The 2nd Quarter of FY2017
(Ended September 30, 2017)
Financial Results Briefing

© Hitachi Transport System, Ltd.
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[FY2017 Plan]
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Heavy Machinery and Plant Logistics, Collaborative Innovation Project with
SG Holdings, Smart Logistics

III. Supplementary Material
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# 1H of FY2017 Results

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Results</th>
<th>FY2017 1H Results</th>
<th>Y o Y vs Initial plan</th>
<th>Full-year Plan (Revised on Oct. 26)</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>324.7</td>
<td>343.7</td>
<td>106%</td>
<td>690.0</td>
<td>104%</td>
</tr>
<tr>
<td>Operating income</td>
<td>&lt;4.5&gt; 14.50</td>
<td>&lt;4.1&gt; 14.05</td>
<td>97%</td>
<td>105%</td>
<td>&lt;4.3&gt; 29.50</td>
</tr>
<tr>
<td>EBIT</td>
<td>&lt;4.6&gt; 14.90</td>
<td>&lt;4.6&gt; 15.69</td>
<td>105%</td>
<td>109%</td>
<td>&lt;4.7&gt; 32.10</td>
</tr>
<tr>
<td>Net income attributable to stockholders of the parent company</td>
<td>&lt;2.7&gt; 8.86</td>
<td>&lt;2.7&gt; 9.33</td>
<td>105%</td>
<td>106%</td>
<td>&lt;2.9&gt; 20.00</td>
</tr>
</tbody>
</table>

* Operating income in this document represents “Adjusted operating income.”
### 1H of FY2017 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>1H</td>
<td>Y o Y</td>
</tr>
<tr>
<td><strong>Organic</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;58&gt;</td>
<td>1,716</td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;30&gt;</td>
<td>880</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;9&gt;</td>
<td>257</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;38&gt;</td>
<td>1,137</td>
</tr>
<tr>
<td>Others (logistics-related businesses, etc.)</td>
<td>&lt;4&gt;</td>
<td>108</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>2,961</td>
</tr>
<tr>
<td><strong>Vantec Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;66&gt;</td>
<td>352</td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;34&gt;</td>
<td>183</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;0&gt;</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;34&gt;</td>
<td>184</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>535</td>
</tr>
</tbody>
</table>

Consolidated Adjustment/Amortization of customer-related intangible assets of VANTEC Group, etc.

-60 (-11) -5.3 (-0.1)

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>Y o Y</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;60&gt;</td>
<td>2,054</td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;30&gt;</td>
<td>1,034</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;7&gt;</td>
<td>243</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;37&gt;</td>
<td>1,277</td>
</tr>
<tr>
<td>Others (logistics-related businesses, etc.)</td>
<td>&lt;3&gt;</td>
<td>105</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>3,437</td>
</tr>
</tbody>
</table>

**Including upfront investment (-800 million)**
1H of FY2017 Results (Detail of Variations for Revenues)

1H of FY2017 Revenues (Result)

(Billions of yen)

1H of FY2016 → 1H of FY2017
- USD: ¥ 105 → ¥ 111
- EUR: ¥ 118 → ¥ 126
- CNY: ¥ 15.9 → ¥ 16.4

Effect of exchange fluctuation
+5.9

New orders
+5.7

Environmental/volume changes/
Continuous improvement, etc.
+4.4

Total
+19.0

Repetitive promoting items/environmental/volume changes

<table>
<thead>
<tr>
<th></th>
<th>Effect of exchange fluctuation</th>
<th>Repetitive promoting items/environmental/volume changes</th>
<th>Subtotal</th>
<th>New orders</th>
<th>Collaborative innovation projects</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
<td>Other volume changes, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expansion of operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>5.9</td>
<td>7.6</td>
<td>0.3</td>
<td>7.9</td>
<td>2.4</td>
<td>16.5</td>
</tr>
<tr>
<td>Other</td>
<td>-0.0</td>
<td>-0.0</td>
<td></td>
<td>-0.0</td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>5.9</td>
<td>2.5</td>
<td>1.9</td>
<td>4.4</td>
<td>5.7</td>
<td>19.0</td>
</tr>
</tbody>
</table>

