

January 31, 2018

The 3rd Quarter of FY2017 (Ended December 31, 2017) Financial Results Briefing

 **Hitachi Transport System, Ltd.**

3Q of FY2017 Financial Results

- * Overview * Breakdown by Group**
- * 3Q of FY2017 Detail of Variations for Revenues /Operating Income**
- * Overseas results by region**
- * Trend of New Orders/New Startups**
- * Progress of Collaborative Innovation Project with SG Holdings**
- * Accelerate development of Smart Logistics**
- * (Ref.) 3H of FY2017 Results (Breakdown by Business Category)**

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

| | FY2016 | | FY2017 | | |
|---|---------------|--------------------------|---------------|--------|--|
| | 3Q (9 months) | | 3Q (9 months) | | |
| | Results | Results | Y o Y | | |
| | | | % change | change | |
| Revenues | 495.5 | 525.9 | 106% | 30.3 | |
| Operating income | <4.6> 22.74 | <4.2> 21.90 | 96% | -0.84 | |
| EBIT (Earnings before interest and taxes) | <5.5> 27.08 | <4.8> 25.20 | 93% | -1.87 | |
| Net income attributable to stockholders of the parent company | <3.4> 16.79 | <2.9> 15.47 | 92% | -1.32 | |

* 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 | | |
|--|--------------------|---|--------------------|---------------|------------------|--------------|------------|
| | | 3Q (9 months) | Y o Y | 3Q (9 months) | Y o Y | | |
| Organic | Domestic logistics | <58> | 2,606 | 102% | 142.5 | 93% | |
| | Global logistics | Overseas | <30> | 1,360 | 117% | 38.9 | 110% |
| | | Forwarding and others | <9> | 400 | 112% | 6.3 | 152% |
| | | Total | <39> | 1,760 | 116% | 45.3 | 114% |
| | | Others (logistics-related businesses, etc.) | <4> | 165 | 101% | 11.9 | 83% |
| | | Total | <100> | 4,531 | 107% | 199.7 | 97% |
| Vantec Group | Domestic logistics | <65> | 532 | 100% | 23.3 | 98% | |
| | Global logistics | Overseas | <35> | 282 | 115% | 3.9 | 60% |
| | | Forwarding and others | <0> | 1 | 86% | 0.0 | - |
| | | Total | <35> | 283 | 115% | 3.9 | 60% |
| | | Total | <100> | 816 | 105% | 27.2 | 90% |
| Consolidated Adjustment/Amortization of customer-related intangible assets of VANTEC Group, etc. | | - | -88 | (-12) | -7.9 | (+1.5) | |
| Total | Domestic logistics | <59> | 3,119 | 101% | 159.4 | 95% | |
| | Global logistics | Overseas | <30> | 1,600 | 116% | 41.4 | 102% |
| | | Forwarding and others | <7> | 380 | 112% | 6.3 | 152% |
| | | Total | <38> | 1,980 | 115% | 47.7 | 106% |
| | | Others (logistics-related businesses, etc.) | <3> | 160 | 100% | 11.9 | 83% |
| | Total | <100> | 5,259 | 106% | 219.0 | 96% | |

Including upfront investment (-1,100 million)

3Q (9 months) of FY2017 Revenues(Result)

