

The 1st Quarter of FY2019 (Ended June 30, 2019) Financial Results Briefing

 **Hitachi Transport System, Ltd.**

I. 1Q of FY2019 Financial Results

**Overview, Breakdown by Group, Detail of Variations for Revenues/
Operating Income, Variance against the Initial Plan, Overseas Results by
Region, Trend of New Orders/New Startups, Collaborative Innovation,
Results by Business Category**

II. Strategies of Mid-term Management Plan (Enhance the Core Domain and Acquire New Growth Opportunities)

Acquisition of shares of PALENET CO., LTD.

Transfer of shares of Hitachi Travel Bureau, Ltd.

Launch of vehicle sharing service

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

	FY2018		FY2019				
	1Q		1Q			Full-year	
	Results	Results	Y o Y		Plan (As of April 26)	Y o Y	
			%	Change			
Revenues	1,748	1,697	97%	-50	7,000	99%	
Operating income	<4.2> 74.2	<4.7> 79.4	107%	5.2	<4.5> 315.0	101%	
EBIT (Earnings before interest and taxes)	<4.6> 80.7	<5.6> 95.0	118%	14.2	<5.0> 352.0	97%	
Net income attributable to stockholders of the parent company	<2.9> 50.5	<2.8> 47.7	94%	-2.8	<3.1> 220.0	97%	

• Operating income in this document represents “Adjusted operating income.”

No change in the full-year plan



1Q of FY2019 Results (Breakdown by Group)

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

		Revenues			Operating income		
		1Q	Y o Y	1Q	Y o Y		
Organic	Domestic logistics	<62>	915	104%	54.1	113%	
	Global logistics	Overseas	<29>	433	98%	16.7	106%
		Allocated to domestic companies (forwarding and others)	<6>	84	63%	0.4	(+0.4)
	Total		<35>	517	90%	17.1	109%
	Others (logistics-related businesses, etc.)		<3>	44	88%	4.3	173%
Total		<100>	1,477	98%	75.4	114%	
Vantec Group	Domestic logistics	<66>	162	91%	5.0	65%	
	Global logistics	Overseas	<34>	83	89%	1.6	55%
		Allocated to domestic companies (forwarding and others)	<0>	0	-	0.0	-
	Total		<34>	83	89%	1.6	55%
Total		<100>	245	90%	6.6	62%	
Consolidated Adjustment/ Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-24	(+6)	-2.6	(-0.0)	
Total	Domestic logistics	<63>	1,073	102%	57.1	106%	
	Global logistics	Overseas	<30>	507	[98%] 97%	17.7	[99%] 98%
		Allocated to domestic companies (forwarding and others)	<4>	76	[86%] 61%	0.4	[+1.2] (+0.4)
	Total		<34>	584	[97%] 90%	18.1	[106%] 100%
	Others (logistics-related businesses, etc.)		<2>	41	85%	4.3	173%
Total		<100>	1,697	97%	79.4	107%	

✓ 【】: Ratios are excluded Impact of Deconsolidation of Nisshin Transportation Gr. (Partly year-on-year changed)