Total
343.7

Domestic: +3.3 billion
Global: +2.4 billion

1H of FY2016 → 1H of FY2017

New orders
343.7
+5.7
= 359.4

Domestic:
324.7
+3.3 billion
= 328.0

Global:
324.7
+2.4 billion
= 327.1

Effect of exchange fluctuation
+5.9

USD: ¥ 105 → ¥ 111
EUR: ¥ 118 → ¥ 126
CNY: ¥ 15.9 → ¥ 16.4

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1H of FY2017 Results (Detail of Variations for Operating Income)

- **Operating income**
  - 1H of FY2016 (Result): 14.50 (Billions of yen)
  - 1H of FY2017 (Result): 14.05
  - Change: -0.45

- **EBIT**
  - 15.69

**Variations for Operating Income**

- **Operating income**
  - Effect of exchange fluctuation: +0.25
  - New structural reforms, etc.: +0.74 billion
  - Productivity improvement of unprofitable business: -0.04 billion
  - Environmental/volume changes/Continuous improvement, etc.: -1.32
  - New orders: +0.44
  - New structural reforms/Productivity improvement: +0.70
  - Collaborative innovation: +0.28
  - Strategic investments: -0.80

**New orders**

- Domestic: +0.45 billion
- Global: -0.01 billion

**Expansion of operations**

- Domestic: +0.22 billion
- Global: +0.04 billion
- Other factors: -1.50 billion

**Fuel cost increase**

- Domestic: +0.45 billion
- Global: -0.01 billion

**Other factors**

- Benefit from measures in FY2016 (including Recovery from backlash of strategic investment): +0.35 billion
- Work costs increase (temporary/part-time employees): -0.53 billion
- Withdrawal, etc.: -0.30 billion

**Strategic investments**

- Initial Plan: -2.10 billion (full-year)
  - Next generation/advanced technologies: -1.00 billion
  - Working method transformation (ICT/Environment) (included) Headquarters: -0.50 billion
  - Next generation/advanced technologies: -1.10 billion

**Domestic segment**

- IT-related
- Working method transformation (ICT/Environment): -1.10 billion

**Initial Plan**

- -2.10 billion (full-year)
  - Next generation/advanced technologies: -1.00 billion
  - Working method transformation (ICT/Environment) (included) Headquarters: -0.50 billion

**Domestic**

- +0.45 billion

**Global**

- -0.01 billion

**Working method transformation (Head office relocation)**

- -0.40 billion

**Benefit from measures in FY2016**

- +0.35 billion

**Work costs increase**

- Temporary/part-time employees: +0.35 billion
- Withdrawal, etc.: -0.30 billion

**Other factors**

- Recovery from backlash of strategic investment: +0.35 billion
- Benefit from measures in FY2016: +0.35 billion
- Work costs increase (temporary/part-time employees): -0.53 billion
- Withdrawal, etc.: -0.30 billion

**Other factors include**

- Benefit from measures in FY2016 (including Recovery from backlash of strategic investment): +0.35 billion
- Work costs increase (temporary/part-time employees): -0.53 billion
- Withdrawal, etc.: -0.30 billion

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1H of FY2017 Results (Overseas Results by Region)

**Revenues**

(Billions of yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>1H of FY2016 (Result)</th>
<th>1H of FY2017 (Result)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>21.2 (+2.9)</td>
<td>28.9 (+14.6)</td>
</tr>
<tr>
<td>Europe</td>
<td>34.5 (+5.6)</td>
<td>103.4 (+14.6)</td>
</tr>
<tr>
<td>Asia</td>
<td>20.1 (+2.4)</td>
<td>28.6 (+4.3)</td>
</tr>
<tr>
<td>China</td>
<td>24.4</td>
<td>28.6 (+4.3)</td>
</tr>
<tr>
<td>Oceania, etc.</td>
<td>1.8 (+0.3)</td>
<td></td>
</tr>
</tbody>
</table>