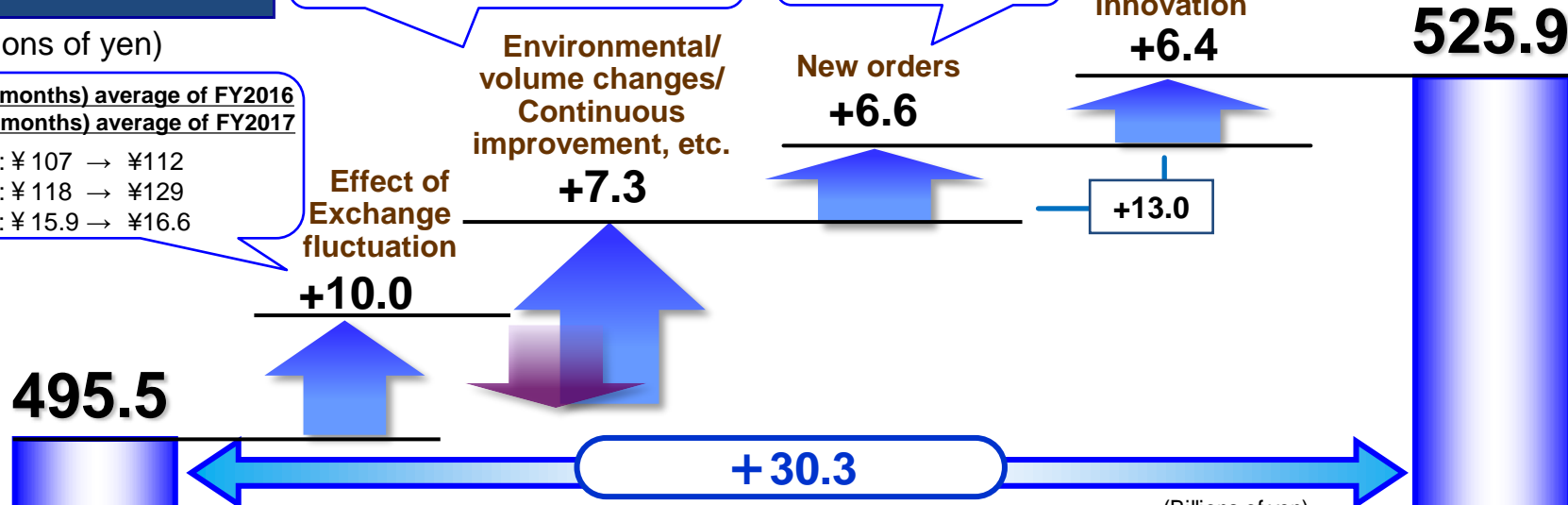
(Billions of yen)

3Q (9 months) average of FY2016
→ 3Q (9 months) average of FY2017

- USD: ¥ 107 → ¥112
- EUR: ¥ 118 → ¥129
- CNY: ¥ 15.9 → ¥16.6

- Domestic/Other Services: -7.6 billion
- Forwarding/overseas: +12.6 billion
- Expansion of operations: +2.4 billion

