

The 1st Quarter of FY2017 (Year Ending March 31, 2018) Financial Results Briefing

 **Hitachi Transport System, Ltd.**

1Q of FY2017 Financial Results

I . Summary of Financial Results

Overview, Breakdown by Group,

Full year (Plan)/1Q (Results) of FY2017 Detail of Variations for Revenues,

Full year (Plan)/1Q (Results) of FY2017 Detail of Variations for Operating

income, Overseas results by region, Trend of new orders/new startups,

FY2017 Plan, Smart Logistics, Collaborative Innovation Project with SG Holdings,

II . Topics

Headquarters Relocation, Brand Promise

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

	FY2016		FY2017		
	1Q		1Q		
	Results	Results	Y o Y		
			%	Change	
Revenues	160.5	168.9	105%	8.4	
Operating income	<4.2> 6.72	<3.9> 6.56	98%	-0.16	
EBIT (Earnings before interest and taxes)	<4.1> 6.51	<4.7> 7.93	122%	1.42	
Net income attributable to stockholders of the parent company	<2.0> 3.29	<2.8> 4.78	146%	1.50	

*Operating income in this document represents "Adjusted operating income."

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

		Revenues		Operating income			
		1Q Results	Y o Y	1Q Results	Y o Y		
Organic	Domestic logistics	<58>	851	102%	44.1	93%	
	Global logistics	Overseas	<30>	435	113%	12.3	94%
		Forwarding and others	<8>	118	102%	[1.4] ✓ 0.8	[147%] 85%
	Total	<38>	553	111%	13.1	94%	
	Others (logistics-related businesses, etc.)	<3>	51	108%	3.7	246%	
Total		<100>	1,454	105%	60.9	97%	
Vantec Group	Domestic logistics	<65>	172	100%	[6.9] ✓ 6.0	[141%] 122%	
	Global logistics	Overseas	<35>	91	122%	1.4	68%
		Forwarding and others	<0>	0	73%	0.0	-
	Total	<35>	92	121%	1.4	68%	
Total		<100>	264	107%	7.4	106%	
Consolidated Adjustment/ Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-30	(-7)	-2.6	-	
Total	Domestic logistics	<60>	1,016	102%	47.9	95%	
	Global logistics	Overseas	<30>	513	114%	13.2	91%
		Forwarding and others	<7>	110	100%	0.8	85%
	Total	<37>	623	111%	14.0	90%	
	Others (logistics-related businesses, etc.)	<3>	49	107%	3.7	246%	
Total		<100>	1,689	105%	65.6	98%	

✓ Company-wide expenses is partly changed the method of allocation from FY2017. [] : Figures and ratios are calculated based on the previous method.

Excerpt from Earnings Presentations slide (April 27, 2017)

Revenues (Plan)

(Billions of yen)

USD: ¥105
EUR: ¥110
CNY: ¥15

Effect of exchange fluctuation
-11.9

Environmental/volume changes
-1.5

New orders
+13.0

Collaborative innovation
+15.0

680.0

665.4

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

• Full-year contribution/finalized startups: +6.5 billion
• Contribution from new orders: +6.5 billion

+28.0

+14.6

FY2016 (Result)

FY2017 (Plan)

1Q of FY2017 Revenues(Result)

(Billions of yen)

1Q of FY2016 → 1Q of FY2017

- USD: ¥ 108 → ¥111
- EUR: ¥ 122 → ¥122
- CNY: ¥ 16.5 → ¥16.2

- Domestic/Other : -1.7 billion
- Forwarding/Overseas : +3.4 billion
- Expansion of operations : +1.1 billion