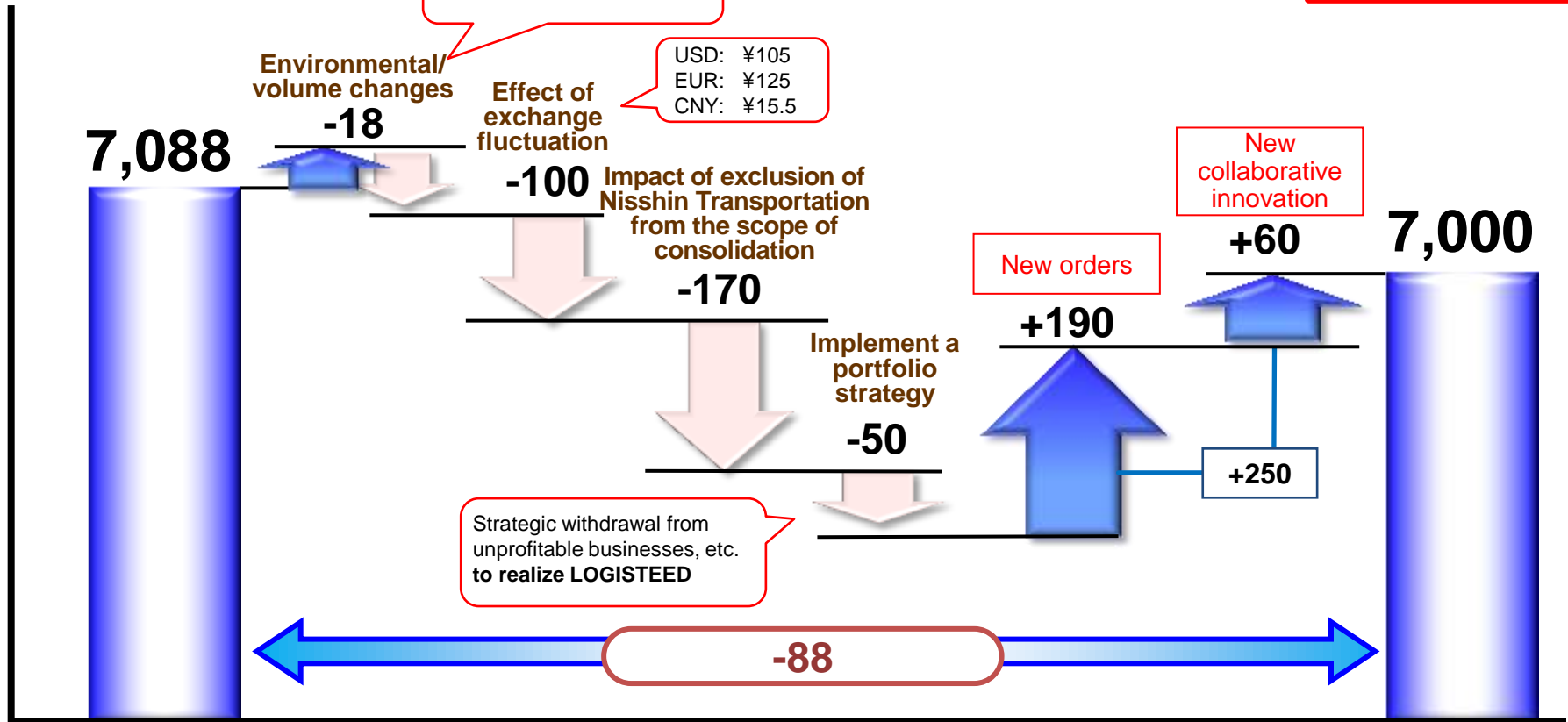
Revenues (Plan)

(100 million yen)

From Financial Results Briefing on April 26, 2019

• Expansion of operations
• Customers' volume changes

USD: ¥105
EUR: ¥125
CNY: ¥15.5



FY2018 (Result)

FY2019 (Plan)

1Q of FY2019 Revenues (Result)

1Q of FY2018→1Q of FY2019

- USD: ¥ 109 → ¥110
- EUR: ¥ 130 → ¥123
- CNY: ¥ 17.1 → ¥16.1

(100 million yen)

1,748

Environmental/
volume changes

-45

Effect of exchange fluctuation
Impact of exclusion of Nisshin Transportation from the scope of consolidation

-13

-44

Implement a portfolio strategy

-9

- Domestic: +31
- Global: +14

New orders

+45

New collaborative innovation

+16

+61

1,697

- Domestic/other: -34
- Forwarding/overseas: -27
- Expansion of operations: +16
- Including;
VANTEC Gr. : Domestic: -15
Global: -6