- Domestic: +3.6 billion
- Global: +3.0 billion



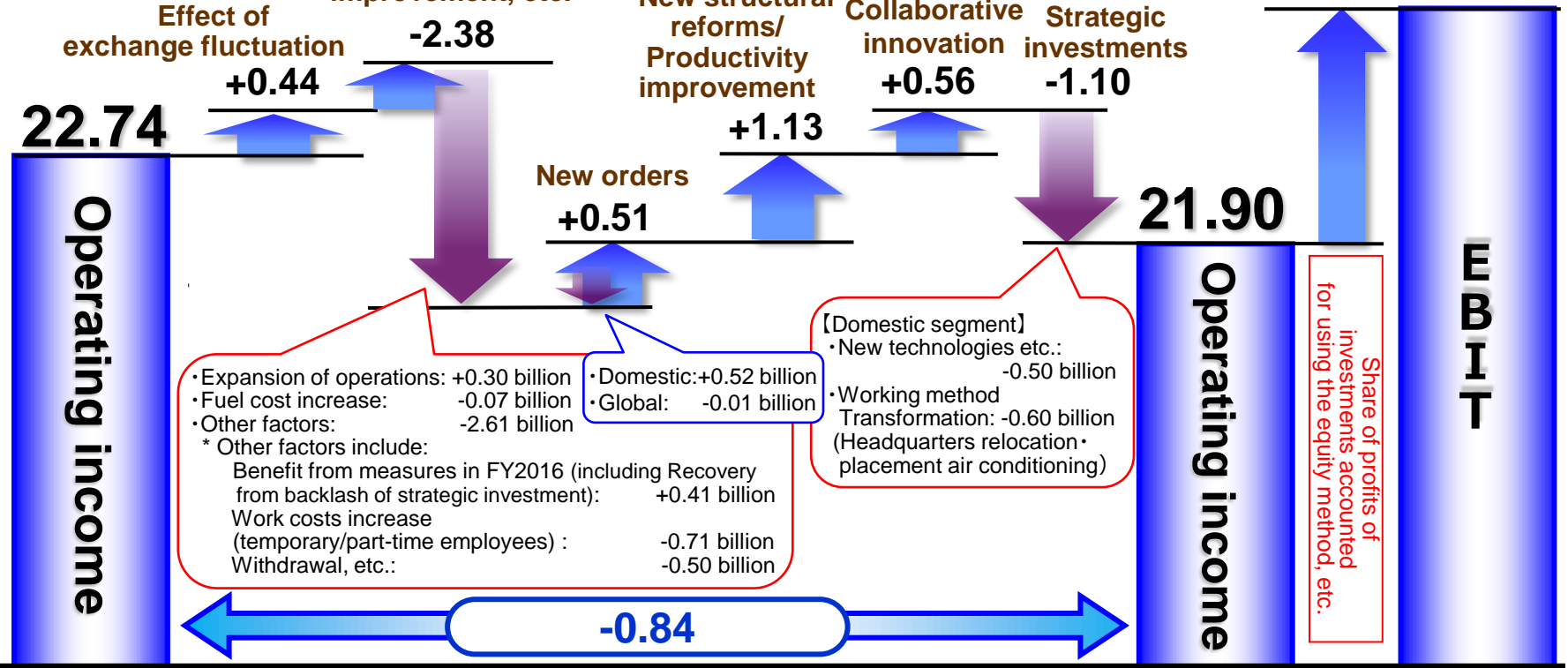
| | Effect of exchange fluctuation | Repetitive promoting items/environmental/volume changes | | | New orders | Collaborative Innovation projects | Total |
|--------------|--------------------------------|---|-------------------------|------------|------------|-----------------------------------|-------------|
| | | Other volume changes, etc. | Expansion of operations | Subtotal | | | |
| Domestic | | -7.7 | 2.0 | -5.7 | 3.6 | 6.0 | 3.9 |
| Global | 10.0 | 12.6 | 0.4 | 13.0 | 3.0 | 0.4 | 26.4 |
| Other | | 0.1 | | 0.1 | | | 0.1 |
| Total | 10.0 | 4.9 | 2.4 | 7.3 | 6.6 | 6.4 | 30.3 |

3Q (9 months) of FY2016 (Result)

3Q (9 months) of FY2017 (Result)

**3Q (9 months) of FY2017
Operating income
(Result)**

(Billions of yen)



• New structural reforms, etc.: +1.16 billion
• Productivity improvement of unprofitable business: -0.03 billion

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

• Expansion of operations: +0.30 billion
 • Fuel cost increase: -0.07 billion
 • Other factors: -2.61 billion
 * Other factors include:
 Benefit from measures in FY2016 (including Recovery from backlash of strategic investment): +0.41 billion
 Work costs increase (temporary/part-time employees): -0.71 billion
 Withdrawal, etc.: -0.50 billion

• Domestic: +0.52 billion
 • Global: -0.01 billion

【Domestic segment】
 • New technologies etc.: -0.50 billion
 • Working method Transformation: -0.60 billion (Headquarters relocation placement air conditioning)

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

3Q (9 months) of FY2016 (Result)

3Q (9 months) of FY2017 (Result)

Revenues

Effect of exchange fluctuation (+10.0 billion)

Operating income

Effect of exchange fluctuation (+0.44 billion)

(): year-on-year change
< >: Sum of all regions

[Overview of 3Q (9 months)]

(Actual performance basis excluding effect of exchange fluctuation)

* Unprofitable projects are under recovery

* Solid growth in transportation infrastructure business

* Solid growth in intermodal business (Turkey)

* Mostly changes within expectations

[Overview of 3Q (9 months)]

(Actual performance basis excluding effect of exchange fluctuation)

* Mostly changes within expectations

* 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

(Billions of yen)

(Billions of yen)

