FY2017
(Year Ended March 31, 2018)
Financial Results Briefing

Hitachi Transport System, Ltd.
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Summary of FY2017 Results
<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>Results</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>665.4</td>
<td>700.4</td>
<td>105%</td>
</tr>
<tr>
<td>Operating income *1</td>
<td>&lt;4.4&gt;</td>
<td>&lt;4.3&gt;</td>
<td>101%</td>
</tr>
<tr>
<td>EBIT (Earnings before interest and taxes)</td>
<td>&lt;4.7&gt;</td>
<td>&lt;4.7&gt;</td>
<td>105%</td>
</tr>
<tr>
<td>Net income attributable to stockholders of the parent company</td>
<td>&lt;2.8&gt;</td>
<td>&lt;3.0&gt;</td>
<td>112%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.3%</td>
<td>10.7%</td>
<td>-</td>
</tr>
<tr>
<td>Stock price (closing price)</td>
<td>¥2,313</td>
<td>¥2,990</td>
<td>129%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>¥34</td>
<td>*2 ¥36</td>
<td>106%</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.
# 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>Full-year</td>
<td>Y o Y</td>
</tr>
<tr>
<td>Domestic logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;58&gt;</td>
<td>3,496</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;9&gt;</td>
<td>539</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;38&gt;</td>
<td>2,310</td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;29&gt;</td>
<td>1,771</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;9&gt;</td>
<td>539</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;38&gt;</td>
<td>2,310</td>
</tr>
<tr>
<td>Others (logistics-related businesses, etc.)</td>
<td>&lt;4&gt;</td>
<td>228</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>6,035</td>
</tr>
<tr>
<td>Organic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vantec Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;65&gt;</td>
<td>709</td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;35&gt;</td>
<td>375</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;0&gt;</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;35&gt;</td>
<td>377</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>1,086</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-117</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;60&gt;</td>
<td>4,178</td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;30&gt;</td>
<td>2,091</td>
</tr>
<tr>
<td>Forwarding and others</td>
<td>&lt;7&gt;</td>
<td>511</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;37&gt;</td>
<td>2,603</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt;</td>
<td>7,004</td>
</tr>
</tbody>
</table>

✓: Including -0.40 billion of headquarters relocation cost
FY2017 Results (Detail of Variations for Revenues)

- FY2017 Revenues (Result) (Billions of yen)
  - Domestic/Other: -8.6 billion
  - Forwarding/overseas: +12.6 billion
  - Expansion of operations: +3.0 billion
  - Domestic: +3.9 billion
  - Global: +3.5 billion
  - Contribution from collaborative innovation: +9.2

- Effect of exchange fluctuation: +11.3
- New orders: +7.4
- Environmental/volume changes/Continuous improvement, etc.: +7.1
- Forwarding/overseas: +12.6 billion
- Expansion of operations: +3.0 billion
- Domestic: +3.9 billion
- Global: +3.5 billion

- Full-year
  - Domestic
    - Effect of exchange fluctuation: 11.3
    - Subtotal: 13.1
    - Collaborative Innovation projects: 0.6
    - Total: 28.6
  - Global
    - Effect of exchange fluctuation: 11.3
    - Subtotal: 13.1
    - Collaborative Innovation projects: 0.6
    - Total: 28.6
  - Other
    - Effect of exchange fluctuation: 0.2
    - Subtotal: 0.2
    - Collaborative Innovation projects: 0.2
    - Total: 0.4
  - Total
    - Effect of exchange fluctuation: 11.3
    - Subtotal: 13.1
    - Collaborative Innovation projects: 0.6
    - Total: 28.6

- FY2016 result → FY2017 result
  - USD: ¥108 → ¥111
  - EUR: ¥119 → ¥130
  - CNY: ¥16.1 → ¥16.8

- Contribution from collaborative innovation: +9.2

- FY2017 Results (Detail of Variations for Revenues)

FY2016 (Result)
- Domestic: -8.8
- Global: 11.3
- Other: 0.2
- Total: 11.3

FY2017 (Result)
- Domestic: 2.5
- Global: 12.6
- Other: 0.5
- Total: 4.1

- Effect of exchange fluctuation: +11.3
- New orders: +35.0

- FY2017 Sales from collaborative innovation: 11.1 billion
**FY2017 Results (Detail of Variations for Operating Income)**

**FY2017 Operating income (Result)**

(Billions of yen)

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.5</td>
<td>29.2</td>
</tr>
</tbody>
</table>

- **Effect of exchange fluctuation**
  - +0.51

- **Environmental/volume changes/Continuous improvement, etc.**
  - -1.34

- **New orders**
  - +0.55

- **New structural reforms/Productivity improvement**
  - +1.28

- **Continuous improvement, etc.**
  - +0.55

- **New structural reforms: +1.20 billion**
- **Productivity improvement of unprofitable business: +0.08 billion**

