



The 2nd Quarter of FY2019 (Ended September 30, 2019) Financial Results Briefing

 **Hitachi Transport System, Ltd.**

I. 1H of FY2019 Financial Results

Overview, Breakdown by Group, Detail of Variations for Revenues/Operating Income, Overseas Results by Region, Trend of New Orders/New Startups, Collaborative Innovation, Full-year Forecasts

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

Build an Ecosystem, EC Platform, SSCV, Digital Transformation

III. Supplementary Material

Impact of Adopting IFRS 16, Financial Position, Cash Flows, Major Financial Indicators, etc.

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

	FY2018		FY2019						
	1H		1H			Full-year			
	Results		Results		Y o Y		Plan (As of Oct. 30)		Y o Y
					%	Change			
Revenues		3,524	3,408	97%	-116		7,000	99%	
Operating income *	<4.2>	148.5	<4.8>	165.2	111%	16.7	<4.9>	340.0	109%
EBIT (Earnings before interest and taxes)	<4.2>	148.2	<5.7>	195.9	132%	47.7	<5.7>	402.0	111%
Net income attributable to stockholders of the parent company	<2.4>	83.2	<3.2>	108.8	131%	25.6	<3.1>	220.0	97%

* 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		
		1H	Y o Y	1H	Y o Y		
Organic	Domestic logistics	<63>	1,856	104%	111.8	120%	
	Global logistics	Overseas	<29>	847	95%	33.8	105%
		Allocated to domestic companies (forwarding and others)	<6>	167	65%	1.1	(+1.5)
		Total	<34>	1,014	88%	34.9	110%
	Others (logistics-related businesses, etc.)	<3>	93	88%	6.8	90%	
	Total	<100>	2,963	97%	153.5	116%	
Vantec Group	Domestic logistics	<67>	329	91%	13.7	87%	
	Global logistics	Overseas	<33>	164	89%	3.2	62%
		Allocated to domestic companies (forwarding and others)	<0>	0	-	0.0	-
		Total	<33>	164	89%	3.2	62%
	Total	<100>	493	90%	16.9	81%	
Consolidated Adjustment/Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-48	(+13)	-5.2	(-0.1)	
Total	Domestic logistics	<64>	2,175	102%	121.4	115%	
	Global logistics	Overseas	<29>	993	[96%] 95%	35.9	[102%] 99%
		Allocated to domestic companies (forwarding and others)	<4>	152	[92%] 63%	1.1	[+3.7] (+1.5)
		Total	<34>	1,146	[96%] 89%	37.1	[114%] 103%
	Others (logistics-related businesses, etc.)	<3>	86	85%	6.8	90%	
	Total	<100>	3,408	97%	165.2	111%	

✓ Figures in [] are percentages of Y on Y changes excluding the impact of deconsolidation of Nisshin Transportation Gr. (One of them shows a Y on Y difference.)