160.0

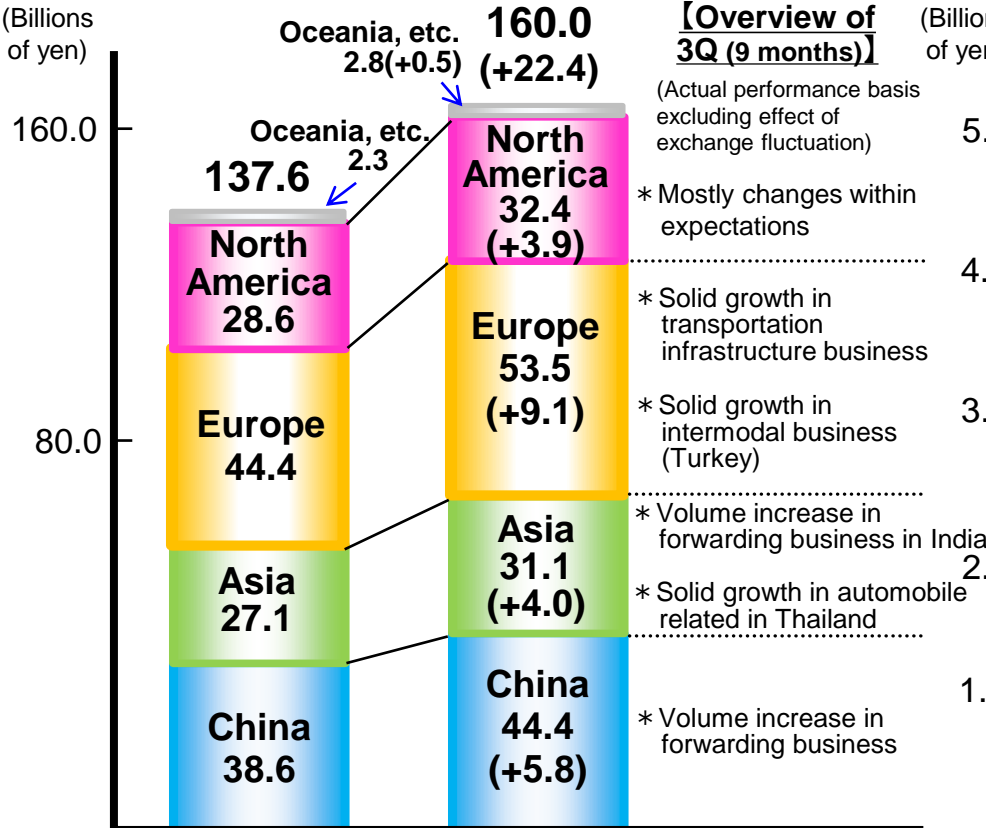
80.0

5.0

3.0

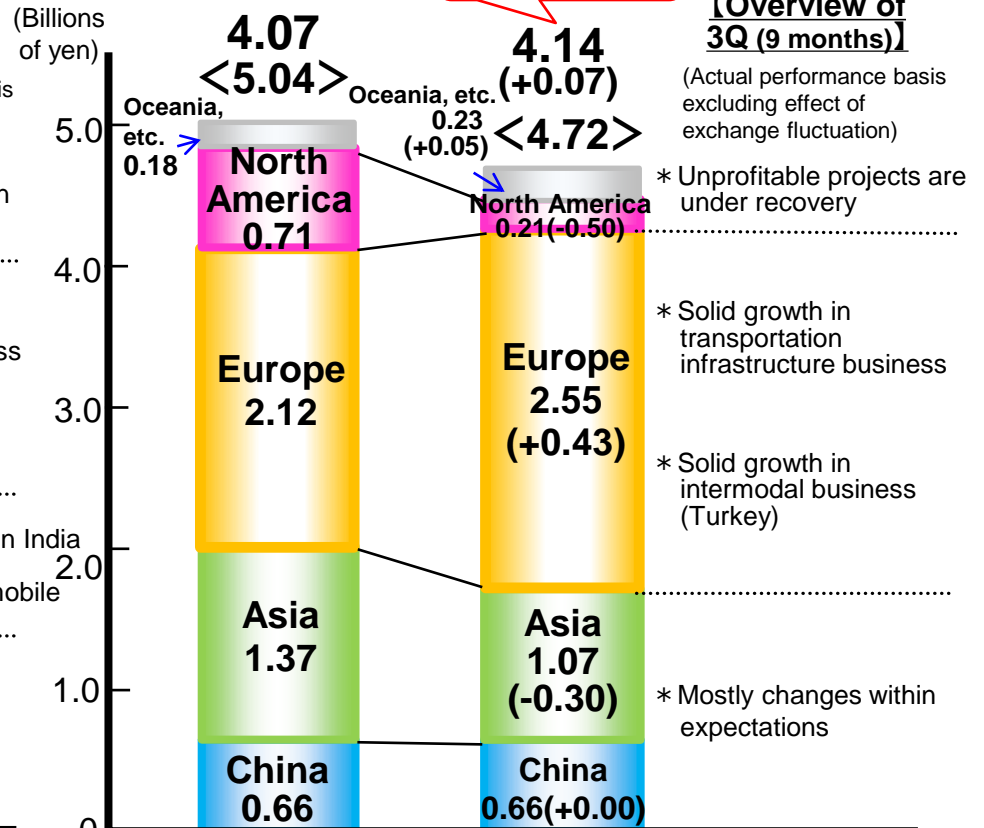
1.0

0



Consolidated adjustment, etc. -3.4
3Q (9 months) of FY2016 (Result)

Consolidated adjustment, etc. -4.2 (-0.8)
3Q (9 months) of FY2017 (Result)



Representative Office Expenses, etc. -0.97
3Q (9 months) of FY2016 (Result)

Representative Office Expenses, etc. -0.59 (+0.38)
3Q (9 months) of FY2017 (Result)

3Q (9 months) of FY2017: Trend of new orders/new startups

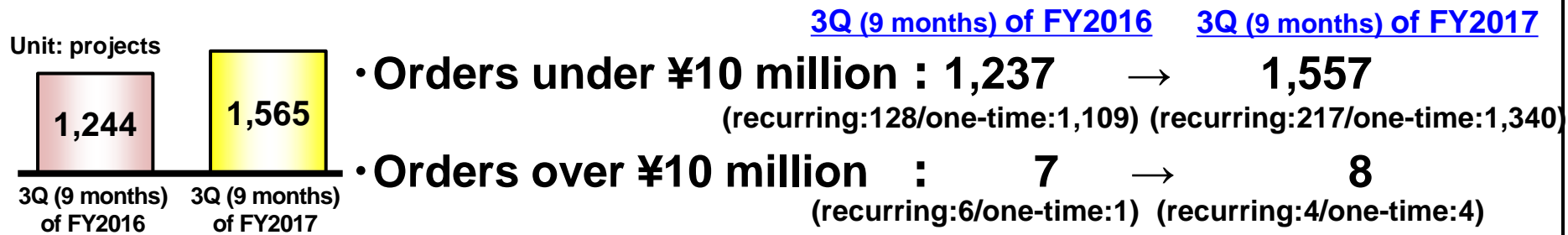
Unit: projects

| | | FY2016 | FY2017 | |
|--------------|----------|---------------|---------------|-------|
| | | 3Q (9 months) | 3Q (9 months) | Y o Y |
| New startups | Domestic | 13 | 6 | -7 |
| | Global | 3 | 6 | 3 |
| | Total | 16 | 12 | -4 |
| New orders | Domestic | 6 | 20 | 14 |
| | Global | 4 | 7 | 3 |
| | Total | 10 | 27 | 17 |

(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**





Promote collaborative innovation and collaboration to realize seamless comprehensive logistics service

| Item | | FY2016 Results | | FY2017 | | | |
|--|--|--------------------|---------------|--------------------|------------------|--------------------|--------------------|