- Domestic : +1.8 billion
- Global : +1.9 billion

160.5

Effect of exchange fluctuation
+0.7

Environmental/volume changes/
Continuous improvement, etc.
+2.8

New Orders
+3.7

Collaborative innovation
+1.1

+4.8

168.9

+8.4

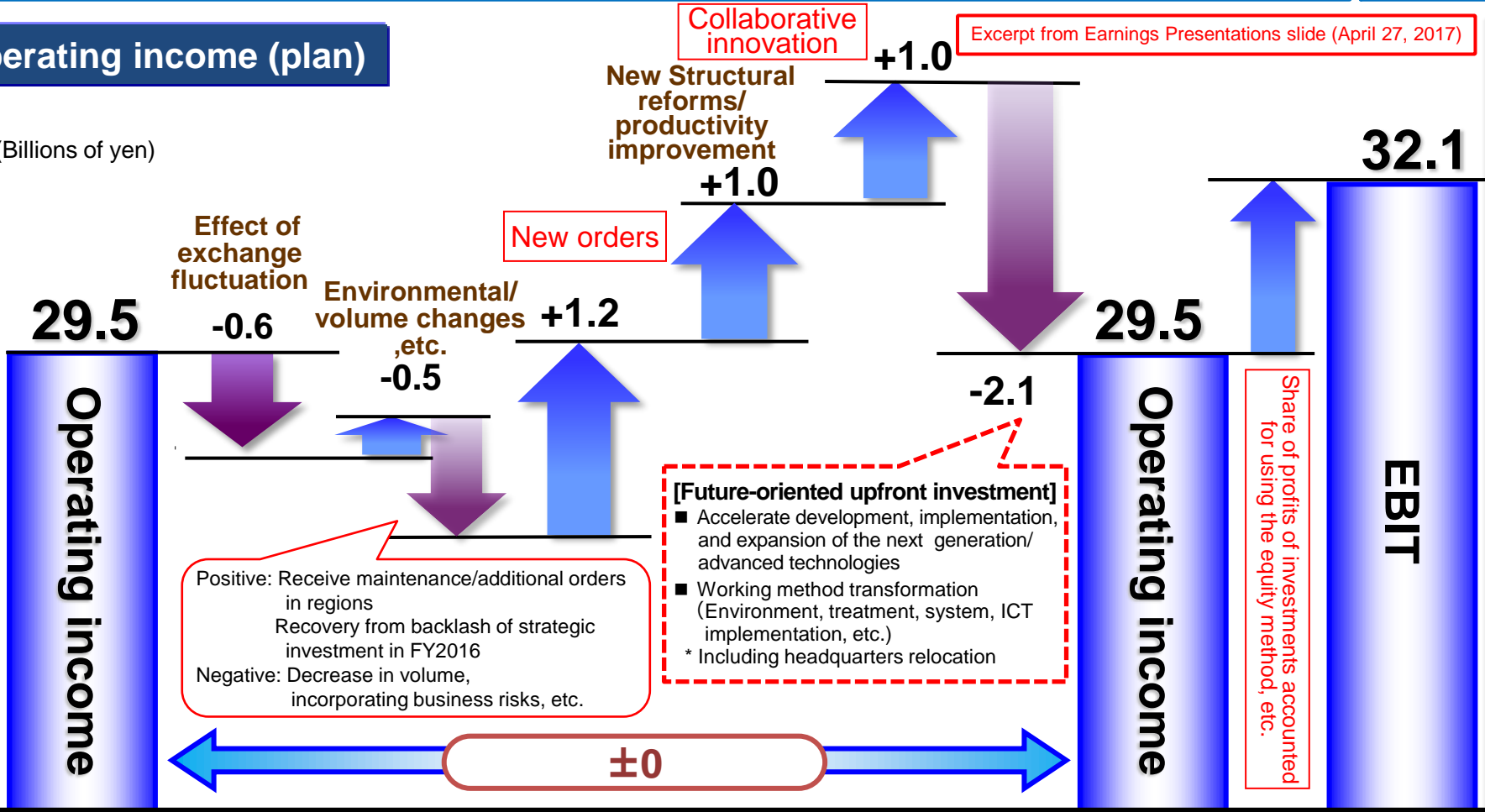
	Exchange Fluctuation	Environmental/Volume changes/ Continuous improvement, etc.			New orders	Collaborative Innovation projects	Total
		Volume changes, etc.	Expansion of operations	Subtotal			
1Q	Domestic		-2.0	1.0	-1.0	1.8	1.8
	Global	0.7	3.4	0.1	3.5	1.9	6.2
	Other		0.3		0.3	0.0	0.3
	Total	0.7	1.7	1.1	2.8	3.7	8.4

1Q of FY2016 (Result)

1Q of FY2017 (Result)

Operating income (plan)

(Billions of yen)



Excerpt from Earnings Presentations slide (April 27, 2017)