- **Effect of exchange fluctuation (+5.9 billion)**
- **Variance against the initial plan**
  - 103.4 (+14.6)

**Operating income**

(Billions of yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>1H of FY2016 (Result)</th>
<th>1H of FY2017 (Result)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>0.58</td>
<td>0.20 (-0.38)</td>
</tr>
<tr>
<td>Europe</td>
<td>1.46</td>
<td>1.60 (+0.14)</td>
</tr>
<tr>
<td>Asia</td>
<td>0.90</td>
<td>0.75 (-0.15)</td>
</tr>
<tr>
<td>China</td>
<td>0.31</td>
<td>0.40 (+0.10)</td>
</tr>
<tr>
<td>Oceania, etc.</td>
<td>0.12</td>
<td></td>
</tr>
</tbody>
</table>

- **Effect of exchange fluctuation (+0.25 billion)**
- **Variance against the initial plan**
  - 2.68 <3.36>

**Notes**

- In line with the initial plan
- Solid growth in transportation infrastructure business
- Solid growth in intermodal business (Turkey)
- Volume increase in forwarding business in India
- Solid growth in automobile-related in Thailand
- Volume increase in forwarding business
- Representative Office Expenses, etc. -0.68
- Representative Office Expenses, etc. -0.40 (+0.28)

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1H of FY2017 Results (Reasons for Deviation from the Plan)

**Revenues**

- **Global:** 111.3 → 114.8 → 127.7 (Billions of yen)
  - Domestic and other: 213.4 → 215.2 → 216.0

- **Domestic:** 14.5 → 13.4 → 14.05 (Billions of yen)
  - Domestic and other: 2.9 → 2.6 → 3.1

**Operating income**

- **Global:** 14.5 → 13.4 → 14.05 (Billions of yen)
  - Domestic and other: 11.6 → 10.8 → 11.0

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**Reasons for Deviation from the Plan**

- **Both revenues and operating income grew as planned (excluding effect of exchange fluctuation):**
  - **Global:** +12.9 billion yen
  - **Domestic, etc.:** +0.8 billion yen

- **Improved operating efficiency and productivity/investment timing gap, etc.:**
  - **Domestic, etc.:** +0.15 billion yen

- **Effect of exchange fluctuation:**
  - **Global:** +0.45 billion yen
  - **Domestic, etc.:** +0.05 billion yen

- **Volume increase in forwarding, etc.:**
  - **Global:** +2.6 billion yen
  - **Domestic, etc.:** +0.8 billion yen

**Initial plan → 1H of FY2017**

- USD: ¥105 → ¥111
- EUR: ¥110 → ¥126
- CNY: ¥15 → ¥16.4

+13.7 billion yen over initial plan

+0.65 billion yen over initial plan

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## 1H of FY2017: Trend of new orders/new startups

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>1H</td>
<td></td>
</tr>
<tr>
<td><strong>New startups</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>11</td>
<td>3</td>
<td>-8</td>
</tr>
<tr>
<td>Global</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>7</td>
<td>-6</td>
</tr>
<tr>
<td><strong>New orders</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>4</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Global</td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>✔ 21</td>
<td>15</td>
</tr>
</tbody>
</table>

(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*

<table>
<thead>
<tr>
<th>Unit: projects</th>
<th>1H of FY2016</th>
<th>1H of FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H of FY2016</td>
<td>841</td>
<td>1,035</td>
</tr>
<tr>
<td>1H of FY2017</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

- Orders under ¥10 million: 835 (recurring: 82/one-time: 753) → 1,030 (recurring: 146/one-time: 884)
- Orders over ¥10 million: 6 (recurring: 6/one-time: 0) → 5 (recurring: 3/one-time: 2)
Revenues: 2H results to be in line with the initial plan, with new projects, effect of collaborative innovation, and actualization of business risks
Revised based on the 1H results <Full-year: 680.0 billion yen → 690.0 billion yen (+10.0 billion yen)>

Operating income: Full-year results to be in line with the initial plan, with “external environmental risks” and “strategic investment toward growth” incorporated to 1H results
DEVELOP NEW BUSINESS MODEL