| | | | | 3Q (9 months) | | Target | |
| | | | | Revenues | Operating Income | Revenues | Operating Income |
| 3PL/Transportation | Cross-selling/optimization | 1.80 | 0.12 | 5.70 | 0.48 | 8.5 | 0.84 |
| Forwarding | New services (Smart Import), etc. | 0.10 | 0.02 | 0.40 | 0.04 | 0.7 | 0.10 |
| Heavy Machinery and Plant Logistics | New/Undeveloped fields | 0.05 | 0.01 | 0.07 | 0.01 | 0.1 | 0.02 |
| Others | Vehicles leasing/Travel business, etc. | 0.03 | 0.00 | 0.18 | 0.03 | 0.2 | 0.04 |
| Collaborative Innovation Effect (): Operating margin | | 2.0 billion | (7.5%) | 6.4 billion | (8.8%) | 9.5 billion | 1.0 billion |

initial plan 15.0 billion 1.0 billion

| | | | |
|---|-------------|-------------|---------------------|
| [Ref.] Share of profits of investments accounted for using the equity method (including SAGAWA EXPRESS CO., LTD.) | 3.7 billion | 4.8 billion | Approx. 5.0 billion |
|---|-------------|-------------|---------------------|

■ New order of 3Q (extract)

Industry : Apparel
 Outline : Logistics optimization
 (locations integration, etc.)
 Schedule : To be started in May. 2018

■ Proposed projects + Dividends from SAGAWA EXPRESS CO., LTD.