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]**
- Accelerate development, implementation, and expansion of the next generation/advanced technologies
 - Working method transformation (Environment, treatment, system, ICT implementation, etc.)
- * Including headquarters relocation

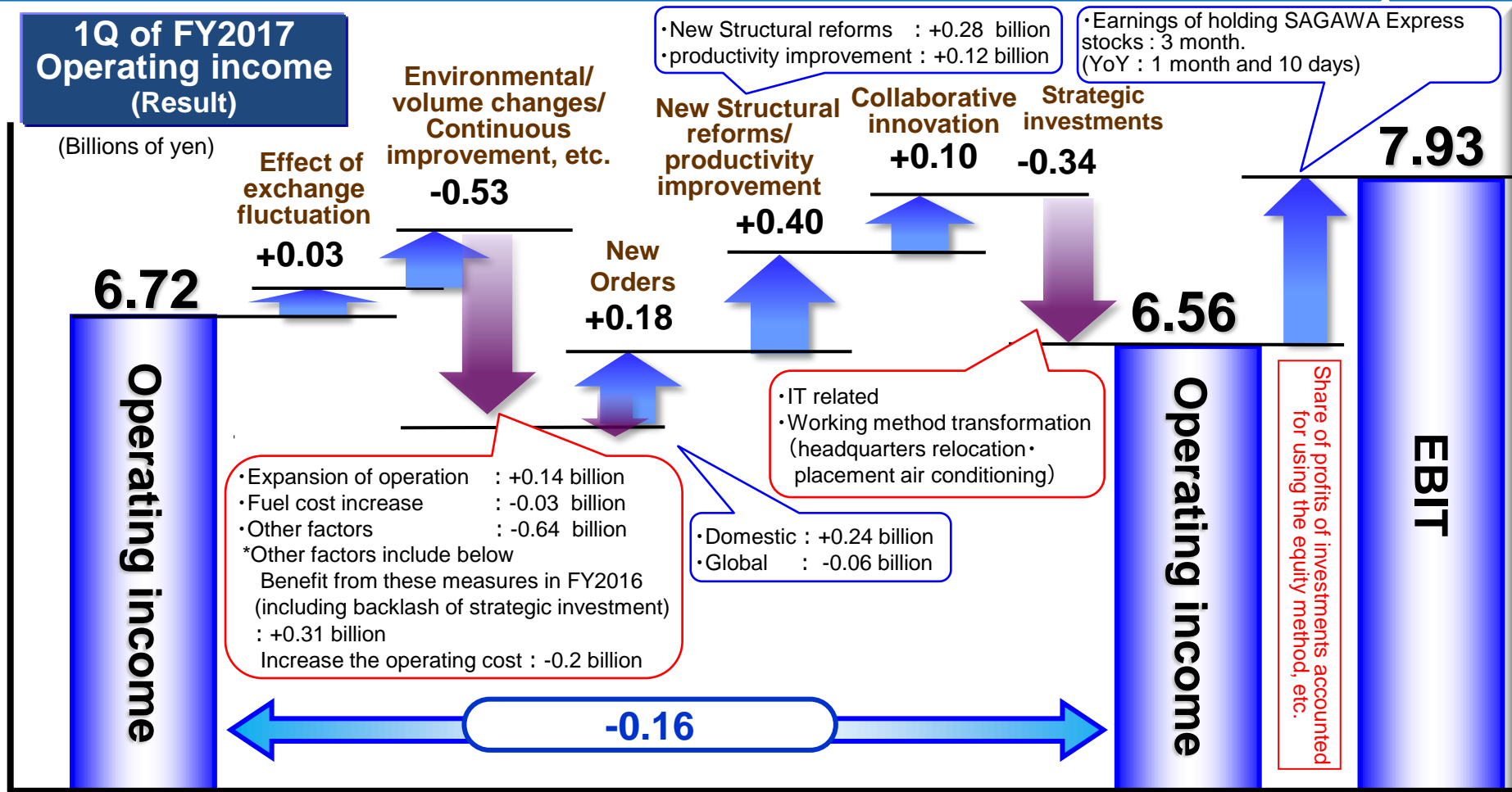
Share of profits of investments accounted for using the equity method, etc.