■ LLP*1 strategy
“Offer high-level LLP with consulting capability and 3PL operation (cross-sectional visualization of supply chain)”

<Service menu> — IT collaboration —

【Design】
・Optimization design  ・Drafting improvement plans

【Management】
・Logistics partners management (KPI)  ・Supplier management  ・Budgeting support

【Operation】
・Carry out shipper's operations (transportation arrangement/operation)  ・3PL operation

Platform center for EC
Services to assist customers to increase their sales and focus on their core businesses
・Introduce labor-saving facilities (Racrew*2/Automatic packing, etc.)
・24-H operation (low-cost operations with facility sharing, etc.)
・Provide logistics plus a something extra services (order handling, collaborative innovation)
・Product return center (support customers to focus on their core operations)

*1 Lead Logistics Provider
*2 “Racrew” is a registered trademark of Hitachi, Ltd. in Japan.

LLP CASE STUDIES (FOOD SERVICE-RELATED)
【Concept】
✓ Establish nationwide network and continuous management
✓ Smooth transition to new network
✓ Flexible location/delivery system
✓ Optimize/ensure transparency of logistics costs

【New logistics network】

Before
16 sites

After
10 sites

Chilled logistics: company A
Dry logistics: company B

Unified management of all dry/chilled logistics by HTS

Locate/consolidate centers with a view to customers’ growth

【New Kansai DC (tentative name)】
Operations to be started in Feb. 2018
Kansai Dry/Chilled consolidated center with a view of operations after ten years
**EUROPE**
- Enhanced Bridge Turkey Project (transportation between Europe and Central Asia)
- Expanded business mainly with automobile related customers

**NORTH AMERICA**
- Expand 3PL business
  - Plan to establish EC center
  - Implement Smart Logistics
  - Plan to establish the center in East Coast area

**ASIA**
- Expand cold chain
  - Open new cold warehouse (Malaysia/Nilai)
- Expand CBT business
  (Innovative collaboration with SG Holdings, etc.)

**CHINA**
- Advance into inland area
  - Operations started in Northwest DC (Xian)
  - Established Xian Branch Office

**Toward sustainable growth within the region**
DOMESTIC BUSINESS

[Enhanced business resources in Kanto area]

■ XD operation for exporting repair parts to North America
  Location: Gunma Prefecture
  Start of operations: From Jan. 2017
  Outline of operations: Warehouse management of repair parts (small/medium-sized—large-sized parts)

■ Logistics operations of general engine repair parts
  Location: Saitama Prefecture
  Start of operations: From Jun. 2017
  Outline of operations: Warehouse management and delivery of engine repair parts

OVERSEAS BUSINESS

■ Procurement logistics for Thai factories
  Start of operations: From Oct. 2017
  Outline of operations: Procurement logistics
  *Improved loading efficiency with mobile Transportation Management System (TMS)
  (Data accumulation – analysis – route review – loading ratio improvement)
  Existing area: For Nissan Motor (Thailand)
  Expanded area: For Mitsubishi Motors (Thailand)
ELECTRICITY INFRASTRUCTURE BUSINESS
- Indonesia project (large scale thermal power plant project)
  - Consortium strategy (Overall project management as a consortium leader)
  - Package PJ management
- Collaborative innovation with competitors
  - Collaborate in transportation of gas turbine rotor for Europe

TRANSPORTATION INFRASTRUCTURE BUSINESS
- Approach with our capability to solve issues and cost competitiveness
  - The U.K. (IEP) · China (vehicle parts transportation)
  - Qatar (Doha Metro) · Thailand (Red Line)
- Advance into new regions/develop new businesses
  - Bangladesh/Egypt/Panama in Central America
  - Vehicle maintenance/transportation of maintenance vehicle

PLANT LOGISTICS ENVIRONMENT BUSINESS
- Increase plant logistics work for automobile industry
  - In-plant logistics work
  - Production equipment of parts manufacturers
- Expand recycled resource logistics
  - Develop new routes (modal shift)
  - Develop new type of container