-50

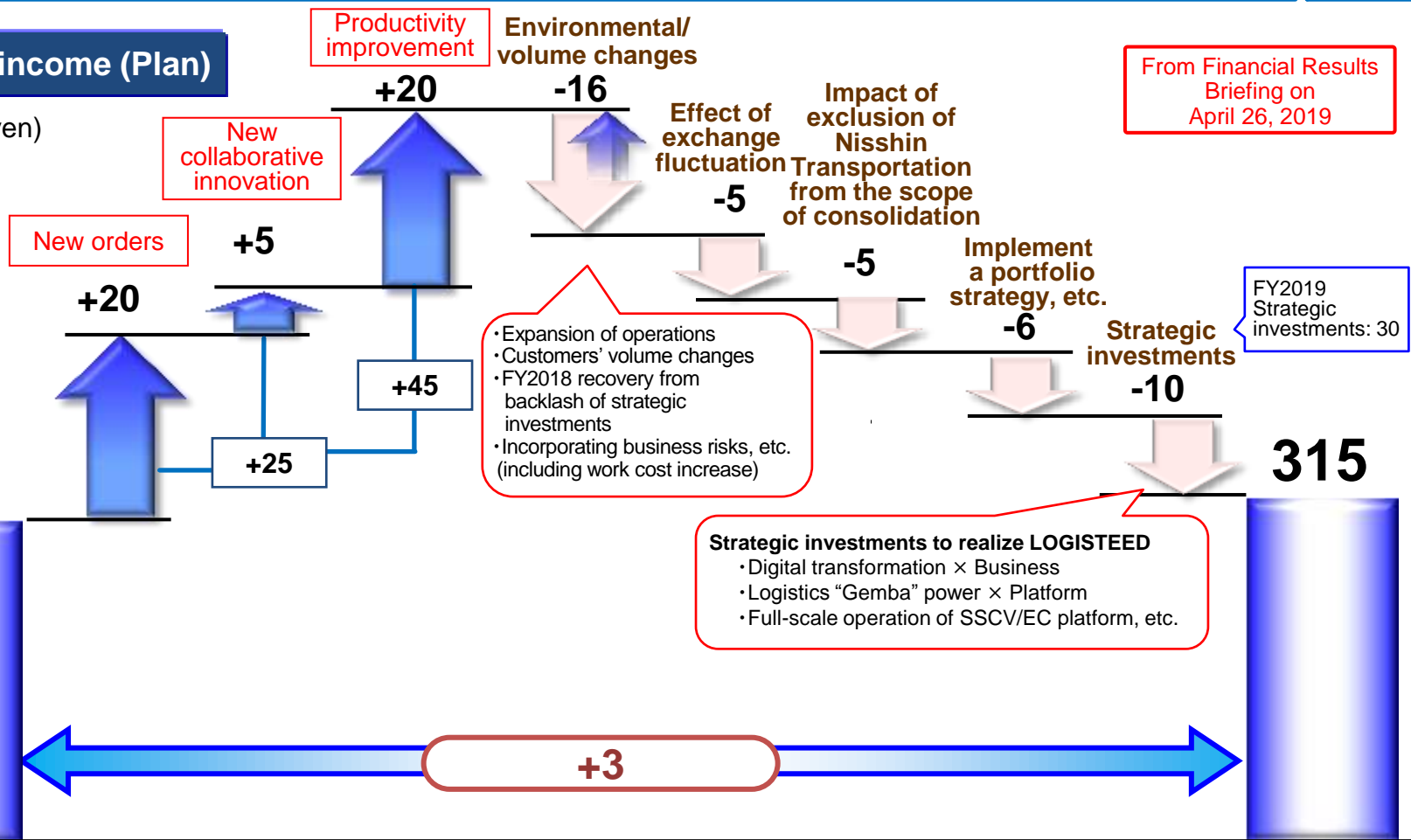
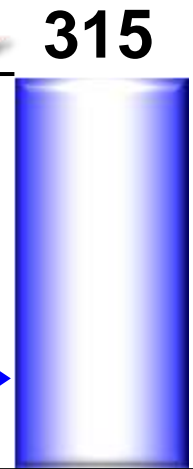
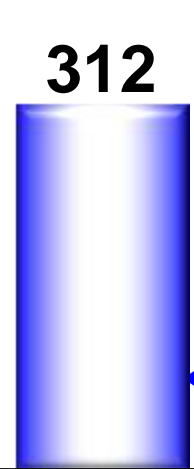
	Environmental/volume changes, etc.			Effect of exchange fluctuation	Impact of exclusion of Nisshin Transportation from the scope of consolidation	Implementation of a portfolio strategy	New orders	New collaborative Innovation	Total
	Other volume changes, etc.	Expansion of operations	Subtotal						
1Q	Domestic	-26	12	-14		-9	31	13	21
	Global	-27	4	-23	-13	-44	14	2	-64
	Other	-8		-8				1	-7
	Total	-61	16	-45	-13	-44	45	16	-50

1Q of FY2018 (Result)

1Q of FY2019 (Result)

Operating income (Plan)

(100 million yen)

