamless comprehensive logistics service**

<table>
<thead>
<tr>
<th>New approach to strengthen BtoB 3PL</th>
<th>Build new complementary relationship</th>
<th>Horizontal expansion of success case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>FY2016 Results</td>
<td>FY2017 Targets</td>
</tr>
<tr>
<td></td>
<td>Revenues</td>
<td>Operating income</td>
</tr>
<tr>
<td>3PL/transportation</td>
<td>Cross-selling/optimization</td>
<td>1.8</td>
</tr>
<tr>
<td>Forwarding</td>
<td>New services (Smart Import), etc.</td>
<td>0.1</td>
</tr>
<tr>
<td>Heavy Machinery and Plant Logistics</td>
<td>New/undeveloped fields</td>
<td>0.05</td>
</tr>
<tr>
<td>Others</td>
<td>Vehicles leasing/travel business, etc.</td>
<td>0.03</td>
</tr>
<tr>
<td>Cross-selling projects (being proposed)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Collaborative Innovation Effect**

- Approx. 2.0 billion
- Approx. 0.15 billion
- 15.0 billion
- 1.0 billion

**FY2017 Targets**

- Revenues: ¥15 billion
- Operating income: ¥1 billion (6.7%)

( ) : Operating margin

[Ref.] Share of profits of investments accounted for using the equity method (including SAGAWA EXPRESS )

- FY2016: 3.7 billion
- FY2017: over 4.0 billion
Oct. 2016: Launched cross-border trucking transport service in Southeast Asia
Oct. 2016: Launched China–Japan integrated shipping service ‘Smart Import’ for apparel
Jan. 2017: Opened a satellite location of SAGAWA EXPRESS within our center

February 2017: Undertook line-haul trucking of SAGAWA EXPRESS using VANTEC vehicles
- Night-time use of trucks held by VANTEC (line-haul trucking of SAGAWA EXPRESS) ⇒ Maximize utilization rate

24H Full operation

VANTEC Yokohama
Adjacent
SAGAWA EXPRESS Sale Office
Arrives at 5:00
Departs at 3:00
23 km
SAGAWA EXPRESS transfer center
Tokyo Little Bay Ariake, Koto-ku
Travel time 15 minutes
Arrives at 17:00
Departs at 22:00
25 km
SAGAWA EXPRESS Sale Office
Arrives at 24:00
SAGAWA EXPRESS transfer center
Tokyo Big Bay Sinonome, Koto-ku
Collaborative Innovation Project with SG Holdings

Example of cross-selling: Cross-selling to retail customers, providing integrated solution

Supplier (Overseas)

- Sea
- Air

Distribution center
- Receiving
- Storage
- Shipping
- Distribution processing

Hitachi Transport System

Route delivery

- Home delivery

Repair center
- Receiving
- Storage
- Repair
  (Resident officer in customer)

Hitachi Transport System

Delivery destinations
- Direct-managed stores
- Outlets
- Private homes

Scope of the Company
Scope of Sagawa Express
Future plan

Proposed cross-selling projects
(extract)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile parts</td>
<td>Logistics optimization</td>
</tr>
<tr>
<td>Distribution/retail</td>
<td>EC center operation</td>
</tr>
<tr>
<td></td>
<td>New center operation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile parts</td>
<td>Logistics optimization</td>
</tr>
<tr>
<td>Building materials/housing equipment</td>
<td>Logistics optimization</td>
</tr>
<tr>
<td>Food</td>
<td>Dedicated center operation</td>
</tr>
</tbody>
</table>

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Enhance proposal-based sales and maintenance service sales to new customers using new technologies of Smart Logistics

- **Offering value to new customers**
  (Proposal focusing on “automation” and “labor-saving” from early stage)
- **Active proposal to existing customers**
  (Active proposal of labor-saving tool available for existing locations and approach to differentiation strategy)

**Pursue safety, quality, productivity**

**Projection (utilize AI)**
- Build proactive management approach based on volume projection

**Efficiency**
- Utilize IoT, drone/image analysis

**Strengthen issue solution capability**
- Strengthen consulting/sales capabilities utilizing the on-site simulator

**Safety driving management**
- Provide full support for safety driving with IoT equipped vehicles
R&D Center (accelerate verification of new technology)

- Dual-arm piece picking robot (Cooperates with Racrew)
- Automated forklift (Given trial in distribution centers on April)
- Image recognition depalletizer
- Racrew (Introduced in Tsuchiura Phase II DC on April)

FY2017: New verification

- Automatic inspection system: Establish operation required to implement in locations (Improve image inspection accuracy)
- Automatic packing: Establish operation required to implement in locations (Automate process of inputting goods)
- Piece picking robot: Establish basic technology to implement in locations (Develop general technology for picking pieces)
New Structural Reforms/Improve Productivity (R200PJ)