- **Contribution from collaborative innovation**
  - +0.93

- **Strategic investments**
  - -1.60

**FY2016 (Result)**

**FY2017 (Result)**

**29.5**

**29.8**

+0.34

**New orders**

- **Expansion of operations:**
  - +0.36 billion
- **Fuel cost increase:**
  - -0.09 billion
- **Other factors:**
  * Other factors include:
    - Benefit from measures in FY2016 (including Recovery from backlash of strategic investment): +1.01 billion
    - Work costs increase (temporary/part-time employees):
      - -0.91 billion
    - Withdrawal, etc.: -0.68 billion

- **Domestic: +0.55 billion**
- **Global: ±0.0 billion**

**Contribution from collaborative innovation**

- **Domestic segment**
  - **New technologies, etc.: -1.0 billion**
  - **Working-style reform: -0.6 billion** (Headquarters relocation/Placement air conditioners)

**Profit from collaborative innovation:**

- **FY2017:** 1.08 billion

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FY2017 Results (Overseas Results by Region)

**Revenues**
(Billions of yen)

- North America: 43.4 (+3.5)
- Europe: 69.4 (+9.4)
- Asia: 42.5 (+5.5)
- China: 55.6 (+4.2)
- Oceania, etc.: 3.8 (+0.6)

**Overview**
(Actual performance basis excluding effect of exchange fluctuation)

- *Solid growth in intermodal business (Turkey)*
- *Volume increase in forwarding business in India*
- *New orders in automobile related in Thailand*
- *Volume increase in forwarding business*
- *Generally within our expectation*

**Operating income**
(Billions of yen)

- North America: 0.91
- Europe: 3.28 (+0.62)
- Asia: 1.44 (-0.28)
- China: 0.73 (+0.04)
- Oceania, etc.: 0.30 (+0.07)

**Overview**
(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 our expectation (Some projects are under recovery)*

**Effect of exchange fluctuation**

- (+11.3 billion)
- (+0.51 billion)

**Representative Office Expenses, etc.**

- North America: -0.52 (+0.57)
- Europe: +0.62
- Asia: +0.04
- China: +0.04
- Oceania, etc.: +0.07

FY2016 (Result) vs FY2017 (Result)
**FY2017 Results (Reasons for Deviation from the Plan)**

### Revenues

<table>
<thead>
<tr>
<th>Plan (initial)</th>
<th>Plan (revised in 2Q)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global 236.0</td>
<td>Global 246.0</td>
<td>Global 260.3</td>
</tr>
<tr>
<td>Domestic and other 444.0</td>
<td>Domestic and other 444.0</td>
<td>Domestic and other 440.1</td>
</tr>
</tbody>
</table>

**Effects:**
- **+20.4 billion yen over initial plan**
  - *Global:* +24.3 billion yen
    - Effect of exchange fluctuation: +23.5
    - Volume increase in forwarding, etc.: +0.8
  - *Domestic and other:* -3.9 billion yen
    - Volume decrease due to customers and business environment, etc.: -3.9

### Operating income

<table>
<thead>
<tr>
<th>Plan (initial)</th>
<th>Plan (not changed)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global 5.8</td>
<td>Global 5.8</td>
<td>Global 6.3</td>
</tr>
<tr>
<td>Domestic and other 23.7</td>
<td>Domestic and other 23.7</td>
<td>Domestic and other 23.5</td>
</tr>
</tbody>
</table>

**Effects:**
- **+0.3 billion yen over initial plan**
  - *Global:* +0.5 billion yen
    - Effect of exchange fluctuation: +1.0
    - Volume increase in forwarding, etc.: +0.2
  - *Domestic and other:* -0.2 billion yen
    - Strategic investment timing gap: -0.2
    - Other segment, etc.: -0.7
## FY2017 Results (Trend of New Orders/New Startups)

### FY2017: Trend of New orders/New startups

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Full-year</th>
<th>FY2017 Full-year</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Startups</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>18</td>
<td>11</td>
<td>-7</td>
</tr>
<tr>
<td>Global</td>
<td>3</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>18</td>
<td>-3</td>
</tr>
<tr>
<td>New Orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>10</td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Global</td>
<td>4</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>32</td>
<td>18</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: project</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orders</td>
<td>1,746</td>
<td>2,160</td>
</tr>
<tr>
<td></td>
<td>Orders under ¥10 million: 1,735 (recurring: 165/one-time: 1,570)</td>
<td>2,148 (recurring: 280/one-time: 1,868)</td>
</tr>
<tr>
<td></td>
<td>Orders over ¥10 million: 11 (recurring: 9/one-time: 2)</td>
<td>12 (recurring: 6/one-time: 6)</td>
</tr>
</tbody>
</table>
FY2017 Topics

Started land transportation service in Southeast Asia
- May 2017: Nisshin Transportation started land transportation service in the Mekong region (Myanmar – Thailand – China)

Collaboration for auto-tracking transport robot
- Sep. 2017: Concluded a collaboration agreement for operation of auto-tracking transport robot with Doog Inc.