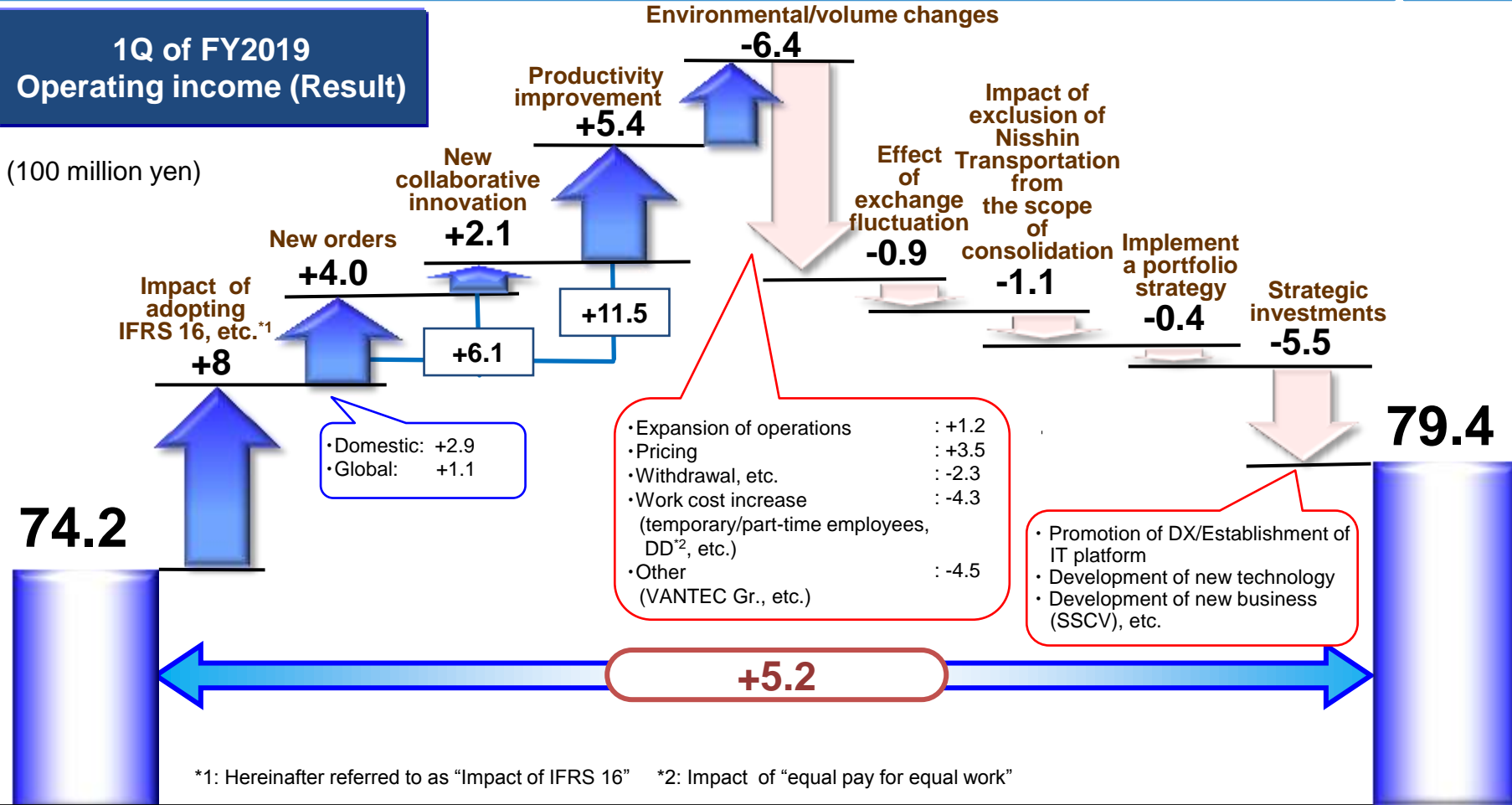


FY2018 (Result)

FY2019 (Plan)

1Q of FY2019 Operating income (Result)

(100 million yen)



*1: Hereinafter referred to as "Impact of IFRS 16" *2: Impact of "equal pay for equal work"

1Q of FY2018 (Result)

1Q of FY2019 (Result)

[Revenues] Plan: 1,706 → Result: 1,697 ··· Almost as expected

(100 million yen)

(Impact of exclusion of Nisshin Transportation from the scope of consolidation, etc.)