FY2016 (Result)

FY2017 (Plan)

1Q of FY2017 Operating income (Result)

(Billions of yen)



- New Structural reforms : +0.28 billion
- productivity improvement : +0.12 billion

- Earnings of holding SAGAWA Express stocks : 3 month. (YoY : 1 month and 10 days)

- Expansion of operation : +0.14 billion
- Fuel cost increase : -0.03 billion
- Other factors : -0.64 billion
- *Other factors include below
 - Benefit from these measures in FY2016 (including backlash of strategic investment) : +0.31 billion
 - Increase the operating cost : -0.2 billion

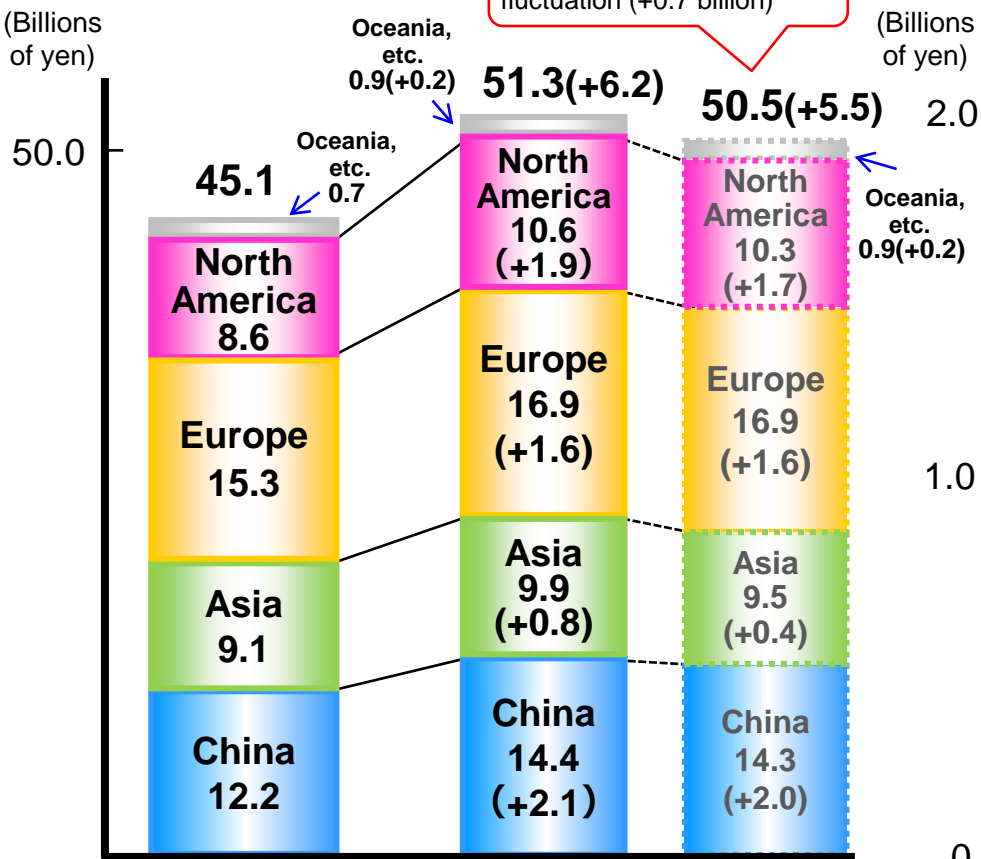
- Domestic : +0.24 billion
- Global : -0.06 billion

- IT related
- Working method transformation (headquarters relocation· placement air conditioning)

