

# **The 1st Quarter of FY2018 (Ended June 30, 2018) Financial Results Briefing**

 **Hitachi Transport System, Ltd.**



## **I. 1Q of FY2018 Financial Results**

**Overview, Breakdown by Group, Full year (Plan)/1Q (Results) of FY2018  
Detail of Variations for Revenues, Full year (Plan)/1Q (Results) of FY2018  
Detail of Variations for Operating income, Overseas results by region,  
Trend of new orders/new startups, Collaborative Innovation Project,  
Results by Business Category**

## **II. Topics**

**Acquisition of License of Bonded Logistics Center (PLB),  
Opening Innovation Center in the U.K.,  
Introducing Double-Trailer Truck**



(Unit: 100 million yen, rounded off to the nearest integer. < > parentheses are profit ratios (%))

	FY2017		FY2018						
	1Q		1Q			Full-year			
	Results		Results		Y o Y		Plan (As of April 27)		Y o Y
					%	Change			
Revenues	1,689	<b>1,748</b>	104%	59	7,100	101%			
Operating income*	<3.9> 65.6	<b>&lt;4.2&gt; 74.2</b>	113%	8.6	<4.4> 310.0	104%			
EBIT (Earnings before interest and taxes)	<4.7> 79.3	<b>&lt;4.6&gt; 80.7</b>	102%	1.4	<4.9> 347.0	105%			
Net income attributable to stockholders of the parent company	<2.8> 47.8	<b>&lt;2.9&gt; 50.5</b>	106%	2.7	<3.0> 215.0	103%			

\* Operating income in this document represents “Adjusted operating income.”

No change in the full-year plan



# 1Q of FY2018 Results (Breakdown by Group)

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

		Revenues			Operating income		
		1Q	YoY	1Q	YoY		
Organic	Domestic logistics	<58>	880	103%	48.0	109%	
	Global logistics	Overseas	<30>	445	102%	15.8	129%
		Allocated to domestic companies (forwarding and others)	<9>	133	112%	-0.0	(-0.9)
		Total	<38>	577	104%	15.7	120%
	Others (logistics-related businesses, etc.)	<3>	50	99%	2.5	66%	
	Total	<100>	1,507	104%	66.2	109%	
Vantec Group	Domestic logistics	<66>	179	104%	7.7	129%	
	Global logistics	Overseas	<34>	93	102%	2.9	209%
		Allocated to domestic companies (forwarding and others)	<0>	0	-	0.0	-
		Total	<34>	93	101%	2.9	209%
	Total	<100>	271	103%	10.6	144%	
Consolidated Adjustment/ Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-30	(-1)	-2.6	(+0.0)	
Total	Domestic logistics	<60>	1,051	103%	53.6	112%	
	Global logistics	Overseas	<30>	523	102%	18.2	138%
		Allocated to domestic companies (forwarding and others)	<7>	125	114%	-0.0	(-0.9)
		Total	<37>	648	104%	18.1	130%
	Others (logistics-related businesses, etc.)	<3>	48	98%	2.5	66%	
		<100>	1,748	104%	74.2	113%	

✓ Cost allocated to domestic companies (forwarding and others) increased 80 million yen from a year earlier due to a partial change in the allocation method of company-wide expenses. (Adjusted operating income would have been 80 million yen under the previous method.)