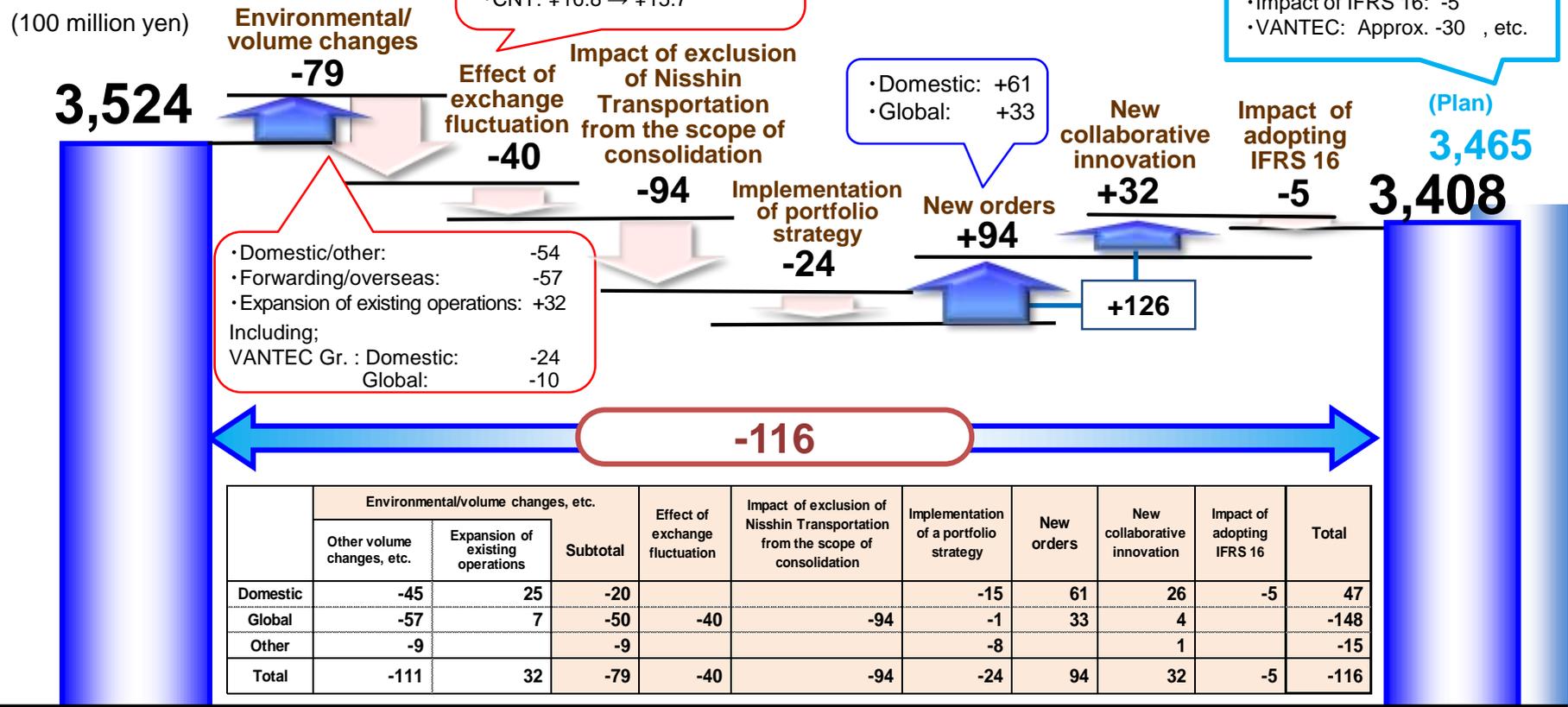


1H of FY2019 Results [Detail of Variations for Revenues]

1H of FY2019 Revenues (Result)

1H of FY2018 → 1H of FY2019
 ·USD: ¥110 → ¥109
 ·EUR: ¥130 → ¥121
 ·CNY: ¥16.8 → ¥15.7

[Deviation from the plan: -57]
 ·Impact of IFRS 16: -5
 ·VANTEC: Approx. -30, etc.



	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	Impact of adopting IFRS 16	Total
	Other volume changes, etc.	Expansion of existing operations	Subtotal							
Domestic	-45	25	-20			-15	61	26	-5	47
Global	-57	7	-50	-40	-94	-1	33	4		-148
Other	-9		-9			-8		1		-15
Total	-111	32	-79	-40	-94	-24	94	32	-5	-116

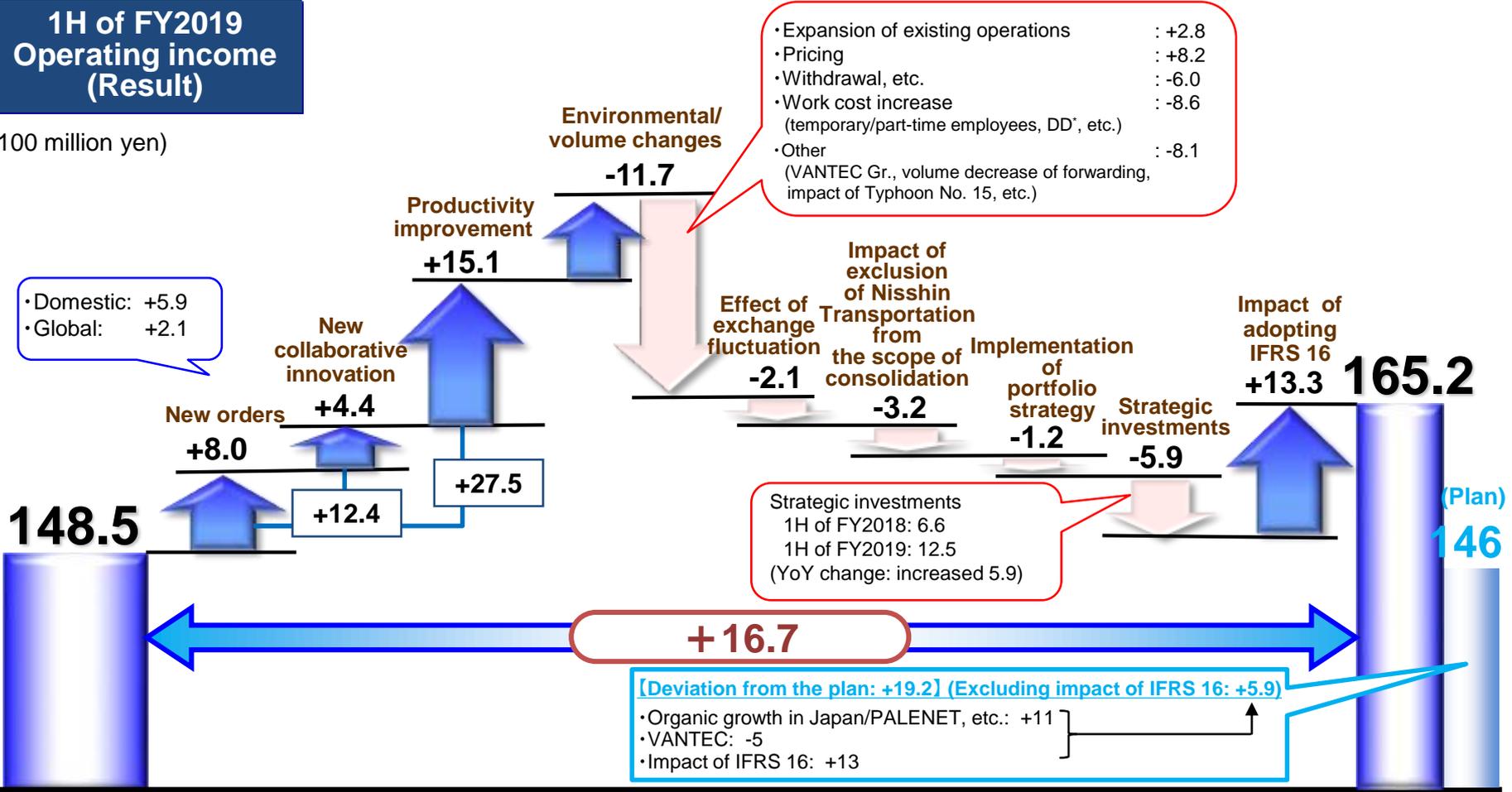
1H of FY2018 (Result)