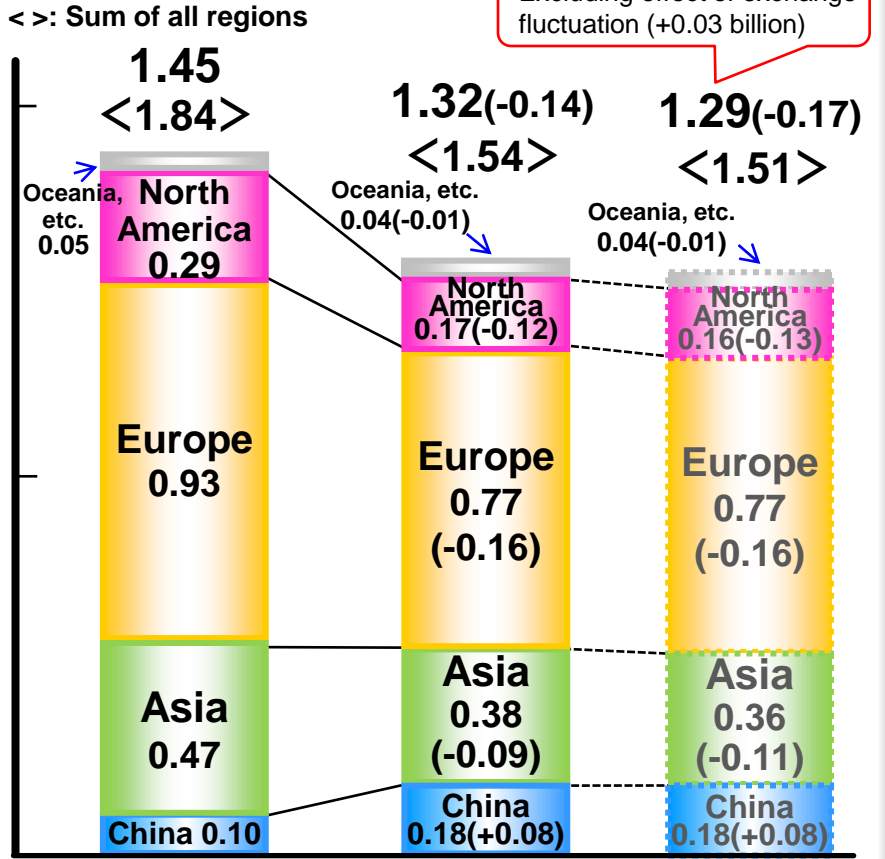
1Q of FY2016 (Result)

1Q of FY2017 (Result)

Revenues



Operating income



Consolidated adjustment, etc. -0.8
 1Q of FY2016 (Result) Consolidated adjustment, etc. -1.4(-0.5)
 1Q of FY2017 (Result)

Representative Office Expenses, etc. -0.39
 1Q of FY2016 (Result) Representative Office Expenses, etc. -0.23(+0.16)
 1Q of FY2017 (Result)

1Q of FY2017 : Trend of New orders/New startups

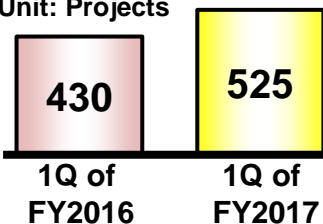
Unit: projects

		FY2016	FY2017	
		1Q	1Q	Y o Y
New startups	Domestic	4	1	-3
	Global	1	1	0
	Total	5	2	-3
New orders	Domestic	1	2	1
	Global	1	4	3
	Total	2	6	4

(Reference) The number of New Orders of Domestic sales division <Including new projects (both new and old definition), one-time project (Heavy Machinery and Plant Logistics, etc.) and small scale projects>

* Steady increase of orders in regions due to enhanced region-based sales efforts