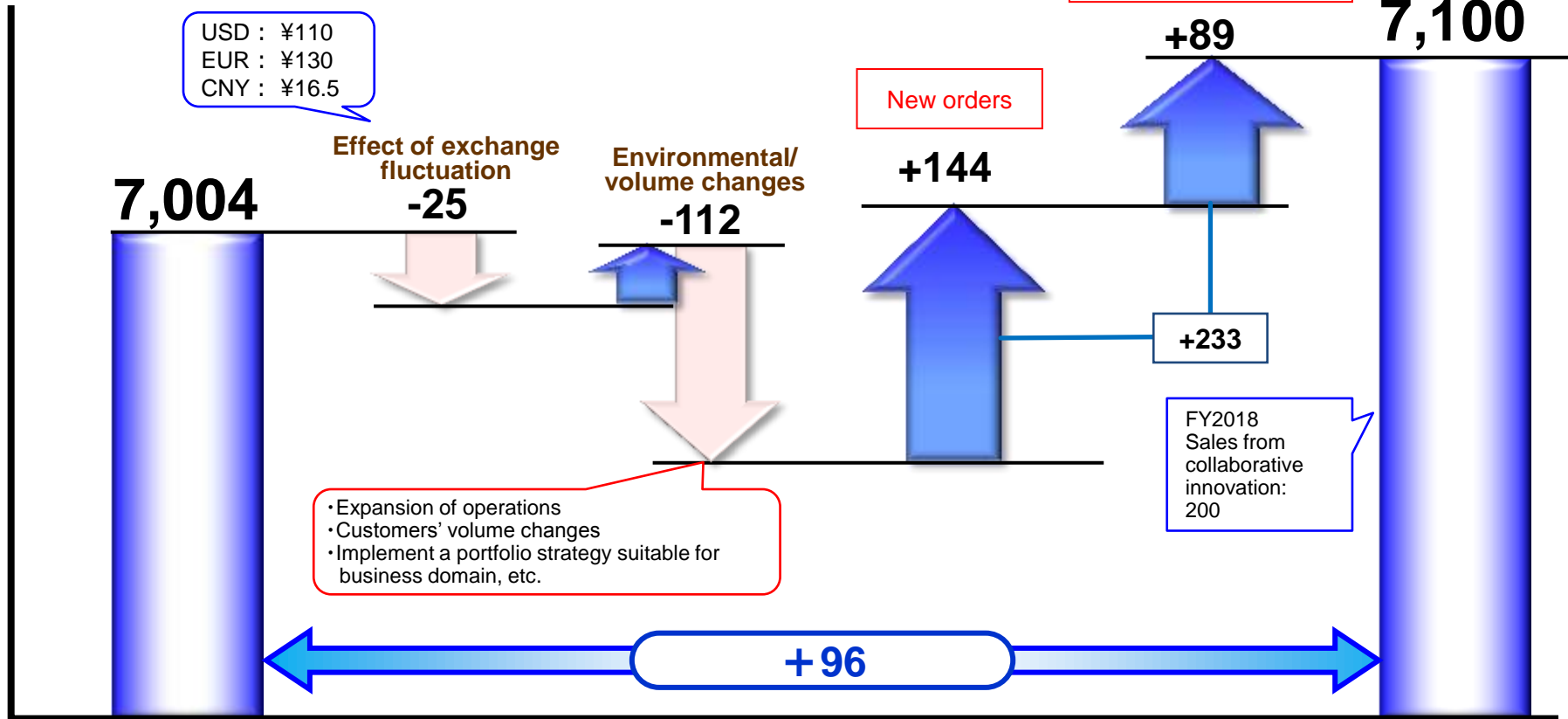


## Revenues (Plan)

From Financial Results Briefing on April 27, 2018

(100 million yen)

USD : ¥110  
 EUR : ¥130  
 CNY : ¥16.5



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

FY2017 (Result)

FY2018 (Plan)



# 1Q of FY2018 Results (Detail of Variations for Revenues)

## 1Q of FY2018 Revenues (Result)

(100 million yen)

### 1Q of FY2017 → 1Q of FY2018

- USD: ¥ 111 → ¥109
- EUR: ¥ 122 → ¥130
- CNY: ¥ 16.2 → ¥17.1

- Domestic/other: -23
- Forwarding/overseas: -4
- Expansion of operations: +12

- Domestic: +16
- Global: +15
- (Of which, project cargo)
  - Domestic: +8
  - Global: +9