STRATEGIC INVESTMENT
- Domestic: Advance into new fields through asset investment (Multi-axle trailer, etc.)
  - Power plant (in-plant transport)
  - Collaborative innovation with competitors
  - Module transport between production processes
ELECTRICITY INFRASTRUCTURE BUSINESS

Methanol DEM plant transport project for Caribbean Gas Chemical Limited (CGCL)
**Collaborative Innovation Project with SG Holdings**

[Progress Status of 2Q]

Promote collaborative innovation and collaboration to realize seamless comprehensive logistics service

### New approach to strengthen BtoB 3PL

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2016 Results</th>
<th>1H Results</th>
<th>FY2017 3Q/4Q Forecasts</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Operating income</td>
<td>Revenues</td>
<td>Operating income</td>
</tr>
<tr>
<td>3PL/Transportation</td>
<td>1.80</td>
<td>0.12</td>
<td>2.60</td>
<td>0.24</td>
</tr>
<tr>
<td>Forwarding</td>
<td>0.10</td>
<td>0.02</td>
<td>0.30</td>
<td>0.02</td>
</tr>
<tr>
<td>Heavy Machinery and Plant Logistics</td>
<td>0.05</td>
<td>0.01</td>
<td>0.06</td>
<td>0.01</td>
</tr>
<tr>
<td>Others</td>
<td>0.03</td>
<td>0.00</td>
<td>0.10</td>
<td>0.01</td>
</tr>
<tr>
<td>Cross-selling projects (being proposed)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Collaborative Innovation Effect</td>
<td>2.0 billion</td>
<td>(7.5%)</td>
<td>3.0 billion</td>
<td>(9.4%)</td>
</tr>
</tbody>
</table>

( ) : Operating margin

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

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2016 Results</th>
<th>1H Results</th>
<th>FY2017 3Q/4Q Forecasts</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Operating income</td>
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</tr>
<tr>
<td>3PL/Transportation</td>
<td>1.80</td>
<td>0.12</td>
<td>2.60</td>
<td>0.24</td>
</tr>
<tr>
<td>Forwarding</td>
<td>0.10</td>
<td>0.02</td>
<td>0.30</td>
<td>0.02</td>
</tr>
<tr>
<td>Heavy Machinery and Plant Logistics</td>
<td>0.05</td>
<td>0.01</td>
<td>0.06</td>
<td>0.01</td>
</tr>
<tr>
<td>Others</td>
<td>0.03</td>
<td>0.00</td>
<td>0.10</td>
<td>0.01</td>
</tr>
<tr>
<td>Cross-selling projects (being proposed)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Collaborative Innovation Effect</td>
<td>2.0 billion</td>
<td>(7.5%)</td>
<td>3.0 billion</td>
<td>(9.4%)</td>
</tr>
</tbody>
</table>

( ) : Operating margin

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

Dividends from SAGAWA EXPRESS CO., LTD.
Collaborative Innovation Project with SG Holdings
[Progress Status of 2Q]

Promote collaboration in cross-selling projects

Provide one-stop service with “Integration of 3PL and Delivery”

- **New order (extract)**
  - Industry: Distribution
  - Outline: HTS: Warehouse operation
  - SG Holdings: Delivery
  - Schedule: To be started in Mar. 2018

- **Proposed projects**
  - Industry: Apparel
  - Proposal: Logistics optimization (locations integration, etc.)
  - *Proposing projects in “Distribution/Retail”, “Food”, and “Apparel” industries in addition to the above

Collaboration in forwarding

Optimal use of domestic and overseas agencies

- **New order (extract)**
  - Received orders for forwarding from/to the U.S.
    (from Pakistan/India → to the U.S.)