Introduced a multi-axle trailer
- Nov. 2017: Hitachi City, Ibaraki Prefecture

Kansai II Medical DC
- Feb. 2018: Sanda City, Hyogo Prefecture

Cooperated with a verification experiment using electronic tags
- Feb. 2018: Cooperated with a verification experiment of information sharing system for supply chains using electronic tags

Business alliance (basic agreement) with Hitachi Capital
- Mar. 2018: *See P.29 for details

Branding
- Apr. 2017: Developed Brand Promise
- Aug. 2017: Published Brand advertisement
- Mar. 2018: Renewed company brochure

Headquarters relocation
- Aug. 2017: Kyobashi, Chuo-ku, Tokyo

Short TV show/TVCM
- Oct. 2017: TV program on TV Tokyo

Commendations/Recognition from Outside the Company
- Sep. 2017: The 32nd National Forklift Driving Contest: 1st* and 2nd prizes
- *The Minister of Health, Labour and Welfare Award
- Nov. 2017: 2017 Excellent Business Entities Working on Modal Shift: Award for Excellent Business Entities (new market category)
- Aug. 2017: Japan Packaging Contest 2017: Appropriate Packaging Award

- Started land transportation service in Southeast Asia

- Collaboration for auto-tracking transport robot

- Introduced a multi-axle trailer

- Kansai II Medical DC

- Cooperated with a verification experiment using electronic tags

- Business alliance (basic agreement) with Hitachi Capital

- Branding

- Headquarters relocation

- Short TV show/TVCM

- Commendations/Recognition from Outside the Company
Global Network

- **Companies**: 108
- **Locations**: 731
- **Distribution Center**: 7.31*
- **Employees**: 47,784

**JAPAN**
- 26 Companies
- 333 sites
- 4.99 M㎡
- 29,669 persons

**EUROPE**
- 12 Companies
- 76 sites
- 0.51 M㎡
- 4,779 persons

**EAST ASIA*1**
- 34 Companies
- 144 sites
- 0.71 M㎡
- 2,377 persons
  *1: China, Hong Kong, Taiwan, Korea

**NORTH AMERICA*3**
- 10 Companies
- 49 sites
- 0.31 M㎡
- 2,914 persons
  *3: Including Mexico

**ASIA*2**
- 26 Companies
- 129 sites
- 0.79 M㎡
- 8,045 persons
  *2: Including Oceania area

* Number of companies includes SAGAWA EXPRESS CO., LTD.
* Numbers of sites and warehouse floor space exclude those of SAGAWA EXPRESS CO., LTD.
* Number of employees excludes associates accounted for by the equity method.

With a network more than 29 countries/territories worldwide

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FY2018 Plan
## FY2018 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>FY2017 Results</th>
<th>FY2018 Plan</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Revenues</td>
<td>700.4</td>
<td>710.0</td>
<td>101%</td>
</tr>
<tr>
<td>Operating income</td>
<td>&lt;4.3&gt;</td>
<td>&lt;4.4&gt;</td>
<td>104%</td>
</tr>
<tr>
<td>EBIT</td>
<td>&lt;4.7&gt;</td>
<td>&lt;4.9&gt;</td>
<td>105%</td>
</tr>
<tr>
<td>(Earnings before interest and taxes)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to stockholders of the parent company</td>
<td>&lt;3.0&gt;</td>
<td>&lt;3.0&gt;</td>
<td>103%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.7%</td>
<td>9.6%</td>
<td>-</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>(*) ¥36</td>
<td>¥39</td>
<td>-</td>
</tr>
</tbody>
</table>

* To be resolved at the Board of Directors meeting in late May.
FY2018 Plan (Revenues)

Revenues (Plan)

(Billions of yen)

FY2017 (Result) 700.4

-2.5

USD: ¥110
EUR: ¥130
CNY: ¥16.5

Effect of exchange fluctuation

-11.2

Environmental/volume changes

+14.4

New orders

+8.9

FY2018 (Plan) 710.0

Contribution from collaborative innovation

+23.3

FY2018 Sales from collaborative innovation: 20.0 billion

- Expansion of operations
- Customers’ volume changes
- Implement a portfolio strategy suitable for business domain, etc.