1H of FY2019 (Result)

**1H of FY2019
 Operating income
 (Result)**

(100 million yen)

• Domestic: +5.9
 • Global: +2.1



1H of FY2018 (Result)

1H of FY2019 (Result)

* Impact of "equal pay for equal work"

(Unit: 100 million yen, rounded off to the nearest integer. () parentheses are operating margins)

	Revenues			Operating income		
	FY2018	FY2019		FY2018	FY2019	
	1H	1H	Y o Y	1H	1H	Y o Y
North America	226	220	98%	6.0	8.3	139%
Europe ^{*1}	353	330	93%	17.4	21.9	126%
Asia (excluding China)	225	202	90%	10.2	6.8	66%
China	257	239	93%	5.4	2.3	42%
Others	19	20	106%	1.5	1.1	74%
Elimination of intra-company transactions, etc. ^{*2}	-29	-17	-	-4.3	-4.5	-
Total	1,050	993	95%	(3.5%) 36.2	(3.6%) 35.9	99%

*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."

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

(Unit: projects)

		FY2018	FY2019	
		1H	1H	Y o Y
New Orders	Domestic	8	11	3
	Global	5	4	-1
	Total	13	15	2
New Startups	Domestic	13	11	-2
	Global	5	3	-2
	Total	18	14	-4

(Reference 1) New startups in 2Q

Domestic: [Books] EC warehouse operation

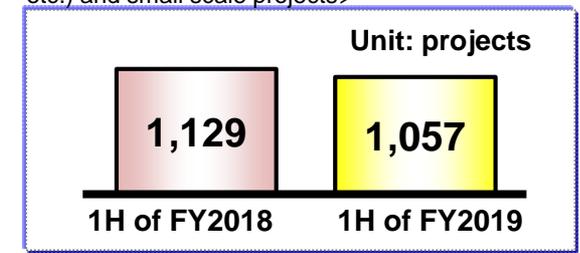
[Clothing/Cosmetics] DC warehouse operation/delivery

[Automobile parts] Operations at customer's warehouse

Global: [Foods] Chilled/dry warehouse operation

(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>



Operation of construction machinery parts center



Place: Singapore
Operation: from April

DC operation for a cosmetics company



Place: Chubu area
Operation: from July

Transportation of the fuel cell bus



Using the specialized trailer
(From Ishikawa to Tokyo)

■ Performance in 1H of FY2019/ Stacking New Contributions

(Unit: 100 million yen)

	Revenues	Operating income
Domestic	26	3.5
Global	4	0.7
Other	1	0.2
Collaborative innovation effect	32	4.4

Targets for the collaborative innovation with SG Holdings:

Caught up the target of ¥20 billion of revenues in September 2019 and ¥2 billion of operating income in August 2019

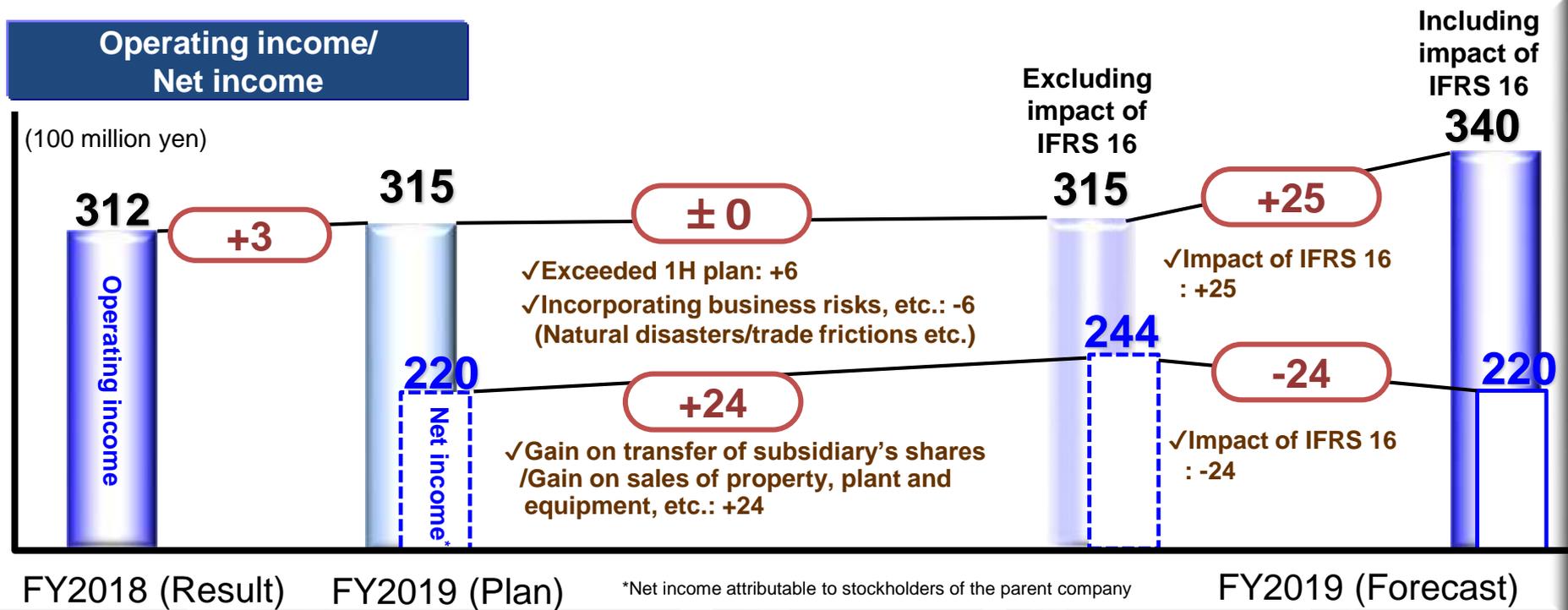
➔ Create further effect of collaborative innovation

[Revenues] (Unit: 100 million yen)

Plan: 7,000 ··· **No change from the initial plan**

[Operating income] (Unit: 100 million yen)

Plan: 315 → **Forecast: 340** ··· **Including impact of adopting IFRS 16 etc.**



Forecasts were adjusted for businesses which deviated from the plan in 1H as shown below.

VANTEC Group*

(Unit: 100 million yen)

	1H		2H		Full-year	
	Revenues	Operating income	Revenues	Operating income	Revenues	Operating income
FY2018 (Results)	535	24	542	26	1,078	49
FY2019 (Plan)	525	23	548	31	1,072	54
FY2019 (Forecasts)	Result 496	Result 18	490	25	986	43

Incorporated volume decrease due to the impact of customers' business environment

ASIA region*

	1H		2H		Full-year	
	Revenues	Operating income	Revenues	Operating income	Revenues	Operating income
FY2018 (Results)	229	13	268	14	497	27
FY2019 (Plan)	223	12	230	14	453	26
FY2019 (Forecasts)	Result 214	Result 9	216	12	430	21

Incorporated a revenue decline in forwarding business in India and Thailand

China region*

	1H		2H		Full-year	
	Revenues	Operating income	Revenues	Operating income	Revenues	Operating income
FY2018 (Results)	230	6	241	4	471	10
FY2019 (Plan)	241	6	242	6	484	12
FY2019 (Forecasts)	Result 231	Result 3	189	4	421	7