Collaboration in Heavy Machinery and Plant Logistics

- **Collaboration projects (extract)**
  - *Overseas relocation of large equipment
  - *Internal setting up in complex facility

Proposing (ongoing) projects: Approx. 21.0 billion yen (full-year contribution)
Collaborative Innovation Project with SG Holdings
[Progress Status of 2Q]

Received orders for delivery inside Hitachi Group’s factory

Integration of HTS’s in-plant logistics and SAGAWA EXPRESS’s “Smart Delivery®”

After arriving at the factory, SAGAWA EXPRESS driver delivers to multiple divisions inside the factory

HTS’s sales office inside the factory takes over in-plant delivery

HTS: Effective our in-plant network (collect delivery fee)
SG Holdings: Improve vehicle utilization rate (after arriving at the factory, head off to the next destination)

Receive orders from SAGAWA EXPRESS

<Inside factory>

Company A

Supplier

Company B

SAGAWA EXPRESS

Company A, B

<Inside factory>

SAGAWA EXPRESS In-plant warehouse

HTS

(1) Section XX, 1F, Building A
(2) Section YY, 2F, Building B
(3) Section ZZ, 3F, Building C
(4) Section aa, 4F, Building D

Trials to be started from October
R&D CENTER (ACCELERATE IMPLEMENTATION OF NEW TECHNOLOGIES)

May: Full-scale operations started at 2nd location
Jun: Trial implementation
Oct: Practical implementation
During FY2017: Planning trial implementation

- Racrew
- Automated forklift
- Auto-tracking AGV
- Image recognition depalletizer

FY2017: Under verification

- Piece picking robot: Establish basic technology to implement in locations. (Develop general technology for picking pieces)

- Utilize RFID/Drone: Product inspection by RFID and Inventory management using Drone

- Automated inspection system (Bar code batch scanning, etc.): Enhance image inspection accuracy to implement in locations

- Automatic packing: Establish operation required to implement in locations. (Automate process of inputting goods)

You can also use the two-dimensional code on the left to watch an introduction video of Smart Logistics.
**Accelerate Development of Smart Logistics**

**KANSAI II MEDICAL DC**
- Operation to be started in February 2018
- Rotary piece sorters, movable racks, and automated forklifts to be implemented
  - "Maximize facility utilization rate"
- External appearance (under construction)
- Cafeteria
- Create pleasant working environment (cafeteria, Wi-Fi, etc.)

**TOYAMA PHASE IV DC (EXTENSION)**
- Operation to be started in 2019
- Depalletizer, automated forklifts, and automatic labeling equipment to be implemented
  - Establish a next generation model center utilizing automated storage system (labor saving → unmanned)
- Automated pallet storage system

- Layout drawing of Toyama DC

**Labor-saving logistics center with new technology and pleasant working environment**
Supplementary Material

< Financial Position, Cash Flows, etc. >
## (Unit : 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 As of Mar. 31, 2017</th>
<th>FY2017 As of Sep. 30, 2017</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Assets)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>2,049</td>
<td>2,046</td>
<td>-3</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>3,451</td>
<td>3,461</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>5,499</td>
<td>5,507</td>
<td>8</td>
</tr>
<tr>
<td><strong>(Liabilities)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,511</td>
<td>1,420</td>
<td>-91</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>2,079</td>
<td>2,099</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>3,590</td>
<td>3,519</td>
<td>-71</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>1,875</td>
<td>1,951</td>
<td>76</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>34</td>
<td>36</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>1,909</td>
<td>1,987</td>
<td>78</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>5,499</td>
<td>5,507</td>
<td>8</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Cash Flows

(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>1H</td>
<td>Y o Y</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>72</td>
<td>100</td>
<td>28</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-680</td>
<td>-44</td>
<td>636</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>617</td>
<td>-120</td>
<td>-736</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>-18</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>-9</td>
<td>-53</td>
<td>-44</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>451</td>
<td>575</td>
<td>123</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>442</td>
<td>522</td>
<td>80</td>
</tr>
</tbody>
</table>
## Financial Indicator etc.