[Operating income] Plan: 69.0 → Result: 79.4 ··· Exceeded the plan

Variances of operating income and net income

(100 million yen)

74.2

Operating income

[1Q Plan]

- ✓Strategic investments (DX/New technologies/New businesses, etc.): -6
- ✓Impact of exclusion of Nisshin Transportation from the scope of consolidation: -1
- ✓Effect of exchange fluctuation: -1
- ✓Other: +3

- New orders/Collaborative innovation/ Productivity improvement
- Environmental changes, etc.

-5

69.0

53.0

Net income*

+10.4

- ✓VANTEC: -3
- ✓Organic growth in Japan: +5
- ✓Impact of IFRS 16, etc.: +8

-5.3

- ✓Impact of IFRS 16, etc.: -5

79.4

47.7

*Net income attributable to stockholders of the parent company

1Q of FY2018 (Result)

1Q of FY2019 (Plan)

1Q of FY2019 (Result)



1Q of FY2019 Results (Overseas Results by Region)

9

(Unit: 100 million yen)

	Revenues			Operating Income		
	FY2018	FY2019		FY2018	FY2019	
	1Q	1Q	Y o Y	1Q	1Q	Y o Y
North America	112	110	99%	3.2	2.3	71%
Europe* ¹	181	167	93%	9.7	11.3	116%
Asia (excluding China)	113	101	90%	4.9	3.6	74%
China	123	127	103%	2.4	1.0	41%
Oceania and Others	10	11	109%	0.6	0.4	67%
Elimination of intra-company transactions, etc.* ²	-14	-9	-	-2.6	-0.8	-
Total	523	507	97%	18.2	17.7	98%

*1. Turkey is treated as an European country.

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

1Q of FY2019: Trend of New Orders/New Startups

(Unit: projects)

		FY2018	FY2019	
		1Q	1Q	Y o Y
New Orders	Domestic	3	4	1
	Global	4	3	-1
	Total	7	7	0
New Startups	Domestic	5	5	0
	Global	2	2	0
	Total	7	7	0

(Reference 1) New startups in 1Q

Domestic: [Automobile parts] Warehouse operation/transportation

[Construction machinery]

Operation of "built-in customer warehouse"

[Semiconductor manufacturing equipment]

Outsourcing of factory logistics

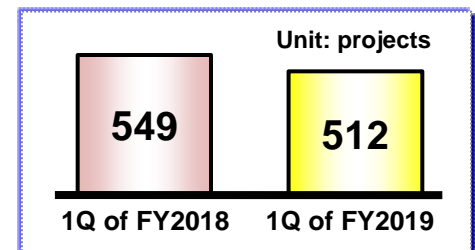
Global: [Construction machinery]

Operation of warehouse for service parts

(Reference 2)

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>





Stacking New Contributions

(Unit: 100 million yen)

			Revenues		Operating income	
			New Contributions		New Contributions	
			1Q results	Full-year plan	1Q results	Full-year plan
Domestic	3PL/Transportation	Cross-selling/optimization	13	-	1.6	-
	Others	Heavy Machinery and Plant Logistics, etc.	0	-	0.1	-
	Subtotal		13	-	1.6	-
Global	3PL/Transportation	Cross-selling/optimization	1	-	0.1	-
	Others	Heavy Machinery and Plant Logistics/ Forw arding, etc.	1	-	0.2	-
	Subtotal		2	-	0.3	-
Others	Others	Vehicles leasing/Travel business, etc.	1	-	0.2	-
	Subtotal		1	-	0.2	-
	3PL/Transportation	Cross-selling/optimization	14	-	1.7	-
	Others	Heavy Machinery and Plant Logistics/ Forw arding, etc.	2	-	0.4	-
Collaborative Innovation Effect			16	60	2.1	5.0
() : Operating margin					(13.0%)	(8.3%)

■ **Progress rate of full-year plan: 27% 42%**

The progress towards the catch-up target of Collaborative Innovation with SG Holdings