+ 9.6

FY2018 Plan (Revenues)
FY2018 Plan (Operating Income)

Operating income (Plan) (Billions of yen)

FY2017 (Result) 29.8

FY2018 (Plan) 31.0

-2.10

New orders +1.20

Effect of exchange fluctuation -0.11

Environmental/volume changes -1.11

New strategic investment +0.92

Contribution from collaborative innovation +2.40

New structural reforms/productivity improvement

- Expansion of operations/Customer’s volume changes
- Recovery from backlash of past strategic investment, etc.
- Implement a portfolio strategy suitable for business domain, etc.
- Incorporating business risks, etc.

FY2018 Profit from collaborative innovation: 2.0 billion

New strategic investment

- New business model
- Enhance and expand R&D

FY2018 Plan (Operating Income)

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Progress of the Mid-term Management Plan

— Value Creation 2018 —

Toward next Mid-term Management Plan
Mid-term Management Plan
(Announced on May 12, 2016: Deviation from the Mid-term Management Plan)

- Operating income/margin (%)
- Composition ratio of revenues (%)
- EBIT/margin (%)

FY2015 (Result)
- Revenues: 680.4 billion yen
- Operating income: 37 billion yen
- ROE: 8.0%

FY2018 (Initial plan)
- Revenues: 800.0 billion yen
- Operating income: 39 billion yen
- ROE: 10.8%

FY2018 (Plan)
- Revenues: 710.0 billion yen
- Operating income: 36 billion yen
- ROE: 9.6%

Main factors:
- M&A: -60.0 billion yen
- SG Holdings: -30.0 billion yen
- Others: -1.0 billion yen (Of which, strategic investments: -3.2 billion)
- M&A: -2.0 billion yen

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Mid-term Management Plan
(Announced on May 12, 2016: Deviation from the Mid-term Management Plan)

**Revenues**

(Billions of yen)

- **FY2015 (Result)**
  - 680.4
  - New orders/M&A, etc. +100.0
  - Environmental/volume changes, etc. +100.0
  - M&A, etc. -30.4

- **FY2018 (Initial plan in the Mid-term Management Plan)**
  - 750.0
  - M&A, etc. +50.0
  - Innovative collaboration with SG Holdings +50.0

- **FY2018 (Plan)**
  - 800.0
  - M&A -60.0
  - Innovative collaboration with SG Holdings -60.0
  - Reviewed sales strategy in response to increased home delivery cost -30.0
Innovative collaboration with SG Holdings progressed as planned

Environmental/volume changes, etc.

Operating income (Billions of yen)

<table>
<thead>
<tr>
<th>FY2015 (Result)</th>
<th>FY2018 (Initial plan in the Mid-term Management Plan)</th>
<th>FY2018 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.3</td>
<td>32.0 +2.0</td>
<td>31.0</td>
</tr>
<tr>
<td>M&amp;A +2.0</td>
<td></td>
<td>-2.0 M&amp;A</td>
</tr>
<tr>
<td>M&amp;A, etc.</td>
<td>Innovative collaboration with SG Holdings +1.7</td>
<td></td>
</tr>
<tr>
<td>[Strategic investment] -3.2 billion</td>
<td>Productivity improvement /R200PJ +2.2</td>
<td></td>
</tr>
</tbody>
</table>

Mid-term Management Plan
(Announced on May 12, 2016: Deviation from the Mid-term Management Plan)
Future Vision: Further Expansion of Collaborative Innovation

Future Vision: Global Supply-Chain Solutions Provider

Platform (Sharing by industry and area)
### Priority Measures in FY2018

#### Positioning of FY2018

| ✔ Mid-term Management Plan: Final year of “Value Creation 2018” |
| ✔ Preparations and Approach Run for the next Mid-term Management Plan |

#### Enhancement of logistics as a function

- ✔ Evolve into a SCM partner from a logistics partner
- ✔ Enhance and evolve our 3PL business
  - Delivery solution, region-based business development, implementation of smart logistics, industry/area-based Platform Business
- ✔ Enhance overseas 3PL business
- ✔ Enhance Heavy Machinery and Plant Logistics

#### Expand collaborative areas across businesses and industries

- ✔ Promote collaborative innovation and collaboration with SG Holdings
- ✔ Promote vertical and horizontal collaboration in logistics/supply chain domains
- ✔ Implement a portfolio strategy suitable for business domain