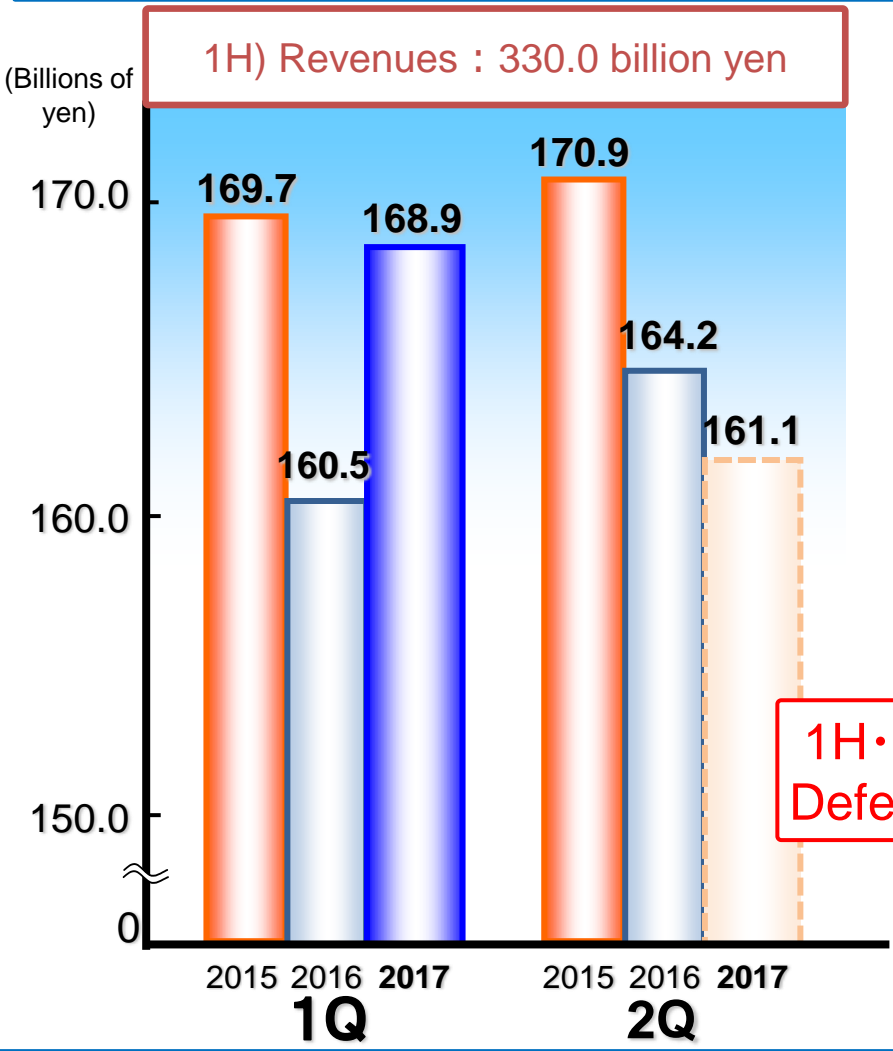
Unit: Projects



1Q of FY2016

1Q of FY2017

- Orders under ¥10 million: 427 (recurring: 35 one-time: 392) → 523 (recurring: 80 one-time: 443)
- Orders over ¥10 million : 3 (recurring: 3 one-time: 0) → 2 (recurring: 1 one-time: 1)



Expand the Racrew-installed site



Full operation started in May 2017

Location: Tsuchiura Phase II DC

Products: Medical supplies



Achieved integrated labor-saving operations by automating conveyance operations before and after Racrew* processes

Trial installation of Automated forklift (at 2 sites, 3 Automated forklifts)

June 2017

Location: Distribution Center in Saitama Pref.

Products: Medical supplies

Number of Automated forklift: 1

Utilization: Convey received items from vertical conveyor to unloading area automatically (day-time operation)

July 2017

Location: Distribution Center in Ibaraki Pref.

Products: Construction machinery and equipment

Number of Automated forklift: 2

Utilization : Return empty boxes from 1st floor to 2nd floor automatically (Automated operation in the nighttime)

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

1Q of FY2017 (Results) :
Revenues: 1.1billion yen, Operating income: 0.1billion yen (9.4%)

◆ Example (Transport and Relocation Project)

Provided the facility service for urban redevelopment (From June to July 2017)

Operated internal setting up in complex facility by combining HTS Group and SG Holdings Group's know-how

**Setting
Operation**
(Equipment, etc.)

×

**Internal
Distribution**
(Products)

Realized safe and high-quality installation and facility preservation with “Seamless internal operation”