→『Going as expected. (Catch-up : 2Q of FY2019(plan))』

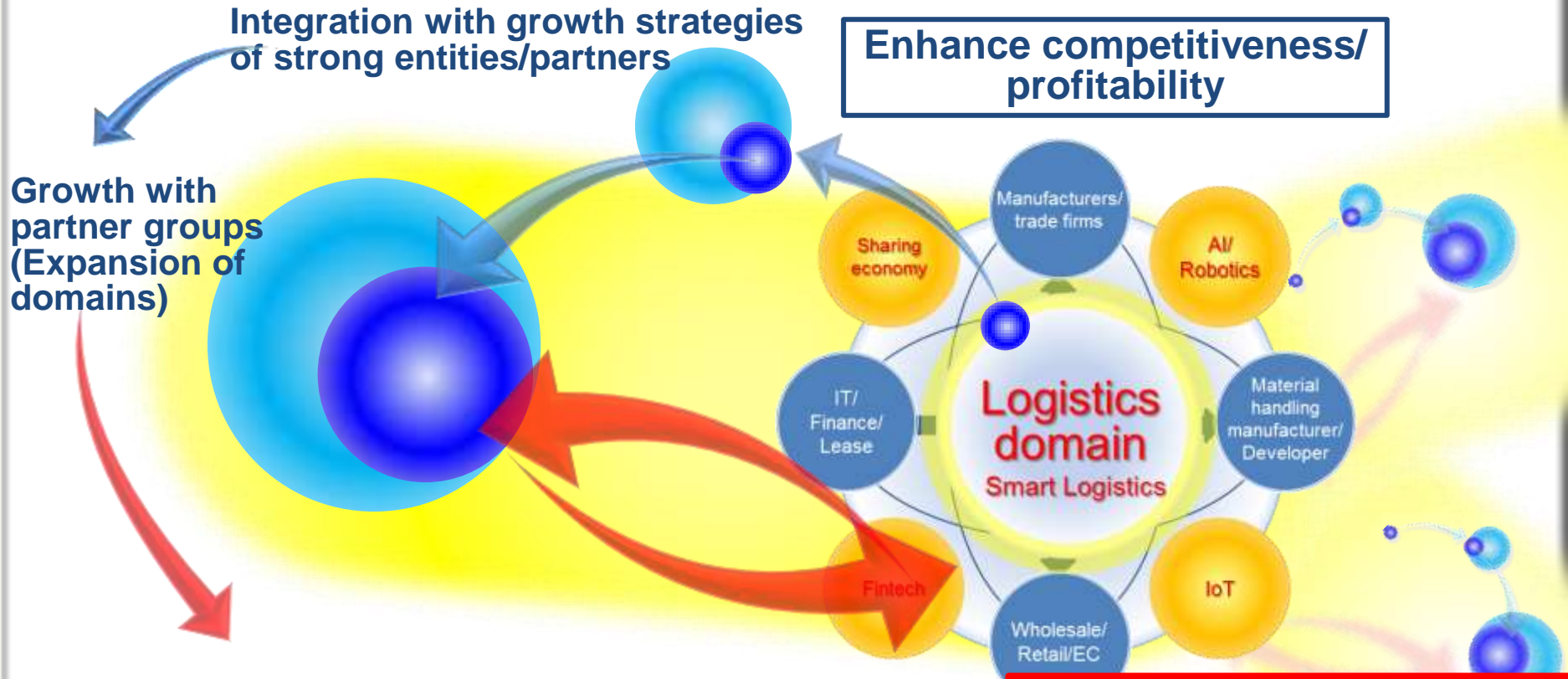
Reference

Results by Business Category (estimated)

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

		1Q of FY2018				1Q of FY2019			
		Revenues	Operating income	Operating margin		Revenues	Operating income	Operating margin	
	Domestic	886	46.2	5.2%	(5.3%)	921	53.1	5.8%	(5.8%)
	Overseas	209	9.8	4.7%	(5.2%)	200	13.5	6.8%	(7.3%)
	3PL	1,094	56.0	5.1%	(5.2%)	1,121	66.7	5.9%	(6.1%)
	Domestic	124	0.3	0.2%	(1.1%)	76	0.3	0.4%	(1.9%)
	Overseas	193	4.8	2.5%	(3.0%)	184	1.6	0.9%	(1.3%)
	Forwarding	317	5.1	1.6%	(2.3%)	260	1.9	0.7%	(1.5%)
	Domestic	168	5.2	3.1%	(4.4%)	154	2.9	1.9%	(3.3%)
	Overseas	121	4.2	3.5%	(3.8%)	117	2.3	2.0%	(2.3%)
	Automobile	289	9.5	3.3%	(4.1%)	270	5.3	1.9%	(2.9%)
	Other services	48	3.7	7.6%	(7.6%)	46	5.6	12.0%	(12.0%)
	Total	1,748	74.2	4.2%		1,697	79.4	4.7%	

*Business category of global company is partly changed in this document. (Total is subdivided figures.) Results presented above reflects this alternation.