1,689

Effect of exchange fluctuation  
**+10**

Environmental/volume changes/  
Continuous improvement, etc.  
**-15**

New orders  
**+31**

Collaborative innovation  
**+33**

1,748

+64

1Q of FY2018  
Sales from collaborative innovation: 44

**+59**

	Effect of exchange fluctuation	Environmental/volume changes/ Continuous improvement, etc.			New orders	Collaborative Innovation projects	Total
		Other volume changes, etc.	Expansion of operations	Subtotal			
Domestic		-21	9	-12	16	31	35
Global	10	-4	3	-1	15	1	25
Other		-2		-2		1	-1
<b>Total</b>	<b>10</b>	<b>-27</b>	<b>12</b>	<b>-15</b>	<b>31</b>	<b>33</b>	<b>59</b>

1Q of FY2017 (Result)

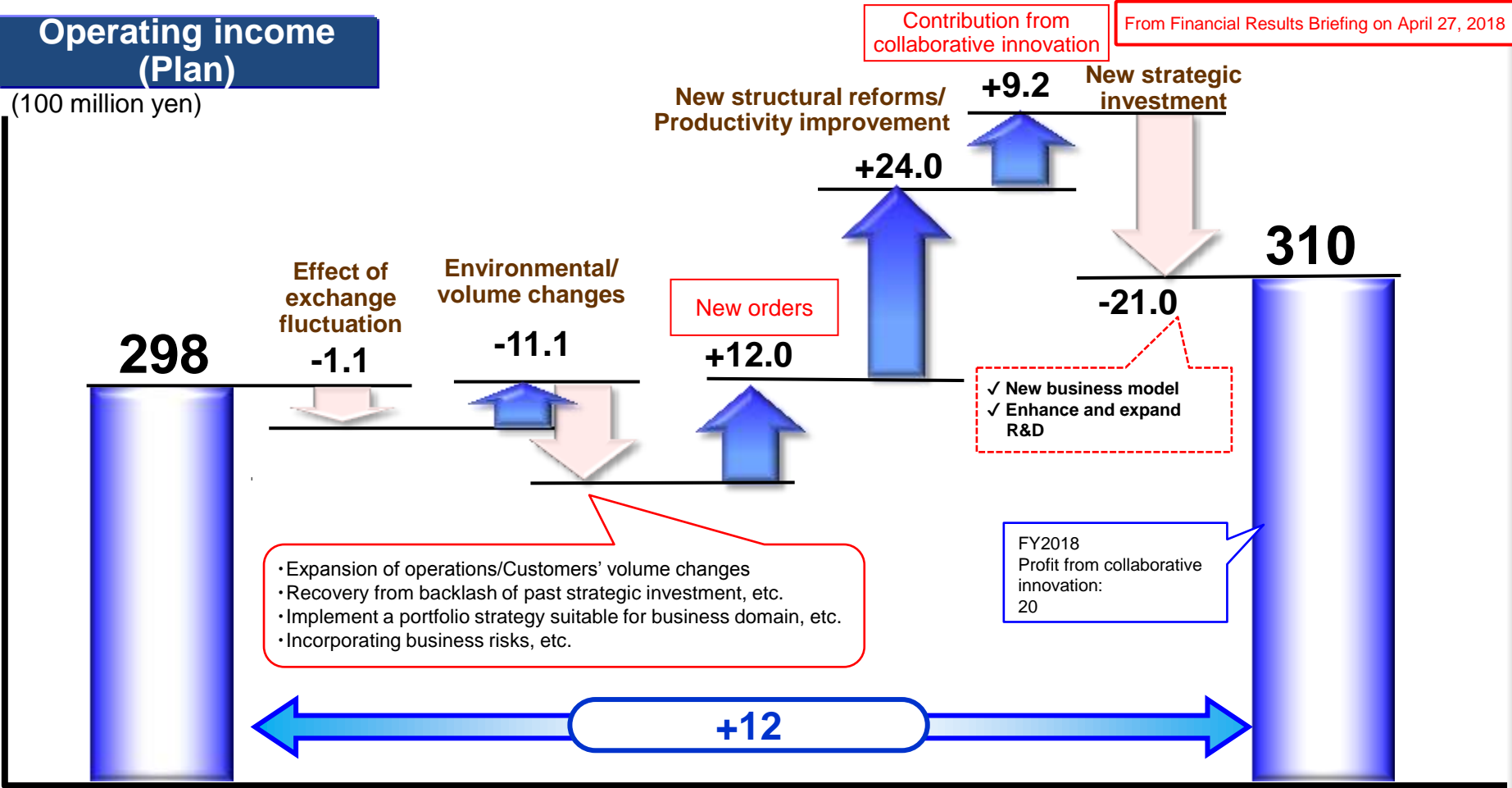
1Q of FY2018 (Result)