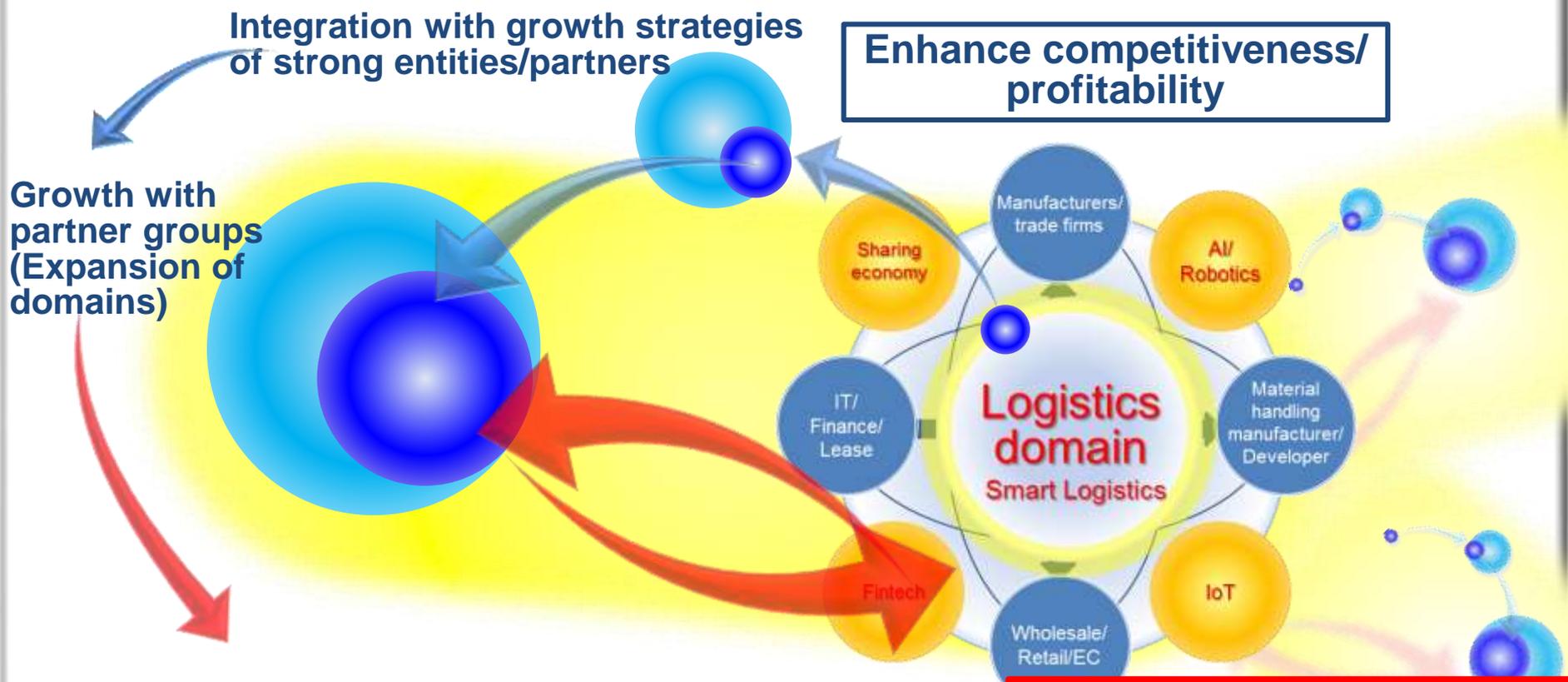
Incorporated a revenue decline in forwarding business due to economic recessions and the U.S. – China trade friction

*Performance by business (before IFRS reclassification (including leases) and allocation of certain corporate expenses)



Strategies of Mid-term Management Plan

(Enhance the Core Domain and Acquire New Growth Opportunities)