Promote a new structural reform to ensure achievement of Mid-term Management Plan (VC2018) — R200 Project —

Top-down target
- Corporate transformation
- Identify issues
- Create improvement opportunities

Bottom-up plan (BUP)
Create ideas:
- Zero-base
- Multiple angles
- Multilateral viewpoints

⇒ Implement transformation ⇒
- Visualize measures
- Follow up progress
- Share knowledge

“Ensure achievement of Mid-term Management Plan” and “Create an organization that keeps changing and growing”

Work Stream
- Purchase/outsourcing cost
- On-site operation
- Sales marketing
- Forwarding
- Indirect operation
- Working capital

- Consolidation, concentration
- Streamlining and simplification
- Process improvement and reduction
- Performance management
- Visualization, standardization
- Optimization

[Achievements in FY2016]
Create ideas and Implement on-site measures
⇒ Certain measures progressed to implementation phase
⇒ Aim to reach benefit phase early

Ongoing impact: Benefit from these measures ¥0.4 billion
One-time impact: Working capital ¥1.3 billion
Expected annualized effects
Progress of
the Mid-term Management Plan
– Value Creation 2018 –

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Business policy in FY2017: Enhance corporate value

| Continue working method transformation | Thoroughly enhance earning capability | Re-plan and execute growth strategy toward big innovation |

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

Future Vision

Continue working method transformation

Thoroughly enhance earning capability

Re-plan and execute growth strategy toward big innovation

Information Technology

Logistics Technology

Forwarding System

Heavy Machinery and Plant Logistics

3D analysis technology

Equipment/transport equipment

Cross-border

Intermodal logistics

Line-haul trucking, delivery

B to C

Last one mile

Forwarding System

Europe/The Americas

Southeast Asia

Japan/China/Asia

Alliance

Alliance
Future Vision: Further Expansion of Collaborative Innovation

Aim to expand innovative collaboration across business/industry to achieve new innovation, with “logistics as function” as a core.

Present: Logistics company

Future Vision: Global Supply-Chain Solutions Provider

FY2018 Mid-term Management Plan

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥800 billion</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥34 billion</td>
</tr>
<tr>
<td>EBIT</td>
<td>¥40 billion</td>
</tr>
<tr>
<td>ROE</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

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New Organization

Organization and management system to address management issues

Corporate Strategy Office
- Corporate Strategy Dept. (newly established)
  - New Business Strategy Group
  - Innovation Group
- Collaborative innovation PJ

Business Management Headquarters
- Business Development Headquarters
  - Business Planning Dept. (newly established)
- Information & Communication Technology
  - Strategy Headquarters (newly established)
  - Digital Business Promotion & Development Dept.

New business strategy
- Sales strategy
- IT strategy
- Growing power
  - New products
  - New business model
  - Identify resources for the future and select partners
  - Constantly innovate to build a framework capable of addressing unexpected situations

On-site capability
- Earning capability/
  - Sustainable capability

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Implement Working Method Transformation/ Accelerate Promotion of Diversity

Working method transformation

- **Top commitment**
  (Provide information aiming at working method transformation)

- **Change awareness of the management position**
  (Implement new working method and management)

- **Create a framework for pleasant working environment**
  (Promote flexible working method)

Promotion of diversity

- **Promote active participation by female workers**
- **Promote participation and employment of the disabled in workplace**
- **Consider working style of elderly employees**
- **Establish limited regular employee system rules**
- **Secure fixed-term contract workers**
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.
Supplementary Material

< Financial Position, Cash Flows, etc. >
## (Financial Position: Consolidated Statement of Financial Position)

### (Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Assets)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>1,849</td>
<td>2,049</td>
<td>200</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>2,795</td>
<td>3,451</td>
<td>655</td>
</tr>
<tr>
<td>Total</td>
<td>4,644</td>
<td>5,499</td>
<td>855</td>
</tr>
<tr>
<td><strong>(Liabilities)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,619</td>
<td>1,511</td>
<td>-108</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1,239</td>
<td>2,079</td>
<td>840</td>
</tr>
<tr>
<td>Total</td>
<td>2,858</td>
<td>3,590</td>
<td>732</td>
</tr>
<tr>
<td><strong>(Equity)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to stockholders of the parent company</td>
<td>1,755</td>
<td>1,875</td>
<td>119</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>30</td>
<td>34</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>1,786</td>
<td>1,909</td>
<td>124</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>4,644</td>
<td>5,499</td>
<td>855</td>
</tr>
</tbody>
</table>
# Consolidated Statement of Cash Flows

(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Full Year</th>
<th>FY2016 Full Year</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>388</td>
<td>264</td>
<td>-124</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-104</td>
<td>-690</td>
<td>-586</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>-167</td>
<td>556</td>
<td>723</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>-11</td>
<td>-6</td>
<td>5</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>106</td>
<td>123</td>
<td>17</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>345</td>
<td>451</td>
<td>106</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>451</td>
<td>575</td>
<td>123</td>
</tr>
</tbody>
</table>
### Financial Indicator etc.