## Operating income (Plan)

(100 million yen)

From Financial Results Briefing on April 27, 2018



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

- ✓ New business model
- ✓ Enhance and expand R&D

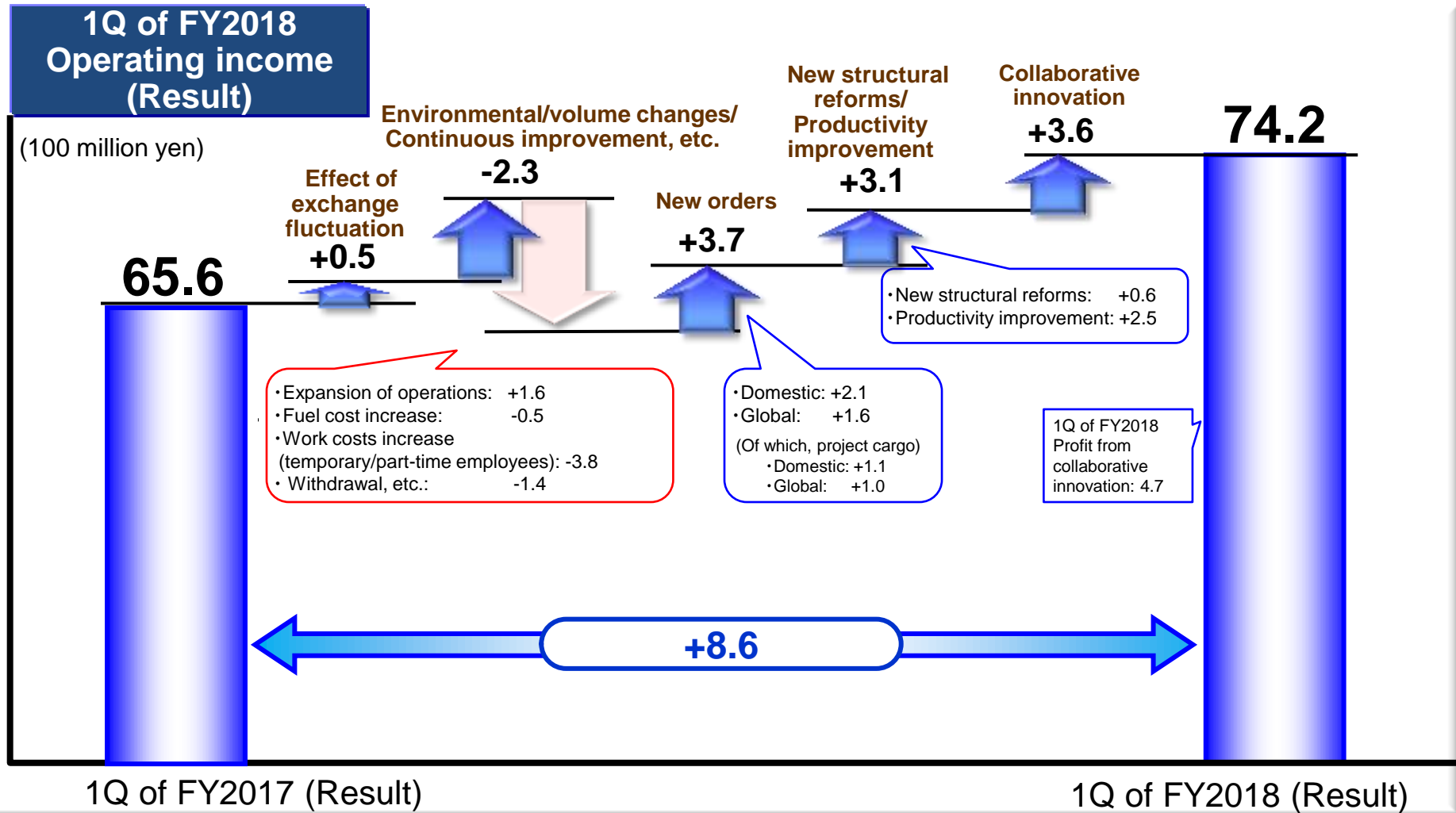
FY2018 Profit from collaborative innovation: 20