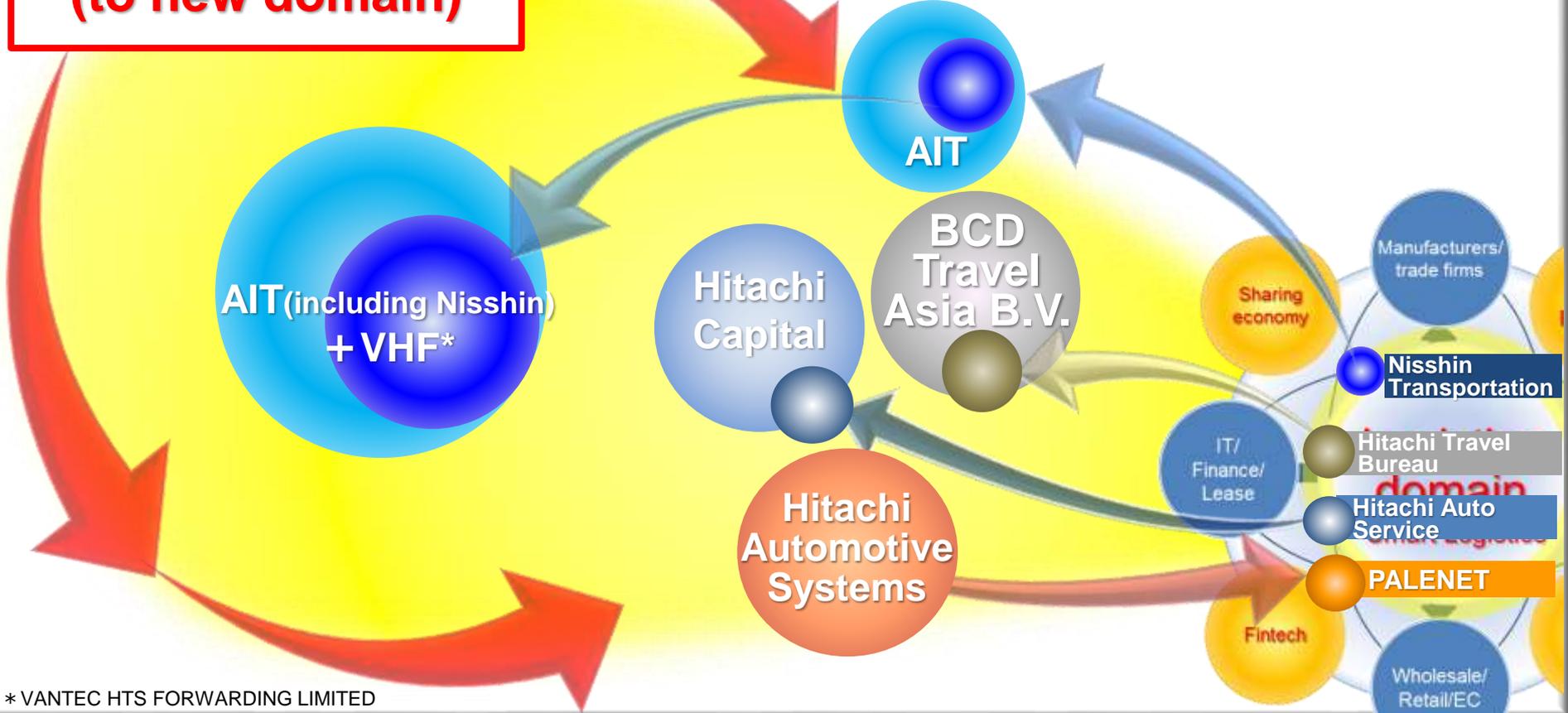


- Collaborative innovation with core domains of HTS
- Expansion of business domain with strong business model
- Mutual sustainable growth and improvement of corporate value

Build an ecosystem (to new domain)

Build an ecosystem (to new domain)

- Feb. 2019 : Transferred 40% shares of Hitachi Auto Service to Hitachi Capital
- Mar. 2019 : Exchanged 100% shares of Nisshin for 20% shares of AIT
- Jul. 2019 : Transferred 70% shares of Hitachi Travel Bureau to BCD
- Aug. 2019 : Acquired 70% shares of PALENET from Hitachi Automotive Systems



* VANTEC HTS FORWARDING LIMITED

EC platform center (Operation started Sep. 2019・Saitama Pref.)



Characteristics

- Apply same operation for multiple owners
- Introduce simple “Pay per use” method
- Save labor by approx. 70% compared with the conventional models by introducing automation and on-demand technology

Support expansion of customers' EC

New technology of supporting thorough automation/labor saving



Automatic shipping box making machine



Automatic conveyor system



AGV picking



Image recognition inspection system (Preparing to introduction)