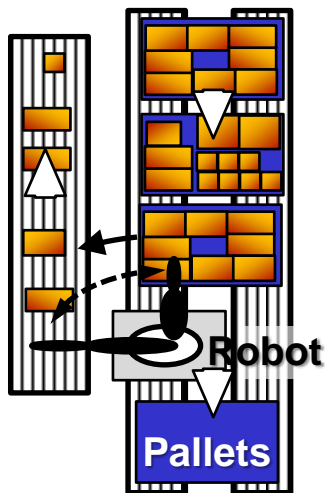
Proposing (ongoing) to “Retail products”, “Food”, and “Apparel” etc. industries
 (full-year contribution : Approx. 20.0 billion yen)

DE-PALLETIZING ROBOT

Trial implementation in Feb. 2018

Location : DC in Kanagawa Pref.

Products : Retail (Food·daily commodities etc.)



Automating operation that putting cases into conveyor

IMAGE-BASED INSPECTION

Practical implementation in Dec. 2017

Location : DC in Tokyo

Products : Food



Screen image of the inspection

Inspecting barcodes at one-time by image recognition technology



Reference

Results by Business Category (estimated)

*(): Excluding amortization of customer-related intangible assets. (Unit: 100 Million yen)

| | | 3Q (9 months) of FY2016 (Result) | | | 3Q (9 months) of FY2017 (Result) | | | Full Year of FY2017 (Plan) (Revised on Oct.26) | | |
|-------------------|----------|----------------------------------|------------------|------------------|----------------------------------|------------------|--------------------|--|------------------|--------------------|
| | | Revenues | Operating income | Operating margin | Revenues | Operating income | Operating margin | Revenues | Operating income | Operating margin |
| | Domestic | 2,584 | 142.6 | 5.5% | 2,611 | 131.6 | 5.0% (5.1%) | 3,512 | 186.7 | 5.3% (5.4%) |
| | Global | 836 | 39.6 | 4.7% | 946 | 41.5 | 4.4% (4.7%) | 1,191 | 45.8 | 3.8% (4.1%) |
| 3PL | | 3,420 | 182.3 | 5.3% | 3,557 | 173.1 | 4.9% (5.0%) | 4,704 | 232.6 | 4.9% (5.0%) |
| | Domestic | 337 | 4.8 | 1.4% | 385 | 7.9 | 2.1% (2.9%) | 489 | 7.1 | 1.5% (2.4%) |
| | Global | 395 | 4.1 | 1.0% | 479 | 4.9 | 1.0% (2.0%) | 570 | 5.1 | 0.9% (2.0%) |
| Forwarding | | 732 | 8.9 | 1.2% | 864 | 12.8 | 1.5% (2.4%) | 1,058 | 12.2 | 1.2% (2.2%) |
| | Domestic | 504 | 15.1 | 3.0% | 505 | 16.4 | 3.3% (4.5%) | 692 | 22.6 | 3.3% (4.5%) |
| | Global | 151 | 3.9 | 2.6% | 176 | 1.2 | 0.7% (1.1%) | 228 | 4.7 | 2.1% (2.5%) |
| Automobile | | 655 | 19.0 | 2.9% | 681 | 17.7 | 2.6% (3.7%) | 920 | 27.3 | 3.0% (4.0%) |
| Other services | | 148 | 17.2 | 11.6% | 156 | 15.5 | 9.9% (9.9%) | 218 | 22.9 | 10.5% (10.5%) |
| Total | | 4,955 | 227.4 | 4.6% | 5,259 | 219.0 | 4.2% - | 6,900 | 295.0 | 4.3% - |

*. Company-wide expenses is planned to partly change the method of allocation from FY2017. Figures above are reflected this alternation.