#### Continue to work on working-style reform
Evolve into a SCM partner from a logistics partner

Establish digital platform and optimize SCM

Logistics domain

Supply chain domain

Platform center for EC

- Fulfillment
- Labor/man-hour-saving
- Pay per use

Inspection/Packing
Automated packing line

Palletize
Palletizing robot

Piece picking
AGV + Picking robot

Storage
(cargo handling)
PL rack + Automated forklifts

Leaflet/invoice
On-demand print

Smart logistics center directly connected to a factory

Manufacturer (factory)

Logistics center

✔ Directly connected
## Sports & Shoes Platform Town

Platform Town by consolidating/optimally allocating sports and shoes sites concentrating in Tokatsu area in Chiba Prefecture

- **Location:** Kashiwa City, Chiba Prefecture
- **Area:** 117,000㎡
- **Handling:** Sports-related
- **Operation start:** August 2018

**Instruments and technologies to be implemented**

- Rotary piece sorters
- Automated pallet storage system
- Movable racks + Automated forklifts
- Other than above: new safety technologies, etc.

*Enhance operations and human resource management by implementing WVS* (mobilization of human resources)

*Warehouse Visualized System*

## Area General Center

**【Customers】** (Dedicated → General)

Center for accommodating multiple customers

**【Area selection】**

(Center of gravity of delivery → Focus on employees)
Area selection for securing labor force

**【Standardization】**

(Tailor-made operation → Standardized operation)
Standardizing operation/system among multiple customers

**【Sharing】** (Exclusive → Sharing)

Resource sharing (facilities/operators/systems/vehicles)

**【Collaborative innovation with SG Holdings Group】**

Establishing SAGAWA EXPRESS’s terminal on the same site
Survive in each region with unique business model

**Europe**
- Expand intermodal business from Turkey (Develop to Northern Europe and Central Asia)

**North America**
- Expand transportation network (Canada – U.S. – Mexico)
- Start operation of next-generation center (Non-Auto field)

**Asia**
- Expand cross-border logistics within the region (Thailand – Laos – Vietnam)
- Expand cold chain (Start operation of new chilled warehouse)

**China**
- Expand inland business (Xian, Chongqing, Chengdu)
- Belt and Road (Intercontinental railway transport)
Heavy Machinery and Plant Logistics

- Enhance initiatives in domestic and overseas heavy electric plant business
  - Large thermal power plant project (Indonesia, Bangladesh)
  - Petrochemical plant project (Indonesia)

- Expand railway cars business

- Expand plant 3PL business
  - Expand sales by focusing on SCM finance proposals

- Expand plant logistics and environment businesses
  - Expand recycled resource logistics (using new-type containers, etc.)

- Collaborative innovation with SG Holdings, etc.

- Utilize multi-axle trailer
  - Collaborative schemes with competitors
  - Sharing → to new field work

Automobile Business

- Expand transportation network by collaborative innovation
  <Enhance transportation capability through collaboration with partners>
  - Effective use of resources
    - Establish collaborative system
      ⇒ Promote alliance with transportation business partners (WIN/WIN relationships)

- Enhance cost competitiveness by increasing transportation efficiency
  - Install “mobile transportation management system (TMS)” to all vehicles
    (Improve loading efficiency by visualizing loading ratio)

Mobile TMS

Check loading ratio

Infrared camera
Promote collaborative innovation and collaboration to realize seamless comprehensive logistics service

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Operating income</td>
<td>Revenues</td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3PL/Transportation</td>
<td>Cross-selling/optimization</td>
<td>1.80</td>
<td>0.12</td>
</tr>
<tr>
<td>Others</td>
<td>Heavy Machinery and Plant Logistics, etc.</td>
<td>0.10</td>
<td>0.02</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.90</td>
<td>0.14</td>
<td>10.3</td>
</tr>
<tr>
<td>Global</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3PL/Transportation</td>
<td>Cross-selling/optimization</td>
<td></td>
<td>0.10</td>
</tr>
<tr>
<td>Others</td>
<td>Heavy Machinery and Plant Logistics/Forwarding, etc.</td>
<td>0.10</td>
<td>0.01</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.05</td>
<td>0.01</td>
<td>0.70</td>
</tr>
<tr>
<td>Others</td>
<td>Vehicles leasing/Travel business, etc.</td>
<td>0.03</td>
<td>0.00</td>
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<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.03</td>
<td>0.00</td>
<td>0.20</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3PL/Transportation</td>
<td>Cross-selling/optimization</td>
<td>1.80</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>Heavy Machinery and Plant Logistics/Forwarding, etc.</td>
<td>0.20</td>
<td>0.03</td>
</tr>
<tr>
<td>Collaborative Innovation Effect ( ) : Operating margin</td>
<td>(7.5%)</td>
<td>(9.7%)</td>
<td>(10.0%)</td>
</tr>
</tbody>
</table>
Collaborative Innovation Strategy
(Collaboration with SG Holdings: Overview)