FY2017 (Result)

FY2018 (Plan)



# 1Q of FY2018 Results (Detail of Variations for Operating Income)







# 1Q of FY2018 Results (Overseas Results by Region)

(Unit: 100 million yen, rounded off to the nearest integer)

		FY2017		FY2018			
		1Q		1Q			
		Revenues	Operating income	Revenues	YoY	Operating income	YoY
Overseas	North America	106	1.7	112	106%	3.2	188%
	Europe <sup>*1</sup>	169	7.7	181	107%	9.7	126%
	Asia (excluding China)	99	3.8	113	114%	4.9	129%
	China	144	1.8	123	85%	2.4	132%
	Oceania and Others	9	0.4	10	107%	0.6	152%
	Elimination of intra-company transactions, etc. <sup>*2</sup>	-14	-2.3	-14	-	-2.6	-
Total		513	13.2	523	102%	18.2	138%

\*1. Turkey is treated as Europe.

\*2. Amortization of Customer-related intangible assets of VANTEC Group is included in "Elimination of intra-company transactions, etc.".



## 1Q of FY2018: Trend of New Orders/New Startups

Unit: projects

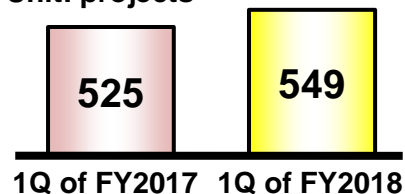
		FY2017	FY2018	
		1Q	1Q	Y o Y
New Orders	Domestic	2	3	1
	Global	4	4	0
	Total	6	7	1
New Startups	Domestic	1	5	4
	Global	1	2	1
	Total	2	7	5

### (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 FY2017

1Q of FY2018

• Orders under ¥10 million: 523 (recurring: 80/one-time: 443) → 546 (recurring: 52/one-time: 494)

• Orders over ¥10 million: 2 (recurring: 1/one-time: 1) → 3 (recurring: 1/one-time: 2)



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

Item			FY2017				FY2018			
			1Q results		Full-year results		1Q results		Full-year plan	
			Revenues	Operating income	Revenues	Operating income	Revenues	Operating income	Revenues	Operating income
Domestic	3PL/Transportation	Cross-selling/optimization	9	0.8	101	9.7	40	4.2	-	-
	Others	Heavy Machinery and Plant Logistics, etc.	0	0.0	1	0.2	0	0.0	-	-
	<b>Subtotal</b>		<b>9</b>	<b>0.9</b>	<b>103</b>	<b>9.9</b>	<b>41</b>	<b>4.2</b>	<b>186</b>	<b>18.4</b>
Global	3PL/Transportation	Cross-selling/optimization	0	0.0	1	0.1	0	0.1	-	-
	Others	Heavy Machinery and Plant Logistics/ Forwarding, etc.	1	0.1	6	0.7	2	0.3	-	-
	<b>Subtotal</b>		<b>1</b>	<b>0.1</b>	<b>7</b>	<b>0.8</b>	<b>2</b>	<b>0.3</b>	<b>11</b>	<b>1.2</b>
Others	Others	Vehicles leasing/Travel business, etc.	0	0.0	2	0.1	1	0.2	-	-
	<b>Subtotal</b>		<b>0</b>	<b>0.0</b>	<b>2</b>	<b>0.1</b>	<b>1</b>	<b>0.2</b>	<b>3</b>	<b>0.4</b>
<b>Collaborative Innovation Effect</b>			(9.4%)		(9.7%)		(10.6%)		(10.0%)	
<b>( ) : Operating margin</b>			<b>11</b>	<b>1.0</b>	<b>111</b>	<b>10.8</b>	<b>44</b>	<b>4.7</b>	<b>200</b>	<b>20</b>