General morning meeting

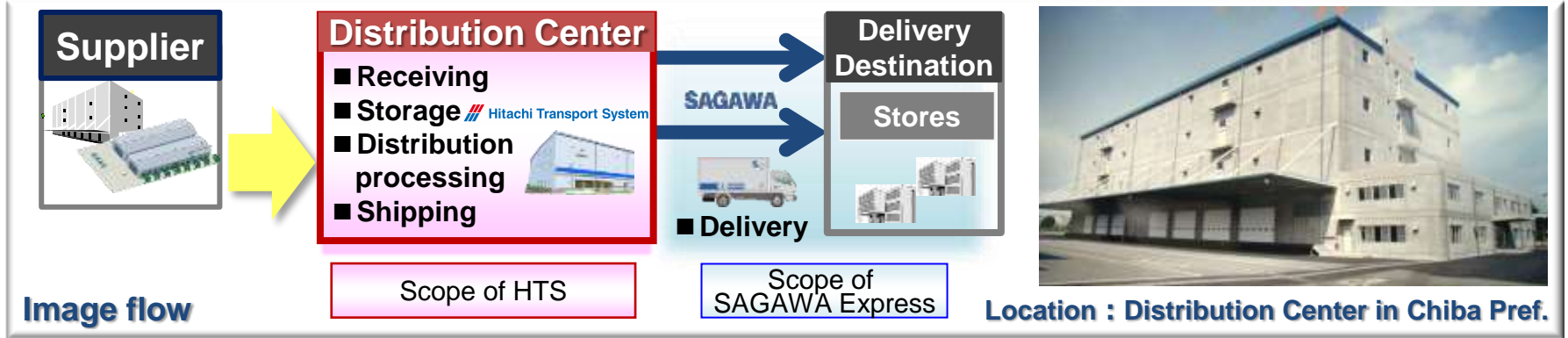


Operation



◆ Example (3 PL Project)

Full operation started of the Distribution Center for apparel (From May 2017)



New Orders
(Excerpts)

SNS related

- * Overview : HTS : Supply from Overseas, Management of DC
- SgH : Delivery, Collect repairs
- * Start of Operation : Dec. 2017

Publishing industry

- * Overview : HTS : Management of DC
- SgH : Delivery
- * Start of Operation : May 2018

◆ Headquarters Relocation

- New address : "Hitachi Transport System bldg."
2-9-2, Kyobashi, Chuo-ku, Tokyo
(TEL) +81-3-6263-2803
(FAX) +81-3-6263-2752
- Schedule : Aug.16, 2017

【Concept of the relocation】

Flexibility

**Collaborative
Innovation**

**Productivity
Improvement**

Priority Measures at New Headquarters

**Free
address**

**Unified
communications**

**Paper
Stockless**



Rents the whole building
(excluding the 1st floor)



Reception in the 2nd floor

◆ Strengthen Our Brand

i . Creation Brand Promise

“Slogan : Taking on the Future”

ii . Promotion Placing ads on media

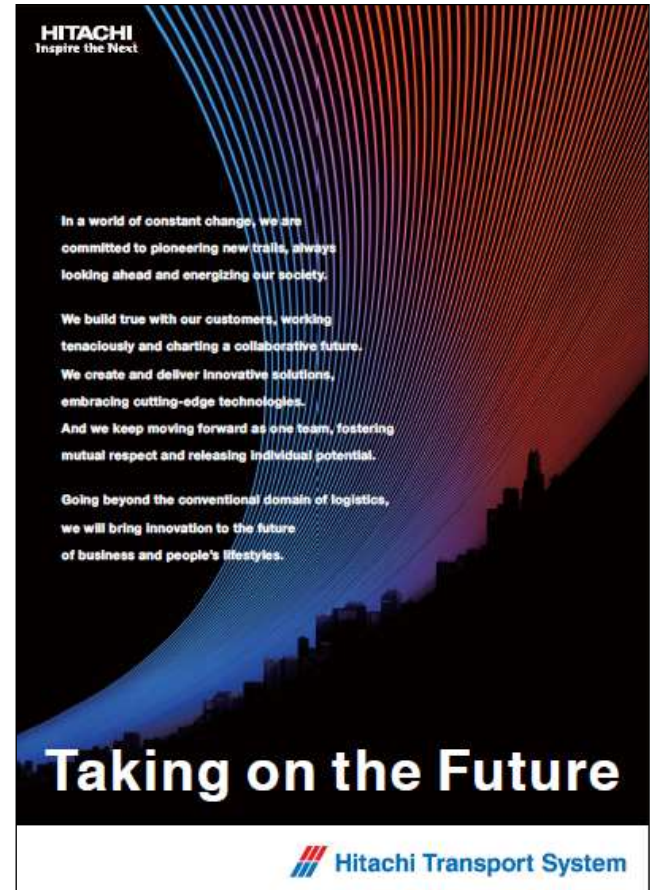
- Planning to place our brand advertisements on media from Aug. 2017

iii . Renewal of Company Profile

【Concept for renewal】

- Simple format
- Link to corporate website
(main : corporate website)
- Making unified brand image

【Advertisement of our brand】



HITACHI
Inspire the Next

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


We build true 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.

Taking on the Future

 Hitachi Transport System