Generate collaborative innovation projects in various regions nationwide

Kansai area
- Warehouse operation through collaboration with SG Holdings Group (cosmetics)
- Opened sales office of SG Holdings Group inside HTS sales office

Kyushu area
- Warehouse operation through collaboration with SG Holdings Group (electrical machinery/industry)

Chubu area
- Relocation of Air and Space Museum

Hokkaido/Tohoku area
- Installation work of agricultural equipment parts

Kanto area
- In-plant delivery service in Hitachi Group’s factories
- Opened a satellite location of SG Holdings Group within our center
- Cross-selling (3PL: apparel, distribution, retail)
- Relocation of complex facility in Tokyo
- “Undertaking line-haul trucking” “Year-end special operations” by VANTEC vehicles

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Promote collaboration in cross-selling projects

Full-scale operation of projects

- Ongoing projects (extract)
  - 2018 -
    - March: EC of industrial tools
    - March: Tire manufacturer
    - April: Retail products
    - May (scheduled): SNS related
    - May (scheduled): Apparel manufacturer, etc.

Expand solution business

- Sales approach to SG Holdings’ customers (LCM* support of information equipment, etc.)

Mutual use of facilities (promote sharing)

Opened SAGAWA EXPRESS’s sales office within HTS Group site

- Overview of distribution center
  - Location: Otokuni-gun, Kyoto Prefecture
  - Schedule: Operations started in April 2018

<Effects>

1. Having SAGAWA’s sales office on the same site allows flexible shipping lead time

2. Improve utilization rate of HTS Group’s facilities

Proposed (ongoing) projects: Approx. 20 billion yen (full-year contribution)
Purpose of business alliance

(1) The details of the alliance are being discussed and considered by both companies
(2) Partial transfer of shares of Hitachi Auto Service (under discussion/consideration)
⇒ Enhance collaboration with “Vehicle Solutions Business”* of Hitachi Capital

Particulars of business alliance

(1) The details of the alliance are being discussed and considered by both companies
(2) Partial transfer of shares of Hitachi Auto Service (under discussion/consideration)
⇒ Enhance collaboration with “Vehicle Solutions Business”* of Hitachi Capital

Promote various measures toward realization of new innovations through “Finance, Commerce, Logistics and Information” by expanding collaborative innovation areas across businesses and industries, while especially focusing on enhancement of finance and logistics as a function

Timeline

• Business alliance agreement: Late June 2018 (Scheduled)
• Share transfer of Hitachi Auto Service: Late July 2018 (Scheduled)

* A business model that addresses the needs of customers by providing not only vehicle-related finances but comprehensive solutions combining various services including maintenance and insurance, etc.
Joint development through industry-academia collaboration aiming at realization of zero-accident society

Smart safety driving management system

Outline of solutions

1. Collect drivers’ information of before/during operations into Cloud
2. AI identifies situations affecting accidents and Hiyari-Hatto (near-miss)
3. Give a real-time warning to the driver and driving manager

Joint development with scholars of “Fatigue Science”
(Pursue safety/quality through accident risk assessment/measures)

Advantages for users

1. Establish working environment to protect drivers and reduce loss cost by preventing accidents
2. Reduce workload and improve efficiency for driving manager by digitalization
3. Improve safety and quality and visualize quality indicator

Total support to carriers
Reduce drivers’ workload and improve working environment

*RIKEN Center for Biosystems Dynamics Research
Collaborative Innovation Strategy
(Industry-Academia Collaboration: Joint Development — Commercialization)

Develop **Vehicle Solution System for safe driving** not depending on drivers

**Smart safety driving management system**

### Future development

1. Utilize IoT to realize zero-accidents and reduce loss costs
2. Establish advanced driving management system/safety education system
3. Provide total solution package including vehicle leasing/insurance/maintenance/joint procurement function
   (Collaborate with Hitachi Capital: New innovation through “Finance, Commerce, Logistics, and Information”)

### Future vision

- Reduce cost and increase the number of vehicles by sharing procurement function
- Contribute to maintenance business through predictive analytics
- Implement the system as standard equipment through collaborative innovation with truck manufacturers
- Expand sales to bus/taxi industries

**Expand ecosystem into a lifeline to support lifestyle**
Implementation of New Smart Logistics Technologies

**Expand Racrew* operation area**

March 2018: implemented 50 more Racrew*’s
(25 → 75)
Location: Distribution center in Chiba Prefecture
Products: sports related

- [Racrew Area]
  - 400 tsubo (1,320㎡) ⇒ 870 tsubo (2,880㎡)
- [Work station]
  - 10 stations ⇒ 26 stations

**Fully implement spectacle-type wearable device**

April 2018: implemented 10 devices
Location: Distribution center in Tokyo
Products: electrical machinery

Take preemptive measures against volume increase, future labor shortage and labor cost increase by expanding the use of Racrew*

* “Racrew” is a registered trademark of Hitachi, Ltd. in Japan.
Continue to Work on Working-style Reform

Diversity & Inclusion

- Create working environment enabling diversified human resources to demonstrate their abilities (Promote active participation by female workers, improve treatment of elderly employees, etc.)
- Utilize diversified human resources (Promote work-at-home system/work at satellite office)

Standardize systems (improve workers’ treatment, etc.)