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>1H of FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity attributable to stockholders of the parent company*1</td>
<td>34.1 1,875</td>
<td>35.4 1,951</td>
</tr>
<tr>
<td>Total equity per share attributable to stockholders of the parent company</td>
<td>1,680.70</td>
<td>1,749.01</td>
</tr>
<tr>
<td>Basic earnings per share attributable to stockholders of the parent company</td>
<td>167.66</td>
<td>83.68</td>
</tr>
<tr>
<td>Return on equity (ROE) (annual)</td>
<td>10.3</td>
<td>9.8*2</td>
</tr>
<tr>
<td>Return on assets (ROA)(annual)</td>
<td>3.7</td>
<td>3.4*3</td>
</tr>
<tr>
<td>Price book-value ratio (PBR)</td>
<td>1.38</td>
<td>1.49</td>
</tr>
</tbody>
</table>

*1. ○ indicates total equity attributable to stockholders of the parent company ratio(%)  
*3. Annualized rate.

## Major Operating Expenses

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>1H</td>
<td>% change</td>
</tr>
<tr>
<td>Subcontract Expenses</td>
<td>(50.2) 1,629.6</td>
<td>(51.5) 1,769.0</td>
<td>109%</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(24.7) 802.1</td>
<td>(24.1) 829.0</td>
<td>103%</td>
</tr>
<tr>
<td>Rent Expenses</td>
<td>(7.7) 251.0</td>
<td>(7.3) 252.3</td>
<td>100%</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>(2.8) 91.6</td>
<td>(2.7) 94.2</td>
<td>103%</td>
</tr>
</tbody>
</table>
## Capital Expenditures

(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>Full Year</td>
</tr>
<tr>
<td>Purchased Assets *1</td>
<td>82.3</td>
<td>156.7</td>
</tr>
<tr>
<td>(Reference) Leased Assets *2</td>
<td>107.9</td>
<td>217.7</td>
</tr>
<tr>
<td>(Reference) Depreciation Expenses</td>
<td>91.6</td>
<td>187.4</td>
</tr>
</tbody>
</table>

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

## (Ref.) Number of Employees *1

(Unit: Person)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>Full Year</td>
</tr>
<tr>
<td>Regular Employees</td>
<td>25,344</td>
<td>25,274</td>
</tr>
<tr>
<td>Employees and others *2</td>
<td>22,430</td>
<td>22,665</td>
</tr>
<tr>
<td>Consolidated</td>
<td>47,774</td>
<td>47,939</td>
</tr>
</tbody>
</table>

*1. Excluding employees of associates accounted for by the equity method.  
*2. Including employees who were reemployed after reaching mandatory retirement age.
### Results by Business Category (estimated)  
(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th>Business Category</th>
<th>1H of FY2016 (Result)</th>
<th>1H of FY2017 (Result)</th>
<th>Full Year of FY2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Operating income</td>
<td>Operating margin</td>
</tr>
<tr>
<td>Domestic</td>
<td>1,706</td>
<td>90.8</td>
<td>5.3%</td>
</tr>
<tr>
<td>Global</td>
<td>545</td>
<td>27.4</td>
<td>5.0%</td>
</tr>
<tr>
<td>3PL</td>
<td>2,251</td>
<td>118.2</td>
<td>5.3%</td>
</tr>
<tr>
<td>Domestic</td>
<td>222</td>
<td>2.8</td>
<td>1.3%</td>
</tr>
<tr>
<td>Global</td>
<td>250</td>
<td>2.1</td>
<td>0.9%</td>
</tr>
<tr>
<td>Forwarding</td>
<td>473</td>
<td>5.0</td>
<td>1.0%</td>
</tr>
<tr>
<td>Domestic</td>
<td>328</td>
<td>7.3</td>
<td>2.2%</td>
</tr>
<tr>
<td>Global</td>
<td>95</td>
<td>3.0</td>
<td>3.2%</td>
</tr>
<tr>
<td>Automobile</td>
<td>423</td>
<td>10.3</td>
<td>2.4%</td>
</tr>
<tr>
<td>Other services</td>
<td>100</td>
<td>11.5</td>
<td>11.5%</td>
</tr>
<tr>
<td>Total</td>
<td>3,247</td>
<td>145.0</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

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

* Company-wide expenses is planned to partly change the method of allocation from FY2017. Figures above are reflected this alternation.
The 2nd Quarter of FY2017
(Ended September 30, 2017)
Financial Results Briefing

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