■ Progress rate of full-year plan: 22% 23%



## Promote collaboration in cross-selling projects

### ■ Major ongoing projects in FY2018

— Operations started —

- April: Retail products
- May: Apparel manufacturer
- June: Beverage manufacturer
- July: Shoes manufacturer

— Operations to be started —

- August: Food manufacturer
- August: Shoes manufacturer
- September: Food manufacturer
- November: Publishing company, etc.

### ■ Proposed projects

- Apparel manufacturer
- Retail products
- Cosmetic manufacturer
- Publishing company
- Chemical manufacturer, etc.

(Unit: 100 million yen)

**Approx. 200** (full-year contribution)



## Reference Results by Business Category (estimated)

\*( ): Excluding amortization of customer-related intangible assets (Unit: 100 million yen)

		1Q of FY2017			1Q of FY2018			Full-year Plan of FY2018 (as of April 27)		
		Revenues	Operating income	Operating margin	Revenues	Operating income	Operating margin	Revenues	Operating income	Operating margin
	Domestic	852	40.1	4.7% (4.7%)	883	45.7	5.2% (5.2%)	3,637	180.6	5.0% (5.0%)
	Overseas	300	14.4	4.8% (5.1%)	327	14.8	4.5% (4.9%)	1,312	59.6	4.5% (4.9%)
	<b>3PL</b>	<b>1,153</b>	<b>54.5</b>	<b>4.7% (4.8%)</b>	<b>1,210</b>	<b>60.5</b>	<b>5.0% (5.1%)</b>	<b>4,949</b>	<b>240.2</b>	<b>4.9% (5.0%)</b>
	Domestic	111	1.0	0.9% (1.9%)	124	0.3	0.3% (1.1%)	518	7.5	1.4% (2.3%)
	Overseas	156	1.6	1.0% (2.0%)	140	1.8	1.3% (2.1%)	491	8.3	1.7% (2.8%)
	<b>Forwarding</b>	<b>267</b>	<b>2.6</b>	<b>1.0% (1.9%)</b>	<b>264</b>	<b>2.1</b>	<b>0.8% (1.6%)</b>	<b>1,009</b>	<b>15.8</b>	<b>1.6% (2.5%)</b>
	Domestic	163	3.1	1.9% (3.2%)	170	5.8	3.4% (4.7%)	707	26.0	3.7% (4.9%)
	Overseas	57	0.8	1.5% (1.9%)	56	2.1	3.8% (4.2%)	220	7.1	3.2% (3.7%)
	<b>Automobile</b>	<b>220</b>	<b>4.0</b>	<b>1.8% (2.9%)</b>	<b>226</b>	<b>7.9</b>	<b>3.5% (4.6%)</b>	<b>927</b>	<b>33.0</b>	<b>3.6% (4.6%)</b>
	<b>Other services</b>	<b>48</b>	<b>4.6</b>	<b>9.5% (9.5%)</b>	<b>48</b>	<b>3.7</b>	<b>7.7% (7.7%)</b>	<b>215</b>	<b>20.9</b>	<b>9.7% (9.7%)</b>
	<b>Total</b>	<b>1,689</b>	<b>65.6</b>	<b>3.9%</b>	<b>1,748</b>	<b>74.2</b>	<b>4.2%</b>	<b>7,100</b>	<b>310.0</b>	<b>4.4%</b>

\* The allocation method for company-wide expenses was partly changed. Results and plans presented above reflects this alternation.