- Standardize systems including operation at group companies and on-site level (Wage system, working system, etc.)

Improve on-site environment including logistics centers, etc.

- Establish and invigorate systems and activities relating to health (hygiene) management for the entire Group (Establish basic policy for health management, etc.)

Education for all employees

- Enhance business operation capabilities through a unified training system within the Group (Review training for on-site workers and offer training for necessary knowledge)

“Secure, retain and foster human resources” and ”Improve productivity,” continue to work on working-style reform reflecting revisions of laws and regulations
Initiatives toward ESG Management

**Environment (Promoting green logistics)**
- Comply with environmental laws
- Enhance environmental management
- Reduce environmental load (Use of double-trailer trucks etc.)

**Society**
- Coexist with local communities
- Enhance safety and quality (safety caravan in domestic and overseas, etc.)

**Corporate Governance**
- Ensure to bear in mind the notion of “Basics and Ethics” (Enhance compliance and governance)

**Material issues of the HTS Group**

- **FY2017: Identified key 15 categories* and formulated 4 focused sectors**

*Identified material issues (key 15 categories) based on understanding and prioritization of social and environmental issues and expectations, referring to global common standards such as Global Reporting Initiative (GRI) guideline, ISO26000, UN Global Compact and SDGs.

Those inside ● represent the Group’s source of competitiveness (competence).

**Focused sector 1**
- Pursue next-generation industry and living

**Focused sector 2**
- Improve work safety and productivity

**Focused sector 3**
- Enhance high quality and resilience

**Focused sector 4**
- Realize a low-carbon business process

**Open innovation**
- Human resources/Organization/Global network
- Advanced technology

△Introduce LED lighting
△Road safety classroom (Turkey)
The Hitachi Transport System Group will exceed the domain of Smart Logistics and start our new business concept “LOGISTEED” which reflects the Group’s commitment toward our brand slogan “Taking on the Future.”

[LOGISTEED]: LOGISTICS + Exceed, Proceed, Succeed & Speed

LOGISTEED is a word representing our determination to lead businesses to new domain beyond the conventional domain of logistics.
Supplementary Material

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

**Unit**: 100 Million yen

<table>
<thead>
<tr>
<th></th>
<th>FY2016 As of Mar. 31, 2017</th>
<th>FY2017 As of Mar. 31, 2018</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>2,202</td>
<td>153</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>3,451</td>
<td>3,448</td>
<td>-3</td>
</tr>
<tr>
<td>Total</td>
<td>5,499</td>
<td>5,649</td>
<td>150</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>1,478</td>
<td>-33</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>2,079</td>
<td>2,088</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>3,590</td>
<td>3,566</td>
<td>-24</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>2,043</td>
<td>168</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>34</td>
<td>40</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>1,909</td>
<td>2,083</td>
<td>174</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>5,499</td>
<td>5,649</td>
<td>150</td>
</tr>
</tbody>
</table>
(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>Y o Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year</td>
<td>Full Year</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>264</td>
<td>279</td>
<td>16</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-690</td>
<td>-62</td>
<td>628</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>556</td>
<td>-164</td>
<td>-720</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>-6</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>123</td>
<td>60</td>
<td>-63</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>575</td>
<td>635</td>
<td>60</td>
</tr>
</tbody>
</table>
### Financial Indicator etc.