Automatic delivery slips feeder



Automatic sealer machine

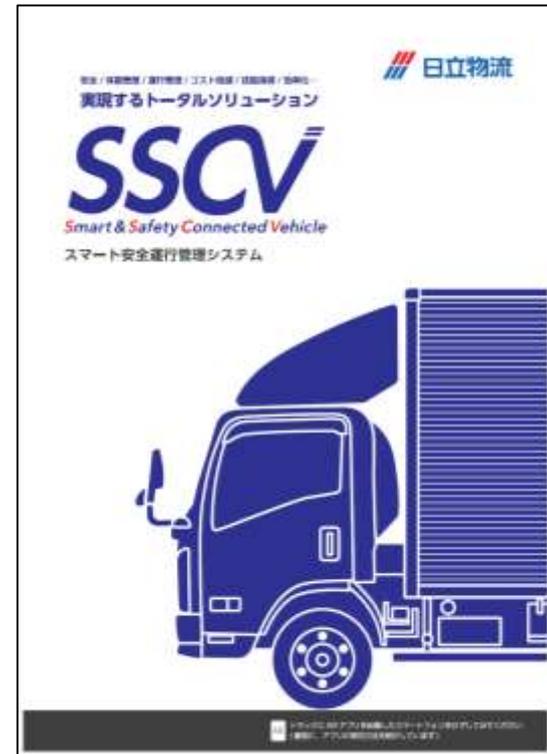
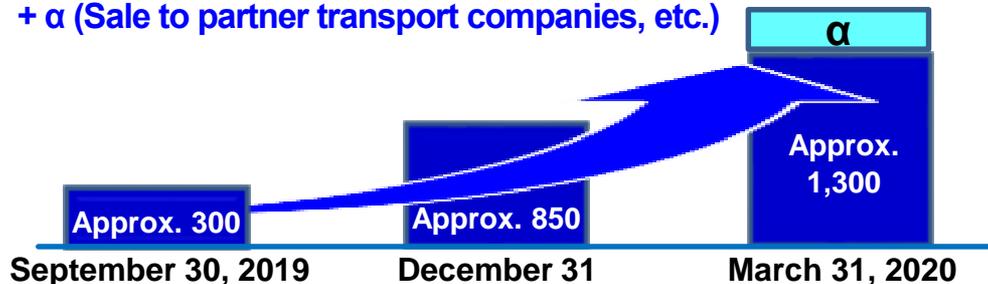


On-demand printer (Logo printing)

Aim at realization of zero-accident society —Full-scale operation of SSCV solution—



【Number of installation in FY2019】 —SSCV-safety—
Install in 1,300 domestic group vehicles
+ α (Sale to partner transport companies, etc.)



Brochure using AR technology
 (Auto-play movie starts when a smartphone is held over the brochure)
 *Need to download a dedicated application to play the movie.

Sophisticate logistics domain using 5G (starts joint study with KDDI)

Realize “safe/secure” “streamlined” “optimized” logistic space using next-generation high-speed communication/image recognition technologies

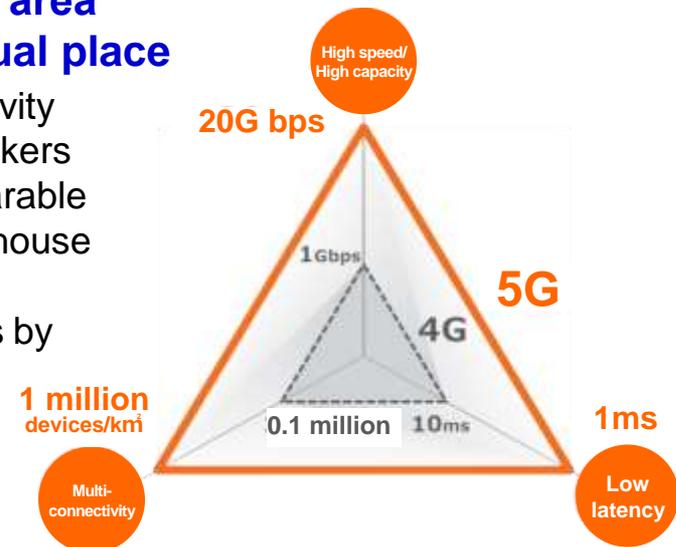
Outline of the verification experiment

✓ Establish 5G environment for HTS’s assets in Tokyo area and conduct various verification experiments in actual place

- Check health condition and movement in real time with AI’s activity recognition to establish safe and comfortable workplace for workers
- Use multiple devices including high-definition cameras and wearable devices to realize optimized and streamlined operation in warehouse through optimum allocation of workers
- Increase speed and achieve labor-saving in various inspections by using image recognition technologies and AI

✓ Verify basic technology using KDDI’s business development base “KDDI DIGITAL GATE”

<Term: November 2019 – October 2020>





Supplementary Material

Impact of Adopting IFRS 16,
Financial Position, Cash Flows, etc.

		【Before adoption of IFRS16】 1H of FY2019	influent amount	【After adoption of IFRS16】 1H of FY2019
Total assets	(100 million yen)	6,111	2,669	8,780
Total equity attributable to stockholders of the parent company	(100 million yen)	2,287	-12	2,275
Revenues	(100 million yen)	3,412	-5	3,408
Adjusted Operating Income	(100 million yen)	152	13	165
Net income attributable to stockholders of the parent company	(100 million yen)	121	-12	109
Return on equity (ROE)	(%)	10.7*	-1.0	9.7*
Return on assets (ROA)	(%)	3.9*	-1.4	2.5*

* : Annualized rate.