Acquired license of bonded logistics center (PLB\*) as the first Japanese company in East Java, Indonesia

## ■ Main features of PLB

Items	PLB	Conventional bonded warehouse
Non-resident inventory	Permitted	Not permitted
Timing of taxation	When carried out of PLB	When first carried into warehouse
Storable cargo	Import/export cargoes and local cargo for manufacturing	Import cargo only
Cargo owner per license	Multiple owners	One owner only
Permitted work	Simple work, repair, inspection, etc.	Simple work only

\*PLB : Pusat Logistik Berikat

## ■ Outline



Name	East Java Logistics Center
Warehouse floor space/ PLB area	Approx. 75,000m <sup>2</sup> (total)/ Approx. 11,000m <sup>2</sup> (PLB area)
Target of PLB license	Manufacturers (large company)
Acquisition date of license	May 2, 2018



## Opening Innovation Center in the U.K. [Scheduled to be established in April 2019]

Toward New Dimensions  
**LOGISTEED**

### ■ Objectives

- To promote global expansion of new technologies
- To improve safety and quality through enhanced training (reduce loss costs)

### ■ Functions of the center

- Training center (forklift, etc.)
- R&D and verification of new technologies through industry-government-academia collaboration

### ■ Outline

Name	Innovation Center 
Location	Sunderland, the U.K. (inside the VANTEC EUROPE's warehouse)
Floor space	Approx. 800m <sup>2</sup> (2F: Mezzanine* floor) · Utilizing part of the existing warehouse

\* Temporary shelves in a mezzanine level for effective use of the space inside the warehouse

[Current status] (warehouse) **[Renovating to Innovation Center]**

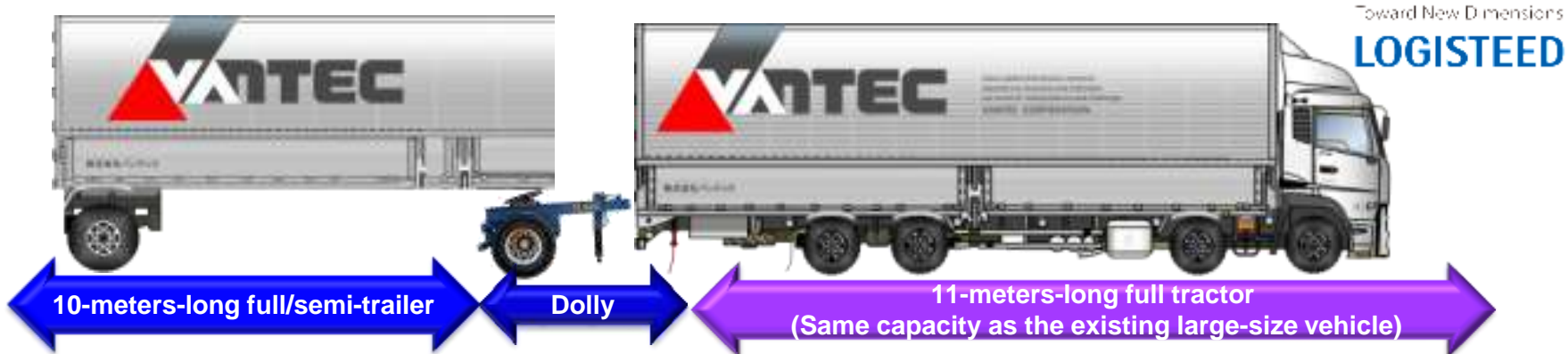


Image of Living Warehouse  
(virtual forklift training center)



## Introducing double-trailer truck [Scheduled to be introduced in February 2019]

Double-trailer truck with a total length of 21 meters using a dolly ⇒ **2 sets to be introduced**



Feature

- Separately operable as a full tractor and semi-trailer by detaching a dolly
- Wing type double-trailer truck

Effect of introduction

- Cost saving by increasing the maximum loading capacity
- Reduction of driving management risk by reducing long-hour driving
- Reduction of CO<sub>2</sub> emission by reducing the number of vehicles in operation

\* This initiative is adopted as the “Project to promote CO<sub>2</sub> emissions reduction in transport sector” (subsidized by the Ministry of the Environment in collaboration with the Ministry of Land, Infrastructure, Transport and Tourism)