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity attributable to stockholders of the parent company*1 (100 Million yen)</td>
<td>33.1</td>
<td>36.2</td>
</tr>
<tr>
<td>Total equity per share attributable to stockholders of the parent company (Yen)</td>
<td>1,680.70</td>
<td>1,831.72</td>
</tr>
<tr>
<td>Basic earnings per share attributable to stockholders of the parent company (Yen)</td>
<td>167.66</td>
<td>187.50</td>
</tr>
<tr>
<td>Return on equity (ROE) (annual) (%)</td>
<td>10.3</td>
<td>10.7</td>
</tr>
<tr>
<td>Return on assets (ROA)(annual) (%)</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Price book-value ratio (PBR) (Ratio)</td>
<td>1.38</td>
<td>1.63</td>
</tr>
</tbody>
</table>

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

### Major Operating Expenses

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

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year</td>
<td>Full Year</td>
</tr>
<tr>
<td>Subcontract Expenses</td>
<td>(49.9) 3,318.7</td>
<td>(50.7) 3,554.1</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>(24.3) 1,616.7</td>
<td>(23.8) 1,667.9</td>
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<tr>
<td>Rent Expenses</td>
<td>(7.6) 503.4</td>
<td>(7.4) 515.8</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>(2.8) 187.4</td>
<td>(2.7) 190.2</td>
</tr>
</tbody>
</table>
### Capital Expenditures

(Unit: 100 Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchased Assets</strong></td>
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<td></td>
<td></td>
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<tr>
<td>(Reference)</td>
<td></td>
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<tr>
<td>Leased Assets*2</td>
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<td></td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>156.7</td>
<td>130.1</td>
<td>246.0</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

(Unit: Person)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regular Employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Reference)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employees and others</strong>*2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,274</td>
<td>25,074</td>
<td>25,818</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>Revenues</th>
<th>Operating income</th>
<th>Operating margin</th>
<th>Revenues</th>
<th>Operating income</th>
<th>Operating margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>3,504</td>
<td>180.7</td>
<td>5.2% (5.2%)</td>
<td>3,637</td>
<td>180.6</td>
<td>5.0% (5.0%)</td>
</tr>
<tr>
<td>Global</td>
<td>1,249</td>
<td>57.8</td>
<td>4.6% (5.0%)</td>
<td>1,312</td>
<td>59.6</td>
<td>4.5% (4.9%)</td>
</tr>
<tr>
<td>3PL</td>
<td>4,753</td>
<td>238.5</td>
<td>5.0% (5.1%)</td>
<td>4,949</td>
<td>240.2</td>
<td>4.9% (5.0%)</td>
</tr>
<tr>
<td>Domestic</td>
<td>508</td>
<td>8.3</td>
<td>1.6% (2.5%)</td>
<td>518</td>
<td>7.5</td>
<td>1.4% (2.3%)</td>
</tr>
<tr>
<td>Global</td>
<td>610</td>
<td>7.6</td>
<td>1.2% (2.2%)</td>
<td>491</td>
<td>8.3</td>
<td>1.7% (2.8%)</td>
</tr>
<tr>
<td>Forwarding</td>
<td>1,118</td>
<td>15.9</td>
<td>1.4% (2.3%)</td>
<td>1,009</td>
<td>15.8</td>
<td>1.6% (2.5%)</td>
</tr>
<tr>
<td>Domestic</td>
<td>674</td>
<td>19.2</td>
<td>2.9% (4.1%)</td>
<td>707</td>
<td>26.0</td>
<td>3.7% (4.9%)</td>
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<tr>
<td>Global</td>
<td>235</td>
<td>3.3</td>
<td>1.4% (1.9%)</td>
<td>220</td>
<td>7.1</td>
<td>3.2% (3.7%)</td>
</tr>
<tr>
<td>Automobile</td>
<td>908</td>
<td>22.6</td>
<td>2.5% (3.5%)</td>
<td>927</td>
<td>33.0</td>
<td>3.6% (4.6%)</td>
</tr>
<tr>
<td>Other services</td>
<td>224</td>
<td>21.1</td>
<td>9.4% (9.4%)</td>
<td>215</td>
<td>20.9</td>
<td>9.7% (9.7%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,004</strong></td>
<td><strong>298.0</strong></td>
<td><strong>4.3%</strong></td>
<td><strong>7,100</strong></td>
<td><strong>310.0</strong></td>
<td><strong>4.4%</strong></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. FY2017(Result) and FY2018(Plan) are reflected this alternation.*
Trend of Dividends and Dividend payout ratio (from FY2005 to FY2018)

Yen per share of stock

Dividends
Dividend payout ratio

Continue stable dividends

<table>
<thead>
<tr>
<th>FY</th>
<th>J-GAAP</th>
<th>IFRS</th>
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</thead>
<tbody>
<tr>
<td>2005</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>2007</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>2008</td>
<td>20</td>
<td>24</td>
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<tr>
<td>2009</td>
<td>20</td>
<td>25</td>
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<td>2010</td>
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<td>2011</td>
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<td>30</td>
<td>39</td>
</tr>
<tr>
<td>2016</td>
<td>34</td>
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</tr>
<tr>
<td>2017*</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>2018(Plan)</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

*To be resolved at the Board of Directors meeting in late May.
FY2017
(Year Ended March 31, 2018)
Financial Results Briefing

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