<table>
<thead>
<tr>
<th>Financial Indicator</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity attributable to stockholders of the parent company* (100 Million yen)</td>
<td>37.8 1,755</td>
<td>34.1 1,875</td>
</tr>
<tr>
<td>Total equity per share attributable to stockholders of the parent company (Yen)</td>
<td>1,573.67</td>
<td>1,680.70</td>
</tr>
<tr>
<td>Basic earnings per share attributable to stockholders of the parent company (Yen)</td>
<td>125.60</td>
<td>167.66</td>
</tr>
<tr>
<td>Return on equity (ROE) (annual) (%)</td>
<td>8.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Return on assets (ROA) (annual) (%)</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Price book-value ratio (PBR) (Ratio)</td>
<td>1.20</td>
<td>1.38</td>
</tr>
</tbody>
</table>

### Major Operating Expenses

(Unit: 100 Million yen, ( ): composition ratio (%))

<table>
<thead>
<tr>
<th>Major Operating Expenses</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year</td>
<td>Full Year</td>
</tr>
<tr>
<td>Subcontract Expenses</td>
<td>(50.9) 3,461.6</td>
<td>(49.9) 3,318.7</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(24.0) 1,629.9</td>
<td>(24.3) 1,616.7</td>
</tr>
<tr>
<td>Rent Expenses</td>
<td>(7.2) 491.3</td>
<td>(7.6) 503.4</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>(2.8) 191.3</td>
<td>(2.8) 187.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% change</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>96%</td>
<td>-142.9</td>
</tr>
<tr>
<td>99%</td>
<td>-13.2</td>
</tr>
<tr>
<td>102%</td>
<td>12.1</td>
</tr>
<tr>
<td>98%</td>
<td>-3.8</td>
</tr>
</tbody>
</table>
### Capital Expenditures

(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year</td>
<td>Full Year</td>
<td>Full Year (Plan)</td>
</tr>
<tr>
<td>Purchased Assets*1</td>
<td>223.4</td>
<td>156.7</td>
<td>204.5</td>
</tr>
<tr>
<td>(Reference) Leased Assets*2</td>
<td>329.4</td>
<td>217.7</td>
<td>390.0</td>
</tr>
<tr>
<td>(Reference) Depreciation Expenses</td>
<td>191.3</td>
<td>187.4</td>
<td>192.2</td>
</tr>
</tbody>
</table>

*1. Based on fixed assets recorded in the balance sheet.  
*2. Allocated over the period of the lease.

### Number of Employees

(Unit: Person)

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year</td>
<td>Full Year</td>
<td>Full Year (Plan)</td>
</tr>
<tr>
<td>Regular Employees</td>
<td>24,744</td>
<td>25,274</td>
<td>26,279</td>
</tr>
<tr>
<td>Employees and others*</td>
<td>21,877</td>
<td>22,665</td>
<td>22,536</td>
</tr>
<tr>
<td>Consolidated</td>
<td>46,621</td>
<td>47,939</td>
<td>48,815</td>
</tr>
</tbody>
</table>

*. Including employees who were reemployed after reaching mandatory retirement age.
## Results by Business Category (estimated)

<table>
<thead>
<tr>
<th>Business Category</th>
<th>FY2016 (Result)</th>
<th>FY2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Operating income</td>
</tr>
<tr>
<td>Domestic</td>
<td>3,479</td>
<td>187.3</td>
</tr>
<tr>
<td>Global</td>
<td>1,148</td>
<td>46.0</td>
</tr>
<tr>
<td>3PL</td>
<td>4,627</td>
<td>233.2</td>
</tr>
<tr>
<td>Domestic</td>
<td>449</td>
<td>6.9</td>
</tr>
<tr>
<td>Global</td>
<td>516</td>
<td>5.1</td>
</tr>
<tr>
<td>Forwarding</td>
<td>965</td>
<td>12.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>612</td>
<td>22.7</td>
</tr>
<tr>
<td>Global</td>
<td>223</td>
<td>3.7</td>
</tr>
<tr>
<td>Automobile</td>
<td>834</td>
<td>26.4</td>
</tr>
<tr>
<td>Other services</td>
<td>228</td>
<td>23.0</td>
</tr>
<tr>
<td>Total</td>
<td>6,654</td>
<td>294.7</td>
</tr>
</tbody>
</table>

※ ( ): Excluding amortization of customer-related intangible assets.

※ Company-wide expenses is planed to partly change the method of allocation from FY2017. Figures above are reflected this alternation.
FY2016
(Year Ended March 31, 2017)
Financial Results Briefing

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