- Collaborative innovation with core domains of HTS
- Expansion of business domain with strong business model
- Mutual sustainable growth and improvement of corporate value

Build an ecosystem (to new domain)

Acquire New Growth Opportunities

Outline

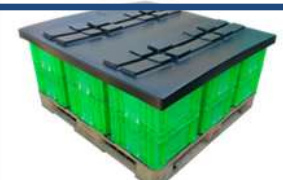
HTS aquired 70% shares of outstanding shares of PALENET CO., LTD., which is a consolidated subsidiary of Hitachi Automotive Systems, Ltd. and engages in the development, sales and rental pallets

*HTS Gr. : Hold 85% (HTS 70%、Vantec 15%)

Purpose

- Establish shared services, including supply management of logistics equipment (PALENET has strengths its unique relay type pallets rental system)
- Strengthen transport digital platform (Combining with vehicle motion control in SSCV*, Visualization the supply chain etc.)

*SSCV : Smart & Safety Connected Vehicle



Schedule

June 27, 2019 : Concluded the share transfer agreement **Aug. 1, 2019 : Aquired shares**



Implement a portfolio strategy for building a solid core domain

Outline

Transferred 70% of shares of Hitachi Travel Bureau (HTB), a wholly owned subsidiary of HTS, to BCD Travel Asia B.V.

*BTM : Business Travel Management

Purpose

■ Expand the global BTM business

In BTM market which is expected significant growth potential in overseas, HTB will expand its business by combining its own corporate travel expertise with the strength and global reach of BCD Travel, one of the world's largest corporate travel management companies.

Schedule

July 1, 2019 : Concluded the share transfer agreement and Implemented share transfer

Realize Collaborative Vehicle Sharing Service with utilizing Hitachi's Lumada solutions

Service contents

- Matching cargo owners and shipping companies with using of a data analytics engine (appropriate dispatch vehicles)
- Joint delivery of multiple owner's cargo
- Efficient use of close-proximity end destinations

Schedule

- June 2019
 - : Started the service for container shipping in Thailand
- Future
 - : Start the service for truck delivery sequentially
 - Expand applications

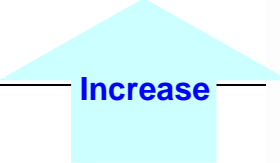
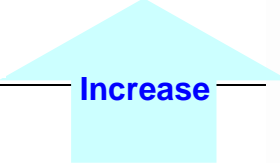
Concept image of this service



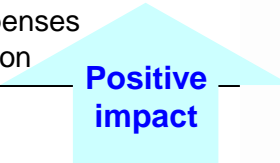
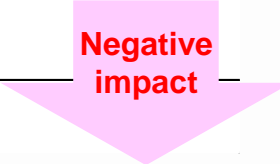
- ✓ **Recognize a right-of-use asset** representing the right to use the underlying leased asset over the lease term and **a lease liability representing the obligation to make lease payments** for nearly all lease transactions
- ✓ Subsequent to recognition of right-of-use-asset and a lease liability, **recognize depreciation** of right-of-use assets and **interest on lease liabilities (interest expenses) separately**

[Major impacts on the Group are as follows]

B/S impact

Item	Impact of adoption
Total assets	Recognition of right-of-use assets 
Total liabilities	Recognition of lease liabilities 
Total equity	

P/L impact

Item	Impact of adoption
Revenues	
Adjusted operating income	<ul style="list-style-type: none"> • Decrease in Rent expenses • Increase in depreciation 
EBIT	
Income before income taxes	<ul style="list-style-type: none"> • Increase in interest expenses 
Net income attributable to stockholders of the parent company	

Impact on financial indicators, etc. (1Q of FY2019)

(100 million yen)	Before adoption	After adoption		Before adoption	After adoption
Total assets	Approx. 6,100	8,795	ROE	9.5%	8.6%
Total equity attributable to stockholders of the parent company ratio	36.7%	25.4%	ROA	3.5%	2.2%