(Unit : 100 million yen)

	FY2018	FY2019	
	As of Mar. 31, 2019	As of Sep. 30, 2019	Y o Y
(Assets)			
Current assets	2,587	2,524	-62
Non-current assets	3,539	6,255	2,716
Total	6,125	8,780	2,654
(Liabilities)			
Current liabilities	1,225	1,598	373
Non-current liabilities	2,611	4,842	2,231
Total	3,836	6,440	2,604
(Equity)			
Equity attributable to stockholders of the parent company	2,223	2,275	51
Non-controlling interests	66	65	-1
Total	2,289	2,340	50
Total liabilities and equity	6,125	8,780	2,654



(Unit : 100 million yen)

	FY2018	FY2019	
	1H	1H	Y o Y
Net cash provided by operating activities	153	392	239
Net cash used in investing activities	-68	-30	39
Net cash provided by (used in) financing activities	334	-224	-557
Effect of exchange rate changes on cash and cash equivalents	4	-7	-11
Net increase in cash and cash equivalents	423	131	-291
Cash and cash equivalents at beginning of year	635	1,084	449
Cash and cash equivalents at end of year	1,058	1,215	158

Financial Indicators etc.

		FY2018		1H of FY2019	
Total equity attributable to stockholders of the parent company* ¹	(100 Million yen)	36.3	2,223	25.9	2,275
Total equity per share attributable to stockholders of the parent company	(Yen)		1,993.25		2,039.34
Basic earnings per share attributable to stockholders of the parent company	(Yen)		204.27		97.56
Return on equity (ROE)	(%)		10.7		9.7 ^{*2}
Return on assets (ROA)	(%)		3.9		2.5 ^{*2}
Price book-value ratio (PBR)	(Ratio)		1.65		1.55

*1. ○ indicates total equity attributable to stockholders of the parent company ratio(%). *2. Annualized rate.

Major Operating Expenses

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

	FY2018		FY2019			
	1H		1H		Y o Y	
					% change	change
Subcontract Expenses	(51.0)	1,795.7	(49.3)	1,679.6	94%	-116.1
Personnel Expenses	(23.8)	838.9	(23.9)	813.1	97%	-25.8
Rent Expenses	(7.7)	270.1	(3.3)	113.0	42%	-157.1
Depreciation Expenses	(2.7)	94.8	(7.6)	258.3	272%	163.5

·By adopting IFRS 16 "Leases", some expenses that were treated as Lease Expenses (Rent Expenses) last year are divided into Depreciation and Interest expenses (Outside Operating Expenses) from this fiscal year.

Capital Expenditures

(Unit: 100 million yen)

	FY2018		FY2019
	1H	Full Year	1H
Purchased Assets ^{*1}	89.6	177.6	90.7
(Reference) Leased Assets ^{*2}	113.1	393.1	35.6

*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)

	FY2018		FY2019
	1H	Full Year	1H
Regular Employees	25,396	24,139	24,248
Part time/temporary/ other employees ^{*2}	23,138	22,156	21,827
Total	48,534	46,295	46,075

*1. Excludes employees of associates accounted for by the equity method.

*2. Includes employees who were reemployed after reaching mandatory retirement age.

Reference Results by Business Category (estimated)

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

		1H of FY2018 (Result)			1H of FY2019 (Result)		
		Revenues	Operating income	Operating Margin	Revenues	Operating income	Operating margin
	Domestic	1,793	92.7	5.2% (5.2%)	1,872	111.5	6.0% (6.0%)
	Global	410	18.4	4.5% (5.0%)	394	25.3	6.4% (6.9%)
3PL		2,203	111.1	5.0% (5.2%)	2,266	136.8	6.0% (6.2%)
	Domestic	242	0.1	0.0% (0.9%)	152	1.2	0.8% (2.2%)
	Global	394	11.2	2.8% (3.4%)	356	2.9	0.8% (1.3%)
Forwarding		635	11.3	1.8% (2.4%)	508	4.1	0.8% (1.6%)
	Domestic	339	9.5	2.8% (4.1%)	311	8.2	2.6% (4.0%)
	Global	243	6.5	2.7% (3.0%)	230	7.1	3.1% (3.4%)
Automobile		582	16.0	2.8% (3.6%)	541	15.4	2.8% (3.8%)
Other services		104	10.0	9.7% (9.7%)	92	9.0	9.7% (9.7%)
Total		3,524	148.5	4.2%	3,408	165.2	4.8%

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